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For the week of Sep 24, 2007 --- Vol. 5, Issue 39

Last Week in Review ▶

MEASURE TWICE...CUT ONCE. And like this old saying advises, Fed Chairman Ben Bernanke and his Federal Open Market Committee probably measured their decision quite a few times before making their recent .50% cut to the Fed Funds Rate. But if the Fed's history of making cuts and hikes in cycles continues - this cut is probably not a "one and done".

Here's what the Fed had to say as they announced the cut: ***"Economic growth was moderate during the first half of the year, but the tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth more generally. Today's action is intended to help forestall some of the adverse effects on the broader economy that might otherwise arise from the disruptions in financial markets and to promote moderate growth over time."*** This means that the Fed will take whatever steps are necessary in terms of rate cuts to try and prevent a possible recession, so long as inflation remains in check.

Initially, both Stocks and Bonds rallied on the comforting words from the Fed - but as Bond Traders analyzed the potential future impact of the Fed cut over the following days, they started selling off Bonds with both hands, **causing fixed home loan rates to rise by .125 to .25%, actually higher than where they stood before the Fed Rate Cut.** What happened?

Traders realized that a Fed Funds Rate cut could encourage increased spending by consumers and businesses, as borrowing costs will now be cheaper for Home Equity Lines of Credit, consumer loans like car loans and credit cards, and business loans as well. In turn, increased spending can translate into increased inflation in the long run - and inflation is bad news for Bonds. Bonds deliver a fixed rate of return, and the value of that return is eroded by inflation. So Bond Traders sold, the price of Bonds moved lower, and home loan rates moved higher as a result. Counterintuitive to many...but its reality, and now you understand what many do not - including much of the mainstream media.

AND WHILE THE FED MAKES A BID FOR LOWER RATES, EBAY SELLERS HOPE TO SELL TO THE HIGHEST BIDDER. WHAT ARE SOME OF THE HOTTEST TIPS TO GAIN THE MOST AND HIGHEST OFFERS WHEN SELLING ON EBAY? READ THIS WEEK'S MORTGAGE MARKET VIEW.

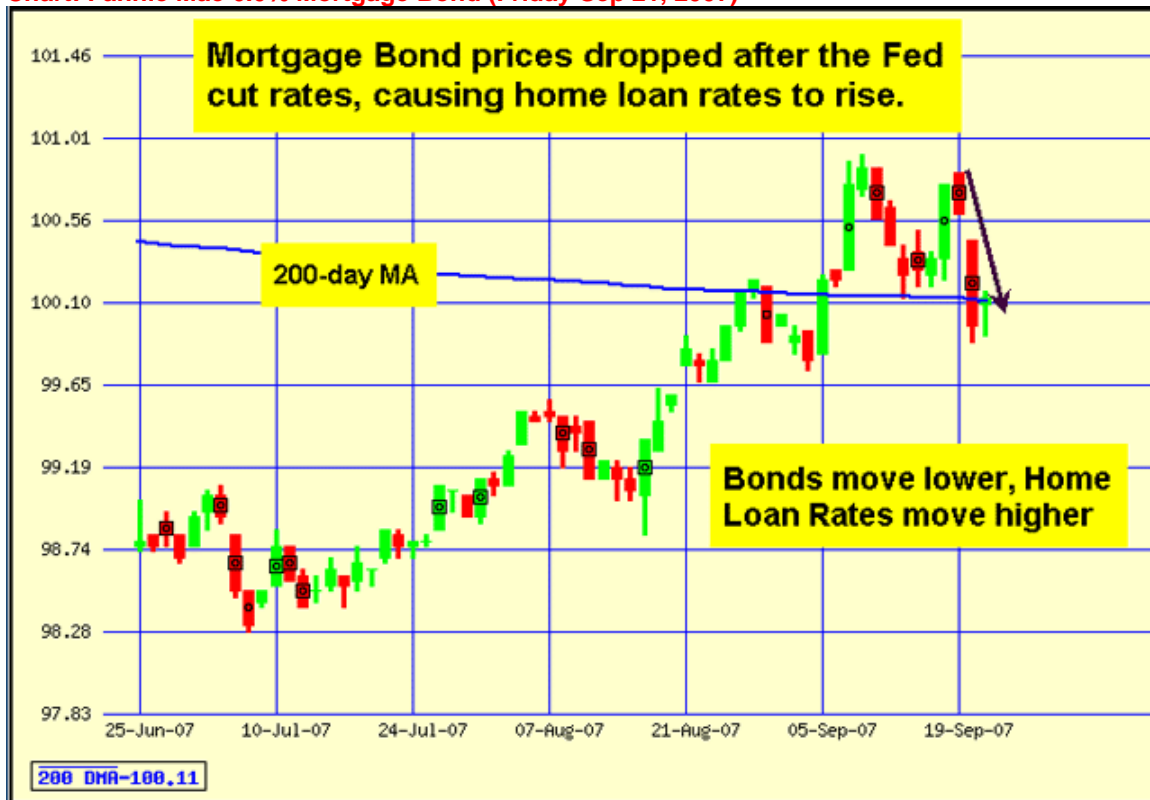
Forecast for the Week ▶

An action packed economic calendar is ready to unfold for the week, with a look at Consumer Confidence and Sentiment, New and Existing Home Sales, GDP, Manufacturing - you name it, this week has got it. But many of the week's reports will pale in comparison to Friday's big enchilada, the highly anticipated Personal Consumption Expenditure (PCE) Index. Why is it so important? Because this is the report the Fed watches most carefully to gauge consumer inflation.

