

Economic CALENDAR

March
2024

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Mortgage Economic Review March 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 February 2024

- **Interest Rates:** The 10-year Treasury yield rose to 4.25% (Feb 29) from 3.99% (Jan 31).
- **Housing:** December Existing Home Sales rose 3.1% (-1.7% YoY), New Home Sales rose 1.5% (+1.8% YoY), and Home Prices were up 6.0% in 2023.
- **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 January (+3.1% YoY), and PCE rose 0.3% (+2.4% YoY).
- **The Economy:** US GDP grew by a 3.2% annualized rate in 4Q2023, up 3.1% YoY.
- **Consumers:** Retail Sales fell 0.8% in January (+0.6% YoY), Consumer Confidence and Sentiment fell.
- **Stock Markets** rose in February: Dow +1.1%, S&P +4.8%, Nasdaq +4.9%.
- **Oil Prices** rose to \$79/Barrel (Feb 29) from \$76/barrel (Jan 31).

Interest Rates and Fed Watch

Interest Rates inched up during February. Why? Inflation Data came in hotter than expected, which doused Wall Street's hopes of a Fed Interest Rate cut in March. The Fed has warned for months that Interest Rates (and Inflation) could remain "higher for longer". Now, Wall Street's expectations are more realistic. Economists don't anticipate the Fed will do a rate cut until June or July. That's assuming Inflation continues on its current downward trend. The next FOMC Meeting is March 19th and 20th.

- **10-Year Treasury Note Yield** rose to 4.25% (Feb 29) from 3.99% (Jan 31).
- **30-Year Treasury Bond Yield** rose to 4.38% (Feb 29) from 4.11% (Jan 31).
- **30-Year Fixed Mortgage** rose to 6.94% (Feb 29) from 6.63% (Feb 01).
- **15-Year Fixed Mortgage** rose to 6.26% (Feb 29) from 5.94% (Feb 01).

Housing Market Data Released during February 2024

The January Sale of Existing Homes was up for the first time in 3 months, posting a modest but welcome 3.1% rise. New Home Sales did well, with a 1.5% rise. Buried in the Housing Data this month, Single Family Housing Starts were up 22.0% in the last 12 months. That's a welcome number. We need more Homes. The full year of data is in for Home Prices. Depending on the HPI Index that you follow and geographic area, National Home Prices were up an average of roughly 6.0% in 2023. If you're a Homeowner, that's good news. If you're a First-Time Buyer, not so much. It hurts Affordability and makes it harder to break into Homeownership.

- **Existing Home Sales** (closed deals in January) rose 3.1% to an annual rate of 4,000,000 homes, down 1.7% in the last 12 months. The median Single-Family Home price is \$383,500, up 5.0% YoY. The Median Condo price is \$339,400, up 5.7% YoY. Homes were on the market for an average of 36 days. Currently, 1,010,000 homes are for sale, up 3.1% YoY.
- **New Home Sales** (signed contracts in January) rose 1.5% to a seasonally adjusted annual rate of 661,000 homes, up 1.8% YoY. **For all of 2023, 668,000 New Homes were sold**, up 4.4% from 2022. The median New Home price is \$420,700 (down from a peak of \$496,800 in Oct 2022). The average price is \$534,300 (down from a peak of \$568,700 in Dec 2022). There are 456,000 New Homes for sale, up from a low of 281,000 in October 2020, an 8.3 month supply.
- **Pending Home Sales Index** (signed contracts in January) fell 4.9% to 74.3 from 77.3 the previous month, down 8.8% YoY.
- **Building Permits** (issued in January) fell 1.5% to a seasonally adjusted annual rate of 1,470,000 units - up 8.6% YoY. Single-Family Permits rose 1.6% to an annual pace of 1,105,000 homes, up 35.7% YoY.
- **Housing Starts** (excavation began in January) fell 14.8% to an annual adjusted rate of 1,331,000, down 0.7% YoY. Single-Family Starts fell 4.7% to 1,004,000 units, up 22.0% YoY.
- **Housing Completions** (completed in January) fell 8.1% to an annual adjusted rate of 1,416,000 units - up 2.8% YoY. Single-Family Completions fell 16.3% to an annual adjusted rate of 857,000 homes - down 15.8% YoY.
- **S&P/Case-Shiller 20 City Home Price Index** rose 0.2% in December, up 6.1% YoY.
- **FHFA Home Price Index** rose 0.1% in December, up 6.6% YoY.

