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For the week of Nov 05, 2007 --- Vol. 5, Issue 45

### Last Week in Review ▶

"Time is on my side...yes it is" - *Rolling Stones*. Mortgage prices were jostled and bounced around throughout a wild week of economic news and Fed moves. But in the end, time was on the side of those who were patient, as pricing finished the week right about where it began, leaving fixed home loan rates unchanged.

Last week's highlights included a quarter point Fed rate cut, which brings the Fed Funds Rate down to 4.5%. The Prime Rate now stands at 7.5%, which is good news for home equity lines, consumer and business loans. Additionally, those who have adjustable type loans should see some benefit. But because a Fed cut can stimulate the economy and bring some inflation, fixed home loans tend to worsen a bit after the Fed cuts rates.

The latest read on Inflation was right in-line with the Fed's target. A 1.8% annual Core Inflation rate was reported, which is within the 1%-2% Fed comfort zone - good news for bonds.

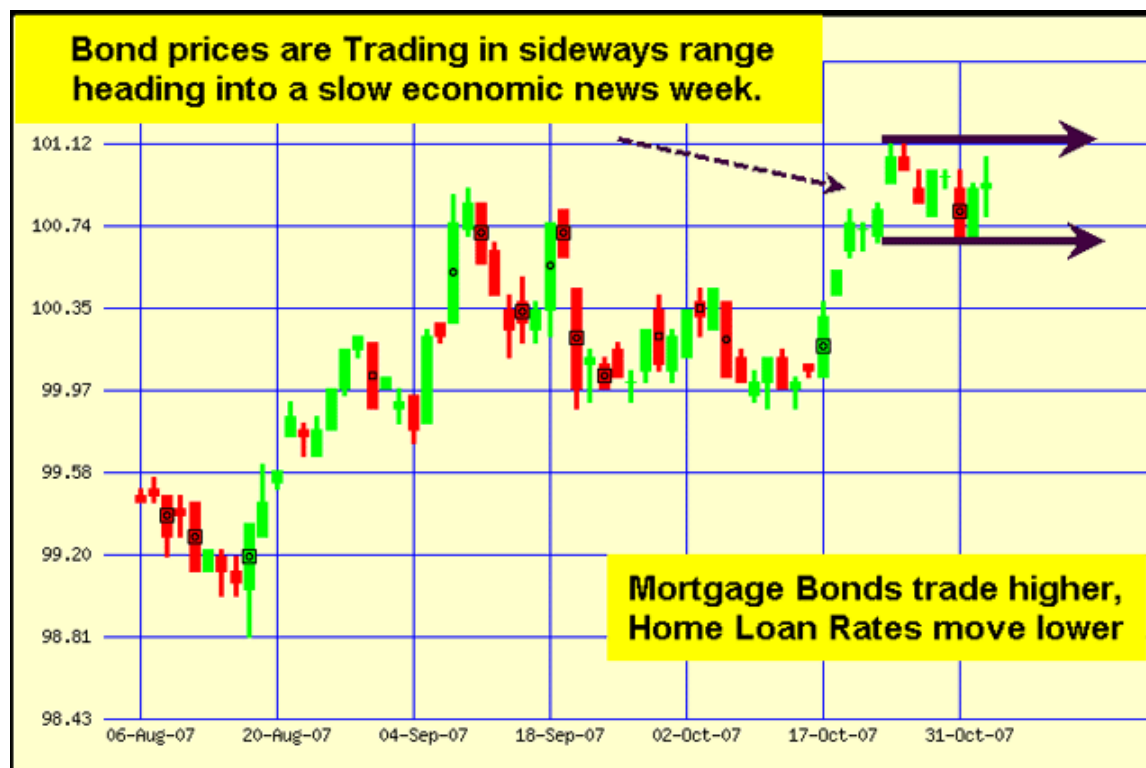
Help wanted! Well at least it was for 166,000 Americans during October. This was the best report since May and twice the forecasted amount. The Report showed the rate of unemployment at a very respectable 4.7%. This type of strong report often leads to trouble for bonds, but a look deeper into the numbers showed the Hourly Earnings figure to be less inflationary than expected. The markets are concerned about wage based inflation, but Average Hourly Earnings increased by just 3 cents to \$17.58 per hour.

**PEOPLE OFTEN WISH FOR MORE TIME. AND THIS WEEKEND THAT'S JUST WHAT WE WILL GET - AN EXTRA HOUR TO CATCH UP ON THINGS OR MAYBE SOME EXTRA SLEEP. FIND OUT THE DETAILS ALONG WITH SOME WILD EVENTS THAT CAN HAPPEN WHEN WE CHANGE TIME, IN THIS WEEK'S MORTGAGE MARKET VIEW!**

### Forecast for the Week ▶

Have you ever flipped through all your TV channels to find nothing on? Well, that's how market traders will likely feel this week as they flip around for some economic news releases. But the news calendar takes a well deserved rest next week with mostly lower to mid-level reports scheduled. That means bonds will probably trade inside the range illustrated below - unless stocks bust a major move. If stocks rally sharply higher, bonds will be sold off to raise the cash needed to chase stocks, causing home loan rates to rise. Should stocks slump on more fears about credit quality, the proceeds from the stocks sold will be parked into bonds - bidding them up and helping home loan rates improve.

