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For the week of Jun 22, 2009 --- Vol. 7, Issue 25

[Last Week in Review](#) ▶

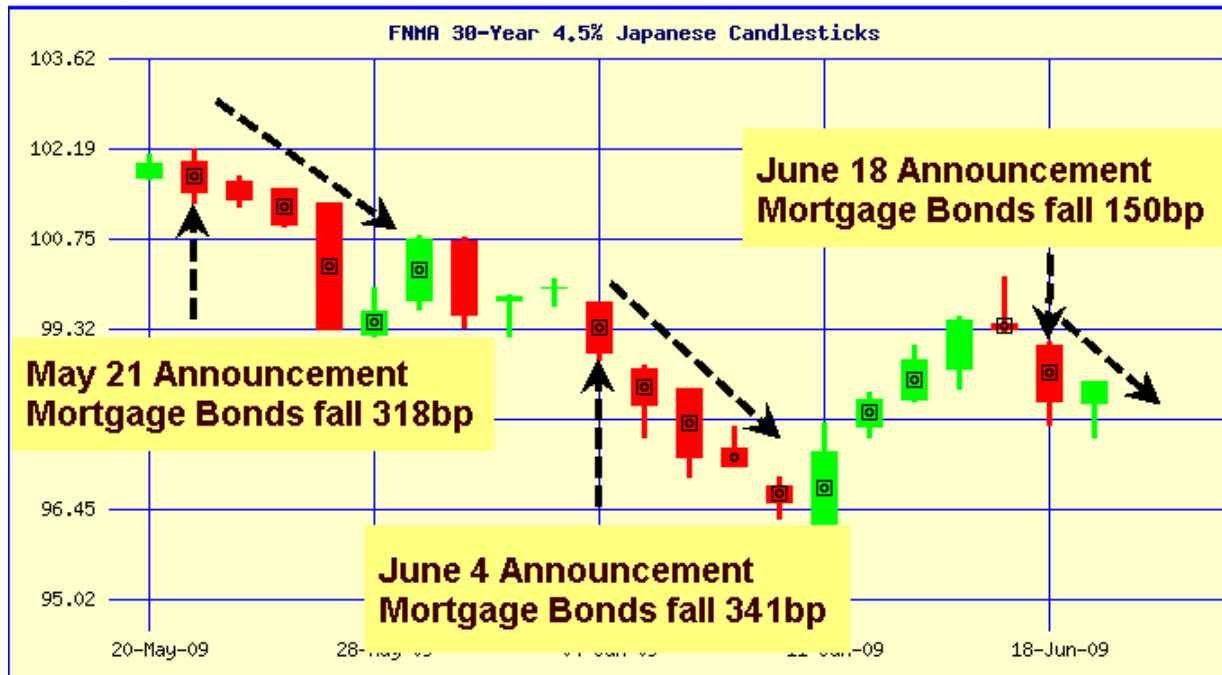
"THE WORLD IS BUT A PERPETUAL SEE-SAW." Michel de Montaigne. And that sentiment was especially true in the world of Stocks and Bonds last week, as money see-sawed back and forth between the two markets, halting the improvement that Bonds and home loan rates mustered up in the first part of the week.

Bonds and home loan rates began the week looking good - and remembering that inflation is bad news for both Bonds and rates, they were helped along by good news on the inflation front. Inflation at the wholesale or producer level remained tame in May, and at a consumer level, inflation readings came in lower than expected, with a year-over-year reading at its lowest level since 1950. These are good signs that inflation hasn't become an issue yet. However, inflation will be a concern down the road, due to the massive stimulus being injected into the economy. **It is said that rates are like a boat floating atop the sea of inflation...as inflation rises, so will home loan rates. If you or someone you know should be acting on today's still low home loan rates, please get in touch soon.**

Also helping Bonds rally in the early part of last week was the fact that the New York State manufacturing index came in weaker than estimates, indicating that the US economy is still very weak. And since bad economic news often causes money to flow from Stocks into Bonds, this piece of news helped Bonds start the week on an improving trend.

However, Bonds and home loan rates reversed course midweek and worsened, as money see-sawed back over to Stocks. They were also pressured to worsen by the enormous amount of Bond supply hitting the markets - as too much supply of anything will naturally cause the price to move lower...and in this case, has caused home loan rates to move higher. As you can see in the chart below, Bonds have worsened when additional supply has been announced, causing home loan rates to climb.

