

**The week in  
seven charts**



**Chart #1**

**UBS to buy Credit Suisse for  
3 billion Swiss francs**

[Read more on p2](#)

Image source: infomagazine.ma

**UBS and Credit Suisse strike a deal**

UBS to buy Credit Suisse for 3 billion Swiss francs, volatility is more visible in the bond markets than in the equity markets and Bitcoin takes advantage of the banking crisis. Each week, the Syz investment team takes you through the last seven days in seven charts.

**Charles-Henry Monchau**

*Chief Investment Officer*

Chart #1 —

### UBS to buy Credit Suisse for 3 billion Swiss francs

Earlier this weekend, the Swiss National Bank and regulator Finma told their international counterparts that they considered a deal with UBS to be the only option to stem the collapse of confidence in Credit Suisse. According to the Financial Times, the bank's deposit outflows exceeded 10 billion Swiss francs a day last week, as fears for its future intensified.

The boards of both banks met this weekend. Credit Suisse's top regulators in the U.S., U.K. and Switzerland reviewed the legal structure of a deal and the concessions UBS was seeking.

UBS wants to be allowed to phase in any capital requirements it would face. In addition, UBS has requested some form of indemnification or government agreement to cover future legal costs.

UBS had a market value of \$65 billion, while Credit Suisse was worth \$8 billion on Friday. The buyout offer is 59% below Friday's stock price.



Source: Bloomberg

Chart #2 —

### Two bank failures in the United States in one week

2023 is already the worst year in U.S. history for bank failures, if you look at the deposits held by failed banks. The second and third largest bank failures in U.S. history have occurred in recent days. In aggregate, Silicon Valley Bank and Signature held \$263 billion in deposits. That's more than the deposit exposure of the failed banks in 2008. According to a study by economists shared by the Wall Street Journal, as many as 186 banks currently face the same risks as Silicon Valley Bank.

Banks were caught off guard by the Fed's rapid rise in interest rates and the withdrawal of liquidity from the financial system via quantitative tightening. This has led simultaneously to a decline in deposits and an accumulation of unrealized losses on banks' balance sheets. This double shock creates a risk for many US banks, especially for small regional banks, which are even more exposed to this dynamic in terms of liquidity and funding. Indeed, the inversion of the yield curve is more detrimental to the business model of regional banks than to that of large universal banks. Unlike the large banks, they have done little to hedge the risk of rising interest rates.

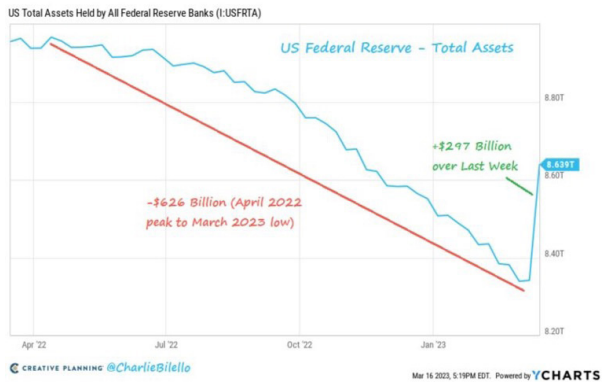
Largest U.S. Bank Failures				
Bank	City	State	Year	Assets at time of failure
Washington Mutual	Seattle	Washington	2008	\$307 billion
Silicon Valley Bank	Santa Clara	California	2023	\$209 billion
Signature Bank	New York	New York	2023	\$118 billion
Continental Illinois National Bank and Trust	Chicago	Illinois	1984	\$40.0 billion
First RepublicBank Corporation	Dallas	Texas	1988	\$32.5 billion
IndyMac	Pasadena	California	2008	\$32 billion
American Savings and Loan	Stockton	California	1988	\$30.2 billion
Colonial Bank	Montgomery	Alabama	2009	\$25 billion
Bank of New England	Boston	Massachusetts	1991	\$21.7 billion
MCorp	Dallas	Texas	1989	\$18.5 billion
FBOP Corp banking subsidiaries	Oak Park	Illinois	2009	\$18.4 billion
Gibraltar Savings and Loan	Simi Valley	California	1989	\$15.1 billion
First City National Bank	Houston	Texas	1988	\$13.0 billion
Guaranty Bank	Austin	Texas	2009	\$13.0 billion
Downey Savings and Loan	Newport Beach	California	2008	\$12.8 billion
BankUnited FSB	Coral Gables	Florida	2009	\$12.8 billion
HomeFed Bank	San Diego	California	1992	\$12.2 billion
AmTrust Bank	Cleveland	Ohio	2009	\$12.0 billion
WesternBank	Mayaguez	Puerto Rico	2010	\$11.9 billion
United Commercial Bank	San Francisco	California	2009	\$11.2 billion
Southeast Bank	Miami	Florida	1991	\$10.5 billion

