

5 **Serious Distortions** **That Deceive** **Investors**

**What Washington and Wall Street Don't
Let Americans Know About the True
State of the U.S. Economy and the Real
Risks of Stock Investing**



© May, 2026

5 Serious Distortions That Deceive Investors

**What Washington and Wall Street
Don't Let American's Know About the
True State of the U.S. Economy and
the Real Risks of Stock Investing**

by

**Dr. Martin D. Weiss, Founder
and Dallas Brown, CEO**

May 12, 2026



© Weiss Ratings 2026

11780 US Highway 1 | Palm Beach Gardens, FL 33408-3080
Contact: Nicole Brown nbrown@weissinc.com +1-561-291-9625

Executive Summary

This report identifies five major distortions in widely accepted economic and financial measures that, even in the best of times, can systematically mislead investors about the true condition of the economy and the real risks of stock market investing:

- 1. Inflation** as measured by the Consumer Price Index understates the real rise in living costs. The true inflation rate is often so much higher that it can wipe out inflation adjustments to Social Security checks and salaries, mislead investors about their stock market performance, distort company valuations, and obliterate already-low yields on bank CDs. In contrast, select commodity price indexes respond sooner and more quickly to real market forces
- 2. Headline unemployment (U-3)** excludes more than 6 million workers who are underemployed or no longer actively seeking work. Broader measures such as U-6 reveal that actual labor market weakness is nearly *double* the widely reported figures. This gap creates an overly optimistic view of economic strength and masks serious threats to average households.
- 3. The commonly cited “national debt”** has grown 100-fold since the early 1970s, yet greatly understates the federal government’s true financial obligations. When one includes government-sponsored entities, federal guarantees, credit programs, and unfunded liabilities such as Social Security and Medicare, total obligations rise to approximately \$135 trillion — more than *three* times the “national debt” and *five* times the size of the U.S. economy.
- 4. Private-sector financial risk** extends far beyond reported corporate debt. While on-balance-sheet corporate debt totals about \$15.6 trillion, broader exposures (derivatives, repurchase agreements, and leveraged financing) push total financial obligations to an estimated \$271 trillion. These risks are highly interconnected and concentrated among major financial institutions, increasing the potential for rapid contagion in times of stress — similar to dynamics observed during the 2008 financial crisis.
- 5. Wall Street stock ratings** exhibit a persistent bias toward “Buy” and “Hold” recommendations. This report shows how only about 5% of Wall Street stock

ratings are “Sell” even before or during major market declines. Historical case studies — including the dot-com collapse, the 2008 financial crisis, and the 2022 downturn — demonstrate that many analysts almost never issue “Sell” recommendations until it’s far too late.

Not all official data or professional analysis are incorrect. However, they are deceptive and biased so often that investors who fail to recognize risks early could face devastating losses. In contrast, investors who use accurate numbers and follow independent research have a greater opportunity to succeed.

Introduction

For most Americans — and even many professional investors — the condition of the U.S. economy is distilled into a handful of widely accepted numbers. Inflation is summarized in the Consumer Price Index. The job market is captured by the unemployment rate. Government finances are viewed through the lens of the “national debt.” And investment risk is filtered through Wall Street research or ratings.

These numbers are treated as objective facts. They guide decisions by policymakers, shape media narratives, and influence trillions of dollars in investment choices. But there’s a fundamental problem: Many of these numbers do not measure economic reality as most people experience it, and in critical ways, they can systematically understate risk.

In this report, we show how each of these measures is the product of definitions, assumptions, and methodological choices that have changed over time. We show how they’ve been distorted by politics and corrupted by conflicts of interest. We quantify how, over time, they have narrowed the definition of economic stress. They have shifted the way economic costs are measured. They have created a sense of wealth that is often fictitious. And, overall, they now paint a deceptively rosier picture of life in America than average families experience each day.

Many people are somewhat aware of the discrepancy between the official “facts” and the real world on the ground. What they may not know is how deep,

widespread — and ultimately dangerous — that disconnect can be. Individually, each of these changes may seem technical or even reasonable. Taken together, they produce a distorted picture of the economy.

The distortions mask the underlying vulnerabilities. They mislead investors. They multiply each other. And they can contribute to major financial losses. The result is large disconnects ...

1. between reported inflation and the actual cost pressures faced by American households,
2. between headline unemployment and the true condition of the labor market,
3. between the widely cited national debt and the government's broader financial obligations,
4. between reported corporate debts and bigger risks in the financial system as a whole, and
5. between Wall Street's positive stock ratings and the real risks investors face.

These five disconnects are not merely academic debates. They can lead to serious investor deceptions with real-world consequences.

Many economists and policymakers argue that changes they've made in headline economic measures were to improve accuracy. And in some cases, that may be true. However, the central question is not whether any single change is justified. It's this: What is the cumulative effect of all these changes on how investors perceive risk — and how prepared they are when conditions deteriorate?

Wall Street analysts argue that their buy-sell-hold ratings are based on data, but as we show in this report, much of their data is questionable, and their conclusions are strongly biased against the "Sell" ratings that investors often need to protect their capital.

As we document in this report, the five distortions lead investors to underestimate inflation, misjudge economic strength, overlook systemic risks, and rely on

guidance that's overwhelmingly biased toward buying and holding stocks. Over time, they compound and multiply, but usually become visible only *after* investors have suffered significant losses — all reasons why it's so important to reveal them here.

The first and perhaps most personal of these distortions is inflation because it directly affects what Americans can afford, what investors earn, how both Washington and Wall Street judge economic reality.

Distortion #1. Inflation

Price increases are often substantially worse than the government's headline numbers would lead you to believe.

The official measure of inflation in the United States is the Consumer Price Index (CPI) produced by the Bureau of Labor Statistics. In recent years, CPI inflation has generally fluctuated between 2% and 9% annually, depending on the economic cycle.

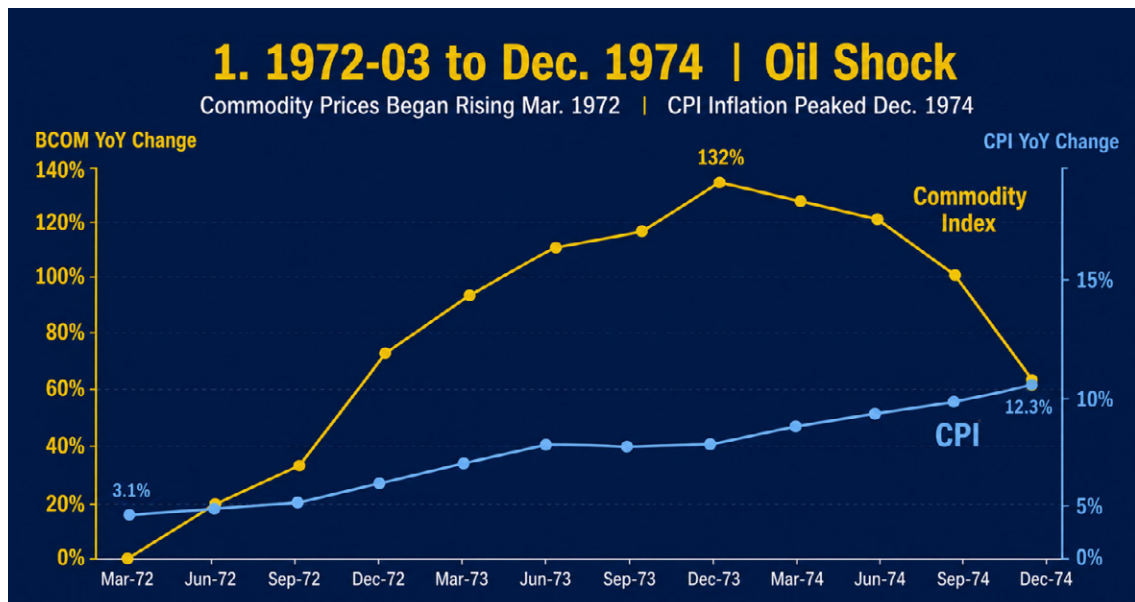
However, very few Americans realize that government statisticians have made some very important changes in the way they measure the CPI inflation rate. We provide a play-by-play recap of each major change below. First, however, we wish to point investors to an alternative measure of inflation.

Why Commodity Price Indexes Can Often Be More Useful to Investors

Commodity prices are different from consumer prices in several ways: They respond sooner and more sharply to changing market conditions. They can sometimes help foresee future changes in inflation. And since most are tracked by non-government research organizations, they tend to be less subject to political influence or bias. Although various other commodity price indexes are of value, this study uses the Bloomberg Commodity Index (BCOM) for which there is ample history and a track record of accuracy supported by trends during four periods of rapidly rising inflation in the U.S., as follows:

1. The early 1970s Oil Shock.

From March 1972 to December 1973, the year-over-year rate of change in BCOM surged from 0% to a peak of 132%. One year later, the CPI inflation rate peaked at 12.3%. The spike in commodity prices was both a contributor to the inflation surge and a useful measure to help predict that surge.

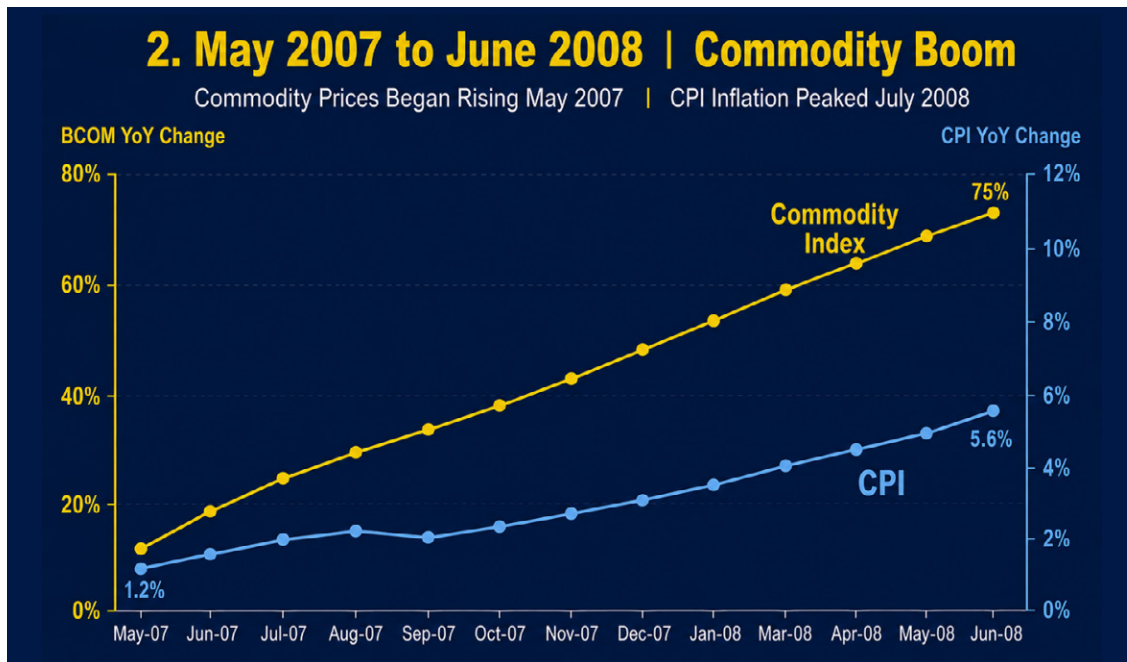


Sources: Bloomberg (BCOM Index YOY % Change),
U.S. Bureau of Labor Statistics (CPI-U YOY % Change)

Many observers believe the commodity price surge of that period was caused by the so-called Arab Oil Embargo, which began in October of 1973. That was when members of the Organization of the Petroleum Exporting Countries (OPEC) cut oil exports to the United States and other countries supporting Israel during the Yom Kippur War.

