

Economic CALENDAR

October
2024

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Mortgage Economic Review October 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 September 2024

- **Interest Rates:** The 10-year Treasury yield fell to 3.81% (Sep 30) from 3.91% (Aug 30).
- **Housing:** Existing Home Sales fell 2.5% (-4.2% YoY), New Home Sales fell 4.7% (+9.8% YoY), and Home Prices are up 4.5% to 5.9% YoY.
- **Labor:** The US Economy created 142,000 New Jobs in August. The Unemployment Rate fell to 4.2%. Wage Growth rose at a 3.8% YoY pace.
- **Inflation:** CPI rose 0.2% in August (+2.5% YoY), and PCE rose 0.1% (+2.2% YoY).
- **The Economy:** US GDP grew at a 3.0% annualized rate in 2Q2024, up 3.0% YoY.
- **Consumers:** Retail Sales rose 0.1% in August (+2.1 YoY), Consumer Confidence fell.
- **Stock Markets** rose in September: Dow +1.8%, S&P +2.0%, Nasdaq +2.7%.
- **Oil Prices** fell to \$68/Barrel (Sep 30) from \$74/Barrel (Aug 30).

Interest Rates and Fed Watch

The September FOMC Meeting wrapped up with a major policy change. As expected, the Fed lowered Interest Rates by 0.50%, with the Target Fed Funds Range now at 4.75% - 5.0% from a peak of 5.25% - 5.5%. Looking back, the Fed increased Interest Rates 11 times from March 2022 to July 2023 in an effort to control Inflation. Those rate bumps pushed up Interest Rates, and Fed Funds rose from 0.0% to 5.5%. With Inflation almost back to the Fed's Target of 2.0%, the Fed has reversed course. This Rate Cut signals a shift as the Fed moves from a Restrictive to Accommodative Monetary Policy. In the FOMC Announcement on Sep 18th, Chairman Jerome Powell said:

"This decision reflects our growing confidence that with an appropriate recalibration of our policy stance, strength in the labor market can be maintained... If the economy evolves as expected, the median participant projects that the appropriate level of the federal funds rate will be 4.4 percent at the end of this year and 3.4 percent at the end of 2025."

How fast and low Interest Rates decline will depend on Inflation and Labor Data over the next 15 months. The next FOMC Meeting is November 6th and 7th.

- **10-Year Treasury Note Yield** fell to 3.81% (Sep 30) from 3.91% (Aug 30).
- **30-Year Treasury Bond Yield** fell to 4.14% (Sep 30) from 4.20% (Aug 30).
- **30-Year Fixed Mortgage** fell to 6.08% (Sep 26) from 6.35% (Aug 29).
- **15-Year Fixed Mortgage** fell to 5.16% (Sep 26) from 5.51% (Aug 29).

Housing Market Data Released during September 2024

Good news on Inventory: the number of Existing Homes for Sale is up 22.7% in the last 12 months. This is the best Inventory level in a few years, but lower than Pre-Pandemic levels. Last month, in particular, there was an acceleration in new listings. Why are more people listing their homes for sale? Housing Analysts surmise the prospect of lower Mortgage Rates has encouraged more people to place their Homes on the market. Also, some Analysts think Home Prices may be topping out. The data shows that Home Price Appreciation is slowing, so it may be a good time to sell a home if prices are peaking.

- **Existing Home Sales** (closed deals in August) fell 2.5% to an annual rate of 3,860,000 homes (3,480,000 SFR + 380,000 Condos), down 4.2% in the last 12 months. The median Single-Family Home price is \$422,100, up 2.9% YoY. The Median Condo price is \$366,500, up 3.5% YoY. Homes were on the market for an average of 26 days. Currently, 1,350,000 homes are for sale, up 22.7% YoY.
- **New Home Sales** (signed contracts in August) fell 4.7% to a seasonally adjusted annual rate of 716,000 homes, up 9.8% YoY. (668,000 New Homes were sold in 2023). The median New Home price is \$420,600 (Peak of \$496,800 in Oct 2022). The average price is \$492,700 (Peak of \$568,700 in Dec 2022). There are 467,000 New Homes for sale (a low of 281,000 in October 2020), a 7.8 month supply.
- **Pending Home Sales Index** (signed contracts in August) rose 0.6% to 70.6 from 70.2 the previous month, down 3.0% YoY.
- **Building Permits** (issued in August) rose 4.9% to a seasonally adjusted annual rate of 1,475,000 units - down 6.4% YoY. Single-Family Permits rose 2.8% to an annual pace of 967,000 homes, down 0.5% YoY.
- **Housing Starts** (excavation began in August) rose 9.6% to a seasonally adjusted annual rate of 1,356,000, up 3.9% YoY. Single-Family Starts rose 15.8% to 992,000 units, up 5.2% YoY.
- **Housing Completions** (completed in August) rose 9.2% to a seasonally adjusted annual rate of 1,788,000 units - up 30.2% YoY. Single-Family Completions fell 5.6% to an annual adjusted rate of 1,029,000 homes - up 8.4% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.3% in July, up 5.9% YoY.
- **FHFA Home Price Index** rose 0.1% in July, up 4.5% YoY.
- **NAHB Index** for September rose 5.1% to 41 from 39 the prior month, down 8.9% YoY.