Source: Charlie Bilello

Chart #3 —

### U.S. stocks are holding up. Thanks to a new form of QE?

Despite the tensions in the banking sector and fears of a further slowdown in the economy, the S&P 500 closed up +1.5% and the Nasdaq 100 up +5.8%. How can we explain this market complacency? Traders are banking on the fact that the US Federal Reserve will be forced to suspend its interest rate hike cycle. The "Fed Put" could also be back. Indeed, the Federal Reserve's balance sheet increased by \$297 billion last week, the largest increase since March 2020. Thus, nearly half of the quantitative tightening (QT) done since last April was made up in a single week. Financial institutions have borrowed billions of dollars in short term from the Fed, as the sector faces a severe crisis of confidence and liquidity.



Source: Charlie Bilello

Chart #4 —

### The come back of mega-cap tech stocks

A ratio of large cap growth stocks to the S&P 500 is at its highest level since April 2022. Over the last 10 trading sessions, this basket, which is compiled by the investment bank Goldman Sachs, is up 6.2%. Over the same period, the Russell 2000 index of U.S. small and mid-caps is down 9.8%. This 16% difference is the second largest of all time.



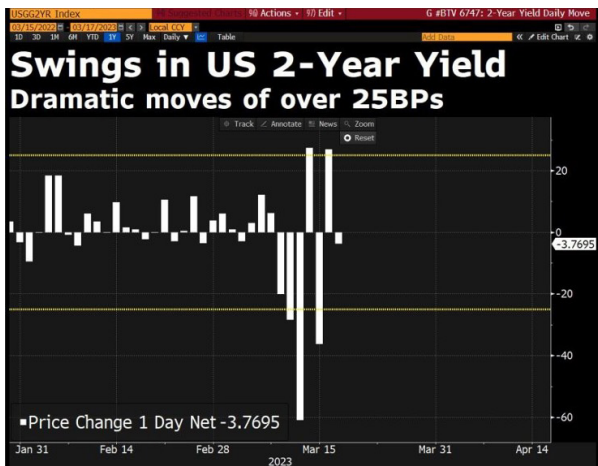
Source: Bloomberg

**Chart #5 –**

**Volatility is more visible in the bond markets than in the equity markets**

It is very rare to see such volatility in the bond markets. U.S. 2-year Treasuries moved up and down by more than 25 basis points in several consecutive sessions last week.

On Friday, futures markets were giving no probability of a 50-basis point Fed hike in March, up from 40% the week before. The entire U.S. Treasury yield curve fell over the week, with short-term yields experiencing the largest decline. The U.S. 10-year yield hit an intraday low of 3.37% on Thursday.



Source: Bloomberg

**Chart #6 –**

**Commodities are down 37% from their March 2022 high**

The S&P GSCI Commodity Index reached its lowest level since December 2021. The 25% year-over-year decline in this index is the largest since May 2020. The energy sector is the most negative contributor to performance. Crude oil futures fell below \$70 per barrel, down 47% from last year's peak of \$130. It would seem that this asset class is the most affected by fears of a global recession. On the other hand, gold continues to appreciate and rose nearly 6% last week, approaching the psychological threshold of \$2,000 per ounce.

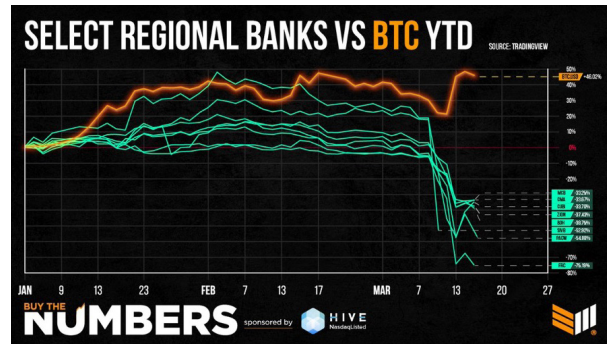


Source: Charlie Bilello

**Chart #7 –**

**Bitcoin takes advantage of the banking crisis**

Crypto-currencies appreciated sharply during the week. For the first time since June 2022, bitcoin is trading at the \$27,000 level. Its performance since the beginning of the year is about +50%. A trajectory that deviates significantly from that of the regional banks.



Source: Tradingview, Hive

### For further information

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