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For the week of Mar 31, 2008 --- Vol. 6, Issue 14

Last Week in Review ▶

"NO GREAT DISCOVERY WAS EVER MADE WITHOUT A BOLD GUESS." *Isaac Newton* But even the great mind of Isaac Newton might not have guessed that Bonds and home loan rates would continue on such a volatile course. But let's get bold, and discover what caused the latest rock and roll action in the financial markets, and take a look at what the coming week might have in store.

Forces were certainly at work to keep the financial markets from being at rest, starting bright and early on Monday morning. The headlines brought a quick shot in the arm for Stocks, as beleaguered Bear Stearns is now expected to see \$10 per share in their buyout, rather than the previously expected \$2 per share. Great news for the troubled financial sector at large, but Bonds got battered hard, as money flowed out of Bonds and into Stocks - causing home loan rates to rise.

But as the week progressed, some dismal news played out, including a plunge in Consumer Confidence and mixed news on the housing market, which pulled the money right back out of Stocks, and into the safe haven of Bonds...helping home loan rates improve again. But like Newton's famous third law of motion, "every action has an equal and opposite reaction" - Bonds and home loan rates changed course again, on better than expected unemployment claims on Thursday.

Then Friday brought the discovery that Core inflation is perhaps not as hot as previously thought. The highly watched year-over-year core inflation rate was reported at just 2%, as measured by the Fed's favored Personal Consumption Expenditure Index (PCE), and within the bounds of what the Fed would like to see for core inflation. Since inflation is the arch enemy of fixed return Bonds and home loan rates...this news was good indeed, and caused home loan rates to improve once again. **Once the dust settled for the week, home loan rates ended up near where they began, before their weekly roller coaster ride.**

WHILE THE MARKETS REMAIN HIGHLY VOLATILE AND UNCERTAIN, AT LEAST TWO THINGS IN LIFE ARE CERTAIN - DEATH AND TAXES. BUT THIS YEAR, SOME GOOD NEWS FOR A CHANGE AT TAX TIME, WITH THE REBATE CHECKS MANY HAVE IN STORE. WANT TO BE CERTAIN ABOUT WHEN TO EXPECT YOURS...AND HOW MUCH IT MIGHT BE? DON'T MISS THIS WEEK'S MORTGAGE MARKET VIEW!

