

**G7 CALENDAR**

Wednesday

**6:00 a.m.** JPN

Dec Machine Tool Orders, prelim On Year (previous -62.2%)

**7:00 a.m.** GER

Annual GDP, Monthly (expected 1.4%), Yearly (expected 1.1%)

**7:45 a.m.** FRA

Nov Balance of Payments Current Account, EUR (previous -5B)

**7:50 a.m.** FRA

Dec CPI, Monthly (expected -0.2%), Yearly (expected +1.1%)

**9:00 a.m.** ITA

Nov Indus Production Output, Monthly (expected -1.5%), Yearly (expected -6.6%)

**9:30 a.m.** UK

3Q Profitability of UK companies

**10:00 a.m.** EU

Nov Indus Production MoM Pct Change (Current Period) (expected -2.1%), YoY Pct Change (Current Period) (expected -6.7%)

**12:00p.m.** US

Jan 9 MBA Mortgage Application Survey, Market Composite Index (previous 1143.8), Cur Chg (previous -8.2%), Purchase Index (S.A.) (previous 344.2), Cur Chg (previous +7.3%), Refinance Index (previous 5904.5), Cur Chg (previous -12.3%)

**1:30p.m.** US

Philadelphia Fed Pres Plosser speaks on the econ outlook in Delaware

**1:30p.m.** US

Dec Import Prices (expected -6%)

**1:30p.m.** US

Dec Retail &amp; Food Sales, Overall Sales (expected -1.2%), Ex-Auto (expected -1.5%)

**TODAY'S MARKET WRAPS**

**TREASURYS:** Treasuries bowed to selling pressure Tuesday morning on a U.S. government report showing trade deficit shrinking by the most since 1996 and hedging tied to corporate bond deals. A number of companies, including McDonald's and FedEx Corp., sold new debt. Companies usually sell Treasuries to hedge against risks of rising interest rates ahead of the supply. Once the pricing of the corporate bonds is done, the companies unwind the hedge by buying back Treasuries. Traders said such so-called rate-lock hedges are likely to fuel intraday price swings in government debt markets. Despite the down trade, long-dated Treasuries outperformed short-dated peers, benefiting partly from Federal Reserve Chairman Ben Bernanke's speech Tuesday morning in London.

**CORPORATES:** The investment grade index opened weaker Tuesday morning despite Fed Reserve Chairman Bernanke's speech in London that the central bank's arsenal has more weapons to combat economic downturn, and staying power until market conditions normalize. Concerns about weak earnings from financials, which plunged Citi and Bank of America stocks Monday, continued to plague the market. The Markit CDX IG11 was 6.5 bps wider at 219.88/220.88, from its close at 213.785 on Monday, according to Markit data.

**FOREX:** The euro extended its slide against the dollar and yen Tuesday afternoon as U.S. stocks declined and risk sentiment stayed weak. The euro fell to fresh five-week lows of \$1.3140 and ¥117.16, continuing its drop since the start of the year. The European Central Bank meets on Thursday, and traders are wary of a potentially larger than expected rate cut after Standard & Poor's threatened to downgrade the sovereign credit ratings of Spain and Greece. Tuesday afternoon in New York, the euro was at \$1.3165 from \$1.3371 late Monday, and the dollar was at ¥89.18 from ¥89.12, according to EBS. The euro was at ¥117.37 from ¥119.15, and U.K. pound was at \$1.4505 from \$1.4820. The dollar was at CHF1.1211 from CHF1.1145 late Monday.

**STOCKS:** Most technology stocks staggered back into the red Tuesday after posting modest gains earlier in the day. The Nasdaq Composite Index was down 0.3%, while the Morgan Stanley High Tech 35 Index was down 1.3% and the Philadelphia Semiconductor Index slid 0.7%. Yahoo Inc. shares had jumped after The Wall Street Journal reported that Carol Bartz has agreed to take over the Internet portal as its new CEO. But the company's shares eventually sank back into negative territory and were down 1.8% at last check. Nvidia Corp. shares were down 2.5% after the graphics chip maker lowered its fourth-quarter sales outlook.

