



Mortgage Time

Mortgage Market News for the week ending May 27, 2011



Compliments of
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Mortgage Rates Reach Low for Year

Many factors were favorable for mortgage rates this week. Weaker than expected economic data, strong results for the Treasury auctions, and renewed concerns about weaker European countries all helped mortgage rates end the week at the lowest levels of the year.

All of the major economic data released during the week was weaker than expected. First quarter Gross Domestic Product (GDP), the broadest measure of economic growth, was unchanged at 1.8%. Most investors expected the figures to be revised higher to at least 2.0%. April Durable Orders fell 4% from March, which was the largest monthly decline since October 2010. Weekly Jobless Claims unexpectedly increased. These measures suggest reduced inflationary pressure, which is good for mortgage rates. In addition, the Core PCE price index confirmed that inflation remains very low.

Uncertainty in Europe also helped US mortgage rates improve. There is no clear solution to the debt problems of Greece, and the parties involved in aiding Greece disagree on what approach to take. European Central Bank (ECB) officials stated that Greece must adopt tough austerity measures to remain a member of the Euro zone. Greece has already sharply reduced spending, though, and further cuts will be difficult politically, increasing the likelihood of a default on Greek government debt. Investors also grew more concerned about similar problems in Spain and Portugal. Spending cuts or debt defaults are expected to lead to slower global economic growth.

Also Notable:

- The April Core PCE inflation index increased at a low 1.0% annual rate
- April New Home Sales rose 7% from March
- The Fed's Kocherlakota lowered his forecast for 2011 economic growth
- Oil prices remained near \$100 per barrel, down from \$115 per barrel a few weeks ago

Events This Week:

Inflation Low

GDP Unchanged

Durable Orders Down

Pending Sales Fell

Events Next Week:

Tues 5/31
Chicago PMI

Wed 6/1
ISM Manuf.
Construction

Thur 6/2
Productivity

Fri 6/3
Employment



Average 30 yr fixed rate:

Last week: -0.01%

This week: -0.05%

Stocks (weekly):

Dow: 12,450 -50

NASDAQ: 2,800 -10

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, the Chicago PMI Manufacturing index will come out on Tuesday. The ISM Manufacturing index, ADP Employment, and Construction Spending will be released on Wednesday. Productivity and Factory Orders will come out on Thursday. ISM Services and Consumer Confidence will round out the schedule. Mortgage markets will be closed on Monday for Memorial Day.

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

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