2026 Stress Test Scenarios

February 2026

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The Federal Reserve

- **conducts the nation's monetary policy** to promote maximum employment and stable prices in the U.S. economy;

- **promotes the stability of the financial system** and seeks to minimize and contain systemic risks through active monitoring and engagement in the U.S. and abroad;

- **promotes the safety and soundness of individual financial institutions** and monitors their impact on the financial system as a whole;

- **fosters payment and settlement system safety and efficiency** through services to the banking industry and U.S. government that facilitate U.S.-dollar transactions and payments; and

- **promotes consumer protection and community development** through consumer-focused supervision and examination, research and analysis of emerging consumer issues and trends, community economic development activities, and administration of consumer laws and regulations.

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Preface

The Federal Reserve promotes a safe, sound, and efficient banking system that supports the U.S. economy through its supervision and regulation of domestic and foreign banks.

As part of its supervision efforts and as required by the Dodd Frank Act, the Federal Reserve annually conducts a stress test.[1] The stress test assesses how large banks are likely to perform under hypothetical economic conditions.[2]

The Federal Reserve conducts stress tests to help ensure that large banks are sufficiently capital-ized and able to lend to households and businesses even in a severe recession. They evaluate the financial resilience of banks by estimating losses, revenues, expenses, and resulting capital levels under hypothetical economic conditions.

The proposed 2026 scenarios were published and included a request for comment from the public on all aspects of the proposed scenarios, including the substantive components of the proposed scenarios. The Board requested that interested parties submit comments to the Board by December 1, 2025.[3]

The effective date of the 2026 stress test for firms' balance sheet and income statement data is December 31, 2025.

Publications related to stress testing can be found on the Stress Test Publications page (https://www.federalreserve.gov/publications/dodd-frank-act-stress-test-publications.htm).

For information on the Federal Reserve's supervision of large financial institutions, see https://www.federalreserve.gov/supervisionreg/large-financial-institutions.htm.

For information on the Federal Reserve's supervision of capital-planning processes of banks, see https://www.federalreserve.gov/supervisionreg/stress-tests-capital-planning.htm.

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[1] For more information, see 12 U.S.C. § 5365(i)(1)(A).

[2] U.S. bank holding companies (BHCs), covered savings and loan holding companies (SLHCs), and intermediate holding companies of foreign banking organizations (IHCs) with $100 billion or more in assets are subject to the Federal Reserve Board's supervisory stress test rules (12 CFR pt. 238, subpt. O; 12 CFR pt. 252, subpt. E) and capital planning requirements (12 CFR § 225.8; 12 CFR § 238.170).

[3] The proposed 2026 scenarios are available on the Board's website: https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm.

For more information on how the Board promotes the safety and soundness of the banking system, see https://www.federalreserve.gov/supervisionreg.htm.

Summary of Key Changes to the 2026 Stress Test Scenarios

This section of the *2026 Stress Test Scenarios* summarizes the key changes to the 2026 stress test scenarios following the publication of the proposed 2026 scenarios for comment. The Board reviewed the comments received on the proposed 2026 scenarios and also considered economic and financial data that has become available following the publication of the proposed 2026 scenarios for comment. As described below, the final 2026 scenarios feature several key changes relative to the components described in the proposed 2026 scenarios. These changes are discussed in greater detail in the Board's Review of Comments and Summary of Changes to the Proposed 2026 Stress Test Scenarios, which is available on the Board's website.[4]

Baseline scenario: The final 2026 baseline scenario has been updated to incorporate additional data releases that have become available following the publication of the proposed 2026 scenarios for comment.

Severely adverse scenario: The final 2026 severely adverse scenario has been updated to incorporate additional data releases that have become available following the publication of the proposed 2026 scenarios for comment. In determining these final variable paths, the Board generally retained the narrative and severity of the proposed 2026 severely adverse scenario and updated the values to reflect changes in the jump-off values for those variables following the incorporation of additional data.

Global market shock component: The final 2026 global market shock component includes adjustments that reduce the shock magnitudes for agency pass-through securities and to certain commodities.

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[4] Board, Review of Comments and Summary of Changes to the Proposed 2026 Stress Test Scenarios, available at https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm.

Executive Summary

The Federal Reserve's supervisory stress tests help ensure that large banks are able to lend to households and businesses even in a severe recession. The stress tests evaluate the financial resilience of large banks by estimating bank losses, revenues, expenses, and resulting capital levels—which provide a cushion against losses—under hypothetical recession scenarios into the future.[5] The Federal Reserve uses the results of a stress test, in part, to set large bank capital requirements.

The final 2026 severely adverse scenario is informed by the analysis supporting the Board's proposed update (the Proposed 2025 Scenario Design Policy Statement) to its 2019 Policy Statement on the Scenario Design Framework for Stress Testing (the 2019 Scenario Design Policy Statement).[6] The Proposed 2025 Scenario Design Policy Statement makes the design of the supervisory severely adverse scenario more transparent by narrowing the ranges of potential values for certain variables through proposed additional guides. While the Proposed 2025 Scenario Design Policy Statement has not been finalized, the Board anticipates receiving comments on this proposal by February 21, 2026, and will consider future action related to the Scenario Design Policy Statement after comments are received and considered.

The final 2026 scenarios reflect three enhancements to scenario design, as set forth in the Proposed 2025 Scenario Design Policy Statement, that are intended to describe more clearly to the public how the Board determines the trajectories of variables within the macroeconomic scenario. These enhancements were previously described in the proposed 2026 scenarios.

First, the Proposed 2025 Scenario Design Policy Statement expands the number and scope of guides used for certain scenario variables. The Board proposed to enhance the two existing guides, already outlined in the 2019 Scenario Design Policy Statement, for the unemployment rate and house price scenario variables, and the proposal describes newly developed guides for additional domestic and international scenario variables. The final 2026 severely adverse scenario is consistent with the guides in the Proposed 2025 Scenario Design Policy Statement.

Second, the Board is publishing an updated small-scale macroeconomic model of the U.S. economy that was used for the 2026 stress test scenarios (hereafter, the "macro model for

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[5] As noted, BHCs, SLHCs, and IHCs with $100 billion or more in assets are subject to the Board's supervisory stress test rule (12 CFR pt. 238, subpt. O; 12 CFR pt. 252, subpt. E) and capital planning requirements (12 CFR § 225.8; 12 CFR § 238.170). In addition, certain BHCs, SLHCs, IHCs, and state member banks must comply with the Board's company-run stress test rules (12 CFR pt. 238, subpt. P; and 12 CFR pt. 252, subpts. B and F).

[6] Amendments to Policy Statement on the Scenario Design Framework for Stress Testing, 84 Fed. Reg. 6,651 (February 28, 2019), available at https://www.federalregister.gov/d/2019-03504.

Stress Testing"), which is described in detail on the Board's website.[7] The model was used to determine the values in the 2026 scenarios for gross domestic product (GDP), per capita disposable personal income (DPI), inflation, and certain parts of the trajectory of interest rates that are internally consistent with the guide-based change in unemployment and other factors described in the model documentation. The model is also an input into the determination of the paths of certain other variables in the baseline scenario, as described in the model documentation.

Importantly, this new model is set forth in the Proposed 2025 Scenario Design Policy Statement and has been specifically structured and calibrated to fulfill the needs of the stress testing program. As such, the variable paths prescribed by it should not be interpreted as economic forecasts of the Board or the Federal Open Market Committee (FOMC). Prior scenario paths for these variables were informed by a similar modeling structure with the outputs adjusted using the Board's expert judgment and experience to align with the scenario narrative.

Third, the Board is publishing the final model used to generate the global market shock (the GMS model) for the 2026 stress test, which is generally unchanged from the model proposed with the proposed 2026 scenarios. The Board invited comment on both the macro model for Stress Testing and the GMS model as part of the proposed 2026 scenarios. The final model documentation is available on the Board's website, and a summary of changes to the models, as well as a review of the comments on these models, are also available on the Board's website.[8]

The final 2026 severely adverse scenario is characterized by a hypothetical severe global recession triggered by an abrupt decline in risk appetite that causes substantial declines in the prices of risky assets, declines in risk-free interest rates and high levels of financial market volatility. Equity prices fall about 58 percent in the first three quarters of the scenario while the U.S. Market Volatility Index (VIX) spikes and reaches a peak of 72 percent in the second quarter of the scenario. Those conditions also lead to a widening in corporate bond spreads to a level of 5.7 percentage points. The ensuing disruptions depress demand for goods and services from households and prompt businesses to dramatically reduce employment and investment, conditions from which the economy and asset prices are slow to recover. The U.S. unemployment rate rises 5.5 percentage points from the scenario's jump-off point of 4.5 percent in the fourth quarter of 2025 to its peak of 10 percent in the third quarter of 2027. The sharp decline in economic activity leads to a collapse in real estate prices, including a 30 percent decline in nominal house prices and a 39 percent decline in commercial real estate prices. The international portion of the scenario features recessions in three countries or country blocs and a sharp slowdown in developing Asia, and declines in inflation, with all countries or country blocs experiencing deflation. The value of the U.S. dollar appreciates against all countries and country blocs' currencies, except for the

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[7] See https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm.
[8] See https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm.

Japanese yen, as discussed below. For more information, please see "Details of the Severely Adverse Scenario."

As provided under the Board's stress test rule, banks with large trading operations are tested against a global market shock component that stresses their trading and certain other fair-valued positions.[9] Furthermore, banks with substantial trading or custodial operations are tested against the default of their largest counterparty.[10] As noted before, these hypothetical scenarios are not economic forecasts. Their components are described in additional detail in this publication.

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[9] 12 CFR 238.143(b); 12 CFR 252.14(b); 12 CFR 252.44(b); 12 CFR pt. 252, Appendix A at 3.2.
[10] 12 CFR 238.143(b); 12 CFR 252.14(b); 12 CFR 252.44(b).

Bank[1]	Subject to global market shock	Subject to counterparty default
Ally Financial Inc.		
American Express Company		
Bank of America Corporation	X	X
The Bank of New York Mellon Corporation		X
Barclays US LLC	X	X
BMO Financial Corp.		
Capital One Financial Corporation		
The Charles Schwab Corporation		
Citigroup Inc.	X	X
Citizens Financial Group, Inc.		
DB USA Corporation	X	X
Fifth Third Bancorp		
First Citizens Bancshares, Inc.		
The Goldman Sachs Group, Inc.	X	X
HSBC North America Holdings Inc.		
Huntington Bancshares Incorporated		
JPMorgan Chase & Co.	X	X
Keycorp		
M&T Bank Corporation		
Morgan Stanley	X	X
Northern Trust Corporation		
The PNC Financial Services Group, Inc.		
RBC US Group Holdings LLC		
Regions Financial Corporation		
Santander Holdings USA, Inc.		
State Street Corporation		X
Synchrony Financial		
TD Group US Holdings LLC		
Truist Financial Corporation		
UBS Americas Holding LLC		
U.S. Bancorp		
Wells Fargo & Company	X	X

Table 1. 2026 Stress test banks

[1] The information listed in this table is based on third quarter 2025 data.

Supervisory Stress Test Scenarios

The severely adverse scenario describes a hypothetical set of conditions designed to assess the strength and resilience of banks in an adverse economic environment. Meanwhile, the baseline scenario follows a profile similar to that of average projections from a survey of economic forecasters. These scenarios are not Federal Reserve forecasts.

The scenarios start in the first quarter of 2026 and extend through the first quarter of 2029. Each scenario includes 28 variables; the set of variables for the 2026 supervisory stress test is the same as the set provided in last year's supervisory stress test scenarios. The variables describing economic developments within the United States include:

- **Six measures of economic activity and prices:** quarterly percent changes (at an annualized rate) in real and nominal GDP, real and nominal disposable personal income, the Consumer Price Index for All Urban Consumers (CPI), and the unemployment rate of the civilian non-institutional population aged 16 years and over.

- **Four aggregate measures of asset prices or financial conditions:** indexes of house prices, commercial real estate prices, equity prices, and stock market volatility.

- **Six measures of interest rates:** the rate on 3-month Treasury securities; the yield on 5-year Treasury securities; the yield on 10-year Treasury securities; the yield on 10-year BBB-rated corporate securities; the interest rate associated with conforming, conventional, 30-year fixed-rate mortgages; and the prime rate.

The variables describing international economic conditions in each scenario include three variables in four countries or country blocs:

- **The three variables for each country or country bloc:** quarterly percent changes (at an annual rate) in real GDP and in consumer price indexes or local equivalent, and the level of the U.S. dollar exchange rate.

- **Four countries or country blocs:** the euro area (the 20 European Union member states that have adopted the euro as their common currency prior to 2026); the United Kingdom; developing Asia (the nominal GDP-weighted aggregate of China, India, South Korea, Hong Kong Special Administrative Region, and Taiwan); and Japan.

Baseline and Severely Adverse Scenarios

The following sections describe this year's final baseline and severely adverse scenarios. The variables included in these scenarios are provided in tables at the end of this document.[11] Historical data for the domestic and the international variables are reported in tables 1.A and 1.B, respectively.

