

Pricing Indicators



National Pricing Indicators
For the week beginning 2/8/2010

Highlights

- The national average APY for deposits reached a record - the lowest in the last ten years (page 2).
- No change in the national-average APY for CD & MM (0.00)
- Moderate repricing volume. Slightly under one half (49%) of deposit products were repriced this week.

(Additional indexes and products inside)

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Summary of Findings for this week

National APY

- No change in the national-average APY for CDs and MM **0.00**
- Highest increase, MM Special **+0.28**
- Highest decrease, CD 9 & 30 mo. Spl. **-0.06**
- Aggregated change in average APY in the last six months **-21 bps (-14%)**
- Highest spread between average Regular and Special in 9 months CD **103 bps**
- Lowest spread between average Regular and Special in MM **51 bps**

Repricing Volume

- Moderate repricing volume. Slightly under one half (**49%**) of the products were repriced during the week.
- Highest repricing volume product - CD 48 months special (**106%**).
- Lowest repricing volume product - MM Regular (**10%**).

About The National Pricing Indicators

The National Pricing Indicators (NPI) is a weekly analysis of the national changes in the two main deposit products - CDs and MM.

The purpose of this analysis is to provide Pricing Executives with an indication of the state of deposit products on the national scope, and beyond specific pricing regions.

NPI contains four useful indexes - Weekly APY index, Premium APY index, Repricing Index, and historical APY. Each of these indexes is designed to provide Pricing Executives with a different prospective on pricing practices and trends.

NPI measures selected term and no term deposit products in its indexes. These deposit products are all at the \$10K tier level: CD - Regular, and Special, 3, 6, 9, 12, 24, 30, 36, 48 and 60 months. MM - Regular and Special.

Trend alert - National average APY for deposits reaches a new low

The national average for deposits hit a new low at the end of January of 2010 when it reached an APY of 1.41.

This is the lowest APY in ten years. The last time the average APY for deposits was as low was in July of 2003, at 1.42 APY.

There are some similarities between July of 2003 and January of 2010. Both periods had a general trend of declining deposits rates, and both periods had an annual inflation rate of between 2% to 3% (Figure 1).

However, there are some major differences as well. In 2003, the average deposit APY started climbing after the deep in July. Additionally, the unemployment rate in July of 2003 was much lower (6.2%) than the unemployment in January of 2010 (9.7%), and the Effective Fed Fund Rate in July of 2003 was 1.10 vs. 0.11 in January of 2010 (Table 1).

Figure 1 - Comparison of national average APY for deposits 2003 vs. 2010.

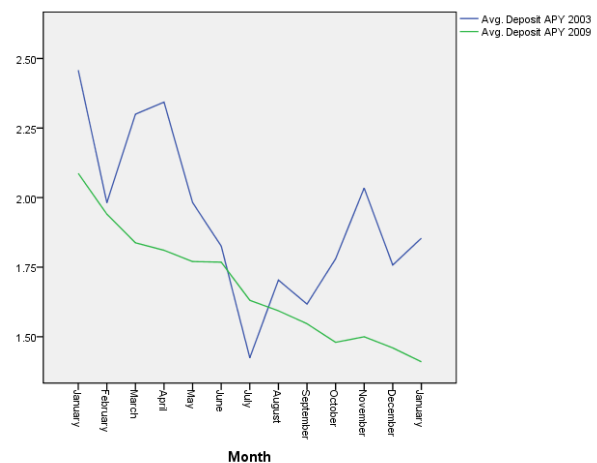


Table 1 - Comparison of major economic indicators July 2003 and January 2010.

Month/Year	Fed Fund Effective Rate	National Avg. APY Deposit	Annual Inflation Rate	Unemployment rate
Jul-03	1.01	1.42	2.11	6.20
Jan-10	0.11	1.41	2.72 Est.	9.70

National APY Index

The APY index features national averages for the highest APY, lowest APY and average APY for regular (Reg) and special (Spl.) selected CD and MM. In addition, it provides the average change from the previous week across all selected deposit products. Raw data is also provided.

CD & MM Regular

- Highest increase, **No increases**
- Highest decrease, MM and most CD's **-0.02**
- Average increase/decrease, **-0.01**

CD & MM Special

- Highest increase, MM Special **+0.28**
- Highest decrease, CD 9 & 30 mo. **-0.06**
- Average increase/decrease, **+0.01**

