Balance Sheet Stress Report Corrections and research limits

October 20, 2026 | Note 1.0
Applies to the April 2026 working paper, version 1.0
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Read this note with the original 15-page paper. This separate document corrects the interpretation and identifies unresolved evidence. It does not replace the original PDF, change its DOI, recover the study dataset, or certify the reported sample. The original paper remains unchanged.

1. Zero equity and negative equity are different

Debt-to-equity (D/E) is undefined when equity is zero. With nonzero negative equity, division is defined: positive interest-bearing debt gives a negative ratio, and zero debt gives zero. Those outputs should not be ranked beside ordinary positive-equity leverage multiples. Negative book equity alone does not establish distress, safety, insolvency, or default probability.

2. YUM: use values from the same balance sheet

Table 2.3 and Appendix B show YUM equity of -$7.50 billion and E/A of -0.916. The 2025 Form 10-K, page 61, reports the following values for December 31, 2025 (USD millions):

Measure	Same-period filing value
Total shareholders' deficit	-7,325
Total assets	8,197
Equity / assets	-7,325 / 8,197 = -0.8936196
Rounded to three decimals	-0.894

YUM remains in Regime 3 because equity is still negative. The original extraction code and CSV are unavailable for this check, so the cause of the published discrepancy is not established. A numerical match obtained by mixing reporting dates would not prove how the original error arose.

3. Section 5.2 groups balance-sheet period-ends

The five groups listed in Section 5.2 sum to 294 + 27 + 23 + 24 + 3 = 371. This leaves 25 of the reported 396 unexplained in that breakdown. These are balance-sheet period-ends, not filing submission dates. The gap does not by itself establish that 25 dataset rows are missing, or that the reported sample should be changed.

Evidence limits and source notes

Companion correction note | Original paper version 1.0 remains unchanged

4. Reported counts are not independently reproduced counts

The paper reports 396 observations and 27 negative-equity firms (27 / 396 = 6.818%, rounded to 6.8%). The original dated constituent roster, eligibility denominator, row-level extraction log and supporting CSV files have not been recovered. The earlier 97% coverage claim is therefore unverified. A separate candidate list with a matching total would not verify either 97% or 100% coverage.

The reported regime counts and sector shares remain statements from the paper, rather than a newly reproduced population estimate. This note does not establish that the full eligible universe contains exactly 27 negative-equity firms or reproduce the five-year company trajectories.

5. Accounting paths do not establish a sole cause

HCA Healthcare's equity deficit and its repurchases must be examined together. An equity path alone does not establish that borrowing, buybacks, operating losses, or another mechanism was the sole cause. Likewise, aggregate changes in Treasury yields and corporate spreads do not establish a causal explanation or observed default outcomes for the paper's cohort.

The Cathcart et al. large-firm result is context from a different population and model. It is not a calibrated default-probability model for individual S&P 500 companies. The paper's 20% equity-to-assets boundary is a study rule, not a general solvency threshold.

6. FRED observations and external data rights

The October 19, 2026 official-download check reproduced the five published FRED endpoint changes using closing observations from April 16 or 17, 2026. That is a check against subsequently downloaded history, not proof of the exact vintage available at the April 20 cutoff. The original retrieval timestamps and date-selection procedure remain unverified.

Appendix A.4 should not characterize every input as public domain. FRED's BAA10Y series page carries separate source-rights notices. The paper's CC BY 4.0 license does not override third-party data terms. This note does not redistribute the full BAA10Y series.

Sources and version relationship

YUM: 2025 Form 10-K, Consolidated Balance Sheets, p. 61 (December 31, 2025; USD millions).
FRED: BAA10Y source and rights notes.
Study record: TheFinSense study page, corrections and documentation limits.

This is a site correction note dated October 20, 2026, not a replacement paper edition or a new DOI version. It was prepared with prior findings visible; no independent blind review or formal publication-gate approval is claimed. Zenodo and SSRN records were not edited.