

Economic CALENDAR

December
2018

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Lots of big news in November - FOMC Meeting, Midterm Elections, Black Friday Sales, oil prices plunging, volatility in the Stock Markets, and2019 is a month away. The Democrats regained control of the House while the Republicans maintained control of the Senate. You probably have already noticed lower gasoline prices at the pumps. Oil prices have been sliding for the past 2 months, but that slide accelerated in November. Saudi Arabia is producing oil at record levels - over 10 million barrels a day. Lower oil prices are great for American Consumers but hurt countries dependent on oil revenue like Russia, Iran, Venezuela, Mexico, Saudi Arabia, etc. Lower gas prices, just in time to help out with the Holiday shopping season, is welcome news for Consumers. Let's do a quick review of the **Key Economic Indicators and Data from November 2018 that are important to the Mortgage Industry and Mortgage Professionals.**

November Economic Data and Events

- The Fed left Interest Rates unchanged after the November FOMC Meeting.
- Midterm Elections - Split Congress - Democrats control the House and Republicans control the Senate.
- Oil prices plunged in November.
- More Stock Market volatility: The DOW dropped 551 points on November 20 - then rose 618 points a week later on November 27.
- GM Announced it will close 5 plants (4 in the US and 1 in Canada) and layoff 14,000 workers.
- 3Q GDP growth is 3.5% with annual Inflation at 2.5%.

Interest Rates and Fed Watch

As expected, the Fed left Interest Rates unchanged at the last FOMC Meeting in November. With the next FOMC Meeting on December 18th -19th, Fed Watchers are placing **odds at about 80% that the Fed will raise Interest Rates another 1/4%.** Most Fed Watchers expect the Fed to follow through and raise rates in December because the Fed can't afford to have a credibility gap - they said they were going to raise rates 4 times in 2018 - and they will raise rates 4 times in 2018. After 4 rate increases in 2018, the Fed has leeway to take a pause and see how the Economy reacts before imposing additional rate increases. Also, consider some of the challenges facing the Economy in 2019: Trade War, stagnant housing market, volatile stock market, and a divided Congress. Housing alone accounts for a large portion of GDP - the Economy cannot continue to expand without a healthy housing market.

222 Fed Target

- Inflation 2.5% CPI for the last 12 months
- Wage Growth 3.1% for the last 12 months
- GDP Growth 3.0% annualized rate for the last 12 months

Housing Market Data released in November 2018

Good news bad news in housing data. After 6 months of numbers in the red, Existing Home Sales was able to eke out a slight gain. The gains were spread across the country except for the Midwest which posted a decline. On the other hand, New Home Sales plunged 8.9%. For the year, New Home Sales are down 12.0%. Home price appreciation is slowing down - prices are still rising - but at a slower pace. The double whammy of higher Mortgage Rates and low inventory continue to take a toll on housing.

Economic Indicators for the Housing Market Released in November 2018

- **Existing Home Sales** (closed deals in October) rose 1.4% to an annual rate of 5,220,000 homes, now down 1.5% in the last 12 months. The median price for all types of homes is now \$255,400 - up 3.8% from a year ago. The median Single Family Home price is \$257,900 and \$236,200 for a condo. First Time Buyers were 31%, Investors 15%, Cash Buyers 22%. Homes were on the market an average of 33 days, and 46% were on the market for less than a month. Currently, 1,850,000 homes are for sale - up from 1,800,000 a year ago.
- **New Home Sales** (signed contracts in October) fell 8.9% to a seasonally adjusted annual rate of 544,000 units. Year over year New Home Sales are down 12.0%. The median price of a new home is \$309,700, and the average sales price is \$395,000. Inventory of New Homes for sale is 336,000 - a 6.5 month supply.
- **Pending Home Sales Index** (signed contracts in October) fell 2.6% to 102.1 from 104.6 the previous month.
- **Housing Starts** (excavation began in October) rose 1.5% to a seasonally adjusted annual rate of 1,228,000 units - down 2.9% YoY. Single Family Housing Starts fell 1.8% to an annual pace of 865,000 units - down 2.6% YoY. Multifamily Starts rose 6.2% to 343,000 units.
- **Building Permits** (issued in October) fell 0.6% to an annual rate of 1,263,000 - down 6.0% YoY. Single Family permits fell 0.6% to 849,000 units, and Multifamily permits fell 0.0% to 376,000 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 0.3% in September. In the last 12 months, the index is up 5.1%.

