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### Last Week in Review ▶

"**SURVEY SAYS...?**" Richard Dawson's classic line on Family Feud is exactly the question that was on many minds at 8:29am ET last Friday morning, awaiting the official results of the November Jobs Report. After Automatic Data Processing (ADP) had released their hot numbers earlier in the week, indicating well over 200,000 new jobs created - traders and analysts began to wonder if Friday's official number might not come in far higher than the expectations of 70,000.

So when the results came in, it did show 94,000 new jobs created during November - but prior month's revisions took back 48,000 jobs previously counted in September and October. So...given this overall tame to semi-week Jobs number - which generally would cause Bonds and home loan rates to improve - **what happened that caused Bond pricing to worsen, and home loan rates to increase by .25%?**

First, Bonds and home loan rates had recently improved to levels not seen in well over two years - so Bonds were almost looking for a reason to correct - and a few strong elements inside the Jobs Report were all the reason they needed. The Unemployment Rate stayed at a low 4.7%, which was better than expected. Additionally, the closely watched Hourly Earnings number was up 0.5%, higher than anticipated, and the largest read in over two years. Higher wages and a tight job market are both inflationary...inflation is bad news for Bonds and home loan rates...hence the large worsening in Bond prices and home loan rates. And the action isn't likely to let up soon - read on for a look at what's in store during the action packed week ahead!

**SPEAKING OF AN ACTION PACKED SCHEDULE...YOUR DECEMBER CALENDAR IS LIKELY JAMMED FULL OF PARTIES, SHOPPING, FAMILY AND FRIENDS! BUT DON'T FORGET TO TAKE A FEW MINUTES TO DO A LITTLE END OF THE YEAR FINANCIAL HOUSEKEEPING. IT COULD PAY OFF VERY HANDSOMELY IN THE YEAR AHEAD, SO READ THIS WEEK'S MORTGAGE MARKET VIEW FOR A FEW SIMPLE, TIMELY IDEAS.**

### Forecast for the Week ▶

The wild ride is quite likely to continue, with the coming week packed full of economic events and happenings. The headliner of the week will be the Fed's Rate Decision and Policy Statement due on Tuesday afternoon. A cut to the Fed Funds Rate is expected - but what remains in question is whether the cut will be .25% or .50%.

Remember, a cut by the Fed makes many borrowing rates lower - like Home Equity Lines, credit cards, and the like - but can often have the exact opposite impact on home loan rates. Why? Because a Fed cut often drives inflation, since spending by consumers and businesses generally picks up in light of more favorable financing rates. And inflation is the worst kind of enemy to Bonds, which provide a fixed rate of return - and the true value of that return is diminished by the eroding effects of inflation. **Bottom line: Following the Fed announcement, home loan rates are likely to make some moves, depending on the tone of the Policy Statement, and the size of the Rate Decision itself.**

As if that weren't enough excitement, the rest of the week will bring several heavyweight economic reports,

including Retail Sales, and the inflation measuring Producer Price Index (PPI) and Consumer Price Index (CPI). Take a look at the Economic Calendar below, and check in with me this coming week for all the details as they unfold.

Chart: Fannie Mae 5.5% Mortgage Bond (Friday Dec 07, 2007)



### The Mortgage Market View... ▶

#### YEAR END IS IN SIGHT...DO YOU HAVE FINANCIAL HOUSEKEEPING TO DO?

December can be one of the busiest times of the year - between decorating for the holidays, shopping for the kids, traveling to see the relatives and enjoying social festivities, this month can fly by like none other. But taking just a few minutes to make sure your financial house is in order before the year wraps up is time very well spent. Here are a few simple suggestions:

**Review your Benefits.** Many companies hold "open enrollment" for benefits at this time of year. Make sure that you review all of the options available, as opposed to simply taking on the same choices as last year. Especially important, if your spouse also receives benefits through an employer, make sure to re-analyze who should carry which coverage. And make sure that you take full advantage of pre-tax spending accounts, giving the ability to pay daycare and medical in pre-tax dollars.

**Asset Allocation.** Year end is an ideal time to open up your 401k statement and check to see how the individual funds have performed. You will probably see that the percentage amounts in each fund are substantially different than the percentages that you are contributing, as certain segments of the markets do better or worse. Now is a good time to re-allocate from the better performing sectors back to the underperformers. This concept is called "asset allocation", and has been around for several decades...but its value can not be overstated. Most financial planners believe that proper asset allocation can be the one of the most important factors in your overall return.

**Automate your New Years Resolution.** Many people make financial resolutions, along the lines of saving more or paying more towards debts. And with online banking, this has never been easier. Hop online to your

financial institutions website, and with a few clicks of the mouse, you can establish an automated savings account, where you send a certain amount of money to a savings account on a regular basis, or set up automatic payment toward a loan or credit card. Automating your financial decisions dramatically increase the odds that you will follow through.

**Ask Santa for a Budgeting Program.** We're all on a budget, whether we know it or not...as a budget is simply where money is spent. But many do not clearly understand where all our money goes. Granted, opening a copy of Money or Quicken on Christmas morning is probably not what you dreamed about as a child, but these types of budgeting and household finance programs may be the best gift you will receive this year. With a couple of hours work, you can download your various balances and accounts directly into these programs, and set them up to automatically update on a daily or weekly basis. After you have a few months of transactions in these programs, they can quickly provide you a summary of what your real budget actually looks like...and the results may surprise you.

**Analyze your Debt.** Make sure you know what rates you are paying on all your outstanding debts - or give me a call or email. I can help you determine what rates are being paid, and if your current overall debt structure makes sense, or if changes can be made that will put more money in your wallet or help you accomplish other important financial goals.

**Give.** December is prime time for giving to charities, for both tax reasons as well as holiday spirit. Toys for Tots is a great program that helps deliver toys to children for the holidays, or give to a local food shelf or soup kitchen that helps prepare meals for those who would not otherwise enjoy the holidays. Giving will put a glow in your heart this holiday season...and a glow in your wallet come mid-April.

### 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 December 10 – December 14

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Tue. December 11	02:15	FOMC Meeting					HIGH
Wed. December 12	08:30	Balance of Trade	Oct	-\$57.0B		-\$56.5B	Moderate
Thu. December 13	08:30	Jobless Claims (Initial)	12/08	NA		NA	Moderate
Thu. December 13	08:30	Producer Price Index (PPI)	Nov	1.5%		0.2%	Moderate
Thu. December 13	08:30	Core Producer Price Index (PPI)	Nov	0.2%		0.0%	Moderate
Thu. December 13	08:30	Retail Sales ex-auto	Nov	0.6%		0.2%	HIGH
Thu. December 13	08:30	Retail Sales	Nov	0.5%		0.2%	HIGH
Fri. December 14	08:30	Consumer Price Index (CPI)	Nov	0.6%		0.3%	HIGH
Fri. December 14	08:30	Core Consumer Price Index (CPI)	Nov	0.2%		0.2%	HIGH
Fri. December 14	09:15	Capacity Utilization	Nov	81.7%		81.7%	Moderate
Fri. December 14	09:15	Industrial Production	Nov	0.1%		-0.5%	Moderate

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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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