



Weekly Mortgage Update

**Week of
August 20,
2006**

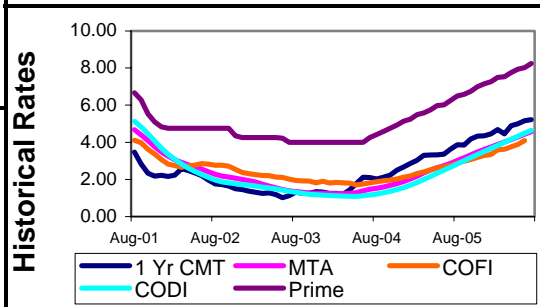
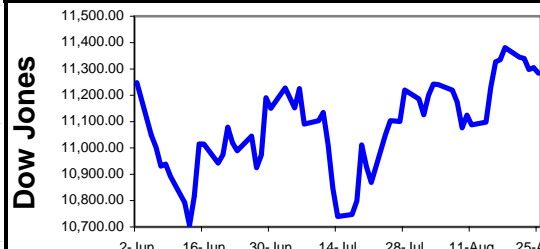
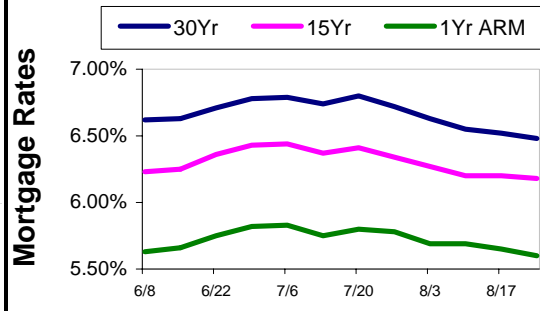
**Mortgage
Market
Commentary**

“The sky is falling!” With a slow economic news week, the below-expectations housing news received lots of extra play in the media, especially with analysts who are predicting a rough landing for the economy. However, while the economy is slowing, one set of readings (especially the constantly revised new home sales data) is not enough data to declare that “the end is near.”

This week is an extremely packed week of economic data. We'll get insight into many facets of the economy, from Consumer Confidence, to the first GDP revision, to the job market, to important manufacturing data. If this week's news shows a continuing trend toward a slowing economy, we could see mortgage rates continue to drift down. While inflationary indicators have shown only slight signs of moderating, poor economic news would continue to build the case for no more interest rate increases this year. Alternatively, if the news of the week shows an economy powering through interest rate increasing, high energy prices, and inflationary pressures, rates could start heading up.

This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Consumer Confidence If confidence continues to power through higher energy prices and comes in higher than expected, mortgage rates will feel some upward pressure.	8/29	106.5	103.7	Significant
FOMC Meeting Minutes Any discussion in the minutes about dropping rates would likely put some significant downward pressure on rates.	8/30			Moderate
Gross Domestic Product (Prelim) 2.5% felt low to many analysts. If the number remains unrevised, rates are likely to continue trending downward, potentially, for a few weeks.	8/30	2.5%	3.0%	Significant
Nonfarm Payrolls Another disappointment in new jobs created, combined with an unrevised GDP, would be a recipe for lower mortgage rates for a while.	9/1	113K	125K	Significant
ISM Manufacturing Index With expectations of slowing consumer spending, a higher-than-expected ISM reading could temper a significant amount of poor consumer news.	9/1	54.7	55.0	Significant



Mortgage Rate Trends

Short-Term **↘↘**

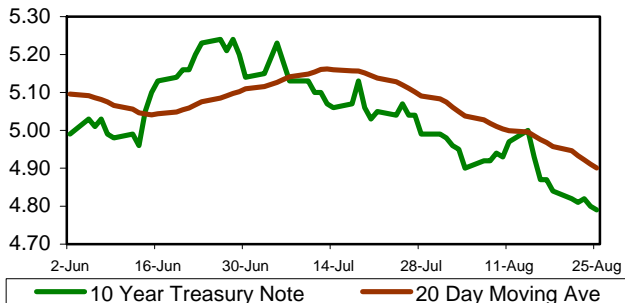
Long-Term **↘↘**

Volatility **High**

Interest Rates and Indexes

1 Yr T-Bill	5.100%	11th D. COFI	4.090%
10 Yr T-Note	4.900%	COSI	3.940%
6 Month Libor	5.454%	CODI	4.640%
Prime Rate	8.250%	MTA	4.563%

10 Year Treasury Note Trend



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