

Housing/Real Estate Market

CAR modestly upgrades forecast: Leslie Appleton-Young delivered her mid-year forecast update last week, which projects slightly better sales and faster price growth than was originally forecasted late last year. Ongoing improvements in the economy coupled with rates that have fallen to a 3-year low have helped to improve the housing outlook in California this year.

FHA Mortgage Insurance Bill clears House: The U.S. House of Representatives has passed a bill that would enable first-time homebuyers to receive a discount on upfront mortgage insurance premiums as long as they have completed a counseling program aimed at sustainable homeownership practices. The bill still needs to pass the Senate and be signed into law by the President.

Upcoming Data Releases

- Retail Sales – 7/16/19
- Industrial Production – 7/16/19
- Bus. Inventories – 7/16/19
- Imports & Exports – 7/16/19
- Home Builders Index – 7/16/19
- Housing Starts – 7/17/19
- Building Permits – 7/17/19
- Weekly Jobless Claims – 7/18/19
- Leading Econ. Indicators – 7/18/19
- Consumer Sentiment – 7/19/19

Macro Economy

Consumer price index rose 0.1% in June: Americans paid more for rent, clothes and autos in June, but falling energy prices helped offset inflation. The cost of living over the past 12 months slipped to four-month low 1.6% from 1.8% and overall inflation has in 2019 has remained at or under 2%, which is below the Fed's target.

Consumer credit expands at solid pace for the second straight month: The U.S. consumer borrowing rose to \$17.1 billion in May, which represented an almost identical gain to the prior month and a 5% annual growth rate. Consumer spending and consumer credit seem to be last ray of hope for the economy showing healthy growth in a strong but weakening economy.

Consumer upbeat about the labor market and their financial situation: The New York Fed's survey measuring consumers' expectations found that consumers overall seem to be pretty optimistic about the future. For the most part consumers reported to have positive outlook on their financial situation with an improving unemployment rate and a relatively low inflation rate.

Small business optimism slips in June, as tariffs uncertainty rises: The index of small-business optimism declined 1.7 points to 103.3 in June. Six of the 10 index components fell, three improved and one stayed the same. While overall confidence remains somewhat high, business owners' plans to increase employment and to spend on capital both decreased, as did expectations of higher sales likely due to the rising trade tensions and rising costs.

Producer price index rose modestly in June: Similarly to CPI, the PPI also grew by a 1/10 of a percentage point indicating that inflation in the supply side of the economy also remains under wraps. Moreover, wholesale inflation over the past year decreased to 1.7%, which marked the lowest level in more than two years.

U.S. companies added more jobs in May, but at a much lower rate than last year: While job openings dip to 7.32 million in May, they remain near a record high even as hiring slowed down as a result of a softening economy.

Nevertheless, the 72,000 jobs added in May marked the 15th straight month that job openings outnumbered the unemployed workers, suggesting that hiring is unlikely to slow dramatically even though the economy has softened.

Jobless claims dropped to a 3-month low: The number of people who applied for unemployment benefits fell 13,000 to 209,000. A decline that might have been exaggerated by the inability to claim for benefits through the 4th of July holiday, but nevertheless marked the lowest level in more than three months. The more stable monthly average of new claims also showed a decline which still reflects the strongest labor market in decades.

U.S. Federal budget widens to \$747 billion for fiscal YTD: Even though the U.S. government ran an \$8 billion budget deficit in June, which was narrower by nearly 90% less than it was in June of last year, the nation's budget deficit widened YTD. For the current fiscal year, the government reported a 7% increase in spending and only 3% in receipts.

Real Estate Finance

Mortgage rates remain flat: The 30-year fixed-rate mortgage (FRM) averaged was unchanged from a week prior and remained at 3.75%. The FRM is $\frac{3}{4}$ of a percentage point lower than it was this same time last year and it's nearly its 3-year low.

Mortgage applications decreased even after adjusting for seasonality: According to MBA, mortgage application decreased 2.4% from a week earlier on a seasonally adjusted basis as a result of the 4th of July holiday. The refinance index decreased 7% from the week prior and the share of refinance applications decreased below half to 48.7%. Meanwhile new home purchase mortgage application for the month of June increased 17.9% on a year-over-year basis, suggesting a growing demand for new construction homes.

U.S. mortgage delinquency is at the lowest in 20+ years: The 30 days or more delinquency rate for April 2019 was 3.6%, which is down from 4.3% a year ago and represents a 0.7% year-over-year decline. The 0.4% foreclosure inventory rate also indicated a decline of 0.1%, when compared to the same time last year.