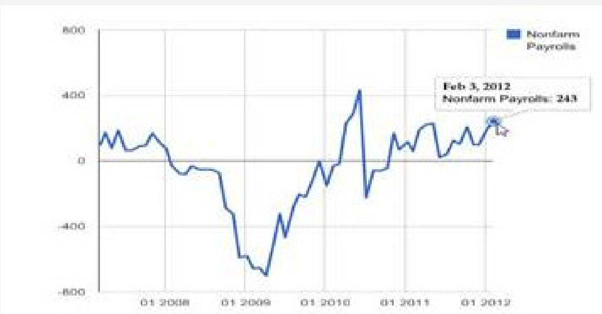
The Housing Market Update

Schaefer Mortgage

02/06/2012

Housing Market Picture Brightens with Job Gains:



The pace of job creation surged in January, with the US economy generating 243,000 new positions while the unemployment rate dropped to 8.3 percent, according to government data released Friday.

Both numbers were far better than the consensus estimates, which expected a growth of 150,000 jobs and a steady unemployment rate of 8.5 percent.

Job gains have been concentrated primarily in the service sector, particularly in retail and the food and beverage industries. Warehousing, manufacturing, mining

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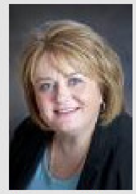

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and health care also have participated.

True to form, services were responsible for 162,000 of the January swell, with manufacturing payrolls growing 50,000. Government cuts subtracted 14,000 from the total. Retail has added 390,000 jobs since December 2009, while durable goods manufacturing is up 418,000 over the past two years, according to government figures.

Housing demand is driven primarily by two factors (neither is interest rate): Consumer Sentiment and Employment Stability. So, the surprisingly strong Nonfarm Payroll data is certainly good news for the housing industry.

What Happened to Rates Last Week?

Mortgage backed securities (MBS) gained just +4 basis points from last Friday to the prior Friday which moved mortgage rates sideways on a week-over-week basis. But the real story was that on Thursday MBS shot up to their highest levels (and therefore lowest mortgage rates) ever as the benchmark Fannie Mae 3.5% coupon traded at its highest level since it has been issued.
But MBS sold off of their highs and had a major reversal on Friday which moved mortgage rates upward from Thursday's level on the much better than expected Unemployment Rate and Nonfarm Payroll data.

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
7-Feb	10:00	IBD/TIPP Economic Optimism (MoM)		48.50	47.50
7-Feb	15:00	Consumer Credit Change		$7.30B	$20.37B
8-Feb	7:00	MBA Mortgage Applications			-2.90%
8-Feb	10:30	EIA Crude Oil Stocks			4175M
9-Feb	8:30	Continuing Jobless Claims			3.437M
9-Feb	8:30	Initial Jobless Claims		371K	367K
9-Feb	10:00	Wholesale Inventories		0.40%	0.10%
10-Feb	8:30	Trade Balance		$-48.20B	$-47.75B
10-Feb	9:55	Reuters/Michigan Consumer Sentiment		74.30	75.00
10-Feb	14:00	Monthly Budget Statement		-65.20B	-85.97B

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.

Quote of the week:

> Everything counts in large amounts

Depeche Mode