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For the week of Apr 16, 2007 --- Vol. 5, Issue 16

Last Week in Review ▶

THIS NEWSLETTER IS HEREBY CERTIFIED AS BEING 100% "IMUS FREE". But just in case you didn't get enough of the Don Imus story that seemed to infiltrate every minute of news time last week...just turn on the television or radio for 30 seconds and you're sure to catch an update. The market had a busy week on its own...and the Fed took center stage, with the "Minutes" from the last Fed meeting being released, as well as several members out and about on the speaking circuit.

While the Fed speakers didn't give any market-rattling comments, the Fed Meeting Minutes were a different story. Remember that the Minutes are the "Fed Unplugged", giving all the commentary between voting and non-voting members, before the carefully crafted formal Policy Statement is released to the public. The Fed intentionally delays the release of the Minutes, so the market has time to interpret and adapt to the Policy Statement itself, before they throw the "off the record" discussion into the mix for review and analysis.

The Minutes revealed that although the decision at the meeting was to leave the Fed Funds Rate unchanged, Fed members remain concerned about inflation, as recent indicators show that inflation is stubbornly remaining at a level above the Fed's comfort zone of 1 - 2%. **Bonds didn't like the inflationary concerns, and lost some ground...with home loan rates worsening just slightly.** The Fed is leaving an open door for more hikes ahead - as well as the possibility of cuts - completely dependent on what the incoming economic data tells them in the coming months. And a highly watched measure of inflation is due out next week - read on to know what to be looking for.

WAIT A MINUTE MR. POSTMAN...YOU'RE SERIOUSLY GOING TO RAISE POSTAGE RATES AGAIN? IF YOU'RE SICK OF DEALING WITH THE ANNOYING "MAKE-UP STAMPS" EVERY TIME THERE'S AN INCREASE, LEARN THE NEW WAY YOU CAN AVOID IT...FOREVER...BY READING THIS WEEK'S MORTGAGE MARKET VIEW.

Forecast for the Week ▶

The economic calendar is a heavyweight this week, loaded with news of Housing, Retail Sales and Manufacturing...but one of the most important releases will be the Consumer Price Index (CPI), which measures inflation on the consumer level. Simply said - how much more are we as consumers paying for goods and services than we were last month, and last year? With the Fed's elevated concerns over inflation, this report could pack an extra punch.

The Personal Consumption Expenditure index recently measured year-over-year core inflation at 2.4%. And while the Consumer Price Index has a slightly different inflation-measuring formula, the read last month was at a beefy 2.7%. The Fed wants core inflation under 2% - thus why these numbers are concerning. Watch to see how the year-over-year CPI numbers come out - if they show a level under 2.7%, this should be good news for Bonds and home loan rates, as the market will want to feel inflation is at least trending in the right direction. **But if the number sticks at that 2.7% range - or moves higher - hold onto your hats, as home loan rates could pop higher on the news.**

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Apr 13, 2007)



The Mortgage Market View... ▶



PLEASE MISTER POSTMAN, LOOK AND SEE...IF THERE'S A LETTER, A LETTER FOR ME...

Perhaps the reason neither the Beatles nor the Marvelettes hadn't received that important letter was simply incorrect postage. And with the postage increases that seem to come more and more frequently, it's not a crazy assumption to make. So here it comes again - starting May 14th, new higher postal rates will go into effect. If you don't want your loved ones - not to mention your creditors - waiting by the mailbox, now is the time to prepare.

The cost of postage for a standard one ounce first class letter is increasing from 39 cents up to 41 cents. And you know the drill - each time the post office bumps up the rates by a penny or two, it requires an annoying trip to the post office to purchase a book of one or two cent stamps.

But now - you can wave goodbye to those pesky one and two cent stamps that clutter up your desk or your wallet...the post office has finally created a stamp that will last "FOREVER".

The new stamp is called the "Forever" stamp and was created to do just what the title states....last forever. Once the stamp is purchased, the stamp can be used forever to mail one-ounce First-Class letters anytime in the future regardless of postage increases. The current price of each Forever stamp is 41 cents, and you can buy Forever stamps at that rate until the next postage increase. When the postal rates increase in the future, new Forever stamps sold at that time will go up in price too - but you can use up all your previously purchased Forever stamps without having to deal with buying and using the inconvenient make-up stamps for the difference. Forever stamps can now be purchased online at www.usps.com or at post offices nationwide.

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 April 16 – April 20

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. April 16	08:30	Retail Sales	Mar	0.4%	0.7%	0.5%	HIGH
Mon. April 16	08:30	Retail Sales ex-auto	Mar	0.7%	0.8%	0.4%	HIGH
Mon. April 16	08:30	Empire State Index	Apr	10.0	3.8	1.9	Moderate
Tue. April 17	08:30	Building Permits	Mar	1515K	1544K	1532K	Moderate
Tue. April 17	08:30	Housing Starts	Mar	1500K	1518K	1506K	Moderate
Tue. April 17	08:30	Core Consumer Price Index (CPI)	Mar	0.2%	0.1%	0.2%	HIGH
Tue. April 17	08:30	Consumer Price Index (CPI)	Mar	0.6%	0.6%	0.4%	HIGH
Tue. April 17	09:15	Industrial Production	Mar	0.1%	-0.2%	0.8%	Moderate
Tue. April 17	09:15	Capacity Utilization	Mar	81.9%	81.4%	81.6%	Moderate
Wed. April 18	10:30	Crude Inventories	4/13	NA		678K	Moderate
Thu. April 19	08:30	Jobless Claims (Initial)	4/14	325K		342K	Moderate
Thu. April 19	10:00	Index of Leading Econ Ind (LEI)	Mar	0.1%		-0.5%	Low
Thu. April 19	12:00	Philadelphia Fed Index	Apr	3.0		0.2	HIGH

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