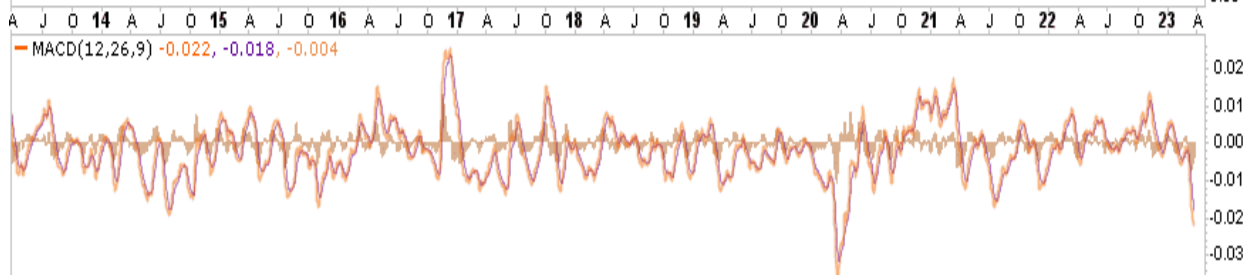
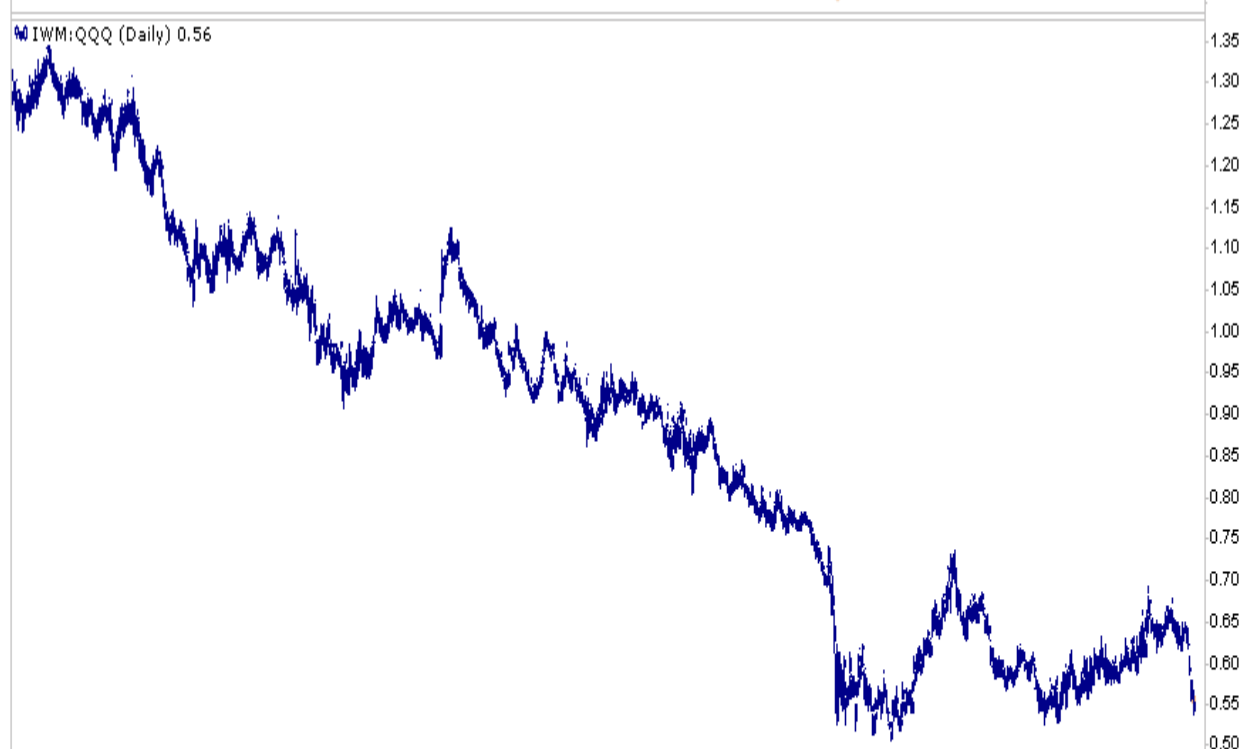
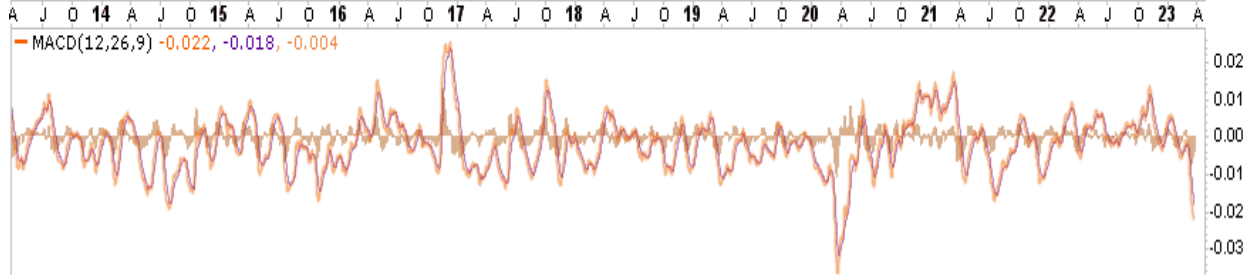
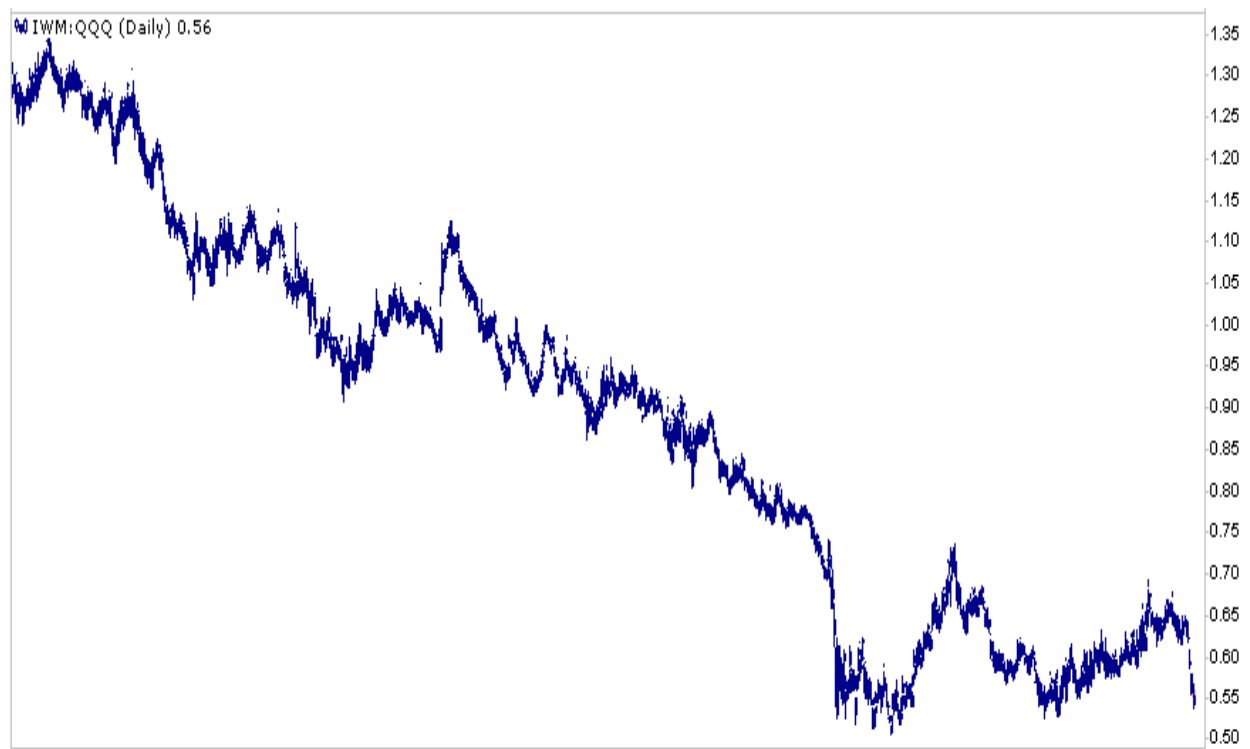




