

Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

Mar. 9, 2020

SMITH
SHELLNUT
WILSON

SSW Research Department
Office: (601) 605-1776
Email: rayt@sww1776.com
Website: www.ssw1776.com

Equity Markets

- Broad-based U.S. stock indexes closed a volatile week at a gain.

	2/28 Close	3/6 Close	Price Change
Dow Jones	25,409	25,865	Up 1.8 %
S&P 500	2,954	2,972	Up 0.6%
NASDAQ	8,567	8,576	Up 0.1 %
KBW Bank Index	91.62	83.88	Down 8.4 %

Financials

- Regulators closed no additional banks last week, leaving year-to-date closures at one.

Credit Markets

- U.S. Treasury yields plummeted sharply last week.

	2/28 Close	3/6 Close	Yield Change
3-month Tsy	1.28%	0.46%	Down 82 bps
2-year Tsy	0.92%	0.51%	Down 41 bps
5-year Tsy	0.94%	0.61%	Down 33 bps
10-year Tsy	1.15%	0.76%	Down 39 bps

- Federal funds futures last week priced in an additional 100 basis-point cut in the fed funds target range by year end after a surprise March 3rd inter-meeting half-point reduction in the fed funds target range by the Fed, as central bank policy makers around the world indicated that they will act as needed to stabilize financial markets in light of the growing coronavirus threat.
- LIBOR, one of the world's most important short-term rates, staged its biggest one day drop in more than a decade last week after the Federal Reserve pre-emptively lowered its target fed funds range, suggesting that markets are bracing for even lower U.S. borrowing costs in the face of the spreading coronavirus.

Treasury/Fed/Administration/Congress

- G7 finance ministers and central bank heads released a statement last week regarding their efforts to address the coronavirus outbreak that--the statement short of the coordinated policy response comprising both fiscal and monetary policy actions anticipated by market participants.

Economy

- A key gauge of the health of the manufacturing sector retreated to a near-stagnation reading in February amid mounting concern that the U.S. economy won't be able to dodge a hit from the coronavirus; the ISM manufacturing index slid to 50.1 in February from 50.9 in January, led by the biggest drop in the production component of the index since 2018.
- The Organization for Economic Cooperation and Development lowered its forecast for world economic growth by 0.5% last week to 2.4%, noting that the continuing economic impacts of the coronavirus spread may ultimately lower world economic growth to 1.5% this year before rebounding to 3.3% in 2021.
- America's service industries in February enjoyed the fastest growth in a year on a surge in orders, indicating momentum in the largest component of the economy just as coronavirus concerns started to become more widespread.
- Orders placed with factories for business equipment increased in January by the most in a year, representing a respite in the corporate investment slowdown that weighed on the economy last year.
- U.S. employment surged in February, indicating that the labor market was on solid footing before the coronavirus intensified; payrolls rose a solid 273,000 last month after the prior month's gain was revised up to also reflect a 273,000 gain.

This Week

Economic data scheduled to be released this week include consumer and producer price indexes and consumer sentiment for March.

Quote

"History never looks like history when you are living through it."

-- John W. Gardner

Smith Shellnut Wilson, LLC
661 Sunnybrook Road, Suite 130
Ridgeland, MS 39157-1813
Office: (601) 605-1776
Fax: (601) 605-1710
Website: www.ssw1776.com
