



MORTGAGE ECONOMIC COMMENTARY AND REVIEW

With the Election only a month away, President Trump revealed that he has tested positive for Covid. The US Economy continues to recover despite an uptick of new Covid cases. The death rate percentage from Covid continues to decline as Doctors have become adept at treating the disease. Almost all Economic Indicators released in September were positive. Consumer Spending, Confidence, Sentiment, and Income, were all up. Employment is up. Home and car sales are booming. Traffic in major cities and gasoline sales are almost back to pre-pandemic levels. Despite the political wrangling, media pessimism, and stock market volatility, the Economy is recovering - even without a vaccine or additional stimulus from Uncle Sam. This is a testimony to the resilience of the US Economy and its Consumers.

Key Economic Data and Events in September 2020

- The latest FOMC Announcement stated the Fed plans to keep Interest Rates at or near zero through 2023
- President Trump revealed he (and his wife) tested positive for Covid
- Supreme Court Justice Ginsberg passed away, and Amy Coney Barrett was nominated to fill her seat - setting the stage for a contentious nomination hearing
- The US and Global Stock Markets had a volatile month
- Additional Fiscal stimulus has been hindered by politician wrangling in Washington
- The time frame for a viable Covid Vaccine remains uncertain
- Home Sales and Home Prices continue to increase
- Inflation increased with the CPI clocking in at 1.3% YoY

Interest Rates and Fed Watch

The latest FOMC Meeting ended on September 16th. The Fed Statement released after the meeting reiterated their commitment to keeping Interest Rates at or near zero through 2023. They also reinforced their tolerance for higher Inflation by allowing it to run above 2.0%, even up to 3.0%, for the next 5 years. During many speaking engagements in September, Chairman Powell and other Fed Governors publicly emphasized the need for additional Fiscal Stimulus from the Federal Government. The Fed said they will continue to provide credit by purchasing Mortgage and Treasury Securities at the current pace. At this point, the Fed owns roughly a third of all mortgage bonds in the country.

Housing Market Data Released in September 2020

The Housing Market continues its red-hot streak with New, Existing, and Pending Home Sales Data all green. Pending Homes Sales, a precursor to Existing Home Sales, hit an all-time record being up 24.4% in the last 12 months. Economists don't see demand for homes slowing down any time soon. The only thing holding back Home Sales is lack of inventory. Watch the Employment Data. The Housing market will stay healthy as long as workers continue to return to their jobs. Workers who are uncertain about their jobs or currently unemployed don't buy homes.

- Existing Home Sales** (closed deals in August) rose 2.4% to an annual rate of 6,000,000 homes, up 10.5% in the last 12 months. The median price for all types of homes is \$310,600 - up 11.4% from a year ago. The median Single Family Home price is \$315,000 and \$273,300 for a Condo. First Time Buyers were 33%, Investors 14%, Cash Buyers 18%. Homes were on the market for an average of 22 days, and 69% were on the market for less than a month. Currently, 1,490,000 homes are for sale, down 18.6% from 1,830,000 units a year ago.
- New Home Sales** (signed contracts in August) rose 4.8 % to a seasonally adjusted annual rate of 1,011,000 homes - up 43.2% YoY. The median New Home price fell 4.3% YoY to \$312,800, and the average is \$369,300. There are 282,000 New Homes for sale, down from 299,000 the prior month, which is a 3.3 month supply.
- Pending Home Sales Index** (signed contracts in August) rose 8.8% to 132.8 up 24.2% YoY.
- Building Permits** (issued in August) fell 0.9% to a seasonally adjusted annual rate of 1,470,000 units - up 0.1% YoY. Single-Family Permits rose 6.0% to an annual pace of 1,036,000 homes, up 15.6% YoY.
- Housing Starts** (excavation began in August) fell 5.1% to an annual adjusted rate of 1,416,000 units - up 2.8% YoY. Single-Family Starts rose 4.1% to 1,021,000 homes - up 12.1% in the last 12 months.
- Housing Completions** (completed in August) fell 7.5% to an annual adjusted rate of 1,233,000 units - down 2.4% YoY. Single Family Completions fell 4.4% to 912,000 homes - down 2.8% in the last 12 months.
- S&P/Case-Shiller 20 City Composite Home Price Index** rose 0.55% in July, up 3.95% YoY
- FHFA Home Price Index** rose 1.0% in July, now up 6.5% YoY.

