Financial Week Newsletter

Jan. 11, 2021

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. equity indexes posted solid returns last week on the back of positive economic readings.

	12/31 Close	1/8 Close	Price Change
Dow Jones	30,606	31,098	Up 1.6%
S&P 500	3,756	3,825	Up 1.8%
NASDAQ	12,888	13,202	Up 2.4%
KBW Bank Index	97.91	106.31	Up 8.6%

- Haven, a joint health-care venture between Amazon, Brookshire Hathaway and JPMorgan, plans to shut down at the end of February, according to a company spokeswoman; the three companies will continue to collaborate informally and will work on programs for their own employees.

Financials

- Regulators closed no additional banks last week; year-to-date closures are zero.

- Banks will get accounting relief on two fronts under the new stimulus bill: delayed implementation of the current expected credit losses (CECL) accounting standard (for banks that have not already implemented it) through the earlier of January 1, 2022 and whenever the pandemic national state of emergency is declared over; suspension of accounting rules for troubled debt restructurings through January 1, 2022.

Credit Markets

- U.S. Treasury yields rose last week with the ten-year Treasury note rising above the 1% mark for the first time since the coronavirus outbreak, as the yield curve steepened.

	12/31 Close	1/8 Close	Yield Change
3-month Tsy	0.07%	0.08%	Up 1 bp
2-year Tsy	0.12%	0.14%	Up 2 bps
5-year Tsy	0.36%	0.48%	Up 12 bps
10-year Tsy	0.92%	1.12%	Up 20 bps

- Traders see U.S. inflation averaging at least 2% per year over the coming decade, the first-time expectations have climbed that high in two years; the ten-year breakeven rate between nominal Treasury yields and inflation-linked Treasuries rose above 2% last week for the first time since 2018.

Treasury/Fed/Administration/Congress

- The Federal Reserve's new policy framework and commitments have been effective at convincing markets that the central bank will be more dovish for years to come according to remarks by former Fed Chairman Ben Bernanke at the American Economic Association annual meeting, noting that "financial markets don't see rates being increased for something like four years."

- According to Federal Reserve Bank of Chicago Charles Evans, overshooting inflation to the tune of 2.5% is likely to be more helpful than not--"we'll average 2% more quickly and will move up inflation expectations," according to the central banker.

- FOMC minutes released last week showed that there was unanimous support among Committee members to continue the current pace of asset purchases until there has been "substantial further progress" toward the Fed's employment and inflation goals.

Economy

- U.S. construction spending rose solidly in November, boosted by a robust housing market and historically low mortgage rates; the Commerce Department reported last week that construction spending increased 0.9% in November after a revised 1.6% increase in October.

- A report released by the Commerce Department last week showed that new orders for U.S. manufactured goods increased by a greater-than-expected 1% in November, after jumping by and upwardly-revised 1.3% in October.

- New jobless claims unexpectedly steadied below 800,000 at the turn of the new year but still held at an historically elevated level, as the labor market struggled to regain traction amid the ongoing pandemic.

- Growth at U.S. service providers unexpectedly accelerated in December as gains in business activity and new orders helped offset a decline in a measure of employment.

- U.S. job growth turned negative in December for the first time since April, with non-farm payrolls falling by 140,000 in December, leaving the economy nearly 10 million jobs short of its pre-pandemic level.

This Week

Economic data scheduled to be released this week include retail sales and consumer sentiment.

Quote

"Always remember lost, so that you don't take found for granted."

-- Terri Guillements

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

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