

研究报告

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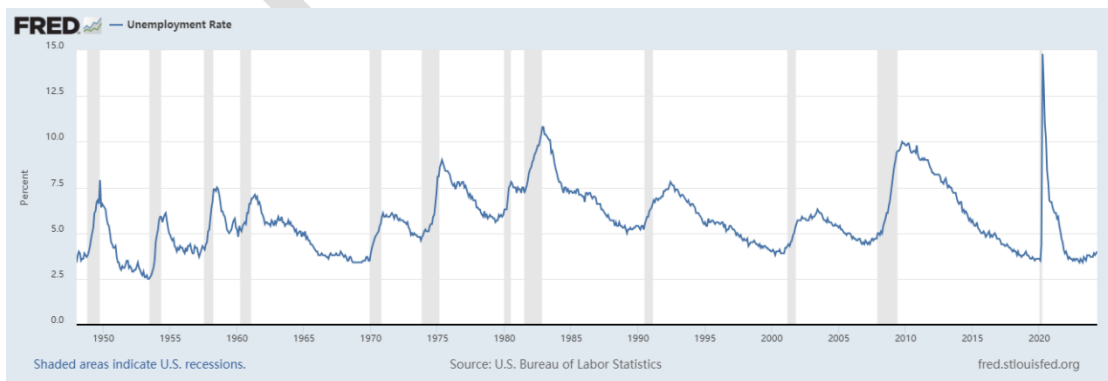
Key Points of U.S. Financial Security Monthly (June 2024)

Research Team for Finance Security, Tsinghua PBCSF

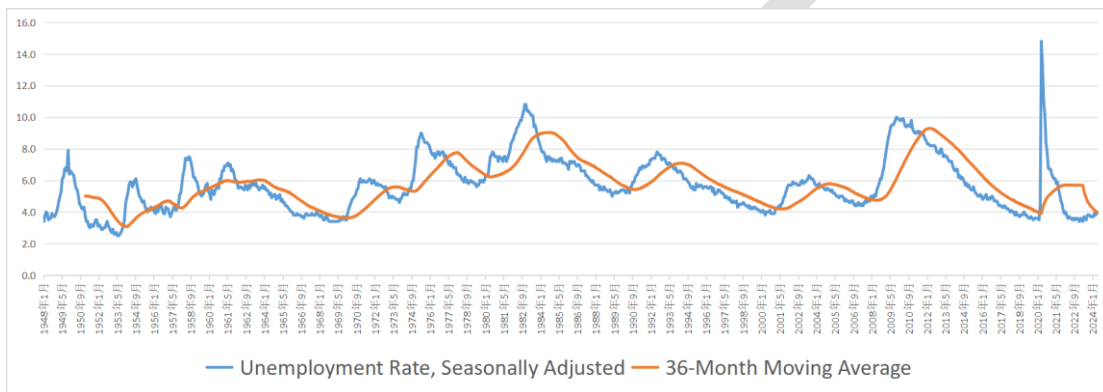
I. Macroeconomics

1. U.S. Unemployment Rate Exceeds 36-Month Moving Average

On June 7, the U.S. Department of Labor announced that the unemployment rate in May 2024 increased by 0.1 percentage points from the previous month to 4%.



The rising unemployment rate is a warning signal. By calculating, the U.S. unemployment rate in May has exceeded the 36-month moving average. Historically, when the U.S. unemployment rate is above this level, there is a higher probability of an economic recession in the future.



