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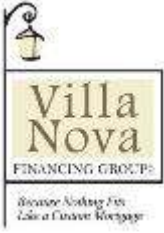

WEEKLY

Keeping You on the Cutting Edge



Provided to you Exclusively
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For the week of Oct 18, 2010 --- Vol. 8, Issue 42

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Last Week in Review: Quantitative Easing is heading our way, but when, why, what will it mean? Many questions remain...

Forecast for the Week: What kind of outlook will the economic reports of the week create?

View: 5 Facebook posts that put you at risk! Do you know what they are?

Last Week in Review ▶

"EVERYTHING'S COMING OUR WAY..." Those words from Carlos Santana's song come to mind following last week's release of the Fed's September Meeting Minutes, as well as a speech from Fed Chairman Ben Bernanke. The message was pretty clear - another round of Quantitative Easing (QE2) is coming our way! Remember that QE is the concept of the Fed becoming a buyer of Treasuries and Bonds, in a bid to keep interest rates low and therefore stimulate the economy. And while all the talk had Bonds behaving in a volatile fashion - ultimately causing home loan rates to worsen for the week overall - what was said specifically... and what does it mean?

First, let's take a look at a few notes from the Fed Meeting Minutes: "Although participants considered it unlikely that the economy would re-enter a recession, many expressed concern that output growth, and the associated progress in reducing the level of unemployment, could be slow for some time." Stating that "many" Fed members expressed concern likely means that more voting Fed members are onboard with the concept of more QE.

Then there was this comment, which didn't require much reading between the lines: "Many participants noted that if economic growth remained too slow to make satisfactory progress toward reducing the unemployment rate, or if inflation continued to come in below levels consistent with the FOMC's dual mandate, it would be appropriate to provide additional monetary policy accommodation." This is clearly telling the markets that the Fed will be stepping in with the money printing presses if the economy doesn't pick up. And with just a few weeks remaining before the next Fed Meeting, and recent economic reports being weak at best... rest assured, more QE is coming.

And this was underscored as Fed Chairman Ben Bernanke delivered a highly anticipated speech on Friday, also making a strong case in support of more Quantitative Easing. He stated "there would appear - all else being equal - to be a case for further action" and additionally, that the "FOMC is

prepared to provide additional accommodation if needed to support the economic recovery and to return inflation over time to levels consistent with our mandate."

OK - so it seems clear - more QE is coming. But is this a good thing?

In Bernanke's comments on Friday, he noted that the Fed has much less experience in judging the economic effects of more QE versus their more traditional monetary policy actions - and said that this "makes it challenging to determine the appropriate quantity and pace of purchases and to communicate this policy response to the public." True - this amount of money-printing is unprecedented... and begs the question of if more QE really makes sense. The idea is to strengthen the economy by helping make interest rates lower... but the questions remain - will it work, and what consequences may result?

QE2 is Coming, But Questions of Its Effectiveness Still Remain



Interestingly enough - one result that is likely is that the US Dollar would weaken... and is already weakening following all the talk of QE. And remember, a weaker Dollar helps make our exports more attractive to foreign buyers, due to the weakened US currency making our products less expensive to purchase by foreigners. And while the government will never say it - as the US has been accusing China of very similar tactics - this Dollar devaluation may be exactly what the government has in mind.

Think about it... the "cover story" is all on how QE will help interest rates improve - but realistically, are slightly lower rates even what is truly needed to boost consumer demand and create jobs? Rates are pretty low as they stand right now...so why do more QE? Hmm... might just be to devalue the Dollar, and boost our economy through making our exports relatively cheaper for foreign buyers. And this is not a bad thing - but we have to be aware that while QE2 might provide an initial decline for interest rates - the devaluation of the Dollar will ultimately drive rates higher.

This story is far from over - so stay tuned as it continues to unfold in the coming weeks, I will be keeping you informed.

THE IMPACT OF QE2 ISN'T THE ONLY THING ON THE MINDS OF CONSUMERS THESE DAYS. A NUMBER OF PEOPLE ARE QUESTIONING THE RISKS OF SHARING INFORMATION ON SOCIAL NETWORKING SITES LIKE FACEBOOK – AND FOR GOOD REASON. CHECK OUT THE MORTGAGE MARKET GUIDE VIEW BELOW FOR INFORMATION ABOUT 5 POSTS THAT COULD PUT YOU AT RISK!

Forecast for the Week ▸

This week's economic calendar brings us new insight into the health of the manufacturing and housing sectors of the economy. We'll start off with reports on **Capacity Utilization** and **Industrial Production** on Monday. The capacity utilization rate provides an estimate of how much factory capacity is in use. If the utilization rate climbs too high it can lead to inflationary bottlenecks in production. The Federal Reserve watches this report closely and decides how to set interest rates on the basis of whether production constraints are threatening to cause inflation.

