

# MARKET UPDATE

**13/03/2023**

## **European stock futures mixed.**

## **U.S. regulators move to support financial system**

European stock markets are expected to open in a cautious manner Monday, with investors digesting the moves by U.S. regulators over the weekend to support their banking system.

The U.S. authorities announced over the weekend that they would cover all depositors at Silicon Valley Bank, after the lender failed last week, and the same for Signature Bank, which also collapsed over the weekend.

These failures marked the second- and third largest in U.S. banking history.

The Federal Reserve also made it easier for banks to borrow from it in emergencies, in an attempt to prevent these collapses from having wider repercussions through both the tech and finance industries.

Additionally, investors are now becoming hopeful that these shocks to the finance system will prompt the Fed to take a more dovish stance when it meets later this month.

The European Central Bank meets on Thursday and is still expected to hike interest rates by another 50 basis points after recent data showed that underlying inflation in the Eurozone remained elevated.

## **Crude prices rise slightly on China recovery, weaker dollar**

Oil prices ticked up in Monday's Asian trade, reversing a weak start as a recovery in Chinese demand and a weaker dollar provided support to a market rattled by the prospect possible further U.S. interest rate increases.

After initially slipping in early trading, Brent crude futures were up 25 cents, or 0.30%, to \$83.03 per barrel by 0700 GMT. West Texas Intermediate crude futures (WTI) ticked up by 23 cents, or 0.30%, to \$76.91 a barrel.

Market sentiment was fragile as worries about further monetary tightening by the Fed have been exacerbated by high crude oil inventories in the U.S., analysts from ANZ Bank said in a note on Monday morning. .



## Asia FX firms, dollar slumps as SVB turmoil clouds rate hike outlook

Most Asian currencies rose on Monday, while the dollar tumbled to near three-week lows as a potential banking crisis in the U.S. saw markets drastically alter their expectations for more interest rate hikes by the Federal Reserve this year.

Most regional currencies also sharply reversed losses from last week, with China's yuan up 0.3% as it moved further away from the key 7 level. Sentiment towards China was boosted by the government retaining its key financial officials, as well as promises of more supportive measures for the economy from top officials.

The offshore yuan jumped 0.8%.

Other Asian currencies also advanced, with South Korea's won leading gains across the region with a 1.4% bounce. The Japanese yen jumped 0.6%, while the Malaysian ringgit led gains across Southeast Asia with a 0.8% rise.

The Indian rupee lagged its peers, keeping to a small range ahead of key consumer price index inflation (CPI) data due later in the day. Price pressures are expected to have increased in February from the prior month.

On the other hand, the dollar fell sharply against a basket of currencies, with the dollar index and dollar index futures falling 0.7% and 0.6%, respectively. Both instruments were also close to three-week lows.

Inversion in the U.S. yield curve also lessened after the Fed loosened some borrowing measures for banks over the weekend, after the failure of Silicon Valley Bank (NASDAQ:SIVB). The central bank said it will have an emergency meeting later on Monday.

**Important Note:** The information found on Ausprime platform is intended only to be informative, is not advice nor a recommendation, nor research, or a record of our trading prices, or an offer of, or solicitation for a transaction in any financial instrument and thus should not be treated as such. The information provided does not include any specific investment objectives, financial situation and needs of any specific person who may receive it. The past performance is not a reliable indicator of future performance and/or results. Past Performance or Forward-looking scenarios are not a guarantee of future performance. Actual results may differ materially from those anticipated in forward-looking or past performance statement