

HAS THE ECONOMY FINALLY HIT ROCK BOTTOM

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Are we there yet? That's the question financial pundits worldwide are asking. On the heels of a three-week March rally during which the stock exchange took a noticeable turn for the better, experts are pondering whether the flailing economy has finally found its bottom.

The stock rally saw the Dow notch up 10.1 percent, while the S&P moved up 11 percent and the Nasdaq increased by 12.2 percent. What's more, the S&P 500 — regarded as a major market indicator — had the biggest 14-day increase since July 1938.

The housing market has also offered a few welcome signs of stabilization. With U.S. mortgage rates dropping again to record lows, home refinancing loans have ticked upward. For the week ending March 26, interest rates on 30-year fixed mortgages averaged 4.85 percent, a drop from 4.98 percent the previous week. According to Freddie Mac, that rate is the lowest since its began its Primary Mortgage Market Survey in 1971.

Record lows were also seen amongst 15-year fixed-rate mortgages and 5-year adjustable-rate mortgages, the former of which averaged 4.58 percent. The 5-year Treasury-indexed hybrid adjustable-rate mortgages averaged 4.96 percent. Both were the lowest rates since the survey began tracking them in 1991 and 2005, respectively.

In a statement, Freddie Mac vice president and chief economist Frank Nothaft said: "The Federal Reserve's announcement that it intends to purchase Treasury securities over the next six months caused bond yields to drop and mortgage rates followed."

So what does this all portend for the global economy? Can we consider ourselves out of the woods?

The S&P/Case Shiller index of home prices for January, which was released yesterday, showed a worse than expected 19 percent fall. The Chicago manufacturing survey also showed a higher than expected decline to 31.4 from 34.2 the month prior, and consumer-confidence is still near record lows. Today, the national manufacturing survey for March from the Institute of Supply Management will be released, as will data on pending home sales and employment. On April 3, the ISM will release its service-sector survey as well as the March employment report. It remains to be seen if these reports will be any better than the ones already released earlier in the week.

Meanwhile, economic and political dignitaries worldwide are preparing to convene for the G20. The meeting, which takes place April 2 in London, is meant to address the global financial crisis. Its results too may determine the course of the economy going forward.

For his part, President Barack Obama has recently voiced optimism with regard to the economy, saying he has confidence in America's productive workers and innovative businesses. He has also pointed to what he calls "modestly encouraging" signs of stabilizing in the consumer-spending arena.

So has the economy hit bottom? We may know better six months down the road, but there are a few encouraging signs to keep us hoping