WEEKLY MARKET RECAP: March 20 –March 24 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

On Wednesday, The Federal Reserve extended its year-long fight against high inflation by raising its key interest rate by a quarter-point despite concerns that higher borrowing rates could worsen the turmoil that has gripped the banking system.

At a news conference, Fed Chair Jerome Powell sought to reassure Americans that it is safe to leave money in their banks, two weeks after a rush of depositors pulled funds from Silicon Valley Bank, which collapsed in the second-biggest bank failure in U.S. history. Signature Bank fell soon afterward.

“We have the tools to protect depositors when there’s a threat of serious harm to the economy or to the financial system,” Powell said. “Depositors should assume that their deposits are safe.”

The Fed chair also underscored that the central bank remains focused on fighting high inflation, which could require additional rate hikes. Yet he also signalled that the Fed might not need to impose many more increases if more banks were to reduce their lending to conserve cash. This could lead to slower growth, hiring and inflation, Powell said.

Ahead of Powell’s comments, market participants were forecasting rate cuts later this year. Still, some on Wall Street suggest the tightening in credit conditions - following the wobble in the banking system - will serve the same role as monetary policy tightening and play a bigger role in the Fed's future monetary policy decision.

Thursday Swiss and United Kingdom increased their interest rates, with Swiss to increase by 50 basis points to 1.5% and UK by 25 basis points reaching 4.25%. Swiss rates increase came in line with analysts expectations, being the fourth consecutive increase for the SNB. UK Boe Gov Bailey on the other hand, mentioned after the release of the rates increase, he don’t know if 4.25% will be the peak in rates. He also said that he does not think that we will see banking crisis similar to 2008..

Thanks for reading! Have a great weekend.

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