

# Morgan Strause

## Market Update - Week of 08/16/2010 – 08/20/2010

This week there will be the release of four reports that may affect mortgage rates. Only 1 report is considered to be of high importance. Based on this there will probably be less movement in mortgage rates this week.

Three of the week's four reports will be posted Tuesday morning. The first is July's Producer Price Index (PPI) that gives us an indication of inflation at the producer level of the economy. There are two readings in the report- the overall index and the core data reading. The core data is more important because it excludes more volatile food and energy prices that can change significantly from month to month. Current forecasts call for an increase of 0.2% in the overall and a 0.1% increase in the core data reading. A larger increase in the core data could push mortgage rates higher Tuesday morning. If it reveals weaker than expected readings, we may see mortgage rates improve as a result.

The second report of the day is July's Housing Starts data. This report gives us an indication of housing sector strength and future mortgage credit demand. This report is not considered important to the bond market or mortgage pricing and usually doesn't cause much movement in mortgage rates.

July's Industrial Production is the third report of the day. It gives us a measurement of manufacturing sector strength by tracking output at U.S. factories, mines and utilities. It is considered to be moderately important to the markets, but will likely not have much of an impact on mortgage rates due to the importance of the PPI reading.

The Conference Board will give us its Leading Economic Indicators (LEI) for July late Thursday morning. This index attempts to measure economic activity over the next three to six months and is considered to be moderately important. A higher than expected reading is bad news for the bond market because it indicates that the economy may be strengthening more than thought. However, a weaker than expected reading means that the economy may not grow as much as predicted, making stocks less appealing to investors. This also eases inflation concerns in the bond market and could lead to slightly lower mortgage rates Thursday if the stock markets remain calm.

Tuesday will most likely be the busiest day of the week with the PPI being released. The rest of the week will likely be influenced more by the stock market movement than from economic indicators released.

### Market News – Snapshot

#### Mortgage

	this week	last week
Mortgage		
30yr Conf Ntl Avg	4.440	4.490
15yr Conf Ntl Avg	3.920	3.950

#### Weekly Indices

	this week	last week
6 Month CD	0.178	0.183
1 Year T-Bill	0.234	0.238
2 Year T-Note	0.529	0.498
3 Year T-Note	0.810	0.810
5 Year T-Note	1.455	1.501
10 Year T-Note	2.673	2.818
30 Year T-Bond	3.861	3.993

#### Monthly Indices

	this month	last month
11th Dist.	1.797	1.791
6 Month LIBOR	0.592	0.634
1 Month LIBOR	0.280	0.290
MTA Index	0.370	0.386

#### Other

Prime Rate	3.250
Fed. Funds Rate	0.250
Discount Rate	0.750
12 Month LIBOR	0.965

## Week of August 16 - August 20

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Aug 16	08:30	NY Fed - Empire Manufacturing Index	Aug	7.0	7.5	5.08		
Aug 16	09:00	Net Long-Term TIC Flows	May	NA	NA	\$35.4B		
Aug 16	10:00	NAHB Housing Market Index	Aug	15	14	14		
Aug 17	08:30	<a href="#">Housing Starts</a>	Jul	550K	555K	549K		
Aug 17	08:30	<a href="#">Building Permits</a>	Jul	570K	573K	586K		
Aug 17	08:30	<a href="#">PPI</a>	Jul	0.1%	0.2%	-0.5%		
Aug 17	08:30	<a href="#">Core PPI</a>	Jul	0.1%	0.1%	0.1%		
Aug 17	09:15	<a href="#">Industrial Production</a>	Jul	0.8%	0.6%	0.1%		
Aug 17	09:15	<a href="#">Capacity Utilization</a>	Jul	74.8%	74.5%	74.1%		
Aug 18	10:30	Crude Inventories	08/14	NA	NA	-2.99M		
Aug 19	08:30	<a href="#">Initial Claims</a>	08/14	470K	475K	484K		
Aug 19	08:30	<a href="#">Continuing Claims</a>	08/07	4500K	4500K	4452K		
Aug 19	10:00	<a href="#">Leading Indicators</a>	Jul	0.1%	0.2%	-0.2%		
Aug 19	10:00	<a href="#">Philadelphia Fed</a>	Aug	8.0	7.5	5.10		