

Special Analysis

Differences in the fluctuation pattern of the national-average APY for deposit products between 2008 and 2009 YTD.

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Implications

- The national-average APY for deposits is not expected to repeat its upward pattern in the third quarter of 2009, as it did in 2008.
- The national-average APY has lost more of its relative value (27%) during the first eight months of 2009 than it did during the full year 2008 (26%).

Purpose

The purpose of this analysis is to compare the fluctuation pattern of the national-average APY for CDs and MM during 2008 and 2009 year-to-date. The findings of this analysis may provide a clue as the expected behavior of deposit pricing moving forward.

Analysis

- We conducted a time-series analysis of the national average APY for CDs and MM during full-year 2008 and year-to-date 2009
- The statistical analysis in this report is based on a 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.

Findings

- In 2008, the national-average APY dropped a total of 87 bps, from a high of 3.40 in the beginning of the year, to a low of 2.53 at the end of the year.
- In 2008, the national-average APY had a cyclical pattern. It went down in the first and second quarters, but increased by as much as 27 bps during the third quarter, and dropped again by 45 bps in the fourth quarter of 2008 (Figure 1).
- Conversely, in 2009 year-to-date, the national-average APY exhibited a sharp

decline of 65 bps from 2.27 in the beginning of the year, to 1.62 at the end of August. During 2009, the national-average APY did not exhibit any cyclical or upwards pattern (Figure 2).

Figure1
National average APY fluctuation during 2008

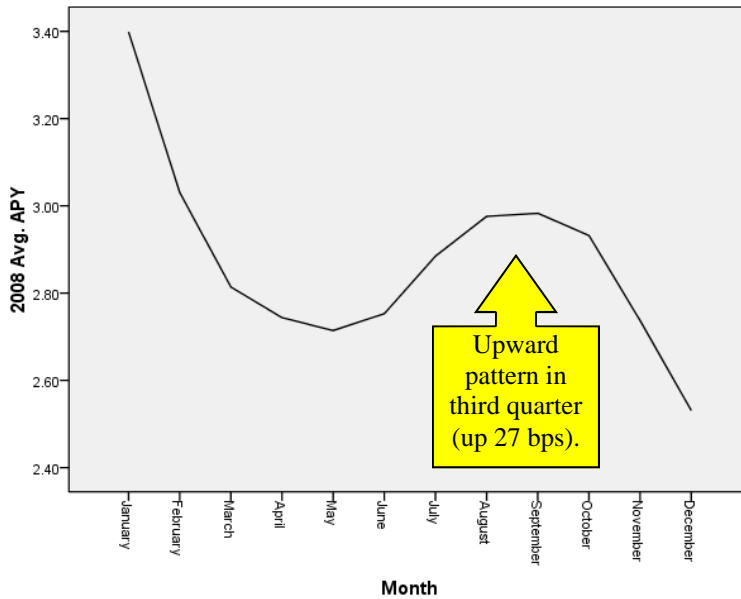


Figure2
National average APY fluctuation during 2009 YTD

