

**Fundamentals:**

Wall Street closed lower on Friday, marking the end of a tumultuous week dominated by an unfolding crisis in the banking sector and the gathering storm clouds of possible recession.

All three indexes ended the session deep in negative territory, with financial stocks down the most among the major sectors of the S&P 500.

For the week, while the benchmark S&P 500 ended higher than last Friday's close, the Nasdaq and the Dow posted weekly declines.

SVB Financial Group announced it would seek Chapter 11 bankruptcy protection, the latest development in an ongoing drama that began last week with the collapse of Silicon Valley Bank and Signature Bank, which sparked fears of contagion throughout the global banking system.

Those concerns have spread to Europe, as Credit Suisse shares stumbled over liquidity worries, prompting policymakers to scramble to reassure markets.

"This goes a lot further than just a run on SVB or First Republic, it goes to the real impact these interest rate hikes are having on capital and balance sheets," Pursche added. "And you're seeing it impact large institutions like Credit Suisse, and that's got people rattled."

Over the last two weeks, the S&P Banking index and the KBW Regional Banking index plunged by 4.6% and 5.4%, respectively, their largest two-week drops since March 2020.

First Republic Bank plunged 32.8% after the bank announced it was suspending its dividend, reversing Thursday's surge which was sparked by an unprecedented \$30 billion rescue package from large financial institutions

Among First Republic's peers, PacWest Bancorp fell 19.0% while Western Alliance slid 15.1%.

U.S.-traded shares of Credit Suisse also closed sharply lower, down 6.9%.

Investors now turn their gaze to the Federal Reserve's two-day monetary policy meeting next week.

In view of recent developments in the banking sector and data suggesting a softening economy, investors have adjusted their expectations regarding the size and duration of the Fed's restrictive interest rate hikes.

At last glance, financial markets have priced in a 60.5% likelihood that the central bank will raise its key target rate by 25 basis points, and a 39.5% probability that it will let the current rate stand, according to CME's FedWatch tool.

The Dow Jones Industrial Average fell 384.57 points, or 1.19%, to 31,861.98, the S&P 500 lost 43.64 points, or 1.10%, to 3,916.64 and the Nasdaq Composite dropped 86.76 points, or 0.74%, to 11,630.51.

All 11 major sectors of the S&P 500 ended the session in negative territory.

On the upside, FedEx Corp jumped 8.0% after hiking its current fiscal year forecast.

U.S. Treasury yields stumbled on Friday, as investor worries about liquidity shortage in the banking system persisted despite financial rescues for beleaguered lenders Credit Suisse and First Republic Bank.

U.S. two-year yields, which reflect interest rate expectations, were down more than 70 basis points this week, on track for their largest weekly fall since October 1987. U.S. five-year yields were on pace for their worst weekly performance since September 2001.

On Thursday, Credit Suisse became the first major global bank to be bailed out since the 2008 financial crisis as fears of contagion gripped the banking sector. And major U.S. banks led by JP Morgan Chase and Bank of America Corp injected \$30 billion in deposits into First Republic, salvaging a lender caught up in a widening crisis triggered by the collapse of two other mid-size U.S. lenders over the past week.

But those actions were not enough to lift Friday's market sentiment.

Banks also sought record amounts of emergency liquidity from the Federal Reserve in recent days following the collapse of Silicon Valley Bank and Signature Bank, Fed data showed on Thursday, unraveling months of central bank efforts to shrink the size of its balance sheet.

Banks took an all-time peak of \$152.9 billion from the Fed's traditional lender-of-last resort facility known as the discount window as of Wednesday, while also borrowing \$11.9 billion from the Fed's newly created Bank Term Lending Program. Loans taken from the discount window topped the previous record of \$112 billion in the fall of 2008 at the height of the global financial crisis.

Volatility in the bond market soared to as much as 198.71 on Thursday, the highest since December 2008. The index was last at 167.96, suggesting that traders expect rates to move more than 10 bps over the next month.

In afternoon trading, the yield on 10-year Treasury notes was down 16.8 bps at 3.416%. On the week, the 10-year yield has weakened by 28 bps, the biggest decline since November.

