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For the week of Oct 01, 2007 --- Vol. 5, Issue 40

### Last Week in Review ▶

**"ONE WAY TO AVOID MISINFORMATION IS TO AVOID PROVIDING ANY INFORMATION." St. Louis Federal Reserve President William Poole** And while that may be true, the markets are hoping for a bit more guidance from the Fed, including Fed Pres William "Everyone Into The" Poole.

The Bond market and home loan rates were fairly tame for the bulk of the week, but had picked up a little steam on Thursday following the US Treasury's auction of \$13 billion in five-year notes that afternoon. The Treasury auction showed strong foreign demand and heavy buying by large institutional investors - and anytime demand is strong, pricing moves higher; so as Bond pricing moved higher, conforming home loan rates improved.

Then along came Friday, when the Bond market and home loan rates gave back the ground they had previously gained. What happened? Things started off well on Friday morning, when the important, inflation-measuring Personal Consumption Expenditure (PCE) Index arrived inline with expectations. The Report indicated that inflation appears to be under control which is good news for inflation hating Bonds and home loan rates.

But on Friday afternoon, a parade of Federal Reserve speeches provided some contradictory comments that spooked the markets - apparently not taking Fed President Poole's advice that sometimes no information is good information. San Francisco Fed President Janet "Always" Yellen raised her voice on inflation, renewing worries for a Bond market that hates inflation. **Bond prices and home loan rates worsened in response, losing the ground they had gained the day before...and ending up quite close to where they began the week overall.**

**BOND TRADERS HAVE CERTAINLY BEEN WORKING FOR A LIVING, WITH ALL THE ACTION OF LATE...AND THE WORKLOAD IS SURE TO PICK UP IN THE COMING WEEK WITH THE ARRIVAL OF THE HIGH IMPACT JOBS REPORT. ALL THIS TALK OF JOBS AND WORKING MAKE YOU YEARN TO CALL YOUR OWN SHOTS AND JOIN THE RANKS OF THE SELF-EMPLOYED? IF SO, DON'T MISS THIS WEEK'S MORTGAGE MARKET VIEW.**

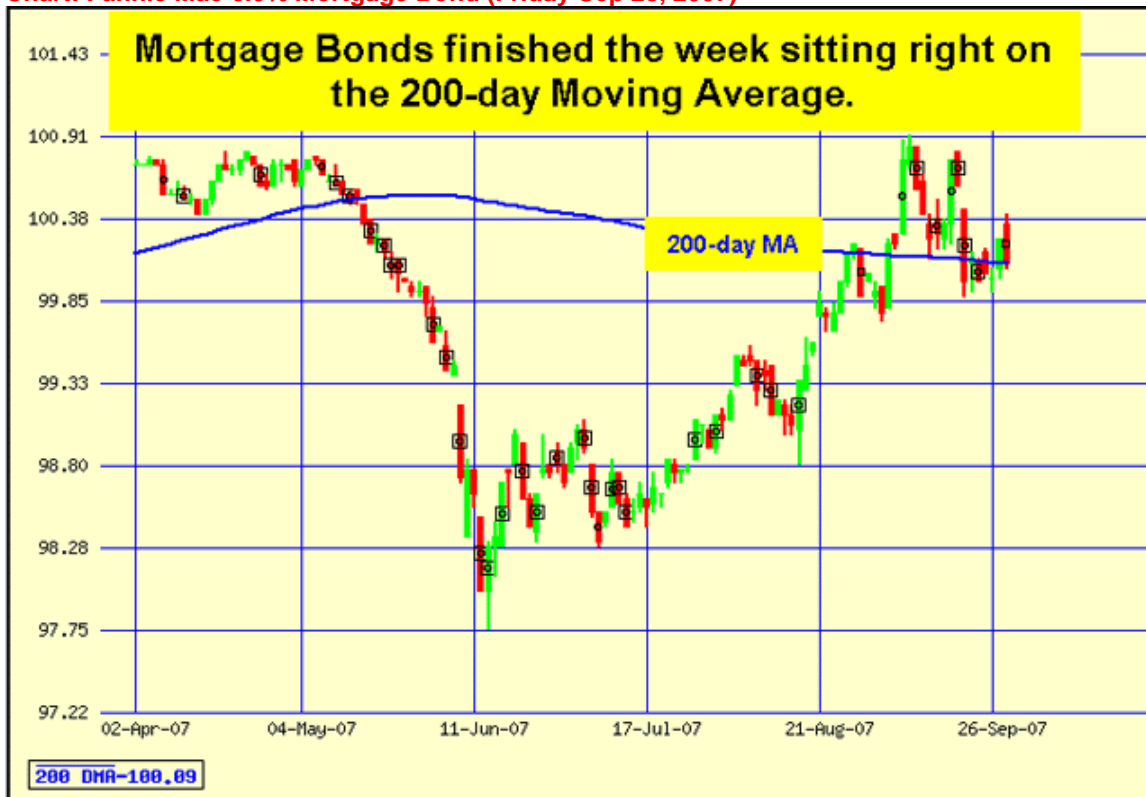
### Forecast for the Week ▶

The month's most important Report is about to be released...That's right, and notice the whispers about this Friday's monthly Jobs Report. Remember last month's Jobs Report arrived as quite a surprise...economists were expecting around 110,000 new jobs being added for the month, but were shocked and demoralized to see a net LOSS of 4000 jobs! Remember that a weak economic read of this sort hurts the Stock market, but causes the Bond market to improve...and as Bond pricing improves, so do conforming home loan rates. And last month's surprising miss meant that home loan rates improved by .125% on the day of the Report alone.

