

# CAPITAL MARKETS REPORT - MAY 9, 2022



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SERVICE BEYOND COMPARISON

## Market Movers:

- The Federal Open Market Committee voted unanimously to increase the benchmark rate by a half a percentage point. It will also begin allowing its holdings of Treasuries and mortgage-backed securities to decline in June at an initial combined monthly pace of \$47.5 billion, stepping up over three months to \$95 billion.
- Markets have whipsawed amid competing concerns about persistent inflationary pressures and risks to global growth from rising yields. Fed Chair Jerome Powell and his colleagues are signaling they are on track to lift the target rate to around 2.5% by the end of the year. What remains to be seen is if the upward move in rates dramatically impedes the economy's post-covid recovery.
- Traders pared their bets on a bigger June hike after Powell hinted that 50 basis point hikes will remain on the table for the next few meetings. His comments also muted speculation that the Fed was weighing an even larger hike of 75 basis points in the months ahead.
- Just a day after the biggest rally in two years, the S&P 500 tumbled 3.6% as traders worried that officials could struggle to fight inflation amid the threat of a recession. The ten-year treasury sold off and is now trading at 3.10%.
- The swing higher in longer-dated yields certainly matters for the broader economic picture as they influence borrowing costs. Residential mortgage rates in the U.S. resumed their upward jump, reaching the highest level since August 2009.
- Nonfarm payrolls climbed amid a smaller labor force that may pressure employers to boost wages to bring workers back. That labor-wage tug-of-war may complicate the central bank's fight to tame inflation without undermining growth.

## Market Last Week

	4/29/22 Close	5/6/22 Close	Weekly Change
2 yr. Note	2.72%	2.65%	+5 bps
5 yr. Note	2.96%	3.08%	+3 bps
10 yr. Note	2.94%	3.14%	+4 bps
30 yr. Bond	3.00%	3.23%	+6 bps
1 Mo. LIBOR	0.80329	0.84214	+0.0389

## Data This Week

Date/Time (ET)	Economic Data	Market Estimate	Prior Report
5/9/22 10:00 AM	Wholesale Inventories MoM	2.3%	2.3%
5/11/22 7:00 AM	MBA Mortgage Applications	n/a	2.5%
5/11/22 8:30 AM	CPI MoM	0.2%	1.2%
5/11/22 8:30 AM	CPI Ex Food and Energy MoM	0.4%	0.3%
5/11/22 8:30 AM	CPI YoY	8.1%	8.5%
5/11/22 8:30 AM	Real Avg Hourly Earning YoY	n/a	-2.7
5/12/22 8:30 AM	PPI Final Demand MoM	0.5%	1.4%
5/12/22 8:30 AM	PPI Final Demand YoY	10.7%	11.2%
5/12/22 8:30 AM	Initial Jobless Claims	192k	200k
5/12/22 8:30 AM	Continuing Claims	1370k	1384k
5/13/22 8:30 AM	Import Price Index MoM	0.6%	2.6%
5/13/22 10:00 AM	Univ. of Michigan Sentiment	64.0	65.2

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