

MORTGAGE MARKET IN REVIEW



HOMETOWN
A M E R I C A
INCORPORATED

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Market Comment

Mortgage bond prices finished the week near unchanged which held rates steady. Trading remained within a very narrow range. Rates saw very little changes throughout the entire week. The data showed very little price pressures and moderate economic growth. Core PCE inflation rose 0.2% as expected. This is the Fed's preferred inflation gauge. A tame reading supports the assertion the Fed can continue to make additional rate cuts. Personal income rose 0.4% vs 0.3%. Outlays were up 0.3% as expected. Consumer sentiment came in at 53.3 vs 52. Weekly jobless claims were 191K vs 220K. ADP employment fell 32K vs the expected 10K increase. ISM Index was 48.2 vs 48.6. Mortgage interest rates finished the week with no discount point changes.

LOOKING AHEAD

| Economic Indicator | Release Date & Time | Consensus Estimate | Analysis |
|----------------------------|---------------------------------|--------------------|---|
| Factory Orders (September) | Monday, Dec. 8, 10:00 am, et | Up 0.1% | Important. A measure of manufacturing sector strength. Weakness may lead to lower rates. |
| Treasury Auctions Begin | Tuesday, Dec. 9, 1:15 pm, et | None | Important. 3Y Notes on Tuesday, 10Y Notes on Wednesday, and 30Y Notes on Thursday. |
| Q3 Employment Cost Index | Wednesday, Dec. 10, 8:30 am, et | Up 0.9% | Very important. A measure of wage inflation. Weakness may lead to lower rates. |
| Fed Meeting Adjourns | Wednesday, Dec. 10, 2:15 pm, et | 25 basis point cut | Important. Most expect the Fed to change rates, but some volatility may surround the adjournment of this meeting. |
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| Weekly Jobless Claims | Thursday, Dec. 11, 8:30 am, et | 200K | Important. An indication of employment. Higher claims may result in lower rates. |
| Trade Data | Friday, Dec. 12, 8:30 am, et | \$65.5B deficit | Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates. |

Factory Orders

Factory orders data is a monthly report released by the US Census Bureau. The release is officially referred to as The Advance Report on Durable Goods Manufacturers' Shipments, Inventories, and Orders.

The manufacturing sector is a major component of the economy. Investors use the factory orders report to attempt to determine the direction of the economy in the future. Orders are generally believed to be a precursor to activity in the manufacturing sector because manufacturing typically has an order before considering an increase in production. Conversely, a decrease in orders eventually causes production to scale back; otherwise, the manufacturer accumulates inventories, which must be financed. Total factory orders break down to approximately 55% durable and 45% non-durable. Durable goods are items such as refrigerators, cars, and aircraft. Non-durables are items such as cigarettes, candy, and soap.

Durable goods orders are typically reported a week earlier making a portion of the factory orders data "old news." However, the orders report provides a more complete picture than the initial durable goods release. Revisions to initial data along with non-durable figures are factored in providing a more accurate look at the condition of the manufacturing sector.

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