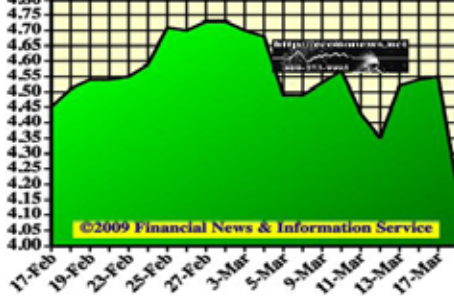


# Economic Insights 2009™ - Thu. 3/19/09 (V.19, #078)

The best indicator of national economic and home loan interest rate trends. In continuous publication since 1991.

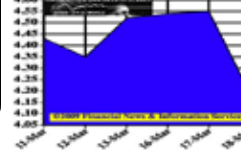
**Freddie Mac 10-Day Delivery Rate for The Past Month**



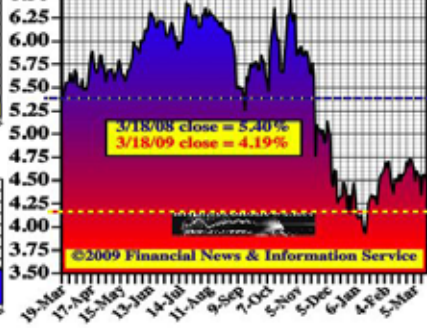
**Past 5 days 10-Year T**



**5 days of Delivery Rate**



**A 1-Year History of the Delivery Rate**



**This Morning A/O**  
**10:00 AM Eastern**  
**Del Rate = 4.11%**  
 (Down 8 BP from 3/18 close)  
**10-Year spread = 159**  
**30-Year spread = 54**  
**30-day moving average**  
**4.56%**  
**One Year Ago Today:**  
**5.50%**

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**G**ood morning America. The Fed announced yesterday afternoon that they would be buying up to \$300 billion of longer-term Treasury paper over the next six months. They are also expanding their buying of agency mortgage-backed securities (MBS). That triggered the biggest rally in bond market history for Treasury instruments with the price of the long bond rising by more than 5 points and the price of the benchmark 10-year T up by more than 4 points. At the same time it spawned a new wave of inflation concerns. Why?

The Fed is running their printing presses 24/7 to come up with the money to buy those debt instruments and that is inflationary. Why did they make bold move now and not at January at the FOMC meeting? The consensus opinion is that the Fed was expecting a brave and bold move from the federal government via the Treasury Dept or the President's Economic Council to stimulate the housing sector, but it never happened.

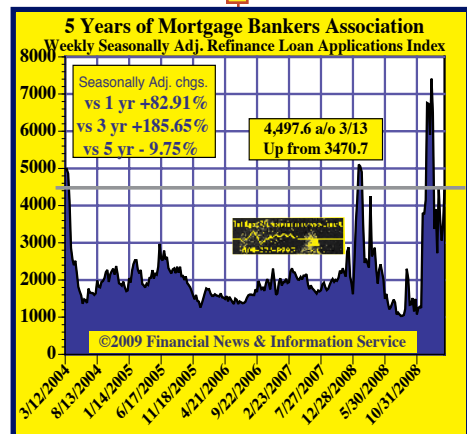
Yesterday's announcement from the Fed's Open Market Committee stunned the markets and market watchers globally. History was made with the magnitude of the price increases for Treasury instruments that was unleashed

from the FOMC press release to the market close. There was also a precipitous fall for the delivery rate yesterday afternoon.

This morning we had some econonews releases, but the markets are more focused on the implications and future consequences of what the Fed is going to do. More importantly, they are concerned about inflation. The dollar took a big hit on the news, as it is perceived elsewhere as inflation inducing. Commodity staples like gold and oil saw material price gains as a consequence of the announcement.

Initial claims for jobless benefits fell last week to 646,000 new weekly claims while the continuing claims rose to another record high level for the third consecutive week. The leading economic indicators for February declined by 4/10% when a decline of 6/10% was expected.

The delivery rate is down not quite half a percent relative to this time yesterday. What more can we say? Where is the delivery rate (and the credit markets) likely to head from here? We think rates might inch a bit lower from here, but when you look at wholesale price sheets and see what we just saw, it is difficult to imagine rates falling much more, but ... Stay tuned.



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