

Economic CALENDAR

May
2024

Monday	Tuesday	Wednesday	Thursday	Friday
		1 FOMC Meeting & Statement JOLTS, ISM Manufacturing, Construction Spending, ADP Employment, Mortgage Apps	2 Productivity Factory Orders Weekly Jobless Claims	3 Employment Report ISM Non-Manufacturing Index Trade Balance
6	7 Consumer Credit	8 MBA Mortgage Applications	9 Weekly Jobless Claims	10 Fed Budget Consumer Sentiment
13	14 PPI NFIB Business Optimism	15 CPI, Retail Sales NAHB Index Business Inventories MBA Mortgage Applications	16 Housing Starts & Permits Industrial Production Import-Export prices Weekly Jobless Claims	17 Leading Economic Indicators
20	21	22 Existing Home Sales FOMC Minutes MBA Mortgage Applications	23 New Home Sales Weekly Jobless Claims	24 Durable Goods Consumer Sentiment
27 Memorial Day Markets Closed	28 Consumer Confidence S&P CS Home Price Index FHFA Home Price Index	29 MBA Mortgage Applications	30 GDP Pending Home Sales Weekly Jobless Claims	31 PCE Personal Income & Spending



Mortgage Economic Review May 2024

The **Mortgage Economic Review** is a monthly summary of Key Economic Indicators, Data, and Events pertinent to Mortgage, Housing, and Finance Professionals.

AT A GLANCE - Key Economic Events and Data released during April 2024

- **Interest Rates:** The 10-year Treasury yield rose to 4.69% (Apr 30) from 4.20% (Mar 28).
- **Housing:** Existing Home Sales fell 4.3% (-3.7 YoY), New Home Sales rose 8.8% (+8.3% YoY), and Home Prices rose 0.6% in (+7.0% YoY).
- **Labor:** The US Economy created 175,000 New Jobs in April and 303,000 in March. The Unemployment Rate rose to 3.9%. Wage Growth rose at a 3.9% YoY pace.
- **Inflation:** CPI rose 0.4% in March (+3.5% YoY), and PCE rose 0.3% (+2.7% YoY).
- **The Economy:** US GDP grew by a 1.6% annualized rate in 1Q2024, up 3.0% YoY.
- **Consumers:** Retail Sales rose 0.7% in March (4.0% YoY), Consumer Confidence and Sentiment fell.
- **Stock Markets** fell in April: Dow -5.0%, S&P - 4.1%, Nasdaq -4.4%.
- **Oil Prices** fell to \$81/Barrel (Apr 30) from \$83/Barrel (Mar 29).

Interest Rates and Fed Watch

The latest FOMC wrapped up on May 1st, with the Fed leaving Interest Rates unchanged. The Fed Funds Rate remains in the target range of 5.25% - 5.50%, which is the same level it's been for 9 months and the highest in 23 years. Inflation declined during the last half of 2023, then abruptly reversed course, and increased in the first quarter of 2024. The FOMC Statement said: "Inflation has eased over the past year but remains elevated. In recent months, there has been a lack of further progress toward the Committee's 2.0 percent inflation objective...The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that Inflation is moving sustainably toward 2.0 percent." The next FOMC Meeting is June 11th and 12th.

- **10-Year Treasury Note Yield** rose to 4.69% (Apr 30) from 4.20% (Mar 28).
- **30-Year Treasury Bond Yield** rose to 4.79% (Apr 30) from 4.34% (Mar 28).
- **30-Year Fixed Mortgage** rose to 7.17% (Apr 25) from 6.79% (Mar 28).
- **15-Year Fixed Mortgage** rose to 6.44% (Apr 25) from 6.11 (Mar 28).

Housing Market Data Released during April 2024

Home Prices continue to march upward about 7.0% a year. The good news is that Inventory is growing. Builders are completing about a million New Homes a year. More homes are being listed for sale, but it's taking longer to sell them. An interesting phenomenon that Housing Analysts have observed is the condition of the Existing Homes for Sale - they need a lot of repair. That's because many of the New Listings are homes which have not been maintained properly. The combined cost of purchasing the home and paying for necessary repairs is discouraging many potential home buyers.

- **Existing Home Sales** (closed deals in March) fell 4.3% to an annual rate of 4,190,000 homes (3,800,000 SFR, 390,000 Condos), down 3.7% in the last 12 months. The median Single-Family Home price is \$397,200, up 4.7% YoY. The Median Condo price is \$357,400, up 5.8% YoY. Homes were on the market for an average of 33 days. Currently, 1,110,000 homes are for sale, up 14.4% YoY.
- **New Home Sales** (signed contracts in March) rose 8.8% to a seasonally adjusted annual rate of 693,000 homes, up 8.3% YoY. (668,000 New Homes were sold in 2023). The median New Home price is \$430,700 (Peak of \$496,800 in Oct 2022). The average price is \$524,800 (Peak of \$568,700 in Dec 2022). There are 477,000 New Homes for sale, (low of 281,000 in October 2020), an 8.3 month supply.
- **Pending Home Sales Index** (signed contracts in March) rose 3.4% to 78.2 from 75.6 the previous month, up 0.1% YoY.
- **Building Permits** (issued in March) fell 4.3% to a seasonally adjusted annual rate of 1,458,000 units - up 1.5% YoY. Single-Family Permits fell 5.7% to an annual pace of 973,000 homes, up 17.4% YoY.
- **Housing Starts** (excavation began in March) fell 14.7% to an annual adjusted rate of 1,321,000, down 4.3% YoY. Single-Family Starts fell 12.4% to 1,022,000 units, up 21.2% YoY.
- **Housing Completions** (completed in March) fell 13.5% to an annual adjusted rate of 1,469,000 units - down 3.9% YoY. Single-Family Completions fell 10.9% to an annual adjusted rate of 947,000 homes - down 8.5% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.6% in February, up 7.3% YoY.
- **FHFA Home Price Index** rose 1.2% in February, up 7.0% YoY.

