

# Pricing Indicators



**National Pricing Indicators**  
For the week beginning 2/22/2010

## Highlights

- National average APY and premium are projected to remain flat (page 2).
- No change in the national-average APY for CD & MM (0.0)
- Very low repricing volume. Slightly over one third (36%) of deposit products were repriced this week.
- Introducing Predictive Analytics - a forward looking APY projection of ten key deposit products (page 6)

*(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 **0.0**
- Highest increase, CD 3 months Spl. **+0.11**
- Highest decrease, CD 24 mo. Rgl. **-0.03**
- Aggregated change in average APY in the last six months **-19 bps (-12%)**
- Highest spread between average Regular and Special in 9 months CD **99 bps**
- Lowest spread between average Regular and Special in MM **52 bps**

**Repricing Volume**

- Very low repricing volume. Slightly over one third (**36%**) of the products were repriced during the week.
- Highest repricing volume product - CD 60 months special (**132%**).
- Lowest repricing volume product - MM Rgl. (**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 predicts 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 and premium forecasted to remain flat.**

Expect the national average APY and premiums paid on specials to remain virtually flat during the next four weeks (+/- 0.01).

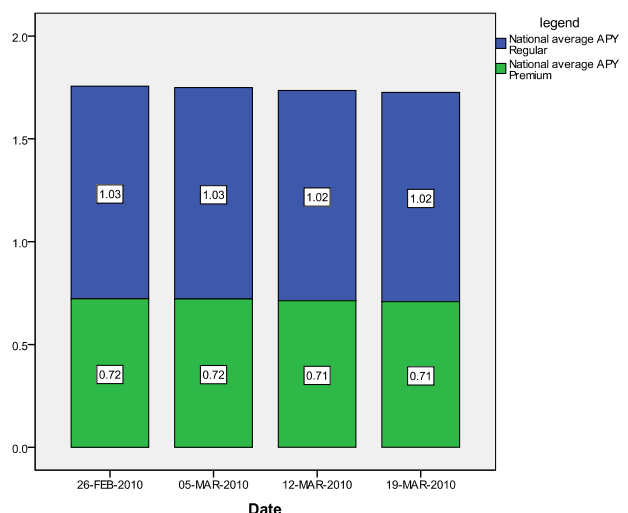
The average APY for regular products is forecasted to decrease only by 1 bps (to 0.71), and the premium will also drop 1 bps to 1.02.

However, within the deposit portfolio, some products will be promoted more aggressively than others by leveraging the relative-repricing gap between the regular and special APY.

The concept of relative-repricing range will be introduced in the March issue of our new publication - Predictive Analytics.

Predictive Analytics provides a forward looking,, reliable and scientific forecast of deposit pricing. It will allow you to see, in advanced, the pricing trend of ten key deposit products, and to make strategic pricing decisions accordingly.

**Figure I - Forecasted national average APY and premiums for the next four weeks.**



### 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.

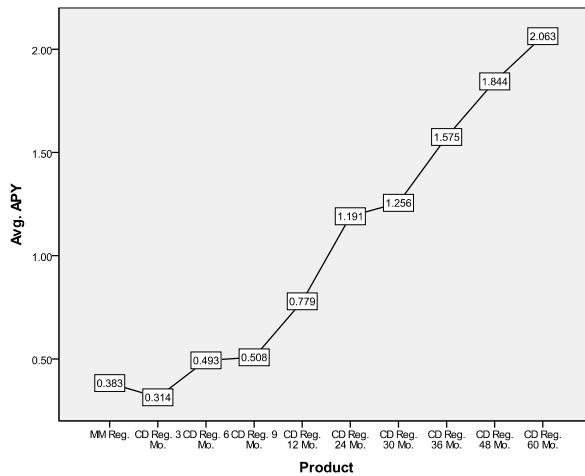
#### CD & MM Regular

- Highest increase, **No increases**
- Highest decrease, CD 24 months **-0.03**
- Average increase/decrease, **-0.01**

