ALPHA
MONTHLY REVIEW

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03/23

March 2023 - Highlights

1. Silicon Valley Bank collapses as a new wave of banking crisis unfolds
2. Credit Suisse turmoil leads to eventual UBS lowball bailout
3. French pension reform protests persist and spread across the country
4. China conducts National Congress as central bank lowers rates again
5. Banking crisis drags bond yields as gold surpasses 2,000 briefly

Mar 2023 MoM Market Snapshot

DOW JONES	33,274	+ 1.8%
FTSE 100	7,631	- 3.1%
HANG SENG	20,400	+ 3.1%
WTI OIL	75.67	- 1.7%
GOLD	1,986	+ 8.8%
EUR / USD	1.084	+ 2.5%
US 10YR T-NOTE	3.47	- 0.45

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FEATURES

US Markets Review

DOW JONES	33,274	+ 1.8%
S&P 500	4,109	+ 3.5%
NASDAQ	12,221	+ 6.6%

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US markets were plagued by a series of banking turmoils this month, with a total of three bank failures in just seven days, namely Silvergate Bank, Signature Bank and Silicon Valley Bank with the latter becoming the second largest bank failure in US history after the bankruptcy of Lehman Brothers in 2008. The incident triggered a sell off in US and European bank stocks as investors' concerns on the liquidity of small and mid-sized US banks became apparent. On the other hand, the annual CPI inflation rate came in at 6% for February, down 0.4% from January, marking the eighth consecutive month of lower annual inflation and largely in line with market expectations, leading to a soft rally in equities at month end. The Dow Jones index rose 1.8% to close at 33,274, while the S&P500 rose 3.5% to close at 4,109 and the NASDAQ rose 6.6% to close at 12,221 for the month.

News of Silicon Valley Bank's issues sent share prices tumbling, sparking a banking crisis

Non-farm payrolls rose by 311,000 in February, again significantly above market expectations of 205,000, while the unemployment rate rebounded to 3.6% from 3.4% in the previous month. Interestingly, the stock market was not depressed by the higher than expected jobs data this month, as it was in the earlier part of the year, suggesting that the market may be starting to put aside the perception that positive economic data is driving the Fed to continue to raise interest rates.

Nevertheless the highlight of the month belongs to the sudden bankruptcy of Silicon Valley Bank (NYSE:SIVB). Forced to sell some of the loss-making US bonds in its portfolio to cash in on its balance sheet amidst a liquidity shortfall, SIVB announced to the market that it was planning to raise capital by issuing low-priced shares to fill the liquidity gap. The news brought new awareness to the fact that the repeated interest rate hikes by the Fed had put deep pressure on the local banking system, as the rapid rise in US bond yields due to the ongoing rate hikes was the main reason for the losses in Silicon Valley's bond holdings. Although the US government had immediately guaranteed the safety of all Silicon Valley bank accounts and called for greater oversight of the banking system, the rapid collapse of three banks has forced the market to wonder if the current economy is more fragile than expected. Despite this, the Fed has stuck to its original approach this month of continuing to raise rates by 0.25% to a range of 4.75-5%, and Powell's comments this month hinted at another 0.25% hike this year. In addition, although Powell has repeatedly stated that he is not prepared to cut rates this year, interest rate futures at the end of the month suggested that the Fed could start cutting rates as soon as September.

European Markets Review

FTSE 100	7,631	- 3.1%
DAX	15,628	+ 1.7%
CAC 40	7,322	+ 0.7%
STOXX 600	457	- 0.8%

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Europe has not been shying away from its own banking troubles on the backdrop of the US banking crisis. The sudden announcement that Credit Suisse (SWX: CSGN)'s largest shareholder had refused further capital injection into the company triggered a massive sell off, sending European bank stocks crashing. Although the Swiss government pledged to provide liquidity support, the incident eventually brought about a low $3.2 billion buyout of Credit Suisse by UBS AG (SWX: UBSG) with some $16 billion of Tier 1 bonds being completely zeroed out. The incident triggered rising concerns about the European banking system, but the ECB stuck to its agenda of raising rates by another 0.5% this month, as the STOXX600 fell 0.8% for the month to close at 457.