The scenario jump-off quarter is set as the fourth quarter of 2025, and the scenario begins in the first quarter of 2026. In the proposed 2026 scenarios, the Board explained that many of the relevant data points were not yet available for the second, third, or fourth quarters of 2025, and that estimates for scenario variables for those quarters were constructed using the same methodology used to generate the baseline scenario. The estimates for those quarters have been replaced in the final 2026 scenarios with published values that have become available. Estimates were similarly constructed for any data for the fourth quarter of 2025 that was not currently available, as has been the case in past scenarios. With new data, the jump-off values for the scenarios have changed from the proposed 2026 scenarios. Accordingly, the scenario paths have changed based on these new jump-off values. For more details, see "Methodology to Update the Scenarios to Incorporate Additional Data Releases."

Baseline Scenario

Consistent with the approach described in the proposed 2026 baseline scenario, the final 2026 baseline scenario for U.S. real activity, inflation, and interest rates (see table 2.A) is similar to the consensus projections from the January 2026 *Blue Chip Financial Forecasts* released on December 30, 2025, and the January 2026 *Blue Chip Economic Indicators* released on January 9, 2026.[12] The long-term components of the baseline scenario for U.S. real activity, inflation, and interest rates are similar to the October 2025 *Blue Chip* release. The final baseline scenario paths for the other scenario variables are constructed according to the macro model for Stress Testing discussed in the Board's Proposed 2025 Scenario Design Policy Statement. This scenario is not a forecast of the Federal Reserve.

The baseline scenario for the United States features moderate economic growth. The unemployment rate moves up to 4.6 percent in the first quarter of 2026, and stays at that level through the third quarter of 2026, before gradually declining to 4.2 percent by the end of the scenario. Real GDP growth rises from 1 percent in the fourth quarter of 2025 to 2.1 percent by the first quarter of 2027 and hovers around that rate for the rest of the scenario. Inflation, measured as the quarterly change in the CPI and reported as an annualized rate, gradually declines from 2.8 percent at the end of 2025 to 2.2 percent in the first quarter of 2028, where it remains through the end of

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[11] The scenarios also can be downloaded (together with the historical time series of the variables) from the Board's website at https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm.

[12] See Wolters Kluwer Legal and Regulatory Solutions, *Blue Chip Economic Indicators* and *Blue Chip Financial Forecasts*.

the scenario. The 3-month Treasury rate decreases from 3.7 percent at the end of 2025 to 3.1 percent in the fourth quarter of 2026, and hovers around that level through the remainder of the scenario. The 10-year Treasury yield hovers around 4.1 percent, its value in the fourth quarter of 2025, for the duration of the scenario. The prime rate follows a path similar to short-term interest rates, but sits at a level 3 percentage points higher, reflecting the typical spread between the prime rate and the top of the federal funds target range.[13] Mortgage rates decline gradually from 6.2 percent at the end of 2025 to 5.7 percent by the third quarter of 2028 where they remain for the rest of the scenario. Yields on BBB-rated corporate bonds rise gradually from 5.1 percent in the fourth quarter of 2025 to 5.6 percent in the fourth quarter of 2027 and remain at that level through the end of the scenario. The spread between yields on BBB-rated bonds and yields on 10-year Treasury securities increases gradually from 1 percentage point in the fourth quarter of 2025 to a level of 1.5 percentage points by the first quarter of 2028 where it remains through the rest of the scenario.

Equity prices increase between about 4 and 5 percent per year throughout the scenario. Equity market volatility, as measured by the VIX, declines from 26 percent in the fourth quarter of 2025 to 22 percent in the second quarter of 2026, after which it gradually increases to 25 percent by the end of the scenario. Nominal house prices increase gradually for the duration of the scenario, while commercial real estate prices increase between about 4 and 5 percent per year.

The baseline paths for the international variables (see table 2.B) are similar to the trajectories reported in the January 2026 *Blue Chip Economic Indicators* and the International Monetary Fund's October 2025 *World Economic Outlook*.[14] In the baseline scenario, real GDP growth in developing Asia increases from 3.7 percent at the end of 2025 to 5.2 percent in the third quarter of 2026, after which it gradually declines to 3.9 percent in the second quarter of 2027. It then fluctuates between 3.9 percent and 4.6 percent through the end of the scenario. Real GDP growth in the euro area increases from 0.5 percent at the end of 2025 to 1.7 percent by the third quarter of 2026. It then declines gradually to 1.3 percent in the third quarter of 2027 and hovers around that level through the end of the scenario. Real GDP growth in the United Kingdom increases from 0.7 percent at the end of 2025 to 1.4 percent by the third quarter of 2026. It then declines to 1.3 percent in the first quarter of 2028 and remains at that level through the end of the scenario. GDP growth in Japan increases from 0.6 percent in the fourth quarter of 2025 to 0.9 percent in the second quarter of 2026. It then gradually declines to 0.6 percent by the second quarter of 2028 and hovers around that level through the end of the scenario.

Consumer price inflation in the euro area increases from 1.6 percent in the fourth quarter of 2025 to 2 percent in the second quarter of 2027 and then hovers around that level for the rest of the

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[13] See "Bank prime loan" in the Board's H.15 release at https://www.federalreserve.gov/releases/h15/.

[14] See International Monetary Fund, "Global Economy in Flux, Prospects Remain Dim," World Economic Outlook, October 2025, https://www.imf.org/en/publications/weo/issues/2025/10/14/world-economic-outlook-october-2025.

scenario. Consumer price inflation in the United Kingdom declines from 2.8 percent in the fourth quarter of 2025 to 2 percent in the fourth quarter of 2026 and then hovers around that level through the end of the scenario. Inflation in Japan decreases from 2.1 percent in the fourth quarter of 2025 to 1.8 percent in the second quarter of 2026, and hovers around that level for the remainder of the scenario. The inflation rate in developing Asia increases gradually from 1 percent in the fourth quarter of 2025 to 2.1 percent by the third quarter of 2028 and remains there for the rest of the scenario.

Severely Adverse Scenario

As noted, the proposed and final 2026 severely adverse scenarios are informed by the Board's Proposed 2025 Scenario Design Policy Statement.[15] Additionally, the guides described in the Proposed 2025 Scenario Design Policy Statement, the macro model for Stress Testing, and the proposed 2026 scenario that the Board has constructed based on that framework, are consistent with the Board's 2019 Scenario Design Policy Statement.[16] While that proposal is designed to provide more transparency around the Board's process and decisions, the Board expects that the resulting scenarios would, on balance, be similar to those that it has used in prior annual stress test exercises.

Therefore, in accordance with both the Board's 2019 Scenario Design Policy Statement, as well as the Board's Proposed 2025 Scenario Design Policy Statement, the Board's scenario design approach is informed by current macroeconomic and financial conditions, which are summarized here for the purposes of the design of the final severely adverse scenario. The current unemployment rate is near the consensus forecast of the long-run natural unemployment rate in the January 2026 *Blue Chip Economic Indicators*. As discussed in the previous section, the final 2026 baseline scenario paths for GDP growth and inflation see GDP growth rising and inflation remaining somewhat above the FOMC's 2 percent longer-run inflation goal.[17] Equity prices have increased about 16 percent from the fourth quarter of 2024 through the fourth quarter of 2025 and about 41 percent over the past two years. While house prices have remained largely flat over the past two years, they are about 37 percent higher than their level five years ago. Commercial real estate prices have remained relatively stable since early 2024 after significant declines in 2023, and the BBB spread remains low relative to its historical series. This summary of current macroeconomic and financial conditions should not be interpreted as an assessment of likely future developments but informs the design of the severely adverse scenario, consistent with the Board's expectation that scenario severity generally will be higher during economic expansions or periods when asset values have increased or to avoid adding sources of procyclicality through the stress test.

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[15] See Enhanced Transparency and Public Accountability Proposal, 90 FR 51856 (Nov. 18, 2025).

[16] See https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm.

[17] Federal Open Market Committee, "Statement on Longer-Run Goals and Monetary Policy Strategy," amended August 22, 2025, https://www.federalreserve.gov/monetarypolicy/files/fomc_longerrungoals.pdf.

In the Proposed 2025 Scenario Design Policy Statement, the guides for the scenario variables include ranges for the values controlling certain features of the scenario paths, within which the Board has discretion to choose values based on current conditions and other relevant considerations. For this year's scenario, the Board calibrated the values of scenario characteristics for which the guides would provide flexibility, such as the peak values of the BBB spread and VIX, near or in the upper one-third of their ranges of severity. The Board chose this calibration to generate an appropriate level of overall severity given the paths of the unemployment rate and house prices, and given the prevailing macroeconomic and financial conditions described above. This calibration is consistent with the Board's goal of improving predictability and transparency of the annual scenarios. The calibration also reflects both the Board's principle of conservatism and its goal that the annual stress tests should not add to other sources of procyclicality in the financial system.

For some variables, the calibration of these scenario characteristics in the final 2026 scenario may deviate slightly from the upper one-third of their ranges of severity, depending on how the jump-off values of these variables changed in response to the arrival of new data between the release of the proposed 2026 scenario and mid-January 2026. For more details, see "Methodology to Update the Scenarios to Incorporate Additional Data Releases."

Details of the Severely Adverse Scenario

Consistent with the approach described in the proposed 2026 severely adverse scenario, the final 2026 severely adverse scenario is characterized by a severe global recession triggered by an abrupt decline in risk appetite that causes substantial declines in risky asset prices and declines in risk-free interest rates. At times during the first months of this scenario, financial market functioning is impaired, leading to substantial additional volatility. Those disruptions spill over into large reductions in household demand for goods and services and significantly reduce employment and business investment. The low levels of risk appetite and the declines in income and wealth persist for some time and lead to a protracted recession in the United States and abroad. This is a hypothetical scenario designed to assess the strength and resilience of banks and does not represent a forecast of the Federal Reserve.

Consistent with both the 2019 Scenario Design Policy Statement and the Proposed 2025 Scenario Design Policy Statement, under the final 2026 severely adverse scenario, the U.S. unemployment rate climbs to a peak of 10 percent in the third quarter of 2027 (see table 3.A), a 5.5 percentage point increase relative to its fourth-quarter 2025 level. The unemployment rate reaches its peak in the seventh quarter of the scenario, which is the midpoint of the range of six to eight quarters generally established by the guide for the unemployment rate to reach its peak. The Board chose this middle value for the timing of the peak of the unemployment rate to balance the marginal effect of a slightly more-severe or less-severe path for the unemployment rate on overall scenario severity.

House prices fall steadily through the fourth quarter of 2027, reaching a trough that is about 30 percent below their level in the fourth quarter of 2025. The level of this trough is determined by the relevant component of the guide for the house prices in the Proposed 2025 Scenario Design Policy Statement, which is the same as the guide in the Board's 2019 Scenario Design Policy Statement. The eighth-quarter trough timing is at the lower end of the range of 8 to 10 quarters suggested by the Proposed 2025 Scenario Design Policy Statement's guide for house prices, in line with the Board's proposal to calibrate most of the scenario variables for which the Board retains some discretion near the upper one-third of their ranges of severity.

The spread between mortgage rates and 10-year Treasury yields widens 1.3 percentage points to reach a level of 3.4 percentage points by the third quarter of 2026 before narrowing to a level of about 2.4 percentage points at the end of the severely adverse scenario. The jump-off-to-peak increase of 1.3 percentage points is near the upper one-third of the range of 0.7 to 1.6 percentage points specified by the proposed guide for the mortgage spread. The mortgage spread reaches its peak in the third quarter of the scenario, which is the early end of the range of three to four quarters suggested by the guide for the spread to reach its peak. In determining the trajectory of the mortgage spread from its jump-off point to its trough, the guide for the mortgage spread in the Board's Proposed 2025 Scenario Design Policy Statement specifies a range for the proportion of declines in each quarter along the trajectory to the peak. In the final severely adverse scenario, 62 percent of the jump-off-to-peak increase in the mortgage spread occurs in the first quarter of the scenario, which is near the upper one-third of the range of 50 to 70 percent suggested by the proposed guide, in line with the Board's determination to calibrate most of the scenario variables for which the Board retains some discretion near the upper one-third of their ranges of severity.

Equity prices fall about 58 percent from the fourth quarter of 2025 through the third quarter of 2026. The jump-off-to-trough decline of about 58 percent aligns with the guide for equity prices in the Board's Proposed 2025 Scenario Design Policy Statement, and reflects that equity prices, as proxied by the U.S. Dow Jones Total Stock Market Index, have risen 16 percent from the fourth quarter of 2024 through the fourth quarter of 2025. The guide for equity prices in the Proposed 2025 Scenario Design Policy Statement reflects the principle that equity prices in the scenario fall more after periods when they have risen more. In the final severely adverse scenario, 67 percent of the decline in equity prices occurs in the first quarter of the scenario while 17 percent occurs in the second quarter. These values for the trajectory of equity prices are at the upper one-third of the respective ranges specified by the guide, in line with the Board's decision to calibrate most of the scenario variables for which the Board retains some discretion near the upper one-third of their ranges of severity.

