

Equity Markets

The FOMC lifted its benchmark rate by a quarter-percentage point—smaller than the half-point hike approved in November—while acknowledging that inflation has recently eased. The following day, the European Central Bank and the Bank of England both lifted their key rates by a half-percentage point.

	<u>1/30 Open</u>	<u>2/3 Close</u>	<u>Change</u>
Dow Jones	33,978	33,926	-0.2%
S&P 500	4,071	4,137	+1.6%
NASDAQ	11,622	12,007	+3.3%
KBW Bank Index	112.1	114.5	+2.1%
VIX	18.5	18.3	-1.1%
Oil (WTI)	79.7	73.4	-7.9%

Powell's nod to slowing inflation and rate hikes energized the markets on Wednesday.

For the week, the NASDAQ posted its fifth weekly gain in a row, lifted by strong results from selected technology stocks. The S&P 500 posted a more modest gain; the Dow fell slightly. For the first time in four years, the S&P 500 posted a positive result in January, as the index rallied to a 6.2% gain for the month.

Interest Rates/Bonds

Nominal rates were relatively unchanged week over week. The yield of the 10-year U.S. Treasury bond was little changed overall for the week at around 3.53%, but that flat result wasn't indicative of its volatility. On Thursday, the yield fell to as low as 3.33%—the lowest in about five months.

	<u>1/30 Open</u>	<u>2/3 Close</u>	<u>Change</u>
3mo UST	4.66%	4.64%	-2bp
2yr UST	4.21%	4.28%	+7bp
5yr UST	3.61%	3.66%	+5bp
10yr UST	3.52%	3.53%	+1bp
2-10yr UST Spread	-69 bp	-75 bp	-6bp
10yr Inflation Rate	2.19%	2.23%	+4bp

It rebounded sharply following Friday's release of better-than-expected monthly job numbers. The 2-year Treasury was up seven basis points and the curve negatively inverted to -75 basis points.

Bond spreads have continued to narrow since hitting highs in October. Investment grade credit spreads have dropped by 32% in the past ninety days. Municipal to Treasury ratios have also narrowed since mid-2022. The benchmark 10-year Muni/UST ratio touched 105% in mid-2022 and have since declined to 63%.

Washington

The Federal Reserve Board issued a policy statement to promote a level playing field for all banks with a federal supervisor, regardless of deposit insurance status. All uninsured and insured banks supervised by the board will be subject to the same limitations on activities, including novel banking activities, such as crypto-asset-related activities.

The Consumer Financial Protection Bureau on Feb. 1 proposed a rule to slash credit card late fees, a move that is expected to put pressure on the industry's fee income. The CFPB proposed reducing the immunity provision for late fees to \$8 for a missed payment and ending the automatic annual inflation adjustment. It also seeks to ban late fee amounts above 25% of the consumer's required payments. If passed, the agency estimates that the rule could reduce late fees by about \$9 billion per year.

The proposed \$8 late fee cap marks a drastic reduction from the current safe harbor late fee of \$30 and the subsequent late payment safe harbor fee of \$41.

Economic Results 1/30 - 2/3

FOMC Update: The FOMC delivered a 25-basis-point rate hike, taking the target range for the federal funds rate from 4.5% to 4.75%. Members of the rate-setting panel suggested that they will take into account the cumulative tightening of monetary policy, the lags

with which monetary policy affects economic activity and inflation, and economic and financial developments in a bid to determine the extent of future increases in the target range.

Nonfarm Payroll: Data released Feb. 3 by the U.S. Labor Department showed that total nonfarm payroll employment increased by 517,000 in January, compared with an upward revision of 260,000 jobs in December 2022. The jump in job growth is higher

than the average monthly gain of 401,000 in 2022. The sharp jump in in January compared to December 2022 indicates that labor market remains hot despite recent signs of economic weakening.

Economic Week Ahead

Wholesale inventories (Wed)

UofM Consumer Sentiment (Fri)

Quote

"If you could kick the person in the pants responsible for most of your troubles, you wouldn't sit for a month."

– Theodore 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.