**ENERGY:** Crude oil futures pared earlier losses Tuesday after Saudi Arabia's oil minister said that the kingdom's oil production will be lower in February than its recently agreed Organization of Petroleum Exporting Countries target. Crude prices were lifted off their intraday lows following comments from Saudi oil minister Ali Naimi that the kingdom - OPEC's largest producer - is now pumping 8 million barrels a day of crude, slightly less than its latest OPEC quota level of 8.05 million barrels a day, and is working hard to bring the oil markets into balance. At 1235 GMT, the front-month February Brent contract on London's ICE futures exchange was up 20 cents at \$43.11 a barrel. The front-month February light, sweet, crude contract on the New York Mercantile Exchange was trading 99 cents lower at \$36.60 a barrel.

**TOMORROW'S TOP MONEY HEADLINES****US Trade Gap Shrinks By Most Since 1996**

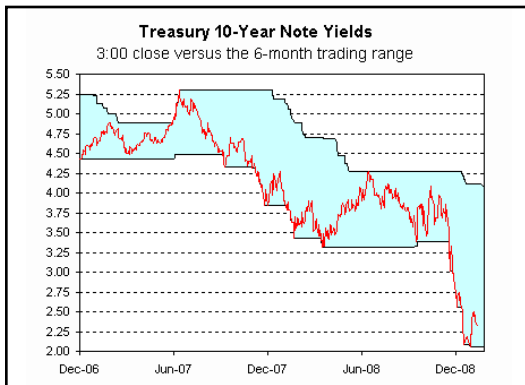
The U.S. trade deficit contracted by the most in 12 years during November as the recession sent oil prices into a record plunge and restrained demand for a wide range of foreign goods from crude and cars to coffee and computers.

The U.S. deficit in international trade of goods and services plunged by 28.7% to \$40.44 billion from October's revised \$56.69 billion, the Commerce Department said. Originally, the October deficit was estimated at \$57.19 billion.

The U.S. deficit with China shrank to its lowest in five months, to \$23.06 billion from \$27.96 billion during October. The June 2008 deficit was \$21.4 billion.

The overall U.S. trade deficit of \$40.44 billion was much smaller than expected by Wall Street. Economists surveyed by Dow Jones Newswires estimated a \$51.0 billion shortfall in November. The \$40.44 billion gap was the smallest since \$40.0 billion in November 2003. The 28.7% drop was the largest since 34.9% in October 1996.

all prices as of 3:00 PM EST unless otherwise stated



**TREASURYS**

	PRICE	ASK	YIELD	CHANGE
1-Mo Bill	0.040	0.005	0.041	-0.004
3-Mo Bill	0.115	0.105	0.117	-0.002
6-Mo Bill	0.295	0.280	0.300	-0.011
2-Year	100.080	100.086	0.747	-0.005
3-Year	100.050	100.060	1.072	0.010
5-Year	100.100	100.11+	1.435	0.016
10-Year	112.22+	112.240	2.299	0.022
30-Year	128.27+	128.300	3.011	-0.156

**EQUITIES**

	INDEX	CHANGE
DJIA	8395.76	-78.210
NASDAQ	1531.70	-7.090

**OIL**

	PRICE	CHANGE
NYMEX	38.22	0.6300

**CURRENCIES**

	PRICE
Euro	1.3169
Sterling	1.4488
JPN Yen	88.98
Swiss Franc	1.1199
Can Dollar	1.2277
Mexico	13.859

**FUTURES**

	PRICE	CHANGE
CBOT 5 yr	111.046875	0.171875
CBOT 10 yr	112.84375	-3.16
CBOT 30 yr	134.8	-1.16

