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For the week of Jun 11, 2007 --- Vol. 5, Issue 24

Last Week in Review ▶

"WISH ME LUCK!" *Last words spoken by Niagara Falls barrel rider...* But luck hasn't been on the side of home loan rates, as Mortgage Bonds tipped over the edge on Thursday, adding to the brutal cascade lower which began on May 8th, and causing home loan rates to move significantly higher along the way. Last week the damage was particularly dramatic, as Thursday brought the largest single-day worsening in Bonds and home loan rates seen in three years. Although Friday brought a small amount of recovery, **home loan rates still increased by .25% across the board overall.**

So what happened last week? There was a sell-off in Mortgage Bonds on the news of Central Bank rate hikes in other countries, as these hikes make other global investments more attractive than our US Bonds for those seeking higher yields. The reduced demand for Mortgage Bonds causes prices to fall and home loan rates to rise. But it was not the news of other Central Banks hiking rates that caused the extreme reaction - this event was simply the proverbial "straw that broke the camels back", as Bonds were primed for a move lower after blowing through another technical "floor of support". Keep reading to learn how important these floors of support are to home loan rates...

AND AS IF THE ACTION IN THE MARKET THIS WEEK WASN'T THRILLING ENOUGH, THIS WEEK'S MORTGAGE MARKET VIEW SPINS A VERY ALARMING TALE, DIRECTLY FROM THE MOUTH OF A FORMER HOME BURGLAR...READ THIS WEEK'S VIEW TO LEARN HOW TO PROTECT YOURSELF AND YOUR HOME.

Forecast for the Week ▶

So will the volatility of last week spill over into the coming week? Strap yourself in and keep your hands on the safety bar...heck, you may even want to put on your crash helmet - the week ahead promises to be a very interesting ride, with several influential economic reports hitting the wires. Remember that positive economic news or the scent of inflation can cause Bond prices and home loan rates to worsen - and Traders will be paying special attention to Retail Sales numbers, as well as getting a look at inflation for both consumers and producers, with the upcoming Consumer Price Index (CPI) and Producer Price Index (PPI).

Bonds seem to be on a very slippery slope lower, so if the news is hot, what will keep Bond prices from continuing their nauseating plunge and causing home loan rates to worsen further? Technical "floors of support" usually provide a slowdown mechanism and prevent freefalls lower - but ever since the powerful 200-day Moving Average was broken in early May, floor after floor has been demolished as Bonds scream lower and home loan rates increase.

Bottom line: If Retail Sales arrive showing that the American consumer is alive and well and spending merrily away - or if inflation is riding higher than anticipated - it's very likely that Bonds will crash through yet another technical floor of support and cause home loan rates to rise.

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Jun 08, 2007)



The Mortgage Market View... ▶

NOT TO BE AN ALARMIST...

But did you know that home security systems may actually attract burglars? Shocking, but true.

Each year, Americans spend more than \$18 Billion on professional alarm systems. Unfortunately, according to security consultant Walter Shaw, some of those systems may actually be attracting burglars. Shaw, a former burglar, contends that when thieves see a house with a security system sign on it, they know it typically means that the house actually has something of value inside...which makes it a better target for them to consider breaking into.

In addition, Shaw notes that determined thieves can actually use those security system signs to their advantage. First, if the sign displays the name of the alarm system company, a thief may be able to use that information to research the system and figure out how to bypass it. Second, thieves may decide to test the system. By tripping the alarm on purpose, burglars can gain a better idea of how long they'll have to get in and get out before the police arrive!

So do alarm systems help at all?

The answer, thankfully, is YES! A recent study indicated that alarm systems are still the single most effective way to reduce the risk of burglary. Interestingly, some preventive measures such as deadbolts do little to dissuade burglars, since these measures cannot be seen until a burglar has already chosen a house...at which point they tend to pursue it and find a way in, regardless of the deadbolts.

Here's how to best protect your home.

First, make sure any alarm signs posted on or around your home are generic - without the name of the security company. In addition, you might want to consider adding security cameras-or even fake cameras-around your

entrances and windows. No thief wants to be caught on tape...even if they're wearing a mask. Also, make sure that bushes and branches are cleared away from windows and entrances.

For more help with your house's security, you should seek advice from a professional security provider. Be sure to tell them about your specific concerns and ask how to best address them.

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 June 11 – June 15

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Wed. June 13	08:30	Retail Sales	May	0.6%		-0.2%	HIGH
Wed. June 13	08:30	Retail Sales ex-auto	May	0.7%		0.0%	HIGH
Wed. June 13	10:30	Crude Inventories	6/08	NA		112K	Moderate
Wed. June 13	02:00	Beige Book					Moderate
Thu. June 14	08:30	Jobless Claims (Initial)	6/09	315K		309K	Moderate
Thu. June 14	08:30	Producer Price Index (PPI)	May	0.5%		0.7%	Moderate
Thu. June 14	08:30	Core Producer Price Index (PPI)	May	0.2%		0.0%	Moderate
Fri. June 15	08:30	Core Consumer Price Index (CPI)	May	0.2%		0.2%	HIGH
Fri. June 15	08:30	Empire State Index	Jun	10.0		8.0	Moderate
Fri. June 15	08:30	Consumer Price Index (CPI)	May	0.6%		0.4%	HIGH
Fri. June 15	09:15	Capacity Utilization	May	81.5%		81.6%	Moderate
Fri. June 15	09:15	Industrial Production	May	0.1%		0.7%	Moderate
Fri. June 15	10:00	Consumer Sentiment Index (UoM)	Jun	88.0		88.3	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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