

# Economic CALENDAR

September  
2022

Monday	Tuesday	Wednesday	Thursday	Friday
			<b>1</b> Construction Spending Vehicle Sales ISM Manufacturing index Weekly Jobless Claims	<b>2</b> <b>Employment Report</b> Factory Orders
<b>5</b> <b>Labor Day</b> Markets Closed	<b>6</b> ISM Non-Manufacturing index	<b>7</b> Trade Balance MBA Mortgage Applications	<b>8</b> Consumer Credit Weekly Jobless Claims	<b>9</b>
<b>12</b>	<b>13</b> <b>CPI</b> NFIB Business Optimism Fed Budget	<b>14</b> <b>PPI</b> MBA Mortgage Applications	<b>15</b> <b>Retail Sales</b> , Import-Export Prices, Industrial Production, Business Inventories, Weekly Jobless Claims	<b>16</b> Consumer Sentiment TIC
<b>19</b> NAHB Index	<b>20</b> <b>FOMC Meeting</b> <b>Housing Starts &amp; Permits</b>	<b>21</b> <b>FOMC Meeting &amp; Statement</b> <b>Existing Home Sales</b> MBA Mortgage Applications	<b>22</b> Leading Economic Indicators Weekly Jobless Claims	<b>23</b>
<b>26</b>	<b>27</b> <b>New Home Sales</b> , Durable Goods, S&P CS Home Price Index, FHFA Home Price Index, Consumer Confidence	<b>28</b> Pending Home Sales MBA Mortgage Applications	<b>29</b> <b>GDP</b> Weekly Jobless Claims	<b>30</b> Consumer Sentiment Personal Income & Spending



## Mortgage Economic Review September 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 August 2022

- **Interest Rates:** The 10-Year Treasury yield rose to 3.26% (Sep 01) from 2.60% (Aug 01).
- **Housing:** Existing Home Sales fell 5.9%, New Home Sales fell 12.6%, and Pending Home Sales fell 1.0%. Home Price appreciation is rapidly slowing down.
- **Labor:** The Economy created 315,000 New Jobs in August and 528,000 in July. The Unemployment Rate rose to 3.7% in Aug and 3.5% in July. Wages increased 5.2% YoY.
- **Inflation:** CPI up 1.3% (+8.5% YoY), PPI down 0.5 (+7.6% YoY).
- **The Economy:** US GDP contracted at a 0.6% annualized rate in 2Q2022, up 1.7% YoY.
- **Consumers:** Retail Sales was unchanged in July while Consumer Confidence rose.
- **Stock Markets** declined over 4.0% in August: Dow - 4.2%, S&P - 4.2%, Nasdaq - 4.6%.
- **Oil prices** fell to \$89/Barrel (Aug 31) from \$104 (Jul 29). Natural Gas prices rose to \$9.16/MMBtu (Aug 31) from \$8.23/MMBtu (Jul 29).

### Interest Rates and Fed Watch

All eyes were focused on Fed Chairman Powell's speech at the Jackson Hole Economic Symposium on August 27th. In his speech, he reaffirmed 3 key issues:

- The Fed's responsibility to fight Inflation - and this could be a long fight.
- The Inflation fight will "bring some pain to households and businesses."
- The dire consequences of having Inflationary Expectations embedded in Consumer Psychology.

Powell said: "Restoring price stability will take some time" and requires using our tools forcefully to bring demand and supply into better balance. Reducing Inflation is likely to require a sustained period of below-trend growth. Moreover, there will very likely be some softening of labor market conditions. While higher interest rates, slower growth, and softer labor market conditions will bring down Inflation, they will also bring some pain to households and businesses. These are the unfortunate costs of reducing Inflation. But a failure to restore price stability would mean far greater pain."

**Fedspeak Translation:** Don't expect interest Rates to come down any time soon. The Fed is going to keep Monetary Policy tight until Inflation is under control, and Inflationary Expectations are banished from Consumer Psychology - which could take some time.

- **10-Year Treasury Yield** rose to 3.26% (Sep 01) from 2.60% (Aug 01).
- **30-Year Treasury Bond Yield** rose to 3.37% (Sep 01) from 2.92% (Aug 01).
- **30-Year Fixed Mortgage** rose to 5.66% (Sep 01) from 5.30% (Jul 28).
- **15-Year Fixed Mortgage** rose to 4.98% (Sep 01) from 4.58% (Jul 28).
- **5/1 ARM Mortgage** rose to 4.51% (Sep 01) from 4.29% (Jul 28).

### Housing Market Data Released in August 2022

There were a lot of negative numbers (again) in the August Housing Data as Sales of New and Existing Homes continued to decline. New Home Sales fell a whopping 26%, and Builders are starting to discuss price concessions. Home Completions eked out a small gain of 1.1%. Expect that number to increase because many homes are still under construction as material shortages delayed completion. The Inventory of New and Existing Homes for sale is finally beginning to grow. The FHFA Price Index was up only 0.1% in June. Adjusting for Inflation of 1.3% means that "Real Home Prices" actually declined in June.

