

Economic CALENDAR

June
2024

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Mortgage Economic Review June 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 May 2024

- **Interest Rates:** The 10-year Treasury yield fell to 4.51% (May 31) from 4.69% (Apr 30).
- **Housing:** Existing Home Sales fell 1.9% (-1.9 YoY), New Home Sales fell 4.7% (-7.7% YoY), and Home Prices rose 0.3% (+7.0% YoY).
- **Labor:** The US Economy created 175,000 New Jobs in April. The Unemployment Rate rose to 3.9%. Wage Growth rose at a 3.9% YoY pace.
- **Inflation:** CPI rose 0.3% in April (+3.4% YoY), and PCE rose 0.3% (+2.7% YoY).
- **The Economy:** US GDP grew by a 1.3% annualized rate in 1Q2024, up 2.9% YoY.
- **Consumers:** Retail Sales was flat in April (3.0% YoY), Consumer Confidence rose while Sentiment fell.
- **Stock Markets** rose in May: Dow + 2.3%, S&P + 4.8%, Nasdaq + 6.9%.
- **Oil Prices** fell to \$77/Barrel (May 31) from \$81/Barrel (Apr 30).

Interest Rates and Fed Watch

The FOMC meeting wrapped up on May 1 and left The Fed Funds Target Range at 5.25 - 5.5%. During May, several Fed officials hit the speaking circuit. Looking back on the various speaking engagements, they shared the same message: The Fed will not do another Interest Rate cut until the data shows a definite trend (3 months) of lower Inflation. In the meantime, the Economy is slowly cooling, the Labor Market is slowly weakening, and Inflation is slowly declining. The key word is slowly. At this gentle pace, the Fed expects Inflation to be at 2.5% and the Unemployment Rate to be above 4.0% by the end of 2024. If Inflation doesn't behave as the Fed envisions, we may not get any Rate Cuts this year. The Next FOMC Announcement is June 12th and the Fed is expected to keep rates unchanged. At this point, the earliest expectation for a Rate Cut is September, and that's a maybe.

- **10-Year Treasury Note Yield** fell to 4.51% (May 31) from 4.69% (Apr 30).
- **30-Year Treasury Bond Yield** fell to 4.65% (May 31) from 4.79% (Apr 30).
- **30-Year Fixed Mortgage** fell to 7.03% (May 30) from 7.17% (Apr 25).
- **15-Year Fixed Mortgage** fell to 6.36% (May 30) from 6.44% (Apr 25).

Housing Market Data Released during May 2024

Housing Data in May was mostly negative. Existing, New, and Pending Home Sales were all down, while Home prices continued higher. The good news is that housing Starts and Completions were up. The inventory of Existing Homes is severely constrained but increasing. New Homes are plentiful and attracting more Buyers as Builders offer incentives and price breaks. The downside to many New Homes is location, as they are typically located in further-out suburbs. As soon as Interest Rates decline (which should happen this Fall), expect New Home Sales to increase substantially.

- **Existing Home Sales** (closed deals in April) fell 1.9% to an annual rate of 4,140,000 homes (3,740,000 SFR + 400,000 Condos), down 1.9% in the last 12 months. The median Single-Family Home price is \$412,100, up 5.6% YoY. The Median Condo price is \$365,300, up 5.4% YoY. Homes were on the market for an average of 26 days. Currently, 1,210,000 homes are for sale, up 16.3% YoY.
- **New Home Sales** (signed contracts in April) fell 4.7% to a seasonally adjusted annual rate of 634,000 homes, down 7.7% YoY. (668,000 New Homes were sold in 2023). The median New Home price is \$433,500 (Peak of \$496,800 in Oct 2022). The average price is \$505,700 (Peak of \$568,700 in Dec 2022). There are 480,000 New Homes for sale, (low of 281,000 in October 2020), a 9.1 month supply.
- **Pending Home Sales Index** (signed contracts in April) fell 7.7% to 72.3 from 78.2 the previous month, down 7.4% YoY.
- **Building Permits** (issued in April) fell 3.0% to a seasonally adjusted annual rate of 1,440,000 units - down 2.0% YoY. Single-Family Permits fell 0.8% to an annual pace of 976,000 homes, up 11.4% YoY.
- **Housing Starts** (excavation began in April) rose 5.7% to an annual adjusted rate of 1,360,000, down 0.6% YoY. Single-Family Starts fell 0.4% to 1,031,000 units, up 17.7% YoY.
- **Housing Completions** (completed in April) rose 8.6% to an annual adjusted rate of 1,623,000 units - up 14.6% YoY. Single-Family Completions rose 15.4% to an annual adjusted rate of 1,092,000 homes - up 13.6% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.3% in March, up 7.4% YoY.
- **FHFA Home Price Index** rose 0.1% in March, up 6.7% YoY.
- **NAHB Index** for May fell 12.0% to 45 from 51 the prior month, down 10.0% YoY.