Small Cap Stocks Lose Favor To Techs

Alongside the financial and REIT sectors, small cap stocks are falling victim to the banking crisis. The logic is that many small companies tend to rely heavily on debt financing. As financial lending standards tighten and credit spreads widen, small cap companies must pay higher interest rates on their debt. Further, those may be the lucky companies. Some companies with poor financials may find it too costly to borrow and dilute their shareholders via issuing equity. Over 20% of the Russell Small Cap Index is estimated to be comprised of zombie companies. These are companies that have interest coverages of less than one. As a result, they must borrow to meet their debt obligations.

Large tech companies, on the other hand, are flourishing in the current environment. Not only does the dip in interest rates help their valuations, but many of these companies are not burdened with debt, nor will they have similar problems borrowing. The graph below shows the ratio of small cap stocks (IWM) to the NASDAQ (QQQ) erased thirteen months of small cap outperformance in only a few weeks. Below the graph, note that the MACD is very oversold, meaning it might bounce in the coming days or weeks. We offer caution, if lending conditions tighten appreciably and corporate bond spreads widen, any bounce may be a chance to reduce or eliminate small cap stocks that are overly reliant on debt.




What To Watch Today


Economy

Time	Event	Impact	Actual	Dev	<div><div></div><div>i</div></div>	Consensus	Previous	
TUESDAY, MARCH 28								
12:30	<div><div></div><div>USD</div></div> Goods Trade Balance(Feb) PREL	<div><div></div><div></div></div>	-	-		\$-91B	\$-90.1B	<div><div></div><div></div></div>
12:30	<div><div></div><div>USD</div></div> Wholesale Inventories(Feb) PREL	<div><div></div><div></div></div>	-	-		0.6%	-0.4%	<div><div></div><div></div></div>
12:55	<div><div></div><div>USD</div></div> Redbook Index (YoY)(Mar 24)	<div><div></div><div></div></div>	-	-		-	3.2%	<div><div></div><div></div></div>
13:00	<div><div></div><div>USD</div></div> Housing Price Index (MoM)(Jan)	<div><div></div><div></div></div>	-	-		-0.6%	-0.1%	<div><div></div><div></div></div>
13:00	<div><div></div><div>USD</div></div> S&P/Case-Shiller Home Price Indices (YoY)(Jan)	<div><div></div><div></div></div>	-	-		2.5%	4.6%	<div><div></div><div></div></div>
14:00	<div><div></div><div>USD</div></div> Consumer Confidence(Mar)	<div><div></div><div></div></div>	-	-		-	-	<div><div></div><div></div></div>
14:00	<div><div></div><div>USD</div></div> Richmond Fed Manufacturing Index(Mar)	<div><div></div><div></div></div>	-	-		-7	-16	<div><div></div><div></div></div>
17:00	<div><div></div><div>USD</div></div> 5-Year Note Auction	<div><div></div><div></div></div>	-	-		-	4.109%	<div><div></div><div></div></div>
20:30	<div><div></div><div>USD</div></div> API Weekly Crude Oil Stock(Mar 24)	<div><div></div><div></div></div>	-	-		-	3.262M	<div><div></div><div></div></div>

Time	Event	Impact	Actual	Dev	<div><div></div><div>i</div></div>	Consensus	Previous	
TUESDAY, MARCH 28								
12:30	<div><div></div><div>USD</div></div> Goods Trade Balance(Feb) PREL	<div><div></div><div></div></div>	-	-		\$-91B	\$-90.1B	<div><div></div><div></div></div>
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12:55	<div><div></div><div>USD</div></div> Redbook Index (YoY)(Mar 24)	<div><div></div><div></div></div>	-	-		-	3.2%	<div><div></div><div></div></div>
13:00	<div><div></div><div>USD</div></div> Housing Price Index (MoM)(Jan)	<div><div></div><div></div></div>	-	-		-0.6%	-0.1%	<div><div></div><div></div></div>
13:00	<div><div></div><div>USD</div></div> S&P/Case-Shiller Home Price Indices (YoY)(Jan)	<div><div></div><div></div></div>	-	-		2.5%	4.6%	<div><div></div><div></div></div>
14:00	<div><div></div><div>USD</div></div> Consumer Confidence(Mar)	<div><div></div><div></div></div>	-	-		-	-	<div><div></div><div></div></div>
14:00	<div><div></div><div>USD</div></div> Richmond Fed Manufacturing Index(Mar)	<div><div></div><div></div></div>	-	-		-7	-16	<div><div></div><div></div></div>
17:00	<div><div></div><div>USD</div></div> 5-Year Note Auction	<div><div></div><div></div></div>	-	-		-	4.109%	<div><div></div><div></div></div>
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Earnings

