

Economic CALENDAR

April
2018

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Economic Indicator Description / Definition



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ADP Employment	A national jobs report that derives its statistics from the actual monthly payrolls of employers in the non-farm private sector.
Beige Book	Prepared by the Federal Reserve, it is a survey of economic conditions in each of the Fed's regions.
Business Inventories	This report includes inventory levels and statistics from various stages of the manufacturing process
Chicago PMI	The Chicago Purchasing Managers Index is prepared monthly by ISM (Institute of Supply Management) and indicates regional manufacturing activity. It comes out before other ISM surveys and is closely watched as precursor to the other ISM Reports.
CPI - Consumer Price Index	The CPI Measures the change in the cost of a basket of goods and services (about 200) in each month. This is one of the biggest and most closely watched indicator along with the PPI.
Consumer Confidence	Measures how confident consumers feel about their individual spending plans and the economy in general.
Consumer Sentiment	Published monthly by the University of Michigan the index is based on over 500 phone interviews with 50 questions asked.
Construction Spending	Is a monthly estimate of the total dollar value of all construction work in the country.
Consumer Credit	Released monthly by the Federal Reserve Board it estimates changes in the amount of outstanding credit to individuals to purchase consumer goods. It contains revolving and non revolving credit like cars loans but not mortgages and equity lines.
Current Account	Measures the money flows and cash transfers into and out of the country. Consists of the Trade Balance (exports minus imports of goods and services) plus the net Capital Account (income from foreign investments - payments to foreign investors).
Durable Goods Orders	Report measures how much spending is occurring on goods expected to last over three years like appliances and cars.
ECB Announcement	The European Central Bank (ECB) first meeting of the month typically covers monetary policy. After the meeting, they make an announcement that discloses the issues discussed and decisions made.
Empire State Survey	Prepared by the Federal Reserve Bank of New York, this survey summarizes general business conditions of manufacturers in New York state.
Employment	Also called the Jobs Report , the Current Employment Statistics report covers general employment conditions which includes the unemployment rate, number of new jobs created, average hours worked per week, Labor Force Participation Rates, and average hourly earnings. Like the CPI and PPI, This is a very closely watched indicator.
Employment Cost Index	This index measures the general cost of labor which includes wages, benefits, and bonuses.
Existing Home Sales	Reports the number of existing homes that were CLOSED during the month both nationally and regionally.
Factory Orders	Indicates the activity of the country's manufacturing sector and includes new orders, unfilled orders, shipments, and inventories.
FOMC Meeting	The Federal Open Market Committee meets every 6 weeks is to set monetary policy.
FOMC Statement	Issued by the Fed after the FOMC meetings summarizing topics discussed, economic outlook, and policy decisions.

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Gross Domestic Product	The GDP is an all encompassing measure of the economy that includes the value of all goods and services produced in the entire country.
Housing Starts	This report includes housing starts, building permits, and housing completions with data obtained from surveys of homebuilders.
Import - Export Prices	The U.S. Import and Export Price Indexes measure average changes in prices of goods and services that are imported or exported.
Industrial Production	Measures volume of goods produced by all industrial firms including factories, mines, and utilities.
International Trade	Measures the trade deficit - value of exports minus the value of imports.
ISM Manufacturing Index	The Institute for Supply Management (a nonprofit group) publishes the Purchasing Managers Index by surveying over 400 purchasing managers from all over the country diversified and weighted by industry and geography.
ISM Non Manufacturing	Same as the above index but for the service sector which encompasses a larger portion of real GDP.
JOLTS	Job Openings and Labor Turnover Survey includes employment, job openings, hires, quits, layoffs and discharges, and other separations.
Leading Indicators	Also called The Leading Economic Index , it is a leading economic indicator use to forecast future economic activity. Calculated by The Conference Board, it determines the index from the values of ten key variables.
New Home Sales	Report on the number of newly constructed homes sold in the previous month.
NFIB Small Business	Published by the National Federation of Independent Business , the Small Business Optimism Index is an indicator of health of small businesses by surveying its members on their plans and activities.
Personal Income & Spending	Personal Income and Outlays report provide data on consumer behavior and total economic consumption.
Philly Fed Survey	Published by the Philadelphia Federal Reserve, this survey summarizes economic activity in its district.
PPI Producer Price Index	Measure the change in the price of goods from producers and includes everything from raw materials to wholesale items sold to retailers. Since it is published before the CPI, this indicator is very closely watched as a precursor to the CPI.
Productivity	The report measures how much output is created by a unit of labor.
Retail Sales	Measures goods sold by retailers. This is fairly closely watched as it indicates general spending attitudes of Consumers.
S&P/Case Shiller HPI	This Home Price Index (HPI) uses a three-month moving average to calculate its numbers giving it a two month lag.
TIC	Treasury International Capital shows the flows of money across US borders for sales of ALL securities and financial instruments.
Weekly Jobless Claims	This report shows the number of newly unemployed workers filing unemployment claims for the first time with their state Unemployment Bureaus. The data is seasonally adjusted and aggregated on a national basis.
Vehicle Sales	Reports the number of light vehicle cars and light trucks sold.

