



Annual Fall Conference  
November 7-8, 2023  
Chicago, IL

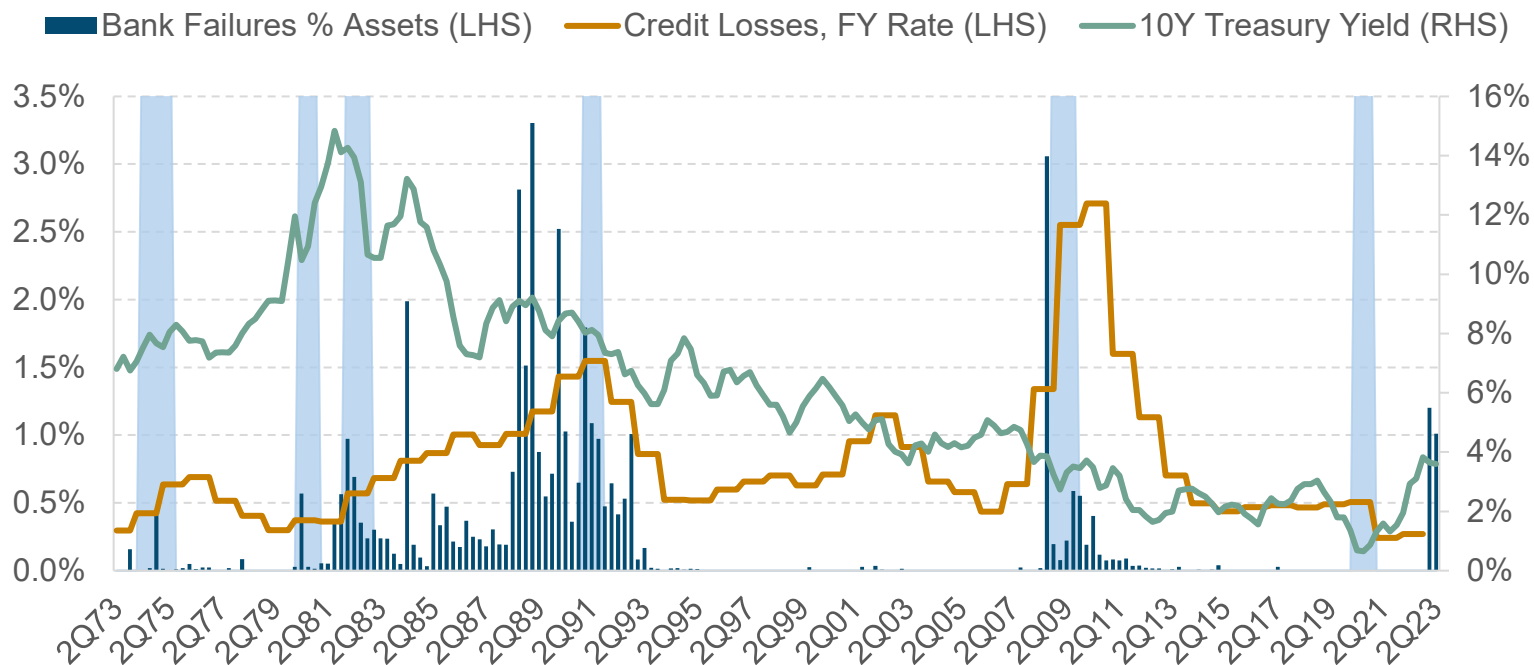
[www.iacpm.org](http://www.iacpm.org)

