

Economic CALENDAR

February
2024

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Mortgage Economic Review February 2024

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 January 2024

- **Interest Rates:** The 10-year Treasury yield rose to 3.99% (Jan 31) from 3.88% (Dec 29).
- **Housing:** December Existing Home Sales fell 1.0% (-6.2% YoY), New Home Sales rose 8.0% (+4.4% YoY), and Home Prices are up 5.4% - 6.6% YoY.
- **Labor:** The US Economy created 353,000 New Jobs in January and 333,000 in December. The Unemployment Rate remained at 3.7%. Wage Growth rose at a 4.5% YoY pace.
- **Inflation:** CPI rose 0.3% in December (+3.4% YoY), and PCE rose 0.2% (+2.6% YoY).
- **The Economy:** US GDP grew by a 3.3% annualized rate in 4Q2023, up 2.5% YoY.
- **Consumers:** Retail Sales rose 0.6% in December (+5.6% YoY), Consumer Confidence up 5.6%, Consumer Sentiment up 13.1%.
- **Stock Markets** rose in January: Dow +1.2%, S&P +1.6%, Nasdaq 3.3%.
- **Oil Prices** rose to \$76/Barrell (Jan 31) from \$72/Barrel (Dec 29).

Interest Rates and Fed Watch

The first FOMC Meeting of 2024 concluded with the Fed - as expected - leaving the Fed Funds Rate unchanged. What was not expected was Fed Chairman Jerome Powell's comment that a rate cut in March is unlikely. This strategy is reiterated in the Fed Statement that said: "The Committee does not expect it will be appropriate to reduce the target range until it has gained greater confidence that inflation is moving sustainably toward 2.0%....". The market was expecting the Fed to start cutting Interest Rates in March, but that timing is less likely after the recent Fed comments. The Fed wants to see more softness in Inflation and Labor Data before cutting rates. Consequently, Interest Rates are likely to "stay higher for longer." At this point, the first rate cut probably won't happen until May or June unless there is a Black Swan.

- **10-Year Treasury Note Yield** rose to 3.99% (Jan 31) from 3.88% (Dec 29).
- **30-Year Treasury Bond Yield** rose to 4.11% (Jan 31) from 4.03% (Dec 29).
- **30-Year Fixed Mortgage** rose to 6.63% (Feb 01) from 6.61% (Dec 28).
- **15-Year Fixed Mortgage** rose to 5.94% (Feb 01) from 5.93% (Dec 28).

Housing Market Data Released during January 2024

Home Prices continued to rise throughout 2023. Depending on which Home Price Index you follow, home prices were up 4.0% to 6.6% in 2023. Interestingly, Median Existing Condo prices were up 8.2% in 2023. While the aggregate Home Price Indexes are up, New Home Prices fell about 14.0% in 2023. Much of the decline can be attributed to lower costs of building materials such as lumber. In 2023, the supply and sale of New Homes continued to rise: 668,000 New Homes were sold, and there are 453,000 New Homes for sale, up from a low of 281,000 in October 2020.

- **Existing Home Sales** (closed deals in December) fell 1.0% to an annual rate of 3,780,000 homes, down 6.2% in the last 12 months. The median Single-Family Home price is \$387,000, up 4.0% YoY. The Median Condo price is \$343,800, up 8.2% YoY. Homes were on the market for an average of 29 days, and 56% sold in less than a month. Currently, 1,000,000 homes are for sale, up 4.2% YoY.
- **New Home Sales** (signed contracts in December) rose 8.0% to a seasonally adjusted annual rate of 664,000 homes, up 4.4% YoY. **For all of 2023, 668,000 New Homes were sold**, which is up 4.4% from 2022. The median New Home price is \$413,200 (down 13.2% YoY from a peak of \$496,800 in Oct 2022). The average price is \$487,300 (down 14.3% YoY from a peak of \$568,700 in Dec 2022). There are 453,000 New Homes for sale, up from a low of 281,000 in October 2020, an 8.2 month supply.
- **Pending Home Sales Index** (signed contracts in December) rose 8.3% to 77.3 from 71.6 the previous month, up 1.3% YoY.
- **Building Permits** (issued in December) rose 1.9% to a seasonally adjusted annual rate of 1,495,000 units - up 6.1% YoY. Single-Family Permits rose 1.7% to an annual pace of 994,000 homes, up 32.9% YoY.
- **Housing Starts** (excavation began in December) fell 4.3% to an annual adjusted rate of 1,460,000, up 7.6% YoY. Single-Family Starts fell 8.6% to 1,207,000 units, up 15.8% YoY.
- **Housing Completions** (completed in December) rose 8.7% to an annual adjusted rate of 1,574,000 units - up 13.2% YoY. Single-Family Completions rose 8.4% to an annual adjusted rate of 1,056,000 homes - up 6.1% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.2% in November, up 5.4% YoY.
- **FHFA Home Price Index** rose 0.3% in November, up 6.6% YoY.

