

Economic CALENDAR

July
2024

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Mortgage Economic Review July 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 June 2024

- **Interest Rates:** The 10-year Treasury yield fell to 4.36% (Jun 28) from 4.51% (May 31).
- **Housing:** Existing Home Sales fell 0.7% (-2.8% YoY), New Home Sales fell 11.3% (-16.5% YoY), and Home Prices rose 0.2% - 0.4% (+6.3% - 7.0% YoY).
- **Labor:** The US Economy created 272,000 New Jobs in May. The Unemployment Rate rose to 4.0%. Wage Growth rose at a 4.1% YoY pace.
- **Inflation:** CPI was flat at 0.0%, in May (+3.3% YoY), and PCE was flat at 0.0%, (+2.6% YoY).
- **The Economy:** US GDP grew at a 1.4% annualized rate in 1Q2024, up 2.9% YoY.
- **Consumers:** Retail Sales rose 0.1% in May (+2.3 YoY), Consumer Confidence and Sentiment declined.
- **Stock Markets** rose in June: Dow + 1.1%, S&P + 3.3%, Nasdaq + 6.0%.
- **Oil Prices** rose to \$82/Barrel (Jun 28) from \$77/Barrel (May 31).

Interest Rates and Fed Watch

The June FOMC Meeting wrapped with the Fed leaving Interest Rates unchanged. The Fed Funds Target range is still 5.25 - 5.50%. The Fed Statement said: "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%."

Fed Speak Translation: Don't expect a rate cut until there are several months of lower Inflation Data. The Next FOMC Meetings are July 30-31, and September 17-18. No one expects a Rate Cut in July, but September is possible. Between now and Sept 17th we will get 3 more months of Inflation and Employment Data. The Markets are hoping a Rate Cut might happen in September - if Inflation Data continues to be favorable.

- **10-Year Treasury Note Yield** fell to 4.36% (Jun 28) from 4.51% (May 31).
- **30-Year Treasury Bond Yield** fell to 4.51% (Jun 28) from 4.65% (May 31).
- **30-Year Fixed Mortgage** fell to 6.86% (Jun 27) from 7.03% (May 30).
- **15-Year Fixed Mortgage** fell to 6.16% (Jun 27) from 6.36% (May 30).

Housing Market Data Released during June 2024

There were a lot of negative numbers in the Housing Data released in June. New Home Sales took a particularly big hit - down 11.4%. Keep in mind New Home Sales data can be volatile. A deeper dive into the data shows there are currently 278,000 homes under construction, with another 104,000 not yet started. Those Homes will come on the market soon and help the Inventory problem. A favorable scenario could develop in the next 12 months. Combine lower Mortgage Rates (Mortgage Rates will decline - it's a question of when) with a higher inventory of New Homes, and you get lower prices and increased Affordability.

- **Existing Home Sales** (closed deals in May) fell 0.7% to an annual rate of 4,110,000 homes (3,710,000 SFR + 400,000 Condos), down 2.8% in the last 12 months. The median Single-Family Home price is \$424,500, up 5.7% YoY. The Median Condo price is \$371,300, up 5.1% YoY. Homes were on the market for an average of 24 days. Currently, 1,280,000 homes are for sale, up 18.5% YoY.
- **New Home Sales** (signed contracts in May) fell 11.3% to a seasonally adjusted annual rate of 619,000 homes, down 16.5% YoY. (668,000 New Homes were sold in 2023). The median New Home price is \$417,400 (Peak of \$496,800 in Oct 2022). The average price is \$520,000 (Peak of \$568,700 in Dec 2022). There are 481,000 New Homes for sale, (low of 281,000 in October 2020), a 9.3 month supply.
- **Pending Home Sales Index** (signed contracts in May) fell 2.1% to 70.8 from 72.3 the previous month, down 6.6% YoY.
- **Building Permits** (issued in May) fell 3.8% to a seasonally adjusted annual rate of 1,386,000 units - down 9.5% YoY. Single-Family Permits fell 2.9% to an annual pace of 949,000 homes, up 3.4% YoY.
- **Housing Starts** (excavation began in May) fell 5.5% to an annual adjusted rate of 1,277,000, down 19.3% YoY. Single-Family Starts fell 5.2% to 982,000 units, down 1.7% YoY.
- **Housing Completions** (completed in May) fell 3.4% to an annual adjusted rate of 1,514,000 units - up 1.0% YoY. Single-Family Completions fell 8.5% to an annual adjusted rate of 1,027,000 homes - up 2.0% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.4% in April, up 7.0% YoY.
- **FHFA Home Price Index** rose 0.2% in April, up 6.3% YoY.
- **NAHB Index** for June fell 4.4% to 43 from 45 the prior month, down 18.2% YoY.

