

Equity Markets

The S&P 500 and the Dow posted modest declines, while the NASDAQ was flat. The market traded lower for most of the week until Friday when there was a strong move higher. On Wednesday and for the tenth consecutive meeting in a row, the FOMC lifted its benchmark interest rate, but it hinted at a pause. It raised its benchmark rate to a range of 5.00% to 5.25%. The Fed's latest policy statement removed

	<u>5/1 Open</u>	<u>5/5 Close</u>	<u>Change</u>
Dow Jones	34,098	33,674	-1.2%
S&P 500	4,170	4,136	-0.8%
NASDAQ	12,227	12,235	0.1%
KBW Bank Index	81.3	75.3	-7.4%
VIX	15.8	17.2	8.9%
Oil (WTI)	76.2	73.3	-3.8%

(Continued) language that had been in previous statements indicating that it “anticipates that some additional policy firming may be appropriate.” The market barely moved as most of the “pause” was expected. On Friday, U.S. jobs continued to surprise on the upside, as the 253,000 jobs were added in April. It exceeded expectations and topped the previous month’s figure of 165,000. The unemployment rate slipped to 3.4%, the lowest level in over fifty years. Almost 90% of S&P 500 companies have reported first-quarter results, with key metrics coming in better than their one-year averages, according to FactSet.

Interest Rates/Bonds

The Fed pushed short rates up by twenty-five basis points on Wednesday. For the week, the 2-year Treasury was down fifteen basis points, and the 10-year Treasury was flat.

The 2–10-year spread has increased from -109 basis points in March to -47 basis points currently.

	<u>5/1 Open</u>	<u>5/5 Close</u>	<u>Change</u>
3mo UST	4.99%	5.20%	21bp
2yr UST	4.06%	3.91%	-15bp
5yr UST	3.52%	3.42%	-10bp
10yr UST	3.45%	3.44%	-1bp
2–10yr UST Spread	-61 bp	-47 bp	14bp
10yr Inflation Rate	2.21%	2.22%	1bp

(Continued) During the same period, the 3-month to 10-year spread increased in negativity, falling from -102 basis points to -176 basis points. This indicates the market feeling certain that the Fed will be cutting rates soon.

Washington

Republicans are stepping up the pressure on federal financial agencies for information on supervisory efforts regarding the recent bank failures after a series of letters in March yielded few results. Rep. Andy Barr (R-Ky.) asked for a "full readout" on the agency's decision to retain BlackRock Financial Market Advisory to sell the securities the FDIC retained in its receivership of SVB and Signature Bank.

(Continued) In another letter, Barr sought "still-absent" information from Delmar on the Treasury's decision to take "extraordinary action in response to threats to the stability of the US financial system." In particular, the document sought an answer to the agency's decision that the failures were "systemically important."

Borrowings from the Fed's Bank Term Funding Program decreased this week, following an increase in the past two weeks. Borrowing from the Bank Term Funding Program totaled \$75.79 billion on May 3, down from \$81.33 billion the week prior.

President Joe Biden is expected to nominate Federal Reserve Governor Philip Jefferson and economist Adriana Kugler to fill the vacant positions of vice chair and a Fed board seat.

The former top officials of Silicon Valley Bank and Signature Bank are set to appear before the US Senate Banking Committee in May, while top banking regulators are going to address the committee members at a separate hearing.

Economic Results 5/1 - 5/5

April ADP: Employment surged in April, showing 296,000 jobs added with the bulk of the gains coming in the leisure and hospitality industry. The number was double estimates of 148,000.

April Nonfarm Payrolls: Data published by the US Bureau of Labor Statistics (BLS) revealed on Friday that Nonfarm Payrolls rose by 253,000 in April which was better than expected at 179,000. March's reading of 236,000 got revised lower to 165,000.

Economic Week Ahead

April Wholesale Inventories
(Mon)

April CPI (Wed)

April PPI (Thurs)

Quote

"Success is walking from failure to failure with no loss of enthusiasm."

– Winston Churchill

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