U.S. Banks: Back in the Limelight

**Jesse Rosenthal**  
*CreditSights*  
*Head of U.S. Financials*

# Bank Failure Fulcrums: Rates and Credit

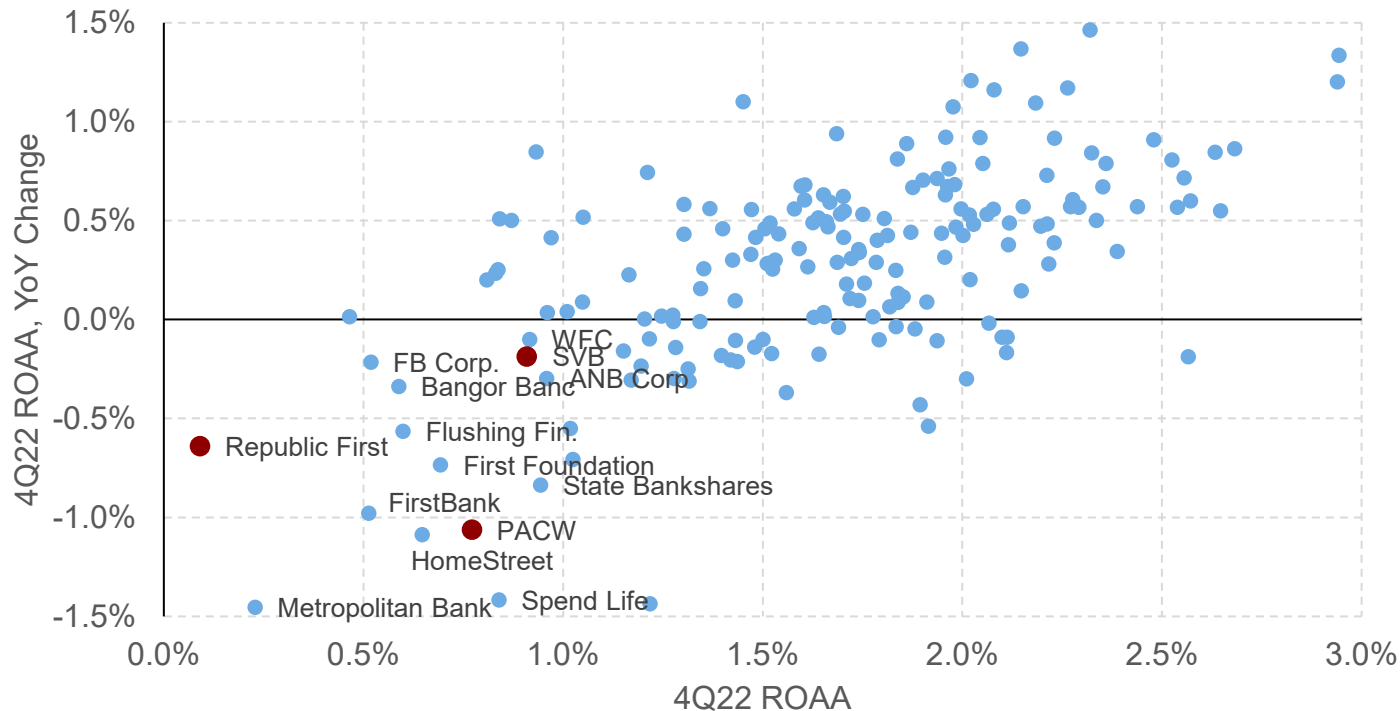
Same as it ever was



Source: FDIC, CreditSights

# Bank Rate Risk: Very Hard to Hide

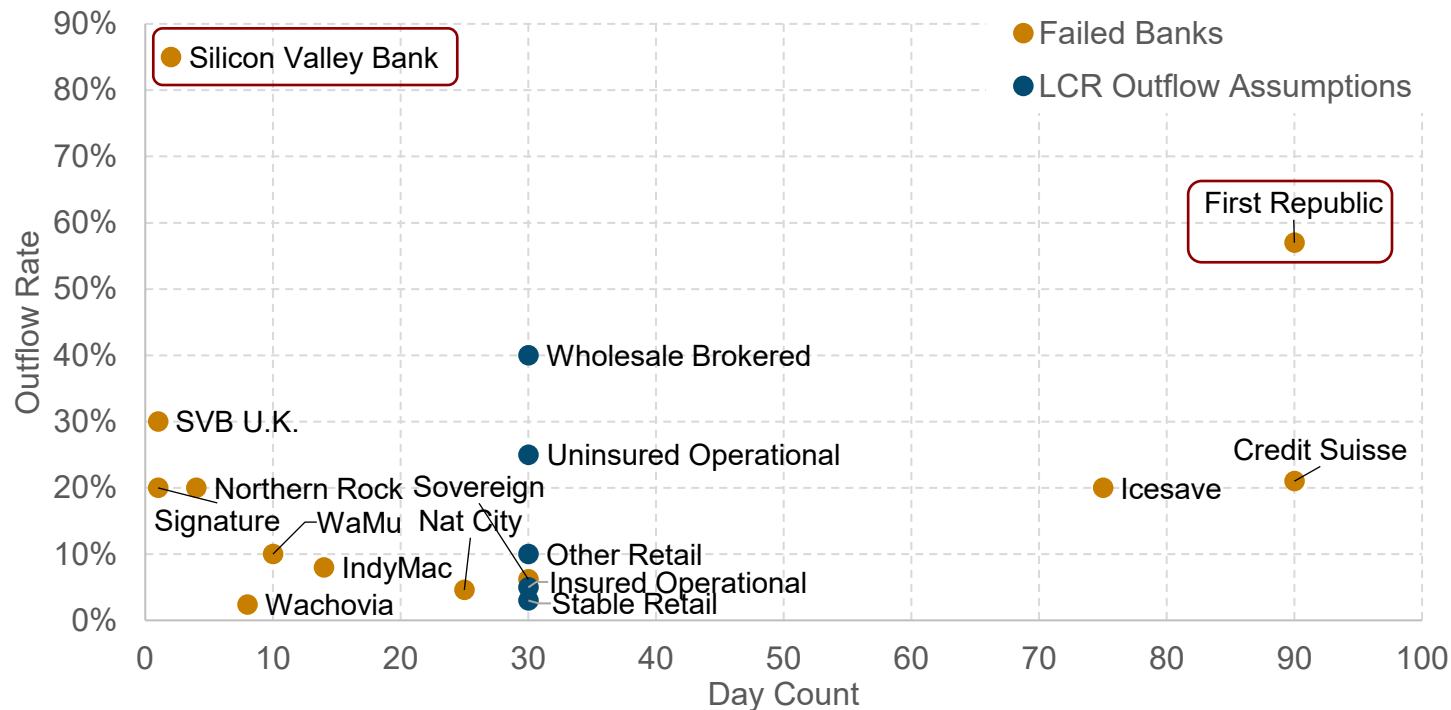
Rate cycle profitability trends spotlight prospective mismanagement