Labor Market Economic Data Released during April 2024

The **Economy** created 175,000 New Jobs during April and 303,000 in March. The Labor Market remains very robust but is sloooowly starting to cool. The Unemployment Rate has hovered below 4.0% in the 3.7% to 3.9% range for months. Job Openings are declining, but there are still 8,448,000 unfilled jobs. The increase in the Average Wage dipped below 4.0% and is now at 3.9%. To make a substantial impact on Inflation, the Unemployment Rate needs to be in the 4.0% to 4.5% range, and Wage Growth needs to be under 3.0%.

- The **Economy** created 175,000 new Jobs during April and 303,000 in March.
- The **Unemployment Rate** rose to 3.9% in April from 3.8% in March and 3.9% in February.
- The **Labor Force Participation Rate** rose to 62.7 in April and March from 62.5% in Dec thru Feb.
- The **Average Hourly Wage** rose 0.2% during April after increasing 0.3% in March, up 3.9% YoY.
- **Job Openings** fell to 8,448,000 in March from 8,813,000 in Feb and 8,748,000 in Jan.

Inflation Economic Data Released during April 2024

The War against Inflation lost a few battles in the last few months. After declining in the 2nd half of 2023, Inflation Data shows a definite upward trend. January through March Data shows Inflation in the 4.0% range - well above the desired 2.0% Fed target. Many Economists have continually warned about the length of time it will take to fight Inflation. What is currently keeping Inflation high? Shelter, Energy, and Services are the current culprits (Food and Used Car Prices are fairly tame). In March, Shelter rose 0.4% (5.7% YoY) Gasoline up 1.7% (1.3% YoY), Electricity up 0.9% (+5.0% YoY), Services up 0.5% (5.4% YoY), Transportation up 1.5% (10.7% YoY), Medical Care up 0.6% (2.1% YoY).

- **CPI** rose 0.4%, up 3.5% YoY | **Core CPI** rose 0.4%, up 3.8% YoY
- **PPI** rose 0.2%, up 2.1% YoY | **Core PPI** rose 0.2%, up 2.8% YoY
- **PCE** rose 0.3%, up 2.7% YoY | **Core PCE** rose 0.3%, up 2.8% YoY

GDP Economic Data Released during April 2024

The 1st estimate of 1st Quarter 2024 GDP showed the **US Economy** grew at a 1.6% annualized rate. That is lower than expectations of 2.5% and much lower than the 2023 pace of 3.0%. This preliminary data indicates that 2024 will have slower growth than 2023. That's the plan - slow down the Economy with higher Interest Rates. If that is the case, we should see weaker Labor data in the upcoming months. Keep in mind this is the very first estimate for 2024 GDP. GDP Data has a tendency to be revised higher as the year progresses.

Consumer Economic Data Released during April 2024

Retail Sales rose 0.7% in March, plus the February data was revised to 0.9% - surprising Economists. In the last 12 months, Retail Sales was up 4.0%, but Inflation was up 3.5% - so most of the spending was just keeping up with Inflation. Retail Sales are reported in Dollars - not Units. Consumers aren't buying more stuff, they are just paying higher prices. Plus, a lot of the increase was due to higher Gasoline Prices. Economists expect Consumers to curtail their spending in the face of persistent Inflation. But they didn't, and why should they? If people expect Inflation to continue, why wait to buy something in the future when it will cost more? Consumers will not stop spending until they start to hurt and/or worry.

- **Retail Sales** rose 0.7% during March, up +4.0% in the last 12 months.
- **Consumer Confidence Index** fell 5.9% to 97.0 from 104.7 the prior month, down 6.5% YoY.
- **Consumer Sentiment Index** (U of M) fell 2.8% to 77.2 from 79.4 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** fell 3.0% to \$81/Barrel (Apr 30) from \$83/Barrel (Mar 29).
- **North Sea Brent Crude** rose 1.6% to \$88/Barrel (Apr 30) from \$87/Barrel (Mar 29).
- **Natural Gas** rose 10% to \$1.95/MMBtu (Apr 30) from \$1.76/MMBtu (Mar 29).
- Republic First Bank (HQ in Philadelphia) was seized by regulators and placed its assets with Fulton Bank (Lancaster, PA).

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