Labor Market Economic Data Released during September 2024

The **Economy** created 142,000 New Jobs during August. This was a disappointing report because the market was expecting 165,000 New Jobs. Plus, June and July New Jobs were revised down an additional 86,000. Job Openings fell to 7,673,000 - the lowest number since January 2021. The weak Labor Data has some Economists concerned a Recession may be on the horizon. Other Economists believe as long as the Economy is creating New Jobs it won't slip into a Recession. The Labor Market has cooled slightly, but Jobs are still being created, and Wages are rising.

- The **Economy** created 142,000 New Jobs during August.
- The **Unemployment Rate** fell to 4.2% in August from 4.3% in July.
- The **Labor Force Participation Rate** was unchanged at 62.7% during August.
- The **Average Hourly Wage** rose 0.4% in August, up 3.8% YoY.
- **Job Openings** declined to 7,673,000 in July from 8,180,000 in June, down 12.9% YoY.

Inflation Economic Data Released during September 2024

Inflation continues to decline very slowly. The latest CPI was 2.5% YoY, and the PCE was 2.2% YoY (CPI peak 9.1% June 2022). As Inflation gradually approaches the Fed's 2.0% target, the Fed is able to lower Interest Rates. Although headline Inflation Data looks good, Core Inflation is stickier (Core CPI strips out volatile food and energy components). Core CPI is stuck in the 3.0% range, currently at 3.3% YoY. What's keeping Core Inflation high? Service Inflation and Shelter Costs. Shelter Costs continue to be stubbornly high and account for a lot of Core Inflation.

- **CPI** rose 0.2%, up 2.5% YoY | **Core CPI** rose 0.3%, up 3.2% YoY
- **PPI** rose 0.2%, up 1.7% YoY | **Core PPI** rose 0.3%, up 3.3% YoY
- **PCE** rose 0.1%, up 2.2% YoY | **Core PCE** rose 0.1%, up 2.7% YoY

GDP Economic Data Released during September 2024

The 3rd estimate of 2nd Quarter 2024 GDP showed the **US Economy** grew at a 3.0% annualized rate (3.0% YoY). The US Economy keeps humming along despite high Interest Rates and rising Geopolitical tensions. The US Economy is still growing and creating New Jobs. The prospects of a Recession are dimming as Inflation and Interest Rates decline. The Fed may have engineered the "Soft Landing" for the Economy that they wanted 2 years ago.

Consumer Economic Data Released during September 2024

The US Consumer continued to demonstrate their resilience. Along with Retail Sales, Consumer Spending, Income, and Savings were all up. Despite election year politics and Geopolitical tensions, the Consumer remains very healthy thanks to a favorable Consumer Balance Sheet and robust Labor Market. As long as people are secure in their jobs, they will spend. At this point, the only area of concern is the rising level of Consumer Debt.

- **Retail Sales** rose 0.1% during August, up 2.1% in the last 12 months.
- **Consumer Confidence Index** fell 6.5% to 98.7 from 105.6 the prior month (-5.4% YoY).
- **Personal Spending** rose 0.2% in August, up 5.6% YoY.
- **Personal Income** rose 0.2% in August, up 5.6% YoY.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** fell to \$68/Barrel (Sep 30) from \$74/Barrel (Aug 30).
- **North Sea Brent Crude** fell to \$72/Barrel (Sep 30) from \$79/Barrel (Aug 30).
- **Natural Gas** rose to \$2.91/MMBtu (Sep 30) from \$2.13/MMBtu (Aug 30).
- **Gasoline** (Wholesale Futures Price) fell to \$1.96/Gal (Sep 30) from \$2.11/Gal (Aug 29).
- Congress passed a short-term funding bill that will fund the government through Dec. 20.
- Hurricane Helene (category 4) slammed into Florida which caused flooding, property damage, and fatalities in the southeast states.
- Tensions between Israel and Hezbollah continued to escalate.

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