Market Minute: February 4, 2019

Housing/Real Estate Market

National Home Sales Decline in December: The rest of the nation had been holding up better than California for much of the fall of 2018, but home sales in December fell to their lowest level in three years. In addition, home price growth has slowed in the rest of the country—matching the slowdown that started several months ago in the Golden State.

Upcoming Data Releases

- Factory Orders – 2/4/19
- Trade Balance – 2/5/19
- ISM Services – 2/5/19
- Worker Productivity – 2/6/19
- Consumer Credit – 2/7/19
- Wholesale Trade – 2/8/19

New Home Sales Closing Out 2018 on a Strong Note: New home sales were up nearly 17% in November. Typically, we would already have a reading on the full year of 2019, but these figures were delayed due to the shutdown. This represents a solid increase, but November new home sales were still roughly 8% below the same period last year.

Construction Spending Bumps Up: Unlike new home sales, construction spending was up on both a monthly and an annual basis in November. Again, these reading have been delayed, but show that construction continues to ramp up—albeit at a gradual pace. Importantly, residential construction was up by more than the overall index, which is good news for the housing market.

Macro Economy

Consumer Confidence Continues to Erode: Consumers are increasingly skittish about broader economic conditions as the Conference Board's primary measure of consumer confidence dipped for the third straight month. This decline is due more to expectations of future conditions, which is likely to impact future hiring and investment decisions in 2019. This trend was echoed in the University of Michigan's Sentiment Index, which fell to its lowest level in more than 2 years.

Fed Enters "Wait and See" Mode: The Federal Open Market Committee (FOMC) decided against raising rates at their most recent meeting. They generally expect economic growth to continue, though they appeared to be slightly less optimistic about the pace of that growth and noted that they can be patient as they watch the economy—which signals a less-aggressive trajectory for the Fed Funds Rate this year.

Labor Markets Remain Tight: The unemployment rate inched up to 4.0% in January, due in part to the government shutdown. However, nonfarm job growth remains relatively robust as employers added more than 300,000 jobs last month. This is particularly encouraging given how few available workers are out there this late in the cycle.

Real Estate Finance

Mortgage Rates Remain Subdued: Following a significant retrenchment in 30-year fixed-rate mortgages, consumers continue to enjoy the reprieve as rates hovered at 4.46% last week. However, despite this, mortgage applications have yet to consistently trend upward. The Mortgage Bankers Association reports that both purchase and refinance applications declined by 6%—signaling broader challenges for the market beyond just rates.