

Economic CALENDAR

October
2018

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Good Morning / Afternoon,

For a copy of the Mortgage Economic Calendar for October 2018 [Click Here](#)

It's October and Fall is in full swing. The nights are getting cooler, trees are starting to change color, football is dominating the weekends, and DOW has set a new record high - reaching 26,657 for the first time in history. Despite the current controversy in the news concerning the Supreme Court nominee, the Trade War, tensions with Iran, and Hurricane Florence - things in the US are pretty good. The Mortgage and Residential Real Estate markets have slowed down this year, but the general Economy is chugging along at a healthy clip. Freddie Mac is predicting Mortgage Originations to continue to slow down with 2018 Originations ending up at about \$1.65 trillion. Let's do a quick review of other **Key Economic Indicators and Data from September 2018 that are important to the Mortgage Industry and Mortgage Professionals.**

September Economic Data and Events

- The Fed raised Interest Rates on Fed Funds another 1/4% as expected.
- The DOW hit a record of 26,657 on September 20.
- 2nd Quarter GDP clocked in at 4.2%.
- Inflation is holding steady with the CPI at 2.7%.
- The Labor Market remains tight as the Economy created 201,000 new jobs.

Interest Rates and Fed Watch

September had an FOMC Meeting and as expected the Fed raised the Interest Rate on Fed Funds 1/4% to a range of 2.0 - 2.25%. The Fed Statement released after the meeting used the word "strong" to describe many aspects of the current Economy. The FOMC Statement said that Economic activity has been rising at a "strong" rate, job gains have been "strong," household spending and business investment have grown "strongly," Labor Market conditions are "strong," the Unemployment Rate has remained low, and Inflation has remained near the 2.0% target. So it is safe to say the Fed feels the Economy is pretty "strong". [Click Here to read the Fed Statement.](#)

This rate increase was the 3rd of 4 anticipated rate increases this year. At the beginning of the year, Fed said they plan to do 4 interest rate increases in 2018 - and so far they are sticking to that plan. So, unless there is a major shock to the markets this fall like an "October Surprise," expect another rate increase at the next FOMC Meeting on December 18 and 19.

222 Fed Target

- Inflation 2.7% CPI for the last 12 months
- Wage Growth 2.9% for the last 12 months
- GDP Growth 2.9% annualized rate for the last 12 months

Housing Market Data released in September 2018

September brought some mixed news in Home Sales. Housing Starts and New Home Sales were up, Existing Home Sales were unchanged, and Pending Home Sales were down. Rising home prices due to lack of inventory, along with higher Interest Rates, are exacerbating the affordability issues - but everyone in the Mortgage Business has known this all year.

Economic Indicators for the Housing Market Released in September 2018

- **Existing Home Sales** (closed deals in August) were unchanged at an annual rate of 5,343,000 homes, now down 1.5% in the last 12 months. The median price for all types of homes is now \$264,800 - up 4.6% from a year ago. The median Single Family Home price is \$267,300 and \$244,500 for a condo. First Time Buyers were 31%, Investors 13%, Cash Buyers 20%. Homes were on the market an average of 29 days, and 52% were on the market for less than a month. Currently, 1,920,000 homes are for sale.
- **New Home Sales** (signed contracts in August) rose 3.5% to a seasonally adjusted annual rate of 629,000 units. Year over year New Home Sales are up 12.7%. The median price of a new home is \$320,200, and the average sales price is \$388,400. Inventory of New Homes for sale is 318,000 - a 6.1 month supply.
- **Pending Home Sales Index** (signed contracts in August) fell 1.9% to 104.2 from 106.2 from in July.
- **Housing Starts** (excavation began in August) rose 9.2% to a seasonally adjusted annual rate of 1,282,000 units - up 9.4% YoY. Single Family Housing Starts rose 1.9% to an annual pace of 876,000 units - down 0.2% YoY. Multifamily Starts rose 27.3% to 392,000 units.
- **Building Permits** (issued in August) fell 5.7% to an annual rate of 1,229,000 - down 5.5% YoY. Single Family permits fell 6.1% to 820,000 units, and Multifamily permits fell 8.0% to 370,000 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 20 City Composite Home Price Index** rose 0.1% in July. The index is now up 5.9% in the last 12 months.
- **FHFA Home Price Index** rose 0.2% in July, now up 6.4% year over year.

