



# CAPITAL GROUP

## THE WEEK AHEAD

March 13th -17th, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

**Emotions are high after Silicon Valley Bank was forced into receivership by regulators last Friday. Investors will shift focus back to critical inflationary data via the consumer price index (CPI) report on Tuesday, the last major inflation data ahead of the Fed's March 21 and 22 meeting. February's retail sales and the producer price index (PPI), both Wednesday and consumer sentiment Friday should influence markets.**

U.S. equities Indexes initially started the week in a holding pattern, waiting for Fed Chairman Jerome Powell's congressional testimony and the granddaddy of all data points, the February jobs report. Stocks were already under pressure as Powell hit the microphone hard with a continued hawkish tone. The higher-for-longer mantra created nervousness in the banking sector and incited more selling across the major indices. Jobs data turned out fairly decent: Payrolls topped forecasts at 311k, though wages cooled and unemployment ticked up. Finally, Silicon Valley Bank surfaced and a run on the bank scared everyone. On the week, the Dow Jones Industrial Average dropped 4.4% to 31,909; the S&P 500 slid 4.5% to 3861; and the Nasdaq Composite fell 4.7% to 11,138.89.

**Bank RUN:** The state of California seized Silicon Valley Bank on Friday, the largest bank failure since 2008. The Government's FDIC was named as receiver. SVB touched off a global bank selloff after unloading bonds at a \$1.8 billion loss as tech-heavy deposits flowed out; shares of its parent SVB Financial Group fell some 60% on Thursday, a day after it attempted a \$2.25 billion stock sale. Venture firms all ran for the door...ugly scene indeed.

**Contagion:** In the wake of Friday's dramatic collapse of Silicon Valley Bank (NASDAQ:SIVB) investors flat-out panicked as a Lehman type event was promoted on some financial news networks. A horribly managed Treasury book certainly underscored the vulnerabilities and or consequences from the Fed's historic campaign to combat inflation. I do not see contagion as SVB is a very nuanced bank but, pain will certainly be felt for the VC world for years to come. SVB, which focuses on tech startups, saw the value of bonds get whacked (mark to market). A plan to boost the value of its holdings backfired, prompting a run on the bank before regulators stepped in on Friday, shuttering the bank and putting it in receivership.

**CPI:** According to Dow Jones, economists expect CPI to rise by 0.5% or 6.1% on a year-over-year basis. That compares to a 0.5% increase in January and an annual pace of 6.4%.

## Calendar

### Monday

### Tuesday

- 6:00 a.m. NFIB small business survey
- 8:30 a.m. CPI (February)
- 5:20 p.m. Fed Governor Michelle Bowman

### Wednesday

- 8:30 a.m. Retail sales | PPI | Empire State manufacturing
- 10:00 a.m. Business inventories | NAHB survey
- 4:00 p.m. TIC data (January)

### Thursday

- 8:30 a.m. Initial jobless claims | Housing starts | Import prices
- 8:30 a.m. Philadelphia Fed manufacturing survey
- 8:30 a.m. Business leaders survey

### Friday

- 9:15 a.m. Industrial production
- 10:00 a.m. Consumer sentiment

Market participants still have to make it over the SVB hurdle (I believe they will) which spiked volatility late last week, the VIX nearly traded 30. Silicon Valley Bank collapsing is not systemic risk, bothersome for sure but, not systemic. I think equities markets bounce as SVB was caught reaching for yield resulting in a \$1.8B trade loss, not justifying the broader sell-off in the other S&P 500 companies. Markets will turn attention back to inflation data and I envision inflationary data to come down more than expected solidifying just a 25 basis point rate hike. Stay nimble.

CAPITAL



GROUP

Capital CS Group, An SEC Registered Investment Advisory Firm.

This commentary is for informational purposes only and should not be considered investment advice or a recommendation to buy or sell any securities. Capital CS Group has obtained certain information from third party sources believed to be reliable but does not warrant or guarantee the accuracy or completeness of the information herein. All investments in securities are subject to risk, including loss of principal.

Form ADV contains important information and may be viewed at [adviserinfo.sec.gov](http://adviserinfo.sec.gov)

Capital CS Group

15375 Barranca Pkwy, Ste G-110 Irvine, CA 92618

844-390-2797

[info@capitalcsgroup.com](mailto:info@capitalcsgroup.com)

[capitalcsgroup.com](http://capitalcsgroup.com)