

STRESSING TEH KITTY

The bank stress test results are in! Wonderful news, the economy is totally groovy man! Well, except not. For what are being hailed as great results, there are some disturbing numbers. Said stress tests of the 19 largest U.S. banks show they will need a total of \$74.6 billion to withstand a deeper recession. For some reason, the NYT seems to think this is good news:

Federal regulators told the country's 19 largest banks that they must raise \$75 billion in extra capital by November, a more upbeat verdict on the health of the financial system than the industry had feared just two months ago.

Ten of the 19 bank holding companies deemed "too big to fail" by the Obama administration will be required to raise additional capital, according to the results of the government's stress tests, released late Thursday afternoon. But the 10 banks will have to raise much less capital than some analysts had expected as recently as a few days ago.

Citigroup must raise \$5.5 billion in new capital, on top of converting \$45 billion in rescue funds into ordinary stock, which would give the United States ownership of 36 percent of Citi.

Bank of America must raise \$34 billion, but it is likely to resist achieving all or some of that by converting its \$45 billion in bailout money into common stock. Instead, the bank is expected to fill its capital hole by selling off smaller divisions, a stake in China Construction Bank and other asset sales.

The stress tests are aimed at estimating how much each bank would lose if the economic downturn proved even deeper than currently expected. Under the worst-case scenario – an unemployment

rate of 10.3 percent, an economic contraction of 3.3 percent this year and a 22 percent further decline in housing prices – the losses by the 19 banks could total \$600 billion this year and next, or 9.1 percent of the banks' total loans, regulators concluded. Losses to the banks' loan portfolios alone could total \$455 billion this year and next.

"There is a reassurance in clarity," Treasury Secretary Timothy F. Geithner said at a news briefing on Thursday afternoon.

A "reassurance in clarity". Thanks for that Mr. Geithner. Bank of America Inc – \$33.9 billion; Wells Fargo – \$13.7 billion, GMAC – \$11.5 billion, and Citigroup Inc needs \$5.5 billion. Good thing it wasn't bad news I guess. The biggest key banks, the ones too big to fail, all need massive infusions of cash bigger than the amounts that everybody and their brother are screaming are hideous and untenable to give to GM and Chrysler, companies that actually make things. Well, make things other than grief that is. The kitty, i.e. bank, is supposed to be a safe place for people to store their money not a black hole for income redistribution to the rich. I wonder how many bonuses are being paid?

UPDATE: In another sign of stability in the Mater Of The Universe bankster realm, comes this breaking news from Reuters:

Stephen Friedman, chairman of the New York Federal Reserve's board of directors, resigned on Thursday amid questions about stock purchases in his former firm Goldman Sachs.

The purchases of Goldman Sachs occurred after the firm became a bank holding company.

Denis Hughes, the deputy chair of the board, will take over Friedman's role, the New York Fed said.

Oh, and Wells Fargo is rushing out a public offering for at least six billion to cover their position in light of the stress test results. Turns out that Wells, who bragged about the strength of their position and said they did not even need the TARP money they readily took, is a lot closer to the piker banks we have been watching all along. Go figure.