

Chantel G. Beck
Mortgage Advisor
(916) 849-2679

Allied Capital Loans
101 Parkshore Drive, Suite 205
Folsom, CA 95630
(916) 932-2410 ph
(916) 405-7400 fx
www.AlliedCapitalLoans.com



MMG Update– Friday, September 30th, 2005 9:40am ET

Current Trend Direction: Lower

Risks favor: Locking Mode – downward trend is intact

Current Price of FNMA 5.5% Bond: \$100.12, -3bp

Mortgage bonds are testing the lowest levels of the week at \$100.09, but have yet to dip under it. Unfortunately, bond prices remain in a clear down trend, which can easily be seen on the bond page.

Personal Income and Spending both fell in August. Personal Income declined by 0.1%, the largest drop since January and Consumer Spending fell by 0.5%, the largest drop since November 2001. Hurricane Katrina had an impact as Income would have risen 0.2% without the storm. But it is clear that consumers are a bit more cautious with the impact of higher energy costs.

Technically, the FNMA 5.5% bond continues to trade in a sideways to lower fashion within a downward trend and appears ready to take another step lower on the “Down Escalator.” The past two sessions on Wednesday and Thursday have resulted in a Bearish Engulfing Lines candle pattern and this usually signals market weakness. And even though the stochastic oscillator shows bonds are in an “oversold” state, they can continue to be oversold for an extended period of time. On a positive note, today is the end of the week, month, and quarter and the last day fund managers can rebalance their portfolios before the start of the fourth quarter. So we may see some added buying support for bonds. Also, stocks may get hit with a little profit taking after yesterday’s rally and this could also help bolster bonds during the day if stocks falter.

Keep an eye on the 10-day MA as a resistance level as the bond hasn’t managed to close above this moving average since September 6. Closest support is located at \$99.97.

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Be sure to checkout our economic indicators glossary at the link below to help interpret the significance of economic reports.

MMG Economic Indicators Glossary

ECONOMIC INDICATOR CALENDAR AND FORECAST

All times listed in the table below are Eastern.

Economic Calendar for September 26 - September 30

Economic Calendar for September 26 - September 30

Date	ET	Economic Report	For	Estimate	Actual	Prior	Impact	Download Event
Mon. September. 26	10:00	Existing Home Sales	Aug	7.11M	7.29M	7.15M	Moderate	Click Here
Tue. September. 27	10:00	Consumer Confidence	Sept	95.0	86.6	105.5	Moderate	Click Here
Tue. September. 27	10:00	New Home Sales	Aug	1350K	1237K	1373K	Moderate	Click Here
Wed. September. 28	08:30	Durable Goods Orders	Aug	0.7%	3.3%	-4.9	Moderate	Click Here
Thu. September. 29	08:30	Jobless Claims (Initial)	9/24	420K	356K	435K	Moderate	Click Here
Thu. September. 29	08:30	GDP Chain Deflator	Q2	2.4%	2.6%	2.4%	Moderate	Click Here
Thu. September. 29	08:30	Gross Domestic Product (G	Q2	3.3%	3.3%	3.3%	Moderate	Click Here

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Fri. September. 30	08:30	Personal Income & Consump	Aug	0.3%	-0.1%	0.3%	Moderate	Click Here
Fri. September. 30	08:30	Personal Spending	Aug	-0.2%	-0.5%	1.2%	Moderate	Click Here
Fri. September. 30	09:45	Consumer Sentiment Index	Sept	78.0	76.9	76.9	Moderate	Click Here
Fri. September. 30	10:00	Chicago PMI	Sept	52.0	60.5	49.2	HIGH	Click Here