

Financial Week Newsletter

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...as summarized by Smith Shellnut Wilson

Equity Markets

- Broad-based equity indexes continued to trade at or near record highs last week on expectations for further robust economic growth and corporate earnings.

	<u>6/18 Close</u>	<u>6/25 Close</u>	<u>Price Change</u>
Dow Jones	33,290	34,434	Up 3.4%
S&P 500	4,166	4,281	Up 2.8%
NASDAQ	14,030	14,360	Up 2.4%
KBW Bank Index	119.16	127.35	Up 6.9%

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- America's biggest banks learned the results of their latest stress tests from the Federal Reserve last week, with a passing grade expected to be a catalyst for billions of dollars in stock buybacks and dividends, underscoring how well the banking sector has fared during the pandemic.

Credit Markets

- U.S. Treasury yields rose last week as bond market participants grapple with higher inflation readings.

	<u>6/18 Close</u>	<u>6/25 Close</u>	<u>Yield Change</u>
3-month Tsy	0.04%	0.05%	Up 1 bp
2-year Tsy	0.26%	0.27%	Up 1 bp
5-year Tsy	0.88%	0.92 %	Up 4 bps
10-year Tsy	1.44%	1.53%	Up 9 bps

Treasury/Fed/Administration/Congress

- Dallas Fed President Robert Kaplan noted last week that he favors starting the process of tapering the central bank's ongoing bond purchases "sooner rather than later," while his counterpart from St. Louis, James Bullard, called it "appropriate" that policy makers opened the taper debate at the last FOMC meeting.
- A discussion about raising interest rates is still way off in the future," according to comments last week by New York Fed President John Williams.

Treasury/Fed/Administration/Congress (cont'd)

- Federal Reserve Chair Jerome Powell in prepared testimony before U.S. Congress last week said that the U.S. economy continues to show “sustained improvement” from the impact of the coronavirus pandemic, while noting that inflation has “increased notably in recent months” but is likely to fade and that job gains, while impressive, have remained uneven, with joblessness still hitting lower-wage workers, Blacks and Hispanics the hardest.
- President Joe Biden will move immediately to replace the director of the Federal Housing Finance Agency, Mark Calabria, an appointee of former President Donald Trump with broad powers over mortgage giants Fannie Mae and Freddie Mac; the U.S. Supreme Court opened the door for Calabria’s removal with a ruling last week that made clear the president has the authority to oust the regulator, a libertarian economist who has long supported releasing Fannie and Freddie from federal control.

Economy

- Sales of previously-owned U.S. homes fell for a fourth straight month in May as higher home prices and lean inventories weighed on home buying; contract closings in May decreased 0.9% from April, while the median selling price rose 23.6% from the year-earlier period.
- Sales of new U.S. homes unexpectedly dropped 5.9% in May as elevated home prices continue to weigh on affordability and builders rush to replenish inventory.
- New weekly jobless claims resumed their decline in the latest reporting week but by a smaller-than-expected margin, underscoring the still-choppy recovery in the U.S. labor market.
- New orders for key U.S.-made capital goods unexpectedly fell in May, likely held back by shortages of some products, but a solid increase in shipments suggested that business spending remained strong in the second quarter; orders for non-defense capital goods excluding aircraft, a closely watched proxy for business spending plans, dipped 0.1% last month after having risen 2.7% in April, according to a Commerce Department report released last week.
- U.S. consumer sentiment rose in June by less than forecasted, while longer-term inflation expectations moderated from a month earlier, according to a University of Michigan survey released last week.
- U.S. personal spending stagnated in May, reflecting a decline in outlays for merchandise, while a closely watch inflation indicator, the core personal consumption expenditures price gauge, accelerated to 3.4% from April’s 3.1% reading on a year-over-year basis.

This Week

Economic data scheduled to be released this week include home prices, employment and pending home sales.

Quote

“A genius is one who shoots at something no one else can see—and hits it.”

-- Author Unknown

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