

CAPITAL MARKETS REPORT - JANUARY 11, 2021



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SERVICE BEYOND COMPARISON

Market Movers:

- Markets somewhat unaffected by violence in DC, focused more on Biden spending plans
- Congress weighing attempt to remove Trump
- Treasury yields rose sharply last week as expectations of increased government spending has markets prepared for additional debt issuance. Stocks climbed on the prospect that more money would be pumped into the system.
- In response to the storming of the Capitol last week, many in Congress are pushing for President Trump to be removed from office. The hope that Vice President Mike Pence will invoke the 25th amendment to remove the president from office is a longshot. Last night, House Speaker Pelosi said that if the 25th amendment is not invoked, she will proceed with bringing a resolution to impeach Trump to the house floor. With the Senate in recess, the earliest that an impeachment trial could begin would be January 20th, which is also Trump's last day on the job. While there is little precedent for an impeachment that extends beyond the end of a term, the bigger concern for markets is the impact that an impeachment will have on delaying Biden's agenda. Many Democrats, including Biden apparently, prefer to have the president's term end without any effort to impeach in order to turn Washington's focus to the new administration. Currently bonds are essentially flat and stocks are lower on concerns that the President-elect's stimulus measures will be delayed.
- A surprising loss of 140K jobs in December showed that the surge in Covid cases had a greater impact on hiring than predicted. The unexpectedly disappointing report underscored the fragility of the current economy and renewed fears that any recovery would be more anemic than hoped.

Market Last Week

	12/31/20 Close	01/08/21 Close	Weekly Change
2 yr. note	0.12%	0.13%	+1 bp
5 yr. note	0.36%	0.48%	+12 bps
10 yr. note	0.91%	1.12%	+21 bps
30 yr. bond	1.65%	1.87%	+22 bps
1 Mo. LIBOR	0.14388	0.12638	-0.0175

Data This Week

Date/Time (EST)	Economic Data	Market Estimate	Prior Report
01/12/21 6:00 AM	NFIB Business Optimism (Dec)	100.0	101.4
01/13/21 8:30 AM	CPI (Dec)	0.4%	0.2%
01/13/21 8:30 AM	CPI Ex Food & Energy (Dec)	0.1%	0.2%
01/13/21 2:00 PM	Beige Book	n/a	n/a
01/14/21 8:30 AM	Initial Jobless Claims (Jan 9)	790k	787k
01/15/21 8:30 AM	PPI (Dec)	0.4%	0.1%
01/15/21 8:30 AM	PPI Ex Food & Energy (Dec)	0.1%	0.1%
01/15/21 8:30 AM	Empire Manufctrg. (Jan)	6.0	4.9
01/15/21 8:30 AM	Retail Sales (Dec)	0.0%	-1.1%
01/15/21 8:30 AM	Retail Sales Ex Auto & Gas (Dec)	-0.3%	-0.8%
01/15/21 9:15 AM	Industrial Production (Dec)	0.5%	0.4%
01/15/21 10:00 AM	U. of Michigan Sentiment (Jan)	79.9	80.7

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