

## Weekly Update – March 13, 2023

Market Returns Ending 3/10/2023			
Category	1 Week	YTD	1 Year
<b>US</b>			
Large Cap	-4.5%	0.9%	-6.6%
Mid Cap Growth	-6.3%	3.6%	-4.2%
Mid Cap Value	-7.2%	-1.2%	-6.4%
Small Cap	-8.0%	0.9%	-9.2%
<b>International</b>			
Developed	-0.2%	6.6%	4.4%
Emerging	-2.0%	1.4%	-7.9%
<b>Bonds</b>			
Aggregate	0.0%	0.3%	-8.4%
High Yield	-0.6%	2.2%	-3.9%

US Equity Style Returns			
	Weekly		
	Value	Core	Growth
Large	-5.5	-4.9	-4.2
Mid	-7.2	-6.9	-6.3
Small	-8.3	-8.0	-7.8
	YTD		
	Value	Core	Growth
Large	-2.3	1.0	4.6
Mid	-1.2	0.5	3.6
Small	-0.7	0.9	2.4

*Source: Bloomberg*

### Key Events: The biggest bank failure since 2008

California state regulators put Silicon Valley Bank (SIVB) into receivership under care of the FDIC. The bank was the 16<sup>th</sup> largest US bank<sup>i</sup>, as can be seen in the chart below, and its failure is the second largest in history.<sup>ii</sup>

The bank's failure caused the market to fear contagion; several market-based risk indicators spiked this week.<sup>iii</sup>

### Market Review: Stocks give back gains

Stocks followed up last week's loss with more losses. The S&P 500 had its worst week since September 2022. US Stocks have given back much of this year's gains.

The S&P 500 lost 4.5% for the week and holds on to a meager 0.9% gain for the year. The banking sector led to the downside this week as the KBW bank index lost 15.7% and is down 8% for the year. International stocks avoided the worst of the financials-driven losses; developed markets lost 0.2% and emerging markets lost 2%.

High grade bonds were flat, but high yield sold off a bit due to heightened recession fears.

### Outlook: Signs of instability?

Concerns over market stability have taken hold. We would point out a couple of reassuring facts:

- SIVB is, primarily, a commercial bank whose customers are concentrated in early-stage venture-backed technology companies. Their problems are not a broad representation of economic difficulty, but of cash flow struggles in venture capital, where funding has dried up.<sup>iv</sup>
- The FDIC stepped in quickly to take control of the situation and will be working alongside the Fed to avoid market impact.

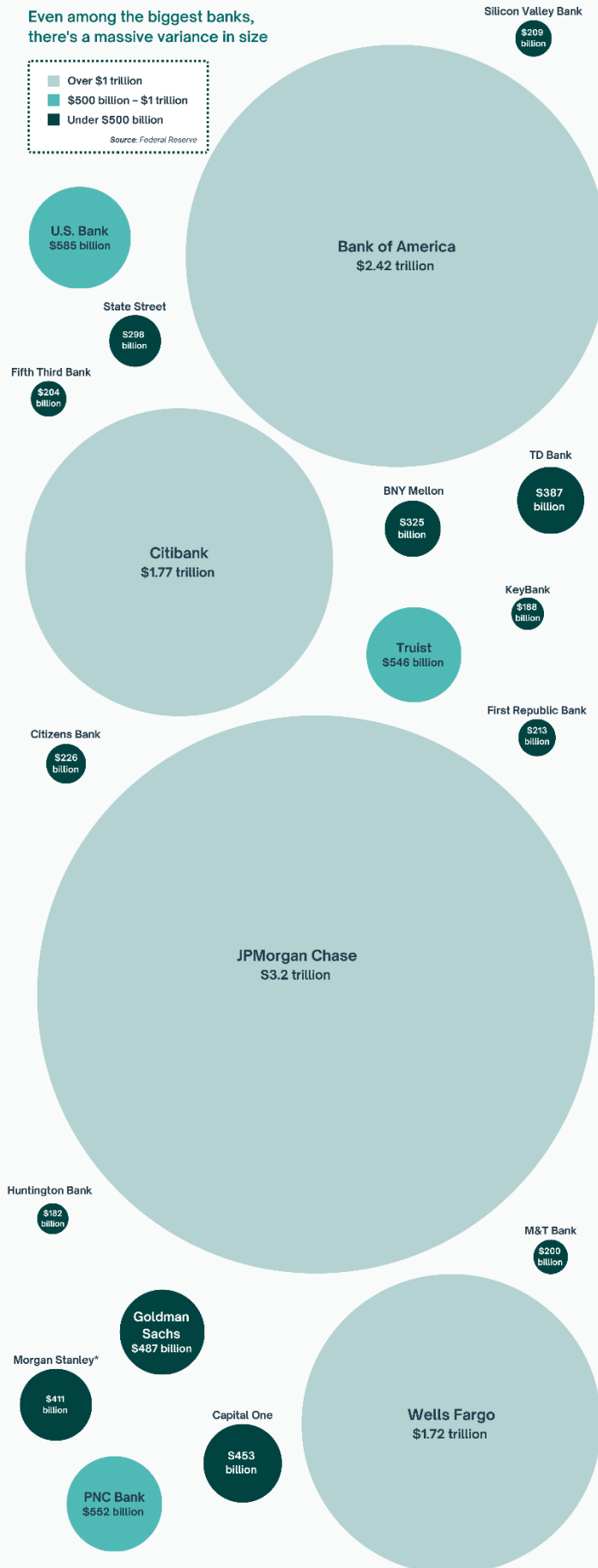
Banks were suffering as higher interest rates hurt the value of their portfolios, and customers in the technology and crypto world were pulling money amid slumping business conditions. SIVB customer outflows fed on themselves resulting in a run on deposits that is not likely to spread to the broad banking system.

