

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices finished the week lower which put upward pressure on rates. There was a reverse of the flight to safety buying of MBSs Monday as tensions between the U.S. and Iran eased. Iran admitted they shot down the civilian airliner and global pressure mounted on them. Stocks continued higher with the DOW up over 400 points for the week. Consumer and producer inflation readings were lower than expected. Weekly jobless claims were 204K versus the expected 216K. Retail sales rose 0.3% as expected. The Philadelphia Fed business conditions index was 17 while analysts expected a 3.8 reading. The NAHB housing market index was 75 vs 74. Housing starts shots higher with a reading of 1.608M vs 1.3M. Industrial production fell and capacity use was near unchanged. Consumer sentiment was 99.3 as expected. Mortgage interest rates finished the week worse by 1/8 to 3/8 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
FHFA House Price Index	Wednesday, Jan. 22, 10:00 am, et	Up 0.3%	Moderately Important. A measure of single family house prices. Weakness may lead to lower rates.
Existing Home Sales	Wednesday, Jan. 22, 10:00 am, et	5.3M	Low importance. An indication of mortgage credit demand. Significant weakness may lead to lower rates.

Weekly Jobless Claims	Thursday, Jan. 23, 8:30 am, et	216K	Important. An indication of employment. Higher claims may result in lower rates.
10-year Treasury TIPS Auction	Thursday, Jan. 23, 1:15 pm, et	None	Important. TIPS will be auctioned. Strong demand may lead to lower mortgage rates.

House Price Index

The Federal Housing Finance Agency (FHFA) was created on July 30, 2008, when the President signed into law the Housing and Economic Recovery Act of 2008. The Act gave FHFA the authorities necessary to oversee vital components of our country's secondary mortgage markets – Fannie Mae, Freddie Mac, and the Federal Home Loan Banks. FHFA's mission is to provide effective supervision, regulation and housing mission oversight of Fannie Mae, Freddie Mac and the Federal Home Loan Banks to promote their safety and soundness, support housing finance and affordable housing, and support a stable and liquid mortgage market.

“FHFA produces the nation’s only public, freely available house price indexes (HPIs) that measure changes in single-family house prices based on data that cover all 50 states and over 400 American cities and extend back to the mid-1970s. The HPIs are built on tens of millions of home sales and offer insights about house price fluctuations at the national, census division, state, metro area, county, ZIP code, and census tract levels. The FHFA HPIs use a fully transparent methodology based upon a weighted, repeat-sales statistical technique to analyze transaction data from Fannie Mae and Freddie Mac. FHFA releases data and reports on a quarterly and monthly basis. The flagship FHFA HPI uses seasonally adjusted, purchase-only data, unless otherwise noted. Additional indexes are based on other data including refinances, FHA mortgages, and real property records.”

FHFA issues a monthly report on house prices called the House Price Index (HPI) that looks back 2 months in time. The most recent report released December 31 indicated “U.S. house prices rose in October, with an increase of 0.2 percent on a seasonally adjusted basis from the previous month. House prices rose 5.0 percent from October 2018 to October 2019.”

This week’s FHFA will shed light on the current state of housing prices. A solid housing market is vital to the health of the U.S. economy.

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