

Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. equity indexes generally rose last week despite mixed economic news.

| | <u>4/30 Close</u> | <u>5/7 Close</u> | <u>Price Change</u> |
|----------------|-------------------|------------------|---------------------|
| Dow Jones | 33,875 | 34,778 | Up 2.7% |
| S&P 500 | 4,181 | 4,233 | Up 1.2% |
| NASDAQ | 13,963 | 13,752 | Down 1.5% |
| KBW Bank Index | 127.25 | 132.77 | Up 4.3% |

- U.S. households increased their exposure to stocks to 41% of their financial assets in April, the highest level on record, according to JPMorgan and Federal Reserve data that date back to 1952.

Financials

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

Credit Markets

- U.S. Treasury yields fell last week on disappointing job growth last month.

| | <u>4/30 Close</u> | <u>5/7 Close</u> | <u>Yield Change</u> |
|-------------|-------------------|------------------|---------------------|
| 3-month Tsy | 0.01% | 0.01% | Unchanged |
| 2-year Tsy | 0.16% | 0.15% | Down 1 bp |
| 5-year Tsy | 0.85% | 0.78% | Down 7 bps |
| 10-year Tsy | 1.63% | 1.58% | Down 5 bps |

- U.S. Treasuries posted a gain in April--their first since November--as yields retreated from year-to-date highs despite strong economic data, a move widely attributed to short-covering.

Treasury/Fed/Administration/Congress

- The Federal Reserve stuck to its strategy of supporting the economy and labor markets with ultra-low interest rates at its most recent gathering of senior central bankers, noting that indicators of economic activity and employment have strengthened amid progress on vaccinations and strong policy support.
- The Paycheck Protection Program ("PPP") has distributed over \$780 billion since it began last year and has given out nearly 11 million in forgivable loans; now, in the few weeks before the program closes to new applications on May 31st, it is reportedly largely out of money and closed through most lenders.

Economy

- Growth at U.S. manufacturers cooled in April as ongoing supply chain issues and materials shortages limited production efforts and increased backlogs; a gauge of manufacturing activity fell to 60.7 from a more than 37-year high of 64.7 in March--readings above 50 indicate expansion in the sector.
- Powered by consumer spending, the U.S. economy grew at a brisk 6.4% annual rate in the first-quarter, following a 4.3% annualized gain in the fourth-quarter of last year--a show of strength fueled by government aid and a re-opening of economic activities; growth in the April-June period is expected to be faster still, potentially reaching an annualized pace of 10%
- New weekly jobless claims set a new pandemic-era low in the latest reporting week, falling below 500,000 for the first time since March 2020, with initial filings trending decidedly lower in recent weeks amid an acceleration in economic activity.
- The U.S. economy added far fewer jobs than estimated in April and the unemployment rate unexpectedly increased, underscoring the choppiness of the labor market's recovery even as social distancing restrictions were eased in the Spring; nonfarm payrolls increased just 266,000, versus expectations of \$1 mm+, while the unemployment rate jumped to 6.1% from 5.8% in March.
- U.S. services industry activity grew a slightly slower pace in April, likely restrained by shortages of inputs amid a burst of demand that is being driven by massive fiscal stimulus and a rapidly improving health environment; the Institute for Supply Management's non-manufacturing activity index fell to a reading of 62.7, last month from 63.7 in March, which was the highest on record--a reading above 50 indicates growth in the services sector, which accounts for more than two-thirds of U.S. economic activity.

This Week

Economic data scheduled to be released this week include consumer and producer price indexes, and retail sales.

Quote

"The mind cannot absorb what the backside cannot endure."

-- Prince Philip
(on long sermons)

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

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