

Equity Markets

The equity market has a nice little rally on its hands. Stocks rose last week, adding to a positive push that has the S&P 500 up 9% over the last month but still down 17% year to date.

	<u>7/18 Open</u>	<u>7/22 Close</u>	<u>Change</u>
Dow Jones	31,338	31,900	Up 1.8%
S&P 500	3,863	3,962	Up 2.6%
NASDAQ	11,452	11,834	Up 3.3%
KBW Bank Index	104.0	106.2	Up 2.1%
VIX	24.2	23.0	Dn 4.6%

Is this a sign of the bottom? Healthy rallies do happen within bear markets, but the bond and stock market are still signaling warning signs. Credit spreads continue to remain wide; the curve is the most inverted it has been in 20 years and consumer sentiment is the lowest it has been in fifty years.

Interest Rates/Bonds

Longer dated Treasury yields slid for a second straight week on growing concerns about a recession. The 10-year and 30-year Treasury yields have hit their lowest rates since May. Bank of America's rate team lowered its 10-year Treasury rate projection from 3.50% to 2.75% on expectations for a rapidly growing risk of a global recession.

The Treasury curve inversion signals a similar rough patch for the economy. The spread between 2 and 10-year Treasury rates finished the week at -22 basis points (lowest since March 2000). The spread between those two durations has averaged +105 basis points over the last decade.

All eyes will be on the Fed this week as the market appears to have settled in on a prediction of a 75-basis point rate hike on Wednesday. For a brief period, earlier in the week, market participants pushed the futures prices up close to a 40% chance of a 100-basis point increase.

	<u>7/11 Open</u>	<u>7/15 Close</u>	<u>Change</u>
3mo UST	2.25%	2.38%	Up 13 bp
2yr UST	3.12%	2.97%	Dn 15bp
5yr UST	3.03%	2.84%	Dn 19 bp
10yr UST	2.92%	2.75%	Dn 17 bp
2-10yr UST Spread	-20 bp	-22 bp	Dn 2 bp
10yr Inflation Rate	2.37%	2.34%	Dn 3bp

Washington

A small group of senators urged Small Business Administrator Isabella Guzman to lift the moratorium on allowing financial technology firms to serve as small-business lending companies and to include them under its flagship small business loan program. The lawmakers suggested that fintech's were able to provide pandemic-era relief programs to a wider audience since traditional banks could only serve their existing customers initially.

The Federal Reserve Board is seeking comments on a proposal to provide default rules for certain contracts that use the London interbank offered rate, which is set to be discontinued after June 30, 2023. The proposal implements the Adjustable Interest Rate (LIBOR) Act, which is a uniform, nationwide solution for replacing references to the rate in existing contracts that do not have adequate fallback provisions related to the identification of an alternative reference rate. These contracts include those governed by domestic law that do not mature before Libor is discontinued.

New legislation to regulate stablecoins is more likely as U.S. lawmakers moved closer to a bipartisan agreement to impose basic safeguards on volatile cryptocurrency markets. The deal would be a major step toward implementing stringent regulations on an industry that came into existence with no regulation.

Economy Results 7/18 – 7/22

June Housing Starts - Housing starts in the US dropped 2% month-over-month to an annualized rate of 1.559 million units in June of 2022, the lowest since September last year.

June Existing Home Sales – June's existing home sales reached a 5.12 million seasonally adjusted annual rate. June's sales of existing homes declined 14.2 % from June 2021.

Philly Fed Business Outlook – The index declined to -12.3 in July from -3.3 in June. This print missed the market expectation of zero by a wide margin.

Week Ahead

Consumer Confidence (Tue), June New Home Sales (Tue), June Durable Goods (Wed), FOMC rate decision (Wed), 2nd Qtr GDP (Thu), June PCE (Fri), June Personal Income/Spending (Fri), UofM Sentiment (Fri)

Quote

“I have never let my schooling interfere with my education.”

Mark Twain

Contact

SSW Research Department

Chad McKeithen

P: (601) 605-1776

E: chad.mckeithen@ssw1776.com

www.ssw1776.com

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

Smith Shellnut Wilson, LLC ♦ Investment Counsel and Management

661 Sunnybrook Rd., Suite 130 ♦ Ridgeland, MS 39157 ♦ Telephone 601-605-1776 ♦ Fax 601-605-1710