

Macro Roundup Article

Headline: [Monetary Tightening and U.S. Bank Fragility in 2023: Mark-to-Market Losses and Uninsured Depositor Runs?](#)

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Summary: The U.S. banking system's market value of assets is \$2 trillion lower than suggested by their book value of assets accounting for loan portfolios held to maturity. Marked-to-market bank assets have declined by an average of 10% across all the banks, with the bottom 5th percentile experiencing a decline of 20%. We illustrate that uninsured leverage (i.e., Uninsured Debt/Assets) is the key to understanding whether these losses would lead to some banks in the U.S. becoming insolvent-- unlike insured depositors, uninsured depositors stand to lose a part of their deposits if the bank fails, potentially giving them incentives to run. If uninsured deposit withdrawals cause even small fire sales, substantially more banks are at risk. Overall, these calculations suggest that recent declines in bank asset values very significantly increased the fragility of the US banking system to uninsured depositor runs.

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