

Economic CALENDAR

November
2022

Monday	Tuesday	Wednesday	Thursday	Friday
	1 FOMC Meeting, JOLTS, Vehicle Sales, Construction Spending, ISM Manufacturing Index	2 FOMC Meeting & Statement ADP Employment MBA Mortgage Applications	3 Productivity, Factory Orders Trade Balance ISM Non-Manufacturing Index Weekly Jobless Claims	4 Employment Report
7 Consumer Credit	8 NFIB Business Optimism	9 MBA Mortgage Applications	10 CPI Fed Budget Weekly Jobless Claims	11 Veterans Day Bond Markets Closed
14	15 PPI	16 Retail Sales, NAHB Index, TIC, Business Inventories, Industrial Production, Import-Export Prices, MBA Mortgage Apps	17 Housing Starts & Permits Weekly Jobless Claims	18 Existing Home Sales Leading Economic Indicators
21	22 FOMC Minutes	23 New Home Sales Durable Goods Consumer Sentiment MBA Mortgage Applications	24 Thanksgiving Markets Closed	25 Black Friday
28	29 Consumer Confidence S&P CS Home Price Index FHFA Home Price Index	30 GDP, JOLTS, Pending Home Sales, ADP Employment, MBA Mortgage Applications		



Mortgage Economic Review November 2022: The Mortgage Economic Review is a monthly summary of Key Economic Indicators, Data, and Events pertinent to Mortgage, Housing, and Finance Professionals.

AT A GLANCE - Key Economic Events and Data released during October 2022

- **Interest Rates:** The 10-Year Treasury yield rose to 4.10% (Oct 31) from 3.83% (Sep 30).
- **Housing:** Existing Home Sales fell 1.5%, New Home Sales fell 10.9%, and Pending Home Sales fell 10.2%. Home Prices fell for the 2nd month in a row.
- **Labor:** The Economy created 263,000 New Jobs, the Unemployment Rate fell to 3.5%, and Wages increased 5.0% YoY during September.
- **Inflation:** September CPI rose 0.4% (+8.2% YoY), PPI rose 0.4% (+8.5% YoY).
- **The Economy:** US GDP grew by a 2.6% annualized rate in 3Q2022, up 1.8% YoY.
- **Consumers:** Retail Sales was unchanged, Consumer Confidence declined.
- **Stock Markets** rebounded in October: Dow +14.0%, S&P +8.0%, Nasdaq +3.9%.
- **Oil prices** rose to \$87/Barrel (Oct 31) from \$80/Barrel (Sep 30). **Natural Gas prices** fell to \$5.93/MMBtu (Oct 31) from \$6.77/MMBtu (Sep 30).

Interest Rates and Fed Watch

Mortgage Rates eclipsed the 7.0% mark for the first time in 20 years. The Fed is raising short term Interest Rates to cool Inflation. How high do Interest Rates have to go before Inflation settles down? No one knows - Including the Fed. So they will keep raising rates until the Data indicates Inflation is moderating. The trouble with Inflation Data is that it comes with a Lag. By the time data shows lower Inflation - it's already headed down. It's a moving target, and the Fed doesn't want to overshoot. Hopes on Wall Street are that the next couple of Interest Rate hikes will be enough to cool Inflation. This means the Fed can restrain their rate hikes - most likely in 2023 - to see how Inflation responds.

- **10-Year Treasury Note Yield** rose to 4.10% (Oct 31) from 3.83% (Sep 30).
- **30-Year Treasury Bond Yield** rose to 4.22% (Oct 31) from 3.79% (Sep 30).
- **30-Year Fixed Mortgage** rose to 7.08% (Oct 27) from 6.70% (Sep 30).
- **15-Year Fixed Mortgage** rose to 6.36% (Oct 27) from 5.96% (Sep 30).
- **5/1 ARM Mortgage** rose to 5.96% (Oct 27) from 5.30% (Sep 30).