The VIX, measured as the highest daily closing value per quarter, reaches a peak of 72 percent in the second quarter of 2026. Seventy-three percent of the increase in the VIX occurs in the first quarter of the scenario. This value, and the peak value of the VIX of 72 percent, are in the top one-third of their respective ranges in the proposed guide for the VIX.

Conditions in corporate bond markets deteriorate markedly, as the scenario specifies a sudden decline in risk appetite and worsening business conditions. The spread between yields on BBB-rated bonds and yields on 10-year Treasury securities increases 4.7 percentage points by the third quarter of 2026, reaching a level of 5.7 percentage points. Seventy-two percent of the jump-off-to-peak increase in the BBB spread occurs in the first quarter of the scenario. The peak level of 5.7 percentage points and the pace of the increase in the BBB spread are both near the upper one-third of their respective ranges suggested by the guide for the BBB spread in the Board's Proposed 2025 Scenario Design Policy Statement.

Commercial real estate prices reach a trough in the fourth quarter of 2027 that is 39 percent below their level at the end of 2025. The jump-off-to-trough decline in commercial real estate prices is near the top one-third of the range of 30 to 45 percent suggested by the guide for commercial real estate prices in the Proposed 2025 Scenario Design Policy Statement. Commercial real estate prices reach their trough in the eighth quarter of the scenario, which is the bottom of the range of eight to ten quarters suggested by the guide for commercial real estate prices to reach their trough, in line with the Board's proposal to calibrate most of the scenario variables for which the Board retains some discretion near the upper one-third of their ranges of severity.

The final severely adverse scenario paths for real GDP, inflation, and the 3-month Treasury rate are generated by the macro model for Stress Testing discussed in the Proposed 2025 Scenario Design Policy Statement, when given the path for the unemployment rate.[18] Real GDP declines 4.6 percent from the fourth quarter of 2025 to its trough in the second quarter of 2027, before recovering to the level at the jump-off. This path for real GDP is based on the path for the unemployment rate given the version of Okun's law in the macroeconomic model.[19] Real disposable income, which depends in part on real GDP, declines about 1 percent in the proposed scenario from the fourth quarter of 2025 to its trough in the fourth quarter of 2026, before recovering and gradually surpassing its level at the jump-off. The Phillips curve component of the model projects a significant reduction in inflation given the rising unemployment rate and the rapid decline in aggregate demand for goods and services. Inflation, measured as the quarterly change in the CPI and reported as an annualized rate, falls from 2.8 percent in the fourth quarter of 2025 to

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[18] See Enhanced Transparency and Public Accountability Proposal, 90 FR 51856 (Nov. 18, 2025).

[19] Okun's law is a well-established economic relationship linking fluctuations in the unemployment rate to fluctuations in real GDP. See Arthur M. Okun, "Potential GNP: Its Measurement and Significance," in *Proceedings of the Business and Economics Section,* 98–103. See also Jonathan McCarthy, Simon M. Potter, and Ging Cee Ng. "Okun's Law and Long Expansions, March 27, 2012, https://libertystreeteconomics.newyorkfed.org/2012/03/okuns-law-and-long-expansions/.

1 percent in the fourth quarter of 2026 and then gradually increases to 1.3 percent by the end of the scenario. The paths of inflation and a measure of the output gap, which depends on the unemployment rate, are inputs to the Taylor rule used in the macroeconomic model, which in turn determines the 3-month Treasury rate. The 3-month Treasury rate falls significantly from 3.7 percent in the fourth quarter of 2025 to 0.1 percent by the second quarter of 2026 and remains there for the remainder of the scenario.

The paths for long-term interest rates, as measured by the 5-year and 10-year Treasury yields, are determined by two components. The initial paths to the trough are determined in alignment with the proposed guides. The paths from the trough to the end of the scenario are determined by the macro model for Stress Testing. These paths are therefore informed by the scenario paths of short-term interest rates and estimates of likely term premiums in an economic environment consistent with the narrative for the severely adverse scenario. Overall, the jump-off-to-trough declines in the 5-year and 10-year Treasury yields are consistent with key features of the scenario, including severe declines in aggregate demand for goods and services and in risk appetite at the start of the scenario. In general, a decline in long-term interest rates may have a positive or negative effect on the severity of the scenario for a given firm depending on the firm's exposure to interest rate risk—which may vary from year to year depending on the firm's portfolio—due to the opposing effects that changes in interest rates have on net interest margins and on the market-adjusted valuations of long-term, fixed-rate securities.

In proposing and finalizing the paths for long-term interest rates, the Board took into consideration the current level of long-term interest rates and their changes in recent recessions. In the final severely adverse scenario, the 5-year and 10-year Treasury yields fall 2.4 percentage points and 1.8 percentage points to 1.3 percent and 2.3 percent, respectively, by the fourth quarter of 2026. These declines are roughly in line with the declines of 2.6 percentage points and 1.6 percentage points, respectively, experienced between the third quarter of 2007 and the first quarter of 2009 during the 2007–2009 financial crisis. That recession was comparable in magnitude and length to the hypothetical recession in the scenario, and significantly deeper and longer lasting than the early 2000s recession or the 2020 pandemic recession, during which rates declined by less. Consistent with their guides, the declines in the 5-year and 10-year Treasury yields are frontloaded, with 54 percent and 56 percent of the declines, respectively, occurring in the first quarter of the scenario, in line with the severe contraction in economic activity and heightened uncertainty featured in the scenario. The sizable declines in the 5-year and 10-year Treasury yields, the speed of those declines, and the timing of their troughs are appropriate given the modeled decline of the 3-month Treasury bill yield and its persistence at a near-zero level in this scenario.[20] In addition,

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[20] See, e.g., Refet S. Gürkaynak, Brian Sack, and Eric Swanson, "The Sensitivity of Long-Term Interest Rates to Economic News: Evidence and Implications for Macroeconomic Models," *American Economic Review* 95, 425–436. See also Refet S. Gürkaynak, Brian Sack, and Jonathan H. Wright, "The U.S. Treasury Yield Curve: 1961 to the Present," *Journal of Monetary Economics* 54, 2291–2304.

the timing of the troughs of the long-term interest rates in the fourth quarter of the final severely adverse scenario reflects the Board's willingness to balance the effects that changes in interest rates have on net interest margins and on the market-adjusted values of long-term, fixed-rate securities.

The international component of the proposed severely adverse scenario involves a sharp deterioration in foreign economic activity, in line with the experience of the 2007–2009 financial crisis (see table 3.B). In the euro area, the United Kingdom, and Japan, real GDP declines about 7.5 percent relative to its value in the baseline scenario by the end of 2026, which is consistent with the deviation observed in the level of real GDP in the first quarter of 2009 from a baseline path derived from the April 2008 IMF World Economic Outlook (WEO) forecast as described in the guides for the international variables in the Board's Proposed 2025 Scenario Design Policy Statement. As a result, these advanced economies experience recessions with real GDP declining from jump-off to trough by 6.1 percent in the euro area, 6.3 percent in the United Kingdom, and 6.7 percent in Japan. In developing Asia, real GDP grows at a slower pace and runs about 3 percent below baseline by the end of 2026. Over the same period, inflation declines about 3 percentage points below baseline in the advanced economies, and 5 percentage points below baseline in developing Asia. The U.S. dollar appreciates about 15 percent against the euro and the British pound, while it depreciates mildly against the Japanese yen by 1 percent, consistent with its historical behavior between the first quarter of 2008 and the first quarter of 2009. Consistent with the guides for the international variables in the Board's Proposed 2025 Scenario Design Policy Statement, the deviation of each international scenario variable from its baseline path is similar to that observed during the 2007–2009 financial crisis.

Comparison of the 2026 Severely Adverse Scenario to the 2025 Severely Adverse Scenario

In general, changes in the paths of scenario variables from year to year reflect a combination of changes arising from different jump-off levels and, for those variables where the Board retains some discretion, choices by the Board about the appropriate level of scenario severity. In the final severely adverse scenario, the unemployment rate in the United States rises to the same level as in the 2025 severely adverse scenario. The increase in the unemployment rate currently is smaller in this year's scenario, reflecting the higher jump-off level. This is consistent with the guide for the unemployment rate in both the Proposed 2025 Scenario Design Policy Statement and the 2019 Scenario Design Policy Statement, which both call for an increase in the unemployment rate to at least a level of 10 percent given current conditions.

In this year's scenario, the paths for real GDP, real disposable income, inflation, and the 3-month Treasury rate are generated by the macro model for Stress Testing, given the path for the unemployment rate and other modeled factors. Real GDP declines by less and reaches its trough one

quarter later compared to last year's scenario. The decline in inflation is larger compared to last year's scenario. These differences reflect both the new model and this year's jump-off conditions. The path for real disposable income also features a lower decline compared to last year, as it depends on the path for real GDP.

The 3-month Treasury rate reaches the same trough level as in last year's scenario but declines somewhat less, owing to its slightly lower jump-off level in this year's final scenario. As described above, the 5-year and 10-year Treasury yields decline somewhat less in response to the hypothetical drop in economic activity and inflation and reach their troughs somewhat later than in last year's scenario. The final severely adverse scenario also features a somewhat smaller decline in house prices as compared to the previous year's severely adverse scenario, consistent with the guide for house prices in both the Proposed 2025 Scenario Design Policy Statement and the 2019 Scenario Design Policy Statement, both of which call for a smaller decline in house prices when the ratio of nominal house prices to per capita disposable income is lower. Mortgage spreads reach higher levels than in last year's scenario. Commercial real estate prices decline more than in last year's scenario, but the decline is similar to past scenarios.

The decline in equity prices is more severe than in last year's scenario, reflecting the effect of the increase in equity prices since last year in the proposed guide for equity prices. In this year's scenario, the VIX and the BBB spread both reach levels that are higher than in last year's scenario but similar to those in prior years. The international component of the final severely adverse scenario is consistent with the design of international scenarios described in both the Proposed 2025 Scenario Design Policy Statement and the Board's 2019 Scenario Design Policy Statement. The final scenario shows a recessionary episode that, relative to last year's severely adverse scenario, is somewhat less severe for Japan and developing Asia and is somewhat more severe for the euro area and the United Kingdom. This scenario is consistent with the level of stress in foreign economies that manifested during the 2007–2009 financial crisis.

Methodology to Update the Scenarios to Incorporate Additional Data Releases

After disclosing the proposed severely adverse scenario for public comment, the Board made two types of revisions to the scenario. First, the Board considered revisions to the scenario to address comments received from the public.[21] Second, the Board made revisions to incorporate additional data releases that occurred after the publication of the proposed 2026 scenario and affect the historical values of specific scenario variables. This section of the notice addresses the second type: data-based revisions to the severely adverse scenario.

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[21] See Board, Review of Comments and Summary of Changes to the Proposed 2026 Stress Test Scenarios, available at https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm.

The historical dataset that accompanied the proposed severely adverse scenario was based on data released through August 29, 2025. For the final 2026 scenarios, the final dataset incorporates data released through mid-January 2026, as well as updated external forecasts. In particular, the final dataset reflects new data for the jump-off quarter of the scenarios. As the scenario paths for all variables are dependent on the conditions during the jump-off quarter, the severely adverse scenario has been revised to reflect the updated jump-off conditions.

The process for updating the scenario paths given an updated historical dataset comprises two steps. First, variables that are determined by formula-based guides are updated by referencing the scenario guides in the Proposed 2025 Scenario Design Policy Statement to the new jump-off points in the historical dataset. Variables that are informed by guides that allow for some discretion by the Board are adjusted to match the same level of the peak or trough in the released scenario, unless doing so would conflict with some other aspect of that particular guide.[22] These updates generally require a change in the trajectory from the new jump-off points that will follow the process described in that portion of the guides. Next, the updated historical dataset and scenario paths for guide-based variables are used as inputs to rerun the scenario model to update the scenario paths for all model-determined variables.[23]

Guide-based variables

The scenario guides described in the Proposed 2025 Scenario Design Policy Statement allow, in some cases, for judgment within a range. As such, updating the paths for the guide-based variables follows the general principle that revisions to the severely adverse scenario that arise because of changes in macroeconomic and financial conditions should avoid making the scenario more severe, should financial and macroeconomic conditions worsen. Conversely, the revisions should also avoid making the scenario less severe should financial and macroeconomic conditions improve. An additional consideration is that the overall scenario severity is a function of both levels and changes in the scenario variables.

