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Last Week in Review ▶

"I'VE HEARD PEOPLE SAY THAT TOO MUCH OF ANYTHING IS NOT GOOD FOR YOU...BUT I CAN'T GET ENOUGH OF YOUR LOVE, BABE." BARRY WHITE And that's exactly the song that Mortgage Bonds appear to be singing to the 200-day Moving Average recently. In fact, they've touched this level on twelve of the past sixteen trading sessions - and just can't seem to get enough. But why do Bonds continue to linger around this level, and how much will be enough?

The 200-day Moving Average has historically acted as a very strong "floor of support" or "ceiling of resistance" for Bonds, meaning that Bonds generally decidedly trade above or below this line. And the current tap-dance that Bonds are doing all over this level shows that there is a bit of uncertainty in the markets - and it will take a series of economic reports that are either very strong or very weak to propel Bonds to move away from the 200-day Moving Average. Remember that strong economic news tends to move Bond prices lower, causing home loan rates to worsen - and weak economic news tends to move Bond prices higher, causing home loan rates to improve.

And last week's news just didn't provide enough impetus for Bonds to make a decisive move one way or the other. Retail Sales were much better than expected yet Consumer Sentiment was lower than expected, while reads on Producer Price Inflation were a bit mixed. **All in all, home loan rates stayed generally flat for most of the week.**

FLAT OR FIZZY, DID YOU KNOW THAT AMERICANS CONSUME TWICE AS MUCH SODA POP AS WE DID JUST 25 YEARS AGO? IN FACT, WE WE JUST CAN'T SEEM TO GET ENOUGH, SPENDING \$54 BILLION A YEAR ON IT...WHICH IS TWICE AS MUCH AS WE SPEND ON BOOKS! THAT'S A WHOLE LOTTA SODA DRINKING GOING ON - DOES IT FIT IN YOUR BUDGET? READ THIS MONTH'S MORTGAGE MARKET VIEW, FOR A QUICK WAY TO ANALYZE YOUR MONTHLY SPENDING, AND SEE IF YOU NEED TO TRIM BACK, OR IF YOU CAN AFFORD ANOTHER COKE AND A SMILE.

Forecast for the Week ▶

So could this week's slate of economic reports hold enough information for Bonds to decide they've had enough of the 200-day Moving Average - and cause home loan rates to make a move? The upcoming calendar features reports on Manufacturing, Housing, and Consumer Inflation...so it could get juicy, depending on the flavor of the reports.

The report that has the potential to cause the most action is the Consumer Price Index, which is simply a measure of the price levels we as consumers are paying for our goods and services. Last week's Producer Price Index was somewhat mixed, but had a pretty hot "headline" or overall read on Producer Inflation - which sparked some chatter and concern in the Bond trading pits, because Bonds hate any kind of inflation. **So if this**

week's Consumer Price Index has the scent of inflation - Bond prices will likely move lower, and cause home loan rates to rise.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Oct 12, 2007)



The Mortgage Market View... ▶

"THERE WAS A TIME WHEN A FOOL AND HIS MONEY WERE SOON PARTED...BUT NOW IT HAPPENS TO EVERYBODY." *Adlai E. Stevenson*

The latest Retail Sales numbers showed the consumer is still out there spending...but many of our expenditures have gone up right under our noses, without us getting any extra enjoyment out of them. Rising gas prices, increased interest rates for borrowed money, higher minimum monthly credit card payments...expenses are getting higher every day, and it may be crimping our normal monthly spending style. And not knowing where your money is going each month often gives you a general sense of unease when your head hits the pillow at night...and may eventually cause you a major financial hardship.

There are many phenomenal budget programs available for your computer, such as "Quicken" or "Money", but starting with even a little simple planning can put your mind at ease and allow you to spend, knowing that you have control of your monthly income and expenses. Don't worry if the word "budget" gets you feeling uneasy and makes your palms sweat - hey, relax. Just think of a budget as you would a healthy diet. You don't have to starve, but you may just have to cut back on a few tasty expenses to accomplish your goals. And who knows...you may actually be better off than you thought, and can splurge a little. Let's take a look.