**IR SWAPS**

	SPREAD	RATE
2-Year	53.75 - 49.75	1.279 - 1.239
3-Year	53.50 - 49.50	1.602 - 1.562
5-Year	56.00 - 52.00	1.990 - 1.950
10-Year	16.50 - 12.50	2.462 - 2.422
30-Year	-22.00 --26.00	2.790 - 2.750

**EURODOLLAR FUTURES**

	CLOSE	CHANGE
Mar09	99.17000	-0.02500
Jun09	99.18000	-0.01000
Sep09	99.06500	0.00500
Dec09	98.86500	-0.00500

**REPURCHASE AGREEMENTS**

GENERAL	i-REPO <sup>SM</sup> INDEX
<b>COLLATERAL</b>	
O/N	0.200 10:00 AM 0.090
1-Week	0.200 3:00 PM 0.091
2-Week	0.250
3-Week	0.250
1-Month	0.300
2-Month	0.300
3-Month	0.300
	<b>O/N SPECIALS</b>
	1-Week 0.100
	2-Year 0.050
	3-Year 0.050
	5-Year 0.050
	10-Year 0.040

**EURODOLLAR DEPOSITS & OIS STRIP (ASKED)**

	EURO DEPOSITS	OIS STRIP
O/N FF	0.0500	
1-Month	0.3000	0.124
3-Month	1.0000	0.138
6-Month	1.4000	0.165
12-month	1.7500	0.288

**FED FUNDS**

Open	0.07000
High	0.4500
Low	0.0500

**HEFFR**

10:00 AM	0.19
3:00 PM	0.35

**ACTIVE AGENCY ISSUES**

**FANNIE MAE**

TERM	COUPON	MATURITY	YIELD SPREAD	YIELD
2-Year	3.250	08/12/10	79.75 - 79.25	1.547
3-Year	3.625	08/15/11	130.00 - 129.25	2.559
5-Year	3.875	07/12/13	75.00 - 74.50	2.136
10-Year	5.375	06/12/17	67.25 - 66.50	2.879
30-Year	6.625	11/15/30	84.00 - 83.50	3.493

**FREDDIE MAC**

TERM	COUPON	MATURITY	PRICE SPREAD	YIELD
2-Year	3.125	10/25/10	56.50 - 55.75	1.314
3-Year	3.875	06/29/11	82.50 - 82.00	1.574
5-Year	4.125	09/27/13	83.00 - 82.50	2.216
10-Year	4.875	06/13/18	66.00 - 65.50	2.866
30-Year	6.250	07/15/32	46.25 - 45.50	3.116

**ACTIVE CORPORATES**

ISSUER	MATURITY	COUPON	MID- PRICE	MID- YIELD
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA

**ACTIVE MBS 15YR**

ISSUER	CPN	PRICE	YIELD
GNMA	5.0	103.310 - 104.010	3.326
FNMA	5.0	103.140 - 103.160	3.137
FHLMC	5.0	103.130 - 103.150	3.322

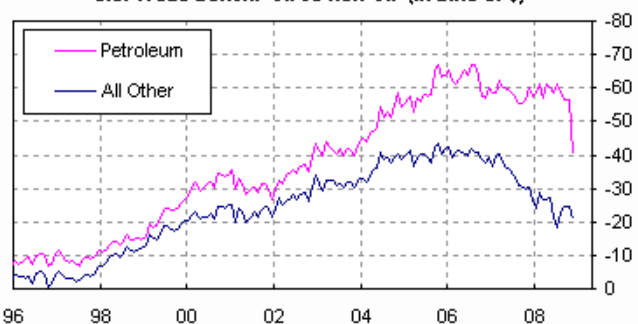
**ACTIVE MBS 30YR**

ISSUER	CPN	PRICE	YIELD
GNMA	5.5	103.297 - 103.301	3.359
FNMA	5.5	103.117 - 103.121	2.803
FHLMC	5.5	103.117 - 103.121	3.106

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**Wrightson-ICAP<sup>SM</sup> Chart of the Day**  
<http://www.wrightson.com>

**U.S. Trade Deficit: Oil vs Non-Oil (in blns of \$)**



## TOMORROW'S MONEY HEADLINES

### Mass Accuses Reserve Management Of Fraud

Massachusetts accused Reserve Management Co. of fraud for allegedly making false statements about its plans to support the Reserve Primary Fund's net-asset value around the time it "broke the buck" in September.