In line with this principle, the Board's standard approach to revising the scenario in response to new data generally keeps constant the level reached by each variable at its peak or trough in the scenario released for comment for the guide-based variables, so long as this level implies a

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[22] Guide-based variables refer to stress test scenario variables for which the Board has published scenario guides, as reflected in the Board's 2019 Scenario Design Policy Statement and the Proposed 2025 Scenario Design Policy Statement. These guides include the unemployment rate and house prices, and are proposed to include the yield on BBB corporate bonds, the rate on 30-year conforming mortgages, commercial real estate prices, equity prices, VIX, the yield on 5-year Treasuries, and the yield on 10-year Treasuries. The methodology to update the paths of the international scenario variables, which include GDP, inflation, and exchange rates for the four countries or country blocs, differs slightly from that for the other guide-based variables, as described below. As noted, the Proposed 2025 Scenario Design Policy Statement remains consistent with the 2019 Scenario Design Policy Statement.

[23] Model-determined variables refer to the domestic variables for which the Proposed 2025 Scenario Design Policy Statement proposes employing the macro model for Stress Testing to determine their scenario paths. These include real and nominal GDP, real and nominal disposable personal income, CPI inflation, the rate on 3-month Treasuries, and the prime lending rate.

change relative to the jump-off value that is aligned with that variable's scenario guide. The Board generally deviates from this default updating method for the peak or trough value of guide-based variables in cases where, for example, maintaining the peak or trough level achieved in the scenario results in a conflict with any element of the scenario guide for a variable. This could be the case when data released between the disclosure of the proposed and final scenario indicate significant changes in the jump-off conditions. In such instances, the Board would adjust to target an appropriate level of change, as described in the Proposed 2025 Scenario Design Policy Statement with respect to that variable's scenario guide and informed by the Board's supervisory experience and expertise.[24]

Under either approach, the revisions generally keep constant the quarters in which the peak or trough values are attained, barring substantial changes in the economic or financial environment. For each variable, the revisions are phased in by adjusting the scenario path through the peak or trough, thus altering the changes relative to the jump-off point.

Furthermore, the values of variables at the end of the scenario and the trajectory from the trough or the peak to the end point are updated to reflect the new jump-off data, as described in the Proposed 2025 Scenario Design Policy Statement. For the guide-based variables, the Board's standard approach generally keeps constant the percentage change between the peak or the trough and the end point, which helps to match the roughly linear trajectory to the end value in the proposed severely adverse scenario. The exceptions are the 5- and 10-year Treasury yields for which the end values and the trajectory are determined by the macro model for Stress Testing.

Model-based variables

To update the scenario paths for model-based variables, the Board recomputes their full scenario paths using the macro model for Stress Testing outlined in the Proposed 2025 Scenario Design Policy Statement taking as inputs the updated historical dataset and the updated scenario paths for the guide-based variables. This approach may result in revisions to the scenario paths for these variables relative to the proposed scenario disclosed for public comment but maintains the appropriate level of scenario severity and ensures overall consistency across all the variables in the stress test scenario.

International variables

To update the paths for the international variables in the final 2026 severely adverse scenario, the Board proceeds in two steps. First, new data releases are incorporated to update the historical

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[24] For example, consider a proposed scenario released for public comment where the VIX increases from a jump-off value of 30 percent to a peak level of 65 percent. If, when incorporating new data, the jump-off value becomes 60 percent, then maintaining a peak level of 65 percent implies an increase of only 5 percentage points, which is less than the minimum allowed change of 10 percentage points defined in this variable's scenario guide.

values and the baseline path for the international variables. Second, given the new jump-off values and baseline paths, scenario variables are updated to match the same targets specified in the scenarios released for comments. As described in the Proposed 2025 Scenario Design Policy Statement, these targets are expressed in terms of peak deviation from baseline for GDP and inflation, and in terms of peak deviation from the jump-off value for the exchange rate.

Global Market Shock Component for the Supervisory Severely Adverse Scenario

The global market shock component for the severely adverse scenario (global market shock) is a set of hypothetical shocks to a large set of risk factors reflecting general market distress and heightened uncertainty. Banks with significant trading activity must consider the global market shock as part of the supervisory severely adverse scenario in their company-run stress test.[25] The losses associated with the global market shock are recognized in the first quarter of the scenario and are carried through all subsequent quarters. In addition, certain large and highly interconnected firms must apply the same global market shock to project losses under the counterparty default scenario component. The global market shock is applied to positions held by the banks on a given as-of date, which is October 17, 2025, for the 2026 stress test cycle.[26] These shocks do not represent a forecast of the Federal Reserve.

The design and specification of the global market shock differ from the macroeconomic scenarios in several ways. First, profits and losses from trading and counterparty credit are measured in mark-to-market terms, while revenues and losses from traditional banking are generally measured using the accrual method. Another key difference is the timing of loss recognition. The global market shock affects the mark-to-market value of trading positions and counterparty credit losses in the first quarter of the severely adverse scenario. This timing is based on an observation that market dislocations can happen rapidly and unpredictably at any time under stressed conditions. Applying the global market shock in the first quarter ensures that potential losses from trading and counterparty exposures are incorporated into banks' capital ratios in each quarter of the severely adverse scenario.

The global market shock is specified by a large set of risk factors that include, but are not limited to

- public equity returns from key advanced economies and from developing and emerging market economies, along with selected points along term structures of equity option-implied volatilities;

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[25] The global market shock applies to a firm that is subject to the stress test; that has aggregate trading assets and liabilities of $50 billion or more, or aggregate trading assets and liabilities equal to 10 percent or more of total consolidated assets; and that is not a Category IV firm under the Board's tailoring framework. See 12 CFR 238.143(b)(2)(i); 12 CFR 252.14(b)(2)(i); 12 CFR 252.54(b)(2)(i).

[26] The as-of date window for the global market shock is subject to change. The Board has invited comment on this as-of date change.

- exchange rates of foreign currencies, along with selected points along term structures of foreign exchange option-implied volatilities;

- government yields at selected maturities (e.g., 10-year U.S. Treasuries), swap rates, and other types of interest rates for key advanced economies and from developing and emerging market economies;

- implied volatilities on interest rate options for selected maturities and expiration dates, which are key inputs to the pricing of interest rate derivatives;

- futures prices at various expiration dates for commodity products such as energy, oil, metals, and agricultural products; and

- credit spreads or prices for selected credit-sensitive products, including corporate bonds, credit default swaps (CDS), securitized products, sovereign debt, and municipal bonds.

The Board considers emerging and ongoing areas of financial market vulnerabilities in the development of the global market shock. This assessment of potential vulnerabilities is informed by financial stability reports, supervisory information, and internal and external assessments of potential sources of distress such as geopolitical, economic, and financial market events.

The global market shock includes a set of risk factor shocks to financial market variables that apply to all banks with significant trading activity. Depending on the type of financial market vulnerability that the global market shock is intended to assess, the risk factor shocks could be based on a single historical episode, multiple historical periods, hypothetical events that are based on relevant economic indicators of economic and financial conditions, or a hybrid approach comprising some combination of historical episodes and hypothetical events. A market shock based on hypothetical events may result in changes in risk factors that have not been observed historically.[27]

Risk factor shocks are calibrated using assumed time horizons. The calibration horizons reflect several considerations related to the scenario being modeled. One important consideration is the liquidity characteristics of different risk factors. These characteristics may vary depending on the specified market shock narrative. More specifically, the calibration horizons reflect the variation in the speed at which banks could reasonably close out, or effectively hedge, risk exposures in the event of market stress. The calibration horizons are generally longer than the typical times needed to liquidate exposures under normal conditions because they are designed to capture the unpredictable liquidity conditions that prevail in times of stress.[28] In addition, shocks to risk factors in more liquid markets, such as those for government securities, foreign exchange, or public equities, are calibrated to shorter horizons (1 month), while shocks to risk factors in less liquid

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[27] For example, credit spread changes in the municipal credit markets during March and April of 2020 would have been considered unprecedented had they been used in earlier global market shocks.

[28] The liquidity of previously well-functioning financial markets can undergo abrupt changes in times of financial stress. For example, prior to the Global Financial Crisis, AAA-rated private-label RMBS would likely have been considered highly liquid, but their liquidity deteriorated drastically during the crisis period.

markets, such as those for non-agency securitized products, have longer calibration horizons (3 months).

2026 Global Market Shock Component of the Supervisory Severely Adverse Scenario

The 2026 global market shock is characterized by heightened market expectations of persistently high inflation, higher commodity prices, and a global recession. The scenario has certain elements in common with prior episodes of market reactions to periods of expected high inflation combined with low growth, such as the oil crisis of the 1970s. That period was also characterized by commodity price increases.

Both short-term and long-term Treasury rates rise sharply driven by higher inflation expectations. Heightened inflation expectations drive commodity prices upward.

The expected fall in economic activity leads to notable equity price declines across global markets. Concerns about corporate credit defaults in light of the economic slowdown leads to wider credit spreads.

The U.S. dollar strengthens, exhibiting large gains against the euro and moderate gains against the Japanese yen driven by higher yields in the U.S.

Comparison of the 2026 Global Market Shock Component and the 2025 Global Market Shock Component

The 2026 global market shock features expectations for higher inflation, while last year's global market shock was characterized by expectations for lower inflation. Accordingly, the main difference between the 2025 and 2026 global market shocks is the behavior of interest rates, foreign exchange rates, and commodities prices. Treasury yields increase across all tenors in the current global market shock, whereas last year, yields decreased with short-term yields falling more than long-term yields. Inflation breakeven rates increase in the current global market shock, while they decreased in the 2025 global market shock.

The U.S. dollar appreciates against most major currencies in both the 2025 and 2026 global market shocks. However, an exception is that the dollar appreciates against the Japanese yen in the 2026 global market shocks, while it depreciated against the yen in the 2025 global market shock. In both years, the U.S. dollar appreciates with respect to emerging market currencies. Commodities—such as gold, oil, and natural gas—exhibit price increases due to inflationary pressures in the current global market shock, while commodity prices decreased in the 2025 global market shock. Credit spreads widen and equity prices fall in both the 2025 and 2026 global market shocks.

Counterparty Default Component of the Supervisory Severely Adverse Scenario

Large firms with substantial trading or custodial operations are required to incorporate a counterparty default scenario component into their supervisory severely adverse scenario for 2026 and recognize associated losses in the first quarter of the scenario.[29] This component involves the unexpected default of the firm's largest counterparty. In identifying its largest counterparty, a firm subject to the counterparty default component will not consider certain entities.[30] In addition to certain sovereign entities and qualified central counterparties, certain multilateral development banks and supranational entities (International Bank for Reconstruction and Development, International Monetary Fund, Bank for International Settlements, European Commission, and European Central Bank) will not be considered for the counterparty default component to better align the treatment of these entities across regulatory exercises.[31]

The counterparty default scenario component is an add-on to the Federal Reserve's severely adverse scenario: firms are required to estimate and report the potential losses and related effects on capital associated with the unexpected default of the counterparty that would generate the largest net stressed losses across their derivatives and securities financing transactions.

Net stressed losses are estimated by applying the global market shock to revalue securities financing transactions and derivatives, including collateral posted or received. The as-of date for the counterparty default scenario component is the same as-of date as for the global market shock component.[32]

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[29] The Board may require a company to include one or more additional components in its severely adverse scenario in the annual stress test based on the company's financial condition, size, complexity, risk profile, scope of operations, or activities, or based on risks to the U.S. economy. See 12 CFR 238.143(b)(2)(ii); 12 CFR 252.14(b)(2)(ii); 12 CFR 252.54(b)(2)(ii).

[30] In identifying its largest counterparty, a firm subject to the counterparty default component will not consider the United States and sovereign entities with a rating equivalent to "AA-" or higher based on the firm's internal credit rating system, certain multilateral development banks and supranational entities (International Bank for Reconstruction and Development, International Monetary Fund, Bank for International Settlements, European Commission, and European Central Bank), or qualifying central counterparties (QCCPs). See the definition of a QCCP at 12 CFR 217.2.

Please note that although the International Bank for Reconstruction and Development is excluded, the other subsidiaries of World Bank Group (including the International Development Association, International Finance Corporation, Multilateral Investment Guarantee Agency, and International Centre for Settlement of Investment Disputes) must be considered when selecting the firm's largest counterparty.

U.S. IHCs are not required to include any affiliate as a counterparty. An affiliate of a company includes a parent of the company, as well as any other firm that is consolidated with the company under applicable accounting standards, including U.S. generally accepted accounting principles or International Financial Reporting Standards. See 12 CFR 252.171(b) & (f).

[31] The Board is separately proposing to exclude certain sovereign entities from the counterparty default component for future stress test cycles. See the description of the Largest Counterparty Default Model, available at https://www.federalreserve.gov/supervisionreg/dfa-stress-tests-2026.htm. See also Enhanced Transparency and Public Accountability Proposed Rule.

[32] As with the global market shock component, a firm subject to the counterparty default component may use data as of the date that corresponds to its weekly internal risk reporting cycle so long as it falls during the business week of the as-of date for the counterparty default scenario component.

