

MORTGAGE MARKET IN REVIEW



HOMETOWN
A M E R I C A
 INCORPORATED

Jack Brady

Hometown America Incorporated
 1449 Hwy 6, Suite 380
 Sugar Land, TX 77478
 Phone: (281) 265-4663
 Fax: (281) 313-5626
 Cell Phone: (832) 746-5626

E-Mail: jack@hometown.cc

Website: <http://www.hometown.cc>

Market Comment

Mortgage bond prices finished the week near unchanged to slightly lower. Rates were relatively flat with a slight positive bias through most of the early part of the week. Some selling pressure emerged Thursday afternoon. Consumer confidence was 98.1 vs the expected 92. ADP employment rose 2.369M vs the expected 3M. ISM Index was 52.6 vs 49.8. The heavyweight employment report was better than expected. Unemployment was 11.1% vs the expected 12.3%. Non-farm payrolls rose 4.8M vs the expected 3M increase. The Fed continued their MBS purchases which tempered the initial selloff following the release. While summer trading conditions help keep things quiet the Fed is primarily responsible for keeping mortgage interest rates relatively flat over the last few weeks. Mortgage interest rates finished the week unchanged to worse by approximately 1/8 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Consumer Credit	Tuesday, July 7, 3:00 pm, et	Down \$15B	Low importance. A significantly large increase may lead to lower mortgage interest rates.
3-year Treasury Note Auction	Tuesday, July 7, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
10-year Treasury Note Auction	Wednesday, July 8, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
Weekly Jobless Claims	Thursday, July 9, 8:30 am, et	1.4M	Important. An indication of employment. Higher claims may result

			in lower rates.
30-year Treasury Bond Auction	Thursday, July 9, 1:15 pm, et	None	Important. Bonds will be auctioned. Strong demand may lead to lower mortgage rates.
Producer Price Index	Friday, July 10, 8:30 am, et	Up 0.1%, Core up 0.3%	Important. An indication of inflationary pressures at the producer level. Lower figures may lead to lower rates.

Virus and Small Businesses

The Fed recently stated, “Small businesses employ nearly half of U.S. private-sector workers, play key roles in local communities, and provide income to millions of business owners. The COVID-19 pandemic poses acute risks to the survival of many small businesses. Widespread failure of small businesses would create economic insecurity for millions of workers and business owners, slow down the economic recovery, and alter the economic landscape of local communities. The Congress, the Federal Reserve, and other federal agencies are making aggressive efforts to support small businesses.

More than 99 percent of U.S. firms have fewer than 500 employees, and almost 90 percent have fewer than 20 employees. Altogether, businesses with fewer than 500 employees account for almost half of private-sector jobs. Small businesses and small nonprofit organizations are particularly prevalent in service industries and include examples such as car dealers, restaurants, barber shops, medical offices, legal offices, home repair contractors, and religious organizations. These businesses and organizations are part of the economic and social landscape of local communities and neighborhoods. Small businesses are also prevalent in manufacturing supply chain industries. Moreover, the businesses that spur innovation, contribute to nationwide job and productivity growth, and turn into large household names typically start out as small businesses.”

They ended their report noting, “The Federal Reserve will continue to monitor the conditions of small businesses and support this fundamental segment of the economy.”

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