

Economic CALENDAR

July
2021

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Mortgage Economic Review July 2021

The **Mortgage Economic Review** is a monthly summary of Key Economic Indicators, Data, and Events pertinent to Mortgage and Real Estate Professionals.

AT A GLANCE - Key Economic Data and Events during June 2021

- **Interest Rates:** The 10 Year Treasury yield fell to 1.44% from 1.62% during June.
- **Housing:** Home Prices continued to rise while Home Sales declined.
- **Labor:** The Economy added 583,000 new jobs in May and 850,000 in June. The Unemployment Rate dropped to 5.8% in May but rose to 5.9% in June.
- **Inflation:** Inflation stormed higher as the CPI jumped 0.8% in May, rattling the Bond Market.
- **The Economy:** US GDP clocked in at 6.4% in the 1st Quarter of 2021.
- **Consumers:** Consumers were upbeat as they shifted their buying from goods to services.
- **Stock Markets** continued to set new record highs: Nasdaq 14,528, S&P 4,297.

Interest Rates and Fed Watch

There were two significant Fed events in June - an FOMC Meeting and Fed Chair Jerome Powell's Midyear appearance in Congress. The June FOMC Meeting concluded with the Fed leaving Monetary Policy unchanged. During the meeting, Fed Governors discussed a possible timeline to start tapering their Accommodative Monetary Policy, which would not begin until 2023 at the earliest. That sent the markets into a tizzy. A few days later, Chairman Powell appeared before Congress and said several things that soothed Wall Street's jitters. He said he has: "optimism about the path of the Economy and strong job creation," but there is a "long way to go on US Economic Recovery." Addressing Inflation fears, he said: "I have a level of confidence in the prediction of Transitory Inflation.", and it is "very, very unlikely the US will suffer 1970's type Inflation." So, for now, the Fed has no intention of changing Monetary Policy in 2021 and 2022. The next FOMC Meeting is on July 27th and 28th.

- **10 Year Treasury Security Yield:** fell to 1.44 (June 30) from 1.59 (June 1)
- **30 Year Fixed Mortgage** fell to 2.98% (June 30) from 2.99% (June 3)
- **15 Year Fixed Mortgage** fell to 2.26% (June 30) from 2.27% (June 3)
- **5/1 ARM Mortgage** fell to 2.54% (June 30) from 2.64% (June 3)

Housing Market Data Released in June 2021

A rush to escape the city and move to the suburbs, combined with record low Interest Rates, a shortage of Building Materials, and a lack of Skilled Labor, and what you get is a Perfect Storm in the Housing Market. The current Housing Data demonstrates the stark contrast of sky-rocketing Home Prices while Home Sales decline. It's a classic sign of an over-heated market. Over-heated markets eventually cool off and return to normal - it just takes time.

- **Existing Home Sales** (closed deals in May) fell 0.9% to an annual rate of 5,800,000 homes, up 44.6% in the last 12 months. The median price for all types of homes is \$350,300 - up an incredible 23.6% from a year ago (record high). The median Single-Family Home price is \$356,600 and \$306,000 for a Condo. Homes were on the market for an average of 17 days, and 89% were on the market for less than a month. Currently, 1,230,000 homes are for sale, down 20.6% from 1,550,000 units a year ago.
- **New Home Sales** (signed contracts in May) fell 5.9% to a seasonally adjusted annual rate of 769,000 homes - up 9.2% YoY. The median New Home price is \$374,400, and the average is \$430,000. There are 330,000 New Homes for sale, which is a 5.1 month supply.
- **Pending Home Sales Index** (signed contracts in May) rose 8.0% to 114.7 from 106.2 the previous month, up 13.1% YoY.
- **Building Permits** (issued in May) fell 3.0% to a seasonally adjusted annual rate of 1,681,000 units - up 43.9% YoY. Single-Family Permits fell 1.6% to an annual pace of 1,130,000 homes, up 50.1% YoY.
- **Housing Starts** (excavation began in May) rose 3.6% to an annual adjusted rate of 1,572,000, up 50.3% YoY. Single-Family Starts rose 4.2% to 1,098,000 homes, up 49.8% YoY.
- **Housing Completions** (completed in May) fell 4.1% to an annual adjusted rate of 1,368,000 units - up 16.17% YoY. Single-Family Completions fell 2.6% to 978,000 homes - up 17.0% in the last 12 months.
- **S&P/Case-Shiller 20 City Home Price Index** rose 1.8% in April, up 15.7% YoY.
- **FHFA Home Price Index** rose 1.8% in May, now up 15.7% YoY.
- **Housing Affordability Index** fell 11.0% in April to 155.8 from 175.0 the prior month.

