

Economic CALENDAR

May
2019

Monday	Tuesday	Wednesday	Thursday	Friday
		1 FOMC Rate Decision, ADP Employment Report, MBA Mortgage Apps, ISM & PMI Manufacturing Index, Vehicle Sales, Construction Spending	2 Challenger Job Cuts Factory Orders Productivity Weekly Jobless Claims	3 Employment Report ISM Non-Manufacturing Index PMI Service Index
6	7 JOLTS Consumer Credit Trade Balance	8 MBA Mortgage Applications	9 PPI Wholesale Trade Weekly Jobless Claims	10 CPI Fed Budget
13	14 NFIB Business Optimism Import-Export Prices	15 Retail Sales, NAHB Index, TIC, Industrial Production, Empire State Report, MBA Mortgage Apps, Business Inventories	16 Housing Starts & Permits Philly Fed Report Weekly Jobless Claims	17 Consumer Sentiment Leading Indicators
20 Chicago Fed Report	21 Existing Home Sales	22 FOMC Minutes MBA Mortgage Applications	23 New Home Sales Kansas Fed Report Weekly Jobless Claims	24 Durable Goods Orders
27 Memorial Day Markets Closed	28 FHFA HPI S&P Case Shiller HPI Consumer Confidence Dallas Fed Report	29 Richmond Fed Report MBA Mortgage Applications	30 GDP Pending Home Sales Corporate Profits Weekly Jobless Claims	31 Consumer Sentiment Personal Income & Spending Chicago PMI



MID AMERICA
MORTGAGE, INC.

NMLS ID 150009

Wholesale Lending Division

855-528-4572

www.mamtpo.com

Good Afternoon,

April is typically a stormy month with unpredictable weather and volatile temperature swings. It looks like the Economic Data has followed this same pattern in the last few months - large swings that are erratic and volatile. All the Economic Data: Housing Data, Inflation Data, Consumer Data, and GDP Data posted mixed numbers with some surprises. Some of the data volatility can be attributed to the lagging impact from the Government shutdown in December and January. Fortunately, those effects should be waning. Sifting through the numbers leaves one with the conclusion that the Economy continues to be healthy and very resilient despite a weak Housing Market and Trade War. While the Housing Market has been weak, Mortgage Refinance and Purchase transactions have picked up substantially in the past few months. So far it's been a good Spring buying market - thanks in large part to lower Interest Rates. This month's Mortgage Economic Review summarizes Key Economic Data released in April 2019 that are important to Mortgage and Real Estate Professionals.

For a copy of the **Mortgage Economic Calendar** for May 2019 **Click Here**. The Government Shutdown slightly affected the May Economic Calendar. Most of the Economic Data and Indicators are being released on schedule in May, but a few reports may be delayed.

Key Economic Data and Events in April 2019

- The latest FOMC Meeting concluded May 1st with the Fed leaving Interest Rates unchanged.
- The Justice Department released the long awaited Mueller Report, but it was heavily redacted.
- Mark Calabria was appointed Director of the Federal Housing Finance Agency.
- The first estimate of 1Q2019 GDP clocked in at a 3.2% annualized growth rate.
- Inflation increased slightly with the latest CPI at 1.9% YoY.
- Trade talks with China continue with no final decision.

Interest Rates and Fed Watch

The Fed just wrapped up the latest 2 day FOMC Meeting on May 1st, and as expected, left Interest Rates unchanged. The decision was unanimous among all the FOMC Committee Members. The Fed Statement that was issued after the meeting said the Fed would continue to be "patient" before they make additional Interest Rate changes. In Fed Speak that means they don't plan to change rates any time soon - and they will be closely watching the Economic Data. The statement also reiterated Economic aspects we already know - the Economy is growing at a solid pace, the Labor Market is strong, and Inflation is low. However, clouds may be gathering on the horizon. Consumer Spending and Business Investment - 2 key drivers of Economic growth - declined during the 1st quarter. It will be interesting to watch those 2 indicators to see if they rebound next quarter.

