

CCAR 2019: A Very Tough Test

Mark Zandi, Chief Economist

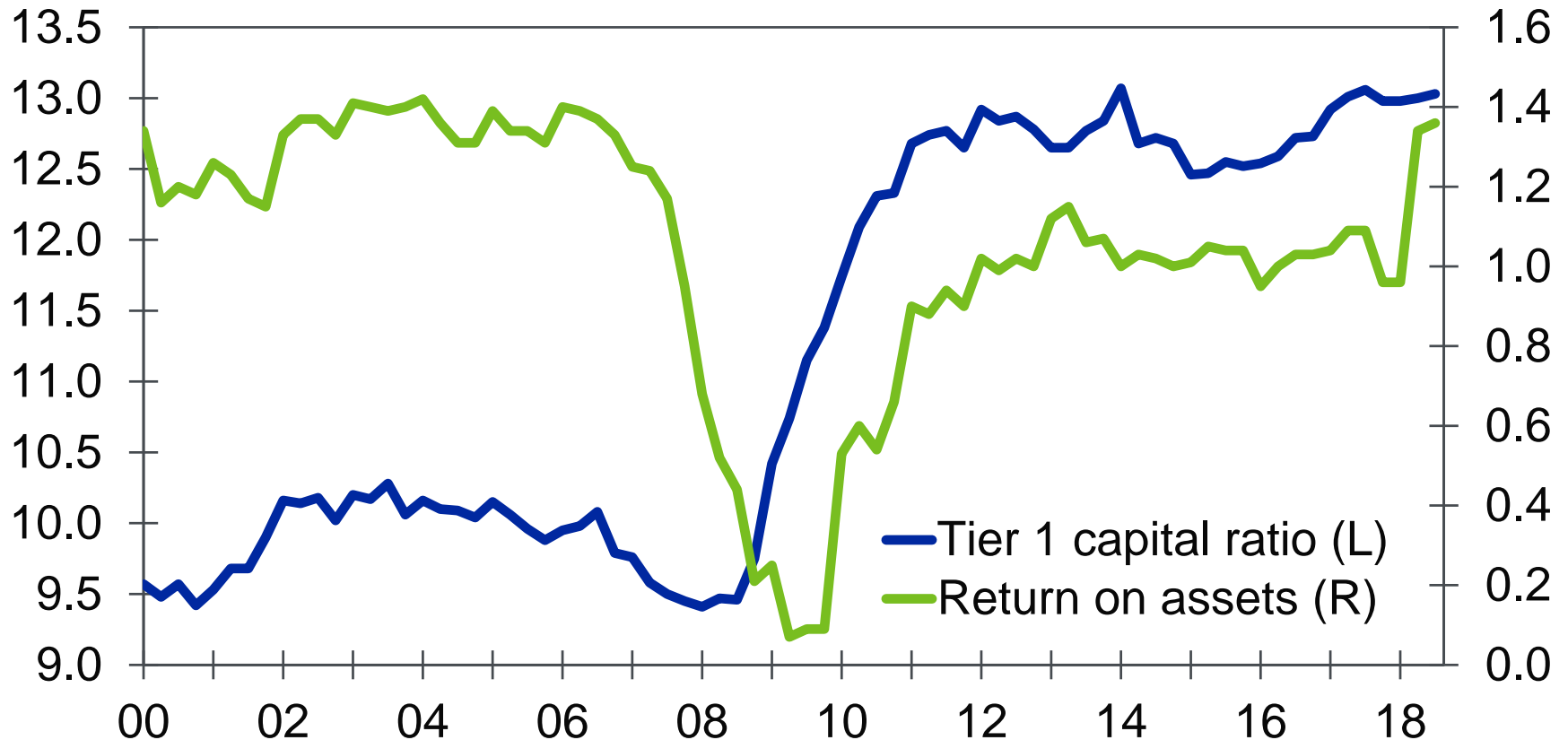
February 2019

2019 CCAR Timeline

Target day	Publication date	Database
0	5-Feb	FRB releases its CCAR supervisory scenarios
2	7-Feb	U.S. macro forecast (Q)
2	7-Feb	U.S. macro forecast (M)
2	7-Feb	U.S. macro forecast in Scenario Studio
2	7-Feb	U.S. eModel
4	8-Feb	U.S. state forecast
4.5	9-Feb	Global macro forecast
5	10-Feb	Global macro forecast in Scenario Studio
5	10-Feb	Global financial markets database
6	10-Feb	U.S. metro area forecast
6	8-Feb	Bank call report forecasts
7	12-Feb	<i>Case-Shiller® Home Price Index Forecast</i>
8	13-Feb	<i>CreditForecast.com</i>
9	17-Feb	<i>AutoCycle</i>

The Banking System Is on Solid Footing...

