

# Economic CALENDAR

March  
2020

Monday	Tuesday	Wednesday	Thursday	Friday
<b>2</b> ISM Manufacturing Index Construction Spending	<b>3</b>	<b>4</b> Beige Book ADP Employment Report MBA Mortgage Applications ISM Non-Manufacturing Index	<b>5</b> Productivity & Costs Factory Orders Challenger Job Cuts Weekly Jobless Claims	<b>6</b> <b>Employment Report</b> International Trade Wholesale Trade
<b>9</b> ISM Non-Manufacturing Index	<b>10</b> JOLTS NFIB Business Optimism	<b>11</b> <b>CPI</b> Fed Budget MBA Mortgage Applications	<b>12</b> <b>PPI</b> Weekly Jobless Claims	<b>13</b> Import-Export Prices
<b>16</b> Empire State Report TIC	<b>17 St Patrick's Day</b> <b>FOMC Meeting, Retail Sales,</b> JOLTS, Industrial Production, NAHB Survey, Business Inventories	<b>18</b> <b>FOMC Announcement</b> <b>Housing Starts &amp; Permits</b> MBA Mortgage Applications	<b>19</b> Current Account Philly Fed Report Weekly Jobless Claims	<b>20 Vernal Equinox</b> <b>Existing Home Sales</b>
<b>23</b>	<b>24</b> <b>New Home Sales</b> Industrial Production	<b>25</b> FHFA Home Price Index Durable Goods MBA Mortgage Applications	<b>26</b> <b>GDP</b> Corporate Profits Wholesale Inventories Weekly Jobless Claims	<b>27</b> PCE Personal Income & Spending Consumer Sentiment
<b>30</b> <b>Pending Home Sales</b>	<b>31</b> Consumer Confidence S&P Case-Shiller HPI			



**MID AMERICA**  
MORTGAGE, INC.

NMLS ID 150009

Wholesale Lending Division

855-528-4572

[www.mamtpo.com](http://www.mamtpo.com)

## Mortgage Economic Review March 2020

The **March 2020 Mortgage Economic Review** summarizes recent Key Economic Indicators, Data, and Events that are important to Mortgage and Real Estate Professionals.

**Update:** On March 3rd, the Fed did an Emergency Interest Rate cut of 0.50%. The target for Fed Funds Rate is now 1.0% to 1.25%. More information in the **Interest Rates and Fed Watch section**.

The **Covid-19 Outbreak** dominated the news in late February and gave us a new term in our modern-day lexicon: **Virus Watch**. The Covid-19 outbreak spooked the Financial Markets. Global Stock Markets had their worst month since the 2008 Financial Crash. The DOW Industrial Index lost 10% in February and dropped 1,191 points in one day. As money rotated out of Stocks and into safe havens, the yield on the 10-year US Security fell to a low in February of 1.11%. We know this outbreak will disrupt the Chinese and Global Economies - what is unknown is by how much? There are too many "Unknowns". This virus is so new, and it happened so quickly that there is little reliable, accurate data on the virus itself. What is the actual incubation period and mortality rate? How long can it stay alive on a doorknob, shopping cart, or paper money? Unknowns magnify fear. Once reliable data is known, we can get a better handle on predicting its impact on Global Economies. One thing we know for sure - the Covid-19 outbreak has opened Consumers' eyes to the dependence of the US and Global Economy on China.

### Key Economic Data and Events in February 2020

- The largest Weekly Stock Market decline since the 2008 Financial Crash
- DOW Industrial Index lost 10% in February, dropping 1,191 points in one day
- 46 countries have reported Covid-19 infections
- CDC said the Coronavirus is likely to spread throughout the US
- Inflation remained moderate with the CPI at 2.5%
- The Economy chugged along at a 2.1% annual growth rate
- The Labor Market remained strong with the Economy adding 225,000 new jobs in February

### Interest Rates and Fed Watch

In concert with Stock prices, Treasury Yields dropped precipitously on Covid-19 fears in late February. There is a flight to quality as investors rotate out of stocks and into safe havens like US Securities. It's too soon to know how much the Covid-19 outbreak will impact the Global Economy. Instead of a "wait and see" approach, the Fed was compelled to step in sooner rather than later and lower Interest Rates. **The Fed did an Emergency Rate Cut of 0.50% on the morning of March 3rd.** The target for Fed Funds Rate is now 1.0% to 1.25%.

The move surprised some Fed Watchers as the next FOMC Meeting is only 2 weeks away, and they felt the Fed should have waited until then to cut Interest Rates. However, the timing sends a strong message to the Financial Markets that the Fed will take action when they feel it is needed. The Fed said the Economic Fundamentals remain strong, but the Fed is "closely monitoring developments and their implications for the economic outlook and will use its tools and act as appropriate to support the economy." Lower Interest Rates won't stop the virus from spreading or get people back in factories, but this Fed move will lift Consumer Confidence and give a boost to the Economy.

### Housing Market Data Released in February 2020

Another month of good but mixed Housing Data. The Housing Market chugs along despite inventory problems. The low Interest Rates have helped affordability. Housing Starts and Completions were down, but that can be attributed to a typical slowdown in the winter months. Existing Home Sales were strong in the Midwest but ragged in the West. The Covid-19 outbreak will further depress Interest Rates and make Home Buying more attractive. However, if the outbreak continues too long and significantly affects the Economy, it may scare Buyers away from purchasing a home.