222 Fed Target

- Inflation 1.9% CPI for the last 12 months
- Wage Growth 3.2 % for the last 12 months
- GDP Growth 3.2% annualized rate for the last 12 months

Housing Market Data Released in April 2019

Housing Market Data has been on a roller coaster the past few months - Existing Home Sales up 11.8% one month, then down 4.9% the next month. Over the long run, Home Sales go hand in hand with Wage Growth. When wages go up - Home Sales go up. However, Home Sales over the last year, have not grown as fast as expected based on Wage Growth. Why the disconnect? There are different theories, but one that keeps reoccurring blames high Real Estate Taxes. Potential Home Buyers often say that they can afford the mortgage but they can't afford the taxes. Plus, the new Federal Tax Laws limit the deduction for Real Estate Taxes to \$10,000 - which discourages potential buyers in high tax states.

- **Existing Home Sales** (closed deals in March) fell 4.9% to an annual rate of 5,210,000 homes, now down 5.4% in the last 12 months. The median price for all types of homes is now \$259,400 - up 3.8% from a year ago. The median Single Family Home price is \$261,100 and \$244,400 for a condo. First Time Buyers were 33%, Investors 18%, Cash Buyers 21%. Homes were on the market an average of 36 days, and 47% were on the market for less than a month. Currently, 1,680,000 homes are for sale, up from 1,640,000 a year ago.
- **New Home Sales** (signed contracts in March) rose 4.5% to a seasonally adjusted annual rate of 692,000 homes. The median home price was \$303,700 and the average home price was \$376,000. The number of New Homes for sale is estimated at 344,000 units which represents a 6 month supply.
- **Pending Home Sales Index** (signed contracts in March) rose 3.8% to 105.8 from 101.9 the prior month.
- **Housing Starts** (excavation began in March) fell 0.3% to a seasonally adjusted annual rate of 1,139,000 units - down 14.2% YoY. Single Family Housing Starts fell 0.4% to an annual pace of 785,000 units - down 11.0% YoY.
- **Building Permits** (issued in March) fell 1.7% to an annual adjusted rate of 1,269,000 - down 7.8% YoY. Single Family permits fell 1.1% to 808,000 units - down 5.1% YoY.
- **Housing Completions** (completed in March) fell 1.9% to an annual rate of 1,313,000 units - up 6.8% in the last 12 months. Single Family Completions were up 11.9% to 938,000 units - up 8.8% YoY.

- **S&P/Case-Shiller 20 City Composite Home Price Index** rose 0.2% in February - up 3.0% YoY.
- **FHFA Home Price Index** rose 0.3% in February, now up 4.9% YoY.

Labor Market Economic Data Released in April 2019

The US Economy added 196,000 new jobs during March. This increase surpassed Economists' expectations and was a welcome increase from last month's disastrous report of 20,000 jobs (which was revised up to 33,000 new jobs). The average number of new jobs created in the last 3 months was 180,000, and in the last 12 months was 200,000. There are over 7,500,000 unfilled job openings in the country according to the BLS (Bureau of Labor Statistics). The Labor Market is healthy, and there is no indication it is going to weaken any time soon as companies continue to struggle to find qualified workers. The more people employed with rising wages means more people able to buy homes.

- The **Economy** added 196,000 new jobs.
- The **Unemployment Rate** was unchanged at 3.8%.
- The **Labor Force Participation Rate** fell to 63.0% from 63.2%.
- The **Average Hourly Wage** rose 0.1% in March and 3.2% YoY.

