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SVB collapse affect market performance

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However, it is unlikely to impact local banks

STOCK MARKET

PETALING JAYA: The local stock market has come under pressure following news that the collapse of US-based Silicon Valley Bank (SVB).

In line with the global market turmoil, the FBM KLCI lost 0.79% or 11.25 points to 1,421.83 points – a fresh 4.5 months low since late last year.

Heavyweight index-linked losers included Tenaga Nasional Bhd which shed six sen to RM9.32, Inari Amertron Bhd which declined three sen to RM2.40 and Hong Leong Financial Group Bhd was down 14 sen to RM18.04.

Losers outnumbered gainers by more than 2.5 times while 340 counters traded unchanged and 3.5 billion shares worth RM2.15bil changed hands.

At press time yesterday, the SVB issue was still unraveling with UK-based HSBC agreeing to take over SVB's Britain arm for a token sum of 1 pound.

The US government had also stepped in to resolve the issue by assuring depositors that they would still be able to access their funds.

"Today we are taking decisive actions to protect the US economy by strengthening public confidence in our banking system,"

"It is possible that the quick action by the US regulators may have calmed things down a little bit."

Vincent Lau

leading regulators reportedly said in a joint statement yesterday.

A local equity analyst commented: "The fall of the US-based bank had unfolded very quickly over the weekend and it had taken market participants by surprise. It is possible that the magnitude of the news has not been entirely comprehended or digested by the markets."

Nomura Research said the statements by US regulators were positive.

"It should instill confidence into US depositors and also in financial markets. We think risk of contagion has decreased significantly," it noted.

Meanwhile, Rakuten Trade head of equity sales Vincent Lau said the fall of the bank could be due to the rise in US interest rates to rein in inflation.

"I am surprised by what had happened

over the weekend. The local market seems to have broken all its support levels at the moment.

"But it is possible that the quick action by the US regulators may have calmed things down a little bit," Lau told *StarBiz*.

"I don't think there will be a contagion effect on the local banks here," he added.

SVB had invested heavily into US Treasuries which had seen their mark-to-market portfolio value being reduced due to the continued rise in interest rates.

Commenting on the risk to Asian stocks, Nomura said: "Although we do not think there is any material fundamental impact on Asian stocks from the US banking sector issues, there is always risk of some skeletons emerging from the closet."

Nomura said the issues would not be systemic to the health of the banking sector.