

Economic CALENDAR

November
2023

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Mortgage Economic Review November 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 October 2023

- **Interest Rates:** The 10-year Treasury yield rose to over 5.0% then fell back and ended the month at 4.88% on Oct 31 from 4.58% (Sep 29).
- **Housing:** Existing Home Sales fell 2.0% (-15.4% YoY), New Home Sales rose 12.3% (33.9% YoY), and Pending Home Sales rose 1.1% (-11.0% YoY). Home Prices are up 2.2% to 5.6% YoY.
- **Labor:** The US Economy created 150,000 New Jobs during October and 297,000 in September. The Unemployment Rate inched higher to 3.9%. Wages increased by 4.1% YoY.
- **Inflation:** CPI rose 0.4% (+3.7% YoY), and PCE rose 0.4% (+3.4% YoY).
- **The Economy:** US GDP grew by a 4.9% annualized rate in 3Q2023, up 2.9% YoY.
- **Consumers:** Retail Sales rose 0.7% (+3.8% YoY), Consumer Confidence and Sentiment fell.
- **Stock Markets** fell in October: Dow -1.4%, S&P -2.2%, Nasdaq -2.8%.
- **Oil Prices** fell 9.8% to \$82/Barrel (Oct 31) from \$91/Barrel (Sep 29).

Interest Rates and Fed Watch

The last FOMC Meeting wrapped up on November 1st, with the Fed leaving the Fed Funds Rate at the current 5.25% - 5.50% range. The market highly expected this. The Fed has been very consistent with its message about fighting Inflation and Interest Rates. After the FOMC Meeting, Chairman Powell repeated his message: "...getting inflation sustainably down to 2% has a long way to go." What was not expected was an additional \$457 Billion to the US Fiscal Deficit from a shortfall in IRS Revenues and emergency spending. This brings the total 2023 Federal Deficit to \$1.7 Trillion. That spooked the Stock and Bond Markets. However, the Treasury Department quelled Market jitters when it announced it would refinance the US debt with mostly short-term securities (2 & 5-year Notes) instead of 15 & 30-year Bonds.

- **10-Year Treasury Note Yield** rose to 4.88% (Oct 31) from 4.58% (Sep 29).
- **30-Year Treasury Bond Yield** rose to 5.04% (Oct 31) from 4.70% (Sep 29).
- **30-Year Fixed Mortgage** rose to 7.79% (Oct 26) from 7.31% (Sep 29).
- **15-Year Fixed Mortgage** rose to 7.03% (Oct 26) from 6.72% (Sep 29).

Housing Market Data Released during October 2023

Despite 30-year Mortgage Rates touching the 8.0% mark, Home Prices continued to rise throughout 2023. Depending on which Home Price Index you follow, Home Prices are up 2.0% to 5.6% over the past 12 months. Everyone knows that 7.5% to 8.0% Mortgage Rates have discouraged prospective Home Buyers. What is less appreciated is the chilling effect high Mortgage Rates have on Home Sellers. The higher rates go, the more Home Owners become "Locked-In" to their 3.0% Mortgages. The Locked-In effect has "Clamped-Down" the supply of homes for sale and crushed inventory. When Mortgage Rates drift lower, the supply side and demand side of the Housing Market will improve.

- **Existing Home Sales** (closed deals in September) fell 2.0% to an annual rate of 3,960,000 homes, down 15.4% in the last 12 months. The median Single-Family Home price is \$399,200, up 2.5% YoY. The Median Condo price is \$353,800, up 6.8% YoY. Homes were on the market for an average of 21 days, and 69% sold in less than a month. Currently, 1,130,000 homes are for sale, down 8.1% YoY.
- **New Home Sales** (signed contracts in September) rose 12.3% to a seasonally adjusted annual rate of 759,000 homes, up 33.9% YoY. The median New Home price is \$418,800 (down from a peak of \$496,800 in Oct 2022). The average price is \$503,900 (down from a peak of \$568,700 in Dec 2022). There are 435,000 New Homes for sale, a 6.9-month supply.
- **Pending Home Sales Index** (signed contracts in September) rose 1.1% to 72.6 from 71.8 the previous month, down 11.0% YoY.
- **Building Permits** (issued in September) fell 4.4% to a seasonally adjusted annual rate of 1,473,000 units - down 7.2% YoY. Single-Family Permits rose 1.8% to an annual pace of 965,000 homes, up 11.6% YoY.
- **Housing Starts** (excavation began in September) rose 7.0% to an annual adjusted rate of 1,358,000, down 7.2% YoY. Single-Family Starts rose 3.2% to 963,000 units, up 8.6% YoY.
- **Housing Completions** (completed in September) rose 6.6% to an annual adjusted rate of 1,453,000 units - up 1.0% YoY. Single-Family Completions rose 5.3% to an annual adjusted rate of 998,000 homes - down 4.8% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 1.0% in August, up 2.2% YoY.
- **FHFA Home Price Index** rose 0.6% in August, up 5.6% YoY.

