


THE MORTGAGE MARKET GUIDE
WEEKLY
Keeping You on the Cutting Edge


Provided to you Exclusively

 By **Foster Weeks**

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Last Week in Review ▶

"THE FIRST THING A HURDLER LEARNS...IS HOW TO FALL." Tonie Campbell, 1988 Olympic Bronze Medalist, 110m Hurdles. And that's a lesson Bonds and home loan rates have now learned, too. After finally leaping over a big technical hurdle called the 50-day Moving Average (a moving average is the average closing price of a financial instrument over a given time period) for the first time in weeks, Bonds and home loan rates then quickly plunged to some of their worst levels of the week.

So what happened? Bonds and home loan rates began the week facing a tough inflation hurdle, when the Producer Price Index (PPI) came in at the biggest year-over-year increase in 27 years. The Core PPI, which excludes volatile food and energy prices, also came in at the biggest year-over-year increase since 1991. However, the recent drop in oil prices kept the topic of inflation from being too high a hurdle for Bonds and home loan rates, and they managed to leap above the 50-Day Moving Average to some of their best levels in weeks on Wednesday.

However, the quick rise in Bond prices pushed them into "overbought" territory, which pulled the reins back on their momentum. Combining this with Friday's news that the Korea Development Bank may be interested in acquiring Lehman Brothers - which added confidence to the financial sector, causing traders to move money from Bonds into Stocks - caused Bonds and home loan rates to stumble and end the week only slightly improved than where they began.

WONDERING IF YOUR BANK DEPOSITS ARE FULLY PROTECTED? CHECK OUT THIS WEEK'S MORTGAGE MARKET VIEW TO MAKE SURE YOU AREN'T FACING ANY UNEXPECTED HURDLES!

Forecast for the Week ▶

And if any improvement is in store, Bonds and home loan rates will again have several big obstacles to face this week. Right off the bat, we will get a read on the housing market as the Existing Home Sales report will be released on Monday followed by the New Home Sales Report on Tuesday. Also on Tuesday, the minutes of the Fed's latest meeting will be released, and it will be important to see if any comments about inflation will cause Bonds and home loan rates to trip up.

And more hurdles still will follow in the last half of the week. On Thursday, the Gross Domestic Product (GDP) Report will be released and on Friday we will get the details on the Fed's favorite gauge of inflation, the Core PCE (Personal Consumption Expenditure) data, from the Personal Income report. If either of these reports show inflation as a big barrier looming ahead, Bonds and home loan rates may not be able to regain any headway before the markets close early on Friday at 2:00 pm in advance of the Labor Day holiday weekend.

Remember when Bond prices move higher, home loan rates move lower...and vice versa. As you can see in the chart below, Bonds and home loan rates managed to stay above the 50-Day Moving Average line despite the losses they incurred. I will be watching to see if Bonds and home loan rates can surpass additional hurdles and regain some ground this week.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Aug 22, 2008)



[The Mortgage Market View... ▶](#)

The Low Down on FDIC Insurance

After last month's failure of California-based IndyMac Bank, many people have wondered how safe their accounts really are. While the Federal Deposit Insurance Corp. (FDIC) guarantees most bank deposits, here are some important details to remember.

What types of accounts are covered?

The FDIC protects checking and savings accounts, certificates of deposits (CDs), Christmas club accounts, and money-market savings accounts. However, Stocks, Bonds, and mutual fund shares...even those purchased through an FDIC bank...are not protected.

What are the limits of FDIC insurance?

Bank accounts that have less than \$100,000 in them and certain retirement accounts (IRAs held in CDs and money market accounts) that have less than \$250,000 are fully protected by the FDIC even if the bank fails. If you want to exceed these account limits, you can keep your deposits fully protected by:

1. Dividing your money among several different bank companies. Note that dividing your money among several different branches of the same bank does not guarantee full protection.
2. If you prefer to keep your money in the same bank company, you can still be fully protected if you divide your money among various "ownership categories". Ownership categories include a personal account in your name, a personal account in your spouse's name, a joint account co-owned by you and someone else, and a trust account that names someone other than you as a beneficiary.

What are some common ways customers end up with uncovered deposits?

If you purchase a CD through an investment broker, this CD will often be placed with a bank at which you already have an account. If the CD and your other accounts exceed the \$100,000 limit, you may not be full protected. Before purchasing CD's through a broker, ask where they will be placed.

In addition, keep track of the interest your accounts earn so you don't exceed the limits this way.

What will happen if your bank fails?

In most cases, depositors can fully access their funds by the next business day. Typically, failed banks are closed on Fridays, and funds are available by the following Monday. People can also usually use their ATM cards and write checks over that weekend as well. And for customers whose accounts exceeded the FDIC limit, all hope is not lost. Though this amount has varied, they can generally expect to recover 70 cents on the dollar of their uncovered funds after the bank's assets are sold.

The good news is that the vast majority of US banks are secure, but the above information will help you stay fully protected.

For more information, visit www.fdic.gov.

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 25 – August 29

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. August 25	10:00	Existing Home Sales	Jul	4.90M	5.00M	4.85M	Moderate
Tue. August 26	10:00	Consumer Confidence	Aug	53.0		51.9	Moderate
Tue. August 26	10:00	New Home Sales	Jul	523K		530K	Moderate
Tue. August 26	02:00	FOMC Minutes	8/5				HIGH
Wed. August 27	08:30	Durable Goods Orders	Jul	0.1%		0.8%	Moderate
Wed. August 27	10:30	Crude Inventories	8/23	NA		9390K	Moderate
Thu. August 28	08:30	GDP Chain Deflator	Q2	1.1%		1.1%	HIGH
Thu. August 28	08:30	Jobless Claims (Initial)	8/23	NA		NA	Moderate
Thu. August 28	10:00	Gross Domestic Product (GDP)	Q2	2.7%		1.9%	Moderate
Fri. August 29	08:30	Personal Income	Jul	-0.1%		0.1%	Moderate
Fri. August 29	08:30	Personal Spending	Jul	0.3%		0.6%	Moderate
Fri. August 29	08:30	Personal Consumption Expenditures and Core PCE	YOY	NA		2.3%	HIGH
Fri. August 29	08:30	Personal Consumption Expenditures and Core PCE	Jul	NA		0.3%	HIGH
Fri. August 29	09:45	Chicago PMI	Aug	49.9		50.8	HIGH
Fri. August 29	10:00	Consumer Sentiment Index (UoM)	Aug	62.3		61.7	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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