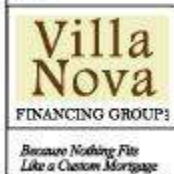


## MORTGAGE MARKET IN REVIEW



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### Market Comment

Mortgage bond prices ended the week considerably higher pushing mortgage interest rates lower. Rates improved throughout most of the week despite the fact stocks remained relatively higher. Factory orders, ADP employment, and the payrolls component of the employment report were all weaker than expected. The data showed that US economic recovery remains uncertain. Rates finished the week better by over a full discount point.

The Treasury auctions this week will gain much of the focus. If foreign demand remains solid rates should remain low. The inflation data will also take center stage. Any indications of price increases on the consumer or producer sides could have negative repercussions for mortgage interest rates in the short term.

### LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
3-year Treasury Note Auction	Tuesday, Oct. 12, 1:15 pm, et	None	Important. \$32 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Fed Minutes	Tuesday, Oct. 12, 2:15 pm, et	None	Important. Details of the last Fed meeting will be thoroughly analyzed.
10-year Treasury Note Auction	Wednesday, Oct. 13, 1:15 pm, et	None	Important. \$21 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Producer Price Index	Thursday, Oct. 14, 8:30 am, et	Up 0.3%, Core up 0.2%	Important. An indication of inflationary pressures at the producer level. Lower figures may lead to lower rates.
Trade Data	Thursday, Oct. 14, 8:30 am, et	\$44b deficit	Important. Affects the value of the dollar. A falling deficit may strengthen the dollar and lead to lower rates.
30-year Treasury Bond Auction	Thursday, Oct. 14,	None	Important. \$13 billion of bonds will be auctioned. Strong demand may lead to

	1:15 pm, et		lower mortgage rates.
Consumer Price Index	Friday, Oct. 15, 8:30 am, et	Up 0.2%, Core up 0.1%	Important. A measure of inflation at the consumer level. Lower figures may lead to lower rates.
Retail Sales	Friday, Oct. 15, 8:30 am, et	Up 0.4%	Important. A measure of consumer demand. A smaller than expected increase may lead to lower mortgage rates.
U of Michigan Consumer Sentiment	Friday, Oct. 15, 10:00 am, et	67	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.

## Fed Minutes

The Federal Open Market Committee decided in December of 2004 to reduce the lag time between the open market committee meeting and the release of the minutes from six to eight weeks to only three weeks. The minutes from the meeting have the ability to cause mortgage interest rate volatility because they provide more policy details than the standard post meeting release. Most importantly the minutes provide the Fed's complete economic analysis and the various opinions of individual Fed members. There is typically an overwhelming consensus among the members. However, there can also be dissension, which often causes uneasiness in the financial markets. The release often comes and goes without much uproar but keep in mind that if any of the text seems troubling to analysts you can see market volatility. Remember that mortgage interest rates are historically favorable. Capitalizing on current levels is wise amid the continued global economic uncertainty.

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