MORTGAGE MARKET IN REVIEW

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HOMETOWN AMERICA INCORPORATED

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Market Comment

Mortgage bond prices finished the week near unchanged to slightly lower which put a little upward pressure on rates. The market started flat Monday but turned negative Tuesday. The data was mixed. ISM index was 58.7% vs the expected 61%. ADP employment rose 175K vs the expected 55K increase. Weekly jobless claims were 779K vs the expected 825K. Preliminary Q4 productivity fell 4.8% vs the expected 2.8% decrease. Factory orders rose 1.1% vs the expected 0.7% increase. The employment report was mixed. The headline unemployment rate surprised to the downside with a rate of 6.3% vs the expected 6.7%. However, the payrolls portion was relatively in line with estimates at 49K vs 50K. Mortgage interest rates finished the week worse by approximately 1/8 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
3-year Treasury Note Auction	Tuesday, Feb. 9, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
Consumer Price Index	Wednesday, Feb. 10, 8:30 am, et	Up 0.3%, Core up 0.2%	Important. A measure of inflation at the consumer level. Lower than expected increases may lead to lower rates.
10-year Treasury Note Auction	Wednesday, Feb. 10, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
Weekly Jobless Claims	Thursday, Feb. 11, 8:30 am, et	850K	Important. An indication of employment. Higher claims may result in lower rates.
30-year Treasury Bond	Thursday, Feb. 11,	None	Important. Bonds will be auctioned.

Auction	1:15 pm, et		Strong demand may lead to lower mortgage rates.
U of Michigan Consumer Sentiment	Friday, Feb. 12, 10:00 am, et	79	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

Globalization

Economic globalization is the increasing interdependence of national economies through trade, finances, and technology. While economists debate the pros and cons of globalization, the fact remains that globalization is not new and continues to expand.

As a driving force in the global economy, the US often benefits when foreign economies struggle. Investors often move funds to safe havens in what is called a "flight to quality" in uncertain times. US debt instruments saw an influx of foreign investment historically amid concerns of nations defaulting on their debt and various banking institutions struggling. Bond prices rose, which caused mortgage interest rates to fall. From a short-term perspective it was great for U.S. homebuyers and those refinancing if they took advantage of the decrease in rates. However, what goes up often comes down. We have historically witnessed times when that pattern reverses. An example is when investors move back into the Eurozone from buying US debt instruments.

Nobody can say with certainty how it will all play out. Fortunately, the Fed's effort to buy mortgage bonds and keep rates low has worked. The Fed continues to state the goal of maintaining the low interest rate environment. However, they have also noted that they would like inflation to increase slowly over time. As a result, we should expect continued mortgage interest rate volatility. Now is a great time to take advantage of rates at these historically favorable levels.

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