

# Economic CALENDAR

November  
2018

Monday	Tuesday	Wednesday	Thursday	Friday
			<b>1</b> Vehicle Sales Construction Spending ISM Manufacturing Index Weekly Jobless Claims	<b>2</b> <b>Employment Report</b> Factory Orders Trade Balance
<b>5</b> ISM Non-Manufacturing Index	<b>6</b> JOLTS	<b>7</b> <b>FOMC Meeting</b> Consumer Credit MBA Mortgage Applications	<b>8</b> <b>FOMC Meeting</b> <b>FOMC Announcements</b> Weekly Jobless Claims	<b>9</b> <b>PPI</b> Consumer Sentiment Wholesale Inventories
<b>12</b> <b>Veterans Day</b> Bond Markets Closed	<b>13</b> NFIB Small Biz Optimism	<b>14</b> <b>CPI</b> MBA Mortgage Applications	<b>15</b> Retail Sales Philly Fed & Empire State Reports Import - Export Prices Business Inventories Weekly Jobless Claims	<b>16</b> Industrial Production TIC Flows
<b>19</b> NAHB Housing Index	<b>20</b> <b>Housing Starts</b>	<b>21</b> <b>Existing Home Sales</b> Durable Goods Orders Leading Indicators Consumer Sentiment MBA Mortgage Applications	<b>22</b> <b>Thanksgiving</b> Stock & Bond Markets Closed	<b>23</b> <b>Black Friday</b> Stock & Bond Markets Close Early
<b>26</b>	<b>27</b> FHFA Home Prices S&P-Case Shiller HPI Consumer Confidence	<b>28</b> <b>GDP</b> <b>New Home Sales</b> MBA Mortgage Applications	<b>29</b> <b>Pending Home Sales</b> FOMC Minutes Personal Income & Spending Weekly Jobless Claims	<b>30</b> Chicago PMI



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Halloween has just ended and now it's time to put away the costumes and pull down the spooky decorations. Speaking of being spooked, let's take a look at the Stock Market. The Stock Market rattled investors when the DOW plunged a massive 835 points on one day. This definitely was scary, but keep it in perspective. It was only a month ago, on September 20, that the DOW hit a record high of 26,657. Many stock analysts view this as a healthy correction and are still bullish on the Economy and Stock Market. Other Economists think the combination of rising Interest Rates, a Trade War, low Corporate Earnings, and the upcoming elections, will continue to drag the Economy and Stock Market lower. With all this bad news, you might get pessimistic. The reality is that the Economy is on track to have its best year in a decade. Let's do a quick review of other **Key Economic Indicators and Data from October 2018 that are important to the Mortgage Industry and Mortgage Professionals.**

### **October Economic Data and Events**

- The Unemployment rate fell to 3.7% - the lowest in 49 years.
- The Economy created 134,000 new jobs in September.
- Inflation moderated with the CPI now up 2.3% in the last 12 months.
- Stock Markets took a hit with the DOW plunging 835 points in one day.
- The 10 Year T-Note yield hit a high of 3.27% the highest level in 7 years.

### **Interest Rates and Fed Watch**

The **next FOMC Meeting will occur November 7th and 8th.** The consensus among Fed Watchers is that the Fed will take a pass and not raise Interest Rates in November. Instead, all eyes are on the December FOMC Meeting. Most Fed Watchers expect the Fed to raise the Fed Funds Rate another 0.25% at this meeting. Let's look at some highlights from this month's Beige Book. The Fed expects the Economy to continue to hum along at a modest to moderate pace. They expect labor shortages and wage pressure to continue but not bad enough to hinder growth. Inflation pressure will also continue, exacerbated by the Trade War, higher transportation costs, and higher labor costs.

### **222 Fed Target**

- Inflation 2.3% CPI for the last 12 months
- Wage Growth 2.8% for the last 12 months
- GDP Growth 3.0% annualized rate for the last 12 months

### **Housing Market Data released in October 2018**

Another month of red in the Housing Market data. Existing Home sales, which account for 90% of all homes sold, was down more than expected at 3.5%. Home sales across the country were down but the west region was particularly hard hit. New Home Sales in the Northeast were down as much as 40%. Builders are looking at a tough 2019. They are fighting a number of obstacles: higher lumber and land prices, a shortage of skilled labor, increased regulation, and higher interest rates. Affordability and inventory have plagued the New and Existing Housing Markets and it will continue into the near future. The Housing Market represents a significant portion of the Economy and is key to continued GDP Growth. Sooner or later, a weak Housing Market will drag down GDP.

