Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. equity indexes fell last week on weak economic news.

	3/12 Close	3/19 Close	Price Change
Dow Jones	32,779	32,628	Down 0.5%
S&P 500	3,943	3,913	Down 0.8%
NASDAQ	13,320	13,215	Down 0.8%
KBW Bank Index	123.35	121.29	Down 1.7%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- Armed with a reprieve on a key capital requirement known as the supplementary leverage ratio, or SLR, the largest U.S. banks expanded their balance sheets by as much as $600 billion during the pandemic by loading up on securities and deposits without setting aside funds to protect against losses; last week, the Federal Reserve announced that it would let the exemption expire at month's end, putting additional upward pressure on market interest rates.

Credit Markets

- Intermediate-term Treasury yields rose last week, as the yield curve continued its recent steepening.

	3/12 Close	3/19 Close	Yield Change
3-month Tsy	0.03%	0.005%	Down 2 bps
2-year Tsy	0.15%	0.15%	Unchanged
5-year Tsy	0.84%	0.88%	Up 4 bps
10-year Tsy	1.63%	1.72%	Up 9 bps

- While "tremendous progress" has been made in the transition away from the London interbank offered rate, there are still some areas of concern, according to a report by the New York Fed's Alternative Reference Rates Committee; most worrying is that many borrowers report that lenders are not communicating with them about Libor alternatives.

Treasury/Fed/Administration/Congress

- As expected, the Federal Reserve last week left their target fed funds range unchanged, and emphasized the transitory nature of expected inflation increases this year due to abnormally low readings last spring statistically dropping out of year-over-year averages in 2021.

Economy

- U.S. retail sales fell by 3% in February, after a revised 7.6% surge in January, as inclement weather across a large swath of the country held back purchases, representing a temporary setback in demand that is poised to accelerate in the coming months.

- Production at U.S. manufacturers unexpectedly declined in February, representing a pause in recent momentum as factories were beset by severe winter weather and supply-chain challenges; the 3.1% decrease in output was the first since April and followed an upwardly-revised 1.2% gain in January.

- U.S. housing starts retreated by 10.3% in February to the slowest pace since August, while still-elevated construction permits and rising backlogs suggest that momentum in homebuilding will resume in the coming months.

- U.S. jobless claims unexpectedly rose in the latest reporting week, to 770,000 from a revised 725,000 during the prior week, even amid a wave of abating social distancing restrictions and improving weather.

- The Conference Board's Leading Economic Index registered a slight improvement in February, moving from -1.5% on a year-over-year basis in January to -1.3% in February, after having troughed at -13.2% last year.

This Week

Economic data scheduled to be released this week include existing home sales and personal income and spending.

Quote

"No one can give you wiser advice than yourself."

-- Cicero

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