Funds Held By The Three Banks Failed Recently Are More Than The Twenty Five Banks' Back in 2008 Crisis

We dug in to find out whether we, Americans, are facing a similar outcome to the 2008 crisis.

American Bullion, Inc.

LOS ANGELES, CA, UNITED STATES, May 4, 2023 /EINPresswire.com/ -- San Francisco-based First Republic Bank has joined Silicon Valley Bank and Signature Bank as the third U.S. bank to fail this year. Combined assets of the three failed banks total $532 billion, which after being adjusted for inflation, represents a bigger number than the 25 bank failures recorded as a result of the 2008 mortgage debacle. Experts urge calm, pointing to the differences between current issues and those prevalent in 2008. For example, the biggest bank culprit by far in 2008 was Washington Mutual, which at the time was the largest bank in the country and by itself represented more than 80% of the total assets held by those 25 banks. A Treasury spokesperson was quick to alleviate investor concerns stating, “The banking system remains sound and resilient, and Americans should feel confident in the safety of their deposits and the ability of the banking system to fulfill its essential function of providing credit to businesses and families.”

In spite of assurances, First Republic was ranked 14th in size at the end of last year, according to the Federal Reserve and does become the second largest bank failure in U.S. history, behind only Washington Mutual. Silicon Valley Bank held $209 billion in assets and Signature Bank held assets totaling $110 billion. History is again repeating itself, as J.P. Morgan Chase, like Washington Mutual fifteen years ago, has taken control of the fledgling bank. It won’t be an easy job for any banks, because even though we don’t expect a plethora of mortgage defaults, as occurred in 2008, soaring interest rates are putting a great deal of pressure on banks that loaned huge amounts of money at record-low interest rates. Homeowners are feeling good, but banks have plenty on their plate to juggle. Regulations put in place following the Global Financial Crisis are also helping to keep the number of banks experiencing financial trouble relatively small. In spite of falling home prices, the high level, to begin with, is providing a manageable cushion.

The stock market is not appreciating the banking sector’s confusion and is responding negatively.

Investors with more than $250,000 in a single bank (which is a very small portion of American investors) are encouraged to limit individual banks to that amount in order to maximize FDIC protections. Meanwhile, conversations regarding precious metals are beginning again in earnest. Particularly discussions involving last years' largest since 1968 gold purchases by central banks. In spite of a recent and sizeable uptick, silver's lethargic performance over the same time span last year has not gone unnoticed. With rising interest rates, inflation, and the coming debt ceiling showdown looming, many are considering greater retirement and portfolio allocations in the precious metals arena, which is historically a common practice. American Bullion helps people to open and maintain a Gold IRA, which are quickly becoming an invaluable resource.

The economy's wild ride is just beginning to heat up and many eyes will continue to watch for any broader implications from the latest financial institution's collapse. Republic was not a surprise, as its financial difficulties were identified in early March and planned for following the collapse of Silicon Valley Bank and Signature Bank, but any further banking erosion could yet develop into a far more major contagion concern. Some experts still point to the fact that stress tests established in the wake of the 2008 financial crash did not anticipate the drop in value of U.S. government bonds caused by the Fed's interest rate increases.

Nevertheless, financial experts continue to blame recent bank failures on their holding a disproportionate amount of higher risk assets – such as cryptocurrency and loans to technology firm start-ups.

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