

Roubini Predicts U.S. Losses May Reach \$3.6 Trillion

By Henry Meyer and Ayesha Daya

Jan. 20 (Bloomberg) -- U.S. financial losses from the credit crisis may reach \$3.6 trillion, suggesting the banking system is "effectively insolvent," said New York University Professor [Nouriel Roubini](#), who predicted last year's economic crisis.

"I've found that credit losses could peak at a level of \$3.6 trillion for U.S. institutions, half of them by banks and broker dealers," Roubini said at a conference in Dubai today. "If that's true, it means the U.S. banking system is effectively insolvent because it starts with a capital of \$1.4 trillion. This is a systemic banking crisis."

Losses and writedowns at financial companies worldwide have risen to more than \$1 trillion since the U.S. subprime mortgage market collapsed in 2007, according to data compiled by Bloomberg.

President Barack Obama will have to use as much as \$1 trillion of public funds to shore up the capitalization of the banking sector, following the \$350 billion injection by the Bush administration, Roubini told Bloomberg News. Congress last year approved a \$700 billion rescue fund, of which half remains to be disbursed.

[Bank of America Corp.](#), the largest U.S. bank by assets, posted a quarterly loss of \$1.79 billion last week, its first since 1991, and received \$138 billion in emergency government funds. [Citigroup Inc.](#) posted an \$8.29 billion fourth-quarter loss, completing its worst year, and plans to split in two under Chief Executive Officer [Vikram Pandit](#)'s plan to rebuild a capital base eroded by the credit crisis.

'Bankrupt' System

"The problems of Citi, Bank of America and others suggest the system is bankrupt," Roubini said. "In Europe, it's the same thing."

Stocks in Europe, Canada and Brazil dropped yesterday on speculation government efforts to shore up the financial industry will fail to stem the deepening global recession. The U.K.'s [Royal Bank of Scotland Group Plc](#) said it expects to post a loss of as much as 28 billion pounds (\$41 billion) for 2008 and the government got ready to raise its stake in the lender.

Oil prices will trade between \$30 and \$40 a barrel all year, Roubini predicted.

"I see commodities falling overall another 15-20 percent," Roubini said. "This outlook for commodity prices is beneficial for oil importers, it's going to imply that economic recovery might occur faster, but from the point of view of oil exporters, this will be very negative."

Oil has tumbled 77 percent from its July high of \$147.27 as the global economy sinks into recession, straining the budgets of crude exporters. Saudi Arabia, Oman and Dubai, the second-largest sheikdom in the United Arab Emirates, have said they will post budget deficits this year.

Crude oil for February delivery fell to \$32.70, down 10.4 percent from last week's close and the lowest since Dec. 19, on the New York Mercantile Exchange today. The contract traded at \$33.37 a barrel at 10:45 a.m. London time.

<http://www.bloomberg.com/apps/news?pid=20601087&sid=aS0yBnMR3USk&refer=home>