Source: FFIEC, S&P Capital IQ Pro, CreditSights

# Liquidity: Time Function Step Change?

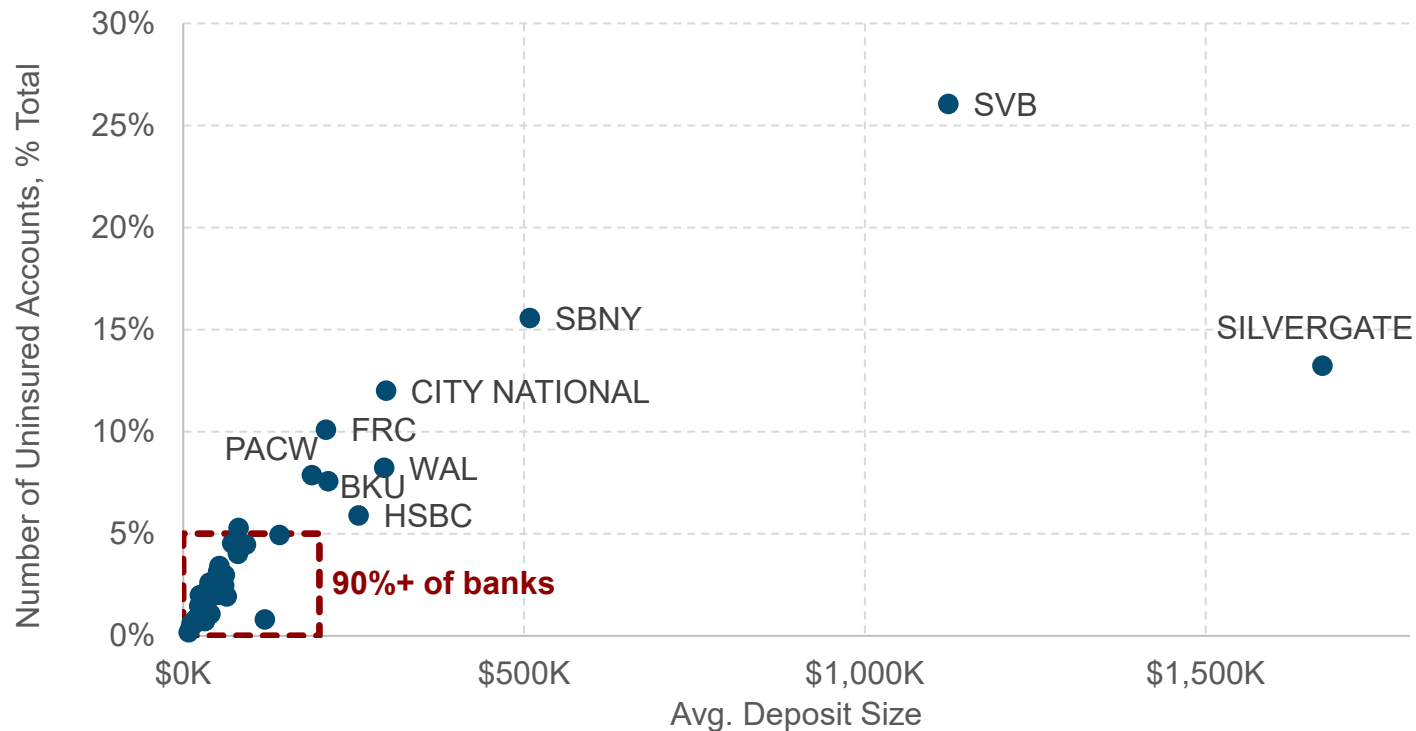
Bank runs go hypersonic



Source: Basel Committee on Banking Supervision, Rose, Jonathan D. (2015). "Old-Fashioned Deposit Runs," Finance and Economics Discussion Series 2015-111.  
Washington: Board of Governors of the Federal Reserve System, CreditSights

# Thinking About Susceptibility

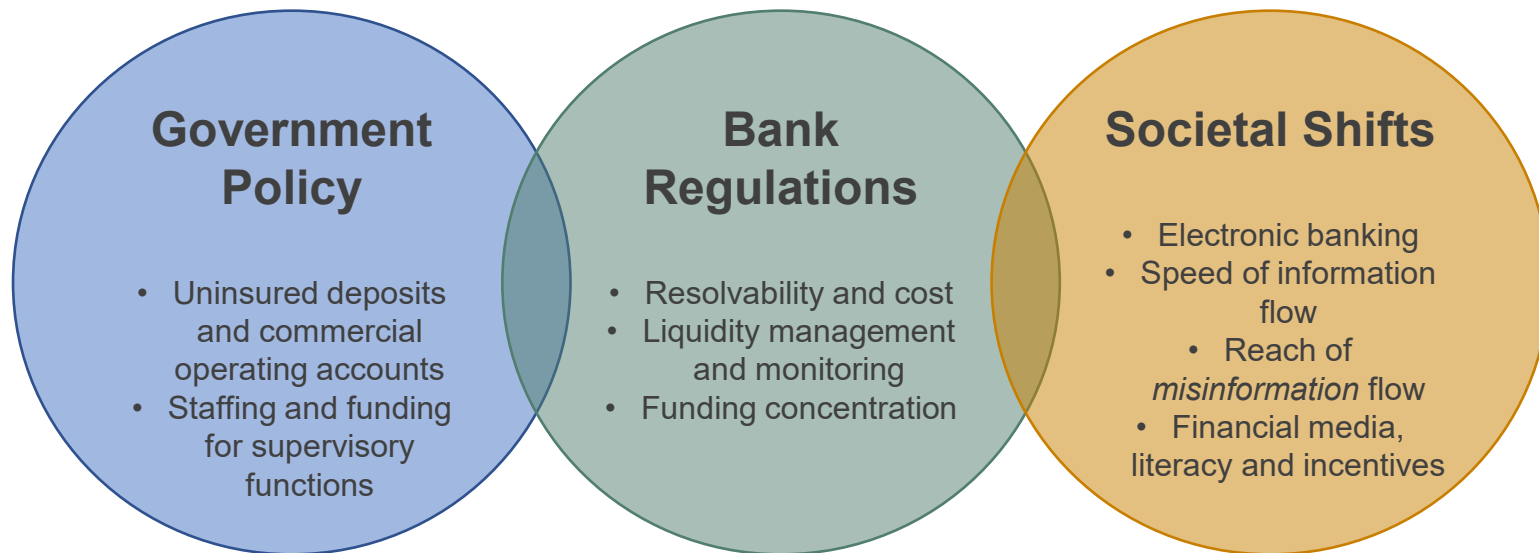
Outflow characteristics and circumstances



Source: FFIEC S&P Capital IQ Pro, CreditSights

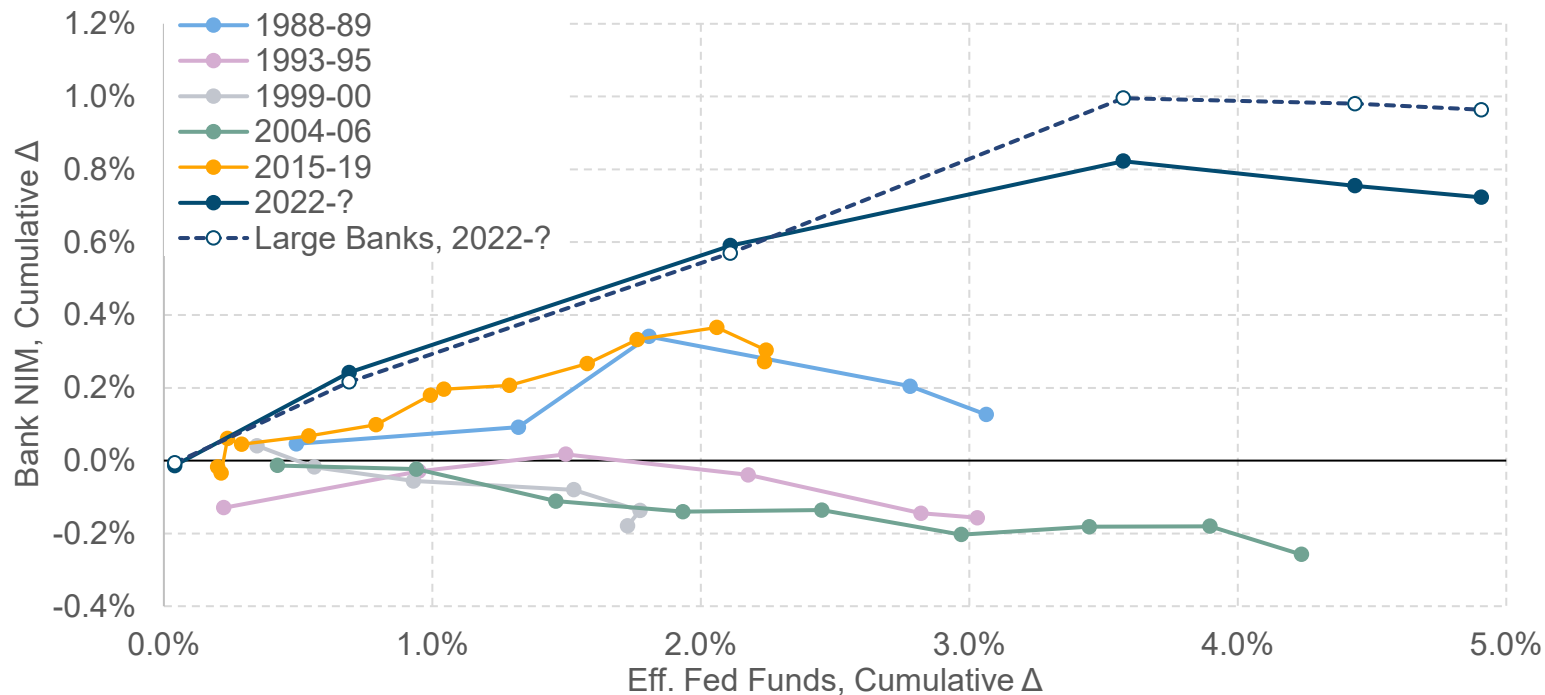
# Is This Really a Job for Regulators?

