DOW JONES

THE WALL STREET JOURNAL.

Depositors Stick With Banks Despite Low Rates

By Dion Rabouin
1,076 words
9 December 2022
The Wall Street Journal
J
B1
English

Americans are missing out on billions of dollars in interest by keeping their savings at the biggest U.S. banks.

The Federal Reserve has raised interest rates to their highest level since early 2008, just before a near failure of the financial system plunged the American economy into recession. Yet the biggest commercial banks are still paying peanuts to savers.

In theory, savers could have earned $42 billion more in interest in the third quarter if they moved their money out of the five largest U.S. banks by deposits to the five highest-yield savings accounts -- none of which are offered by the big banks -- according to a Wall Street Journal analysis of S&P Global Market Intelligence data.

The reality is complicated. The five banks collectively made far less than $42 billion in profit in the third quarter. And if savers were to move their money en masse, banks offering high-yield accounts could lower their rates.

The five banks -- Bank of America Corp., Citigroup Inc., JPMorgan Chase & Co., U.S. Bancorp and Wells Fargo & Co. -- paid an average of 0.4% interest on consumer deposits in savings and money-market accounts during the quarter, according to S&P Global. The five highest-yielding savings accounts paid an average of 2.14% during the same period, according to data from Bankrate.com.

The five banks collectively hold about half of all the money kept at U.S. commercial banks in savings and money-market accounts tracked by the Federal Deposit Insurance Corp. That share has held steady despite the availability of higher rates elsewhere.

The $42 billion gap in the third quarter was the largest amount since record-keeping began but will likely be dwarfed in the fourth quarter because top high-yield savings accounts have raised their interest rates to more than 3.5%.

Since the start of 2019, Americans have lost out on at least $291 billion in interest by keeping their savings in the five biggest banks. That total balloons to $603 billion when going back to 2014, when the FDIC started tracking consumer deposits in money-market and other savings accounts.

And U.S. savers have likely missed out on much more than $600 billion because the average rate the five biggest banks have paid over the past eight years, 0.24%, includes higher-yielding money-market accounts and some business accounts. Traditional savings accounts paid an average rate of 0.02% at the five largest banks during that period. The FDIC doesn't separate traditional savings and money-market deposits in its record-keeping.

Why haven't savers moved more of their money? Opening a new bank account is time consuming, said Gary Zimmerman, chief executive of MaxMyInterest, a company that specializes in moving customers' deposits between the nation's highest-yielding savings accounts. Some customers aren't aware of how much money they could make by switching, he said, and others just don't care.

"People don't think critically about financial decisions," Mr. Zimmerman said.

Big banks also serve a lot of depositors with small accounts who may not see the value in making the switch. A depositor with $1,000 in a typical big-bank savings account would have earned just $20 more for the year by switching to one of the top high-yield savings accounts.

People also are willing to pay for convenience and simplicity, said Nathan Stovall, a principal analyst for financial sector data at S&P Global Market Intelligence.

Banks refer to customers who shop around for higher savings rates as "hot money," Mr. Stovall said. They have invested billions of dollars into developing user-friendly **technology** and consumer-banking services, but that is still a fraction of what they would have to pay in interest were they to raise rates instead.

"If you can retain customers without having to pay for them, that's the name of the game," Mr. Stovall said. "You want to attract as many low-cost, stable customers as possible."

Alicia Gillum has been with Bank of America for 26 years and said she has no interest in searching for a new bank, even though her savings of more than $100,000 is earning almost no interest.

Her loyalty has earned her Platinum Honors Tier status, which affords her a 0.04% interest rate on her savings instead of the 0.01% rate the bank pays to customers of its basic savings accounts.

Ms. Gillum, a 45-year-old who works in sales at a healthcare company in Phoenix, said she also gets no-fee banking services, discounts on mortgage origination fees and reduced interest rates on auto and home-equity loans. Savings is "on the back burner," she said.

"I don't have any kids, I'm not married, and everything is in line," Ms. Gillum said. "I don't think I need to change anything because I'm not having any issues."

