Economic CALENDAR

January 2019

Monday	Tuesday	Wednesday	Thursday	Friday
	1 **New Year's Day** Markets Closed	**2** ADP Employment Report PMI Manufacturing Index	**3** Challenger Job Cuts, Vehicle Sales, ISM Manufacturing, MBA Mortgage Applications, Jobless Claims, Construction Spending	**4** Employment Report PMI Service Index
7 ISM Non-Manufacturing Index Factory Orders	**8** JOLTS NFIB Business Optimism Trade Balance Consumer Credit	**9** FOMC Minutes MBA Mortgage Applications	**10** Wholesale Trade Weekly Jobless Claims	**11** CPI Fed Budget
14	**15** PPI Empire State Report	**16** Retail Sales, NAHB Index Beige Book, Import - Export Prices, Mortgage Applications Business Inventories, TIC	**17** Housing Starts & Permits Philly Fed Report Weekly Jobless Claims	**18** Industrial Production Consumer Sentiment
21 **Martin Luther King Jr. Birthday** Markets Closed	**22** Existing Home Sales	**23** FHFA Home Price Index Richmond Fed Report MBA Mortgage Applications	**24** Leading Indicators Kansas Fed Report Weekly Jobless Claims	**25** New Home Sales Durable Goods Orders
28 Chicago Fed Report Dallas Fed Report	**29** FOMC Meeting Consumer Confidence S&P Case Shiller HPI	**30** FOMC Rate Decision GDP, Pending Home Sales ADP Employment Report MBA Mortgage Applications	**31** Challenger Job Cuts, Chicago PMI, Employment Cost Index, Personal Income & Spending, Weekly Jobless Claims	

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Review of Key Economic Indicators That Affect the Mortgage Industry *plus* January 2019 Mortgage Economic Calendar

Good Afternoon,

For a copy of the Mortgage Economic Calendar for January 2019 **Click Here**

The Grinch took over the Stock Market this Holiday Season as volatility dominated the news. The DOW closed out the year at 23,327 - down 5.6% from the beginning of the year, and 8.7% from it's high of 26,828 on October 3rd. All told, the Stock Market's December plunge wiped out $4.0 Trillion in shareholder equity. Some people don't blame the Grinch - many blame the Fed for raising short term interest rates too fast. To be fair to the Fed, most Economists expected some type of correction in stocks after a 10 year Bull Market run. Even though the Housing and Mortgage sectors had a tough year, the Economy looks pretty solid. Inflation is in check, GDP is healthy, Unemployment is at a 49 year low, wages are up, and gasoline prices are down. Despite the Grinch visiting the Stock Market, Santa still left a present under the tree this year - lower oil prices. Let's do a quick review of Key Economic Indicators and Data from December 2018 that are important to the Mortgage Industry and Mortgage Professionals.

December Economic Data and Events

- The Federal Reserve raised Interest Rates .25% after the December 19th FOMC Meeting.
- Wild ride in Stocks: The DOW experienced the worst December since 1931 - wiping out all 2018 gains.
- Disputes over the Federal Budget and funding "The Wall" have partially shut down the Federal Government.
- Oil Prices dropped 10% in December.
- 3rd quarter GDP growth is 3.4%, 3.0% over the last 12 months.

Interest Rates and Fed Watch

The Fed wrapped up its last FOMC Meeting for 2018 by raising the Fed Funds Rate 0.25%. The target range for Fed Funds is now 2.25% to 2.50%. At the beginning of 2018, the Fed stated they planned to raise Interest Rates 4 times in 2018 - and keeping to their word - they did. The Fed Policy Statement that was released after the December 19th FOMC Meeting said:

> "...some further gradual increases in the target range for the federal funds rate will be consistent with sustained expansion of economic activity...", and, "The Committee...will continue to monitor global economic and financial developments".

This means the Fed plans to keep raising short term rates in 2019 but will watch the markets for the timing of those increases. At this point, most Fed Watchers expect the Fed to do between zero and two rate increases in 2019. When will the next rate hike hit? That will depend on what the markets do over the next few months. After the recent market volatility, the Fed may wait until June to do the next rate increase - or not do any rate increases in 2019. Their decision will depend on the Economic Data over the next few months. Also, keep a close eye on the yield curve. An inverted yield curve is a strong signal for a recession. If it inverts, the Fed will probably stop raising rates.

222 Fed Target

- Inflation — 2.2% 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 December 2018

More mixed data in the Housing Market. Some things are looking a little better. Inventory of homes for sale improved - it's still a problem but slowly looking better. Affordability is still a huge problem and has gotten worse as Interest Rates increased. Price appreciation slowed down a bit - Home Prices are still going up but not as fast. So there is a bright side - Mortgage Rates decreased slightly going into the end of the year, and the Fed may slow down or even stop raising Interest Rates this spring. Keep your fingers crossed for 2019.