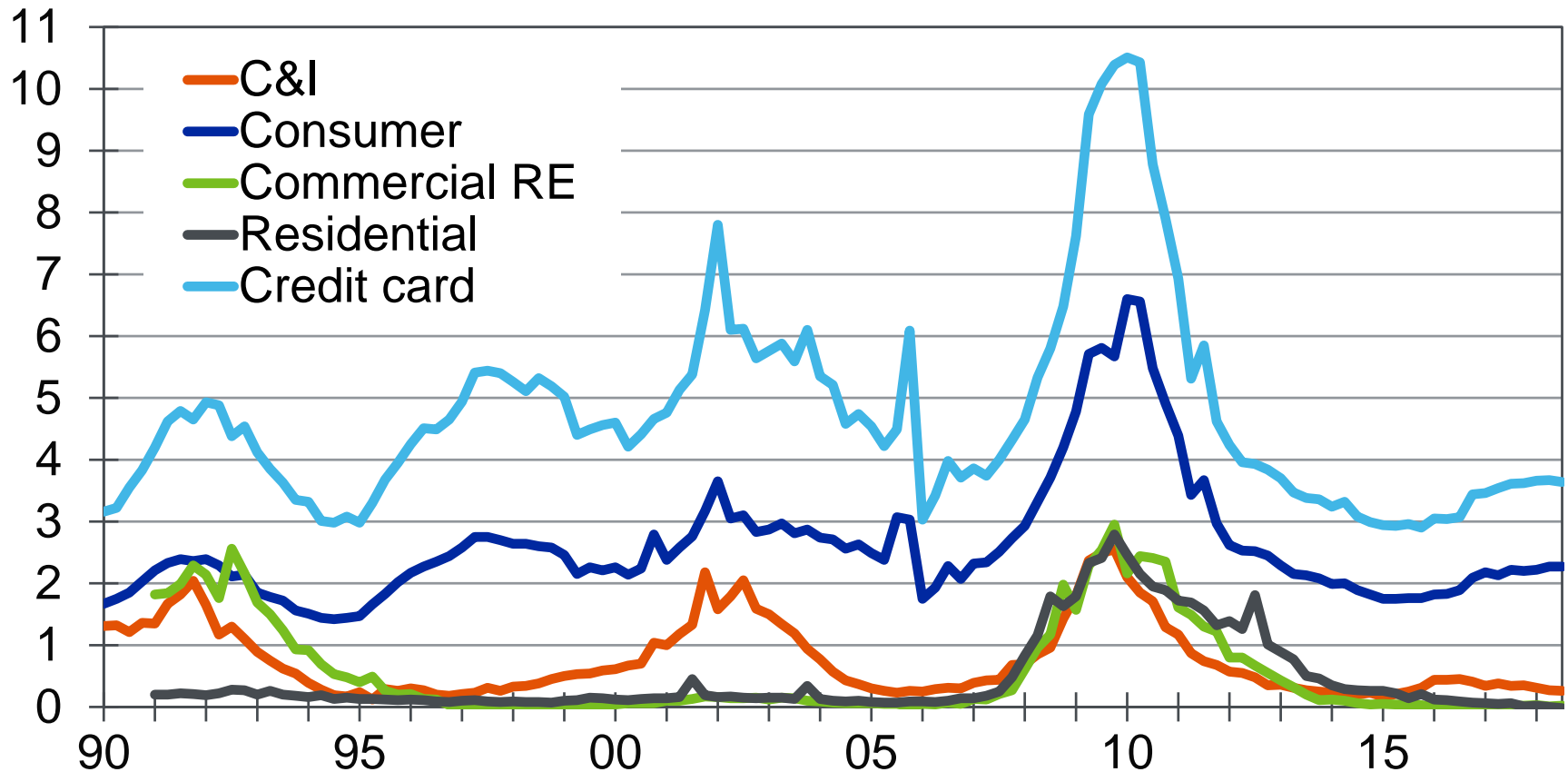
Commercial banks, %



Sources: FDIC, Moody's Analytics

...Credit Quality Is Strong...

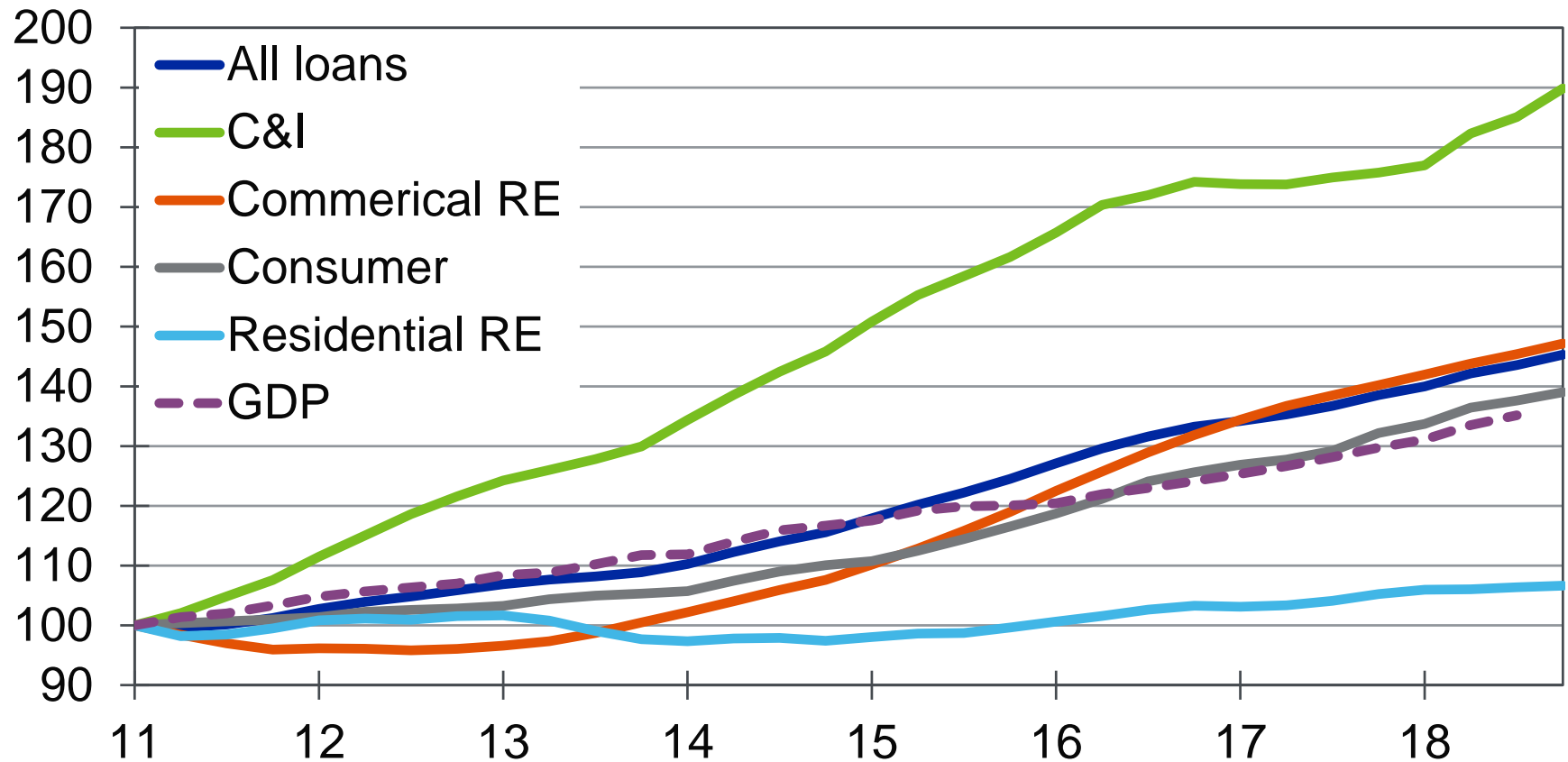
Commercial bank charge-off rate, %



Sources: Federal Reserve, Moody's Analytics

...and Credit Growth Modest (Mostly)

