

Equity Markets

The NASDAQ increased more than 4% for the fourth week in a row while the S&P 500 and the Dow posted smaller gains as well, rebounding from negative returns the previous week. With a few days left in January, the NASDAQ is on track for its strongest monthly gain since last July.

	<u>1/23 Open</u>	<u>1/27 Close</u>	<u>Change</u>
Dow Jones	34,375	33,978	+1.8%
S&P 500	3,972	4,071	+2.5%
NASDAQ	11,140	11,622	+4.3%
KBW Bank Index	107.7	112.1	+4.1%
VIX	19.9	18.5	-7.0%
Oil (WTI)	81.6	79.7	-2.3%

Nearly a third of the way through earnings season, the percentage of S&P 500 companies that have surpassed analysts' revenue expectations is less than normal.

About 69% have exceeded net income expectations, trailing the five-year average of 77%, according to FactSet. Overall, earnings are expected to drop 5% relative to 2022. Equity volatility, measured by the VIX, continued to fall, dropping by 7% for the week.

Interest Rates/Bonds

Nominal rates were unchanged week over week with the 10-year Treasury up four basis points to 3.52% and the 2-year Treasury only up one basis point.

At this week's meeting, the U.S. Federal Reserve is expected to raise the benchmark interest rate again, by twenty-five basis points.

	<u>1/23 Open</u>	<u>1/27 Close</u>	<u>Change</u>
3mo UST	4.57%	4.66%	+9bp
2yr UST	4.20%	4.21%	+1bp
5yr UST	3.61%	3.61%	0bp
10yr UST	3.48%	3.52%	+4bp
2-10yr UST Spread	-72 bp	-69 bp	+3bp
10yr Inflation Rate	2.21%	2.19%	-2bp

In 2022, the Fed approved seven rate increases, including a half-point hike in December, down from its previous seventy-five basis point increases.

Following this week's increase traders/markets have one more twenty-five basis point hike priced in for the year, which would increase the overnight rate to 5.00%.

Equity and bond markets appear to be at odds, to finish January. Equities had their best finish since July while the 3m Treasury to 10-year Treasury inversion deepened by sixty-four basis points.

Washington

As the economy slows and the Federal Reserve evaluates additional steps to combat inflation, bank economists forecast that credit conditions will worsen over the next six months, the American Bankers Association, or ABA, said in a new report. The ABA's new Credit Conditions Index forecasts "weakening consumer and

business spending along with the elevated risk of a growth pause or mild recession this year," the banking group said in releasing the report Jan. 26.

The index is prepared by chief economists from North America's largest banks who are members of the ABA's Economic Advisory Committee, or EAC.

Bank and credit union groups are pushing back against the Consumer Financial Protection Bureau's plan to speedily propose rules expected to

lower credit card late fees, now on its agenda for January. The rules are subject to review by a small business panel because they would impact hundreds of smaller institutions, according to a letter signed by the ABA, the Independent Community Bankers of America, the National Association of Federally Insured Credit Unions, the Credit Union National Association and the National Bankers Association.

Economic Results 1/23 - 1/27

4th Qtr GDP: U.S. economic growth remained in solidly positive territory in the fourth quarter of 2022, marking its second positive result after slightly negative numbers in the first two quarters of last year.

GDP grew at an annualized rate of 2.9% in the latest period, beating most economists' expectations. For full-year 2022, GDP rose 2.1%, easing concerns about the prospects of a protracted recession.

Dec. PCE Price Index: The U.S. Federal Reserve's preferred gauge for tracking inflation showed a further cooling of price increases. The government reported on Friday that its Personal Consumption Expenditures Price Index rose at an annual 5.0% rate in

December, down from 5.5% in November. Excluding food and energy, prices rose at a 4.4% annual rate—the lowest in 14 months.

Economic Week Ahead

Consumer Confidence (Tues)

FOMC Decision/ADP
Employment/JOLTS/ISM
Manufacturing/Construction
Spending (Wed)

Factory Orders (Thurs)

Quote

"The way to get started is to quit talking and begin doing."

– Walt Disney

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.