Labor Market Economic Data Released in September 2020

The Economy added 1,371,000 Jobs in August, and 661,000 Jobs in September. The Unemployment Rate fell to 7.9% from 10.2% in July. Employment data continues to indicate jobs are coming back at a steady pace, with furloughed workers returning to their jobs. Roughly half of the workers furloughed during the lockdown have returned to work, but over 11 million workers are still unemployed. Large employers are recalling workers faster than smaller businesses. Unfortunately, record numbers of small businesses have closed permanently - so those jobs are gone for good. The regrettable reality is that it will take several years for the Labor Market to fully recover. Most Economists are projecting it will take 5 to 7 years for the Labor Market to reach pre-pandemic levels.

- The Economy added 1,371,000 Jobs during August, and 661,000 during September
- The Unemployment Rate fell to 7.9% in September from 8.4% in August and 10.2% in July
- The Labor Force Participation Rate fell to 61.4% during September from 61.7% in August
- The Average Hourly Wage rose 0.3% in August, added 0.1% during September, up 4.7% YoY

Inflation Economic Data Released in September 2020

Inflation Data for August was in line with Economists' expectations. Prices for almost everything increased as the Economy continued to recover. The usual suspects - Shelter, Medical Care, and Energy were up only modestly. Energy prices rose 0.9%, food up 0.1%, Medical Care up 0.1%, Shelter up 0.1%, Clothes up 0.6%. The big surprise was Used Car Prices, which jumped 5.4% in just one month. On the other hand, Consumers paid less for Education. College Tuition and fees dropped 0.7% as teaching institutions switched to online classes.

- CPI rose 0.4%, up 1.3% in the last 12 months
- Core CPI (ex-food & energy) rose 0.4%, up 1.7% in the last 12 months
- PPI rose 0.3 %, down 0.2% in the last 12 months
- Core PPI (ex-food & energy) rose 0.4%, up 0.6% in the last 12 months

GDP Economic Data Released in September 2020

The 3rd and Final Revision of 2nd Quarter 2020 GDP showed the Economy contracted at a 31.4% annualized rate - in line with Economists' expectations. Remember, the 2nd quarter was the bulk of the lockdown - an unprecedented time in history when the entire Global Economy came to a screeching halt. Next month we will get the first look at 3rd Quarter GDP when the recovery was in full swing. Early estimates are in the 34% growth range.

Consumer Economic Data Released in September 2020

Consumer Confidence and spending continue to rise as the Economy recovers. While Consumers feel more confident about the Economy, their pace of spending slowed down. This was expected. As Consumers emerge from the lockdown, they will settle back into a somewhat normal spending pattern. The inability of Congress to pass additional stimulus also contributed to lower Retail Sales. What were Consumers buying? Homes, Cars, Clothing, Electronics, Furniture, Building Materials, and Bars/Restaurants all had healthy gains in August.

- Retail Sales rose 0.6% during August, now up 2.6% in the last 12 months
- Consumer Confidence Index rose to 101.8 during September from 84.8 the previous month
- Consumer Sentiment Index (U of M) rose to 80.4 from 78.9 the previous month

Energy, International, and Things You May Have Missed

Oil Prices dropped below \$40 per barrel as fears that a "Second Covid Wave" will dampen the recovery and demand for oil. WTI Crude (West Texas Intermediate) is trading around \$43/barrel.

