

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices finished the week sharply lower which put significant upward pressure on rates. Trading was thin throughout most of the week and was shortened due to the National Day of Mourning for President Jimmy Carter Thursday. Stronger than expected data Friday resulted in most of the weakness. Unemployment came in at 4.1% vs 4.2%. Non-farm Payrolls rose 256K vs 160K. The rest of the data was mixed. The trade deficit was \$78.2B vs \$78B. Consumer sentiment was 73.2 vs 73.8. Factory orders fell 0.4% vs the expected 0.3% decrease. Weekly jobless claims were 201K vs 218K. Mortgage interest rates finished the week worse by approximately 1/2 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Producer Price Index	Tuesday, Jan. 14, 8:30 am, et	Up 0.3%, Core up 0.2%	Important. An indication of inflationary pressures at the producer level. Weaker figures may lead to lower rates.
Consumer Price Index	Wednesday, Jan. 15, 8:30 am, et	Core 0.3%, Core up 0.2%	Important. A measure of inflation at the consumer level. Weaker figures may lead to lower rates.
Retail Sales	Thursday, Jan. 16, 8:30 am, et	Up 0.5%	Important. A measure of consumer demand. A smaller than expected increase may lead to lower mortgage rates.
Weekly Jobless Claims	Thursday, Jan. 16, 8:30 am, et	210K	Important. An indication of employment. Higher claims may result in lower rates.
Philadelphia Fed Survey	Thursday, Jan. 16, 10:00 am, et	20.2	Moderately important. A survey of business conditions in the Northeast. Weakness may lead to lower rates.

NAHB Housing Index	Thursday, Jan. 16, 10:00 am, et	47	Moderately Important. A measure of single-family housing. Weakness may lead to lower mortgage rates.
Housing Starts	Friday, Jan. 17, 8:30 am, et	1.31M	Important. A measure of housing sector strength. Weakness may lead to lower rates.
Industrial Production	Friday, Jan. 17, 9:15 am, et	Up 0.2%	Important. A measure of manufacturing sector strength. A lower than expected increase may lead to lower rates.
Capacity Utilization	Friday, Jan. 17, 9:15 am, et	77.6%	Important. A figure above 85% is viewed as inflationary. Weaker figure may lead to lower rates.

Busy Week

Economic data is usually the number one reason mortgage interest rates move daily. Data is compiled from numerous sources and comes in two flavors, economic growth and inflation. Some releases are more important than others and thus are more likely to cause wider swings in mortgage rates. Rates move in relation to the deviation from expectations. We have significant releases all week. The potential for mortgage interest rate volatility is greater as a result.

The recent short-term trend has been volatile amid mixed data. Future rate movements are likely, so caution is key.

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