However, the data show that commodity prices began rising sharply earlier in the decade – not only due to hikes in the price of oil, but also because of inflation in other commodity sectors.

The data also show another critical fact: The peak commodity price inflation came in December of 1973. The peak in consumer prices, as measured by the CPI Index, didn't come until December of 1974, or 12 months later. BCOM anticipated the CPI by a full year.



*Sources: Bloomberg (BCOM Index YOY % Change),
U.S. Bureau of Labor Statistics (CPI-U YOY % Change)*

2. The Commodity Boom of 2007-2008.

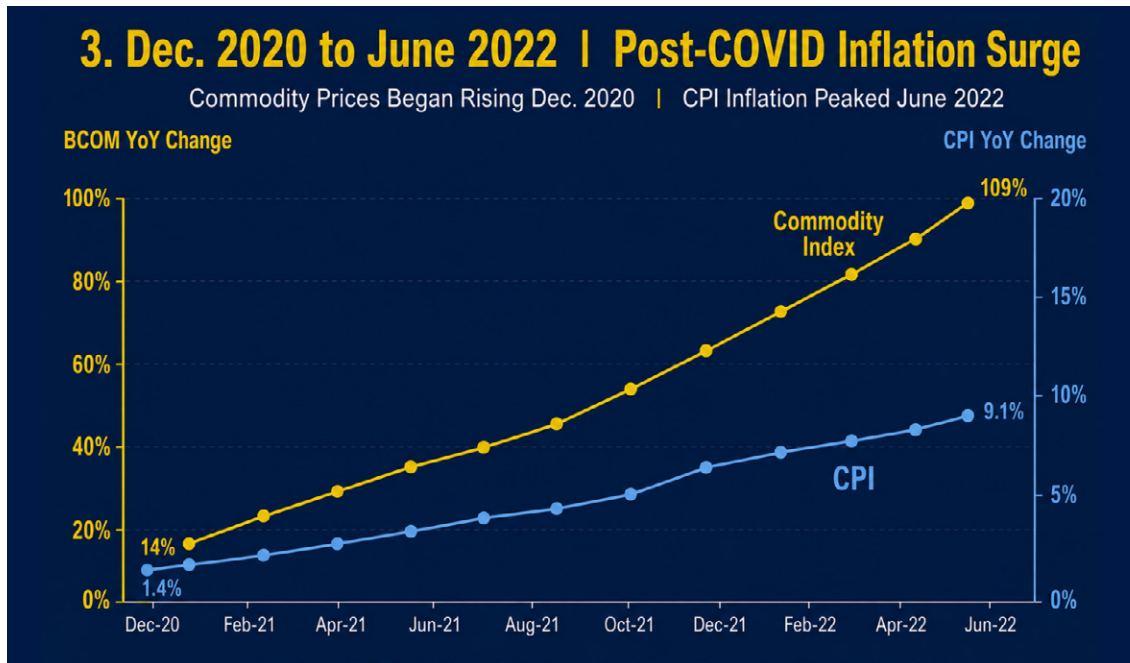
We witnessed a similar pattern in the build-up to the Great Financial Crisis of 2008. While several large banks and Wall Street firms were taking unprecedented risks that led to bankruptcy or massive government bailouts, commodities were booming.

By June of 2008, the BCOM index had surged to 75%, while the inflation rate measured by the government's CPI rose to 5.6%. Although this was more than a 4x increase compared to May 2007, many households experienced cost increases that appeared substantially worse than headline CPI figures, particularly in housing, energy, food, and insurance.

3. Post-Covid Inflation Surge of the early 2020s.

We witnessed a similar pattern in the period immediately following the Covid pandemic lockdowns and supply-chain disruptions. Commodity prices reacted swiftly with a sharp move higher, while consumer prices followed at a slower pace but still quite significantly:

- The yearly inflation rate in commodities surged nearly 8-fold from 14% in December of 2020 to 109% in June of 2022, while
- The yearly inflation in consumer prices followed soon thereafter, rising by over 6-fold from 1.4% in December of 2020 to 9.1% in June of 2022.



Sources: Bloomberg (BCOM Index YOY % Change), U.S. Bureau of Labor Statistics (CPI-U YOY % Change)

4. Recent Commodity Price Surge in the Process of Accelerating

Much as in the early 1970s, a global oil crisis began to spur a rapid rise in commodity prices in February and March of 2026.

Also reminiscent of the 1970s, the oil crisis was triggered by a war in the Middle East.

As before, commodity prices are reacting more quickly and leading the rise in consumer prices.

Most significantly, the current trend also matches the 1970s in terms of timing: The new surge in commodity inflation began *before* the war, driven by factors that are likely to continue even after the war ends. These include:

- global trade tensions that can reduce or interrupt the flow of commodities
- surging demand for resources that support the boom in artificial intelligence, plus
- Capital flows that often move from stocks and bonds to commodities and precious metals.

However, in contrast to the three earlier bouts of surging inflation discussed above, it appears that this one is still in its infancy.

As of the latest data reported in April 2026:

- Commodity price inflation doubled from an annual rate of 20% in July of 2025 to 40% in March of 2026. Although high, it was still far below the triple-digit levels of prior inflation cycles.
- Meanwhile, consumer price inflation barely budged during this period, rising only slightly from 2.9% in July of 2025 to 3.3% in March of 2026. Although already raising alarm bells, it is still far tamer than the near double-digit inflation of prior periods.

If historical patterns repeat, commodity inflation could foreshadow significantly higher consumer inflation ahead.

This analysis shines a spotlight on the importance of commodity prices as an inflation indicator, while raising serious questions about the value and validity of official government metrics such as the Consumer Price Index (CPI). Indeed, the CPI was designed to measure broad consumer prices gradually over time, not to provide an early warning system for inflation shocks.

Plus, there are other, sometimes subtle, reasons for the relatively slow and lagging performance of the CPI, the focus of the next section.

How Government Economists Diluted the Accuracy and Value of CPI

It began in 1983. That's the year when Washington statisticians replaced home prices and mortgage costs with something they call "Owners' Equivalent Rent"

(OER).¹ And this OER is what's been used to measure housing costs ever since. How significant is this change? Suffice it to say that housing represents about 34% of the CPI, making it the single largest component of the entire index. Moreover, nearly 66% of American households own a home.² They not only pay the mortgage, but an increasing number are also responsible for insurance, property taxes, condominium fees, and regular maintenance — not to mention the cost of repairs due to storms, wildfires, and other disasters.

Nevertheless, with Owners' Equivalent Rent, the government treats them as if they were renting their homes to themselves. Housing inflation is based on rents rather than home prices or mortgage payments. Result: Actual inflation can often be significantly underestimated, especially during housing booms or housing shortages — when the cost of buying or owning a home goes up sharply.

Look at the years 2000 through 2006. Based on the widely respected Case-Shiller Index, U.S. home prices rose approximately 90% during that period. But the Owners' Equivalent Rent used to measure consumer price inflation rose by less than 30%. Actual housing inflation was close to *triple* the rate computed in the official government Consumer Price Index.³

Then, beginning in the late 1980s and expanding through the 1990s, the Bureau of Labor Statistics introduced “quality adjustments” into the Consumer Price Index. The idea was that some portion of the cost was going up simply because the *quality* of the product was improving — not because of “actual” price inflation.⁴

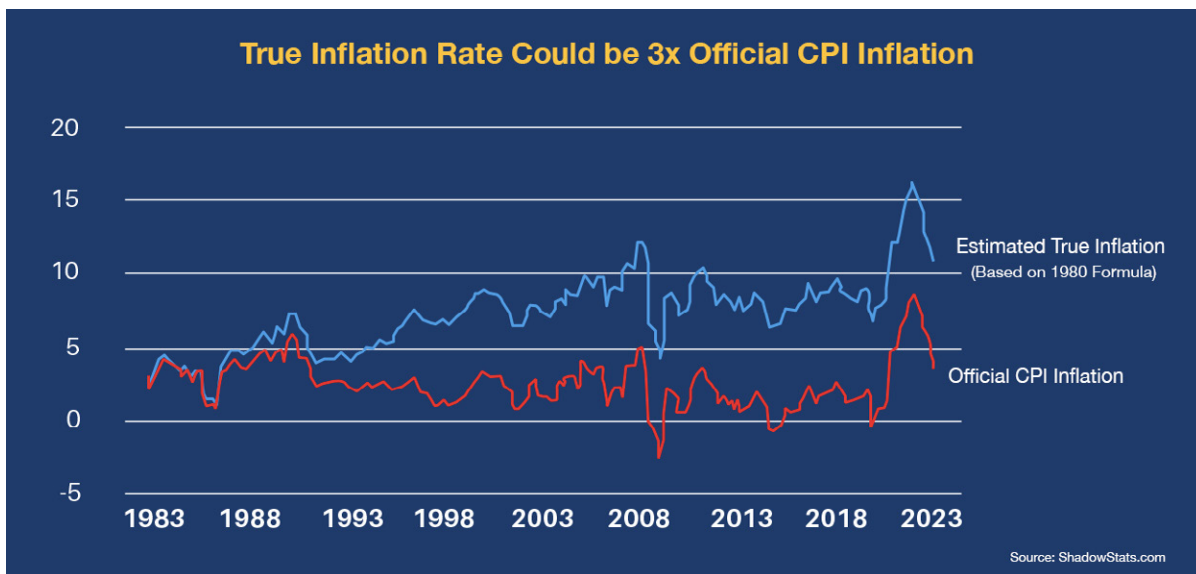
The personal computer provides a typical example. Let's assume this year's model costs the same as last year's, \$1,200. But let's say this year's has about twice the memory, storage, and speed — improvements that are especially useful for video games. The government makes the argument that, since the product *quality* improved, the price effectively went down. And this “price decline” is used to adjust the Consumer Price Index *down*. But what if most users need the PC mostly for email, writing reports and keeping track of their finances — none of which require more memory, storage, or speed? Is it fair to say their cost “went down”?

Changes to the CPI didn't end there.

In 1999, the government statisticians decided to introduce what they call “geometric mean weighting.” This assumes that when prices go up on goods and services, consumers replace them with cheaper goods and services. For example, if the price of steak goes up sharply, they assume consumers might buy hamburger instead. So, to calculate the inflation rate, they start shifting to hamburger, which naturally reduces their measure of inflation.

Problem: When a family has to downshift to a lower standard to adjust to rising costs, does that mean those costs are no longer rising as much? Or does it simply mean that the inflation is forcing them to make unwanted adjustments in their lifestyle?

How much have these twists and tweaks in the CPI impacted the final results? No single measure can conclusively answer this question. But one organization, Shadow Government Statistics, sought to provide an estimate:



Source: ShadowStats.com

For example, in 2023, the government estimates that CPI rose about 4%. But according to estimates by Shadow Government Statistics, if the CPI were calculated the way it was before the changes made since 1980, it would have jumped by 12%.

These estimates are controversial and widely debated among economists. Other methodologies might peg 2023 inflation at a level that's significantly lower than 12% or even at a higher level. However, there can be no doubt that the cumulative effect of so-called "minor, technical adjustments" in underlying assumptions can produce very different estimates.

Nor would it be controversial to suggest that politics can influence how government economists calculate and present politically sensitive numbers.

Indeed, even smaller methodological differences can have enormous long-term consequences. For example, let's say inflation is understated by just 2 percentage points each year. The error over time can still be very large: after 30 years, the error overestimates the purchasing power of our money by more than 80%.⁵

This is not just a debate for statisticians and economists. If the government understates inflation, it can affect almost everyone.

It means retirees fall further and further behind, as the true inflation rate erodes the real value of their Social Security. It has the same effect on anyone with a fixed salary, as cost-of-living increases tied to the CPI fall behind the real erosion of their money. It misleads investors who think they're beating inflation but may actually be losing money. It distorts stock valuations, making shares seem more valuable than they really are. And often, it's fixed-income savers and investors that get the worst deal of all. If they hold certificates of deposit (CDs), money markets or bonds, their yields can easily be wiped out or worse.