Variables for the Supervisory Scenarios

Table 2.A. Historical data: Domestic variables, Q1:2000–Q4:2025															
Percent, unless otherwise indicated															
													Level		
Date	Real GDP growth	Nominal GDP growth	Real dispos-able income growth	Nominal dispos-able income growth	Unem-ployment rate	CPI inflation rate	3-month Treasury rate	5-year Treasury yield	10-year Treasury yield	BBB corpo-rate rate yield	Mort-gage rate	Prime rate	Dow Jones Total Stock Market Index	House Price Index	Commer-cial Real Estate Price Index	Market Volatility Index
Q1 2000	1.5	4.2	7.2	10.7	4.0	4.0	5.5	6.6	6.7	8.3	8.3	8.7	14,296	102	125	27.0
Q2 2000	7.5	10.2	4.8	6.8	3.9	3.2	5.7	6.5	6.4	8.6	8.3	9.2	13,619	105	133	33.5
Q3 2000	0.4	2.8	5.4	8.1	4.0	3.7	6.0	6.1	6.1	8.2	8.0	9.5	13,613	107	142	21.9
Q4 2000	2.4	4.6	2.7	5.1	3.9	2.9	6.0	5.6	5.8	8.0	7.6	9.5	12,176	110	145	31.7
Q1 2001	-1.3	1.3	3.2	6.3	4.2	3.9	4.8	4.9	5.3	7.5	7.0	8.6	10,646	112	144	32.8
Q2 2001	2.5	5.0	-0.3	1.6	4.4	2.8	3.7	4.9	5.5	7.5	7.1	7.3	11,407	114	145	34.7
Q3 2001	-1.6	0.0	9.5	9.7	4.8	1.1	3.2	4.6	5.3	7.2	7.0	6.6	9,563	116	146	43.7
Q4 2001	1.1	2.4	-6.5	-6.3	5.5	-0.3	1.9	4.2	5.1	7.1	6.8	5.2	10,708	118	139	35.3
Q1 2002	3.4	4.7	9.9	10.8	5.7	1.3	1.7	4.5	5.4	7.4	7.0	4.8	10,776	120	143	26.1
Q2 2002	2.5	3.9	3.2	6.3	5.8	3.2	1.7	4.5	5.4	7.5	6.8	4.8	9,384	124	141	28.4
Q3 2002	1.6	3.6	0.5	2.6	5.7	2.2	1.6	3.4	4.5	7.2	6.3	4.8	7,774	127	143	45.1
Q4 2002	0.5	2.8	2.5	4.4	5.9	2.4	1.3	3.1	4.3	6.9	6.1	4.5	8,343	129	149	42.6
Q1 2003	2.1	4.1	0.1	3.2	5.9	4.2	1.2	2.9	4.2	6.2	5.8	4.3	8,052	132	155	34.7
Q2 2003	3.6	5.1	4.6	5.0	6.1	-0.7	1.0	2.6	3.8	5.3	5.5	4.2	9,342	135	153	29.1
Q3 2003	6.8	9.3	7.0	9.8	6.1	3.0	0.9	3.1	4.4	5.6	6.0	4.0	9,650	139	149	22.7
Q4 2003	4.7	7.3	1.1	3.1	5.8	1.5	0.9	3.2	4.4	5.4	5.9	4.0	10,800	143	151	21.1
Q1 2004	2.3	5.2	1.8	5.0	5.7	3.4	0.9	3.0	4.1	5.0	5.6	4.0	11,039	148	161	21.6
Q2 2004	3.1	6.5	4.2	7.0	5.6	3.2	1.1	3.7	4.7	5.7	6.1	4.0	11,145	154	169	20.0
Q3 2004	3.8	6.5	2.6	4.6	5.4	2.6	1.5	3.5	4.4	5.4	5.9	4.4	10,894	159	179	19.3
Q4 2004	4.1	7.4	4.7	8.4	5.4	4.4	2.0	3.5	4.3	5.1	5.7	4.9	11,952	165	179	16.6
Q1 2005	4.5	7.9	-5.3	-3.1	5.3	2.0	2.5	3.9	4.4	5.2	5.8	5.4	11,637	172	186	14.7
Q2 2005	2.0	5.0	3.7	6.4	5.1	2.7	2.9	3.9	4.2	5.4	5.7	5.9	11,857	179	190	17.7
Q3 2005	3.2	7.0	1.5	5.9	5.0	6.2	3.4	4.0	4.3	5.4	5.8	6.4	12,283	185	198	14.2
Q4 2005	2.2	5.6	3.6	7.0	5.0	3.8	3.8	4.4	4.6	5.8	6.2	7.0	12,497	190	204	16.5
Q1 2006	5.5	8.5	7.6	9.9	4.7	2.1	4.4	4.6	4.7	5.8	6.2	7.4	13,122	194	210	14.6
Q2 2006	1.0	4.6	1.5	5.1	4.6	3.7	4.7	5.0	5.2	6.3	6.6	7.9	12,809	192	219	23.8
Q3 2006	0.6	3.4	0.6	3.5	4.6	3.8	4.9	4.8	5.0	6.3	6.6	8.3	13,323	191	225	18.6
Q4 2006	3.5	5.0	5.0	4.3	4.4	-1.6	4.9	4.6	4.7	6.0	6.2	8.3	14,216	191	232	12.7
Q1 2007	1.2	5.1	3.1	6.9	4.5	4.0	5.0	4.6	4.8	6.0	6.2	8.3	14,354	189	238	19.6
Q2 2007	2.5	5.3	2.0	5.5	4.5	4.6	4.7	4.7	4.9	6.2	6.4	8.3	15,163	183	246	18.9
Q3 2007	2.3	4.6	0.7	3.0	4.7	2.6	4.3	4.5	4.8	6.5	6.6	8.2	15,318	178	251	30.8
Q4 2007	2.5	4.2	0.5	4.6	4.8	5.0	3.4	3.8	4.4	6.3	6.2	7.5	14,754	173	249	31.1

(continued)

												Level			
Date	Real GDP growth	Nominal GDP growth	Real dispos-able income growth	Nominal dispos-able income growth	Unem-ployment rate	CPI inflation rate	3-month Treasury rate	5-year Treasury yield	10-year Treasury yield	BBB corpo-rate yield	Mort-gage rate	Prime rate	Dow Jones Total Stock Market Index	House Price Index	Commer-cial Real Estate Price Index	Market Volatility Index
Q1 2008	-1.7	-0.2	1.7	5.1	5.0	4.4	2.1	2.8	3.9	6.4	5.9	6.2	13,284	166	229	32.2
Q2 2008	2.4	4.4	8.5	12.8	5.3	5.3	1.6	3.2	4.1	6.7	6.1	5.1	13,016	158	232	24.1
Q3 2008	-2.1	0.9	-7.5	-3.5	6.0	6.3	1.5	3.1	4.1	7.1	6.3	5.0	11,826	151	227	46.7
Q4 2008	-8.5	-7.6	4.6	-1.9	6.9	-8.9	0.3	2.2	3.7	9.7	5.9	4.1	9,057	144	220	80.9
Q1 2009	-4.5	-4.8	-0.3	-3.0	8.3	-2.7	0.2	1.9	3.2	9.1	5.1	3.3	8,044	139	206	56.7
Q2 2009	-0.7	-1.4	2.7	4.3	9.3	2.1	0.2	2.3	3.7	8.1	5.0	3.3	9,343	139	171	42.3
Q3 2009	1.4	1.9	-4.8	-2.1	9.6	3.5	0.2	2.5	3.8	6.5	5.2	3.3	10,813	140	166	31.3
Q4 2009	4.4	5.7	0.6	3.7	9.9	3.2	0.1	2.3	3.7	5.8	4.9	3.3	11,385	141	154	30.7
Q1 2010	2.0	3.1	2.4	4.0	9.8	0.6	0.1	2.4	3.9	5.6	5.0	3.3	12,033	139	159	27.3
Q2 2010	3.9	6.0	6.8	7.5	9.6	-0.1	0.1	2.3	3.6	5.4	4.9	3.3	10,646	140	171	45.8
Q3 2010	3.1	4.4	2.2	3.0	9.5	1.2	0.2	1.6	2.9	4.8	4.4	3.3	11,814	137	170	32.9
Q4 2010	2.1	4.5	1.5	4.2	9.5	3.3	0.1	1.5	3.0	4.7	4.4	3.3	13,132	136	172	23.5
Q1 2011	-0.9	1.1	4.1	7.6	9.0	4.3	0.1	2.1	3.5	5.0	4.8	3.3	13,909	133	177	29.4
Q2 2011	2.7	5.5	-0.8	3.2	9.1	4.6	0.0	1.8	3.3	4.8	4.7	3.3	13,844	134	174	22.7
Q3 2011	-0.1	2.3	2.1	4.1	9.0	2.6	0.0	1.1	2.5	4.5	4.3	3.3	11,677	135	172	48.0
Q4 2011	4.6	5.1	0.9	2.2	8.6	1.8	0.0	1.0	2.1	4.8	4.0	3.3	13,019	134	183	45.5
Q1 2012	3.4	5.8	6.3	9.1	8.3	2.3	0.1	0.9	2.1	4.4	3.9	3.3	14,628	136	182	23.0
Q2 2012	1.8	3.5	2.7	3.7	8.2	0.8	0.1	0.8	1.8	4.3	3.8	3.3	14,100	139	182	26.7
Q3 2012	0.6	2.8	-3.1	-2.0	8.0	1.8	0.1	0.7	1.6	3.9	3.6	3.3	14,895	142	185	20.5
Q4 2012	0.5	2.5	11.6	14.1	7.8	2.7	0.1	0.7	1.7	3.6	3.4	3.3	14,835	145	189	22.7
Q1 2013	4.0	5.7	-14.9	-13.7	7.7	1.6	0.1	0.8	1.9	3.7	3.5	3.3	16,396	149	190	19.0
Q2 2013	1.1	1.9	3.1	3.3	7.5	-0.4	0.1	0.9	2.0	3.8	3.7	3.3	16,771	153	201	20.5
Q3 2013	3.4	5.5	1.4	3.1	7.2	2.2	0.0	1.5	2.7	4.7	4.4	3.3	17,718	156	213	17.0
Q4 2013	3.5	5.7	0.6	2.0	6.9	1.5	0.1	1.4	2.8	4.5	4.3	3.3	19,413	159	214	20.3
Q1 2014	-1.4	0.1	4.7	6.7	6.7	2.5	0.0	1.6	2.8	4.4	4.4	3.3	19,711	161	210	21.4
Q2 2014	5.3	7.7	5.1	7.0	6.2	2.1	0.0	1.7	2.7	4.0	4.2	3.3	20,569	162	220	17.0
Q3 2014	5.0	6.7	3.8	5.0	6.1	1.0	0.0	1.7	2.5	3.9	4.1	3.3	20,459	165	223	17.0
Q4 2014	2.0	2.4	5.8	5.3	5.7	-1.0	0.0	1.6	2.3	4.0	4.0	3.3	21,425	167	231	26.3
Q1 2015	3.7	3.4	5.6	3.7	5.5	-2.6	0.0	1.5	2.0	3.9	3.7	3.3	21,708	169	241	22.4
Q2 2015	2.5	4.9	1.2	3.2	5.4	2.8	0.0	1.5	2.2	3.9	3.8	3.3	21,631	171	246	18.9
Q3 2015	1.6	2.7	2.2	3.3	5.1	1.5	0.0	1.6	2.3	4.3	4.0	3.3	19,959	174	247	40.7
Q4 2015	0.7	0.7	2.3	2.0	5.0	0.0	0.1	1.6	2.2	4.4	3.9	3.3	21,101	176	244	24.4
Q1 2016	2.3	2.0	3.3	3.5	4.9	-0.2	0.3	1.4	2.0	4.5	3.7	3.5	21,179	178	238	28.1
Q2 2016	1.3	4.1	-0.8	1.7	4.9	3.2	0.3	1.3	1.8	3.9	3.6	3.5	21,622	180	246	25.8
Q3 2016	2.9	3.9	2.3	3.7	4.9	1.7	0.3	1.2	1.6	3.5	3.4	3.5	22,469	183	256	18.1
Q4 2016	2.2	4.2	2.6	4.5	4.8	2.6	0.4	1.7	2.2	3.9	3.8	3.5	23,277	186	257	22.5
Q1 2017	2.0	4.1	4.2	6.7	4.6	2.8	0.6	2.0	2.5	4.0	4.2	3.8	24,508	188	251	13.1

(continued)

