

# MARKET UPDATE



Week ending February 5, 2010

Good day,

I hope you are enjoying the weekly Mortgage Market update provided each week. In addition to the outstanding mortgage products and customer service offered at Regions Mortgage, we can provide several presentations regarding the mortgage industry and the mortgage process. These presentations include but are not limited to First Time Homebuyers, FHA Lending, Mortgage Basics, Construction Finance, Tax Credits for Homebuyers and Preserving Homeownership which addresses Mortgage Payment Assistance Programs and Home Affordability Refinance Options. Please contact me if you have any questions or would like to schedule a time to discuss this and/or any other services.

## Market Update Week Ending February 5, 2010

The biggest influence on mortgage rates this week came from outside the US. Concerns about the possible default of sovereign debt in smaller nations caused investors to seek the relative safety of US fixed income securities. This week's economic data was roughly balanced in terms of positive and negative surprises. The added demand for safer investments helped mortgage rates move lower during the week.

The recession has impacted countries in different ways. Some of the hardest hit have been smaller European nations, such as Greece and Spain. As members of the European Union, they must adhere to certain restrictions which limit their flexibility to adjust domestic economic policy. As a result, some countries may be at risk of defaulting on government debt. Investors responded by buying relatively safer assets such as US bonds, including agency mortgage-backed securities (MBS). Investors also withdrew money from global stock markets during the week. In the US, the Dow fell about 200 points.

Friday's important Employment report contained mixed news. Against a consensus forecast for a gain of 15K jobs, the economy lost -20K jobs in January. The big story, though, was an unexpected drop in the Unemployment Rate to 9.7% from 10.0% in December. Two separate sources of data are used to compute the change in jobs and the change in the unemployment rate, and during volatile periods the two methods can show widely divergent results. The decline in the unemployment rate in January was viewed as very good news by many economists, pointing to an improving labor market. On a more negative note, revisions to older data showed that the economy has lost 8.4 million jobs since the start of the recession in December 2007, from the previous reported level of 7.2 million.

### Also Notable:

- The Unemployment Rate dropped to the lowest level since August
- December Pending Home Sales, a leading indicator, rose 1.0%
- The Treasury will auction \$81 billion in 3-yr, 10-yr, and 30-yrs next week
- The Fed purchased \$12 billion in agency MBS during the week ending 2/3

### Week Ahead

It will be a light week for economic data next week. The biggest report will be Thursday's Retail Sales data. Retail Sales account for about 70% of economic activity. The Trade Balance will come out on Wednesday, and Consumer Sentiment will be released on Friday. There will be Treasury auctions on Tuesday, Wednesday, and Thursday.

Copyright © 2009 MBSQuoteline

Compliments of:



©2009 Regions Bank. Member FDIC. Subject to qualification, required documentation and credit approval. Certain exclusions may apply. Loan terms and availability subject to change.