



Mortgage Time

Mortgage Market News for the week ending March 25, 2011



Compliments of
Chris Christie
Continental Home Loans
Inc.
Certified Mortgage
Planning Specialist®

PHONE:
(845) 549-2795

FAX:
(845) 215-0200

chriscmps@gmail.com

175 Pinelawn Road
Melville, NY 11747

Cell: (516) 993-4998

Treasury Will Sell MBS

With no major developments in Japan or the Middle East and little economic data on the schedule, mortgage markets had one of their quietest weeks of the year. The only significant market moving news was an unexpected announcement from the Treasury on Monday, which pushed mortgage rates a little higher. For the rest of the week, mortgage rates barely changed.

The Treasury announced on Monday that it will begin selling its remaining \$142 billion in agency-guaranteed mortgage-backed securities (MBS) holdings. Beginning this month, the Treasury plans to sell up to \$10 billion per month, as they wind down the emergency programs put in place in 2008 during the financial crisis. The expected increase in future supply pushed MBS prices lower. Mortgage rates, which are largely based on MBS prices, moved higher. The big question now is what the Federal Reserve plans to do with its larger \$944 billion MBS portfolio. A similar announcement from the Fed would have a much larger negative effect on mortgage rates.

The housing sector data released this week was weaker than expected. February Existing Home Sales fell 10% from January. The inventory of unsold existing homes rose to an 8.6-month supply from a 7.5-month supply in January. Distressed sales accounted for 39% of all sales. Median existing home prices dropped 5% to the lowest level since April 2002. February New Home Sales fell 17%. As a result of price declines and continued low mortgage rates, home affordability is at the most favorable level in years, according to data from both the NAR and the NAHB.

Also Notable:

- The Jobless Claims four-week average declined to the lowest level since July 2008
- The Treasury will auction \$99 billion in 2-yr, 5-yr, and 7-yr securities next week
- Gold prices rose to record levels near \$1,435 per ounce
- Portugal's sovereign debt rating was cut by S&P

Events This Week:

GDP Higher
Durable Orders Fell
Existing Sales Down
Sentiment Lower

Events Next Week:

Mon 3/28
Pending Sales
Core PCE
2-yr Auction

Tues 3/29
Confidence
5-yr Auction

Wed 3/30
7-yr Auction

Thur 3/31
Chicago PMI

Fri 4/1
Employment
ISM Manufacturing



Average 30 yr fixed rate:

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

Stocks (weekly):

Dow: 12,200 +300
NASDAQ: 2,750 +100

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. Early estimates are for a gain of 170K jobs in March. Before the employment data, Pending Home Sales, Personal Income and the Core PCE price index will come out on Monday. Chicago PMI will come out on Thursday, and the ISM Manufacturing index will be released on Friday. Consumer Confidence, Factory Orders and Construction Spending will round out the schedule. There will be Treasury auctions on Monday, Tuesday, and Wednesday. The FDIC is expected to release its proposed definition of a Qualified Residential Mortgage (QRM) next week as well. This announcement will begin to clarify which loans will be subject to risk retention.

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

To learn more about the newsletter, please call 800-627-1077

All material Copyright © Ress No. 1, LTD and may not be reproduced without permission.

This email was sent from Chris Christie at Continental Home Loans Inc.. To unsubscribe, email chriscmps@gmail.com.