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Last Week in Review ▶

"IT'S A BEAUTIFUL THING, DIVING INTO THE COOL CRISP WATER." *Olympic Gold Medalist Dawn Fraser.* Diving may be a beautiful sport at the Olympics, but it's not a beautiful thing to watch in the Bond market. And that's exactly what happened last week, as Bonds dove to their worst levels so far this year.

So what caused this belly flop to occur? Once again, inflation was the big culprit. While Bonds and home loan rates did begin the week in rally mode after the Federal Reserve announced that it authorized Fannie Mae and Freddie Mac to borrow directly from the Central Bank if they need additional capital, this confidence boost in the markets was short lived on the heels of important inflation reports.

On Tuesday, the Producer Price Index (PPI) report, which measures prices of goods at the wholesale level, revealed that the year-over-year PPI soared in June, marking the highest year-over-year rate since 1981. Also on Tuesday, the Retail Sales report, which measures the total receipts of retail stores, showed that retail sales increased much less than forecast. This may mean that the boost in sales received from the tax rebates may already be fading as consumers are focusing on paying for essentials...something that Wednesday's news seemed to confirm.

What was Wednesday's news? The important Consumer Price Index (CPI) report, which measures prices paid by consumers like us. It showed that prices overall are up 5% from a year ago, the biggest year-over-year rise since 1991. This probably comes as no surprise as you look at your own monthly expenses, particularly the amount you're likely spending these days on groceries and at the gas pump.

Bond prices and home loan rates continued to worsen through the week as no other news or reports could help them shift course. With inflation and tough overhead technical resistance proving to be strong competitors against any improvement, **home loan rates generally ended the week around .375 percent worse than where they began.**

THE ART OF CREATING SAFE BUT EASY-TO-REMEMBER PASSWORDS FOR ALL OF OUR ACCOUNTS COULD BE LIKENED TO AN OLYMPIC SPORT! CHECK OUT THIS WEEK'S MORTGAGE MARKET VIEW TO LEARN SOME GREAT PASSWORD-CREATION TIPS THAT COULD HELP EARN YOU A PERFECT 10.

Forecast for the Week ▶

Inflation was the big newsmaker last week, and the news this coming week will be focused on the housing market, as both New and Existing Home Sales Reports will be released. It won't be much of a surprise to see some continued sluggishness in the nation's overall housing market.

Also this week will come a look at Durable Goods Orders, which is simply a measure of how many "durable" or non-disposable goods have been purchased during the previous month. Durable goods are those products which are expected to last longer than three years, such as televisions, golf clubs, furniture, office equipment, and cars. With consumables like food and energy taking such a bite out of most people's budget, it will be

interesting to see the level of buying for these types of items...it wouldn't be surprising to see it at somewhat low levels. Additionally, a look at Consumer Sentiment will arrive, with a read on how positive - or not - consumers are feeling about their current and future economic conditions.

Remember when Bond prices move higher, home loan rates move lower...and vice versa. And this week, Bond prices took a very steep dive indeed, causing home loan rates to worsen. The chart below shows how Bonds were pushed sharply lower by the news of the week, and an inability to defeat a strong overhead ceiling of resistance at the 200-day Moving Average. **If this week's news isn't Bond friendly, Bond prices could continue their dive lower, and cause home loan rates to worsen further still...but some negative economic news could pull money out of Stocks and into Bonds, give Bonds a boost higher, and help home loan rates regain some lost ground.**

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Jul 18, 2008)



[The Mortgage Market View... ▶](#)

WHAT'S YOUR MOTHER'S MAIDEN NAME?

Passwords are crucial to accessing your personal accounts and information. The problem is: We all have so many accounts that we worry more about remembering our passwords than we do about making sure they actually protect our data from hackers. So we end up using passwords like our mother's maiden name or child's first name. But even if you add a few numbers to the end, those types of passwords are easy to break. And that means your data isn't safe.

The tips below can help you avoid the most common password pitfalls and even implement a few new ideas that will make your passwords easy to remember...and hard to break!

Strength Training

A well-protected password is not only unique, but also hard to guess. How do you do that? It's pretty simple really. Just follow this advice:

- Use a random string of characters. That means no sequential letters or numbers. None.
- Make it loooong. The longer the better--even up to as many as 10 to 14 characters.

- Switch things up. Use a combination of upper and lower case letters, along with a few numbers mixed in the middle or end.
- Don't use substitutes. Using "@" for "a" or "1" for "l" may look good to you, but most hackers are smart enough to break those substitutes rather quickly.
- Avoid easy targets like words straight out of the dictionary or things like family names and birthdays.

Multiplication Facts

Most of us cheat when it comes to passwords. We have trouble remembering our passwords, so we come up with two or three that we can remember and use them everywhere. But you should avoid the temptation. The fact is, once a password is compromised, all of your accounts are vulnerable. There's no way around it, you need to a way to create and remember multiple passwords--a different one for each account!

Sure-Fire Technique for Memorable, Unique Passwords

For all the advice above, good passwords come down to two things: they're easy for you to remember, and they're hard to break. Implementing the tips above can make your passwords hard to break, but what about remembering them--especially if you have a unique password for every account? Here's a sure-fire tip to help!

1. Think up a phrase. Instead of a common word or family member name, think up a unique phrase that only you know. For example, you may think up something off the wall such as "I Like Short Hair Too."

2. Make it an acronym. In our example, "I Like Short Hair Too" would become ILSHT.

3. Add Complexity. Remember those substitutes you're not supposed to use with dictionary words? Well, you CAN use them with your acronym. For example, "I Like Short Hair Too" can become "1 Like \$hort Hair 2" which makes: 1L\$h2. You can also use upper and lower letters to make it 1L\$h2. The point is to be creative, but in a way that you can easily remember it.

4. Make it unique. A password is only really unique if you use it for one account and one account only. So you can't just use 1L\$h2 for every account. And, in reality it's still too short. Here's the key to the whole process: Mix in additional letters and numbers that are unique to each account. For example, if you're logging into a "gmail account" you can use the "gm" and "@cct" (for acct) to make: 1L\$h2gM@cct. Then, for a Netflix account, you may use: 1L\$h2Nf@cct.

Of course, these are just examples. You'll want to be creative and think up your own acronym and ways to add unique characters for each account. And then keep that little secret to yourself so no one will be able to guess your account passwords.

Follow these simple steps and you'll have passwords that are tough to break, unique to every account, and easy to remember!

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 July 21 – July 25

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. July 21	10:00	Index of Leading Econ Ind (LEI)	Jun	-0.1%	-0.1%	0.1%	Low
Wed. July 23	10:30	Crude Inventories	7/19	NA		2952K	Moderate
Wed. July 23	02:00	Beige Book					HIGH

Thu. July 24	08:30	Jobless Claims (Initial)	7/19	372K	366K	Moderate
Thu. July 24	10:00	Existing Home Sales	Jun	4.95M	4.99M	Moderate
Fri. July 25	08:30	Durable Goods Orders	Jun	0.1%	0.0%	Moderate
Fri. July 25	10:00	Consumer Sentiment Index (UoM)	Jul	NA	56.7	Moderate
Fri. July 25	10:00	New Home Sales	Jun	505K	512K	Moderate

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