The week in seven charts

Chart #1
The Fed keeps rates unchanged but still surprises the market
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Image source: iStock

Fed holds rates steady, yet surprises market.

Fed holds rates steady at the expense of US regional banks, who have reached approximately $685 billion of unrealised losses. Each week, the Syz investment team takes you through the last seven days in seven charts.

Charles-Henry Monchau
Chief Investment Officer

Chart #1

The Fed keeps rates unchanged but still surprises the market

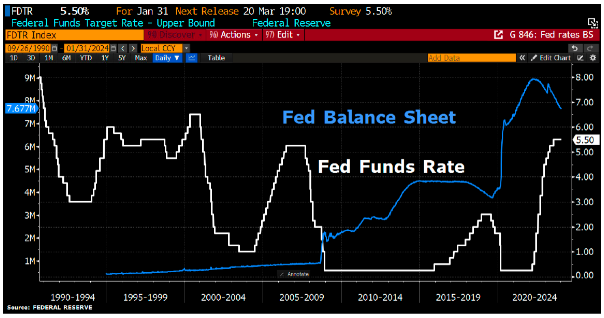
As expected, the US Federal Reserve voted unanimously to leave the benchmark rate unchanged in the target range of 5.25% - 5.5% for the fourth consecutive meeting.

Importantly, the Federal Open Market Committee removed language that indicated a willingness to continue raising interest rates until inflation has been brought under control and is on track to meet the Fed's 2% inflation target.

However, the statement was much more hawkish than expected, as the Fed aggressively countered the market's dovish stance: "The Committee does not believe that it will be appropriate to reduce the target range until it has gained greater confidence that inflation is approaching 2% on a sustainable basis".

The Fed did, however, leave the door open to reductions at some point: "The Committee believes that the risks to the achievement of its employment and inflation objectives are coming into balance."

Perhaps more importantly, the Fed removed the following sentence from the statement: "The US banking system is sound and resilient". This sentence has had a negative impact on investor sentiment as it comes at a time when a new US bank is experiencing difficulties. (see next point).



Source: Bloomberg, HolgerZ

Chart #2

New York Community Bank stock tumbled

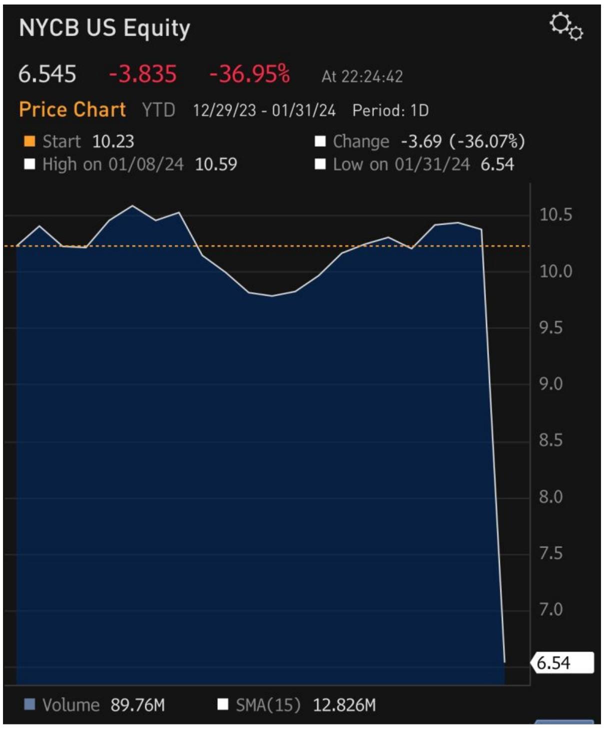
This is not the daily chart of a crypto or a speculative stock, but the share price performance of New York Community Bank during Wednesday's trading session: this regional bank acquired the assets of Signature Bank (which went bankrupt last year) in 2023. On Wednesday, the share price fell by nearly 36%.

The stock collapsed following the publication of very poor fourth-quarter results, which led to a substantial reduction in its dividend.

