



Weekly Mortgage Update

**Week of
May 14,
2006**

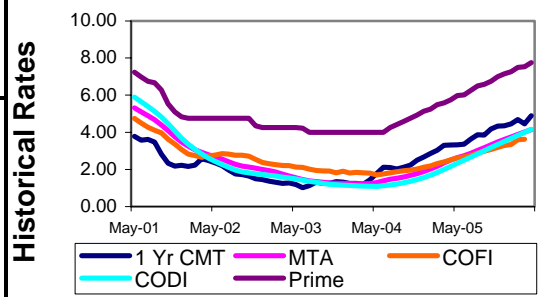
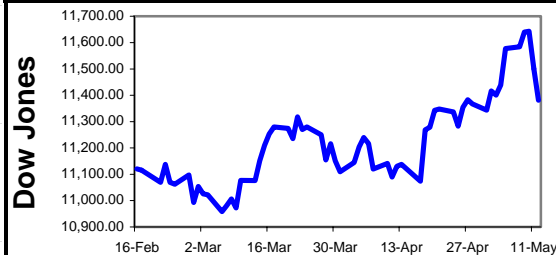
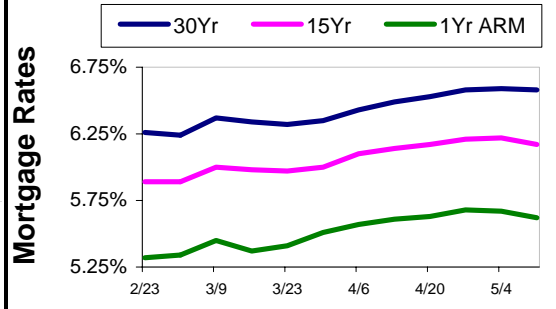
**Mortgage
Market
Commentary**

Mortgage rates were well-behaved last week, which is significant considering the events of the week. Retail sales were up, but after factoring out autos and gas, the increase was a modest 0.2% increase. More significant was the Fed policy statement following the announcement of another ¼-point interest rate increase. Many analysts found hints of another rate hike coming at the Fed's next meeting at the end of June. Part of the downward pressure on mortgage rates may be coming from fears of the economic impact of continuing rising energy prices on future consumer spending.

The twin indexes of inflationary pressure, the Producer and Consumer Price Indexes are due this week. Both are expected to have a relatively high "headline" number. However, the "core" readings, which exclude volatile issues such as gasoline prices, are not expected to be nearly as high. If the rising energy prices do begin exerting more inflationary pressure across the board, and the core readings come in higher than expected, mortgage rates will spend the week climbing.

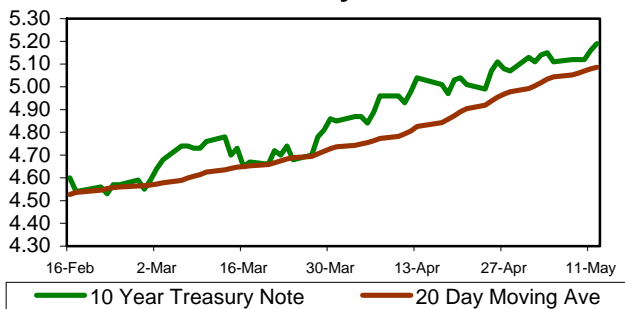
This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Housing Starts While evidence of a slow cooling continues to build, housing starts continue at very healthy pace with only a small dip expected.	5/16	1.96M	1.95M	Limited
Producer Price Index Evidence continues to mount that businesses are absorbing more cost increases than they are passing along. A higher PPI will push up rates.	5/16	0.5%	0.7%	Significant
Industrial Production A moderate increase is expected. If production drops, we'll see additional downward pressure on mortgage rates for the week.	5/16	0.6%	0.4%	Moderate
Consumer Price Index If there is a buildup of inflationary pressure at the producer level that finally is released at the consumer level, mortgage rates will climb.	5/17	0.4%	0.5%	Significant
Leading Economic Indicators The LEI is expected to show relatively flat future economic growth. If it goes negative again, mortgage rates will find some downward pressure.	5/18	-0.1%	0.2%	Moderate



Mortgage Rate Trends		Interest Rates and Indexes			
Short-Term	↗↗	1 Yr T-Bill	4.980%	11th D. COFI	3.624%
Long-Term	↗↗	10 Yr T-Note	5.140%	COSI	3.560%
Volatility	High	6 Month Libor	5.279%	CODI	4.158%
		Prime Rate	8.000%	MTA	4.142%

10 Year Treasury Note Trend



Fidelity Lending Northwest

Ph: 503-259-8655 • Fax: 503-259-8608
 Toll Free: 866-400-FLNW
 Email: mortgages@flnw.net
 Web: www.SuperLowRates.info



4580 SW 185th Ave., Aloha, OR 97007

