

Economic CALENDAR

May
2023

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Mortgage Economic Review May 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 April 2023

- **Interest Rates:** The 10-Year Treasury yield fell to 3.44% (Apr 28) from 3.48% (Mar 31).
- **Housing:** Existing Home Sales fell 2.4% (-22.0% YoY), New Home Sales jumped 9.6% (-3.4%YoY), and Pending Home Sales fell 5.2% during March. Home Prices continue to rise slowly.
- **Labor:** The US Economy created 236,000 New Jobs in March. The Unemployment Rate fell to 3.5%, and Wages increased 4.2% YoY.
- **Inflation:** March CPI rose 0.1% (+5.0% YoY), and PPI fell 0.5% (+2.7% YoY).
- **The Economy:** US GDP grew by a 1.1% annualized rate in 1Q2023, up 1.6% YoY.
- **Consumers:** Retail Sales fell 1.0%, Consumer Confidence fell, Consumer Sentiment rose.
- **Stock Markets** ended slightly higher in April: Dow +2.5%, S&P +1.5%, Nasdaq +0.0%.
- **Oil prices** rose slightly in April to \$77/Barrel (Apr 28) from \$76/Barrel (Mar 31).

Interest Rates and Fed Watch

All eyes are on the May 3rd FOMC Meeting. Fed Watchers expect another 0.25% bump to the Fed Funds Rate, followed by a "pause" as the Fed watches how the Economy performs with higher rates. About a year ago, the Fed started raising Interest Rates and tightening the Money Supply to battle high Inflation. Everyone knew higher Interest Rates would eventually slow the Economy and possibly create a Recession. If that Recession did occur, the plan called for a mild Recession or "Soft Landing". All risky monetary maneuvers come with consequences (intended or unintended). One consequence of restrictive Monetary Policy is the recent string of Bank Failures. The Fed needs to ensure this situation does not spiral out of control and impact confidence in the Banking System. If Consumers lose faith in the Banking System, spending will probably plummet, resulting in a "Hard Landing". In the meantime, Consumer Spending, the Labor Market, and the Economy, in general, have shown incredible resilience.

- **10-Year Treasury Note Yield** fell to 3.44% (Apr 28) from 3.48% (Mar 31).
- **30-Year Treasury Bond Yield** closed at 3.67% (Apr 28) from 3.67% (Mar 31).
- **30-Year Fixed Mortgage** rose to 6.43% (Apr 27) from 6.32% (Mar 30).
- **15-Year Fixed Mortgage** rose to 5.71 (Apr 27) from 5.56% (Mar 30).

Housing Market Data Released in April 2023

Some good news in the Housing Market - New Home Sales jumped almost 10% in March. People can't find an Existing Home to buy, so they are purchasing a New Home since there are a near-record number of New Homes under construction. Lumber prices are down to pre-pandemic levels. Supply chain issues are resolved, and Building Supplies are readily available. Construction Labor is still tight, but that is slowly loosening. If Interest Rates drift lower in late 2023 or 2024, expect the New Home Market to continue to grow.

- **Existing Home Sales** (closed deals in March) fell 2.4% to an annual rate of 4,440,000 homes, down 22.0% in the last 12 months. 27% were all Cash Sales. The median price for all types of homes is \$375,700 - down 0.9% from a year ago. The median Single-Family Home price is \$380,000, down 1.4% YoY. The Median Condo price is \$337,300, up 2.1% YoY. Homes were on the market for an average of 29 days, and 65% sold in less than a month. Currently, 980,000 homes are for sale.
- **New Home Sales** (signed contracts in March) rose 9.6% to a seasonally adjusted annual rate of 683,000 homes - down 3.4% YoY. The median New Home price is \$449,800. The average price is \$562,400. There are 432,000 New Homes for sale, a 7.6 month supply.
- **Pending Home Sales Index** (signed contracts in March) fell 5.25% to 78.9 from 83.2 the previous month, down 23.2% YoY.
- **Building Permits** (issued in March) fell 8.8% to a seasonally adjusted annual rate of 1,413,000 units - down 24.8% YoY. Single-Family Permits rose 4.1% to an annual pace of 818,000 homes, down 29.7% YoY.
- **Housing Starts** (excavation began in March) fell 0.8% to an annual adjusted rate of 1,420,000, down 17.2% YoY. Single-Family Starts rose 2.7% to 838,000 units, down 27.7% YoY.
- **Housing Completions** (completed in March) fell 0.6% to an annual adjusted rate of 1,542,000 units - up 12.9% YoY. Single-Family Completions rose 2.4% to an annual adjusted rate of 1,050,000 homes - down 0.2% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.1% in February, up 0.4% YoY.
- **FHFA Home Price Index** rose 0.5% in February, now up 4.0% YoY.