Even if the Federal Reserve sets its target for interest rates with an eye to inflation, if the government's CPI growth estimate is well below the true inflation level, the average American saver winds up with practically zero yield or even below-zero yields. Here's a case study that best illustrates the pain American savers feel year after year:

In April 2026, you deposit \$10,000 into a 1-year CD. You earn a fixed yield which is the same as the national average — 1.9%.⁶

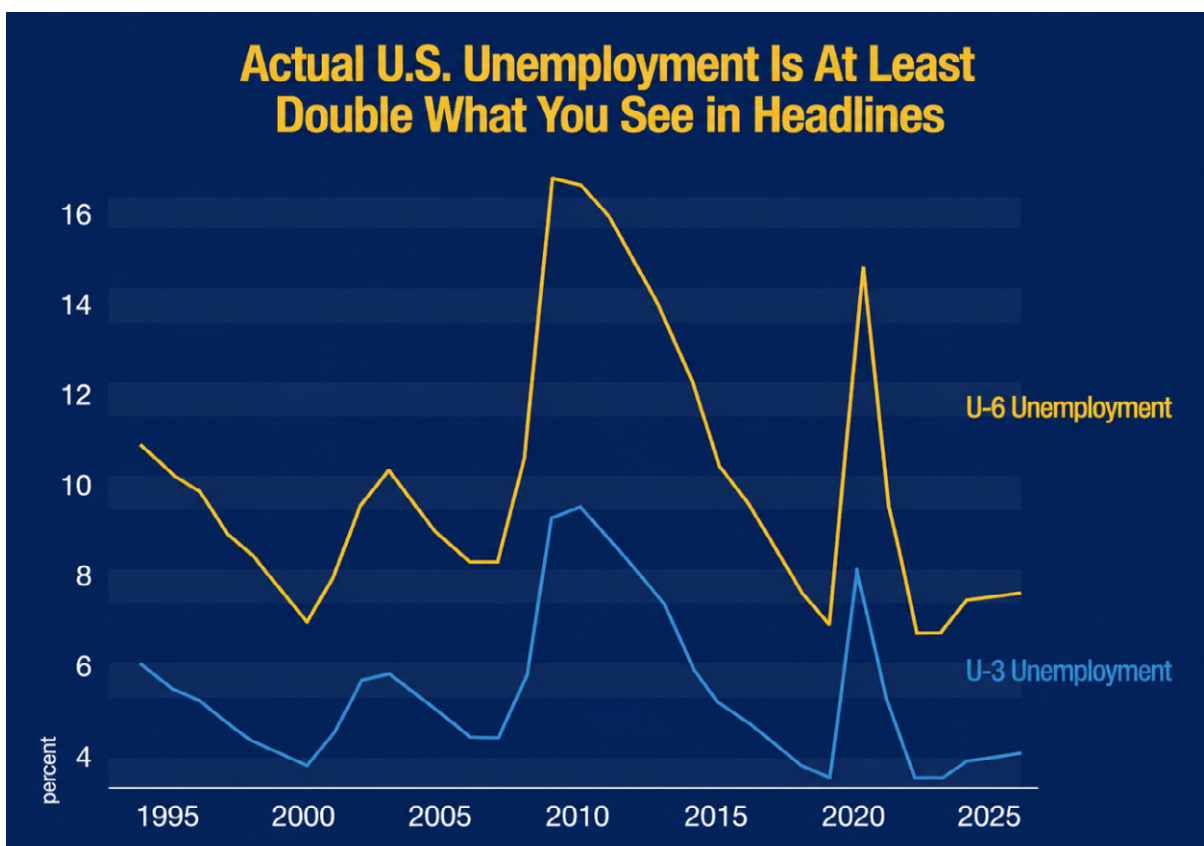
One year later, you withdraw your principal and interest of \$10,190. But there's a problem. Even if the yearly CPI inflation rate does not increase from the 3.3% recorded in March of 2026, it reduces the value of your CD by about \$330.

So, instead of earning \$190 in interest, you wind up with a net loss of about \$140 in purchasing power.

And that's assuming the government's inflation estimate is accurate. To the degree that the government's official CPI understates inflation, your loss is greater. Adding insult to injury, you still have to pay income taxes on your interest.

Distortion #2. Unemployment

The government's own data reveal there are more than 13 million people out of work or underemployed in America, double what's reported in the news.



Source: Bureau of Labor Statistics

The headline unemployment rate reported in the news is called “U-3 Unemployment,” and in early 2026, it showed that about 7.2 million people were out of work. But that excludes workers who haven’t been looking for a job in the last four weeks. Plus, it also excludes those looking for steady, full-time work who find only part-time, usually temporary jobs.

Add these up, and the number of unemployed in the U.S. nearly doubles to about 13.4 million, a measure called “U-6 Unemployment.” This combines not only workers defined as jobless in the narrowest sense, but also those who are not actively looking for jobs, detached from the workforce, holding involuntary part-time jobs, or generally stuck in low-quality jobs.⁷

Over time, these gaps — between the jobless numbers we see in the headlines and the broader numbers — can add up in a big way. We can’t pin down who is out of work when.

But we can look at what’s called “person-years” of unemployment — in other words, the total number of people out of work times the number of years that have gone by. Since 2000, that could add up to as many as 170 million unemployed and underemployed Americans excluded from the headline numbers.⁸

But the problem doesn’t end there. Some critics argue that even the government’s 13.4 million estimate excludes workers who have stopped looking for work after one year. They were cut from the tally back in 1994 on top of a series of other changes in earlier years.

If the unemployment rate is calculated the same way it was in prior years, the number of unemployed in America could be significantly larger.

Government officials rarely talk about the reality of inflation and unemployment in America. But others do. Gallup, for example, periodically asks families what’s the most important financial problem they face. In most earlier years, fewer than 10% named inflation. In 2008, it jumped to 18%. And for the last four years, it has ranged from 29% to 41%.⁹

The Federal Reserve confirms that inflation is a big and growing problem for adults in America. Their survey reveals that most are so concerned about rising prices that they have taken some concrete action in response.

They switched to cheaper products. They used products less or stopped using them altogether. They delayed major purchases. And they reduced savings.¹⁰

With unemployment, we see the same pattern: While the stats are debated in theory, it's average Americans who feel the pain.

Gallup and its research partners surveyed more than 18,000 U.S. workers about job quality. Only 40% were classified as having a “quality job,” while 62% lacked high-quality work schedules — meaning schedules that are predictable, stable, and provide some control.¹¹

Separately, Pew found that blue-collar workers are less satisfied than other U.S. workers, and among those dissatisfied with their salary, 82% said a major reason was that their paycheck had not kept up with cost-of-living increases.¹²

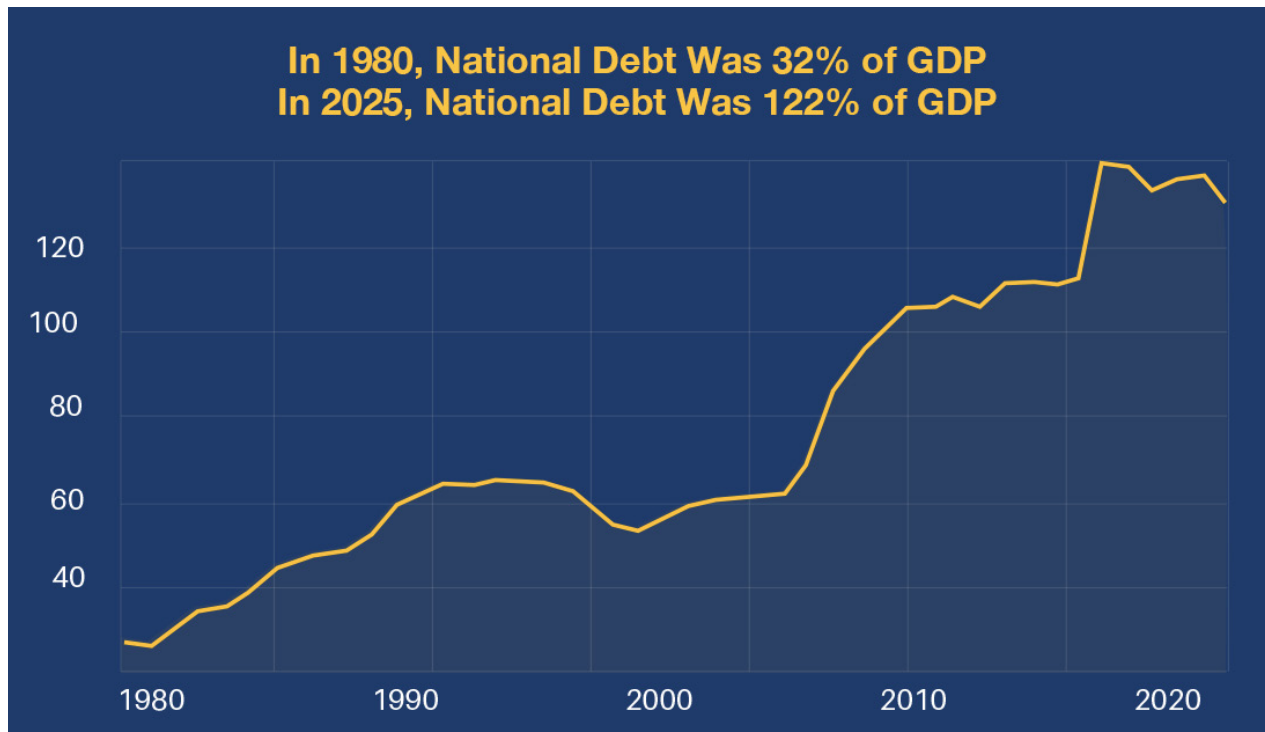
Distortion #3. Government Debt

The U.S. government’s overall debt and obligations are more than three times larger than the “national debt” routinely cited by authorities and analysts.

Since early 1971, America’s widely-reported “national debt” has grown 100-fold — from about \$390 billion to \$39 trillion.¹³

Meanwhile, the nation’s economy has grown at a far slower rate. Thus, in 1980, the national debt represented only a fraction of the economy — just 32 cents per dollar of GDP.

Today, the national debt exceeds the size of the economy by a wide margin — \$1.22 per dollar of GDP, and the U.S. Congressional Budget Office projects it will continue rising to \$1.56 per dollar of GDP by 2056.¹⁴



This fact alone denotes an extreme trend that merits serious measures to reduce the debt burden.¹⁵

What's even more concerning, however, is the fact that the so-called "national debt" is merely the tip of the iceberg. The true debts and obligations of the U.S. government are more than three times larger. Here's why:

- 1. Fannie Mae and Freddie Mac.** The widely quoted national debt figure fails to include the debts of government-sponsored agencies (GSAs), such as Fannie Mae and Freddie Mac. These collectively guarantee approximately \$7.7 trillion in mortgage loans, representing roughly half of the entire U.S. mortgage market.

Moreover, since the 2008 financial crisis, both institutions have been under federal conservatorship, meaning the federal government officially bears the financial risk, be it temporary impairment or outright failure.

- 2. Federal insurance and guarantee programs.** Beyond housing finance, the federal government operates a surprisingly large number of programs that shift financial risks from the private sector to taxpayers.

Is this a secret? No. The Government Accountability Office (GAO) has identified no less than 148 federal insurance and risk-transfer programs.¹⁶ Among these, the most significant are these:

- **Federal Deposit Insurance Corporation (FDIC)** guarantees bank deposits up to \$250,000 per account with total insured deposits in the U.S. banking system of nearly 11 trillion at year-end 2025.