As Bloomberg reported, the bank reduced its quarterly payout to shareholders to 5 cents. Analysts had expected the dividend to remain at 17 cents. The deteriorating credit outlook contributed to this unexpected loss, as the company increased its loan loss provisions by more than expected.

The loss for the last three months of last year was $252 million, while analysts had forecast a profit of $206 million. Sales of $886 million fell short of expectations, which were for $932 million.

But the scale of the losses clearly shocked investors, who thought SVB was a one-off and that the Fed had solved the problem.

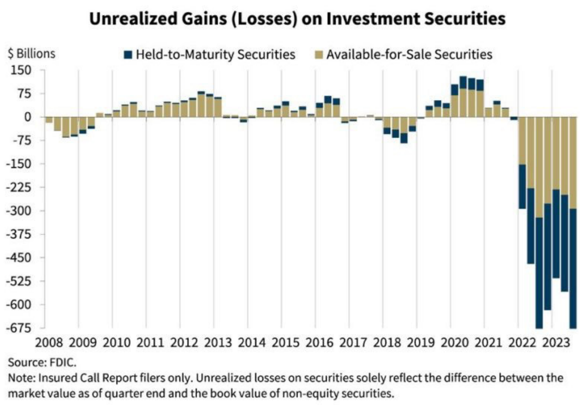


Source: Bloomberg

Chart #3

US banks continue to face very large unrealised losses

US banks are facing unrealised losses of around $685 billion (updated to the third quarter). This problem will not go away until the Federal Reserve starts cutting interest rates. As mentioned above, New York Community Bancorp could be the next victim.



Source: Barchart

Chart #4

European equities at all-time lows relative to US equities

The price/earnings ratio (forecast for the next 12 months) of the Europe Stoxx 600 index is at its lowest level ever compared with the S&P 500 index. European equities are trading at a 33% discount to their US counterparts, an all-time low.

Source : Win Smart, IBES

Chart #5

Times are changing for UPS

Transport company UPS is to cut 12,000 jobs after its CEO described the year as "difficult and disappointing".

The company said it was looking to cut annual costs by $1 billion. UPS shares fell 6% after the announcement.

Over the past three months, redundancies have spread rapidly from technology companies to almost every sector. Shipping is the latest sector to suffer.

It should be noted that this announcement by UPS came 6 months after UPS committed to offering a salary package of $170,000 per year for a van driver. At the time, UPS was desperate to find new drivers amid a shortage of jobseekers. In the U.S, the tide can turn very quickly...

6 months ago

Today

Source: The New York Times, The Kobeissi Letter

Chart #6

The history of world exports over the last 150 years summarised in one chart.

Historically, the world's largest economies are also those that dominate international trade abroad.

The visualisation below from Visual Capitalist uses data from the Peterson Institute for International Economics (PIIE) and the World Trade Organization to show how global export shares have changed over the last 150 years for some of the world's biggest powers.

In the 19th century, Britain was the richest and most advanced economy in the world. It was also the most industrialised economy, with a third of the population employed in manufacturing.

As a result, British finished goods were produced so efficiently and so cheaply that they were widely traded around the world and could easily be found in almost any other market.

The British Empire also benefited from its colonies, with India accounting for 42% of its exports by the end of the century. During this period, Great Britain dominated merchandise exports, followed by Germany.

After the Second World War, the United States overtook British and German exports. Unlike Europe and many other parts of the world which experienced the devastation and economic hardship of war, the United States emerged relatively unscathed in terms of physical destruction and with a greatly strengthened industrial base.

During the 1980s and 1990s, Japan experienced rapid export growth, driven by electronics products, and became one of the United States' main trading partners.

Today, China dominates the trade market, accounting for almost 15% of all goods. China's manufacturing industry has become a leader in the production of almost everything, from everyday household items to integral parts for car manufacturing.

Source: Visual Capitalist

Chart #7

A few demographic facts…

Out of 1,000 newborns, what is the global breakdown? Asia takes the lion's share, with more than half of all births. Africa comes next. Europe is a long way behind and will have to cope with an ageing population.

Source: Amazing Maps

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