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For the week of Oct 22, 2007 --- Vol. 5, Issue 43

Last Week in Review ▶

NO PAIN...NO GAIN? While that old maxim is often the case, for the past week the Stock market's pain has been the Bond market's gain. Last week, the Dow lost around 500 points - and as money flowed out of Stocks and into Bonds, this helped **home loan rates improve by .125 - .25% over the course of the week.**

But if you want to revisit some real Stock market pain, just dial back the clock twenty years from last Friday. On October 20th 1987, the Stock market suffered its very largest one day loss ever, with the Dow falling 508 points and losing 22.6% of its value overall. That's like the Dow losing over 3100 points today! And just prior to that wild meltdown, 1986 and 1987 had been banner years for the Stock market - fueled by hostile takeovers, leveraged buyouts and merger mania.

The rest of the economic news for last week was a mixed bag, including lower than expected Housing Starts and Building Permits for new construction homes, and also an overall tame read on consumer inflation via the Consumer Price Index.

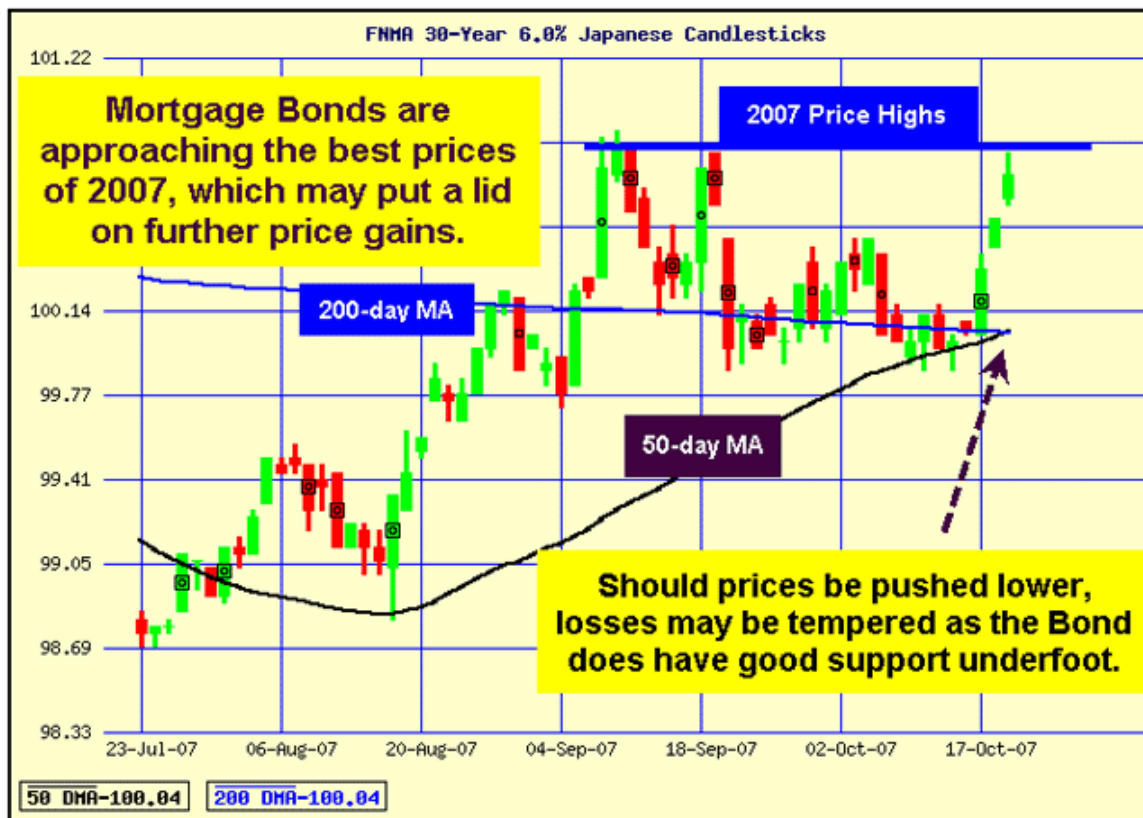
BUT IF YOU HAVE SOME OF YOUR OWN BUILDING PROJECTS YOU'D LIKE TO START AROUND THE HOUSE...YOU WILL BE ESPECIALLY INTERESTED IN THIS WEEK'S MORTGAGE MARKET VIEW, WHICH HELPS YOU UNDERSTAND WHAT KIND OF REMODELING PROJECTS CAN BRING THE MOST RETURN.

