

# Investments - Flash



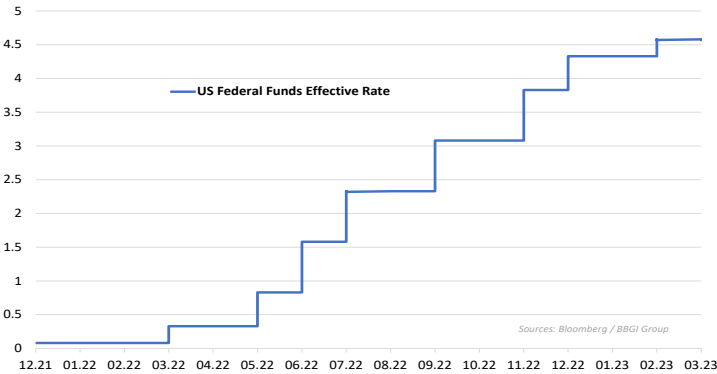
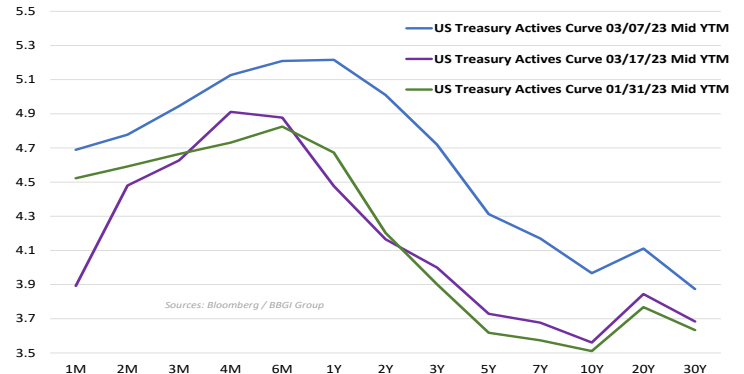
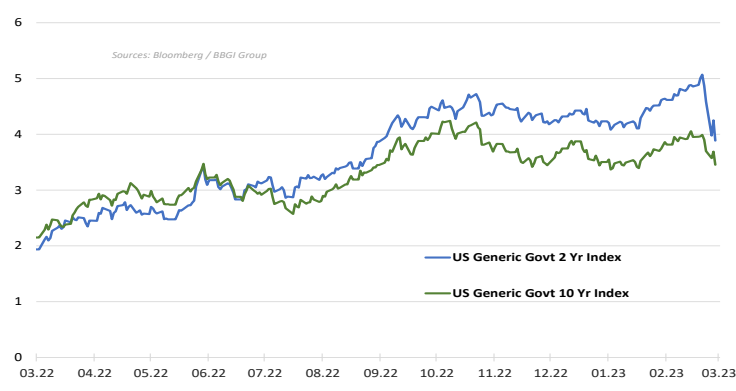
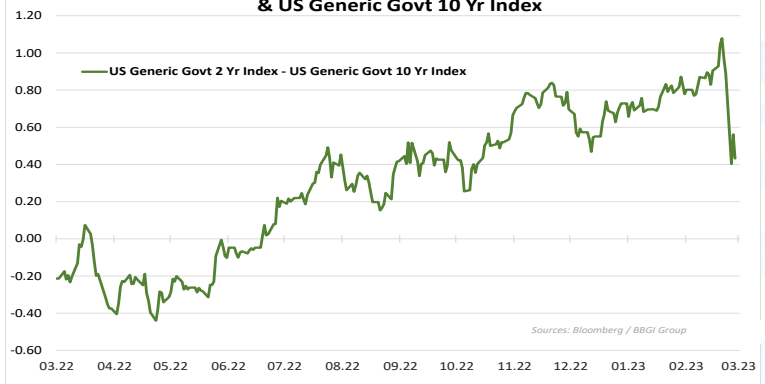
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## THE BANKRUPTCY OF THE SVB WILL PUSH THE FED TO CAPITULATE

### Monetary conditions will need to be eased

The failure of the Silicon Valley Bank has already pushed the American authorities and the Fed to act very quickly to avoid a panic. The former, through the voice of President Biden, sought to reassure by noting that the banking system was solid, while the latter also reassured by making liquidity available to institutions that might need it. But in the coming weeks, the SVB's bankruptcy could well have more major effects by significantly modifying investors' expectations regarding monetary policy. If only a few days ago, the probability of a Fed rate hike of 50 bps (instead of 25 bps) had become very high, it is practically zero after this event. It is indeed likely that the Federal Reserve will put its role as a stabilizer of the financial system in the forefront. In one weekend, expectations of terminal rates adjusted downwards, as the Fed Funds rate for September 2023 dropped from 5.6% to 4.2%.

Such an adjustment now even suggests that a cut in key rates could already take place during the summer, perhaps constituting the first phase of monetary easing. This 180-degree turn in policy rates could open up new prospects for financial assets, especially those that were badly affected in February and early March by the rebound in financing costs. After having suffered from the tightening of monetary conditions, an unexpected easing would offer totally different conditions for the valuation of financial assets. The historic drop in yields this weekend could help to revive interest in risky assets and in particular in European banks or real estate companies.


**Evolution of the US Federal Funds Effective Rate**

**US Treasury Actives Curves**

**US Generic Govt 2 Yr Index & US Generic Govt 10 Yr Index**

**Difference between US Generic Govt 2 Yr Index & US Generic Govt 10 Yr Index**


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