



Gary May
Senior Loan Officer
Embrace Home Loans
Phone: 301-354-8292
NMLS: 181710
gmay@embracehomeloans.com
www.themaymortgageteam.com



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Last Week in Review: Find out the story behind the latest employment numbers - and what they mean to home loan rates.

Forecast for the Week: Don't let the slow start fool you! Find out why the second half of this week is so important.

View: Thinking about a vacation or business trip? Read what Bin Laden's death means to travelers!

Last Week in Review ▶

"LIFE IS A MIXED BLESSING, WHICH WE VAINLY TRY TO UNMIX" - *author and journalist Mignon McLaughlin*. The labor market and the economy saw their own mixed blessings last week, when three different employment reports were released. Unlike Mignon McLaughlin's quote above about life, these mixed job reports can actually be untangled. So let's break down what we learned about employment last week...and, just as importantly, what's going on with home loan rates.



After two disappointing employment reports earlier last week - in the form of the ADP National Employment Report and the Initial Jobless Claims Report - the labor market finally received some good news on Friday when the Labor Department released their official Jobs Report that showed 244,000 jobs were created in April. That was far above all expectations... and it was the biggest private job increase since 2006!

But where did this number come from... and is it accurate?

This headline number comes from the Current Population Survey, which uses the birth/death model to guesstimate the amount of jobs lost or gained in different industries - based on how many businesses were "born" or "died." And it isn't until we get revisions to the previous month's reports that we get a more accurate and final number.

Furthermore, history has shown that the birth/death model used to estimate is lagging - and at the start of an improving labor market, like we are seeing, the future revisions will likely show more jobs created than previously reported. This dynamic was evident in this month's Jobs Report, as revisions to March showed that an additional 46,000 jobs were created.

Despite the better-than-expected number of jobs created, the Unemployment Rate ticked up to 9% from 8.8%. The data for the Unemployment Rate comes from an entirely different survey - which is called the Household Survey - and is a bit contradictory to the headline news. This shows that the jobs being created simply aren't enough to have yet made a significant dent in the number of jobless Americans.

Also in the Jobs Report, Average Hourly Earnings were reported up by 0.1% to \$22.95 per hour. Hourly earnings have increased by 1.9% year over year, just not enough to create "wage-based inflation," which is where employers have to pump up the prices of their goods and services to cover increased wages. So this was somewhat Bond-friendly news.

Although the Jobs Report was mixed, the overall positive tone does validate that the labor market is gradually improving. As the labor market improves, so will the economy and housing - and with that, interest rates will gradually rise as well. In the short run, the recent rise in Bonds is encouraging. However, after such a strong run higher, it would not be surprising to see more downside follow through in Bonds - which could mean higher home loan rates. The good news is that home loan rates recently reached some of the best levels so far in 2011 - and rumors on Friday that Greece may leave the European Union helped Bonds, as traders sought a safe haven.

That means a window has opened up... but there's one important point you should understand.

It's important to note that the last time rates hit this level, they jumped significantly higher from here. What's more, signs of inflation are beginning to creep into our economy, which never bodes well for home loan rates. And if the rumors of Greece leaving the European Union turn out to be untrue (as Greece has stated), the safe haven bounce we saw last Friday could quickly be erased. That's why it's important to take action now.

It doesn't cost anything to check out your situation, and the choice of moving forward or not will be up to you. Don't miss this window of opportunity to save significantly on your monthly budget. Call or email today to take a look.

