

MARKET UPDATE

16/03/2023

Credit Suisse to borrow up to \$54 bln from Swiss National Bank

Embattled Swiss lender Credit Suisse Group AG (SIX:CSGN) (NYSE:CS) said on early-Thursday that it will exercise an option to borrow up to 50 billion Swiss francs (\$53.68 billion) from the Swiss National Bank under two loan facilities to shore up liquidity conditions.

The bank said the option will include a covered loan facility, as well as a short-term liquidity facility, as it moves to “pre-emptively strengthen liquidity.”

The bank also said it will open a cash tender offer to repurchase ten dollar-denominated debt securities for up to \$2.5 billion, and a separate tender offer for euro-denominated debt securities for up to €500 million.

The move comes after the bank’s shares plummeted to a record low on Wednesday as its top investor, Saudi National Bank (TADAWUL:1180), said it was unable to provide more funding to the lender.

Asia FX rattled by bank crisis fears, safe havens advance

Most Asian currencies kept to a tight range on Thursday amid renewed concerns over a U.S. and European banking crisis, with investors largely pivoting into safe haven currencies amid fears of broader economic headwinds.

The Japanese yen was among the best performers for the day, rising 0.5% and sticking close to its strongest level in a month, while the Thai baht, which is generally seen as a safer investment among risk-heavy Southeast Asian currencies, advanced 0.4%.

The Chinese yuan was flat after Goldman Sachs) hiked its outlook for Chinese economic growth in 2023 to 6% from 5.5%. The forecast, which is more than the 5% posited by the Chinese government, helped spur some optimism over a Chinese economic recovery, as the country re-emerges from three years of COVID lockdowns.

Fears of a potential banking crisis came back to the fore on Wednesday following a rout in the shares of beleaguered Swiss lender Credit Suisse Group AG (SIX:CSGN). But the lender secured a \$54 billion credit line from the Swiss National Bank, soothing some concerns over an immediate collapse in the banking sector.



Gold slips from 6-week high, but bank crisis underpins demand

Gold prices fell from a six-week high on Thursday as investors locked in recent profits, although fears of a brewing banking crisis and uncertainty over monetary policy kept the yellow metal's safe haven appeal high.

Fears of an imminent banking crisis also somewhat eased after Swiss bank Credit Suisse Group AG (SIX:CSGN) said it will exercise a \$54 billion credit facility from the Swiss National Bank to bolster its liquidity.

Concerns that more dominoes would fall among U.S. and European banks sparked a sharp rally in gold prices this week, as investors turned to traditional safe havens in the face of a global economic crisis.

But investors used the Credit Suisse funding news to lock in some recent profits in the yellow metal, while uncertainty over U.S. monetary policy also fuelled some strength in the dollar.

Spot gold fell 0.4% to \$1,910.95 an ounce, while gold futures fell 0.9% to \$1,914.50 an ounce by 22:13 ET (02:13 GMT). Both instruments were up nearly 2.6% so far this week.

The dollar recovered sharply against a basket of currencies in overnight trade, while Treasury yields also rose as markets gauged the potential for more interest rate hikes by the Federal Reserve.

While fears of a banking crisis spurred bets that the Fed will lack enough economic headroom to raise rates, signs of sticky core consumer inflation showed that the Fed may still consider maintaining its hawkish rhetoric.

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