

2009 Outlook . . .Colleen Craig C/o The Mortgage Market Guide is pleased to present our annual forecast

What next? As we enter 2009, here's what our crystal ball is showing us.

The economy will have a tough go once again during the coming year. But we do see things as being better than during 2008, with more optimism in the air by this time next year.

The Fed and the Treasury have and will continue to add lots of stimulus to our economy. It will just take some time for the "medicine" to work its way through the system. After hogging the spotlight with many different moves, we expect the Fed to be on hold with their interest rate policy throughout the majority of 2009. After all, there's no room to cut further, and we don't see a hike until economic conditions show signs of improvement. When a hike comes, we may all take it as a welcome sign that things are getting better.

The job market will get worse before it gets better, and don't be surprised to see the unemployment rate rise to 8% from its present 6.7% level before things start to improve.

We can safely predict, without much disagreement from anybody, that volatility will continue for Stocks, but we do see hints that there will be a significant first quarter rally. By the end of 2009, we forecast that Stock prices will see some handsome gains. Our Stock picks for this year include UYG (Ultra Financials ProShares), currently trading around \$5. This play on financials has a generous dividend yield, and stands to improve greatly should financials start to recover...and we think they will. We also like VZ (Verizon), currently trading around \$30, as strength in cell phone usage and an exploding fiber optics business see them standing to gain. Additionally, there is a juicy 6% dividend yield. One more we like is DIG (ProShares Ultra Oil and Gas), presently priced close to \$24. Keep reading on our oil forecast to understand why we like this play.

As I write this to you on 12/24, our stock picks for the year include UYG (Ultra Financials ProShares), which was trading around \$5. This play on financials has a generous dividend yield, and stands to improve greatly should financials start to recover...and we think they will. We also liked VZ (Verizon), which currently is trading around \$32, as strength in cell phone usage and an exploding fiber optics business see them standing to gain. Additionally, there is a juicy 6% dividend yield. One more we like is DIG (ProShares Ultra Oil and Gas), which was priced close to \$25. Keep reading on our oil forecast to understand why we like this play.

As of mid-December, with oil around \$36/barrel, we saw a great opportunity for the long term. Oil prices will rise over time, and have already started to climb, and patience will be greatly rewarded. The negative side effect from lower oil prices is that it has greatly diminished research and exploration into alternative energy sources, as well as investigating more costly extraction of fuel. For example, the oil-rich yet difficult to mine tar sands in Canada only make financial sense unless oil prices are over \$70/barrel. And any other resources that are "boxed in" or require additional transportation costs may come offline at current oil prices. And once they are offline, there is a significant ramp up time to get them back. The irony in lower oil prices is that they may lead to much higher prices down the road.

Look for the Dollar to weaken a bit, but eventually strengthen as the US stabilizes while Europe declines a bit further.

On housing, we see 2009 as a period of price stabilization for most markets. One good gauge that home prices are stabilizing in your area is to figure a monthly payment with 20% down and compare that to rents for the same property. If it would actually be cheaper to purchase the home than to rent it - that's a good sign.

Home prices in some markets may still decline some during 2009, but those who make savvy purchases below market value should fare quite well, especially longer term. There's a lot of inventory on the market, which is viewed negatively, and needs to be sopped up before the housing market really turns. But...the inventory in the housing market does make this a fantastic time to be a buyer. Homebuyers will have a strong negotiating stance from the get-go, and are likely to make favorable deals, maybe even a once-in-lifetime deal. Those who buy a home and live in it for the long term will be likely to be rewarded handsomely. Let's face it, people need homes. They are not going to start living in tents just because the economy is bad. We predict that consumers will start buying again in the coming year, particularly with attractive home loan rates and many homes to choose from.

Mortgage Rate Forecast ...How low can they go?

Early 2009 could very well mark the lowest rates that we will see for the rest of our lives. Think about that. More importantly, your customers should be thinking about that too. We expect interest rates to stay in a range of 4.5 - 5.5%, with the potential to see rates moving toward the higher part of the range later in the year.