

MORTGAGE MARKET IN REVIEW



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Market Comment

Mortgage bond prices rose last week pushing mortgage interest rates lower. Higher than expected weekly jobless claims and continued claims helped mortgage interest rates remain very favorable. Higher than expected existing home sales and leading economic indicators data prevented rates from improving dramatically. Stocks remained volatile, which also resulted in some mortgage interest rate volatility.

Rates fell by about 1/8 of a discount point for the week.

The most important data will be the gross domestic product and employment cost index. The Treasury auctions may also result in mortgage interest rate volatility as foreign appetite for US debt instruments is gauged

LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
New Home Sales	Monday, July 26, 10:00 am, et	Up 12.6%	Important. An indication of economic strength and credit demand. Weakness may lead to lower rates.
Consumer Confidence	Tuesday, July 27, 10:00 am, et	51.5	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.
2-year Treasury Note Auction	Tuesday, July 27, 1:15 pm, et	None	Important. \$38 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Durable Goods Orders	Wednesday, July 28, 8:30 am, et	Up 1.25%	Important. An indication of the demand for "big ticket" items. Weakness may lead to lower rates.
5-year Treasury Note Auction	Wednesday, July 28, 1:15 pm, et	None	Important. \$37 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.

7-year Treasury Note Auction	Thursday, July 29, 1:15 pm, et	None	Important. \$29 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Fed "Beige Book"	Thursday, July 29, 2:00 pm, et	None	Important. This Fed report details current economic conditions across the US. Signs of weakness may lead to lower rates.
Q2 Advance GDP	Friday, July 30, 8:30 am, et	Up 2.5%	Very important. The aggregate measure of US economic production. Weakness may lead to lower rates.
Q2 Employment Cost Index	Friday, July 30, 8:30 am, et	Up 0.5%	Very important. A measure of wage inflation. Weakness may lead to lower rates.
U of Michigan Consumer Sentiment	Friday, July 30, 10:00 am, et	66.2	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

Fed "Beige Book"

The Fed "Beige Book" is a summary of economic conditions from each of the 12 Federal Reserve regional districts. The release takes place eight times a year approximately two weeks ahead of each of the Federal Open Market Committee meetings. The report is used at the FOMC meetings, which tends to be one of the most influential events in the market.

Market participants are continually attempting to determine what FOMC interest rate policy will be ahead of the next meeting. Any deviation from expectations usually results in extreme short-term market volatility. The timing of the "Beige Book" provides analysts a valuable look at one of the many factors the FOMC consider.

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