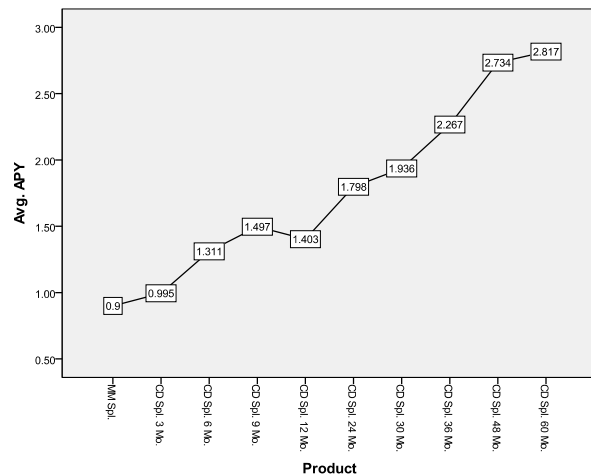
#### CD & MM Special

- Highest increase, CD 3 months **+0.11**
- Highest decrease, CD 36 months **-0.02**
- Average increase/decrease, **+0.01**

**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	0.38	0.39	0.00
CD Reg. 3 Mo.	0.01	1.41	0.31	0.32	0.00
CD Reg. 6 Mo.	0.10	1.75	0.49	0.50	0.00
CD Reg. 9 Mo.	0.10	1.65	0.51	0.52	-0.01
CD Reg. 12 Mo.	0.13	2.01	0.78	0.79	-0.01
CD Reg. 24 Mo.	0.25	2.50	1.19	1.22	-0.03
CD Reg. 30 Mo.	0.15	2.42	1.26	1.26	0.00
CD Reg. 36 Mo.	0.50	2.75	1.58	1.59	-0.01
CD Reg. 48 Mo.	0.50	3.14	1.84	1.85	-0.01
CD Reg. 60 Mo.	0.50	3.39	2.06	2.06	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	1.33	1.00	0.88	0.11
CD Spl. 6 Mo.	1.15	1.50	1.31	1.31	0.00
CD Spl. 9 Mo.	1.25	1.90	1.50	1.50	0.00
CD Spl. 12 Mo.	0.52	2.15	1.40	1.40	0.00
CD Spl. 24 Mo.	1.25	2.25	1.80	1.81	-0.01
CD Spl. 30 Mo.	1.75	2.25	1.94	1.95	-0.01
CD Spl. 36 Mo.	1.99	2.75	2.27	2.28	-0.02
CD Spl. 48 Mo.	2.50	3.00	2.73	2.73	0.00
CD Spl. 60 Mo.	1.99	3.15	2.82	2.82	0.00

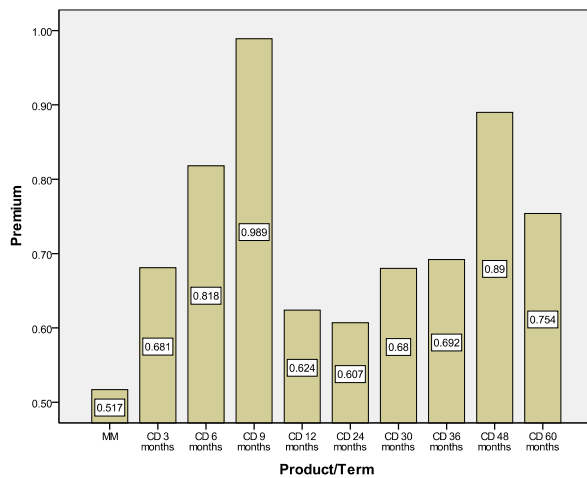
**Methodology:** The statistical analysis in this report is based on a convenience sample of 1,300 institutions as was determined by a-priori, two-tailed test. The t-Test was based on the following parameters: Alpha=0.05; Power=0.95; Effect size=0.20.