- WTI Crude (West Texas Intermediate) is trading around \$40/barrel.
- North Sea Brent Crude is trading around \$42/barrel.
- Demand for jet fuel in the US is growing faster than most other Economies except for China.
- Kuwait's longtime leader and ally of the US, Sheikh Sabah al-Ahmad al-Jaber al-Sabah, passed away in September. His death may signal a policy shift in that country and region.
- The FSOC - Financial Stability Oversight Council - recommended Fannie and Freddie boost their capital levels to hedge against future threats to the financial system.
- China is adhering to the Phase-One Trade Deal despite contentious relations with the US.

This Economic Commentary is written to be a succinct summary of the key Economic Indicators and Economic Data that influence the Mortgage and Real Estate Industries. It is written for Mortgage Professionals that need to stay current on Economic Information but don't have hours to research and analyze Economic Data. Feel free to share this with a friend or colleague in the Mortgage or Real Estate business.

© Copyright 2020 Mark Paoletti, Mortgage Elements Inc, All Rights reserved

Information on this calendar is taken from sources believed to be credible, however, GMFS and Mortgage Elements does not guarantee or warrant its accuracy or completeness. The dates, times, and definitions of Economic information is controlled by the individual data provider and subject to change without notice. This calendar is intended for use by Mortgage & Real Estate Professionals only and not Consumers. It is intended for informational purposes only and is not an advertisement to lend or solicit mortgage originations.



MORTGAGE ECONOMIC CALENDAR

OCTOBER 2020				
MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY
			1 PCE, Construction Spending, ISM Manufacturing Index, MBA Mortgage Apps, Personal Income, Weekly Jobless Claims	2 Employment Report Factory Orders
5 ISM Non-Manufacturing Index	6 JOLTS International Trade	7 FOMC Minutes MBA Mortgage Applications	8 NFIB Business Optimism Weekly Jobless Claims	9 Wholesale Trade
12 COLUMBUS DAY Stock Markets open Bond Markets closed	13 CPI Fed Budget	14 PPI MBA Mortgage Applications	15 Import-Export Prices Philly Fed Report Empire State Report Weekly Jobless Claims	16 Retail Sales Industrial Production Consumer Sentiment Business Inventories, TIC
19 NAHB Index	20 Housing Starts & Permits	21 MBA Mortgage Applications	22 Existing Home Sales Leading Indicators Beige Book Weekly Jobless Claims	23
26 New Home Sales	27 Consumer Confidence FHFA Home Price Index S&P Case-Shiller HPI Durable Goods	28 Wholesale Inventories MBA Mortgage Applications	29 GDP Pending Home Sales Weekly Jobless Claims	30 PCE Personal Income & Spending Employment Cost Index Consumer Sentiment

SEE ECONOMIC INDICATOR DISCRIPTION/ DEFINITION

Information on this calendar is taken from sources believed to be credible, however, GMFS and Mortgage Elements does not guarantee or warrant its accuracy or completeness. The dates, times, and definitions of Economic information is controlled by the individual data provider and subject to change without notice. This calendar is intended for use by Mortgage & Real Estate Professionals only and not Consumers. It is intended for informational purposes only and is not an advertisement to lend or solicit mortgage originations.