While the FDIC maintains its own insurance fund of almost \$154 billion in reserves, the federal government is responsible for backing up the funding of the entire system in the event of a broader banking crisis, such as was considered imminent during the Great Financial Crisis of 2008.¹⁷

- **Pension Benefit Guaranty Corporation (PBGC)** guarantees private-sector defined-benefit pensions. As of 2024, it insured pension plans covering approximately 31 million workers and retirees with \$3 trillion in pension liabilities. Although currently operating with its own insurance premiums and funds, its guarantees also represent a potential federal exposure in the event of large or widespread pension failures.
- **Federal student loan programs** have become dominant lenders in the U.S. student loan market. Outstanding federal student loan balances now total approximately \$1.6 trillion, owed by more than 43 million borrowers. These loans represent direct financial assets on the federal balance sheet but also expose the government to direct credit losses when borrowers default or receive forgiveness.
- **Federal housing loan guarantees** include government guarantees on mortgages through several agencies, such as the Federal Housing Administration (FHA), which currently guarantees roughly \$1.3 trillion in mortgage loans; the Department of Veterans Affairs (VA), which guarantees \$1.5 trillion in mortgages issued to veterans; plus the Government National Mortgage Association (Ginnie Mae), which guarantees securities backed by FHA and VA mortgages, totaling \$2.6 trillion in obligations.

- **Federal crop insurance** protects agricultural producers against weather losses and price declines, insuring approximately \$200 billion in crop value annually. What's more, federal subsidies cover about 60% of farmers' insurance premiums, and the federal government also reinsures private insurers participating in the program.
- **Disaster insurance programs** include the National Flood Insurance Program (NFIP), covering 4.7 million properties nationwide and historically requiring U.S. Treasury borrowing to cover losses.

3. Federal credit programs provide loans and loan guarantees across a wide range of sectors, including housing, education, agriculture, and small businesses. And the federal government currently holds or guarantees several trillion dollars in credit exposure through these programs. For example, the Small Business Administration supports roughly \$500 billion in outstanding small-business loans, the Department of Agriculture guarantees tens of billions of dollars in rural housing and agricultural credit, and the Department of Energy supports large energy-infrastructure projects, sometimes involving multi-billion-dollar commitments.

Under current accounting rules established by the Federal Credit Reform Act of 1990, the budgetary cost of these programs is calculated using expected cash flows discounted at Treasury interest rates.

But this method understates the economic cost of federal credit programs because it does not include market risk. When economists apply fair-value accounting methods, which incorporate risk premiums, the estimated cost of federal credit programs can increase substantially.¹⁸

All told, these government-sponsored programs add at least another \$10 trillion to the government's debt load. But even this may also understate the true liability to the government because most of these programs also represent a very large *contingent* financial obligation. They expose the federal government to potential liabilities during economic or natural-disaster shocks, which based on a growing body of evidence, have been — or soon could be — occurring with greater frequency and intensity.

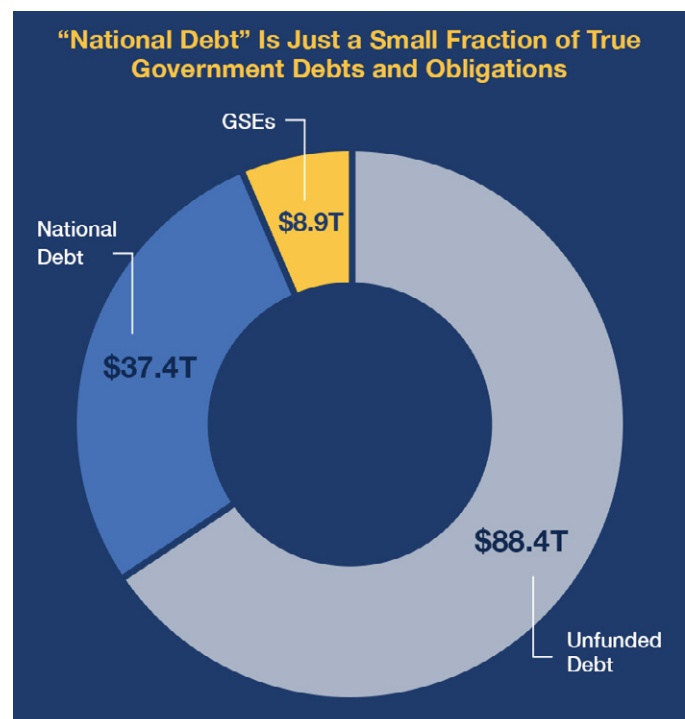
4. Unfunded liabilities. This is the biggest of all — the federal government’s future obligations to pay Social Security, Medicare, federal pensions, veterans’ benefits, and more. But since the U.S. Treasury has not yet borrowed the money, they are not counted as government debts.

Indeed, they are not debts in the strict definition of the term. They are projected future obligations under current policy and other assumptions. So, they can vary significantly depending on the math and time horizon. But the bigger question is: Will the government be able to raise the funds? Will U.S. investors and foreign governments be willing to finance Social Security and Medicare payments for millions of retired Americans? If so, at what rates of interest? And how large are they? As of early 2026, the most widely accepted estimate of the U.S. government unfunded liabilities is \$88.4 trillion.¹⁹

5. Long-term fiscal projections. The Congressional Budget Office (CBO) publishes long-term projections of federal finances that extend several decades into the future. And under current fiscal policies, the CBO projects that, as a share of GDP, federal debt held by the public will continue rising, perhaps dramatically, for the next several decades.

Why? The primary factors are the aging of the population, surging healthcare costs, and growing interest payments on existing debt. Indeed, interest costs alone are projected to become one of the largest components of federal spending.

As federal debt grows, interest payments compound, creating additional fiscal pressure even *without* major new spending programs. In sum, the U.S. government is burdened with



- \$37.4 trillion in officially recognized “national debt.”
- Nearly \$8.9 trillion in debts of government-sponsored or government-guaranteed agencies.
- Plus \$88.4 trillion in estimated Social Security, Medicare and other obligations that are not yet funded.

This adds up to nearly \$135 trillion in total debts and obligations, or more than three times what’s widely quoted.

What may be of even greater concern is this: These calculations do *not* project if future government debts and obligations can withstand major structural changes in the U.S. economy — whether precipitated by unpredictable black swan events or by trends already in the making.

Suppose, for example, global shortages of critical resources cause a sharp rise in inflation, driving the government’s interest costs on its existing debt load from about 3.3% in 2026 to as much as 8% in the not-too-distant future.

Is this an outrageously improbable scenario? Quite to the contrary, it would be similar to what happened in the 1970s through the 1990s.

Taken together, the market risks on the government’s far-reaching commitments illustrate that the federal government’s true fiscal exposure extends far beyond the headline debt figure that dominates public debate.

Understanding the full scale of these obligations is essential for evaluating the long-term sustainability of federal fiscal policy and the potential dangers facing the broader economy.

Distortion #4. Private Sector Debts

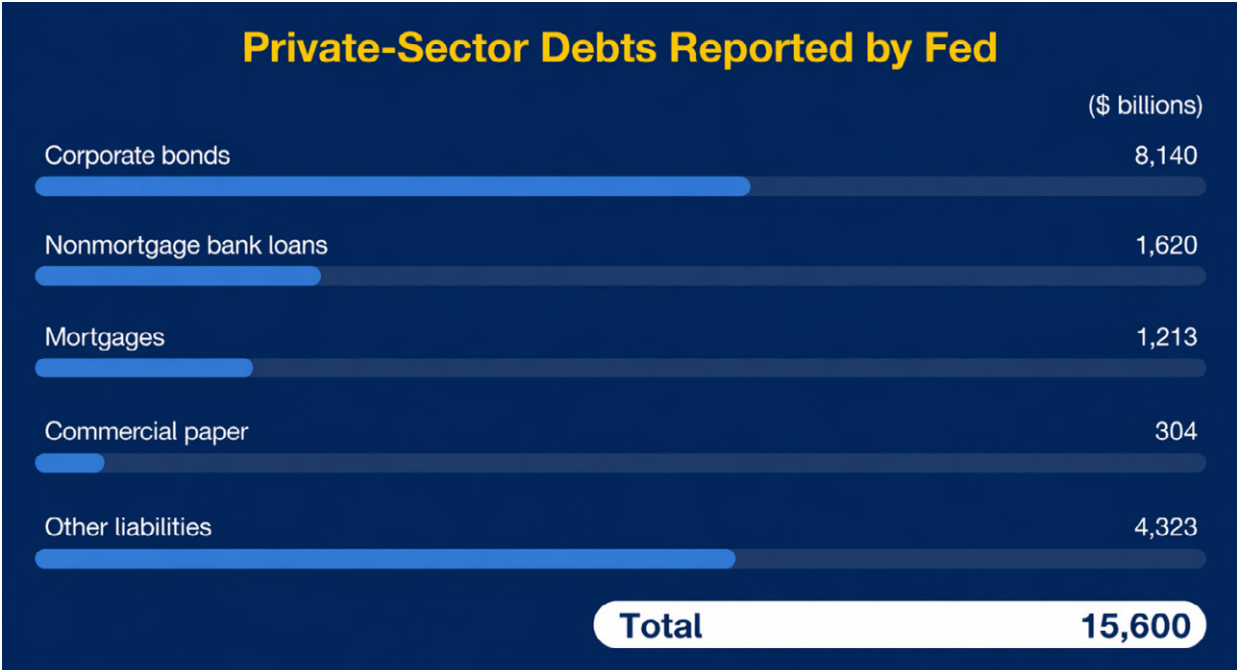
Private sector debts and obligations are much larger than those cited by most authorities.

When analysts evaluate corporate leverage in the United States, they usually focus on nonfinancial corporate debt reported in the Federal Reserve’s Financial

Accounts of the United States. As of 2025 Q3, those corporate debts totaled \$15.6 trillion. Yet even this very large figure captures only debts that are on the balance sheets of U.S. corporations. There are also very large additional exposures through derivatives markets, securities financing markets, structured finance vehicles, and other forms of contingent obligations. And understanding the scale of these additional exposures is essential for evaluating systemic financial risk. We note four critical risks:

Risk #1. On-balance-sheet corporate debt is large. In addition ...

- More than half of corporate debt consists of **corporate bonds**, meaning corporations depend heavily on capital markets rather than bank lending.
- Over **\$4 trillion** falls into the broad “other liabilities” category, which includes miscellaneous forms of borrowing and liabilities not easily classified into traditional loan categories. This illustrates how even official debt measures include large areas where the composition of liabilities lacks transparency.
- Most important, none of this includes the risks embedded in derivatives.



Source: Federal Reserve, Financial Accounts of the United States (Z 1), 2025 Q3.

Risk #2. Derivatives involve large exposure outside conventional debt statistics.

