THE CHANCELLOR TAKES FIRST SMALL STEPS TO ADDRESS UK GROWTH AS BANK CRISIS RATTLES MARKETS

This week the Chancellor delivered his first full budget; while the last chancellor made an ill-fated dash for growth, this time there were a few measures announced that actually addressed the underlying problem, low investment and a shrinking workforce. Tax breaks to encourage the former and pension reform and free childcare to try and reverse the latter. Time will tell how effective they'll be, by themselves not very would be my guess, but as the start of a long-term plan of targeted pro-growth policies they could have an impact eventually.

Elsewhere the nascent banking crisis that panicked markets looks to have mostly blown over. As is now tradition, central banks stepped in to prop up the struggling lenders. The actions taken in the US, Europe and the UK were all slightly different, but amounted to the same calming of nerves. That the US regulations left a significant loophole to allow for the bad behaviour that kicked everything off is more worrying, and will hopefully be rectified as part of the fallout.

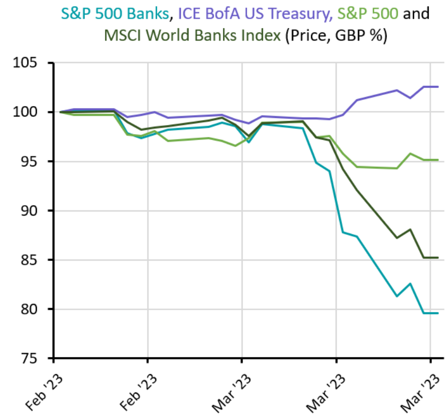
THE MARKETS THIS WEEK

FTSE 100	S&P 500	Nikkei 225	MSCI Europe	Hang Seng	US 10 Yr	UK 10 Yr	Brent Crude	Gold	Iron Ore	GBP USD
-4.37%	+2.56%	-4.03%	-2.74%	+1.03%	-0.13%	-0.25%	-10.71%	+3.37%	-1.49%	+0.09%

GLOBAL BANKS: CRISIS OF CONFIDENCE SPARKS MARKET TURMOIL

The collapse of Silicon Valley Bank sparked extreme volatility as frenzied selling of US bank stocks spread to wider markets. SVB is the third US bank to collapse this year as depositors grew concerned about its solvency and a rapid outflow of deposits meant the bank was faced with crystalising short-term losses by selling assets for less than their value if held to maturity. The US Fed and regulators managed to calm US markets, but investors turned their attention to global banks, including Credit Suisse.

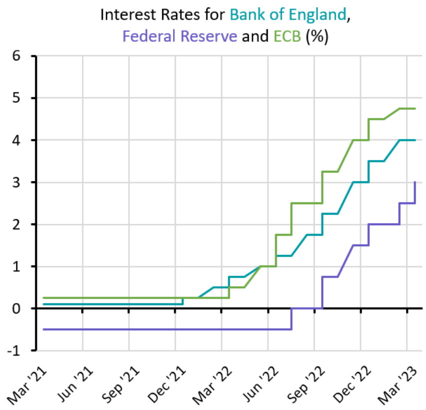
Credit Suisse's share price has fallen steeply in the last few years, following a string of scandals. Despite reassurance from the bank and Swiss regulators, sustained selling saw its share price tumble, adding pressure to global bank stocks. Investors moved money into government bonds, driving up prices and sending bond yields down sharply. Markets have calmed considerably but global equities were down this week, with bank shares experiencing big losses. Safe-haven assets like government bonds, gold and the dollar gained.



INTEREST RATES: ECB HIKES AS INFLATION CAUSES HEADACHE FOR US FED

The European Central Bank increased interest rates by 0.5%. This was in line with what it had previously committed to as it continues its efforts to bring down inflation. There had been speculation that it might opt for a smaller increase due to the negative effect that rising rates have on the value of government bonds held as collateral by global banks. In the end the ECB stuck to its plans as price rises are "projected to remain too high for too long", although it appears less committed to further rate hikes.

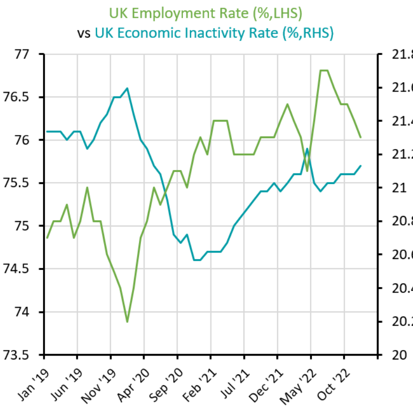
The US Federal Reserve faces this conundrum next week at its interest rate meeting. The latest monthly data in the US shows inflation remaining stubbornly high as the Consumer Price Index fell from 6.4% to 6% for the year to February. Core inflation (excluding food and fuel) dropped just 0.1% to 5.5%. The potential for further hikes to adversely affect bank balance sheets means some investors are predicting a rate cut at next week's meeting and significant cuts by the end of the year.



UK: ECONOMY SET TO IMPROVE AS HUNT LOOKS TO ADDRESS JOBS MARKET

The budget painted a positive view of the economy after the independent Office for Budget Responsibility said the economic downturn will be shorter than expected, medium-term output is due to be higher and the government's budget deficit will be smaller. A significant part of the improvement is due to the rapid fall in gas prices since November. This allowed the chancellor to extend the price cap on domestic energy bills and increase the allowance for business investment. The government now predicts inflation will fall quickly and expects it to be 2.9% by the end of the year.

The budget also included steps to ease the shortage of workers by encouraging people back into employment. The chancellor scrapped the pensions lifetime allowance to encourage higher earners, including senior doctors, to remain in the workforce. There was also a big increase in free childcare for pre-school children. The tension in the labour market is shown by a further drop in the unemployment rate as more than 1 million vacancies remain open.



Data sourced from FE Analytics and FactSet