

Morgan Strause

Market Update 6/7/10-6/11/10

This week brings us the release of four economic reports. One of the four is considered to be of very high importance to the bond market and mortgage rates and will be released during the second part of the week. The first part of the week will likely be driven by stock market gains or losses.

The first report comes Wednesday afternoon when the Federal Reserve will release its Beige Book. This data details economic conditions throughout the U.S. by region. It is relied upon heavily by the Federal Reserve to determine monetary policy during their FOMC meetings. If it shows surprisingly softer economic activity, the bond market may thrive and mortgage rates could drop shortly after the 2:00 PM ET release. If it reveals signs of inflation growing, we could see mortgage rates revise higher Wednesday afternoon.

May's Retail Sales data will be released early Friday morning. This report is very important and measures consumer spending, which is highly relevant to the bond market because consumer spending makes up two-thirds of the U.S. economy. Analysts are expecting to see an increase in sales of 0.3%. A smaller than expected increase in sales would be good news for the bond market and it could lead to lower mortgage rates Friday.

The last report of the week is June's preliminary reading to the University of Michigan Index of Consumer Sentiment late Friday morning. This index measures consumer willingness to spend and usually has a moderate impact on the financial markets. It is expected to show a reading of 74.8. A smaller than expected reading would be considered good news for bonds, but since this report is only moderately important it likely will not influence mortgage rates considerably.

Also worth noting are two relevant Treasury auctions scheduled for this week. The 10-year Treasury Note sale is scheduled for Wednesday while the 30-year Bond sale will be held Thursday. Results of both auctions will be posted at 1:00 PM ET on the sale days. If investor demand was high, we may see bonds rally during afternoon trading, however, weak demand could lead to selling and an increase to mortgage rates.

Overall, it is going to be a fairly busy week for the financial markets, but the most action will probably come in the latter days. Friday will be the most important day of the week, but as we have seen over the past couple of weeks, we don't need significant news from economic reports for the markets to move heavily and mortgage rates to change.

Market News – Snapshot

Mortgage

Mortgage	this week	last week
30yr Conf Ntl Avg	4.790	4.780
15yr Conf Ntl Avg	4.200	4.210

Weekly Indices

	this week	last week
6 Month CD	0.207	0.216
1 Year T-Bill	0.320	0.315
2 Year T-Note	0.718	0.766
3 Year T-Note	1.310	1.315
5 Year T-Note	1.983	2.092
10 Year T-Note	3.188	3.285
30 Year T-Bond	4.126	4.204

Monthly Indices

	this month	last month
11th Dist.	1.825	1.859
6 Month LIBOR	0.749	0.696
1 Month LIBOR	0.350	0.340
MTA Index	0.402	0.413

Other

Prime Rate	3.250
Fed. Funds Rate	0.250
Discount Rate	0.750
12 Month LIBOR	1.197

Week of June 07 - June 11

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jun 07	15:00	Consumer Credit	Apr	-\$2.0B	-\$2.0B	\$2.0B		
Jun 09	10:00	Wholesale Inventories	Apr	0.5%	0.5%	0.4%		
Jun 09	10:30	Crude Inventories	06/05	NA	NA	-1.90M		
Jun 09	14:00	Fed's Beige Book	Jun					
Jun 10	08:30	Initial Claims	06/05	450K	450K	453K		
Jun 10	08:30	Continuing Claims	06/29	4600K	4600K	4666K		
Jun 10	08:30	Trade Balance	Apr	-\$39.5B	-\$41.2B	-\$40.4B		
Jun 10	14:00	Treasury Budget	May	NA	\$154.0B	\$189.6B		
Jun 11	08:30	Retail Sales	May	0.2%	0.3%	0.4%		
Jun 11	08:30	Retail Sales ex-auto	May	-0.2%	0.1%	0.4%		

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jun 11	09:55	Mich Sentiment	Jun	74.5	74.8	73.6		
Jun 11	10:00	Business Inventories	Apr	0.5%	0.5%	0.4%		