



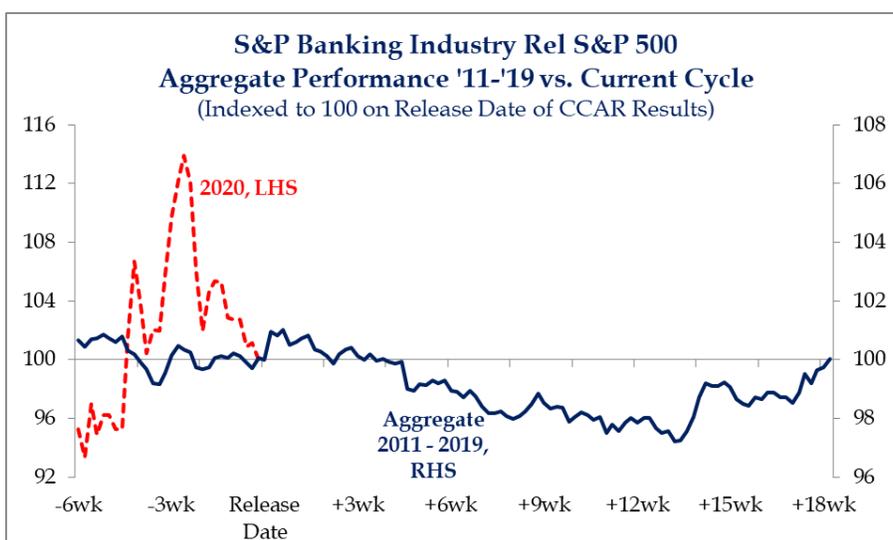
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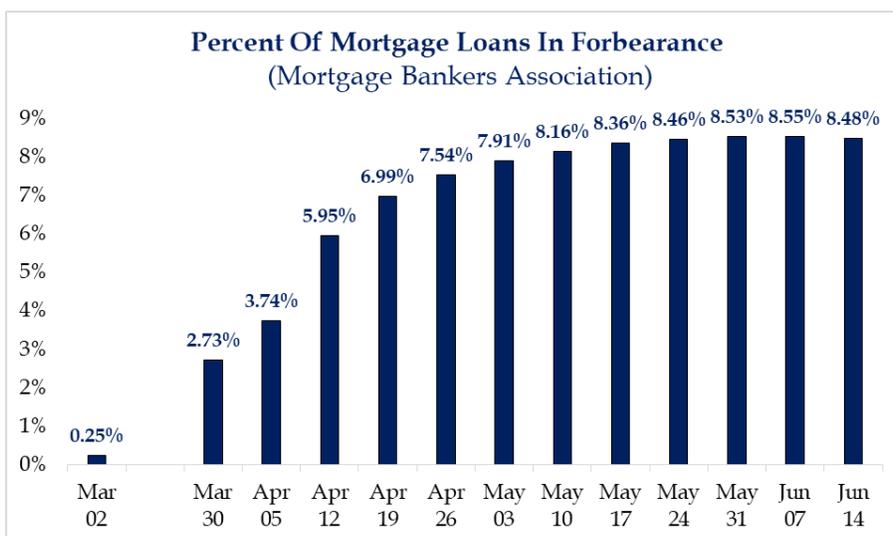
## Fed's Annual CCAR Released Today

The results from the Fed's annual Comprehensive Capital Analysis and Review will be released today. The view is meant to measure the sources and uses of cash under baseline and stressed economic & financial market conditions. Historically, the bank industry has underperformed the S&P 500 in the quarter following the result released before turning higher. Ultimately, individual companies could be impacted more significantly.



