

## MORTGAGE MARKET IN REVIEW



**HOMETOWN**  
**A M E R I C A**  
INCORPORATED

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### Market Comment

Mortgage bond prices finished the week higher which put downward pressure on rates. Rates were flat the beginning of the week, improved slightly Wednesday and again Friday morning tied to weaker than expected data. The Fed kept rates unchanged. Stocks sold off sharply Friday morning in reaction to the disappointing payrolls figure. Non-farm payrolls rose 73K vs the expected 110K increase.

Unemployment was 4.2% as expected. Personal income rose 0.3% vs 0.2%. Spending was up 0.3% vs 0.4%. Core PCE inflation rose 0.3% as expected. Weekly jobless claims were 218K vs 224K. ECI rose 0.9% vs 0.8%. Mortgage interest rates finished the week better by approximately 3/8 of a discount point.

### LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Factory Orders	Monday, Aug. 4, 10:00 am, et	Down 5.2%	Important. A measure of manufacturing sector strength. Weakness may lead to lower rates.
Trade Data	Tuesday, Aug. 5, 8:30 am, et	\$67.6B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates.
3-year Treasury Note Auction	Tuesday, Aug. 5, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
10-year Treasury Note Auction	Wednesday, Aug. 6, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
Weekly Jobless Claims	Thursday, Aug. 7, 8:30 am, et	220K	Important. An indication of

			employment. Higher claims may result in lower rates.
Preliminary Q2 Productivity	Thursday, Aug. 7, 8:30 am, et	Up 2.5%	Important. A measure of output per hour. Improvement may lead to lower mortgage rates.
30Y Treasury Bond Auction	Thursday, Aug. 7, 1:15 pm, et	None	Important. Bonds will be auctioned. Strong demand may lead to lower mortgage rates.
Consumer Credit	Thursday, Aug. 7, 3:00 pm, et	Up 0.3%	Low importance. A significantly large increase may lead to lower mortgage interest rates.

## Productivity

Productivity is the rate at which goods or services are produced. It is most commonly defined in terms of labor, which is the contribution of people to the process. Labor costs represent about two thirds of the value of the output produced. The Bureau of Labor Statistics of the US Department of Labor releases the most widely cited productivity statistics quarterly and annually. Increased productivity is often credited for economic growth with little signs of inflation.

Productivity is significant in that as it increases, businesses can produce more with the same or less input. This wealth building effect is vital to the US economy. As productivity increases, the US economy generally performs better. As productivity decreases, the economy generally suffers. While the bond market generally favors signs of weakness in the economy, bonds tolerate growth if the economic environment shows little or no inflationary pressures. Keep in mind that rates remain favorable. Now is a great time to avoid the uncertainty surrounding continued market volatility.

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