

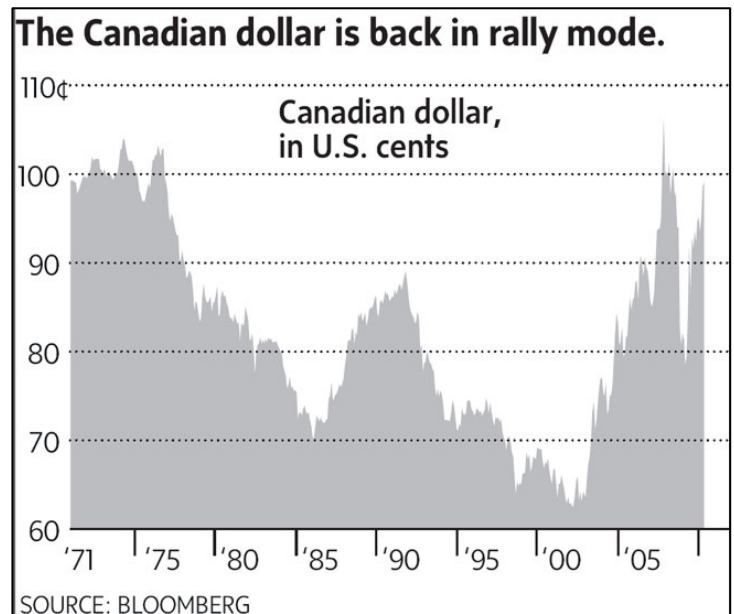
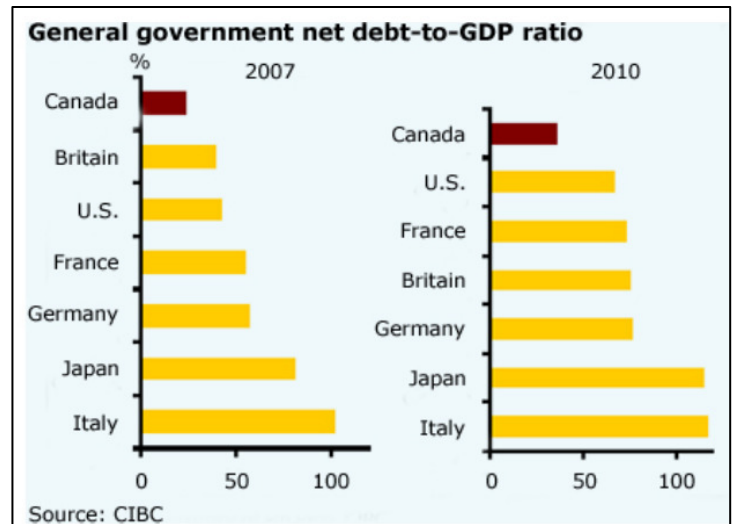
Interest rates expected to continue to rise from all time lows

Highlights

- Prime is at 2.25% and will rise to 2.50% or 2.75% by July. The 10-year average for Prime is 4.9%.
- Fixed rates were 3.65%, are around 4.6% now, and are expected to float back to about 6.5%.
- Variable rates are still at Prime-0.4% = 1.85% today.

Economics

- The Bank of Canada (BoC) has stated that they will try to leave Prime at 2.25% until June. The BoC's plan to maintain the key interest rate has been spot-on for the past 14 months.
- The Prime rate of interest has held at 2.25% since April 2009, 4% lower than it was in January, 2008. The last time the central bank raised the overnight rate was July 2007.
- The Bank of Canada is expected to keep interest rates at historic lows for a few more months, because sending out signals that the economy is rebounding strongly and could trigger inflationary pressures. There are also mixed numbers on how fast we are rebounding.
- The economy grew at an annual rate of 5.8% for the 1st quarter of 2010, and 5% in 2009's last quarter thanks to strong domestic spending, increased confidence and policy stimulus.
- The surprising growth spurt has sent the strong loonie even higher as the level of economic activity in Canada has been slightly higher than the BoC had projected.
- Interest rate hikes are expected in June or July after Stat Can reported core inflation jumped to 2.1% in February compared to the bank's outlook of a 1.6% average core inflation rate in the 1st quarter of 2010.
- Currency: The Canadian dollar should benefit from strong economic data, rising oil prices and improving risk sentiment. The loonie has increased 25% vs. the U.S. dollar during the past 12 months. (See graph to right.)

