

News

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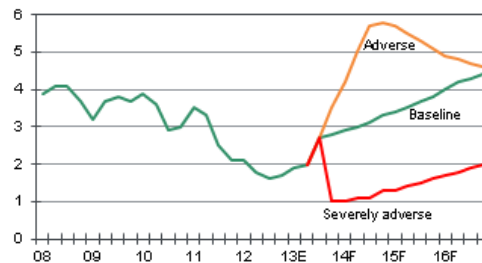
MOODY'S ANALYTICS ANALYZES FEDERAL RESERVE'S 2014 CCAR SCENARIOS, DEVELOPS ADDITIONAL ECONOMIC FORECASTS

NEW YORK, November 5, 2013 — Moody's Analytics, a leading independent provider of economic forecasting and stress testing solutions, has analyzed the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR) scenarios for 2014 and has developed detailed economic scenarios for more than 50 countries including the U.S. and its states and metropolitan areas. Moody's Analytics senior economists also considered possible narratives driving the CCAR scenarios, their likelihood of occurring and the severity of the scenarios.

Among the scenarios to be considered by financial institutions, the one labeled "Severely Adverse" envisions conditions similar to those of the Great Recession, with unemployment rising to a post-World War II high. The hypothetical downturn is driven by sharp declines in Europe and in emerging markets, as well as a new U.S. housing crash. The "Adverse" scenario assumes that global bond investors lose faith in the Federal Reserve's efforts to normalize monetary policy, causing long-term interest rates to rise sharply. These higher rates derail recoveries in the housing and commercial property markets, resulting in a new recession.

Adverse Driven By a Surge in LT Treasury Rates

10-yr Treasury bond rate, %



Sources: Federal Reserve, Moody's Analytics

"The CCAR's adverse scenario realistically represents market concerns that long-term interest rates will surge and short-circuit the economic recovery as the Federal Reserve winds down its bond-buying program and normalizes short-term interest rates," said Mark Zandi, Chief Economist of Moody's Analytics.

Expanding beyond the 26 variables provided by the Federal Reserve, projections are available for more than 1,800 variables at the national and regional level, including unemployment insurance claims, consumer credit debt outstanding, auto sales volumes, oil prices, used car prices, ABA/MBA delinquency rates and personal savings rates. The projections include forecasts for the Case-Shiller Home Price Indexes as well as for U.S. consumer credit conditions as detailed by CreditForecast.com.

“These scenarios will help banks and other financial institutions more accurately assess the risks in their consumer credit portfolios,” said Cristian deRitis, Director of Moody’s Analytics Credit Analytics group. “For example, credit card and other consumer credit providers will want to incorporate expanded data on unemployment insurance claims, income and savings rates in forecasting future losses and loan origination volumes.”

CCAR scenarios are available through several of Moody’s Analytics forecasting services, including the Global Macro, U.S. Macro, State and Metro Forecast Databases, Case-Shiller Home Price Index Forecasts, and CreditForecast.com.

A detailed overview of the 2014 CCAR scenarios, examining the severity and probability of each one, will be presented by Moody’s Analytics in an interactive, one-hour webinar on November 5 at 11a.m. EST. Interested parties are welcome to attend and can register via the following link: www.economy.com/ccar/webinar.

For more information, visit <http://economy.com/ccar>.

About Moody’s Analytics

Moody’s Analytics helps capital markets and risk management professionals worldwide respond to an evolving marketplace with confidence. The company offers unique tools and best practices for measuring and managing risk through expertise and experience in credit analysis, economic research and financial risk management. By providing leading-edge software, advisory services and research, including proprietary analyses from Moody’s Investors Service, Moody’s Analytics integrates and customizes its offerings to address specific business challenges. Moody’s Analytics is a subsidiary of Moody’s Corporation (NYSE: MCO), which reported revenue of \$2.3 billion in 2011, employs approximately 7,200 people worldwide and has a presence in 29 countries. Further information is available at www.moodyanalytics.com.

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