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Last Week in Review ▶

“VERY NICE. IT’S A LITTLE GREASY...BUT VERY NICE. CRUMBLE SOME CRACKERS INTO IT SHELL, THAT WILL HELP TO ABSORB THE GREASE...” Peter Falk’s line from the 1979 classic movie “The In-Laws” is good advice about soup...but doesn’t help us much when it comes to absorbing the high price of oil, a greasy topic that continues to permeate financial headlines.

And last week was no exception, with oil prices continuing to march ever higher, despite an announcement early last week by OPEC member Saudi Arabia that they will increase oil production in the near future. They are concerned that the high price of oil will lead to lower demand and a turn toward alternative energy sources. And Friday’s news didn’t help, with a strike at a Chevron plant in war-torn Nigeria, Africa’s largest oil producing nation. Additionally, Israel conducted a military operation for preparedness in case of a potential strike against Iran’s nuclear plants – which all served to push oil prices higher still. High oil prices are inflationary – so if the march higher in oil prices continues, both the Stock and Bond markets will suffer...and even crumbled crackers won’t help sop up the mess.

But Bonds did manage to find some improvement last week, helping home loan rates get better by about .125%. Negative economic news, including soft housing numbers, weakness from the manufacturing sector and more write-downs announced by financial giant Citigroup all played a hand – causing money to flow out of Stocks and over into Bonds, which helped prices improve.

WANT TO HELP YOUR CAR’S MAINTENANCE BUDGET IMPROVE? YOU MIGHT BE SURPRISED TO LEARN HOW MUCH YOU CAN SAVE...READ THIS WEEK’S MORTGAGE MARKET VIEW!

Forecast for the Week ▶

The coming week is chock full of economic reports that will likely have a big influence on the financial markets. We start off on Tuesday with a report on Consumer Confidence, and also the beginning of Fed meetings which will culminate in a Rate Decision and Policy Statement on Wednesday afternoon at 2:15pm ET. It is widely believed that the Fed will keep the Fed Funds Rate at 2%...but what will be most interesting is the wording of their carefully crafted Policy Statement. **If it gives hints of their intent to hike rates in the near future to help fight inflation, it could actually be good news for Bonds and home loan rates.**

A look at sales numbers in the new and existing housing markets will come Wednesday and Thursday, and Friday will wrap up the week with a bang as the Fed’s favorite gauge of inflation, the Core PCE (Personal Consumption Expenditure) data will be released. Since this will be following the Fed’s announcement on Wednesday – will the Fed look smart if they’ve held rates steady, or perhaps come under criticism if the inflation numbers are super-heated? Could be a greasy few days for the Fed, so stay tuned.

Remember that when Bond pricing moves higher, home loan rates move lower – and then take a look at the chart below. You can see how in recent days, Bonds have moved higher, but are now battling an overhead “ceiling” of technical resistance. If Bonds and home loan rates are to improve in the near future, it will take some

very Bond-friendly news to help crash through the ceiling that has stopped progress in its tracks for the time being.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Jun 20, 2008)



The Mortgage Market View... ▶

TIME FOR A CHANGE...OR NOT?

The rising cost of crude oil has everyone talking about gas prices at the pump... but what about the actual oil in your engine? Are you spending too much on oil by changing it too often?

Most of us probably think a car's oil needs to be changed every 3,000 miles. But that's an old mechanics tale these days. Did you know that many car manuals now actually recommend changing the oil every 5,000, 7,500 or even 10,000 miles? That means you may be changing your oil twice or even three times as often as you need to! In fact, a recent study in California indicated that 73 percent of Californians change their oil more frequently than recommended by the manufacturers.

So how often should you change your oil?

The fact is, oil changes should be determined by what, how, and where you drive. If you have a newer car with little or no engine wear, you can probably go 7,500 miles between oil changes. And even if you have a slightly older car, but drive under ideal conditions such as predominantly highway, you can go a similar distance before changing.

Of course, many of us actually don't drive under "ideal" conditions...if you make many short trips, endure lots of stop-and-go traffic, drive on gravel or dusty roads – then you might need to change your oil more frequently. So how do you know – and take advantage of saving money by only changing oil when it's really needed?

Technology to the rescue

There are a few ways you can actually eliminate the guesswork. If you have a newer car, it may have a built-in sensor that estimates oil life based on engine running time, miles driven, outside temperature, coolant temperature and other operating conditions. When the indicator light comes on, it's time to change the oil. It's that simple.

Another idea is to purchase an oil monitoring sensor, such as the [IntelliStick](#). These sensors are used in place of your car's original dipstick and provide you with real-time, accurate information about the true condition of your oil. Better still, these sensors often have a transponder built into them so you can quickly and easily check the condition of your oil at any time using a cell phone, PDA or computer with Bluetooth connectivity...now that's really going high tech.

Bottom line – dollars spent on oil changes add up fast. Especially with the increasing price of oil, it pays to be smart, check the manufacturer's recommendations...and not let too-frequent oil changes cost you!

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 23 – June 27

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. 24	June 10:00	Consumer Confidence	Jun	57.0		57.2	Moderate
Wed. 25	June 08:30	Durable Goods Orders	May	0.0%		-0.5%	Moderate
Wed. 25	June 10:00	New Home Sales	May	510K		526K	Moderate
Wed. 25	June 10:30	Crude Inventories	6/21	NA		- 1242K	Moderate
Wed. 25	June 02:00	FOMC Meeting					HIGH
Thu. 26	June 08:30	Jobless Claims (Initial)	6/21	375K		381K	Moderate
Thu. 26	June 08:30	Gross Domestic Product (GDP)	Q1	1.0%		0.9%	Moderate
Thu. 26	June 08:30	Chain Deflator	Q1	2.6%		2.6%	Moderate
Thu. 26	June 10:00	Existing Home Sales	May	4.96M		4.89M	Moderate
Fri. June 27	08:30	Personal Income	May	0.4%		0.2%	Moderate
Fri. June 27	08:30	Personal Spending	May	0.7%		0.2%	Moderate
Fri. June 27	08:30	Personal Consumption Expenditures and Core PCE	May	0.2%		0.1%	HIGH
Fri. June 27	08:30	Personal Consumption Expenditures and Core PCE	YOY	NA		2.1%	HIGH

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