**Chart: Fannie Mae 6.0% Mortgage Bond (Friday Nov 02, 2007)**



### The Mortgage Market View... ▶

#### Turning Back the Hands of Time

This weekend, the sun sets on another season of Daylight Saving Time. In case you hadn't noticed, Daylight Saving Time (DST) was actually extended this year by an entire month--it began earlier last spring and ran longer into this fall. But, alas, all good things must come to an end...and this year Daylight Saving Time ends Sunday, November 4th.

The extra month that we enjoyed was actually the result of the Energy Policy Act, which was enacted by Congress back in 2005. Originally, the bill was written to extend Daylight Saving by two months, but some very verbal opponents fought the change. Farmers say that DST has a negative impact on their livestock in general--as it is tough for them to adapt to the time change, and they consequently produce less milk, eggs, etc. Because DST is not followed uniformly around the world, airlines claim that it might mean many missed international flight connections. Additionally, TV and Cable stations argued that they would lose viewers and advertising revenue, simply due to less time spent in front of the television because of more time spent outdoors in daylight.

So a compromise of one additional month of DST was reached. However, Congress did retain the right to revert back to the old dates if the change proves to be widely unpopular, or if the energy savings aren't significant.

#### Why the change?

After making the adjustment to getting up an hour early, Americans overwhelmingly like Daylight Saving Time. There is simply more sunlight in the evenings to enjoy the outdoors and get things done. Additionally, there may be emotional benefits, as we typically feel better with more daylight. Plus, additional hours of daylight can help save energy on a national scale. Less electricity is needed, as fewer lights are turned on as early in the evening...and with energy costs so high, even a small amount of savings is very welcome.

And brighter is safer--studies have shown that the DST shift reduces traffic accidents. An increase in accidents in the dark mornings is more than offset by the evening decrease in accidents, due to the increased visibility

gained with more sunlight. Halloween is also arguably safer. Child pedestrian deaths are four times higher on Halloween than any other night of the year. This year, however, trick-or-treaters were able to spend an extra hour gathering treats while it was still light out. Candy manufacturers are happy too, as they've lobbied for years to have DST extended through Halloween.

A study by the US Law Enforcement Admin also determined that crime is consistently lower during DST, with violent crimes down as much as 10% to 13%. For many crimes, like mugging, darkness is a factor--so more light in the evening hours reduces these types of crimes.

**And throughout its long history, Daylight Saving Time has had a remarkable and sometimes unexpected impact.**

A man was actually able to avoid the draft for the Vietnam War using a Daylight Saving Time loophole. When he was born, it was just after midnight, DST. When he was drafted, he successfully argued that in his home state of Delaware, standard time--not DST--was the official time for recording births. So he was technically born on the previous date--which had a much higher draft lottery number - and he was able to avoid being drafted.

In September 1999, the West Bank was on Daylight Saving Time, while Israel had switched back to standard time. A group of West Bank terrorists prepared some timed bombs--but misunderstood the time change--and the bombs exploded early, killing the terrorists themselves, rather than the intended victims--two busloads of innocent citizens.

In the 1950s and 60s, each state and locality was permitted to choose start and end DST dates as they desired. During 1965, Minneapolis and St. Paul--which are considered one metropolitan area--didn't agree on start dates, and for a period of time, these Twin Cities had a one hour time change between them. And on one Ohio to Virginia bus route, passengers technically had to change their watches seven times in 35 miles!

To keep to their published timetables, Amtrak trains cannot leave a station before the scheduled time. So when the clocks "fall back" in the fall, all trains that are running on time actually stop at 2:00am--the official time of DST change--and wait one hour before resuming their routes. In the spring, the routes instantaneously become one hour behind schedule, but they just keep going and do their best to make up the time.

**So Daylight Saving Time sure can have some unexpected impact.**

In particular, be sure to double-check all of your electronic devices and confirm that the time is correct. Although you may be accustomed to your computer and maybe even your digital clock in your car automatically updating, the recent change of dates for Daylight Saving Time may require that these devices be manually changed, as they now may NOT be ready to update to the correct time on the correct date!

**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 November 05 – November 09**

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. November 05	10:00	ISM Services Index	Oct	54.0	55.8	54.8	Moderate
Wed. November 07	10:30	Crude Inventories	11/02	NA		-3894K	Moderate
Thu. November 08	08:30	Jobless Claims (Initial)	11/03	320K		327K	Moderate
Fri. November 09	08:30	Balance of Trade	Sept	-\$58.0B		-\$57.6B	Moderate
Fri. November 09	10:00	Consumer Sentiment Index (UoM)	Nov	81.0		80.9	Moderate

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