Lessons learned touch on broader policy and societal questions



# Beta Obsession Ignores Yield Expansion

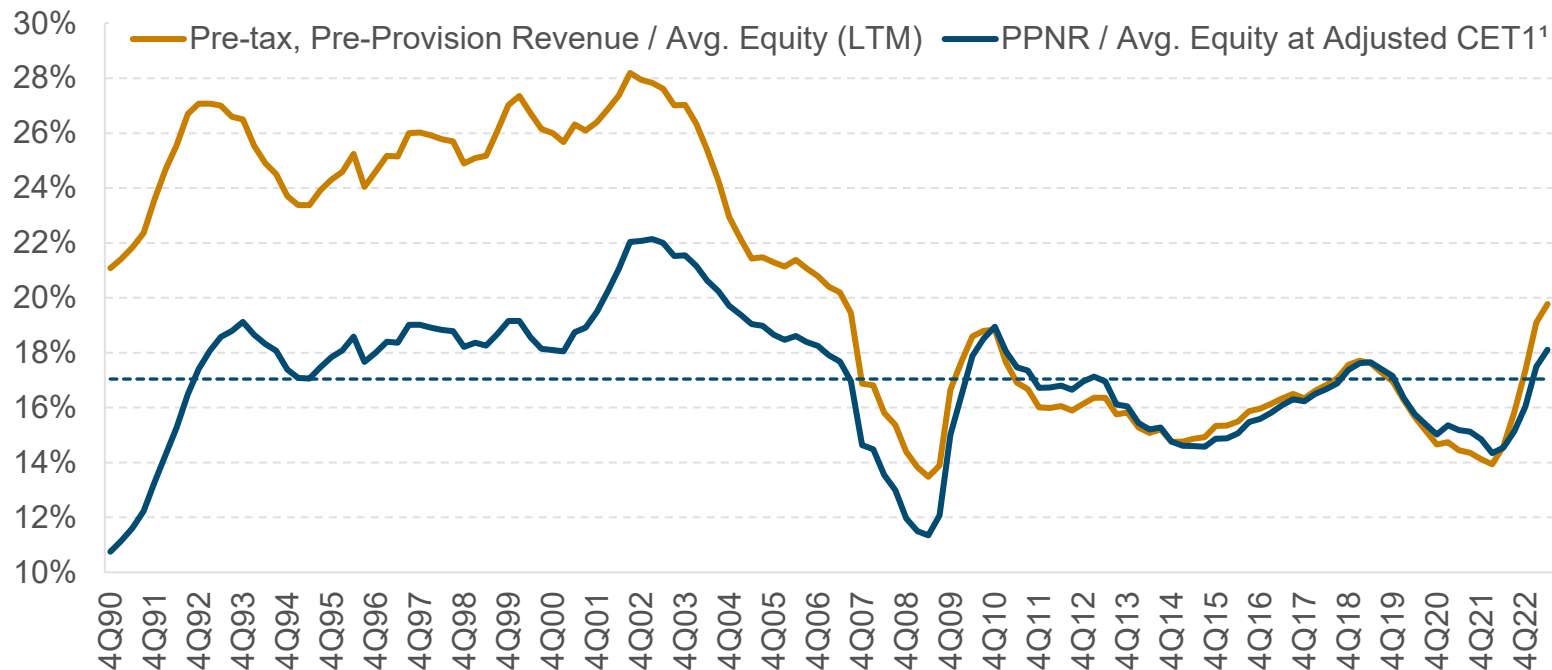
Left side of the balance sheet repricing too—and fast



Source: FDIC, FRED, CreditSights  
Large Banks = >\$250 bn in assets

# Profit Making vs. Risk Taking

What's the problem?