The Primary Fund's net-asset value fell below \$1 to 97 cents on Sept. 16, following the bankruptcy of Lehman Brothers Holdings Inc. The fund had held \$785 million in Lehman commercial paper - about 1.2% of its holdings. It marked the first time in 14 years that a money-market fund's net-asset value had declined and followed a run on the Primary Fund by nervous investors.

The administrative complaint, filed by Secretary of the Commonwealth William F. Galvin, alleges that "sales personnel at Reserve Management, at the direction of senior management, made numerous statements to investors and distributed materials to investors that were intended to calm those investors and dissuade them from making redemption requests."

### High-Grade Cos To Sell \$6B In Debt

U.S. investment-grade companies offered around \$6 billion in new bond deals as they raise funds for their operations and to repay debt.

McDonald's Corp. launched \$750 million in notes due in 10 and 30 years, and FedEx Corp. \$1 billion in five- and 10-year maturities. Reed Elsevier was also marketing a \$1.5 billion deal, with the proceeds slated to help repay its purchase of Choicepoint. Biotechnology giant Amgen Inc. was in the market with \$2 billion in notes.

In addition, Goldman Sachs plans to issue around \$1 billion in short-term notes backed by the Federal Deposit Insurance Corp. Such guaranteed debt, which allows financial institutions to raise funds cheaply, had dominated supply of investment-grade bonds last month.

Besides U.S. corporations, others tapping the bond market are the Province of Ontario, Australia's Macquarie Bank and Austria's Osterreichische Kontrollbank AG or OKB. Those deals are seen totaling around \$5 billion.

### Fed's Kohn: More Bank Aid From TARP

The vice chairman of the Federal Reserve is slated to tell U.S. lawmakers that the second \$350 billion of the financial rescue should be used to reduce foreclosures and provide greater help to banks, including the potential for additional capital injections.

Fed Vice Chairman Donald Kohn, in testimony to be delivered Tuesday afternoon and obtained by Dow Jones, said an "important use" of the funds will be to reduce preventable foreclosures. More broadly, he said policy makers need to continue to focus their efforts to restarting credit markets and providing liquidity.

"Finally, I would expect the bulk of the remaining TARP funding

to be devoted to strengthening financial institutions, thereby supporting the normalization of credit markets and the flow of new credit," Kohn is to say in remarks before the House Financial Services Committee.

### More Action Needed To Revive Economy

President-elect Barack Obama's administration and the Congress will need to take more steps to revive the ailing U.S. economy, and the focus should be on strengthening the financial system, Federal Reserve Chairman Ben Bernanke said.

"The Federal Reserve will do its part to promote economic recovery, but other policy measures will be needed as well," Bernanke said in a speech at the London School of Economics, where he noted that the damage to the U.S. economy is "already substantial."

He said Obama's plan for a roughly \$800 billion fiscal stimulus package could provide "a significant boost" to economic activity. But he warned that policymakers need to pay special attention to financial markets.

### Comml Real Estate Pushes For TARP Funds

Stakeholders in the commercial real estate market are pushing lawmakers to devote at least \$20 billion of financial rescue funds to a new Federal Reserve facility to unfreeze lending to the sector.

Lobbyists for developers of shopping malls, office parks and high rises are warning lawmakers they may not be able to rollover tens of billions of dollars of debt set to mature this year if the government doesn't act.

A coalition of real estate industry and other business groups outlined their concerns in a letter to key lawmakers. The letter was obtained by Dow Jones Newswires.

