

# MARKET UPDATE

**21/03/2023**

## **Bitcoin passes the bank stress test**

As crisis stalks the traditional world of stocks and bonds, bitcoin is suddenly looking like a safe haven.

The infamously volatile cryptocurrency seems positively hale and hearty, just as a banking meltdown drives markets into the arms of a recession.

Bitcoin has risen 21% this month, while a choppy S&P 500 has lost 1.4% and gold has gained 8%.

"If you were going to describe an environment where there were successive bank runs because central banks are trying to fight inflation with fast rate increases, that is pretty close to as spot-on a thesis for owning bitcoin as you've ever heard," said Stéphane Ouellette, CEO at digital asset investment platform FRNT Financial.

The cryptocurrency has, for now, severed its ties with stocks and bonds and tagged on to a rally in gold, fulfilling at least one part of creator Satoshi Nakamoto's dream - that bitcoin can serve as a refuge for suffering investors.

## **Oil prices dip as Fed uncertainty mounts**

Oil prices fell in early Asian trade on Tuesday, cutting short a brief rebound from 15-month lows as markets hunkered down before a Federal Reserve interest rate decision this week, while concerns over a banking crisis continued to spur cautious trading.

Crude markets had attempted a recovery from 2021 lows on Monday, after regulatory measures to shore up liquidity and consolidate weak players in the banking sector helped ease some concerns over an imminent crisis.

But this was largely offset by uncertainty ahead of a pivotal Fed meeting this week, with investors waiting to see how the bank will alter policy in the face of a potential banking breakdown.

Brent oil futures fell 0.8% to \$73.23 a barrel, while West Texas Intermediate crude futures fell 0.8% to \$67.31 a barrel by 22:09 ET (02:09 GMT). Both contracts rose about 1.1% and 0.5%, respectively, after a choppy session on Monday.

Prices were languishing near 2021 lows as banking sector ructions played into fears that a global economic slowdown will dent oil demand this year.



## Asia FX dips, dollar steadies as Fed meeting looms

Most Asian currencies retreated on Tuesday, while the dollar firmed slightly as markets hunkered down ahead of a Federal Reserve interest rate decision this week, while lingering fears of a banking crisis also weighed on sentiment.

The South Korean won was the worst performer for the day, down 0.6% as soft inflation and trade data gave the Bank of Korea more impetus to keep interest rates on hold.

China's yuan fell 0.1%, while the Thai baht led losses across Southeast Asian currencies with a 0.5% drop.

The Japanese yen rose 0.1% in holiday-thinned trade. But the currency was sitting on strong gains in recent sessions as fears of a U.S. and European banking crisis spurred safe haven demand.

While U.S. and European regulators rolled out liquidity measures to support the banking system, markets still remained on edge over the collapse of more banks, as the sector struggles with a sharp rise in interest rates.

The dollar saw limited safe haven demand as markets bet that the Federal Reserve could potentially soften its hawkish rhetoric to stem further pressure on the banking system. This also saw the greenback trade lower over the past week, as markets pivoted into traditional safe havens such as gold and other precious metals.

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