

Economic CALENDAR

May
2022

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Mortgage Economic Review May 2022

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 April 2022

- **Interest Rates** jumped in April due to comments from Fed Officials about raising Interest Rates in May. The 10-Year Treasury yield rose to 2.89% (Apr 29) from 2.32% (Mar 31).
- **Housing:** Existing Home Sales fell 2.7% and New Home Sales fell 8.6%. Pending Home Sales fell 1.2%. Home Prices continued to increase at a 20% annual pace.
- **Labor:** The Economy created 431,000 New Jobs in March. The Unemployment Rate fell to 3.6%, and Wages increased 5.6% YoY.
- **Inflation soared:** CPI up 1.2% (+8.5% YoY), PPI up 1.4% (+11.2% YoY).
- **The Economy:** US GDP unexpectedly contracted at a 1.4% annualized rate in 1Q2022.
- **Consumers:** Retail Sales and Consumer Sentiments rose while Consumer Confidence fell.
- **Stock Markets** were hammered in April due to Inflation and recession fears. The Dow was down 4.9%, S&P down 8.8%, Nasdaq down 13.3%.
- **Oil & Energy:** Oil prices drifted higher, closing at \$109/Barrel.
- **The Ukraine War** entered its 3rd month. Western nations fear the longer it drags on, the more damage it will do to the Global Economy and throw Western Nations into a recession.

Interest Rates and Fed Watch

Even without a FOMC Meeting in April, Fed officials were beginning to talk tough. Several Fed Presidents made the speaking circuit and floated the possibility of a 0.50% increase to the Fed Funds Rate. Interest Rates moved higher in reaction to the rhetoric. The 10-year Treasury yield peaked at 2.93% during April, then fell back to close the month at 2.89%. The last time the 10-year Treasury was above 3.0% was in 2018. The Markets are focused on the May 4th FOMC Meeting. The Fed desperately needs to regain its credibility as a tough Inflation fighter. A large Interest Rate hike is just the thing to show the world they are serious. The Fed will also begin selling Treasury and MBS Securities in May, starting at \$30B/month, ramping-up to \$90B/month. At this point, the Markets anticipate a 0.50% rate hike in May and another 0.50% in June.

- **10-Year Treasury Security Yield** rose to 2.89% (Apr 29) from 2.32% (Mar 31).
- **30 Year Treasury Bond Yield** rose to 2.94% (Apr 29) from 2.44% (Mar 31).
- **30-Year Fixed Mortgage** rose to 5.1% (Apr 29) from 4.67% (Mar 31).
- **15-Year Fixed Mortgage** rose to 4.4% (Apr 29) from 3.83% (Mar 31).
- **5/1 ARM Mortgage** rose to 3.78% (Apr 29) from 3.50% (Mar 31).

Housing Market Data Released in April 2022

Housing Data released in April showed another month of lower Home Sales and higher Home Prices. Labor and supply problems are still impeding builders and exacerbating the inventory problem. Home prices are defying gravity as they continue to storm higher at a 20% annual pace. Is a bubble forming? I think these price increases are unsustainable, but they keep going up. This month 2 data points stood out: The Average New Home Price jumped from \$511,000 to \$523,900 - in 1 month; 28% of Existing Homes Sales were All Cash. Cash Sales historically have been 15% - 17%. Money is coming out of the Stock market and looking to go somewhere - like Real Estate.

- **Existing Home Sales** (closed deals in March) fell 2.7% to an annual rate of 5,770,000 homes, down 4.5% in the last 12 months. The median price for all types of homes is \$375,300 - up 15.0% from a year ago. The median Single-Family Home price is \$382,000, up 15.2% YoY. The Median Condo price is \$322,000, up 11.9% YoY. Homes were on the market for an average of 17 days, and 87% were on the market for less than a month. Currently, 950,000 homes are for sale, down 9.5% from 1,050,000 units a year ago. 28% were all Cash Sales.
- **New Home Sales** (signed contracts in March) fell 8.6% to a seasonally adjusted annual rate of 763,000 homes - down 12.6% YoY. The median New Home price rose 3.6% to \$436,700 from \$400,000 the prior month. The average price rose 3.1% (26.3% YoY) to \$523,900 from \$511,000 the prior month. There are 407,000 New Homes for sale, a 6.4 month supply.
- **Pending Home Sales Index** (signed contracts in March) fell 1.2% to 103.7 from 104.5 the previous month, down 8.2% YoY.
- **Building Permits** (issued in March) rose 0.4% to a seasonally adjusted annual rate of 1,873,000% units - up 6.7% YoY. Single-Family Permits fell 4.8% to an annual pace of 1,147,000 homes, down 3.9% YoY.
- **Housing Starts** (excavation began in March) rose 0.3% to an annual adjusted rate of 1,793,000, up 3.9% YoY. Single-Family Starts fell 1.7% to 1,200,000 units, down 4.4% YoY.
- **Housing Completions** (completed in March) fell 4.5% to an annual adjusted rate of 1,303,000 units - down 13.0% YoY. Single-Family Completions fell 6.4% to an annual adjusted rate of 1,000,000 homes - down 3.3% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 2.4% in February, up 20.2% YoY.
- **FHFA Home Price Index** rose 2.1% in February, now up 19.4% YoY.

