186 More Banks “Are at Risk of Failure”, and That Could Push Us Into the Next Great Depression

Description

They are desperately trying to plug one leak in the system after another, but what happens if the entire system suddenly comes crashing down all around them? Back on January 4th, I specifically warned that our problems would “greatly accelerate over the next 12 months”, and that is precisely what has happened. We are now in the midst of the most severe banking crisis since 2008, and it could soon get a whole lot worse. We have already witnessed the second and third largest bank failures in the entire history of our nation, and now it is being reported that 186 more banks “are at risk of failure”…

On the heels of Silicon Valley Bank’s collapse earlier this month, 186 more banks are at risk of failure even if only half of their depositors decide to withdraw their funds, a new study has found.

That is because the Federal Reserve’s aggressive interest rate hikes to tamp down inflation have eroded the value of bank assets such as government bonds and mortgage-backed securities.

“The recent declines in bank asset values very significantly increased the fragility of the U.S. banking system to uninsured depositor runs,” economists wrote in a recent paper published on the Social Science Research Network.

Needless to say, these banks realize that they are in jeopardy, and a coalition of mid-size banks is literally begging federal regulators to cover all uninsured deposits for at least the next two years…

A coalition of midsize US banks asked federal regulators to extend FDIC insurance to all deposits for the next two years, arguing the guarantee is needed to avoid a wider run on the banks.

“Doing so will immediately halt the exodus of deposits from smaller banks, stabilize the banking sector and greatly reduce chances of more bank failures,” the Mid-Size Bank Coalition of America said in a letter to regulators seen by Bloomberg News.

If federal regulators don’t do this, vast amounts of money will continue to be transferred from small and mid-size banks to the “too big to fail” banks.

But I'll tell you why such a move is not likely to happen right now.

If every bank account in America is suddenly fully guaranteed by the federal government, there will be a giant sucking sound as wealthy individuals pull their money out of European banks where large balances are not fully insured.

The European banking system is already teetering on the brink of collapse. In fact, we just learned that UBS has just agreed to an emergency purchase of Credit Suisse…

Switzerland's biggest bank, UBS, has agreed to buy its ailing rival Credit Suisse in an emergency rescue deal aimed at stemming financial market panic unleashed by the failure of two American banks earlier this month.

"UBS today announced the takeover of Credit Suisse," the Swiss National Bank said in a statement. It said the rescue would "secure financial stability and protect the Swiss economy."

UBS is paying 3 billion Swiss francs ($3.25 billion) for Credit Suisse, about 60% less than the bank was worth when markets closed on Friday. Credit Suisse shareholders will be largely wiped out, receiving the equivalent of just 0.76 Swiss francs in UBS shares for stock that was worth 1.86 Swiss francs on Friday.

So to protect foreign banks, small and mid-size banks in the U.S. will be allowed to fail.

But if large numbers of small and mid-size banks start failing, this country will rapidly plunge into an economic nightmare.

On Saturday, Zero Hedge posted one of the greatest tweets that I have seen in a long time…

> If the Fed does not contain the regional bank collapse, there will be another great depression.
>
> Small/medium banks account for 50% of US commercial and industrial lending, 60% of residential real estate lending, 80% of commercial real estate lending, and 45% of consumer lending pic.twitter.com/wzTMHxSnXI
>
> — zerohedge (@zerohedge) March 18, 2023

I couldn't have said it any better myself.

Our economy runs on mortgages, auto loans, credit cards and debit cards.

If a bank gets into trouble, the flow of credit from that bank is restricted.

And if a bank fails, the flow of credit from that bank completely stops.

If lots of banks start going under in this country, economic activity will shrink substantially and we really will be facing "another great depression".

At this point, conditions are so dire that Warren Buffett is getting personally involved…

Berkshire Hathaway Inc.'s Warren Buffett has been in touch with senior officials in President Joe Biden's administration in recent days as the regional banking crisis unfolds.

There have been multiple conversations between Biden's team and Buffett in the past week, according to people familiar with the matter, who asked not to be identified because the information is private. The calls have centered around Buffett possibly investing in the US regional banking sector in some way, but the billionaire has also given advice and guidance more broadly about the current turmoil.

It appears that far more is going on behind the scenes than we are being told.

Interestingly, lots of private jets were flying in and out of Omaha on Friday…

> The Private Jets arrived in Omaha in multiple groups. Sometimes landing at almost the same exact time.
>
> Did Buffett schedule some meetings with different groups of CEOs every hour?
>
> Number of Jets arriving:
> 5 ~10am (est)
> 3 ~2pm
> 5 ~3:30pm
> 5 ~5pm
> 6 ~6:15pm
> 3 ~7:30pm pic.twitter.com/68Ok6zl8cA
>
> — FuzzyPanda ?? (@FuzzyPandaShort) March 17, 2023

Hopefully a way can be found to stabilize the banking system, because economic conditions are certainly bad enough already.

Earlier today, I was surprised to learn that Disney is getting ready to conduct a second round of layoffs …

After announcing a plan to slash nearly 7,000 jobs, Disney is reportedly instructing managers to propose budget cuts and put together lists of employees to be laid off in the coming weeks.

It is unclear whether Disney will begin layoffs in small waves or cut thousands of employees all at once, but the company will announce at least 4,000 current employees will be out of work sometime in April, according to Business Insider.

All over America, large companies are letting workers go.

But even though a significant economic downturn has already obviously begun, we are being told that the Federal Reserve is likely to raise interest rates yet again this week…

The Federal Reserve will kick off its meeting with trading expected to be light heading into a decision on interest rates Wednesday.

Despite the market tumult, 62% of investors expect the policymakers to continue hiking rates, which would mark the ninth straight increase. Thirty-eight percent expect no change, according to CME’s FedWatch.

After everything that has transpired over the past couple of weeks, it would literally be suicidal to raise rates again.

But they just might do it anyway.

So many of the things that I have been relentlessly warning about are now starting to transpire right in front of our eyes.

A great financial meltdown has begun, and our leaders seem very unsure about how to handle it.

Unfortunately for them, what we have gone through so far is just the tip of the iceberg.

by Michael Snyder

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