

Compliments of
Alan Zukerkorn
 President
Hawaii Mortgage
Company Inc.

 PHONE:
 (808) 988-6622
 (888) 632-6622

alan@hawaiimortgage.net

Tame Inflation vs. Economic Growth

Tame inflation data helped mortgage rates move lower early in the week, but stronger than expected economic data turned them higher later in the week, leaving mortgage rates nearly unchanged from last week. The announcement of larger than expected Treasury auctions next week (\$104 billion) also was negative for mortgage rates.

This week's Consumer Price Index (CPI) and Producer Price Index (PPI) data indicated that inflation is not a concern in the short-term. A significant decline in energy prices from one year ago resulted in a very low overall annual inflation rate. Even Core CPI, which excludes food and energy, rose at a tame 1.8% annual rate. However, the benefits from the favorable inflation news were offset by stronger than expected economic growth data. In particular, the Philadelphia Fed manufacturing index showed surprising improvement. In addition, May Housing Starts rose 17% from April, while Building Permits, a leading indicator of future activity, also exceeded expectations. This week's data sets the stage for next week's Fed meeting. With inflation currently low but at risk of increasing if the economy continues to improve, the Fed may be reluctant to introduce more stimuli, opting instead to wait and see how the economy performs.

President Obama this week proposed broad new rules for regulating the financial system. One proposal under the Obama plan would create a consumer protection agency which would have the authority to set rules for the mortgage industry. The details may not be known for quite a while, as the plan now faces a lengthy debate in Congress.

Governor's Furlough Plan Will Impact Bureau of Conveyances

Hawaii Governor Linda Lingle announced yesterday (6/18/09) state-wide furloughs of workers that will affect all state agencies, including the Bureau of Conveyances, a division within the State Department of Natural Resources. Under the plan, state agencies will be closed on 3 Fridays every month for the next two years through June 2011. State law mandates that the Bureau of Conveyances can not be closed, except for recognized state holidays. The Bureau is still subject to the staffing furloughs. They will handle the 14% reduction in staffing by spreading out their workers to cover their normal hours of operation.

Events This Week:

- Housing Starts Up
- Inflation Steady
- Industrial Prod. Fell
- Manufacturing Rose

Events Next Week:

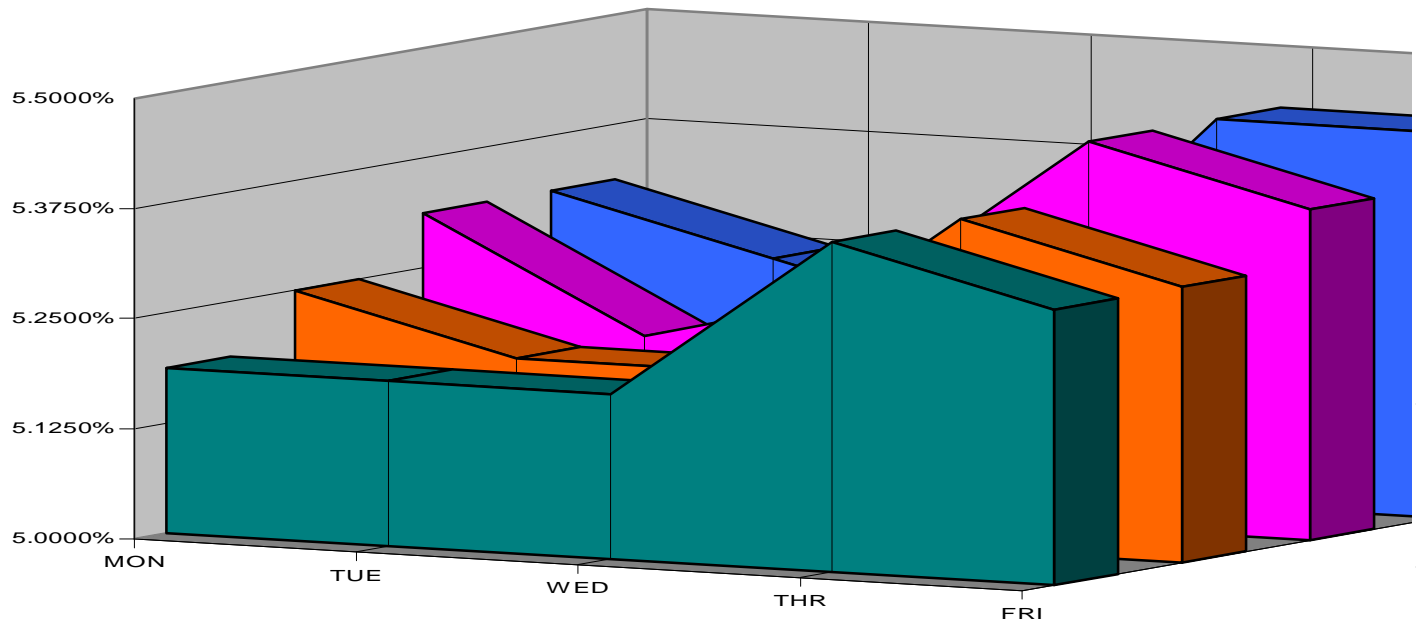
- Tues 6/23
Existing Home Sales
2-yr Auction
- Wed 6/24
Fed Meeting
Durable Orders
New Home Sales
- Thur 6/25
Final GDP
7-yr Auction
- Fri 6/26
Income
Core PCE

Also Notable:

- The -1.3% decline in CPI from one year earlier was the largest annual decline since 1950
- Continuing Jobless Claims fell for the first time in twenty weeks
- The Fed's Bullard predicted that the economy will begin to improve during the third quarter
- The Fed purchased \$20 billion in agency MBS during the week ending 6/17

DAILY RATES FROM HAWAII'S TOP LENDERS:

Fannie Mae Base Rate (30-YR-FXD)



Average 30 yr fixed rate:	
Last week:	+0.05%
This week:	-0.05%

Stocks (weekly):		
Dow:	8,600	-150
NASDAQ:	1,825	-25

Above rates are the Monday-Friday daily base rates. Add-ons for low credit scores, high LTV, cash-out, or investment properties are then added to that rate. Borrowers can also "buy down" these rates by paying additional points.

Each color on the graph represents a different lender.

Week Ahead

With major economic data, Treasury auctions, and a Fed meeting, next week will be a busy one. Existing Home Sales and New Home Sales on Tuesday and Wednesday will provide a look at activity in the housing sector. Also on Wednesday, Durable Orders will be an important indicator of overall economic activity. Personal Income and the Core PCE inflation index will come out on Friday. There will be large Treasury auctions on Tuesday, Wednesday, and Thursday. The announcement from the Fed meeting will be released around 2:15 et on Wednesday. Investors are divided about whether the Fed's next move will be to increase or decrease the level of stimulus. Even if the Fed takes no action next week, the wording of its statement will be likely to have a significant impact on mortgage markets.

All material Copyright © Hawaii Mortgage Company, Inc. & Ress No. 1, LTD and may not be reproduced without permission.

This email was sent from Alan Zukerkorn of Hawaii Mortgage Company Inc.. To unsubscribe, reply to this email with the word UNSUBSCRIBE in the subject.