

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 lower, which put upward pressure on rates. Trading seesawed up and down throughout the week. Rates improved Monday, worsened Tuesday, rallied Wednesday, worsened again Thursday, improved sharply early Friday morning and shot higher late Friday morning. The moves were beyond the normal small range bound volatility that is normal. We saw half a discount point swings several times during the week. High oil prices and inflationary fears tied to the U.S. conflict with Iran continued. The data was mixed. FHFA house price index rose 0.3% vs 0.1%. Consumer confidence was 81.9 vs 89.2. ADP employment was 90K vs 70K. GDP rose 2.2% vs 1.5%. Income rose 0.2% vs 0.4%. Spending rose 0.9% vs 0.8%. Core PCE Prices rose 0.2% vs 0.3%. Weekly jobless claims were 197K vs 200K. ISM Index was 54.5 vs 55. Unemployment was 4.2% vs 4.1%. Payrolls rose 29K vs 90K. Mortgage interest rates finished the week worse by 3/8 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Weekly ADP Employment	Tuesday, Oct. 6, 8:30 am, et	20K	Important. An indication of employment. Weakness may bring lower rates.
Trade Data	Tuesday, Oct. 6, 8:30 am, et	\$89.8B deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates. s
Fed Minutes	Wednesday, Oct. 7, 2:00 pm, et	None	Important. Details of the last Fed meeting will be thoroughly analyzed.
Consumer Credit	Wednesday, Oct. 7, 3:00 pm, et	\$15.2B	Low importance. A significantly large increase may lead to lower mortgage

			interest rates.
Weekly Jobless Claims	Thursday, Oct. 8, 8:30 am, et	195K	Important. An indication of employment. Higher claims may result in lower rates.
U of Michigan Consumer Sentiment	Friday, Oct. 9, 10:00 am, et	48.1	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

Caution

Inflation is typically the most important focus for the mortgage interest rate market. A lot of increases in interest rates also come following stronger stocks. As stocks struggle, we often see rates improve. In addition, mortgage bonds often benefit from global economic uncertainty as investors search for safe havens amid economic concerns in the euro zone and elsewhere. This flight to quality buying of mortgage bonds helps push prices higher and mortgage interest rates lower.

The level of interest rates reflects the balance between the supply of money from investors and the demand for money by borrowers. Rising inflationary expectations and uncertainty about the performance of the bonds cause investors to require higher rates of return on investments. This compensates for the erosion of the principal that eventually is returned to them or the risk of non-performance. Regardless of inflation levels, rising economic activity can increase the demand for investors' funds, and thereby lead to higher interest rates. Investors pulling money out of bonds and into stocks could pressure mortgage rates. The demand for money diminishes as the economy struggles. The Fed raises interest rates to buffer demand from businesses and consumers. The Fed keeps rates higher to rebalance supply and demand pressures to help inflation fall to more manageable levels. Data showing the rate hike worked will eventually push the Fed to pivot their high rate policy. Until then, a cautious approach to float/lock decisions is prudent.

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