# Wealth Management
# Weekly Market Update

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## Market Update

Last week, global stocks fell as Silicon Valley Bank (SVB), a lender to a number of unlisted technology firms, was forced into administration. Already facing losses as a result of their exposure to higher interest rates, the bank announced it would be selling some securities in an attempt to offset these losses. Depositors became aware of these difficulties, and concerns about the bank's financial position increased. Deposits with the bank in excess of £250,000 would not be fully covered by the Federal Deposit Insurance Corporation (FDIC) if SVB got into financial difficulty and depositors panicked. Withdrawal requests exceeded $42bn, and SVB, unable to fulfil these requests, failed. Global equities dropped -4.0%, while US stocks fell -4.9%, led by the financial sector which was down -8.2%. Other developed markets were also impacted. UK and EU equities fell -2.4% and -2.1% respectively, whilst Emerging Market stocks also declined, down -3.7% on the week. The widespread panic in markets saw investors flock to 'safety' assets. Gilt prices rose +2.3%, whilst yields on UK and US 10-year government bonds fell -20.9bps and -25.3bps respectively. Gold prices also rose, up +0.2% to $1880.8/oz. Meanwhile, commodity prices struggled. Oil fell -4.2% whilst industrial metals fell -3.3%.

| UK Stocks | US Stocks | EU Stocks | Global Stocks | EM Stocks | Japan Stocks | Gilts | GBP/USD |
|---|---|---|---|---|---|---|---|
| ▼ -2.4% | ▼ -4.9% | ▼ -2.1% | ▼ -4.0% | ▼ -3.7% | ▲ +1.3% | ▲ +2.3% | ▶ +0.0% |

*all returns in GBP to Friday close*

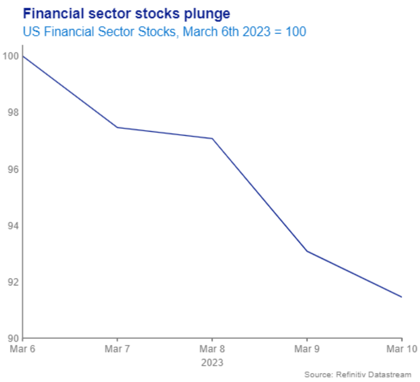
## Macro News

- UK gross domestic product grew by 0.3% in January, a solid rebound from the -0.5% in December when industrial strikes suppressed economic activity. The figure beat the consensus estimate of 0.1%, and raised hopes that the UK could avoid a deep recession. The services sector was the largest contributor to growth, with education, transport, arts and entertainment bouncing back from December declines.
- China's annual inflation rate slowed to 1% year-on-year in February, suggesting that consumers have remained cautious in spite of the re-opening of the economy. The figure is the lowest rate of Chinese inflation seen within the last year.
- Non farm payrolls in the US increased by 311,000 in February, once again beating consensus estimates of a 225,000 rise. A small deceleration was seen in the rate of wage growth, from 0.3% to 0.2%, while the unemployment rate ticked up to 3.6%.
- The amount of credit used by US consumers rose by $14 billion in January. Revolving credit, which includes credit card spending, increased by 11.1%.

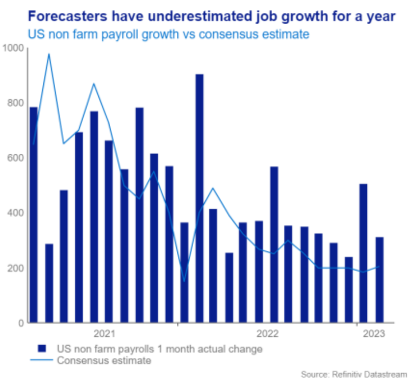
## The Week Ahead

- Investors will be keen to follow developments in the SVB situation, as banks and governments scramble to limit contagion. On top of that, next week will feature major US data releases, including inflation, retail sales and consumer sentiment.

## Week in Charts




US financial sector stocks plunged last week as concerns grew over the health of Silicon Valley Bank. The index of banking sector stocks in particular fell by -14% as fears of financial contagion grew.




US payrolls growth came in at 311,000 in February, beating market expectations of a 225,00 rise. This marked the tenth month in a row where forecasters have underestimated job growth.

## View From the Desk

The US experienced the second biggest bank failure in its history on Friday when $209bn worth Silicon Valley Bank failed and was taken over by the regulator. However, despite the eerie echoes of 2008, we don't believe we are in a Lehman moment.

The FDIC stepped in late on Friday, and now the bank is under administration. The US Banking index had two of its worst days since the GFC.

However, we are not in 2008, at least not yet. This bankruptcy echoes across the world, to be sure, and we should expect some volatility in the coming weeks. But:

• Unlike 2008, banks are much better regulated and much better capitalised.

• We are not facing a systemic credit crunch.

• Lehman was a global behemoth. Few people knew of SVB until Friday.

• Unlike 2008, the Fed has tools to fight the danger immediately.

Of course, there are still risks. These, much like 2008, are on the side of policymakers. A policy mistake could happen if Fed officials spend the week advocating a double rate hike 22 March.

But this is not a Lehman moment. If one is desperately looking for an analogy, it's probably a Bear Sterns moment. If handled properly, risks should not pile up.

***David Baker, CIO***



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