II. Financial Markets

1. Stock Market Heavily Reliant on Tech Stocks

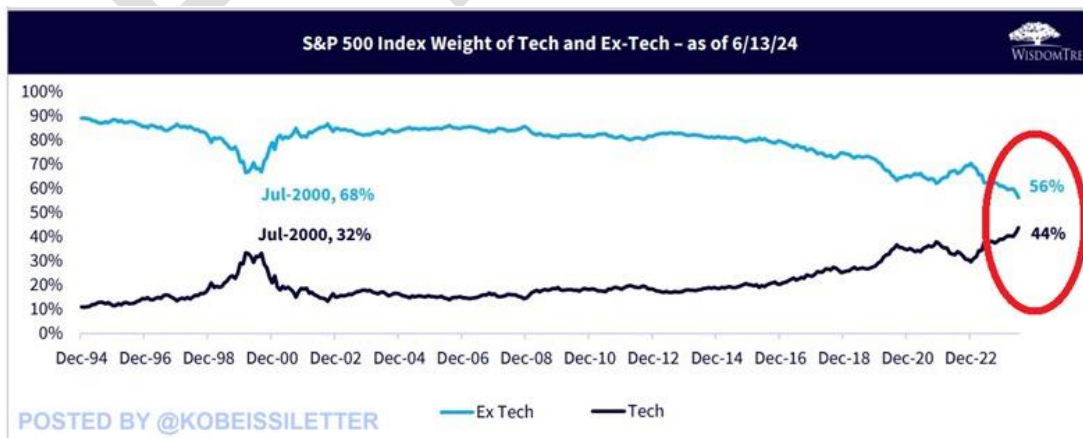
According to Bank of America Merrill Lynch, as of June 4, 2024, only 30% of stocks outperformed the S&P 500 index. For the entire year of 2023, this figure was 29%. This phenomenon also occurred during the buildup of the internet bubble in 1998 and 1999.

S&P 500®: Percentage of Stocks that Outperformed the Index
1990-2024 YTD thru 6.04.24 (Price Returns)



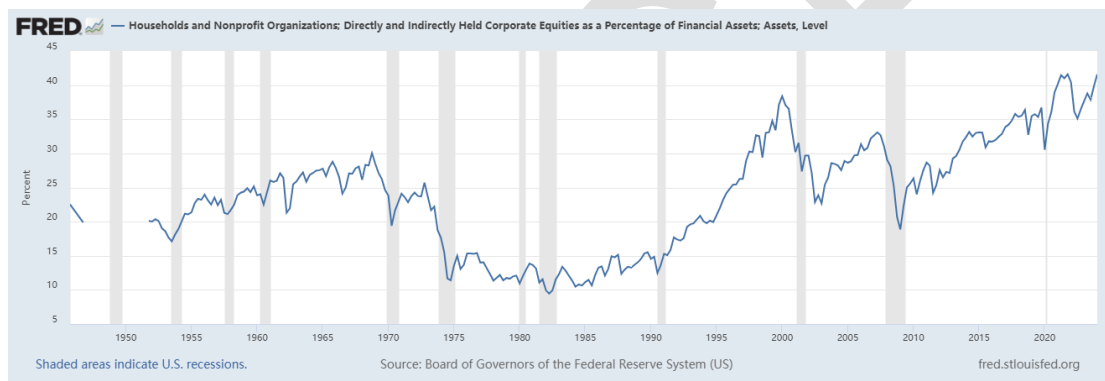
Source: Richard Bernstein Advisors LLC, BofAML US Strategy

According to data compiled by WisdomTree, as of June 13, 2024, the market capitalization of tech stocks accounted for 44% of the S&P 500 index, which is 12 percentage points higher than the 32% recorded before the internet bubble burst.



Source: WisdomTree, FactSet, S&P. You cannot invest directly in an index. Historical forward P/E measured since 12/31/1994. Expanded Tech includes the Information Technology sector, Interactive Home Entertainment subindustry, Interactive Media & Services subindustry, Amazon, E-Bay, Etsy, and Netflix. Ex-Tech excludes the expanded tech companies.

Federal Reserve data shows that as of the first quarter of 2024, the proportion of U.S. households' stock allocations in financial assets was as high as 41.6%, higher than the 38.4% during the peak of the internet bubble. This indicates that U.S. households have benefited from the rise in stock prices but also have significant exposure to the stock market.



2. OCC Warns of Commercial Real Estate Risks

On June 18, the Office of the Comptroller of the Currency (OCC) released the Semiannual Risk Perspective for Spring 2024, warning that commercial real estate (CRE) credit risk is generally on the rise, especially in the office and multifamily property sectors.

SEMIANNUAL RISK PERSPECTIVE

FROM THE NATIONAL RISK COMMITTEE

Currently, investors in AAA-rated CMBS (Commercial Mortgage-Backed Securities) have already experienced losses, with underlying assets not limited to U.S. commercial real estate. On May 23, Bloomberg reported that investors in the A-class (AAA-rated) tranche of the mortgage on 1740 Broadway in Midtown Manhattan suffered losses of up to 26%.

