

Economic CALENDAR

August
2024

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Mortgage Economic Review August 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 July 2024

- **Interest Rates:** The 10-year Treasury yield fell to 4.09% (Jul 31) from 4.36% (Jun 28).
- **Housing:** Existing Home Sales fell 5.4% (-5.4% YoY), New Home Sales fell 0.6% (-7.4% YoY), and Home Prices rose 0.3% (+5.7% to +6.8% YoY).
- **Labor:** The US Economy created 114,000 New Jobs in July and 179,000 in June. The Unemployment Rate rose to 4.3%. Wage Growth rose at a 3.6% YoY pace.
- **Inflation:** CPI fell 0.1% in June (+3.0% YoY), and PCE was up 0.1% (+2.5% YoY).
- **The Economy:** US GDP grew at a 2.8% annualized rate in 2Q2024, up 3.1% YoY.
- **Consumers:** Retail Sales was flat at 0.0% in June (+2.3 YoY), Consumer Confidence was flat and Sentiment declined.
- **Stock Markets** were mixed in July: Dow + 4.4%, S&P + 1.1%, Nasdaq -7.6%.
- **Oil Prices** fell to \$78/Barrel (Jul 31) from \$82/Barrel (Jun 28).

Interest Rates and Fed Watch

The July FOMC Meeting ended with the Fed leaving Interest Rates unchanged. This outcome was widely expected by the Markets. However, the Fed Announcement left the door open for a September FOMC Meeting Rate Cut. Fed Chairman Powell said: "We're getting closer to the point at which it'll be appropriate to reduce our policy rate...But we're not quite at that point," and "The broad sense of the committee is that the economy is moving closer to the point at which it will be appropriate to reduce our policy rate."

The Fed does not want to be faked out by Inflation. Once they start to cut rates, they don't want to stop or reverse course because Inflation is ticking back up. On the other hand, they don't want to wait too long, which could throw the Economy into a Recession. The Unemployment Rate is above 4.0%. Wage Pressure is subsiding. Job Openings are declining. GDP is slowing. Inflation is cooling. All these factors should give the Fed confidence to start cutting Interest Rates soon. The next FOMC meeting is September 17th and 18th, which gives 5 weeks to get additional Inflation and Employment Data. At this point, most Fed Watchers expect a 0.25% cut in the Fed Funds Rate in September.

- **10-Year Treasury Note Yield** fell to 4.09% (Jul 31) from 4.36% (Jun 28).
- **30-Year Treasury Bond Yield** fell to 4.35% (Jul 31) from 4.51% (Jun 28).
- **30-Year Fixed Mortgage** fell to 6.73% (Aug 1) from 6.86% (Jun 27).
- **15-Year Fixed Mortgage** fell to 5.99% (Aug 1) from 6.16% (Jun 27).

Housing Market Data Released during July 2024

New and Existing Home Sales posted more red ink through July. Home Buyers continued to stay on the sideline. Why? Are buyers giving up or waiting for Mortgage Rates to come down? Some have given up (for now), but most are waiting for rates to come down. High prices and a lack of inventory have discouraged Buyers. Existing Home Prices are still going up, but the rate of increase is slowing. New Home Prices have declined as Builders are constructing less expensive Homes and building materials are more available.

- **Existing Home Sales** (closed deals in June) fell 5.4% to an annual rate of 3,890,000 homes (3,520,000 SFR + 370,000 Condos), down 5.4% in the last 12 months. The median Single-Family Home price is \$432,700, up 4.1% YoY. The Median Condo price is \$371,700, up 2.6% YoY. Homes were on the market for an average of 22 days. Currently, 1,320,000 homes are for sale, up 23.4% YoY.
- **New Home Sales** (signed contracts in June) fell 0.6% to a seasonally adjusted annual rate of 617,000 homes, down 7.4% YoY. (668,000 New Homes were sold in 2023). The median New Home price is \$417,300 (Peak of \$496,800 in Oct 2022). The average price is \$487,200 (Peak of \$568,700 in Dec 2022). There are 476,000 New Homes for sale (a low of 281,000 in October 2020), a 9.3-month supply.
- **Pending Home Sales Index** (signed contracts in June) rose 4.8% to 74.3 from 70.8 the previous month, down 2.6% YoY.
- **Building Permits** (issued in June) rose 3.4% to a seasonally adjusted annual rate of 1,446,000 units - down 3.1% YoY. Single-Family Permits fell 2.3% to an annual pace of 934,000 homes, down 1.3% YoY.
- **Housing Starts** (excavation began in June) rose 3.0% to a seasonally adjusted annual rate of 1,353,000, down 4.4% YoY. Single-Family Starts fell 2.2% to 980,000 units, up 5.4% YoY.
- **Housing Completions** (completed in June) rose 10.1% to a seasonally adjusted annual rate of 1,710,000 units - up 15.5% YoY. Single-Family Completions rose 1.8% to an annual adjusted rate of 1,037,000 homes - up 3.2% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.3% in May, up 6.8% YoY.
- **FHFA Home Price Index** slightly declined 0.03% in May, up 5.7% YoY.
- **NAHB Index** for July fell 2.3% to 42 from 43 the prior month, down 25.0% YoY.