Forecast for the Week ▶

While it will be interesting to see how Stocks fare next week, and if they will continue to slide lower - the week ahead also brings some potentially market moving economic reports. Existing Home Sales will be the headliner on Wednesday while Durable Goods Orders, weekly Initial Jobless Claims, and New Home Sales will arrive on Thursday. **If the news of the week is very negative for the economy, Bond prices could move higher still and bring more improvement to home loan rates.**

Remembering that home loan rates improve when Bond prices move higher, the chart below also shows some encouraging "floors of support", just underfoot where Bonds are trading right now, which should help them hold their current ground and perhaps even improve. But if the Stock market rallies and reverses course to move higher, this could quickly cause Bonds and home loan rates to worsen.

Chart: Fannie Mae 6.0% Mortgage Bond (Friday Oct 19, 2007)



The Mortgage Market View... ▶

Home Is Where You Hang Your Hat...Not to Mention a Few Light Fixtures, a Screen Door, and Maybe a New Deck

When the housing market's hot, it seems like just about any remodeling project is a good investment and adds value to your home. But when the market's tight, you want to be more selective about which projects you undertake...and what you expect to gain in return.

If you've been thinking about boosting your home's value or just making your living space more comfortable, the ideas below can help you prioritize your list. So before you start knocking out walls and renovating your roofline, consider these ways to make a difference...cost-effectively!

First Things First. Buyers often decide whether to look at your house before they even get out of the car. Before you spend a lot of time and money remodeling the inside, you may want to look at the outside. Washing windows, repainting trim, planting flowers, and fixing screen doors can make a big difference. For even more impact, you may want to consider replacing your siding or even adding a patio or deck. The added value for these bigger projects won't yield as high of a return on investment, but may help your house stand out. So, weigh your options and ask your Realtor® for advice before starting a big project.

Come On In...Make Yourself at Home. Making a cozy first impression is critical. To make sure your entryway invites people to come in--not turn away--try adding a fresh coat of paint to your foyer or a wicker chair and table outside the door. For even more impact, replace those old light fixtures and update the floor in your entryway.

Sparkle Up That Old Bathroom. Remodeling an old bathroom can make a big impact. For very little money,

you can add a new faucet to your sink, a new medicine cabinet on the wall, and even new paint or wallpaper. For a little more, you can update the bathtub, add a double sink, or re-tile the floor.

Even Better: Add a Second Bathroom. Perhaps no improvement makes a bigger impact on your family's comfort and your house's appeal than adding a second bathroom. The number of bathrooms is always a big sticking point for potential buyers, especially families with two or three children. Although adding a bathroom costs more than simply fixing up your old one, it also increases the value of your house more. Plus, having that second bathroom may help you sell your house faster than if it only has one bathroom...an important point to consider in today's market.

Make it Hot in the Kitchen. Renovating an outdated kitchen is practically a sure thing...as long as you don't splurge on extravagant items like hand-painted Italian tile or built-in espresso machines. Instead, focus on the basics: installing new flooring, adding a backsplash and a new coat of paint, re-facing existing cabinets, installing new countertops, and possibly installing new appliances. These go a long way to making a new buyer feel at home.

Remember, start small, work your way up, and always plan ahead. You don't want to get halfway into a renovation only to find that you have to update your entire electrical system or that you forgot to apply for a permit. So, check your local zoning codes before starting any remodeling project. But with a little planning and prioritizing, you can make your house more comfortable and valuable with very little time...and money.

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 22 – October 26

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Wed. October 24	10:00	Existing Home Sales	Sept	5.30M		5.50M	Moderate
Wed. October 24	10:30	Crude Inventories	10/19	NA		1784K	Moderate
Thu. October 25	08:30	Durable Goods Orders	Sept	1.5%		-4.9%	Moderate
Thu. October 25	08:30	Jobless Claims (Initial)	10/20	320K		337K	Moderate
Thu. October 25	10:00	New Home Sales	Sept	785K		795K	Moderate
Fri. October 26	10:00	Consumer Sentiment Index (UoM)	Oct	82.5		82.0	Moderate

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