‘We are not out of the woods’: Markets uncertain after turbulent week

A tumultuous week in the markets ended on an uncertain note – suggesting fears remain after large losses from the collapse of Silicon Valley Bank.

The FTSE 100 (Financial Times Stock Exchange) index of the most valued companies on the London Stock Exchange started the day at around the 7,500 mark – better than all of Thursday and most of Wednesday and a 1% increase – but the early morning gains had worn off by the close.

The most widely followed index of European stocks, the STOXX 600, had similar results and started the day up 0.8%, also better than Thursday and most of Wednesday, but lost all gains by end of day.

It followed the close on Thursday night of Asian markets, including Tokyo’s Nikkei and China’s Shanghai Composite, in positive territory.

The activity came after a group of 11 major banks **provided $30bn (£24.7bn) of cash** in an effort to end the crisis of confidence around First Republic, a regional US lender.

The bank has seen its share price collapse about 75% amid sector-wide balance sheet scrutiny following the collapse of **Silicon Valley Bank** (SVB) last Friday.

That collapse brought about a turbulent start to the week as the FTSE 100 was dragged down 2.2%, more than last Friday’s 1.7% fall from when SVB news came through.

But the move did not reassure markets, as on Friday afternoon there was a more than 20% fall in share value.

Credit Suisse concerns

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On top of the Silicon Valley Bank collapse, the troubles of Credit Suisse also led to investor jitters this week.

Credit Suisse, Switzerland's second-largest bank, has now been hit by a US investors lawsuit, over accusations the bank concealed its troubles.

It announced on Wednesday it had **found "material weaknesses"** in its financial reporting processes for 2021 and 2022.

Its shareholder, Saudi National Bank, said it would not provide any further financial assistance causing the value of the bank to fall by 30%.

The Swiss central bank stepped in to provide funding of 50bn Swiss francs (£44.5bn), which was **welcomed by Chancellor Jeremy Hunt.**

Now the bank is being sued by US investors who claim the lender made "materially false and misleading statements" in its 2021 annual report.

'We are not out of the woods'

Analysts have cautioned the difficulties are not over.

"We are not out of the woods," the chief market analyst at financial services company Finalto said.

The FTSE 100 is on course to be 3% down in the week overall and there is concern over the involvement of large banks in supporting First Republic Bank (FRB).

"Spreading the risk of financial contagion to achieve a false sense of confidence in FRB is bad policy," billionaire investor Bill Ackman said.

"The [strategically important banks] would never have made

this low return investment in deposits unless they were pressured to do so and without assurances that FRB deposits would be backstopped if it failed.

“The market has responded to this fictional vote of confidence with a 35% after-market decline in FRB stock.”