Labor Market Economic Data Released during October 2023

The Economy created 150,000 New Jobs during October and 297,000 during September. In 2023, the Economy has created an average of 239,000 New Jobs each month for a YTD total of 2,390,000. Job Openings jumped to 9,553,000. Labor Strikes were settled or averted by Employers negotiating wage increases to be phased in over time. The Labor Market continues to defy gravity, putting upward pressure on wages. That upward pressure on wages reinforces the Wage-Price Spiral, which makes the Fed's efforts to control Inflation more difficult.

- The **Economy** created 150,000 New Jobs During October and 297,000 during September.
- The **Unemployment Rate** rose to 3.9% during October from 3.8% in September.
- The **Labor Force Participation Rate** fell to 62.7% during October from 62.8 in September.
- The **Average Hourly Wage** rose 0.2% during October and 0.2% in September, up 4.1% YoY.
- **Job Openings** rose to 9,553,000 in September from 9,497,000 in August and 8,827,000 in July.

Inflation Economic Data Released during October 2023

Inflation drifted lower, with the CPI clocking in at 0.4% during September (down from 0.6% in August). Gasoline Prices increased only 2.1% (3.0% YoY) during September despite a Saudi cut in oil production. In 2022, the main drivers of Inflation were Food, Shelter, and Used Cars. Used Car Prices have declined 8.0% this year. Now, in 2023, the main drivers of Inflation are Food, Shelter, and Services. Services Inflation continues to be a concern due to the strength of the Labor Market.

- **CPI** rose 0.4%, up 3.7% YoY | **Core CPI** rose 0.3%, up 4.1% YoY
- **PPI** rose 0.5%, up 2.2% YoY | **Core PPI** rose 0.3%, up 2.8% YoY
- **PCE** rose 0.4%, up 3.4% YoY | **Core PCE** rose 0.3%, up 3.7% YoY

GDP Economic Data Released during October 2023

The 1st Estimate for 3rd Quarter 2023 GDP showed the US Economy grew at a 4.9% annualized rate, up 2.9% YoY. There is little doubt in anyone's mind about the incredible strength of the US Economy. The big question is, will there be a Recession in 2024? At this point, most Economists doubt there will be a Recession in 2024.

Consumer Economic Data Released during October 2023

2023 is coming to a close, and so far, the Consumer has done their part to support the Economy. Retail Sales are up 3.8% in the past 12 months. However, the Savings Rate is down, and Credit Card Balances are growing. This indicates Consumer Spending may be running out of steam. As we enter the Holiday Shopping Season, it will be interesting to watch how Consumer Spending holds up through the end of the year.

- **Retail Sales** rose 0.7% during September, up 3.8% in the last 12 months.
- **Consumer Confidence Index** fell 1.6% to 102.6 from 104.3 the prior month, up 0.4% YoY.
- **Consumer Sentiment Index (U of M)** fell 6.0% to 63.8 from 67.9 the previous month.

Energy, International, and Things You May Have Missed

- **West Texas Intermediate Crude** fell to \$82/Barrel (Oct 31) from \$91/Barrel (Sep 29).
- **North Sea Brent Crude** fell to \$86/Barrel (Oct 31) from \$95/Barrel (Sep 29).
- **Natural Gas** rose to \$3.54/MMBtu (Oct 31) from \$2.94/MMBtu (Sep 29).
- The UAW reached agreements with major automakers to end their strike.
- The Writers Strike ended when they penned a 3-year deal with Hollywood studios.
- The National Association of Realtors (NAR) and other large brokers were found guilty of artificially inflating real estate commissions.
- The conflict between Israel and Hamas continues.

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