Inflation Economic Data Released in April 2019

Inflation is still low but the CPI and PPI got bumped slightly higher in April. Blame higher Energy costs for this month's increase in Inflation. Energy prices rose 3.5% and gasoline prices rose 6.5% - the largest monthly increase in pump prices in 18 months. Shelter costs, which comprise about a third of the CPI, rose 0.4%. Prices for clothing took a big hit - dropping 1.9%. This is the largest monthly decline in clothing prices since 1949, but the Trade War with China may have influenced that number. Used car prices were down 0.4% while new car prices were up 0.4%.

- **CPI** rose 0.4%, now up only 1.9% in the last 12 months.
- **Core CPI** (ex-food & energy) rose 0.15%, now up only 2.0% in the last 12 months.
- **PPI** rose 0.6%, now up 2.2% in the last 12 months.
- **Core PPI** (ex-food & energy) rose 0.3%, up 2.4% in the last 12 months.

GDP Economic Data Released in April 2019

The first guesstimate of First Quarter 2019 GDP showed the Economy expanded at a 3.2% annual rate. This is a lot higher than Economists expected (2.3%), especially since the first quarter is typically the weakest for GDP growth. Digging deeper in the data reveals some interesting contradictions. Although the data exceeded Economists' expectations, most of the growth was attributed to a build up of inventories and increased net exports. The important components - Household Spending and Capital Expenditures, which are necessary for sustained growth, had weak numbers. It will be interesting to compare the GDP data next month to see how it is revised, but at this point, the Economy is solid with a robust Labor Market.

Consumer Economic Indicators Released in April 2019

We had two Retail Sales numbers released in April - one for February and one for March. Just like the Housing Data, Retail Sales Data has been on a roller coaster. The latest data shows Retail Sales rebounded with sales of gasoline and vehicles leading the pack. In fact, almost all the categories were up. Cars up 3.1%, Furniture up 1.7%, Electronics up 0.5%, Food up 1.0%, Health Care up 0.2%, Gasoline up 3.5%, Clothing up 2.0%, Bars & Restaurants up 0.8%, Building Materials up 0.3%.

- **Retail Sales** fell 0.2% in February, up 2.2% in the last 12 months.
- **Retail Sales** rose 1.6% in March, up 3.6% in the last 12 months.
- **Consumer Confidence Index** rose to 129.2 from 124.1 the prior month.
- **Consumer Sentiment Index** (U of M) fell to 97.2 from 98.4 the prior month.

Energy, International, and things you may have missed

- **Oil Prices** are up about 30% YTD due to uncertainty in Venezuela, Libya, and Iran. (North Sea Brent Crude is trading about \$73 per barrel, West Texas Intermediate Crude is trading about \$64 per barrel).
- **Iranian oil import sanction waivers** were rescinded adding volatility to the oil market.
- Germany (Europe's largest Economy) cut its 2019 forecast growth rate from 1.0% to 0.5%.
- Suicide Bombers coordinated terrorist attacks against Churches during Easter mass and luxury hotels during breakfast in Sri Lanka killing over 300 and wounding over 500.
- Turkey continues in a deep recession with unemployment at a 50 year high of 14.7%.
- North Korea's Kim traveled to Russia for a meeting with Putin.

This Economic Commentary is written to be a concise summary of the Key Economic Data that influence the Mortgage and Real Estate Industries. It is written to be a quick read so that Mortgage Professionals can stay up to date on Economic Information that affects their industry. Feel free to share this with a friend or colleague in the Mortgage or Real Estate business.

Mid America Mortgage TPO Lending www.mamtpo.com

The content in this newsletter has been created by an independent third party for use by Mortgage and Real Estate Professionals only and not for use by Consumers or as an advertisement to extend credit or solicit mortgage originations. The material provided is for informational and educational purposes only and should not be construed as investment, legal, financial, or mortgage advice. The information is gathered from sources believed to be credible, some is opinion based and editorial in nature. Mid America Mortgage Inc and Mortgage Elements Inc does not guarantee or warrant its completeness or accuracy and there is no guarantee it is without errors. © Copyright 2019 Mark Paoletti, Mortgage Elements Inc, All Rights reserved