Company		Time	Estimate		 Growth <small>Show only confirmed?</small>	Surprise		
✓ WBA	Walgreens Boots Allia...	7:00 AM ET	\$1.10	\$33.40 B	-1.1%	<input data-bbox="1236 168 1268 212" type="text" value="+"/>	<input data-bbox="1284 168 1316 212" type="text" value="="/>	<input data-bbox="1332 168 1364 212" type="text" value="-"/>
✓ SNX	TD SYNEX	8:00 AM ET	\$2.85	\$15.77 B	1.9%	<input data-bbox="1236 212 1268 257" type="text" value="+"/>	<input data-bbox="1284 212 1316 257" type="text" value="="/>	<input data-bbox="1332 212 1364 257" type="text" value="-"/>
✓ MU	Micron Technology, Inc.	4:00 PM ET	(\$0.78)	\$3.74 B	-52.0%	<input data-bbox="1236 257 1268 302" type="text" value="+"/>	<input data-bbox="1284 257 1316 302" type="text" value="="/>	<input data-bbox="1332 257 1364 302" type="text" value="-"/>
✓ LULU	lululemon athletica inc.	4:05 PM ET	\$4.25	\$2.70 B	26.8%	<input data-bbox="1236 302 1268 347" type="text" value="+"/>	<input data-bbox="1284 302 1316 347" type="text" value="="/>	<input data-bbox="1332 302 1364 347" type="text" value="-"/>
✓ JEF	Jefferies Financial Gr...	4:40 PM ET	\$0.57	\$1.14 B	-34.2%	<input data-bbox="1236 347 1268 392" type="text" value="+"/>	<input data-bbox="1284 347 1316 392" type="text" value="="/>	<input data-bbox="1332 347 1364 392" type="text" value="-"/>
✓ MKC	McCormick & Compa...	6:30 AM ET	\$0.49	\$1.54 B	1.2%	<input data-bbox="1236 392 1268 436" type="text" value="+"/>	<input data-bbox="1284 392 1316 436" type="text" value="="/>	<input data-bbox="1332 392 1364 436" type="text" value="-"/>
✓ ESLT	Elbit Systems Ltd.	BMO	\$1.86	\$1.49 B	-0.3%	<input data-bbox="1236 436 1268 481" type="text" value="+"/>	<input data-bbox="1284 436 1316 481" type="text" value="="/>	<input data-bbox="1332 436 1364 481" type="text" value="-"/>
✓ CNM	Core & Main, Inc.	7:30 AM ET	\$0.31	\$1.36 B	9.1%	<input data-bbox="1236 481 1268 526" type="text" value="+"/>	<input data-bbox="1284 481 1316 526" type="text" value="="/>	<input data-bbox="1332 481 1364 526" type="text" value="-"/>
✓ CALM	Cal-Maine Foods	4:05 PM ET	\$5.09	\$849.59 M	77.9%	<input data-bbox="1236 526 1268 571" type="text" value="+"/>	<input data-bbox="1284 526 1316 571" type="text" value="="/>	<input data-bbox="1332 526 1364 571" type="text" value="-"/>
✓ IHS	IHS Inc	6:55 AM ET	-	\$486.84 M	17.1%	<input data-bbox="1236 571 1268 616" type="text" value="+"/>	<input data-bbox="1284 571 1316 616" type="text" value="="/>	<input data-bbox="1332 571 1364 616" type="text" value="-"/>
✓ PLAY	Dave & Buster's Ente...	4:15 PM ET	\$0.73	\$541.94 M	58.0%	<input data-bbox="1236 616 1268 660" type="text" value="+"/>	<input data-bbox="1284 616 1316 660" type="text" value="="/>	<input data-bbox="1332 616 1364 660" type="text" value="-"/>

Company		Time	Estimate		 Growth <small>Show only confirmed?</small>	Surprise		
✓ WBA	Walgreens Boots Allia...	7:00 AM ET	\$1.10	\$33.40 B	-1.1%	<input data-bbox="1236 716 1268 761" type="text" value="+"/>	<input data-bbox="1284 716 1316 761" type="text" value="="/>	<input data-bbox="1332 716 1364 761" type="text" value="-"/>
✓ SNX	TD SYNEX	8:00 AM ET	\$2.85	\$15.77 B	1.9%	<input data-bbox="1236 761 1268 806" type="text" value="+"/>	<input data-bbox="1284 761 1316 806" type="text" value="="/>	<input data-bbox="1332 761 1364 806" type="text" value="-"/>
✓ MU	Micron Technology, Inc.	4:00 PM ET	(\$0.78)	\$3.74 B	-52.0%	<input data-bbox="1236 806 1268 851" type="text" value="+"/>	<input data-bbox="1284 806 1316 851" type="text" value="="/>	<input data-bbox="1332 806 1364 851" type="text" value="-"/>
✓ LULU	lululemon athletica inc.	4:05 PM ET	\$4.25	\$2.70 B	26.8%	<input data-bbox="1236 851 1268 896" type="text" value="+"/>	<input data-bbox="1284 851 1316 896" type="text" value="="/>	<input data-bbox="1332 851 1364 896" type="text" value="-"/>
✓ JEF	Jefferies Financial Gr...	4:40 PM ET	\$0.57	\$1.14 B	-34.2%	<input data-bbox="1236 896 1268 940" type="text" value="+"/>	<input data-bbox="1284 896 1316 940" type="text" value="="/>	<input data-bbox="1332 896 1364 940" type="text" value="-"/>
✓ MKC	McCormick & Compa...	6:30 AM ET	\$0.49	\$1.54 B	1.2%	<input data-bbox="1236 940 1268 985" type="text" value="+"/>	<input data-bbox="1284 940 1316 985" type="text" value="="/>	<input data-bbox="1332 940 1364 985" type="text" value="-"/>
✓ ESLT	Elbit Systems Ltd.	BMO	\$1.86	\$1.49 B	-0.3%	<input data-bbox="1236 985 1268 1030" type="text" value="+"/>	<input data-bbox="1284 985 1316 1030" type="text" value="="/>	<input data-bbox="1332 985 1364 1030" type="text" value="-"/>
✓ CNM	Core & Main, Inc.	7:30 AM ET	\$0.31	\$1.36 B	9.1%	<input data-bbox="1236 1030 1268 1075" type="text" value="+"/>	<input data-bbox="1284 1030 1316 1075" type="text" value="="/>	<input data-bbox="1332 1030 1364 1075" type="text" value="-"/>
✓ CALM	Cal-Maine Foods	4:05 PM ET	\$5.09	\$849.59 M	77.9%	<input data-bbox="1236 1075 1268 1120" type="text" value="+"/>	<input data-bbox="1284 1075 1316 1120" type="text" value="="/>	<input data-bbox="1332 1075 1364 1120" type="text" value="-"/>
✓ IHS	IHS Inc	6:55 AM ET	-	\$486.84 M	17.1%	<input data-bbox="1236 1120 1268 1164" type="text" value="+"/>	<input data-bbox="1284 1120 1316 1164" type="text" value="="/>	<input data-bbox="1332 1120 1364 1164" type="text" value="-"/>
✓ PLAY	Dave & Buster's Ente...	4:15 PM ET	\$0.73	\$541.94 M	58.0%	<input data-bbox="1236 1164 1268 1209" type="text" value="+"/>	<input data-bbox="1284 1164 1316 1209" type="text" value="="/>	<input data-bbox="1332 1164 1364 1209" type="text" value="-"/>

Market Trading Update

The market struggled a bit yesterday, trading in positive territory but volatile. Currently, traders are torn between concerns over the recent banking crisis and hope that the Fed is now finished hiking rates. Despite all of the headline risk, the market continues to trade bullishly and above support at the 200-DMA. With buy signals triggered, we did add a small trading position in the S&P 500 yesterday to increase exposure for now. When this trade is over or the market breaks the 200-DMA, we will reduce equity risk accordingly.



