Monthly Recap, March 2023

BMO Private Investment Counsel Inc.

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March seemed like the longest month I can recall in recent memory. It used all that apparent time to deliver some big highs and some painful lows. Here are some of the highlights and yes, all of this happened in the month of March 2023.

1. On March 8th, the Bank of Canada (BoC) held their scheduled policy meeting and held true to their commitment to hold rates steady.
2. On March 9th, Silver gate Bank, a bank known for its strong ties to the crypto currency market customers, collapsed.

3. On March 10th Silicon Valley Bank (SVB) was declared insolvent setting off a crisis of confidence in the US banking sector. SVB was the second largest bank failure in US history.
4. The crisis in confidence in SVB led to a run-on certain bank which caused Federal regulators to shut down Signature Bank on March 12th.
5. Later in the day on March 12th, a joint statement by the FED, FDIC and the US Treasury was released indicating that they would take decisive action in a manner that would fully protect depositors of SVB and that similar systemic risk exceptions would be coming for depositors at Signature Bank.
6. With the threat of contagion in the industry, on March 16th major banks in the US injected $30 billion to rescue First Republic Bank to prevent further contagion.
7. Fear spread across the pond which led to the collapse and eventual purchase of Credit Swiss by UBS on March 20th.
8. On March 21st, inflation data in Canada was released showing a 5.2% increase year over year which was the single largest deceleration since April 2020.
9. On March 22nd, Chairman Powel of the US Federal Reserve (Fed) announced a rate hike of 0.25% but also indicated that the US was closer to the end of this hiking cycle.
10. March 28th was budget day in Canada. The key takeaways were new tax credits to be created for "green tech" as a response to the Inflation Reduction Act (IFA) recently passed in the US, along with increased to the budget for health care transfers and the new dental care program. Some targeted relief was extended in a grocery subsidy for qualifying families and an extension to the HST rebate for qualified individuals. One change to increase revenues was an increase to the Alternative Minimum tax which may affect as many as 30,000 Canadian with incomes more than $1 million per year. Despite this the projected deficit expanded to $40.1 billion up approximately $10 billion from the previous forecast.

With all this action, as one would expect the markets were volatile to say the least. The most pronounced moves occurred in the fixed income markets where the US 2 year fell from a high of 5.08% on March 8th down to a low of 3.77% on March 24th. Recovering back above 4% to end the month. The CBOE Volatility index known as the VIX started the month at 20.76. It rose all the way up to 29.21 on March 15th, only to fall all the way back to under 20 to end the month.

Let's Connect

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Canadian Markets:

The TSX lost some ground in the month of March. It was down (-0.62%) for the month leaving the largest Canadian index at 3.69% on a YTD basis. Major contributors to the decline were the Canadian banks which fell in value lock in step with their industry peers internationally on the threat of potential contagion and a general economic slowdown. Energy companies also suffered as the price of oil declined throughout most of the month also due to the specter of slower economic growth. A bright spot for the index was the shares of Shopify which was up 17% during the month, recovering from a weak February.

US Markets:

The S&P 500 gained 3.63% during the month of March and is within striking distance of reaching the highs established in January. On a YTD basis it has gained 7.03%. Financials were a headwind for the index, however strong performance in the technology sector helped to improve the overall results.

The tech heavy NASDAQ posted huge gains in March, up 7.32%. It now stands at a return of 16.77% YTD. Semiconductor companies faired particularly well with Intel, AMD and Nividia all posting impressive gains.

The DJIA did not fair as well as it struggled to post a positive result YTD. Its fortunes did improve in March as it gained 1.86%, leaving it (-0.4%) YTD. Impressive runs by Apple and Microsoft were offset to a degree from the weakness in JP Morgan and Goldman Sachs.

Global markets:

Markets globally mostly improved, albeit in a volatile manner, during the month of March. The German Dax was higher by more then 2%, while the Nikkei 225 and the Hang Sang were both up over 3% during the month. The FTSE 100 in London was not so lucky as it declined by 3.28%. A reflection of its higher concentration in financials and materials given the poorer overall economic conditions expected ahead.

Fixed Income markets:

The big story was of course the volatility in the 2-year US treasury which was a rollercoaster throughout much of March. It did settle in at 4.04% which is slightly lower then where it ended February. The US 10 year was also volatile having risen over 50 Bps at the beginning of March only to return to virtually where it had ended February. The real story appears to be in the belly of the curve where 3-to-7-year US treasuries are appeared to be trending towards the 10 years, flattening the curve.

World Equity Indices March 31st 2023

Index	Price	QTD	YTD
North American			
S&P/TSX Composite	20,099.90	3.69%	3.69%
S&P 500	4,109.30	7.03%	7.03%
DJIA	33,274.20	0.38%	0.38%
NASDAQ	12,221.90	16.77%	16.77%
Global			
MSCI EAFE	2,084.50	7.23%	7.23%
MSCI Emergining Markets	985.80	3.07%	3.07%
FTSE 100	7,631.70	2.42%	2.42%
Nikkei 225	28,041.50	7.46%	7.46%
Hang Seng	20,400.10	3.13%	3.13%

Fixed Income

Canada	Yield	QTD	YTD
Overnight	4.50%	0.25%	0.25%
1 Year	4.41%	-0.20%	-0.20%
2 Year	3.74%	-0.31%	-0.31%
5 Year	3.02%	-0.39%	-0.39%
10 Year	2.91%	-0.39%	-0.39%
30 Year	3.02%	-0.26%	-0.26%
US			
Fed Funds Target Rate	5%	0.50%	0.50%
1 Year	4.59%	-0.09%	-0.09%
2 Year	4.04%	-0.39%	-0.39%
5 Year	3.59%	-0.42%	-0.42%
10 Year	3.47%	-0.40%	-0.40%
30 Year	3.65%	-0.31%	-0.31%