

Equity Markets

This week was primarily a focus on inflation with March CPI and PPI being released. The U.S. Consumer Price Index fell to a 5.0% annual rate in March from 6.0% the previous month, bringing inflation to the lowest level in two years. A separate report showed that wholesale inflation as measured by the Producer Price Index fell to 2.7%—the lowest in more than two years and down sharply from a 4.9% annual rise in February.

	<u>4/10 Open</u>	<u>4/14 Close</u>	<u>Change</u>
Dow Jones	33,485	33,887	+1.2%
S&P 500	4,105	4,138	+0.8%
NASDAQ	12,088	12,124	+0.3%
KBW Bank Index	80.4	82.9	+3.1%
VIX	18.4	17.1	-7.1%
Oil (WTI)	80.7	82.5	+2.2%

(Continued) Each of the four major U.S. banks that reported first-quarter results on Friday posted earnings gains relative to the same period a year earlier. However, as of Friday, analysts were forecasting that earnings for all companies in the S&P 500 fell by an average of 6.5% overall—the biggest earnings decline since the second quarter of 2020. Except for a modest rally on Thursday, the major U.S. stock indexes traded in a narrow range for the second week in a row. The S&P 500 and the Dow both added around 1% to record their fourth positive week out of the past five and the NASDAQ generated a fractional gain.

Interest Rates/Bonds

Yields of government bonds rose, regaining some of the ground they lost in a sharp decline in early March during extreme fears regarding bank liquidity. On Friday, the yield of the 10-year Treasury bond was around 3.52%—up from 3.29% the prior week, but still down from the peak of 4.07% in March.

	<u>4/10 Open</u>	<u>4/14 Close</u>	<u>Change</u>
3mo UST	4.75%	4.99%	+24bp
2yr UST	3.98%	4.11%	+13bp
5yr UST	3.50%	3.61%	+11bp
10yr UST	3.39%	3.52%	+13bp
2-10yr UST Spread	-59 bp	-59 bp	0bp
10yr Inflation Rate	2.26%	2.30%	+4bp

Following this week's inflation output, the futures market settled in on an 82% priced in chance of a 25-basis point hike at the May 3rd FOMC meeting.

Washington

The Federal Reserve expects a mild recession later in 2023, with a recovery over the subsequent two years, minutes of the Federal Open Market Committee and the Board of Governors of the Federal Reserve System meeting held March 21 revealed.

Sen. Elizabeth Warren (D-Mass.) and Rep. Alexandria Ocasio-Cortez (D-NY) sent letters to fourteen of the largest depositors of Silicon Valley Bank, including Circle Internet Financial Ltd. and

(Continued) BlockFi Inc., asking about the nature of their connections with the bank. More than 90% of the deposits at Silicon Valley Bank were in accounts worth more than \$250,000.

Congress and regulators are "are owed an explanation for the bank's hyper-reliance on tech industry firms and investors, the extent to which this resulted in an abnormally high percentage of deposits that were not insured by FDIC," and the role these companies might have played in precipitating the \$42 billion single-day run on the bank.

The US Small Business Administration finalized two

(Continued) rules to address gaps in access to capital for small business owners in underserved communities. The rules will lift a moratorium on new regular Small Business Lending Companies and allow for additional licensees to make loans to small-dollar borrowers with government guarantees. The rules will "provide certainty through permanence of community advantage, encouraging current and new nonprofit lenders to invest in and expand SBA lending operations," the SBA said.

Economic Results 4/10 - 4/14

Mar CPI: The consumer price index rose 0.1% in March and 5% from a year ago, below estimates. Excluding food and energy, the core CPI accelerated 0.4% and 5.6%, both as expected. Energy costs fell and food prices were flat. Used vehicle prices also declined. A 0.6% increase in shelter costs was the smallest gain since November, but still resulted in prices rising 8.2% on an annual basis.

Mar PPI: U.S. producer prices unexpectedly fell 0.5% in March as the cost of gasoline declined, and there were signs that underlying producer inflation was subsiding.

Mar Retail Sales: Retail sales fell 1% in March, more than expected, as the winter spending burst loses steam.

Economic Week Ahead

Mar Housing Starts (Tues)

Mar Existing Home Sales (Thurs)

Quote

"The problem with the rate race is that even if you win, you're still a rat."

- Lilly Tomlin

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