

Macro Roundup Article

Headline: [Breach of Trust: Decoding the US Banking Crisis of 2023](#)

Article Link: <https://aswathdamodaran.substack.com/p/breach-of-trust-decoding-the-us-banking>

Author(s)	Aswath Damodaran
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Tweet: .@AswathDamodaran suggests that the “stickiness” of a bank’s deposit base has strong explanatory power for overall resiliency. Banks with the highest deposit growth in the past five years (suggesting low stickiness) have tended to see big declines.

Summary: It is banks with the least stick deposits that should have seen the biggest declines in market capitalization. My proxies for deposit stickiness are limited, given the data that I have access to, but I used deposit growth over the last five years (2017-2022) as my measure of stickiness (with higher deposit growth translating into less stickiness): The results are surprisingly decisive, with the biggest market capitalization losses, in percentage terms, in banks that have seen the most growth in deposits in the last five years. To the extent that this is correlated with bank size (smaller banks should be more likely to see deposit growth), it is by no means conclusive evidence, but it is consistent with the argument that the stickiness of deposits is the key to unlocking this crisis.

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Primary Topic: Banking

Topics: Banking, Financial Markets, GDP, Monetary Policy, Op-Ed/Blog Post, Weekly

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