

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices rose last week helping recover some of the recent losses. We started the week with weaker stocks helping the mortgage bond market. Overall trading was choppy with data coming in all over the place. Higher than expected core producer price index data mid week helped erase most of the Monday morning improvements. This was countered by higher than expected jobless claims Thursday that pressured stocks lower. The jobless numbers remain troublesome. It is difficult for the economy to expand with a return of some jobs. Rates fell by about 1/8 of a discount point for the week.

The GDP data will be the most important release this week. The Treasury auctions will continue to receive focus as record debt continues to hit the financial markets.

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Existing Home Sales	Tuesday, Aug. 24, 10:00 am, et	Down 4.3%	Low importance. An indication of mortgage credit demand. A significant decrease may lead to lower rates.
2-year Treasury Note Auction	Tuesday, Aug. 24, 1:00 pm, et	None	Important. \$37 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Durable Goods Orders	Wednesday, Aug. 25, 8:30 am, et	Up 3.0%	Important. An indication of the demand for "big ticket" items. Weakness may lead to lower rates.
New Home Sales	Wednesday, Aug. 25, 10:00 am, et	Up 2.4%	Important. An indication of economic strength and credit demand. Weakness may lead to lower rates.
5-year Treasury Note Auction	Wednesday, Aug. 25, 1:00 pm, et	None	Important. \$36 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Weekly Jobless Claims	Thursday, Aug. 26,	530k	Important. An indication of employment. An increase in jobless claims may bring lower

	8:30 am, et		rates.
7-year Treasury Note Auction	Thursday, Aug. 26, 1:00 pm, et	None	Important. \$29 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Q2 GDP second revision	Friday, Aug. 27, 8:30 am, et	Up 1.4%	Important. The aggregate measure of US economic production. Weakness may lead to lower rates.
U of Michigan Consumer Sentiment	Friday, Aug. 27, 10:00 am, et	70	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

Bailout

It was August 2007 when rates on jumbo loans disconnected from reality and skyrocketed. This was the beginning of the credit crisis, which to some extent has touched everybody on planet earth.

Since then we have been through trillion dollar bailouts, a near collapse of the banking and automotive industries, a stock market in freefall and house prices not too far behind. Stocks have recovered somewhat, and in some places housing is showing some life as well. Most economic pundits believe that we are not out of the woods and things may become worse before they get better. The good news is that through actions from the Federal Reserve interest rates are at all time lows, presenting an opportunity for many homeowners to receive a self funded bailout by dramatically reducing the interest rate on their mortgage. Nobody knows how low rates will go but there is certainty that rates are at historic lows and they will not last forever. Saving money today makes a lot of sense in these difficult and uncertain times.

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