Credit Suisse bond prices sank rapidly after news of it's liquidity issues came to light

UK inflation data again showed that the downward trend in inflation was not as smooth as the market had predicted, coming in at 10.4% in February, a surprise rise of 0.3% from January, and higher than the expected 9.9%, being the sixth consecutive month above 10%. In the face of rising rather than falling inflation, the Bank of England raised rates again this month by 0.25% and said it would not hesitate to tighten further if high inflation persisted, while insisting that inflation should fall steadily in Q2. The market expects rates to rise again by 0.25% at its next meeting as The FTSE 100 index fell 3.1% to close at 7,631.

While the US and Swiss banking systems face a major test, Germany's Deutsche Bank (ETR: DBK) was also the target of the European economic press this month. Deutsche Bank's credit default swaps surged this month, driving the stock down sharply as questions arose as to whether the bank would face the same fate as Silicon Valley and Credit Suisse. On the other hand, Germany's annualised inflation rate remained unchanged at 8.7% in February, the same as in the previous month, again lower than the expected rate of decline. The DAX index rose by 1.7% to end the month at 15,628.

The French public's protest against the government's forced change in the retirement age from 62 to 64 became the highlight of Europe's political scene this month. Protests and police clashes have spread across France, with the number of people participating rising from 1 million last month to a total of 3.5 million this month, seriously affecting the economy and people's livelihoods. Moreover, inflation for February came in at 6.3%, higher than the expected 6.2%, as the general trend of stubborn inflation continues to plague European markets. The CAC40 index rose 0.7% to end the month at 7,322.

Asian Pacific Markets Review

HANG SENG	20,400	+ 3.1%
SSE	3,272	- 0.2%
TAIEX	15,868	+ 1.6%
NIKKEI	28,041	+ 2.1%

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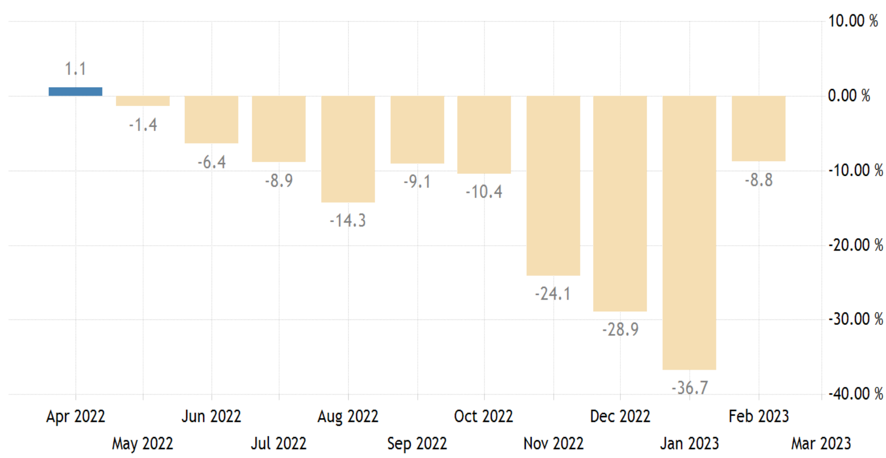
China held its National People's Congress this month and released its government work report, which will focus on two important tasks this year, namely restoring the expansion of consumption and increasing the average income of its citizens, while also setting targets of 5% GDP growth and maintaining the unemployment rate at 5.5% this year. On the other hand, economic data released this month showed a gradual recovery in the economy, with total retail sales in January and February recording a growth of 3.5%, in line with expectations. In addition, the People's Bank of China unexpectedly announced a 0.25% cut in the reserve requirement ratio this month, releasing an estimated RMB500 billion of funds to the banking system and providing another boost to the economic. The Shanghai Composite Index (SSE), fell 0.2% this month, closing at 3,272.