### Nvidia Slashes 4Q Revenue View

Graphics-card maker Nvidia Corp. slashed its revenue target for the current quarter, the latest indication of how difficult the new year is going to be for chip makers.

The Santa Clara, Calif., company, which makes the chips used to speed up software and process video games and movies, said it now expects revenue to decline 40% to 50% from the fiscal third quarter, not the 5% drop projected in November.

Nvidia's fourth quarter ends Jan. 25, later than most other chip makers which end their fiscal years in December, and so slowing orders in the current period for Nvidia's chips provide evidence of the magnitude of declines for other semiconductor companies in the first quarter.

Analysts, however, say that Nvidia's revision hasn't changed expectations that the chip sector could start to recover in the second half of the year.



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## TOMORROW'S MONEY HEADLINES

### Tobacco Foe Nominated To Health Agency

President-elect Barack Obama said that he will nominate William Corr, a longtime advocate for reducing tobacco use, as deputy director of the Department of Health and Human Services.

Corr is currently executive director at the Campaign for Tobacco-Free Kids, an advocacy group that has supported legislation to have tobacco regulated by the Food and Drug Administration. His appointment suggests such legislation may be a priority for Health and Human Services.

Corr has experience at HHS, where he was chief of staff to HHS Secretary Donna E. Shalala under President Bill Clinton. Corr also was an adviser on policy to former U.S. Senate Minority Leader Tom Daschle, whom Obama has chosen to head HHS.

### Finra Fines Mich Brokerage \$225K

The Financial Industry Regulatory Authority fined a Michigan brokerage \$225,000 for numerous violations that include the illegal sale of more than 2 million shares of penny stock on behalf of customers.

The securities regulator found that Leonard & Co., the largest independent brokerage firm in the state, illegally distributed a penny stock - Shallbetter Industries - by selling more than 2.2 million unregistered shares into public markets from three related customer accounts. The action, between August and November 2006, generated over \$3.1 million in proceeds.

Robert J. Cole, formerly a registered representative with the firm, handled the accounts and was aware trading was directed by a "control person" of Shallbetter. That is generally viewed as an individual who owns 10% or more of the company's shares, therefore having influence in its policies and decision-making.

### Shipment Of Gas To Europe Falters

Efforts to restart Russian natural gas shipments to European countries faltered once again, despite earlier agreement, as Moscow and Kiev pointed fingers and exacerbated a spat that has left parts of

the continent without heating.

Russia's gas monopoly OAO Gazprom said that Ukraine hasn't opened the pipelines to make the transit possible. Gazprom's Deputy Chief Executive Alexander Medvedev also indirectly blamed the United States for the gas row and said that Ukraine presented "unreasonable requests" to Gazprom.

"We're still trying to pump the gas, but it's not even at the end of the pipe; it's at the beginning of the pipe," Medvedev told reporters on a conference call.

### ICSC Chain Store Sales Fall By 2.3%

The International Council of Shopping Centers and Goldman Sachs Retail Chain Store Sales Index decreased 2.3% in the week to January 10 from its level a week before, on a seasonally-adjusted, comparable store basis.

On a year-on-year basis, retailers saw sales decline by 2.2% in the latest week, as consumers complete holiday gift purchases at a slower pace than last year.

"A seasonal weakening in traffic, less gift-card redemption and adverse weather all came together to weaken demand sharply for the first full week of 2009," said Michael P. Niemira, ICSC chief economist.

The weekly result Tuesday followed a 1.4% increase in the prior week and a 1.5% fall in the week before that.

### Redbook Retail Sales Decline By 2.3%

Redbook Research's latest indicator of national retail sales fell 2.3% in the first week of January compared with the first week of the previous month.

The index's fall compared with a targeted 2.2% decline, according to the report.

The Johnson Redbook Index also showed seasonally adjusted sales in the one-week period fell 1.9% from the year-ago period, compared with a targeted drop of 1.8%.

