

Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

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Equity Markets

- Equity volatility continued to retreat, week over week, following more than a month of rising market uncertainty. Markets were able to relax a bit following a busy economic week that produced very few negative surprises and showed that consumers are still spending.

	<u>3/25 Close</u>	<u>4/1 Close</u>	<u>Change</u>
Dow Jones	34,861	34,818	Down -0.1%
S&P 500	4,543	4,546	Up 0.1%
NASDAQ	14,169	14,262	Up 0.7%
KBW Bank Index	131.34	122.58	Down -6.7%
VIX	20.81	20.53	Down -1.3%

Financials

- Regulators closed no banks last week; year-to-date closures remain at zero.
- Banks pulled back, with the KBW Bank Index falling 6.7%. Financial stocks have stumbled recently because of low loan growth, inflationary pressure, and what signals that an inverted curve may be forecasting for future economic growth.

Rates/Spreads

- Treasury yields were mixed across durations with short to intermediate rates (< 5 years) rising and longer rates pulling back.

	<u>3/25 Close</u>	<u>4/1 Close</u>	<u>Change</u>
3mo UST	0.53%	0.56%	Up 3 bp
2yr UST	2.27%	2.45%	Up 18 bp
5yr UST	2.55%	2.57%	Up 2 bp
10yr UST	2.47%	2.40%	Down 7 bp
2-10yr UST Spread	+20bp	-5bp	Down 25 bp
10yr Inflation Rate	2.98%	2.79%	Down 19bp

- On Thursday, the benchmark 2-to-10-year Treasury spread inverted for the first time since 2019. There is growing concern that the FOMC is behind the curve on rate hikes and will need to tighten policy beyond neutral which could slow growth too quickly.

Treasury/Fed/Administration/Congress

- The CFPB is creating resolute units to identify and penalize financial corporations that have repeatedly violated laws or agency rules. For depository institutions, regulators should assess whether to limit or rescind FDIC insurance or even put banks into receivership, CFPB Director Rohit Chopra said March 28.
- Lisa Cook's nomination for a seat on the Federal Reserve Board advanced to a full senate vote. She previously received a tie vote in the Senate Banking Committee with all 12 Democrats voting for her and all 12 Republicans voting against her. The procedural vote sets up a full senate vote for her and three of President Biden's other Fed nominees. Cook would be the first African American woman to serve on the Fed Board.
- The OCC plans to overhaul supervision of community and midsize banks. The changes, which are expected to take effect Oct. 1 will put a larger focus on supervision of fintech and cryptocurrency and needed flexibility in accounting for the consolidation of community banks.

Economy

- Consumer confidence rose to 107.2 (107.5 forecast) in March which was the first increase in 2022. Consumers are still uneasy about inflation and economic fallout from Ukraine.
- According to ADP data March payrolls rose by 455,000 (450K forecast).
- The third and final revision of 4th qtr. GDP was reduced from 7% to 6.9%. GDP growth was primarily driven by increases in private inventory, personal consumption, and exports.
- The Feds favorite gauge of inflation (PCE) climbed by 6.4% for the month and continued to run at the fastest pace in 40 years.
- 431,000 jobs were added in March, bringing the unemployment rate to a new pandemic low of 3.6%. The economy is now 1.6 million jobs or 1% short of where it was February 2020 when the pandemic hit. The labor force participation rate also ticked up slightly to 62.4%. It is still one point below pre-pandemic but has increased over the last few months.

This Week

Economic data scheduled to be released this week include Feb. Factory orders (Mon), Feb. Durable goods (Mon), Mar. ISM services index (Tues), Mar. 16 FOMC minutes (Wed), Feb. Wholesale inventories (Fri)

Quote

"It takes 20 years to make an overnight success." Eddie Cantor

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