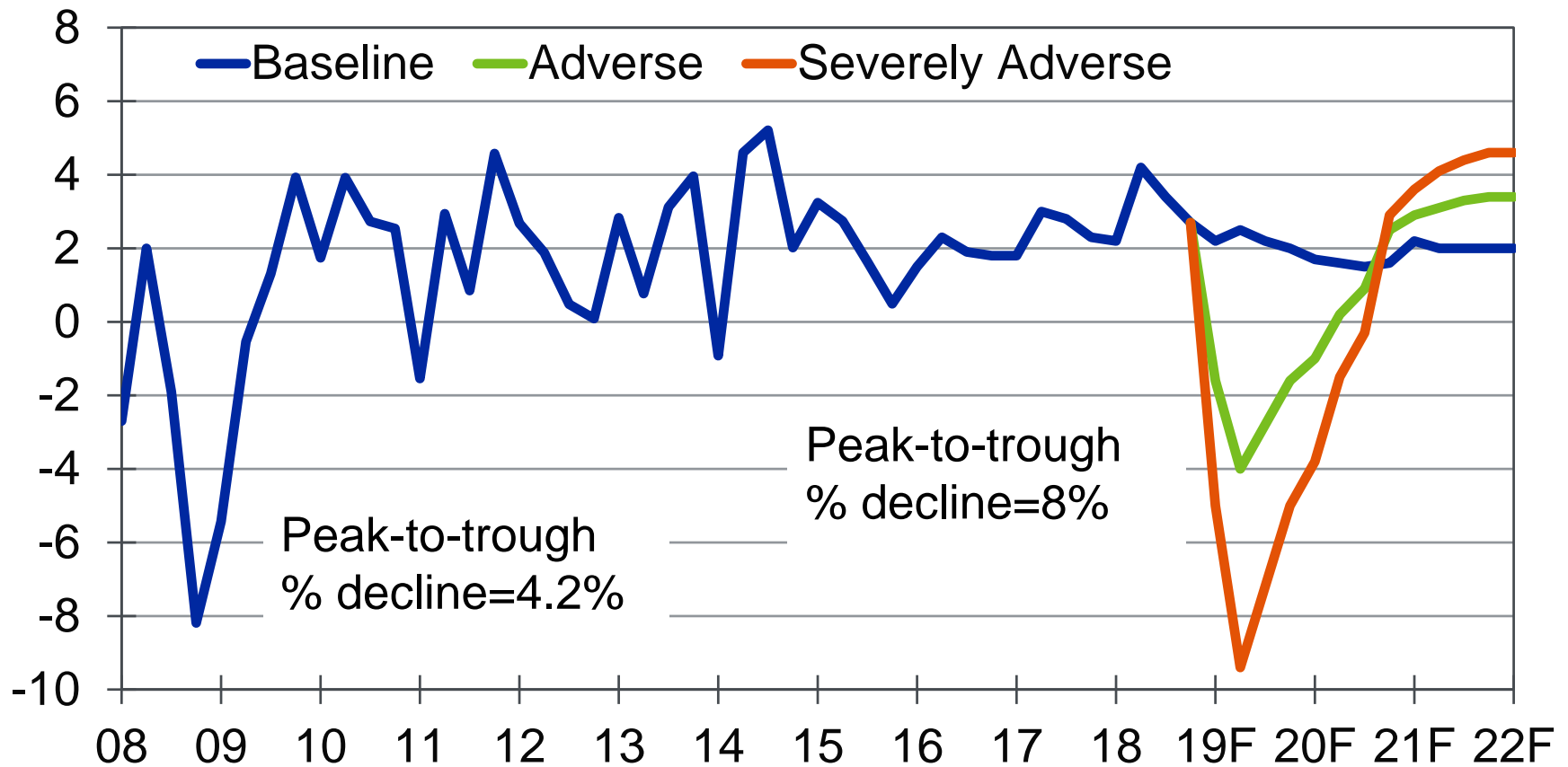
Loans outstanding at commercial banks, 2011Q1=100



Sources: Federal Reserve, Moody's Analytics

2019 CCAR Is a Tough Test...

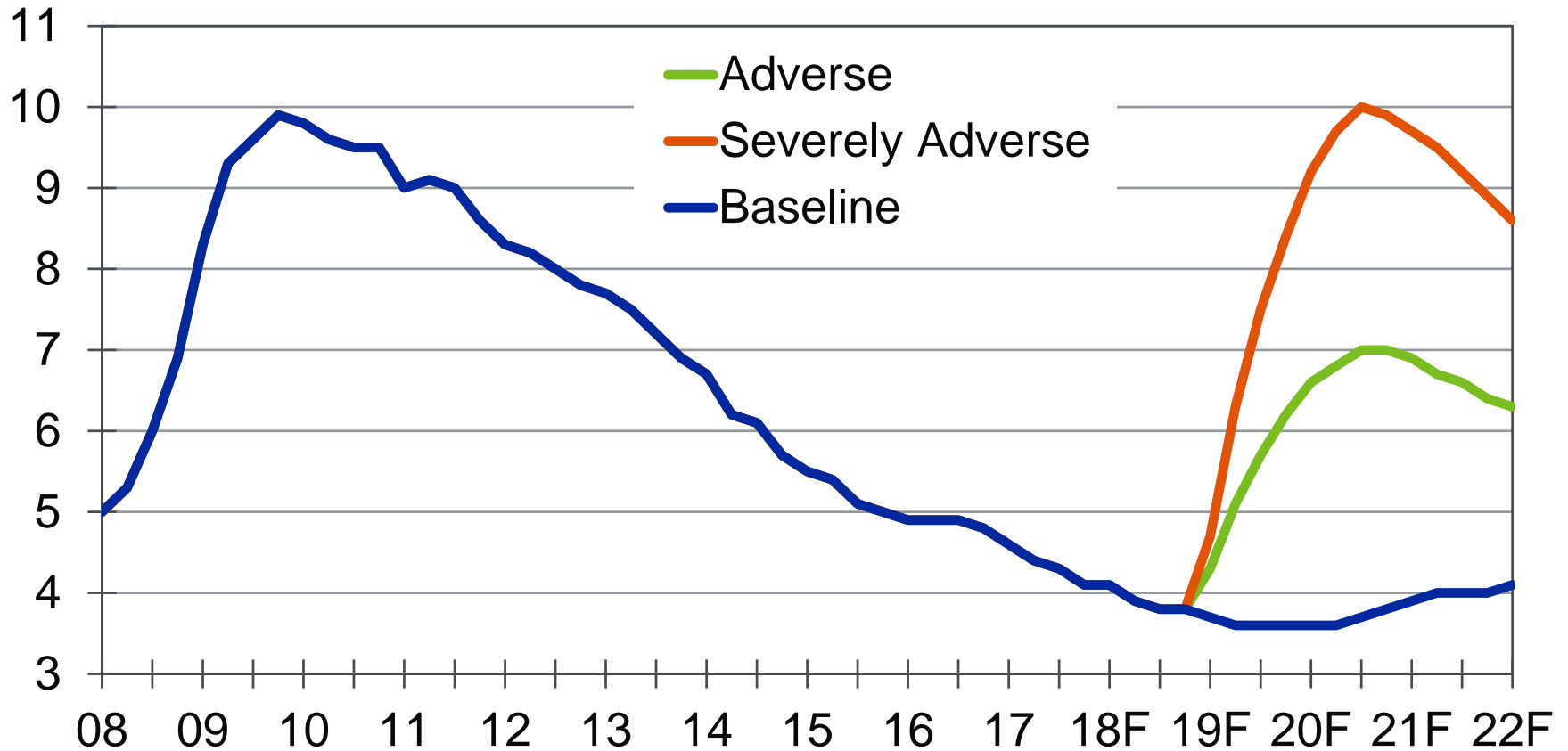
Real GDP, % change, annual rate



Sources: BEA, Federal Reserve, Moody's Analytics

...Very Tough...

