Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. equity markets were generally flat last week, after weeks of posting new highs.

	4/16 Close	4/23 Close	Price Change
Dow Jones	34,201	34,043	Down 0.5%
S&P 500	4,185	4,180	Down 0.1%
NASDAQ	14,052	14,017	Down 0.2%
KBW Bank Index	123.01	123.01	Unchanged

Financials

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

- U.S. accounting rulemakers will hold a public meeting in May to hash out problems with what is considered the biggest change to bank accounting in decades, the current expected credit losses (CECL) standard, which requires banks to measure losses based on what they can reasonably forecast, not just on customers' missed payments.

Credit Markets

- U.S. Treasury yields were little changed last week, shrugging off a string of robust economic reports.

	4/16 Close	4/23 Close	Yield Change
3-month Tsy	0.01%	0.02%	Up 1 bp
2-year Tsy	0.16%	0.16%	Unchanged
5-year Tsy	0.83%	0.82%	Down 1 bp
10-year Tsy	1.58%	1.56%	Down 2 bps

- U.S. banking regulators urged a degree of flexibility within any federal legislation aimed at addressing how banks shift so-called tough legacy contracts away from the London interbank offered rate once the benchmark is phased out, noting that the needs of smaller banks differ from global financial institutions and that financial institutions should have the opportunity to use any reasonable replacement rate that fits their business model.

- The three-month London interbank offered rate for dollars notched its biggest decline in more than a month last week, plunging to a record low, as imbalances in front-end fixed-income markets kept borrowing costs firmly anchored near zero.

Treasury/Fed/Administration/Congress

- The Federal Open Market Committee meets again this week, with no substantive changes to the Fed's monetary policy stance expected; the Committee is likely to reiterate the central bank's willingness to allow the economy to absorb higher inflation for a long period of time before increasing interest rates.

- In an April 8th letter to Senator Rick Scott, Federal Reserve Chairman Jerome Powell noted that the U.S. economy is going to temporarily see "a little higher" inflation this year as the recovery strengthens and supply constraints push up prices in some sectors, but affirmed the Fed's commitment to limit any substantial or prolonged overshoot of its 2% target.

Economy

- 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.

- Applications for U.S. state unemployment insurance unexpectedly plunged to a fresh pandemic low in the latest reporting week as the job market gathers steam.

- Existing home sales in March slowed for the second straight month, falling 3.7%, while median home prices reached a new high; despite the decline, sales were still higher by 12.3% on a year-over-year basis.

- U.S. new-home sales rebounded by 20.7% in March, to the highest level since 2006, suggesting that the housing market for new homes is back on track after winter storms impeded demand in February.

This Week

Economic data scheduled to be released this week include durable goods orders, an advance reading on first-quarter GDP, and the personal consumption expenditures deflator for March.

Quote

"There is little success where the is little laughter."

-- Andrew Carnegie

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

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