

Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

Equity Markets

- U.S. equity indexes closed in mixed fashion last week, consolidating at near-record highs.

	<u>6/4 Close</u>	<u>6/11 Close</u>	<u>Price Change</u>
Dow Jones	34,756	34,480	Down 0.8%
S&P 500	4,230	4,247	Up 0.4%
NASDAQ	13,814	14,069	Up 1.8%
KBW Bank Index	134.04	129.28	Down 3.6%

Financials

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

Credit Markets

- U.S. Treasury yields closed flat-to-down last week, as investors shrugged off signs of incipient inflation.

	<u>6/4 Close</u>	<u>6/11 Close</u>	<u>Yield Change</u>
3-month Tsy	0.02%	0.02%	Unchanged
2-year Tsy	0.15%	0.15%	Unchanged
5-year Tsy	0.78%	0.74%	Down 4 bps
10-year Tsy	1.56%	1.45%	Down 11 bps

- The Federal Reserve's reverse repurchase window on Wednesday of last week took in \$503 billion in cash, hitting a record peak for a third consecutive session, as financial institutions flush with liquidity flocked to the Fed facility to park their cash at a zero interest rate and secure Treasury collateral rather than risk investing in short-term Treasury bills at negative rates.

Treasury/Fed/Administration/Congress

- U.S. Treasury Secretary Janet Yellen at a news conference after G7 finance ministers met in London last week urged other rich nations to keep up spending to support their economies even as the COVID-19 pandemic wanes, noting that U.S. inflation this year would be elevated but transitory.
- The Federal Open Market Committee meets again next week to decide on the course of monetary policy; while market participants don't expect any substantive changes to the Fed's current policy, any comments relative to the expected path of inflation will be closely scrutinized.

Economy

- The sharp drop in the U.S. trade deficit in April, to \$68.9 billion from \$75.0 billion a month earlier, largely reflects cooling domestic demand for consumer goods as the boost from fiscal stimulus fades and demand switches back to services from goods; after subtracting 1.5% from annualized GDP growth in the first quarter, net trade may provide a small boost to growth in the second quarter.
- Companies have a record number of open jobs, but they can't find enough people to fill them despite still-high unemployment tied to the pandemic; job openings soared to 9.3 million in April from a revised 8.3 million in the prior month and a low of 4.6 million last year in the early stages of the pandemic, according to a report released last week by the Labor Department.
- Consumer credit in April increased at a 5.3% annualized pace, after similar increases in February and March, driven by student loan and auto loan borrowing, according to Federal Reserve data released last week.
- The Further jump in core annual CPI inflation to a 28-year high of 3.8% in May, from 3.0% in April, was again driven by the same handful of categories most directly affected by the lifting of virus restrictions, although emerging inflationary pressures in other sectors, including housing costs and restaurant prices, suggest that not all of the current upward pressure on inflation will prove transitory.
- Although still high by historic standards, the number of Americans applying for unemployment benefits fell for the sixth straight week, to 376,000 from 385,000 the week before, as the economy reopens rapidly after being held back for months by the coronavirus pandemic.
- U.S. consumer sentiment rose in early June by more than expected on improved expectations for the economy and a moderating inflation outlook.

This Week

Economic data scheduled to be released this week include retail sales, producer prices and industrial production.

Quote

"Ideas are like rabbits. You get a couple and learn how to handle them, and pretty soon you have a dozen."

-- John Steinbeck

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

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