

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 slightly lower which put a little upward pressure on rates. Equities trended higher amid expectations for future Fed rate cuts. The MBS market had a slight negative bias to start, but tame inflation readings and higher jobless claims tempered selling pressure. The producer price index fell 0.1% vs the expected 0.3% increase. The core also fell 0.1% vs the expected 0.3% increase. Consumer prices rose 0.4% vs 0.3%. The core rose 0.3% as expected. Weekly jobless claims were 263K vs 235K. Consumer sentiment was 55.4 vs 58. Mortgage interest rates finished the week worse by approximately 1/8 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Retail Sales	Tuesday, Sept. 16, 8:30 am, et	Up 0.3%	Important. A measure of consumer demand. A smaller than expected increase may lead to lower mortgage rates.
Industrial Production	Tuesday, Sept. 16, 9:15 am, et	Unchanged	Important. A measure of manufacturing sector strength. Weakness may lead to lower rates.
Capacity Utilization	Tuesday, Sept. 16, 9:15 am, et	77.4%	Important. A figure above 85% is viewed as inflationary. Weaker figure may lead to lower rates.
NAHB Housing Index	Tuesday, Sept. 16, 10:00 am, et	34	Moderately Important. A measure of single-family housing. Weakness may lead to lower mortgage rates.
Housing Starts	Wednesday, Sept. 17, 8:30 am, et	1.38M	Important. A measure of housing sector strength. Weakness may lead

			to lower rates.
Fed Meeting Adjourns	Wednesday, Sept. 17, 2:15 pm, et	25 basis point cut	Important. Fed rate cut expected. Volatility may surround the adjournment of this meeting.
Philadelphia Fed Survey	Thursday, Sept. 18, 10:00 am, et	25.5	Moderately important. A survey of business conditions in the Northeast. Weakness may lead to lower rates.
Leading Economic Indicators	Thursday, Sept. 18, 10:00 am, et	Unchanged	Important. An indication of future economic activity. Weakness may lead to lower rates.

Forward Guidance

A Fed rate cut is almost a certainty this week which generally puts downward pressure on rates over time. However, there are no guarantees that we will see rates improve Wednesday afternoon as the rate cut is likely already factored into trading. The Fed's forward guidance will be the primary focus for the financial markets that afternoon and the days that follow. If the Fed signals additional rate cuts are likely before the end of the year, we could see mortgage interest rates improve. If they go back to a cautious wait and see approach, then uncertainty will dominate trading.

The Fed has a dual mandate in which they seek to achieve maximum employment and inflation at the rate of 2 percent over the longer run. Their last meeting noted, "Uncertainty about the economic outlook remains elevated." A rewording of their position could signal the path to lower rates over the months ahead.

Stay cautious around the Fed meeting until they provide clarity on their future intentions.

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