Table 2.A—continued												Level			
Date	Real GDP growth	Nominal GDP growth	Real disposable income growth	Nominal disposable income growth	Unemployment rate	CPI inflation rate	3-month Treasury rate	5-year Treasury yield	10-year Treasury yield	BBB corporate rate yield	Mortgage rate	Prime rate	Dow Jones Total Stock Market Index	House Price Index	Commercial Real Estate Price Index	Market Volatility Index
Q2 2017	2.3	3.3	4.4	5.3	4.4	0.5	0.9	1.8	2.3	3.8	4.0	4.0	25,125	191	271	16.0
Q3 2017	3.2	5.3	2.8	4.3	4.3	1.9	1.0	1.8	2.3	3.7	3.9	4.3	26,149	194	265	16.0
Q4 2017	4.6	7.2	2.5	5.0	4.2	3.2	1.2	2.1	2.4	3.7	3.9	4.3	27,673	197	270	13.1
Q1 2018	3.3	5.9	4.3	7.2	4.0	3.4	1.6	2.5	2.8	4.1	4.3	4.5	27,383	200	274	37.3
Q2 2018	2.1	5.1	3.6	5.8	3.9	2.2	1.8	2.8	2.9	4.5	4.5	4.8	28,314	202	273	23.6
Q3 2018	2.5	4.3	4.3	5.7	3.8	1.6	2.0	2.8	2.9	4.5	4.6	5.0	30,190	204	275	16.1
Q4 2018	0.6	2.3	3.9	5.5	3.8	1.6	2.3	2.9	3.0	4.8	4.8	5.3	25,725	206	271	36.1
Q1 2019	2.5	3.8	5.0	5.9	3.9	1.1	2.4	2.5	2.7	4.5	4.4	5.5	29,194	208	281	25.5
Q2 2019	3.4	5.5	-0.3	2.0	3.6	3.0	2.3	2.1	2.4	4.0	4.0	5.5	30,244	210	293	20.6
Q3 2019	4.8	6.1	2.7	3.7	3.6	1.3	2.0	1.7	1.8	3.4	3.7	5.3	30,442	212	292	24.6
Q4 2019	2.8	4.0	1.9	3.5	3.6	2.8	1.6	1.6	1.8	3.3	3.7	4.8	33,035	215	287	20.6
Q1 2020	-5.2	-3.3	2.3	3.8	3.8	1.4	1.1	1.2	1.4	3.4	3.5	4.4	25,985	218	293	82.7
Q2 2020	-28.0	-29.1	46.2	43.8	13.0	-3.8	0.1	0.4	0.7	3.4	3.2	3.3	31,577	220	284	57.1
Q3 2020	34.9	39.9	-13.1	-10.3	8.8	4.7	0.1	0.3	0.6	2.4	3.0	3.3	34,306	227	287	33.6
Q4 2020	4.6	7.2	-7.9	-6.0	6.8	2.9	0.1	0.4	0.9	2.3	2.8	3.3	39,220	236	295	40.3
Q1 2021	5.7	11.2	59.0	66.3	6.2	4.0	0.1	0.6	1.4	2.4	2.9	3.3	41,603	243	298	37.2
Q2 2021	7.0	13.8	-27.3	-22.8	5.9	7.6	0.0	0.8	1.6	2.6	3.0	3.3	44,904	255	306	27.6
Q3 2021	3.3	9.8	-4.5	0.8	5.1	6.6	0.0	0.8	1.4	2.4	2.9	3.3	44,706	265	331	25.7
Q4 2021	7.0	14.6	-4.4	2.2	4.2	8.8	0.1	1.2	1.6	2.7	3.1	3.3	48,634	276	340	31.1
Q1 2022	-1.0	7.2	-11.4	-4.5	3.9	9.1	0.3	1.9	2.0	3.5	3.8	3.3	45,847	287	332	36.5
Q2 2022	0.6	10.0	-2.0	5.4	3.6	9.9	1.1	3.0	3.0	4.9	5.3	3.9	37,977	296	334	34.8
Q3 2022	2.9	7.6	6.6	11.5	3.5	5.4	2.7	3.3	3.2	5.3	5.6	5.4	36,098	294	337	32.6
Q4 2022	2.8	6.8	4.1	8.4	3.6	4.1	4.0	4.1	3.9	6.1	6.7	6.8	38,521	295	334	33.6
Q1 2023	2.9	6.8	12.2	16.6	3.5	3.7	4.6	3.8	3.7	5.6	6.4	7.7	41,137	298	333	26.5
Q2 2023	2.5	4.7	4.3	7.4	3.5	3.0	5.1	3.7	3.7	5.7	6.5	8.2	44,412	302	342	20.1
Q3 2023	4.7	8.2	2.0	4.8	3.6	3.5	5.3	4.3	4.2	6.0	7.0	8.4	42,789	308	336	18.9
Q4 2023	3.4	5.1	3.5	5.3	3.8	2.8	5.3	4.5	4.5	6.2	7.3	8.5	47,788	311	311	21.7
Q1 2024	0.8	4.0	4.2	7.9	3.8	3.7	5.2	4.1	4.2	5.6	6.7	8.5	52,403	314	304	15.9
Q2 2024	3.6	6.3	2.4	5.1	4.0	2.8	5.2	4.5	4.5	5.8	7.0	8.5	53,916	316	307	19.2
Q3 2024	3.3	5.1	1.2	3.0	4.2	1.4	5.0	3.8	4.0	5.3	6.5	8.4	57,046	319	303	38.6
Q4 2024	1.9	4.3	2.0	4.6	4.1	3.0	4.4	4.1	4.3	5.4	6.6	7.8	58,399	322	303	27.6
Q1 2025	-0.6	2.9	2.3	5.8	4.1	3.8	4.2	4.3	4.5	5.6	6.8	7.5	55,375	322	295	27.9
Q2 2025	3.8	6.0	1.8	4.0	4.2	1.6	4.2	4.0	4.4	5.7	6.8	7.5	61,310	322	290	52.3
Q3 2025	4.3	8.2	0.0	2.8	4.3	3.1	4.1	3.8	4.3	5.3	6.6	7.5	66,146	323	303	20.4
Q4 2025	1.0	4.0	1.1	3.9	4.5	2.8	3.7	3.7	4.1	5.1	6.2	7.0	67,502	323	306	26.4

Note: Refer to Notes Regarding Scenario Variables for more information on the definitions and sources of historical observations of the variables in the table.

| | Table 2.B. Historical data: International variables, Q1:2000–Q4:2025 | | | | | | | | | | |
| | Percent, unless otherwise indicated | | | | | | | | | | |
Date	Euro area real GDP growth	Euro area inflation	Euro area bilateral dollar exchange rate (USD/euro)	Developing Asia real GDP growth	Developing Asia infla-tion	Developing Asia bilat-eral dollar exchange rate (F/USD, index)[1]	Japan real GDP growth	Japan inflation	Japan bilateral dollar exchange rate (yen/USD)	U.K. real GDP growth	U.K. inflation	U.K. bilateral dollar exchange rate (USD/pound)
Q1 2000	5.2	2.6	0.957	7.5	1.5	100.0	7.7	-0.5	102.7	5.4	0.3	1.592
Q2 2000	3.7	0.9	0.955	7.1	-0.3	100.7	2.5	-1.1	106.1	2.9	0.5	1.513
Q3 2000	2.7	3.4	0.884	7.8	2.3	101.4	-0.2	-0.4	107.9	2.5	1.0	1.479
Q4 2000	1.9	2.8	0.939	3.7	2.5	105.2	4.2	-1.0	114.4	2.4	1.9	1.496
Q1 2001	4.5	1.2	0.879	4.5	1.7	106.1	2.4	0.7	125.5	3.4	-0.1	1.419
Q2 2001	0.2	4.0	0.847	5.5	2.1	106.2	-3.0	-1.9	124.7	1.7	3.2	1.408
Q3 2001	0.9	1.5	0.910	4.9	1.3	106.5	-4.6	-0.7	119.2	1.9	1.0	1.469
Q4 2001	-0.2	1.7	0.890	8.3	0.0	107.0	-0.9	-1.8	131.0	1.1	-0.1	1.454
Q1 2002	0.9	3.1	0.872	8.1	0.5	107.4	1.0	-1.2	132.7	1.2	2.0	1.425
Q2 2002	1.9	2.0	0.986	8.2	1.1	104.8	2.9	0.3	119.9	2.1	0.9	1.525
Q3 2002	1.8	1.6	0.988	7.2	1.5	105.5	1.2	-0.4	121.7	2.4	1.3	1.570
Q4 2002	0.8	2.3	1.049	6.6	0.8	104.5	0.9	-0.8	118.8	2.7	1.9	1.610
Q1 2003	-1.1	3.3	1.090	6.8	3.6	105.5	-0.5	0.0	118.1	3.4	1.7	1.579
Q2 2003	0.2	0.5	1.150	2.1	1.1	104.0	3.3	0.3	119.9	3.8	0.2	1.653
Q3 2003	2.6	2.1	1.165	14.2	0.1	102.6	1.2	-0.7	111.4	4.2	1.7	1.662
Q4 2003	2.6	2.3	1.260	12.8	5.5	103.4	4.1	-0.7	107.1	3.2	1.7	1.784
Q1 2004	2.1	2.2	1.229	5.9	4.0	101.4	3.5	0.6	104.2	1.3	1.4	1.840
Q2 2004	2.5	2.6	1.218	7.2	4.1	102.8	-0.3	-0.3	109.4	1.9	0.8	1.813
Q3 2004	0.9	2.0	1.242	8.0	4.1	102.7	2.2	-0.1	110.2	1.4	1.1	1.809
Q4 2004	1.8	2.4	1.354	6.4	0.8	98.8	-1.5	2.0	102.7	1.8	2.4	1.916
Q1 2005	1.1	1.4	1.297	10.9	2.9	98.5	2.5	-1.2	107.2	3.1	2.6	1.889
Q2 2005	2.5	2.2	1.210	8.5	1.5	98.9	3.9	-1.0	110.9	3.4	1.8	1.793
Q3 2005	3.0	3.1	1.206	9.3	2.4	98.5	3.7	-1.1	113.3	3.7	2.8	1.770
Q4 2005	2.8	2.5	1.184	11.5	1.6	98.0	1.1	0.4	117.9	4.3	1.4	1.719
Q1 2006	3.8	1.7	1.214	10.9	2.4	96.6	0.3	1.1	117.5	1.4	1.9	1.739
Q2 2006	4.5	2.5	1.278	7.0	3.2	96.5	1.1	0.4	114.5	1.1	3.0	1.849
Q3 2006	2.2	2.0	1.269	10.3	2.2	96.2	-0.1	0.4	118.0	0.6	3.3	1.872
Q4 2006	4.8	0.9	1.320	11.2	3.6	94.4	5.5	-0.6	119.0	1.4	2.6	1.959
Q1 2007	2.8	2.3	1.337	13.6	3.6	93.8	2.9	-0.7	117.6	4.5	2.5	1.969
Q2 2007	2.7	2.3	1.352	10.6	4.9	91.8	0.6	0.4	123.4	3.8	1.8	2.006
Q3 2007	1.6	2.1	1.422	8.8	7.6	90.5	-2.6	0.3	115.0	3.8	0.3	2.039
Q4 2007	2.0	4.9	1.460	12.9	5.9	89.3	2.3	2.0	111.7	3.4	4.0	1.984
Q1 2008	2.6	4.2	1.581	7.2	8.1	88.0	0.8	1.4	99.9	1.5	3.4	1.986
Q2 2008	-1.9	3.2	1.575	6.0	6.3	88.7	-1.9	1.7	106.2	-2.1	5.8	1.991
Q3 2008	-2.2	3.2	1.408	2.9	3.0	91.6	-4.4	3.8	105.9	-6.4	5.9	1.780
Q4 2008	-6.7	-1.4	1.392	0.5	-1.1	92.3	-9.2	-2.4	90.8	-8.2	0.4	1.462

(continued)

