

SVB shockwaves rattle global banks in grip of contagion fears

Silicon Valley Bank's collapse pressured global bank stocks further on Tuesday as investors fretted over the financial health of some lenders, in spite of assurances from U.S. President Joe Biden and other policymakers. An indicator of credit risk in the eurozone banking system leapt to its highest since mid-July, as worries about contagion risks from the collapse of two U.S. banks compounded investor concerns about the impact on lenders of rising interest rates, Reuters reported.

The VIX volatility index, Wall Street's "fear gauge", neared six-month highs overnight, although futures pointed to a modestly higher Wall St open on Tuesday, with U.S. regional banks bouncing in pre-market trading after recent brutal losses.

Banking giants Citi, Wells Fargo and JP Morgan were also 1%-3% higher in the pre-market.

Europe's banking index fell 0.6% after posting its biggest percentage loss in more than a year on Monday, although some said banks in the region were less vulnerable.

And Britain's HSBC, which bought SVB's UK arm on Monday, rescuing a key lender for British technology start-ups, slipped 1.4% in its fourth consecutive day of losses.

Asian banking stocks had earlier extended their declines, with Japanese firms hit particularly hard as anxiety about systemic risk sparked a wider rout in markets.

Japanese financial institutions have sufficient capital buffers to absorb losses caused by external factors, including risks caused by SVB's collapse, the Bank of Japan said.

Biden's efforts to reassure markets and depositors came after emergency U.S. measures to shore up banks by giving them access to additional funding failed to dispel investor worries about potential contagion to other lenders worldwide.

"The dramatic collapse of Silicon Valley Bank and widespread market turmoil in the subsequent days is 'part of the process' of the world tightening financial conditions after years of cheap money," Morgan Stanley co-president Edward Pick said.

A furious race to reprice interest rate expectations also buffeted markets as investors bet the U.S. Federal Reserve will be reluctant to hike next week.

Traders currently see a 50% chance of no rate hike at that meeting, with rate cuts priced in for the second half of the year. Early last week, a 25-basis-point hike was fully priced in, with a 70% chance seen of



50 basis points. Short-end yields in the eurozone tumbled again as investors bet the European Central Bank would moderate its policy tightening at Thursday's meeting, with chances of a Bank of England hike next week also seen receding. Analysts say uncertainty continues to dog the financial sector, with investors extremely worried about the health of smaller global banks, the prospect of tighter regulation and a preference to protect depositors at the expense of shareholders.

A wave of customers has applied to shift their accounts to large U.S. banks such as JPMorgan Chase and Citigroup from smaller

lenders after SVB's collapse last week, the Financial Times reported on Tuesday. Major U.S. banks have lost nearly \$190b since the sell-off began, with regional lenders like First Republic Bank, which plunged more than 60% on Monday, hit hardest. Biden said on Monday that emergency measures taken by his administration meant Americans would be confident the U.S. banking system is "safe", while also promising stiffer regulation after the biggest U.S. bank failure since the 2008 financial crisis.

Open for business

In a letter to clients, SVB's new CEO Tim Mayopoulos said it was open and conducting business as usual

within the United States and expected to resume cross-border transactions in coming days.

"I recognize the past few days have been an extremely challenging time for our clients and our employees," said Mayopoulos, a former CEO of federal mortgage finance firm Fannie Mae who was appointed by the FDIC to run SVB.

Regulators also moved swiftly to close New York's Signature Bank, which had come under pressure in recent days, while Canada's banking regulator took steps to begin daily check-ins with banks that will enable it to monitor their liquidity, The Globe and Mail reported on Monday.



Customers wait in line outside a branch of the Silicon Valley Bank in Wellesley, Massachusetts, U.S., on March 13, 2023.

● BRIAN SNYDER/REUTERS

Lebanon's pound hits new low

Lebanon's embattled currency hit a new low Tuesday, trading at an unprecedented 100,000 Lebanese pounds to the dollar on the black market as the crisis-hit country's banks went back on strike.

The pound has kept sinking since Lebanon's financial meltdown erupted in 2019, following decades of rampant corruption and mismanagement by the country's political and financial elite. Three-quarters of Lebanon's population of over 6m now lives in poverty and inflation is soaring, AP reported.