Tuesday brings us more housing news with the latest reports on **Housing Starts** and **Building Permits** for September. That news will be followed by the release of the **Fed's Beige Book** on Wednesday. The Beige Book - which is officially known as the Survey on Current Economic Conditions - contains anecdotal information on the current economic and business conditions.

Thursday we'll see another round of **Initial Jobless Claims**. In last week's report, Initial Jobless Claims rose to 462,000, which was above the 450,000 that was expected. That was a disappointment, as it seems that the economy is unable to string together a couple of solid weeks with Jobless Claims below 450,000. Finally, the week wraps up on Friday with the **Philadelphia Fed Index**, which is one of the most important regional manufacturing indices.

Remember: Weak economic news normally causes money to flow out of Stocks and into Bonds helping Bonds and home loan rates improve, while strong economic news normally has the opposite result.

As you can see from the chart below, Mortgage Bonds experienced volatility last week, due in large part to the ongoing comments about Quantitative Easing.

Chart: Fannie Mae 3.5% Mortgage Bond (Friday, October 15, 2010)

The holiday shortened week was long on volatility as players reacted to QE talk and positive economic reports.



The Mortgage Market Guide View...

5 Facebook Posts That Put You at Risk

Be sure you're not sharing too much information with friends, family and others online.

By Cameron Huddleston, Kiplinger.com

There was a big outcry recently when it was revealed that personal data of Facebook users had been posted in a database open to everyone. (See [Congress to Crack Down on Facebook](#).) Facebook users, naturally concerned about their privacy.

Yet, every day Facebook and other social network users publish personal information that could put them without thinking twice. "An awful lot of people think when they get online and communicate with their friends they are invincible," says Adam Levin, chairman of Identity Theft 911. A seemingly benign post or piece of information could make you a target of identity thieves and traditional crooks. To protect yourself, here are a few things you should avoid posting online.

1. Date of birth. Almost 60% of social networkers post their date of birth, according to a survey by Identity Theft 911. After all, most of us like to be wished a happy birthday. But resist the urge to post your complete birth date - including the year -- on your Facebook profile just to get a lot of messages on your big day. This is valuable information for identity thieves. I know you're thinking only your friends see what you post. But if someone searches for your name, that person will see your birth date if it's listed in your profile.

2. Child's date of birth. When you post "Happy Birthday to my sweet Susie, who turns 5 today," you're providing identity thieves valuable information about your child. When it comes to your kids, resist the urge to post information about them (see [Protect Your Kids From ID Theft](#)).

3. Travel plans. Surely you've seen Facebook posts like this: "We're going to the beach next week. Can't In fact, you may be guilty of it yourself -- 18% of social network users post travel times, according to the Identity Theft 911 survey. Guess what? You've just extended an invitation for people to burglarize your home. Three in New Hampshire burglarized more than 18 homes by checking Facebook status updates to see when you wouldn't be home (see [Burglars Said to Have Picked Houses Based on Facebook Updates](#)).

4. Address. If your address is on your profile AND you let people know when you're going out of town, we know where I'm going with this. Nonetheless, 21% of social network users post their address, according to the Identity Theft 911 Survey.

5. Mother's maiden name. It may seem like common sense not to post your mother's maiden name on a networking site, but about 11% of the people who responded to the Identity Theft 911 survey said the Identity thieves will hit the jackpot if you reveal this bit of information online.

Not only should you avoid posting any of this information, but also you should [fix your Facebook settings](#) to control who sees what on your page. Use different passwords for social media sites than you use for financial sites, such as your bank or credit card site. Be careful about clicking on links on Facebook or similar sites because they could contain viruses that will secretly track your passwords, account numbers and other things.

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Economic Calendar for the Week of October 18-22, 2010

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 18 - October 22

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact
Mon. October 18	09:15	Industrial Production	Sept	0.2%	-0.2%	0.2%	Mod
Mon. October 18	09:15	Capacity Utilization	Sept	74.8%	74.7%	74.8%	Mod
Tue. October 19	08:30	Housing Starts	Sept	579K	610K	608K	Mod
Tue. October 19	08:30	Building Permits	Sept	565K	539K	571K	Mod
Wed. October 20	02:00	Beige Book	Oct				Mod
Thu. October 21	08:30	Jobless Claims (Initial)	10/16	455K	452K	475K	Mod
Thu. October 21	10:00	Index of Leading Econ Ind (LEI)	Sept	0.3%	0.3%	0.1%	Lo
Thu. October 21	10:00	Philadelphia Fed Index	Oct	0.2	1.0	-0.7	Hi

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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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