

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices finished the week near unchanged which kept rates flat. Most of the daily movement was within a very narrow range. The NAHB house price index was 74 vs the expected 75. Stocks struggled as coronavirus fears expanded. Apple announced "world-wide iPhone supply will be temporarily constrained" due to production delays caused by the virus. There was an upward jump in inflation levels at the producer level, but MBS prices fortunately did not take much of a hit. Producer prices rose 0.5% vs the expected 0.1% increase. The core, which excludes volatile food and energy, rose 0.5% vs the expected 0.1%. Housing starts were a solid 1567K. The market expected a reading of 1460K. The Philadelphia Fed manufacturing index soared to 36.7 vs an expected reading of 12. 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
FHFA House Price Index	Tuesday, Feb. 25, 10:00 am, et	Up 0.2%	Moderately Important. A measure of single family house prices. Weakness may lead to lower rates.
Consumer Confidence	Tuesday, Feb. 25, 10:00 am, et	132.4	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.
Treasury Auctions Begin	Tuesday, Feb. 25, 1:15 pm, et	None	Important. 2Y Notes on Tuesday, 5Y Notes on Wednesday, and 7Y Notes on Thursday.
New Home Sales	Wednesday, Feb. 26, 10:00 am, et	708K	Important. An indication of economic strength and credit demand. Weakness may lead to lower rates.

Durable Goods Orders	Thursday, Feb. 27, 8:30 am, et	Down 1.5%	Important. An indication of the demand for "big ticket" items. Weakness may lead to lower rates.
Weekly Jobless Claims	Thursday, Feb. 27, 8:30 am, et	205K	Important. An indication of employment. Higher claims may result in lower rates.
Q4 GDP 2nd Estimate	Thursday, Feb. 27, 8:30 am, et	Up 2.1%	Very important. The aggregate measure of US economic production. Weakness may lead to lower rates.
Personal Income and Outlays	Friday, Feb. 28, 8:30 am, et	Up 0.3%, Up 0.3%	Important. A measure of consumers' ability to spend. Weakness may lead to lower mortgage rates.
PCE Core Inflation	Friday, Feb. 28, 8:30 am, et	Up 0.2%	Important. A measure of price increases for all domestic personal consumption. Weaker figure may help rates improve.
U of Michigan Consumer Sentiment	Friday, Feb. 28, 10:00 am, et	100.5	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

MBS Market

Mortgage-backed securities directly dictate daily mortgage interest rate changes. Most of these financial instruments are backed by pools of mortgages issued by agencies such as Freddie Mac, Ginnie Mae, and Fannie Mae. These securities are bought and sold just like stocks and bonds. However, an MBS has inherent credit, default, and prepayment risk. When the demand is solid prices rise and interest rates fall. The inverse leads to rising mortgage interest rates. It is important to know that rates change throughout each trading day.

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