- **Existing Home Sales** (closed deals in July) fell 5.9% to an annual rate of 4,810,000 homes, down 20.2% in the last 12 months. The median price for all types of homes is \$403,800 - up 10.8% from a year ago. The median Single-Family Home price is \$410,600, up 10.6% YoY. The Median Condo price is \$345,000, up 9.9% YoY. Homes were on the market for an average of 14 days, and 82% were on the market for less than a month. Currently, 1,310,000 homes are for sale. 24% were all Cash Sales.
- **New Home Sales** (signed contracts in July) fell 12.6% to a seasonally adjusted annual rate of 511,000 homes - down 29.6% YoY. The median New Home price rose 5.9% (+8.2% YoY) to \$439,400. The average price rose 19.6% (+18.3% YoY) to \$546,800. There are 464,000 New Homes for sale, a 10.8 month supply.
- **Pending Home Sales Index** (signed contracts in July) fell 1.0% to 89.8 from 91.0 the previous month, down 19.9% YoY.
- **Building Permits** (issued in July) fell 1.3% to a seasonally adjusted annual rate of 1,674,000 units - up 1.1% YoY. Single-Family Permits fell 4.3% to an annual pace of 928,000 homes, down 11.7% YoY.
- **Housing Starts** (excavation began in July) fell 9.6% to an annual adjusted rate of 1,446,000, down 8.1% YoY. Single-Family Starts fell 10.1% to 916,000 units, down 18.5% YoY.

- **Housing Completions** (completed in July) rose 1.1% to an annual adjusted rate of 1,424,000 units - up 3.5% YoY. Single-Family Completions fell 0.8% to an annual adjusted rate of 1,009,000 homes - up 7.0% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.4% in June, up 18.6% YoY.
- **FHFA Home Price Index** rose 0.1% in June, now up 17.7% YoY.

### Labor Market Economic Data Released in August 2022

The Economy created 315,000 New Jobs during August and 528,000 during July. The Unemployment Rate rose to 3.7%. The July and August numbers reaffirm that Labor continues to be in short supply. The Labor issues are exacerbated by retiring Baby Boomers, as shown in the low Labor Force Participation Rate of 62.4%. Despite all the Recession talk, the Labor Market remains strong with no signs of slowing down.

- The **Economy** created 315,000 New Jobs during August and 528,000 during July.
- The **Unemployment Rate** rose to 3.7% in August from 3.5% in July and 3.6% in June.
- The **Labor Force Participation Rate** rose to 62.4% from 62.1% in July and 62.2% in June.
- The **Average Hourly Wage** rose 0.3% in August and 0.5% in July, up 5.2% YoY.
- **Job Openings** rose to 11,200,000 in July from 10,700,000 in June and 11,254,000 in May.

### Inflation Economic Data Released in August 2022

Everyone is talking about Inflation. That's a bad sign. It means that Inflation Expectations are getting ingrained into Consumers Psychology - and the beginning of a Wage-Price Spiral. Once a Wage-Price Spiral starts - it's tough to stop. The last Wage-Price Spiral began in the '60s and raged on during the '70s. It finally came to a halt in 1979 after the Fed jacked Interest Rates up to a whopping 18%. It caused a severe Recession and a lot of pain for the country. Here is some good news: PPI and PCE declined in July. That slight decline was exclusively due to lower Oil Prices and will disappear quickly if/when Oil Prices rise.

- |                                     |  |  |
|-------------------------------------|--|--|
| • <b>CPI</b> rose 1.3%, up 8.5% YoY |  | <b>Core CPI</b> rose 0.3%, up 5.9% YoY |
| • <b>PPI</b> fell 0.5%, up 9.8% YoY |  | <b>Core PPI</b> rose 0.2%, up 7.6% YoY |
| • <b>PCE</b> fell 0.1%, up 6.3% YoY |  | <b>Core PCE</b> rose 0.1%, up 4.6% YoY |

### GDP Economic Data Released in August 2022

The 2nd estimate for 2nd Quarter GDP showed the US Economy contracted by a 0.6% annualized rate, up 1.7% YoY. An ominous sign most people missed this month was the huge decline in Productivity of 2.5% YoY. This is very bad and few people are talking about it. This is the largest decline since the index was started in 1948. Productivity is essential for Economic Growth, so this significant decline is a big deal. Without Productivity gains, Economies can't grow. In the meantime, the Yield Curve remains inverted. The 2-10 spread hit almost 0.50% in August - the widest inversion in decades. An Inverted Yield Curve is a very accurate predictor of an upcoming Recession. With all the signs indicating an impending Recession, the question is: will it be a soft or hard landing?

### Consumer Economic Data Released in August 2022

Another month of mixed Consumer Data. Retail Sales data was flat, the result of lower gasoline prices. Consumers are feeling better about the Economy. Both Consumer Confidence and Sentiment improved after several months of decline. I think it's amazing how lower gas prices can quickly improve Consumers' mood.

- **Retail Sales** were unchanged during July, up 10.3% in the last 12 months.
- **Consumer Confidence Index** rose 8.3% to 103.2 from 95.3 the prior month, down -10.4% YoY.
- **Consumer Sentiment Index (U of M)** rose to 58.0 from 51.5 the previous month.

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

- **West Texas Intermediate Crude** fell to \$89/Barrel (Aug 31) from \$99/barrel (Jul 29).
- **North Sea Brent Crude** fell to \$96/Barrel (Aug 31) from \$104/Barrel (Jul 29).
- **Natural Gas** rose to \$9.16/MMBtu (Aug 31) from \$8.23/MMBtu (Jul 29).
- An assassination attempt (car bomb) against Russian nationalist, Alexander Dugin, a staunch supporter of Putin, missed him and killed his daughter.
- The FBI raided former President Trump's Palm Beach home looking for classified documents.
- President Biden forgave up to \$10,000 of Student debt for borrowers making under \$125,000/year.
- China's Central Bank - The People's Bank of China announced it would cut interest rates.

**Click n' Close Mortgage TPO Lending**

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. Click n' Close 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 2022 Mark Paoletti, Mortgage Elements Inc, All Rights reserved