Chart: Fannie Mae 4.5% Mortgage Bond



While the Fed is continuing to purchase Mortgage Backed Securities, their efforts are just not enough to absorb the flood of new closed and securitized mortgages that are hitting the market after the heavy refinance activity recently - not to mention all the Treasury Securities being auctioned in order to pay for all the stimulus plans.

And speaking of activity in the housing market, Housing Starts rose a whopping 17% in May to come in better than expectations. In addition, Building Permits, which are a sign of future construction, also came in better than expected. These are good signs that the affordable home prices, tax incentives and low home loan rates are attracting buyers to the market.

After all the see-sawing action back and forth last week, including a late week rally in Bonds and fizzle in Stocks, **home loan rates ended the week slightly higher than where they began.**

THERE CAN BE PLENTY OF UPS AND DOWNS WHEN IT COMES TO BUYING A HOME. CHECK OUT THIS WEEK'S SPECIAL MORTGAGE MARKET VIDEO VIEW FOR IMPORTANT INFORMATION THAT WILL HELP EASE THE PROCESS.

Forecast for the Week ▶

The see-sawing motion between Stocks and Bonds will likely be seen during the coming week, as there is plenty of action ahead. After last week's look at the new construction piece of the housing market, we'll get more information on housing this week with Tuesday's Existing Home Sales Report and Wednesday's New Home Sales Report.

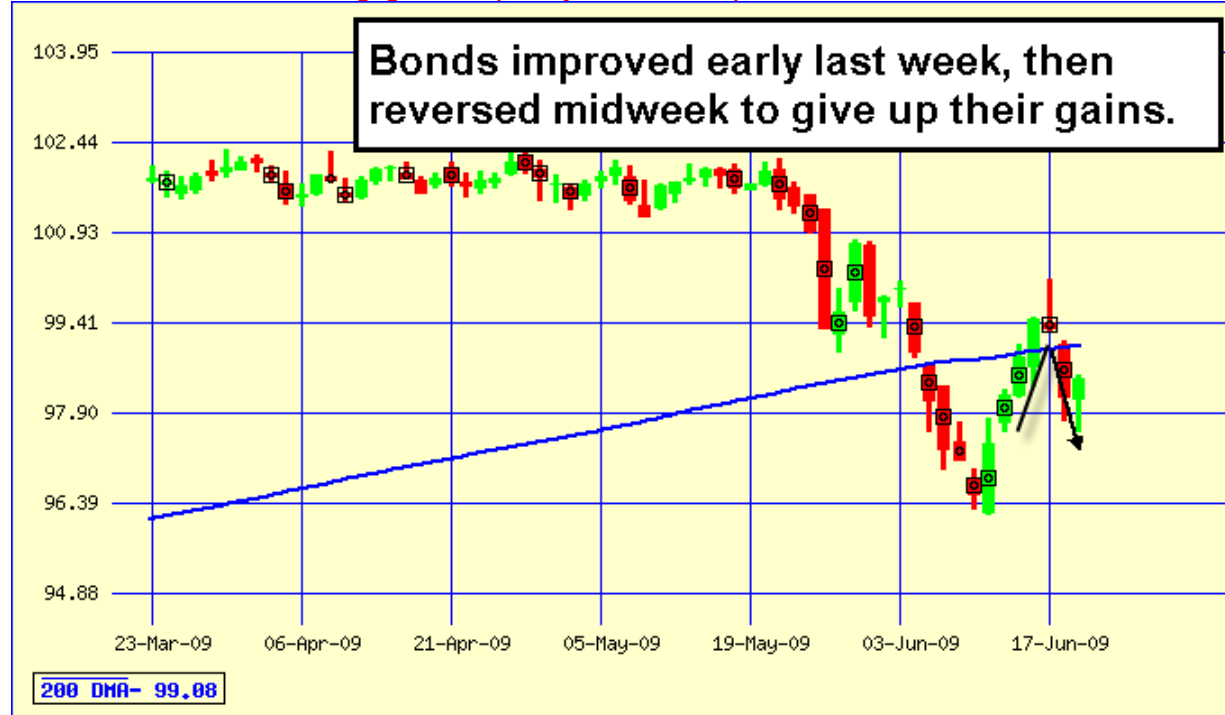
Also on Wednesday we will get an update on consumer and business consumption and buying behavior via the Durable Goods Report, which shows data on items that are non-disposable, such as cars, furniture, appliances, games, cameras, business equipment, etc. Thursday brings a read on the economy with the Gross Domestic Product (GDP) Report, which is the broadest measure of economic activity. Also on Thursday is the weekly Initial Jobless Claims report. Last week's report showed that continuing claims fell by 148,000 to 6.69 million, which is the largest one-week drop since November of 2001. Jobs are vital to the economy strengthening, so it will be important to see what this week's report indicates.