TradingView





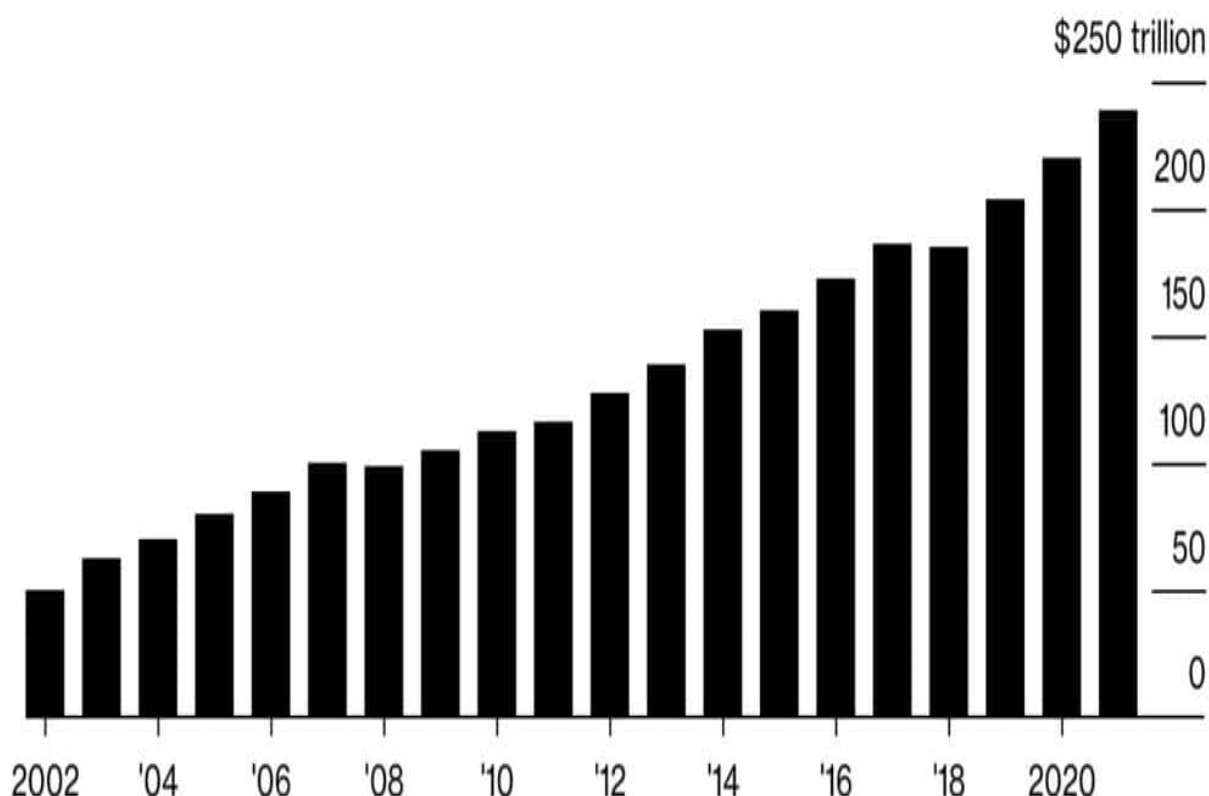
Shadow Banking

Recently, financial stability issues in the banking sector are coming to light. However, some issues affecting banks equally affect the shadow banking sector. The graph below shows assets held by non-bank financial institutions (shadow banks) have risen 2.5x since 2008. The graph, courtesy of Bloomberg, was accompanied by the following quote:

The recent turmoil will likely lead to deeper probes into shadow lending globally, which includes credit provided by private equity firms, insurers and retirement funds. That means identifying where the risk ended up after it moved off bank balance sheets

