



Mortgage Time

Mortgage Market News for the week ending January 21, 2011



Compliments of
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Mortgage Rates Climb

Stronger than expected economic data with a hint of higher inflation was negative for mortgage markets this week. Concerns about the level of demand for US securities from China added to the pressure. As a result, mortgage rates ended the week higher.

A number of factors combined during the week to push mortgage rates higher. The recent trend of improving economic data continued this week in the housing sector. The inflation component of the Philly Fed manufacturing report also revealed a sharp increase. Later in the week, a Treasury auction for securities which provide protection from inflation showed that investor concerns about future inflation are growing. Investors also worried about a decline in demand for US bonds from China. The Treasury reported that China was a net seller of Treasury securities in November. As the largest foreign holder of US fixed-income securities, any sustained drop in demand from China would have a large impact on US bond markets, including mortgage-backed securities (MBS) markets.

Overall, this week's housing sector data was positive. December Existing Home Sales rose 12% from November to an annual rate of 5.28 million units. The inventory of unsold existing homes declined 4% to an 8.1-month supply. First-time buyers purchased 33% of existing home sales. December Housing Starts fell 4% from November, but December Building Permits, a leading indicator, rose 17% to the highest level since March. The performance of the housing market varied in different regions, but to see improvement on the national level is encouraging.

Also Notable:

- Continuing Jobless Claims fell to the lowest level since October 2008
- Fed officials suggested that the economy is improving but a drop in unemployment will be gradual
- The Treasury will auction \$99 billion in 2-yr, 5-yr, and 7-yr securities next week
- Troubled European countries have been seeking private buyers for their government debt

Events This Week:

Jobless Claims Fell
Inflation Higher
Existing Sales Rose
Manufacturing Mixed

Events Next Week:

Tues 1/25
Confidence
2-yr Auction

Wed 1/26
Fed Meeting
New Home Sales
5-yr Auction

Thur 1/27
Durable Orders
Pending Sales
7-yr Auction

Fri 1/28
GDP
Sentiment



Average 30 yr fixed rate:

Last week:	-0.05%
This week:	+0.10%

Stocks (weekly):

Dow:	11,850	+100
NASDAQ:	2,700	-25

Week Ahead

The biggest economic event next week will be Wednesday's FOMC meeting. Investors will be looking for an update on the economy and the Fed's plans for monetary policy. The most important economic data will be Friday's report on Gross Domestic Product (GDP), the broadest measure of economic growth. Before that, New Home Sales will be released on Wednesday. Pending Home Sales, a leading indicator for the housing sector, and Durable Orders will come out on Thursday. Consumer Confidence and Consumer Sentiment will round out the schedule. In addition, there will be Treasury auctions on Tuesday, Wednesday, and Thursday.

To learn more about news impacting interest rates and mortgage markets, go to www.mbsquoteline.com

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