

MORTGAGE MARKET IN REVIEW

HOMETOWN AMERICA
INCORPORATED

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Market Comment

Mortgage bond prices finished the week slightly positive which helped rates remain low. The Institute for Supply Management showed a reading of 52.1 versus the expected 52.6. The Fed Beige book reported economic activity expanded and prices continued to increase at a modest pace in most Districts. Factory orders fell 0.8% versus the expected 0.9% decline. The employment data showed possible fractures in the economy. The ADP release showed an increase of 27K jobs. Analysts looked for an increase of 170K. Weekly jobless claims were near estimates at 218K. Unemployment was 3.6% versus 3.7%. The payrolls component echoed the ADP release with a reading of 75K versus the expected 180K. Many analysts believe this opens the door for future rate cuts sooner rather than later. Mortgage interest rates finished the week near unchanged to better by approximately 1/8 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Producer Price Index	Tuesday, June 11, 8:30 am, et	Up 0.3%, Core up 0.2%	Important. An indication of inflationary pressures at the producer level. Weaker figures may lead to lower rates.
Treasury Auctions Begin	Tuesday, June 11, 1:15 pm, et	None	Important. 3Y notes on Tuesday, 10Y notes on Wednesday, and 30Y bonds on Thursday.
Consumer Price Index	Wednesday, June 12, 8:30 am, et	Up 0.2%, Core unchanged	Important. A measure of inflation at the consumer level. Weaker figures may lead to lower rates.
Weekly Jobless Claims	Thursday, June 13, 8:30 am, et	213K	Important. An indication of employment. Higher claims may result in lower rates.
Retail Sales	Friday, June 14, 8:30 am, et	Down 0.2%	Important. A measure of consumer demand. Weakness may lead to lower mortgage rates.
Industrial Production	Friday, June 14, 9:15 am, et	Down 0.2%	Important. A measure of manufacturing sector strength. Weakness may lead to lower rates.
Capacity Utilization	Friday, June 14, 9:15 am, et	77%	Important. A figure above 85% is viewed as inflationary. Weaker figure may lead to lower rates.

U of Michigan Consumer Sentiment	Friday, June 14, 10:00 am, et	101	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.
Business Inventories	Friday, June 14, 10:00 am, et	Up 0.1%	Low importance. An indication of stored-up capacity. A significantly larger increase may lead to lower rates.

Producer Price Index

The producer price index is a measure of prices at the producer level and is important because it is the first inflation report to be released each month. Investors are typically able to gain an initial indication of inflationary pressures from the release. If producer prices are increasing, there is a tendency for producers to pass the increases on to consumers in the form of higher priced goods. It is important to note that the PPI is only a measure of goods, while the consumer price index is a measure of goods and services. It is possible for the price of goods to remain stable, while the price of services increases. In this scenario PPI would do little to warn of a change in inflationary pressures, while the CPI report would provide an indication of the inflationary effects of the service component.

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