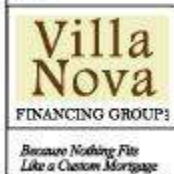


## MORTGAGE MARKET IN REVIEW



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### Market Comment

Mortgage bond prices ended the week considerably lower pushing mortgage interest rates higher. Rates were weaker following the extended holiday weekend. Stock strength Wednesday did not help us. The DOW eclipsed the 11k mark and mortgage bonds fell that morning. The inflation data was mixed but the headline PPI figure was higher than expected. Weekly jobless claims came in higher than expected Thursday morning, which helped us erase some of the earlier losses. Unfortunately mortgage bonds were negative overall for the week. Rates finished the week about 5/8 of a discount point higher.

The industrial production and capacity use data Monday will set the tone for trading this week. Fed "Beige Book" data may also move the markets.

### LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
Industrial Production	Monday, Oct. 18, 8:30 am, et	Up 0.3%	Important. A measure of manufacturing sector strength. A lower than expected increase may lead to lower rates.
Capacity Utilization	Monday, Oct. 18, 8:30 am, et	75.1%	Important. A figure above 85% is viewed as inflationary. A decrease may lead to lower mortgage interest rates.
Housing Starts	Tuesday, Oct. 19, 8:30 am, et	580k	Important. A measure of housing sector strength. Weakness may lead to lower rates.
Fed "Beige Book"	Wednesday, Oct. 20, 2:00 pm, et	None	Important. This Fed report details current economic conditions across the US. Signs of weakness may lead to lower rates.

Weekly Jobless Claims	Thursday, Oct. 21, 8:30 am, et	450k	Important. An indication of employment. Higher claims may result in lower rates.
Leading Economic Indicators	Thursday, Oct. 21, 10:00 am, et	Up 0.3%	Important. An indication of future economic activity. A smaller increase may lead to lower rates.
<del>Philadelphia Fed Survey</del>	<del>Thursday, Oct. 21, 10:00 am, et</del>	<del>Up 0.3%</del>	<del>Moderately important. A survey of business conditions in the Northeast. Weakness may lead to lower rates.</del>

## Philadelphia Fed

The Philadelphia Fed report is a survey of manufacturing businesses in the Northeast region. The survey is derived from questions posed to purchasing managers. Participants are queried on their outlook for employment, purchases, and prices paid. The report is valuable due to the timing. It is released before the month is over and is the first regional report released. While there are many other regional reports throughout the month the Philadelphia Fed report is considered to be the most valuable.

The release typically has the ability to move the financial markets. However the data has limitations. It only covers a small portion of the nation and covers only the manufacturing sector of the economy.

The data usually tracks closely to the purchasing manager's index each month and therefore is important to keep an eye on.

Remember that mortgage interest rates remain near historical lows despite last week's spike in rates. Floating in this environment with hopes that rates will fall lower is a huge gamble as was evident last week. Lower rates are not a guarantee. Taking advantage of rates at these given levels is prudent to avoid future mortgage interest rate volatility.

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