

# Morgan Strause

## Market Update - Week of 07/12/2010 – 07/16/2010

This week brings us the release of six important economic reports. There will also be two Treasury auctions. Several of the economic reports are considered to be of high importance. There will be volatility in the financial markets and mortgage pricing over the next several days.

The first of the two important Treasury auctions will be held Tuesday when 10-year Notes will be sold. That sale will be followed by a 30-year Bond auction Wednesday. If the sales are met with a strong demand from investors, particularly Tuesday's sale, we should see afternoon improvements in bonds that could lead to lower mortgage rates.

June's Retail Sales report will be posted early Wednesday morning. This data is considered to be of high importance because it measures consumer spending. Consumer spending makes up two-thirds of the U.S. economy, so any related data is watched closely. The Commerce Department is expected to say that sales at retail establishments fell 0.2% last month. A larger than expected decline in sales could help fuel a bond rally and lead to lower mortgage rates because it would mean that the economy is likely not as strong as thought.

There are two relevant reports scheduled for Thursday. The first is June's Producer Price Index (PPI). It is a very important release because it measures inflationary pressures at the producer level of the economy. It is expected to show a 0.1% decline in the overall reading and a 0.1% increase in the core data reading. The core reading is the more important of the two because it excludes more volatile food and energy prices. The bond market should react quite favorably if we get weaker than expected readings, but a larger than expected rise in the core reading could send mortgage rates higher Thursday.

There are two reports that will come Friday morning. The most important one is June's Consumer Price Index (CPI) during early morning trading. The CPI measures inflation at the more important consumer level of the economy. Analysts have forecasted no change in the overall index and a 0.1% rise in the core data. The core data is considered to be the key reading because it gives us a more stable measure of inflation. Higher than expected readings could raise inflation fears and push mortgage rates higher Friday, while readings that fall short of forecasts could lead to lower rates Friday.

The second report Friday morning and the final of the week is the University of Michigan's Index of Consumer Sentiment. This index is released in a preliminary form each month and then followed up two weeks later with a final reading. The preliminary reading for July will be posted late Friday morning and is expected to fall from June's final reading of 76.0. This would indicate that consumers were less comfortable with their own financial situations this month than last month.

### Market News – Snapshot

#### Mortgage

Mortgage	this week	last week
30yr Conf Ntl Avg	4.570	4.580
15yr Conf Ntl Avg	4.070	4.040

#### Weekly Indices

	this week	last week
6 Month CD	0.186	0.211
1 Year T-Bill	0.282	0.298
2 Year T-Note	0.625	0.617
3 Year T-Note	1.010	1.010
5 Year T-Note	1.835	1.816
10 Year T-Note	3.052	2.975
30 Year T-Bond	4.032	3.937

#### Monthly Indices

	this month	last month
11th Dist.	1.791	1.825
6 Month LIBOR	0.733	0.752
1 Month LIBOR	0.340	0.350
MTA Index	0.386	0.402

#### Other

Prime Rate	3.250
Fed. Funds Rate	0.250
Discount Rate	0.750
12 Month LIBOR	1.146

## Week of July 12 - July 16

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jul 13	08:30	<a href="#">Trade Balance</a>	May	-\$39.5B	-\$39.5B	-\$40.3B		
Jul 13	14:00	<a href="#">Treasury Budget</a>	Jun	-\$69.0B	-\$70.0B	-\$135.9B		
Jul 14	08:30	<a href="#">Retail Sales</a>	Jun	-0.2%	-0.2%	-1.2%		
Jul 14	08:30	<a href="#">Retail Sales ex-auto</a>	Jun	-0.1%	0.0%	-0.8%		
Jul 14	08:30	<a href="#">Export Prices ex-ag.</a>	Jun	NA	NA	0.6%		
Jul 14	08:30	<a href="#">Import Prices ex-oil</a>	Jun	NA	NA	0.5%		
Jul 14	10:00	<a href="#">Business Inventories</a>	May	0.3%	0.2%	0.4%		
Jul 14	10:30	Crude Inventories	07/10	NA	NA	-4.96M		
Jul 14	14:00	Minutes of FOMC Meeting						
Jul 15	08:30	<a href="#">Initial Claims</a>	07/10	460K	449K	454K		
Jul 15	08:30	<a href="#">Continuing Claims</a>	07/03	4450K	4425K	4413K		
Jul 15	08:30	<a href="#">PPI</a>	Jun	-0.1%	-0.1%	-0.3%		
Jul 15	08:30	<a href="#">Core PPI</a>	Jun	0.0%	0.1%	0.2%		
Jul 15	08:30	NY Fed - Empire Manufacturing Index	July	19.0	18.0	19.57		
Jul 15	09:15	Industrial Production	Jun	-0.2%	0.0%	1.3%		
Jul 15	09:15	Capacity Utilization	Jun	74.1%	74.2	74.1%		

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jul 15	10:00	<a href="#">Philadelphia Fed</a>	Jul	10	10	8.0		
Jul 16	08:30	<a href="#">Core CPI</a>	Jun	0.0%	0.1%	0.1%		
Jul 16	08:30	<a href="#">CPI</a>	Jun	-0.2%	0.0%	-0.2%		
Jul 16	09:00	Net Long-Term TIC Flows	Apr	NA	NA	\$83.0B		
Jul 16	09:55	<a href="#">Mich Sentiment</a>	Jul	74.0	74.5	76.0		