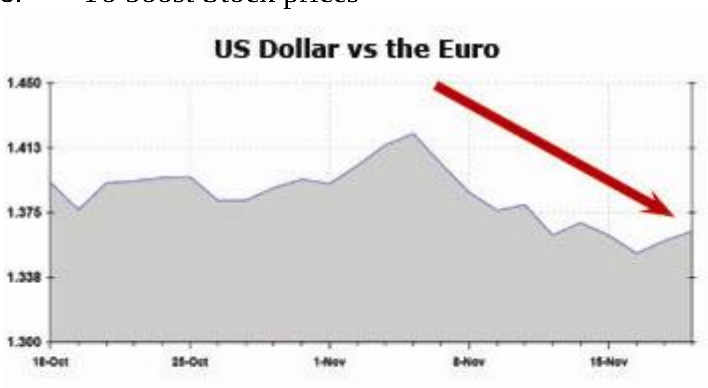
"ACTIONS SPEAK LOUDER THAN WORDS." And this week, we saw a whole lot of loud action in the volatile financial markets...and also heard a lot of words, as the debate over the Fed's latest round of Quantitative Easing continued. Here's what you need to know about what was said...and what happened to home loan rates.

If you've been wondering what Quantitative Easing (QE) actually is, it's the concept of the Fed becoming a buyer of Treasuries and Bonds to try and stimulate the economy. The Fed's goal for this latest round of Quantitative Easing (dubbed QE2) is threefold:

1. To create inflation and avoid a deflationary economy
2. To lower the unemployment rate
3. To boost Stock prices



And while the Fed won't come out and say it outright – as they don't want to be accused of currency manipulation – one of the consequences of QE2 is that the US Dollar will weaken. And this helps make US exports more affordable abroad, as well as make imports appear relatively more expensive. In fact, as the image shows, the Dollar has weakened versus the Euro quite significantly since QE2 began. But this will help large multi-national companies, which have a large influence on the economy and the major Stock market indices. And stimulating our economy towards continued growth is the Fed's main goal for QE2.

Yet the debate rages on...even now that QE2 has begun...with respected opinions on both sides as to the wisdom of the Fed's policy. German Finance Minister Wolfgang Schauble went so far as to call current US economic policy "clueless." But supporting the Fed's position were last week's tame inflation readings at both the wholesale and consumer levels, via the Producer Price Index and Consumer Price Index Reports. However, with news last week that Ireland's banking system is in a dire situation, like Greece's earlier this year, opponents of QE2 point to those countries when they speak to the danger of taking on debt, like the Fed is doing again via QE2.

One of the most important things to understand is this: the three goals of QE2, while meant to improve our economy overall and for the long-term, are unfriendly to Bonds and home loan rates. And that was evident last week, as Bond prices and home loan rates

ended the week worse than where they began.

In fact, last week legendary investor Warren Buffet said, "I think short-term and long-term Bonds are a very poor investment at the present time." If Mr. Buffet thinks long-term Bonds are a poor investment right now, he is **saying home loan rates can't come down much further** - and the risk in waiting around for that to potentially happen does not outweigh the potential reward. Give me a call if you want to review your situation, or forward this email to a friend, family member or colleague who might benefit. I'm always happy to talk to your referrals, and provide a complimentary consultation.