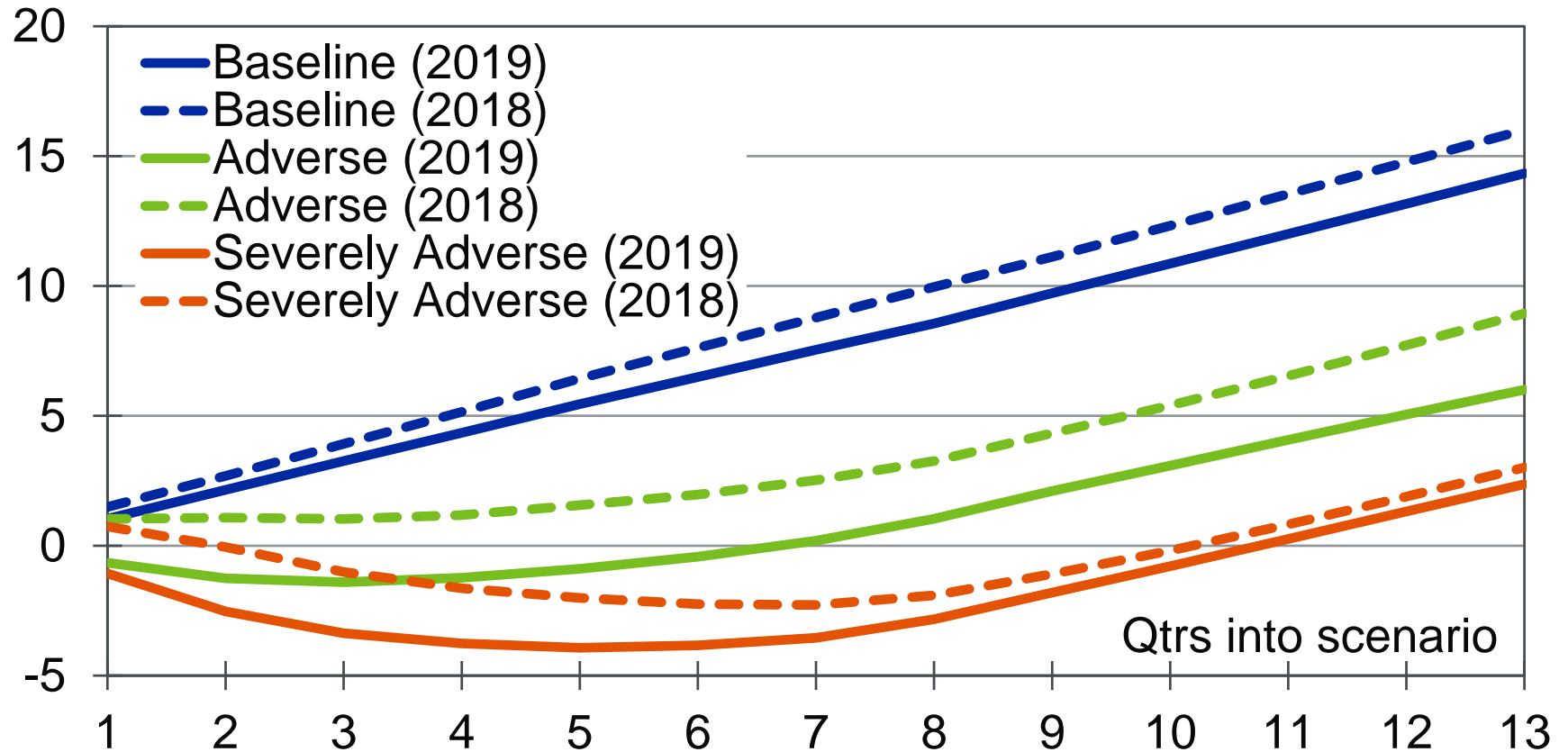
Unemployment rate, %



Sources: BLS, Federal Reserve, Moody's Analytics

...and More Severe Than 2018 CCAR

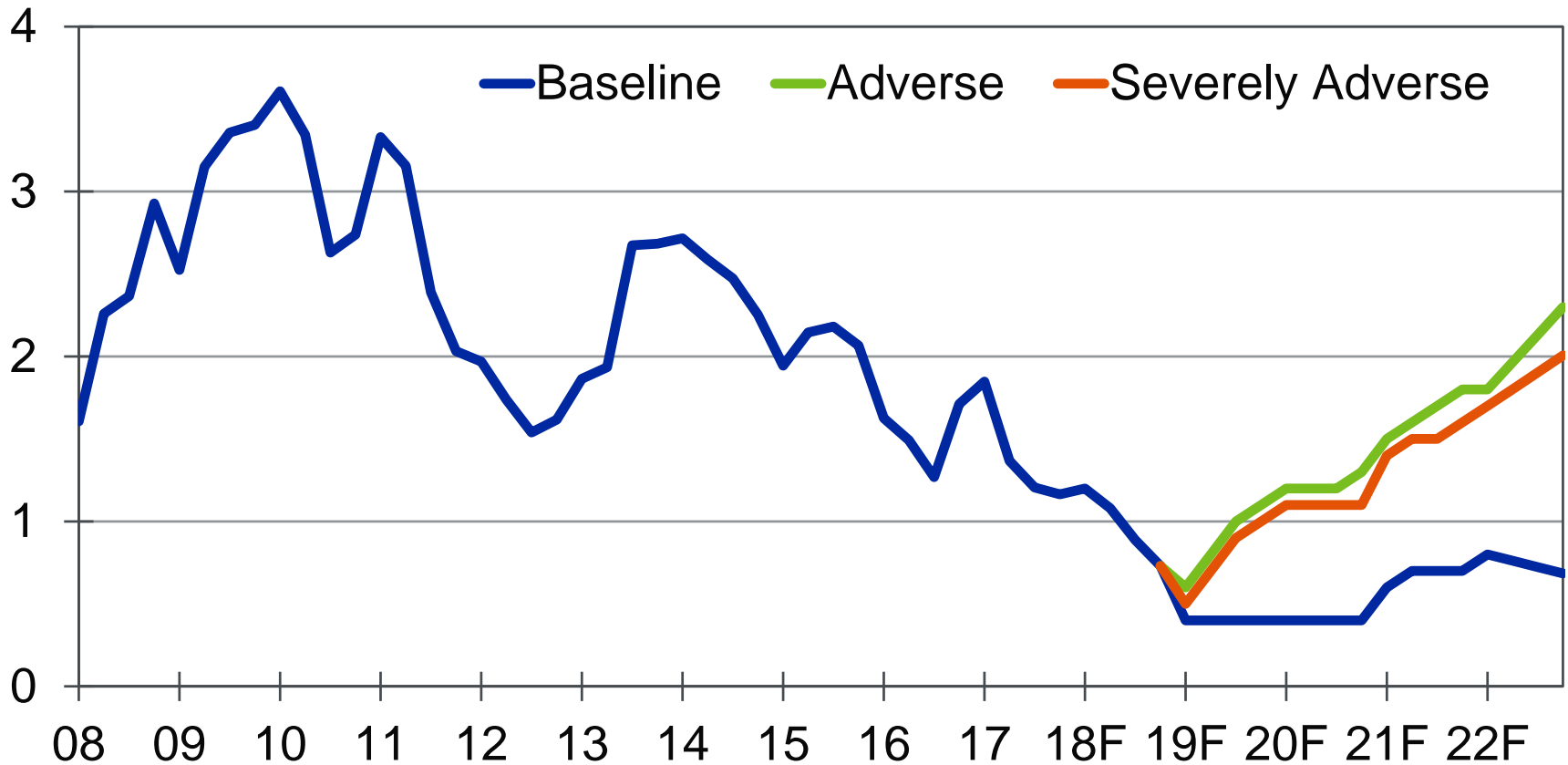
Nominal disposable income, cumulative % chg from scenario start



