



Sierra Pacific

MORTGAGE

Steven C. Peterson, Branch Manager

Phone: 888-232-7687

Fax: 866-649-3235

Cell: 775-219-7151

February 9, 2011

KEY INDICATORS [2/8/11]

Gold \$1366.10/ounce [*up*]

Crude Oil (Brent) \$100.07/brl
[*down*]

U.S. Dollar to...

Euro .7380 [*up very slightly*]

Japanese Yen 81.92 [*up*]

6-mo Treasury Bill Yield 0.17%

10-yr Treasury Note Yield 3.65%
[6-month *up 1 bp*, 10-yr *up 22 bps*]

11th Dist Cost of Funds 1.508%[-]

30-yr Fixed-rate Mortgage 5.17%

15-yr Fixed-rate Mortgage 4.48%

1-yr ARM 3.77%

[*HSH average includes jumbo rates: 30-yr up 5 bps; 15-yr up 1 bp; 1-yr ARM up 6 bps*]

Freddie Mac weekly average rate
4.81% [*up 1 bp*]

Mortgage Bankers Association Mortgage Applications Index week ending 1/28

Overall

Up 11.3%; down 12.9%
the week prior

Purchase Money Loans

Up 9.5%; down 8.7%
the week prior

Refinancing Loans

Up 11.7%; Down 15.3%
the week prior

Jobless Claims 1/29

415,000 – prior week 457,000
(rev) – Continuing claims up 84,000
to 3.925 million

Employment Report January

36,000 new nonfarm payrolls –
unemployment down to 9%

Weekly Commentary

When surveyed about how many new payrolls they expected to see in the January employment report, the nation's economists agreed that the range would be roughly 55,000 to 200,000. The actual number turned out to be 36,000—and that delighted no one. It was, indeed, rather disappointing, though the weak job growth resulted in part from harsh weather, as well as a lack of optimism among job-seekers. The bitter weather doubtless kept a lot of the unemployed from stepping outside and searching for a job. So the unemployment rate fell to 9%, largely because those not looking for a job fell out of the computations, but *there were still suggestions that more of the people who wanted them were actually finding jobs.*

All told, these figures added up to little more than confusion, but there was a bit of good news gleaming in the economic tide pools. For example, the number of new retail jobs created in the month was a strong 28,000—in spite of the weather. And manufacturing jobs, generally with higher pay than most sectors, jumped by 49,000. Unsurprisingly, therefore, wages were also slightly higher last month.

Finding no summary judgments on the economy's direction among these figures, we also struggle to gain a clear sense of where the real estate market is headed. The S&P/Case-Shiller index has convinced most analysts that residential real estate is stuck in the mud. But there is this recently uncovered oddity to explain: **Nationally, 28% of all real estate sales were all-cash last year.**

What to make of this? Here's a guess: The heavy-hitters are so convinced that today's real estate is a bargain (and presumably that prices won't decline much further) that *they are picking up residential properties by writing checks and avoiding the hassle of getting a loan.* *The Wall Street Journal* profiled a buyer in Florida who paid a total of \$4 million for three luxury condominiums—raising needed cash by selling a few investments, including a Roy Lichtenstein painting and an Alexander Calder mobile. According to the *WSJ* article, he plans to occupy one of the condos with his wife and two dogs, possibly house his son in another, and “the third will house an older dog and guests.”

What conclusion, if any, can we reach from this odd tale? **The banks are way behind the curve here, it seems.** *They could be—and probably will be, relatively soon—writing very profitable, strong loans that they're now taking a pass on.* Further, employers are behind the curve when it comes to hiring. It's a time when they could be cherry-picking their way to a new, fuller staff—yet they continue to wait for some mystical sign here.

A time to buy real estate. A time to employ able workers. It all sounds like the anxious moments before the recovery takes off solidly.