

MarketWise Commentary

For Week of December 1, 2008

The US economy is officially began in December 2007 according to the National Bureau of Economic Research. This is no surprise but it already makes the recession quite lengthy.

The stock market fell 7.7% on December 1st as economic news remains solidly bearish after positive gains last week. Citi was thrown a lifeline to the tune of 326B from the Fed marking that Citi is too big to fail and the US government is going to take extraordinary measures to ensure to save the firm. The Treasury also announced 200B earmarked to fund asset backed securities. The basic function of the secondary markets where investment banks act as the financial intermediary for the ABS is on economic bypass. This should be watched very carefully as this is a fundamental shift in how the market functions.

A brighter note brought loan workouts to 225,000 borrowers up from 13,000 in September through the Hope Now Alliance. Mortgage servicers are combating the bleeding on all fronts with new analytics, people and systems. In stark contrast, MarketWise is seeing production units starting to slow down in spite of the average 30 year rate slipping under 6% to 5.97%. There are numerous production units up for sale and there will be several pending announcements this week concerning mortgage unit closures. In large part, this is due to clear indications that production volume is lighter and on the mark towards a 1T dollar production year in 2009.

On the acquisition front, Fidelity broke off their merger deal with LandAmerica leading to LandAmerica seeking bankruptcy protection last week. Data Vision announced its acquisition of Netupdate which will provide enhanced point of sale technology. Look for many year end announcements over the next two weeks as the M&A market remains red hot.

Good luck and have a great week.

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