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For the week of Apr 21, 2008 --- Vol. 6, Issue 17

Last Week in Review ▶

"THERE IS NOTHING WRONG WITH CHANGE, AS LONG AS IT IS IN THE RIGHT DIRECTION." ~ Winston Churchill. And there were some big changes indeed for Bonds and home loan rates last week - but not necessarily all in the "right direction". For most of the week, Bond prices were pummeled lower, causing home loan rates to rise - and even after a Friday afternoon rally, home loan rates worsened by about .25% for the week overall.

One silver lining...some of the abuse that Bonds took was at the hands of somewhat positive economic news. Remember that positive or strong economic news tends to benefit Stocks, which in turn can pull money out of Bonds - which causes Bond prices to worsen and home loan rates to rise. So when news hit of a far better than forecast Retail Sales Report and much better than expected earnings reports from giants like Google, the financial markets responded by flowing money over into Stocks, and right out of Bonds, causing home loan rates to rise.

Also hurting Bonds was inflation chatter during speeches made by several Federal Reserve Presidents, who vocalized their concerns over the persistence of inflation in the current economy. Additionally, the Producer Price Index showed wholesale inflation to be climbing higher, thanks to record high oil prices and a seventeen-year high on food prices. Because inflation erodes the value of the fixed return provided by a Bond, the scent of inflation in the air always causes Bond prices to decline, and as a result, home loan rates will rise.

Even though Bond prices ended the week lower than they began, it is still a good time to take advantage of historically lower home loan rates before rising inflation continues to push rates higher. If you, or a friend, family member, neighbor or coworker needs advice on the latest changes in the market, please feel free to get in touch.

ANOTHER KIND OF CHANGE IS COMING SOON, AS POSTAGE RATES WILL INCREASE ON MAY 12. BUT BELIEVE IT OR NOT...THE POSTAL SERVICE IS ACTUALLY OFFERING SOME PRICE REDUCTIONS TOO! GET THE WHOLE STORY - AND LEARN HOW YOU MIGHT SAVE SOME CHANGE - IN THIS WEEK'S MORTGAGE MARKET VIEW.

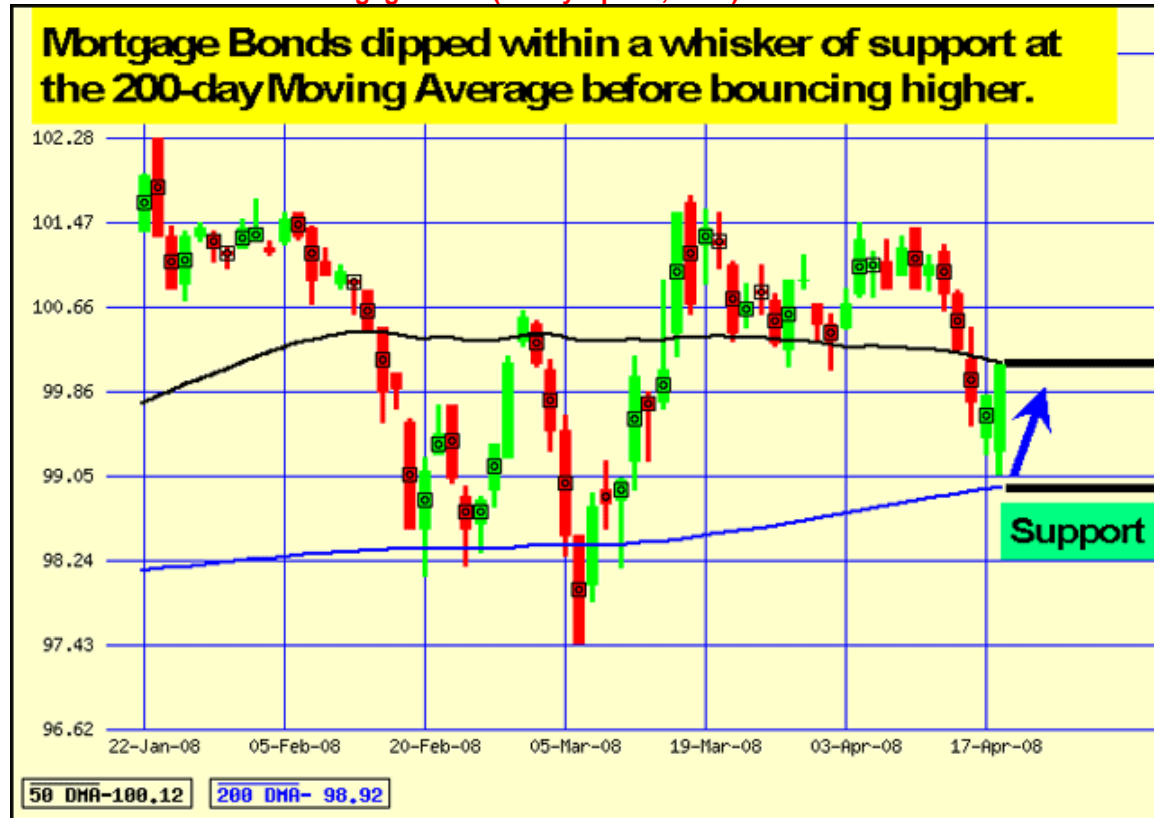
Forecast for the Week ▶

After last week's barrage of economic news, the calendar will quiet down this coming week. However, we will get a good look at the housing market via the Existing Home Sales Report on Wednesday, and the New Home Sales Report on Thursday - as well as a read on Durable Goods Orders.

