

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices finished the week slightly positive which put downward pressure on rates. Trading was relatively quiet throughout most of the week and changes were within narrow ranges. The data was mixed but tame inflation readings Friday helped us end on positively. New home sales were 676K vs 790K. Durable goods orders rose 0.8% vs the expected 2.1% increase. Consumer confidence was 129.1 vs 123.9. GDP rose 6.5% vs 8.2%. The Fed left rates unchanged and continued their daily MBS purchases. Income rose 0.1% vs a 0.5% decline. Spending rose 1% as expected. PCE Inflation rose 0.5% vs 0.6%. Employment cost index rose 0.7% vs 1%. Mortgage interest rates finished the week near unchanged to better by 1/8 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
ISM Index	Monday, Aug. 2, 10:00 am, et	60.5	Important. A measure of manufacturer sentiment. Weakness may lead to lower mortgage rates.
Construction Spending	Monday, Aug. 2, 10:00 am, et	Up 0.4%	Low importance. An indication of economic strength. Significant weakness may lead to lower rates.
Factory Orders	Tuesday, Aug. 3, 10:00 am, et	Up 1.1%	Important. A measure of manufacturing sector strength. Weakness may lead to lower rates.
ADP Employment	Wednesday, Aug. 4, 8:30 am, et	600K	Important. An indication of employment. Weakness may bring lower rates.
Trade Data	Thursday, Aug. 5, 8:30 am, et	\$71.5B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen

			the dollar and lead to lower rates.
Weekly Jobless Claims	Thursday, Aug. 5, 8:30 am, et	400K	Important. An indication of employment. Higher claims may result in lower rates.
Employment	Friday, Aug. 6, 8:30 am, et	5.7%, Payrolls +750K	Very important. An increase in unemployment or weakness in payrolls may bring lower rates.
Consumer Credit	Friday, Aug. 6, 3:00 pm, et	\$18.4B	Low importance. A significantly large increase may lead to lower mortgage interest rates.

ADP Employment

The ADP employment report is a measure of employment derived from data of roughly 500,000 US businesses. The survey focuses on the private sector of the economy. In contrast, the Bureau of Labor Statistics releases the regular employment report which includes both private and government employment statistics.

The Fed is usually focused on inflation. Tightening employment conditions can result in wage inflation. The ADP report provides solid data on these conditions. Despite this, the data can still diverge from the regular employment report. The employment report is derived from a household survey and an establishment survey. These surveys often differ from one another and from the ADP employment report in that they are based on different data sets.

Rates remain historically very favorable and risks are toward the upside. Be cautious heading into the data this week.

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