Assets Held by Financial Institutions Without a Banking License

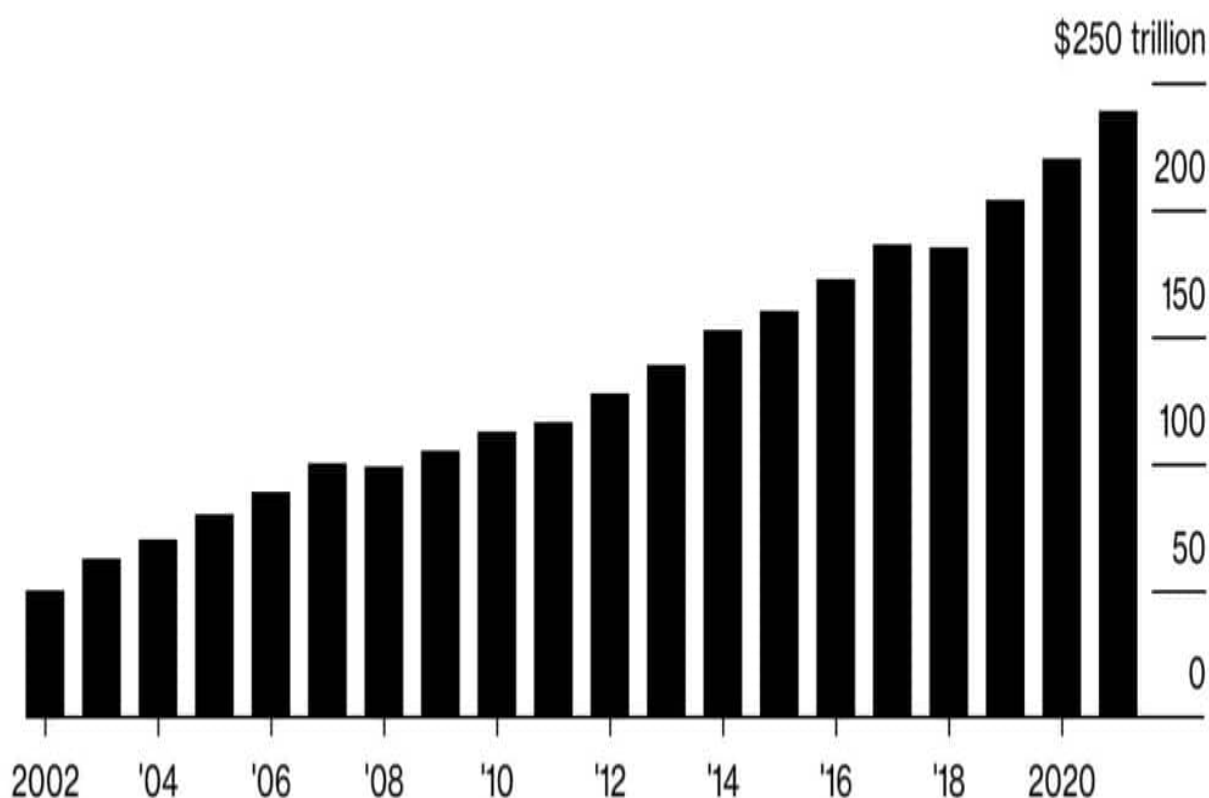
■ Non-banking financial institution



Source: Financial Stability Board

Assets Held by Financial Institutions Without a Banking License

■ Non-banking financial institution

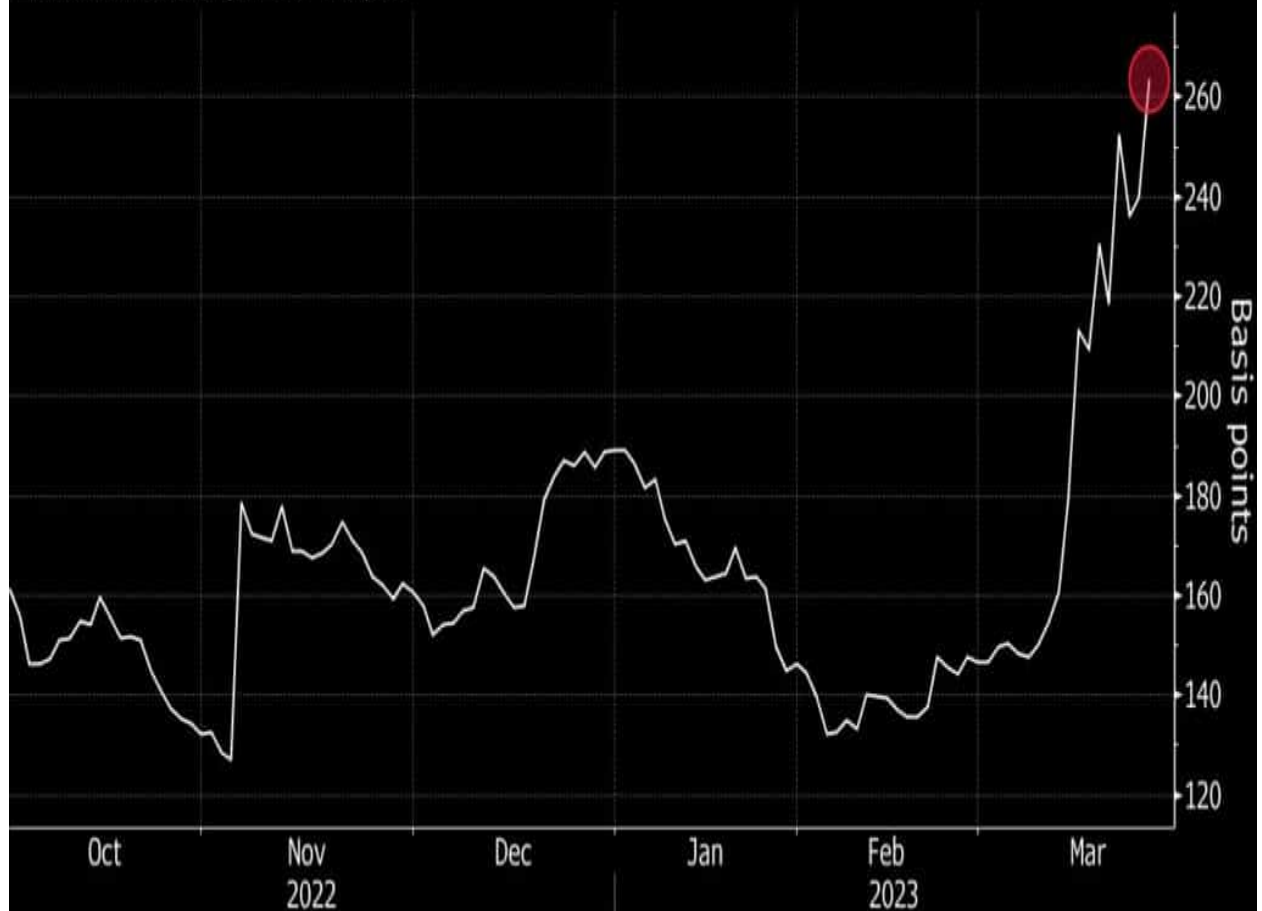


Along these lines, Lincoln Financial and other large insurers are seeing attention turned to their risks. In particular, investors are concerned about their extensive commercial real estate holdings. The chart below, also from Bloomberg, shows the price of credit default swaps on Lincoln Financial has doubled over the last few weeks.

