



# Justine Assal's Monday Mortgage Update



**Week of  
May 11,  
2008**

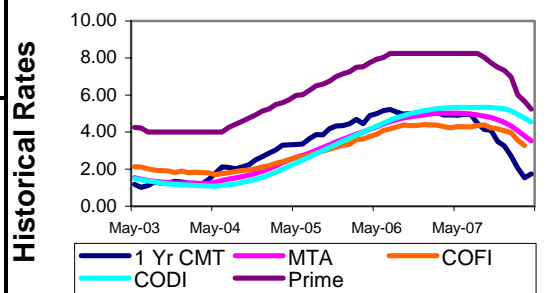
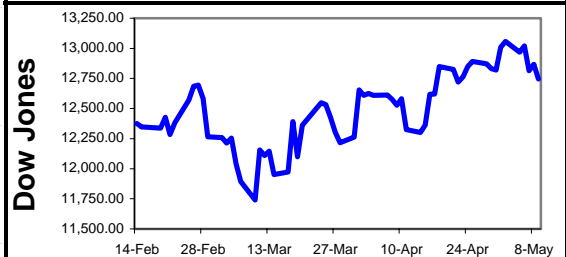
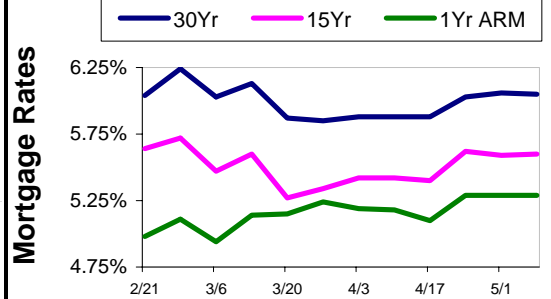
## Mortgage Market Commentary

Last week, mortgage rates held steady again as the week's economic indicators continued to reveal an economy that is neither growing nor shrinking. The most positive news of the week was the ISM Services Index surprise 52.0 reading. Any reading over 50 is considered to be a sign of growth in the service segment of the economy. Analysts had expected the index to hold steady around 49.5.

This week has three very important monthly economic reports: Retail Sales, Industrial Production, and the Consumer Price Index. If Retail Sales and Industrial Production both show unexpected signs of strength, we could see some upward movement in mortgage rates. However, the CPI could trump such a situation by coming in lower than anticipated. With inflation fears all over the market, any signs of weakening inflation would be very positive. The bond market would likely rally with mortgage rates stepping down slightly. The worst case for mortgage rates would be a spike in the CPI with great economic news. This might increase the odds of the Fed increasing rates fairly soon.

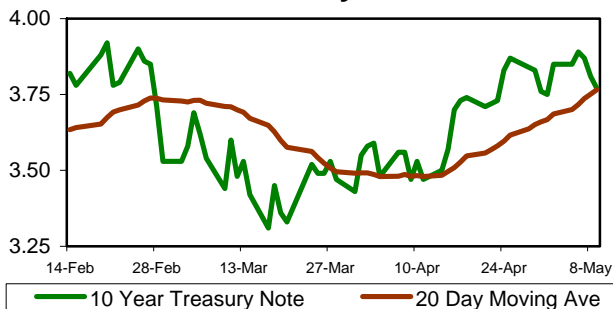
### This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
<b>Import Price Index</b> Any signs of decreasing inflationary pressures would be good news, and mortgage rates would experience some downward pressure.	5/13	2.8%	1.5%	<b>Moderate</b>
<b>Retail Sales</b> Many pundits have been predicting a slowdown in consumer spending. If it finally occurs, we could see some upward pressure on rates.	5/13	0.2%	0.0%	<b>Significant</b>
<b>Consumer Price Index (core)</b> The core reading is running higher than most experts would like to see it. A 0.3% reading would generate significant upward pressure on rates.	5/14	0.2%	0.2%	<b>Significant</b>
<b>Industrial Production</b> The best situation for mortgage rates might be a no change. As long as the economy lingers, we could see fairly stable mortgage rates.	5/15	0.3%	-0.2%	<b>Significant</b>
<b>Housing Starts</b> While bad news usually lowers rates, a higher reading could generate some investor interest in mortgages with rates moving downward.	5/16	947K	940K	<b>Limited</b>



Mortgage Rate Trends		Interest Rates and Indexes			
Short-Term	→→	1 Yr T-Bill	1.930%	11th D. COFI	3.280%
Long-Term	→→	10 Yr T-Note	3.830%	COSI	4.430%
Volatility	High	6 Month Libor	2.820%	CODI	4.543%
		Prime Rate	5.000%	MTA	3.528%

### 10 Year Treasury Note Trend



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