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For the week of Mar 03, 2008 --- Vol. 6, Issue 10

### Last Week in Review ▶

**"I DON'T MEASURE A MAN'S SUCCESS BY HOW HIGH HE CLIMBS...BUT HOW HIGH HE BOUNCES WHEN HE HITS BOTTOM." *General George S. Patton*** And the General himself would certainly consider Bonds to be a success last week, as they moved lower to hit a technical "bottom" at the 200-day Moving Average, but then bounced significantly higher throughout the course of the week, **helping fixed home loan rates improve by about .25 to .375%.**

What caused all the activity? Remember that weak economic news tends to be bad for Stocks, but good for Bonds and home loan rates, as money flows out of Stocks and into Bonds. And last week had its share of weak economic news, combined with testimony before Congress by Fed Chairman Ben Bernanke.

The news included higher wholesale inflation with the Producer Price Index (PPI) jumping to its highest level since October 2004 on surging energy and food prices. But price inflation on the producer or wholesale side can't always get passed directly on to the consumer on the retail side. Friday's Personal Consumption Expenditure (PCE) reading showed consumer inflation to be higher, but just slightly, as expected. The PCE is the Federal Reserve's most highly watched measure of inflation, and the current overall rate of year-over-year inflation at 2.2% does remain just above the Federal Reserve's comfort zone for consumer inflation.

And speaking of the Fed, Chairman Ben Bernanke testified before Congress last week, making comments that prompted Stock investors to sell off and move money over into Bonds. The Bond market also enjoyed "dovish" comments made by Gentle Ben about inflation and the recent aggressive cuts made by the Fed, and his testimony was largely responsible for the improvement in Bonds and home loan rates. But read on, and learn how the next official Fed Meeting and Rate Decision on March 18th could impact home loan rates...it might surprise you.

***THE ECONOMIC STIMULUS PLAN HAS BEEN ALL OVER THE HEADLINES...BUT DO YOU KNOW HOW IT WILL IMPACT YOU? LEARN ABOUT REBATE CHECKS AND MORE IN THIS WEEK'S MORTGAGE MARKET VIEW!***

### Forecast for the Week ▶

Here we go again...another action packed week in store, with the main event being Friday's monthly official Jobs Report. This report is always of high interest, as it gives a good read on the health of the economy. Boiled down simply — if businesses are hiring, it means their outlook is good for the future growth of their business and the economy overall. Additionally, the more employed workers there are, the more dollars being earned that can be used to buy goods and services - also good for keeping the economy thriving.

But the headline number often comes with "revisions" of past numbers — which is often the wildcard within the report. Some past revisions have actually added more jobs to the count than the current month's number in total. And for added excitement, in advance of Friday's official Jobs Report, gigantic payroll company ADP will release their own count on job growth on Wednesday. And while the numbers are not "official" and are

sometimes seen as unreliable — the markets won't be able to help but take notice of their findings, and may react to their release.

Bottom line — volatility remains in vogue. The chart below shows how Bonds improved significantly over the past week, helping home loan rates improve as well. But remember — another Fed Cut is likely in the cards, just a few short weeks away. As we've discussed in the past, a Fed Rate Cut can often result in a move higher for home loan rates, as a Fed Rate Cut often spurs on spending and therefore inflation, the arch-enemy of Bonds and home loan rates. **So while Bonds and home loan rates have seen nice improvement of late, they are heading towards both a technical "ceiling of resistance", as well as a March 18th Fed meeting that could cause rates to worsen. If you - or one of your friends, family members, neighbors or coworkers - have been considering a refinance or purchase, feel free to reach out to me to discuss taking advantage of current low rates.**

**Chart: Fannie Mae 5.5% Mortgage Bond (Friday Feb 29, 2008)**



[The Mortgage Market View... ▶](#)

### TAX REBATES: SHOULD YOU SAVE OR SPEND?

The government's Economic Stimulus Plan has been in the news a lot lately, and the \$168 Billion package is intended to jumpstart the economy by distributing tax rebates that should be arriving in your mailbox as early as spring. The question is: what should you do with your rebate check? The info below can help you estimate how much you'll receive, consider your options, and start planning now so you're prepared.

### HOW MUCH MONEY WILL YOU RECEIVE?

The amount you receive ultimately depends on how much you make. For instance, individuals with adjusted gross incomes up to \$75,000 will receive a rebate check of \$600. If you're married filing jointly and earn up to \$150,000, you can expect to receive \$1,200. Those who earn at least \$3,000 but don't pay taxes will receive about half as much—\$300 for individuals or \$600 for married couples filing jointly.

If you make more than \$75,000 as an individual or \$150,000 as a married couple, your rebate check starts to shrink. That doesn't mean you're out of luck... most high-income taxpayers will still receive a check. But you can plan on receiving \$50 LESS for every \$1,000 you earn over those limits.

Finally, if you have children, you can expect to receive a \$300 credit for each child.

### SO...WHAT SHOULD YOU DO WITH YOUR REBATE?

**Do Nothing...At Least for Now** — Don't start mentally spending those dollars just yet. At the minimum, you should hold off until you file your 2007 tax return. That's because the gross income listed on your 2007 return will actually determine how much you'll receive. And unless you absolutely need to, try not to spend the money at all until you have it in hand. Too often, we make purchases on the credit card or with money from savings with the intention of paying it back...only to have some other expense come up in the meantime. To avoid falling into this trap, make a commitment to yourself to wait for the check to arrive before you spend it.

**Don't Overspend** — Regardless of how much you receive, make a budget and stick to it. We all know how easy it is to go to the store with a specific amount in mind, only to walk out over budget. In this case, not only could you end up spending your entire rebate check, but may actually come out negative by spending additional money that could be budgeted for your regular bills.

**Consider NOT Spending At All** —The government is issuing these tax rebates with the hope that Americans will help bolster the economy by spending it. However, "spending" isn't always the best plan. If you have high-interest credit cards or other loans, use the rebate to help pay down the debt...and get out from underneath those payments sooner! If your debt load isn't very high, consider saving the rebate check in an interest-bearing account, funding or starting a college savings plan, or even putting the money in a retirement account that will earn you more and more money as time goes on.

*The Economic Stimulus Plan features a number of benefits you may not be aware of. In addition to rebate checks, it includes new conforming loan limits that may allow you to refinance and save money every month, or purchase a home more affordably. If you have any questions about your overall financial picture and how you can make the most of this opportunity, please call today. Remember... a little planning goes a long way!*

### 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 March 03 – March 07

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. March 03	10:00	ISM Index	Feb	48.0	48.3	50.7	HIGH
Wed. March 05	08:30	Productivity	Q4	1.8%		1.8%	Low
Wed. March 05	10:00	ISM Services Index	Feb	48.5		44.6	Moderate
Wed. March 05	10:30	Crude Inventories	3/01	NA		3231K	Moderate
Wed. March 05	02:00	Beige Book					Moderate
Thu. March 06	08:30	Jobless Claims (Initial)	3/01	360K		373K	Moderate
Fri. March 07	08:30	Unemployment Rate	Feb	5.0%		4.9%	HIGH
Fri. March 07	08:30	Hourly Earnings	Feb	0.3%		0.2%	HIGH
Fri. March 07	08:30	Average Work Week	Feb	33.7		33.7	HIGH
Fri. March 07	08:30	Non-farm Payrolls	Feb	40K		-17K	HIGH

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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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