Sources: BEA, Federal Reserve, Moody's Analytics

Yield Curve Provides Some Relief

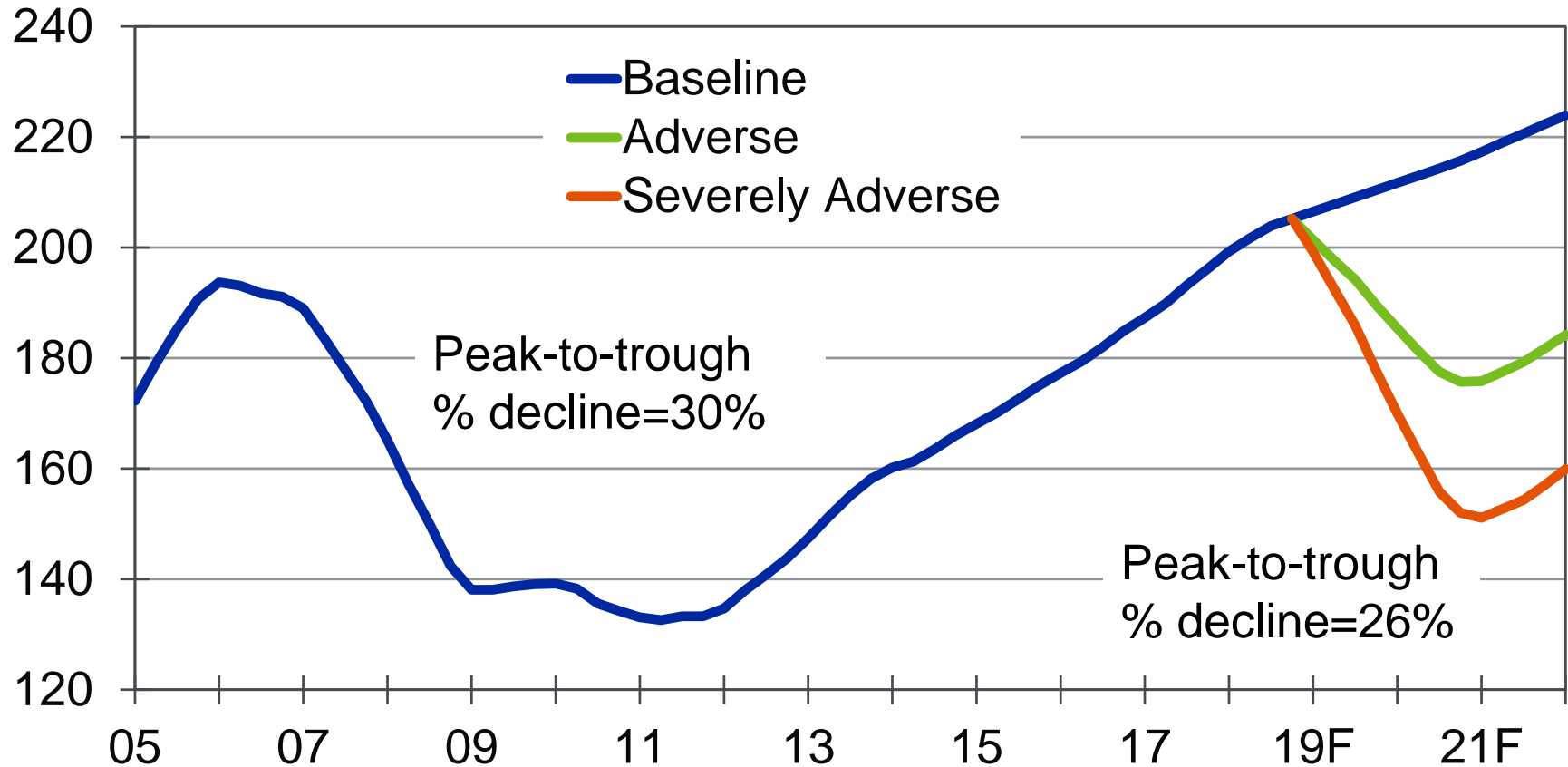
10-yr Treasury yield less 3-mo Treasury bill, ppts



Sources: Federal Reserve, Moody's Analytics

A Comparable Housing Crash...