Table 2.B—*continued*											
Date	Euro area real GDP growth	Euro area inflation	Euro area bilateral dollar exchange rate (USD/euro)	Developing Asia real GDP growth	Developing Asia inflation	Developing Asia bilateral dollar exchange rate (F/USD, index)[1]	Japan real GDP growth	Japan inflation	Japan bilateral dollar exchange rate (yen/USD)	U.K. real GDP growth	U.K. inflation	U.K. bilateral dollar exchange rate (USD/pound)
Q1 2009	-11.7	-1.0	1.326	4.2	-1.4	94.3	-16.6	-3.5	99.2	-7.8	-0.2	1.430
Q2 2009	0.0	0.0	1.402	15.1	2.3	92.3	4.5	-1.5	96.4	-1.2	2.3	1.645
Q3 2009	1.4	1.1	1.463	12.7	4.0	91.3	-2.6	-1.5	89.5	0.5	3.6	1.600
Q4 2009	1.8	1.6	1.433	9.6	4.9	90.7	6.6	-1.4	93.1	1.3	2.8	1.617
Q1 2010	1.6	1.8	1.353	9.8	4.4	89.8	5.1	1.0	93.4	3.4	4.2	1.519
Q2 2010	3.8	1.9	1.229	9.3	3.4	91.1	5.6	-1.4	88.5	4.6	3.3	1.495
Q3 2010	1.8	1.6	1.360	8.8	4.2	88.4	7.1	-2.0	83.5	2.4	2.2	1.573
Q4 2010	2.4	2.6	1.327	9.6	7.5	87.4	-3.4	1.4	81.7	0.2	3.9	1.539
Q1 2011	3.9	3.7	1.418	9.3	6.2	86.4	-5.6	-0.4	82.8	0.7	7.0	1.605
Q2 2011	0.0	3.1	1.452	6.8	5.4	85.3	-2.5	-0.7	80.6	-0.2	4.6	1.607
Q3 2011	0.1	1.3	1.345	5.6	5.3	87.4	9.9	0.4	77.0	0.7	3.5	1.562
Q4 2011	-1.2	3.5	1.297	6.6	3.0	87.3	0.1	-0.6	77.0	0.3	3.4	1.554
Q1 2012	-1.0	2.9	1.333	7.6	3.1	86.3	6.2	2.3	82.4	3.8	2.3	1.599
Q2 2012	-1.4	2.2	1.267	5.7	3.9	88.1	-3.7	-1.4	79.8	-0.2	1.9	1.569
Q3 2012	-0.5	1.5	1.286	6.6	2.2	86.2	-1.6	-2.0	77.9	4.2	2.1	1.613
Q4 2012	-1.7	2.5	1.319	7.3	3.4	85.9	-0.2	0.1	86.6	-0.6	4.2	1.626
Q1 2013	-1.3	1.3	1.282	6.6	4.5	86.2	5.2	0.6	94.2	1.1	3.0	1.519
Q2 2013	2.7	0.2	1.301	6.2	2.8	87.1	4.2	0.0	99.2	2.7	1.5	1.521
Q3 2013	1.2	1.1	1.354	7.8	3.6	86.5	3.8	2.7	98.3	3.1	2.1	1.618
Q4 2013	0.8	0.5	1.378	6.9	3.8	85.7	-0.6	2.4	105.3	2.7	1.7	1.657
Q1 2014	1.9	0.9	1.378	6.3	1.4	86.8	4.2	1.0	103.0	3.2	1.8	1.668
Q2 2014	0.9	-0.4	1.369	7.4	2.6	86.5	-5.6	8.3	101.3	3.8	1.4	1.711
Q3 2014	2.0	0.1	1.263	6.5	2.4	86.9	0.8	1.9	109.7	3.3	0.8	1.622
Q4 2014	1.5	0.0	1.210	5.9	0.9	88.0	2.3	-0.8	119.9	2.7	-0.3	1.558
Q1 2015	3.1	-0.8	1.074	6.3	0.9	88.0	6.6	0.1	120.0	1.2	-1.3	1.485
Q2 2015	1.7	2.4	1.115	6.8	2.8	88.3	0.3	1.1	122.1	1.8	0.8	1.573
Q3 2015	1.7	-0.2	1.116	6.5	2.7	91.0	0.6	0.3	119.8	1.6	0.7	1.512
Q4 2015	2.0	-0.4	1.086	5.7	1.1	92.1	-0.8	-0.8	120.3	2.4	0.0	1.475
Q1 2016	1.9	-1.4	1.139	6.7	3.0	91.7	3.5	-0.5	112.4	2.0	0.0	1.438
Q2 2016	0.8	1.5	1.103	6.9	2.9	94.1	-1.4	0.0	102.8	3.0	0.7	1.324
Q3 2016	1.9	1.3	1.124	6.6	1.2	93.6	0.9	-0.4	101.2	1.8	2.0	1.302
Q4 2016	3.1	1.7	1.055	5.9	1.6	97.5	0.1	2.2	116.8	2.5	2.1	1.234
Q1 2017	3.3	2.6	1.070	6.3	1.3	95.1	2.9	-0.7	111.4	3.9	3.8	1.254
Q2 2017	2.7	0.5	1.141	6.7	2.2	94.6	1.3	0.7	112.4	3.5	3.1	1.300
Q3 2017	3.0	1.1	1.181	5.8	2.3	93.6	4.6	0.4	112.6	2.7	2.2	1.340
Q4 2017	3.3	1.7	1.202	6.1	2.5	91.0	0.6	1.8	112.7	3.0	3.1	1.353
Q1 2018	0.2	1.8	1.232	8.5	2.5	89.0	-0.7	2.0	106.2	0.3	2.5	1.403

						Developing Asia bilateral dollar exchange rate (F/USD, index)[1]						U.K. bilateral dollar exchange rate (USD/ pound)
Table 2.B—*continued*												
Date	Euro area real GDP growth	Euro area inflation	Euro area bilateral dollar exchange rate (USD/euro)	Developing Asia real GDP growth	Developing Asia infla- tion	Developing Asia bilateral dollar exchange rate (F/USD, index)[1]	Japan real GDP growth	Japan inflation	Japan bilateral dollar exchange rate (yen/USD)	U.K. real GDP growth	U.K. inflation	U.K. bilateral dollar exchange rate (USD/ pound)
Q2 2018	2.1	2.3	1.168	6.4	1.9	93.4	2.6	-1.3	110.7	0.9	1.8	1.320
Q3 2018	0.3	2.8	1.162	2.9	2.9	97.1	-1.9	2.0	113.5	1.3	2.6	1.305
Q4 2018	2.2	1.0	1.146	5.3	1.2	96.1	0.3	0.7	109.7	0.5	2.1	1.276
Q1 2019	2.9	-0.4	1.123	8.3	1.1	94.4	0.5	-0.4	110.7	2.0	1.0	1.303
Q2 2019	1.5	2.3	1.137	6.5	4.9	96.3	1.6	1.1	107.8	0.9	2.3	1.270
Q3 2019	0.8	1.0	1.091	0.6	3.4	99.7	0.2	0.1	108.1	2.2	1.9	1.231
Q4 2019	-0.4	1.3	1.123	4.1	6.7	97.8	-11.0	1.3	108.7	0.0	0.4	1.327
Q1 2020	-12.4	-0.3	1.102	-23.6	3.7	101.5	1.5	0.0	107.5	-10.5	2.2	1.245
Q2 2020	-37.6	-1.1	1.124	36.7	-2.1	97.4	-25.9	-0.9	107.8	-58.8	-2.2	1.237
Q3 2020	54.8	0.1	1.172	20.1	1.8	95.6	21.5	-0.4	105.6	87.2	2.1	1.292
Q4 2020	1.5	0.3	1.223	13.4	0.2	92.7	6.8	-2.4	103.2	5.6	0.2	1.366
Q1 2021	3.2	4.8	1.174	5.4	3.2	93.5	4.3	1.6	110.6	-4.2	2.7	1.380
Q2 2021	9.0	2.3	1.185	5.4	1.9	91.5	3.0	-1.7	111.1	31.0	3.0	1.381
Q3 2021	7.2	4.0	1.158	1.9	0.6	92.7	-0.6	1.9	111.5	6.9	5.3	1.347
Q4 2021	3.3	7.6	1.132	7.6	3.8	92.2	4.8	0.3	115.2	5.6	8.8	1.350
Q1 2022	3.0	10.8	1.109	3.0	2.2	92.8	-1.5	3.1	121.4	4.1	8.0	1.315
Q2 2022	3.8	10.1	1.047	-0.8	6.2	98.1	4.0	4.3	135.7	2.3	14.4	1.216
Q3 2022	1.8	8.8	0.978	7.4	1.6	103.6	-1.4	3.7	144.7	0.4	9.1	1.113
Q4 2022	-0.2	10.2	1.070	3.2	1.1	101.1	1.7	4.2	131.8	1.0	11.7	1.208
Q1 2023	-0.1	3.0	1.087	7.5	0.4	100.5	2.9	2.5	132.8	0.2	5.8	1.237
Q2 2023	0.8	3.1	1.092	7.2	1.0	104.8	1.1	3.1	144.5	0.2	7.0	1.271
Q3 2023	-0.1	3.6	1.058	4.2	2.0	106.5	-5.3	2.8	149.4	-1.0	2.6	1.221
Q4 2023	0.2	1.3	1.106	4.5	0.2	104.2	1.8	3.2	140.9	-1.3	1.5	1.274
Q1 2024	1.1	2.4	1.079	5.7	1.2	105.9	-2.1	1.1	151.2	3.3	3.2	1.264
Q2 2024	0.9	2.7	1.071	4.3	1.5	106.7	1.0	3.8	160.9	2.4	0.9	1.264
Q3 2024	1.8	2.1	1.115	3.9	1.9	104.1	2.7	3.1	143.3	0.9	2.6	1.340
Q4 2024	1.5	1.7	1.035	6.7	0.2	108.6	1.4	3.7	157.4	1.1	3.3	1.252
Q1 2025	2.3	2.9	1.080	6.0	-0.7	108.1	1.5	4.4	149.9	2.7	4.4	1.290
Q2 2025	0.6	1.5	1.177	4.5	1.1	106.4	2.1	2.2	144.2	0.9	3.5	1.372
Q3 2025	1.1	2.3	1.174	4.1	0.5	107.2	-2.3	1.2	148.0	0.4	3.9	1.344
Q4 2025	0.5	1.6	1.174	3.7	1.0	106.8	0.6	2.1	156.8	0.7	2.8	1.345

Note: Refer to Notes Regarding Scenario Variables for more information on the definitions and sources of historical observations of the variables in the table.

[1] F/USD denotes foreign currency index, relative to the U.S. dollar, obtained as a weighted average of the exchange rates of the countries in the developing Asia bloc.

Table 3.A. Supervisory baseline scenario: Domestic variables, Q1:2026–Q1:2029
Percent, unless otherwise indicated

													Level			
Date	Real GDP growth	Nominal GDP growth	Real dispos-able income growth	Nominal dispos-able income growth	Unem-ployment rate	CPI inflation rate	3-month Treasury rate	5-year Treasury yield	10-year Treasury yield	BBB corpo-rate yield	Mort-gage rate	Prime rate	Dow Jones Total Stock Market Index	House Price Index	Com-mercial Real Estate Price Index	Market Volatility Index
Q1 2026	1.9	4.8	3.1	6.2	4.6	3.0	3.6	3.7	4.1	5.2	6.1	6.6	68,299	325	310	23.0
Q2 2026	1.9	4.5	2.1	4.8	4.6	2.7	3.4	3.6	4.1	5.3	6.0	6.4	69,057	326	313	22.0
Q3 2026	2.0	4.5	1.9	4.5	4.6	2.6	3.2	3.7	4.1	5.3	6.0	6.2	69,820	326	316	21.9
Q4 2026	2.0	4.5	2.2	4.6	4.5	2.5	3.1	3.7	4.1	5.4	6.0	6.1	70,592	327	320	22.1
Q1 2027	2.1	4.5	2.4	4.8	4.5	2.5	3.1	3.7	4.1	5.4	5.9	6.1	71,366	327	323	22.5
Q2 2027	2.1	4.4	2.3	4.6	4.4	2.3	3.1	3.7	4.1	5.5	5.9	6.1	72,138	327	327	22.9
Q3 2027	2.0	4.3	2.2	4.4	4.3	2.4	3.1	3.8	4.1	5.5	5.8	6.1	72,895	327	330	23.2
Q4 2027	2.0	4.3	2.2	4.4	4.3	2.3	3.1	3.9	4.2	5.6	5.8	6.1	73,664	328	334	23.5
Q1 2028	2.0	4.2	2.1	4.4	4.3	2.2	3.1	3.9	4.1	5.6	5.8	6.1	74,419	328	337	23.8
Q2 2028	2.0	4.1	2.1	4.4	4.3	2.2	3.0	3.9	4.1	5.6	5.8	6.0	75,174	328	341	24.1
Q3 2028	2.0	4.1	2.1	4.3	4.3	2.2	3.0	3.9	4.1	5.6	5.7	6.0	75,929	329	344	24.3
Q4 2028	2.0	4.0	2.1	4.3	4.3	2.2	3.0	3.9	4.1	5.6	5.7	6.0	76,684	329	347	24.5
Q1 2029	1.9	4.1	2.1	4.3	4.2	2.2	3.0	3.9	4.1	5.6	5.7	6.0	77,451	330	351	24.6

Note: Refer to Notes Regarding Scenario Variables for more information on the definitions and sources of historical observations of the variables in the table.