U.S. 30-year bond yields fell 10.5 bps to 3.609%.

A widely tracked part of the U.S. Treasury yield curve measuring the gap between yields on two- and 10-year notes reduced its inversion to -48.2 bps. Earlier in the week, at the height of the banking turmoil, the curve reduced its inversion to -28.6 bps, the narrowest spread since October, as investors reduced rate hike scenarios this year.

The two-year yield slid 25 bps to 3.872%.

Fed funds futures on Friday priced in a 25-bp hike at next week's Fed meeting, as inflation goals superseded banking sector concerns for now. The market is factoring in a pause at the May meeting and possible cuts after that.

(Source: Reuters)

Economic Releases	Period	Survey	Actual	Prior	Revised
03/17/2023 21:15	Industrial Production MoM	Feb	0.20%	0.00%	0.30%
03/17/2023 21:15	Capacity Utilization	Feb	78.40%	78.00%	78.00%
03/17/2023 21:15	Manufacturing (SIC) Production	Feb	-0.30%	0.10%	1.30%
03/17/2023 22:00	Leading Index	Feb	-0.30%	-0.30%	--
03/17/2023 22:00	U. of Mich. Sentiment	Mar P	67	63.4	67
03/17/2023 22:00	U. of Mich. Current Conditions	Mar P	70.5	66.4	70.7
03/17/2023 22:00	U. of Mich. Expectations	Mar P	64.8	61.5	64.7
03/17/2023 22:00	U. of Mich. 1 Yr Inflation	Mar P	4.10%	3.80%	4.10%
03/17/2023 22:00	U. of Mich. 5-10 Yr Inflation	Mar P	2.90%	2.80%	2.90%

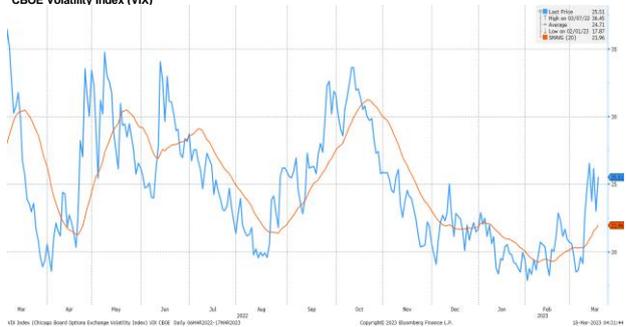
Contract	Close	Change	High	Low
E-Mini Dow JUN 23	32,071.00	-410.00	32,579.00	31,949.00
E-Mini S&P JUN 23	3,947.00	-44.000	4,009.25	3,932.50
E-Mini NASDAQ JUN 23	12,644.75	-58.25	12,811.25	12,569.50
Micro Russell 2K JUN 22	1744.9	-41.3	1795.5	1733
USD Nikkei JUN 23	26,790.0	-320.0	27,235.00	26,720.00
Euro Dollar JUN 23	95.14	0.255	95.17	94.83
US Dollar Index	103.92	-0.495	104.45	103.69
DJIA	31,861.98	-384.570	32,217.32	31,728.70
S&P 500	3,916.64	-43.640	3,958.91	3,901.27
NASDAQ	11,630.51	-86.770	11,773.11	11,562.63
Nikkei 225	27,333.79	323.180	27,356.15	27,071.71
Hang Seng	19,518.59	314.680	19,597.18	19,303.29
Straits Times	3,183.28	27.740	3,185.25	3,162.35
DAX	14,768.20	-198.900	15,153.11	14,694.26
CAC	6,925.40	-100.320	7,104.75	6,895.73
FTSE100	7,335.40	-74.630	7,510.47	7,309.30

Historical Volatility	10 Days	30 Days	60 Days	90 Days
E-Mini Dow Futures	17.75	15.14	14.68	16.19
E-Mini S&P Futures	21.85	17.10	17.46	20.14
E-Mini Nasdaq Futures	25.00	16.71	15.97	15.60

**U.S. Government Treasuries Yield**



**CBOE Volatility Index (VIX)**



**Dollar Index**