Labor Market Economic Data Released in April 2022

The Economy created 431,000 New Jobs in March, and the Unemployment Rate fell to 3.6%. With over 11,000,000 job openings, the Labor Market remains tight, and wages continue to rise. There is no doubt that the Wage-Price Spiral has started. Inflation fears are driving workers to demand higher wages from employers. This is not greed - workers just want to keep up with Inflation. Some States have a tighter Labor Market than others, with an Unemployment Rate below 3.0%: Utah and Nebraska are at 2.0%, Indiana 2.2%, Montana 2.3%, Idaho 2.7%, and Wisconsin 2.8%.

- The Economy created 431,000 New Jobs during March.
- The Unemployment Rate fell to 3.6% in March.
- The Labor Force Participation Rate rose to 62.4 in March.
- The Average Hourly Wage rose 0.4% in March, up 5.6% YoY.
- Job Openings were unchanged at 11,300,000 in February.

Inflation Economic Data Released in April 2022

Inflation Data released in April was scary. The CPI was up 1.2% and PPI up 1.4% during March. In the last 12 months, the CPI clocked in at 8.5% and PPI at 11.2%. That could get worse as the full effects of the Ukrainian War and China's Lockdowns have not completely set in. Even though the CPI is viewed as the best measure of Inflation, the PPI may be a better indicator at this time. The PPI measures the cost of materials producers use to make things. Those costs eventually are passed along to Consumers - with a lag. The "lag" is the part that worries me. Since PPI is up 11.2% YoY, except the CPI to follow - hopefully not as high, but it will be higher. The main drivers of Inflation continue to be energy, food, and shelter, but everything is up.

- CPI rose 1.2%, up 8.5% YoY | Core CPI rose 0.3%, up 6.5% YoY
- PPI rose 1.4%, up 11.2% YoY | Core PPI rose 1.0%, up 9.2% YoY
- PCE rose 0.9%, up 6.6% YoY | Core PCE rose 0.3%, up 5.2% YoY

GDP Economic Data Released in April 2022

The first estimate for 1st Quarter GDP showed the US Economy contracted by a 1.4% annualized rate. This was a big surprise that caught everyone off-guard since most Economists predicted 1.0% GDP growth. What happened? The Ukrainian War. It is by far the most significant factor affecting the US Economy. It is also the biggest unknown. The massive Economic Sanctions imposed on Russia have never been done before on this scale in a modern Global Economy that is intricately financially interconnected. The US and Global Economy will suffer blowback. The scary part is the unintended consequences that we don't know or expect. Remember, this was only the 1st estimate, and I suspect the war complicates accurate data collection. Next month we'll get a better look at the GDP Data and a clearer picture of the Economy.

Consumer Economic Data Released in April 2022

Consumers are afraid of Inflation - and they should be. That fear is reinforced every time they visit the gas pump or buy groceries. That fear is also reflected in the lower Consumer Confidence Data. Retail Sales Data is up - Inflation fears have not stopped Consumers from spending. That could be a reflection of higher prices, a change in Consumer Behavior, or both. If you expect something will be higher in the future, buy it now before prices go up. Better yet - stock up and buy 2 or 3.

- Retail Sales rose 0.5% during March, now up 6.9% in the last 12 months.
- Consumer Confidence Index fell 0.3% to 107.3 from 107.6 the prior month, down 8.7% YoY.
- Consumer Sentiment Index (U of M) rose to 62.5 from 59.4 the previous month.

Energy, International, and Things You May Have Missed

Oil Prices rose to \$109 per barrel. Natural gas prices skyrocketed as Russia shut off its pipeline to several countries.

- West Texas Intermediate Crude rose to \$105/barrel (Apr 29) from \$100/barrel (Mar 31).
- North Sea Brent Crude rose to \$109/Barrel (Apr 29) from \$108 /barrel (Mar 31).
- Natural Gas rose to \$7.244/MMBtu (Apr 29) from \$5.65/MMBtu (Mar 31).
- The US added new sanctions, which banned any new American investments in Russia.
- Russia is now requiring oil and gas payments to be made in Rubles only.
- French President Macron won a 2nd term defeating Conservative Marine Le Pen.
- Zuck Bucks - Meta is considering its own virtual currency for the metaverse.

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