What are those "durable goods" anyways? Simply put, they are items that are durable, or made to last longer than three years, such as cars, furniture, electronics, appliances, business equipment, games, cameras, etc. This report shows a good measure of consumer and business consumption and buying behavior, and depending on the health of the report, could bring some activity to the volatile financial markets.

As you can see in the chart below, Bond prices ended the week with a move higher from a "floor of support" at the 200-day Moving Average...but are now headed back towards an overhead "ceiling of resistance" which could stop their progress higher. Remember that when Bond prices move higher, home loan rates move lower...and vice versa. **If the news of the coming week isn't Bond-friendly enough to help them bash their way through the overhead ceiling, Bond prices and home loan rates may worsen once again.**

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Apr 18, 2008)



The Mortgage Market View... ▶

A PENNY FOR YOUR THOUGHTS

Starting May 12th, it'll cost you one extra little penny to mail someone your thoughts. That's right...the US Postal Service is getting ready to make some price changes, and the biggest change for most consumers will be a price increase for First Class stamps from 41c to 42c.

The news isn't all bad, though. That's because for the first time in the history of the US Postal Service, the new pricing structure will include online price reductions, rebates, commercial volume and contract prices, as well as several other new incentives. The heat must be on the USPS to be competitive in pricing, as according to Postmaster General John Potter: "These innovative pricing incentives will make our products more attractive to all shippers, especially small businesses. We're pricing our products to sell in today's competitive shipping market."

The information below can help you plan for your postal expenses - and figure out a few ways that you can save - starting next month.

New Prices as of May 12

Consistent with [The Postal Accountability and Enhancement Act](#), the average increase of the prices is at or below the rate of inflation as measured by the Consumer Price Index. Here's what the new pricing will be:

First-Class Mail letter 1 oz. = 42c (current price = 41c)
 First-Class Mail letter 2 oz. = 59c (current price = 58c)
 Postcard = 27c (current price = 26c)
 Certified Mail = \$2.70 (current price = \$2.65)
 First-Class Mail International to Canada and Mexico 1 oz. = 72c (current price = 69c)
 First-Class Mail International to all other countries 1 oz. = 94c (current price = 90c)

Ways to Save...

Forever Stamps — Last year, the US Postal Service introduced Forever Stamps... and this is your chance to reap the rewards! You can purchase Forever Stamps prior to May 12 at the lower 41c rate, and then use them even after the price change. Forever Stamps are widely available through Post Offices, Contract Postal Units, consignment locations, Automated Postage Centers, and [The Postal Store®](#). To help meet increased demand before the price change, the US Postal Service plans to have 5 Billion Forever Stamps in stock. So you shouldn't have any problems getting your hands on them.

In addition to Forever Stamps, the US Postal Service is introducing all new ways to help you save, including the following new incentives:

Express Mail — With the new "zone-based pricing system," you'll pay less when you send a letter to a nearby destination using Express Mail. You can also save 3 percent when you purchase Express Mail online or through a corporate account. Finally, additional price reductions are available if you ship quarterly minimums.

Priority Mail — The new pricing structure includes a provision to help you save an average of 3.5 percent when you use electronic postage or meet other requirements.

Parcel Select — Large- and medium-size shippers will receive pricing and volume incentives under the "last mile" delivery provision.

Parcel Return Service — A new weight-based pricing system will result in significant price reductions for the return shipping of lighter packages.

You can learn more about the new pricing structure at www.usps.com/prices, and you can purchase Forever Stamps at your local Post Office or online at [The Postal Store®](#).

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 21 – April 25

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Wed. April 23	10:00	Existing Home Sales	Mar	4.95M		5.03M	Moderate
Wed. April 23	10:30	Crude Inventories	4/19	NA		-2356K	Moderate
Thu. April 24	08:30	Durable Goods Orders	Mar	0.1%		-1.7%	Moderate
Thu. April 24	08:30	Jobless Claims (Initial)	4/19	375K		372K	Moderate
Thu. April 24	10:00	New Home Sales	Mar	585K		590K	Moderate
Fri. April 25	10:00	Consumer Sentiment Index (UoM)	Apr	64.2		63.2	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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