Labor Market Economic Data Released in June 2021

The Labor Market continues to improve but at a slower pace. **The Economy created 583,000 New Jobs in May and 850,000 in June (706,000 expected).** The Unemployment Rate had a big drop in May but unexpectedly rose in June. A lot of the Job Creation was attributed to Hospitality Workers returning to restaurants, bars, and hotels. Job Creation was also strong in Manufacturing and Government. Construction unexpectedly lost jobs despite a red-hot Housing Market. Those job losses were attributed to builders' inability to procure construction materials and lumber. Let's do some quick math. The Economy has added back roughly 15,000,000 of the 22,000,000 jobs that were lost during Covid. That leaves 7,000,000 jobs still to go. Meanwhile, the **Jolts Report** shows there are currently **9,286,000 Job Openings** waiting to be filled. Let's hope some of those 7,000,000 Unemployed Workers start filling those Job Openings.

- The **Economy** created **583,000 New Jobs** during May and **850,000** in June.
- The **Unemployment Rate** fell to **5.8%** in May but rose to **5.9%** in June.
- The **Labor Force Participation Rate** fell to **61.6%** in May and was unchanged in June.
- The **Average Hourly Wage** rose **0.5%** in May and **0.3%** in June, now up 3.6% YoY.
- **Job Openings** rose to **9,286,000** in April.

Inflation Economic Data Released in June 2021

The latest CPI Data shows that Inflation is surging, and setting new records. The big debate among Economists is: Is the current Inflation Rate Temporary? The Fed insists it is "Transitory" (their favorite word for temporary), but many Economists are worried since nobody wants a rerun of 1970s style Inflation. Much of the price increases are due to distribution problems. Lumber is a prime example. There is plenty of timber waiting to be harvested. The problem is getting the trees cut down, milled, and transported to the Lumber Yards. That won't happen until more workers return to the forests, mills, and trucks - and there is no incentive to work if you are getting paid to stay at home.

- **CPI** rose 0.6%, up 5.0% YoY | **Core CPI** (ex-food & energy) rose 0.7%, up 3.8% YoY.
- **PPI** rose 0.8%, up 6.6% YoY | **Core PPI** (ex-food & energy) rose 0.7%, up 4.8% YoY.
- **PCE** rose 0.4%, up 3.9% YoY | **Core PCE** (ex-food & energy) rose 0.5%, up 3.4% YoY.

GDP Economic Data Released in June 2021

The 3rd Estimate of 1st Quarter 2021 US GDP showed the **Economy grew at a 6.4%** annualized rate (6.4% expected). Real GDP is up 0.4% in the last 12 months. Let there be no mistake about it - the Economy Soared in the 1st Quarter. The growth was due to gains in Consumer Spending, Business Investment (Businesses buying buildings and equipment), Residential Investment (Consumers buying Homes), and Government Spending. Imports were way up while Exports and Inventories fell.

Consumer Economic Data Released in June 2021

Even though Retail Sales fell in May, Consumers were feeling upbeat as pandemic restrictions were lifted. The data shows Consumers were shifting their spending from goods to services. In the first months of 2021, Consumers were on a buying binge propped up by accumulated savings and Stimulus Checks. That spending has shifted to travel, entertainment, restaurants, and bars. Sales at Bars and Restaurants was up 1.8%, and clothing was up 3.0% - you need a new outfit for a night on the town. Car Sales were down 3.7%, Building Materials down 5.9%, Furniture down 2.1%, Appliances down 3.4%. Remember, these categories that were down had massive gains in previous months.

- **Retail Sales** fell 1.3% in May, now up 28.1% in the last 12 months
- **Consumer Confidence Index** rose 6.1% to 127.3 from 117.2 the previous month
- **Consumer Sentiment Index** (U of M) rose to 85.5 from 82.9 the previous month

Energy, International, and Things You May Have Missed

Oil prices rose during June due to increased demand and decreased reserves as travelers hit the roads and airways.

- **West Texas Intermediate Crude** rose to \$75/barrel on July 1st from \$68/barrel on June 1st.
- **North Sea Brent Crude** rose to \$76/barrel on July 1st from \$70/barrel on June 1st.
- **Retail Gasoline Prices** rose to \$3.09/gallon, up 42.2% YoY.
- **FHFA Head Mark Calabria** was replaced with Sandra Thompson by President Biden.
- The **Eviction Moratorium** was extended by President Biden for another month - this is supposed to be the last extension.
- Right-wing **Naftali Bennett** replaced Benjamin Netanyahu as the Prime Minister of Israel.
- Hardliner **Ebrahim Raisi** won Iran's Presidential Election.

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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