Cost to Insure Lincoln Financial's Senior Debt Rises

Price of credit default swaps has climbed since mid March

■ Lincoln Financial five-year CDS - last price



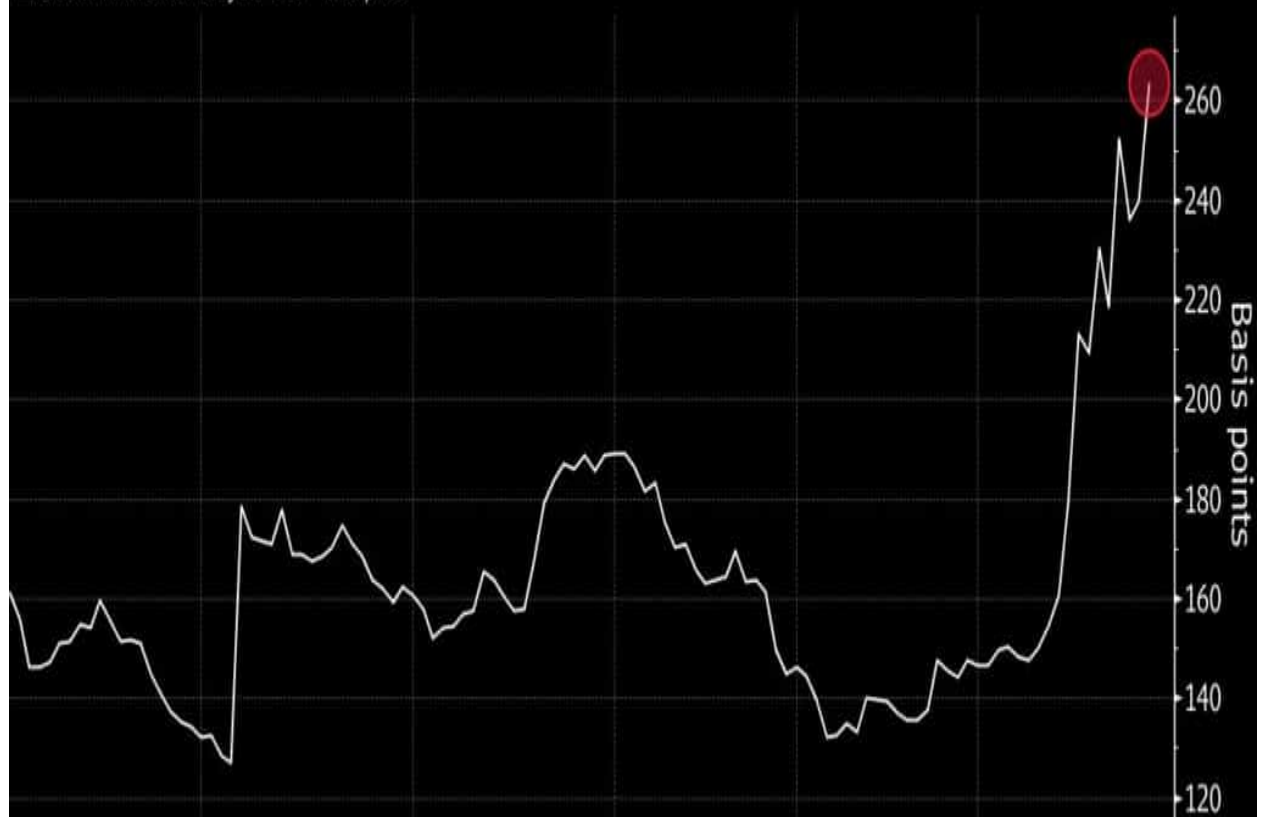
Source: ICE Data Services

Bloomberg

Cost to Insure Lincoln Financial's Senior Debt Rises

Price of credit default swaps has climbed since mid March

■ Lincoln Financial five-year CDS - last price



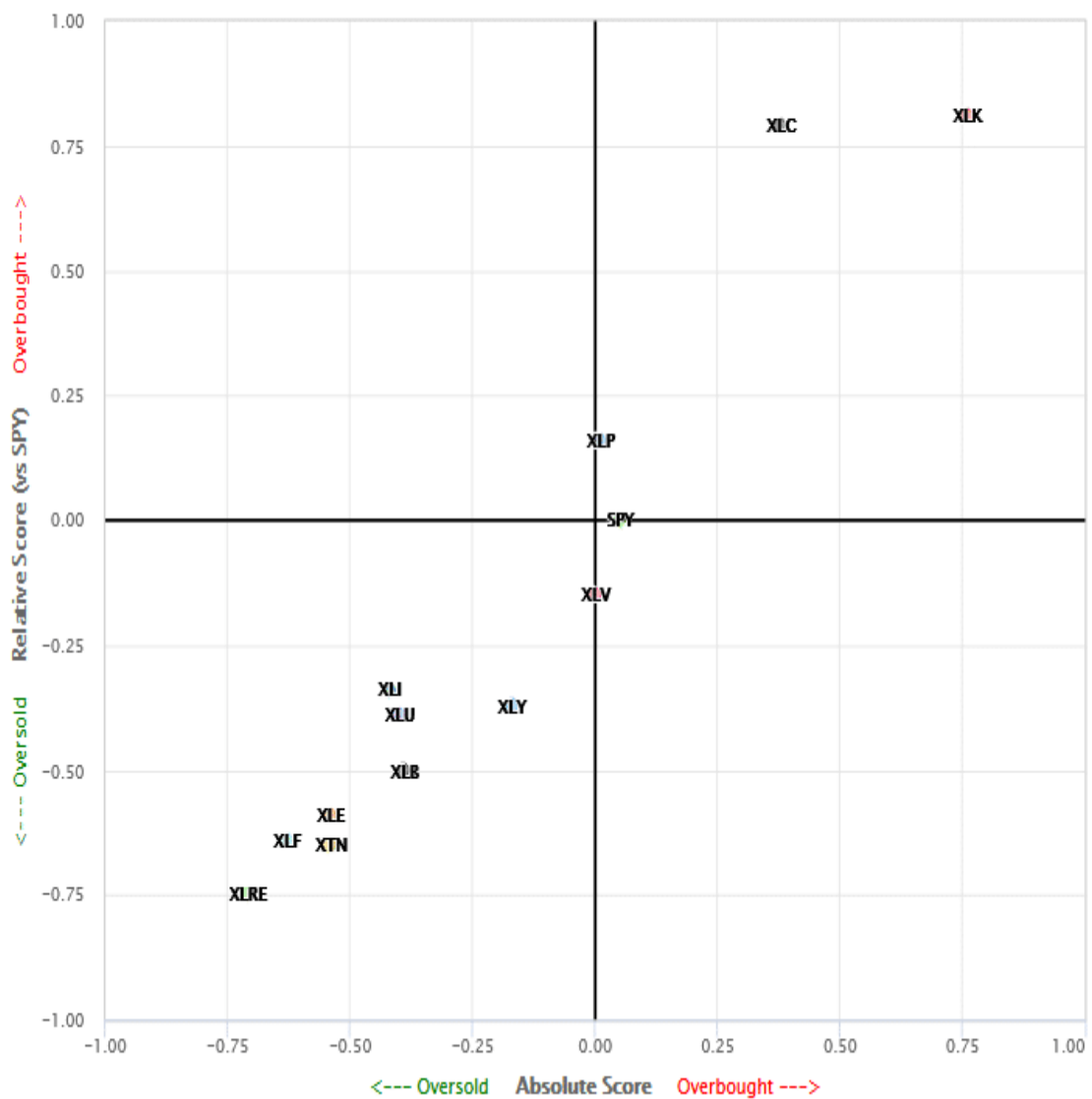
Digging Into The Tech Rally

Since March 1, the tech sector (XLK) is up over 7%, while the broader S&P 500 is barely eking out a gain. To better appreciate what is driving technology, we share proprietary analysis from a few [SimpleVisor](#) graphs.

SimpleVisor uses our relative and absolute analysis to help gauge which sectors are hot and which are not. The value of analyzing sectors and stocks with relative and absolute methods is that sectors tend to rotate. As such, hot sectors stop outperforming, and at the same time, underperforming sectors take the lead. The graph below shows that technology (XLK) has very overbought scores on the relative and absolute axes. Every other sector, except communications and staples, is at fair value or oversold. The table below the scatter plot helps determine which technology stocks lead the way within the sector. Looking at the bottom row, comparing each stock to the sector ETF, we find that NVDA, MSFT, and CRM are the most overbought. Not surprisingly, the two most oversold are V and MA. It is very debatable whether they are technology or financial stocks.

