



Weekly Mortgage Update

**Week of
July 15,
2007**

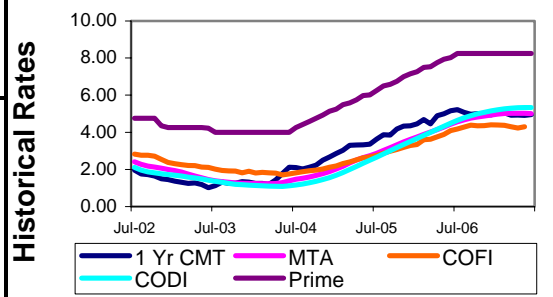
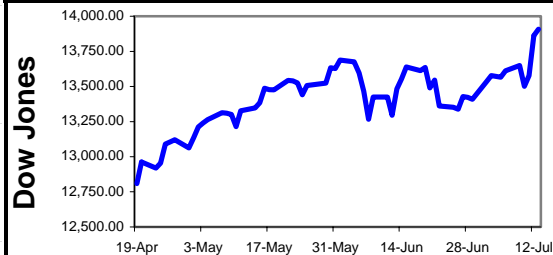
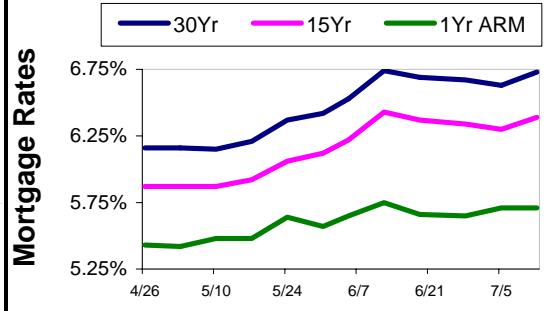
**Mortgage
Market
Commentary**

As expected, mortgage rates moved upward last week following the previous week's run up in the bond market. While recent economic news has been mostly positive, Retail Sales did come in quite a bit under expectations. The drop of 0.9% rather than an increase of 0.3% in retail sales will probably help hold mortgage rates flat as this week begins.

This week holds some very important data for the financial markets to digest. Most economists believe that economic growth increased in the second quarter of the year. While inflation has shown some signs of moderating in recent months, increasing economic output almost always comes with a risk of increasing inflation. We'll get some insight with the release of the Producer and Consumer Price Indices. If both come in near expectations, mortgage rates are likely to remain mostly level. However, if either pops up much higher than expected, we could see mortgage rates climbing. Lower than expected readings, unfortunately, are not likely to lead to much lower rates.

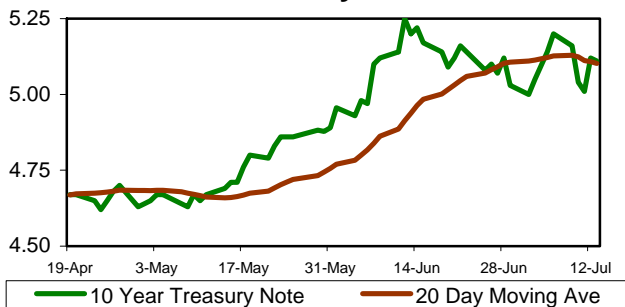
This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Producer Price Index (Core) If both the PPI and CPI core readings come in under expectations, rates may go down, but if only the PPI comes in low, rates may stay up.	7/17	0.2%	0.2%	Significant
Industrial Production With manufacturing appearing to recover, an unexpected drop in production could put some downward pressure on mortgage rates.	7/17	0.0%	0.3%	Significant
Consumer Price Index (Core) Another surprise reading at 0.1% will create some downward pressure on rates, but not enough to erase the run up of the last few weeks.	7/18	0.1%	0.2%	Significant
Leading Economic Indicators A spike upward in the LEI would provide reinforcement to the idea of increasing economic growth, and rates would feel some upward pressure.	7/19	0.3%	0.1%	Moderate
FOMC Minutes If the minutes reveal more concern for inflation increasing with growth accelerating, then mortgage rates will feel some upward pressure.	7/19			Moderate



Mortgage Rate Trends	Interest Rates and Indexes			
Short-Term →→	1 Yr T-Bill	4.990%	11th D. COFI	4.293%
Long-Term →→	10 Yr T-Note	5.010%	COSI	4.760%
Volatility High	6 Month Libor	5.388%	CODI	5.336%
	Prime Rate	8.250%	MTA	5.005%

10 Year Treasury Note Trend



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