



Basis Points – June 10, 2021

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Above the Fold

Why Some Banks Don't Want Deposits

Throughout history, there have been numerous “bank panics,” where depositors demanded their cash be returned, putting institutions under duress to produce the cash. In some cases, the wave of withdrawals was enough to put the bank out of business. These days, with consumers and businesses hoarding cash, banks are taking an ironic position when it comes to deposits — they are asking commercial customers to withdraw their cash or spend it!

For banks, deposits are liabilities, rather than assets. Banks take deposits, pay out an interest rate (which is near zero now) and then loan out that money at a higher rate for profit. But with rates near zero, pandemic-fueled government lending programs and skittish consumers, the demand for

bank loans is low. Deposits, however, are skyrocketing. Between the end of March to the end of May alone, deposits jumped by \$411 billion to \$17.09 trillion, nearly four times the average of the past 20 years. And since banks are once again required to hold capital against these deposits (that requirement was waived during the pandemic), the pressure is on to either loan more or encourage companies to pull out the cash and spend it. These unnatural forces will hopefully mean more CapEx spending, corporate expansion and maybe jobs, but given the current economic climate, American companies may choose to keep their cash coffers full.

Three Things

1. *Will Your iPhone Replace Your Driver's License?* – Apple just announced some major updates to its wallet features that may make life a little easier. In select U.S. airports, a scanned and encrypted image of your ID (stored on your iPhone) will get you through security and onto the aircraft. Apple's new "key" feature may also replace hotel cards and even unlock doors at your workplace, home and your car.
2. *The FBI Uses App and Tech to Nab Perps and Capture Stolen Crypto* – The FBI and Australian authorities arrested more than 800 lawbreakers worldwide using an encrypted device network called ANOM. The agencies distributed their own "secure" devices throughout the criminals' network using informants. The sting not only gave the agencies critical data on global crime dynamics, but also recovered \$48 million in stolen cryptocurrency.
3. *Bitcoin Gets Recognition as Legal Tender* – The world's most popular cryptocurrency, which is not backed by any nation or asset, has been given its first recognition as legal tender in El Salvador. While this may be more of a token piece of legislation, the country hopes that it will improve its lingering economic struggles and allow money to move more freely throughout the country. Skeptics worry that it will fuel criminal activity and expand their reach outside El Salvador's borders.

Did You Know?

A Shocking Discovery

On this day back in 1752, Benjamin Franklin flew his notorious kite in the middle of a thunderstorm. Contrary to popular belief, Franklin's kite did not get struck by lightning, nor did he discover electricity (knowledge of electrical forces had existed for hundreds of years prior). He did figure out that lightning and electricity had a connection. Franklin was actually holding one end of the kite string (which was silk) while standing in a dry shed. As the kite was suspended in the air, it picked up ambient electrical charge from the storm and energized the key, which was a little higher on a wire portion of the string. When he touched the key, he got a static shock, similar to the little jolts we often get from clothes that have just come out of the dryer.

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