TURICUM PRIVATE BANK

March 2023

Global Market Focus Monthly

Editors

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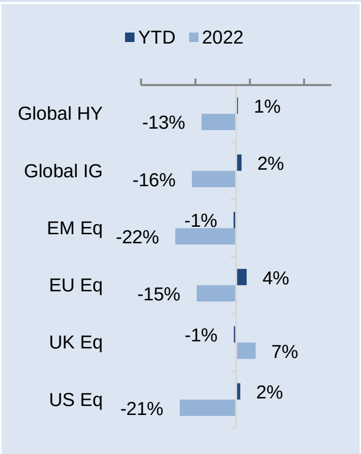
Headliners

- US Government comes to the rescue and contains financial market tension after collapse of SVB.
- Banking collapse fails to derail the Federal Reserve's rate trajectory.
- ECB raises rates by another 50bps ignoring market turmoil.
- UK expected to avoid recession, Spring Budget would pump £20bn into the economy.

Asset Class Return



MarketWatch

	Level	YTD	30 days	7 Days	Div. Yield	Volatility	P/E
S&P 500	3,960	3.15%	-2.91%	1.07%	1.74%	16.93	18.99
Nasdaq 100	12,581	15.01%	1.81%	4.88%	0.87%	23.01	27.88
Dow Jones	32,247	-2.72%	-4.67%	-0.03%	2.17%	14.60	19.17
FTSE 100	7,472	0.27%	-6.65%	-3.57%	4.37%	17.01	10.62
Eurostoxx 50	4,146	9.29%	-3.01%	-1.97%	3.35%	21.03	12.60
DAX	15,065	8.20%	-2.69%	-2.35%	3.65%	19.44	11.89
CAC 40	7,053	8.94%	-4.01%	-2.32%	2.98%	20.22	12.35
SMI	10,730	0.01%	-4.67%	-0.33%	3.15%	13.09	20.71
Nikkei 225	27,334	4.75%	-0.65%	-2.88%	2.18%	14.25	22.17
Hang Seng	19,519	-1.33%	-5.80%	1.03%	4.28%	25.03	11.37
CSI 300	3,959	2.25%	-1.88%	-0.21%	2.40%	14.90	14.06
WTI Crude Oil	69.25	-13.72%	-9.29%	-9.69%			
Gold	1,932	5.93%	4.87%				
Bitcoin	26,332	59.21%	7.53%				
GBP / EUR	1.14	-0.87%	-1.19%				
GBP / USD	1.21	0.38%	0.76%				
GBP / CHF	1.12	-0.43%	-0.92%				

	Base Rate	1m LIBOR	12m LIBOR
GBP	4.00%	4.09%	3.76%
EUR	3.00%	2.62%	3.66%
USD	4.75%	3.73%	4.35%
CHF	1.00%	1.10%	0.09%

*As at 16/03/23

Quote: "I put most of the blame on the bank, they didn't hedge those long term bonds and were vulnerable to very large deposit holders…"Ro Khanna Democratic Rep Silicon Valley stating mismanagement by SVB which led to its collapse 15/03/23

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United States

US Inflation: US CPI continued its downward trend coming in at an annual rate of 6% in February, in line with expectations. This marked the 8th consecutive decline and its lowest level since September 2021. Shelter prices increased sharply whilst a large drop in energy prices helped balance the figure. Core CPI rose by an annual rate of 5.5% slightly above expectations.

US Data: The US labour market remains robust as latest jobs report beat estimates showing an increase of 311k jobs in February. The unemployment rate, however, rose to 3.6%.

FED: The collapse of SVB led to expectations of no rate hike this coming meeting. However, recent commentary from Fed officials suggested a 25bp rate hike still remains on the cards.

US Banking Crisis: The US government rescued the financial system as it ensured depositors full accesss to their funds at Silicon Valley Bank and Signature Bank following their collapse. The Fed stepped in alongside Treasury and the FDIC to attempt to curb a broader fallout. US authorities were quick to pledge support to other lenders and depositors, as fears over a looming financial crisis grew. SVB meltdown has caused a repricing in credit risk. Yield premiums on company debt climbed to levels last seen in November.

Europe

Credit Suisse: Credit Suisse became the first major global bank to take up an emergency lifeline since the 2008 financial crisis.

