

Economic CALENDAR

January 2023

Monday	Tuesday	Wednesday	Thursday	Friday
2 New Year's Day (Observed) Markets Closed	3 Construction Spending	4 FOMC Minutes JOLTS ISM Manufacturing Index MBA Mortgage Apps	5 Trade Balance ADP Employment Weekly Jobless Claims	6 Employment Report ISM Non-Manufacturing Index Factory Orders
9 Consumer Credit	10 NFIB Business Optimism	11 MBA Mortgage Applications	12 CPI Fed Budget Weekly Jobless Claims	13 Import-Export Prices Consumer Sentiment
16 Martin Luther King Birthday Markets Closed	17	18 PPI, Retail Sales , NAHB Index, Industrial Production Business Inventories MBA Mortgage Applications	19 Housing Starts & Permits Weekly Jobless Claims	20 Existing Home Sales
23 Leading Economic Indicators	24	25 MBA Mortgage Applications	26 GDP New Home Sales Durable Goods Weekly Jobless Claims	27 PCE Pending Home Sales Personal Income & Spending Consumer Sentiment
30	31 FOMC Meeting Consumer Confidence S&P CS Home Price Index FHFA Home Price Index			



Mortgage Economic Review January 2023

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 December 2022

- **Interest Rates:** The 10-Year Treasury yield rose to 3.88% (Dec 30) from 3.68% (Nov 30).
- **Housing:** Existing Home Sales fell 7.7%, New Home Sales rose 5.8%, and Pending Home Sales fell 4.0% during November. Home Prices fell for the 4th month in a row.
- **Labor:** The US Economy created 263,000 in November, the Unemployment Rate was unchanged at 3.7%, Wages increased 5.1% YoY.
- **Inflation:** November CPI rose 0.1% (+7.1% YoY), and PPI rose 0.3% (+7.4% YoY).
- **The Economy:** US GDP grew by a 3.2% annualized rate in 3Q2022, up 1.9% YoY.
- **Consumers:** Retail Sales fell 0.6%, while Consumer Sentiment & Confidence rose.
- **Stock Markets** were down in December and all of 2022: Dow (-3.7 oM, -9.4 YoY), S&P (-5.7% MoM, -20.0 YoY), Nasdaq (-8.7% MoM, -33.9% YoY).
- **Oil prices** fell to \$80/Barrel (Dec 30) from \$81/Barrel (Nov 30).
- **Natural Gas prices** fell to \$4.48MMBtu (Dec 30) from \$6.93/MMBtu (Nov 30).

Interest Rates and Fed Watch

The Fed had its last FOMC Meeting for 2022, and, as expected, they raised the Fed Funds Rate by 0.50%. The Fed and Uncle Sam are in a tug-of-war pulling the Economy in different directions. The Fed's Monetary Policy is restrictive while the Government's Fiscal Policy is expansive. The Fed is raising Interest Rates to reduce demand and lower Inflation. The Government continues to borrow and spend to increase demand which raises Inflation. In this tug-of-war, don't expect either side to change. After the FOMC Meeting, Chairman Powell said: "The Committee anticipates that ongoing increases in the target range will be appropriate in order to attain a stance of monetary policy that is sufficiently restrictive to return inflation to 2% over time." **Fed Speak Translation:** They will continue a restrictive Monetary Policy until Inflation is down to 2.0% - or something breaks.

- **10-Year Treasury Note Yield** rose to 3.88% (Dec 30) from 3.68% (Nov 30).
- **30-Year Treasury Bond Yield** rose to 3.97% (Dec 30) from 3.80% (Nov 30).
- **30-Year Fixed Mortgage** fell to 6.42% (Dec 29) from 6.58% (Nov 23).
- **15-Year Fixed Mortgage** fell to 5.68% (Dec 29) from 5.90% (Nov 23).

Housing Market Data Released in December 2022

Home Sales and Prices continued to fall based on the latest data released in December. Year to date, existing Home Sales are down 35%. This trend will likely continue through at least the first quarter of 2023. Many New Homes, that were delayed because of a shortage of building supplies, will be hitting the market in the next 6 months. Lumber prices are back down to pre-pandemic levels. Lower lumber prices and increased inventory will add downward pressure on prices. However, there is still strong demand for homes which will keep prices from slipping too far. Housing Analysts are forecasting a soft market in 2023 with lower prices.

- **Existing Home Sales** (closed deals in November) fell 7.7% to an annual rate of 4,090,000 homes, down 35.4% in the last 12 months. The median price for all types of homes is \$370,700 - up 3.5% from a year ago. The median Single-Family Home price is \$376,700, up 3.2% YoY. The Median Condo price is \$321,600, up 5.8% YoY. Homes were on the market for an average of 24 days, and 61% were on the market for less than a month. Currently, 1,140,000 homes are for sale. 26% were all Cash Sales.
- **New Home Sales** (signed contracts in November) rose 5.8% to a seasonally adjusted annual rate of 640,000 homes - down 15.3% YoY. The median New Home price is \$471,200. The average price is \$543,600. There are 461,000 New Homes for sale, an 8.6 month supply.
- **Pending Home Sales Index** (signed contracts in November) fell 4.0% to 73.9 from 77.1 the previous month, down 37.8% YoY.
- **Building Permits** (issued in November) fell 11.2% to a seasonally adjusted annual rate of 1,342,000 units - down 22.4% YoY. Single-Family Permits fell 7.1% to an annual pace of 781,000 homes, down 29.7% YoY.
- **Housing Starts** (excavation began in November) fell 0.5% to an annual adjusted rate of 1,427,000, down 16.4% YoY. Single-Family Starts fell 4.1% to 828,000 units, down 32.1% YoY.
- **Housing Completions** (completed in November) rose 10.8% to an annual adjusted rate of 1,490,000 units - up 6.0% YoY. Single-Family Completions rose 9.5% to an annual adjusted rate of 1,407,000 homes - up 9.9% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** fell 0.5% in October, up 8.6% YoY.
- **FHFA Home Price Index** had 0.0% gain in October, now up 9.8% YoY.