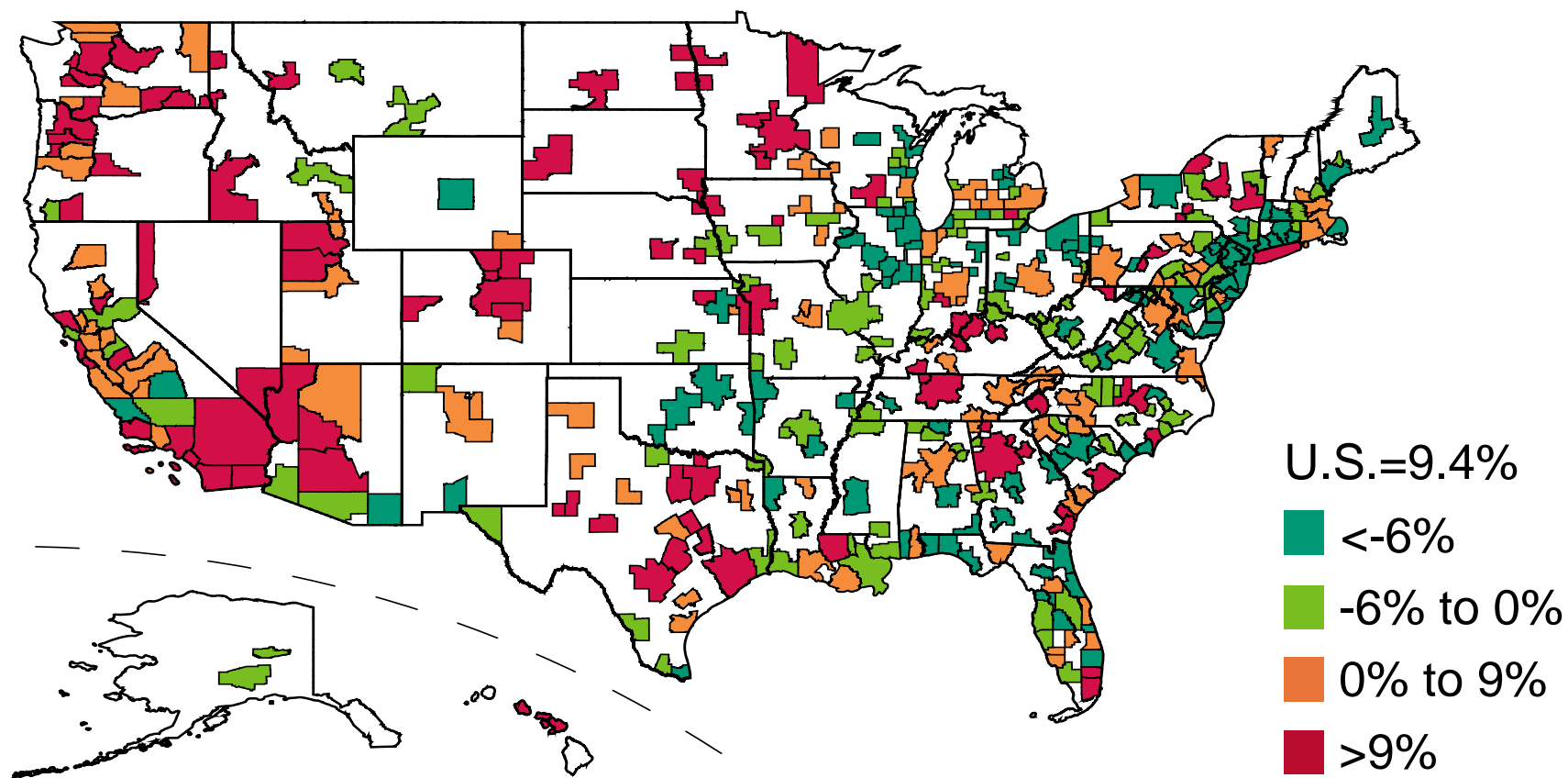
CoreLogic HPI, Jan 2000=100, SA



Sources: Federal Reserve, Moody's Analytics

...Particularly in the Western U.S.

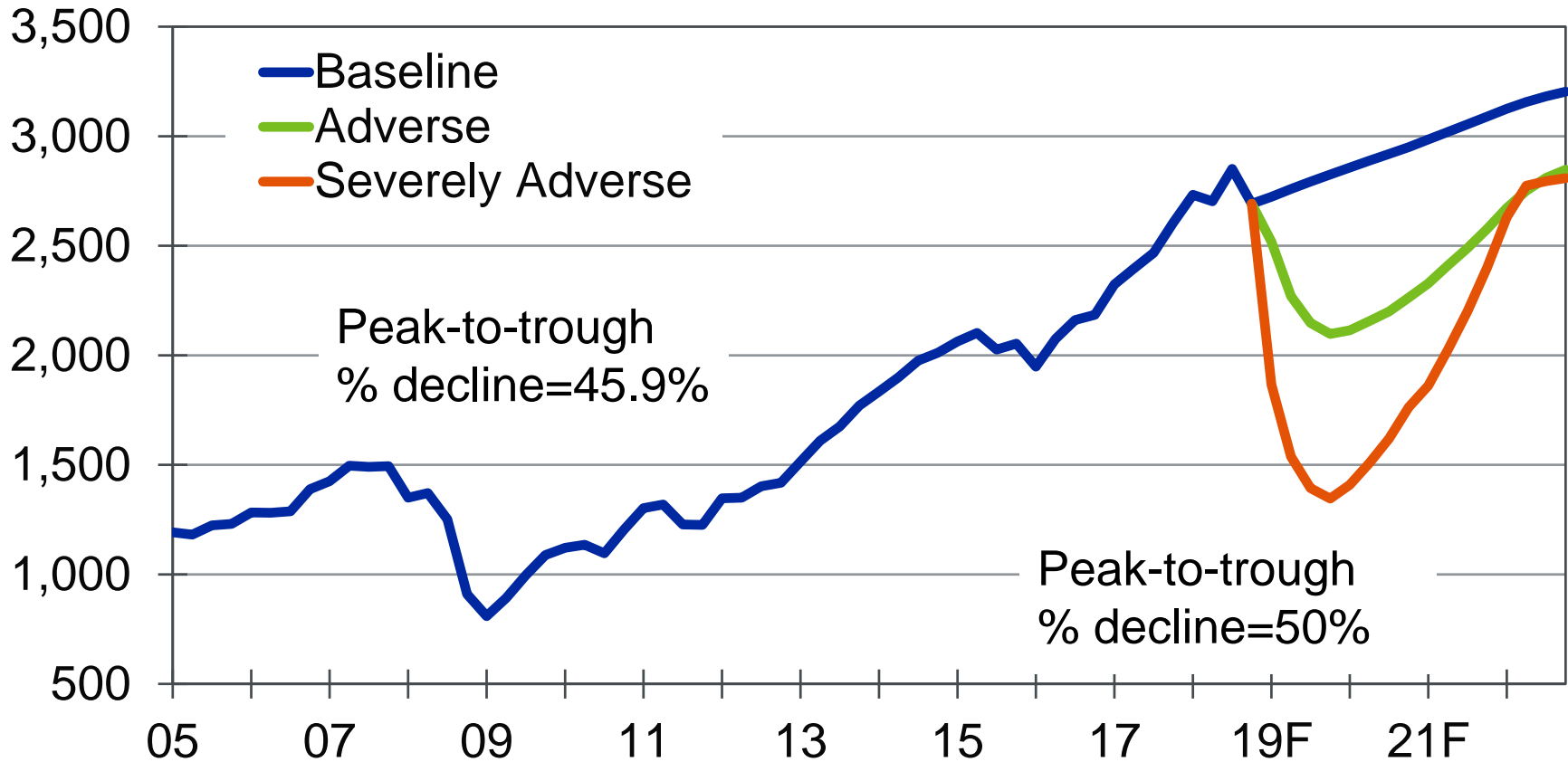
Case-Shiller index, % over-undervalued, 2018Q3



Sources: CoreLogic, FHFA, Moody's Analytics

The Stock Market Is Crushed...

