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Last Week in Review ▶

"I NEVER WORRY ABOUT ACTION, BUT ONLY ABOUT INACTION." ~ Winston Churchill. These words proved especially true last week, as the big story was the Fed's lack of action following their recent meeting, or decision to leave the Fed Funds Rate unchanged - but is the Fed's decision a cause for worry? The financial markets seem to think so. The Fed is in a tough spot with the economy performing sluggishly, the housing market still struggling to stabilize, consumer confidence being low, and food and energy costs going up seemingly every day. They made the decision to hold rates steady for now, but looking forward, what does all this mean for Bonds and home loan rates?

While the Fed made a smart move to cut its benchmark rate back in September to stimulate the economy, the continued string of cuts has considerably weakened the US Dollar against the Euro. And since oil is priced in Dollars, the decline of the Dollar has pushed oil prices to rise, even though consumption in the US is down. Prior to the Fed starting their recent string of cuts in mid-September, oil was trading at a then staggeringly high \$73/barrel, and it took \$1.35 to buy 1 Euro. And after nine months of Fed rate cuts, the Dollar has weakened to where it takes \$1.57 to buy 1 Euro...which has greatly influenced oil prices to top \$140/barrel. And because oil is involved in so much of what we purchase, prices have gone up on everything.

The bottom line: A stronger stance against inflation by the Fed - which would mean rate hikes ahead - could help strengthen the Dollar, combat high oil prices, and cause Bonds and home loan rates to improve in turn, as inflation is the arch enemy of both. It will be important to see what the Fed decides to do about the Fed Funds Rate at their next meeting in August, so stay tuned!

In other news, Bonds and home loan rates saw some improvement last week after several items...including a profit warning from UPS (a concern since less shipping indicates less sales and continued weakness in the economy), a price increase from Dow Chemical due to the rising cost of energy, weak Consumer Sentiment...caused money to flow from Stocks to Bonds and helped pressure Stocks to what could be their worst June performance since the Great Depression. After all the week's action - and inaction - **Bonds and home loan rates ended the week slightly better than where they began, mostly due to weaker Stocks.**

PREPARATION IS A CRUCIAL PART OF TAKING ACTION...AS THE SAYING GOES, "IF YOU FAIL TO PLAN, THEN YOU PLAN TO FAIL." CHECK OUT THIS WEEK'S MORTGAGE MARKET VIEW TO LEARN A GREAT STEP-BY-STEP PROCESS YOU CAN USE TO PREPARE SUCCESSFULLY FOR ALMOST ANYTHING, FROM ASKING FOR A RAISE TO TAKING A GREAT VACATION.

Forecast for the Week ▶

There's a holiday shortened week ahead, as the financial markets will be closed on Friday in observance of Independence Day. But...there could still be lots of action this week, particularly with the Department of Labor's Jobs Report scheduled for Thursday, just ahead of the long weekend. A positive report could be good news for Stocks, but bad news for Bonds and home loan rates, so it will be especially important to watch all the fireworks that follow the headlines.

Remember when Bond prices move higher, home loan rates move lower...and vice versa. The chart below shows how the action in the Bond market improved last week, helping home loan rates to improve as well. So as always, I will be watching closely during the coming week.

If inflation continues to shake up the markets or if the news on employment is surprisingly good...the action for Bond prices and home loan rates could change direction and worsen.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Jun 27, 2008)



The Mortgage Market View... ▶

The Importance of Preparation

Preparation is a crucial element to success in all your endeavors, be it preparing for an important meeting or an upcoming summer vacation. As Zig Ziglar once said, "You were born to win, but to be a winner, you must plan to win, prepare to win, and expect to win." Ronald Shapiro, author of the New York Times bestseller, *Dare to Prepare: How to Win Before You Begin*, suggests these great steps you can use to prepare for anything. Ask yourself:

What is the objective? Determine where you want to end up before you get started, and make sure you don't just pick the easiest or most obvious result. Make sure your objective ties into your short and long-term goals.

Are there precedents? Look for people who have both failed and succeeded in similar situations and see what and how you can learn from their experiences. If possible and if it makes sense, contact them and see if you can set up an informational interview or lunch to learn more details.

Are there any other scenarios? If you only prepare for your intended outcome, then you won't have a position to fall back on. Determine if there is more than one scenario that you should plan for, or if you should walk away if your intended outcome does not arise.

What's important to other people? Where possible, ask the other people who are involved about their

concerns. This keeps you from assuming you know what matters most to everyone.

What's your time frame? Break down your overall project into small goals and set deadlines for each element so you stay on track while you go. For instance, if you are planning a trip, timeline everything from booking your airfare to making reservations for places to see while you're away.

Can anyone help? If you have people who can help you, ask them to do so! Not only will this make things more manageable, others can also help you see objections or problems that you might not have otherwise noticed.

What do you want to say? If you're preparing for an important meeting or have an important request like asking for a raise or a bargain deal from a salesman, practice first! Outline your main points, create a script, and practice until the words feel normal.

To download a preparation principles checklist, visit http://www.shapironegotiations.com/pdf/PREPARATION_PRINCIPLES_CHECKLIST.pdf.

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 30 – July 04

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. June 30	09:45	Chicago PMI	Jun	48.0	49.6	49.1	HIGH
Tue. July 01	10:00	ISM Index	Jun	49.6		49.6	HIGH
Wed. July 02	08:15	ADP National Employment Report	Jun	28K		40K	HIGH
Wed. July 02	10:30	Crude Inventories	6/28	NA		830K	Moderate
Thu. July 03	08:30	Hourly Earnings	Jun	0.3%		0.3%	HIGH
Thu. July 03	08:30	Average Work Week	Jun	33.7		33.7	HIGH
Thu. July 03	08:30	Unemployment Rate	Jun	5.4%		5.5%	HIGH
Thu. July 03	08:30	Jobless Claims (Initial)	6/28	375K		384K	Moderate
Thu. July 03	08:30	ISM Services Index	Jun	51.5		51.7	Moderate
Thu. July 03	08:30	Non-farm Payrolls	Jun	-50K		-49K	HIGH

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