# Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

## Equity Markets

- U.S. equity markets rose sharply last week, with the Dow and S&P 500 posting new all-time highs.

| | 3/5 Close | 3/12 Close | Price Change |
|---|---|---|---|
| Dow Jones | 31,496 | 32,779 | Up 4.1% |
| S&P 500 | 3,842 | 3,943 | Up 2.6% |
| NASDAQ | 12,920 | 13,320 | Up 3.1% |
| KBW Bank Index | 118.31 | 123.35 | Up 4.3% |

## Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- The Federal Reserve spelled out its expectations for major banks in their transition away from LIBOR by December 31, 2021, warning that the banks could face supervisory action for slow progress and that delayed transitioning could create safety and soundness issues for the banks and for the financial system.
- Goldman Sachs is evaluating what to do with about $29 billion of debt and preferred stock it issued that is tied to dollar LIBOR and doesn't mature until after the discredited benchmark expires in mid-2023; the bank is considering buying back obligations via tender offers and calls or swapping the securities through exchange offers, as well as amendments to credit agreements or triggering provisions that shift instruments to new benchmark.

## Credit Markets

- U.S. Treasury yields rose last week amid a further steepening of the yield curve on reflation concerns.

| | 3/5 Close | 3/12 Close | Yield Change |
|---|---|---|---|
| 3-month Tsy | 0.03% | 0.03% | Unchanged |
| 2-year Tsy | 0.14% | 0.15% | Up 1 bp |
| 5-year Tsy | 0.80% | 0.84% | Up 4 bps |
| 10-year Tsy | 1.57% | 1.63% | Up 6 bps |

- Even with the recent spike that saw the yield on 10-year Treasury notes top 1.6%, Treasury yields haven't been this low relative to U.S. economic growth since 1966, suggesting that the climb rates may still have room to run.

## Treasury/Fed/Administration/Congress

- The Federal Reserve announced last week that it is extending by three months to June 30th an emergency liquidity facility meant to help lenders extend relief to small businesses under the Paycheck Protection Program.

- Federal Reserve Chairman Jerome Powell, during an interview last week at the Wall Street Journal Jobs Summit, said that some price pressures are likely to emerge this year, but will likely be transitory and look higher because of "base effects"--the difference between last year's deeply depressed levels and this year.

- The Federal Open Market Committee meets again this week, with little expected in the way of policy adjustments or new guidance.

## Economy

- A key measure of U.S. consumer prices rose by less than expected in February as costs of used vehicles, clothing and transportation services declined from a month earlier, suggesting that broader inflationary pressures remain tame; the core consumer price index, which excludes volatile food and energy costs, increased 0.1% from a month earlier and 1.3% from the prior year.

- Prices paid to U.S. producers rose in February at the fastest pace since October 2018, adding to evidence of mounting inflation in the production pipeline as the nation starts to emerge from the pandemic; the producer price index for final demand advanced 2.8% from February 2020 after a 1.72% year-over-year gain in January, while core PPI increased 2.5% from a year earlier.

- Consumer sentiment surged in early March, bolstered by fiscal aid, vaccination rollouts and job prospects.

## This Week

Economic data scheduled to be released this week include retail sales, industrial production and housing starts.

## Quote

"Most of us can read the writing on the wall; we just assume it's addressed to someone else."

-- Ivern Ball

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