Bank Failures Get No Holiday

December 21, 2009

I thought that the FDIC would suspend bank failures for the Holidays – I guessed wrong.

The FDIC closed seven banks on Friday with a total estimated cost of $1.8 billion to the Deposit Insurance Fund. The Deposit Insurance Fund is now in arrears by $18.6 billion.

Members will pony up $45 billion in prepaid fees for 2010 through 2012 by the end of this year. This funding has already been 41% pre-spent. I predict that the FDIC will have to tap its $500 billion temporary line of credit with the US Treasury by mid-year in 2010.

As of December 18th, the tally for banks failures has reached 165 since “The Great Credit Crunch” began at the end of 2007. There were 25 failures for all of 2008, 21 in the first quarter of 2009, 24 in the second quarter, 50 in the third quarter, and now 45 in the fourth quarter.

The total cost to the FDIC Deposit Insurance Fund in 2009 comes to $37.7 billion, which is another justification for using TARP money to replenish the fund. This $37.7 billion could have been used to help homeowners stay in their homes and to increase lending to small businesses.

Propublica.org indicates that $517 billion taxpayer funds has been allocated or promised to 758 companies through 11 programs, most of which are funded by TARP.

I still re-iterate – “To ease The Great Credit Crunch, fund the banking system, not individual banks.”

Five of seven bank failures were private banks – the two publicly traded were on the ValuEngine “List of Problem Banks” – Imperial Capital Bank (IMPC) and First Federal Bank of California (FFED)

Six of seven of the failed banks were overexposed to Construction & Development loans and / or Commercial Real Estate loans, the Achilles Heel of the Banking System.

The FDIC could was unable to find another financial institution to take over the banking operations of three of the seven failures and used its Bridge Bank authority. This is why I have favored the formation of a Primary Banker Designation - approved publicly traded banks with assets of 50 billion or more, but less than a trillion in assets. There are fifteen banks to consider within this asset range.

The daily charts for the 10-Year Yield, Gold, Crude Oil, the Euro

The rise in yields is overdone, but $118 billion in fresh supply must be auctioned next week. There is a down trend that goes back to 4% on June 11th, and this week’s resistance is at 3.418.

Gold is oversold with the 50-day simple moving average as a pivot at $1113, my quarterly pivot at $1135 and the 21-day simple moving average as resistance at $1155.

Crude oil is positive with my annual pivot as support at $68.81, the 21-day at $74.28, the 200-week at $75.80, and the 50-day at $76.68. After peaking at $82 on October 21st, the eight week streak of lower highs comes to an end.

The euro is extremely oversold with the 200-day simple moving average as support at 1.4185, this week’s pivot at 1.4436, and the 21-day at 1.4782. The dollar bottomed on Thanksgiving and the trend is positive.

The Weekly Chart for the Dow shows the failed test of the down trend that goes back to October 2007. Ascending Wedge support is 10,211 with the down trend and weekly resistances at 10,475, and 10,506.

Disclosure: No Positions

http://seekingalpha.com/article/179192-bank-failures-get-no-holiday