

# Morgan Strause

## Market Update - Week of 07/26/2010 – 07/30/2010

There are seven reports scheduled for release this week that may affect mortgage pricing. The first is Monday's release of June's New Home Sales that gives us a measurement of housing sector strength and mortgage credit demand

The Conference Board will post their Consumer Confidence Index (CCI) for July late Tuesday morning. This is important because consumer spending makes up two-thirds of the U.S. economy. If the CCI reading is weaker than expected, meaning that consumers were less confident than thought, we may see bond prices rise and mortgage rates drop Tuesday. Current forecasts are calling for a reading of 51.0, which would be a lower reading than June's and indicate consumers are becoming less comfortable with their finances.

Wednesday the Commerce Department will post June's Durable Goods Orders at 8:30 AM ET.

There are three releases scheduled to be posted Friday morning. The first is the preliminary reading of the 2nd Quarter Gross Domestic Product (GDP), which is considered to be the best indicator of economic activity. It is the sum of all goods and services produced in the U.S. and usually has a great deal of influence on the financial markets. This reading is arguably the single most important we get regularly. Current forecasts are estimating that the economy grew at a 2.5% annual rate during the second quarter. A faster pace will probably hurt bond prices, leading to higher mortgage rates Friday.

The second report of the day Friday is the 2nd Quarter Employment Cost Index (ECI) that measures employers' costs for wages and benefits. It is considered to be an important measurement of wage inflation and can impact the bond market and mortgage rates if it varies much from forecasts. If it shows a rapid increase, raising inflation concerns, the bond market may drop and mortgage rates rise. It is expected to reveal an increase of 0.5%, but the GDP reading likely will have more of an influence on the markets and mortgage rates.

Friday's third piece of data is the final revision to July's University of Michigan Index of Consumer Sentiment that will help us measure consumer optimism about their own financial situations. As with Tuesday's CCI release, this data is considered important because rising consumer confidence usually translates into higher levels of spending. This adds fuel to the economic recovery and is looked at as bad news for bonds.

Overall, it is expected to be a fairly active week in the mortgage market. With several important economic reports on tap, we will likely see noticeable movement in mortgage rates.

### Market News – Snapshot

#### Mortgage

Mortgage	this week	last week
30yr Conf Ntl Avg	4.560	4.570
15yr Conf Ntl Avg	4.030	4.060

#### Weekly Indices

	this week	last week
6 Month CD	0.188	0.183
1 Year T-Bill	0.244	0.247
2 Year T-Note	0.576	0.585
3 Year T-Note	0.920	0.980
5 Year T-Note	1.732	1.677
10 Year T-Note	2.994	2.925
30 Year T-Bond	4.016	3.942

#### Monthly Indices

	this month	last month
11th Dist.	1.791	1.825
6 Month LIBOR	0.697	0.752
1 Month LIBOR	0.330	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	1.075

## Week of July 26 - July 30

Date	ET	Release	For	Actual	Briefing.com	Consensus	Prior	Revised From
Jul 26	10:00	<a href="#">New Home Sales</a>	Jun	295K	310K	300K		
Jul 27	09:00	Case-Shiller 20-city Index	May	4.0%	4.0%	3.81%		
Jul 27	10:00	<a href="#">Consumer Confidence</a>	Jul	51.0	51.0	52.9		
Jul 28	08:30	<a href="#">Durable Orders</a>	Jun	1.0%	1.0%	-0.6%		
Jul 28	08:30	<a href="#">Durable Orders ex Transportation</a>	Jun	0.5%	0.5%	1.6%		
Jul 28	10:30	Crude Inventories	07/24	NA	NA	0.360M		
Jul 28	14:00	Fed's Beige Book	Jul					
Jul 29	08:30	<a href="#">Initial Claims</a>	07/24	450K	464K	464K		
Jul 29	08:30	<a href="#">Continuing Claims</a>	07/17	4550K	4550K	4487K		
Jul 30	08:30	<a href="#">GDP-Adv.</a>	Q2	3.0%	2.5%	2.7%		
Jul 30	08:30	<a href="#">Chain Deflator-Adv.</a>	Q2	0.7%	1.1%	1.1%		
Jul 30	08:30	<a href="#">Employment Cost Index</a>	Q2	0.5%	0.5%	0.6%		
Jul 30	09:45	<a href="#">Chicago PMI</a>	Jul	58.5	56.5	59.1		
Jul 30	09:55	<a href="#">U Michigan Sentiment - Final</a>	Jul	67.5	67.5	66.5		