Figure 1
APY weekly change all products

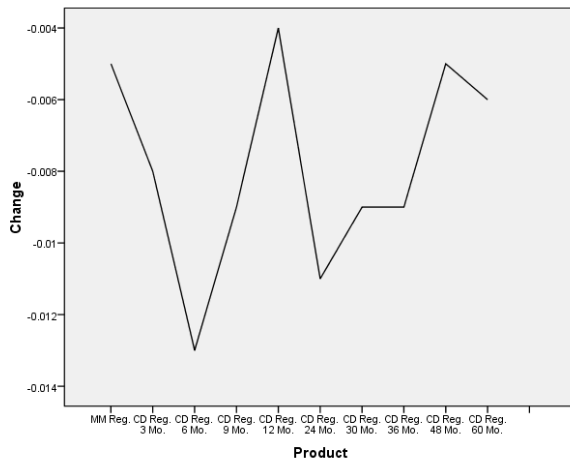


Figure 2
APY weekly change all products

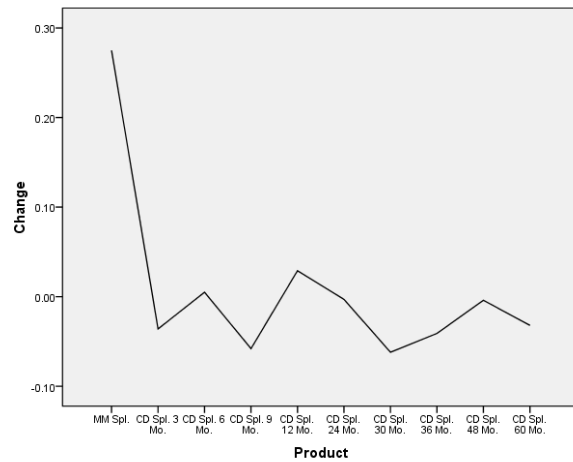


Table 1
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Reg.	0.01	1.76	0.39	0.39	-0.01
CD Reg. 3 Mo.	0.01	1.41	0.32	0.33	-0.01
CD Reg. 6 Mo.	0.09	1.76	0.51	0.52	-0.01
CD Reg. 9 Mo.	0.10	1.65	0.52	0.53	-0.01
CD Reg. 12 Mo.	0.13	2.15	0.80	0.80	0.00
CD Reg. 24 Mo.	0.25	2.50	1.23	1.24	-0.01
CD Reg. 30 Mo.	0.15	2.42	1.26	1.27	-0.01
CD Reg. 36 Mo.	0.50	2.75	1.59	1.60	-0.01
CD Reg. 48 Mo.	0.50	3.15	1.86	1.87	0.00
CD Reg. 60 Mo.	0.50	3.39	2.07	2.07	-0.01

Table 2
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Spl.	0.20	2.00	0.90	0.63	0.28
CD Spl. 3 Mo.	0.55	1.35	0.97	1.00	-0.04
CD Spl. 6 Mo.	1.22	1.50	1.36	1.35	0.01
CD Spl. 9 Mo.	1.25	1.95	1.55	1.60	-0.06
CD Spl. 12 Mo.	0.53	2.15	1.44	1.41	0.03
CD Spl. 24 Mo.	1.25	2.25	1.84	1.85	0.00
CD Spl. 30 Mo.	1.75	2.25	1.95	2.01	-0.06
CD Spl. 36 Mo.	1.99	2.75	2.26	2.30	-0.04
CD Spl. 48 Mo.	2.27	3.00	2.68	2.69	0.00
CD Spl. 60 Mo.	1.99	3.15	2.81	2.84	-0.03

Methodology: The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

Premium APY Index

The Premium APY index measures the spread between regular CDs and MM APY and Special CDs and MM APY. This spread is the premium that institutions are offering on Special products in order to attract balances.

- Highest APY premium, CD 9 mo. **103 bps**
- Lowest APY premium, MM **51 bps**
- Average APY premium, **72 bps**

Figure 3
APY premium variance this week

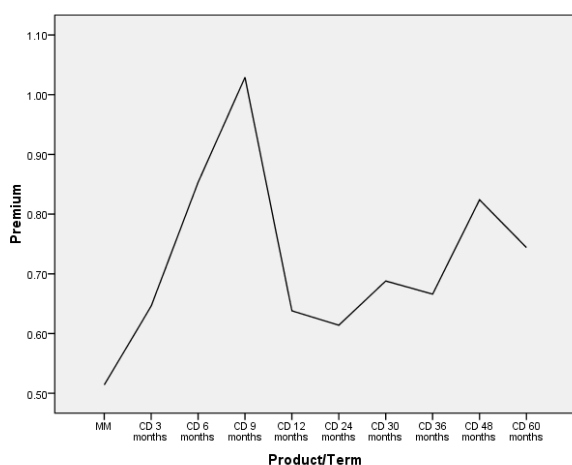


Table 3
APY premium variance this week

Product/Term	Reg. Avg.	Spl. Avg.	Premium
MM	0.39	0.90	0.51
CD 3 months	0.32	0.97	0.65
CD 6 months	0.51	1.36	0.85
CD 9 months	0.52	1.55	1.03
CD 12 months	0.80	1.44	0.64
CD 24 months	1.23	1.84	0.61
CD 30 months	1.26	1.95	0.69
CD 36 months	1.59	2.26	0.67
CD 48 months	1.86	2.68	0.82
CD 60 months	2.07	2.81	0.74