While the market is likely to remain volatile, we urge investors to remain disciplined. In all likelihood the market will absorb this blow to psychology, rewarding investors who stay the course.



# Largest Banks in the U.S.

Even among the biggest banks, there's a massive variance in size

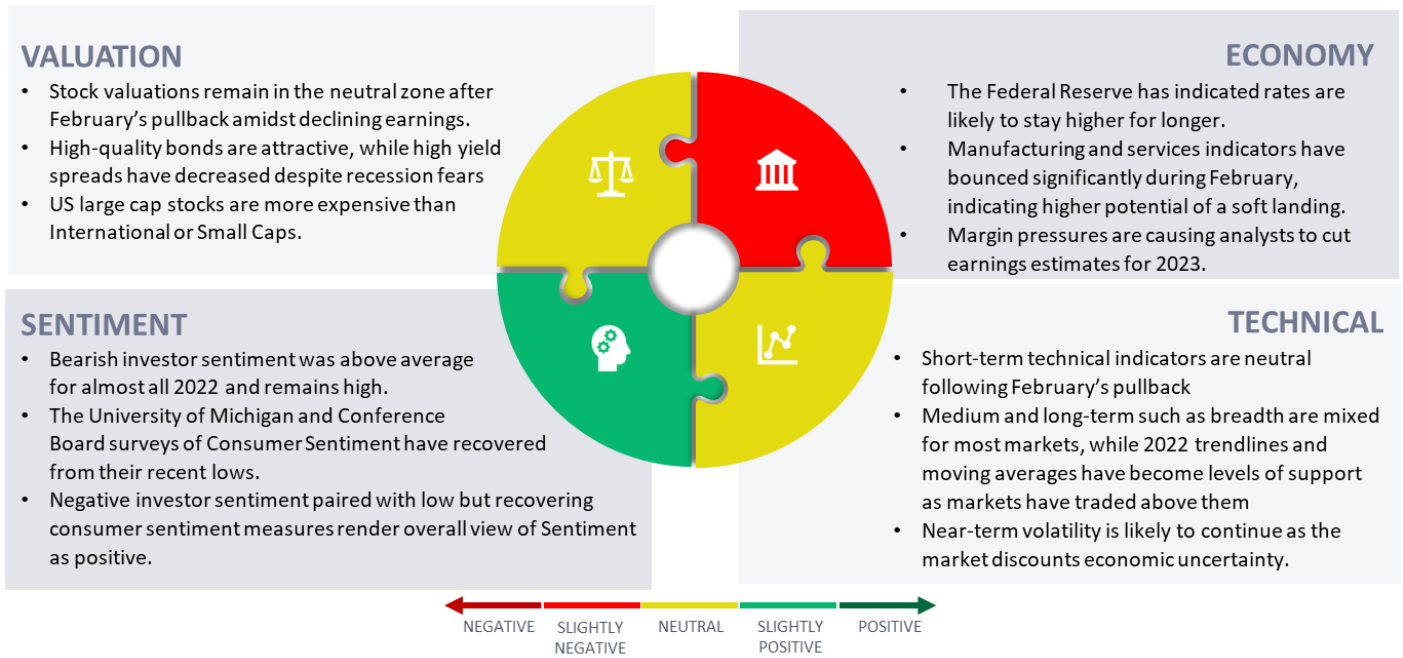


\* Combined size for Morgan Stanley Private Bank and Morgan Stanley Bank



See more at [moneycrashers.com/largest-banks-us-assets/](https://moneycrashers.com/largest-banks-us-assets/)

# Navigator Outlook: March 2023



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<sup>i</sup> Source: moneycrashers [20 Largest Banks in the U.S. \(moneycrashers.com\)](https://moneycrashers.com)

<sup>ii</sup> Source: Federal Reserve. Washington Mutual, in 2008, was the largest US bank failure

<sup>iii</sup> Risk indicators such as the VIX, MOVE (a bond volatility indicator) and Gold all traded up during the week.

<sup>iv</sup> Source: Prequin, WSJ [Venture Fundraising Hits Nine-Year Low - WSJ](https://www.wsj.com)