Labor Market Economic Data Released during February 2024

The Economy created 353,000 New Jobs during January. The Unemployment Rate has been at a low 3.7% for the last three months. The Labor Market continues to be incredibly resilient in the face of high Interest Rates. So far, the Fed has fought Inflation without damaging the Labor Market. With 9,000,000 Jobs waiting to be filled, the Labor Market should stay robust for the foreseeable future. Eventually, the Unemployment Rate will start to inch up, but it has a long way to go to hit 4.5% or 5.0%.

- The Economy created 353,000 New Jobs during January.
- 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.
- The Average Hourly Wage rose 0.6% during January, up 4.5% YoY.
- Job Openings rose to 9,026,000 in December from 8,790,000 in November.

Inflation Economic Data Released during February 2024

Inflation has been on a downward trend for the last 12 months - and it still is. The Fed has been warning that Inflation is "sticky" and will take some time to reach the 2.0% target. So when February Inflation Data came in hotter than expected - Wall Street was surprised - but not the Fed. This is the insidious nature of the Wage-Price Spiral. Once the Wage-Price Spiral gets revved up, it is a difficult, lengthy, and painful process to get it un-revved. The latest culprits of Inflation are Shelter costs and Service Inflation. Don't expect Inflation to be completely under control until Wage Growth slows and the Unemployment Rate rises.

- CPI rose 0.3%, up 3.1% YoY | Core CPI rose 0.4%, up 3.9% YoY
- PPI rose 0.3%, up 0.9% YoY | Core PPI rose 0.6%, up 2.6% YoY
- PCE rose 0.3%, up 2.4% YoY | Core PCE rose 0.4%, up 2.8% YoY

GDP Economic Data Released during February 2024

The 2nd Estimate for 4th Quarter 2023 GDP showed the US Economy grew at a 3.2% annualized rate, in line with expectations. This pegs US Economic Growth at 3.1% for 2023. The US Economy is doing great compared to the other Economies around the globe thanks to the US Consumer. As long as people are secure in their jobs, they will continue to spend and keep the Economy out of a Recession.

Consumer Economic Data Released during February 2024

Retail Sales took a hit and fell 0.8% during January. Much of that decline can be attributed to the Holiday Spending Hangover and harsh winter weather. Consumers used the Holiday Sales to buy goods and services, which pulled demand forward. Now, they have to pay down their credit cards. Consumer Confidence and Sentiment declined slightly. Even though Consumers continue to feel good about the Economy and their jobs, they are concerned about persistent Inflation, Domestic Politics, and Geopolitical Issues like the Ukraine and Israeli Wars.

- Retail Sales fell 0.8% during January, up 0.6% in the last 12 months.
- Consumer Confidence Index fell 3.8% to 106.7 from 110.9 the prior month, 3.2% YoY.
- Consumer Sentiment Index (U of M) fell 2.7% to 76.9 from 79.0 the previous month.

Energy, International, and Things You May Have Missed

- West Texas Intermediate Crude rose to \$79/Barrel (Feb 29) from \$76/Barrel (Jan 31).
- North Sea Brent Crude rose to \$83/Barrel (Feb 29) from \$82/Barrel (Jan 31).
- Natural Gas fell to \$1.84/MMBtu (Feb 29) from \$2.14/MMBtu (Jan 31).
- Houthi Rebels attacked a cargo ship in the Red Sea, forcing the crew to abandon the ship.

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