Good Afternoon,

Your Economic Calendar for April 2018 is attached.

Beware the Ides of March - an Interest Rate Hike and a Trade War all in the same month? What implications does a Trade War have for the Mortgage Business? Higher prices on imported steel and aluminum will raise costs on consumer goods that use those metals like appliances and cars. Most residential homes, condos, and townhomes are built with lumber and bricks, so tariffs on metals will have a minimal impact. But steel tariffs will have a significant effect on high rise residential buildings and commercial projects since those structures use steel. Besides tariffs and interest rates, here is a quick review of other **Key Economic Indicators and Data from March 2018 that are important to the Mortgage Industry and Mortgage Professionals.**

March Economic Indicators and Data in Review

- The Fed raised the Interest Rate .25% on Fed Funds - new target range 1.50% to 1.75%.
- Tariffs of 25% and 15% were placed on selected imported steel and aluminum.
- Gary Cohn resigned as Trump's Chief Economic Advisor over tariffs. He was replaced by Larry Kudlow, a former aide to President Reagan.
- Inflation is slowly accelerating.
- Volatility continued in the US Stock markets.

Interest Rates and Fed Watch during March 2018

As everyone expected, the **Federal Reserve raised interest rates on Fed Funds by .25%** on March 21st after the latest FOMC Meeting. This hike was the first under the new Fed Chair Jerome Powell. The big question is: will the Fed do 3 or 4 rate hikes in 2018? That answer depends on what happens with the big 3 - Inflation, GDP, and Wage Growth. Strong wage growth combined with recent inflation data suggests the Fed is considering 4 rate hikes in 2018. But we still have 9 months to go and a lot can happen, including the mid-term elections in November. The next FOMC Meeting is May 1st. Odds are low there will be another rate hike in May since the Fed seldom does back to back increases.

222 Fed Target

- Inflation 2.2% CPI for the last 12 months
- Wage Growth 2.6% for the last 12 months
- GDP Growth 2.6% annualized rate for the last 12 months

Housing Market Data released in March 2018

Another month of mixed housing data: Existing Home Sales rose while New Home Sales dropped. The mixed results are most likely due to the cold winter months combined with rising interest rates. Lack of inventory and rising interest rates are a toxic mix for affordability. The good news is that credit requirements have eased making qualifying for a mortgage easier. In the meantime, home prices continue to march steadily higher at about 6.0% a year.

Economic Indicators for the Housing Market Released in March 2018

- **Existing Home Sales** (closed deals in February) rose 3.0% to an annual rate of 5,540,000 homes. The median price for all types of homes is now \$241,700 - up 5.9% from a year ago. The median Single Family Home price is \$243,400 and \$227,300 for a condo. First Time Buyers were 29%, Investors 15%, Cash Buyers 24%. Homes were on the market an average of 37 days, and 46% were on the market for less than a month. Currently, 1,590,000 homes are for sale - **down 8.1% from a year ago.**
- **New Home Sales** (signed contracts in February) fell 0.6% to a seasonally adjusted annual rate of 618,000 units. The median price of a new home is \$326,800, and the average sales price is \$376,900. Inventory of New Homes for sale is 301,000 - a 5.9 month supply.
- **Pending Home Sales Index** (signed contracts in February) rose 3.1% to 107.5 from 104.6.
- **Housing Starts** (excavation began in February) fell 7.0% to a seasonally adjusted annual rate of 1,236,000 units. Single Family Housing Starts rose 2.9% to an annual pace of 902,000 units. Multifamily Starts fell 26.1% to 334,000 units.
- **Building Permits** (issued in February) fell 5.7% to an annual rate of 1,298,000. Single Family permits fell 0.6% to 872,000 units, and Multifamily permits fell 14.8% to 426,000 units.
- New Home Sales, Housing Starts, and Building Permits are **notoriously volatile indicators.** They carry a lot of statistical uncertainty from constant revisions, changes to the seasonal adjustment formula, and are heavily influenced by weather.
- **S&P/Case-Shiller Home Price Index** rose 0.5% in January. The 20 City Composite index is up 6.4% in the last 12 months.
- **FHFA Home Price Index** rose 0.8% in January, now up 7.3% year over year.