Labor Market Economic Data Released during January 2024

The Economy created 353,000 New Jobs during January after creating 333,000 in December and 182,000 in November. In the last 3 months, the Economy has created 868,000 New Jobs, which averages 289,000 per month. The strength of the Labor Market continues to defy gravity and outperform Economists' forecasts. Whenever I see strong Labor Data, I think of the Wage-Price Spiral and the 4.0% Unemployment threshold. Historically, it has been challenging to reduce Inflation while the Unemployment Rate was below 4.0% and/or wages are growing at 4.5%.

- The Economy created 353,000 New Jobs during January and 333,000 in December.
- The Unemployment Rate remained at 3.7% in January, December, and November.
- The Labor Force Participation Rate remained at 62.5% during January and December after dropping from 62.8% in November.
- The Average Hourly Wage rose 0.6% during January and 0.4% in December, up 4.5% YoY.
- Job Openings rose to 9,026,000 in December after falling to 8,790,000 in November from 8,852,000 in October.

Inflation Economic Data Released during January 2024

Inflation continues to trend lower. The CPI was up 0.3% during December, but Year over Year Inflation was up 3.9%. That's the first time it's been below 4.0% in over 2 years. When the CPI numbers are published, I always look at the big culprits driving Inflation: Food, Energy, Shelter, and Used Cars. For all of 2023: Shelter Cost was up 6.2%, Food was up 1.3%, Energy was down 2.0% (Gasoline -1.9% YoY), and Used Cars were down 1.3%. Shelter Cost continues to be the dominant factor contributing about half of the CPI. Shelter Cost and Wage Growth need to be tamed to get Inflation lower. Inflation is moving lower but getting it down to the 2.0% target could take a while - especially if Wages are increasing by 4.5% annually.

- CPI rose 0.3%, up 3.4% YoY | Core CPI rose 0.3%, up 3.9% YoY
- PPI fell 0.1%, up 1.0% YoY | Core PPI rose 0.2%, up 2.5% YoY
- PCE rose 0.2%, up 2.6% YoY | Core PCE rose 0.2%, up 2.9% YoY

GDP Economic Data Released during January 2024

The 1st Estimate for 4th Quarter 2023 GDP showed the US Economy grew at a 3.3% annualized rate, well above the 2.0% expectation. The 3rd quarter GDP was 4.9%, so the Economy is slowing down, but there is no sign of an upcoming Recession. In 2023 the Economy grew 2.5%. That's an impressive performance considering the high Interest Rate environment. Economists have continually underestimated the resilience of the US Economy and the US Consumer. The Economy is 70% Consumer-driven. As long as the Consumer is confident and continues to spend, we will not see a Recession.

Consumer Economic Data Released during January 2024

Consumer Confidence and Sentiment hit a 2.5 year high. Consumers are feeling good about the Economy, Inflation, and their Jobs - so they are spending. Retail Sales rose 5.6% YoY. That's all good for Economic Growth. What did Consumers buy last year? Spending at Restaurants and Bars increased 11.1%, Electronics & Appliances up 10.7%, Vehicle Sales & Parts up 10.3%, Health & Personal Care up 10.7%, Clothing up 4.3%. Furniture Sales fell 4.7%, so it may be a good time to buy that new sofa. Unfortunately, Consumers are going further into debt to pay for those purchases. Credit Card Debt keeps setting new records and surpassed \$1.0 Trillion dollars in 2023.

- Retail Sales rose 0.6% during December, up 5.6% in the last 12 months.
- Consumer Confidence Index rose 5.3% to 114.8 from a revised 108.00 the prior month, up 8.3% YoY.
- Consumer Sentiment Index (U of M) rose 13.1% to 78.8 from 69.7 the previous month.

Energy, International, and Things You May Have Missed

- West Texas Intermediate Crude rose to \$76/Barrel (Jan 31) from \$72/Barrel (Dec 29).
- North Sea Brent Crude rose to \$82/Barrel (Jan 31) from \$72/Barrel (Dec 29).
- Natural Gas fell to \$2.14/MMBtu (Jan 31) from \$2.51/MMBtu (Dec 29).
- Ford and GM reported that they had the best year for sales of New Vehicles since 2019.
- Saudi Arabia cut the price of oil to Asia by \$2.0/Barrel due to weakness in the global market.

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