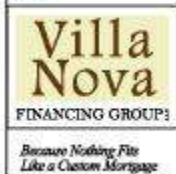


## MORTGAGE MARKET IN REVIEW



### Anthony Villanova

Vice President CMPS  
 Villa Nova Financing Group LLC  
 140 Mountain Ave. #102  
 Springfield, NJ 07081  
 Phone: (973)921-0220  
 Fax: (973)921-0970  
 Cell Phone: (908)451-4449  
 E-Mail: [vfin@comcast.net](mailto:vfin@comcast.net)

### Market Comment

Mortgage bond prices ended near unchanged last week keeping mortgage interest rates historically low. The Fed meeting Tuesday went as expected. The Fed kept interest rates unchanged and noted they will keep rates low for an extended period of time. Mortgage rates were positive through the middle portion of the week. Unfortunately stronger than expected data and surging stock prices the latter portion of the week eroded the earlier positive movements. Despite those negative movements rates finished near unchanged overall for the week.

The Treasury auctions will be important this week. If foreign demand for US debt remains strong mortgage interest rates may remain lower. Consumer confidence will set the tone for trading the beginning of the week.

### LOOKING AHEAD

Economic Indicator	Release Date & Time	Consensus Estimate	Analysis
2-year Treasury Note Auction	Monday, Sept. 27, 1:15 pm, et	None	Important. \$36 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Consumer Confidence	Tuesday, Sept. 28, 10:00 am, et	53.9	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.
5-year Treasury Note Auction	Tuesday, Sept. 28, 1:15 pm, et	None	Important. \$35 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
7-year Treasury Note Auction	Wednesday, Sept. 29, 1:15 pm, et	None	Important. \$29 billion of notes will be auctioned. Strong demand may lead to lower mortgage rates.
Q2 GDP 3rd revision	Thursday, Sept 30, 8:30 am, et	Up 1.7%	Important. The aggregate measure of US economic production. Weakness may lead to lower rates.

Personal Income and Outlays	Friday, Oct. 1, 8:30 am, et	Up 0.2%, Up 0.3%	Important. A measure of consumers' ability to spend. Weakness may lead to lower mortgage rates.
PCE Core Inflation	Friday, Oct. 1, 8:30 am, et	Up 0.1%	Important. A measure of price increases for all domestic personal consumption. Weakness may lead to lower rates.
U of Michigan Consumer Sentiment	Friday, Oct. 1, 10:00 am, et	67	Important. An indication of consumers' willingness to spend. Weakness may lead to lower mortgage rates.
ISM Index	Friday, Oct. 1, 10:00 am, et	55.0	Important. A measure of manufacturer sentiment. A large decline may lead to lower mortgage rates.

## Market Conditions

There is a Chinese proverb that states, "May you live in interesting times." It is often argued that the word *interesting* is meant to be a synonym for *turbulent* or *dangerous*. This phrase hits the bull's-eye given the current state of the financial markets. While stocks and bonds are swinging around wildly there is some good news. Interest rates for conforming and FHAVA loans are historically low.

Remember, low rates are not a given considering the uncertainty in the financial markets. Inflation, real or perceived, erodes the value of bonds causing bond prices to fall and rates to rise. The last thing the economy needs now is higher mortgage interest rates. If inflation emerges that very well may happen despite the continued Fed efforts to keep rates low. With so much uncertainty, a cautious approach to float lock decisions, especially heading into the inflation data this week, would be wise.

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