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For the week of Jan 28, 2008 --- Vol. 6, Issue 5

### Last Week in Review ▶

**"COMMEND A FOOL FOR HIS WIT, OR A ROGUE FOR HIS HONESTY, AND HE WILL RECEIVE YOU INTO HIS FAVOUR."** *Henry Fielding* So honestly - was "rogue trader" Jerome Kerviel really solely responsible for costing French Bank Societe Generale \$7.1 Billion Dollars...and for helping to trigger last week's massive sell-off in global Stock markets? Or is the junior trader being played a fool, becoming the scapegoat to cover up financial mismanagement by the bank itself?

Supposedly - the French Bank had just uncovered massive losing positions caused by Kerviel, and decided to start selling off or "unwinding" these losing positions last Monday. Particularly because our US markets were closed on Monday in observance of Martin Luther King Day and unable to help sop up some of the mess, global Stock markets declined significantly on the unwinding - which in turn set up our US Stock market for an ugly sell-off on Tuesday, one of the most dramatic declines since September 11th, 2001.

But even as the market opened on Tuesday, the Federal Reserve attempted to come to the rescue by making a surprising announcement - an emergency cut to the Fed Funds Rate and Discount Rate by .75%, in an effort to prevent a global market meltdown. The surprise announcement and magnitude of the rate cuts led to a week of exceptionally volatile trading in both Stocks and Bonds, **causing home loan rates to swing wildly midweek, yet end up surprisingly close to where they had started.**

**DID YOU KNOW...THAT THE FED AUDITS 1.03% OF PERSONAL RETURNS? AND IF YOUR INCOME IS IN THE RANGE OF \$100K TO \$1 MILLION - THAT PERCENTAGE GOES UP TO 1.77%? THIS WEEK'S MORTGAGE MARKET VIEW LISTS A FEW EASY STEPS YOU CAN TAKE NOW TO PREPARE FOR TAX TIME.**

### Forecast for the Week ▶

And if you thought the roller coaster ride was over - buckle back in and grab on to that safety bar...here we go again. With a fully loaded economic calendar, it will be another week of excitement and volatility at every turn.

New Home Sales on Monday will kick off the data parade, followed by Durable Goods Orders and Consumer Confidence on Tuesday. Wednesday previews employment numbers with the volatile ADP Employment Report, along with advanced fourth quarter GDP and inflation data. Also on Wednesday, the Fed will release their formal policy statement and decision on interest rates, likely to be yet another cut. And as if that weren't enough action, Thursday will bring the Fed's favored measure of inflation - the Core Personal Consumption Expenditures Index - followed by the official Jobs Report on Friday.

What will make the end of the week particularly interesting is the inflation and jobs data coming out after the Fed makes their scheduled move on Wednesday. Will controlled inflation and/or higher unemployment make them look like heroes, who made the right moves over the past two weeks? Or...could healthy job growth or high inflation, which is likely to be exacerbated by cuts to the Fed Funds Rate, make the Fed look like goats? It's sure to be turbulent - so strap in, hold on, and stay tuned - and feel free to call me for updates as the week

progresses.

**Chart: Fannie Mae 5.5% Mortgage Bond (Friday Jan 25, 2008)**



### The Mortgage Market View... ▶

#### A TAXING TIME OF YEAR

It's that time again...time to start gathering all of that dreaded documentation to send to good old Uncle Sam! Recent stats say the IRS audited 1 out of every 97 returns last year, so it pays to be careful. And even though this may seem like a very painful process, taking just a few simple steps right now will make your tax filing far easier and more accurate.

**Keep it together.** Make a quick list of all the documents or statements that were needed to complete your return last year - or call your tax planning professional for a checklist. Use this as a checklist to make sure you have a good start on the documents you may need this year. As you receive tax documents in the mail, grab your checklist, and mark the item as received. Then, keep all of the tax documents together in a large file or envelope marked "2007 TAXES."

**Do the math.** According to the IRS, the most common mistake on tax returns is bad math—from transposed numbers to downright incorrect data. And with one form leading to the other, those errors can make a huge impact. So even if you use tax software, you're not off the hook--since they only add the info YOU put in. Double-check entries carefully.

**Every last cent.** The IRS receives copies of your Form 1099 earnings each tax season. So, they know how much you make in interest and dividend income, and they will use that info to double-check your filing information. Make sure you collect all your earnings statements and document them on your return.

**Sign on the line.** It sounds almost silly, but forgetting to sign a return is actually a fairly common oversight. And the IRS won't process a return that doesn't have a signature. So, make sure you sign to avoid resubmitting your

paperwork and possibly paying late-filing fees.

**Remember, there isn't a lot of room for error when you're dealing with the IRS. A slight miscalculation could mean the difference between getting a return and writing a check--or worse, paying a penalty. It pays to work with a tax professional. If you need a referral, contact me - I'm happy to help!**

**The Week's Economic Indicator Calendar ▶**

**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 January 28 – February 01**

	Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon.	January 28	10:00	New Home Sales	Dec	645K	604K	634K	Moderate
Tue.	January 29	08:30	Durable Goods Orders	Dec	2.0%		-0.1%	Moderate
Tue.	January 29	10:00	Consumer Confidence	Jan	87.0		88.6	Moderate
Wed.	January 30	08:30	Gross Domestic Product (GDP)	Q4	1.2%		4.9%	Moderate
Wed.	January 30	08:30	Chain Deflator	Q4	2.6%		1.0%	HIGH
Wed.	January 30	02:15	FOMC Meeting					HIGH
Thu.	January 31	08:30	Jobless Claims (Initial)	1/26	320K		301K	Moderate
Thu.	January 31	08:30	Personal Consumption Expenditures and Core PCE	YOY	2.2%		2.2%	HIGH
Thu.	January 31	08:30	Personal Consumption Expenditures and Core PCE	Dec	0.2%		0.2%	HIGH
Thu.	January 31	08:30	Personal Spending	Dec	0.1%		1.1%	Moderate
Thu.	January 31	08:30	Personal Income	Dec	0.4%		0.4%	Moderate
Thu.	January 31	08:30	Employment Cost Index (ECI)	Q4	0.8%		0.8%	HIGH
Thu.	January 31	09:45	Chicago PMI	Jan	53.0		56.6	HIGH
Thu.	January 31	10:30	Crude Inventories	1/26	NA		2297K	Moderate
Fri.	February 01	01:00	Auto Sales					Low
Fri.	February 01	08:30	Non-farm Payrolls	Jan	55K		18K	HIGH
Fri.	February 01	08:30	Hourly Earnings	Jan	0.3%		0.4%	HIGH
Fri.	February 01	08:30	Average Work Week	Jan	33.8		33.8	HIGH

Fri. 01	February	08:30	Unemployment Rate	Jan	5.0%	5.0%	HIGH
Fri. 01	February	10:00	ISM Index	Jan	47.5	47.7	HIGH
Fri. 01	February	10:00	Consumer Sentiment Index (UoM)	Jan	79.0	80.5	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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