



More jobs could also reverse the trend in mortgage rates, pressuring rates to rise as loan demand increases. Though not showing signs of rising yet, mortgage rates have been at a plateau. Bankrate.com's recent lender surveys suggest the downtrend is abating, with its most recent survey posting marginally higher rates than the previous week's survey.

Economic Indicator	Release Date and Time	Consensus Estimate	Analysis
Producer Price Index (November)	Tues, Dec. 15, 8:30 am, et	Finished Goods: 0.7% (Increase) Core: 0.2% (Increase)	Important. Rising producer prices will raise inflation concerns.
Industrial Production (November)	Tues, Dec. 15, 9:15 am, et	0.3% (Increase)	Moderately Important. Production is increasing to meet renewed consumer demand.
Housing Market Index (December)	Tues, Dec. 15, 1:00 pm, et	19 Index	Important. Confidence is expected to receive a boost from extension of the homebuyer's tax credit.
Mortgage Applications	Wed, Dec. 16, 7:00 am, et	None	Important. Purchase and refinance applications rise as the decrease in rates slows.
Consumer Price Index (November)	Wed, Dec. 16, 8:30 am, et	Finished Goods: 0.3% (Increase) Core: 0.1% (Increase)	Important. Consumer prices remain subdued but could be pushed higher on rising producer prices.
Housing Starts (November)	Wed, Dec. 16, 8:30 am, et	560,000 (Annualized)	Important. Starts should rebound strongly after October's decline.
Federal Reserve FOMC Meeting	Wed, Dec. 16, 2:15 pm, et	Federal Funds Rate: 0.0% to 0.25%	Very Important. The Fed is expected to hold short-term rates steady through the first quarter of 2010.
Leading Indicators (November)	Thurs, Dec. 17, 8:30 am, et	0.6% (Increase)	Moderately Important. The indicators suggest the recovery remains on track.

### Are We There Yet?

We cannot say for sure, but we think we are darn close. Of course, we are speaking of the bottom in mortgage rates. Last week we explained how the Federal Reserve has influenced the market with its massive purchases of mortgage-backed

securities. This week we offer statistical support for our contention that rates are at least close to bottoming, if not likely to reverse soon.

Calculated Risk, an insightful Web site that tracks the comings and goings of the housing and mortgage markets, supplied the evidence. Calculated Risk has noted (as have we) the close relationship between the 30-year conventional fixed-rate mortgage and the yield on the 10-year Treasury note. Based on statistical analysis reprinted on Calculated Risk's Web site, the 30-year conventional fixed-rate mortgage is expected to rise to 5.4% based on the current 10-year Treasury yield of 3.45%.

We must be careful; statistics imply a certitude that does not always exist, but it is worth noting that the aforementioned model has a determination coefficient (statistic-speak for predictive value) of 0.97, which is very high. Today's 30-year fixed-rate loan is lower than 5.4%, but Calculated Risk opines that the difference is due to prepayment speed and randomness and to the Federal Reserve's purchases of mortgage-backed securities, which we expect to taper off considerably in coming months – and that's key. When the Fed starts throttling back on these purchases, look for mortgage rates to throttle higher.



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