The extension and expansion of the federal homebuyer tax credit should help re-stimulate the housing market (and not just the lower-end market) in coming months.

Looking at the mortgage market, we continue to marvel at the decline in mortgage rates. As we marvel, rates declined again last week to post another all-time low, despite a higher-than-expected increase in consumer prices. The 15-year fix-rate loan is looking particularly enticing, with rates increasingly quoted in the 4.25% vicinity for borrowers with good credit.

Economic Indicator	Release Date and Time	Consensus Estimate	Analysis
Existing Home Sales (October)	Mon, Nov. 23, 10:00 am, et	5.65 Million (Annualized)	Important. The consensus estimate shows a slight increase, though a decrease on tax-credit concerns is the likelier outcome.
Gross Domestic Product (3rd Quarter 2009)	Tues, Nov. 24, 8:30 am, et	3.3% (Increase)	Moderately Important. This updated estimate is expected to mirror previous estimates.
Case-Shiller Home Price Index (September)	Tues, Nov. 24, 9:00 am, et	None	Important. Other studies hint at lower home prices in this closely watched index.
FHFA House Price Index (September)	Tues, Nov. 24, 10:00 am, et	None	Moderately Important. The data will likely show strength in lower-priced homes.
Mortgage Applications	Wed, Nov. 25, 7:00 am, et	None	Important. Continued low rates have tempered borrower urgency.
Durable Goods Orders (October)	Wed, Nov. 25, 8:30 am, et	0.4% (Increase)	Important. Strength in orders is an encouraging sign for the economy.
Personal Income & Outlays (October)	Wed, Nov. 25, 8:30 am, et	Income: 0.1% (Increase) Outlays: 0.4% (Increase)	Important. Consumers are demonstrating a greater willingness to spend despite rising unemployment.
New Home Sales (October)	Wed, Nov. 25, 10:00 am, et	410,000| (Annualized)	Important. Given recent data on starts, actual sales could lag the consensus estimate.

An Argument for Higher Rates

Our reasons for expecting mortgage rates to rise have been well documented: soaring gold prices, rising commodity prices, a weak dollar on the international stage, record federal deficits and a record low federal funds rate. To that, we will add the Federal Reserve's acknowledgement that household spending "appears to be expanding" and economic activity "has continued to pick up."

At this point, we would welcome rising interest rates. Rising interest rates are a byproduct of rising economic activity, and rising economic activity necessitates rising employment. If there is one thing our economy needs more than anything, it is rising employment. Low interest rates, low housing prices and tax credits are all well and good, but their impacts are dwarfed by employment. If you don't have a job, low interest rates, low housing prices and tax credits are meaningless.

What's more, rising interest rates would stimulate activity. Potential borrowers have grown languid over the past few weeks; there is no urgency to get out and buy or even refinance a home because of expectations for a prolonged low-rate environment. Rising rates would change those expectations and prompt many potential borrowers to act.

In the meantime, we still think prompting them to act before rates start rising is not such a bad idea.

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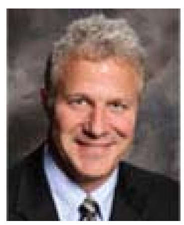

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