Weekly update
Investors dread the Fed; bank shares tank
March 10, 2023

The economy
- U.S. stock prices slumped during the week ending March 10, in reaction to Federal Reserve (Fed) Chair Jerome Powell's comments that the central bank will most likely need to raise short-term interest rates further, given surprisingly strong economic data. Additionally, the market sold off on Thursday after Silicon Valley Bank, a small, technology-focused lender, announced that it had lost roughly $1.8 billion on the sale of portfolio securities. Investors worried about banks' bond portfolios as their values have declined over the past year amid the continued rise in yields. Bond prices fall as yields rise.
- In testimony before the U.S. Senate Committee on Banking, Housing, and Urban Affairs on Tuesday of this week, Fed Chair Powell stated that while the annual inflation rate has moderated since reaching its peak in June 2022, it remains well above the Fed's long-term target of 2%. Powell commented that the Federal Open Market Committee will continue to consider "the totality of incoming data and their implications for the outlook for economic activity and inflation." He also acknowledged that, as recent economic data generally have been stronger than expected, "the ultimate level of interest rates is likely to be higher than previously anticipated." In an appearance before the U.S. House Financial Services Committee on Wednesday, Powell said that the Fed had not made a decision on future rate hikes, but would accelerate the pace of increases if economic data indicated that "faster tightening is warranted."
- The Department of Labor reported that U.S. payrolls expanded by 311,000 in February, down sharply from 517,000 for the previous month. The unemployment rate, which had dipped to a 54-year low in January, rose 0.2% to 3.6%. The leisure and hospitality, retail trade, and government sectors saw the largest employment gains for the month. Average hourly earnings rose 0.2% in February and 4.4% year-over-year. The slowdown in wage growth over the past several months suggests that employers may be having less difficulty finding new workers.
- In related news, the Department of Labor reported that initial unemployment insurance claims rose 21,000 to 211,000 during the week ending March 4, and were up 13,000 year-over-year. However, the number of initial claims remained well below its historical average, so the Fed may not have sufficient incentive to slow or end its rate-hiking cycle.
- According to the Department of Labor's Job Openings and Labor Turnover Survey (JOLTS), the number of job openings in the U.S. fell by 410,000 month-over-month to 10.8 million in January (the most recent reporting period). There were notable declines in job openings in construction and accommodation and food services. The job openings rate (calculated by dividing the number of job openings by the sum of the total number of employees and the number of job openings) dipped 0.3% to 6.5%. Nonetheless, the job openings rate indicated continued strength in the labor market, though it remained below its March 2022 peak of 7.3%.

Stocks
- Global equities closed lower for the week. Developed markets fared better than emerging markets.
- U.S. equities were in negative territory. Consumer staples and utilities were the top performers, while financials and materials lagged. Growth stocks led value and large caps led small caps.

Bonds
- The 10-year U.S. Treasury note yield decreased to 3.69% during the week.
- Global bond markets retreated during the week.
- Government bonds led, followed by corporate bonds and high-yield bonds.

The Numbers as of March 10, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	-2.4%	3.2%	-7.0%	624.5
MSCI EAFE ($)	-0.4%	6.1%	0.4%	2062.9
MSCI Emerging Mkts ($)	-2.0%	1.3%	-12.2%	968.4
US & Canadian Equities				
Dow Jones Industrials ($)	-4.4%	-3.7%	-3.8%	31909.6
S&P 500 ($)	-4.5%	0.6%	-9.3%	3861.6
NASDAQ ($)	-4.7%	6.4%	-15.2%	11138.9
S&P/ TSX Composite (C$)	-3.9%	2.0%	-8.4%	19774.9
UK & European Equities				
FTSE All-Share (£)	-2.6%	3.7%	6.9%	4226.5
MSCI Europe ex UK (€)	-0.8%	9.4%	8.8%	1621.2
Asian Equities				
Topix (¥)	0.6%	7.4%	11.0%	2031.6
Hong Kong Hang Seng ($)	-6.1%	-2.3%	-7.5%	19319.9
MSCI Asia Pac. Ex-Japan ($)	-2.2%	1.3%	-10.2%	512.0
Latin American Equities				
MSCI EMF Latin America ($)	0.4%	4.5%	-8.2%	2223.4
Mexican Bolsa (peso)	-2.6%	8.8%	-1.2%	52750.7
Brazilian Bovespa (real)	-0.3%	-5.7%	-8.9%	103533.5
Commodities ($)				
West Texas Intermediate Spot	-3.8%	-4.5%	-27.7%	76.7
Gold Spot Price	0.9%	2.2%	-7.0%	1864.3
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	-0.1%	-0.4%	-12.2%	444.0
JPMorgan Emerging Mkt Bond	-0.2%	0.4%	-6.5%	771.1
10-Year Yield Change (basis points*)				
US Treasury	-27	-19	170	3.69%
UK Gilt	-21	-3	211	3.64%
German Bund	-21	-6	223	2.50%
Japan Govt Bond	-10	-1	22	0.41%
Canada Govt Bond	-35	-31	106	2.99%
Currency Returns**				
US$ per euro	0.0%	-0.6%	-3.1%	1.064
Yen per US$	-0.7%	2.9%	16.2%	134.92
US$ per £	-0.1%	-0.4%	-8.1%	1.203
C$ per US$	1.7%	2.0%	8.3%	1.383

Source: Bloomberg. Equity-index returns are price only, others are total return. *100 basis points = 1 percentage point. **Increases in U.S. dollars (USD) per euro or pound indicate a decline in the value of the USD; increases in yen or Canadian dollars per USD indicate an increase in the value of the USD.

Index returns are for illustrative purposes only and do not represent actual investment performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.

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