A good budget is written down and includes as much information as possible. Start by determining your current monthly income. Use the net income (amount received after taxes and any insurance benefits are deducted) and anything additional such as part time work, interest, rental, or bonus income. Next, determine your monthly expenses. Obtain and keep a receipt for every item purchased, especially if you frequently use cash for

purchases. Receipts should include everything from groceries to Starbucks coffee...even minor purchases can add up quickly. Although you usually need to have some pocket cash on hand, many people choose to use debit or credit cards more often than cash, purely to have a better record of money spent. At the end of the month grab the receipts, your checkbook, and any credit card statements and start categorizing your expenses.

Expenses should be classified into the following categories:

- **Household** - this would include rent or mortgage, utilities (gas, electric, water, etc.), cable television, Internet, phone, and any additional items such as a housecleaning service or pool service. This category could also include the many things you frequently buy for your home such as paper towels, cleaning products, plastic baggies, lawn and garden supplies and the like.
- **Food** - separate food expenses by groceries and dining. Dining out would include lunch and dinner expenses for every member of the family.
- **Transportation** - this would include all expenses related to an auto (e.g., auto payment, insurance, fuel, and maintenance). Additionally, include public transportation, tolls, and parking expenses.
- **Healthcare** - include monthly health care fees such as medical, dental, prescriptions, and insurance co-pays.
- **Looking good** - all of the items that make you, you. Clothing, shoes, dry cleaning, toiletries, haircuts, manicures, etc.?
- **Entertainment** - include all of the "just for fun" items. Movies, concerts, vacations, subscriptions, sporting event tickets, and hobbies.
- **Miscellaneous** - include all additional monthly expenses such as banking fees, credit cards, savings, education, gifts, donations...and don't forget pet expenses.

Need a simple, free, easy to use monthly budget sheet that can be used by you or your children? Just hit this link: [Sample Budget](#)

It is important to note, some expenses will vary on a monthly basis and an average will need to be calculated. For example, utilities can change each and every month. To come up with the average, simply add the actual amount paid for twelve months and divide the total by twelve to create a monthly average - and adjust as needed over time. Additionally, any expenses such as insurance premiums that are paid annually should be divided by twelve to create a monthly average as well.

Once all items have been categorized and listed, simply total the income and subtract all of the expenses. The remaining number will clearly determine if you are coming up short, breaking even, or have money left over. If you have money left over, meet with your financial planner and discuss investment strategies that will maximize those extra dollars.

If you come up short or barely break even, it is important to determine areas that you can trim expenses. Look at trimming dining out, entertainment, or looking good expenses. Although it may sting a little in the short run, you'll know that you are on the path to a great financial future.

If cutting expenses still does not provide enough cash flow to help you sleep better at night, contact me for a complimentary loan and financial analysis. We can work together and decide if a referral to a great financial planner who can help you with your budget is a good fit right now, and there are also many great loan options available, which may help provide the cash flow plan that will put your mind at ease and allow you to build your financial future.

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 15 – October 19

	Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon.	October 15	08:30	The Empire Manufacturing Survey - New York State	Oct	14.0	28.8	14.7	HIGH
Tue.	October 16	09:15	Industrial Production	Sept	0.1%		0.2%	Moderate
Tue.	October 16	09:15	Capacity Utilization	Sept	82.2%		82.2%	Moderate
Wed.	October 17	08:30	Consumer Price Index (CPI)	Sept	0.2%		-0.1%	HIGH
Wed.	October 17	08:30	Building Permits	Sept	1300K		1322K	Moderate
Wed.	October 17	08:30	Housing Starts	Sept	1285K		1331K	Moderate
Wed.	October 17	08:30	Core Consumer Price Index (CPI)	Sept	0.2%		0.2%	HIGH
Wed.	October 17	10:30	Crude Inventories	10/12	NA		-1674K	Moderate
Wed.	October 17	02:00	Beige Book					HIGH
Thu.	October 18	08:30	Jobless Claims (Initial)	10/13	315K		308K	Moderate
Thu.	October 18	10:00	Index of Leading Econ Ind (LEI)	Sept	0.4%		-0.6%	Low
Thu.	October 18	12:00	Philadelphia Fed Index	Oct	8.0		10.9	HIGH

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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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