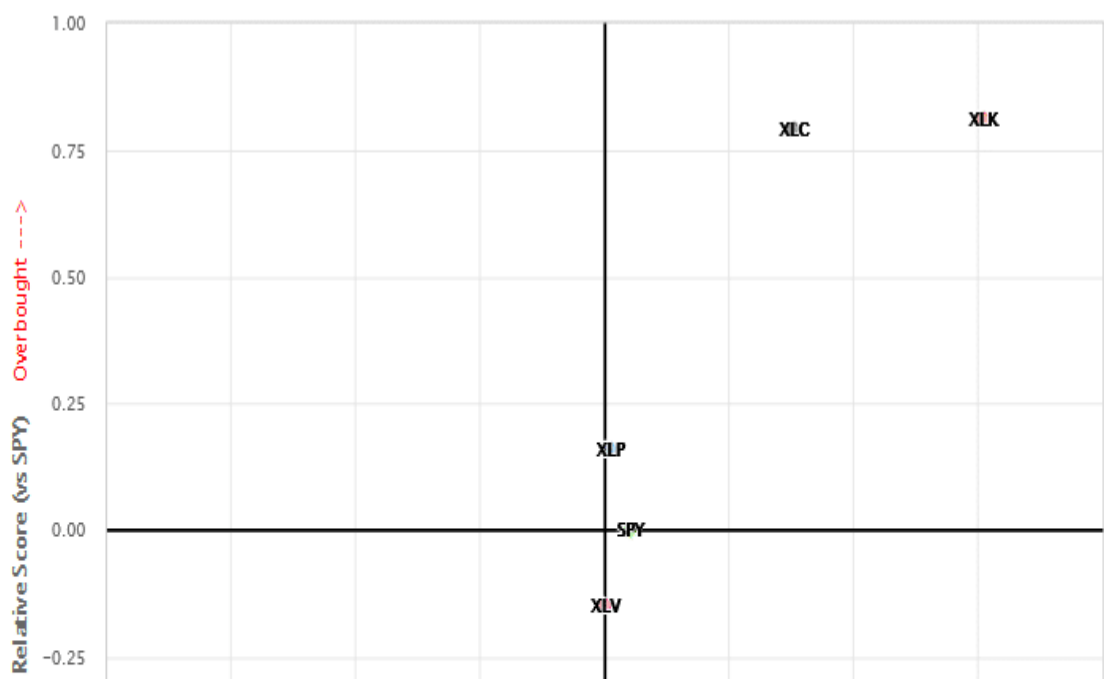
Relative vs Absolute Analysis of Sectors

(Relative Scores are vs SPY)



Relative vs Absolute Analysis of Sectors

(Relative Scores are vs SPY)



Symbol	Name	Holdings	AAPL/	AVGO/	CRM/	CSCO/	MA/	MSFT/	NVDA/	TXN/	V/	ACN/	XLK/	
ACN	ACN	1.87%	0.00	-0.06	0.23	-0.24	-0.53	0.19	0.65	-0.40	-0.56	-0.33	-0.10	AAPL
AAPL	AAPL	22.70%	0.06	0.00	0.36	-0.32	-0.52	0.11	0.71	-0.27	-0.45	-0.30	-0.09	AVGO
AVGO	AVGO	2.69%	-0.23	-0.36	0.00	-0.40	-0.45	-0.18	0.59	-0.42	-0.47	-0.39	-0.30	CRM
CSCO	CSCO	2.23%	0.24	0.32	0.40	0.00	-0.48	0.44	0.69	-0.11	-0.15	-0.23	0.14	CSCO
MA	MA	3.38%	0.53	0.52	0.45	0.48	0.00	0.63	0.68	0.50	0.50	0.11	0.65	MA
MSFT	MSFT	20.82%	-0.19	-0.11	0.18	-0.44	-0.63	0.00	0.41	-0.39	-0.55	-0.43	-0.35	MSFT
NVDA	NVDA	6.47%	-0.65	-0.71	-0.59	-0.69	-0.68	-0.41	0.00	-0.68	-0.78	-0.45	-0.67	NVDA
CRM	CRM	1.83%	0.40	0.27	0.42	0.11	-0.50	0.39	0.68	0.00	-0.26	-0.15	0.30	TXN
TXN	TXN	1.74%	0.56	0.45	0.47	0.15	-0.50	0.55	0.78	0.26	0.00	0.02	0.59	V
V	V	4.03%	0.33	0.30	0.39	0.23	-0.11	0.43	0.45	0.15	-0.02	0.00	0.29	ACN
			0.10	0.09	0.30	-0.14	-0.65	0.35	0.67	-0.30	-0.59	-0.29	0.00	XLK

Symbol	Name	Holdings	AAPL/	AVGO/	CRM/	CSCO/	MA/	MSFT/	NVDA/	TXN/	V/	ACN/	XLK/	
ACN	ACN	1.87%	0.00	-0.06	0.23	-0.24	-0.53	0.19	0.65	-0.40	-0.56	-0.33	-0.10	AAPL
AAPL	AAPL	22.70%	0.06	0.00	0.36	-0.32	-0.52	0.11	0.71	-0.27	-0.45	-0.30	-0.09	AVGO
AVGO	AVGO	2.69%	-0.23	-0.36	0.00	-0.40	-0.45	-0.18	0.59	-0.42	-0.47	-0.39	-0.30	CRM
CSCO	CSCO	2.23%	0.24	0.32	0.40	0.00	-0.48	0.44	0.69	-0.11	-0.15	-0.23	0.14	CSCO
MA	MA	3.38%	0.53	0.52	0.45	0.48	0.00	0.63	0.68	0.50	0.50	0.11	0.65	MA
MSFT	MSFT	20.82%	-0.19	-0.11	0.18	-0.44	-0.63	0.00	0.41	-0.39	-0.55	-0.43	-0.35	MSFT
NVDA	NVDA	6.47%	-0.65	-0.71	-0.59	-0.69	-0.68	-0.41	0.00	-0.68	-0.78	-0.45	-0.67	NVDA
CRM	CRM	1.83%	0.40	0.27	0.42	0.11	-0.50	0.39	0.68	0.00	-0.26	-0.15	0.30	TXN
TXN	TXN	1.74%	0.56	0.45	0.47	0.15	-0.50	0.55	0.78	0.26	0.00	0.02	0.59	V
V	V	4.03%	0.33	0.30	0.39	0.23	-0.11	0.43	0.45	0.15	-0.02	0.00	0.29	ACN
			0.10	0.09	0.30	-0.14	-0.65	0.35	0.67	-0.30	-0.59	-0.29	0.00	XLK

First Citizens Buys SVB

First Citizens is buying Silicon Valley Bank for \$500 million. A year ago, SVB was worth nearly \$40 billion and at the same time, First Citizens was half its size. The graphic below shows the terms of the buyout. Per First Citizens, they paid negative \$16bn in equity for SVB. In other words, they think they are buying SVB's assets at a 15% discount. They avoided buying about \$90bn of troubled assets. Also, prompting First Citizens to purchase SVB, the FDIC will cover 50% of commercial loan losses if they exceed \$5 billion. The FDIC will bear any losses on SVB's loan book outside of what First Citizen assumes. They currently estimate that number to be about \$20 billion. The second graph below shows that First Citizens (FCNCA) shares rose nearly 50% on Monday. Investors seem to think First Citizens got quite a deal.

