

Financial Week Newsletter

May 3, 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

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

	<u>4/23 Close</u>	<u>4/30 Close</u>	<u>Price Change</u>
Dow Jones	34,043	33,875	Down 0.5%
S&P 500	4,180	4,181	Unchanged
NASDAQ	14,017	13,963	Down 0.4%
KBW Bank Index	123.01	127.25	Up 3.4%

- Halfway through the first-quarter earnings reporting season, some 86.8% of S&P 500 companies have reported results that beat Wall Street forecasts and are doing so by an average of 23.5% according to consulting firm Refinitiv--both represent the largest gaps on record according to Refinitiv's data, which dates back to 1994.

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.

	<u>4/23 Close</u>	<u>4/30 Close</u>	<u>Yield Change</u>
3-month Tsy	0.02%	0.01%	Down 1 bp
2-year Tsy	0.16%	0.16%	Unchanged
5-year Tsy	0.82%	0.85%	Up 3 bps
10-year Tsy	1.56%	1.63%	Up 7 bps

- The pension retirement funds of the top 100 U.S. public companies, with combined assets of about \$1.8 trillion, have ratcheted up their fixed-income allocations to a record 50.2% of assets, while slashing money parked in equities to an all time low of 31.9%, locking in recent equity gains and accelerating their de-risking on a forward basis, according to a recent report from pension advisory firm Milliman, Inc.

Treasury/Fed/Administration/Congress

- President Joe Biden last week unveiled a sweeping \$1.8 trillion plan to expand educational opportunities and childcare for families, funded in part by the largest tax increase on wealthy Americans in decades--the centerpiece of his first address to a joint session of Congress.

Economy

- New orders for key U.S. made capital goods rose solidly in March, while shipments also surged, cementing expectations that economic growth accelerated in the first quarter after massive government aid and improving public health boosted demand; orders for non-defense capital goods excluding aircraft increased 0.9% last month, following a 0.8% decline in February.
- The U.S. merchandise-trade deficit widened to a new record in March as the value of imports surged 6.8% to \$233 billion, while exports climbed 8.7% to \$142 billion, the highest level since 2018.
- The S&P CoreLogic Case-Schiller national home price index rose 11.97% in February, the largest gain since 2006, following a rise of 11.22% in January.
- U.S. consumer sentiment continued to strengthen in late April, adding to signs that household spending will remain strong in the coming months; the University of Michigan's final sentiment index improved to 88.3 in April after a March figure of 84.9, according to data released last week.
- U.S. personal incomes soared in March by the most in monthly records back to 1946, powered by a third round of pandemic-relief checks that also sparked a sharp gain in spending; the 21.1% surge in incomes followed a 7% decline in February while purchases increased by 4.2% last month, the most since June 2020.

This Week

Economic data scheduled to be released this week include readings on the health of the manufacturing and services sectors, and payroll and unemployment numbers.

Quote

"If you pick up a starving dog and make him prosperous, he will not bite you. This is the principal difference between a dog and man."

-- Mark Twain

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
