



Consumer Sentiment Moves off of Highs:

Americans turned less optimistic about the economy in early February on worries about falling income even as their outlook on the jobs market rose to a record high, a survey released on Friday showed.

The Thomson Reuters/University of Michigan Index of Consumer Sentiment fell back in February with a preliminary score of 72.5 that is 2.5 pts lower than January's score of 75.

Current conditions, and more precisely a negative tone towards current finances, was the heaviest drag. Even though optimism towards the job market kept up, the CSI was unable to hang on to sentiment expressed last month. Market expectations averaged to 74.5.

The optimism in their job outlook is encouraging though and is certainly reflective of the steady string of better than expected Initial Weekly Jobless Claims and the recent decline in the national Unemployment Rate. As these trends in lower Unemployment continue, look for the Consumer Sentiment to regain some ground.

What Happened to Rates Last Week?

Mortgage backed securities (MBS) lost -26 basis points from last Friday to the prior Friday which moved mortgage rates higher on a week-over-week basis. That also marked a -68 basis point drop in MBS pricing from our all time high on 02/02/12.

Mortgage backed securities (and therefore mortgage rates) moved sideways during the week with only minor movements in reaction to the 10 year and 30 year U.S. Treasury auctions. But MBS did sell off on Friday on news that Greece would come through with another austerity package that would qualify them for additional bailout funds.

The Greek story has been an important one for mortgage rates. Mortgage rates are artificially too low due to increased demand for U.S. bonds as a pure "safety play" against a European financial collapse. A default by Greece would start a "domino effect" of other countries defaults too. So, any positive news that a default is postponed will cause our rates to increase.

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 |
|--------|---------|------------------|
| 14-Feb | 8:30 AM | Retail Sales |

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| 14-Feb | 8:30 AM | Retail Sales ex-auto |
| 14-Feb | 8:30 AM | Export Prices ex-ag. |
| 14-Feb | 8:30 AM | Import Prices ex-oil |
| 14-Feb | 10:00 AM | Business Inventories |
| 15-Feb | 7:00 AM | MBA Mortgage Index |
| 15-Feb | 8:30 AM | Empire Manufacturing |
| 15-Feb | 9:00 AM | Net Long-Term TIC Flows |
| 15-Feb | 9:15 AM | Industrial Production |
| 15-Feb | 9:15 AM | Capacity Utilization |
| 15-Feb | 10:00 AM | NAHB Housing Market Index |
| 15-Feb | 10:30 AM | Crude Inventories |
| 15-Feb | 2:00 PM | FOMC Minutes |
| 16-Feb | 8:30 AM | Initial Claims |
| 16-Feb | 8:30 AM | Continuing Claims |
| 16-Feb | 8:30 AM | Housing Starts |
| 16-Feb | 8:30 AM | Building Permits |
| 16-Feb | 8:30 AM | PPI |
| 16-Feb | 8:30 AM | Core PPI |
| 16-Feb | 10:00 AM | Philadelphia Fed |
| 17-Feb | 8:30 AM | CPI |
| 17-Feb | 8:30 AM | Core CPI |
| 17-Feb | 10:00 AM | Leading Indicators |

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:

“ The new mortgage deal hurts responsible home owners but rewards those that put little down and were late on their payments

Banking Analyst Dick Bove