

Global Banking Crisis: Does it impact the stock markets fully yet?

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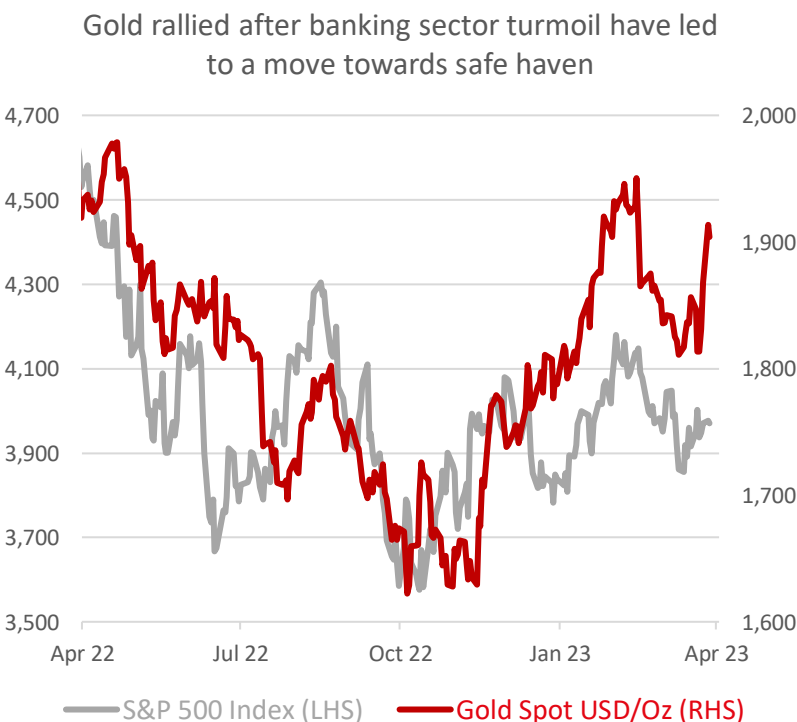
The summary and impact of a major news event

How did it happen?

The global markets were hit by an unexpected tidal wave in the form of a banking crisis, bringing back ominous memories of the 2008 financial crisis.^{1,2} Banks such as the Silicon Valley Bank, Signature Bank, First Republic Bank, Credit Suisse, and Deutsche Bank faced a decline in stock prices in March this year. The crisis was exacerbated by the coordinated efforts of global central bankers in 2022, who aggressively hiked interest rates to combat multi-year high inflationary concerns.³ However, this had an indirect effect on economic activity, as short-term interest rate hikes increased the cost of credit throughout the financial system.^{4,9} Additionally, interest rates and bond prices have an inverse relationship, leading to bond prices hitting multi-year lows.⁵ Some banks were forced to sell securities at a loss to meet aggressive cash calls.⁶ The bank liquidity needs become a major concern for investors, resulting in an enormous bank run situation where depositors withdrew a large amount of money.^{7,8} In such a challenging environment, certain banks were simply unable to meet the liquidity demands.^{7,8}

How the central banks reacted?

The failure of banks led to emergency measures by the financial and monetary authorities, who feared a wider bank run affecting at least half a dozen regional banks.⁹ Tentatively, the risks of a wider bank run in the United States and Europe appeared to have subsided.⁹ In the US, the Fed and the FDIC have intervened with Silicon Valley Bank, Signature Bank and First Republic Bank to give implicit coverage to all uninsured depositors and established a new and potentially large line of credit for banks carrying losses on their bond portfolios.⁹ In Europe, UBS Group agreed to buy troubled Credit Suisse for CHF 3 billion (US\$3.2 billion) in an all-stock deal brokered by the government.¹⁰



Source: Bloomberg, extracted 28 Mar 2023

How did the market react?

More financial cracks may potentially emerge as Federal Reserve forged ahead with further interest rate hikes before the financial system stabilises.^{11,16} During times of financial instability, some investors move their money to safe havens such as gold, which has seen a spike in value since the beginning of Mar 2023.¹² Despite the financial turmoil, bank shares rallied after regulators worldwide rushed to shore up market confidence and spur a potentially slower pace of tightening from major central banks.¹³ To a certain extent, the market feels the turmoil is not systemic yet and there are ongoing solutions being implemented to contain the damage.^{14,15}



United States

Below are the **banking sector** based on their **fundamentals**

Price Chart



Source: Bloomberg, extracted 28 Mar 2023

Looking at the fundamentals

Here are the **banking stocks** listed in the US that have the lower **Loan-to-deposit Ratio**. Banks with lower loan book in their deposit base is likely to have available reserves for unforeseen fund contingencies

Ticker	Name	Market Cap	Price	Loan-to-Deposit Ratio	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
CFR US	CULLEN/FROST BANKERS INC	6.64B	103.10	39.03%	142.25	37.97%
JPM US	JPMORGAN CHASE & CO	379.34B	128.88	48.53%	155.85	20.93%
C US	CITIGROUP INC	88.02B	45.22	52.08%	55.94	23.71%
BAC US	BANK OF AMERICA CORP	225.07B	28.12	54.53%	39.53	40.58%
CBSH US	COMMERCE BANCSHARES INC	7.30B	58.52	62.27%	67.48	15.32%
BOKF US	BOK FINANCIAL CORPORATION	5.69B	85.18	65.64%	107.75	26.50%
PB US	PROSPERITY BANCSHARES INC	5.67B	62.15	66.03%	77.85	25.26%
WFC US	WELLS FARGO & CO	140.43B	37.18	69.58%	52.84	42.12%
RF US	REGIONS FINANCIAL CORP	17.11B	18.31	73.90%	24.79	35.39%
NU US	NU HOLDINGS LTD/CAYMAN ISL-A	20.39B	4.36	74.13%	7.08	62.35%

Here are the **banking stocks** listed in the US that have the highest **Common Equity Tier 1 Ratio**. Banks with high CET1 Ratio may have enough ability to withstand financial distress

Ticker	Name	Market Cap	Price	CET1 Ratio	Analysts Consensus 12M Target Price	Upside from Analyst Consensus [%]
PB US	PROSPERITY BANCSHARES INC	5.67B	62.15	15.88%	77.85	25.26%
JPM US	JPMORGAN CHASE & CO	379.34B	128.88	13.20%	155.85	20.93%
C US	CITIGROUP INC	88.02B	45.22	13.03%	55.94	23.71%
CFR US	CULLEN/FROST BANKERS INC	6.64B	103.10	12.85%	142.25	37.97%
EWBC US	EAST WEST BANCORP INC	7.95B	56.37	12.70%	81.25	44.14%
BAP US	CREDICORP LTD	10.45B	131.44	12.59%	159.80	21.57%
BOKF US	BOK FINANCIAL CORPORATION	5.69B	85.18	11.69%	107.75	26.50%
SSB US	SOUTHSTATE CORP	5.54B	73.02	11.24%	91.00	24.62%
BAC US	BANK OF AMERICA CORP	225.07B	28.12	11.20%	39.53	40.58%
WBS US	WEBSTER FINANCIAL CORP	6.86B	39.27	10.71%	61.79	57.35%

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