



Weekly Mortgage Update

**Week of
April 16,
2006**

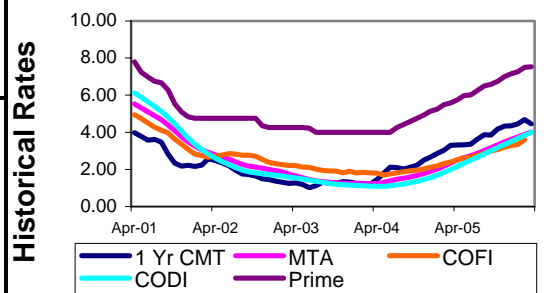
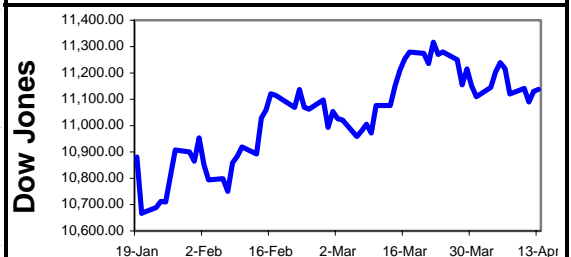
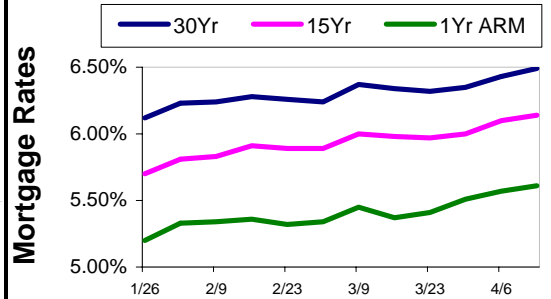
**Mortgage
Market
Commentary**

With a quiet week last week, the bond and mortgage markets had a reprieve to ponder recent economic news. While consumer attitudes have teetered, consumer spending has not. Business activity is strong. The labor market continues to produce jobs. Energy prices are rising. Inflationary pressures continue to press while the Fed increases rates. Mortgage rates seem poised to climb higher.

The week may start out with slightly lower mortgage rates than last due to technical reasons, but this week is a big week for economic news. Both the Consumer Price Index and Producer Price Index are due. The consumer headline number may come in higher than expected due to recent energy price increases. However, if either core index reading spikes higher than expected, mortgage rates may surge higher quickly. The minutes from the last Fed meeting will also be released. If the minutes reveal that a majority of Fed governors are ready to slow or stop interest rate increases, we could see mortgage rates pull back a little bit in anticipation of fewer future Fed funds interest rate increases.

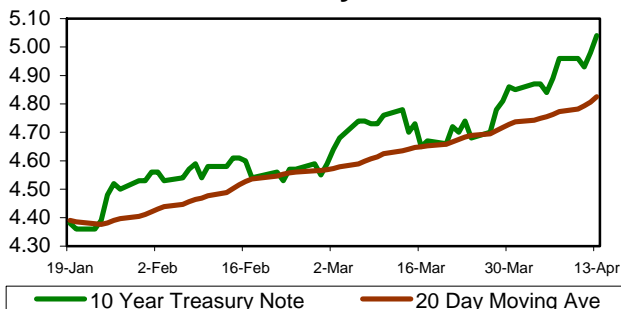
This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Housing Starts	4/18	2.12M	2.08M	Limited
While not a significant report for bonds, many analysts will be watching for signs of slowing. A low reading might slow mortgage rates a bit.				
Producer Price Index	4/18	1.4%	0.4%	Significant
Another higher-than-expected reading, especially in the core reading, could be a huge shock that sends mortgage rates climbing quickly.				
FOMC Meeting Minutes	4/18			Significant
If the Fed governors appear to be in agreement on continuing to raise interest rates, mortgage rates are likely to climb.				
Consumer Price Index	4/19	0.1%	0.4%	Significant
If the CPI comes in under-expectations, we could see mortgage rates pull back. However if the core reading goes higher, mortgage rates will too.				
Leading Economic Indicators	4/20	0.2%	0.0%	Significant
An under-expectations or at-expectations reading could help keep mortgage rates from climbing too fast, perhaps even push them down.				



Mortgage Rate Trends	Interest Rates and Indexes			
Short-Term ↗↗	1 Yr T-Bill	4.850%	11th D. COFI	3.604%
Long-Term ↗↗	10 Yr T-Note	4.890%	COSI	3.460%
Volatility High	6 Month Libor	5.221%	CODI	3.996%
	Prime Rate	7.750%	MTA	4.011%

10 Year Treasury Note Trend



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