



Provided to you Exclusively
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Last Week in Review ▶

EASY COME, EASY GO...Last week, Stocks surged to cross the 14,000 mark on the Dow for the first time ever. But just as the party hats came out, so did a disappointing earnings report from Wall Street darling Google. Suddenly, the Stock that could do no wrong was showing chinks in the armor, and led to fears that other Stocks might follow suit, which caused an across the board sell-off. But every cloud has a silver lining - the money coming out of Stocks was parked over into Bonds. **This helped home loan rates improve from levels hit earlier in the week, and end up about .125% better for the week overall.**

And as if that weren't exciting enough, Fed Chairman Ben Bernanke took center stage last week, speaking to Congress about inflation, housing, and the economic outlook. He stated that although the recent inflation numbers have been moderating, the Fed remains very concerned about inflation. He underscored that they are staying very alert to economic changes and indicators, but based on their continuing concerns over inflation, it certainly appears that there will not be a cut to the Fed Funds Rate in the near future.

Very interesting note about the press: one line of Bernanke's prepared speech that the media focused on and headlined was "the ongoing housing correction might prove larger than anticipated". While this was indeed pulled directly from the text, the full text reads very differently, as Bernanke is saying that while one risk to the outlook is that the housing correction might prove larger than anticipated and impact consumer spending, he goes on to say that consumers have been spending at a very healthy pace of late. Be very cautious about believing the scare tactics that the press uses, as they often take words out of context.

AND THE MEDIA AREN'T THE ONLY ONES WHO TAKE THINGS OUT OF CONTEXT - REPRESENTATIONS MADE BY SOME CHARITABLE ORGANIZATIONS COULD REROUTE YOUR WELL-INTENDED DONATIONS. TO ENSURE YOUR GIFT DOESN'T WIND UP GOING TOWARDS SOME ADMINISTRATORS NEW BMW...READ THIS WEEK'S MORTGAGE MARKET VIEW.

Forecast for the Week ▶

So what's coming around the bend for Bonds and home loan rates this week? The economic calendar will be slimmer than last week's, but will include a look at the housing market with Existing and New Home Sales being reported on Wednesday and Thursday. Stocks may also continue to drive the action in Bonds, as investors will again be closely watching Stock earnings reports this week, and making decisions on where their dollars are best invested - in Stocks or in Bonds.

And of great importance is the technical battle being fought at the 25-day Moving Average. The chart below shows how this line has acted as a tough technical ceiling of resistance, preventing Bond prices from moving higher and helping home loan rates improve. But just last Friday, Bonds managed to muscle higher, and close above the tough technical ceiling which has kept a lid on improvement in home loan rates for the past several months. But will the move above the ceiling be convincing...or is this just a head fake, like we experienced a few weeks ago, before Bonds were forced back lower and home loan rates moved higher?

Bottom line: Bonds are trying to make a move and help home loan rates improve, but their success will depend largely on the flow of money between Stocks and Bonds. If Stock earnings come in strong in the coming week, it's likely that money may flow into Stocks and out of Bonds, and home loan rates will worsen. If Stock earnings are weak, investor money may flow back into Bonds, and help home loan rates improve.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Jul 20, 2007)



The Mortgage Market View... ▶

THEY SAY IT'S BETTER TO GIVE THAN TO RECEIVE...SO MAKE SURE YOU DO IT RIGHT!

Most everyone has received requests from various organizations and charities asking you to donate to their causes. And it sure sounds like a good idea to help disadvantaged children, the local police officers, or help find a cure for cancer. But a call for a donation from the ASPCJ - American Society for the Protection of Cat Juggling - might warrant some further investigation. So how can you tell if the charity that you are considering supporting is legit?

First stop... the web:

Check to see that their website is full of information about their programs, history and goals. Look into the various programs they support, as much of the time you are unable to specify exactly where your contribution will be used. Be extra cautious of organizations with websites that are skimpy or out of date.

Next stop... the IRS:

The IRS maintains a list of all organizations that are classified as charities for purposes of tax deductions. You can search for information on the IRS website by hitting this link: [IRS Charitable List](#).

Avoid a nasty surprise by understanding the type of organization you are contributing to. For example, the Sierra Club is not considered a charity, but rather a lobbying group, and as such, donations to the Sierra Club are not tax deductible. However, donations to the Sierra Club Foundation are tax deductible, as it is the charitable organization arm of the Sierra Club.

Important note - if you plan to make a donation other than money (clothing, household goods, car, etc), you will need to keep careful records of exactly what you donated and its value, as the IRS is cracking down on over-inflated valuations of donated goods. This is especially important if the value exceeds \$5000, in which case an actual appraisal is required.

Final Stop... the report card:

The Better Business Bureau operates a website (www.give.org) that tracks many charitable organizations and grades them on twenty standards. These standards range from the makeup and compensation of the board to

the percentages of their donations that are used for programs vs. administrative and fundraising costs. A charity that you can feel confident in will hit all twenty of the goals, or if they miss one or two benchmarks, will have provided reasonable explanations for this shortcoming.

Some charities - now using the term loosely - hit very few of the goals, or choose not to respond to the BBB's request for information. Reconsider a donation to an organization whose fundraising and administrative expenses will consume the majority of your contributions. In a random sampling, there were several organizations whose actual pass-through to their programs was under ten percent of the total money contributed. It's important that your donations make their way to help those who need it.

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 23 – July 27

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Wed. July 25	10:00	Existing Home Sales	Jun	5.90M		5.99M	Moderate
Wed. July 25	10:30	Crude Inventories	7/20	NA		-449K	Moderate
Wed. July 25	02:00	Beige Book					Moderate
Thu. July 26	08:30	Durable Goods Orders	Jun	2.0%		-2.8%	Moderate
Thu. July 26	08:30	Jobless Claims (Initial)	7/21	310K		301K	Moderate
Thu. July 26	10:00	New Home Sales	Jun	900K		915K	Moderate
Fri. July 27	08:30	GDP Chain Deflator	Q2	3.4%		4.2%	Moderate
Fri. July 27	08:30	Gross Domestic Product (GDP)	Q2	3.2%		0.7%	Moderate
Fri. July 27	10:00	Consumer Sentiment Index (UoM)	Jul	91.5		92.4	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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