David G. Kvendru, a 60-year-old self-employed certified public accountant in San Diego, recently began moving his money into a high-yield savings account at LendingClub.

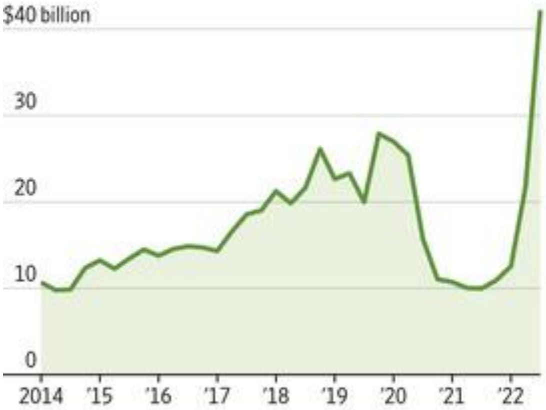
A longtime investor with multiple retirement accounts, rental properties and a healthy brokerage account with Schwab, he still holds most of his $120,000 in savings at Chase, where he earns 0.01% interest. "I'm old fashioned. I like to be able to see my money," Mr. Kvendru said. "With brick-and-mortar banks, you have that feeling that it's not going anywhere."

Americans flush with stimulus payments and enhanced unemployment checks flooded U.S. banks with deposits earlier in the pandemic. The biggest banks got an outsize share of those deposits.

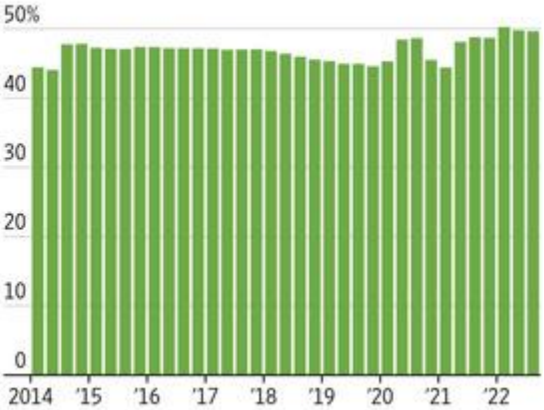
About $425 billion flowed into money-market and savings accounts at U.S. commercial banks between the first quarter of 2020 and the third quarter of 2022, according to the FDIC. More than 95% of that went to the five largest banks.

But things could be changing. The average rate on money-market and savings accounts at the five largest banks nearly tripled in the third quarter from where it was in the second. In an October report, Mr. Stovall wrote that he expected large banks to increase their savings rates more quickly through the end of 2022 and increase even further in 2023 as the Fed continues to raise U.S. interest rates and banks compete more aggressively for customers.

How much more money Americans would have earned by holding funds in a top high-yield savings account each quarter



Percentage of consumer money-market accounts and savings held at the five largest U.S. banks by deposits, quarterly



Sources: S&P Global Market Intelligence; FDIC

Document J000000020221209eic90000o

THE WALL STREET JOURNAL.

JPMorgan Avoids Worst Buyouts Of 2022

By Matt Wirz
714 words
14 November 2022
The Wall Street Journal
J
B1
English

Sometimes in investment banking, it is the deals you don't do.

JPMorgan Chase & Co. has avoided most of 2022's so-called hung deals that have cost competitors billions of dollars in paper losses. Whether by luck or by design, the biggest U.S. bank didn't make loans backing takeovers of companies such as Twitter Inc., Citrix Systems Inc. and Nielsen Holdings PLC, which fell in value as markets turned choppy.

JPMorgan's record contrasts with that of Bank of America Corp., which made large loans for buyers of Twitter, Citrix, Nielsen and others. Bank of America Chief Executive Brian Moynihan has consistently sounded an optimistic note about the U.S. economy, clashing with JPMorgan head Jamie Dimon's gloomier warnings.

There is one thing Mr. Dimon feels good about: his firm's low exposure to bad buyout loans, which bankers call leveraged loans.

"There are no real leveraged loan write-downs this quarter and that market isn't yet cleared," Mr. Dimon said on an October conference call with Wall Street analysts. "Our share of it is very small, so we're very comfortable."