Labor Market Economic Indicators Released in March 2018

The Jobs Report showed the **Economy added 313,000 new jobs** during February (much higher than the 205,000 expected). So far this year the Labor Market has shown real strength. Wage Growth is running behind expectations, but a 2.6% annual rate is not bad. Hiring in the Construction Sector was especially strong, up 61,000 new jobs - the largest increase since 2007. This increase is an encouraging sign for the Mortgage and Real Estate business - we need workers to build homes to meet the demand of home buyers. Other sectors that increased: manufacturing jobs were up 31,000, government jobs up 26,000, retail jobs up 50,000. Let's hope the good news continues with the next Jobs Report this Friday.

- The **Economy** added 313,000 new jobs in February.
- The **Unemployment Rate** held steady at 4.1% in February (for the 5th straight month).
- The **Labor Force Participation Rate** rose to 63.0% from 62.7% for the past 4 months.
- The **Average Wage** rose 0.1% in February, 2.6% for the last 12 months.

Inflation Economic Indicators Released in March 2018

Upward pressure on Consumer prices is building as the pace of Inflation stepped up a little more in February. Over the last 12 months, Inflation is up 2.2% - but if you look at the last 6 months - the CPI is increasing at a 3.6% annual rate. Accelerating Inflation may force the Fed to raise rates faster to keep the CPI closer to the 2.0% target. What was up and down in February? Energy prices up 0.1%, housing costs up 0.3%, rents up 0.2%, apparel prices up 1.5%, car prices down 0.2%, cost of medical care down 0.1%, food prices unchanged.

- **CPI** rose 0.2%, now up 2.2% in the last 12 months.
- **Core CPI** (ex-food & energy) rose 0.2%, now up 1.8% in the last 12 months.
- **PPI** rose 0.2%, now up 2.8% in the last 12 months.
- **Core PPI** (ex-food & energy) rose 0.2%, up 2.5% in the last 12 months.

GDP Economic Data Released in March 2018

The 3rd guesstimate for **4th Quarter 2017 GDP** showed the **Economy grew at a 2.9%** annualized rate (2.7% expected). This is the final revision for and sets **2017 GDP Growth at 2.6%**. Growth was better than expected thanks to increases in business investment, inventories, and personal consumption. This number also raises the bar on expectations for growth in 2018. Next month we'll see if the tax cuts, which took effect in 2018, will start to accelerate economic expansion. Remember that each quarter has 3 revisions for GDP, so all the revisions are more like moving targets or guesstimates.

Consumer Economic Indicators Released in March 2018

Consumer Confidence is high, but that has not been reflected in Retail Sales - which has been weak for the past few months - especially auto sales. Vehicle and parts sales fell 0.9% in February. Auto Sales have been trending down for a while with only a brief bump up after the hurricanes. During the first quarter of the year, Retail Sales is usually soft due to the hangover caused by the holiday spending binge. No reason to be concerned with the numbers yet. On the other hand, Building Materials rose 0.9% - combine that with more construction jobs, and you get good news for the Real Estate and Mortgage Industry.

- **Retail Sales** fell 0.1% in February. For the year, Retail Sales are up 4.0%.
- **Personal Spending** rose 0.2% in February, and 4.6% in the last 12 months.
- **Consumer Confidence** fell to 127.7 from 130.8 - still close to a 17 year high.

Energy, International, and Misc

- **Oil prices** decreased due to higher US output and warmer weather - now about \$65/barrel.
- The **weak dollar is starting to take a toll on Import Prices** - up 0.4% in February and up 3.5% in the last 12 months (Dollar/Euro rate ~ 1.25, Dollar/Yen ~ 105, Dollar/Pound ~ 1.42).
- President Trump accepted an invitation to **meet North Korea's Kim Jong Un** - it will be interesting to watch that unfold.

This Economic Commentary is written to be a **succinct summary of the key Economic Indicators and Economic Data that influence the Mortgage and Real Estate Industries**. It is written for Mortgage Professionals that need to stay current on Economic Information but don't have hours to research and analyze Economic Data. Feel free to share this with a friend or colleague in the Mortgage or Real Estate business. If you would like this Economic Calendar and Commentary emailed to you at the beginning of each month, **click here**.

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