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Insights

1Q2023 Capital Markets Brief

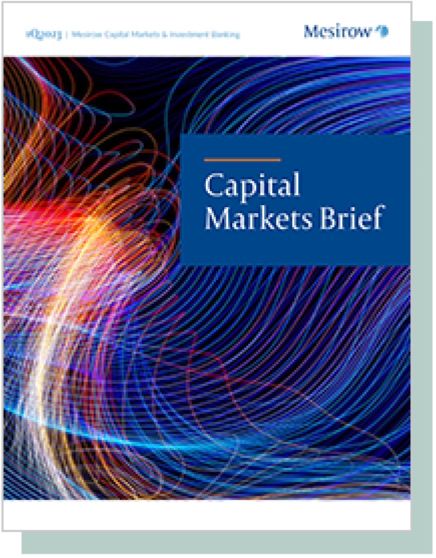
Welcome to the 1Q2023 Capital Markets Brief

This quarter, we have expanded our topics to include a more comprehensive set of fixed income markets. While our strongest conviction is knowing that the next wave of volatility will likely come from an asset class that is currently out of focus, we will do our best to provide expertise and information as these extraordinary times continue to unfold.

At his March 22nd press conference, Jerome Powell said the word “bank” (including phrases such as “banking system” and “banking sector”) a total of 63 times. It was the primary topic discussed in the meeting’s Q&A and, as we all know, was, and remains today, front of mind for virtually everyone working on Wall Street.

What we found equally interesting was the number of times the words “bank” or “banking sector” appeared in Chairman Powell’s December 2022 remarks and press conference: Zero. Not one mention of bank distress, mark-to-market risk, or any change in FDIC policy for protecting deposits. Yet, one day in March we woke up and 20% of deposits had left traditional savings accounts, and every banker, portfolio manager and salesperson on the street was an expert in bank balance sheets. It was all anyone could talk about.

In the face of continued, unprecedented uncertainty, other numbers jump off the page and add to the confusion. For the quarter, the S&P 500 advanced 7%, and the Nasdaq was up 17% (led by Meta Platform’s astonishing 76% increase). Bond prices also proved resilient, with the 10-year US Treasury posting its largest quarterly decline since 2020 (a 43 basis point drop). Employment data remains sticky, the Federal Reserve continues to unwind the balance sheet while the money supply and inflation continue to drop but remain historically high. If you ask 10 experts if and when the US will be in a recession, you’re likely to get 11 different answers.



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