



Provided to you Exclusively
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For the week of Jul 30, 2007 --- Vol. 5, Issue 31

Last Week in Review ▶

HOT...OR NOT? Although the heat is on weather-wise in most parts of the US, our recently overheated Stock market suddenly took an icy plunge lower last week. Just as quickly as the Dow had cracked the record level of 14,000, Stocks reversed course and lost 586 points for the week overall. The big cool down was triggered by a few different factors, including several weak Stock earnings reports and continuing concerns about the backlash from the subprime mortgage situation and tightening mortgage credit. And when the mood in the Stock market went sour, it happened fast - Traders and investors unloaded Stocks hand over fist.

But when they sell off Stocks, that money has to get parked somewhere, right? The glad beneficiary of the selling was the Bond market. As money flowed out of Stocks and into Bonds, the Bond market overall enjoyed a move higher with the influx of money, **helping home loan rates stabilize and even improve very slightly.**

FEELING SOME NASTY GAS PAINS? NO, NOT THE KIND THAT CAUSE YOUR FAMILY TO LEAVE THE ROOM AS YOU RUN TO THE MEDICINE CABINET...THE KIND YOU GET AFTER VISITING YOUR LOCAL GAS STATION AND SPENDING A SMALL FORTUNE FILLING THE TANK. CHECK OUT THIS WEEK'S MORTGAGE MARKET VIEW FOR SOME SIMPLE TIPS ON SAVING GAS THIS SUMMER - AND THE REST OF THE YEAR TOO.

Forecast for the Week ▶

So the heat is on - and will stay on for the week ahead. The volatile Stock earnings season continues, and as if that weren't enough, the economic calendar also holds several big potential market movers.

Lots of economic reports are due for delivery this week, including Tuesday's look at the Fed's favorite measure of inflation, the Personal Consumption Expenditure index, and wrapping up with a bang on Friday with the monthly Jobs Report. **If the week's inflation numbers meet or are lower than expectations while the data for the economy is worse than expected, Bond prices should continue their recent upward trend and home loan rates will improve. However, if the reports reek of inflation or an overheated economy, Bond prices could quickly lose their recent gains, and home loan rates will worsen.**

The chart below shows how Bonds moved higher over the past week - and remember, when Bonds move higher, home loan rates move lower. And if the news is cooperative, they might just continue their climb, as the Stochastic Oscillator shows continued buying pressure for Bonds. The what?? Although it may sound like some invention created by a green dog in a Dr. Seuss book, the Stochastic Oscillator can actually be a very telling measure of upcoming trends, in this case for Bonds and home loan rates. The lower part of the chart below shows how the Stochastic Oscillator simply indicates if there is more buying or selling pressure for Bonds, and also can indicate when Bonds are "overbought" or "oversold", and ripe to reverse. For now, it tells us that Bond buying is on the rise - and if this continues, will help Bond pricing get higher and home loan rates improve.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Jul 27, 2007)



The Mortgage Market View... ▶

DON'T JUST BEAT THE SUMMER HEAT - BEAT THE GAS PRICE HIKES

Summer fun is in full effect! But before you can enjoy that vacation spot or weekend getaway, you have to actually get there--and with today's high gas prices, that can be ultra expensive. Before you hit the road, make sure you take a few simple steps to operate more fuel efficiently...and save some serious cash.

- **Put a Lid on It.** Did you know that a bad seal on your gas cap could allow as much as 30 gallons of gas to evaporate over the course of a year? Before you leave the pump, make sure you tighten the cap completely. And if you notice that the rubber seal on the cap is beginning to wear out or crack, replace it--this minimal investment will pay dividends down the road.
- **Don't Just Kick the Tires...Check Them!** Underinflated tires are one of the most common reasons for poor gas mileage. If your tires are underinflated by just 20%, your gas mileage can drop by as much as 15%. That means you'd be getting two to three miles LESS per gallon...which leads to filling up sooner and paying at the pump more often than you need to.
- **Take a Load Off.** For every 100 pounds of unwanted weight your car carries, your fuel economy drops up to 2%. Shedding that unwanted poundage--including golf clubs, bike racks, and tools--can save you the equivalent of three to six cents per gallon! So check your trunk and empty out any unnecessary items.
- **Ease on Down the Road.** Remember, unnecessary stops and starts, as well as aggressive acceleration can overshadow all of the good tips on this list--so take it easy on your gas pedal. You'll also want to use your cruise control wisely. For instance, turn off cruise control when climbing steep hills to stop your car from automatically cranking up to maintain its speed. And, leave your cruise control off when you go down the other side of that steep hill--your car doesn't understand gravity as well as you do and, therefore, won't take advantage of the downhill momentum.
- **Give It Some Air.** Believe it or not, replacing a clogged air filter can improve your car's gas mileage by as much as 10%! Not only will replacing a dirty air filter save gas, it will protect your engine.

- **Consider Using Overdrive Gears.** By using the overdrive gears, you can reduce your car's engine speed...which means you'll save gas and reduce engine wear at the same time.
- **Stop Idling.** Finally, if you're sitting still for longer than a minute, you should consider shutting down the car. Idling endlessly reduces gas mileage and wastes precious fuel you could be using to get across town.

By following these simple tips, you'll be taking better care of your car...and your wallet!

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 30 – August 03

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. July 31	08:30	Personal Income	Jun	0.5%		0.4%	Moderate
Tue. July 31	08:30	Personal Spending	Jun	0.1%		0.5%	Moderate
Tue. July 31	08:30	Personal Consumption Expenditures and Core PCE	Jun	0.2%		0.1%	HIGH
Tue. July 31	08:30	Personal Consumption Expenditures and Core PCE	YOY	2.0%		1.9%	HIGH
Tue. July 31	08:30	Employment Cost Index (ECI)	Q2	1.0%		0.8%	HIGH
Tue. July 31	09:45	Chicago PMI	Jul	59.0		60.2	HIGH
Tue. July 31	10:00	Consumer Confidence	Jul	105.0		103.9	Moderate
Wed. August 01	10:00	ISM Index	Jul	55.5		56.0	HIGH
Wed. August 01	10:30	Crude Inventories	7/27	NA		- 1103K	Moderate
Thu. August 02	08:30	Jobless Claims (Initial)	7/28	315K		301K	Moderate
Fri. August 03	08:30	Non-farm Payrolls	Jul	135K		132K	HIGH
Fri. August 03	08:30	Unemployment Rate	Jul	4.5%		4.5%	HIGH
Fri. August 03	08:30	Hourly Earnings	Jul	0.3%		0.3%	HIGH
Fri. August 03	08:30	Average Work Week	Jul	33.9		33.9	HIGH
Fri. August 03	10:00	ISM Services Index	Jul	59.5		60.7	Moderate

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