



## New Homes Data Shows More Gains:



The Commerce Department said Thursday that builders broke ground on a seasonally adjusted annual rate of 699,000 homes in January. That's up 1.5 percent from December and reached the highest level since December 2008. Construction began work on 508,000 single-family homes last month and December single-family homes were revised up strongly to show builders started 513,000 homes — a 12 percent gain from November.

In a separate report, building permits, a gauge of future construction, rose 0.7 percent. The majority of those permits were for single-family homes. It can take 12 months for a builder to obtain a permit and construct a single-family home.

In a third report released last week, A measure of builder sentiment has risen for five straight months and is now at its highest level in nearly five years. Many builders are seeing more people express interest in buying a home, leading them to believe 2012 could be a turn-around year for the market. Mortgage rates have never been cheaper. And home sales started to rise at the end of last year.

## What Happened to Rates Last Week?



Mortgage backed securities (MBS) lost just 7 basis points from last Friday to the prior Friday which moved mortgage rates sideways on a week-over-week basis. But MBS pulled back -65 basis points from our best levels on Wednesday. This means that mortgage rates were much higher on Friday than on Wednesday. The reason for the big change in direction? Greece is the word.

Mortgage rates are artificially low due in large part to fear and concern about several members of the European Union defaulting. This has lead overseas investors to pour money into the safe-haven of our mortgage-backed-securities and as a result of that increased demand, mortgage rates fell.

MBS sold off (less demand, which equates to higher rates) after the European Central Bank announced that they would hold a "bond swap" for those that own the worthless Greek debt. This was seen as the last step that was needed to get Greece the next round of bailout money.

## 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.	Prior
22-Feb	7:00	MBA Mortgage Index	NA	-1.00%	
22-Feb	10:00	Existing Home Sales	4.63M	4.61M	
23-Feb	8:30	Initial Claims	355K	348K	
23-Feb	8:30	Continuing Claims	3450K	3426K	
23-Feb	10:00	FHFA Housing Price Index	NA	1.00%	
23-Feb	11:00	Crude Inventories	NA	-0.171M	
24-Feb	9:55	Michigan Sentiment - Final	73	72.5	
24-Feb	10:00	New Home Sales	315K	307K	

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 upturn in permits and starts in recent months has been consistent with the surge in the ... survey of homebuilders, which has surprised the markets to the upside for five straight months**

Ian Shepherdson, chief U.S. economist at High Frequency Economics