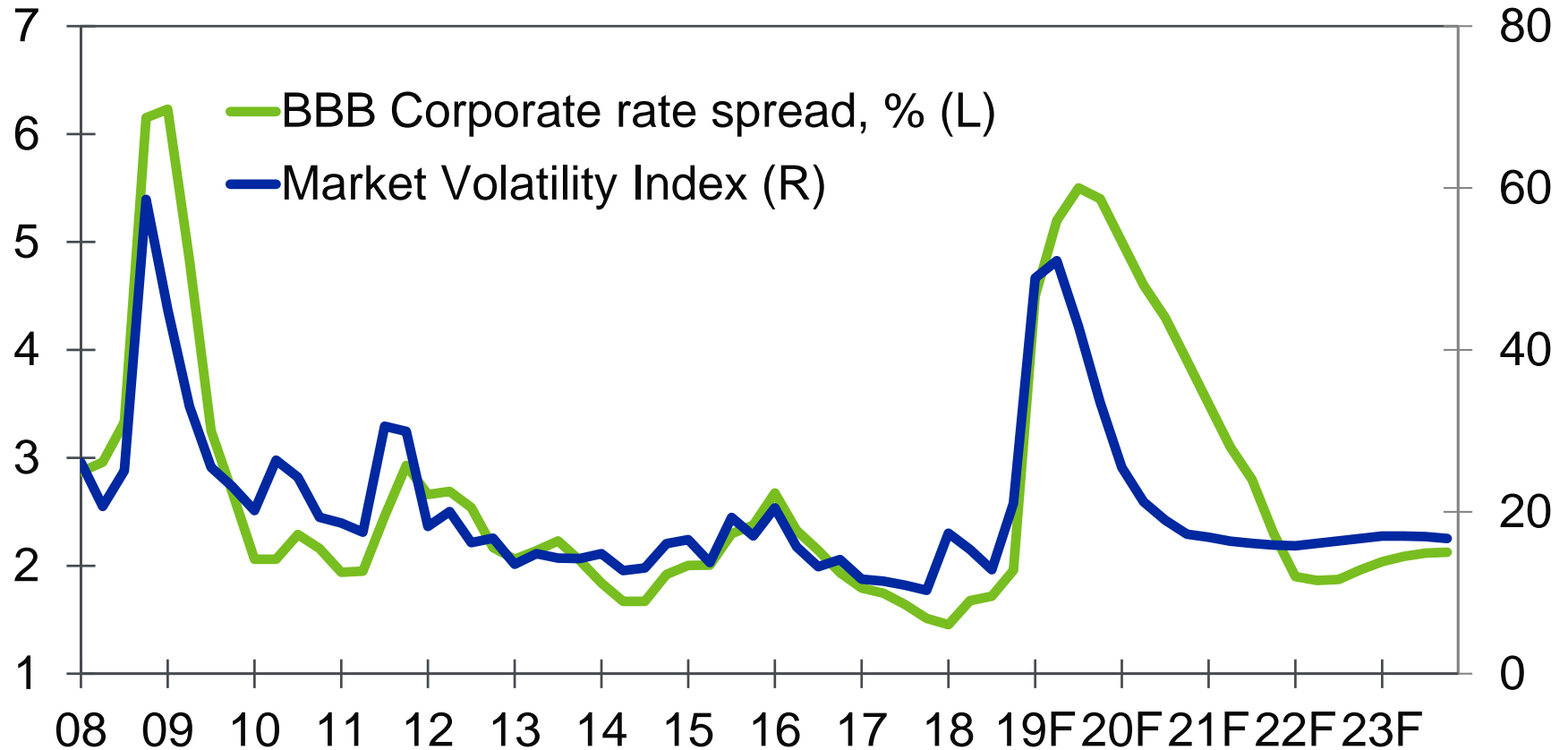
S&P 500



Sources: Federal Reserve, Moody's Analytics

...As Is the Corporate Bond Market

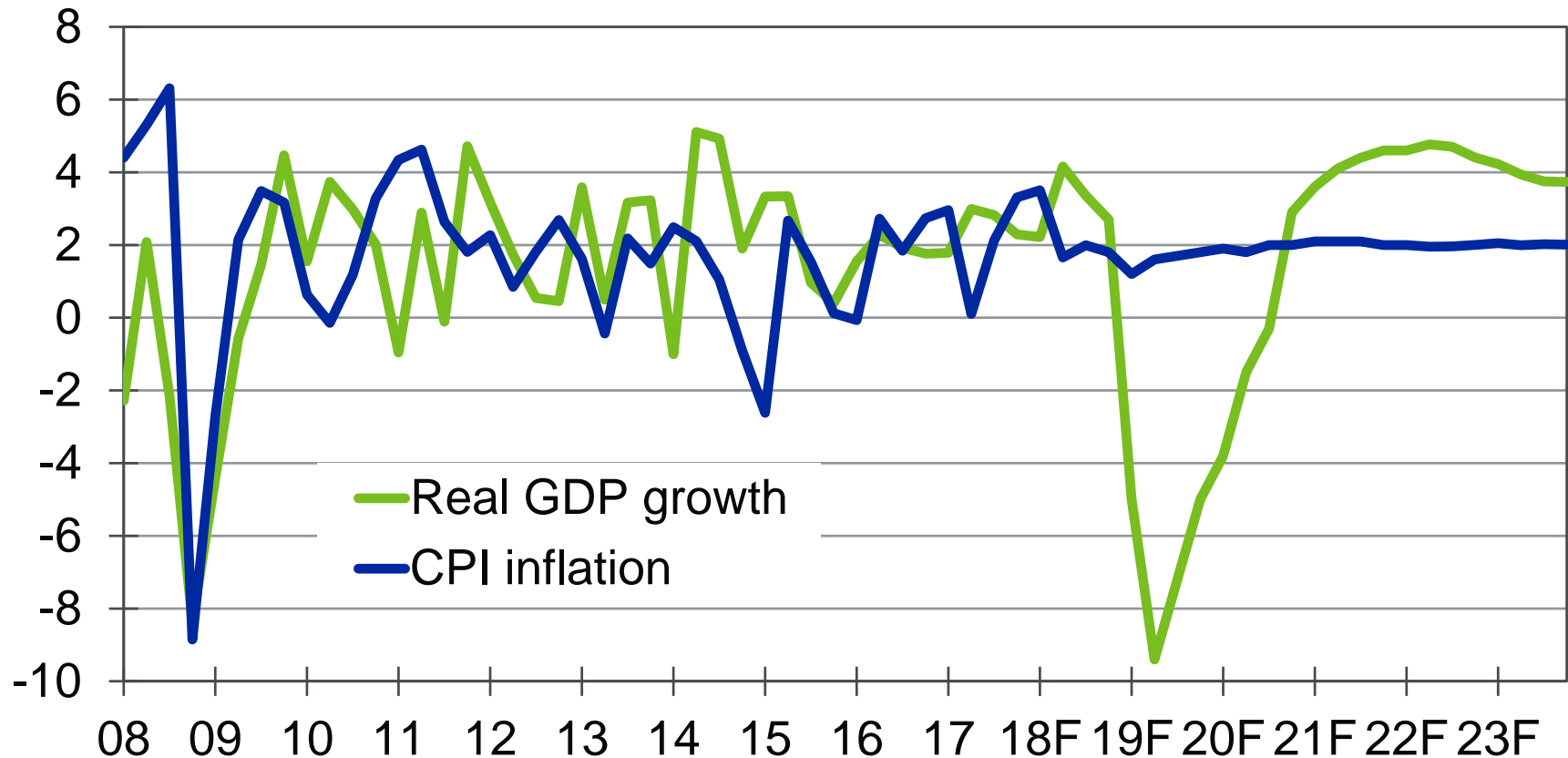
Severely Adverse Scenario



Sources: S&P, Federal Reserve, Moody's Analytics

Inflation Holds Firm, Despite GDP Collapse...