Table 3.B. Supervisory baseline scenario: International variables, Q1:2026–Q1:2029
Percent, unless otherwise indicated

Date	Euro area real GDP growth	Euro area inflation	Euro area bilateral dollar exchange rate (USD/euro)	Developing Asia real GDP growth	Developing Asia infla-tion	Developing Asia bilat-eral dollar exchange rate (F/USD, index)[1]	Japan real GDP growth	Japan inflation	Japan bilateral dollar exchange rate (yen/USD)	U.K. real GDP growth	U.K. inflation	U.K. bilateral dollar exchange rate (USD/pound)
Q1 2026	1.1	1.8	1.176	4.4	1.2	106.9	0.8	1.9	155.5	1.1	2.5	1.344
Q2 2026	1.5	1.8	1.179	5.0	1.4	107.0	0.9	1.8	154.2	1.3	2.2	1.344
Q3 2026	1.7	1.8	1.182	5.2	1.5	107.1	0.9	1.8	153.0	1.4	2.1	1.343
Q4 2026	1.6	1.9	1.185	4.9	1.5	107.1	0.9	1.9	151.7	1.4	2.0	1.343
Q1 2027	1.5	1.9	1.186	4.3	1.6	106.9	0.9	1.9	150.0	1.4	2.1	1.346
Q2 2027	1.4	2.0	1.187	3.9	1.7	106.6	0.8	1.9	148.2	1.4	2.1	1.350
Q3 2027	1.3	2.0	1.188	3.9	1.8	106.4	0.8	1.9	146.5	1.4	2.1	1.353
Q4 2027	1.3	2.0	1.189	4.1	1.9	106.2	0.8	1.9	144.8	1.4	2.1	1.356
Q1 2028	1.4	1.9	1.189	4.4	2.0	106.2	0.7	1.9	144.8	1.3	2.0	1.356
Q2 2028	1.4	1.9	1.189	4.6	2.0	106.2	0.6	1.8	144.8	1.3	2.0	1.356
Q3 2028	1.4	1.9	1.189	4.6	2.1	106.2	0.6	1.8	144.8	1.3	2.0	1.356
Q4 2028	1.4	1.9	1.189	4.5	2.1	106.2	0.7	1.8	144.8	1.3	2.0	1.356
Q1 2029	1.3	1.9	1.189	4.1	2.1	106.2	0.7	1.8	144.8	1.3	2.0	1.356

Note: Refer to Notes Regarding Scenario Variables for more information on the definitions and sources of historical observations of the variables in the table.

[1] F/USD denotes foreign currency index, relative to the U.S. dollar, obtained as a weighted average of the exchange rates of the countries in the developing Asia bloc.

Table 4.A. Supervisory severely adverse scenario: Domestic variables, Q1:2026–Q1:2029
Percent, unless otherwise indicated

Date	Real GDP growth	Nominal GDP growth	Real disposable income growth	Nominal disposable income growth	Unemployment rate	CPI inflation rate	3-month Treasury rate	5-year Treasury yield	10-year Treasury yield	BBB corporate yield	Mortgage rate	Prime rate	Dow Jones Total Stock Market Index	House Price Index	Commercial Real Estate Price Index	Market Volatility Index
													Level			
Q1 2026	-5.4	-3.1	-0.9	1.4	5.9	2.5	2.5	2.4	3.1	7.5	6.0	5.5	41,364	303	291	59.7
Q2 2026	-4.9	-3.3	-1.1	0.5	7.2	1.8	0.1	1.8	2.7	8.2	5.9	3.1	34,732	283	276	72.0
Q3 2026	-3.8	-2.9	-0.7	0.2	8.2	1.1	0.1	1.4	2.4	8.1	5.8	3.1	28,490	273	261	70.9
Q4 2026	-2.7	-1.9	-0.3	0.5	9.0	1.0	0.1	1.3	2.3	7.9	5.7	3.1	31,161	263	246	66.6
Q1 2027	-1.4	-0.5	0.3	1.2	9.5	1.1	0.1	1.3	2.3	7.5	5.6	3.1	33,832	254	232	62.3
Q2 2027	-0.3	0.6	0.7	1.6	9.9	1.1	0.1	1.3	2.3	7.1	5.5	3.1	36,503	244	217	58.1
Q3 2027	1.1	2.0	1.5	2.3	10.0	1.1	0.1	1.3	2.4	6.7	5.4	3.1	39,174	236	202	53.8
Q4 2027	3.0	3.9	2.4	3.2	9.8	1.1	0.1	1.3	2.4	6.3	5.3	3.1	41,845	227	187	49.5
Q1 2028	4.0	4.9	2.9	3.8	9.4	1.1	0.1	1.3	2.4	5.9	5.3	3.1	44,516	231	189	45.3
Q2 2028	4.0	5.0	2.9	3.9	9.1	1.2	0.1	1.3	2.5	5.5	5.2	3.1	47,187	235	191	41.0
Q3 2028	4.0	5.1	2.9	3.9	8.7	1.2	0.1	1.4	2.5	5.2	5.2	3.1	49,858	238	193	36.7
Q4 2028	4.0	5.1	2.9	4.0	8.4	1.3	0.1	1.4	2.6	4.8	5.1	3.1	52,529	242	195	32.5
Q1 2029	3.9	5.1	2.8	4.0	8.0	1.3	0.1	1.5	2.7	4.5	5.1	3.1	55,200	246	196	28.2

Note: Refer to Notes Regarding Scenario Variables for more information on the definitions and sources of historical observations of the variables in the table.

Table 4.B. Supervisory severely adverse scenario: International variables, Q1:2026–Q1:2029
Percent, unless otherwise indicated

Date	Euro area real GDP growth	Euro area inflation	Euro area bilateral dollar exchange rate (USD/euro)	Developing Asia real GDP growth	Developing Asia inflation	Developing Asia bilateral dollar exchange rate (F/USD, index)[1]	Japan real GDP growth	Japan inflation	Japan bilateral dollar exchange rate (yen/USD)	U.K. real GDP growth	U.K. inflation	U.K. bilateral dollar exchange rate (USD/pound)
Q1 2026	-8.6	0.5	1.124	0.4	-1.0	111.5	-9.1	0.5	156.3	-8.8	0.9	1.288
Q2 2026	-8.5	-0.4	1.080	0.4	-2.4	116.1	-9.1	-0.4	155.9	-8.7	-0.1	1.237
Q3 2026	-6.7	-1.0	1.043	1.4	-3.3	120.3	-7.3	-1.0	155.5	-6.9	-0.8	1.195
Q4 2026	-0.5	-1.1	1.021	4.7	-3.5	122.9	-1.1	-1.2	155.2	-0.5	-1.0	1.169
Q1 2027	1.5	-0.9	1.021	5.8	-3.0	122.8	0.9	-0.9	155.2	1.5	-0.8	1.170
Q2 2027	1.5	-0.5	1.035	5.8	-2.4	121.2	0.9	-0.6	155.4	1.5	-0.4	1.185
Q3 2027	1.4	-0.1	1.054	5.7	-1.7	119.0	0.8	-0.2	155.6	1.4	0.0	1.207
Q4 2027	1.3	0.2	1.074	5.7	-1.0	116.7	0.7	0.2	155.8	1.3	0.3	1.231
Q1 2028	1.3	0.6	1.094	5.7	-0.4	114.6	0.7	0.5	156.0	1.3	0.7	1.254
Q2 2028	1.3	0.9	1.114	5.7	0.2	112.6	0.7	0.8	156.2	1.3	1.0	1.276
Q3 2028	1.3	1.2	1.134	5.7	0.8	110.6	0.7	1.2	156.4	1.3	1.3	1.299
Q4 2028	1.3	1.6	1.153	5.7	1.5	108.7	0.7	1.5	156.6	1.3	1.7	1.322
Q1 2029	1.3	1.9	1.174	5.7	2.1	106.8	0.7	1.8	156.8	1.3	2.0	1.345

Note: Refer to Notes Regarding Scenario Variables for more information on the definitions and sources of historical observations of the variables in the table.

[1] F/USD denotes foreign currency index, relative to the U.S. dollar, obtained as a weighted average of the exchange rates of the countries in the developing Asia bloc.

Notes Regarding Scenario Variables

The following are descriptions of data as released through January 13, 2026. The 2025:Q4 values of variables marked with an asterisk (*) are estimates. The 2025:Q4 values for U.S. unemployment rate and U.S. CPI inflation reflect an average of November 2025 and December 2025 readings as the October 2025 data was not published.

*U.S. real GDP growth: Quarterly percent change in real gross domestic product (chained 2017 dollars), expressed at an annualized rate, Bureau of Economic Analysis (NIPA table 1.1.6, line 1).

*U.S. nominal GDP growth: Quarterly percent change in gross domestic product (current dollars), expressed at an annualized rate, Bureau of Economic Analysis (NIPA table 1.1.5, line 1).

*U.S. real disposable income growth: Quarterly percent change in real disposable personal income (current-dollar values divided by the price index for personal consumption expenditures), expressed at an annualized rate, Bureau of Economic Analysis (NIPA table 2.1, line 27, and NIPA table 1.1.4, line 2, respectively).

*U.S. nominal disposable income growth: Quarterly percent change in disposable personal income (current dollars), expressed at an annualized rate, Bureau of Economic Analysis (NIPA table 2.1, line 27).

U.S. unemployment rate: Quarterly average of seasonally adjusted monthly unemployment rates for the civilian, non-institutional population aged 16 years and older, Bureau of Labor Statistics (series LNS14000000).

U.S. CPI inflation: Percent change in the quarterly average of seasonally adjusted monthly levels of the all-items CPI for all urban consumers (CPI-U), expressed at an annualized rate, Bureau of Labor Statistics (series CUSR0000SA0).

U.S. 3-month Treasury rate: Quarterly average of 3-month Treasury bill secondary market rate on a discount basis, H.15 Release, Selected Interest Rates, Federal Reserve Board (series RIFSGFSM03_N.B).

U.S. 5-year Treasury yield: Quarterly average of the yield on 5-year U.S. Treasury notes, constructed for the FRB/U.S. model by Federal Reserve staff based on the Svensson smoothed term structure model (see Lars E. O. Svensson, 1995, "Estimating Forward Interest Rates with the Extended Nelson–Siegel Method," *Quarterly Review*, no. 3, Sveriges Riksbank, pp. 13–26).

U.S. 10-year Treasury yield: Quarterly average of the yield on 10-year U.S. Treasury notes, constructed for the FRB/U.S. model by Federal Reserve staff based on the Svensson smoothed term structure model (see Svensson, "Estimating Forward Interest Rates").

U.S. BBB corporate yield: Quarterly average of ICE BofAML U.S. Corporate 7-10 Year Yield-to-Maturity Index, ICE Data Indices, LLC, used with permission (C4A4 series).

U.S. mortgage rate: Quarterly average of weekly series for the interest rate of a conventional, conforming, 30-year fixed-rate mortgage, obtained from the Primary Mortgage Market Survey of the Federal Home Loan Mortgage Corporation.

U.S. prime rate: Quarterly average of monthly series, H.15 Release (Selected Interest Rates), Federal Reserve Board (series RIFSPBLP_N.M).

U.S. Dow Jones Total Stock Market (Float Cap) Index: End-of-quarter value via Bloomberg Finance L.P.

*U.S. House Price Index: Price Index for Owner-Occupied Real Estate, Z.1 Release (Financial Accounts of the United States), Federal Reserve Board (series FL075035243.Q divided by 1000).

*U.S. Commercial Real Estate Price Index: Commercial Real Estate Price Index, Z.1 Release (Financial Accounts of the United States), Federal Reserve Board (series FL075035503.Q divided by 1000).

U.S. Market Volatility Index (VIX): VIX converted to quarterly frequency using the maximum close-of-day value in any quarter, Chicago Board Options Exchange via Bloomberg Finance L.P.

*Euro area real GDP growth: Quarterly percent change in real gross domestic product at an annualized rate, staff calculations based on Statistical Office of the European Communities via Haver, extended back using ECB Area Wide Model dataset (ECB Working Paper series no. 42).

*Euro area inflation: Percent change in the quarterly average of the harmonized index of consumer prices at an annualized rate, staff calculations based on Statistical Office of the European Communities via Haver.

*Developing Asia real GDP growth: Quarterly percent change in real gross domestic product at an annualized rate, staff calculations based on data from Bank of Korea via Haver; National Bureau of Statistics of China via Haver; Indian Central Statistics Office via Haver; Census and Statistics

Department of Hong Kong via Haver; and Taiwan Directorate-General of Budget, Accounting and Statistics via Haver.

*__Developing Asia inflation:__ Percent change in the quarterly average of the consumer price index, or local equivalent, at an annualized rate, staff calculations based on data from National Bureau of Statistics of China via Haver; Indian Ministry of Statistics and Programme Implementation via Haver; Labour Bureau of India via Haver; Statistics Korea (KOSTAT) via Haver; Census and Statistics Department of Hong Kong via Haver; and Taiwan Directorate-General of Budget, Accounting and Statistics via Haver.

*__Japan real GDP growth:__ Quarterly percent change in real gross domestic product at an annualized rate from 1980 to present and percent change in gross domestic expenditure at an annualized rate prior to 1980, Cabinet Office of Japan via Haver.

*__Japan inflation:__ Percent change in the quarterly average of the consumer price index at an annualized rate, based on data from the Ministry of Internal Affairs and Communications via Haver.

*__U.K. real GDP growth:__ Quarterly percent change in real gross domestic product at an annualized rate, U.K. Office for National Statistics via Haver.

*__U.K. inflation:__ Percent change in the quarterly average of the consumer price index at an annualized rate from 1988 to present and percent change in the quarterly average of the retail prices index prior to 1988, staff calculations based on data from the U.K. Office for National Statistics via Haver.

__Exchange rates:__ End-of-quarter exchange rates, H.10 Release (Foreign Exchange Rates), Federal Reserve Board.