Six-month historical APY Index

- Average APY six months ago **1.62**
- Average APY this week **1.41**
- Cumulative increase (decrease) **-21 bps**

Figure 4 - Time series six-month APY

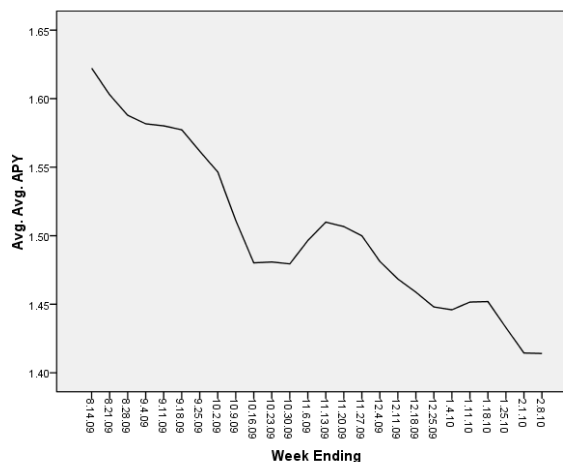


Table 4 - Six-month average APY

Week Ending	Avg. RePrice Volume	Avg. Min. APY	Avg. Max. APY	Avg. Avg. APY	Avg. Last Wk.	Avg. Change
8.14.09	62%	1.00	2.51	1.62	1.64	-0.01
8.21.09	50%	0.95	2.51	1.60	1.62	-0.02
8.28.09	58%	0.94	2.51	1.59	1.60	-0.01
9.4.09	85%	0.93	2.50	1.58	1.59	-0.01
9.11.09	57%	0.93	2.48	1.58	1.58	0.00
9.18.09	54%	0.93	2.49	1.58	1.58	0.00
9.25.09	37%	0.92	2.39	1.56	1.58	-0.02
10.2.09	51%	0.92	2.36	1.55	1.56	-0.02
10.9.09	69%	0.90	2.33	1.51	1.55	-0.04
10.16.09	50%	0.90	2.33	1.48	1.51	-0.03
10.23.09	50%	0.89	2.34	1.48	1.48	0.00
10.30.09	51%	0.88	2.32	1.48	1.48	0.00
11.6.09	44%	0.85	2.35	1.50	1.48	0.02
11.13.09	35%	0.85	2.34	1.51	1.50	0.01
11.20.09	54%	0.88	2.35	1.51	1.51	0.00
11.27.09	47%	0.85	2.37	1.50	1.51	-0.01
12.4.09	52%	0.82	2.32	1.48	1.50	-0.02
12.11.09	56%	0.85	2.32	1.47	1.48	-0.01
12.18.09	57%	0.82	2.29	1.46	1.47	-0.01
12.25.09	36%	0.81	2.30	1.45	1.46	-0.01
1.4.10	23%	0.81	2.29	1.45	1.45	0.00
1.11.10	53%	0.80	2.27	1.45	1.45	0.00
1.18.10	37%	0.80	2.25	1.45	1.45	0.00
1.25.10	46%	0.78	2.24	1.43	1.45	-0.02
2.1.10	47%	0.77	2.23	1.41	1.43	-0.02
2.8.10	49%	0.76	2.26	1.41	1.41	0.00

Methodology: The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

Repricing Volume Index

Repricing Volume Index features the level of rate changes during the week. An index of 100% means that, on average, all available rates of the sample products have been repriced.

The Repricing volume Index is helpful in observing the repricing activities for the featured week, and identifying products that are being repriced more frequently than others.

CD & MM Regular

- Highest repricing volume, **CD 60 mo. 65%**
- Lowest repricing volume, **MM 10%**
- Average repricing volume, **38%**

CD & MM Special

- Highest repricing volume, **CD 48 mo. 106%**
- Lowest repricing volume, **MM 20%**
- Average repricing volume, **61%**