And we know that the Fed feels inflation is presently under control, giving them the green light for the recent cut to the Fed Funds Rate. So will this important report show a tame read on inflation, and confirm the Fed's move to cut? Fed Chairman Bernanke and his fellow inflation-fighters at the Fed certainly hope so. **Inflation-hating Bonds would also appreciate news of soft inflation, and home loan rates could improve as well.** But what if the report shows stronger than expected consumer inflation? If it does, **inflation-hating Bonds will react negatively, and home loan rates will move higher in response.**

The chart below shows how Bond prices are fighting to stay above the 200-day Moving Average, which could continue to act as a nice "floor of support" if Bonds can hold their ground. Remember that when Bond prices move higher, home loan rates improve...so staying above this floor of support would be a very positive sign. But with the plethora of economic news and headlines arriving during the coming week, capped off by Friday's high impact PCE, Bond pricing and home loan rates will likely continue on their volatile path.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Sep 21, 2007)



The Mortgage Market View... ▶

GOING ONCE...GOING TWICE...SOLD ON EBAY!

The garage sale season is coming to an end, but if you haven't had a chance to clean out your closets or spare rooms yet, don't fret. One of the most powerful sales is taking place right this minute...actually every minute of every day...on eBay!

The online auction site has quickly become a convenient way for consumers to buy the goods they're looking for--and for sellers to actually make money by auctioning off items they don't need or want. Even though listing and selling items may be easy, the tips below can help you increase the number and size of the bids you receive!

What You See Is What You Get. Believe it or not, many buyers won't even look at your ad if you don't provide a picture of it...they still want to see what they're buying. To increase your number of potential bidders, make sure you include a quality photo for every item you're selling.

How Low Can You Go? It sounds a little counter-intuitive, but the lower you start the bidding, the more money you may get. In fact, starting the bidding at 99 cents--versus a dollar or more--attracts a larger number of bidders. This larger pool has two powerful impacts. First, the more bidders you have, the more new bidders will be drawn to your ad, believing that you've got a red-hot item. Second, many bidders will continue the bidding game once they've begun it, which means they may bid more in their third or fourth round than they would have been willing to offer if you started that high in the first place. Finally, remember that your profit isn't just determined by how much you sell your item for...you also have to consider how much you will have to spend in order to sell it. By listing your item at 99 cents, you'll qualify for the lowest eBay listing fee.

Don't Get Carried Away With Shipping. In order to receive an item, the buyer must pay for shipping in addition to the winning bid amount. Those shipping fees aren't determined by the post office...they're actually determined by you. To make sure you don't drive buyers away, clearly list the shipping fees that apply. And don't get greedy and run up those fees. Smart shoppers will know you're trying to take advantage of them and they'll walk away. So, be clear and be fair!

Consider the Alternatives. Potential buyers will find your ad through searches. To make it easier for them to find it, consider alternative spellings--such as "videogame" and "video game." Also, once buyers find your ad they may have questions. To make sure they can contact you, consider providing a second e-mail address, in case your primary one is only checked while you are at work.

Everybody Loves Options. Some buyers prefer paying for their online purchases through a secure Internet payment service; others prefer using credit cards. Increase the number of bidders interested in your item by offering a variety of payment options.

Know When to Post 'Em and When to Hold 'Em. The day that you post your ad makes a difference. For instance, if you post a 10-day ad, the best day is Thursday. That way, your auction will end on a Sunday...which happens to be a big day for eBay bidding. Plus, your ad will be up for two full weekends, thus increasing your exposure on active bidding days. If you're getting ready to list an item, take a minute to consider how the listing day will impact your sale. It's better to wait a few days and get a better price in the long run, rather than rush into a situation that might mean fewer--and consequently lower--bids.

Follow these tips, start off small and work your way up to more expensive items, and have fun watching buyers bid!

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 24 – September 28

	Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
	Tue. September 25	10:00	Consumer Confidence	Sept	104.5		105.0	Moderate
	Tue. September 25	10:00	Existing Home Sales	Aug	5.55M		5.75M	Moderate
	Wed. September 26	08:30	Durable Goods Orders	Aug	-2.5%		5.9%	Moderate
	Wed. September						-	

26		10:30	Crude Inventories	9/21	NA	3874K	Moderate
Thu. 27	September	08:30	Gross Domestic Product (GDP)	Q2	3.9%	4.0%	Moderate
Thu. 27	September	08:30	GDP Chain Deflator	Q2	2.7%	2.7%	Moderate
Thu. 27	September	08:30	Jobless Claims (Initial)	9/22	315K	311K	Moderate
Thu. 27	September	10:00	New Home Sales	Aug	830K	870K	Moderate
Fri. 28	September	08:30	Personal Income	Aug	0.4%	05%	Moderate
Fri. 28	September	08:30	Personal Spending	Aug	0.4%	0.4%	Moderate
Fri. 28	September	08:30	Personal Consumption Expenditures and Core PCE	Aug	0.2%	0.1%	HIGH
Fri. 28	September	08:30	Personal Consumption Expenditures and Core PCE	YOY	1.8%	1.9%	HIGH
Fri. 28	September	09:45	Chicago PMI	Sept	53.5	53.8	Moderate
Fri. 28	September	10:00	Consumer Sentiment Index (UoM)	Sept	84.0	83.8	Moderate

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