

# Pricing Indicators



**National Pricing Indicators**  
For the week beginning 2/15/2010

## Highlights

- Term deposits yielding negative returns when adjusted to inflation (page 2).
- Slight decrease in the national-average APY for CD & MM (-0.01)
- Relatively low repricing volume. Less than one half (40%) of deposit products were repriced this week.

*(Additional indexes and products inside)*

For additional information contact:

**Dr. Dan Geller**

**Direct: 415-448-8813**

**dan.geller@marketratesinsight.com**



275 Greenfield Ave. San Anselmo, CA 94960 Phone: 415 448-8800, Fax: 415 259-0701  
Email: [info@marketratesinsight.com](mailto:info@marketratesinsight.com) Web: <http://www.marketratesinsight.com/new>

## Summary of Findings for this week

### National APY

- Slight decrease in the national-average APY for CDs and MM **-0.01**
- Highest increase, CD 48 months Spl. **+0.05**
- Highest decrease, CD 30 mo. Spl. **-0.078**
- Aggregated change in average APY in the last six months **-20 bps (-12%)**
- Highest spread between average Regular and Special in 9 months CD **98 bps**
- Lowest spread between average Regular and Special in MM **51 bps**

### Repricing Volume

- Relatively low repricing volume. Less than one half (**40%**) of the products were repriced during the week.
- Highest repricing volume product - CD 6 and 9 months special (**88%**).
- Lowest repricing volume product - CD 48 months special (**6%**).

## 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** - Term deposits yielding negative net returns when adjusted for inflation.

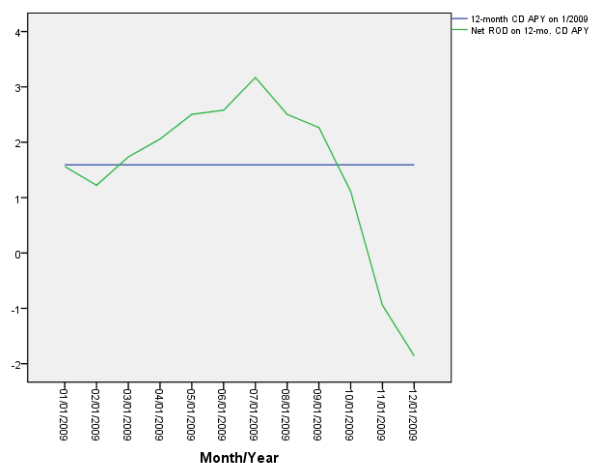
Term deposits that were opened after January of 2009, and are maturing now, are yielding a net negative return when adjusted to inflation.

For example, a 12-month \$10K CD that was opened in January of 2009, at the national average rate of 1.59, has matured in December 2009 when the annual inflation rate was 2.72. This 12-month CD has yielded a net negative return of 1.13 percent or a reduction of \$130 in the buying power of the principle (Figure 1).

In November of 2009, there was a shift from deflation to inflation at a rapid past. This trend is expected to continue during most of 2010 because it is very unlikely that the Fed will raise its rate while the economy is still recovering and the unemployment rate is very high. As long as the Fed fund rate remains at its current level of 0%-0.25%, deposit rates are not likely to increase.

Therefore, it is very likely that short-term deposits, which will mature anytime during 2010, will yield a net negative return.

**Figure 1** - Net negative return of a 12-month \$10K CD that matured in December 2009.



### 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.

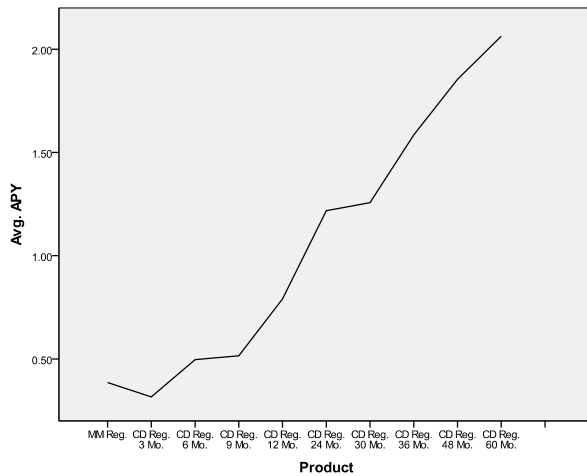
#### CD & MM Regular

- Highest increase, **No increases**
- Highest decrease, CD 3 to 48 months **-0.01**
- Average increase/decrease, **-0.01**