Redbook said on an unadjusted basis, sales in the week ended Jan. 10 were down 1.9% versus a year ago.

## TALKING POINTS

### For Job Relief, \$775B May Not Be Enough

With just over a week to go before Inauguration Day, designated policymakers for President-elect Barack Obama are offering thoughts on the potential effects of the much-awaited stimulus plan.

Blogging economists are skeptical: The current plan may not be enough to create the jobs needed to stabilize the labor markets at even their current dismal state.

The latest details came Saturday with the release "The Job Impact of the American Recovery and Reinvestment Plan," authored by Christina Romer, nominated to be chair of the Council of Economic Advisers, and Jared Bernstein, chief economist-designate for the vice president.

The study calculated the job creation potential of a \$775 billion stimulus plan. The focus is understandable, given Friday's news that the economy lost 2.6 million jobs for all of 2008 and the unemployment rate jumped from 4.8% in February to 7.2% in December.

The study finds that the recovery package as currently envisaged would lift real gross domestic product by 3.7% by the end of 2010 and create 3.7 million jobs compared with economic and job trends

if no plan were put in place.

With the stimulus plan, Romer and Bernstein expect the unemployment rate will peak around 8% in 2009. But doing nothing would result in a jobless peak of 8.8% in 2010. (Some private-sector economists expect the rate could go over 9% by 2010 even with Washington's efforts.)

What should be most valuable as the new White House and Congress sit down to hammer out the package's details is the job contribution over the next two years from each component of stimulus.

Although the report doesn't break down how much money would be spent for each component, aid to state and local governments and transfer payments (such as unemployment benefits and food stamps) create the largest absolute numbers of jobs, 821,000 and 549,000, respectively.

Household tax cuts create another 505,000 jobs. The analysis assumes the households consider the cuts permanent, which would mean more of the money would be spent rather than saved. And business tax cuts add another 470,000 jobs. The rest of the expected jobs are supplied by the infrastructure spending on education, transportation, health care, etc.

## TALKING POINTS

### Rising Muni Prices May Crimp New Issues

Tax-exempt municipal bond prices have rallied sharply since mid-December, and issuers are now preparing to bring large volumes of debt to market in a highly improved environment.

The window of opportunity could start to close shortly, however, as falling returns undermine investor incentive to buy the debt of state and local governments, many of which face big budget shortfalls due to the recession.

“Just like anything else, it's all about price,” said Michael Pietronico, chief executive at Miller Tabak Asset Management. “I would expect to see issuers fielding a lot of phone calls from the likes of the underwriters saying, ‘Now’s a good time to consider coming to the market.’ Generally, how it all ends is too many deals trying to come at once.”

The market started the year on Jan. 2 with an unusually high \$15.2 billion bonds expected to be sold this month. That figure is normally around \$3 billion to \$5 billion and builds from there. The 30-day forward projection reached \$16.9 billion on Jan. 9 and stood at \$15.6 billion on Monday. Weekly volumes have been lighter than those projections suggested, however.

Monday saw the start of order periods for individual investors on a \$750 million electric system revenue bond of Arizona’s Salt River Project Agricultural Improvement and Power District and on \$115 million Delaware general obligation bonds. Also a possible starter this week is a \$250 million offering by the Long Island Power authority in New York.

“The calendar’s not been onerous so far,” said Evan Rourke, a municipal portfolio manager at the Eaton Vance Tax-Exempt Bond Strategies Group, “but as prices decline, you would think it would make it harder for new issues to come.”

The market, he said, so far has benefited from investors who need to reinvest the proceeds from maturing debt. January, for example, is usually the most popular month for individual investors needing to reinvest funds.

Settlement cash paid out by several dealers on auction-rate securities also contributed, said Matt Fabian, a senior municipal analyst at Concord, Mass.-based Municipal Market Advisors.