- **FHFA Home Price Index** rose 0.2% in September, now up 5.5% year over year.

Labor Market Economic Data Released in November 2018

The November Jobs Report showed the **Economy added 250,000 new jobs** in October beating expectations of 190,000. For the last 3 months, the Economy has added an average of 218,00 jobs per month. Not bad. Just about all sectors of the Economy were hiring. Education and healthcare added 44,000 new jobs. Leisure and hospitality added 42,000. Transportation added 37,000. Manufacturing added 32,000. Retail added 2,000. Construction added 30,000 (Good news for the Real Estate and Mortgage businesses). Wages are up 3% and the Unemployment Rate is at a 49 year low.

- The **Economy** added 250,000 new jobs in October.
- The **Unemployment Rate** was unchanged at 3.7% - still the lowest since December 1969.
- The **Labor Force Participation Rate** rose to 62.9% from 62.7%.
- The **Average Hourly Wage** rose 0.3% - up 3.14% in the last 12 months.

Inflation Economic Data Released in November 2018

Inflation data keeps surprising the markets. Some Economists have been worried that run-away Inflation is just around the corner and the Fed needs to raise Interest Rates before that happens. Inflation is rising, but much slower than most Economists expected. Even though the Economy is doing great and wages are up, run-away Inflation has not materialized....yet. Plus, a significant component of Inflation is energy prices, and energy prices are dropping. With that in mind, it will be interesting to watch the Inflation data as energy prices fall.

- **CPI** rose 0.3%, now up 2.5% in the last 12 months.
- **Core CPI** (ex-food & energy) rose 0.2%, now up 2.1% in the last 12 months.
- **PPI** rose 0.6%, now up 2.9% in the last 12 months.
- **Core PPI** (ex-food & energy) rose 0.5%, up 2.6% in the last 12 months.

GDP Economic Data Released in November 2018

The 2nd guesstimate for **3rd Quarter 2018 GDP** showed the **Economy grew at a 3.5%** annualized rate - a little better than most Economist's expectations of 3.4%. Year over year, the Economy has grown at 3.0% with the last 2 quarters being very solid back to back. Despite the Trade War and market volatility, the Economy keeps humming along. GDP growth continues to be fueled by investment in equipment, structures, intellectual property, and inventories. Along with private investments, federal, state, and local governments also continued to increase spending. Residential fixed investment and Exports took a slight hit. 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 November 2018

Retails Sales had another strong month rising 0.8% in October. What was the Consumer buying? Cars, gasoline, and building materials. Autos up 1.1%, gasoline up 3.5%, building materials up 1.0%, appliances and electronics up 0.7%. Some of this can be attributed to repair and rebuilding after Hurricane damage, but 10 of the 13 major categories all showed healthy increases. It looks like the Holiday Shopping season is off to a great start. Preliminary data from Black Friday and Cyber Monday sales are in. Black Friday Consumers Spent \$6.0 billion dollars. Then again, on Cyber Monday, Consumers spent another \$7.9 billion dollars.

- **Retail Sales** rose 0.8% in October. For the year, Retail Sales are up 4.6%.
- **Consumer Confidence Index** fell to 135.7 from 137.9 the previous month.
- **Consumer Sentiment Index** (U of M) fell to 98.3 from 98.6 the previous month.

Energy, International, and Misc

- Crude Oil prices plunged in November due to a supply glut as Saudi Arabia pumped oil at record levels - over 10,000,000 barrels a day. North Sea Brent is about \$60.00 per barrel.
- Britain and the EU have come to a preliminary agreement on the Brexit terms. The terms still have to be voted on by Parliament.
- Inflation in Iran is running at 35% as Economic sanctions are devastating their Economy.
- Unrest in France as President Macron imposed additional taxes on fuel.
- Russia opened fire and seized 3 Ukrainian ships near in the Kerch Strait off the coast of Crimea.

This Economic Commentary is written as 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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