AAA Holders of 1740 Broadway CMBS Get Hit

Lower ranking creditors are wiped out

Class	Original Balance	Bond Loss	Percentage loss	Original S&P Rating
A	\$157.5 m	\$40.3 m	26%	AAA
B	38.6	38.6	100	AA-
C	26.7	26.7	100	A-
D	32.8	32.8	100	BBB-
E	44.6	44.6	100	BB-
F	7.8	7.8	100	B+

Source: Deutsche Bank AG

A report released by Bank of America on June 19 indicated that investors in the A-class tranche of CMBS backed by two commercial properties in the UK could face losses of 6.3%.

Exhibit 1: Elizabeth Finance 2018 note recovery projections

Class A notes could suffer a principal loss

Class	Principal Amount £mn	Deferred Interest £mn	Payment est. £mn	Principal Balance £mn	Loss Severity
Class A	33.64	0.53	30.97	3.20	6.3%
Class B	8.02	0.14	0.14	8.02	73.1%
Class C	7.45	0.20	0.20	7.45	73.1%
Class D	10.72	0.13	0.13	10.72	73.1%
Class E	3.06	0.06	0.06	3.06	73.1%
Total	62.89	1.06	31.50	32.45	

Source: Bloomberg, BofA Global Research

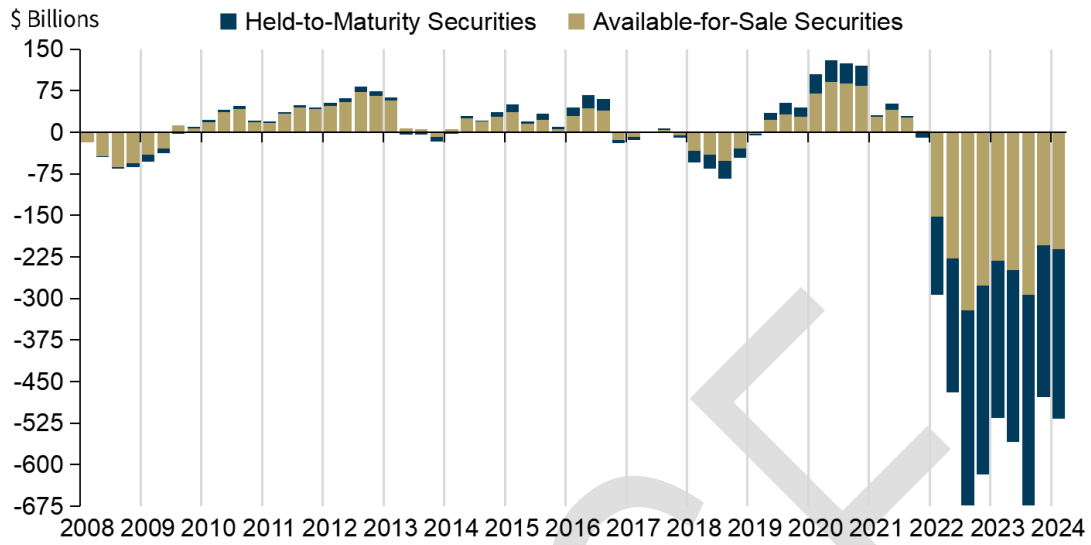
BofA GLOBAL RESEARCH

III. Financial Institutions

1. Unrealized Capital Losses in U.S. Banking Sector Remain High

According to the Quarterly Banking Profile for the first quarter of 2024 released by the Federal Deposit Insurance Corporation (FDIC) on May 29, Unrealized losses on investment securities in the U.S. banking sector remain above \$500 billion. These unrealized losses threaten banks' solvency when they are forced to sell securities, as seen in the 2023 collapse of Silicon Valley Bank and the current crisis faced by Japan's Norinchukin Bank.

Unrealized Gains (Losses) on Investment Securities



Source: FDIC.
 Note: Insured Call Report filers only. Unrealized losses on securities solely reflect the difference between the market value and book value of non-equity securities as of quarter end.

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