

# Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

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## Equity Markets

- Equity markets remained volatile but recorded a second straight weekly gain after stronger-than-expected payroll data and a strong earnings release from Amazon.

	<u>1/28 Close</u>	<u>2/4 Close</u>	<u>Price Change</u>
Dow Jones	34,725	35,090	Up 1.1%
S&P 500	4,432	4,501	Up 1.6%
NASDAQ	13,771	14,098	Up 2.4%
KBW Bank Index	134.42	140.05	Up 4.2%

## Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- Bank of America Corp. sold \$9 billion of bonds last week, joining Wall Street peers in a flood of new deals at the start of 2022 to beat an expected rise in interest rates.

## Credit Markets

- U.S. Treasury yields surged last week after a strong report on U.S. labor market conditions supported the expectation of the Federal Reserve steadily raising interest rates to curb inflation.

	<u>1/21 Close</u>	<u>1/28 Close</u>	<u>Yield Change</u>
3-month Tsy	0.19%	0.23%	Up 4 bps
2-year Tsy	1.16%	1.31%	Up 15 bps
5-year Tsy	1.61%	1.77%	Up 16 bps
10-year Tsy	1.77%	1.91%	Up 14 bps

- The inflation-adjusted yield on 30-year Treasury bonds climbed above zero for the first time since June after the strong economic data added fuel to the argument for faster tightening of Federal Reserve policy.
- The municipal-bond market may extend its underperformance through February as jittery investors yank money in advance of a widely expected Fed hike next month; the U.S. state and city debt selloff to start the year is triggered by elevated inflation and concern over the Federal Reserve's path.

## Treasury/Fed/Administration/Congress

- The U.S. Treasury trimmed its quarterly sale of longer-term debt for a second straight time, reflecting diminishing borrowing needs after a record ramp-up in debt to fund pandemic-relief spending.
- Traders increased bets last week that the Federal Reserve will kick off its interest-rate hikes with the steepest increase in two decades after the jobs release reinforced speculation the economy is at risk of overheating.

## Economy

- The U.S. labor market showed unexpected strength last month despite record COVID-19 infections; a broad-based 467,000 gain in nonfarm payrolls, which exceeded all economists' projections, followed a 709,000 total upward revision to the prior two months, Labor Department figures showed Friday.
- U.S. manufacturing growth lost a bit more steam in January amid a surge in coronavirus cases, while a measure of materials costs accelerated; still, the current reading signals expansion and the latest figures show manufacturing remains robust.
- Initial unemployment claims decreased by 23,000 to 238,000 last week, Labor Department data showed, partially unwinding a recent spike in claims as the omicron wave recedes.
- A measure of wages and benefits at Texas manufacturers rose in January to the highest on record, consistent with recent data showing a tight labor market and elevated inflationary pressures across the national economy.

## This Week

Economic data scheduled to be released this week include consumer prices, inventories, and jobless claims.

## Quote

“Advice is what we ask for when we already know the answer but wish we didn’t.”

- Erica Jong

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

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