Competitors attribute JPMorgan's absence as a lender on big deals in 2022 to a diminished relationship with private-equity firms in recent years. The bank also served as an adviser on some of the mergers, like Nielsen, which prevented it from providing loans, they said.

JPMorgan ranks fourth among U.S. arrangers of buyout bonds and loans this year while Bank of America is third, according to data from Dealogic. JPMorgan's average rank over the past 10 years is seventh, compared with its average of third place during the prior decade.

JPMorgan also is grappling with the fallout from some relatively recent buyout financing that went sour, such as loans it made backing the purchase of sports betting company William Hill International. Still, it has far fewer hung deals on its balance sheet than competitors, leaving it with more cash to win new business.

Private-equity firms, corporations and individuals that acquire companies often pay in part with loans made by investment banks to the businesses they buy. The banks aim to unload the debt to fund managers for more money than they lent out, pocketing the difference.

Buyout loans account for only a small portion of total lending in the U.S., and funding them doesn't necessarily mean that a bank has an unusual risk exposure.

Still, the strategy backfired this year for firms such as Bank of America, Barclays PLC, Goldman Sachs Group Inc. and Morgan Stanley, which committed in the winter and early spring to bankroll large takeovers. Interest rates subsequently rose, turning debt investors cautious and sending the price of leveraged loans tumbling. Now the banks must choose between liquidating the loans at a loss or keeping them on their balance sheets at marked-down prices.

JPMorgan's global head of corporate debt, Kevin Foley, was a midlevel banker during the 2008 credit crisis, when the bank was swamped with deals gone wrong. JPMorgan was lead lender on J.C. Flowers & Co.'s $25 billion takeover of student loan lender Sallie Mae, which eventually was canceled, and Cerberus Capital Management LP's troubled purchase of car maker Chrysler.

Mr. Foley switched from making loans to restructuring them, tussling with other creditors -- often hedge funds -- to recover as much money as possible from companies in bankruptcy court. He worked on some of the most contentious workouts of the era, including automotive supplier Lear Corp. and newspaper publisher Tribune Media Co.

This time around, JPMorgan dialed back its appetite for buyout loans in the fall of 2021, people familiar with the matter said. Mr. Foley and his team thought inflation then cropping up in the U.S. would last for years, the people said.

In January, Vista Equity Partners and the private-equity arm of Elliott Management Corp. won the buyout of **cloud computing** company Citrix Systems with a $16.5 billion bid. Bank of America, Credit Suisse and Goldman Sachs committed to financing the bulk of the purchase with $15 billion of debt. By September, they and other banks had collectively taken $500 million of paper losses, The Wall Street Journal has reported.

Document J000000020221114eibe0001j

Business/Financial Desk; SECTB
Markets Bounce After Week of Whiplash

By Isabella Simonetti
657 words
18 October 2022
The New York Times
NYTF
Late Edition - Final
2
English

The S&P 500 rose sharply on Monday after better-than-expected earnings at Bank of America and news of a radically revised tax plan in Britain.

Stock markets shot upward on Monday, the latest in a series of wild swings, after several big financial institutions reported earnings that beat expectations.

Large day-to-day fluctuations have become more common in the stock market this month. The S&P 500 closed with a gain of 2.65 percent, reversing a fall of more than 2 percent on Friday, which itself came after a rise of more than 2 percent on Thursday. All 11 sectors of the S&P 500, which include groupings like **technology**, energy and real estate, were also up. The benchmark index has recorded six daily moves bigger than 2 percent this month, compared with only two in September.

The S&P remains down more than 22 percent since the beginning of the year.

The big shift in the markets on Monday came after Bank of America, the nation's second-largest bank, reported quarterly earnings that beat expectations. Also lifting sentiment was news from Britain that Prime Minister Liz Truss's tax plan, which had rattled markets, would be reversed.

Bank of America pointed to continued strength in consumer spending, echoing the earnings of other big banks at the end of last week. Its shares rose 6 percent. Charles Schwab and the Bank of New York Mellon also reported better-than-expected earnings.

