

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices finished the week higher which put downward pressure on rates. The market showed slow steady improvements throughout the week. Stocks were volatile but looked to post gains for the shortened trading week. The Fed continued their billion-dollar daily MBS purchases and effectively erased the losses from the prior week. The data was mixed. NAHB housing was 83 vs the expected 86. Weekly jobless claims were 900K vs the expected 865K. Housing starts were a strong 1669K vs 1575K. The Philadelphia Fed manufacturing index was 26.5 vs the expected 12 reading. Existing home sales were 6.76M vs the expected 6.55M. Mortgage interest rates finished the week better by approximately 1/8 to 1/4 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Consumer Confidence	Tuesday, Jan. 26, 10:00 am, et	88.8	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.
Durable Goods Orders	Wednesday, Jan. 27, 8:30 am, et	Up 0.9%	Important. An indication of the demand for "big ticket" items. Weakness may lead to lower rates.
Fed Meeting Adjourns	Wednesday, Jan. 27, 2:15 pm, et	No rate changes	Important. Few expect the Fed to change rates, but some volatility may surround the adjournment of this meeting.
Q4 Advance GDP	Thursday, Jan. 28, 8:30 am, et	Up 4.4%	Very important. The aggregate measure of US economic production. Weakness may lead to lower rates.
Leading Economic	Thursday, Jan. 28,	Up 0.5%	Important. An indication of future

Indicators	10:00 am, et		economic activity. A smaller increase may lead to lower rates.
New Home Sales	Thursday, Jan. 28, 10:00 am, et	877K	Important. An indication of economic strength and credit demand. Weakness may lead to lower rates.
Personal Income and Outlays	Friday, Jan. 29, 8:30 am, et	Down 0.3%, Down 0.1%	Important. A measure of consumers' ability to spend. Weakness may lead to lower mortgage rates.
PCE Core Inflation	Friday, Jan. 29, 8:30 am, et	Up 0.2%	Important. A measure of price increases for all domestic personal consumption. Weaker figure may help rates improve.
Q4 Employment Cost Index	Friday, Jan. 29, 8:30 am, et	Up 0.4%	Very important. A measure of wage inflation. Weakness may lead to lower rates.
U of Michigan Consumer Sentiment	Friday, Jan. 29, 10:00 am, et	81.3	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

Busy Week

Economic data is the number one reason mortgage interest rates move daily. Data is compiled from numerous sources and comes in two flavors, economic growth and inflation. Some releases are more important than others and thus are more likely to cause wider swings in mortgage rates. Rates move in relation to the deviation from expectations. We have significant releases all week. The potential for mortgage interest rate volatility is greater as a result. Volatility can be the enemy, so caution is key.

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