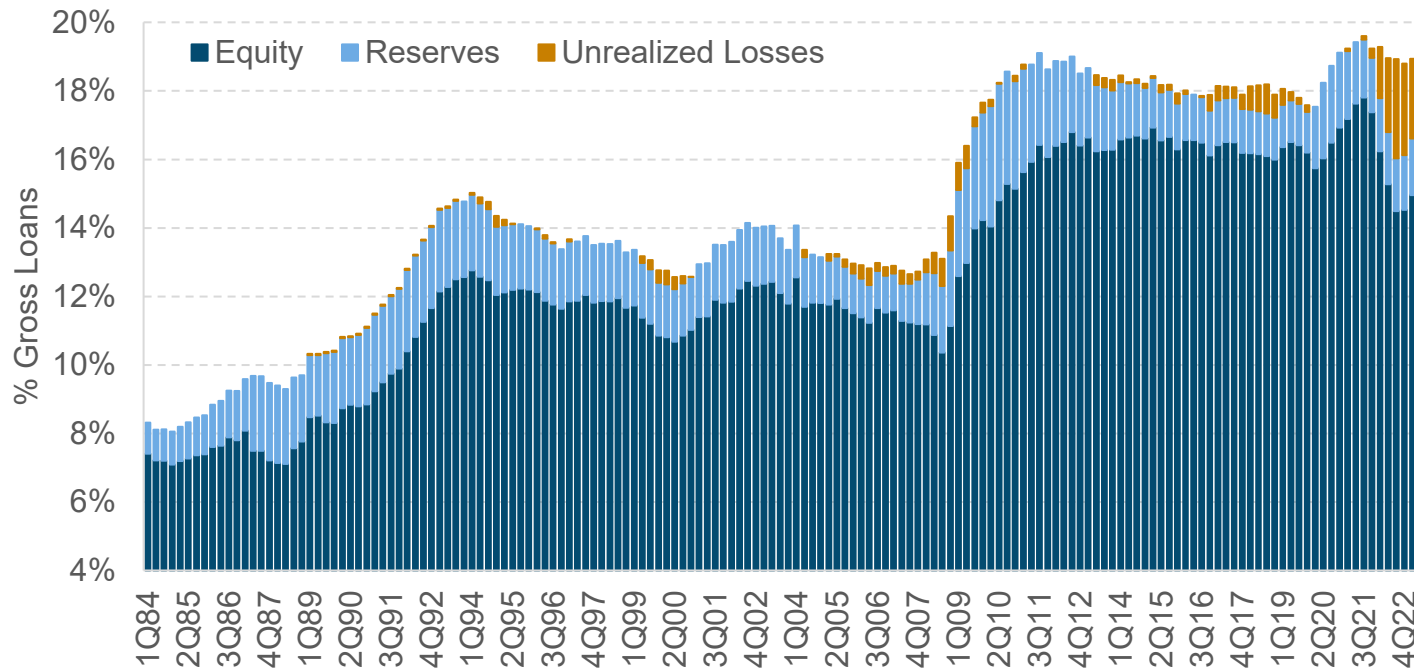
Source: FDIC, CreditSights

<sup>1</sup>Assumes Equity / RWA ratio equivalent to 2019-22 average for all time periods



# Rates Can't Erase a Decade of Reform

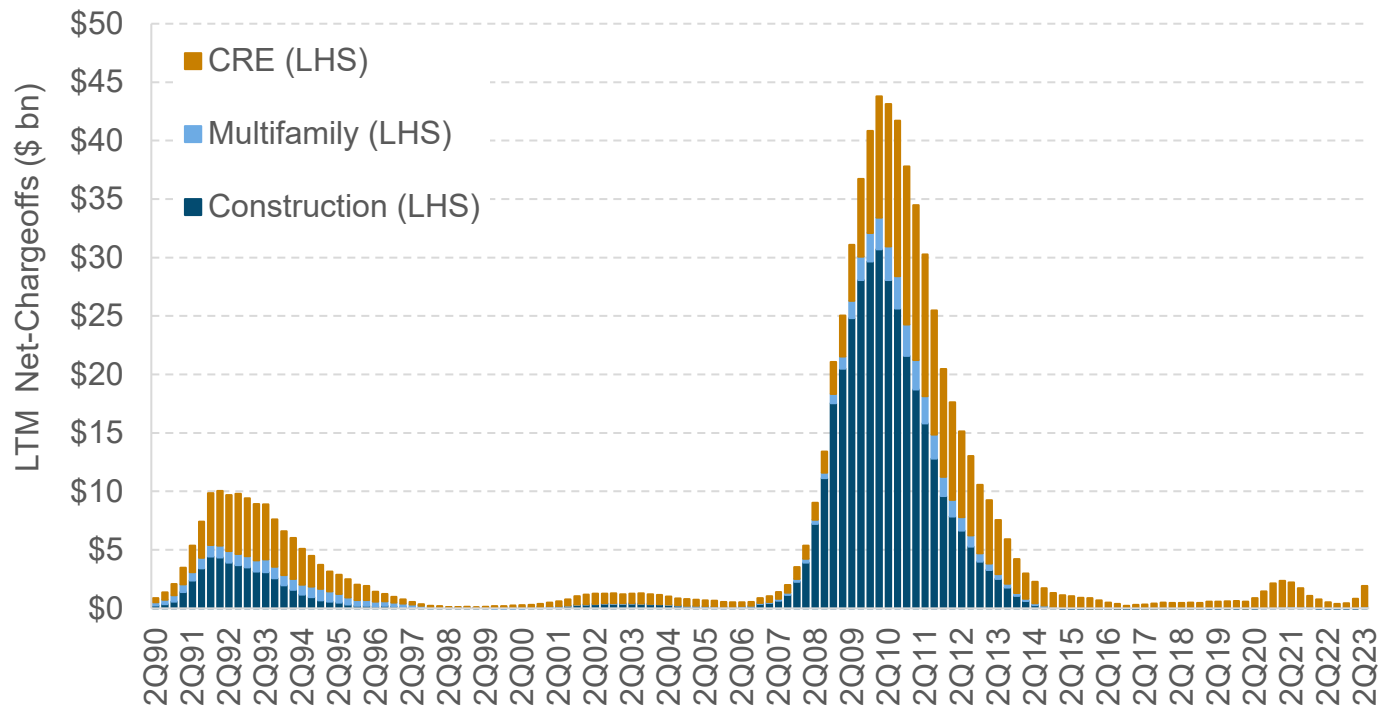
Bank loss absorption capacity still strong



