

## MORTGAGE MARKET IN REVIEW



# HOMETOWN AMERICA INCORPORATED

**Jack Brady**

Hometown America Incorporated  
800 Bonaventure Way Suite 150  
Sugar Land, TX 77479  
Phone: (281) 265-4663  
Fax: (281) 313-5626  
Cell Phone: (832) 746-5626

E-Mail: [jack@hometown.cc](mailto:jack@hometown.cc)

Website: <http://www.hometown.cc>

## Market Comment

Mortgage bond prices finished the week near unchanged which held rates relatively steady. There was volatility throughout the week, but it was within a narrow range. We started the week on a negative note Tuesday morning with a slight increase in rates. The Fed continued their multi-billion-dollar daily MBS purchases which helped counter the selling pressure. The data was mixed. Construction spending rose 0.2% as expected. ISM Index was 61.2 vs the expected 61%. ADP employment surged higher with a reading of 978K vs the expected 700K. Weekly jobless claims were 385K vs the expected 390K. The employment report showed two very different pictures (read below.) Factory orders fell 0.6% vs the expected 0.5% increase. Mortgage interest rates finished the week unchanged to better by approximately 1/8 of a discount point.

## LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Consumer Credit	Monday, June 7, 3:00 pm, et	\$25.8B	Low importance. A significantly large increase may lead to lower mortgage interest rates.
Trade Data	Tuesday, June 8, 8:30 am, et	\$75.5B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates.
3-year Treasury Note Auction	Tuesday, June 8, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
10-year Treasury Note Auction	Wednesday, June 9, 1:15 pm, et	None	Important. Notes will be auctioned. Strong demand may lead to lower mortgage rates.
Consumer Price Index	Thursday, June 10,	Up 0.8%,	Important. A measure of inflation at the

	8:30 am, et	Core up 0.9%	consumer level. Weaker figures may lead to lower rates.
Weekly Jobless Claims	Thursday, June 10, 8:30 am, et	387K	Important. An indication of employment. Higher claims may result in lower rates.
30-year Treasury Bond Auction	Thursday, June 10, 1:15 pm, et	None	Important. Bonds will be auctioned. Strong demand may lead to lower mortgage rates.
U of Michigan Consumer Sentiment	Friday, June 11, 10:00 am, et	82.8	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

## Employment Results

The Bureau of Labor Statistics released the employment report for May last Friday. The data showed very different pictures of the labor market. The headline figure showed unemployment at 5.8% versus the expected 5.9%. On the surface this is positive for the economy. However, the payrolls component of the report was weaker than expected. Payrolls rose 559K vs the expected 650K increase. Payrolls often get more attention from market participants. Average hourly earnings were higher than expected with a 0.5% increase vs 0.2%. This is a signal of potential wage inflation and will have the attention of Fed members going forward.

The divergence in the data is not uncommon due to the fact that the "Bureau of Labor Statistics (BLS) has two monthly surveys that measure employment levels and trends: the Current Population Survey (CPS), also known as the household survey, and the Current Employment Statistics (CES) survey, also known as the payroll or establishment survey. Both surveys are needed for a complete picture of the labor market."

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