ECB: The Central Bank stuck to its guidance and increased rates by 50bps despite the market turmoil seen this week with the collapse of US banks. Lagarde reiterated that there was no trade off in price and financial stability and highlighted that not enough improvement was seen in inflation.

Eurozone Inflation: Headline figure came above expectations hitting 8.5% in February. Core inflation hit a record high of 5.6% in February up from 5.3% in January. Price rises for services and goods were the biggest contributor to the figure.

Eurozone Data: Consumer demand weakened in January. Retail sales grew 0.3% sequentially much less than expected and dropped 2.3% from year-ago levels.

German Data: German industrial production rebounded 3.5% sequentially in January, recovering from the 2.4% decline registered in December. Increased output in energy-intensive industries and construction provided an uplift. Manufacturing orders also rose, instead of falling as forecast, thanks to increased demand from non-European countries.

United Kingdom

UK Budget: Finance Minister Hunt stated that the UK economy would avoid recession as he delivered the Spring Budget. Hunt announced tax and spending pledges for the next five years, affecting the labor market, pensions, defense and business investment.

UK Data: Latest GDP figure beat forecasts as the economy grew 0.3% in January vs an expected 0.1% growth. The improvement was largely thanks to the service sector which witnessed growth of 0.5% spurred by education, transport and healthcare.

BOE: Rate hike expectations has been pushed back on the back of the US banking crisis despite the latest budget that suggested the UK government would pump £20bn into the economy.

Emerging Markets

China: The Chinese economy saw a mild economic improvement as retail sales grew by 3.5% in January & February, in-line with analyst expectations.

Oil: Prices fell to lowest level since December 2021 as banking crisis and inflation spill over to the oil market. The price cap and ban on Russian oil resulted in a sharp fall in their revenues.

Crypto: The FDIC has requested any potential buyer of SVB or Signature bank to terminate all Cyrpto business.

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United States

Equities

Recent fragility of US banking system has provided significant volatility to equity markets. Growth likely to be dampened on the back of weakness to the financial system. We remain cautious as we expect volatility to persist, however, a correction would provide interesting buying opportunities.

Fixed Income

With a strong probability of a recession, we believe fixed income looks attractive. Treasuries a good place to start, focusing on duration could be a play as we expect longer term yields to fall further. We prefer investment-grade credit over high yield as recessionary risks make them more vulnerable.

Europe

Equities

Market turmoil doesn't detract ECB on their mission to bring inflation down to 2% target. The monetary environment limits the upside potential in European markets. We remain underweight.

Fixed Income

Conditions in Europe remain favourable in the fixed income space. The market has recently reacted to the hawkish tone, however, expectations for monetary policy action seem somewhat overdone. Yields likely to come down.

United Kingdom

Equities

UK markets have underperformed other developed markets so far this year. Its large exposure to the energy sector resulted in a sharp fall. Oil prices are likely to remain dampened on the back of increased rate environment and a sharp slowdown in growth. We remain underweight.

Fixed Income

Recession in the UK has seen yields come down. We expect longer term yields to move down further as we could potentially see a pivot as early as next year. Duration is a strong play here.

Emerging Markets

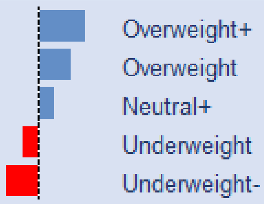
Equities

Emerging markets fell to their lowest point this year in the aftermath of the collapse of SVB. Chinese post Covid-19 restrictions will most likely result in improving corporate earnings. This combined with cheap valuations of Chinese companies might result in rebound in prices.

Fixed Income

Policy support makes Chinese bonds more appealing, although geopolitical issues pose downside risks. We expect India to take strong monetary policy action. Hawkish central bank has continued to put pressure on Brazilian debt.

Other Markets



Gold: Gold moved to higher plateau built on high volumes from flight to safety.

Oil: Banking rout spilled over to oil markets. Rate hikes apply downside pressure.

GBP/EUR: UK data provide relief, GBP looks cheap vs EUR. Hawkish ECB limits upside.

EUR/USD: EUR has rallied well on the back of cooling US inflation and view of potential pivot. We see EUR maintaining this level thanks to tight monetary policy.