ECONOMIC INDICATOR DESCRIPTION/DEFINITION

ADP Employment	A national jobs report that derives its statistics from the actual monthly payrolls of employers in the non-farm private sector.	Gross Domestic Product	The GDP is an all encompassing measure of the economy that includes the value of all goods and services produced in the entire country.
Beige Book	Prepared by the Federal Reserve, it is a survey of economic conditions in each of the Fed's regions.	Housing Starts	This report includes housing starts, building permits, and housing completions with data obtained from surveys of homebuilders.
Business Inventories	This report includes inventory levels and statistics from various stages of the manufacturing process	Import - Export Prices	The U.S. Import and Export Price Indexes measure average changes in prices of goods and services that are imported or exported.
Chicago PMI	The Chicago Purchasing Managers Index is prepared monthly by ISM (Institute of Supply Management) and indicates regional manufacturing activity. It comes out before other ISM surveys and is closely watched as precursor to the other ISM Reports.	Industrial Production	Measures volume of goods produced by all industrial firms including factories, mines, and utilities.
CPI - Consumer Price Index	Measures the change in the cost of a basket of goods & services (about 200) each month. One of the biggest & most closely watched indicator along with the PPI.	International Trade	Measures the trade deficit - value of exports minus the value of imports.
Consumer Confidence	Measures how confident consumers feel about their individual spending plans and the economy in general.	ISM Manufacturing Index	The Institute for Supply Management (a nonprofit group) publishes the Purchasing Managers Index by surveying over 400 purchasing managers form all over the country diversified and weighted by industry and geography.
Consumer Sentiment	Published monthly by the University of Michigan the index is based on over 500 phone interviews with 50 questions asked.	ISM Non Manufacturing	Same as the above index but for the service sector which encompasses a larger portion of real GDP.
Construction Spending	Monthly estimate of the total dollar value of all construction work in the country.	JOLTS	Job Openings and Labor Turnover Survey includes employment, job openings, hires, quits, layoffs and discharges, and other separations.
Consumer Credit	Released monthly by he Federal Reserve Board it estimates changes in the amount of outstanding credit to individuals to purchase consumer goods. It contains revolving and non revolving credit like cars loans but not mortgages and equity lines.	Leading Indicators	Also called The Leading Economic Index, it is a leading economic indicator use to forecast future economic activity. Calculated byThe Conference Board, it determines the index from the valuesof ten keyvariables.
Current Account	Measures the money flows and cash transfers into and out of the country. Consists of the Trade Balance (exports minus imports of goods and services) plus the net Capital Account (income from foreign investments - payments to foreign investors).	New Home Sales	Report on the number of newly constructed homes sold in the previous month.
Durable Goods Orders	Report measures how much spending is occurring on goods expected to last over three years like appliances and cars.	NFIB Small Business	Published by the National Federation of Independent Business, the Small Business Optimism Index is an indicator of health of small businesses by surveying its members on their plans and activities.
ECB Announcement	The European Central Bank (ECB) first meeting of the month typically covers monetary policy. After the meeting, they make an announcement that discloses the issues discussed and decisions made.	Personal Income & Spending	Personal Income and Outlays report provide data on consumer behavior and total economic consumption.
Empire State Survey	Prepared by the Federal Reserve Bank of New York, this survey summarizes general business conditions of manufacturers in New York state.	Philly Fed Survey	Published by the Philadelphia Federal Reserve, this survey summarizes economic activity in its district.
Employment	Also called the Jobs Report, the Current Employment Statistics report covers general employment conditions which includes the unemployment rate, number of new jobs created, average hours worked per week, Labor Force Participation Rates, and average hourly earnings. Like the CPI and PPI, This is a very closely watched indicator.	PPI Producer Price Index	Measure the change in the price of goods from producers and includes everything from raw materials to wholesale items sold to retailers. Since it is published before the CPI, this indicator is very closely watched as a precursor to the CPI.
Employment Cost Index	Measures the general cost of labor which includes wages, benefits, and bonuses.	Productivity	The report measures how much output is created by a unit of labor.
Existing Home Sales	Reports the number of existing homes that were CLOSED during the month both nationally and regionally.	Retail Sales	Measures goods sold by retailers. This is fairly closely watched as it indicates general spending attitudes of Consumers.
Factory Orders	Indicates the activity of the country's manufacturing sector and includes new orders, unfilled orders, shipments, and inventories.	S&P/Case Shiller HPI	This Home Price Index (HPI) uses a three-month moving average to calculate its numbers giving it a two month lag.
FOMC Meeting	The Federal Open Market Committee meets every 6 weeks is to set monetary policy.	TIC	Treasury International Capital shows the flows of money across US boarders for sales of ALL securities and financial instruments.
FOMC Statement	Issued by the Fed after the FOMC meetings summarizing topics discussed, economic outlook, and policy decisions.	Weekly Jobless Claims	This report shows the number of newly unemployed workers filing unemployment claims for the first time with their state Unemployment Bureaus. The data is seasonally adjusted and aggregated on a national basis.
		Vehicle Sales	Reports the number of light vehicle cars and light trucks sold.