### **Economic Indicators for the Housing Market Released in October 2018**

- **Existing Home Sales** (closed deals in September) fell 3.4% to an annual rate of 5,150,000 homes, now down 4.1% in the last 12 months. The median price for all types of homes is now \$258,100 - up 4.2% from a year ago. The median Single Family Home price is \$260,500 and \$239,200 for a condo. First Time Buyers were 32%, Investors 13%, Cash Buyers 21%. Homes were on the market an average of 32 days, and 47% were on the market for less than a month. Currently, 1,880,000 homes are for sale.
- **New Home Sales** (signed contracts in September) fell 5.5% to a seasonally adjusted annual rate of 553,000 units. Year over year New Home Sales are down 13.2%. The median price of a new home is \$320,000, and the average sales price is \$377,200. Inventory of New Homes for sale is 327,000 - a seven month supply.
- **Pending Home Sales Index** (signed contracts in September) rose 0.5% to 104.6 from 104.2 in August.
- **Housing Starts** (excavation began in September) fell 5.3% to a seasonally adjusted annual rate of 1,241,000 units - up 3.7% YoY. Single Family Housing Starts fell 0.9% to an annual pace of 871,000 units - up 4.8% YoY. Multifamily Starts fell 12.9% to 324,000 units.
- **Building Permits** (issued in September) fell 0.6% to an annual rate of 1,241,000 - down 1.0% YoY. Single Family permits rose 2.9% to 851,000 units, and Multifamily permits fell 9.3% to 351,000 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 0.9% in August. The index is now up 5.5% in the last 12 months.
- **FHFA Home Price Index** rose 0.3% in August, now up 6.1% year over year.

### **Labor Market Economic Data Released in October 2018**

The October Jobs Report showed the Economy added 134,000 new jobs in September. But the big news is that the Unemployment Rate fell to 3.7%. That is the lowest in 49 years when it was 3.5% in 1969. This is another strong Jobs Report despite the disruption caused by Hurricane Florence. The latest drop in the Unemployment Rate and rise in wages is a further indication of a tight Labor Market. Higher wages are great for workers but it also contributes to higher Inflation - and the Fed is committed to keeping Inflation within their target range. This last report gives the Fed more fuel to raise Interest Rates again in December.

- The Economy added 134,000 new jobs in September.
- The Unemployment Rate fell to 3.7% in September - the lowest since December 1969.
- The Labor Force Participation Rate was unchanged at 62.7%.
- The Average Hourly Wage rose 0.3% - up 2.8% in the last 12 months.

### **Inflation Economic Data Released in October 2018**

Inflation continues upward but at a slower pace than expected. The CPI was up only 0.1% in September placing Inflation at 2.3% in the last 12 months. Gasoline, a major component of the CPI, fell 0.1% for the month but is still up 0.1% YoY. The cost of food was flat but the cost of vehicles dropped significantly. Used cars were down 0.3% while new cars were down 0.1%. Medical care was up another 0.2% (2.0% YoY) and shelter was up 0.2% (3.3% YoY).

- CPI rose 0.1%, now up 2.3% in the last 12 months.
- Core CPI (ex-food & energy) rose 0.1%, now up 2.2% in the last 12 months.
- PPI rose 0.2%, now up 2.6% 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 October 2018**

The 1st guesstimate for 3rd Quarter 2018 GDP showed the Economy grew at a 3.5% annualized rate - a little better than most Economists' expectations of 3.4%. This is only the first estimate. There will be 2 more revisions before the actual 3rd quarter GDP is solidified. This pegs GDP Growth at 3.0% in the last 12 months. This was slower than 2nd quarter's GDP of 4.2% but well ahead of 1st quarter GDP of 2.2%. The Economy is still benefiting from the Tax Cuts but fears are that the Trade War and rising Interest Rates will start to drag down Economic growth. Consumer Spending rose 4.0% while Business Spending declined 7.9%. 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 October 2018**

It looks like Consumers were watching their wallets a little closer as Retail Sales continued to cool in September. Auto Sales had a nice jump - up 0.8%. This might be attributed to disruption from Hurricanes Florence as people needed to replace cars damaged in the floods. On the flipside, it was a tough month for Restaurants and Bars. Food Services were down 1.8%, but over the last 12 months, Restaurant Sales are up 4.7%. The Consumer may be saving their pennies for the upcoming Holiday Buying Season or the effects of the Tax Cuts could be waning. Either way, Consumer Confidence and spending is still robust this year.

- Retail Sales rose 0.1% in September. For the year, Retail Sales are up 4.7%.
- Consumer Confidence Index rose to 137.9 from 135.3 in September.
- Consumer Sentiment Index (U of M) fell to 98.6 from 100.1.

### **Energy, International, and Misc**

- Oil prices are down a touch with North Sea Brent Crude trading at about \$75 -76/barrel.
- An immigrant caravan, with estimates of 5,000 to 7,000 people, is traveling through Mexico headed to the US border with the goal of asylum in America.
- Angela Merkel's political party suffered a major set back in this weekend's elections. She will step down as the party's head but remain as Chancellor until 2021 when her term ends.
- Right-wing candidate Jair Bolsonaro was elected President of Brazil defeating left-wing Fernando Haddad. He campaigned on a platform of anti-corruption and pro-business.
- The Chinese Yuan continues to decline.

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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