Weekly update
March Madness: Bank bracket
March 17, 2023

The economy

- As “March Madness”–the NCAA basketball tournament–geared up this week, problems in the banking sector took center court in U.S. financial markets. Following the failures of three U.S. banks over the preceding several days, stock prices fluctuated for the first two days of the week ending March 17, before falling sharply on Wednesday amid investors’ fears that more banks would be eliminated from their bracket. The market rallied on Thursday after 11 of the country’s largest banks deposited $30 billion with First Republic Bank, another troubled lender. Additionally, in prepared testimony on Thursday, U.S. Treasury Secretary Janet Yellen reassured the Senate Finance Committee that “our banking system remains sound.”
- The Federal Deposit Insurance Corporation (FDIC) came off the bench and was appointed as receiver to Silicon Valley Bank (SVB) on Sunday after it was fouled out by the refs at the California Department of Financial Protection and Innovation last Friday. Occurring on the heels of the collapse of Silvergate Capital a day earlier, SVB’s failure prompted investors to reconsider the safety of their positions across the banking industry. Both Silvergate Capital and Signature Bank, shut down by New York state regulators on Sunday, March 12, were closely aligned with the highly speculative cryptocurrency industry.
- On Wednesday, shares of Swiss lender Credit Suisse came under a full-court press from investors as well. While this development was not directly related to the failures of the three U.S.-based regional banks, the timing resulted in significant declines in the share prices of other banks across the globe. It is important to note that some investors had concerns over Credit Suisse long before the collapse of SVB. The Swiss National Bank, Switzerland’s central bank, announced that it would provide the embattled bank with 50 billion francs ($54 billion) in financial support.
- The turmoil in the banking sector led to speculation that the U.S. Federal Reserve (Fed) could pause its interest rate-hiking cycle at its meeting next week. As recently as March 10, the CME’s FedWatch Tool had projected a 40% chance that the Fed would raise the federal-funds rate by 0.50% and a 60% probability of a 0.25% increase. Several days after SVB’s failure, the barometer shifted to a 51% likelihood that the central bank would leave the federal-funds rate unchanged. By the end of this week, the FedWatch Tool had moved to a 60% chance of a 0.25% rate hike and a 40% probability of no change in the federal-funds rate. There were no odds listed for a 0.50% increase, suggesting that the probability at the moment is close to zero.

Stocks

- Global equities closed higher for the week. Developed markets fared worse than emerging markets.
- U.S. equities saw mixed performance. Telecommunications and information technology were the top performers, while financials and energy lagged. Growth stocks led value and large caps led small caps.

Bonds

- The 10-year U.S. Treasury note yield decreased to 3.42% during the week.
- Global bond markets advanced during the week.
- Government bonds led, followed by corporate bonds and high-yield bonds.

The Numbers as of March 17, 2023	1 Week	YTD	1 Year	Friday's Close
Global Equity Indexes				
MSCI ACWI ($)	0.5%	2.4%	-10.8%	619.9
MSCI EAFE ($)	-3.1%	2.3%	-7.5%	1988.1
MSCI Emerging Mkts ($)	-1.5%	-1.6%	-16.0%	941.3
US & Canadian Equities				
Dow Jones Industrials ($)	-0.1%	-3.9%	-7.6%	31862.0
S&P 500 ($)	1.4%	2.0%	-11.2%	3916.6
NASDAQ ($)	4.4%	11.1%	-14.6%	11630.5
S&P/ TSX Composite (C$)	-2.0%	0.0%	-10.9%	19387.7
UK & European Equities				
FTSE All-Share (£)	-5.2%	-1.7%	-2.7%	4007.7
MSCI Europe ex UK (€)	-2.2%	5.4%	-1.3%	1561.5
Asian Equities				
Topix (¥)	-3.6%	3.6%	3.2%	1959.4
Hong Kong Hang Seng ($)	1.0%	-1.3%	-9.2%	19518.6
MSCI Asia Pac. Ex-Japan ($)	-0.9%	-1.3%	-14.2%	498.9
Latin American Equities				
MSCI EMF Latin America ($)	-3.7%	-1.3%	-13.9%	2101.6
Mexican Bolsa (peso)	-1.7%	7.1%	-4.5%	51894.9
Brazilian Bovespa (real)	-1.4%	-6.9%	-9.6%	102182.2
Commodities ($)				
West Texas Intermediate Spot	-13.0%	-16.8%	-35.2%	66.7
Gold Spot Price	5.8%	8.2%	1.6%	1973.0
Global Bond Indices ($)				
Bloomberg Global Aggregate ($)	0.9%	1.8%	-9.7%	454.1
JPMorgan Emerging Mkt Bond	0.1%	1.0%	-7.2%	776.0
10-Year Yield Change (basis points*)				
US Treasury	-28	-46	124	3.42%
UK Gilt	-36	-38	172	3.28%
German Bund	-40	-46	172	2.10%
Japan Govt Bond	-12	-13	8	0.29%
Canada Govt Bond	-22	-53	59	2.77%
Currency Returns**				
US$ per euro	0.2%	-0.4%	-3.9%	1.066
Yen per US$	-2.3%	0.6%	11.2%	131.93
US$ per £	1.2%	0.8%	-7.4%	1.218
C$ per US$	-0.7%	1.4%	8.8%	1.374

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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