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Financial Week Newsletter

Summarized by Smith Shellnut Wilson

February 24, 2025

"How very little can be done under the spirit of fear." Florence Nightingale

MARKETS

Macro Recap: The past week was shortened by a holiday and featured minimal economic releases. Market participants continued to process discussions about tariffs, viewing them more as a bargaining tool than a permanent measure. President Trump announced that the auto tariff rate would be approximately 25% starting April 2, and he is also considering tariffs on pharmaceuticals and semiconductors.

Friday's economic data had the most significant market impact of the week. The preliminary February S&P Global US Services PMI fell into contraction territory (below 50.0), registering 49.7 compared to 52.9 the previous month. Additionally, the final University of Michigan Consumer Sentiment report for February dropped to 64.7, below the expected 67.8. The report highlighted that the decline in sentiment was widespread across different age, income, and wealth groups, primarily due to concerns about imminent price increases driven by tariff actions.

Furthermore, existing home sales decreased by 4.9% month-over-month in January. This decline is attributed to affordability constraints stemming from elevated home prices, which are linked to limited inventory and high mortgage rates.

Equity Recap: The Dow Jones Industrial Average declined by 2.5% for the week, while the S&P 500 decreased by 1.7%, and the Nasdaq Composite fell by 2.5%. The majority of the volatility and selling pressure occurred in the latter half of the week. On Thursday, Walmart issued disappointing guidance, and on Friday, a significant miss in consumer sentiment heightened concerns about future economic growth and valuations. This led to substantial consolidation activity and profit-taking interest on Friday.

Bond/Rate Recap: Treasuries experienced modest gains as investors sought safety later in the week. The 10-year yield decreased by 5 basis points, from 4.50% to 4.45%, while the 2-year yield declined by 4 basis points, from 4.26% to 4.22%.

INDICES

	Feb 21 Close	Feb 17 Open	Weekly Change	Dec 31 2024	YTD Change
DJIA	43,428	44,546	-2.5%	42,544	2.1%
S&P 500	6,013	6,115	-1.7%	5,882	2.2%
NASDAQ	19,524	20,027	-2.5%	19,311	1.1%
Russell 2000	2,195	2,280	-3.7%	2,230	-1.6%
KBW Bank Indx	134.1	138.9	-3.5%	127.5	5.2%
Bitcoin	$95,884	$96,235	-0.4%	$93,714	2.3%
Oil (WTI)	$70.40	$71.19	-1.1%	$71.72	-1.8%
Gold	$2,953	$2,895	2.0%	$2,625	12.5%
Prime	7.50	7.50	0.00	7.50	0.00
Effective Fed Funds	4.33	4.33	0.00	4.33	0.00
3m Tbill	4.30	4.30	0.00	4.31	-0.01
2yr UST	4.22	4.26	-0.05	4.24	-0.02
10yr UST	4.45	4.50	-0.05	4.57	-0.12
2-10yr UST Spread	23	24	-1	33	-10
2y AAA Muni/10y UST	62.1%	62.6%	-0.4%	66.5%	-4.3%
10y AAA Muni/10y UST	66.7%	67.2%	-0.4%	68.4%	-1.7%
5yr Inflation Forecast	2.66	2.65	0.01	2.42	0.24

Week Ahead

- **Monday:** No major news
- **Tuesday:** FHFA House Price Index, Consumer Conf
- **Wednesday:** New home sales
- **Thursday:** GDP, Pending home sales, Durable goods
- **Friday:** PCE

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