Financial Week Newsletter

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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 rose last week, with the Dow and the S&P 500 hitting fresh record highs.

	4/9 Close	4/16 Close	Price Change
Dow Jones	33,801	34,201	Up 1.2%
S&P 500	4,129	4,185	Up 1.4%
NASDAQ	13,900	14,052	Up 1.1%
KBW Bank Index	123.24	123.01	Down 0.2%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- JPMorgan's investment banking dealmakers contributed to the firm's best earnings quarter on record in the first-quarter, but the firm's shares sank on the announcement as the bank warned that loan demand remains tepid.
- Goldman Sachs also posted record earning last quarter as the bank's traders delivered their strongest performance in more than a decade, with a 47% surge in revenues, led by a jump in equities trading.
- Wells Fargo posted a first-quarter profit that topped analysts' estimates, although the lender still struggled to rein in expenses, providing another reminder of the bank's long road to getting costs under control.

Credit Markets

- Intermediate-term U.S. Treasury yields fell last week, shrugging off signs of incipient inflation.

	4/9 Close	4/16 Close	Yield Change
3-month Tsy	0.01%	0.01%	Unchanged
2-year Tsy	0.16%	0.16%	Unchanged
5-year Tsy	0.86%	0.83%	Down 3 bps
10-year Tsy	1.66%	1.58%	Down 8 bps

- Dollar-denominated funding markets are already facing myriad challenges that are distorting supply and demand, and these effects may only intensify as a return of the U.S. government's statutory borrowing limit, which was suspended in 2019, approaches in July.

Treasury/Fed/Administration/Congress

- Federal Reserve Chairman Jerome Powell suggested last week that a tapering of asset purchases by the Fed would come "well before" any interest-rate increase; since last year, the Fed has been buying $80 billion in Treasury securities and $40 billion in mortgage-backed securities each month.

Economy

- U.S. producer prices rose by 1% on a month-over-month basis in March after a 0.5% monthly gain in February; the monthly advance in the index in March led to a 4.2% year-over-year increase in the headline index, due to abnormally depressed prices in March 2020 due to the pandemic--a development referred to as the "base effect".

- U.S. consumer prices climbed in March by the most since 2012, adding to evidence of budding inflationary pressures as the economy reopens and demand strengthens; the consumer price index increased 0.6% from the prior month after a 0.4% monthly gain in February, while so-called core consumer prices rose by 0.3% on a monthly basis in March.

- Newly vaccinated and armed with $1,400 stimulus checks, Americans went on a spending spree in March, driving seasonally-adjusted retail sales up 9.8%, following a 3% drop in February.

- New weekly jobless claims in the latest reporting week plunged to a pandemic-era low of 576,000 after the prior week's unexpected jump, with the labor market's choppy recovery closely following the trajectory of new COVID-19 infections.

- Production at U.S. factories increased in March by the most in eight months, rising 2.7%, as manufacturing returned to a path of solid growth following a weather-related setback in February.

- U.S. housing starts rebounded by 19.4% in March to the highest level since 2006, exceeding forecasts and indicating that residential construction is getting back on track after a winter storm-related setback.

- U.S. consumer sentiment improved in April following another round of fiscal stimulus and an acceleration in job growth, while inflation expectations surged to the highest level in nine years.

This Week

Economic data scheduled to be released this week include new and existing home sales and the leading economic indicators index.

Quote

"You never know what worse luck your bad luck has saved you from."

-- Cormac McCarthy

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

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