

Market Update

SOUTHEAST CORPORATE

Insightful Thinking,
Responsive Actions

Economic Commentary

A record 2.8 million households were threatened with foreclosure last year, and that number is expected to rise this year as more unemployed and cash-strapped homeowners fall behind on their mortgages. The number of households that received a foreclosure-related notice rose 21 percent from 2008. One in 45 homes were sent a filing, which includes default notices, scheduled foreclosure auctions and bank repossessions.

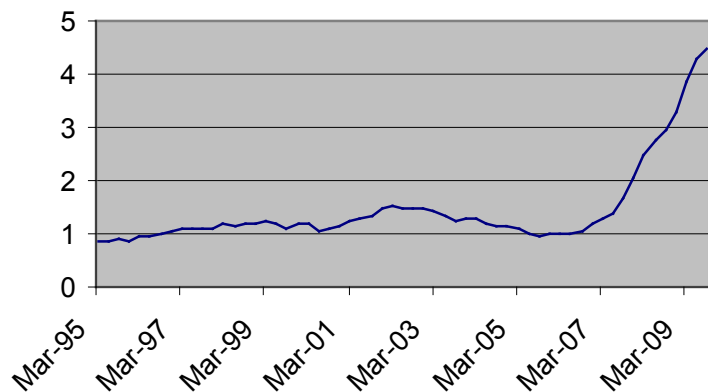
In December, more than 349,000 households, or one in 366 homes, were hit with a foreclosure-related notice. That represents a 14 percent hike from November and a 15 percent rise from December 2008. Banks repossessed more than 92,000 homes, up 19 percent from November. The increase was likely due to lenders working to clear their books at the end of the year.

In percentage terms, the same three states that led the nation in foreclosure rates in December also posted the highest rates for the entire year: Nevada, Arizona and Florida. More than ten percent of Nevada housing units received at least one foreclosure filing in 2009, with Florida and Arizona following with about six percent each.

Because foreclosures are usually sold at heavy discounts, they can lower the value of surrounding properties. Cities lose property tax dollars from empty foreclosures and declining values, straining local economies. Home prices have stabilized in some cities, but are still down 30 percent nationally from mid-2006. Stemming the tide of foreclosures is an important step for the real estate market and the economy to recover. In the near term however, this does not seem likely because between 3 and 3.5 million homes are expected to enter some phase of foreclosure this year, according to RealtyTrac, which began tracking the data five years ago.

Chart of the Day

Delinquencies as a percentage of all loans



Recent Economic Releases

Date	Release	Expected	Actual	Impact
01/28/10	Durable Goods Orders	2.0%	0.3%	↔
01/29/10	Gross Domestic Product	4.8%	5.7%	↑
01/29/10	Chicago Purchasing Mgr	57.2	61.5	↑
02/01/10	Personal Income	0.3%	0.4%	↑
02/01/10	Personal Spending	0.3%	0.2%	↑
02/01/10	ISM Manufacturing Index	55.5	58.4	↑
02/01/10	Construction Spending	-0.5%	-1.2%	↓
02/03/10	ISM Non-Mfg Index	51.0	50.5	↑

↑ = positive for economy ↓ = negative for economy ↔ = neutral

Interest Rates as of: Feb. 02, 2010

	Treasury	Agency	Euros/Swaps
1 Month	0.04%	0.08%	0.23%
3 Month	0.10%	0.15%	0.25%
6 Month	0.17%	0.22%	0.38%
1 Year	0.30%	0.35%	0.84%
2 Year	0.86%	0.99%	1.14%
3 Year	1.40%	1.70%	1.76%
5 Year	2.38%	2.72%	2.70%
10 Year	3.68%	3.95%	3.81%
30 Year	4.61%	5.23%	4.52%
Fed Funds Target			0.25%
Prime Rate			3.25%
Discount Rate			0.50%

US Treasury Yield Curve