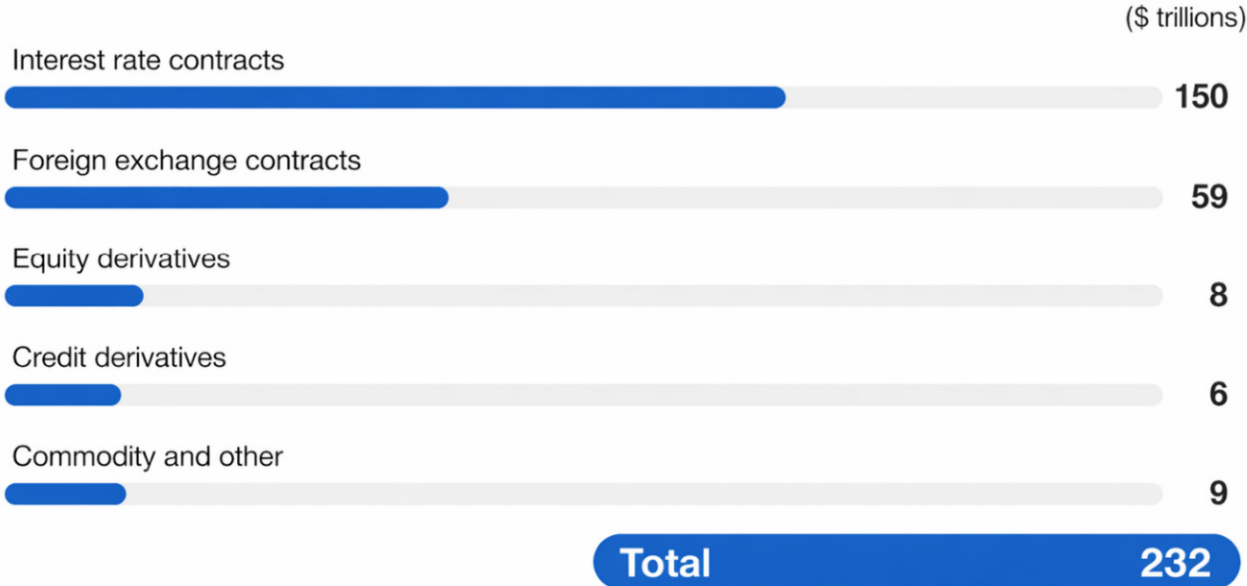
Derivatives are financial contracts whose value depends on underlying assets such as interest rates, currencies, commodities, or credit instruments. But because derivatives are treated as contracts rather than loans, they are excluded from traditional debt measures.

According to the Office of the Comptroller of the Currency (OCC), in Q3 2025, U.S. commercial banks held approximately \$232 trillion in notional derivatives contracts.²⁰

Even though these notional values may significantly overstate current market risk, they are the most widely cited metric to help evaluate the exposure of major U.S. banks and other lenders. What makes these derivatives especially risky is their extreme concentration among a small number of big banks.

In fact, according to the OCC report for 2025 Q3, just four banks control the overwhelming majority of U.S. derivatives activity in the U.S.

U.S. Commercial Bank Derivatives (2025 Q3)



Source: Office of the Comptroller of the Currency (OCC), Quarterly Report on Bank Trading and Derivatives Activities, 2025 Q3.

Together, just these four institutions account for approximately 86% of all derivatives held by U.S. banks. This unusually high level of risk concentration adds another level of danger that most observers overlook: All it would take is for one of these banks to default on its obligations once, and it could precipitate a crisis of confidence that threatens the entire global financial market.

How do we know? Because that's precisely what happened in September of 2008, when Lehman Brothers defaulted on some of its derivatives, a black swan event that paralyzed financial markets globally and threatened to precipitate a depression similar to, or greater than, that of the 1930s. This outcome was avoided thanks only to unprecedented government intervention, which in the long run, may have added even more systemic risk.

Risk #3. Repurchase agreements (repos) and securities financing are another source of leverage that is often overlooked when looking strictly at debts on the books of U.S. corporations.

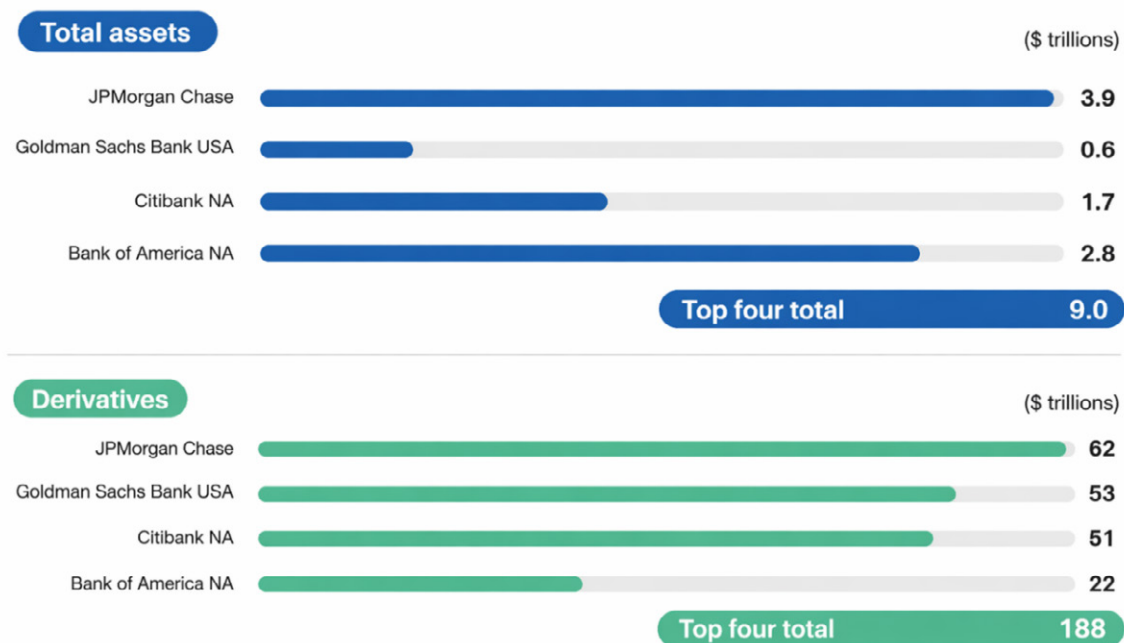
The repos allow financial institutions to borrow cash by pledging securities as collateral, but they are often not listed as borrowings on each company's balance sheets.

The repo market also played a central role during the 2008 financial crisis and again during a September 2019 repo market disruption, when overnight funding rates briefly spiked to nearly 10%. The most recent data indicate that average daily U.S. repo exposures are more than \$12 trillion.²¹

Risk #4. The magnitude of these broader financial exposures is many times larger than typically recognized.

When corporate leverage is discussed in public debate, the focus is usually nonfinancial corporate debt recorded in official statistics. However, that captures only the most visible portion of the financial system's leverage. Other markets, including derivatives, securities financing, and short-term funding structures, are larger.

Largest U.S. Commercial Bank Derivatives Dealers (2025 Q3)



Source: Office of the Comptroller of the Currency (OCC), Quarterly Report on Bank Trading and Derivatives Activities, 2025 Q3.

To put this in perspective, nonfinancial corporate debt is \$15.6 trillion. That's the tally from all the balance sheets of businesses large and small across the USA. But the broader all-inclusive tally of debts and risk exposures in America is \$271 trillion. While this total figure mixes apples and oranges (balance-sheet debts and notional values of derivatives), it can still be helpful in illustrating the dimensions of the problem.

It can also be useful to compare the U.S. debt and derivatives burden to the size of the U.S. economy. For every \$1 in gross national product, business corporations, financial institutions, and average consumers have piled up \$9.14 in debts and contingent obligations. Thus, on top of the growing risk of public-sector obligations, the private-sector debt risk could be several times larger than the economy. Three important observations emerge from these comparisons.

First, the derivatives market is a large, understated risk. Even though notional values do not represent direct credit exposure, they illustrate the significant exposure of financial contracts connecting large institutions.

Second, a large portion of financial leverage operates through securities financing markets and shadow banking channels, which are not captured in traditional debt statistics.

Third, systemic financial risk is often concentrated in institutions that act as intermediaries across multiple markets simultaneously — corporate lending, derivatives trading, repo financing, and securities markets.

These structural connections help explain why disruptions in one part of the financial system can quickly propagate into others. Under normal economic conditions, these interconnected exposures can remain largely invisible. But during periods of financial stress — as seen in the 2008 Great Financial Crisis, the 2019 repo market disruptions, and the early 2020s pandemic liquidity shocks — these hidden leverage channels can suddenly become the central drivers of financial instability.

By now, the pattern is clear: across the economy, the most widely cited figures often capture only part of the risk. The remaining question is whether Wall Street's stock ratings reflect these risks — or obscure them further.

Distortion #5. Conflicted Stock Ratings

**Most analysts at major Wall Street firms
leverage the economic distortions even further
by favoring “Buy” ratings on a large scale.**

No one would deny that stock market investing involves risk. Even the best of companies can run into difficulties with earnings, competition, unexpected changes in government regulations, geopolitical instability and black swan events that impact their sector. Even the best of stocks suffers short- or long-term declines. And, needless to say, no bull market lasts forever.

Thus, for investors who rely on Wall Street research and ratings, these risk factors raise some basic questions:

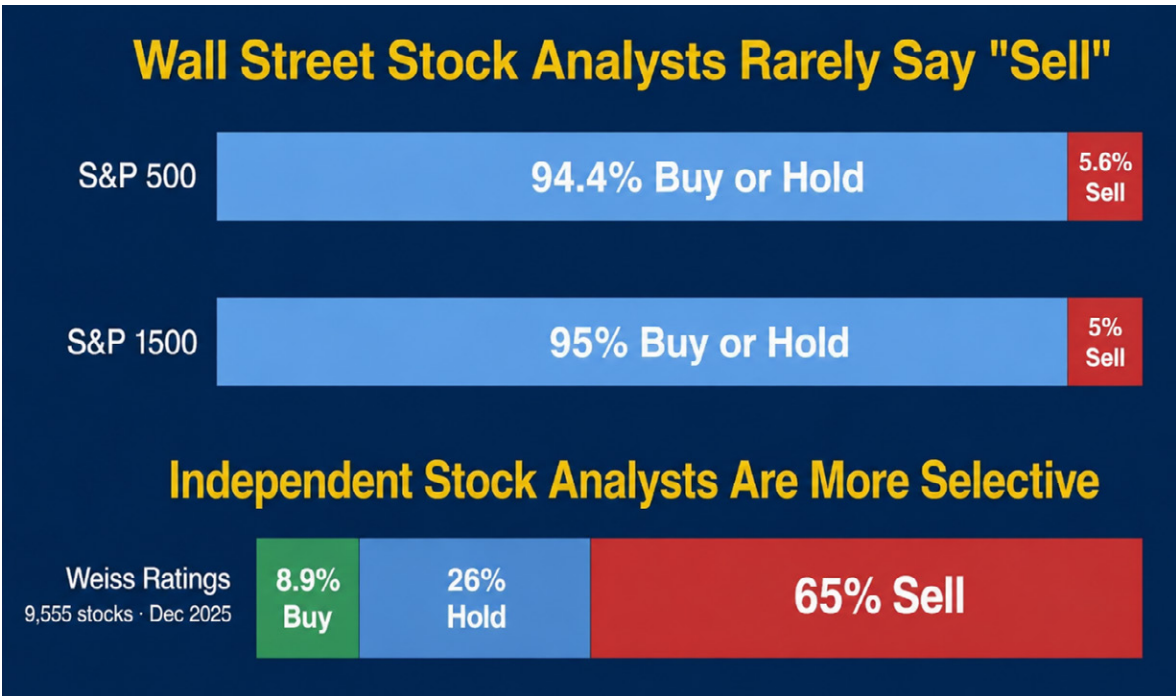
Among the stocks in the S&P 500 index, how many might be worthy of an investor's hard-earned money in a year when valuations are close to their

historical average? In other words, how many would reasonably merit a rating of “Buy” or “Hold”? Half?

What about in today’s uncertain environment? What portion merits a “Buy” or “Hold” rating after a prolonged, exuberant bull market when the vast majority of stocks trade at higher-than-average valuations? Certainly, fewer than average.

In this context, the hard data are shocking: Based on the Bloomberg compilation of research analysts covering S&P 500 index stock, more than 95% of their ratings urge investors to buy or hold the shares. Fewer than 5% advise them to sell.²²

Meanwhile, the S&P 1500 index includes a wider range of large-cap, mid-cap and small-cap stocks which, on average, are inherently riskier. Among these, logic would dictate even more restraint and concern with risk. Instead, Bloomberg reports a bullish bias that’s almost identical to that found for the S&P 500 stocks: At year-end 2025, 94.4% of all ratings on all 1,500 stocks in the broader index were “Buys” and “Holds.” Only 5.6% were “Sells.”



