

Financial Week Newsletter

March 1, 2021

SMITH
SHELLNUT
WILSON

INVESTMENT COUNSEL
AND MANAGEMENT

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

...as summarized by Smith Shellnut Wilson

Equity Markets

- Broad-based U.S. equity indexes fell last week as a spike in bond yields stoked worries about lofty valuations.

	<u>2/19 Close</u>	<u>2/26 Close</u>	<u>Price Change</u>
Dow Jones	31,494	30,932	Down 1.8%
S&P 500	3,907	3,811	Down 2.5%
NASDAQ	13,874	13,192	Down 4.9%
KBW Bank Index	113.92	113.40	Down 0.5%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- FDIC-insured financial institutions reported net income of \$59.9 billion in the fourth quarter of 2020, a 9.1% increase from the year-earlier period, with community banks posting a 21.2% increase; for the quarter, net interest margins remained largely unchanged at record low levels, while asset-quality metrics remained stable.

Credit Markets

- U.S. Treasury yields spiked last week on reflation fears.

	<u>2/19 Close</u>	<u>2/26 Close</u>	<u>Yield Change</u>
3-month Tsy	0.03%	0.04%	Up 1 bp
2-year Tsy	0.11%	0.13%	Up 2 bps
5-year Tsy	0.58%	0.73%	Up 15 bps
10-year Tsy	1.34%	1.41%	Up 7bps

- The first-ever non-financial corporate bond linked to the nascent Secured Overnight Financing Rate, a \$500 million offering by the energy transport company, Enbridge, Inc., has the potential to pave the way for a swath of similar deals in the months ahead, according to analysts at Goldman Sachs, who expect the officially-preferred alternative to dollar LIBOR to gain traction among non-bank issuers.

Treasury/Fed/Administration/Congress

- Federal Reserve Chairman Jerome Powell, in comments before the Senate Banking Committee last week, signaled that the central bank was nowhere close to pulling back on its support for the pandemic-damaged U.S. economy even as he voiced expectations for a return to more normal activity later this year.

Economy

- U.S. home prices accelerated in the final month of 2020 at the fastest pace in eight years, topping off what was a record year for the housing market despite the COVID-19 pandemic; the S&P CoreLogic Case-Shiller index of national home prices posted a 10.4% annual gain in December, up from 9.5% in November.
- The Conference Board's leading economic index rose 0.5% in January, after increases of 0.4% and 0.9%, respectively, in December and November; on a year-over-year basis, the index was down 1.5% in January, after having steadily risen from a sharp -13.2% reading in April of 2020 at the height of the pandemic.
- Sales of new U.S. homes rose by 4.3% in January to a three-month high as buyers took advantage of low mortgage rates.
- U.S. personal incomes soared in January as Americans received another round of pandemic-relief checks, helping to re-charge the economy with the strongest spending advance in seven months; the 10% gain in incomes exceeded forecasts and followed a 0.6% gain in December, while purchases increased by 2.4% from the prior month, following a downwardly-revised 0.4% decline in December.
- Orders for U.S. durable goods surged by 3.4% in January, the biggest gain in six months, fueled in part by equipment demand that points to another strong quarter for business investment.

This Week

Economic data scheduled to be released this week include readings on the health of the manufacturing and services sectors, factory orders, and February nonfarm payroll growth.

Quote

"If computers get too powerful, we can organize them into committees. That'll do them in."

-- Author Unknown

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

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
