MORTGAGE MARKET IN REVIEW

HOMETOWN AMERICA INCORPORATED

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Market Comment

Mortgage bond prices were negative for the week which put some upward pressure on rates. Most of the trading played off stocks. Rates were neutral Monday morning amid stock weakness. This reversed Tuesday despite tame inflation readings. Producer prices fell 0.2% versus the expected 0.1% decline. Core prices, which exclude volatile food and energy, fell 0.2% versus an expected 0.2% increase. Retails sales and new home sales releases were delayed due to the continued government shutdown. Weekly jobless claims were 213K versus the expected 222K. Philadelphia Fed business conditions printed at 17 which was stronger than expected. Consumer sentiment was weaker than expected. Mortgage interest rates finished the week worse by approximately 1/8 to 1/4 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Existing Home Sales	Tuesday, Jan. 22, 10:00 am, et	5.33M	Low importance. An indication of mortgage credit demand. Significant weakness may lead to lower rates.
FHFA House Price Index	Wednesday, Jan. 23, 10:00 am, et	5.5%	Moderately Important. A measure of single family house prices. Weakness may lead to lower rates.
Weekly Jobless Claims	Thursday, Jan. 24, 8:30 am, et	215K	Important. An indication of employment. Higher claims may result in lower rates.
Leading Economic Indicators	Thursday, Jan. 24, 10:00 am, et	Up 0.2%	Important. An indication of future economic activity. A smaller increase may lead to lower rates.
Durable Goods Orders	Friday, Jan. 25, 8:30 am, et	Up 0.6%	Important. An indication of the demand for “big ticket” items. Weakness may lead to lower rates.
New Home Sales	Friday, Jan. 25, 10:00 am, et	550K	Important. An indication of economic strength and credit demand. Weakness may lead to lower rates.

Economic Activity

The Fed Beige Book report released January 16th indicated, “Economic activity increased in most of the U.S., with eight of twelve Federal Reserve Districts reporting modest to moderate growth. Nonauto retail sales grew modestly, as several Districts reported more holiday traffic compared with last year. Auto sales were flat on balance. The majority of Districts indicated that manufacturing expanded, but that growth had slowed, particularly in the auto and energy sectors. New home construction and existing home sales were little changed, with several Districts reporting that sales were limited by rising prices and low inventory. Commercial real estate activity was also little changed on balance. Most Districts reported modest to moderate growth in activity in the nonfinancial services sector, though a few Districts noted that growth there had slowed. The energy sector expanded at a slower pace, and lower energy prices contributed to a pullback in the industry's capital spending expectations. The agriculture sector struggled as prices generally remained low despite recent increases. Overall, lending volumes grew modestly, though a few Districts noted that growth had slowed. Outlooks generally remained positive, but many Districts reported that contacts had become less optimistic in response to increased financial market volatility, rising short-term interest rates, falling energy prices, and elevated trade and political uncertainty. The majority of Districts reported modest to moderate increases in prices. Most Districts indicated that firms' input costs had risen, but reports were mixed on whether they could pass the higher costs on to customers. Reports often cited rising materials and freight prices as sources of cost increases, and a number of Districts said that higher tariffs were also a factor. While prices of most inputs were up, several Districts noted that fuel costs had gone down. A number of Districts reported rising home prices.”

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