



Fidelity Lending Northwest's

Weekly Mortgage Update

**Week of
Jan. 14,
2007**

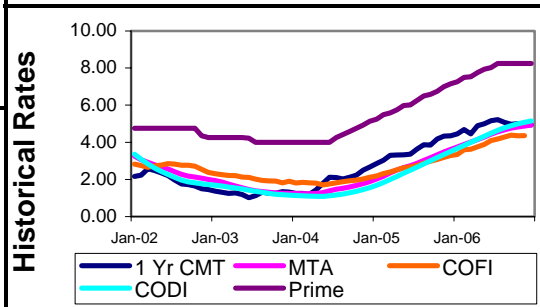
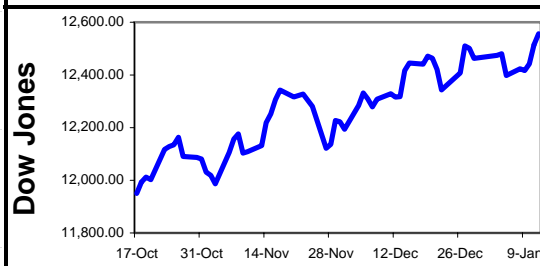
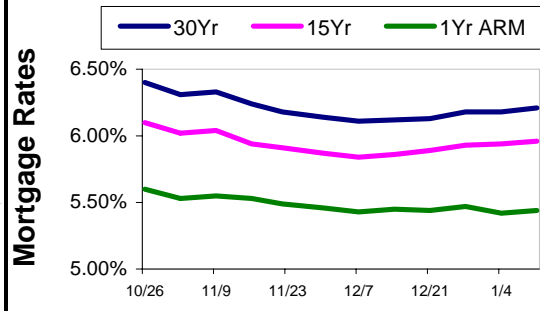
**Mortgage
Market
Commentary**

Mortgage rates edged up just a bit during a light week of mostly positive economic news. The week ended with a very positive retail sales report. It appears retail sales did just fine in December, posting a solid 0.9% increase. This will start the week with upward pressure on rates.

As is often the case, mortgage rates moved little over the holiday season. However, they could start moving again this week. There has been some significant upward pressure coming out of the bond market that has not been reflected in mortgage pricing. If economic growth begins to power ahead, combined with inflation continuing to dog the marketplace, we could see mortgage rates rise fast. This week, both the Consumer and Producer Price Indices are due. Last month's "no-change" in the CPI created part of the downdraft that has helped keep mortgage rates steady. If it comes in again with "no-change," mortgage rates are likely to move down a bit. However, if the CPI and PPI come in above expectations, rates will move upward with hopes of a near-term rate cut completely dashed.

This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Producer Price Index (Core) Another stunningly higher-than-expected reading would put upward pressure on rates, with fears of inflation moving to the consumer level.	1/17	1.3%	0.1%	Significant
Industrial Production With a small up-tick expected, a flat or negative reading could help generate some downward pressure on mortgage rates.	1/17	0.2%	0.1%	Significant
Consumer Price Index (Core) If the core reading spikes to 0.3%, mortgage and other interest rates are likely to begin trending upward for the next few weeks.	1/18	0.0%	0.2%	Significant
Leading Economic Indicators While not as predictive an indicator as many would like, an above-expectations reading would likely put some upward pressure on rates.	1/18	0.1%	0.2%	Moderate
U. of Mich. Consumer Sentiment With some other indicators of consumer attitudes declining, a reading under 90 would likely create some downward pressure on rates.	1/19	91.7	92.0	Moderate



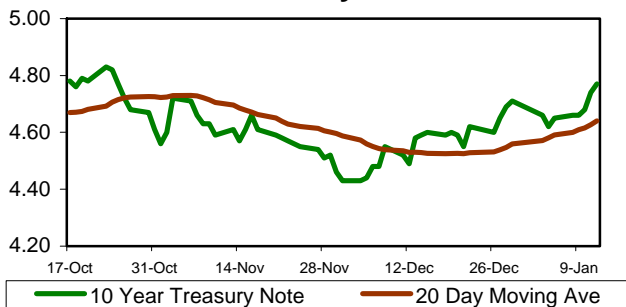
Mortgage Rate Trends

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

Interest Rates and Indexes

1 Yr T-Bill	4.980%	11th D. COFI	4.358%
10 Yr T-Note	4.660%	COSI	4.650%
6 Month Libor	5.368%	CODI	5.153%
Prime Rate	8.250%	MTA	4.933%

10 Year Treasury Note Trend



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