

# Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

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## Equities

- The major U.S. indexes fell for the eighth straight week in a row with the Nasdaq notching its longest weekly losing streak since 2001. Tech is now down by 29% since hitting a high in November. The S&P 500 fell into bear territory briefly during the week and is now off 20% from its recent high. Growth and tech have been particularly hard hit by inflation, rising rates, war in Ukraine and new pandemic lockdowns.

	<u>5/13 Close</u>	<u>5/20 Close</u>	<u>Change</u>
Dow Jones	32,197	31,261	Down 2.9%
S&P 500	4,024	3,901	Down 3.1%
NASDAQ	11,805	11,355	Down 3.8%
KBW Bank Index	108.72	106.51	Down 2.0%
VIX	28.90	29.43	Up 1.8%

## Bonds

- Treasury bond prices improved week over week as investors, globally, continue to flock to safety. The benchmark 10 US Treasury fell from 2.92% to 2.78% during the week.
- Corporate and municipal bond sectors continued to widen in comparison to Treasuries as volatility and growing fears about a recession continued to pressure credit spreads. The 10yr AAA Muni/UST ratio has increased to 104% after dropping to 59% during the past year.
- Even with growing inflation concerns, market sentiment continues to be low on long-term inflation. The 10-year breakeven inflation rate, which is the difference between 10-year TIPS and 10-year US Treasuries has dropped from 3.04% to 2.59% over the past month.

	<u>5/13 Close</u>	<u>5/20 Close</u>	<u>Change</u>
3mo UST	0.93%	0.99%	Up 6 bp
2yr UST	2.58%	2.58%	Flat
5yr UST	2.87%	2.73%	Down 14 bp
10yr UST	2.92%	2.78%	Down 14 bp
2-10yr UST Spread	34 bp	20 bp	Down 14 bp
10yr Inflation Rate	2.74%	2.59%	Down 15 bp

## Washington

- Michael Barr, President Joe Biden's nominee to lead bank supervision at the Federal Reserve, said in his nomination hearing that the Fed's authority on climate change is limited and related only to assessing risks, "I think that the Federal Reserve is not able to allocate credit,

should not be in the business of telling financial institutions to lend to a particular sector or not to lend to a particular sector," Barr said. Some Republicans and Sen. Joe Manchin, D-W.V., had criticized Sarah Bloom Raskin, Biden's previous nominee for the position, over her views on climate change. She withdrew her nomination in March.

- The Fed and the Office of the Comptroller of the Currency will hold virtual public meetings on two M&A deals. The regulators will hold a joint virtual public meeting on Bank of Montreal and Chicago-based BMO Harris Bank NA's proposed acquisition of San Francisco-based BancWest Holding Inc. and Bank of the West on July 14. They will then hold a joint public meeting on Toronto-Dominion Bank's proposed acquisition of Memphis, Tenn.-based First Horizon Corp. on Aug. 18.
- The CFPB issued a report stating that homeowners are still facing "significant" risks and challenges related to working with their mortgage servicers. The consumer watchdog's report analyzed mortgage servicers' responses to the COVID-19 pandemic from May 2021 through December 2021. According to the report, about 330,000 homeowners had delinquent loans, loans no longer in forbearance and no loss-mitigation solutions in place at the end of 2021.

### Economic Results

- Retail sales rose 0.9% in April, just below the Dow Jones estimate for a 1% increase. Excluding autos, sales increased 0.6%, which was better than the 0.4% estimate. Consumers continued spending despite an ongoing surge in price. In addition, March's spending was revised higher, from the original estimate of a 0.5% increase to a 1.4% gain.
- Housing starts in the US declined 0.2% MoM to an annualized 1.724 million units in April, after a revised 2.8% drop in March and below market forecasts of 1.765 million. Single-family housing starts dropped 7.3% to 1,100,000 while the rate for units in buildings with five units or more jumped 16.8% to 612,000.
- Existing home sales in the US declined by 2.4% to a seasonally adjusted annual rate of 5.61 million in April of 2022, the lowest since June of 2020 and slightly below forecasts of 5.65 million. Sales went down for a third consecutive month, in another sign the housing market is cooling, as higher home prices and mortgage rates have reduced buyer activity.

### Week Ahead

Economic data scheduled to be released this week: April New Home Sales (Tue), April Housing Starts (Wed), April Durable Goods (Wed), 1Q GDP 2nd read (Thu), April PCE (Fri).

### Quote

"The only place where success comes before work is in the dictionary." – Vidal Sassoon

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