Labor Market Economic Data Released in April 2023

The Economy created 236,000 New Jobs during March, which aligned with expectations. Economic Data released in April shows the Labor Market is softening slightly but remains incredibly resilient. There are still almost 10,000,000 Job Openings, Wages are growing about 4.0%, Unemployment is low, and more people are entering the workforce. As long as the Consumer continues to spend, the Labor Market will remain strong.

- The **Economy** created 236,000 New Jobs in March.
- The **Unemployment Rate** fell to 3.5% in March.
- The **Labor Force Participation Rate** rose to 62.6% in March.
- The **Average Hourly Wage** rose 0.3% in March, up 4.2% YoY.
- **Job Openings** fell to 9,931,000 in February from 10,800,000 in January.

Inflation Economic Data Released in April 2023

The latest CPI Data showed prices rose by 0.1% in March, up 5.0% YoY. The Fed's weapon of High-Interest Rates is slowly winning the War on Inflation. This report is the lowest CPI reading in almost 2 years and is the 9th straight month of falling Inflation. The cooler Inflation rate is being helped by lower energy prices - Gasoline Prices are down 17%. Food Prices are still high but have leveled off after spiking in 2022. The problem is still Shelter. Rents have declined slightly, but Home Prices are stubbornly high. Strong demand by Millennial Household Formation and lack of inventory for sale exacerbate the situation. Expect Inflation to trend lower in the Spring, provided we don't get another energy shock.

- **CPI** rose 0.1%, up 5.0% YoY | **Core CPI** rose 0.4%, up 5.6% YoY
- **PPI** fell 0.5%, up 2.7% YoY | **Core PPI** fell 0.1%, up 3.4% YoY
- **PCE** rose 0.1%, up 4.2% YoY | **Core PCE** rose 0.3%, up 4.6% YoY

GDP Economic Data Released in April 2023

The 1st estimate for 1st Quarter 2023 GDP showed the US Economy grew at a 1.1% annualized rate, up 1.6% YoY. The Economy is slowing down, and that's precisely what the Fed wants. The Economy has not come to a screeching halt - just slowing down. The Fed's goal is to slow the Economy enough to cool Inflation without throwing it into a Recession - a "Soft Landing". Can they do it? Maybe. There are different opinions and disagreements among Economists. The most unsettling issue is the recent spate of Bank Failures. So far, the Consumer (and Economy) has been remarkably resilient. However, if Consumers' faith in the Banking System gets rattled, they will reel in spending quickly. Since the Economy is 70% Consumer driven, this could turn a "Soft Landing" into a "Hard Landing".

Consumer Economic Data Released in April 2023

Consumers were slightly more cautious with their purchases in March. The good news is that they continued to spend. Retail Sales was down 1.0%, but much of that decrease can be attributed to lower Gasoline prices. Consumer Spending will remain high as long as they feel secure in their jobs. Consumer Confidence was down while Consumer Sentiment rose.

- **Retail Sales** fell 1.0% during March, up 2.9% in the last 12 months.
- **Consumer Confidence Index** fell 2.6% to 101.3 from 104.0 the prior month.
- **Consumer Sentiment Index** (U of M) rose 2.4% to 63.5 from 62.0 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** rose to \$77/Barrel (Apr 28) from \$76/Barrel (Mar 31).
- **North Sea Brent Crude** was unchanged at \$80/Barrel (Apr 28) from \$80/Barrel (Mar 31).
- **Natural Gas** rose to \$2.41/MMBtu (Apr 28) from \$2.22/MMBtu (Mar 31).
- Several major oil-producing countries (including Saudi Arabia) made a surprise announcement to cut crude production.
- To reduce expenses and bolster its stock price, Disney continued its plan to lay off 7,000 workers to save \$5.5 billion.
- After years of speculation, Bed Bath Beyond filed for Bankruptcy protection.
- Violence intensified in Sudan as various factions fight for control of the country.

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