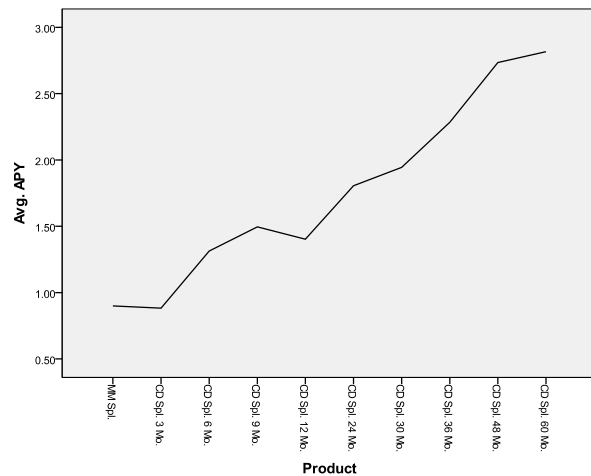
#### CD & MM Special

- Highest increase, CD 48 months **+0.05**
- Highest decrease, CD 30 months **-0.08**
- Average increase/decrease, **-0.02**

**Figure 1**  
Avg. APY this week all products



**Figure 2**  
Avg. APY this week all products



**Table 1**  
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Reg.	0.01	2.00	0.39	0.39	0.00
CD Reg. 3 Mo.	0.01	1.41	0.32	0.32	-0.01
CD Reg. 6 Mo.	0.10	1.75	0.50	0.51	-0.01
CD Reg. 9 Mo.	0.10	1.65	0.52	0.52	0.00
CD Reg. 12 Mo.	0.13	2.15	0.79	0.80	-0.01
CD Reg. 24 Mo.	0.25	2.50	1.22	1.23	-0.01
CD Reg. 30 Mo.	0.15	2.42	1.26	1.26	0.00
CD Reg. 36 Mo.	0.50	2.75	1.59	1.59	-0.01
CD Reg. 48 Mo.	0.50	3.15	1.85	1.86	-0.01
CD Reg. 60 Mo.	0.50	3.39	2.06	2.07	0.00

**Table 2**  
APY spectrum and variance

Product	Min. APY	Max. APY	Avg. APY	Last Wk.	Change
MM Spl.	0.20	2.00	0.90	0.90	0.00
CD Spl. 3 Mo.	0.55	1.10	0.88	0.97	-0.08
CD Spl. 6 Mo.	1.15	1.50	1.31	1.36	-0.05
CD Spl. 9 Mo.	1.25	1.90	1.50	1.55	-0.05
CD Spl. 12 Mo.	0.52	2.15	1.40	1.44	-0.03
CD Spl. 24 Mo.	1.25	2.25	1.81	1.84	-0.04
CD Spl. 30 Mo.	1.75	2.25	1.95	1.95	0.00
CD Spl. 36 Mo.	1.99	2.75	2.28	2.26	0.03
CD Spl. 48 Mo.	2.50	3.00	2.73	2.68	0.05
CD Spl. 60 Mo.	1.99	3.15	2.82	2.81	0.01

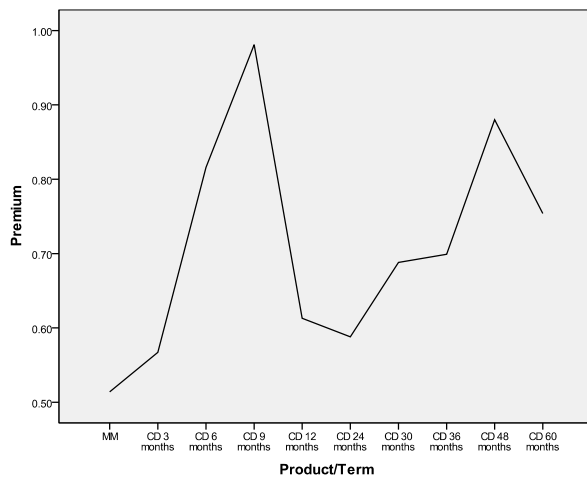
**Methodology:** The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

### 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. **98 bps**
- Lowest APY premium, MM **51 bps**
- Average APY premium, **71 bps**