Labor Market Economic Data Released in September 2018

The Jobs Report showed the Economy added 201,000 new jobs in August with the Unemployment Rate holding steady at 3.9%. This report was better than Economists expected and provides additional fuel for the Fed to continue raising Interest Rates. The increase in jobs and wages is good news for workers but bad news for Interest Rates. Sooner or later higher wages will translate into higher Inflation - and higher Inflation is not what the Fed wants. Take this recent employment data with a grain of salt. Employment numbers can be erratic during the summer as seasonal industries, like agriculture, hire large amounts of temp workers. So look at the overall trend over the past year. Higher wages will eventually contribute to higher Inflation, but that happens with a significant lag.

- The **Economy** added 201,000 new jobs in August.
- The **Unemployment Rate** remained unchanged at 3.9% in August - the lowest since April 2000.
- The **Labor Force Participation Rate** fell to 67.9% in August.
- The **Average Hourly Wage** rose 0.4% in August - up 2.9% in the last 12 months.

Inflation Economic Data Released in September 2018

Inflation continues to chug along at a moderate pace. Economists had expected Inflation to accelerate due to higher input costs (higher wages, tariffs, and the Trade War), but that hasn't materialized yet. Energy costs seem to be the largest single factor affecting the CPI. Energy, in general, is up 10.2% in the last 12 months. Gasoline cost alone is up 20.3% year over year. If you take out the volatile food and energy components - Core CPI is up 2.2%. The other big components are Shelter and Medical Care. Shelter cost is up 3.4% YoY, and Medical Care is up 1.9% YoY.

- **CPI** rose 0.2%, now up 2.7% in the last 12 months.
- **Core CPI** (ex-food & energy) rose 0.1%, now up 2.2% in the last 12 months.
- **PPI** fell 0.1%, now up 2.8% in the last 12 months.
- **Core PPI** (ex-food & energy) fell 0.1%, up 2.3% in the last 12 months.

GDP Economic Data Released in September 2018

The 3rd and final guesstimate for **2nd Quarter 2018 GDP** showed the Economy grew at a 4.2% annualized rate - that is the best growth rate in 4 years. Growth was fueled by Consumer and Government spending and capital investment by businesses. Economists are predicting the Economy will continue to accelerate in the 3rd quarter with GDP growth at 4.4% despite a drag caused by a slow housing market and trade tensions. 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 September 2018

Retail Sales cooled a bit in August after being hot for the past few months. It looks like the Consumer was on the road traveling and not in the store buying things - like clothes and cars. Motor Vehicle sales were down 0.8%, but Gas Sales was up 1.7%. After several months of a shopping spree, it looks like the Consumer may be taking a breather on consumption - at least until the holiday buying season starts. Even after this low report, Retail Sales is at a 6 year high.

- **Retail Sales** rose 0.1% in August. For the year, Retail Sales are up 6.6%.
- **Consumer Confidence Index** rose to 138.4 from 133.4 in August. (an 18 year high).
- **Consumer Sentiment Index** (U of M) rose to 100.1 from 96.2.

Energy, International, and Misc

- Oil prices rose due to fear of a supply disruption in the Middle East. North Sea Brent Crude is now trading at about \$81/barrel.
- More countries, including Japan, have stopped buying oil from Iran due to US sanctions.
- Poland has renewed its request for a permanent US Military base and troops.
- Shinzo Abe was named Prime Minister of the Liberal Democratic Party again. He is now the longest serving prime minister in Japan's history.
- North Korea Nuclear talks continue.

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.

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