

Economic CALENDAR

September
2024

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Mortgage Economic Review September 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 August 2024

- **Interest Rates:** The 10-year Treasury yield fell to 3.91% (Aug 30) from 4.09% (Jul 31).
- **Housing:** Existing Home Sales rose 1.3% (+2.5% YoY), New Home Sales rose 10.6% (+5.6 YoY), and Home Prices up +5.1% to +6.5% 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 rose 0.2% in July (+2.9% YoY), and PCE rose 0.2% (+2.6% YoY).
- **The Economy:** US GDP grew at a 3.0% annualized rate in 2Q2024, up 3.1% YoY.
- **Consumers:** Retail Sales rose 1.0% in July (+2.7 YoY), Consumer Confidence and Sentiment inched higher.
- **Stock Markets** rose in August: Dow +1.3%, S&P +2.3%, Nasdaq +0.6%.
- **Oil Prices** fell to \$74/Barrel (Aug 30) from \$78/Barrel (Jul 31).

Interest Rates and Fed Watch

Without a scheduled FOMC Meeting in August, attention was focused on Chairman Powell's speech at the Jackson Hole Economic Symposium. Powell signaled that the Fed will likely start cutting Interest Rates at the next FOMC Meeting in September. How fast the Fed will drop rates will depend on the Inflation and Employment data. Powell said:

"The time has come for policy to adjust. The direction of travel is clear, and the timing and pace of rate cuts will depend on incoming data, the evolving outlook, and the balance of risks. We will do everything we can to support a strong labor market as we make further progress toward price stability...We do not seek or welcome further cooling in labor market conditions."

Fed Speak Translation: The Fed is slightly concerned that Inflation might reignite, but they are more worried unemployment could spike and send the Economy into a Recession.

The Fed will get one more look at CPI data before the next FOMC Meeting on September 12th. At this point, most market Analysts are expecting a 0.25% cut in the Fed Funds Rate, but some are expecting a 0.50% cut.

- **10-Year Treasury Note Yield** fell to 3.91% (Aug 30) from 4.09% (Jul 31).
- **30-Year Treasury Bond Yield** fell to 4.20% (Aug 30) from 4.35% (Jul 31).
- **30-Year Fixed Mortgage** fell to 6.35% (Aug 29) from 6.73% (Aug 1).
- **15-Year Fixed Mortgage** fell to 5.51% (Aug 29) from 5.99% (Aug 1).

Housing Market Data Released during August 2024

There was some good data on the Housing Market in August. New and Existing Home Sales are up, along with Inventory. Home Price appreciation is slowing down. The combination of these factors will eventually help Affordability. Combine this with lower Mortgage Rates, and we could have a favorable market this Fall.

- **Existing Home Sales** (closed deals in July) rose 1.3% to an annual rate of 3,950,000 homes (3,570,000 SFR + 380,000 Condos), down 2.5% in the last 12 months. The median Single-Family Home price is \$428,500, up 4.2% YoY. The Median Condo price is \$367,500, up 2.7% YoY. Homes were on the market for an average of 24 days. Currently, 1,330,000 homes are for sale, up 19.8% YoY.
- **New Home Sales** (signed contracts in July) rose 10.6% to a seasonally adjusted annual rate of 739,000 homes, 5.6% YoY. (668,000 New Homes were sold in 2023). The median New Home price is \$429,800 (Peak of \$496,800 in Oct 2022). The average price is \$514,800 (Peak of \$568,700 in Dec 2022). There are 462,000 New Homes for sale (a low of 281,000 in October 2020), a 7.5 month supply.
- **Pending Home Sales Index** (signed contracts in July) fell 5.5% to 70.2 from 74.3 the previous month, down 8.5% YoY.
- **Building Permits** (issued in July) fell 4.0% to a seasonally adjusted annual rate of 1,396,000 units - down 7.0% YoY. Single-Family Permits fell 0.1% to an annual pace of 938,000 homes, down 1.6% YoY.
- **Housing Starts** (excavation began in July) fell 6.8% to a seasonally adjusted annual rate of 1,238,000, down 16.0% YoY. Single-Family Starts fell 14.1% to 851,000 units, down 14.8% YoY.
- **Housing Completions** (completed in July) fell 9.8% to a seasonally adjusted annual rate of 1,529,000 units - up 13.9% YoY. Single-Family Completions rose 0.5% to an annual adjusted rate of 1,054,000 homes - up 3.6% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.6% in June, up 6.5% YoY.
- **FHFA Home Price Index** declined 0.1% in June, up 5.1% YoY.
- **NAHB Index** for August fell 4.9% to 39 from 41 the prior month, down 22.0% YoY.

