



Strategically Thinking About Banking

by [Steve Brown](#)

About 20Ys ago, we had the idea to create a daily publication designed specifically for community bankers. While it has been refined over the years, it has stood the test of time. In fact, each week we add a few hundred new bankers or regulators to the distribution list of the Banc Investment Daily (BID) and readership is over 55,000. Given that growth, every few years we stop to take a moment and explain the intent of each specific area within this publication in an effort to help community bankers. We do this to help make sure all of our readers can effectively utilize everything the BID is designed to deliver each and every morning.

First and foremost, the BID is 100% focused on community bank issues and designed to provide thought-provoking information. It is always presented in an easy-to-read single page format, with a bit of humor sprinkled in here and there. It has never been longer than 1 page in length, so every single space within that page is maximized every day.

The creative process is unique, as it begins around 4:00am PT and ends promptly at 5:00am PT for delivery to your inbox each morning. That provides time to create, edit and refine things and ensures it gets out to everyone just in time for that 1st or 2nd cup of morning coffee no matter your time zone.

Topics come from a variety of sources, including bankers themselves (one of our favorite sources--although once again we go on record saying we have not put listening devices in anyone's boardroom); regulators (from conferences, face-to-face meetings, video conferences, etc. - but always anonymous); industry experts (these can run the gamut from banking attorneys, accounting firms, technology and others--as long as they have a specialty in community banking) and from our own research.

The BID basically breaks down into two major sections. The first is the left side of the page (which we internally refer to as the "Top Left"). This is the section you are currently reading and it usually ends at the top of the next column. The rest of the publication is identified with headers describing what you are about to read.

The Top Left is basically our "idea of the day." The primary goal of it is to keep things fresh by putting a new spin on an old idea, getting you thinking, alerting you to upcoming regulatory issues, spreading the word or educating. Creating this section takes about 2 hours every single day and that includes tying it back to a random (and seemingly unrelated) picture as a critical part of the process. In this section, sometimes we start with a nascent idea (oh yea, we also try to sprinkle in at least one big word to keep everyone's vocabulary sharp) and then find a random picture that seems to work with it. At other times we challenge ourselves by creating an idea after selecting a picture.

Believe it or not, the rest of the publication takes just as long as writing the Top Left. To make sure bankers stay on top of things, we focus on issues that have impacted market yields or major economic data points that could affect your business, loan or deposit pricing for example.

The News section is all about highlighting important news and events that could impact community bankers. To do this part, we scour hundreds of sources, weed out only the best few and make sure you know about them so you can stay on top of things quickly and easily.

Finally, the rate box comes into play. This grid contains a list of Treasury yields along with their monthly and YTD change. This is provided so you can keep track of your mark to market and better manage your loan/deposit pricing for various maturities. Also in the grid we include LIBOR swap rates. This is included since it is the de-facto funding level for large banks worldwide. It gives you a way to quickly check your deposit pricing for various maturity structures or to price loans. Next you will find the expected federal funds (FF) rates. This comes from the futures markets each day and it gives you an idea of where FF are actively trading so you can project where they may be heading in the future.

Also in the grid at the bottom running across, we give daily updates on the current overnight FF rate, the FF target rate, the discount rate, prime, the unemployment rate and the price of oil.

In closing, we are proud to say we have not missed a single business day of the past 4,000+ creating and distributing the BID and we thank you for your readership.

ECONOMY & RATES

Yesterday

Yields dropped 3bp as investors sought safer assets amid the release of weak China manufacturing data.

Rates As Of: 01/05/2016 08:01AM (PST)

Treasury	Yields	MTD Chg	YTD Chg
3M	0.20	0.00	0.00
6M	0.48	0.00	0.00
1Y	0.58	0.00	0.00
2Y	1.03	0.00	0.00
5Y	1.72	0.00	0.00
10Y	2.24	0.00	0.00
30Y	2.99	0.00	0.00
FF Market	FF Target	Fed Disc	
0.00	0.50	0.00	
Prime	Unemployment	Oil	
3.50	0.00	\$0	

[More Market Rates](#)

BANK NEWS

M&A Activity

1) The First National Bank in Amboy (\$171mm, IL) will acquire Franklin Grove Bank (\$29mm, IL) for an undisclosed sum. 2) The Farmers National Bank of Emlenton (\$580mm, PA) will acquire United-American Savings Bank (\$91mm, PA) for \$14.1mm in cash.

Tech Savvy

Research by Accenture finds only 6% of directors at the world's largest banks have held senior technology positions at a company or had senior responsibilities at a technology firm. Further, 40% of the same banks don't even have 1 director with a technology background. This is sort of shocking when you consider research by Gartner finds banks are projected to spend more on IT this year than any other industry.

Rate Hikes

Cleveland Fed President Mester said she is not opposed to the Fed raising interest rates 4x this year as she is "pretty comfortable with the median path."

No Duh

The GAO reports the Dodd-Frank Act has negatively impacted the bottom line of banks due to higher expenses and reduced revenue, but said it is too early to determine how much the impact has been.

Executive Pay

Dodd-Frank rules require public companies to provide their shareholders with an advisory vote (non-binding) on the compensation of the most highly compensated executives at least 1x every 3Ys. The so-called "say on pay" votes have added more work to banks and their compensation committees, yet less than 2% of companies fail to get shareholder approval according to executive recruitment firm Korn Ferry.

Copyright 2018 PCBB. Information contained herein is based on sources we believe to be reliable, but its accuracy is not guaranteed. Customers should rely on their own outside counsel or accounting firm to address specific circumstances. This document cannot be reproduced or redistributed outside of your institution without the written consent of PCBB.