

**Week of
May 13,
2012**

**Mortgage
Market
Commentary**

With news stories reinforcing the fragile state of the global economy, mortgage rates again moved into record low territory last week. Highlighting the challenges facing Europe, financial services firm, J.P. Morgan, announced loses totaling over \$2.3 billion dollars on complex bets that were intended to protect the firm from exposure to the European debt crisis. Fed Chair Bernanke also spoke last week, with little new insight into the Fed's future plans or current view of the economy.

This week is an extremely busy week of important economic data points. The CPI, Retail Sales, Industrial Production, LEI and others are due. With mounting evidence that the economy is shifting into a lower gear, any data that confirms that prognosis will apply more downward pressure on mortgage rates. Europe may also play a significant role in any movement in mortgage rates this week. With political challenges mounting, and growing evidence of even slower growth in the European bloc, any additional bad news from across the pond could pressure rates even lower.

This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Retail Sales With growing market pessimism, a reading near 0.8% would surprise the market, and could even help push mortgage rates slightly upward.	5/15	0.8%	0.2%	Significant
Consumer Price Index (core) Most inflation indicators continue to point to low inflationary pressures. As long as we stay below 0.3%, rates will be held from rising quickly.	5/15	0.2%	0.2%	Significant
Industrial Production With non-consumer issues again carrying the recovery, any unexpected weakness in IP could help push mortgage rates even further downward.	5/16	0.0%	0.5%	Significant
FOMC Minutes Will the Fed launch another stimulus program? Any signs in the minutes that hint toward a "yes" will help hold mortgage rates low.	5/16			Moderate
Leading Economic Indicators The LEI has been predicting slower growth for a few months. An unexpected return to predicting quicker growth could push rates upward.	5/17	0.3%	0.2%	Moderate

**Freddie Mac's
Primary Mortgage Market Survey**

	<u>May 10</u>		<u>5/3/12</u>
30 Year Fixed	3.83%	▼	3.84%
15 Year Fixed	3.05%	▼	3.07%
One Year ARM	2.73%	▲	2.70%

For more information visit www.FreddieMac.com

**Time for Double-Digit Home Price
Increases!**

At first glance, given the state of the US economy, the idea of home prices increasing by double digits seems absurd. However, according to a report released last week by Fiserv, a financial analytics company, a few US markets are poised to do just that. The logic is based on an assumption that these markets overshot on the downside, and will bounce back quickly. Some of the rebounding markets include Madera, CA, Meford, OR, Yuma, AZ, and Corvallis, OR.

**Mortgage Rate
Trends**

Short-Term →→
Long-Term →→
Volatility **High**

Interest Rates and Indexes

1 Yr T-Bill	0.190%	11th D. COFI	1.163%
10 Yr T-Note	1.950%	COSI	2.010%
6 Month Libor	0.730%	CODI	0.321%
Prime Rate	3.250%	MTA	0.147%

Worth Remembering

The optimist sees the rose and not its thorns; the pessimist stares at the thorns, oblivious of the rose.

Kahlil Gibran



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