

Making Sense

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Banking Sector Concerns in the Midst of Still Positive Economic Growth

This month, Director of Market and Economic Research, Phillip Neuhart, discussed recent news from the financial sector, provided an update on markets, and shared insights on the Federal Reserve's recent summary of economic projections.

Recent Market Events

Considering recent events within the financial sector, we took a small departure from our normal discussion topics to address concerns. **So, what happened?** First, liquidity concerns caused three U.S. bank failures from March 8th to March 12th. Additionally, Credit Suisse was acquired by UBS Bank through a deal brokered by the Swiss government on March 19th.ⁱ

These bank failures ultimately led to a material repricing of rate expectations from the Federal Reserve, as well as significantly heightened volatility in equity and fixed income markets. It's worth noting, however, that stocks remain well above October lows. For more details on the regulatory response and impact to markets, be sure to watch the [webinar replay](#) and [review this material](#). Regarding First Citizens Bank's acquisition of Silicon Valley Bank, please visit firstcitizens.com.

Economic Update

Coming into 2023, global growth was expected to slow. But between February and March prints, annual global growth expectations have risen from 2.1% to 2.4% (Figure 1). Still small numbers, but positive nonetheless. Driving this increase is likely the still-resilient labor market in the U.S. as well as inflation's continued slow but steady moderation since June 2022. Regardless, we believe there is a 60% probability that a recession will occur in the next 12 months simply because it takes time for Fed policy to make its way through the economy. We could see a downturn before the Fed's efforts to curb inflation come to full fruition.

Our Bottom Line for Markets

Our base case S&P 500 price target for the next twelve months is 4,100. **We continue to believe markets will experience a bumpy road this year. Having the right balance between stocks and bonds as part of a thoughtful and strategic financial plan will help you reach your return goals.**

Figure 1ⁱⁱ

	2023 Consensus as of:	
	2/14/2023	3/14/2023
World	2.1%	2.4%
United States	0.6%	0.8%
Euro Area	0.4%	0.5%
United Kingdom	-0.7%	-0.6%
China	5.1%	5.3%
Japan	1.3%	1.2%

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ⁱ Bloomberg

ⁱⁱ : Bloomberg