

HEADLINES



- The biggest story of the week and kicking off on Friday, was the collapse of U.S. Silicon Valley Bank, marking the largest U.S. bank failure since 2008, and only one week after it was nominated for a Bank of the Year award at a London gala. With a predominantly 'tech start-up' customer base, SVB took billions of dollars from its venture capital clients and invested it into long term bonds, believing that interest rates would remain steady at unprecedented lows. Investors and depositors attempted to withdraw up to \$42 billion on Thursday leaving the Santa-Clara based institution with a negative cash balance of almost \$1 billion. In an effort to contain the fallout the Fed, U.S. Treasury Department and Federal Deposit Insurance Corp. (FDIC) announced efforts including the Fed's new "Bank Term Funding Programme" where it will offer 1-year loans via more favourable terms than normal, and also relaxed terms of lending via the discount window. The FDIC said it would fully protect all SVB depositors. Such reassurances led USD to fall by 0.8% and U.S. stocks to rise by 1.2%.
- The National People's Congress took place last week, where markets heard from China's new foreign minister for the first time. On Tuesday, Qin Gang, previous ambassador to the U.S., very clearly articulated the widening gap in relations between China and the U.S. Accusing the U.S. of trying to create an Asia-pacific version of NATO, Qin described Washington's approach to Beijing as "a reckless gamble with the stakes being the fundamental interests of the two peoples and even the future of humanity." He noted the U.S.' strategy to "contain and suppress China in all respects," contradicts its claims that it wants to outcompete China however not enter into conflict with it. On Friday, Chinese lawmakers voted existing Xi Jinping in for a third 5-year term, in the role of President. Xi won the vote unanimously for the second time and was reappointed as Chairman of the Central Military Commission, in other words, Chief of the biggest armed forces globally in terms of personnel. Local equity markets reacted somewhat negatively as the MSCI China Index dropped by 2.2%.
- U.S. President Biden has outlined in his budget request to Congress, with a series of new taxes to be imposed on billionaires, wealthy investors and corporations. Proposing a 25% minimum tax on billionaires, the plan would double capital gains tax on investments from 20% to 39.6% and raise income levies on corporations and 'moneyed' Americans. The corporate tax rate would rise to 28% from 21%, and there would be the removal of tax breaks for private equity fund managers, oil companies and investors in crypto and real estate. House Speaker Mc Carthy dismissed the proposal stating he doesn't believe that raising taxes is the answer.
- On Thursday the UAE Supreme Council for Financial and Economic Affairs announced a reshuffle in appointments as follows; Sheikh Tahnoon bin Zayed Al Nahyan will become Chairman of Abu Dhabi's sovereign wealth fund (ADIA); Sheikh Tahnoon's brother Sheikh Mansour bin Zayed Al Nahyan will lead Mubadala Investment Co. Sheikh Tahnoon is already Chairman of ADQ and First Abu Dhabi Bank PJSC and private investment firm Royal Group. Royal Group also expressed an interest in the buy-out of the U.K. arm of SVB.
- In light of the recent developments with the post-Brexit Northern Ireland (NI) Trade Agreement, NI's Democratic Unionist Party (DUP) has created a consultation group to review the agreement before advising on whether they are in support of it or not. The group consists of legal, political and commercial personnel, and is expected to submit its feedback by the end of March. The agreement, known as the Windsor Framework, has caused concern for some DUP members regarding ongoing friction with England, Scotland and Wales, if they are to remain in the EU's single market for goods.
- U.S. Non-Farm Payrolls for the month of February increased by 311k, more than expected but down from 504k reported in January. Economists forecasted for a 225k increase and a 0.3% increase in wages. Wages increased by 0.5%, the most in 3 months. Many view this as a support for the Fed to follow through on a 50bp interest rate increase, although the collapse of SVB is now complicating the Fed's interest rate policy options.

COMMODITIES



- Saudi Aramco posted a net income of \$161 billion for FY'2022, its highest net income since listing and up 46% since 2021. The world's largest energy company unexpectedly increased dividends to \$19.5 billion for Q4'22 which was a 4% increase from Q3. It also announced plans to hike spending.
- As the Chinese economy rebounds post its Covid lockdown, Beijing authorities are warning traders to stop hoarding and start selling iron ore, after major price rallies of 50% since October 2022. The Dalian Commodity Exchange imposed a position cap on futures contracts in a bid to curb speculative trading. The government also created a state-owned firm last year, China Mineral Resources Group, which was instructed to purchase imports on behalf of domestic steel mills. The government are also considering a rise in port-storage fees for large cargoes, if the situation doesn't improve.
- U.S. Jobless Claims came in higher than expected, again surpassing economists' forecasts and leading gold to rise unexpectedly from a near YTD low. Unemployment claims for the week rose by 21k, giving spot gold a 1.8% boost to \$1,831.50 per ounce. Other precious metals such as silver, platinum and palladium all gained.

