

Morgan Strause

Market Update - Week of 07/19/2010 – 07/23/2010

This week may be quite interesting for the bond market and mortgage rates. There are three economic reports scheduled for the financial and mortgage markets to digest and none of them are considered to be of high importance to the markets. But in addition to the minimal economic data, we have two days of semi-annual congressional testimony by Fed Chairman Bernanke. The first day of testimony has the potential to influence changes to mortgage rates more than many of the monthly or quarterly pieces of economic data that we see regularly. Add in the fact that the 10-year Treasury Note again fell below, and closed under the benchmark 3.00% last week and we have bond market yields at a point of potential downward movement or an upward spike. This could be the week that we get that direction decided.

The first economic report of the week comes Tuesday morning with the release of June's Housing Starts. This data gives us an indication of housing sector strength, but is not considered to be of high importance. Analysts are currently expecting to see a decline in new home construction starts.

Fed Chairman Bernanke will speak before the Senate Banking Committee Wednesday and the House Financial Services Committee Thursday mornings at 10:00am ET. His testimony will be broadcast and watched very closely. Analysts and traders will be looking for the status of the economy and his expectations of future growth. This should create a great deal of volatility in the markets during the prepared testimony. If he indicates that inflation may become a point of concern, we will likely see the bond market fall and mortgage rates rise.

The National Association of Realtors will post June's Existing Home Sales figures during late morning hours Thursday. This report gives us a measurement of housing sector strength and mortgage credit demand, but as with all of this week's data it is not considered highly important.

June's Leading Economic Indicators (LEI) at 10:00 AM will also be posted late Thursday. This Conference Board index attempts to measure economic activity over the next three to six months. While it is not a factual report, it still is considered to be of moderate importance to the bond market.

Overall, this is a moderately significant week for the bond market and mortgage rates. If we get weaker than expected economic results and Chairman Bernanke's words do not negatively surprise the markets, we may see mortgage rates move lower for the week. However, if Mr. Bernanke's testimony raises concerns about rapid economic growth or inflation, rates may move higher on the week.

Market News – Snapshot

Mortgage

Mortgage	this week	last week
30yr Conf Ntl Avg	4.570	4.570
15yr Conf Ntl Avg	4.060	4.070

Weekly Indices

	this week	last week
6 Month CD	0.183	0.186
1 Year T-Bill	0.247	0.282
2 Year T-Note	0.585	0.625
3 Year T-Note	0.980	1.010
5 Year T-Note	1.677	1.835
10 Year T-Note	2.925	3.052
30 Year T-Bond	3.942	4.032

Monthly Indices

	this month	last month
11th Dist.	1.791	1.825
6 Month LIBOR	0.727	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	1.127

Week of July 19 - July 23

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jul 19	10:00	National Homebuilders Association Index	July	NA	NA	NA	17	
Jul 20	08:30	Building Permits	Jun	560K	575K	574K	574K	
Jul 20	08:30	Housing Starts	Jun	570K	570K	593K	593K	
Jul 21	10:30	Crude Inventories	07/17	NA	NA	NA	-5.06M	
Jul 22	08:30	Initial Claims	07/17	440K	445K	429K	429K	
Jul 22	08:30	Continuing Claims	07/10	4600K	4600K	4681K	4681K	
Jul 22	10:00	Existing Home Sales	Jun	5.40M	5.04M	5.66M	5.66M	
Jul 22	10:00	Leading Indicators	Jun	-0.4%	-0.4%	NA	NA	