

Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

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Equity Markets

- Most U.S. market indexes finished lower for the second straight week as war in Eastern Europe, inflationary pressures and anticipation for more aggressive measures by the Federal Reserve to tame rising price levels continued to weigh on sentiment. The S&P 500 and tech-heavy Nasdaq Composite each settled at four-week lows.

	<u>4/8 Close</u>	<u>4/15 Close</u>	<u>Change</u>
Dow Jones	34,721	34,451	Down 0.8%
S&P 500	4,488	4,393	Down 2.1%
NASDAQ	13,711	13,351	Down 2.6%
KBW Bank Index	119.79	116.73	Down 2.6%
VIX	21.16	22.70	Up 0.7%

Financials

- There were no bank failures during the week.
- Large financials were dominated by the beginning of earnings season. Investment banks (GS, MS and Citi) smashed bond and stock trading revenue during the first quarter. JPMorgan also had good results, but with some revenue knocks due to Russia links.

Rates/Spreads

- Treasury yields climbed higher, with the 10-year benchmark marking its biggest one-week jump to hit 2.8%, the highest level since December 2018.

	<u>4/8 Close</u>	<u>4/15 Close</u>	<u>Change</u>
3mo UST	0.70%	0.79%	Up 9 bp
2yr UST	2.52%	2.46%	Down 6 bp
5yr UST	2.76%	2.79%	Up 3 bp
10yr UST	2.70%	2.83%	Up 13bp
2-10yr UST Spread	18bp	36bp	Up 18 bp
10yr Inflation Rate	2.89%	2.91%	Up 2bp

- The Federal Reserve's plans to shrink its massive balance sheet, a bit quicker than earlier forecast, may reduce the risk of government bond yields inverting, one sign of an impending recession, and lessen the need for some future interest-rate hikes. 2 to 10 spreads widened to +36bps.

Treasury/Fed/Administration/Congress

- Michael Barr, a former Treasury Department official, will be nominated by President Joe Biden to serve as the Federal Reserve's vice chair for supervision. Barr, who was assistant Treasury secretary for financial institutions during the Obama administration, helped craft the 2010 Dodd-Frank Act that overhauled financial regulation following the 2008-09 financial crisis. Biden's previous choice for the role, Sarah Bloom Raskin, withdrew her name from consideration after Sen. Joe Manchin, D-W.V., announced he would not support her nomination.
- Sen. Pat Toomey, R-Pa., and Sen. Tim Scott, R-S.C., sent a letter to Federal Deposit Insurance Corp. Acting Chairman Martin Gruenberg regarding allegations of racial discrimination and fears of retaliation at the agency under his previous leadership.

Economy

- March, inflation, as measured by CPI, posted its biggest 12-month increase since December 1981. CPI was up 1.2% versus 0.8% in February. The 12-month increase was 8.5%, up from 7.9% in the period through February 2022. That was the largest one-year change since December 2021. Price hikes for gasoline, shelter, and food again were the key drivers of overall inflation. All items less food and energy were up by 6.5% over the past 12 months, the largest rise since the period ending August 1982.
- In March, the Producer Price Index (PPI) increased by 1.4% on a seasonally adjusted basis. This follows monthly increases of 1.2% in January 2022 and 0.9% in February. On an unadjusted basis, the PPI has risen by 11.2% for the 12 months ending in March 2022, the largest 12-month increase since the data was first compiled in November 2010. PPI is a gauge of inflation that measures increase to input costs faced by the producers of goods and services. Because it measures price changes before, they reach consumers, some analysts see it as an earlier predictor of inflation than the CPI.
- Retail sales in the US increased 0.5% in March from the previous month and were up 6.9% year over year.
- The University of Michigan Consumer Sentiment Index (MCSI) opened April 2022 at 65.7, up by 10.6% from late March. Key drivers were a leap of 29.4% in the year-ahead outlook for the economy and a 17.2% jump in personal financial expectations.

This Week

Economic data scheduled to be released this week include Mar. Housing Starts (Tues), Mar. Existing Home Sales (Wed), Apr. Philly Fed Manufacturing Index (Thur).

Quote

"Success usually comes to those who are too busy to be looking for it." - Thoreau

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

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