GETTING PUMMELED IN MORE WAYS THAN ONE

by Steve Brown

A strange survey finds 60% of male teenagers would punch a coworker in the face if they thought they could get away with it and about 40% would punch their bosses. While that is odd, we found it even stranger that 20% of men aged 50 or older felt the same way. Clearly there are lots of stressed out people out there, so watch your

back and your face when interacting with coworkers. While not as shocking, perhaps, as getting walloped in the face before you have had your cup of coffee in the morning; the 2,319 page Dodd Frank Act has already begun to pound on bankers.

For instance, take a new survey by Accenture that examined this issue more closely and found there are many strategic changes bankers are making in response to this voluminous law. In order, the survey found the top ways bankers are preparing include tightening risk management (54%), planning cost reductions (44%) and working on new pricing structures for products and services (39%). These are all advisable in the current environment, as community bankers prepare to tackle the flurry of new regulation and remain profitable.

Following this group, bankers said the next areas where they planned to make strategic changes included focusing more on core competencies (31%), launching new products or services (29%), entering new markets or customer segments (28%) and seeking divest themselves of certain business or geographic units (25%). Here too, we think these are all worthy of consideration, as bankers retool the business model, evaluate the competitive landscape and adapt to changing customers needs, wants and desires.

Rounding out the final set of strategic changes bankers were contemplating included plans to decrease headcount (24%), merging with another bank (21%), increasing headcount (18%), shutting down unprofitable product lines (16%) and relocating headquarters or business units (10%). This shows bankers are still more in job cutting mode than hiring and some are just plain exhausted so are seeking merger partners. No matter the underlying reasons, these too might be prudent to consider in this ever changing environment.

Finally, of special note, 5% of bankers said they planned to make no strategic changes. Our take is that either this group has figured everything out already, is happy with the current business model, is going to be closed soon, doesn't care, hasn't yet been examined, or is simply too overwhelmed to deal. We aren't sure which one best fits, but revisiting the business model now and again is a best practice no matter the environment (if just to challenge assumptions) so we highly recommend it.

In closing, we leave you with the one-two punch the Dodd Frank Act will certainly deliver - compliance costs are going to rise and bankers will have to cut expenses further to meet profit targets and keep shareholders happy.

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BANK NEWS

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US Bancorp

The Minneapolis Bank has entered a deal to buy BofA's securitization trust business for up to $35mm.

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FedEx

One of our favorite leading indicators is up, but only slightly. FedEx reports that while package traffic volume is still down 7.4% from its 2006 peak, it is up for 3Q by 2.7% compared with a year earlier.

Housing Remains Ugly

A new survey by Zillow finds home values in most areas have continued to decline and the length and depth of the housing recession is reaching the level of the Great Depression's real estate downturn. In the 3Q, home values in the US fell 4.3% vs. the same quarter in 2009; foreclosures have reached an all-time high; and nearly 1 in 4 people (23.2%) were underwater on their mortgages.

Advisor View

A survey of financial advisors finds 75% do not feel the economy is much better than it was in Jun. Meanwhile, 48% said the financial situation of most clients was the same as last year; 65% gave the Obama Administration a failing grade on efforts to address the economy; and 62% said economic uncertainty was the most important factor contributing to client reluctance to invest (followed by market volatility at 18% and high unemployment at just over 8%).