

# CAPITAL MARKETS REPORT - JANUARY 10, 2022



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## Market Movers:

- The first full week of the New Year provided plenty of volatility for both equities and bonds. The Treasury sell-off pushed the 10year up 26bps to 1.77%, its worst start to a year since 2009. The 10-year yield hit a high during the week of 1.79% while investors brace for news of Federal Reserve rates hikes in 2022, the first since 2018.
- Tesla opens the new year up 14% as the carmaker navigated supply-chain disruptions to report blow-out deliveries for the fourth quarter.
- Traders expect tightening from the Fed to boost yields and reset equity valuations. Meanwhile, the U.S. December payroll data and minutes from the Fed's meeting last month may throw more light on the pace of such a shift.
- Markets have largely turned their attention to the possibility for three rate hikes this year, however, concerns persist about the omicron variant's threat to global growth. Hong Kong re-imposed social curbs and halted flights from eight countries. Meanwhile, U.S. school closings are accelerating as case counts soar.
- St. Louis Fed President Bullard, a more hawkish policy maker, said in a speech the central bank could raise its target interest rate as soon as March. Meanwhile, San Francisco Fed President Mary Daly said at a virtual event that trimming the Fed balance sheet would come after normalizing the Fed funds rate.
- The U.S. Department of Labor released the Employment Report for December 2021. Following last months 210k jobs, estimates were for the headline number to double, over 450k, results disappointed at 199k. The unemployment rate fell to 3.9%, near pre-covid levels. The initial market reaction pushed DOW futures down 54 points and the 10 year down three-eighths of a point to 1.76%.

## Market Last Week

	12/31/21 Close	1/7/22 Close	Weekly Change
2 yr. note	0.73%	0.87%	+14bps
5 yr. note	1.26%	1.50%	+24bps
10 yr. note	1.51%	1.77%	+26bps
30 yr. bond	1.90%	2.12%	+22bps
1 Mo. LIBOR	0.10125	0.10529	+0.0040

## Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
1/10/22 10:00 AM	Wholesale Inventories	1.2%	1.2%
1/12/22 7:00 AM	MBA Mortgage Applications	n/a	-5.6%
1/12/22 8:30 AM	CPI MoM	0.4%	0.8%
1/12/22 8:30 AM	CPI YoY	7.0%	6.8%
1/13/21 8:30 AM	PPI Final Demand MoM	0.4%	0.8%
1/13/22 8:30 AM	Initial Jobless Claims	200k	207k
1/13/22 8:30 AM	Continuing Claims	1760k	1754k
1/14/22 8:30 AM	Retail Sales Advance MoM	-0.1%	0.3%
1/14/22 8:30 AM	Retail Sales Ex Auto MoM	0.2%	0.3%
1/14/22 8:30 AM	Import Price Index MoM	0.2%	0.7%
1/14/22 9:15 AM	Industrial Production MoM	0.2%	0.5%
1/14/22 10:00 PM	Univ. of Michigan Sentiment	70.0	70.6

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