



Markets Outlook

Monday, 13th of March

Equities: Eurozone risk assets are selling off on Monday morning, with market attention unsurprisingly remaining largely on SVB's collapse as US regulators attempt to contain the fallout. The main indices in the region are down by between 2.4% - 2.7%, albeit still in a strong position YTD.

The financial sector in the United States continued to underperform on Friday - trading down by 1.8% on the session versus the broad S&P 500's -1.45%. Some fear remains over potential contagion. Futures are mixed this morning in the US, while the VIX is up to \$27.25 at the time of writing.

Rates: Investors have wound back Fed rate hike bets amid recent market turbulence and banking sector fears. A 25bp rate hike next week has now become the main expectation for the Fed, with some commentators now calling for no increase at all. In our view, tomorrow's US CPI print will be crucial for determining the size of the March increase as well as language to come from Jerome Powell.

Terminal rate forecasts have now fallen, with most expecting the Fed to hike next week and once more in May - leaving rates between 5.00 - 5.25%. This has caused bonds to rally sharply, with the US 10yr now yielding 3.55%, UK 10yr at 3.45%, and German 10yr at 2.20%.

The Week Ahead: While the failure of Silicon Valley Bank will dominate newspaper headlines this week, financial markets will still have some important data points to contend with over the coming days.

UK jobs data will be released tomorrow morning, with the region's Unemployment Rate forecast to pick up marginally to 3.8%. Headline US CPI inflation tomorrow afternoon is expected to come in at 6.0% y/y versus the previous 6.4%, while the Core CPI reading is estimated at 5.5% vs the prior 5.6%. These will be followed on Wednesday by producer inflation (PPI) from the US, which is also expected to fall both in headline and core terms.

From a European point of view this week the ECB will be in focus. The central bank is due to release at 1:15pm on Thursday, and is almost certain to tighten policy by 50bp. A move of this size would bring the Eurozone Deposit Rate to 3.00% and Main Refinancing rate to 3.50%. Focus will be around Lagarde's language during the press conference, her assessment of the terminal rate, and any forward guidance from the bank with regard to the next meeting on May 4th. We will likely provide a full ECB preview over the coming days.

Finally, on Friday we may see some small revisions to the February Eurozone CPI print - which previously came in at 8.5%, and 5.6% in core terms. A US Consumer Sentiment figure will also come due on Friday afternoon.

Key Events to Watch

- 14/03/2023 - UK Jobs Data
- 14/03/2023 - US CPI
- 15/03/2023 - US PPI
- 16/03/2023 - ECB Rate Decision

Financial News Round Up

SVB Update

Below, we explore some of the main details that have emerged over the weekend since we reported on the Silicon Valley Bank (SVB) situation in Friday's Daily Update. It is important to note that SVB was the world's main bank for tech startups.

- Silicon Valley Bank was closed by US regulators on Friday afternoon, following a run on deposits amid a collapse of its share price (down circa 60% on Friday's session).
- We saw a joint statement yesterday from the Fed, Federal Deposit Insurance Corporation (FDIC), and the Treasury - noting that all SVB depositors will have full access to their funds from Monday.
- No losses are to be borne by US taxpayers - the Fed will also make available additional funding for banks, in order to safeguard deposits and said they are prepared to address any liquidity pressures that may arise. Fed officials stressed that banks are not being bailed out, but instead are receiving longer-term liquidity at a higher valuation and lower risk. These actions are designed to protect depositors, not investors.
- In the UK, HSBC has agreed with the Bank of England to purchase the UK operations of SVB - in a move that will protect depositors' money and averts its insolvency. "No other UK banks are directly materially affected by these actions, or by the resolution of SVBUK's US parent bank" the BOE said, "The wider UK banking system remains safe, sound, and well capitalised". UK Chancellor Jeremy Hunt is reportedly finalising plans for a multibillion pound bailout for the region's tech industry.
- The impact of the SVB fallout on Irish technology firms will be assessed later today by the Department of Finance. "While there is limited direct impact on the Irish financial system, Silicon Valley Bank was a lender to some Irish companies since 2012" the Department said in a statement.
- The New York-based and crypto-focused 'Signature Bank' has now also been seized by regulators, in what is the third-largest bank to ever fail in the country. All depositors will have full access to their funds, the FDIC's deposit insurance fund will be used to cover depositors, many of whom were uninsured. However, equity and bondholders at the bank are being wiped out according to a senior Treasury official.

Market Moves

Equity Indices	Value	Daily Change	YTD Change
S&P 500	3,861	-1.45%	0.58%
DAX	15,427	-1.31%	10.80%
EuroStoxx	4,229	-1.32%	11.49%
ISEQ	8,384	-1.26%	17.94%
FTSE	7,748	-1.67%	3.98%
Nikkei 225	27,832	-1.11%	6.66%

FX	Value	Daily Change	YTD Change
EUR/USD	1.0643	0.60%	0.20%
EUR/GBP	0.8846	-0.28%	0.08%
GBP/USD	1.2028	0.86%	0.15%
USD/CHF	0.9212	-1.22%	-0.85%
USD/JPY	134.98	-0.85%	2.62%
EUR/JPY	143.66	-0.26%	2.81%

Fixed Income	Value	Daily Change
US 10yr	3.704	-0.203
US 2yr	4.592	-0.278
German 10yr	2.498	-0.140
Irish 10yr	2.942	-0.139
UK 10yr	3.633	-0.122
Japanese 10yr	0.315	-0.055