



Weekly Mortgage Update

**Week of
Dec. 17,
2006**

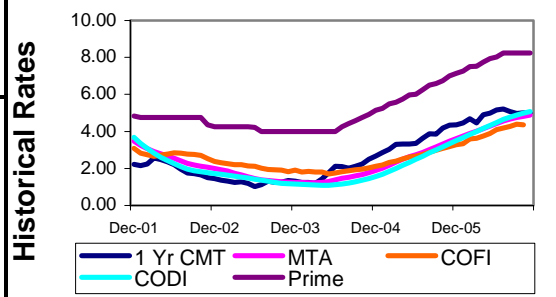
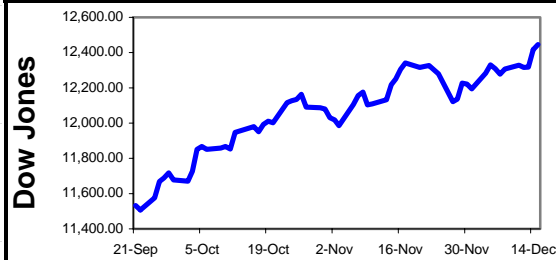
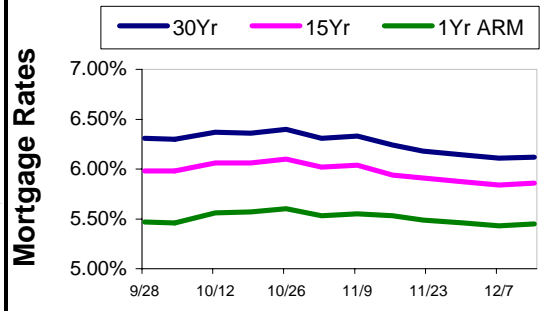
**Mortgage
Market
Commentary**

The Fed left its Fed Fund rate unchanged last week as expected. The accompanying policy shed little additional light on future Fed moves. In many ways, it looks like the Fed will continue to hold rates steady to see if the run-up to 5.25% was sufficient enough to draw inflationary pressures out of the market without causing an economic meltdown. Almost on cue, Retail Sales came in higher than expected, and the Consumer Price Index showed no change in inflation from October to November. With little additional hope for a rate cut anytime soon, mortgage rates nudged up slightly.

This week holds a few important pieces of economic data, but with the impending holiday, we may not see a huge amount of movement unless there are some big surprises. If the Producer Price Index follows last week's CPI and comes in unchanged, we could see some small drop in mortgage rates. The final reading for 3rd quarter GDP is also due this week. Unless it is modified more than 0.2% from where it stands, it may not impact markets very much.

This Week's Top Economic Reports and Events

<u>Report/Event</u>	<u>Date</u>	<u>Prior</u>	<u>Est.</u>	<u>Impact</u>
Housing Starts With analysts looking for evidence that the housing market has landed, a higher-than-expected reading would put some upward pressure on rates.	12/19	1.49M	1.55M	Limited
Producer Price Index (Core) After last week's CPI, many are thinking that the PPI may come in low. If it comes in higher than expected, mortgage rates are likely to go up.	12/19	-1.6%	0.5%	Significant
Gross Domestic Product (Final) A reading from 2.0% to 2.4% would probably be a non-event, but a reading higher than 2.4% would likely lead to higher mortgage rates.	12/21	2.2%	2.2%	Significant
Leading Economic Indicators With moderate growth predicted by the Fed, an unexpected drop in the LEI of more than 0.5% could drive rates just a bit downward.	12/21	0.2%	0.0%	Moderate
U Of Mich. Consumer Sentiment An unexpected souring of consumers' moods at this time of year could put a little bit of downward pressure on rates.	12/22	90.2	90.7	Moderate



Mortgage Rate Trends

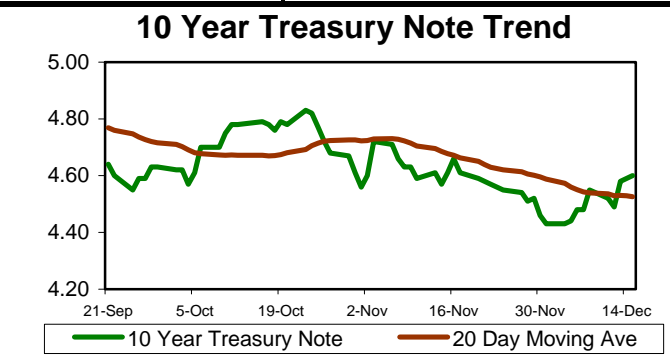
Short-Term **→→**

Long-Term **↘↘**

Volatility **High**

Interest Rates and Indexes

1 Yr T-Bill	4.900%	11th D. COFI	4.346%
10 Yr T-Note	4.480%	COSI	4.600%
6 Month Libor	5.380%	CODI	5.080%
Prime Rate	8.250%	MTA	4.883%



Fidelity Lending Northwest

Ph: 503-259-8655 • Fax: 503-259-8608
 Toll Free: 866-400-FLNW
 Email: mortgages@flnw.net
 Web: www.SuperLowRates.info



4580 SW 185th Ave., Aloha, OR 97007

