

## 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 sharply higher which put downward pressure on rates. We started the week on a negative note amid continued inflation fears. The mid-term elections resulted in some back-and-forth movements. Favorable inflation data helped us end the shortened trading week on a strongly positive note (see article below.) The two Treasury auctions resulted in solid foreign demand for US debt instruments. There was not much data. Weekly jobless claims were 225K vs the expected 220K. The 4-week average was approximately 219K. This was a sign that the Fed rate hikes may be impacting the labor market as they intend. Continuing claims were 1493K vs the prior 1487K. There was no trading Friday in honor of Veterans Day. Mortgage interest rates finished the week better by over a full discount point.

### LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Producer Price Index	Tuesday, Nov. 15, 8:30 am, et	Up 0.4%, Core up 0.3%	Important. An indication of inflationary pressures at the producer level. Weaker figures may lead to lower rates.
Retail Sales	Wednesday, Nov. 16, 8:30 am, et	Up 0.8%	Important. A measure of consumer demand. A smaller than expected increase may lead to lower mortgage rates.
Industrial Production	Wednesday, Nov. 16, 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	Wednesday, Nov. 16, 9:15 am, et	80.3%	Important. A figure above 85% is viewed as inflationary. Weaker figure

			may lead to lower rates.
NAHB Housing Index	Wednesday, Nov. 16, 10:00 am, et	38	Moderately Important. A measure of single-family housing. Weakness may lead to lower mortgage rates.
Housing Starts	Thursday, Nov. 17, 8:30 am, et	1.42M	Important. A measure of housing sector strength. Weakness may lead to lower rates.
Philadelphia Fed Survey	Thursday, Nov. 17, 10:00 am, et	Down 12.2	Moderately important. A survey of business conditions in the Northeast. Weakness may lead to lower rates.
Existing Home Sales	Friday, Nov. 18, 10:00 am, et	Down 1.5%	Low importance. An indication of mortgage credit demand. Significant weakness may lead to lower rates.
Leading Economic Indicators	Friday, Nov. 18, 10:00 am, et	Down 0.3%	Important. An indication of future economic activity. A smaller increase may lead to lower rates.

## Tame Inflation

What a difference a day makes! The consumer price index report came in lower-than-expected last Thursday and mortgage rates improved dramatically as a result. Consumer prices rose 0.4% vs 0.7%. The core, which excludes volatile food and energy prices, rose 0.3% vs 0.5%. This inflation report is the first piece of the puzzle needed for the Fed to pivot from their continued 75 basis point rate hikes. The next Fed meeting is December 14th. Another rate hike is expected but now the magnitude is more uncertain. The Fed could pivot completely early next year if we continue to receive good inflation readings in coming weeks.

Remember, caution is still key. It is not uncommon for rates to whipsaw up and down as of late. There remains a lot of uncertainty about inflation and future rate spikes are possible. Most borrowers should consider taking advantage of significant rate decreases like we saw Thursday morning when they occur.

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