
INTEREST RATE MANAGEMENT

This has been some year. However, it seems as though we've been here before. Lenders do not want to make loans. Loan-to-values are kinda messed up, interest rates are low, a recession that doesn't seem like it's really gonna come to an end...haven't we been here before?

Ah! The "no loans for nobody" period...the early '90s.

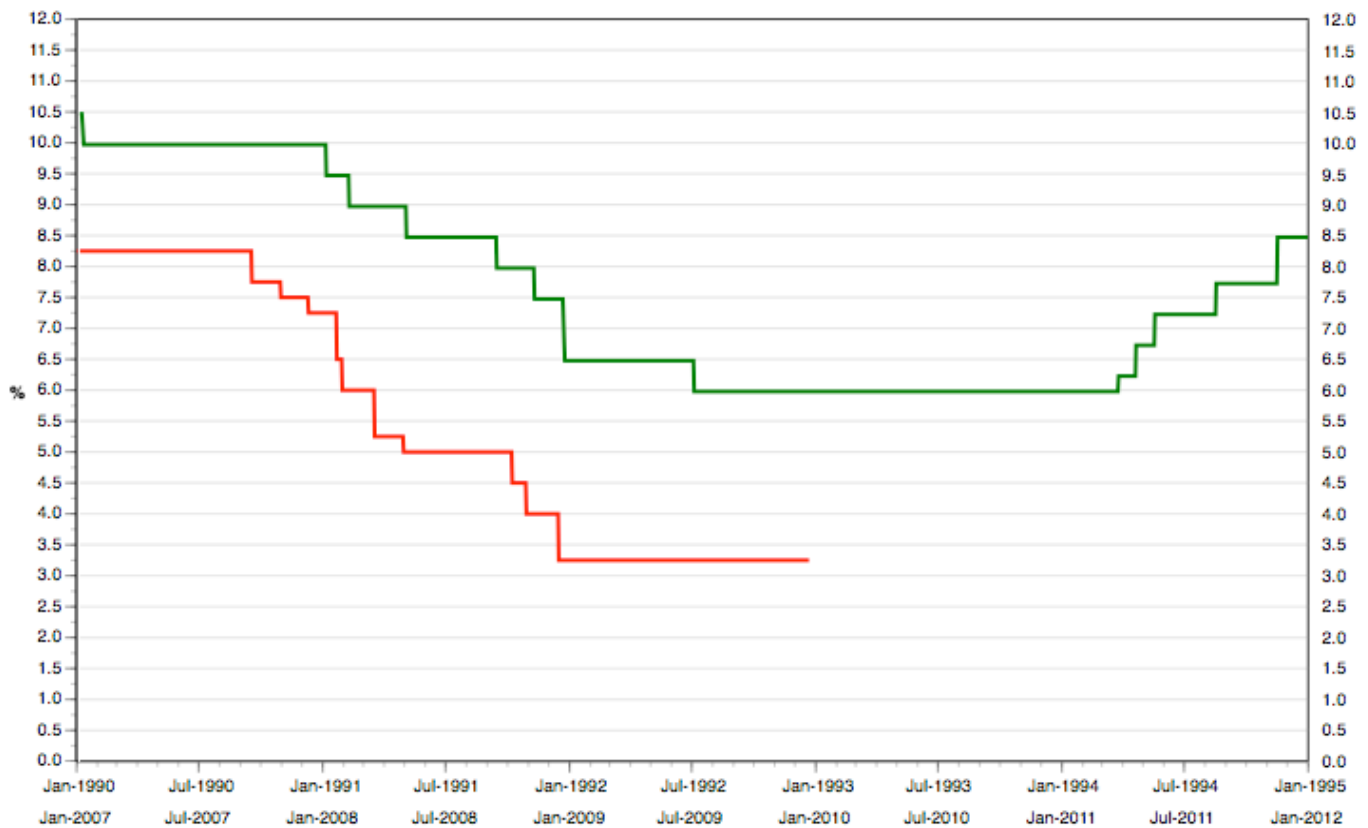
I wonder how this current period compares to the early '90s? Ah...let's try a proxy...let's look at the Prime Rate.

The graph below outlines the movement of the Prime rate during the first five years of the '90s, i.e., the contraction, the recession and, of all things, a recovery. The Prime rate is a good proxy for Fed policy. How does this compare to the Prime rate movements during this current period of contraction, recession and, someday, recovery? The graph also outlines the period of time from 2007 to-date. Is there a pattern?

Prime Rate

Daily Data: January 1, 1990 – January 1, 1995

Daily Data: January 1, 2007 – December 22, 2009



Nah! They're not even the same color.

We'd like to take this opportunity to wish everyone a wonderful holiday season and a good New Year.