

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices finished the week slightly better which put downward pressure on rates despite significant volatility. Rates got a reprieve mid-week in response to Fed Chair Powell's comments that hinted the Fed may be ready to adjust their recent rate hike outlook. Powell said, "It makes sense to moderate the pace of our rate increases as we approach the level of restraint that will be sufficient to bring inflation down." Unfortunately, a large portion of the improvements were erased Friday morning in response to stronger than expected data. Unemployment was 3.7% as expected. However, non-farm payrolls rose 263K vs 200K. Average Hourly Earnings also rose 0.6% vs 0.3%. The rest of the data was mixed. Weekly Jobless claims were 225K vs 230K. Core PCE rose 0.2% vs 0.3%. Income rose 0.7% vs 0.4%. Spending rose 0.8% as 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, Dec. 5, 10:00 am, et	Up 0.6%	Important. A measure of manufacturing sector strength. Weakness may lead to lower rates.
Trade Data	Tuesday, Dec. 6, 8:30 am, et	\$79B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates.
Q3 Productivity	Wednesday, Dec. 7, 8:30 am, et	Up 0.5%	Important. A measure of output per hour. Improvement may lead to lower mortgage rates.
Consumer Credit	Wednesday, Dec. 7, 3:00 pm, et	\$28B	Low importance. A significantly large increase may lead to lower mortgage

			interest rates.
Weekly Jobless Claims	Thursday, Dec. 8, 8:30 am, et	228K	Important. An indication of employment. Higher claims may result in lower rates.
Producer Price Index	Friday, Dec. 9, 8:30 am, et	Up 0.2%, Core up 0.2%	Important. An indication of inflationary pressures at the producer level. Weaker figures may lead to lower rates.
U of Michigan Consumer Sentiment	Friday, Dec. 9, 10:00 am, et	56.8	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

Consumer Sentiment

In the US the consumer is often seen as the driving force of the economy. A large percentage of the total economic output is for personal use. Analysts attempt to predict the future spending patterns of consumers to gauge economic activity.

The Michigan consumer sentiment index is one piece of data used to measure consumer attitudes. The index is derived from a telephone survey, which gathers information on consumer expectations of the overall economy. The preliminary report is released around the 10th of each month and then is revised throughout the remainder of the month. It is significant in that it provides a precursor into consumers' willingness to spend in the months ahead. However, many analysts point out that willingness to spend does not always convert to actual expenditures.

American consumers continue to spend despite an uncertain economy, dampening housing prices, and volatile energy prices. However, any jolts ahead of the holiday season could cause concern. Look for any variation from estimates in the consumer data this week to cause mortgage interest rate volatility. Signs of eroding consumer confidence could lead to improvements in mortgage interest rates. However, stronger than expected figures could spike rates higher.

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