Sources: Bloomberg, Weiss Ratings, Year-End 2025

In contrast, independent research firms use a range of methodologies and often produce rating distributions that differ from Wall Street consensus. As such,

some tend to be more selective. Zacks Investment Research, for example, applies its stock ranks to roughly 4,400 stocks and reserves its top “Strong Buy” rank for only the top 5%, with a similar share assigned to “Strong Sell.”²³

Other independent models produce different distributions depending on methodology and market conditions. Example: At year-end 2025, following a long-term market rise, Weiss data on 9,555 stock ratings show that 65% were rated “Sell,” 26% were rated “Hold,” and 8.9% were rated “Buy.”

Three case studies — the Dot-Com Bust of 2000-2003, the Great Financial Crisis of 2008 and the stock market decline of 2022 — illustrate the risks of conflicted ratings.

First case study. The Dot-Com Bust of 2000-2003

After a great speculative bubble among internet and other technology stocks in the late 1990s, the tech-heavy Nasdaq index suffered a 75% decline from January 2000 to March of 2003, wiping out an estimated \$10 trillion in wealth. It was the deepest market crash since 1929 and the Great Depression.

However, a survey by Zacks Investment Research revealed that, near the top of the market in 1999, only a very tiny percentage of Wall Street analysts had issued “Sell” ratings. Nearly all showered internet and tech stocks with ratings of “Buy” or at least “Hold.”

What’s even more surprising, however, is how common it was for Wall Street analysts to continue to lavish praise on a stock, even when a company was on the verge of bankruptcy. To better quantify this phenomenon, Weiss Ratings conducted a study on all companies that filed for Chapter 11 bankruptcy in 2002 and were rated by Wall Street firms.

The result: Among these bankrupt companies, 63% received a unanimous “Buy” or “Hold” rating from all Wall Street firms that rated them, and all received “Buy” or “Hold” ratings from a majority of firms. Furthermore, most of the failed companies *continued* to receive those positive ratings right up to the day they filed for bankruptcy.

Thus, even diligent investors who sought second or third opinions on these companies would have run into a stone wall of unanimous “don’t sell” advice. The Wall Street firms led investors like lemmings to the sea, with rarely one dissenting voice in the crowd. For investors and for the market as a whole, the consequences were catastrophic.

In April 1999, Morgan Stanley Dean Witter stock analyst Mary Meeker — dubbed “Queen of the Internet” by *Barron’s* — issued a “Buy” rating on Priceline.com at \$104 per share. Within 21 months, the stock was toast, selling for \$1.50 per share.²⁴ Investors who heeded her recommendation would have lost 98% of their money, turning a \$10,000 mountain of cash into a \$144 molehill.

Undaunted, Ms. Meeker also issued “Buy” ratings on Yahoo!, Amazon.com, Drugstore.com and Homestore.com. The financial media reported the recommendations with a straight face. Then, Yahoo! crashed 97%; Amazon.com, 95%; Drugstore.com, 99%; and Homestore.com, 95.5%.

Why did Ms. Meeker recommend those dogs in the first place? And why did she stubbornly stand by her “Buy” ratings even as they crashed 20%, 50%, 70% and, finally, as much as 99%? One reason was that virtually every one of Ms. Meeker’s “strong Buy” companies was paying Ms. Meeker’s employer, Morgan Stanley Dean Witter, to promote its shares. Another reason was that Morgan Stanley rewarded Ms. Meeker for the effort with a \$15 million paycheck. While millions of investors lost their shirts, Morgan Stanley Dean Witter, Mary Meeker and top executives of the companies they were promoting, cried all the way to the bank.

An isolated case? No.

In 1999, Salomon Smith Barney’s top executives received electrifying news: AT&T was planning to take its giant wireless division public in what would be the largest initial public offering (IPO) in history. Naturally, nearly every brokerage firm on Wall Street wanted to do the underwriting for this once-in-a-lifetime IPO, and for good reason: The fees would amount to millions of dollars.

But Salomon Brothers had an issue. One of its chief stock analysts, Jack Grubman, had been saying negative things about AT&T for years. But by

the time Salomon's investment bankers made their pitch to pick up AT&T's underwriting business, Grubman had miraculously changed his rating to a "Buy."

What if it was abundantly obvious that a company was going down the tubes? What if an analyst personally turned sour on the company? Would that make a difference? Sometimes yes, but as explained above, usually no. For the once-super-hot internet stock InfoSpace, Merrill Lynch's official advice was "Buy." Privately, however, in emails uncovered in a subsequent investigation, Merrill's insiders had a very different opinion, writing that InfoSpace was a "piece of junk." Result: Investors who trusted Merrill analysts to give them their honest opinion got clobbered, losing up to 93.5% of their money when InfoSpace crashed.

Merrill's official advice on another hot stock, Excite@Home, was "accumulate." Privately, however, Merrill analysts wrote in emails that Excite@Home was a "piece of crap." Result: Investors who trusted Merrill lost up to 99.9% of their money when the company went under.

For 24/7 Media, "accumulate" was also the official Merrill Lynch advice. Merrill's internal comments were that 24/7 Media was a "piece of s—t." Result: investors who relied on Merrill's advice lost as much as 97.6% of their money when 24/7 Media collapsed.

Subsequently, the Securities Exchange Commission and other regulators agreed to a Global Settlement with 12 of the largest Wall Street firms to penalize conflicts of interest and encourage independent research.²⁵

Before the Global Settlement, it was reported that "Buy" and "Hold" ratings represented as many as 99% of stock ratings issued by Wall Street analysts, and after Global Settlement performance improved.²⁶ But following the five-year penalty period, many of the conflicts returned. Independent research was not widely adopted. And more importantly, the Global Settlement did not prevent the next ratings fiasco.

Second case study. The Great Financial Crisis of 2008

Fast forward to March 14, 2008, the day that Bear Stearns collapsed. The Federal Reserve Bank of New York provided a 28-day, \$30 billion emergency loan.

Meanwhile, Bear Stearns signed a merger agreement with JPMorgan Chase in a stock swap worth \$2 per share, or less than 10% of Bear Stearns' most recent market value at the time. The \$2 sale price represented a staggering decline from a peak of \$172 per share as late as January 2007 and from \$93 per share just two months earlier. Wall Street stock analysts, still feeling some of the repercussions of their earlier fiascos, were now a bit more willing to issue negative opinions.²⁷

Despite this, Wall Street's top bond rating agencies — Moody's, S&P, and Fitch — persisted in their old ways: On the day of the Bear Stearns failure, Moody's maintained a rating for Bear Stearns of A2. S&P was equally generous, giving the firm an A rating until the day of failure, and Fitch liked Bear Stearns even more, saying it continually merited a solid A+ throughout the 18-year period between Feb. 2, 1990, and March 14, 2008. Investors lost everything.

Six months later, on Sept. 15, 2008, it was Lehman Brothers' turn to go under, driving down the Dow Jones Industrials by 508 points, the largest single-day drop since the 9/11 attacks. It was the landmark event that marked a new, more advanced phase of the Great Financial Crisis, sending shock waves of panic around the world that continued to reverberate for months.

On the morning of its failure, however, Moody's still gave Lehman a rating of A2. S&P gave it an A, and Fitch gave it an A+. As soon as the news hit, the latter two rating agencies promptly downgraded the firm to D. But for investors trapped in Lehman Brothers shares and for lenders stuck with its debt, it was too late to take protective action.

What about government-sponsored companies? On Sunday, Sept. 7, 2008, Fannie Mae and its sister company, Freddie Mac, went under and were placed under conservatorship of the U.S. government: The U.S. Treasury committed to bailout funds of \$100 billion for each, the largest bailout for any company in history at that time. Their common and preferred shareholders were wiped out, and debt holders risked suffering severe losses.

However, because of Fannie Mae's status as a government-sponsored enterprise, the Wall Street rating agencies completely missed it. Standard & Poor's first gave the company a triple-A rating nearly seven years earlier and never changed it. Moody's did the same more than 13 years earlier and never

changed it. Fitch had continually maintained its triple-A rating for Fannie Mae for more than 17 years and also never changed it.

We witnessed a similar pattern of Wall Street complacency, bias and flagrant disregard for investors with the failures of New Century Financial, which filed for Chapter 11 bankruptcy in 2007; Countrywide Financial, which was bought out by Bank of America in 2008; Washington Mutual, which filed for bankruptcy in September of that year, and Wachovia Bank, which signed a deal to be acquired by Wells Fargo by year-end 2008.

When commercial banks go under, the FDIC steps in. Nearly all savers are inconvenienced. Many have to wait for their money. But unless it's a pandemic of failures such as witnessed in the 1930s, only a small minority lose fortunes. When insurance companies go under, state commissioners step in. The State Guaranty System has been a lot weaker than the FDIC's. But ultimately, even when major companies have failed, most policyholders with cash value have recovered most of their principal.

In contrast, stock investors are on their own. When stock values collapse, they can lose most of their money, and when a company files for bankruptcy, they typically lose everything. When do stock analysts at major Wall Street firms protect them from these disasters? Rarely, quietly and almost always shrouded under a variety of euphemisms.

As explained earlier, the conflicts of interest at major investment banks and brokerages on Wall Street are egregious. But conflicts at smaller, off Wall Street firms can also be pervasive: Analysts known for picking winners often make the most money, while analysts known for publicly warning about losers are less popular. And that can be especially true when official metrics of the economy and debts understate the risk, while speculative frenzies in the market dominate investor sentiment.

To determine how skewed the research can be, we used publicly available information to undertake a broad statistical study of major stock declines in recent years. We then compared it to surveys of "Buy," "Sell" and "Hold" ratings issued by research analysts just prior to those declines.

The facts are damning: Between Oct. 9, 2007, and March 9, 2009, the S&P 500 fell 55%. Meanwhile, between those same dates, 41 blue-chips stocks with a market cap of at least \$5 billion fell by 90% or more.

Citigroup shares (ticker C) fell 97.6% during that period but received “Sell” ratings from only 9% of analysts.

Bank of America (BAC) fell 92.2%, receiving “Sell” ratings from less than 4% of analysts.

American International Group (AIG) was among the biggest losers of all, falling 99.5%, but not a single analyst covered by Bloomberg gave it a “Sell.”

ING Groep N.V (INGA) lost 92.9% of its value, with forewarnings from only 12% of analysts.

Barclays PLC (BARC) was one of the few big losers (down 93.3%) for which investors received significant advance warning, but still it was only from 25% of analysts. All others told investors to buy or hold.

Lloyds Banking Group (LLOY) fell 94.6% with “Sell” ratings from 13% of analysts.

In addition, a long list of other \$5 billion or larger stocks fell by at least 90% after receiving *unanimous* “Buy” and “Hold” advice from analysts.

These included NTT, Federal Home Loan Mortgage, The Hartford Insurance Group, MGM Resorts International, ORIX, Teck Resources Limited, Grupo Mexico, Lincoln National, Textron, Genworth Financial, MBIA, CBRE Group, The Manitowoc Company, Travel + Leisure, E*TRADE Financial and United Airlines Holdings. None of these received any “Sell” ratings whatsoever.

On average, for the 41 blue-chip stocks with \$5 billion or more in market cap that lost at least 90% of their value during that period, only one out of 15 analysts warned investors with a “Sell” rating. Most urged investors to buy precisely at the worst time, and many did not change their opinion even as the stocks crashed.

Third case study. Post-COVID Stock Decline of 2022

The S&P 500 Index began another significant decline on Jan. 3, 2022, which continued through Oct. 12, down 24.4% from peak to trough. During that period, we counted 44 stocks with a market cap of at least \$5 billion that fell by 70% or more. And this time, only one in 27 analysts warned investors with a “Sell.”

Sea Limited (SE) fell 73.2%, receiving no “Sell” ratings from Wall Street analysts.

Snap (SNAP) fell 77.7%, also receiving no “Sells.”

