### Factoids for the week of June 17 - 21, 2013

While the boom in mortgage refinancings is cooling a bit, the shift to shorter mortgages remains strong. Freddie Mac reported that 28% of all refinancings in Q1’13 involved shortening of terms, according to the Los Angeles Times. Nearly 33% of homeowners refinancing a 30-year mortgage opted for a shorter-term replacement loan. In the past, that usually meant dropping down to a 15-year mortgage, but today the popular play seems to be 10-year loans. The primary target for these loans are baby boomers. Boomers are still employed, but many are planning to retire in a decade or so. Community banks are active in this niche market. They are only selling the loans, but hold them as investments rather than sell them off to Freddie Mac, Fannie Mae or other investors. Banks usually need solid credit histories and substantial equity or down payments.

### Wednesday, June 19, 2013

While most of the $1.5 trillion invested in ETFs today is retail money, institutional investors are utilizing them in greater numbers, according to IndexUniversal. Currently, 18% of institutional investors now use ETFs, up from 14% in 2012. Some are more committed than others. Forty-seven percent of U.S. endowments use ETFs and nearly 25% of corporate and public pension funds ($5 billion in assets) invest in them. Greenwich Associates just released a study revealing that a majority of institutional funds and insurance companies describe their use of ETFs as generally tactical, while asset managers, investment consultants and registered investment advisors (RIAs) say they mainly use ETFs for strategic allocations. More than 40% of the RIAs and investment consultants surveyed said they intend to expand their ETF usage by as much as 10% by the end of 2013.

### Thursday, June 20, 2013

All of the talk surrounding the Federal Reserve tapering its bond buying activity sooner than previously thought has pushed volatility in the stock market higher, though it remains below its long-term average. The VIX index increased from a reading of 12.45 on 5/17/13 to around 19.30 this morning. Its 20-year average is 21.0, according to data from Bloomberg. Anxious investors may take comfort in knowing that the S&P 500 gained an average of 16.0% over two years the last four times the Fed started raising rates, according to Bloomberg Businessweek. With respect to the economy, since 1971, U.S. GDP has gained an average of 3.8% in years when the Fed began tightening, compared to an average of 2.8% over the entire period, according to Bloomberg Businessweek. Mark Luschin, chief investment strategist at Janney Capital Management, noted last week that a healthier economic climate that allows for a normalization of monetary policy should be bullish, not bearish, for risk assets.

### Friday, June 21, 2013

The yield on the 10-Year T-Note has risen approximately 10.0% during the balance of 2013, followed by 9.0% and 11.0% gains in 2014 and 2015, respectively. It is Goldman Sachs just released its yield targets for the 10-Year putting it at 2.50% at year-end, but then sees it climbing to 3.75% by the end of 2016, according to Barron’s. Goldman suggests that investors favor stocks over bonds moving forward. It sees the S&P 500 rising approximately 10.0% during the balance of 2013, followed by 9.0% and 11.0% gains in 2014 and 2015, respectively. It is forecasting that S&P 500 dividend distributions will rise by 11.0% in 2013, 10.0% in 2014 and 9.0% in 2015.