

MORTGAGE MARKET IN REVIEW

HOMETOWN AMERICA
INCORPORATED

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Market Comment

Mortgage bond prices were positive for the week which put some downward pressure on rates. Most of the improvements came early in the week. Consumer confidence was 120.2 versus an expected reading of 126. ADP employment rose 213K versus estimates of 170K. The Fed left rates unchanged and noted they "will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate." Mixed data Friday eroded some of the earlier improvements. Unemployment was 4% versus the expected 3.9% reading. Average hourly earnings rose 0.1% versus the expected 0.2% increase. Payrolls rose 304K versus the expected 170K increase and this set off the selling pressure. ISM index and consumer sentiment were also stronger than expected. Mortgage interest rates finished the week better by approximately 1/8 to 1/4 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Factory Orders	Monday, Feb. 4, 10:00 am, et	Up 0.6%	Important. A measure of manufacturing sector strength. Weakness may lead to lower rates.
Trade Data-Dec. Delayed	Tuesday, Feb. 5, 8:30 am, et	\$56B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates.
Preliminary Q4 Productivity	Wednesday, Feb. 6, 8:30 am, et	Up 2.1%	Important. A measure of output per hour. Improvement may lead to lower mortgage rates.
Trade Data-Jan.	Thursday, Feb. 7, 8:30 am, et	\$56.2B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates.
Weekly Jobless Claims	Thursday, Feb. 7, 8:30 am, et	403K	Important. An indication of employment. Higher claims may result in lower rates.
Consumer Credit	Thursday, Feb. 7, 3:00 pm, et	\$23B	Low importance. A significantly large increase may lead to lower mortgage interest rates.

Fed Structure

The Federal Open Market Committee (FOMC) consists of twelve members--the seven members of the Board of Governors of the Federal Reserve System who are appointed by the President to staggered 14 year terms; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The rotating seats are filled from the following four groups of Banks, one Bank president from each group: Boston, Philadelphia, and Richmond; Cleveland and Chicago; Atlanta, St. Louis, and Dallas; and Minneapolis, Kansas City, and San Francisco. Nonvoting Reserve Bank presidents attend the meetings of the Committee, participate in the discussions, and contribute to the Committee's assessment of the economy and policy options.

The FOMC holds eight regularly scheduled meetings per year. At these meetings, the Committee reviews economic and financial conditions, determines the appropriate stance of monetary policy, and assesses the risks to its long-run goals of price stability and sustainable economic growth.

The Fed members are not required to serve all 14 years, and some retire or resign early as we have seen lately. Jerome Powell took over as chair for Janet Yellen last year when she retired despite her appointment extending into 2024. The makeup of the Fed is important because it is the most powerful financial institution in the world and is a huge factor in mortgage interest rates. In January the presidents of the Reserve Banks of Atlanta, Richmond, San Francisco and Cleveland rotated off of the decision-making committee. They were replaced by those of Boston, Chicago, Kansas City, and St Louis.

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