Coinbase Global (COIN) lost 72.3%, getting “Sells” from only 7.4% of analysts.

Twilio (TWLO) fell 73.9%, receiving no “Sell” ratings.

Investors in many other stocks suffered a similar fate: XPeng, Okta, Qualtrics International, RingCentral, Bilibili, 10x Genomics, Asana, Aurora Innovation, Annaly Capital Management, Novavax, Pegasystems, The Scotts Miracle-Gro Company, Opendoor Technologies, Kornit Digital, CreateAI Holdings, Sotera Health Company, Amplitude, Digital Turbine, SiTime Corporation, Semtech Corporation and Matterport. Despite extensive Wall Street coverage, none received any “Sell” ratings whatsoever. All were unanimously deemed “Buy” or “Hold.”

On average, the 44 stocks fell 77.2%, receiving “Sell” ratings from only 3.6% of analysts.

These three cases studies help illustrate how, In the 21st Century, deeply embedded conflicts of interest and bias among research analysts — both on and off Wall Street — have repeatedly led to inflated ratings on thousands of stocks. Investors have repeatedly suffered far larger losses than they would have otherwise. And Wall Street’s inflated ratings have often been a key factor behind financial bubbles and busts, deepening market declines, reducing the chances of each company’s survival and aggravating any economic crisis.

Final Thoughts: What This Means for Investors

Taken individually, each of the five distortions may appear technical, limited, or open to debate. Taken together, they tell a very different story. They reveal

a pattern in which key measures of economic reality — inflation, employment, debt, financial risk, and investment guidance — are consistently presented in ways that can make conditions appear more stable, more favorable, and less risky than they truly are.

The result is not a single error, but a cumulative distortion that affects how investors perceive risk, how capital is allocated, what investors should buy or sell.

This is why the consequences are so significant.

When inflation is understated, investors may believe their returns are stronger than they really are.

When unemployment is narrowly defined, the economy can appear healthier than it actually is.

When only a small fraction of government obligations is counted, long-term fiscal risks are widely underestimated, interest rates can surge unexpectedly, government shutdowns can paralyze the economy, even a disastrous government debt default is no longer unthinkable.

When financial system exposures in the private sector remain largely hidden, systemic vulnerabilities are overlooked and can blow up unexpectedly.

When Wall Street ratings are overwhelmingly biased toward “Buy” and “Hold,” investors are far less likely to receive timely warnings, and market panics are ultimately inevitable.

Individually, each of the five serious distortions can deceive investors. Together, they reinforce one another and multiply the dangers. They fundamentally alter how investors perceive the world and how they position their capital within it. That is why major market losses often *seem* to “come out of nowhere.” In reality, they don’t. The data do not lie. The warning signs are there. But they are muted, narrowed, overlooked.

This does not mean that every official statistic is wrong, or that every analyst is conflicted. Nor does it imply that markets cannot rise or that true opportunities

do not exist. It means that investors who rely solely on headline data and conventional guidance will often miss them, or worse, get caught in the ensuing maelstrom.

The most important takeaway is not to reject all official data or all professional research. It is to recognize their serious limitations. To question underlying assumptions. To look beyond headline numbers. To consider broader measures of risk. And to place greater value on independent, objective analysis — especially when it presents hard data that challenge prevailing narratives.

In the end, successful investing is not just about identifying opportunity. It is about recognizing risk — early, clearly, and without distortion. When the information is distorted, the risks are obscured. And when the risks are obscured, it's the majority of investors who pay the price.

For investors, the lesson is clear: Do not assume that widely accepted measures fully reflect reality. Do not assume that consensus opinions adequately reflect risk. And do not blindly believe that the absence of warnings means the absence of danger. In investing, clarity is protection. And in an environment where key information can be incomplete, selective, or biased, the responsibility for seeing clearly ultimately falls on the investor.

About Weiss Ratings

Weiss Ratings covers more than 65,000 companies, issuing investment ratings on stocks, ETFs, mutual funds and digital assets, as well as safety ratings on insurers, banks and credit unions. Since its founding in 1971, Weiss has never accepted any form of payment from rated entities for its ratings. Weiss stock ratings are available at <https://weissratings.com/en/stocks>.

The Wall Street Journal reported that the Weiss stock ratings were ranked #1 in profit performance, surpassing the performance of Merrill Lynch, Goldman Sachs and all stock research firms covered, whether connected to investment banking operations or not.²⁸

Separately, the SEC sponsored a study by Bank of New York's Jaywalk to determine which independent research firms provided the most accurate ratings, and among all firms included in the study, Weiss Ratings ranked #1 in accuracy on the largest number of stocks.²⁹

The U.S. Government Accountability Office (GAO) reported that the Weiss ratings of U.S. life and health insurers outperformed those of A.M. Best by 3-to-1 in warning of future financial difficulties, while also greatly outperforming those of Moody's and Standard & Poor's.³⁰

The New York Times said Weiss was “the first to see the dangers and say so unambiguously.” And Barron's called Weiss Ratings “the leader in identifying vulnerable companies.”

Weiss Ratings' No-Bias Standards

Weiss Ratings analysts cannot claim to be smarter than others, whether on or off Wall Street. Nor do they have unique access to company management or operations, relying exclusively on publicly available data.

However, they do have one advantage: a zealous rejection of any conflicts or factors that might bias the construction and application of ratings models — along with strict enforcement of independence, objectivity, and accuracy. Since its founding in 1971, Weiss has never accepted direct or indirect compensation from the rated companies. Nor does it accept advertising revenues.

The following achievements best illustrate the benefits of this 100% independent approach.

1. Tech Stock Decline of 2000-2003. While the Zacks survey of Wall Street analysts indicated that virtually no analysts issued “Sell” ratings on technology stocks prior to the tech bust of 2000-2003, Weiss did precisely the opposite. In 1999, Weiss launched the beta version of its stock ratings model, issuing ratings on all Nasdaq-listed stocks. By the end of that year, just days before tech stocks turned sharply lower, all were deemed high-risk. None merited a “Buy.”

Subsequently, while famous Wall Street analysts continued to shower praise on dot-com stocks despite their ongoing collapse, Weiss maintained its “Sell” ratings until 2003 when stock valuations became attractive and the companies' financials began to show concrete signs of recovery.

2. Great Financial Crisis of 2007-2009. For a full understanding of Weiss Ratings achievements during this period, it is critical to expand the focus beyond stocks to the finances of commercial and investment banks that directly impacted their stocks:

When Bear Stearns went under, Wall Street analysts insisted it caught them by surprise, and they couldn't be blamed for not foreseeing what no one expected. But 102 days before the failure, Weiss warned that Bear Stearns “had sunk its balance sheet even deeper into the hole,” with \$20.2 billion in dead assets, or 155% of its equity, and it was threatened with insolvency.³¹

Fannie Mae and its sister company, Freddie Mac, were placed under conservatorship of the U.S. government with the U.S. Treasury committing to bailout funds of \$100 billion for each, the largest bailout for any company in history at that time.

Common and preferred shareholders were wiped out, and debt holders risked suffering severe losses. But Wall Street rating agencies missed it. S&P first gave the company a triple-A rating nearly seven years earlier and never changed it. Moody's did the same more than 13 years earlier and never changed it. Fitch had continually maintained its triple-A for Fannie Mae for more than 17 years and never changed it.

However, Weiss was as persistent in its warnings as Wall Street analysts were consistent in their praise. Six years earlier, Weiss wrote "Fannie Mae is already drowning in a sea of debt. It has \$34 of debt for every \$1 of shareholder equity. That's big leverage and of the wrong kind. Plus, the company has only one one-hundredth of a penny in cash on hand for every \$1 of current bills. Think Fannie Mae can't go under? Think again."³²

The Lehman Brothers failure of on Sept. 15, 2008 was a landmark event that marked a new, more advanced phase of the debt crisis, sending shock waves of panic around the world that would continue to reverberate for years to come. But 182 days before its failure, Weiss warned that Lehman was vulnerable to the same disaster that struck Bear Stearns. Nor was that Weiss's first warning. In the prior year, Weiss wrote that Lehman was in a "similar predicament to Bear Stearns" because of an even larger, \$34.7 billion pileup of dead assets, or 160% of its equity. Again, Weiss analysts based their opinion on publicly available data that countless other analysts could also access to but chose to ignore.³³

We witnessed a similar pattern of Wall Street complacency, bias, and flagrant disregard for investors with the failures of New Century Financial, which filed for Chapter 11 bankruptcy in 2007; Countrywide Financial, which was bought out by Bank of America in 2008; Washington Mutual, which filed for bankruptcy in September of that year; and Wachovia Bank, which signed a deal to be acquired by Wells Fargo by year-end 2008. Weiss warned of each one of these failures, plus others, months in advance.³⁴

For the most part, depositors in FDIC-insured banks were protected. But as the shares in these institutions plunged to nearly zero, investors suffered a near-total capital wipeout. In contrast, those following the Weiss Ratings had the opportunity to protect their capital in advance.

Post-COVID bear market of 2022. As illustrated earlier, prior to the market decline of 2022, only one out of 27 Wall Street analysts gave "Sell" ratings to blue-chip stocks that later crashed 70% or more. In contrast, prior to the market's peak, Weiss issued "Sell" ratings on 81.4% of those same stocks, "Hold" ratings on 16.3% and "Buy" ratings on only 2.3%.

Again, investors following the Wall Street analysts received virtually unanimous and enthusiastic exhortations to buy or at least hold, while those following the Weiss ratings were clearly warned in advance.

Evidence that Weiss does not have a bearish bias. Given its multi-decade track record of accuracy in warning of stock declines, some observers might question whether Weiss holds a bearish bias.

The data indicate otherwise: Overall, between April 2003 and year-end 2025, Weiss has issued “Buy” and subsequent “Sell” ratings that could have been used by investors to generate 13,237 trades with an average gain of 305%, including losing trades. This reflects an even-handed approach to the market, whether rising or declining.

In 2003 and 2004, for example, Wall Street analysts, discouraged and discredited after such massive misses, finally began to recognize the severity of the market decline and belatedly issued “Sell” ratings only after the market had already bottomed. Especially in the tech sector, “Buy” ratings were considered embarrassing, taboo or both. Wall Street avoided issuing tech stock “Buys” like the plague.

Weiss Ratings did the opposite. When stock valuations reached reasonable levels, earnings improved and stock prices began to show signs of recovery, Weiss was among the first to turn bullish. One after another starting in 2003, Weiss upgraded key tech stocks to a “Buy” and as of Dec. 31, 2025, had never downgraded them to a “Sell” during that 23-year period.

Weiss first upgraded Monster Beverage Corporation (MNST) to a “Buy” on April 2, 2003, and as of Dec. 31, 2025, has never downgraded it to a “Sell.” Including dividends and reinvestment of dividends, investors following the Weiss Ratings could have enjoyed a gain of 173,362% during that period.

Weiss first upgraded Apple (AAPL) to a “Buy” on Sept. 27, 2004, and has not downgraded it to a “Sell” since. It has gained 48,516%.

The same can be said for NetEase, with a 23,123% gain so far, HEICO Corporation, a 2,132% gain; United States Lime & Minerals, 19,897%; Stella-Jones, 15,977%; Tyler Technologies, 12,337%; Amphenol Corporation, 12,085%; Old Dominion Freight Line, 11,228%; and O’Reilly Automotive, 10,076%.

Among 158 stocks first upgraded by Weiss to a “Buy” in 2003 and 2004 and never downgraded to a “Sell,” all gained at least 1,000% through Dec. 31, 2025.

Weiss has neither a bullish nor bearish bias. Its stock ratings are based exclusively on hard data and its ratings algorithms that have withstood the test of time through up, down and sideways market trends.

