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For the week of Aug 11, 2008 --- Vol. 6, Issue 33

### Last Week in Review ▶

**"PERSEVERANCE IS A GREAT ELEMENT OF SUCCESS." Henry Wadsworth Longfellow.** Despite strong opposing forces in the early part of the week, **Bonds and home loan rates persevered like the greatest Olympian athletes, and were able to end the week in a similar position to where they began.**

Remembering that inflation is the arch-enemy of Bonds and home loan rates, bad news on the inflation front caused Bonds and home loan rates to worsen Monday as the Personal Consumption Expenditure Index indicated that inflation climbed 0.8% in June, the highest monthly jump in 27 years. Not a huge surprise, given how energy and commodity prices soared in June.

Despite these inflationary pressures, the Fed announced on Tuesday that they have decided to keep the Fed Funds Rate at 2%, and released a statement that hinted they may not raise the Fed Funds Rate in the near future. Why did the Fed do this? The Fed is trying to balance a slowing economy and the threat of inflation, and while raising rates could help fight inflation, it could also slow the economy even more than it is now. The Fed is hoping that keeping the Fed Funds Rate unchanged will help boost the economy, without fanning the fires of inflation. Since this decision kept the fears of inflation strong, Bonds and home loan rates worsened as a result.

However, Bonds and home loan rates persevered and managed to rally like champions later in the week on the heels of several reports. Causing money to flow from Stocks over to Bonds were a far worse than expected Initial Jobless Claims report and Wal-Mart's announcement that sales are expected to slow in August. Since inflation remains one of the strongest opponents for Bonds and home loan rates, I will continue to monitor this closely.

**THE LOSS OF A LOVED ONE IS ONE OF THE MOST CHALLENGING EXPERIENCES OF LIFE. CHECK OUT THIS WEEK'S MORTGAGE MARKET VIEW FOR IMPORTANT INFORMATION THAT CAN HELP YOU PERSEVERE AND MAKE GOOD DECISIONS DURING A VERY CHALLENGING TIME.**

### Forecast for the Week ▶

This week, several reports will show us whether or not inflation is getting hotter. Thursday's Consumer Price Index (CPI) report will show us inflation at the consumer level - that is, how much more expensive goods and services are for consumers this month over last month. If CPI shows that inflation is growing, Bonds and home loan rates may reverse course and worsen quickly.

But before the inflation news hit the wires, another market mover will likely be Wednesday's Retail Sales Report, which will show us the total receipts of retail stores. Changes in these numbers are closely followed as a timely indicator of broad consumer spending patterns. This month's report may show us if spending that had been aided by the Economic Stimulus Package has started to wane. Remember: A strong Retail Sales Report would be good for the Stock market - which stands to reason, as it would indicate continued consumer confidence and dollars being poured into the economy. But a strong Retail Sales Report would be bad news for Bonds and home loan rates, as money that pours over into an improving Stock market would be coming out of Bonds, and

would in turn cause home loan rates to worsen.

Remember when Bond prices move higher, home loan rates move lower...and vice versa. As you can see in the chart below, Bonds ended the week on a positive note, but are now facing a "ceiling of resistance" overhead that might shut down any further improvement. Like an Olympian faced with a barrier, Bonds will need a boost to break through a tough ceiling that has halted advances on five occasions in the past few weeks. **The nature of the reports will determine whether Bonds and home loan rates can make more improvements, or reverse from the overhead ceiling and worsen.**

**Chart: Fannie Mae 6.0% Mortgage Bond (Friday Aug 08, 2008)**



[The Mortgage Market View... ▶](#)

### Avoiding Scams During the Loss of a Loved One

The loss of a loved one is never an easy experience for a family, and people are often understandably distracted and overwhelmed with things to take care of. Unfortunately, scam artists often use the obituaries in the newspaper as a way to target potential victims.

Here are some tips to help you or your loved ones avoid scams during times of loss:

**Protect Your Home:** If funeral service dates and locations are listed in the newspaper obituary, scam artists will be able to tell when you will be away from home. And with friends and relatives visiting to pay their respects, neighbors may assume someone entering your house has permission to do so. To be safe, either ask a friend or neighbor to house sit while you're away, or let your neighbors know your plans so they can look out for suspicious visitors.

**Know Who's Calling:** If you have caller ID on your home phone, make good use of it and don't answer calls from unknown numbers. This will help you avoid calls from companies or individuals who are running cons. Remember: Any companies or people who pressure you during difficult times probably aren't looking out for

your best interests.

**Be Mindful of What You Pay:** As you are going through papers, pay all bills that you know are legitimate like the mortgage, utilities, credit cards, and car payments. Do not pay anything from unknown parties or companies, including invoices, investment opportunities, calls for orders placed, or calls for money owed.

**Get a Second Opinion:** Sorting through paperwork can be overwhelming during times of loss. Consider asking a friend, family member, or even a trusted professional like an accountant or attorney to review any invoices or claims before you send a payment.

If you ever have any mortgage or financial questions regarding an estate, please let me know how I can help 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 August 11 – August 15**

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. August 12	08:30	Balance of Trade	Jun	-\$61.9B		-\$59.8B	Moderate
Wed. August 13	08:30	Retail Sales	Jul	0.5%		0.1%	HIGH
Wed. August 13	08:30	Retail Sales ex-auto	Jul	0.6%		0.8%	HIGH
Wed. August 13	10:30	Crude Inventories	8/09	NA		1614K	Moderate
Thu. August 14	08:30	Jobless Claims (Initial)	8/09	NA		455K	Moderate
Thu. August 14	08:30	Core Consumer Price Index (CPI)	Jul	0.2%		0.3%	HIGH
Thu. August 14	08:30	Consumer Price Index (CPI)	Jul	0.4%		1.1%	HIGH
Fri. August 15	08:15	Empire State Index	Aug	-5.0		-4.9	Moderate
Fri. August 15	09:15	Capacity Utilization	Jul	79.8%		79.9%	Moderate
Fri. August 15	09:15	Industrial Production	Jul	0.0%		0.5%	Moderate
Fri. August 15	10:00	Consumer Sentiment Index (UoM)	Aug	62.0		61.2	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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