

## Patience And 12 Days

by [Steve Brown](#)

Last week, following the final meeting of the FOMC for 2014, the word "patient" was added to the Fed's policy statement. "Patient" was not a substitution for "a considerable time" but rather an addition to the previous language. The explanation by Fed Chair Yellen was that "considerable time" referred to an event now in the past (the Fed's asset purchases) and therefore the reference is no longer a relevant measure (yet the language remains at least until next time).

What the markets heard was that short term interest rates will not rise in the next few months and there was much rejoicing (it is the holiday season after all). All this rejoicing led to a gain of 700+ points on the DJIA in two days and on to top 18,000 yesterday. This is pretty exuberant given the drop in oil prices, a slowing global economy and the cratering Russian Ruble.

We won't dampen the party, but in the end the Fed basically reiterated its concerns over employment (still slack but improving) and inflation (lower than they would like), but acknowledged progress in the economy (strong GDP and a lower unemployment rate) and set the stage for an increase in short term rates sometime in mid-2015.

The Fed also cautioned investors that its decision will be data dependent, and left the door open for pretty much anything. After much breathless speculation by the financial press, expectations for Fed policy action are pretty much the same as they have been for months. Bankers will need to remain patient as well, looking for opportunity as the economy improves and controlling deposit costs as short term rates rise.

We finish today's issue with the Banker's Twelve Days of Christmas, outlining all the gifts bankers can expect in 2015:

On the first day of Christmas, my true love gave to me:

Our Best CAMELS Rating In Years

On the second day of Christmas, Chair Yellen gave to me:

Two Fed Tightenings

On the third day of Christmas, new rules to implement:

Basel III Regs

On the fourth day of Christmas, my CFO did file:

Four Call Reports

On the fifth day of Christmas, my lenders found for me:

Five Big Hedged Loans

On the sixth day of Christmas, to manage CRE:

Six Loan Stress Tests

On the seventh day of Christmas, good management produced:

Seven Cost Reductions

On the eighth day of Christmas, the tellers are all stars:

Eight Happy Clients

On the ninth day of Christmas, the techies undertook:

Nine IT Upgrades

On the tenth day of Christmas, our loan group approved:

Ten C&I Loans

On the eleventh day of Christmas, consumer lenders sold:

Eleven Funded HELOCS

On the twelfth day of Christmas, our bank reports to all:

Twelve Months of Profits

Happy holidays to everyone in your bank!

# BANK NEWS

## **Reprieve**

The Fed said it will give the largest banks another 2Ys to sell off or discontinue private equity or hedge fund investments as it seeks to reduce market disruption. Divestitures are required under the Volcker Rule and the deadline to comply is now Jul 2017.

## **Recession Risk**

JPMorgan indicates the plunge in oil below \$55 per barrel could push TX into a recession because of its heavy exposure to crude.

## **Competition**

An industry group for internet lenders is pushing the SEC to take action and finalize rules around crowdfunding. Once completed, the rules are expected to open up online business lending for transactions of \$1mm or less.

## **Busted**

Federal agents busted a NJ gang that reportedly stole \$500k using fake money orders and forged checks cashed at 14 banks in the state. The gang opened bank accounts and withdrew money before the banks knew the money orders/checks were fraudulent.

## **Safety Charge**

In an effort to weaken its currency and manage the risk of deflation, the Swiss Central Bank said it will charge banks 0.25% to deposit overnight funds. After the announcement of the negative interest rate for bank deposits, the Swiss currency fell to a 28-month low.

## **Branching & Mobility**

JPMorgan reports the number of mobile banking users that have logged on within the past 90 days jumped 23% from Nov 2013 to Nov 2014. Meanwhile, the bank also reported that about 40% of its customers use mobile vs. 25% in 2012.

## **Ecommerce**

The National Retail Federation reports the share of e-commerce sales as a percentage of total retail sales has jumped from 3.5% in Jan 2008 to 6.5% as of Jan 2014. This holiday season is expected to push that percentage to an even higher percent.

## **Biggest Threat**

A survey by security firm CloudEntr finds 77% of IT managers at small to medium sized businesses say their own employees are the weakest link in cyber security. In response, 89% said they plan to provide more employee education in 2015.

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