Labor Market Economic Data Released during August 2024

The **Economy** created 114,000 New Jobs during July while the Unemployment Rate inched up to 4.3%. However, the August Jobs Report was overshadowed by a huge downward revision of job creation in 2022 and 2023. The Bureau of Labor Statistics (BLS) revised the number of Jobs created from March 2022 to April 2023 by 818,000. That means the Economy created only 2,086,000 New Jobs when everyone was told it had created 2,904,000. So maybe that strong, resilient Labor Market wasn't really that strong after all. That huge revision called into question the accuracy of the Labor Data. In the meantime, the Fed will be more focused on the Labor Market while also keeping an eye on Inflation. The next Jobs Report will be out Friday, September 6th.

- 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.
- 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.

Inflation Economic Data Released during August 2024

The Inflation Data released in August came in as expected with some welcome news - Annual CPI was below 3.0% for the first time since 2021. The last 12 months of data showed a slow decreasing trend. Looking back, Inflation has come a long way. It peaked in June 2022 at 9.1% and is now at 2.9%. One item that stands out in the Inflation Data is Shelter. In the last 12 months, Shelter costs rose 5.1%, accounting for 70% of Core Inflation. If you take Shelter Inflation out - Inflation is below the Fed 2.0% target. Keep in mind prices are still going up, but the speed of the increase is slowing down. Despite this favorable news, people are still shocked at the grocery store and gas station. People are experiencing firsthand the insidious nature of Inflation.

Other significant Year over Year Inflation numbers are: Car Insurance soared 18.6% in the last 12 months, Transportation up 8.8%, Restaurant Prices up 4.1%, Medical Care up 3.4%, Used Car Prices down 10.9%, New Car Prices down 1.0%, Gasoline down 2.2%.

- **CPI** rose 0.2%, up 2.9% YoY | **Core CPI** rose 0.2%, up 3.2% YoY
- **PPI** rose 0.1%, up 2.2% YoY | **Core PPI** rose 0.3%, up 3.3% YoY
- **PCE** rose 0.2%, up 2.5% YoY | **Core PCE** rose 0.2%, up 2.6% YoY

GDP Economic Data Released during August 2024

The 2nd estimate of 2nd Quarter 2024 GDP showed the **US Economy** grew at a 3.0% annualized rate (3.1% YoY). The US Economy continues to defy expectations thanks to the US Consumer. This latest revision is almost exclusively due to Consumer Spending. Since our Economy is 70% Consumer based, as long as the Consumer continues to spend, the Economy will continue to grow. At this point, it doesn't look like a Recession is on the horizon.

Consumer Economic Data Released during August 2024

Retail Sales jumped 1.0% in July, surprising Economists. A deeper dive into the Data shows a 3.6% jump in Car Sales after falling 3.4% in June. This rebound from the previous month's drop was due to a ransomware attack that crippled Car Dealer computer systems. If you adjust for the disruption, the data shows that Consumers are still spending at a healthy pace despite a higher Unemployment Rate and higher Consumer Debt. Watch the Unemployment Rate and Job Openings. When people feel insecure about their job prospects, they reign in spending.

- **Retail Sales** rose 1.0% during July, up 2.7% in the last 12 months.
- **Consumer Confidence Index** rose to 1.4% to 103.3 from 101.9 the prior month, down 5.0% YoY.
- **Consumer Sentiment Index** (U of M) rose 2.3% to 67.9 from 66.4 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** fell to \$74 /Barrel (Aug 30) from \$78/Barrel (Jul 31).
- **North Sea Brent Crude** fell to \$79/Barrel (Aug 30) from \$80/Barrel (Jul 31).
- **Natural Gas** rose to \$2.13/MMBtu (Aug 30) from \$2.04/MMBtu (Jul 31).
- Houthi rebels attacked an oil tanker carrying 1,000,000 barrels of crude oil in the Red Sea.

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