This week starts out a little slow, but don't let that fool you:

- Heavy amounts of long-term debt will be issued this week in **Treasury Auctions**. Those auctions will equal \$72 Billion with \$24 Billion in 10-year Notes and \$16 Billion in 30-year Bonds. With rates having moved to the best levels of 2011, we may see tepid buying interest for securities at these rates.
- Inflation reports will be in the news again this week, with the **Producer Price Index (PPI)** on Thursday and the **Consumer Price Index (CPI)** on Friday. Last month, these reports indicated that inflation is on the rise, but it remains somewhat tame for the moment in terms of what consumers are experiencing. With so much concern over the possibility of future inflation, you can bet the markets will be watching these reports closely - as will I.
- **Retail sales** will also be released on Thursday. This is the most timely indicator of broad consumer spending patterns.
- Thursday we'll also see the weekly **Initial and Continuing Jobless Claims Report**. Last week, Initial Jobless Claims came in at 474,000 which, unfortunately, was well above the 400,000 that was expected, and also the highest level in 9 months.
- The **Consumer Sentiment Index** is due out on Friday. This index is important because the level of consumer sentiment is directly related to the strength of consumer spending, which accounts for two-thirds of the economy

Remember: Weak economic news normally causes money to flow out of Stocks and into Bonds, helping Bonds and home loan rates improve, while strong economic news normally has the opposite result.

As you can see in the chart below, Bonds and home loan rates improved to reach the best levels of 2011. But the last time they reached this level, they jumped significantly. That means now may be the perfect window to take advantage of low home loan rates.

Chart: Fannie Mae 4.0% Mortgage Bond (Friday May 06, 2011)



The Mortgage Market Guide View... ▶

What Bin Laden's Death Means for Travelers

Take the proper precautions now that there is a heightened security risk.

By Cameron Huddleston, Contributing Editor, [Smart Traveler Enrollment Program](#).

The free program provides travelers with current information about the country they're visiting, including warnings about long-term conditions that make a country dangerous and alerts about short-term conditions that pose risks to Americans traveling overseas. The information you provide about your trip when you enroll also will allow the State Department to better assist you in case of an emergency. To learn more about the type of assistance you can receive, see [What the State Department Can and Can't Do in a Crisis](#).

If you're booking travel overseas, consider paying a little extra for travel insurance. A standard trip-cancellation policy will cover nonrefundable, prepaid costs if you have to cancel or interrupt a trip because of a terror attack in any of the cities on your itinerary. To be reimbursed, the event must be declared a terrorist attack by the U.S. government and must occur within 30 to 90 days (depending on the policy) of your planned travel, says Vikki Corliss, a spokesperson for [InsureMyTrip.com](#).

Travel insurance does not cover civil unrest or foreseen events. Even though the State Department has issued a worldwide travel warning, travel insurance underwriters will not view terror attacks as foreseen events and will provide coverage as usual, Corliss says. To

learn more about the cost and what is -- and is not -- covered, see [The Case for Travel Insurance](#). And to compare plans, visit [InsureMyTrip.com](#), [TravelGuard.com](#) or [SquareMouth.com](#).

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Economic Calendar for the Week of May 9-13, 2011

Remember, as a general rule, weaker than expected economic data is good for rates, while positive data causes rates to rise.

Economic Calendar for the Week of May 09 - May 13

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Thu. May 12	08:30	Jobless Claims (Initial)	5/07	423K	Â	474K	Moderate
Thu. May 12	08:30	Producer Price Index (PPI)	Apr	0.5%	Â	0.7%	Moderate
Thu. May 12	08:30	Core Producer Price Index (PPI)	Apr	0.2%	Â	0.3%	Moderate
Thu. May 12	08:30	Retail Sales	Apr	0.6%	Â	0.4%	HIGH
Thu. May 12	08:30	Retail Sales ex-auto	Apr	0.4%	Â	0.8%	HIGH
Fri. May 13	08:30	Consumer Price Index (CPI)	Apr	0.4%	Â	0.5%	HIGH
Fri. May 13	08:30	Core Consumer Price Index (CPI)	Apr	0.1%	Â	0.1%	HIGH
Fri. May 13	10:00	Consumer Sentiment Index (UoM)	May	69.8	Â	69.8	Moderate

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As your trusted advisor, I am sending you the *MMG WEEKLY* because I am committed to keeping you updated on the economic events that impact interest rates and how they may affect you.

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