



Mortgage Time

Mortgage Market News for the week ending December 30, 2010



Compliments of
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Low Mortgage Rates to Begin 2011

Treasury auctions had the greatest influence on mortgage rates this week. With light trading volume during the final week of the year, the reaction to news was often larger than usual. Despite the volatility, though, two strong Treasury auctions roughly offset one very weak auction, and mortgage rates ended the week nearly unchanged.

During 2010, mortgage rates dropped to record low levels, before moving higher over the final two months of the year. The primary reason for the recent increase in mortgage rates has been stronger economic growth, and the reports released this week continued the trend. The Chicago PMI manufacturing index jumped to the highest level since 1988, far exceeding the consensus forecast. Weekly Jobless Claims unexpectedly fell below 400K to the lowest level since July 2008. Pending Home Sales, a leading indicator for the housing market, also beat the consensus with an increase of 4%.

The National Association of Realtors (NAR) released their forecast for next year. Overall, they see a steady improvement from 2010. The NAR projects that existing home sales will increase 8% in 2011. New Home Sales are expected to rise 24%, and Housing Starts will increase 21%. According to the NAR, "All the indicator trends are pointing to a gradual housing recovery." Supporting the NAR forecast, mortgage rates will start 2011 at the lowest level to begin any year in decades.

Also Notable:

- Despite generally strong economic data overall, Consumer Confidence fell
- Foreign demand for 7-yr Treasuries rose to the highest level since June 2009
- Oil prices rose above \$91 per barrel, the highest level in two years
- China unexpectedly raised interest rates to fight inflation

Events This Week:

Jobless Claims Fell

Pending Sales Rose

Confidence Lower

Manufacturing Up

Events Next Week:

Mon 1/3
ISM Manuf

Tues 1/4
Fed Minutes

Wed 1/5
ISM Services

Fri 1/7
Employment



Average 30 yr fixed rate:

Last week: -0.01%

This week: +0.01%

Stocks (weekly):

Dow: 11,575 +25

NASDAQ: 2,670 +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. Early estimates are for an increase of about 110K jobs in December. Before the employment data, the ISM manufacturing index will come out on Monday. The FOMC Minutes from the December 14 Fed meeting will be released on Tuesday. These detailed minutes provide additional insight into the Fed's decisions. The ISM Service index will be released on Wednesday. Factory Orders and Construction Spending will round out the schedule.

To learn more about news impacting interest rates and mortgage markets, go to

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