Labor Market Economic Data Released during May 2024

The **Economy** created 175,000 New Jobs during April, and the Unemployment Rate rose to 3.9%. The Labor Market is gradually slowing down from its breakneck growth in 2022 and 2023. Job Openings are down to 8,448,000 from a peak of 11,000,000 in 2023. Half of those jobs are entry-level positions paying minimum wage in the Hospitality industry. The Fed wants to see weakness in the Labor Market before they do another Interest Rate cut.

- The **Economy** created 175,000 new Jobs during April.
- The **Unemployment Rate** rose to 3.9% in April from 3.8% in March.
- The **Labor Force Participation Rate** was unchanged at 62.7 in April and March.
- The **Average Hourly Wage** rose 0.2% during April, up 3.9% YoY.
- **Job Openings** fell to 8,448,000 in March from 8,813,000 in Feb.

Inflation Economic Data Released during May 2024

The latest Inflation Data is slightly better than the previous 3 months. Inflation is very slowly declining. It's not great news, but it's not bad either. In my humble opinion, the stubbornness of this current round of Inflation is the consequence of divergent Monetary and Fiscal policy. The Fed is trying to slow the Economy down to fight Inflation while the Federal Government is trying to stimulate the Economy because it's an election year. They are pulling in different directions. The result is stubborn Inflation. At some point, they will have to start pulling in the same direction, but that may only happen after the November Election - if then. In the meantime, the culprits driving Inflation remain the same: Shelter, Energy, and Services, (particularly medical, Transportation, and Insurance). Don't underestimate the effect of Election politics on Inflation.

- **CPI** rose 0.3%, up 3.4% YoY | **Core CPI** rose 0.3%, up 3.6% YoY
- **PPI** rose 0.5%, up 2.2% YoY | **Core PPI** rose 0.4%, up 3.1% YoY
- **PCE** rose 0.3%, up 2.7% YoY | **Core PCE** rose 0.2%, up 2.8% YoY

GDP Economic Data Released during May 2024

The 2nd estimate of 1st Quarter 2024 GDP showed the **US Economy** grew at a 1.3% annualized rate (1.6% expected). Year-over-year GDP is up 2.9%. The lower GDP numbers were attributed to decreased Consumer and Federal Government spending. The Fed wants to engineer a Soft Landing - slow the Economy down, but don't send it into Recession. The slowdown in the Economy is beginning to show up in the Labor and Inflation Data.

Consumer Economic Data Released during May 2024

The latest data showed an interesting divergence - Consumer Confidence rose while Consumer Sentiment declined, and Retail Sales were flat. Despite the uptick, Consumer Confidence at 102 is 10.5% below the 2023 high of 114. A deeper dive into the data shows that Consumers feel good about their jobs and expect Inflation to stay elevated through 2024. The Consumer's balance sheet is still reasonably healthy, but Credit Card debt is a growing problem.

- **Retail Sales** were unchanged during April, up 3.0% in the last 12 months.
- **Consumer Confidence Index** rose 4.6% to 102.0 from 97.5 the prior month, down 0.5% YoY.
- **Consumer Sentiment Index (U of M)** fell 10.5% to 69.1 from 77.2 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** fell 5% to \$77/Barrel (May 31) from \$81/Barrel (Apr 30).
- **North Sea Brent Crude** fell 7% to \$82/Barrel (May 31) from \$88/Barrel (Apr 30).
- **Natural Gas** rose 31% to \$2.57/MMBtu (May 31) from \$1.95/MMBtu (Apr 30).
- Japan's GDP contracted 0.5% in the 1st quarter of 2024, stoking fears that a recession is looming.
- The Dow Stock Index set a new record in its 128-year history - it crossed the 40,000 mark and then fell back.
- Iranian President Ebrahim Raisi died in a helicopter crash on May 20.

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