ABELIAN VIEW

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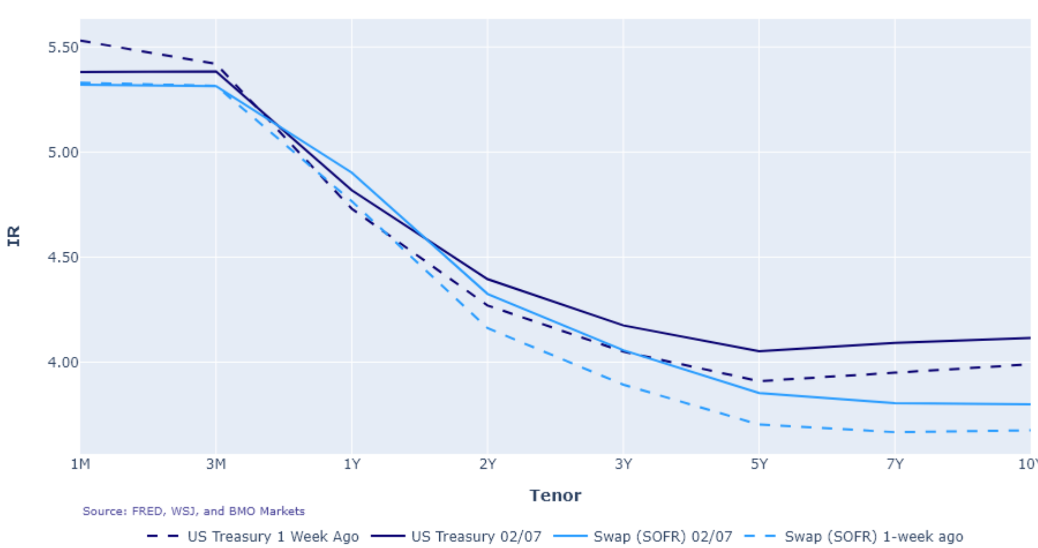
Highlight of the Week

Fed Survey Confirms Expectations

- On Monday, the Federal Reserve released its quarterly Senior Loan Officer Opinion Survey ('SLOOS'), reporting tightened lending standards and weaker demand for almost all loan types.
- Despite this negative current state view, a lower net share of banks reported tightening credit standards and weaker demand in Q4 than in Q3.
- The January SLOOS also included lender expectations for 2024:
    - Banks largely expect strengthened demand for all loan categories, especially for C&I loans.
    - However, a deterioration in loan quality is expected, as measured by delinquencies and charge-offs. Specifically, a moderate amount of banks expect a deterioration in C&I and consumer loans, while a major amount of banks expect deterioration in CRE loans.
    - Because of this expected deterioration in loan quality, banks expect further tightening of lending standards for CRE, credit card, and auto loans.
- The SLOOS release mirrored concerns about tepid loan growth expressed in Q4 bank earnings releases:
    - Earnings calls revealed low expectations for loan growth, and continued NIM compression - to abate only following rate cuts from the Federal Reserve.
    - Given the Federal Reserve's recent policy meeting announcing that rates may need to stay higher for longer to combat inflation, banks are generally seeking other avenues to drive profits in the interim.
- Overall, Banks will be focused on deploying capital efficiently to drive earnings growth in 2024. In the months to come, banks will continue to cut costs and to invest in business lines with high ROIs, attempting to counter both NIM compression and sluggish loan growth.

Rate Curves



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