

# Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

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## Equity Markets

- U.S. equity indexes posted sharp losses last week as markets lost confidence in the effectiveness of further U.S. government intervention measures.

	<u>3/13 Close</u>	<u>3/23 Close</u>	<u>Price Change</u>
Dow Jones	23,186	19,174	Down 17.3%
S&P 500	2,711	2,305	Down 15.0%
NASDAQ	7,875	6,880	Down 12.6%
KBW Bank Index	74.55	60.56	Down 18.8%

## Financials

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

## Credit Markets

- U.S. Treasury yields plummeted last week on a continued flight to quality.

	<u>3/13 Close</u>	<u>3/23 Close</u>	<u>Yield Change</u>
3-month Tsy	0.27%	0.02%	Down 25 bps
2-year Tsy	0.49%	0.32%	Down 17 bps
5-year Tsy	0.72%	0.46%	Down 26 bps
10-year Tsy	0.96%	0.85%	Down 11 bps

- BMO Capital Markets suggested in a note to clients last week that the Fed may consider putting a yield cap on short- and intermediate-term U.S. Treasury securities in order to put a ceiling on those interest rates to ensure that the Fed's current low-rate policy remains firmly anchored.

## Treasury/Fed/Administration/Congress

- The U.S. central bank is weighing whether to expand the scope of its interventions in the financial markets to include a term auction facility (last used during the financial crisis) and the possibility of asset purchases of municipal bonds.

## Treasury/Fed/Administration/Congress (cont'd)

- FDIC Chairman Jelena Williams sent a rare request to U.S. accounting rulemakers asking them to hold off on making banks comply with major new credit loss accounting rules.
- The U.S. Treasury is considering issuing 25-year and 50-year bonds, which would represent new maturities, to help fund the potential \$1.3 trillion economic stimulus package, according to people familiar with the matter.

## Economy

- A gauge of manufacturing in the State of New York plunged in March by the most on record, offering one of the first signs of the toll the coronavirus may exact on domestic producers and the economy.
- The unchanged February control group retail sales tally provides further evidence that the economy was in reasonable shape before the coronavirus struck, but is unlikely to prevent spending from falling sharply over the next few months.
- Industrial production rose in February a decent 0.6%, but manufacturing output barely edged up and likely will begin to fall in March as domestic demand sinks.
- U.S. home construction and existing home sales posted stronger-than-expected results in February, a month before the coronavirus pandemic injected uncertainty into the economy.
- The Conference Board's leading economic index remained in positive territory on a year-over-year basis in February, skirting a negative reading that is often a precursor to recession.

## This Week

Economic data scheduled to be released this week include durable goods orders, personal income and spending, and consumer confidence.

## Quote

“One may go a long way after one is tired.”

-- French Proverb

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

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