

Economic CALENDAR

November
2020

Monday	Tuesday	Wednesday	Thursday	Friday
2 ISM Manufacturing Index Construction Spending	3 Election Day Factory Orders	4 FOMC Meeting , International Trade, ISM Non-Manufacturing, ADP Employment Report, MBA Mortgage Applications	5 FOMC Announcement Productivity & Costs Challenger Job Cuts Weekly Jobless Claims	6 Employment Report Wholesale Trade
9	10 JOLTS NFIB Optimism Index	11 Veterans Day Some Markets Closed	12 CPI NFIB Business Optimism Fed Budget Weekly Jobless Claims	13 PPI
16 Empire State Report	17 Retail Sales , NAHB Index, Import-Export Prices, TIC, Industrial Production, Business Inventories	18 Housing Starts & Permits MBA Mortgage Applications	19 Existing Home Sales Leading Indicators Philly Fed Report Weekly Jobless Claims	20
23	24 Consumer Confidence FHFA Home Price Index S&P Case-Shiller HPI	25 GDP, FOMC Minutes, New Home Sales , Durable Goods Orders, Personal Income, Consumer Sentiment, Mortgage Applications, Weekly Jobless Claims	26 Thanksgiving Day Markets Closed	27 Black Friday
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Mortgage Economic Review November 2020

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

While everyone's attention was focused on the November Election and surging Covid cases, the US and major Economies around the globe did a **HARD BOUNCE**. US GDP sky-rocketed 33.1% in the 3rd Quarter after tumbling 31.1% in the 2nd Quarter. You don't hear about the V, U, L, or K shaped recoveries because we now know - it's a V-shaped recovery. The US V-Shaped Recovery is lead by a red hot Housing Market and New Residential Single Family Construction. 2020 will go down in history books as a crazy year, but through it all, the US Economy and US Consumer have proven to be very resilient.

Key Economic Data and Events in October 2020

- US GDP increased 33.1% in the 3rd Quarter
- The Labor Market continued to recover adding 661,000 new jobs in September
- The Unemployment Rate fell to 7.9 from 8.4%
- US Inflation is running at 1.4%
- Stock and Bond Market volatility continued due to political uncertainty and an unexpected surge in Covid cases globally
- The 10-Year Treasury Security Yield rose above 0.80% for the first time in 5 months
- Congress failed to pass another Stimulus Package due to gridlock in Washington
- Amy Coney Barrett was sworn in as the newest US Supreme Court Justice

Interest Rates and Fed Watch

Not a lot happened with the Fed or Interest Rates in October. Interest Rates rose slightly as the 10-year Treasury yield rose above 0.80% for the first time in 5 months. The Minutes from the September FOMC Meeting were released, and they noted that: the Economy, Inflation, and Labor is recovering faster than expected, household and business spending recovered due to earlier stimulus, and more Fiscal Stimulus is needed. Fed Chairman Powell and several other Fed Governors repeated their message that the Fed will keep Interest Rates low and tolerate increased Inflation until the Economy has recovered. They continued to call on Congress to pass another stimulus package - which did not happen.

Housing Market Data Released in October 2020

The Housing Market remains red hot, and it's lead by New Residential Single Family Construction. For years, Single Family New Construction lagged behind multifamily Construction. It was hindered by a lack of demand from Millennial Buyers as they favored renting over buying. Regulations and a shortage of skilled labor also contributed to the lag. Covid and Social Unrest changed that. Now Residential New Construction is a bright spot in the Economy. There is a shift from building apartments in urban areas to constructing more Single Family Detached Homes in suburban locations. This is evident in the US Homebuilder Confidence Index rising to 85 - which is the highest point on record.

- **Existing Home Sales** (closed deals in September) rose 9.4% to an annual rate of 6,540,000 homes, up 21.0% in the last 12 months. The median price for all types of homes is \$311,800 - up a whopping 14.8% from a year ago (that's not a typo). The median Single Family Home price is \$316,200 and \$272,700 for a Condo. First Time Buyers were 31%, Investors 12%, Cash Buyers 18%. Homes were on the market for an average of 21 days (record low), and 71% were on the market for less than a month. Currently, 1,470,000 homes are for sale, down 19.2% from 1,820,000 units a year ago.
- **New Home Sales** (signed contracts in September) fell 3.5% to a seasonally adjusted annual rate of 959,000 homes - up 32.1% YoY. The median New Home price rose 3.5% YoY to \$326,800, and the average is \$405,400. There are 284,000 New Homes for sale, which is a 3.6 month supply.
- **Pending Home Sales Index** (signed contracts in September) fell 2.2% to 130.0 from 132.8 up 20.2% YoY.
- **Building Permits** (issued in September) rose 5.2% to a seasonally adjusted annual rate of 1,553,000 units - up 8.1% YoY. Single-Family Permits rose 7.8% to an annual pace of 1,119,000 homes, up 24.3% YoY.
- **Housing Starts** (excavation began in September) rose 1.9% to an annual adjusted rate of 1,415,000 units - up 11.1% YoY. Single-Family Starts rose 8.5% to 1,108,000 homes - up 22.3% in the last 12 months.
- **Housing Completions** (completed in September) rose 15.3% to an annual adjusted rate of 1,413,000 units - up 25.8% YoY. Single Family Completions rose 2.1% to 921,000 homes - up 8.1% in the last 12 months.
- **S&P/Case-Shiller 20 City Composite Home Price Index** rose 0.47% in August, up 5.2% YoY.
- **FHFA Home Price Index** rose 1.5% in August, now up 8.0% YoY.