Labor Market Economic Data Released during July 2024

The **Economy** created 114,000 New Jobs during July and 179,000 in June while the Unemployment Rate rose to 4.3%. The Labor Market continues to show more signs of softening. The Employment Cost Index (ECI is a Quarterly Indicator) was up 0.9% for the 2nd Quarter and up 4.1% YoY. The Average Hourly Wage is up 3.6% YoY, which closely matches the ECI. Even though the data shows a loosening Labor Market, there is still a significant demand for workers. Back in 2022, many Economists predicted that Inflation could only be contained when the Unemployment Rate was in the 4.0 - 5.0% range. Now we are in that range, and the data shows Inflation is headed back to the Fed's 2.0% target.

- The **Economy** created 114,000 New Jobs during July and a revised 179,000 in June.
- The **Unemployment Rate** rose to 4.3% in July and 4.1% in June from 4.0% in May and 3.9% in April.
- The **Labor Force Participation Rate** rose to 62.7% during July from 62.6% in June.
- The **Average Hourly Wage** rose 0.2% in July and 0.3% in June, up 3.6% YoY.
- **Job Openings** declined during June to 8,180,000 from a revised 8,230,000 in May and 8,059,000 in April.
- **Employment Cost Index** rose 0.9% in the 2nd Quarter, up 4.1% YoY.

Inflation Economic Data Released during July 2024

During July, we received solid data pointing to a decline in Inflation toward the Fed's target of 2.0%. The CPI declined 0.1% during June, while the PCE rose 0.1%. That is some of the best Inflation news we have received in a few years. Much of the decline was in Energy Prices which declined 2.0% during June. Gasoline fell 3.8%, while Food prices rose 0.2% (Food at home rose 0.1%, while Food at restaurants rose 0.6%). Core CPI, which excludes Food & Energy, rose 0.1%. Shelter and Service Inflation is still an issue. **Shelter Costs rose 0.2%, up 5.2% in the last 12 months,** and account for 70% of Core CPI.

- **CPI** fell 0.1%, up 3.0% YoY | **Core CPI** rose 0.1%, up 3.3% YoY
- **PPI** rose 0.2%, up 2.6% YoY | **Core PPI** was flat at 0.0%, up 3.1% YoY
- **PCE** rose 0.1%, up 2.5% YoY | **Core PCE** rose 0.2%, up 2.6% YoY

GDP Economic Data Released during July 2024

The 1st estimate of 2nd Quarter 2024 GDP showed the **US Economy** grew at a 2.8% annualized rate (3.1% YoY). This is double 1st Quarter GDP growth of 1.4%. Why was there a boost in growth from last quarter? Consumer Spending and Business investing in equipment. Business equipment sales grew by 11.6%, and a lot of that was transportation and information processing equipment. As in the past, the US Consumer continues to drive US Economic growth. Economists don't expect this growth rate to continue in the 3rd and 4th Quarter. The Consumer is showing signs that their spending is starting to slow down.

Consumer Economic Data Released during July 2024

Retail Sales was flat in June, but that was better than Analysts expected. Consumers are still spending, but they are feeling the strain of higher prices. They are becoming "more choosy" about where and how they spend their money. Gasoline prices fell, so Gas Station Sales were down, which put downward pressure on Retail Sales. Cars Sales and Parts fell 2.0% for the month and continue to be weak, down 2.2% YoY. A rising Unemployment Rate will act as a drag on Retail Sales and Consumer Confidence in the next few months.

- **Retail Sales** was flat at 0.0% during June, up 2.3% in the last 12 months.
- **Consumer Confidence Index** rose to 100.3 from a revised 97.8 the prior month, down 7.1% YoY.
- **Consumer Sentiment Index (U of M)** fell 1.8% to 66.4 from 68.2 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** fell to \$78/Barrel (Jul 31) from \$82/Barrel (Jun 28).
- **North Sea Brent Crude** fell to \$80/Barrel (Jul 31) from \$86/Barrel (Jun 28).
- **Natural Gas** fell to \$2.04/MMBtu (Jul 31) from \$2.60/MMBtu (Jun 28).
- Former President Trump was wounded in an unsuccessful assassination attempt while speaking at a campaign rally in Pennsylvania.
- Hamas Leader Ismail Haniyeh was assassinated in Tehran, Iran, and Hezbollah commander Fuad Shukr was assassinated in Beirut, Lebanon.

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