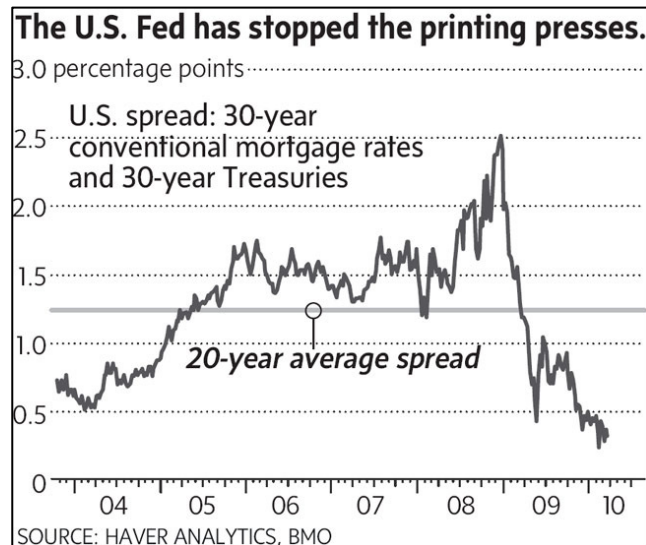


Call for advice, a pre-approval or rate hold before rates go up again.

Mark Herman's Market Update May, 2010



- UBS expects oil will rise above \$90 (U.S.) a barrel in the 2nd quarter of 2010, which will provide added support for the loonie. The Canadian dollar could reach a record high against the U.S. dollar over the next two years, UBS said. It almost reached \$1.09 on Nov. 6, 2007.
- During the recession Canadian rate spreads have ranged from 21 to 65 basis points, but is now at 18 basis points - the lowest spread since June 2007 – so rates have to go up. (See graph to right.)
- The U.S. Federal Reserve Board ended its campaign to keep mortgage rates down and stopped buying \$1.25-Trillion (U.S.) in mortgage-backed securities. This means new money is no longer being artificially injected into the economy.



- "They are getting ready to take away the punch bowl," said Derek Holt, vice-president of economics with Scotia Capital. "The end beneficiary is not necessarily the government but those people taking out mortgages,"

Raw Alberta Data

Unemployment rate for Alberta forecasted 7.7%

Edmonton 2009, is 6.6% & Calgary is 6.5%; both forecasting 7.5% in 2010

Alberta population growth is forecasted at 1.9% in 2010

Moderate pace due to low interprovincial in-migration and low birth rates

Increase in GDP for Alberta of 3%

Nearly a 34% increase from 2004 to 2009 (\$130B to \$174B)

Calgary's GDP forecast growth at 3% and Edmonton at 3.2%

Canadian Dollar

Recovering economy and a rise in commodity prices

Expect the dollar to stay at parity

Rising Mortgage Rates

Mortgage rates were at a historic lows and are now rising.

May 2008 5 yr = 7.25%, April 2009 5 yr = 5.25%, Feb 2010 5yr = 5.39%

Expectation fixed mortgage rates will continue to rise to just over 6% in 2010.

The Mortgages are Marvellous Advantage

- Extensive experience with 1st time home buyers, investors with property portfolios & divorces.
- 2 ex-bank loan officers with more than \$20 Billion in mortgages underwritten are team leaders.
- We opened in 1997 and our brokers have more than 65 year's residential mortgage experience.
- 0-down payment options are still here!

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Mark Herman; AMP, B. Comm., CAM, MBA ♦ Accredited Mortgage Professional ♦
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