

# Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

June 13, 2022

**SMITH  
SHELLNUT  
WILSON**  
AN AFFILIATE OF **b1BANK**

SSW Research Department  
Office: (601) 605-1776  
Email: [chad.mckeithen@ssw1776.com](mailto:chad.mckeithen@ssw1776.com)  
Website: [www.ssw1776.com](http://www.ssw1776.com)

## Equities

- The major U.S. stock indexes fell around 5% to 6%, with equities posting the ninth negative week out of the past ten. Most of the latest week's decline came on Friday following the release of a monthly report on inflation that was worse than most economists had expected. The volatility index (VIX) rose more than 12% for the week but jumped more than 6% following the CPI announcement on Friday.

	<u>6/6 Open</u>	<u>6/10 Close</u>	<u>Change</u>
Dow Jones	32,900	31,393	Down 4.6%
S&P 500	4,158	3,901	Down 5.0%
NASDAQ	12,013	11,340	Down 5.6%
KBW Bank Index	114.33	105.37	Down 7.8%
VIX	24.08	27.80	Up 12.1%

## Interest Rates/Bonds

- The week's decline in prices of government bonds accelerated after the release of Friday's inflation report, sending the yield of the 10-year U.S. Treasury bond higher, to 3.16%. That was up from a yield of 2.74% just two weeks earlier, and it marks the second time this year that the yield has exceeded 3.00%, with the first occurring in early May.
- The Treasury curve inverted between multiple points over the week. The benchmark 2 - 10-year Treasury spread remains slightly positive at +11 basis points but 3, 4, 5, 7-year Treasuries are now higher than (inverted to) the 10-year Treasury rate. Curve inversion has historically been a precursor signal to a slowing economy.
- With inflation continuing to run hot, policymakers are widely expected to approve an interest-rate increase of at least half a percentage point at Wednesday's U.S. Federal Reserve policy meeting. It would be the second half-point increase in a row—twice as big as the quarter-point increases that the Fed typically implements to slow growth.

	<u>6/6 Open</u>	<u>6/10 Close</u>	<u>Change</u>
3mo UST	1.11%	1.28%	Up 17 bp
2yr UST	2.65%	3.04%	Up 39 bp
5yr UST	2.93%	3.26%	Up 33 bp
10yr UST	2.93%	3.16%	Up 23 bp
2-10yr UST Spread	28 bp	11 bp	Down 17 bp
10yr Inflation Rate	2.77%	2.79%	Up 2 bp

## Washington

- Michael Barr's nomination for the Federal Reserve's vice chairman for supervision position advanced through the U.S. Senate Banking Committee by a vote of 17-7. The committee also advanced Jaime Lizárraga and Mark Uyeda to be members of the SEC on a voice vote. Ranking Member Pat Toomey, R-Pa., along with four other Republicans, voted for Barr, a good sign for his chances when his nomination appears before the narrowly divided Senate in the coming weeks.
- A bill that would allow credit unions to expand into underserved areas is now part of a broader legislative package likely headed for consideration on the U.S. House floor. The House Financial Services Committee passed the stand-alone credit union bill in May. The measure would allow credit unions to apply to the NCUA for permission to widen their membership into underserved areas. It would also lift the cap on credit union business lending in those areas.
- Gary Gensler, chairman of the Securities and Exchange Commission, has asked agency staff to consider requiring brokerages to direct individual investors' buy or sell stock orders into auctions to increase market competition. Gensler said the objective would be to "assure full competition among all market participants to provide the best prices for retail investors." An executive with Robinhood Markets Inc. "blasted" the SEC, saying the market was already functioning well for ordinary investors. Robinhood receives compensation from wholesalers for routing trades to their venues.

## Economic Results – Last Week

- April U.S. wholesale inventories increased slightly more than initially thought in April, suggesting that inventory investment could provide a lift to economic growth this quarter. The rise, however, came as sales growth appears to be slowing. Major retailers have recently indicated they are carrying too much inventory.
- May CPI was hotter than expected. Year over year, headline CPI was up 8.6% (8.3% forecast). That is the highest read since 1981. The core read (strips out food and fuel) was up 6.0% (6.2% forecast).

## Economic Data - Week Ahead

May PPI (Tue), May Retail Sales (Wed), FOMC rate decision (Wed), May Housing Starts (Thu), Industrial Production (Fri)

## Quote

"If you don't drive your business, you will be driven out of business." – B. C. Forbes

---

Smith Shellnut Wilson, LLC  
661 Sunnybrook Road, Suite 130  
Ridgeland, MS 39157-1813  
Office: (601) 605-1776  
Fax: (601) 605-1710  
Website: [www.ssw1776.com](http://www.ssw1776.com)

---