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Market Watch

I hope each of you had a great weekend!!! It appears that our “warriors of Wall Street” had a festive weekend and may have had too much eggnog!!! The feeling on Wall Street is that not only the US economy but also the Global economy is about to break out of the worst recession since the Great Depression. Their euphoria and visions of sugar plums dancing in their heads have driven rates sharply higher this morning with 30 year fixed rate mortgages hovering in the 4.875% range. This week’s economic calendar is full of releases starting with tomorrow’s final Q3 estimate of GDP. The market is looking for Q3 GDP to come in at a modest 2.8%. Unless this number were to come in somewhere below 2.5%, look for rates to continue their holiday move to higher levels. We will also get a look at both existing home sales and new home sales this week with existing home sales projected at climbing by about 2.4% and new home sales rising by 2.1%. The market will close early on Thursday for the Christmas Holiday and next week’s trading will be very thin which could cause some additional volatility.

Fed to continue to purchase mortgage backed securities...but probably just until March....The Fed’s purchases of mortgage backed securities has created some much needed liquidity in the mortgage markets and has effectively kept rates low. It is estimated that they have about \$275B left to spend which would put us about in the March time frame before they stop their spending in this area. If this prediction comes true, look for rates to move notably higher going into April of next year. If you have clients that are sitting on the fence right now, they need to seriously consider getting off the fence and take advantage of current rate levels as they may not see rates at these levels again for some time to come.

Current Rates:

Base 30 year Fixed Conforming:	4.875%
Base 5 year ARM Conforming:	3.000%
FHA 30 year fixed:	4.750%
FHA 5 year ARM (qualify at note rate):	4.000%