Housing Market Data Released in October 2022

2 Steps Forward 1 Step Back is a common phrase describing how business grows and expands. Using that same euphemism for Home Prices, you might say: **4 Steps Forward 1 Step Back**. The recent decline in Home Prices has to be kept in context. Prices soared 20% annually for 2 years. Depending on the local market, Home Prices are up 35% - 50% since 2019. A 10% correction - even a 20% correction - still doesn't bring prices down to pre-Covid levels. In January 2020, the Median Existing Single Family Homes Price was \$274,000. In September 2022, it hit \$391,000. That's a \$117,000 increase or 42% in 20 months.

- **A 10% correction** from \$391,000 is \$39,000 bringing the Median price down to \$352,000 - \$78,000 over the Pre-Covid Price of \$274,000 or a 28% increase.
- **A 20% correction** from \$391,000 is \$78,000 bringing the Median price down to \$313,000 - \$39,000 over the Pre-Covid Median Price of \$274,000 or a 14% increase.

Even with a scary 20% price drop - which is very doubtful but not inconceivable - Home Prices would still be up 14% in 2 years. That would still exceed current Inflation. Many Housing Analysts forecast a Home Price decline of 5.0% to 10% depending on the local market. Demand for Homes will remain strong for the next 5 years as more Millennials form households. In the meantime, the Inventory of New Homes is improving. Builders are rapidly completing the construction of New Homes as Supply Chain issues ease and building materials have become more available.

- **Existing Home Sales** (closed deals in September) fell 1.5% to an annual rate of 4,710,000 homes, down 23.8% in the last 12 months. The median price for all types of homes is \$384,800 - up 8.4% from a year ago. The median Single-Family Home price is \$391,000, up 8.1% YoY. The Median Condo price is \$331,700, up 9.8% YoY. Homes were on the market for an average of 19 days, and 70% were on the market for less than a month. Currently, 1,250,000 homes are for sale. 22% were all Cash Sales.
- **New Home Sales** (signed contracts in September) fell 10.9% to a seasonally adjusted annual rate of 603,000 homes - down 17.6% YoY. The median New Home price rose 8.0% (+13.9% YoY) to \$470,000. The average price fell 2.1% (+10.0% YoY) to \$517,700. There are 462,000 New Homes for sale, a 9.2 month supply.
- **Pending Home Sales Index** (signed contracts in September) fell 10.2% to 79.5 from 88.4 the previous month, down 31.0% YoY.
- **Building Permits** (issued in September) rose 1.4% to a seasonally adjusted annual rate of 1,564,000 units - down 3.2% YoY. Single-Family Permits fell 3.1% to an annual pace of 872,000 homes, down 17.3% YoY.
- **Housing Starts** (excavation began in September) fell 8.1% to an annual adjusted rate of 1,439,000, down 7.7% YoY. Single-Family Starts fell 4.7% to 892,000 units, down 18.5% YoY.
- **Housing Completions** (completed in September) rose 6.1% to an annual adjusted rate of 1,472,000 units - up 15.7% YoY. Single-Family Completions rose 3.2% to an annual adjusted rate of 1,049,000 homes - up 11.1% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** fell 1.6% in August, up 13.1% YoY.
- **FHFA Home Price Index** fell 0.7% in August, now up 11.9% YoY.

Labor Market Economic Data Released in October 2022

The Economy created 263,000 New Jobs during September, and the Unemployment Rate fell to 3.5%. Despite all the gloomy talk about Inflation and an impending Recession, the Labor Market has remained remarkably resilient. Labor Data is showing hints of softening. Job Openings were down 700,000 as Employers canceled open positions, but we haven't seen significant layoffs yet. They are beginning to cut future Labor Costs in anticipation of a Recession. Watch JOLTS as an excellent precursor to larger Labor Data.

- The Economy created 263,000 New Jobs during September.
- The Unemployment Rate fell to 3.5% in September from 3.7% in August.
- The Labor Force Participation Rate fell to 62.3% in September from 62.4% in August.
- The Average Hourly Wage rose 0.3% in September, up 5.0% YoY.
- Job Openings fell to 10,500,000 in August from 11,200,000 in July.