- **Existing Home Sales** (closed deals in January) fell 1.3% to an annual rate of 5,460,000 homes, up 9.65 in the last 12 months. The median price for all types of homes is now \$266,300 - up 6.8% from a year ago. The median Single Family Home price is \$268,600 and \$248,100 for a condo. First Time Buyers were 32%, Investors 17%, Cash Buyers 21%. Homes were on the market an average of 43 days, and 42% were on the market for less than a month. Currently, 1,420,000 homes are for sale, down 10.7% from 1,590,000 units a year ago.
- **New Home Sales** (signed contracts in January) rose 7.9% to a seasonally adjusted annual rate of 764,000 homes - up 18.6% YoY. The median New Home price was \$348,200, and the average New Home price was \$402,300. There are 324,000 New Homes for sale, which is a 5.1 month supply.
- **Pending Home Sales Index** (signed contracts in January) rose 5.2% to 108.8 from 103.2 the prior month (up 5.7% YoY).
- **Housing Starts** (excavation began in January) fell 3.6% to a seasonally adjusted annual rate of 1,567,000 units - up 21.4% YoY. Single-Family Starts fell 5.9% to an annual pace of 1,010,000 units - up 4.6% YoY.
- **Building Permits** (issued in January) rose 9.2% to an annual adjusted rate of 1,551,000 - up 17.9% YoY. Single Family permits rose 6.4% to 987,000 units - up 20.2% YoY.
- **Housing Completions** (completed in January) fell 3.3% to annual rate of 1,280,000 units - up 1.5% YoY. Single Family Completions fell 3.5% to 877,000 units - down 4.9% YoY.
- **S&P/Case-Shiller 20 City Composite Home Price Index** rose 0.43% in December - up 2.85% YoY.
- **FHFA Home Price Index** rose 0.6% in December, 1.3% for 4Q2019, now up 5.1% YoY.

### Labor Market Economic Data Released in February 2020

The latest Jobs Report showed the Economy added 225,000 New Jobs in January (165,000 expected). Looking at the trend, in the last 12 months, the Economy created an average of 171,000 jobs per month. All categories posted positive numbers except Manufacturing Jobs (down 12,000) and Retail jobs (down 8,000). The Unemployment Rate inched up slightly, but that was due to more people entering the Labor Force. Education and Health Services Jobs up 72,000, Leisure and Hospitality Jobs up 36,000, and Construction Jobs up 44,000. As Home Construction continues to accelerate, expect Construction Jobs to keep growing, especially as we move into the warmer months. With all the bad news, it's good to see the Labor Market got off to a good start this year.

- The Economy added 225,000 New Jobs
- The Unemployment Rate rose to 3.6% from 3.5% in the prior month
- The Labor Force Participation Rate rose to 63.4% from 63.2% the prior month
- The Average Hourly Wage rose 0.2% in January, up 3.1% YoY

### Inflation Economic Data Released in February 2020

Inflation remains tame. The latest CPI clocked in at 0.1% for January and 2.5% YoY after being seasonally adjusted. Take that number with a grain of salt. The big question is: why does it feel like prices are going up while the CPI data is so low? A deeper dive into the numbers reveals that "necessities" like Shelter, Energy, and Healthcare are taking a larger chunk out of Consumers' pockets. In the past 12 months, Shelter costs were up 3.3%, Gasoline up 12.8%, Medical Care up 5.1%. Costs of all these "necessities" are increasing faster than overall Inflation, and more importantly - Wage Growth.

- CPI rose 0.1%, up 2.5% in the last 12 months
- Core CPI (ex-food & energy) rose 0.2%, up 2.3% in the last 12 months
- PPI rose 0.5%, up 2.1% in the last 12 months
- Core PPI (ex-food & energy) rose 0.5%, up 1.7% in the last 12 months

### GDP Economic Data Released in February 2020

The 2nd Estimate of 4th Quarter 2019 GDP showed the Economy expanded at a 2.1% annualized rate (2.0% expected). It was good to see that Homebuilding was up the 4th quarter as Builders responded to increased demand for Homes. GDP growth was also boosted by increased personal consumption, exports, federal, state, and local government spending. On the flip side, business investment was down, especially on equipment. It is too early to measure the impact on the US Economy from Covid-19, but you can expect the Travel, Leisure, and Hospitality industries will be hurt. Manufacturing will feel pain from supply chain disruption.

### Consumer Economic Data Released in February 2020

Consumer Data was as expected for a February month. Retail Sales had a nice uptick, while Consumer Confidence and Sentiment increased. The first quarter is typically a docile month for Consumer Data as people huddle in for the cold winter months and their finances recover from the Holiday buying binge. What was nice to see was a jump in Building Materials and Garden Equipment - up 2.2% in a month. People are investing in their homes, which is always good news for the Mortgage and Real Estate business. These numbers are Pre-Covid-19, so it will be interesting to see the next set of Consumer data.

- Retail Sales rose 0.3% during January, up 4.4% in the last 12 months
- Consumer Confidence Index rose to 120.7 from a revised 130.4 the prior month
- Consumer Sentiment Index (U of M) rose to 101.0 from 99.8 the prior month

### Energy, International, and Things You May Have Missed

- Oil prices tumbled due to Covid-19 fears reducing travel and fuel demand. (Prices as of March 2: North Sea Brent Crude about \$51 per barrel, West Texas Intermediate Crude about \$46 per barrel).
- China reduced tariffs on \$75 billion of US imports as part of the "Phase One" trade deal
- German Factory Orders fell 8.6% YoY - the largest decline in 10 years
- Eurozone Industrial Production fell 2.1% - the most in 4 years
- Japan's 4Q2019 GDP fell a whopping 6.3%
- Japan said it does not plan to postpone the Summer Olympics due to Covid-19
- The US raised tariffs on EU Aircraft from 10% to 15% over Airbus subsidies

The Mortgage Economic Review is a succinct summary of 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.

**Mid America Mortgage TPO Lending** [www.mamtpo.com](http://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 2020 Mark Paoletti, Mortgage Elements Inc, All Rights reserved