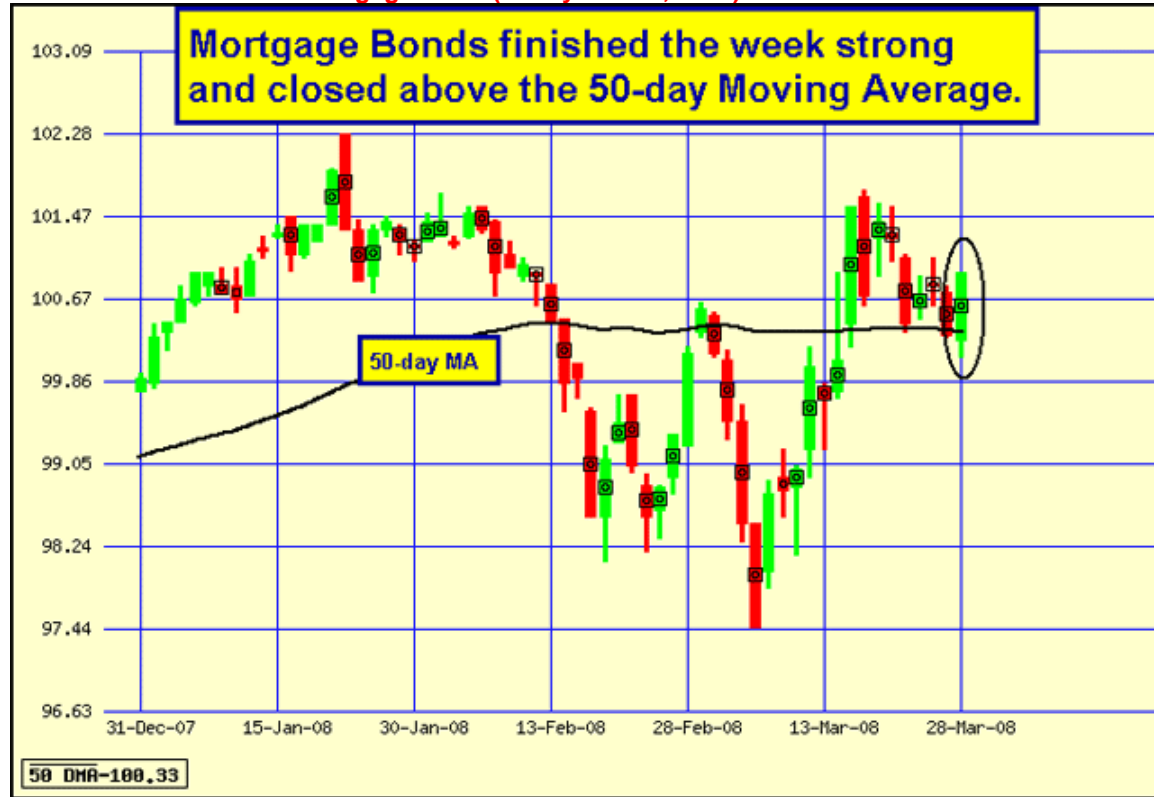
Forecast for the Week ▶

The Bond market will gravitate towards news from the job market this week, with employment information due to arrive on Wednesday and Friday. Although Wednesday's ADP Employment Report has a history of being somewhat unreliable in predicting the "official" Jobs Report number, Bond traders will still try to use it to predict what the Department of Labor's report will show on Friday. And this week, the estimates are negative - meaning no job creations are expected, net job losses are what is anticipated - so any positive reads could be good news for Stocks, but bad news for Bonds and home loan rates. So...surprise, surprise...more volatility for Bonds and home loan rates is likely in store, between the ADP Report release on Wednesday, and the arrival of the Jobs Report on Friday morning.

Remembering that when Bond prices move higher, home loan rates move lower - you can see that the chart below shows some good news. The black line indicates a "floor of support" created by the Bond's 50-day Moving Average - and you can see that the floor is helping Bonds hold their present levels, and if the floor holds, could potentially help them improve even more.

While Bonds and home loan rates could react to early week news of housing and manufacturing, the employment news will definitely be the talk of the week, and any surprises will likely cause a swift reaction.

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Mar 28, 2008)



[The Mortgage Market View... ▶](#)

TAX REBATES MAILING SOON... WHEN WILL YOU GET YOURS?

Last month, President Bush signed the Economic Stimulus Package into law - setting aside \$168 billion in tax rebates and incentives to help boost the US economy. As we head into spring, those tax rebates are getting ready to hit the mail. So when should you expect yours? That depends on a few factors, including when you file your 2007 tax return, whether you choose direct deposit, and believe it or not...what your social security number is.

Timing Is Everything! We all know the deadline for filing your 2007 taxes is quickly approaching. But you may want to be ahead of the curve if you want your tax rebate sooner, rather than later. That's because tax rebates will start going out on May 2... but only to taxpayers who have their returns "processed" - not just sent - by April 15. The closer it gets to mid-April, the more the IRS gets backed up to process the flood of returns--sometimes taking a couple of weeks to complete. E-filers will get their rebates more quickly, since electronic returns can be processed faster. However, even e-filers should have their returns in by April 10 to be safe.

Would You Like Paper? Or Electronic? Tax rebate checks will start going out on May 2. But here's the deal... taxpayers who chose direct deposit will be first in line. According to the IRS, all direct deposit tax rebates will be wired between May 2 and May 16. Paper checks won't start going out until May 16, and aren't expected to be

completed until mid-July.

What's Your Number? The IRS needs some way to determine the order of distributions - but they're not going alphabetically. Instead, tax rebates will be distributed in order of the last two digits of your Social Security number...the lower your number, the sooner you'll receive your payment. For a detailed breakdown of the order, take a look at the IRS's [Stimulus Payment Schedule](#).

About seven to ten days before your rebate is sent, the IRS will send you a notice informing you how much it will be. If you signed up for direct deposit, however, you'll probably receive that information in the mail about the same time your rebate is deposited into your account, since direct deposit transactions are processed so quickly. But you don't have to wait that long to determine approximately how much you'll receive. To calculate your approximate rebate, visit the new [online stimulus calculator](#) on the IRS website.

Finally, it's important to remember that the rebate check will not be counted as taxable income and will not reduce your refund or increase the amount you owe when you file your 2008 return. However, if you owe back taxes, the IRS will apply your rebate to that bill and send you whatever is left over.

For more information, visit the [Economic Stimulus Package Information](#) page on the IRS website. You can even read detailed answers to [Frequently Asked Questions](#).

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 31 – April 04

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. March 31	09:45	Chicago PMI	Mar	46.7	48.2	44.5	HIGH
Tue. April 01	10:00	ISM Index	Mar	48.2		48.3	HIGH
Wed. April 02	08:15	ADP National Employment Report	Mar	-23K		-23K	HIGH
Wed. April 02	10:30	Crude Inventories	3/29	NA		88K	Moderate
Thu. April 03	08:30	Jobless Claims (Initial)	3/29	360K		366K	Moderate
Thu. April 03	10:00	ISM Services Index	Mar	49.2		49.3	Moderate
Fri. April 04	08:30	Non-farm Payrolls	Mar	-40K		-63K	HIGH
Fri. April 04	08:30	Unemployment Rate	Mar	5.0%		4.8%	HIGH
Fri. April 04	08:30	Hourly Earnings	Mar	0.3%		0.3%	HIGH
Fri. April 04	08:30	Average Work Week	Mar	33.7		33.7	HIGH

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