



Mortgage Time

Mortgage Market News for the week ending July 29, 2011



Compliments of
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GDP Falls Short

Amid all the turmoil surrounding the US debt ceiling talks, weaker than expected economic data and increased concerns about Europe helped mortgage rates improve this week.

A lack of progress in the debt ceiling talks has left investors with a high level of uncertainty, causing a great deal of volatility in mortgage markets. The current debt ceiling will be reached soon, but this time around many lawmakers from both parties are reluctant to raise the limit without an agreement to control the deficit. The two parties have been unable to reach a compromise on spending cuts and tax reform, though. Investors doubt that lawmakers would actually allow the US to default on its debt, but the US is at risk of a downgrade of its credit rating if a credible fiscal plan is not passed. As this is uncharted territory, investors don't know how large the impact of a downgrade would be on bond markets.

Due to the economic troubles in Europe, the earthquake in Japan, and the rise in oil prices, investors knew that US economic growth during the first half of the year was slower than forecast at the beginning of the year. Still, Friday's report on Gross Domestic Product (GDP) was a shock. Second quarter GDP increased 1.3%, which was well below the consensus forecast of 1.8%. In addition, first quarter GDP growth was revised lower to just 0.4% from 1.9%. Fortunately, the consensus outlook is for faster economic growth during the second half of the year.

Also Notable:

- June Pending Home Sales rose 2%, New Home Sales fell slightly
- Consumer Sentiment fell to the lowest level since March 2009
- S&P cut the debt rating of Greece again
- The Beige Book reported the pace of the economic recovery slowed in many regions

Events This Week:

GDP Slowed

Durable Orders Fell

Jobless Claims Down

Manufacturing Lower

Events Next Week:

Mon 8/1
ISM Manuf
Construction

Tues 8/2
Income
Core PCE

Wed 8/3
ISM Services
ADP

Fri 8/5
Employment



Average 30 yr fixed rate:	
Last week:	+0.01%
This week:	-0.05%

Stocks (weekly):	
Dow:	12,200 -400
NASDAQ:	2,780 -60

Week Ahead

The debt ceiling talks will remain in the spotlight next week, and an agreement could be reached at any time. The biggest economic report will be the important Employment data 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, ISM Manufacturing and Construction Spending will come out on Monday. Personal Income and Core PCE inflation will be released on Tuesday. ADP Employment, Factory Orders, and ISM Services are scheduled for Wednesday.

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

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