This week we also have the Fed's next regularly scheduled Federal Open Market Committee meeting, followed by their Policy Statement and Interest Rate Decision coming on Wednesday afternoon. It will be important to hear the Fed's comments on the economy and inflation. And speaking of the Fed and inflation, the Fed's

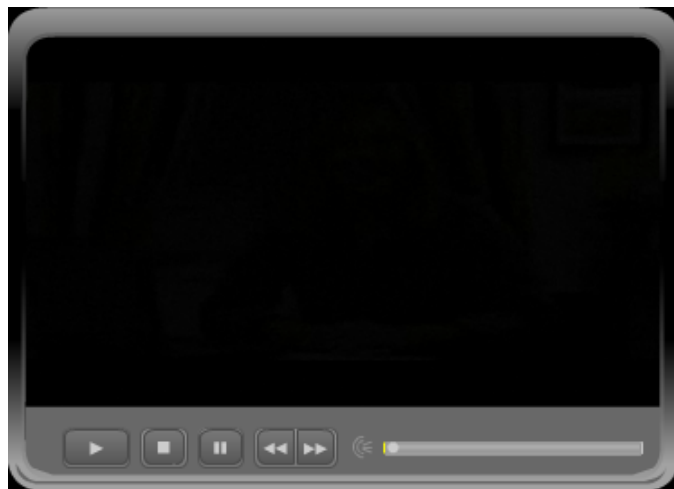
favorite gauge of inflation, the Core Personal Consumption Expenditure (PCE) index found within the Personal Income Report, will be released on Friday.

Remember: Weak economic news normally causes money to flow out of Stocks and into Bonds, helping Bonds and home loan rates improve, while strong economic news normally has the opposite result. As you can see in the chart below, Bonds were unable to maintain the gains they made earlier in the week. I'll be watching closely to see what impact this week's news, including additional supply of Bonds hitting the market, will have on Bonds and home loan rates.

Chart: Fannie Mae 4.5% Mortgage Bond (Friday Jun 19, 2009)



[The Mortgage Market View... ▶](#)



Don't Get Dropped By Your Insurance Company!

Buying a home...and making sure all of the details are taken care of...can be overwhelming for any buyer, but especially for first-timers. And this year, lower rates and the \$8,000 first-time home buyer tax credit have caused the number of first-time home buyers in the market to rise. Watch this new video from Kiplinger.com that contains five important things all home buyers need to know about home owner's insurance, including tips to avoid being dropped, tips to avoid a price increase, and things you need to do before you buy a home.

Source: www.kiplinger.com

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 22 - June 26

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. 23	June	10:00 Existing Home Sales	May	4.83M		4.68M	Moderate
Wed. 24	June	08:30 Durable Goods Orders	May	-0.9%		1.9%	Moderate
Wed. 24	June	10:00 New Home Sales	May	360K		352K	Moderate
Wed. 24	June	10:30 Crude Inventories	6/19	NA		-3.78M	Moderate
Wed. 24	June	02:15 FOMC Meeting					HIGH
Thu. 25	June	08:30 Gross Domestic Product (GDP)	Q1	-5.7%		-5.7%	Moderate
Thu. 25	June	08:30 Jobless Claims (Initial)	6/20	608K		608K	Moderate
Fri. June 26		08:30 Personal Income	May	0.2%		0.5%	Moderate
Fri. June 26		08:30 Personal Spending	May	0.4%		-0.1%	Moderate
Fri. June 26		08:30 Personal Consumption Expenditures and Core PCE	May	0.2%		0.3%	HIGH
Fri. June 26		08:30 Personal Consumption Expenditures and Core PCE	YOY	NA		1.9%	HIGH
Fri. June 26		10:00 Consumer Sentiment Index (UoM)	Jun	69.0		69.0	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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