Endnotes

1. The BLS report, "[Owners' equivalent rent and the Consumer Price Index: 30 years and counting](#)" provides the rationale for OER, but "[Housing Services Price Inflation](#)" in the *Federal Reserve Bank of Richmond Economic Quarterly*, casts doubt on this approach, while "[Government Is Undercounting Housing Inflation](#)," by E.J. Antoni argues that CPI housing inflation can be undercounted by as much as 4-to-1 because CPI excludes direct homeownership costs.
2. [Census Q4 2025 homeowners release](#): "The homeownership rate of 65.7 percent was virtually the same as the rate in the fourth quarter 2024 and not statistically different than the rate in the third quarter 2025 (65.3 percent)."
3. The Case-Shiller U.S. National Home Price Index shows that home prices rose approximately 90% between 2000 and 2006, far outpacing the increase in rents and Owners' Equivalent Rent used in the CPI. See [chart by Federal Reserve Bank of St. Louis](#) (FRED).
4. In [Inferring Prices from Quantities](#), Argente, Lee, Moreira, and Patel find that focusing only on quality improvements can lead to an underestimation of inflation, especially in quality-adjusted categories, and [How CPI Calculations Misrepresent Real Inflation](#) by Vahan P. Roth argues that assigning dollar values to quality improvements can be subjective, distorting the real inflation rate faced by ordinary consumers.
5. Assumes a persistent 2-percentage-point annual understatement, which compounds to 81% over 30 years, based on the formula $((1.02)^{30} - 1)$.
6. On April 19, 2026, Bankrate.com reports that the national average rate on a 1-year bank CD rate was only 1.90%. while the average rates on longer term CDs was even lower. See [Current CD rates for April 2026](#).
7. In its widely followed [News Release of April 3, 2026](#), the BLS reported a 4.3% unemployment rate, or 7.2 million unemployed. In contrast, in its more obscure [Economic News Release Table A-15](#), providing alternative measures of labor underutilization, the BLS shows that its broader U-6 measure — defined as "total unemployed, plus all people marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all people marginally attached to the labor force" — was at 8%, or 13.4 million unemployed.
8. This estimate is based on the government's unemployment data. For each month since January 2000, the difference between the broader U-6 unemployment measure and the narrower U-3 headline unemployment measure is converted into an estimated number of additional underutilized or effectively unemployed workers. These monthly differences are then summed over time and converted into annual equivalents (person-years). The resulting total — approximately 170 million — represents the cumulative number of worker-years of unemployment and underemployment that were captured in broader government measures (U-6) but excluded from the headline unemployment figure (U-3). Primary data source: [Bureau of Labor Statistics, Alternative Measures of Labor Underutilization \(Table A-15\)](#).
9. Gallup, [Americans Continue to Name Inflation as Top Financial Problem](#), May 2, 2024.
10. In [Federal Reserve, Economic Well-Being of U.S. Households](#), "Expenses," Table 10, "Actions taken in response to higher prices in the prior 12 months," The Fed reported that 66% of adults used less of a product or stopped using it, 64% switched to a cheaper product, 49% delayed a major purchase, and 51% reduced savings in response to higher prices.
11. Gallup and American Job Quality Study, [2025 State of the U.S. Labor Force](#). See also [Work Schedules Fail Millions of U.S. Employees](#), June 10, 2025.

12. Pew Research Center, [Blue-collar workers are less satisfied at work, less attached to their jobs than other U.S. workers](#), March 31, 2025.
13. U.S. Treasury historical debt datasets and [Debt to the Penny](#).
14. Congressional Budget Office, [The Long-Term Budget Outlook: 2025 to 2055](#), March 27, 2025.
15. U.S. Treasury explicitly states that debt-to-GDP is a better fiscal-burden indicator than debt alone because it compares debt with the nation's economic output. See [What is the national debt?](#)
16. [“Fiscal Exposures: Federal Insurance and Other Activities That Transfer Risk or Losses to the Federal Government”](#) (GAO-19-353), U.S. Government Accountability Office
17. The FDIC reported **estimated insured deposits of \$10.8 trillion** as of **December 31, 2025** with its **Deposit Insurance Fund balance at \$153.9 billion**, equal to a **1.42% reserve ratio**. Source: FDIC, [Quarterly Banking Profile, Fourth Quarter 2025](#), Table I-C, “Insurance Fund Balances and Selected Indicators.”
18. The Congressional Budget Office has repeatedly argued that the Federal Credit Reform Act (FCRA) method can understate the economic cost of federal credit programs because it discounts expected cash flows at Treasury rates and does not incorporate market risk. CBO states that fair-value accounting provides a more comprehensive measure because it uses market-based discount rates and includes the cost of market risk. In CBO's 2026 estimate, new federal loans and loan guarantees were projected to **save \$12.5 billion** under FCRA accounting, but to **cost \$52.6 billion** under fair-value accounting — a swing of about **\$65.1 billion**. See Congressional Budget Office, [Fair-Value Accounting for Federal Credit Programs](#), March 5, 2012 as well as the CBO's update in [Estimates of the Cost of Federal Credit Programs in 2026](#), January 22, 2026.
19. Long-term unfunded federal obligations — including Social Security, Medicare, federal employee and military retirement benefits, veterans' benefits, and related commitments — can approach or exceed \$90 trillion depending on the components included and the time horizon used. Sources: (1) Consolidated U.S government balance sheet and social insurance framework — U.S. Treasury, [Financial Report of the United States Government, Fiscal Year 2024](#); (2) Social Security — Social Security Administration, [The 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds](#); (3) Medicare — [2025 Annual Report of the Boards Of Trustees Of The Federal Hospital Insurance And Federal Supplementary Medical Insurance Trust Funds](#); (4) Veterans benefits obligations — [U.S. Department of Veterans Affairs, VA Fiscal Year 2024 Agency Financial Report](#); (5) Federal employee and veteran benefits payable — U.S. Treasury, 2024 [Financial Report of the United States Government](#), especially “Federal Employee and Veteran Benefits Payable.”
20. The Office of the Comptroller of the Currency reported that insured U.S. commercial banks and savings associations held **\$231.8 trillion** in notional derivative contracts in the third quarter of 2025, up \$8.3 trillion, or 3.7%, from the prior quarter. OCC also reported that four large banks held **86.3%** of the banking industry's total notional derivatives. Source: [OCC, Quarterly Report on Bank Trading and Derivatives Activities: Third Quarter 2025](#), published December 19, 2025.
21. The Office of Financial Research reported that the U.S. repurchase agreement, or repo, market averaged approximately **\$12.6 trillion in daily exposures in Q3 2025**, about **\$700 billion larger than previous estimates**. OFR explains that this larger estimate reflects newly collected transaction-level data for non-centrally cleared bilateral repo transactions, a historically less transparent segment of the market. OFR further breaks the Q3 2025 total into approximately **\$4.4 trillion centrally cleared by FICC**, **\$3.1 trillion settled on BNY's tri-party platform**, and **\$5.0 trillion in non-centrally cleared bilateral repo**. See Office of Financial Research, [“Sizing the U.S. Repo Market,”](#) Dec. 4, 2025.

22. The Bloomberg data matches that of [FactSet](#), which reported on March 19, 2026 that among 12,733 S&P 500 analyst ratings, 58.2% were Buy, 36.5% Hold, and only 5.3% Sell, meaning 94.7% were Buy or Hold.

23. Zacks Investment Research, [Zacks Rank Guide](#).

24. At its 2002 low, the post-split adjusted price for Priceline was higher, at \$6.37, but still representing a loss of 99% from its peak market cap.

25. The 2003 Global Research Analyst Settlement was a joint enforcement action by the SEC, New York Attorney General, NASD, NYSE, NASAA, and nine other attorneys general against major Wall Street firms over conflicts between investment banking and equity research. The settlement required \$1.4 billion in penalties, disgorgement, investor restitution, independent research funding, and investor education, while also imposing structural reforms designed to separate research analysts from investment-banking influence. See [Ten of Nation's Top Investment Firms Settle Enforcement Actions Involving Conflicts of Interest Between Research and Investment Banking](#) as well as SEC fact sheet, [Global Analyst Research Settlements](#).

26. Before the Global Settlement, in December 2000, Zachs Investment Research reported that 99 percent of the stock ratings issued by Wall Street brokers and banks were Buy or Hold, with only 1 percent Sell ratings, implying widespread bias favoring positive ratings.

27. The Federal Reserve Board stated in its [press release of March 14, 2008](#), that it had approved the emergency arrangement announced by JPMorgan Chase and Bear Stearns to preserve market functioning. The New York Fed later described the financing structure, including a **\$29 billion** senior loan related to the acquisition and a **\$1 billion** subordinated JPMorgan loan designed to absorb first losses. JPMorgan's SEC-filed merger materials confirm that Bear Stearns entered into a merger agreement with JPMorgan on March 16, 2008, later amended on March 24.

28. The Wall Street Journal reported that, among 23 stock research providers, four of the five top performers were independent firms—Weiss (ranked #1 in performance), Columbine Capital (#2), Ford Equity Research (#4), and Channel Trend (#5). These four firms significantly outperformed the Wall Street firms Merrill Lynch, J. P. Morgan, Goldman Sachs, Piper Jaffray, Lehman Brothers, UBS Investment Research, Credit Suisse First Boston, Smith Barney, Morgan Stanley, Thomas Weisel Partners and Bear Stearns. See Jane J. Kim, "Stock Research Gets More Reliable," Wall Street Journal, June 7, 2005.

29. As part of the Global Settlement reforms, regulators required major Wall Street firms to provide customers with **independent, third-party research alongside their own analyst reports**. To evaluate the effectiveness of this initiative, the SEC engaged the Bank of New York (through its Jaywalk subsidiary) to monitor and assess independent research providers. The Jaywalk analysis found that independent research organizations could offer **meaningfully different—and often more critical—ratings and perspectives** than conflicted in-house analysts, helping to counterbalance biases tied to investment-banking relationships. And among them, the Jaywalk studies determined that Weiss Ratings ranked #1 in profit performance on the largest number of stocks, meriting the largest single share of the third-party business under the auspices of the Global Settlement. See settlement materials and independent research provisions in [Spotlight on The Global Research Analyst Settlement](#).

30. GAO, [Insurance Ratings: Comparison of Private Agency Ratings for Life/Health Insurers](#).

31. Martin D. Weiss, "Dangerously Close to a Money Panic," *Money and Markets*, December 3, 2007.

32. Martin D. Weiss warned of an outright failure of Fannie Mae in Safe Money Report, September 18, 2000. Plus, in the fall of 1999, Treasury Secretary Lawrence Summers warned "Debates about systemic risk should also now include government-sponsored enterprises, which are large and growing rapidly," and in 2005, Business & Media Institute warned that "Fannie Mae was a looming taxpayer-backed disaster."

33. Martin D. Weiss, "Closer to a Financial Meltdown," *Money and Markets*, March 17, 2008, Separately, Richard Bove of Punk Ziegel & Co., downgraded virtually all Wall Street banks, saying the Bear Stearns funds' collapse does not reflect a problem at the firm itself, but rather reveals troubles with the entire system.

34. In *Safe Money Report*, April 2005. Weiss warned that, due to massive losses and financial failures, investors should not touch the following companies with a "ten-foot pole": Aames Investment, Accredited Home Lenders, Beazer Homes USA, Countrywide Financial, DR Horton, Fannie Mae, Freddie Mac, Fidelity National Financial, Fremont General, General Motors, Golden West Financial, H&R Block, KB Home, MDC Holdings, MGIC Investment, New Century Financial, Novastar Financial, PHH Corp, PMI Group, Pulte Homes, Radian Group, Ryland Group, Toll Brothers, Washington Mutual, and Wells Fargo & Company. By year-end 2008, 11 of the 25 companies had filed for bankruptcy, been bailed out or bought out. All had suffered severe stock declines, with average declines of 81.3 percent.