

If you can't see the newsletter, or would like to view it online, [use this link](#)

If you have received this newsletter indirectly and would like to be added to our weekly distribution list, [use this link](#)



Provided to you Exclusively
By **Foster Weeks**

Foster Weeks
Mortgage Specialist
Guarantee Mortgage
Office: 415-441-5050
Cell: 415-819-0534
Toll Free: 888-768-5626
E-Mail: fweeks@gmwest.com



For the week of May 14, 2007 --- Vol. 5, Issue 20

Last Week in Review ▶

"HEY KIDS, SHAKE IT LOOSE TOGETHER - THE SPOTLIGHT'S HITTING SOMETHING THAT'S BEEN KNOWN TO CHANGE THE WEATHER..." *Elton John, "Benny and the Jets"* And sure enough, B-B-B-Benny and the Fed held the spotlight last week, as Chairman Bernanke and his team of inflation fighters at the Fed released their latest Interest Rate Decision and Policy Statement. And the tone of the Statement did indeed change the weather for Bonds and home loan rates.

As expected, the Fed voted to leave the Fed Funds Rate holding steady at 5.25%. However, it was the tone of the Policy Statement that was not so nice for Bonds or home loan rates, which worsened a bit following the release. Why? Because the market was looking for some loving lyrics from the Fed, particularly in regards to inflation. Recent inflation and wage data has all been friendly, and the economy is slowing a bit as well. So the markets were expecting a nice ballad from the Fed about inflation being under control...but instead, the Fed said their predominant concern is that inflation will "fail to moderate as expected". While the Fed's primary mission is to be on guard against inflation, the market was hoping for a little more love on this front, and was a bit displeased with the tone of the Statement.

Retail Sales slipped lower in April, bringing the worst reading in seven months. The declines were seen in clothing, restaurants, sporting goods, cars and home products. Possible reasons? The price of gasoline is back up, and this means consumers may be forced to cut back on their buying of other retail products. Additionally, food costs are significantly higher in recent months, due to a variety of factors including crop freezes early in the year, and many corn products being diverted for use as fuel. Because they are so volatile, neither food nor energy costs show up in the important Core inflation numbers - but when it comes to a consumers actual day-to-day spending habits which will always include gas and groceries, these factors will absolutely have an impact on spending. **The weak Retail Sales report was good news for Bonds, but not good enough, and home loan rates still ended slightly higher on the week overall.**

BUT IF YOU'RE THINKING ABOUT SAVING A FEW BUCKS BY WASHING YOUR CAR AT HOME RATHER THAN THE LOCAL CAR WASH...THINK AGAIN, AS IT COULD COST YOU BIG IN THE LONG RUN. READ THIS WEEK'S MORTGAGE MARKET VIEW FOR THE WHOLE SCOOP.

Forecast for the Week ▶

The week ahead brings a blend of news, including a look at inflation and housing, which continue to be hot topics of late. Particularly on the heels of the Fed stating they remain concerned about inflation, Tuesday's Core Consumer Price Index will certainly garner a great deal of attention. Housing numbers have been mixed of late, but many experts are grudgingly acknowledging that maybe the housing market is not as bad as they originally predicted. Wednesday brings a look at the new construction sector, with Housing Starts and Building Permits.

The chart below shows how Bond prices have been "bouncing" up and down in a tight range, causing home loan rates to move higher and lower by about .125% with each "bounce". As Bond prices move higher, home loan rates move lower, and vice versa. So the chart indicates that Bonds appear poised for a bounce higher,

with home loan rates moving lower. **But first, Tuesday's inflation measuring Consumer Price Index will need to prove inflation is tame before another favorable bounce higher and help home loan rates improve.**

Chances favor a mild inflation number in light of the recent economic reports, and also when compared to last year's elevated reading. But if the Report reeks badly of continued consumer inflation, Bonds won't like it, and may proceed to bash right through the floor and cause home loan rates to worsen. The good news on this front is that the 200-day Moving Average is a very strong floor of support, and it would take some very Bond-unfriendly news to force prices below this floor and cause home loan rates to worsen.