Labor Market Economic Data Released during June 2024

The **Economy** created 272,000 New Jobs during May, and the Unemployment Rate rose to 4.0%. Job Openings continued to trend lower and fell to 8,059,000, the lowest number in 3 years. Despite a few negative numbers, the Labor Market might be slowing, but it's still strong. A 4.0% Unemployment Rate is still very low. The Fed wants to slow down the Labor Market - not crash it - and engineer a Soft Landing. So far, it's working.

- The **Economy** created 272,000 new Jobs during May.
- The **Unemployment Rate** rose to 4.0% in May from 3.9% in April.
- The **Labor Force Participation Rate** fell to 62.5 from 62.7 in April and March.
- The **Average Hourly Wage** rose 0.4% during May, up 4.1% YoY.
- **Job Openings** fell to 8,059,000 in April from 8,448,000 in March.

Inflation Economic Data Released during June 2024

We had some encouraging Inflation Data released in June with Double Zeros: The CPI had a 0.0% change, and the PCE had a 0.0% change. It's welcome news that the 2 main Inflation Indicators were flat, but we have been faked out before by Inflation. We need a couple more months of favorable Inflation Data to establish a trend. Then, maybe (and it's a big maybe) the Fed might do an Interest Rate Cut. Watch energy Prices. They could spoil the party. Oil Prices rose in June, and a continued rise could reignite Inflation. In the meantime, the Bond Markets are cautiously optimistic with long and medium term Interest Rates easing.

- **CPI** was flat at 0.0%, up 3.3% YoY | **Core CPI** rose 0.2%, up 3.4% YoY
- **PPI** fell 0.2%, up 2.2% YoY | **Core PPI** was flat at 0.0%, up 3.2% YoY
- **PCE** was flat at 0.0%, up 2.6% YoY | **Core PCE** rose 0.1%, up 2.6% YoY

GDP Economic Data Released during June 2024

The 3rd and final estimate of 1st Quarter 2024 GDP showed the **US Economy** grew at a 1.4% annualized rate (2.9% YoY). Most of the Economic Data released in June pointed to a slowing Economy - the direct result of higher Interest Rates. The latest GDP data shows Consumer Spending declined while Government Spending increased. Since the US Economy is 70% Consumer based, when people slow their spending, the Economy slows.

Consumer Economic Data Released during June 2024

Consumers continue to spend, but the pace of spending is slowing down. Retail Sales in May increased a measly 0.1% and only 2.3% YoY - not enough to keep up with Inflation - but still positive. Much of the weakness in Retail Sales was due to a reduction in gasoline prices. Gas Station Sales were down 2.2% for the month (+1.6% YoY) which decreased total Retail Sales. What did Consumers buy in May? Autos and Car Parts rose 0.8%, Sporting Goods up 2.8%, Apparel up 0.9%, Appliances and Electronics up 0.4%, Health and Personal Care up 0.1% higher, Restaurants and Bars fell 0.4%, Groceries down 0.2%, Building Materials down 0.8%, Furniture down 1.1%.

- **Retail Sales** rose 0.1% during May, up 2.3% in the last 12 months.
- **Consumer Confidence Index** fell 0.9% to 100.4 from a revised 101.3 the prior month, down 8.8% YoY.
- **Consumer Sentiment Index** (U of M) fell 1.3% to 68.2 from 69.1 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** rose 5.9% to \$82/Barrel (Jun 28) from \$77/Barrel (May 31).
- **North Sea Brent Crude** rose 6.5% to \$86/Barrel (Jun 28) from \$82/Barrel (May 31).
- **Natural Gas** rose 1.1% to \$2.60/MMBtu (Jun 28) from \$2.57/MMBtu (May 31).
- **The Japanese Yen** fell below 160 Yen per Dollar - the lowest exchange rate in 34 years.
- **Operation Overlord** had its 80th Anniversary on Jun 6, 2024 - better known as D-Day.
- **Houthi Rebels** attacked a Greek ship off the coast of Yemen, driving up shipping rates.
- **Bolivian Military Leaders** were arrested after a failed coup. The country has suffered a recent spat of Economic and Political crises.

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