

Financial Week Newsletter

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SHELLNUT
WILSON

...as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. stock indexes posted sharp losses last week as economic support and volatility containment measures by policy makers fell flat.

	3/6 Close	3/13 Close	Price Change
Dow Jones	25,865	23,186	Down 10.4%
S&P 500	2,972	2,711	Down 8.8%
NASDAQ	8,576	7,875	Down 8.2%
KBW Bank Index	83.88	74.55	Down 11.1%

Financials

- Regulators closed no additional banks last week, leaving year-to-date closures at one.
- Businesses reworking trillions of dollars worth of loans and derivatives tied to the scandal-tinged London Interbank Offered Rate (LIBOR) got relief last week from the Financial Accounting Standards Board, issued as ASC 848, that allows continuation of hedge accounting treatment for contracts in the event of a reference rate substitution.
- The Federal Reserve is in talks with banks about potential leniency if lenders temporarily breach key liquidity thresholds in order to fund additional loans to consumers and businesses.

Credit Markets

- U.S. Treasury yields closed mixed last week after the New York Federal Reserve disclosed operational details of its expanded reserve management program.

	3/6 Close	3/13 Close	Yield Change
3-month Tsy	0.46%	0.27%	Down 19 bps
2-year Tsy	0.51%	0.49%	Down 2 bps
5-year Tsy	0.61%	0.72%	Up 11 bps
10-year Tsy	0.76%	0.96%	Up 20 bps

Treasury/Fed/Administration/Congress

- The Federal Reserve, in a surprise move last week, effectively re-instated its quantitative easing program by offering \$1 trillion in liquidity to banks through its repurchase agreement facilities; if the banks take the Fed up on all the funding being offered, its balance sheet would increase to a record high of more than \$5 trillion.
- In an unscheduled meeting over the weekend, the Fed lowered the fed funds target range by an additional 100 basis points, to a range of 0.00–0.25%, in an attempt to lessen the impact of the coronavirus spread on U.S. economic growth.
- President Donald Trump declared a national emergency last Friday over the coronavirus outbreak; invoking the Stafford Act to open the door to more federal aid for states and municipalities to combat the spread of the virus.

Economy

- A key measure of U.S. consumer prices rose in February, the most in five months, highlighting that inflation was strengthening prior to any impact from the coronavirus outbreak.
- Core producer prices rose by 2.4% on a year-over-year basis in February, the highest level in five months, after rising 1.7% on a yearly basis in January.
- U.S. consumer sentiment fell slightly less than forecasted in March amid stock market declines and the growing coronavirus outbreak; nonetheless, the underlying survey data suggest that additional declines in confidence are still likely to occur.

This Week

Economic data scheduled to be released this week include retail sales, housing starts, existing home sales, and the Conference Board's leading economic index.

Quote

“Short-term volatility is greatest at turning points and diminishes as a trend becomes established.”

-- George Soros

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