



MARKET WATCH

In a sign that strains on private credit markets are easing, banks borrowed less from the Fed's emergency lending program over the past week. The Fed reported that commercial banks averaged \$13.96 billion last week, down from \$14.26 billion in the previous week. During the financial crisis, daily borrowing exceeded \$100 billion. The Fed recently boosted the interest rate it charges on discount window borrowing by a quarter-point to 0.75%.

The director general of the World Trade Organization stated that world trade dropped "about 12%" in 2009. The unprecedented fall, two percentage points larger than a WTO estimate released in December, represents the greatest decline in global commerce since World War II. Despite the grim news, projections show trade is picking up in 2010. The increase in trade is a natural consequence of a pick up in global growth.

For More Information Please Contact

Marcia Mohler, Director of Sales
 333 S. Hope St.
 Suite 4050
 Los Angeles, CA 90071
 Tel: 213.687.9170 | Cell: 213.500.3185
 Fax: 213.687.9189
 Email: mmohler@bradfordmarzec.com



INTEREST RATES

	3M Libor	2 YT	5 YT	10 YT	30 YT	30Y Fixed Mortgage
Friday's Close:	0.25	0.80	2.30	3.61	4.53	4.74
1 Week Ago:	0.25	0.92	2.45	3.80	4.58	4.86
1 Month Ago:	0.25	0.86	2.38	3.65	4.61	4.78

WEEKLY REVIEW

Bank of Dallas President Richard Fisher stated that the supportive policies given to the economy by the Federal Reserve now need to bear fruit. Fisher expects interest rates to stay low for an extended period of time but added that putting a time frame on the continued maintenance of a near 0% fed-funds rate can't be done. The economic recovery has been tepid in part due to unresolved legislature such as banking regulation.

Treasury Secretary Timothy Geithner commented last week on the future of Fannie Mae and Freddie Mac. Appearing before the House Budget Committee, Mr. Geithner said the goal would be for the government to play a more productive, but less risky, role in the housing markets. The Treasury wants to reassure the markets of the role of the government sponsored enterprises. The complete plan most likely won't be presented until 2011.

St. Louis Federal Reserve Bank President James Bullard commented that a strengthened U.S. central bank offers the best chance for the U.S. to avoid a future financial crisis. Bullard criticized financial overhaul bills drafted in the U.S. House of Representatives and the Senate, both for what they contain and what they omit, and urged lawmakers to consider changes to give the Fed more information and more authority.



TRADERS INSIGHT

The US Treasury will borrow \$200 billion and leave the cash proceeds on deposit with the Federal Reserve. The borrowing will make it easier for the Fed to raise interest rates when the time comes to do so. The Supplemental Financing Program was initiated during the peak of 2008 to get cash to the Fed in order to fund programs that infused credit into the financial system. The move is not a step toward credit tightening.

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