Financial Week Newsletter

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. . .as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. stocks reported mixed results in a volatile week of trading, with the two major large-cap indices falling slightly and the tech-heavy NASDAQ index gaining ground.

	5/14 Close	5/21 Close	Price Change
Dow Jones	34,382	34,208	Down 0.5%
S&P 500	4,174	4,156	Down 0.4%
NASDAQ	13,430	13,471	Up 0.3%
KBW Bank Index	133.69	132.30	Down 1.0%

- S&P Dow Jones Indices LLC was fined $9 million for quality-control failures that prompted one of its volatility indexes to publish stale prices when the VIX spiked in February 2018.

Financials

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

Credit Markets

- Treasuries rallied after Wednesday's sell-off in cryptocurrencies but reversed course with the release of the FOMC minutes, which led investors to ramp up expectations for future rate hikes.

	5/14 Close	5/21 Close	Yield Change
3-month Tsy	0.01%	0.00%	Down 1 bp
2-year Tsy	0.15%	0.15%	Unchanged
5-year Tsy	0.81%	0.82%	Up 1 bp
10-year Tsy	1.63%	1.62%	Down 1 bp

- Corporate bonds sales went from $28 billion early last week to near zero mid-week as global inflation fears stoked a fresh bout of market volatility. This reflects investors' fear that inflation may not be as transitory as central bankers hope and could lead to severe economic disruption.

Treasury/Fed/Administration/Congress

- With the economy continuing to make progress, some Federal Reserve officials have opened the door to discussing a plan for scaling back the pace of asset purchases, according to minutes from the FOMC meeting in late April. The taper talk could be on the table as early as next month.

- Factors pushing U.S. inflation higher are likely to ebb at the start of 2022, said Federal Reserve of San Francisco President Mary Daly. "There's just going to be a sequence of these temporary factors that are going to persist probably through the end of the year," Daly said Friday in an interview with Bloomberg News.

- The deluge of cash is threatening to create fissures in the Federal Reserve's key rates corridor, increasing chances policy makers will be forced to adjust their tools to defend the floor. While the Fed's facility for overnight reverse repos has been draining reserves from the system, there is a risk that money-market funds will eventually demand higher yields to handle the surge of inflows.

Economy

- Housing starts in the U.S. fell 9.5%, which was more than forecast for April, suggesting that supply-chain constraints and rising materials costs continue to hold builders back.

- Contract closings for previously-owned homes unexpectedly decreased by 2.7% from March to an annualized 5.85 million, the slowest pace since June, according to data from the National Association of Realtors.

- Applications for U.S. state unemployment insurance fell last week to a fresh pandemic low, signaling steady improvement in the job market as remaining business restrictions are lifted.

This Week

Economic data scheduled to be released this week include new home sales, pending home sales, personal spending, and a report on 1st quarter GDP.

Quote

"The measure of who we are is what we do with what we have."

-- Vince Lombardi

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

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