

Financial Week Newsletter

...as summarized by Smith Shellnut Wilson

May 31, 2022

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

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

Equities

- The S&P 500 snapped a string of seven negative weeks in a row, surging nearly 7% along with the other major indexes to post its best weekly result since November 2020. The sharp turnaround came a week after the S&P 500 narrowly avoided entering a bear market, defined as a decline of 20% or more from a recent high.

	<u>5/20 Close</u>	<u>5/27 Close</u>	<u>Change</u>
Dow Jones	31,261	33,213	Up 6.2%
S&P 500	3,901	4,158	Up 6.6%
NASDAQ	11,355	12,131	Up 6.8%
KBW Bank Index	106.51	116.28	Up 9.2%
VIX	29.43	25.72	Down 12.6%

Interest Rates/Bonds

- Wednesday's release of minutes from the latest U.S. Federal Reserve meeting showed that policymakers were open to the possibility of raising interest rates by a half a percentage point at both of their next two meetings, as they did at their early May gathering. Officials acknowledged that any additional half-point rate hikes could deliberately slow economic growth in order to fight inflation.
- Credit spreads pulled back significantly over the past week. The benchmark 10-year AAA Municipal to Treasury ratio fell from 104% to 91% in the last week. After weeks of money flowing away from risk, investors returned to credit and tightened spreads.
- Inflation showed a bit of moderation in April, based on the Fed's preferred gauge. Although the PCE price index was still close to a four decade high it did level off.

	<u>5/20 Close</u>	<u>5/27 Close</u>	<u>Change</u>
3mo UST	0.99%	1.01%	Up 2 bp
2yr UST	2.58%	2.48%	Down 10 bp
5yr UST	2.73%	2.72%	Down 1 bp
10yr UST	2.78%	2.74%	Down 4 bp
2-10yr UST Spread	20 bp	26 bp	Up 6 bp
10yr Inflation Rate	2.59%	2.66%	Up 7 bp

Washington

- Jerome Powell was sworn in on May 23 to serve a second term as Fed chairman. Powell's second term as chairman ends May 15, 2026, but he will remain a member of the board until

Jan. 31, 2028. Additionally, Brainard was sworn in as vice chair. Her term ends May 15, 2026. Lisa Cook and Philip Jefferson also took oaths as members of the Fed's board.

- Minutes of the Fed's latest rate-setting meeting showed that the central bank would need to raise the interest rates by 50 basis points in each of their next two meetings. The officials discussed the possibility of increasing rates to levels that would deliberately slow economic growth, to rein in rising inflation. "At present, participants judged that it was important to move expeditiously to a more neutral monetary policy stance. They also noted that a restrictive stance of policy may well become appropriate," according to the minutes.
- Total assets of institutions on the Federal Deposit Insurance Corp.'s list of problem banks increased again in the first quarter, according to the latest Quarterly Banking Profile. Assets of the banks on the list increased by \$3.0 billion to \$173.1 billion in the first quarter, despite the number of banks on the list falling to 40, from 44 in the fourth quarter of 2021. Total assets of banks on the list have not reached the \$100 billion mark since the third quarter of 2014, according to FDIC data.

Economic Results

- US new home sales plunged in April to their lowest in two years, even as prices continued to climb, according to government data released Tuesday, as would-be buyers felt the heat of soaring inflation and rising interest rates. Sales of new single-family homes fell 16.6 percent in April.
- Nearly every category in the durable-goods report showed a gain in April, though the increases were modest. New orders for durable goods increased 0.4 percent in April following a 0.6 percent gain in March, the sixth increase in the last seven months.
- The U.S. economy's stumble in this year's first quarter was slightly worse than initially estimated. The government's latest GDP figure released on Thursday showed that the economy contracted at an annual rate of 1.5%, instead of the initial estimate of a 1.4% contraction. Weaker private inventories and household investment triggered the downward revision.
- The Personal Consumption Expenditures Price Index rose at an annual rate of 6.3%, down from 6.6% in March; excluding often-volatile food and gas prices, April's rate was 4.9%.

Week Ahead

Economic data scheduled to be released this week: Consumer confidence (Tue), May ISM Manufacturing (Wed), May ADP employment (Thu), May Nonfarm Payrolls (Fri)

Quote

"Business is a combination of war and sport." – Andre Maurois

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