### 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. **99 bps**
- Lowest APY premium, MM **52 bps**
- Average APY premium, **73 bps**

**Figure 3**  
APY premium variance this week



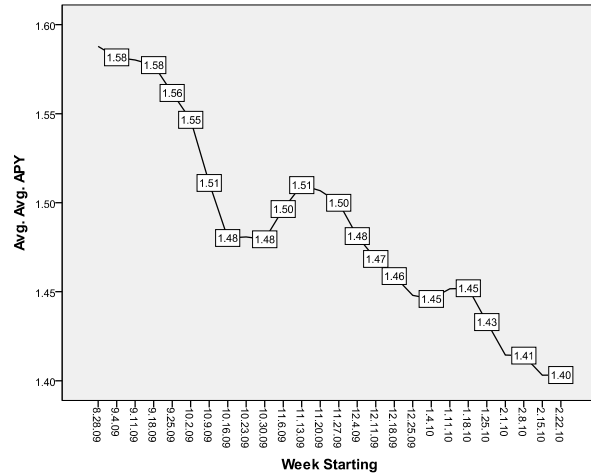
**Table 3**  
APY premium variance this week

Product/Term	Reg. Avg.	Spl. Avg.	Premium
MM	0.38	0.90	0.52
CD 3 months	0.31	1.00	0.68
CD 6 months	0.49	1.31	0.82
CD 9 months	0.51	1.50	0.99
CD 12 months	0.78	1.40	0.62
CD 24 months	1.19	1.80	0.61
CD 30 months	1.26	1.94	0.68
CD 36 months	1.58	2.27	0.69
CD 48 months	1.84	2.73	0.89
CD 60 months	2.06	2.82	0.75

### Six-month historical APY Index

- Average APY six months ago **1.59**
- Average APY this week **1.40**
- Cumulative increase (decrease) **-19 bps**

**Figure 4** - Time series six-month APY



**Table 4** - Six-month average APY

Week Starting	Avg. RePrice Volume	Avg. Min. APY	Avg. Max. APY	Avg. Avg. APY	Avg. Last Wk.	Avg. Change
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
2.22.10	36%	0.77	2.27	1.40	1.40	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.

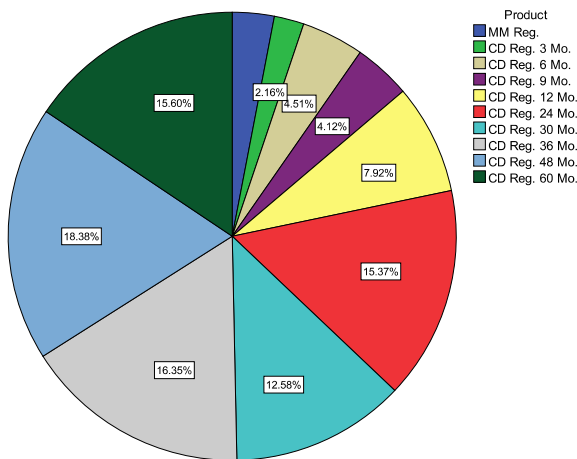
#### CD & MM Regular

- Highest repricing volume, **CD 48, mo. 47%**
- Lowest repricing volume, **MM 6%**
- Average repricing volume, **26%**

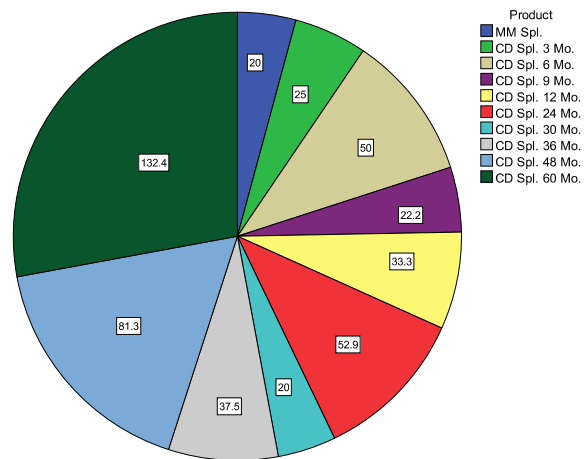
#### CD & MM Special

- Highest repricing volume, **CD 60 mo. 132%**
- Lowest repricing volume, **MM 20%**
- Average repricing volume, **47%**

