

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. Rates worsened Monday morning and remained elevated through mid-week. There was a slight recovery late Wednesday into Thursday but not enough to reverse the upward rate movements for the week. The Middle East conflict remained a dominant market mover as oil prices surged higher. Brent crude oil prices headed toward \$106 a barrel at one point. The data was overshadowed by global economic concerns. Weekly ADP employment was 23.75K vs 20K the prior week. The trade deficit was \$105.6B vs the expected \$102B deficit. Weekly jobless claims were 197K vs 200K. Consumer sentiment was 46.3 vs 47.6. Mortgage interest rates finished the week worse by approximately 3/8 to 1/2 of a discount point.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Weekly ADP Employment	Tuesday, Oct. 13, 8:30 am, et	23K	Important. An indication of employment. Weakness may bring lower rates.
Consumer Price Index	Wednesday, Oct. 14, 8:30 am, et	Up 0.6%, Core up 0.2%	Important. A measure of inflation at the consumer level. Lower than expected increases may lead to lower rates. s
Fed "Beige Book"	Wednesday, Oct. 14, 2:00 pm, et	None	Important. This Fed report details current economic conditions across the US. Signs of weakness may lead to lower rates.
Producer Price Index	Thursday, Oct. 15, 8:30 am, et	Up 0.5%, Core up 0.3%	Important. An indication of inflationary pressures at the

			producer level. Lower figures may lead to lower rates.
Philadelphia Fed Survey	Thursday, Oct. 15, 8:30 am, et	38	Moderately important. A survey of business conditions in the Northeast. Weakness may lead to lower rates.
Retail Sales	Thursday, Oct. 15, 8:30 am, et	Up 0.3%	Important. A measure of consumer demand. A smaller than expected increase may lead to lower mortgage rates.
Industrial Production	Friday, Oct. 16, 9:15 am, et	Up 0.3%	Important. A measure of manufacturing sector strength. A lower than expected increase may lead to lower rates.
Capacity Utilization	Friday, Oct. 16, 9:15 am, et	76.5%	Important. A figure above 85% is viewed as inflationary. Weaker figure may lead to lower rates.

Inflation Focus

The inflation data this week will factor heavily into the level and direction of mortgage interest rates in the short term. The producer and consumer inflation reports are the last major price readings the Federal Reserve will see before its October 27–28 meeting. A hotter-than-expected print, especially in core CPI excluding food and energy, would likely push bond yields higher. A softer reading would ease pressure on yields and give borrowers a better chance of locking a lower rate before the Fed decision. However, right now markets still price a high chance of at least one additional increase by the December meeting.

The Beige Book and retail sales figures will color the same debate, but the inflation cluster is the release most likely to move mortgage pricing in a single session. A cautious approach to float/lock decisions is prudent amid continued fear and uncertainty.

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