The new rate of 100,000 pounds to the dollar was posted on mobile apps Tuesday used by private money exchangers. Exchange shops and businesses use rates off these apps, and authorities have failed to shut down the

apps and crack down on a ring of suspected exchangers across the country who run the programs.

While the official exchange rate is set by the Central Bank at 15,000 pounds for \$1, the black-market rate is now used for nearly all transactions.

With trust in the pound declining, most grocery stores, restaurants and other businesses have opted to start pricing their goods and services in dollars. While this "dollarization" aims to ease inflation and stabilize the economy, it also threatens to push more people into poverty and deepen the crisis.

Last month, Lebanese commercial banks went on an open-ended strike and angry protesters took to the streets, smashing windows and setting tires on fire outside two of the country's



● HUSSEIN MALLA/AP

biggest banks in Beirut. The banks reopened their doors in late February following caretaker Prime Minister Najib Mikati's request to do so for people to retrieve their salaries. On Tuesday, the banks shuttered doors again to customers and slammed Lebanon's judiciary for not "correcting flaws" in a recent lawsuits against them. Lebanon has also stalled on implementing wide-range reforms agreed to with the International Monetary Fund to access \$3b in a bailout package and unlock funds in development aid to make the economy viable again.

VW boosts spending to speed up electric car shift

Volkswagen said on Tuesday it would invest 122b euros (\$130b) in the shift towards electric vehicles over the coming years, as the battle for dominance in the EV market heats up.

The German giant said it was planning overall investments of 180b euros between 2023 and 2027, of which 68% would be spent on electrification and digitization, AFP reported.

The 180-billion figure is a 13-percent increase on VW's previous multi-year investment plan. "As early as 2025, every fifth vehicle sold worldwide is expected to be one with an all-electric drive," the group said.

VW said "a major reason" for the spending increase was its push to build a series of battery facto-

ries, as well as expenses linked to securing raw materials for batteries.

Volkswagen announced on Monday it had chosen Ontario in Canada as the site for its first battery plant in North America.

The decision comes amid growing concerns that massive US green subsidies will lure away investment and put European jobs at risk.

VW said last week it would "wait and see" how the European Commission - the European Union's executive arm - responded to Washington's incentive package before moving ahead with a planned battery plant in eastern Europe.

The company is already working on setting up three battery plants in Germany, Spain and Sweden.



Photographers take pictures as a worker cleans a Volkswagen ID. Buzz EV car, on the day of the annual news conference of the Volkswagen Group in Berlin, Germany, on March 14, 2023.

● ANNEGRET HILSE/REUTERS

Iraq seeks fiscal stability ...

Annual expenditure would amount to \$152 billion, with future modifications possible in the event of oil price fluctuations. Iraq is

the second biggest producer in the Organization of the Petroleum Exporting Countries (OPEC), and crude exports represent around 90 percent of the government's revenue.

Baghdad projects annual revenues of \$103.4 billion from oil sales, based on projected exports of 3.5 million barrels a day with an average price of \$70 dollars a barrel. According to data

cited by OPEC, Iraq produced more than 4.3 million barrels daily in January. The budget also seeks to illustrate warming ties between Baghdad and Iraqi Kurdistan, the au-

tonomous province in the country's north, with \$307 million allocated for civil servant salaries. In exchange, 400,000 barrels of oil produced daily by the Kurds will go to

the central government. Iraq's public deficit stands at more than \$48 billion, up from \$19.8 billion in 2021 when the government last presented a budget.

NEWS IN BRIEF

Rubbish piles up in streets of Paris



AFP - A protracted strike by rubbish collectors has added a new twist to France's festering dispute over pension reform as the battle over President Emmanuel Macron's deeply unpopular reform enters a make-or-break week with tonnes of uncollected garbage piling higher by the day.

UK pay growth slows



REUTERS - Growth in pay in Britain - which the Bank of England is watching closely as it weighs up whether to pause its run of interest rate hikes next week - lost pace in the three months to January, official data showed on Tuesday.

Basic pay, excluding bonuses, rose by 6.5% compared with 6.7% in the three months to December, representing the first slowdown in the that measure since late 2021.

Senegal 2023 growth lower than expected



REUTERS - Growth in Senegal's economy is expected to accelerate in 2023 but still come in lower than expected, IMF mission chief Edward Gemayel said on Tuesday following a staff-level visit. He said in November that the West African country's economy was expected to grow 8.3% in 2023 on the back of a temporary boost from oil and gas production.