Inflation Economic Data Released in October 2022

Inflation remains front and center in the Economic News. October Inflation Data has a hint of encouragement that price increases may start to cool. The big components of current Inflation are the usual suspects: Shelter, Energy, and Food Prices. Shelter Costs make up a third of the CPI.

When Home Prices decline, Shelter Costs also decline and apply downward pressure on the CPI. That's the good news. The bad news is that the insidious Wage Price Spiral is rearing its ugly head. Service Prices are inching up as the Wage Price Spiral creeps into the Service Sector. This is significant because Service Sector Inflation is harder to control. The longer Inflation rages on, the harder - and more painful - it will be to get it under control. US Inflation is bad, but Europe is worse - UK Inflation rose 10.1% last month. Europeans are bracing for it to worsen as winter approaches and Energy Prices are expected to soar.

- CPI rose 0.4%, up 8.2% YoY | Core CPI rose 0.6%, up 6.6% YoY
- PPI rose 0.4%, up 8.5% YoY | Core PPI rose 0.3%, up 7.2% YoY
- PCE rose 0.3%, up 6.2% YoY | Core PCE rose 0.5%, up 5.1% YoY

GDP Economic Data Released in October 2022

The 1st estimate for 3rd Quarter GDP showed the US Economy grew at a 2.6% annualized rate, up 1.8% YoY. This was more than the 2.3% Economists were expecting. Despite Inflation, Interest Rates, and Labor issues, the US Economy continues to plug along. Many Economists are predicting a Recession sometime in 2023. Even though we had 2 quarters of negative GDP, the NBER (National Bureau of Economic Research) has not called for or forecast a Recession.

Consumer Economic Data Released in October 2022

Consumers continued to spend at a relatively robust pace, but there were signs of softening. Retail Sales Data was unchanged, but that is measured in dollar terms. "Real" Retail Sales was down after adjusting for Inflation. Inflation is squeezing the Consumer. They are directing their purchasing to more of the necessities - food, energy, shelter, and away from discretionary items. This "squeeze" is also reflected in the Consumer Confidence Index, which fell 4.9% last month.

- Retail Sales were unchanged during September, up 8.2% in the last 12 months.
- Consumer Confidence Index fell 4.9% (-8.2%YoY) to 102.5 from 107.8 the prior month.
- Consumer Sentiment Index (U of M) rose to 59.9 from 58.6 the previous month.

Energy, International, and Things You May Have Missed

- West Texas Intermediate Crude rose to \$87/Barrel (Oct 31) from \$80/Barrel (Sep 30).
- North Sea Brent Crude rose to \$93/Barrel (Oct 31) from \$88/Barrel (Sep 30).
- Natural Gas fell to \$5.93/MMBtu (Oct 31) from \$6.77/MMBtu (Sep 30).
- The US national debt was \$30,928,911,613,306.73 on Sep 30, 2022.
- OPEC cut oil production by 2 million barrels per day, angering the Biden Administration.
- Oil Workers went on strike to support protests against Iran's Government and its Morality Police. The Protests that started in September intensified in October.
- Ukrainian forces re-captured some of the land lost earlier to the Russians. A truck bomb (which exploded on Putin's 70th birthday) temporarily disabled the only bridge linking Crimea to Russia.
- Xi Jinping strengthened his power grip over China: He was elected to a 3rd term as Secretary General - the only other leader besides Mao Zedong to serve 3 terms. Plus, the 7 members of the ruling Politburo Standing Committee are now all Xi loyalists.
- UK Prime Minister Liz Truss resigned after only 44 days in office and replaced by former Chancellor Rishi Sunak.
- Social Security recipients will get an 8.7% COLA increase in 2023 - the biggest since 1981.
- Elon Musk completed his acquisition of Twitter and immediately fired the 4 top execs. They all walked away with huge exit packages.

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