Acquired certain assets and assumed certain liabilities of Silicon Valley Bridge Bank, N.A. from the FDIC

Acquisition details

- We acquired **total assets of \$110.1 billion** with a **\$16.5 billion discount bid on assets**, consisting of:
 - \$72.1 billion in loans
 - \$56.5 billion in deposits
 - No investment securities acquired
- Option to purchase all bank branches and corporate locations.
- Retaining employees in the acquired revenue-producing businesses and those necessary to manage operations to support those businesses.
- FDIC received a value appreciation instrument from First Citizens BancShares, Inc. valued at up to \$500 million (pivable in cash) and exercisable until April 14th, 2023.

None of those ~\$90bn of pesky underwater securities that started this crisis, the FDIC kept them

Downside protections

- Transaction structured to **limit liquidity and credit risks** to First Citizens:
 - Asset discount and loss share agreement with the FDIC provides downside protection against credit risk.
 - Five-year loss share agreement stipulates that the FDIC will reimburse First Citizens for 50% of losses on commercial loans in excess of \$5 billion.
 - Entered into a liquidity facility with the FDIC to provide additional contingent funding if needed.

Sweet!

Integration

- All regulatory approvals received and transaction has closed.
- All branches now operating as a division of First Citizens Bank.
- All depositors will continue to have access to their funds.



(1) Assets and liabilities as of March 24, 2023 as provided by the FDIC. Subject to change based on closing balance sheet. Asset and liability data does not include purchase accounting marks.

(2) In connection with the acquisition, First Citizens entered into a five-year \$35 billion note payable to the FDIC bearing an annual interest rate of 3.50%. Amount is estimated based on the March 24, 2023 balance sheet provided by the FDIC. Subject to change based on closing balance sheet.

6

Preliminary Acquired Assets & Liabilities ⁽¹⁾

(\$ in millions)

Assets	
Cash	\$ 35,264
Gross loans	72,114
Earning assets	\$ 107,378
Other assets	2,704
Total assets	\$ 110,082

Liabilities	
Deposits	\$ 56,491
Borrowings ⁽²⁾	34,605
Other liabilities	2,536
Total liabilities	\$ 93,632

Discount bid on assets	\$ 16,450
-------------------------------	------------------

Paid \$500m cash, so net
NEGATIVE \$16bn

Acquired certain assets and assumed certain liabilities of Silicon Valley Bridge Bank, N.A. from the FDIC

Acquisition details

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 - No investment securities acquired
- Option to purchase all bank branches and corporate locations.

None of those ~\$90bn of pesky underwater securities that started this crisis, the FDIC kept them

Preliminary Acquired Assets & Liabilities ⁽¹⁾

(\$ in millions)

Assets	
Cash	\$ 35,264

First Citizens BancShares, Inc. - 1D ● O 868.00 H 870.15 L 824.23 C 858.36 +275.81 (+47.35%)

Volume 848.24K



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Tweet of the Day



Warren Pies

@WarrenPies

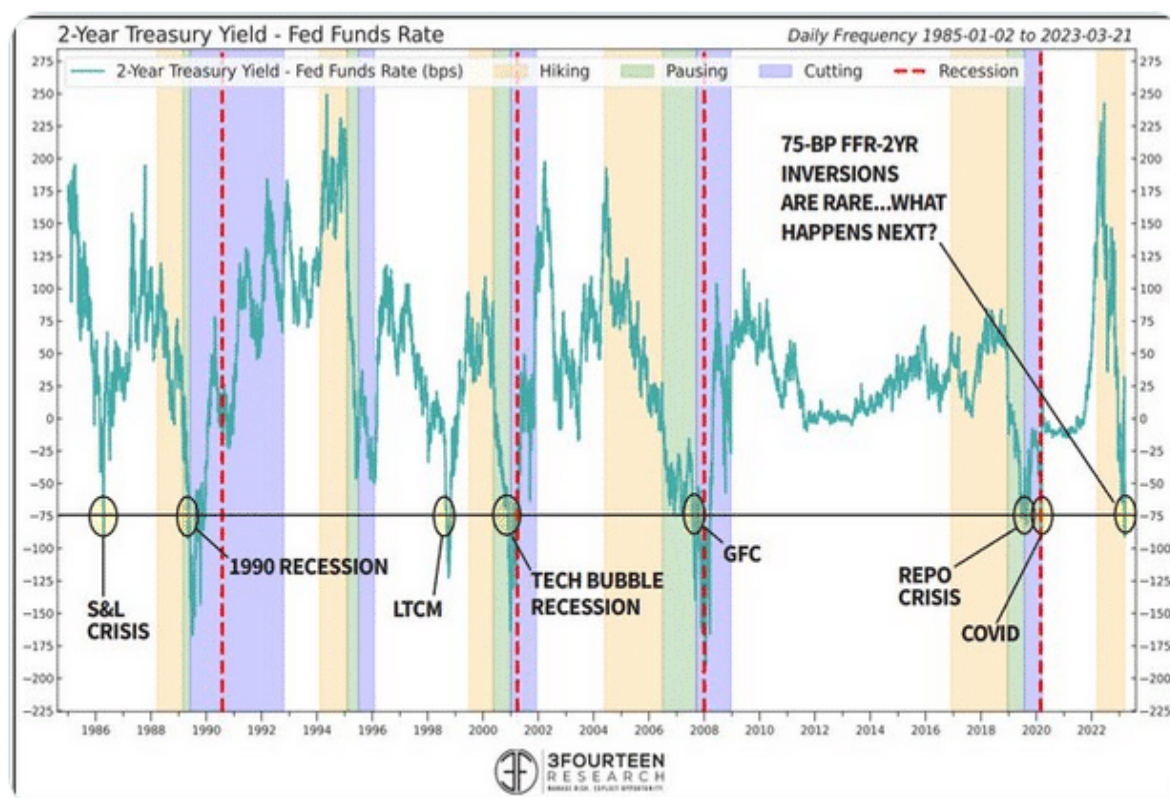
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This deep of an inversion has only occurred BEFORE major crisis events.

It has only ended AFTER the Fed eased.

Bottom Line: The bond market is sending distress signals, but the Fed is not responding.



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