CAPITAL CS GROUP

THE WEEK AHEAD

March 27th -31st, 2023

Weekly insights from Strategic Partner Jeff Kilburg -

Investors will continue to monitor recent regional bank distress but, economic data should shift back into focus with the Fed's preferred inflation gauge PCE (personal consumption expenditures) on Friday. PCE is the value of the goods and services purchased by, or on the behalf of, U.S. residents. Core PCE is expected to rise 0.4% in February, cooling vs the +0.6% in January; the annual rate of core PCE is seen moderating to 4.3% from 4.7%.

Investors continue to scratch their heads in the wake of mismanaged Treasury books at banks such as Silicon Valley Bank. Equites finally found footing after UBS rescued Credit Suisse to kick-off the week. Credit Suisse has been a zombie bank for years, remove them from the regional banking situation. Treasury Secretary Janet Yellen did not help last week as she simultaneously sent mixed messages to markets while Fed Chairman Powell was trying to roll out his dovish 25 basis point raise, #goodgrief. On the week, the Dow industrials rose 1.18%, to 32,237, the S&P 500 jumped 1.39%, to 3971; and the Nasdaq Composite moved higher by 1.66%, to 11,823

Housing: Investors brace this week for the latest updates on home prices, with the Case-Shiller National Home Price Index and the FHFA House Price Index (HPI) for January.

Bank Woes: Heavenly encouraged by regulators, UBS bid and acquired its competitor Credit Suisse for $3.3B. The government-backed deal saw $17B in CS' Tier-1 bonds evaporate. In a highly unorthodox move, shareholders received $3B; bondholders are of course suing. To get out in front of additional collateral damage, the Fed and five other central banks said they would make U.S. dollar swap lines available on a daily, rather than weekly, basis to boost liquidity. This helped and by midweek, UBS shares rebounded but, European banks still endured selling pressure.

Fed Pause: The economic data will be accompanied by a heavy slate of (microphone loving) Federal Reserve speakers, which will surely muddy the waters for the U.S. central bank's next move. Currently, markets overwhelmingly expect the Fed to pause its historic tightening cycle at its next meeting in May, with odds for "no action" aka "pause" standing at about 81% per the CME FedWatch tool on their website.

Calendar

Monday

- 5 p.m. Fed Governor Philip Jefferson

Tuesday

- 8:30 a.m. Advance economic indicators
- 9 a.m. S&P/Case-Shiller HPI | FHFA home prices
- 10 a.m. Fed Vice Chair for Supervision Michael Barr at Senate Banking Committee on bank oversight

Wednesday

- 10 a.m. Pending home sales | Fed Barr at House Financial Services Committee

Thursday

- 8:00 a.m. Fed Barr at NABE conference
- 8:30 a.m. Initial claims | Real GDP Q4
- 10 a.m. Fed Vice Chair Barr at House Financial Services Committee on bank oversight
- 12:45 p.m. Boston Fed President Collins
- 12:45 p.m. Richmond Fed President Barkin

Friday

- 8:30 a.m. Durable goods
- 9:30 a.m. St. Louis Fed President Bullard
- 9:45 a.m. S&P Global Manufacturing PMI
- 9:45 a.m. S&P Global Services PMI

As markets continue to digest Silicon Valley Bank and additional liquidity-stricken banks, the S&P 500 quietly worked its way back above its 200-day moving average (3932) and looks to potentially take back the 50-day up at 4014 in the short-term. Stocks remain coiled and should positively to Treasury Yields retracing. However, equities have continued to respond to Treasury yield moves with a lag. 4200 looks to be the next stop for the bull/bear battle.

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