



Fidelity Lending Northwest's

Weekly Mortgage Update

**Week of
May 7,
2006**

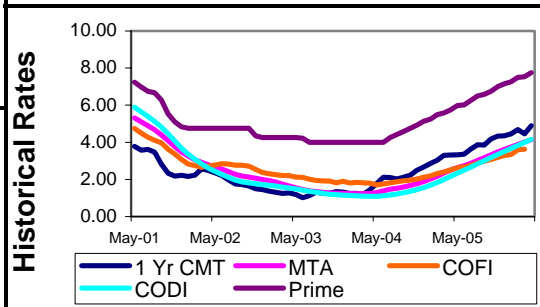
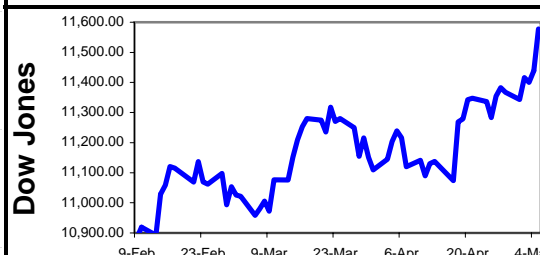
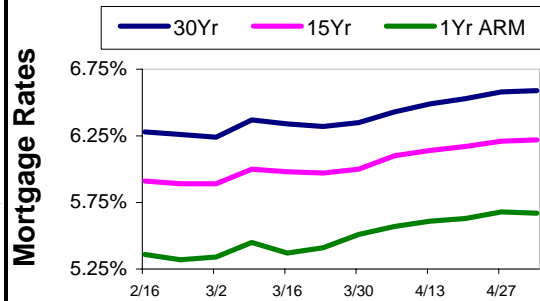
Mortgage Market Commentary

The first major sign that the economy may be moderating a bit appeared in Friday's Employment Report. 138,000 new jobs were created in April, over 60,000 jobs short of expectations. The rest of week's news pointed to robust economic growth. Mortgage rates were mostly flat for the week.

This week has two very important economic items. The Federal Open Market Committee is meeting this week, and it is almost universally assumed that interest rates will go up another ¼ point. The policy announcement will be scoured for clues to the end of the Fed rate increases. If the announcement drops hints that the Fed may pause, mortgage rates may dip just a bit during the week. However, if the statement appears to support more rate increases, or is truly ambiguous, mortgage rates will likely continue upward. Retail sales data will also be released this week. Another 0.6% increase is anticipated. If the Fed does not hint at a slowing in interest rate increases, and retail sales come in above expectations, mortgage rates will likely push higher again.

This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Wholesale Inventories	5/9	0.8%	0.5%	Limited
Inventories are watched in relationship to sales. If inventories grow too much, manufacturing output tends to slow, resulting in slowing growth.				
FOMC Policy Announcement	5/10			Significant
Is the end near? Any hints that the rate hikes will end or slow will continue to drive stocks up and mortgage rates may slide a bit.				
Retail Sales	5/11	0.6%	0.6%	Significant
If retail sales come in under expectations, as the number of new jobs did last week, we may see some flattening pressure on mortgage rates.				
Trade Balance	5/12	- 65.7B	-67.5B	Limited
Always a difficult report for markets to digest, a larger gap would increase the case for slowing or halting interest rate hikes by the Fed.				
U. of Mich. Consumer Sentiment	5/12	87.4	86.5	Moderate
If gasoline and energy prices continue to erode sentiment, we may end the week with some downward pressure on mortgage rates.				



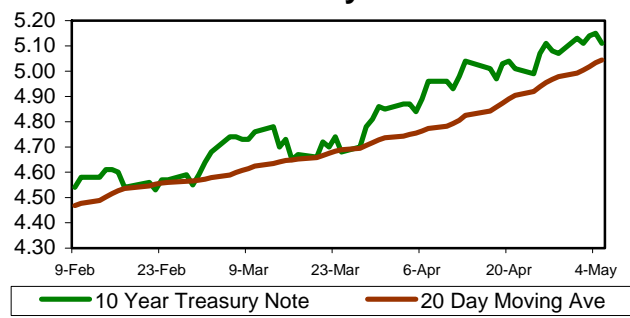
Mortgage Rate Trends

Short-Term	↗↗
Long-Term	↗↗
Volatility	High

Interest Rates and Indexes

1 Yr T-Bill	4.940%	11th D. COFI	3.604%
10 Yr T-Note	5.070%	COSI	3.560%
6 Month Libor	5.281%	CODI	4.158%
Prime Rate	7.750%	MTA	4.142%

10 Year Treasury Note Trend



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