Economic Indicators for the Housing Market Released in December 2018

- **Existing Home Sales** (closed deals in November) rose 1.9% to an annual rate of 5,230,000 homes, now down 7.0% in the last 12 months. The median price for all types of homes is now $257,700 - up 4.2% from a year ago. The median Single Family Home price is $260,500 and $236,400 for a condo. First Time Buyers were 33%, Investors 13%, Cash Buyers 21%. Homes were on the market an average of 42 days, and 43% were on the market for less than a month. Currently, 1,740,000 homes are for sale - up from 1,670,000 a year ago.
- **New Home Sales** (signed contracts in November) data was not released in December due to the government shutdown.
- **Pending Home Sales Index** (signed contracts in November) fell 101.4 from 102.1 the previous month.
- **Housing Starts** (excavation began in November) rose 3.2% to a seasonally adjusted annual rate of 1,256,000 units - down 3.6% YoY. Single Family Housing Starts fell 4.6% to an annual pace of 824,000 units - down 13.1% YoY. Multifamily Starts rose 22.4% to 432,000 units, now up 21.7% YoY.
- **Building Permits** (issued in November) rose 5.0% to an annual rate of 1,328,000 - up 0.4% YoY. Single Family permits rose 0.1% to 848,000 units, and Multifamily permits rose 5.5% to 441,000 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 0.4% in October. In the last 12 months, the index is up 5.0%.
- **FHFA Home Price Index** rose 0.3% in October, now up 5.7% year over year.

Labor Market Economic Data Released in December 2018

The December Jobs Report showed the Economy added 155,000 new jobs in November. This is less than the 198,000 new jobs Economists had expected, but that's still a good number. Wage growth also fell short of expectations, clocking in at 0.2% when the markets were expecting 0.3%. While this Jobs Report was one of the weakest of 2018, and is a further indication of a slowing Economy, it's still a good report and shows the Labor Market is humming along. This may actually be a good sign for the Mortgage business. A slowing Economy gives the Fed a good reason to stop increasing Interest Rates - at least for the next few months.

- The **Economy** added 155,000 new jobs in November.
- The **Unemployment Rate** was unchanged at 3.7% - still the lowest since December 1969.
- The **Labor Force Participation Rate** was unchanged at 62.9%.
- The **Average Hourly Wage** rose 0.2% - up 3.1% in the last 12 months.

Inflation Economic Data Released in December 2018

Inflation data came in pretty much as expected. The unchanged CPI data for November can be attributed to lower energy prices. Oil prices plunged 20% in November, which brought down gasoline prices an average of 23%, and gas prices continued to decline through December. While energy prices declined, other components of the CPI were up: auto prices up 0.8%, shelter up 0.3%, medical care up 0.4%.

- **CPI** was unchanged from the previous month, now up 2.2% in the last 12 months.
- **Core CPI** (ex-food & energy) rose 0.2%, now up 2.2% in the last 12 months.
- **PPI rose** 0.1%, now up 2.5% in the last 12 months.
- **Core PPI** (ex-food & energy) rose 0.3%, up 2.7% in the last 12 months.

GDP Economic Data Released in December 2018

The final guesstimate for **3rd Quarter 2018 GDP** showed the Economy grew at a 3.4% annualized rate. This is following a 2nd quarter GDP growth rate of 4.1%. That pegs Economic growth for the last 12 months at 3.0%. The lower GDP was primarily attributed to lower exports and residential investments. GDP growth was helped along by an increase in inventory investments, non-residential investments, federal, state, and local government spending. 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 December 2018

The Grinch may have hurt the Stock Market but he didn't disrupt the Holiday shopping season. This year's Holiday shopping got off to a great start and should provide good cheer for all merchants. As expected, online sales keep growing and account for 11% of all Retail Sales. Shopping this Holiday season was bolstered by lower energy prices - money Consumers saved on gasoline was spent on Holiday shopping, especially electronics and furniture. It is interesting to note that Consumer spending was not hindered by the Stock Market volatility - yet. Consumers may be getting accustomed to market volatility. However, this may change next month after they get a look at their month-end investment statements.

- **Retail Sales** rose 0.2% in November. For the year, Retail Sales are up 4.2%.
- **Consumer Confidence Index** fell to 128.1 from 136.4 the previous month.
- **Consumer Sentiment Index** (U of M) rose to 98.3 from 97.5 the previous month.

Energy, International, and Misc

With all the attention on stock and bond market volatility, don't forget about oil. Oil prices were down another 10% in December - after dropping 20% in October-November.

- Oil Prices continue downward with North Sea Brent Crude now trading about $55 per barrel.
- Natural gas prices continue to decline due to the mild winter and abundant supply.
- President Trump decided the US will sloooowly pull troops out of Syria.
- Secretary of Defense, James Mattis, resigned after the Syrian troop pullout decision.
- China's 2019 GDP is expected to slow next year to 6.2% from 6.6% in 2018.

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.