Investors are keeping a close eye on companies reporting earnings this quarter to gauge whether big corporations are beginning to feel the effects of an economic downturn. This week, businesses including American Airlines, Goldman Sachs and Procter & Gamble are set to open their books, providing updates and forecasts for investors anxious about the path of the economy.

The big gyrations in stocks lately haven't always been about changes in fundamentals, like a strong earnings report, said Kristy Akullian, a senior iShares strategist at BlackRock. There's a "technical element" too that's driving the bigger-than-usual moves, she said.

"We're actually seeing that whenever the market rallies a little bit, it tends to rally a lot."

Yields on U.S. government bonds, a benchmark for borrowing costs, were largely unchanged. The yield on the two-year note inched lower, to 4.45 percent. The yield on the 10-year note was unchanged at 4.02 percent. Yields move inversely to prices.

In other markets, the price of West Texas Intermediate crude oil, the U.S. benchmark, fell 0.3 percent, to $85 a barrel. The price of Brent crude, the global benchmark, also fell 0.1 percent, to almost $92 a barrel.

London's FTSE 100 closed with gains of 0.9 percent, the British pound strengthened and Britain's government bond yields plunged after Jeremy Hunt, the newly installed chancellor of the Exchequer, announced on Monday more reversals of Ms. Truss's plan for tax cuts funded by additional borrowing.

"At a time when markets are rightly demanding commitments to sustainable public finances, it is not right to borrow to fund this tax cut," Mr. Hunt said.

Last week, data showed that inflation in the United States did not cool down as much as economists had expected, a sign that the Federal Reserve would likely announce another substantial interest rate increase at its next meeting in November. That prospect, paired with a survey that showed an increase in consumers' expectations for future inflation, had cast a shadow over markets.

"We think that this volatility is going to persist," Ms. Akullian said. "Most likely until the end of the year and probably even past that until we have a little bit more of a concrete sense for what the Fed is going to be able to do."

This article appeared in print on page B2.

Document NYTF000020221018eiai0004n

Search Summary

Text	(technology OR "AI" OR fintech OR "digital banking" OR "cloud computing" OR blockchain OR cybersecurity OR "machine learning" OR "data analytics" OR "big data" OR "predictive analytics" OR "cloud migration" OR "edge computing" OR "5G banking" OR "API banking" OR "open banking" OR "data governance" OR "data monetization" OR "digital transformation" OR "quantum computing" OR "AI-driven banking" OR "AI in compliance" OR "AI-powered fraud detection" OR "AI in customer service" OR "AI in investment banking" OR "conversational AI" OR "generative AI" OR "robo-advisors" OR "natural language processing" OR "algorithmic trading" OR "automated risk assessment" OR "AI regulatory challenges" OR "embedded finance" OR neobanks OR "Banking as a Service" OR "BaaS" OR regtech OR suptech OR "decentralized finance" OR DeFi OR "cryptocurrency adoption" OR "Central Bank Digital Currencies" OR CBDCs OR tokenization OR "real-time payments" OR "Buy Now Pay Later" OR BNPL OR "cyber resilience" OR "Zero Trust security" OR "identity verification" OR "fraud detection" OR "insider threats" OR "AI-driven cybersecurity" OR "financial data breaches" OR "data privacy laws" OR GDPR OR CCPA OR "operational risk management" OR "regulatory compliance technology" OR KYC OR "Know Your Customer" OR AML OR "Anti-Money Laundering" OR "hyper-personalization in banking" OR "customer-centric banking" OR "omnichannel banking" OR "digital wallets" OR "contactless payments" OR "voice banking" OR "biometric authentication" OR "wearable banking" OR "banking UX/UI innovations" OR "financial inclusion technology")
Date	10/01/2022 to 12/31/2022
Source	The New York Times Or The Wall Street Journal Or The Economist Or Forbes
Author	All Authors
Company	Bank of America Corporation
Subject	All Subjects
Industry	All Industries
Region	All Regions
Language	English
Results Found	3
Timestamp	7 March 2025 3:54 AM GMT

