

March in Review

Stocks had mixed performance in March, as the volatility of the past few months continued. Signs of the easing of elevated inflation were viewed as a positive. However, turmoil in the U.S. and European financial sectors caused growing concern. Canadian stocks ended the month down 0.21%. Seven of eleven sectors were actually in positive territory, but index heavyweight financial and energy sectors slipped lower. Natural gas and WTI crude oil dipped 22.60% and 1.97% respectively, although gold gained 7.18% on a flight to safety, and copper was up 0.12%. U.S. stocks gained 3.67% in U.S. dollar terms, with seven of eleven S&P 500 sectors positive for the month. Canadian bonds moved higher by 2.16% on signs of declining inflation and economic turmoil. Emerging Market equities also gained 3.04%, driven by gains in South Korea.

Here are some of March's most notable events:

Difficulties in the financial industry required government intervention.

U.S. regional banks Silicon Valley Bank and Signature Bank, as well as Switzerland's Credit Suisse, faced the possibility of insolvency as they faced business upheaval related to rising interest rates and questionable risk management policies. Fearing contagion throughout the economy, the Federal Reserve (the Fed), U.S. Treasury Department, and U.S. Federal Deposit Insurance Corporation quickly intervened, announcing the depositors at both U.S. banks would be made whole on their deposits, while also introducing a lending facility through the Fed to ensure other banks had the ability to meet their depositors' requirements. Switzerland's largest bank, UBS, agreed to purchase its ailing rival Credit Suisse in a rushed deal valued at roughly U.S. \$3.25 billion.

Inflation appears to be moderating. After close to two years of elevated inflation appears to be declining from last summer's peak. Canadian consumer price index (CPI) was up 5.2% year-over-year in February, lower than January's uptick of 5.9% and the median consensus estimate of 5.4%. In the U.S. February CPI was up 6.0%, down from 6.4% the previous month and in line with market forecasts, and the lowest since September of 2021. While these levels remain elevated, the trend is moving lower as rate hikes from last year continue to make an impact.

Central banks face challenging decisions. After steadily raising interest rates in the face of elevated inflation for the past year, major central banks are now facing some additional challenges. Inflation remains above desired levels, but there is a growing view that central banks will pivot to rate cuts as the economy slows down later this year. Officials from many major central banks have reiterated a commitment to maintaining higher rates to tame inflation. But the path forward for rates has become more complicated with weakness in the financial sector and worries of a possible recession in the near future. As always, central banks will need to juggle these various factors as they ponder future policy decisions.

Did you know?

A 2022 Bank of Canada study found major Canadian banks were well positioned to withstand a severe economic downturn. Among other attributes, Canadian banks have:

- High liquidity ratios, meaning they can quickly convert assets to cash at par to satisfy depositors' requirements
- High capital ratios, which protect depositors and the banks' secured lenders in the event the banks' assets fall in value
- Prudent counterparty limits, which lessens the likelihood that any Big Six Canadian bank has exposure to troubled institutions high enough to pose an existential threat to the bank.

Source: Bank of Canada

INDEX [†]	1 Mth	Change (%) YTD	1 Yr	Index Level
Treasury Bill (FTSE Canada 60 Day T-Bill)	0.41	1.09	2.74	171
Bonds (FTSE Canada Universe Bond)	2.16	3.22	-2.01	1,085
Canadian Equities (S&P/TSX Composite)	-0.21	4.56	-5.10	20,100
U.S. Equities (S&P 500, US\$)	3.67	7.48	-7.75	4,109
Global Equities (MSCI World, US\$)	3.16	7.88	-6.52	2,791
Emerging Markets (MSCI Emerging Markets, US\$)	3.04	3.97	-10.39	990
CURRENCIES [†]	1 Mth	Change (%) YTD	1 Yr	Exchange Rate
C\$/US\$	0.96	0.27	-7.47	0.74
C\$/Euro	-1.52	-1.03	-5.55	0.68
C\$/Pound	-1.59	-1.67	-1.38	0.60
C\$/Yen	-1.51	1.57	0.96	98.28
COMMODITIES (US\$) [†]	1 Mth	Change (%) YTD	1 Yr	Price
Gold Spot (\$/oz)	7.18	6.92	-0.48	1,986
Oil WTI (\$/barrel)	-1.97	-5.94	-11.31	75.67
Natural Gas (\$/MMBtu)	-22.60	-43.63	-43.24	2.22

[†] Total Return, as at March 31, 2023. Indices are quoted in their local currency.
Source: Bloomberg

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