Hong Kong's trade data showed slight signs of improvement this month, reporting a 8.8% annual fall in total exports in February, the tenth consecutive month of decline, but still significantly higher than the 28% decline expected, and a marked improvement on the 36.7% fall in January. The government said that while demand from developed economies outside of China may be under pressure for a short period of time, the stabilisation of the Mainland economy and the lifting of cross-border land freight restrictions should support the recovery of Hong Kong's trade. On the stock market, Hong Kong-listed Chinese technology giants rallied sharply this month on the back of Alibaba's (HKEX:9988) announcement that it will split into six separate business units, as well as Tencent's (HKEX:0700) announcement of the development of ChatGPT tools and positive results, leading the Hang Seng Index back above 20,000 points to end the month at 20,400, up 3.1%.

The minutes of the Bank of Japan's monetary policy meeting released this month showed that it remains cautious about abandoning its current easing policy until it achieves a return to the target range for inflation, cooling speculation in official terms that the new Governor, Kazuo Ueta, may make a major monetary policy adjustment when he takes office.. Moreover, the results of a survey of 100 Japanese entrepreneurs conducted by the government, show that the proportion of entrepreneurs who believe the economy is expanding has been over 50% for four consecutive quarters, much higher than the proportion who believe it is deteriorating, proving that most Japanese companies have successfully shaken off the pandemic and the negative sentiment brought about by the depreciation of the yen last year. The Nikkei index ended the month at 28,041, up 2.1%.

HKs exports fell for the 10th consecutive month as the government believes recovery is ongoing



Commodities and Forex Review

GOLD	1,986	+ 8.8%
SILVER	24.15	+ 16.1%
WTI OIL	75.67	- 1.7%
EUR / USD	1.084	+ 2.5%
USD / JPY	132.76	- 2.5%

MoM Mar 23

The US bond market ha dbeen volatile in recent months, and this month's banking turmoil has once again put the bond market in the spotlight. The turmoil in bank stocks triggered an influx of safe-haven capital into the US bond market, which drove down yields significantly, with the 2-year yield falling below the 4% mark and the 10-year yield falling at the fastest rate in almost a year in absolute terms. This had a serious impact on the US dollar, as the market expected the Fed to consider suspending rate hikes at its next meeting, dragging the dollar down as the DXY index fell 2.2% to close at 102.5. However, the performance of non-US currencies was also affected this month as many central banks began to signal a pause in rate hikes, including the Bank of Canada, which suspended rate hikes this month after nine consecutive hikes.

Crude oil markets fell and then rose this month, after the global economy was temporarily weighed down by the banking crisis, dragging risk assets. The latest outlook released by the three major international energy agencies (EIA/IEA/OPEC) this month indicates that although global crude oil demand growth has been boosted by China's economic recovery, overall supply in Russia has not declined as fast as expected and the global stockpiling trend remains unchanged. The market should continue to be accommodative in the short term, allowing crude oil prices to sink to 65-70 again. However, the banking crisis eased towards the end of the month, and with US and European data averaging better than expected, amidst a potential end to the Fed's rate hikes, WTI crude prices recovered slightly to post a 1.7% decline to end the month at 75.67.

As banking risks in Europe and the US continued to fester, the volatility in international financial markets led to a resurgence in risk aversion and a surge in gold prices. The influx of funds into the more defensive gold market saw gold break through the 2,000 barrier again to challenge the highs set in March 2022, but then fall back to end the month at -1,986, up 8.8%.

Also of note is the recent rise in the cryptocurrency sector, which has rebounded significantly from its trough in the early part of 2023, driven by a downward trend in global inflation and speculation that the interest rate hike agenda of many central banks may be nearing an end. In addition, despite the CFTC's decision this month to begin legal proceedings against Binance, the world's largest cryptocurrency trading platform, for regulatory violations, the cryptocurrency sector showed no signs of fall, with Bitcoin not being affected by the incident and instead posting a 23.1% monthly rise to close at 28,476.

Gold continues its bullish run, surpassing the 2,000 border at one point this month

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