MARKET UPDATE

09/03/2023

Crypto-focused bank Silvergate plans to wind down following blow from FTX

Crypto-focused bank Silvergate Capital (NYSE:SI) Corp said on Wednesday it planned to wind down operations and voluntarily liquidate after it was hit with losses following the dramatic collapse of crypto exchange FTX, sending its shares down 35% in after-hours trade.

The decision to shutter the bank comes after the company warned last week that it was evaluating its ability to operate as a going concern, disclosing that it had sold additional debt securities this year at a loss and that further losses mean the bank could be "less than well capitalized."

The dire outcome for La Jolla, California-based Silvergate, one of the crypto industry's favored banks, shows the extent of the impact on the digital asset industry from the downfall of FTX which filed for bankruptcy in November after failing to cover customer withdrawals.

In a statement, Silvergate said the decision to wind down its bank was "the best path forward" in light of "recent industry and regulatory developments." Its wind-down and liquidation plan includes full repayment of deposits, the bank added.

Asia FX under pressure as weak Chinese data, hawkish Fed weigh

Most Asian currencies moved in a flat-to-low range on Thursday, coming under pressure from softer-than-expected Chinese inflation data, while persistent concerns over rising U.S. interest rates and a hawkish Federal Reserve also weighed.

The Chinese yuan fell 0.2% and was among the worst performers for the day after consumer and producer inflation read weaker than expected for February. The reading, coupled with weak trade data earlier this week and a soft GDP forecast for the year, ramped up concerns that a Chinese economic rebound may not be as pronounced as initially expected.

Soft inflation gives the People's Bank less headroom to eventually tighten policy - which, coupled with rising U.S. interest rates, is likely to batter the yuan in the near-term. The currency was close to breaking below the key 7 level against the dollar, which could herald more losses.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol

Oil flat as China hopes, US stock draw offset recession fears

Oil prices were in a holding pattern on Thursday, as a larger-than-expected draw in U.S. crude stocks and hopes for China demand contended with worries that more aggressive U.S. interest rate rises would slow economic growth and dent oil consumption.

Brent crude futures edged up by 1 cent to $82.67 per barrel by 0645 GMT, while U.S. West Texas Intermediate (WTI) crude futures were flat at $76.66 a barrel.

Both benchmarks declined between 4% and 5% over the previous two days.

They posted their largest daily fall since early January on Tuesday after comments by U.S. Federal Reserve Chair Jerome Powell that the central bank would likely need to raise interest rates more than expected in response to recent strong data.

"Oil prices are still under the influence of Powell's hawkish tone recently, and the increasing possibility of another 50 basis points hike rather than a 25 basis points one," said Suvro Sarkar, lead energy analyst at DBS Bank.

"Oil prices will be caught in the tug of war between sentiment surrounding rate hikes and inflation targeting on the one hand, and China reopening on the other for much of the year, at least the first half."

While China's crude oil imports fell 1.3% in the first two months of 2023 from a year earlier, analysts pointed to accelerating imports in February as a sign that fuel demand was rebounding after Beijing scrapped COVID-19 controls.

+357 25 752 420 +357 25 752 450 info@ausprime.eu
Spyrou Kyprianou 41 Avenue, Steratzias Court 2, 1st floor, Flat 103, 4003, Mesa Geitonia, Limassol