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For the week of May 07, 2007 --- Vol. 5, Issue 19

### Last Week in Review ▶

**TALK DERBY TO ME...**If you did tune in to watch the biggest horse race of the year, you know that "Street Sense" was the lucky horse who won the "Run for the Roses", the Kentucky Derby. And the news from Wall Street was also galloping in fast and furious last week - so let's make some horse sense out of the major headlines that helped **Bonds and home loan rates end up slightly improved for the week overall.**

First, the Fed's favorite gauge of consumer inflation, Core Personal Consumption Expenditure Index (PCE), showed a year over year reading of 2.1%, which is very close to the Fed's target zone of 1 - 2%. With inflation moderating, the Fed might start thinking about making a cut to the Fed Funds Rate in the 2nd half of 2007. This tame read on inflation was very good news for Bonds, as the value on their fixed returns get eroded by the impact of inflation.

Then, the Jobs Report arrived, with new jobs created in April being reported at 88,000, below what most analysts expected. Additionally, revisions took 26,000 jobs away from previous months reports, the Unemployment Rate rose slightly to 4.5%, and Average Hourly Earnings were reported slightly lower than expected at 0.2%. Overall, the Job Report suggests the strong labor market is softening a touch and wage based inflation pressure is moderating - more good news for Bonds and home loan rates. Wage-based inflation comes into play when the job market is tight and therefore employers are forced to pay their employees more. This naturally results in more dollars being injected into the economy for spending - as well as the cost of doing business moving higher for employers - all of which can cause prices on goods and services to rise.

**DON'T MISS THIS WEEK'S MORTGAGE MARKET VIEW, WITH TIPS ON SAVING MONEY ON HOMEOWNERS INSURANCE...QUICK, SIMPLE HITS THAT ARE "SO EASY, A CAVEMAN CAN DO IT."**

### Forecast for the Week ▶

Benny and the Fed will take center stage this week, as they release their Interest Rate Decision and Policy Statement on Wednesday afternoon. It is highly unlikely that the Fed will make a change to the Fed Funds Rate at the meeting, but it will be especially interesting to hear the tone of the Policy Statement in light of softer Employment Report and moderating inflation.

Speaking of inflation, Fed Chairman Ben Bernanke has to be smiling, as the latest data suggests the Fed is doing a great job in handling the economy. Recent reports have shown moderate, stable economic growth and inflation pressures easing.

The chart below shows that Bonds and home loan rates may be making a move soon. The ceiling and the floor of the current technical range are putting pressure on Bonds, squeezing prices from both above and below...so they'll have to make a breakout soon. And the tone of the Fed's Policy Statement on Wednesday might just be the catalyst for a move. **If it suggests that inflation is controlled, Bonds and home loan rates will like this news, and see some improvement - but if the Fed still sounds overly concerned about inflation, Bond prices and home loan rates will worsen.**

Chart: Fannie Mae 5.5% Mortgage Bond (Friday May 04, 2007)



### The Mortgage Market View... ▶

What do these slogans remind you of? "You're in good hands with..." "Like a good neighbor..." "Own a piece of the rock."

That's right, insurance. And premiums are costing us more and more every year. But there may be some savvy steps you can take to trim the bill and still have your valuables in good hands.

Items that push premiums higher include a pool with a slide or diving board, having a trampoline, or even a dog that has a record of biting others. These factors could be part of higher premium costs, so contact your insurance agent and see if changes can reduce your premium payments.

There are also interior items that can impact the cost of insurance. The coziness of the wood-burning stove may be appealing to the homeowner, but to the insurance agent it could look like a fire hazard, and result in a higher premium.

If you have not done so already, investing in a good alarm system may enable you to shave some of the cost of insurance, while giving you some added protection. And be sure to ask your insurance agent about combining auto and home policies, this could help trim the overall cost of your insurance bill too.

Often times, once the insurance policy is purchased it sits in a drawer until the need arises to file a claim. But taking the time to review your personal insurance policy, just once a year, provides the opportunity to lower the overall annual premium and make sure your valuables are adequately protected. It is also the perfect time to make any additions for personal possessions that may have been purchased or acquired during the year, like art, home furnishings, and jewelry. Additionally, if the home has been remodeled discuss the upgrades that have been made with your insurance agent to insure that all upgrades are covered in the policy. And most importantly, if you need a recommendation to a great insurance agent - just give me a call!

### 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 May 07 – May 11**

<b>Date</b>	<b>ET</b>	<b>Economic Report</b>	<b>For</b>	<b>Estimate</b>	<b>Actual</b>	<b>Prior</b>	<b>Impact</b>
Wed. May 09	10:30	Crude Inventories	5/04	NA		1169K	Moderate
Wed. May 09	02:15	FOMC Meeting					HIGH
Thu. May 10	08:30	Jobless Claims (Initial)	5/05	325K		305K	Moderate
Thu. May 10	08:30	Balance of Trade	Mar	-\$60.0B		-\$58.4B	Moderate
Fri. May 11	08:30	Core Producer Price Index (PPI)	Apr	0.2%		0.0%	Moderate
Fri. May 11	08:30	Producer Price Index (PPI)	Apr	0.6%		1.0%	Moderate
Fri. May 11	08:30	Retail Sales	Apr	0.4%		0.7%	HIGH
Fri. May 11	08:30	Retail Sales ex-auto	Apr	0.5%		0.8%	HIGH

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