Commodities USD	Last Price	31.12.22	% 1w	% 3m
ENERGY				
ICE Brent	83.04	85.27	-3.64	2.93
NYMEX WTI	76.94	80.53	-4.37	1.68
METALS				
Spot Gold	1882.41	1824.02	1.92	3.95
LME Copper	8867.00	8372.00	-0.60	4.35
DCE Iron Ore	927.50	918.00	3.34	16.23
LME Aluminium	2313.00	2378.00	-2.90	-6.01
LME Nickel	22684.00	30048.00	-7.15	-19.81
AGRICULTURE				
ICE Cotton	79.87	83.45	-5.71	-2.20
ICE Sugar	21.16	18.72	1.39	13.76
CBT Soyabean	1513	1530	-1.05	1.63
CBT SRW Wheat	681.25	798.75	-2.01	-10.48

EQUITIES



- FTX is to sell its stake in Sequoia Capital to Abu Dhabi state-backed investment firm, Al Nawwar Investments RSC LTD, a deal to the value of \$45 million that was agreed on Wednesday. Al Nawwar is an existing investor in Sequoia.
- Macquarie Group Ltd backed by Italian state lender CPD, have a made an offer to acquire Telecom Italia, with a bid matching that of KKR's EUR20 billion for the network, however offering more in cash. Italy's government retains the right to veto any deals, as it owns almost 10% of the landline network, with the Italian PM Giorgia Meloni noting that Telecom Italia is a strategic asset that must remain under public oversight. The offer expires March 31st and will likely be cross-examined in the upcoming board meeting on March 15th.
- SVB Financial Group had planned to raise \$2.25 billion in common, convertible and preferred shares, through a deal due to be managed by Goldman Sachs and inclusive of a commitment by General Atlantic. The plan announced on Wednesday, included the sale of \$1.25bn in common stock and \$500m in securities, representing convertible preferred shares. General Atlantic committed to purchase \$500m of common stock. Of course, this has now been cancelled.

UAE Stock Market AED	Last Price	31.12.22	% 1w	% 3m
BOS	0.40	0.48	-3.61	-18.37
ENBD	12.90	13.00	-0.77	1.18
FAB	14.10	17.10	-1.40	-10.76
ADCB	8.30	9.00	-2.01	-6.11
EMAAR	5.49	5.86	-5.18	-11.02
AirArabia	2.27	2.15	1.34	3.18
Aramex	3.47	3.52	-3.07	-1.42
Etisalat	25.24	22.86	-1.41	8.70
DEWA	2.39	2.32	-1.24	1.70
DU	5.09	5.80	-1.17	-9.75

Equities	Last Price	31.12.22	% 1w	% 3m
NASDAQ	11138.89	10466.48	-4.60	-1.05
S&P 500	3861.59	3839.5	-4.61	-3.93
EURO STOXX 50	4229.53	3793.62	-1.95	6.09
FTSE100	7748.35	7451.74	-2.29	3.27
DAX	15427.97	13923.59	-1.44	6.42
NIKKEI	27712.6	26094.5	-1.86	-0.87
ADX	9827.79	10211.09	-1.69	-2.21
DFM	3385.51	3336.07	-2.04	2.58

RATES



- With just over a month until the CME begins to phase out its Eurodollar contracts, there has been a surge in derivative activity priced against the Libor replacement, Secured Overnight Financing Rate (SOFR) for the month in February. Inflows were more than 13.4m contracts, exceeding a previous record in Eurodollar contracts of 10.4m in 2016. As the countdown is on until the planned cessation of Libor at the end of Q2'23, SOFR contracts are appealing to traders who want to protect against potential Fed interest rate moves. SOFR is tied to overnight repurchase agreements, which are backed by U.S. Treasuries.
- On Monday 3-month U.S. Libor breached the 5% limit, a first since 2007, as it increased by 2.4bps to 5.008%. Much of the surge has been linked to views of the Fed's continuing monetary policy tightening plans, as traders expect a high terminal rate for a longer period than previously forecasted.
- Argentina entered into a debt swap to the value of \$21.7 billion (64% of its debt), for debt that is due to mature in June 2023, now pushing it out to 2024 and 2025, significantly easing immediate concerns of local debt default. With the majority of upcoming debt maturities being held by the public sector, this also highlights the low participation of private sector bond issuers in the debt markets. Rating agency S&P Global Ratings cut Argentina's local currency debt rating on Thursday to selective default.

