



HOME MORTGAGE



THE WEEKLY MARKET IN REVIEW

WEEK OF OCTOBER 3, 2011

MARKET COMMENT

Mortgage bond prices fell last week, which pushed mortgage interest rates higher. There was a strong sell-off throughout the beginning of the week following the prior week's run up in prices. European authorities efforts to construct a new rescue framework dominated the news and resulted in a reversal of the flight to quality buying of US debt instruments. Stocks were extremely volatile throughout the week but surged higher at times, which didn't help mortgage bonds. The revised Q2 GDP data was slightly higher than expected. There was a rebound Thursday afternoon and Friday morning following the depressed prices, however mortgage bonds still ended the week worse 3/8's in discount points.

Bernanke's words Tuesday will set the tone for trading this week. The employment report Friday will be the most significant data.

LOOKING AHEAD

Economic Indicator	Release Date and Time	Consensus Estimate	Analysis
ISM Index	Monday, Oct. 3, 10:00 am, et	50.4	Important. A measure of manufacturer sentiment. A large decline may lead to lower mortgage rates.
Construction Spending	Monday, Oct. 3, 10:00 am, et	Down 1.5%	Low importance. An indication of economic strength. A significant decrease may lead to lower rates.
Factory Orders	Tuesday, Oct. 4, 10:00 am, et	Up 1.3%	Important. A measure of manufacturing sector strength. A larger decrease may lead to lower rates.
Bernanke Speaks	Tuesday, Oct. 4, 10:00 am, et	None	Important. Fed Chairman speaks to a bipartisan congressional panel on the economy.
ADP Employment	Wednesday, Oct. 5, 8:30 am, et	65k	Important. An indication of employment. Weakness may bring lower rates.
Weekly Jobless Claims	Thursday, Oct. 6, 8:30 am, et	385k	Important. An indication of employment. Higher claims may result in lower rates.
Employment	Friday, Oct. 7, 8:30 am, et	9.1%, Payrolls +25k	Very important. An increase in unemployment or a large decrease in payrolls may bring lower rates.
Consumer Credit	Friday, Oct. 7, 3:00 pm, et	\$11b	Low importance. A significantly larger than expected increase may lead to lower mortgage interest rates.

MONEY SAVING OPPORTUNITY

It was August 2007 when rates on jumbo loans disconnected from reality and skyrocketed. This was the beginning of the credit crisis, which to some extent has touched everybody on planet earth.

Since then we have been through trillion dollar bailouts, a near collapse of the banking and automotive industries, a stock market in freefall and house prices not too far behind. Stocks have recovered somewhat, and in some places housing is showing some life as well. Most economic pundits believe that we are not out of the woods and things may become worse before they get better.

The good news is that through actions from the Federal Reserve interest rates are at all time lows, presenting an opportunity for many homeowners to receive a self funded bailout by dramatically reducing the interest rate on their mortgage. Nobody knows how low rates will go

Ted Edginton

XINNIX Certified Loan Officer

NMLS #502442

U.S. Bank Home Mortgage

26400 Lahser Road

Suite 444

Southfield, MI 48034

(248) 945-5292 Direct

(248) 352-2323 fax

(248) 866-9460 cell

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but there is certainty that rates are at historic lows and they will not last forever. Saving money today makes a lot of sense in these difficult and uncertain times.

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