



Weekly Mortgage Update

**Week of
July 30,
2006**

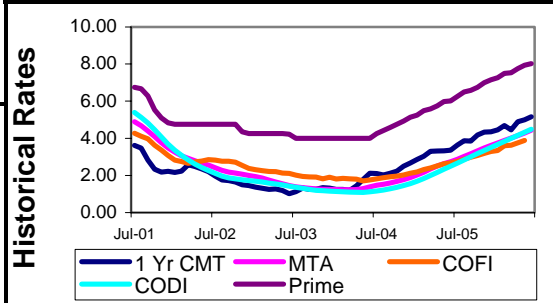
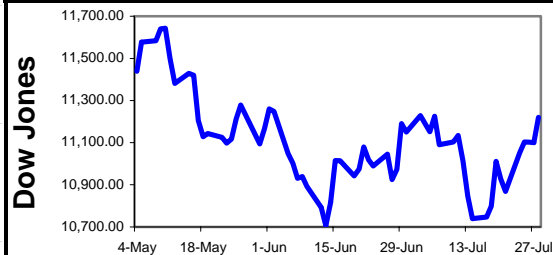
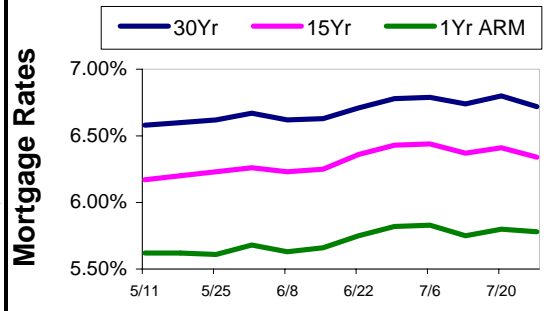
**Mortgage
Market
Commentary**

Mortgage rates began to drift downward last week as the GDP came in at a low 2.5% for the 2nd quarter. Rates might have slid south further if not for one piece of the GDP report that revealed some continuing, but not extreme, inflationary pressure.

This week will likely start with mortgage rates continuing to feel some downward pressure from the GDP number and continued international unrest. The only thing that could put some upward pressure on rates is the ISM's manufacturing index. If it comes in above expectations, mortgage rates are likely to stay mostly level for the first part of the week. The biggest news of the week will be Friday's employment report. If the unemployment rate goes up and fewer than 100K new jobs were created, mortgage rates will surely move lower in anticipation of a pause in interest rate increases from the Fed. However, if we see a jump in new jobs, we could see some hedging in fear of one more increase before a pause, and mortgage rates would stay level at best.

This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Construction Spending Construction spending remains strong as much of the slack in residential building is taken up by commercial projects.	8/1	-0.4%	0.3%	Limited
ISM Manufacturing Index Expectations are for a mostly flat number, if it comes in under 52.5, we'll likely see some additional downward pressure on rates for a few days.	8/1	53.8	53.5	Significant
ISM Non-Manufacturing Index With less history than the other ISM index, the number has less market weight, but a big over-expectations number could buoy mortgage rates.	8/3	57.0	56.5	Limited
Unemployment Rate With no change expected and a slowing economy, an increase in unemployment could put some significant downward pressure on rates.	8/4	4.6%	4.6%	Significant
Nonfarm Payrolls If the 145K jobs anticipated were created in July, we'll probably end the week with the market pricing in a 50/50 chance of another rate hike.	8/4	121K	145K	Significant



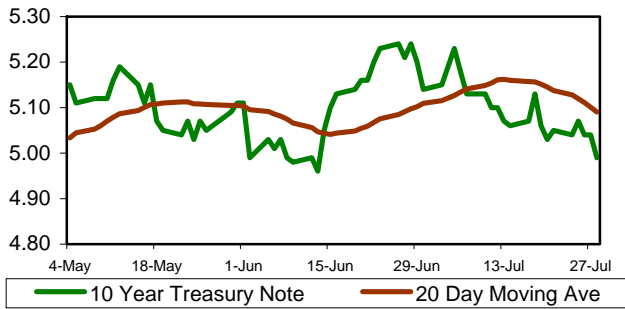
Mortgage Rate Trends

Short-Term **↘↘**
Long-Term **→→**
Volatility **High**

Interest Rates and Indexes

1 Yr T-Bill	5.220%	11th D. COFI	3.884%
10 Yr T-Note	5.070%	COSI	3.790%
6 Month Libor	5.548%	CODI	4.483%
Prime Rate	8.250%	MTA	4.432%

10 Year Treasury Note Trend



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