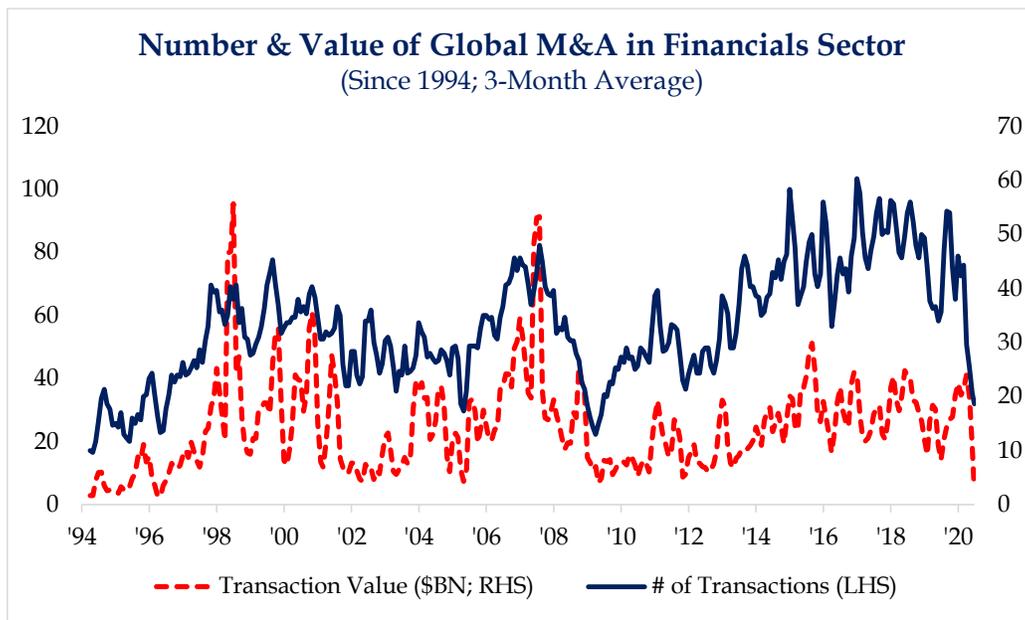
## Mortgage Loans in Forbearance Plateauing For Now

The Mortgage Bankers Association's latest Forbearance Survey revealed that the total number of loans now in forbearance decreased - for the first time since the survey's inception in March. This is welcomed news, but if unemployment remains elevated and fiscal stimulus begins to subside (\$600 bonus payments), we could see another rise over the coming months.



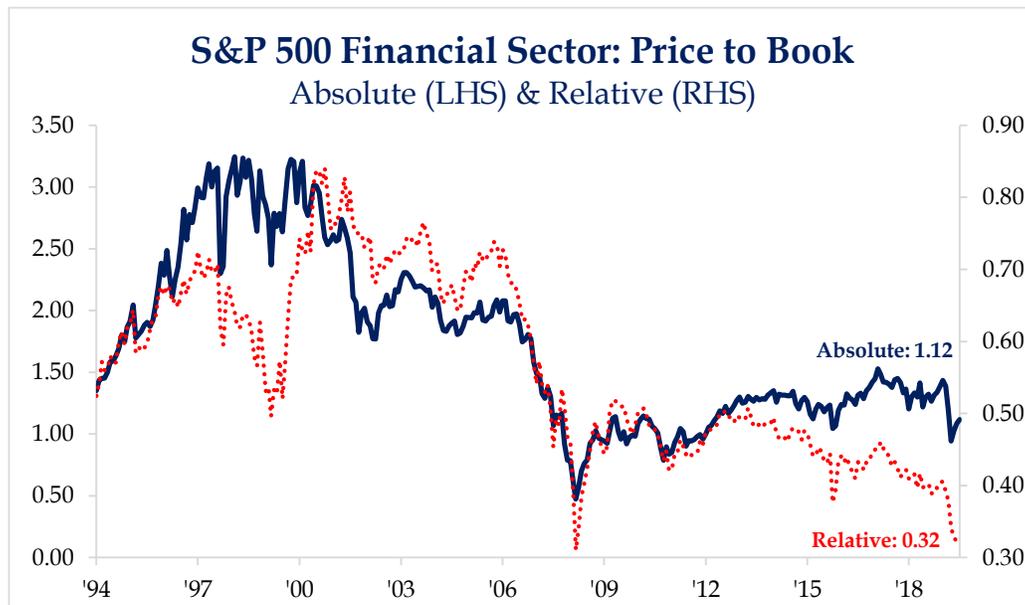
## Financial Consolidation Still Likely

Continued regulation, decline of retail branches in favor of online banking, persistently low interest rate environment, sharp increases in loan loss reserves, and the need to reduce costs and drive economies of scale are all reasons industry consolidation is likely, especially during the Covid-19 pandemic. Additionally, price/book valuations for Small Cap financials are now lower than Large Caps. Despite this, there has yet to be any substantive consolidation on a global scale, but as the ECB's Andrea Enria stated for the Eurozone specifically, this crisis will create room for M&A between affected firms.



## Financials Relative Price to Book Ratios Nearing GFC Lows

As the overall composition of the index has changed this past decade to be dominated by asset lite sectors like technology the absolute P/B multiple for the index has expanded. However, Financials have been hampered with excessive regulations that have compressed their respective P/B multiples. The impact of Covid-19 has exacerbated this trend pushing the relative multiple towards the lows last seen during the depths of the GFC.



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