Chart: Fannie Mae 5.5% Mortgage Bond (Friday May 11, 2007)



The Mortgage Market View... ▶

"Well those cars never seem to stop coming, keep those rags and machines humming...working at the car wash..." ~ Rose Royce

With summer fast approaching, most people want to have their car looking good. Driving a nice clean car just feels good - and it can also help to preserve its appearance and resale value.

So what's the best way to clean your car? Is it better to take the car to the car wash or wash it by hand at home?

Believe it or not, an automatic car wash is not only more convenient, but it can also be much safer for your car than washing the car at home. Why? If your car is washed by hand in direct sunlight, the drops of water turn into mini magnifying glasses, which can cause the sun's rays to burn spots into the paint - and this could cost you big when going to resell the vehicle. Additionally, many use harsh household soap products which remove protective wax and leave a chalky residue on the surface. Taking this into consideration makes the \$10 to \$15

automatic car wash fee look pretty reasonable.

But at the car wash, there's all the "extras", which can add up fast and quickly double the cost of a quick car wash! Before you agree to the "works" package, find out what is included and decide if it is really worth the extra money to have a fresh scent sprayed in the interior, or a spray-on wax applied to the exterior.

Here are some tips: Undercarriage rust proofing and spray-on wax may be a couple of extras to pass on. Most new cars are rust proofed at the factory, and spray-on wax simply adds shine. A few to consider getting would be an undercarriage bath, a hand-applied wax, and tire dressings. An undercarriage bath could wash away crud from the winter months and prevents buildup, a hand-applied wax restores oils and provides a UV-protective film, and tire dressings remove dirt and brake dust.

And remember to always opt for a brushless car wash. Older car wash facilities may still be using brushes which tend to leave light scratches in the paint and can remove the clear coat that was applied by the factory to protect the paint. And don't ever agree to have the engine cleaned. High pressure water is used to perform the engine cleaning and can cause serious engine problems in new vehicles.

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 14 – May 18

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. May 15	08:30	Consumer Price Index (CPI)	Apr	0.5%		0.6%	HIGH
Tue. May 15	08:30	Core Consumer Price Index (CPI)	Apr	0.2%		0.1%	HIGH
Tue. May 15	08:30	Empire State Index	May	9.5		3.8	Moderate
Wed. May 16	08:30	Housing Starts	Apr	1485K		1518K	Moderate
Wed. May 16	08:30	Building Permits	Apr	1520K		1564K	Moderate
Wed. May 16	09:15	Capacity Utilization	Apr	81.5%		81.4%	Moderate
Wed. May 16	09:15	Industrial Production	Apr	0.3%		-0.2%	Moderate
Wed. May 16	10:30	Crude Inventories	5/11	NA		5511K	Moderate
Thu. May 17	08:30	Jobless Claims (Initial)	5/12	310K		297K	Moderate
Thu. May 17	10:00	Index of Leading Econ Ind (LEI)	Apr	0.0%		0.1%	Moderate
Thu. May 17	12:00	Philadelphia Fed Index	May	2.0		0.2	HIGH
Fri. May 18	10:00	Consumer Sentiment Index (UoM)	May	87.0		87.1	Moderate

The material contained in this newsletter has been prepared by an independent third-party provider. The content is provided for use by real estate, financial services and other professionals only and is not intended for consumer distribution. The material provided is for informational and educational purposes only and should not be construed as investment and/or mortgage advice. Although the material is deemed to be accurate and reliable, there is no guarantee it is not without errors.

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.

In the unlikely event that you no longer wish to receive these valuable market updates, please [USE THIS LINK](#) or email: fweeks@gmwest.com

If you prefer to send your removal request by mail the address is:

**Foster Weeks
Guarantee Mortgage
1860 Lombard St
San Francisco, CA 94123**

The Mortgage Market Guide, LLC is the copyright owner or licensee of the content and/or information in this email, unless otherwise indicated. **The Mortgage Market Guide, LLC** does not grant to you a license to any content, features or materials in this email. You may not distribute, download, or save a copy of any of the content or screens except as otherwise provided in our Terms and Conditions of Membership, for any purpose.