Interest Rates	Last Rate	31.12.22	bp 1w	bp 3m
3m EIBOR	4.995	4.309	0.130	3.965
3m LIBOR	5.138	4.767	0.130	4.177
6m EIBOR	5.246	4.940	0.078	3.698
6m LIBOR	5.428	5.139	0.100	3.958
5Y AED swap	4.212	4.149	-0.301	1.425
5Y USD Swap	3.959	4.023	-0.367	1.436
10Y AED Swap	4.185	4.190	-0.285	1.229
10Y USD Swap	3.697	3.838	-0.271	1.291

CURRENCIES



- It was a tumultuous week for the greenback; on Tuesday, ahead of his semi-annual Senate testimony, comments from Fed Chair Jerome Powell, were nothing short of hawkish. In response the Bloomberg Dollar Spot Index rose by 0.6%, EURUSD fell by 0.7%, and AUDUSD dropped by 1.8% to its lowest level since November 2022. On Thursday, U.S. Jobless Claims which came in higher than expected led USD to change course and decline, and this was further supported by the collapse of SVB and subsequent measures announced in response.
- BOE policy maker Catherine Mann in an interview on Tuesday, stated that the pound could weaken further, depending on how much of the proposed U.S. and EU interest rate rising has already been priced into GBP. She also flagged that she believes there's "more to go" on GBP weakness, and that would feed through to rising prices and inflation. The Bloomberg British Pound Index, a well-noted marker of the sterling's strength, has dropped by 20% since the U.K.'s Brexit vote in 2016.
- As close of Asian Trading on Friday, CHF was the best performing G10 currency appreciating 0.67% against USD. CHF is also best performing YTD, whilst NOK remained worst performer of both the week (-2.84% Vs USD) and YTD (-0.59% Vs USD).

Currencies	Last Price	31.12.22	% 1w	% 3m
EURUSD	1.0719	1.0705	0.36	0.81
GBPUSD	1.2120	1.2083	0.79	-1.99
AUDUSD	0.6664	0.6813	-0.97	-2.77
USDSGD	1.3444	0.6813	-0.97	-2.77
USDCHF	0.9168	0.9245	-1.49	-1.25
USDJPY	134.06	131.12	-1.38	-1.14
USDCAD	1.3727	1.3554	0.84	1.34
USDINR	81.91	82.74	-0.01	-1.08
USDTRY	18.9681	18.7100	0.36	1.87
DX Index	103.82	103.52	-0.52	-0.16

Key Economic Events For The Week Ahead

- 13.3.23** Feb Indian Inflation Rate; Jan Turkish Current Account Balance; Feb German CPI; Mar KSA Bloomberg Economic Survey;
- 14.3.23** Mar Australian Westpac Consumer Confidence; Feb Australian NAB Business Confidence; Feb Indian Balance of Trade; Feb U.K. Claimant Count Rate; Jan U.K. Average Weekly Earnings; Jan U.K. Unemployment Rate; Jan Italian Industrial Production; Feb U.S. CPI; Jan Canadian Manufacturing sales;
- 15.3.23** Feb Chinese Industrial Production; Chinese Unemployment Rate; Feb German Wholesale Prices; Jan German Current Accounts; Feb French Inflation Rate; Feb Turkish Budget Balance; Jan Eurozone Industrial Production; Feb Canadian Housing Starts; Feb U.S. Retail Sales; Mar U.S. MBA Mortgage Applications; Feb U.S. PPI; Jan U.S. Business Inventories; U.K. Chancellor's spring budget to Parliament;
- 16.3.23** Jan Japanese Trade balance; Jan Japanese Industrial Production; Jan Japanese Core Machine Orders; Jan Japanese Capacity Utilization; Feb Australian Participation Rate; Feb Australian Employment Change; Feb Australian Unemployment Rate; Feb Chinese House Price Index; Feb Italian CPI; Mar Turkish Foreign Exchange Reserves; *Mar Eurozone ECB Interest Rate*; Weekly U.S. Jobless claims; Feb U.S. Housing Starts; Mar U.S. Philadelphia Fed Business Outlook; Mar Eurozone ECB; Feb U.S. Import & Export Price Index; Mar U.S. Continuing Claims; Feb U.S. Building Permits;
- 17.3.23** Jan Japanese Tertiary Industry Index; Feb Eurozone CPI; Mar Indian Foreign Exchange Reserves; *Mar Russian Key Rate*; Feb U.S. Industrial Production; Feb U.S. Leading Index; Feb U.S. Capacity Utilization; Feb Canadian PPI; Feb Canadian Raw Materials Prices;

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