

Morgan Strause

Market Update - Week of 06/21/2010 – 06/25/2010

This week there are five economic reports scheduled to be released. In addition there will be the Federal Open Market Committee meeting as well as Treasury Bond sales.

Tuesday and Wednesday there will be the release of 2 similar reports, May's Existing Home Sales and May's New Home Sales. This data helps us measure housing sector strength and mortgage credit demand, but it usually takes a large variance from forecasts for it to cause a noticeable change to mortgage rates.

There is an FOMC meeting that begins Tuesday and will adjourn Wednesday afternoon. It is widely expected that key short-term interest rates will not change. It is the post meeting statement that often creates the most volatility in the markets. An opinion of the overall economy or inflation could cause a knee-jerk reaction in the markets and possibly mortgage pricing Wednesday afternoon.

The only important release scheduled for Thursday is May's Durable Goods Orders, which gives us an indication of manufacturing sector strength. It is expected to show a decline of 1.4% in new orders from April to May. A larger decline would be the ideal scenario for the bond market and could lead to a decline in mortgage pricing.

There are two reports being released Friday morning. The first is the final reading to the 1st Quarter Gross Domestic Product (GDP). This data is quite aged now (covers January through March) and will likely have little impact on the bond market or mortgage pricing unless it varies greatly from previous readings.

The second report of the day and the last important data of the week will come from the University of Michigan who will update their Index of Consumer Sentiment for May. Since consumer spending makes up two-thirds of the U.S. economy, any related data has the potential to affect bond trading and mortgage rates. A downward revision would be considered good news for bonds and rates, but forecasts are calling for no change from this month's preliminary reading of 75.5.

Also worth noting is the fact that the Fed will be selling more debt this week. These sales may influence trading enough to affect mortgage rates. There are sales every day except Friday but the two most likely to affect rates are Wednesday's 5-year Note sale and Thursday's 7-year Note auction. If they are met with a strong demand, we could see bond prices rise during afternoon trading. This could lead to an afternoon improvement to mortgage rates. If the sales draw a lackluster interest from investors, mortgage rates may move higher during afternoon trading those days.

Market News – Snapshot

Mortgage

Mortgage	this week	last week
30yr Conf Ntl Avg	4.750	4.720
15yr Conf Ntl Avg	4.200	4.170

Weekly Indices

	this week	last week
6 Month CD	0.160	0.153
1 Year T-Bill	0.264	0.291
2 Year T-Note	0.709	0.726
3 Year T-Note	1.180	1.270
5 Year T-Note	2.015	2.022
10 Year T-Note	3.221	3.231
30 Year T-Bond	4.145	4.148

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	1.183

Week of June 21 - June 25

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jun 22	10:00	Existing Home Sales	May	6.10M	6.10M	5.77M		
Jun 22	10:00	FHFA Housing Price Index	Apr	NA	NA	0.3%		
Jun 23	10:00	New Home Sales	May	450K	427K	504K		
Jun 23	10:30	Crude Inventories	06/19	NA	NA	1.69M		
Jun 23	14:15	FOMC Rate Decision	Jun 23	0.25%	0.25%	0.25%		
Jun 24	08:30	Durable Orders	May	-1.8%	-1.4%	2.8%		
Jun 24	08:30	Durable Orders ex Transportation	May	1.3%	1.25%	-1.1%		
Jun 24	08:30	Initial Claims	06/19	460K	458K	472K		
Jun 24	08:30	Continuing Claims	06/19	4600K	4580K	4571K		

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jun 25	08:30	GDP - Third Estimate	Q1	3.0%	3.0%	3.0%		
Jun 25	08:30	GDP Deflator	Q1	1.0%	1.0%	1.0%		
Jun 25	09:55	U Michigan Sentiment - Final	Jun	75.3	75.5	75.5		