**Figure 3**  
APY premium variance this week



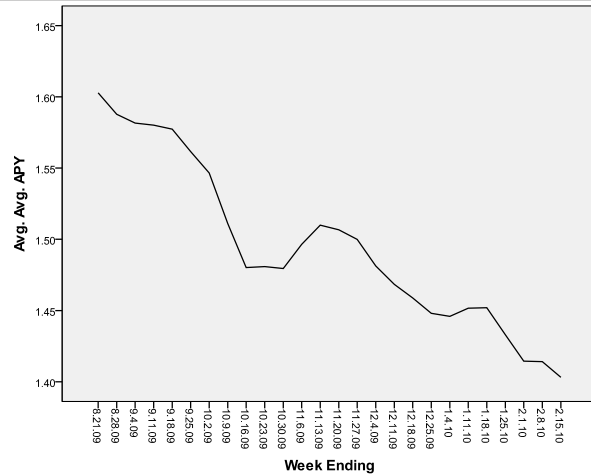
**Table 3**  
APY premium variance this week

Product/Term	Reg. Avg.	Spl. Avg.	Premium
MM	0.39	0.90	0.51
CD 3 months	0.32	0.88	0.57
CD 6 months	0.50	1.31	0.82
CD 9 months	0.52	1.50	0.98
CD 12 months	0.79	1.40	0.61
CD 24 months	1.22	1.81	0.59
CD 30 months	1.26	1.95	0.69
CD 36 months	1.59	2.28	0.70
CD 48 months	1.85	2.73	0.88
CD 60 months	2.06	2.82	0.75

### Six-month historical APY Index

- Average APY six months ago **1.60**
- Average APY this week **1.40**
- Cumulative increase (decrease) **-20 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
8.21.09	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
2.15.10	40%	0.77	2.26	1.40	1.41	-0.01

**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.

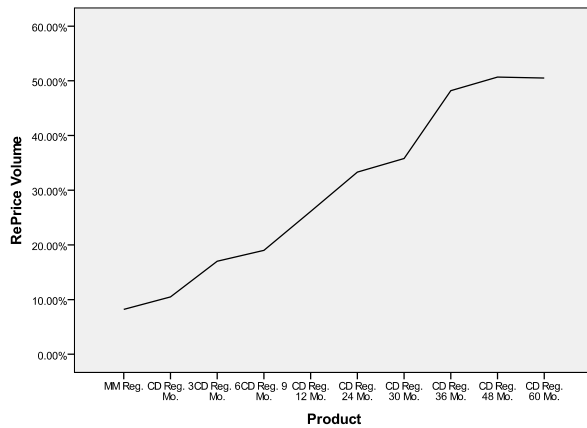
#### CD & MM Regular

- Highest repricing volume, **CD 48, 60 mo. 51%**
- Lowest repricing volume, **MM 8%**
- Average repricing volume, **30%**

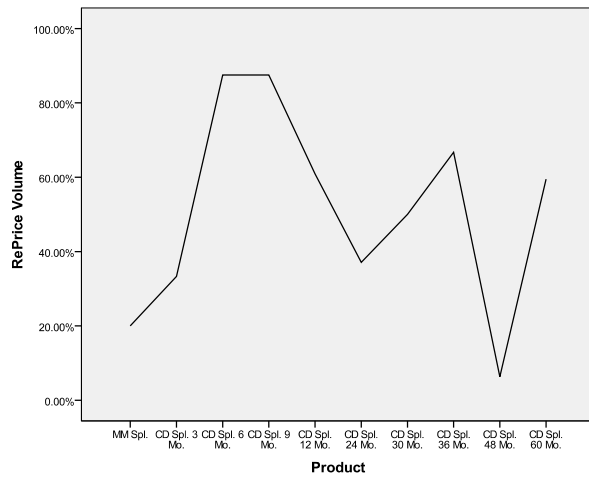
#### CD & MM Special

- Highest repricing volume, **CD 6, 9 mo. 88%**
- Lowest repricing volume, **CD 48 mo. 6%**
- Average repricing volume, **51%**

**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.	8%
CD Reg. 3 Mo.	11%
CD Reg. 6 Mo.	17%
CD Reg. 9 Mo.	19%
CD Reg. 12 Mo.	26%
CD Reg. 24 Mo.	33%
CD Reg. 30 Mo.	36%
CD Reg. 36 Mo.	48%
CD Reg. 48 Mo.	51%
CD Reg. 60 Mo.	51%

**Table 6**  
Repricing volume level this week

Product	RePrice Volume
MM Spl.	20%
CD Spl. 3 Mo.	33%
CD Spl. 6 Mo.	88%
CD Spl. 9 Mo.	88%
CD Spl. 12 Mo.	61%
CD Spl. 24 Mo.	37%
CD Spl. 30 Mo.	50%
CD Spl. 36 Mo.	67%
CD Spl. 48 Mo.	6%
CD Spl. 60 Mo.	60%

**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-