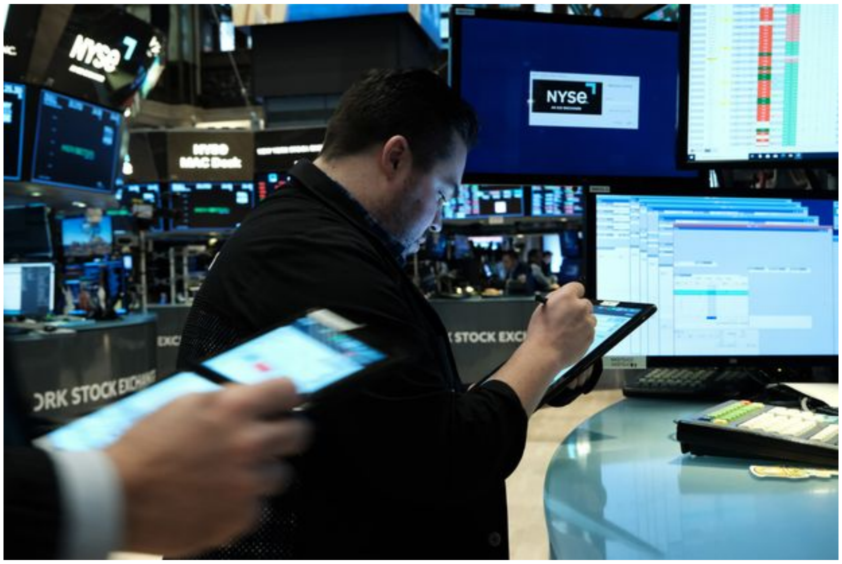
Stocks Drop as Regulators Tackle SVB Fallout

By Angela Palumbo and Adam Clark



The Federal Reserve and U.S. Treasury separately said they would make more funds available to meet demands for bank withdrawals through a new funding program. SPENCER PLATT/GETTY IMAGES

Stocks fell on Monday, with banks continuing to slide as traders assess U.S. and international regulators' actions to contain the potential damage from the collapse of Silicon Valley Bank.

Dow Jones Industrial Average futures fell 319 points, or 1%. S&P 500 futures declined 0.8%, and Nasdaq 100 futures were down 0.3%, erasing earlier gains.

Treasury yields continued to fall on Monday. The 10-year Treasury yield dropped to 3.468% while the two-year Treasury yield declined to 4.072%.

Investors were initially reassured by a number of regulatory actions to limit the fallout from SVB's collapse, including guaranteeing all deposits of the failed lender and closing New York-based Signature Bank. The Federal Reserve and U.S. Treasury separately said they would make more funds available to meet demands for bank withdrawals through a new funding program.

However, U.S. bank stocks dropped in premarket trading, with Bank of America (ticker: BAC) down 4.8% and Citigroup (C) down 2.7%. First Republic Bank (FRC) shares were diving around 60% despite the lender saying it had "further enhanced and diversified its financial position" through additional liquidity from JPMorgan Chase (JPM) and the Fed.

"Looking ahead, we expect there may be increased liquidity requirements for all banks and increased oversight of regional banks by regulators; hopefully, this will not encourage any banks to make bolder bets in the expectation that they can get bailed out by the Fed's new facility," analysts at J.P. Morgan wrote in a research note.

Traders were also cutting their bets on interest-rate increases in the U.S. and elsewhere in the fallout of SVB's collapse, shifting expectations toward a quarter-point increase at the Fed's March 22 meeting. Analysts at Goldman Sachs (GS) suggested the central bank could pause its rate-hiking cycle entirely amid a more fragile economic situation. Richard Saperstein, chief investment officer at Treasury Partners, disagrees.

"While the Fed has historically cut interest rates following major negative financial events, such as a bank failure, efforts by regulators to bail out SVB depositors and

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