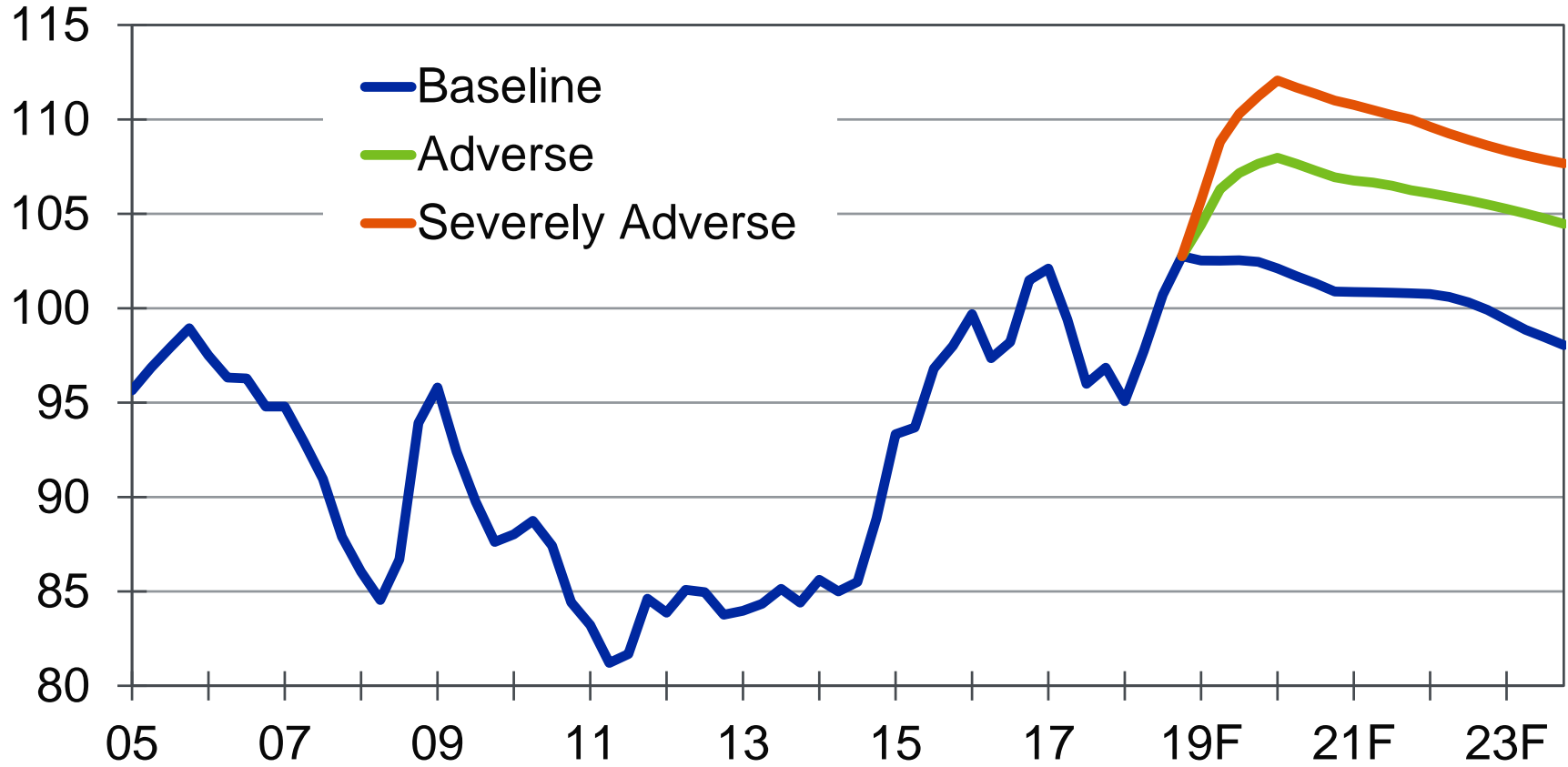
Severely adverse scenario, % change, annual rate



Sources: BLS, Federal Reserve, Moody's Analytics

...and Stronger \$

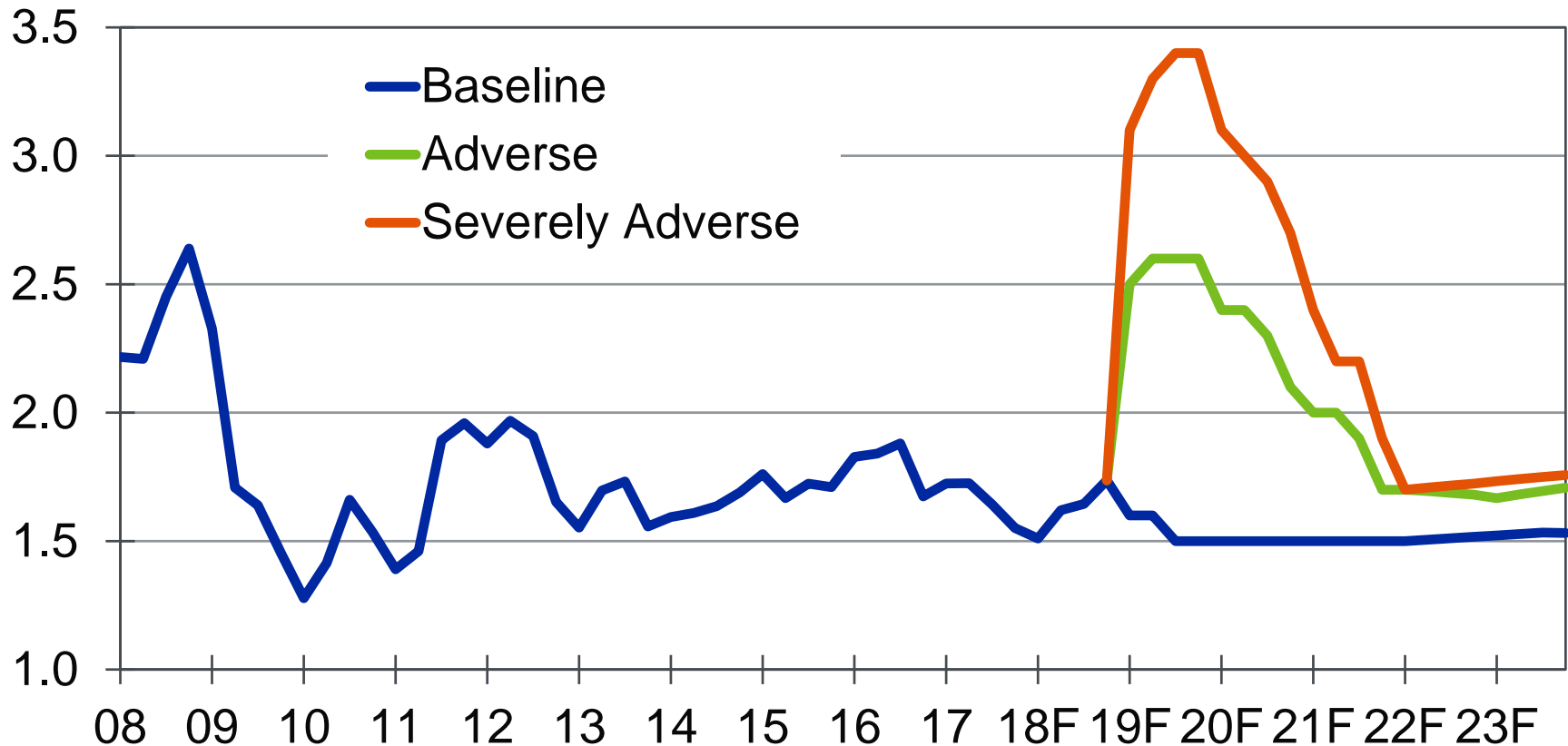
U.S. real broad trade weighted \$



Sources: Federal Reserve, Moody's Analytics

Mortgage Rate Spreads Gap Out

Mortgage rate spread to 10-yr Treasury rate, %



Sources: Freddie Mac, Federal Reserve, Moody's Analytics

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