

# Weekly Investment Update

17<sup>th</sup> March 2023



## News Headlines

**Silicon Valley Bank** – This week saw the collapse of Silicon Valley Bank (SVB), America’s 16<sup>th</sup> largest bank, after depositors rushed to withdraw \$42 billion in a single day. This marked the most significant bank failure since the 2008 financial crisis. SVB attempted to raise capital to cover the losses of its bond portfolio, which ultimately led to a domino effect of withdrawals, which forced regulators to step in to protect depositors. Regulation and the health of the global banking sector has come into question leading to a sell off in global equities, with European banks falling significantly. This is despite regulators insisting that there is no systemic risk and that banks are in a much stronger position than they were before the financial crisis.

**UK Budget** – Chancellor of the Exchequer, Jeremy Hunt, announced his first budget after his predecessor’s disastrous “mini” budget back in September. Fortunately for Hunt, the economic picture has improved slightly since then giving him more flexibility in finances. The budget has led to the think tank, Resolution Foundation, declaring that Britons will be “paying more tax but seeing public services cut”. There was an expectation that public sector pay would be boosted to end continuous striking, however striking was only briefly mentioned. Hunt announced that he would be scrapping the pension lifetime allowance, this has been interpreted by some as a “huge giveaway to some of the very wealthiest”.

**ECB Rate Hike** – The European Central Bank (ECB) raised its three main interest rates by 0.5% on Thursday despite market turmoil. A 0.5% increase was widely expected by the market last week, however, given the recent collapse of Silicon Valley Bank and government bailout of Credit Suisse, there was growing doubt that the ECB would go ahead as planned. The ECB’s rationale for such a bold call is that “inflation is projected to remain too high for too long”.

## Market Summary

**Global Equities** – This week saw significant volatility in global equity markets following the collapse of SVB and fears that the global economy may be hit by a new banking crisis. The finance heavy FTSE 100 and STOXX 600 suffered heavy losses this week, with the FTSE 100 and STOXX 600 finishing the week down -4.24% and -2.57% respectively as at Thursday’s close. Negative market sentiment created an expectation that there may be a pause from the US Federal Reserve at their meeting next week. In response, the NASDAQ 100 made notable gains, finishing the week up +6.37% as of Thursday’s close.

**Commodities** – Energy commodities took a massive hit this week, with WTI Crude oil falling to its lowest price for 15 months, as demand for oil and natural gas declined following a negative economic outlook. This caused the prices of Brent Crude and WTI Crude oil to fall to \$74.70 and \$68.26 per barrel respectively as at Thursday’s close.

As investors scrambled for safe-haven assets, Gold and Silver made significant gains with the precious metals reaching 6-week and 5-week highs respectively.

**Fixed Income** – The collapse of SVB led to Treasury bond yields dropping to their lowest level in several months as demand for safe-haven assets increased. Recession fears caused the biggest one-day drop in US 2-year bond yields since 1982.

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## Chart of the Week

# Has the ECB Delivered Its Final Hike?

## Current market projections suggest ECB may be done



Source: Bloomberg – Current market projections are suggesting that the ECB may be done with its rate hikes

## Key Economic Releases Next Week

Monday	Tuesday	Wednesday	Thursday	Friday
		<ul style="list-style-type: none"> <li>- UK inflation CPI yy</li> <li>- US Fed rate decision</li> </ul>	<ul style="list-style-type: none"> <li>- UK Bank of England rate decision</li> <li>- Japan CPI</li> </ul>	<ul style="list-style-type: none"> <li>- UK retail sales yy</li> </ul>

## Market Performance – 17/03/2023

Global Market Indices	2023 YTD %*
FTSE 100	0.37%
S&P 500	3.54%
STOXX 600	4.48%
Nikkei 225	3.58%
Hang Seng	-2.56%
Fixed Income	Yield %
UK 10 Yr Gilt	3.39%
US 10 Yr Treasury	3.56%
Commodities	2023 YTD %
Gold	5.33%
Currency	
GBP/USD	1.21 (17/03/2023)
GBP/EUR	1.14 (17/03/2023)

Source: FE Analytics/ Bloomberg.com

\*Total Return/Local currency

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