Source: FDIC, CreditSights

# Credit Watch: Commercial Real Estate

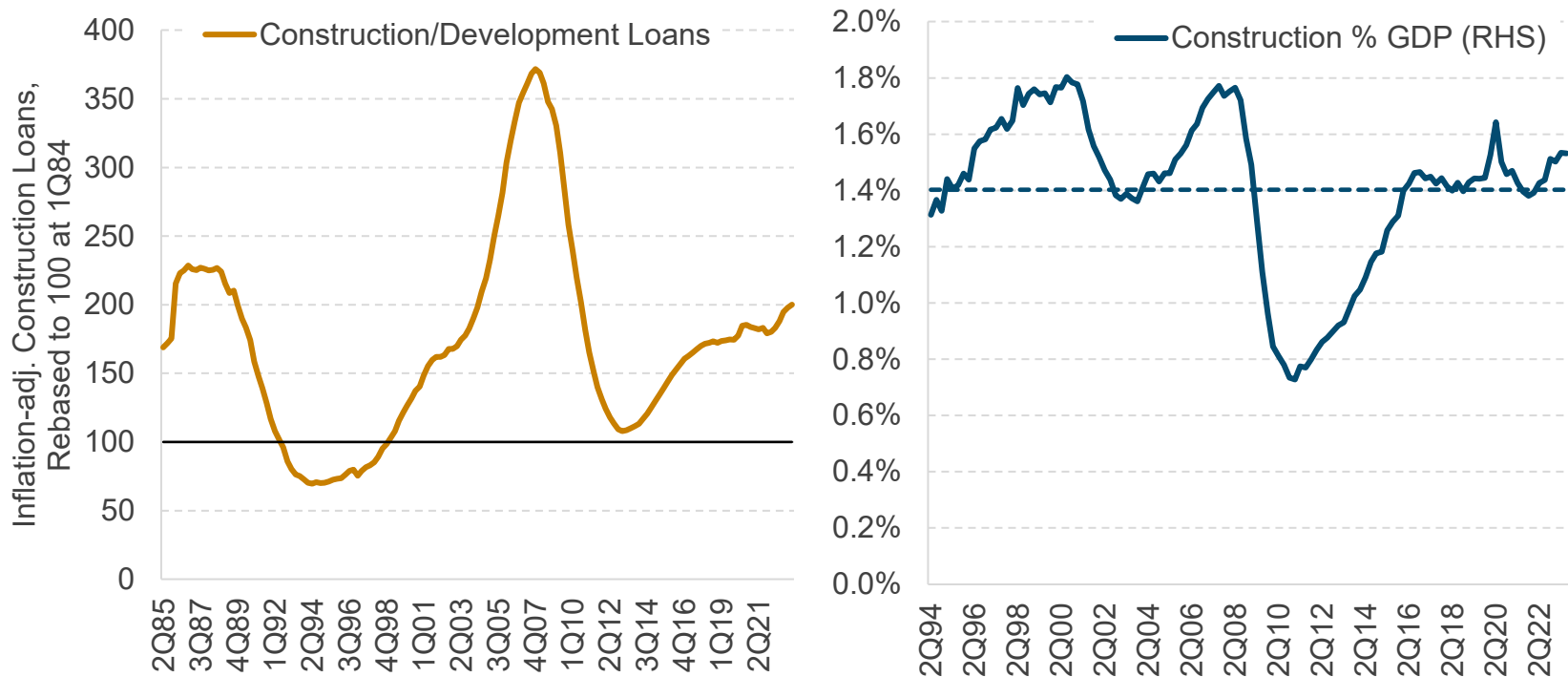
Construction as cyclical loss leader



Source: FDIC, CreditSights

# Credit Watch: Commercial Real Estate

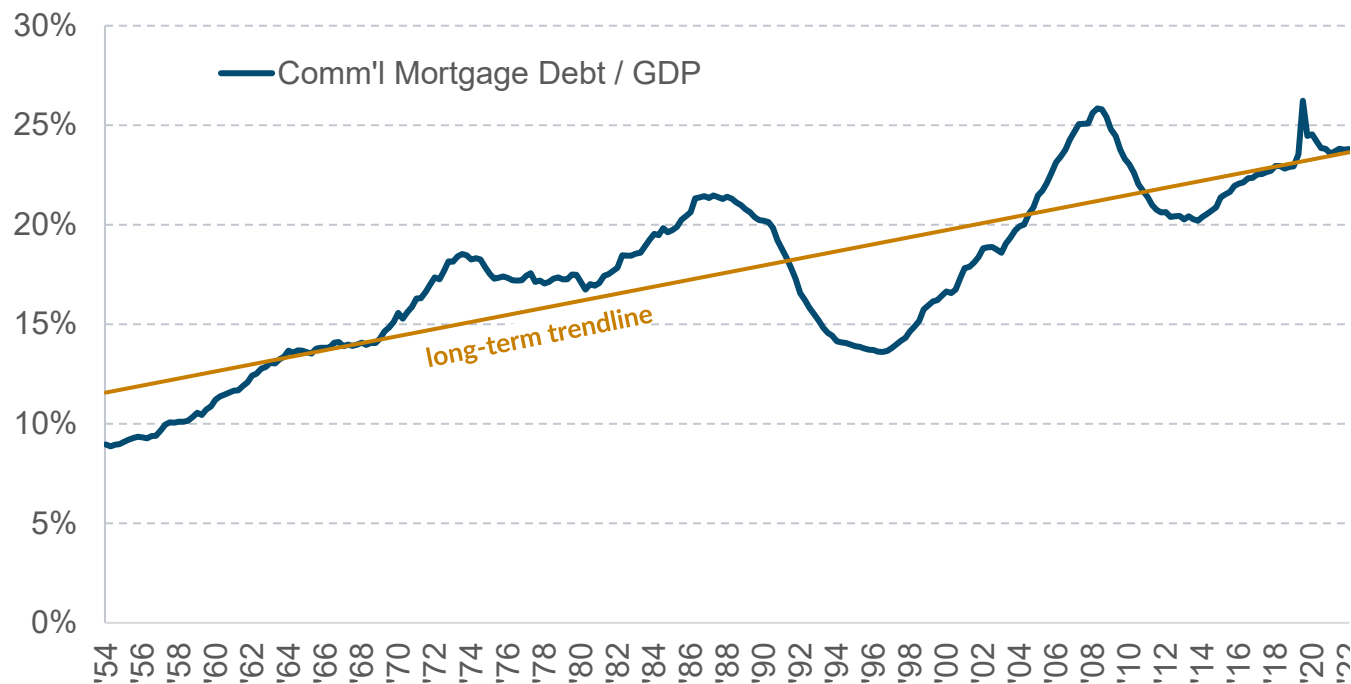
Extremely disciplined development cycle



Source: FDIC, CreditSights

# Credit Watch: Commercial Real Estate

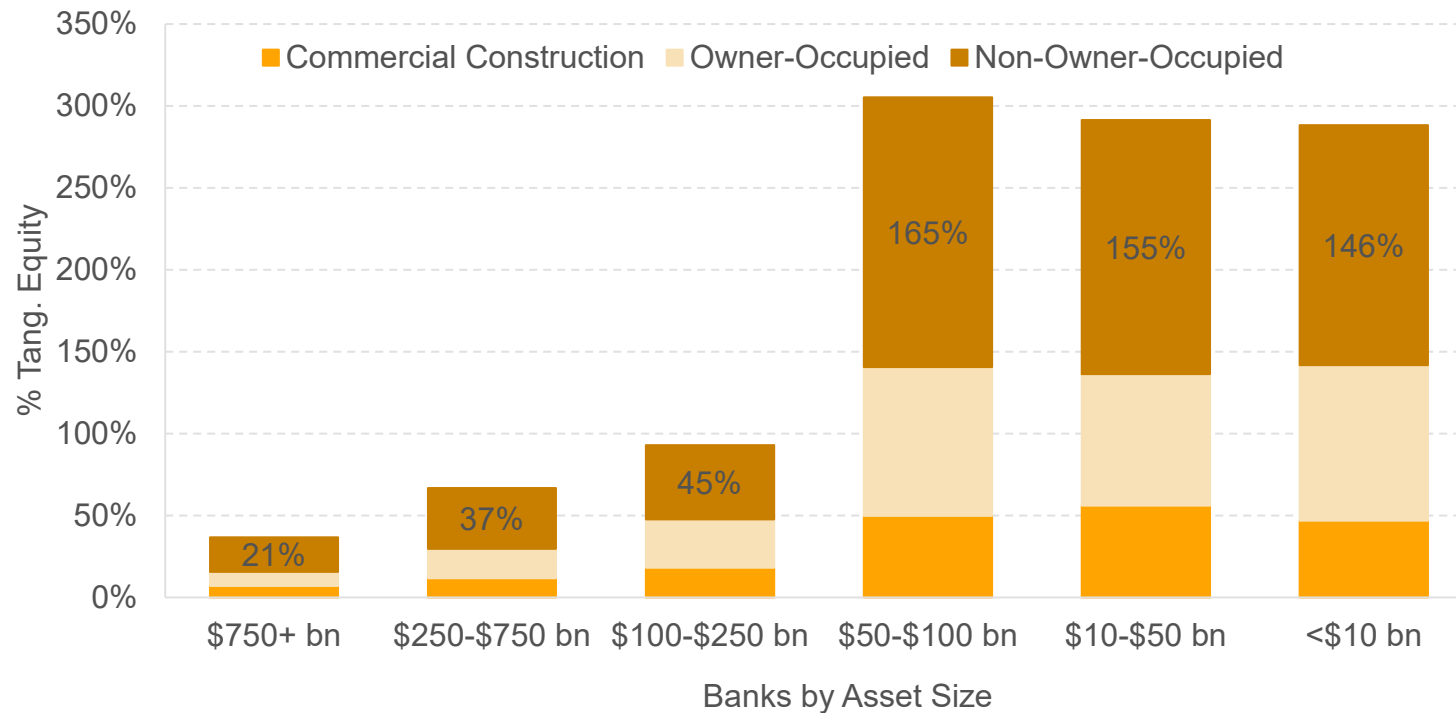