**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.	6%
CD Reg. 6 Mo.	12%
CD Reg. 9 Mo.	11%
CD Reg. 12 Mo.	20%
CD Reg. 24 Mo.	39%
CD Reg. 30 Mo.	32%
CD Reg. 36 Mo.	42%
CD Reg. 48 Mo.	47%
CD Reg. 60 Mo.	40%

**Table 6**  
Repricing volume level this week

Product	RePrice Volume
MM Spl.	20%
CD Spl. 3 Mo.	25%
CD Spl. 6 Mo.	50%
CD Spl. 9 Mo.	22%
CD Spl. 12 Mo.	33%
CD Spl. 24 Mo.	53%
CD Spl. 30 Mo.	20%
CD Spl. 36 Mo.	38%
CD Spl. 48 Mo.	81%
CD Spl. 60 Mo.	132%

**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.

# Introducing Predictive Analytics for Deposits

*It will change the way you price in the future*

### How will Predictive Analytics help me price?

Pricing is a forward-looking function. It establishes a rate that is designed to achieve your desired balances at minimal cost of funds.

But, pricing is also a relative function. Your rate is only effective if it compares favorably to the competitive environment. Predictive Analytics addresses these two issues by providing you with a future looking (one-month ahead) forecast of the projected APY of ten key deposit products.

### What's included in the forecast?

The forecast contains 22 separate forecasts. The forecasted products are money markets and CDs with 3-, 6-, 9-, 12-, 24-, 30, 36-, 48- and 60-month terms (non jumbo). Each of these products is forecasted separately for Regular APY and for Special APY. In addition, a combined forecast for all deposit products is provided. The forecast includes four weeks of projected APY in table and graph form.

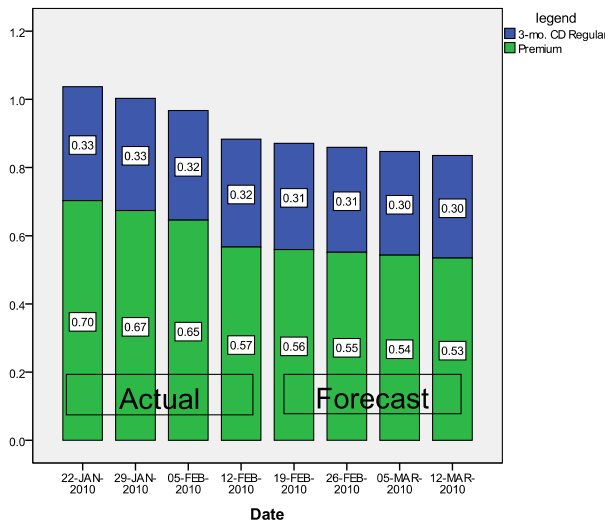
### How do I subscribe to Predictive Analytics?

Just send me an email requesting your subscription. You will be billed \$1,188 for twelve issues of Predictive Analytics. Individual issues are \$250 each when ordered separately.. New issue is sent on the first Monday of every month, featuring that month's forecast.

### What methodology is used in this forecast?

We use the most advanced statistical modeling to ensure the highest reliability. We test each product separately for best fit modeling, which includes exponential smoothing and ARIMA (Autoregressive Integrated Moving Average) models. Projected values have a 95% confidence level.

### Sample of a forecast chart and rate table



Date	2/19/2010	2/26/2010	3/5/2010	3/12/2010
3-mo. CD Regular	0.31	0.31	0.30	0.30
3-mo. CD Special	0.87	0.86	0.85	0.84
Premium	0.56	0.55	0.54	0.53

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## 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-