

Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

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Equity Markets

- U.S. stocks fell over another week of heightened volatility provoked by the Russian invasion of Ukraine and apparent lack of progress in talks between the two countries.

	<u>3/4 Close</u>	<u>3/11 Close</u>	<u>Price Change</u>
Dow Jones	33,615	32,944	Down 2.0%
S&P 500	4,329	4,204	Down 2.9%
NASDAQ	13,313	12,844	Down 3.5%
KBW Bank Index	125.51	122.66	Down 2.3%
VIX	31.98	30.75	Down 3.9%

- Bloomberg's raw materials index hit a record high last week, as soaring grain prices and crude oil nearing \$140 a barrel reflect the Ukraine war's impact on the stability of commodities.

Financials

- Regulators closed no additional banks last week; year-to-date closures remain at zero.
- Goldman Sachs Group Inc. said on Thursday it plans to close its operations in Russia, the first major Wall Street bank to leave in response to the nation's attack on Ukraine. JPMorgan quickly followed suit and is currently engaging in limited activities with the country.

Credit Markets

- U.S. Treasury yields climbed last week after the CPI index report continued to confirm inflation concerns.

	<u>3/4 Close</u>	<u>3/11 Close</u>	<u>Yield Change</u>
3mo UST	0.33%	0.38%	Up 5 bps
2yr UST	1.48%	1.75%	Up 27 bps
5yr UST	1.64%	1.95%	Up 31 bps
10yr UST	1.73%	2.00%	Up 27 bps
2-10yr UST Spread	+25bp	+25bp	Unchanged

- The Treasury curve maintained its level of flattening over week, flashing signals that the risk of a U.S. recession is increasing, even before the Federal Reserve official raises interest rates.
- Investors continue pulling their cash from the \$4 trillion municipal-bond market, which is on track for its worst quarter since 1994 with a loss of more than 4%, as interest rates head higher worldwide.

Treasury/Fed/Administration/Congress

- On Wednesday, the House passed a long-delayed \$1.5 trillion spending bill that would fund the U.S. government through the rest of the fiscal year and provide \$13.6 billion to respond to Russia's invasion of Ukraine.
- With the U.S. central bank having bought close to \$6 trillion of Treasuries and mortgage bonds in the past two years after the onset of the COVID-19 pandemic rattled markets, last week's \$4 billion purchase looks to be its last in Treasuries.

Economy

- **U.S. consumer prices** accelerated 7.9% from a year earlier in February to a fresh 40-year high on rising gasoline, food and housing costs, with inflation poised to rise even further following Russia's invasion of Ukraine.
- The **U.S. trade deficit** swelled in January to a record \$89.7 billion, reflecting pickups in the values of imported capital equipment and consumer goods as well as crude oil.
- **U.S. job openings** decreased slightly to 11.3 million in January, close to record, suggesting employers continued to have difficulty luring workers.
- Household net worth in the U.S. increased by \$5.3 trillion, or 3.7%, in the fourth quarter on rising stock prices and higher home values. The fourth-quarter advance pushed net worth to more than \$150 trillion.

This Week

Economic data scheduled to be released this week include Feb. PPI (Tue), Retail Sales (Wed), FOMC Rate Decision (Wed), Housing Starts (Thurs) and Existing Home Sales (Fri).

Quote

"The beginning is the most important part of the work."

- Plato