

Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. stocks sank and gold surged as investors took a defensive stance amid renewed concern about the economic impact of the coronavirus as it spreads outside of China.

	2/14 Close	2/21 Close	Price Change
Dow Jones	29,398	28,992	Down 1.4%
S&P 500	3,380	3,338	Down 1.3%
NASDAQ	9,731	9,577	Down 1.6%
KBW Bank Index	109.23	108.01	Down 1.1%

Financials

- Regulators closed no additional banks last week, leaving year-to-date closures at one.
- JPMorgan Chase and Goldman Sachs are the latest to sign on to a new equity market that will compete with the New York Stock Exchange and Nasdaq; the firms follow nine other financial heavyweights backing Members Exchange (MEMX), which plans to launch on July 24, pending approval from the Securities and Exchange Commission.
- Morgan Stanley agreed to buy E*Trade Financial Corp. for \$13 billion last week, adding the retail brokerage to its Wall Street powerhouse and continuing the industry's consolidation.

Credit Markets

- Apple Inc.'s revenue warning linked to the virus outbreak in China drove investors into U.S. Treasuries as a haven, with demand most pronounced in longer-term bonds.

	2/14 Close	2/21 Close	Yield Change
3-month Tsy	1.57%	1.55%	Down 2 bps
2-year Tsy	1.43%	1.36%	Down 7 bps
5-year Tsy	1.42%	1.32%	Down 10 bps
10-year Tsy	1.59%	1.47%	Down 12 bps

Treasury/Fed/Administration/Congress

- Minutes from the January FOMC meeting indicate that the Federal Reserve could leave interest rates unchanged for many more months amid concerns about a persistent undershoot of their inflation goal, potential room to further boost employment and risks stemming from the coronavirus and trade. While the coronavirus is reducing growth in China and throughout Asia, the impact to the U.S. economy should be short-lived, according to Federal Reserve officials.

Economy

- U.S. new-home construction remained robust in January with only slight declines, while building permits rose to the highest level since 2007 as low mortgage rates and a solid labor market continued to fuel housing demand.
- Sales of previously owned U.S. homes beat expectations in January, easing 1.3% from December to a 5.46 million annual rate, according to National Association of Realtors data released last week. There will likely be downward pressure in the coming months due to weakness in pending home sales.
- Core producer prices rose 1.7% in January from a year earlier, topping all forecasts in a Bloomberg survey of economists last week. Including food and energy, the index rose 0.5% from the prior month and 2.1% from a year ago.
- U.S. business activity shrank in February according to the IHS Market composite PMI for the first time since 2013 as the coronavirus hit supply chains and made firms hesitant to place orders.

This Week

Economic data scheduled to be released this week include new home sales, pending home sales, personal spending, inventories and a second reading of 4th quarter GDP.

Quote

“Silent gratitude isn’t very much use to anyone.”

-- Gertrude Stein

The source for the information above is Bloomberg News unless otherwise noted.

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