



# Mortgage Time

Mortgage Market News for the week ending January 28, 2011



Compliments of  
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## Quiet Week for Mortgage Rates

A week packed with potentially big market moving economic events turned out to be relatively quiet for mortgage rates. There were no major surprises from the Fed meeting, and the economic data was mixed compared to expectations. Strong demand for this week's Treasury auctions offset concerns about higher food and energy prices, leaving mortgage rates nearly unchanged from last week.

The biggest economic report released during the week was for Gross Domestic Product (GDP), the broadest measure of economic growth. Fourth quarter 2010 GDP increased 3.2%, up from a level of 2.6% in the third quarter. For all of last year, the economy grew 2.9%, the highest level since 2005. Notably, government spending declined during the fourth quarter, while consumer spending picked up significantly. Government stimulus programs have boosted the economy during the past couple of years, but in the long-term it's the performance of the private sector that will largely determine the strength of the economy. Economists expect consumer spending and business investment to remain healthy this year, and the consensus forecast for 2011 is for GDP growth of 3.2%. This level of growth would be consistent with a gradual decline in the unemployment rate.

The housing sector data released during the work was encouraging. December New Home Sales jumped 18% to the highest level in eight months. The inventory of new homes on the market fell to a 6.9-month supply. December Pending Home Sales, a leading indicator of housing market performance, rose 2% from November, the fifth increase in the last six months. According to the National Association of Realtors (NAR), "modest gains" in the labor market have helped buyers during a period of favorable home affordability levels.

### Also Notable:

- Consumer Confidence rose to the highest level since May
- The Fed made no change to the Fed Funds rate
- The debt of Japan was downgraded by S&P
- The Dow stock index crossed above 12,000 for the first time since June 2008

### Events This Week:

GDP Increased  
Durable Orders Fell  
Pending Sales Rose  
Manufacturing Mixed

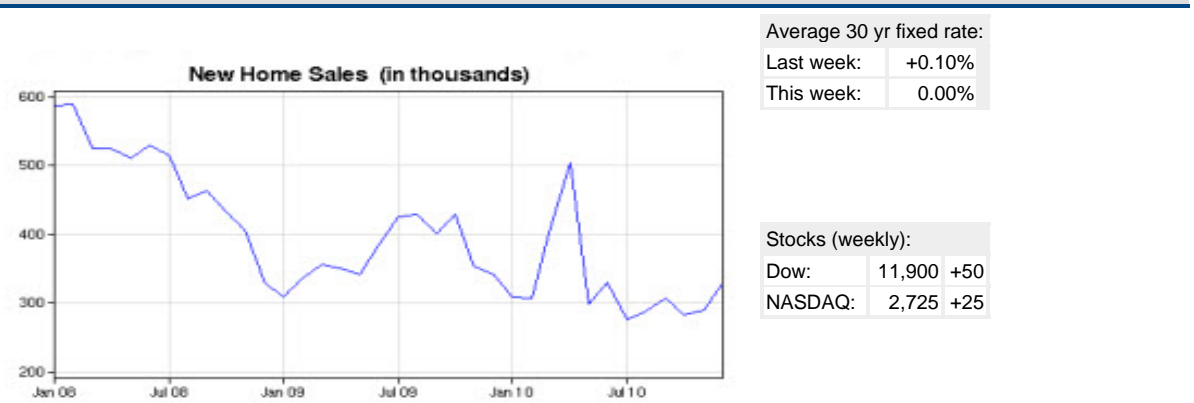
### Events Next Week:

Mon 1/31  
Chicago PMI  
Core PCE  
Income

Tues 2/1  
ISM Manuf.

Thur 2/3  
ISM Services  
Productivity

Fri 2/4  
Employment



## Week Ahead

The biggest economic event next week will be the important Employment report on Friday. As usual, this data on the number of jobs, the Unemployment Rate, and wage inflation will be the most highly anticipated economic data of the month. Before the employment data, Chicago PMI, Personal Income and the Core PCE price index will come out on Monday. The ISM manufacturing index will be released on Tuesday. The ISM Service index and Productivity will be released on Thursday. Factory Orders and Construction Spending will round out the schedule.

To learn more about news impacting interest rates and mortgage markets, go to [www.mbsquoteline.com](http://www.mbsquoteline.com)

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