So what's in store for this Friday? Last month's surprise means that the release of this upcoming Jobs Report will draw even more attention than normal. How many jobs were created last month...or not? And will last month's ugly number be revised higher...or lower still? Rest assured that Friday morning at 8:30am ET, traders, economists and investors will be glued to the financial news - and Bonds and home loan rates will likely react in turn. **Another weak number will result in Bond pricing moving higher and conforming home loan rates moving lower, especially if no major revisions are made to last month's weak number. But if the tables turn and show surprisingly strong job growth, Bonds and home loan rates will likely worsen on the headline.**

Bonds continue to fight a battle at the tough 200-day Moving Average. If the news of the week helps Bonds remain above this line, that will be good news for home loan rates, as the 200-day Moving Average will act as a "floor of support". But if the news causes Bonds to fall beneath this line in the sand, it will be bad news for home loan rates, as the 200-day Moving Average will then act as a "ceiling of resistance".

**Chart: Fannie Mae 6.0% Mortgage Bond (Friday Sep 28, 2007)**



**The Mortgage Market View... ▶**

**The American Dream**

Have you ever dreamed of owning your very own business? Many Americans dream of being self employed, and they do so for many different reasons. Some simply wish to be their own boss, while others want the freedom and flexibility that self-employment may provide, and still others simply want to do what they love. In fact, according to a recent Money Magazine article, almost two-thirds of Americans dream of starting their own business. So would you be surprised to learn less than 2% ever take the plunge and actually do it?

There are some sobering facts - according to the Small Business Administration, around 33% of businesses will not make it past a year and only 44% make it past the fourth year. In addition, most new businesses will not

earn profits until at least the third year.

But here's the potential reward - according to the Federal Reserve's most recent [Survey of Consumer Finances](#), the average income of a self employed individual was twice as high as the average wage earner, and the average net worth of self employed individuals was over five times greater than the average wage earner.

If you are in the majority of Americans who would like this dream of self-employment to become a reality - let's take a closer look at some smart steps towards making this dream come true.

### **Important Considerations**

Starting your own business is an exciting and sometimes stressful proposition. There are a few important strategies and assessments that should be considered as you determine if you should start your new venture.

**Write a Business Plan.** While it may not be easy or fun to do, writing a business plan should be one of the first items to be completed as you move towards opening your new business. By writing a thorough and comprehensive business plan, you are not only forcing yourself to think through and analyze the wide array of potential costs and challenges, but you are also preparing yourself to seek outside investors or bank financing, which will require a well written business plan before they consider financing in your new venture. The Small Business Administration has a wonderful [site](#), full of information on business plan writing, including many sample plans covering a wide range of business types.

**Think About Insurance.** A very important item to take into account before starting your own business is medical insurance. If possible, switch your insurance coverage to your spouse or significant other. Another short-term solution would be to consider taking advantage of COBRA Insurance. COBRA generally allows you to keep your current coverage for 18+ months after your termination date. After COBRA expires, you would then need to seek out your own medical insurance, which can be very costly for self-employed persons. One helpful idea is to look to join a group of other self-employed persons in order to obtain a better, group coverage. One organization that is working to fill this need is the National Association for the Self Employed, or [NASE](#).

**Do Careful Financial Planning.** Any new business will require a potentially substantial amount of money for startup costs. Additionally, unless you can start your new business while maintaining your current job, you will need to have sufficient reserves to support yourself/family during the early startup months/years when cash will be extremely tight.

Be careful in particular if you are heavily financing your new business with credit cards. While it is an easy source of capital, it can immediately put you in a tough cash flow position, and more importantly it can hurt your credit or otherwise make it harder to access new credit.

Many businesses fail due to a lack of cash flow. Remember, that a great concept and potential business cannot overcome a lack of funding. You may want to check with your mortgage professional to discuss potential strategies to use your home's equity to help fund your new business or potentially improve your cash flow.

**Consider Physical Health and Mental Support.** It may not seem like a terribly important item to think about when starting a new business, but your health and ability to work long hours is an important consideration, as most startups require many long hours to get off the ground. Additionally, having the emotional support of your family and friends is critical in order to stay motivated and positive. Finally, your ability to deal with stress will be an important factor in the success of your business.

If you've always dreamed of owning your own business, hopefully these tips and ideas whet your appetite for taking the plunge, working for yourself, and living the American Dream.

[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 October 01 – October 05**

<b>Date</b>	<b>ET</b>	<b>Economic Report</b>	<b>For</b>	<b>Estimate</b>	<b>Actual</b>	<b>Prior</b>	<b>Impact</b>
Mon. October 01	10:00	ISM Index	Sept	52.5	52.0	52.9	HIGH
Wed. October 03	10:00	ISM Services Index	Sept	55.0		55.8	Moderate
Wed. October 03	10:30	Crude Inventories	9/28	NA		1842K	Moderate
Thu. October 04	08:30	Jobless Claims (Initial)	9/29	310K		298K	Moderate
Fri. October 05	08:30	Average Work Week	Sept	33.8		33.8	HIGH
Fri. October 05	08:30	Non-farm Payrolls	Sept	100K		-4K	HIGH
Fri. October 05	08:30	Hourly Earnings	Sept	0.3%		0.3%	HIGH
Fri. October 05	08:30	Unemployment Rate	Sept	4.7%		4.6%	HIGH

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