But municipals have seen a marked absence of institutional investors like arbitrage and hedge funds. Municipal money market funds have also had to sell to meet heavy redemptions.

### EMU Woes Strain Euro Outlook Vs Dollar

The euro’s prospects are growing dimmer at the start of 2009 as challenges to the European Monetary Union mount.

Threats of ratings downgrades for two euro zone members by Standard & Poor’s and diminished global demand for exports will contribute to rising internal strains within the 16-member common currency area and undermine its economic powerhouse, Germany. Compared with the U.S. economy and currency, the euro is at greater risk for an extended period of weakness into 2009.

“The U.S. will do better than people are expecting, and the euro zone is in for more negative surprises,” said Charles Dumas, director and chief economist at Lombard Street Research in London. Monday afternoon in New York, the euro was at \$1.3375 from \$1.3438 late Friday. It started the year just below \$1.40, after a late-2008 rally that took the common currency to as high as \$1.4400.

The U.S. economy will benefit from three developments - the fall in oil prices, the \$700 billion-plus stimulus package planned by the incoming Administration, and the Federal Reserve’s broad array of cash-pumping measures, including its commitment to

keep rates near zero for a longer period.

Lower oil prices will help the U.S. consumer, who has been struggling under the collapse of the housing and stock markets, not to mention worries about the job market.

“There will be a huge improvement in the cost of living because of the crash of oil prices,” said Dumas.

Crude oil prices have been plummeting, after reaching record heights over past summer, on decreasing demand in the midst of a global recession. Economists have estimated the declines could translate into a boost of up to \$300 billion for companies and households.

On the other side, a more measured response by the European Central Bank is souring the euro zone outlook. While the ECB has shaved 175 basis points off its key rate to the current 2.5%, and could cut by another 50 basis points this Thursday, that doesn’t match the Fed’s rock bottom levels.

### Fed Treasury Purchases Not A Given

The Federal Reserve is mulling purchases of longer-dated Treasuries as a way to assist the economy through lower rates, but for now, it’s likely to keep its powder dry.

Instead, the central bank will let its other cash-pumping programs run their course for a while, particularly as its efforts have been successful in lowering mortgage rates, key to an eventual economic recovery. It also has one more program left to launch, the plan to purchase securities backed by consumer loans, which should further ease borrowing costs.

But should the decline in consumer rates slow or even reverse in the coming months, Treasury investors should prepare for the Fed to start manipulating long-end rates - either by setting a ceiling on long-dated rates, above which it would intervene, or through an outright purchase program.

Either way, these purchases would force historic low government bond yields even lower, diminishing investor returns. But low rates would be good for the government as it would enable it to cheaply fund its rescue programs.

The Fed most recently bought longer-term Treasuries in the 1960s in an effort to help the economy recover from a recession. In the so-called Operation Twist, the Fed attempted to twist, or flatten out, the yield curve by buying long-term government debt to stimulate borrowing and business investment and selling short-term bills to keep foreign investors’ interest in government debt alive.

The key difference: Rates weren’t close to zero then. And the policy’s success remains a matter of debate.

This time around, policymakers began late last year to mention possible longer-end Treasury buying as a tool at their disposal, given that rates are at the zero bound.

The Federal Open Market Committee said in its statement after the December meeting that it is evaluating the potential benefits of buying longer-term Treasuries. Fed Chairman Ben Bernanke made similar comments Tuesday, adding that the decision will be based on the “potential to improve conditions in private credit markets, such as mortgage markets.”

The Fed already has had measurable success in driving down mortgage rates without buying Treasuries. Its program to buy \$500 billion in mortgage-backed securities has succeeded in pushing home loan rates to near record lows. Tuesday, the 30-year fixed mortgage rate stood at 5.08%, according to Bankrate.com, from just above 6% on Nov. 27, when the Fed announced its program. The gap between Treasuries and mortgage bonds has also narrowed, and is closer to the level it was before the collapse of Bear Stearns in March 2007.