Market Minute: July 22, 2019

Upcoming Data Releases

- NAR Existing Home Sales – 7/23/19
- New Home Sales – 7/24/19
- Durable Goods – 7/25/19
- Weekly Jobless Claims – 7/25/19
- Q2 GDP – 7/26/19

Housing/Real Estate Market

California sales retreat in June, but yearly outlook revised upward: After rebounding in May, June sales declined 4.2% on a month-to-month and 5.1% on a year-to-year. Meanwhile, median home price remained practically unchanged from May, but was up 1.4% from last year. Softer price growth and lowest interest rates in nearly 3 years make it a great time to buy, but that hasn't boosted sales much.

Home Builder confidence index bounced back from previous month: The NAHB index rose 1 point to 65 in July, but it still lags from last year's reading. Builders continue to encounter less favorable business conditions including pricier land, less affordable labor, and local policies and regulations.

Housing starts dip in June and permits fall to the lowest level in two years: Permits to build new homes deteriorated 6.1% and sank to a 1.22 million pace—the lowest since mid-2017. Housing starts also slipped 0.9% to an annual pace of 1.25 million, suggesting that the housing market has failed to gain momentum through its peak selling season and despite lower mortgage rates.

Macro Economy

California job growth – back on track: After having a slow start at the beginning of the year, hiring appears to be back in the fast lane across the golden state. Employers added 46,200 jobs in June, which account for the healthy increase of 116,400 in the past 3 months. The tech sector, mostly in the bay area, led the overall job growth of the state which grew at 4.4% when compared to last year.

Retail sales rose modestly in June, suggesting personal consumption growth for Q2: Despite a huge drop of 2.8% in sales at gasoline stations, sales rose solidly at 0.7%—the strongest gains since March. Overall, sales at U.S. retailers rose for the 4th month in a row and points to a strong rebound in consumer spending for the Q2 numbers.

Industrial production was flat in June: Despite gains in manufacturing and mining, the sharp decline in output of utilities were enough to offset such gains. While overall industrial production did not move ahead compared to May, it rose 1.3% when compared to a year ago.

Business inventories increased 0.3% in May: While inventories saw an increase of a third of a percent, the ratio of inventories to sales was unchanged at 1.39 for the same month. Meaning that it would take 1.39 months to sell all the inventory on hand, which was just a bit longer than it was a year ago at 1.34 months.

Import prices in June dropped the most in six months: The cost of imported goods fell in June, reflecting lower oil prices and a weaker global economy which is anguished by trade tensions between U.S. & China. The import price index declined 0.9% on a year-over-year basis and 0.3% excluding fuel. The silver lining, is that a lower import price index, means less inflationary pressures from home or abroad.

Application for unemployment benefits remain near 50-year low: While jobless claims application rose 8,000 to 216,000 in mid-July, there are not signs of labor market deterioration. The biggest problem with the current labor market is not a lack of jobs, or companies willing to hire. It's a shortage of skilled workers in an economy that's been expanding for 10 years, hence layoffs are so low.

Consumers remain confident in July: The consumer sentiment survey edged up to 98.4 from 98.2 in June near a 15-year peak even as the economy continues to show signs of slower growth. Consumer also reported a much more positive 6-month outlook than reported a month prior, which suggest that remain optimistic about the near future. Stable jobs, higher incomes, low interest rates, and even lower inflation all contributed to their positive outlook.

Real Estate Finance

Mortgage rates inched up after three weeks of holding steady: The 30-year fixed-rate mortgage (FRM) averaged 3.81% last week from 3.75% the week prior. Compared to a year ago, the 30-year FRM averaged 4.52%, which means that the mortgage rates remain low.

Mortgage applications decrease from a week prior: The market composite index, measuring mortgage loan application volume, decreased 1.1% on a seasonally adjusted basis. The refinance index increased 2% from the week prior, but purchase applications were down. Low interest rates have yet to spur significant sales growth, suggesting that affordability and downpayments represent larger obstacles than monthly payments.