



Here We Go Again: Troubled California Bank PacWest Craters 60% On Report It Is Seeking Buyers Or Capital Raise

Description

Earlier today, when Jerome Powell openly lied to the American People during the FOMC press conference stating without a hint of irony that the US banking system is “**sound and resilient**”...

Federal Reserve Chair Jerome Powell says that "the US banking system is sound and resilient."

What do you think? ? pic.twitter.com/qDktpOln4

— Human Events (@HumanEvents) [May 3, 2023](#)

...**we balked**: how could this former lawyer lie so brazenly to the American people, the narrator wondered, when in just the past few weeks we had seen over half a trillion in bank failures, making the current bank failure episode even worse than the global financial crisis?

POWELL: U.S. BANKING SYSTEM IS SOUND AND RESILIENT

Narrator: we just had over half a trillion \$ in bank failures in the past month
pic.twitter.com/YvhloFIGIX

— zero hedge (@zero hedge) [May 3, 2023](#)

Well, as usual, the narrator was right, because while Powell’s lies were still ringing in our ears, the next regional bank collapse was on its way.

Shortly after the close, Bloomberg reported that another regional, California-based bank (of course), PacWest Bancorp., **was weighing a range of strategic options, including a sale.**

The Beverly Hills-based bank – whose financial conditions it appears has been far worse than the Fed,

which just hiked another 25bps, thought – has been working with a financial adviser and has also been considering a breakup or a capital raise, according to Bloomberg sources. While it is open to a sale, the company hasn't started a formal auction process.

According to the report, “an outright sale has been hindered because there aren't many potential buyers interested in the entire bank, which comprises a community lender called Pacific Western Bank and some commercial and consumer lending businesses, the people said.” And similar to SVB and FRC, **“a potential buyer would also have to potentially book a big loss marking down some of its loans, the people said.”**

On Tuesday, PacWest tumbled 28% as investors retreated from regional bank stocks following JPMorgan's deal on Monday for the failed First Republic Bank, a transaction which did nothing to ease concerns about regional bank viability, which was to be perfectly expected **since today's rate hike would only make the regional bank deposit run even bigger, something which was obvious to everyone...**

But surely at 5.25% all shall be well <https://t.co/VMZbvApokm>

— zerohedge (@zerohedge) [May 2, 2023](#)

... except the Fed!

And sure enough, following the Bloomberg report, PacWest – which had \$28 billion in deposits at last check (far less as of this moment) and \$44 billion in assets, **saw its stock plunge more than 60% after hours...**



Bear in mind that just a week ago, PacWest shares surged 17% after the midsize lender said deposits stabilized toward the end of March and rose in April.

“Importantly, deposits stabilized in the latter part of March and rebounded nicely in April, increasing approximately \$700 million subsequent to quarter-end,”

President and CEO Paul Taylor said in the release

Tonight's dismal news comes six weeks after PacWest said it had shored up its access to cash by raising \$1.4bn via a lending facility from Apollo-backed investment firm Atlas SP Partners.

According to its last public statement, PACW had **\$29 billion in deposits** (significantly smaller than SVB and FRC), but more problematically, over three-quarters of its lending is to real estate, and **8% to venture capital (with its VC business representing \$6bn in deposits at the end of March).**

It seems things 'escalated quickly' since then.

The broad Regional Bank index is tumbling after hours, now at its lowest since Oct 2020...



... and is dragging down other regional banks with it, especially anything with "west" in its name:

Western Alliance is down 30%..



And while we are stunned by this level of Fed incompetence: after all, just hours ago Powell was

reassuring everyone that US banks are safe and sound...

This is unprecedented humiliation for the [@federalreserve](#).

Just 2 hours earlier, Powell said US banking system is “sound and resilient”, seemingly unaware that yet another of the largest California banks was teetering on the edge.

How is this level of incompetence possible

— zerohedge (@zerohedge) [May 3, 2023](#)

... not even the Fed will allow this idiocy to continue, and either it will cut rates and inject trillions more in liquidity now that we are clearly at the small bank reserve constraint...

oh the irony: FRC take under by JPM (funded by the FDIC/US taxpayers) drained \$75bn in reserves. And we are right back on the reserve constraint critical threshold. Hence the banking crisis is baaaaack <https://t.co/EvbkxvkOct>

— zerohedge (@zerohedge) [May 2, 2023](#)

... or it will have **a banking crisis on its hands the likes of which have never before been seen.**

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Category

1. Economy-Business-Fin/Invest
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