

The Housing Market Update

Schaefer Mortgage

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Jobs data points the way to stronger housing:

Real Estate used to be about location, location, location. Now it is most certainly about jobs, jobs, jobs.

We received some welcome news on the jobs front last week:

The private sector added a seasonally adjusted 325,000 jobs during the month, up from 204,000 in November, payroll-processing firm ADP said:



It marked the biggest monthly gain since December 2010, and was stronger than expected. Economists surveyed by Briefing.com were forecasting a gain of 180,000 jobs for the month. And the great news is that half of the gains were made by small business (companies with fewer than 50 employees).

Headline National Unemployment Rate Drops to 8.5%:



The U.S. Unemployment Rate unexpectedly fell to 8.5 percent last month as job creation was more robust than expected, providing continued signs that the nation's labor market is improving gradually.

Growth in manufacturing jobs helped offset a loss in government positions, while wages edged higher and the length of the work week also lengthened a bit. Job gains came from a variety of quarters: Transportation and warehousing surged by 50,000, the couriers and message industry rose 42,000, and retail added 28,000. Manufacturing grew by 23,000 and the hospitality industry continued its brisk pace, adding 24,000 jobs in December and 230,000 over the past year at food and drinking establishments.

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What Happened to Rates Last Week:



Mortgage backed securities (MBS) gained +37 basis points from last Friday to the prior Friday which moved mortgage rates lower.

Once again, we had much better than expected U.S. economic data with ISM Services, Total Vehicle Sales, ADP Payrolls, Non-Farm payrolls and Unemployment data.

Normally, these type of strong readings would cause bonds to sell off and your mortgage rates to rise. But once again it was the "fear factor" that kept traders buying bonds regardless of the strong U.S. economic data. Traders simply wanted a safe place to put their funds due to continued concerns over Europe and Iran's threat to close down a major oil route.

What to Watch Out For This Week:

The following are the major economic reports that will hit the market this week. They each have the ability to affect the pricing of Mortgage Backed Securities and therefore, interest rates for Government and Conventional mortgages. I will be watching these reports closely for you and let you know if there are any big surprises:

Date	Time	Economic Release	Actual	Cons.	Previous
9-Jan	15:00	<u>Consumer Credit Change</u>		\$7.30B	\$7.65B
10-Jan	10:00	<u>IBD/TIPP Economic Optimism (MoM)</u>			42.8
10-Jan	10:00	<u>Wholesale Inventories</u>		0.50%	1.60%
11-Jan	7:00	<u>MBA Mortgage Applications</u>			-4.10%
11-Jan	10:30	<u>EIA Crude Oil Stocks change</u>			2.209M
11-Jan	14:00	<u>Fed's Beige Book</u>			
12-Jan	8:30	<u>Continuing Jobless Claims</u>			3.595M
12-Jan	8:30	<u>Initial Jobless Claims</u>		375K	372K
12-Jan	8:30	<u>Retail Sales (MoM)</u>		0.20%	0.20%
12-Jan	8:30	<u>Retail Sales ex Autos (MoM)</u>		0.30%	0.20%
12-Jan	10:00	<u>Business Inventories</u>		0.40%	0.80%
12-Jan	14:00	<u>Monthly Budget Statement</u>		-79.0B	-137.3B
13-Jan	8:30	<u>Import Price Index (YoY)</u>		-0.10%	9.90%
13-Jan	8:30	<u>Trade Balance</u>		(\$44.60)	-\$43.47B
13-Jan	9:55	<u>Reuters/Michigan Consumer Sentiment Index</u>		70.5	69.9

It is virtually impossible for you to keep track of what is going on with the economy and other events that can impact the housing and mortgage markets. Just leave it to me, I monitor the live trading of Mortgage Backed Securities which are the only thing government and conventional mortgage rates are based upon.