Wealth Management

Ravinsky Wealth Management Group

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Recent Posts

Silicon Valley Bank collapse: Reverberations and reactions

As SVB's demise roils markets, we examine the regulators' fast action and what the "costs" of that may be, as well as implications for Fed rate hikes.

Why the Fed is sounding more hawkish—and should it be?

As the Fed signals more rate hikes ahead, we look at the prospects for further aggressive tightening and whether the Fed may be missing the mark.

Market Insights

It's been a whirlwind of a week in global markets. Concerns over the stability of the global banking system emerged after a few sudden U.S. bank failures and signs of stress at a larger European bank. Policymakers responded quickly and the situation has stabilized for the time being. We discuss this below and reiterate our confidence in the investment outlook for the Canadian banking industry.

History has taught us that some investors, consumers, or businesses find themselves caught in a vulnerable position nearly every time financial conditions have tightened. This has largely resulted from complacency or dependence on cheap financing to enhance returns, fund spending, and grow profits. This time appears to be no different. Interest rates began their ascent nearly a year ago and the first signs of challenges emerged within the venture capital industry, as some early-stage companies saw their access to low-cost capital vanish quickly. A surprise then emerged last fall when the Bank of England stepped in to rescue a number of U.K. pension funds that had their bond portfolios marked down meaningfully as a result of higher interest rates and leverage. More drama unfolded over the past week as a few regional U.S. banks were shut down as a result of a classic "bank run", in which an overwhelming number of depositors lost confidence and decided to withdraw their funds.

The banks in question this past week shared a combination of attributes: a clientele that was tied to certain industries like venture capital, a disproportionate amount of client deposits that was uninsured, bank assets that were concentrated in fixed income securities like government bonds with unrealized losses due to higher interest rates, and less stringent regulation compared to larger banks. These factors ultimately led to the banks' demise. The situation in Europe on the other hand is different, as the bank in question, Credit Suisse, is significantly bigger and has been plagued by challenges and scandals over the last few years, primarily related to inadequate risk management.

Central banks, governments, and other commercial banks have taken swift action. They announced guarantees of all deposits at the failed U.S. institutions, and injected deposits to other banks in an effort to shore up confidence in the banking system. Moreover, a new lending facility was created to allow U.S. banks to exchange securities like bonds for emergency funds. Meanwhile, the Swiss National Bank has stepped in to lend Credit Suisse a sufficient amount of funds to support it for the time being.

We believe the past week's events have two near-term implications. First, financial conditions are likely to tighten further as banks prioritize liquidity and capital. This will inevitably weigh on growth as some consumers and businesses may have a more difficult time accessing credit. The second implication is that central banks like the U.S. Federal Reserve may think more carefully about future policy moves as they now must balance the stability of the financial system along with inflation and growth. That said, the European Central Bank still raised rates over the past week and markets still expect the Fed to do the same once it meets over the coming days.

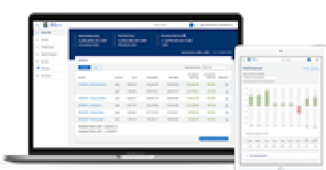
Global Insight Monthly

Perspectives from the Global Portfolio Advisory Committee

Not surprisingly, shares of the Canadian banks have been volatile as they have moved in sympathy with U.S. and global peers. However, we remain confident in the stability of the Canadian banking industry. Unlike some of the U.S. regional banks, the Canadian banks have a few advantages: a deposit, asset, and customer base that are all very well diversified, elevated liquidity positions, and high capital levels. While heightened regulatory scrutiny over the past few years may have limited the Canadian banks' profitability, it has left the group better positioned to deal with periods of stress.

Introducing the new First Home Savings Account (FHSA)

As of April 3rd, RBC Dominion Securities will be offering the Tax-Free First Home Savings Account (FHSA), a registered account intended to help Canadians save for their first home. It combines the benefits of an RRSP and a TFSA into one account. As with an RRSP, contributions are tax-deductible, thereby reducing one's taxable income. Like a TFSA, withdrawals made to purchase a first home (including the investment income earned) will not be taxable. Click here to learn more.



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Once online, you can switch to paperless eDocuments to reduce your paperwork and safely view your account documents online. Click here to get started.

Your partners in wealth management

David Ravinsky

Alex Tsapekis

Jo-Anne MacKenzie

We're committed to keeping you informed about the progress you are making towards your financial goals. Our team is always available to answer your questions, provide advice or review your portfolio.

We appreciate the opportunity to serve you and look forward to continuing to help you accomplish your long-term financial goals.

Should you have any questions, please feel free to reach out.

Sincerely,

The Ravinsky Wealth Management Group

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