Labor Market Economic Data Released in October 2020

The Economy added 661,000 Jobs in September, with the Unemployment Rate falling to 7.9%. The Labor Market continues to recover nicely with the number of Unemployed Workers down roughly 2.5 million from September to October. The Pandemic caused 22 million workers to become unemployed in March and April. Of those 22 million, 12 million are back to work. That's the good news. The bad news is 10 million workers are

still unemployed. Unfortunately, a lot of the unemployed workers are in the Travel and Hospitality industries - airlines, restaurants, bars - which doesn't show signs of recovering any time soon.

- The **Economy** added 661,000 new jobs during September
- The **Unemployment Rate** fell to 7.9% in September from 8.4% in August
- The **Labor Force Participation Rate** fell to 61.4% during September from 61.7% in August
- The **Average Hourly Wage** rose 0.1% during September, up 4.7% YoY

Inflation Economic Data Released in October 2020

Inflation plunged during the lockdown but is now gaining speed. This was expected - and even welcome. Inflation has always been the bogeyman when it comes to the Economy. As a student of Economics, this is the first time in my lifetime that people actually want a little Inflation. The keyword here is "a little". Too much Inflation and it becomes a problem again. The Fed's target for Inflation has been 2.0% for the past 10 years. They have repeatedly stated they are willing to "tolerate" higher Inflation for a while. How much higher and for how long? No one knows yet - not even the Fed.

- **CPI** rose 0.2%, up 1.4% in the last 12 months
- **Core CPI** (ex-food & energy) rose 0.2%, up 1.7% in the last 12 months
- **PPI** rose 0.4 %, up 0.4% in the last 12 months
- **Core PPI** (ex-food & energy) rose 0.4%, up 1.2% in the last 12 months

GDP Economic Data Released in October 2020

The 1st Estimate of **3rd Quarter 2020 US GDP** showed the Economy grew at a 33.1% annualized rate - better than Economists' expectations and a new record. This follows the disastrous 2nd Quarter when the US GDP fell by a historic 31.4%. If we look at GDP data from 2019, the US Economy was producing \$21.7 trillion dollars of goods and services on December 31, 2019. By June 30, 2020, GDP had dropped to \$19.5T due to the Pandemic. However, by September 30, 2020, GDP bounced back to \$21.2T. Doing some simple math, $(21.7 - 21.2 = 0.5)$ means the US Economy lost half a trillion dollars in GDP since Covid hit. That works out to only a 2.3% reduction in GDP since pre-Covid. Many of the world's other major Economies are experiencing similar bounces. EU GDP stormed back, surging 12.7% - that's 4.7% less than their December 2019 peak. German GDP is up 8.2%, French GDP up 18.2%, Spanish GDP up 16.7%. Chinese GDP clocked in at 4.9% YoY in the 3rd Quarter.

Consumer Economic Data Released in October 2020

Retail Sales surged 1.9% (13.5% for the Quarter) as the American Consumer has demonstrated remarkable resilience. Consumer Resilience can, in part, be attributed to the Cares Act and generous Government benefits it provided like mortgage forbearance, enhanced unemployment benefits, and stimulus checks. Thanks to the Government's efforts (and the inability of Consumers to spend money on things like recreation, entertainment, and travel), many people have saved a lot of money and accumulated a nice "cushion". Will they spend some of that cushion during the upcoming Holiday Shopping Season? It will be interesting to watch the Consumer Data roll in over the next few months.

- **Retail Sales** rose 1.9% during September, now up 5.4% in the last 12 months
- **Consumer Confidence Index** fell to 100.9 in September from 101.3 the previous month
- **Consumer Sentiment Index** (U of M) rose to 81.8 from 80.4 the previous month

Energy, International, and Things You May Have Missed

Oil Prices rose above \$44 during October but dropped below \$36 per barrel by Halloween. The resurgence of Covid cases, travel restrictions, and stay-at-home orders depressed oil demand.

- WTI Crude (West Texas Intermediate) is trading around \$36/barrel.
- North Sea Brent Crude is trading around \$38/barrel.
- British PM Boris Johnson said the UK is getting ready for a Hard Brexit on Jan 21, 2021.
- Rents in the world's business centers: New York, London, Toronto, Sydney, etc, plunged as young renters no longer see a need to pay a premium for an apartment in those cities.
- China threatened to hold US citizens hostage if the US does not release Chinese citizens arrested for espionage.
- New Student enrollment in US colleges dropped 16% this fall.

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.

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