Figure 5
Repricing volume level this week

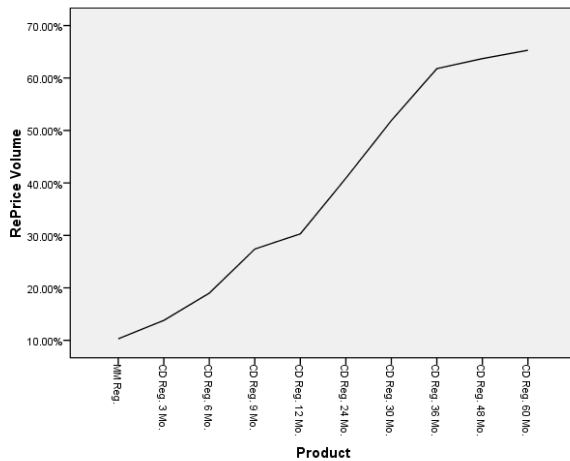


Figure 6
Repricing volume level this week

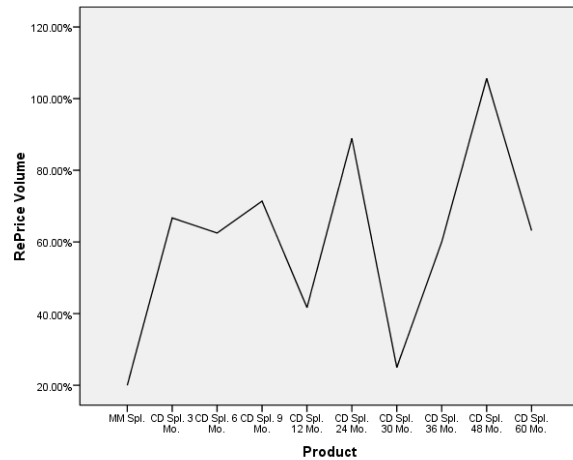


Table 5
Repricing volume level this week

Product	RePrice Volume
MM Reg.	10%
CD Reg. 3 Mo.	14%
CD Reg. 6 Mo.	19%
CD Reg. 9 Mo.	27%
CD Reg. 12 Mo.	30%
CD Reg. 24 Mo.	41%
CD Reg. 30 Mo.	52%
CD Reg. 36 Mo.	62%
CD Reg. 48 Mo.	64%
CD Reg. 60 Mo.	65%

Table 6
Repricing volume level this week

Product	RePrice Volume
MM Spl.	20%
CD Spl. 3 Mo.	67%
CD Spl. 6 Mo.	63%
CD Spl. 9 Mo.	71%
CD Spl. 12 Mo.	42%
CD Spl. 24 Mo.	89%
CD Spl. 30 Mo.	25%
CD Spl. 36 Mo.	60%
CD Spl. 48 Mo.	106%
CD Spl. 60 Mo.	63%

Methodology: The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

About Market Rates Insight

Market Rates Insight (MRI) is the premier provider of competitive-pricing information and analysis to the banking industry. MRI focuses on serving the pricing needs of financial institutions—not consumers. Therefore, only MRI offers the higher level of pricing comprehensiveness and sophistication of systems demanded by the industry.

In addition to competitive-data that MRI provide to financial institutions, MRI also provides research, analysis and tracking of industry indexes to thought leaders worldwide. MRI's analysis and indicators are viewed weekly by many thousands of banking and credit union professionals through video, audio and print channels.

THE WALL STREET JOURNAL

Banks Wage Rate War for Deposits

By *DAVID ENRICH*

Consumers Benefit as Institutions Move to Shore Up Funds, but Profit Margins Suffer

Unlike previous periods of turbulence, the Fed's rate-chopping campaign isn't relieving the pressure this time. In the past, reductions in the federal funds rate have helped level off interest rates on CDs and savings accounts, according to **Market Rates Insight Inc., which tracks pricing trends for financial institutions.** "This time around, it's much more fierce," says Dan Geller, executive vice president of the San Anselmo, Calif., firm.

BusinessWeek

Should You Test-Drive a Hybrid CD?

By *David Bogoslaw*

Since June, rates for indexed CDs have climbed an average of 8.1%, while non-indexed rates have declined more than 14%, according to Dan Geller, executive vice-president of **Market Rates Insight, which provides competitive-pricing information and analysis to the banking industry.**

"This is the type of deposit that low-risk-minded people can take and sleep well at night because, unlike investing in the stock market or a mutual fund, it will not impact your principal adversely if the market goes down," he says. "Granted, the return potential is not as

AMERICAN BANKER

On Focus and In Depth

To Predict Deposit Rates, Take a Look at Jobs Data

By *Katie Kuehner-Hebert*

When the unemployment rate is high and economic activity low, the need for deposits to fund loans is less acute, said Dan Geller, executive vice president at **Market Rates Insight, a San Anselmo, Calif., firm that tracks deposit pricing.** That means banks can pay "the minimal amount they can get by with on deposits."

The Market Rates Insight study found that nearly 80% of the movement in the national average rate on

CREDIT UNION TIMES

Short-Term CDs a Hot Commodity

By *Michelle Samaad*

"It's a mixture of uncertainty and the job market," said Dan Geller executive vice president of **Market Rates Insight, a San Anselmo, Calif. firm that tracks rates loans, fees and rates.** "The bottom line is people prefer to make short-term commitments in case they need the funds."

According to 1,300 banks and credit unions tracked by **Market Rates Insight,** the premium paid on short-term CDs increased from 66.3% in January to 100.4% in September, an increase of 34.1%. Short-term CDs are defined as those with a one year or less term. Mean-