Schaefer Mortgage

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Bull Market in Bonds Nearing an End?

U.S. consumer confidence rebounded to its highest level in more than a year in March as optimism about jobs and income overcame higher prices at the gasoline pump, said a survey released on Friday.

The Thomson Reuters/University of Michigan's final March reading for the overall consumer sentiment index rose to 76.2, the highest since February 2011, from 75.3 in February.

The final March figure rose from a preliminary reading of 74.3 and was above economists' median forecasts of 74.7.

"Consumer confidence edged upward as more favorable income and job trends offset rising gas prices," survey director Richard Curtin said in a statement.

The barometer of current economic conditions ended at 86.0 in March, also the highest level since February 2011. This improved on the preliminary reading of 84.2 and February's 83.0. Analysts had predicted a reading of 84.5.

This is particulary good news for the housing market as we all know that consumers are more likely to put in an offer on a home if they feel more secure about the economy and their own prospects.

What Happened to Rates Last Week?

Mortgage backed securities (MBS) gained +35 basis points from last Friday to the prior Friday which helped mortgage rates to decrease (Mortgage rates have an inverse relationship to mortgage backed security prices).

The highest rates of the week were on Monday and the lowest rates of the week were on Tuesday.

MBS and other bonds saw an increase in demand amid concerns about Spain's debt and new budget proposal which pushed money into the safe-haven of U.S. bonds.

But we sold off on Friday (causing mortgage rates to rise from their lows during the week) on a much stronger than expected Consumer Sentiment reading.

Both the 5 and 7 year Treasury auctions saw a slight pull-back in demand compared to recent averages.

From a technical perspective, we tested our ceiling of resistance 4 times and sold off each time that we hit the top of the trading channel. This clearly signals the top end of the market (meaning the potential for lower rates are limited).

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.

Date	Time	Economic Release	Actual	Cons. Estimate	Prior
2-Apr	10:00 AM	ISM Index	-	53	52.4
2-Apr	10:00 AM	Construction Spending	-	0.50%	-0.10%
3-Apr	10:00 AM	Factory Orders	-	1.40%	-1.00%
3-Apr	2:00 PM	FOMC Minutes	-	-	-
3-Apr	2:00 PM	Auto Sales	-	NA	5.5M
3-Apr	2:00 PM	Truck Sales	-	NA	5.9M
4-Apr	7:00 AM	MBA Mortgage Index	-	NA	-2.70%
4-Apr	8:15 AM	ADP Employment Change	-	213K	216K
4-Apr	10:00 AM	ISM Services	-	56.9	57.3
4-Apr	10:30 AM	Crude Inventories	-	NA	7.102M
5-Apr	7:30 AM	Challenger Job Cuts	-	NA	2.00%
5-Apr	8:30 AM	Initial Claims	-	355K	359K
5-Apr	8:30 AM	Continuing Claims	-	3355K	3340K
6-Apr	8:30 AM	Nonfarm Payrolls	-	200K	227K
6-Apr	8:30 AM	Nonfarm Private Payrolls	-	215K	233K
6-Apr	8:30 AM	Unemployment Rate	-	8.30%	8.30%
6-Apr	8:30 AM	Hourly Earnings	-	0.10%	0.10%
6-Apr	8:30 AM	Average Workweek	-	34.5	34.5
6-Apr	3:00 PM	Consumer Credit	-	$14.0B	$17.8B

I will be watching these reports closely for you and let you know if there are any big surprises:

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:

“ Consumer confidence edged upward as more favorable income and job trends offset rising gas prices

survey director Richard Curtin

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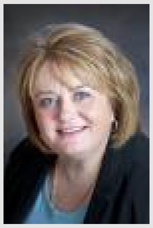

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