Extremely disciplined *leverage* cycle



Source: Federal Reserve Z.1, Bloomberg, CreditSights

# Credit Watch: Commercial Real Estate

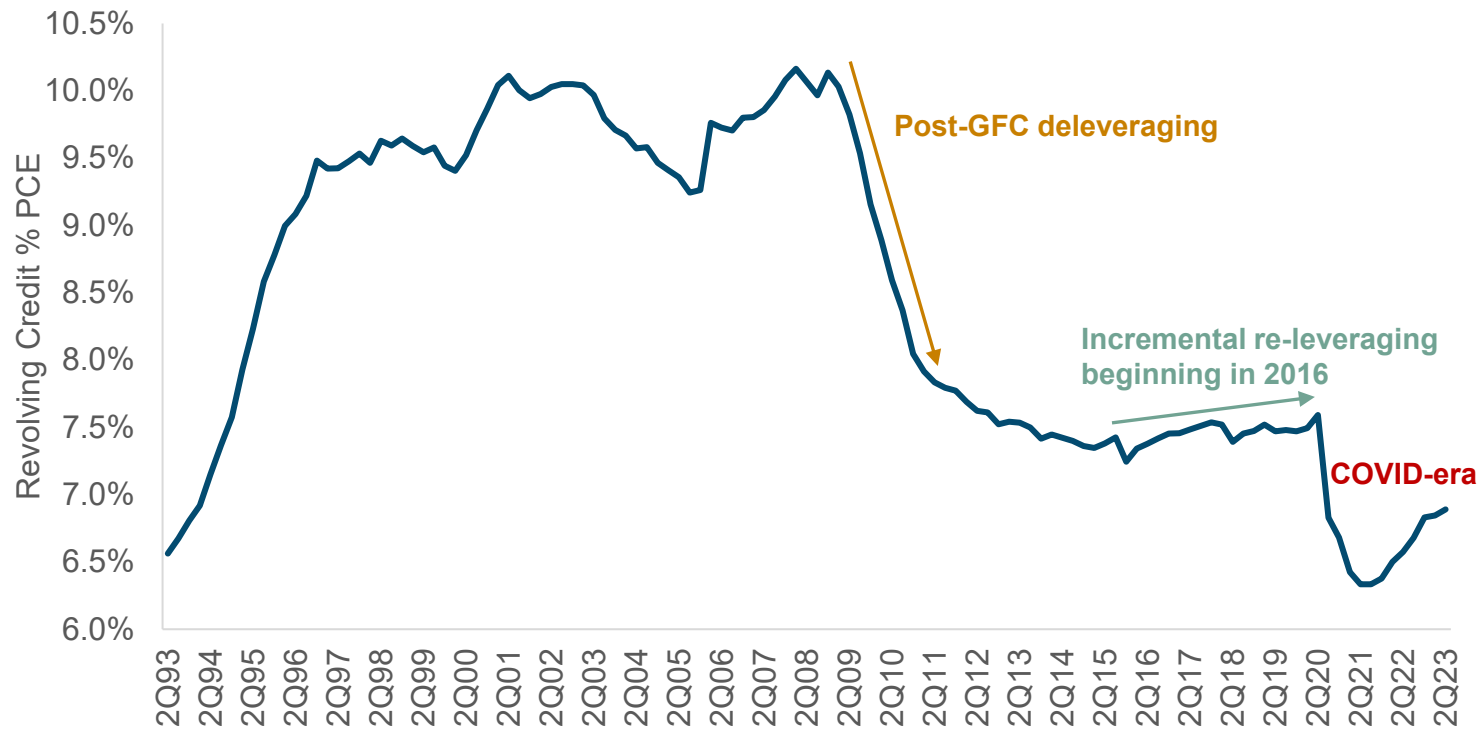
## CRE risk concentrations



Source: FFIEC, S&P Capital IQ Pro, CreditSights

# Credit Watch: Consumer

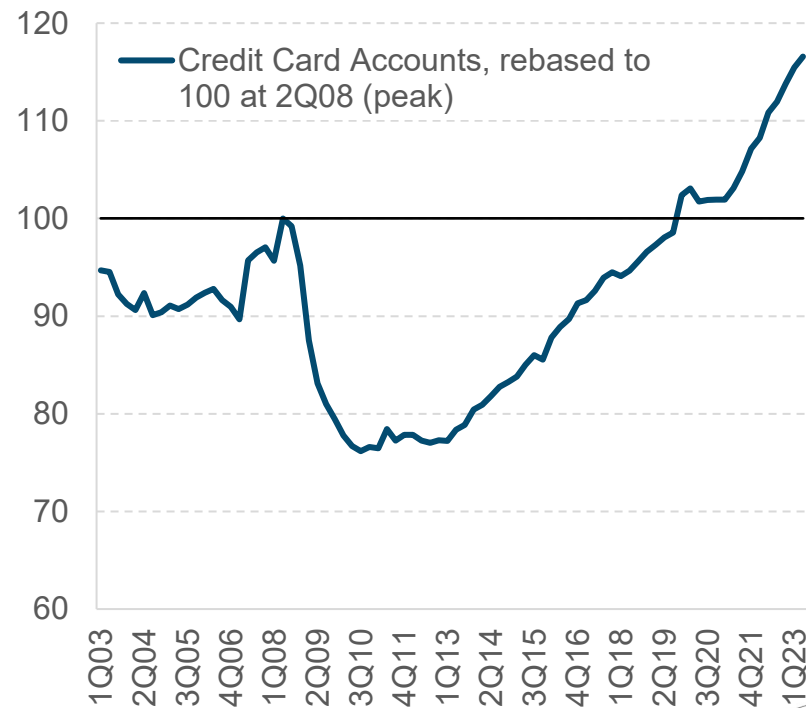
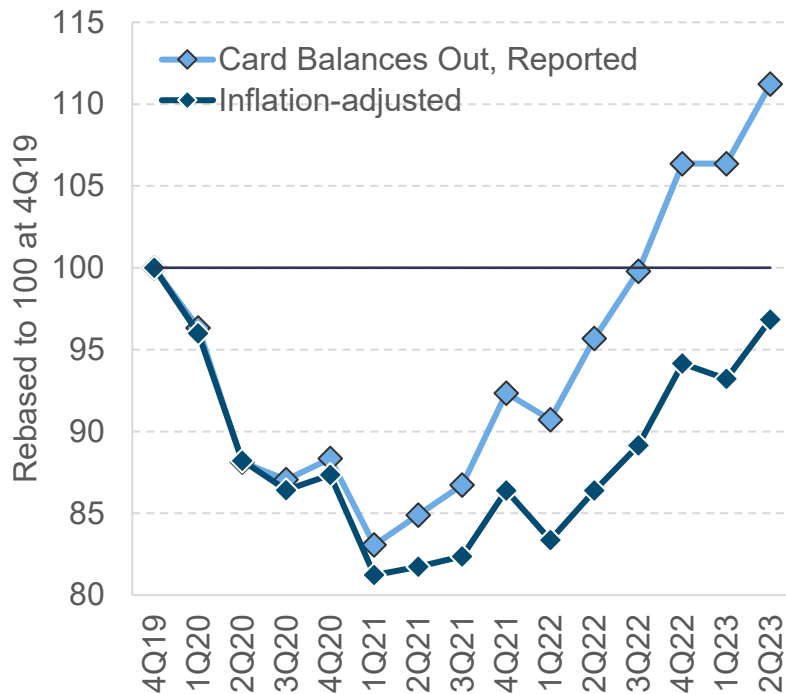
Credit cards need spending context



