

Equity Markets

The major U.S. stock indexes positively improved again on the previous week's results, with the NASDAQ adding around 4.8%, the S&P 500 2.7%, and the Dow 2.0%. The latest results mark a welcomed reversal from year-end 2022, when the markets finished down for three weeks in a row. The primary fuel was a calm CPI inflation release.

	<u>1/9 Open</u>	<u>1/13 Close</u>	<u>Change</u>
Dow Jones	33,630	34,303	+2.0%
S&P 500	3,895	3,999	+2.7%
NASDAQ	10,569	11,079	+4.8%
KBW Bank Index	105.3	107.4	+2.0%
VIX	21.1	18.4	-12.8%
Oil (WTI)	73.8	79.9	+8.3%

U.S. prices rose at a 6.5% annual rate in December as measured by the Consumer Price Index. It marked the smallest year-over-year increase since October 2021. The VIX index that measures investors' expectations of U.S. stock market volatility fell 13% for the week, marking the second weekly decline in a row. The VIX, is down ~45% from a recent peak in mid-October.

Interest Rates/Bonds

Rates rallied week over week because of lighter inflation results. The 2-year Treasury rallied by three basis points and the 10-year Treasury fell by five basis points to 3.51%.

Another sign of investors predicting a slower economy is color from the spread between the 3-month Treasury and the 10-year Treasury. It is inverted by -112 basis points, which is the most negatively inverted it has been in over 40 years.

	<u>1/9 Open</u>	<u>1/13 Close</u>	<u>Change</u>
3mo UST	4.58%	4.57%	-1bp
2yr UST	4.25%	4.22%	-3bp
5yr UST	3.70%	3.61%	-9bp
10yr UST	3.56%	3.51%	-5bp
2-10yr UST Spread	-70 bp	-71 bp	-1bp
10yr Inflation Rate	2.21%	2.19%	-2bp

But the recent trend has been noticeable. In the last 3 weeks it went from -49 basis points to -112 basis points. This has been a strong historical predictor of recessions and more highly correlated to the beginning of recessions than the inversion of the 2 to 10-year Treasury inversion that is more often looked to by market participants. It reflects growing buying demand by buyers for longer Treasuries to hedge economic pressure and lower rates ahead.

Washington

Data released Jan. 12 by the Department of Labor showed that the consumer price index rose 6.5% in December from a year ago, down from a 7.1% year-over-year gain in the previous month. Meanwhile, core inflation, which excludes volatile components such as energy and food, rose 5.7% in December, down from 6% in the previous month. Inflation continued to ease for the sixth straight month in December as the Federal Reserve undertook aggressive monetary policy tightening while the economy slowed.

The U.S. Department of Justice and Los Angeles-based City National Bank have reached an agreement to resolve charges against the bank for its alleged engagement in a pattern or practice of lending discrimination, or redlining, in Los Angeles County. The agreement includes more than \$31 million in relief to affected individuals and communities and represents the largest redlining settlement in DOJ history. The complaint, filed in federal court, alleged that from 2017 through at least 2020, City National avoided providing mortgage lending services to majority Black and Hispanic neighborhoods in Los Angeles County and discouraged residents in those neighborhoods from obtaining mortgages.

"The Justice Department will continue to build on our efforts to vigorously enforce federal fair lending laws and work to ensure that financial institutions provide equal opportunity for every American to obtain credit," Garland said.

Economic Results 1/9 - 1/13

Dec. CPI: U.S. prices rose at a 6.5% annual rate in December as measured by the Consumer Price Index, marking the smallest year-over-year increase since October 2021.

Excluding food and energy costs, core inflation rose by 0.3% relative to the previous month, in line with economists' average forecast.

UofM Consumer Sentiment:

The University of Michigan's closely watched consumer sentiment index rose to 64.6 in the preliminary January survey, according to data released Friday. It is the highest reading since January 2022 and up 8.2% from December's 59.7 reading.

Economic Week Ahead

Dec. Retail Sales (Wed)
Dec. PPI (Wed)
Dec. Industrial Prod (Wed)
Dec. Housing Starts (Thu)
Dec Existing Home Sales (Fri)

Quote

"When you reach the end of your rope, tie a knot and hang on."

– Franklin D. Roosevelt

Contact

SSW Research Department

Chad McKeithen
P: (601) 605-1776
E: chad.mckeithen@ssw1776.com
www.ssw1776.com

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

Smith Shellnut Wilson, LLC ♦ Investment Counsel and Management

661 Sunnybrook Rd., Suite 130 ♦ Ridgeland, MS 39157 ♦ Telephone 601-605-1776 ♦ Fax 601-605-1710