

Morgan Strause

Market Update - Week of 06/14/2010 – 06/18/2010

This week there are five economic reports scheduled to be released. Two of the five are going to be of high importance to the markets and mortgage rates.

May's Producer Price Index (PPI) will be posted early Wednesday morning. It helps us measure inflationary pressures at the producer level of the economy. There are two readings of this index, the overall and the core data. The core data is considered to be the more important of the two because it excludes more volatile food and energy prices. A large increase could raise concern about inflation rising as soon as the economy gains some traction. This would not be good news for bond prices or mortgage rates since inflation erodes the value of a bond's future fixed interest payments. Rising inflation causes investors to sell bonds, driving prices lower and mortgage rates higher. Analysts are expecting to see a decline of 0.5% in the overall index and a 0.1% rise in the core data. It will not take much of a variance from forecasts for the markets to react, which would most likely lead to changes in mortgage rates.

The final piece of data scheduled for Wednesday is May's Industrial Production. This report will be released at 9:15 AM ET and is considered to be moderately important. It measures output at U.S. factories, mines and utilities, giving us a fairly important measurement of manufacturing sector strength.

There are two reports scheduled for release Thursday, but one of them is the week's most important and the single most important report we see each month. That is May's Consumer Price Index (CPI). It measures inflationary pressures at the more important consumer level. It is expected to show a 0.2% drop in the overall reading and a 0.1% increase in the core data. A larger than expected increase in the core reading would most likely lead to a noticeable upward change to mortgage rates Thursday.

May's Leading Economic Indicators (LEI) will be posted late Thursday morning. The Conference Board, who is a New York-based business research group, will post this data. It attempts to predict economic activity over the next three to six months. A decline of this index would be good news for mortgage rates, but the CPI is much more important to the markets than this index. Therefore, if the CPI reveals any surprises, this data will likely have little impact on Thursday's mortgage rates. It is expected to show a 0.4% increase.

Overall, Wednesday will be the biggest day of the week. Not just because it brings the release of three of the five reports, but also because it brings us the PPI that is considered to be a key inflation reading. Thursday is also very important with the CPI being posted, so look for the most movement in rates during the middle part of the week.

Market News – Snapshot

Mortgage

Mortgage	this week	last week
30yr Conf Ntl Avg	4.720	4.790
15yr Conf Ntl Avg	4.170	4.200

Weekly Indices

	this week	last week
6 Month CD	0.153	0.207
1 Year T-Bill	0.291	0.320
2 Year T-Note	0.726	0.718
3 Year T-Note	1.270	1.310
5 Year T-Note	2.022	1.983
10 Year T-Note	3.231	3.188
30 Year T-Bond	4.148	4.126

Monthly Indices

	this month	last month
11th Dist.	1.825	1.859
6 Month LIBOR	0.749	0.752
1 Month LIBOR	0.350	0.350
MTA Index	0.402	0.413

Other

Prime Rate	3.250
Fed. Funds Rate	0.250
Discount Rate	0.750
12 Month LIBOR	1.180

Week of June 14 - June 18

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jun 15	08:30	Export Prices ex-ag.	May	NA	NA	NA	1.4%	
Jun 15	08:30	Import Prices ex-oil	May	NA	NA	NA	0.5%	
Jun 15	08:30	Empire Manufacturing Survey	Jun	20.0	20.0	20.0	19.11	
Jun 15	09:00	Net Long-Term TIC Flows	April	NA	NA	NA	\$140.5B	
Jun 16	08:30	Housing Starts	May	680K	653K	653K	672K	
Jun 16	08:30	Building Permits	May	650K	631K	631K	610K	
Jun 16	08:30	PPI	May	-0.2%	-0.5%	-0.5%	-0.1%	
Jun 16	08:30	Core PPI	May	0.0%	0.1%	0.1%	0.2%	
Jun 16	09:15	Capacity Utilization	May	74.5%	74.4%	74.4%	73.7%	
Jun 16	09:15	Industrial Production	May	0.9%	0.8%	0.8%	0.8%	
Jun 16	10:30	Crude Inventories	06/12	NA	NA	NA	-1.83M	
Jun 17	08:30	Initial Claims	06/12	450K	450K	450K	452K	

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jun 17	08:30	Continuing Claims	06/5	4500K	4475K	4462K		
Jun 17	08:30	CPI	May	-0.1%	-0.2%	-0.1%		
Jun 17	08:30	Core CPI	May	0.0%	0.1%	0.0%		
Jun 17	08:30	Current Account Balance	Q1	-\$125.0B	-\$123.0B	-\$115.6B		
Jun 17	10:00	Leading Indicators	May	0.4%	0.4%	-0.1%		
Jun 17	10:00	Philadelphia Fed	Jun	20.0	18.8	21.4		