Source: Federal Reserve, FRED, Bureau of Economic Analysis, CreditSights

# Credit Watch: Consumer

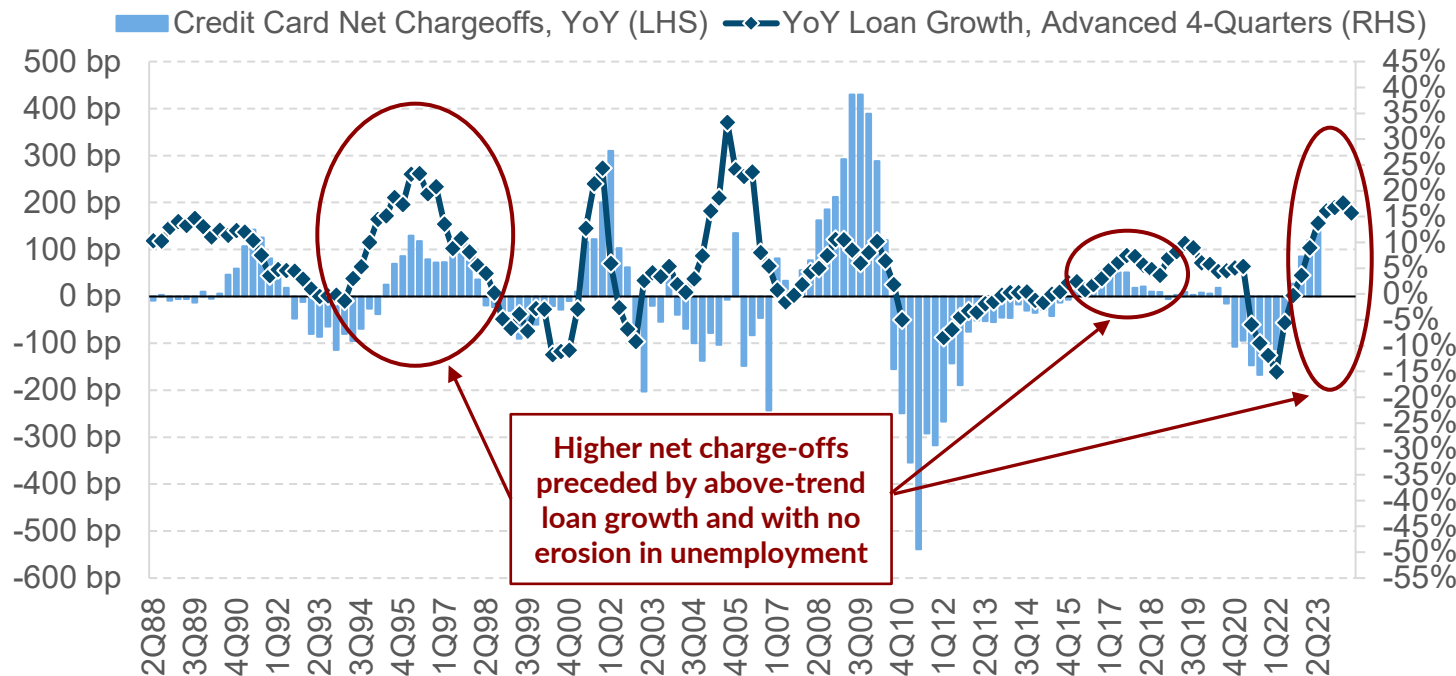
## Price and volume adjustments



Source: Federal Reserve, FRED, Bureau of Labor Statistics, CreditSights

# Credit Watch: Consumer

Need to see inflection over next 2-3 quarters



Source: Federal Reserve, CreditSights



# Closing Thoughts

