



# Weekly Mortgage Update

**Week of  
August 6,  
2006**

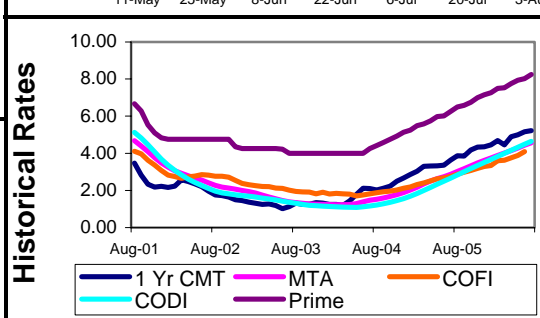
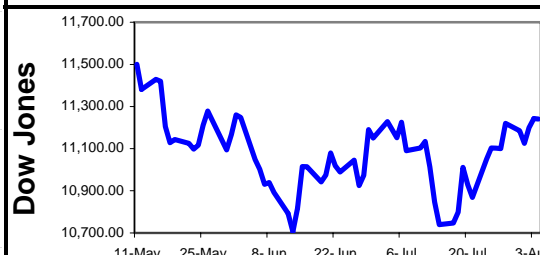
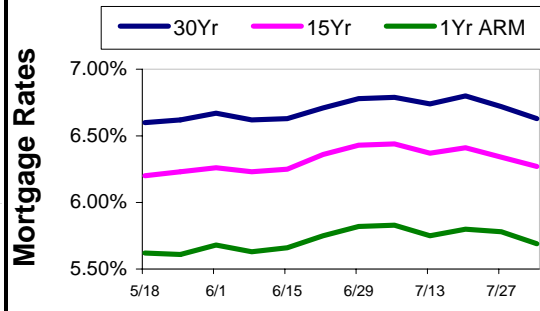
**Mortgage  
Market  
Commentary**

Mortgage rates took a dip last week with the unemployment rate unexpectedly popping up to 4.8% and only 113,000 new jobs created in July. However, the market seems to have somewhat ignored inflation indicators in a few reports over the last couple of weeks.

For all practical purposes, we might as well just have one economic event this week. The Federal Open Market Committee meets to decide whether to rate interest rates for the 18<sup>th</sup> consecutive time. The markets have almost completely priced in a pause at this meeting. While the Fed has indicated that it would be more "data-driven," and recent data does show that the economy has cooled, inflationary pressures are not appearing to slow yet. As a general rule, once the economy slows, inflationary pressures abate soon after. So the question will be, has the Fed put enough "monetary drag" in the marketplace to slow inflation, but not too much to inhibit further economic growth? If the Fed raises interest rates, mortgage rates will take off, if not they will slide a bit further down.

**This Week's Top Economic Reports and Events**

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
<b>FOMC policy statement</b> Inflationary pressures are still persistent, but the market expects a pause. If the pause happens, mortgage rates will slide south for a while.	8/8			<b>Significant</b>
<b>Trade Balance</b> Markets will likely still be responding to the Fed's actions, making the trade balance less important, especially if it is anywhere near expected.	8/10	-63.8B	-64.5B	<b>Limited</b>
<b>Import Prices</b> If the Fed does not raise rates and import prices come in below expectations, we'll have additional downward pressure on rates.	8/11	0.1%	0.8%	<b>Limited</b>
<b>Retail Sales</b> Some analysts are fearing increased gas prices may begin impacting retail sales soon. If sales are down, rates will push downward a bit.	8/11	-0.1%	0.6%	<b>Significant</b>
<b>Retail Sales (Excluding Autos)</b> If it is just cars that are selling significantly less, and retail sales excluding autos spike upward, rates will experience upward pressure.	8/11	0.3%	0.5%	<b>Significant</b>



**Mortgage Rate Trends**

Short-Term **↘↘**

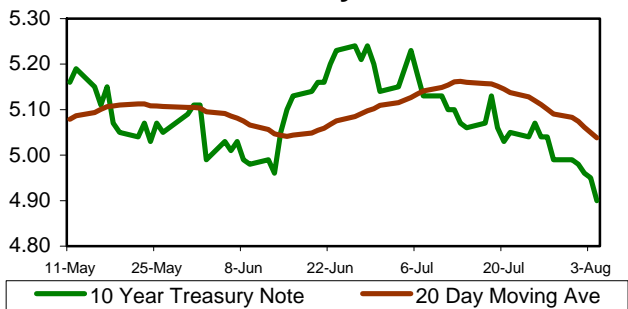
Long-Term **→→**

Volatility **High**

**Interest Rates and Indexes**

1 Yr T-Bill	5.170%	11th D. COFI	4.090%
10 Yr T-Note	5.050%	COSI	3.940%
6 Month Libor	5.552%	CODI	4.640%
Prime Rate	8.250%	MTA	4.563%

**10 Year Treasury Note Trend**



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