

Housing/Real Estate Market

Home price growth trending upward, but at slower pace than a year ago: CoreLogic's Home Price Index (HPI) increased nationally in March by 3.7% from March 2018, but a slim 1% from February's revised number. This continues to work put pressure on affordability, which remains to be the top barrier preventing homeownership.

California faces near-term challenges as growth moderates: Overall, California's economy remains strong, but growth has moderated significantly. The higher home prices and slower global growth seems to be taking a toll on home sales and many remain watchful of CA's progress as a leading indicator, because it tends to be a few steps ahead of the nation.

Macro Economy

U.S. trade deficit widens slightly, even though gap with China shrunk to 3 year low: In March, the trade deficit rose 1.5% to \$50 billion from a revised \$49.3 billion in February. Meanwhile the deficit with China in the Q1 of 2019 is \$13 billion less than it was the same time last year, which in part is what helped boost U.S. Q1 GDP. We remain watchful on tariffs, as they would have a significant impact on the trade deficit and GDP.

Consumer credit grows in March, but at a much slower pace than the month prior: The Federal Reserve Bank reported that consumer credit grew at an annual rate of 3.1%, which was down from a 4.6% increase in February. Borrowing remains at modest levels and relative to household incomes which are signs of responsible borrowing and do not pose immediate threat to the economy.

U.S. job openings rebounded to a near-record 7.49 million in March: After falling to a 9-month low in February, the U.S. economy re-strengthen its labor market by increasing the number of job openings in March, suggesting that companies are still willing to hire even in the midst of slowing economy. The most notable gains were seen in transportation and warehousing (for companies delivering packages ordered online), construction and real estate related jobs.

The Producer Price Index (PPI) inches up in April: The Bureau of Labor Statistics reported an increase of 0.2% for final demand, indicating that inflation remains under wraps.

Despite increasing for the second month in a row, the Consumer Price Index (CPI) remains low: April reported the highest rate of inflation since November, but it's still well below last year's peak of 2.9%. This will likely keep the Fed from raising rates in the short-term.

Employees' real earnings slightly decrease in April: The Bureau of Labor Statistics reported a decrease of 0.1% from the previous month.

The federal government saw a surplus in the month of April, although it was 25% short from last year: The U.S. Department of the Treasury reported solid growth in individual income tax receipts which rose 5%. Although, the

Upcoming Data Releases

- California Q1 HAI – 5/14/19
- NFIB Small Bus. – 5/14/19
- CA Home Sales & Price – 5/15/19
- Retail Sales – 5/15/19
- Industrial Production – 5/15/19
- NAHB Index – 5/15/19
- Housing Starts – 5/16/19
- Building Permits – 5/16/19
- Cons. Sentiment Index – 5/17/19
- State Employment – 5/17/19

surplus was down from last year, spending saw an increase of 27% and in fact is much of what contributed to the \$160.3 billion surplus.

Real Estate Finance

Mortgage rates drop slightly: For the second consecutive week, rates for 30-year fixed-rate mortgage drop to 4.10% from 4.14% the week prior and 4.55% a year ago. Lower rates should incentivize homebuyers to jump in the market and homeowners looking to refinance, to finally pull the trigger.

Mortgage applications tick back up: Overall, the number of new mortgage applications increased by 2.7% last week as rates eased slightly. Refinancing rose 1% last week, but the composite index was bolstered by a 5% uptick in new purchase applications. This suggests that demand won't be as weak as many analysts have predicted.