Labor Market Economic Data Released in December 2022

The Economy created 263,000 New Jobs during November. The Unemployment Rate was unchanged at 3.7%. So far, 2022 has been a good year for the Labor Market. Wages are up 5.1%, 4,300,000 new jobs were created through November, and there are over 10,000,000 job openings. Anyone who wanted a job in 2022 could get one. The Labor Market has been very robust all year, and it looks like that will continue in 2023. This is a good thing, but a strong Labor Market works against the Fed's efforts to tamp down Inflation. Despite the Fed's actions, expect upward wage pressure to continue in 2023.

- The Economy created 263,000 New Jobs during November.
- The Unemployment Rate was unchanged in November at 3.7%.
- The Labor Force Participation Rate fell to 62.1% in November.
- The Average Hourly Wage rose 0.6% in November, up 5.1% YoY.
- Job Openings fell to 10,334,000 in October from 10,700,000 in September.

Inflation Economic Data Released in December 2022

Inflation clocked in at a 7.1% annual rate in November. That's down from 8.2% in September and 7.7% in October. It's headed in the right direction, but it's a long way to go to the 2.0% Fed target. In 2022, the culprits that drove Inflation were Housing, Energy, Food, and Vehicles. Homes, energy, and used car prices are all declining. That combination will slowly push Inflation lower, but it will take time. Inflation tends to jump quickly but declines slowly. As the Fed continues to raise Interest Rates, expect Inflation to drift lower in the next few months - unless we get another shock to the energy market.

- CPI rose 0.1%, up 7.1% YoY | Core CPI rose 0.2%, up 6.0% YoY
- PPI rose 0.3%, up 7.4% YoY | Core PPI rose 0.4%, up 6.2% YoY
- PCE rose 0.1%, up 5.5% YoY | Core PCE rose 0.2%, up 4.7% YoY

GDP Economic Data Released in December 2022

The 3rd estimate for 3rd Quarter GDP showed the US Economy grew at a 3.2% annualized rate, up 1.9% YoY. After 2 quarters of negative growth in Q1 and Q2, the Economy has posted an impressive gain in Q3. So far, most Economists have underestimated the resilience of the US Economy and the US Consumer. The Fed's latest forecasts is for the Economy to grow by 0.50% in 2023 (and not go into a Recession). Most Economists disagree and are forecasting a Recession sometime in 2023. Many of these forecasts are based on the Inverted Yield Curve - which has been a very reliable indicator of an impending Recession. Next month we'll get the first look at Q4 GDP.

Consumer Economic Data Released in December 2022

The Holiday Shopping season kicked off on a high note but tapered off going into Christmas. Retail sales fell 0.6%. Despite guarding their wallets, Consumers were upbeat, with Consumer Confidence and Sentiment increasing. Early data suggests the Consumer may be getting tapped out - savings rates were down while credit use increased. There is also a shift in spending money on experiences instead of things. Restaurant and hotel spending was up while Consumer goods - especially cars - was down.

- Retail Sales fell 0.6% during November, up 6.5% in the last 12 months.
- Consumer Confidence Index jumped 6.9% to 108.3 from 101.4 from the prior month.
- Consumer Sentiment Index (U of M) rose to 59.7 from 56.8 the previous month.

Energy, International, and Things You May Have Missed

- West Texas Intermediate Crude fell to \$80/Barrel (Dec 30) from \$81/Barrel (Nov 30).
- North Sea Brent Crude fell to \$84/Barrel (Dec 30) from \$85/Barrel (Nov 30).
- Natural Gas fell to \$4.48/MMBtu (Dec 30) from \$6.93/MMBtu (Nov 30).
- Lumber prices fell to pre-pandemic levels at \$380 per thousand board feet - a dramatic 72% decline from its peak of \$1,336 in February 2022.
- The BOJ (Japan's central Bank) unexpectedly raised the max interest rate on its 10-year bond to 0.50% from 0.25% - which was the max for over 10 years.
- China reopened and abandoned its "Zero Covid" lockdown policy.
- The CEO of FTX Cryptocurrency Exchange, Sam Bankman-Fried, was extradited to the US to face criminal charges in the collapse of FTX and hedge fund Alameda Research.
- Anti-government protests have continued in Iran for 4 months. Over 500 people have died, 18,000 arrested, 2 executed, and 9 sentenced to death, as its President, Ebrahim Raisi, declared there will be "no mercy" towards protesters.

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 2023 Mark Paoletti, Mortgage Elements Inc, All Rights reserved