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For the week of Sep 17, 2007 --- Vol. 5, Issue 38

### Last Week in Review ▶

**"THE BEST WAY TO MAKE MONEY IS TO AVOID LOSING IT." Yogi Berra** Yep, it is hard to go broke taking profits off the table...and this is exactly what Bond Traders did last week, pressuring Bond prices lower and **causing home loan rates to rise by about .125%**, as money moved out of the Bond Market.

Remember that conforming home loan rates are tied to Bonds or "Mortgage Backed Securities" - so when Traders sell off Bonds, it causes the Bond price to go down, which in turn causes home loan rates to rise. And although most of last week's economic news was "Bond-friendly", and should have resulted in higher Bond prices and lower home loan rates, Bond Traders decided to sell some holdings and lock in their recent gains instead, ahead of what could be a volatile week of market action.

The Federal Reserve is meeting this coming week, and will release their highly anticipated Interest Rate Decision and Policy Statement on Tuesday at 2:15pm ET. So do you know what is expected from the Fed, and how their actions might save you money right away? Read on and learn, in the upcoming Forecast for the Week.

**SPEAKING OF SAVING MONEY...DO YOU KNOW WHY MARCH IS THE BEST MONTH TO BUY A TELEVISION? DON'T MISS LEARNING THIS AND MORE IN THE MORTGAGE MARKET VIEW. YOU'LL GET THE SCOOP ON TIMING YOUR PURCHASES TO SAVE THE MOST, EVEN ON GAS, CLOTHING, AND FURNITURE.**

### Forecast for the Week ▶

The economic calendar thickens up considerably this week, giving a read on manufacturing, inflation and housing...but many of these reports will take a back seat to the Fed's Policy Statement and Interest Rate Decision, to be released on Tuesday afternoon. Traders are forecasting a 100% chance of a Fed rate cut. About half the traders are expecting a cut of ¼%, and the others expecting a cut of ½%. Of perhaps greater importance is tone of their highly analyzed Policy Statement. Comforting words about inflation will help bonds and home loan rates.

Remember that a cut to the Fed Funds Rate would impact the Prime Rate, which affects Home Equity Lines of Credit, credit cards, business loans, car loans and the like - but does NOT have a direct correlation to home loan rates. For example, if the Fed should cut the Fed Funds Rate by .25%, you would likely see a change to your Home Equity Line of Credit by .25%, if it is tied to the Prime Rate as most are - but do not expect regular home loan rates to drop correspondingly, as the Fed's take on inflation will guide the way.

Stock prices have a history of doing well after the Fed begins to cut rates. Since 1985, there have been seven

initial rate cuts by the Fed. During the year following the initial Fed rate cut, the S&P 500 has gained an average of +13.7%.

**Chart: Fannie Mae 6.0% Mortgage Bond (Friday Sep 14, 2007)**



**The Mortgage Market View... ▶**

**TIMING IS EVERYTHING...ESPECIALLY WHEN IT COMES TO SAVING CASH!**

Did you know that the fiscal year for Japanese companies ends in March? Do you care? You SHOULD...if you want the best deal on a new television for your home theater system.

That's because new models and products are scheduled for release at the beginning of the new fiscal year--which for Japanese electronics companies is April. And the release of the new models means...you guessed it...huge discounts on the previous year's models. So if you're shopping for a television, stereo or other electronics, your best bet is to watch for sales in spring.

**Looking for Even More Savings?**

You can save on just about every item you need...if you know what season or day of the week to purchase it. Below are some tips to help you save the most on your shopping list.

**Airplane Tickets:** Your best chance for saving is Wednesday morning. That's because airlines introduce their savings over the weekend and during the first few days of the week, subtle price wars begin. By early Wednesday, the savings have usually hit their peak...and there are still plenty of seats left for you to capitalize on.

**Furniture:** Unless you need to replace your sofa or dining room table right away, those "HUGE" weekend and holiday sales aren't the best time to buy. Instead, you should plan ahead and do your furniture shopping in October or April. That's when new lines of furniture are unveiled at industry trade shows...which means you can save big on the in-store stock that needs to be sold before the new inventory takes a seat on the showroom floor.

**Cars:** You probably already know that you can save on car purchases in early fall when new models are released and the current models go on sale. And you may also know that your best chance to negotiate a better price is at the end of a month when car dealers need to make their monthly quotas. But did you know you can drive home a great deal early in the week, especially during the morning? At that time, the dealerships aren't overflowing with shoppers like they are on the weekend, so you'll get more personalized attention. Plus, salespeople are more likely to negotiate when they don't have three or four other buyers waiting in the wings to pay full price.

**Gas:** We've all seen gas prices jump as travel weekends approach. It's a common occurrence...but it can be avoided. Whether you're planning to travel or not, the best time to top-off your tank is early Thursday morning. Then, watch the prices rise and calculate your savings!

**Toys:** The winter holiday season is a no-brainer for toy sales. But you can also save some serious dollars at the end of summer. Think about it...department stores only have so much room to store their merchandise. And by the end of the summer, they're starting to stock up for the big holiday push...which means they have to get rid of their current inventory of fun. So for savings of 60 percent off and more, try toy shopping as summer winds down in August.

**Clothing:** By the time the weekend rolls around, just about every dressing room is filled...and the best deals have been picked over already. Why? It's simple. With the large number of special promotions to be marked and shelves to be stocked, most clothing stores get started early. And savvy shoppers, like you, can get the best deals and the best selection by Thursday evenings. As an added bonus, the stores, dressing rooms, and checkout lines aren't nearly as crowded--so you save on stress too!

**The moral of the story--plan ahead on your purchases and you'll be rewarded! And be sure to forward on this article to your family, friends, and coworkers too - they'll thank you for 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 September 17 – September 21**

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. September 17	08:30	Empire State Index	Sept	18.0	14.7	25.1	Moderate
Tue. September 18	08:30	Producer Price Index (PPI)	Aug	-0.1%		0.6%	Moderate
Tue. September 18	08:30	Core Producer Price Index (PPI)	Aug	0.1%		0.1%	Moderate
Tue. September 18	02:15	FOMC Meeting					HIGH
Wed. September 19	08:30	Building Permits	Aug	1350K		1373K	Moderate
Wed. September 19	08:30	Housing Starts	Aug	1360K		1381K	Moderate
Wed. September 19	08:30	Core Consumer Price Index (CPI)	Aug	0.2%		0.2%	HIGH
Wed. September 19	08:30	Consumer Price Index (CPI)	Aug	0.0%		0.1%	HIGH
Wed. September 19	10:30	Crude Inventories	9/14	NA		-7011K	Moderate

Thu. September 20	12:00	Philadelphia Fed Index	Sept	2.0	0.0	HIGH
Thu. September 20	08:30	Jobless Claims (Initial)	9/15	320K	319K	Moderate
Thu. September 20	10:00	Index of Leading Econ Ind (LEI)	Aug	0.0%	0.4%	Low

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