

## Housing/Real Estate Market

### **CoreLogic reports May home prices increased 3.6% from a year ago:**

CoreLogic reported not only price gains on a year-over-year basis, but also on a month-over-month 0.9%, and in fact, their HPI forecast indicates home prices will increase by 5.6% in May of 2020. The report also suggested that LA Metro's 12-month price appreciation is normal, while the Bay Area is underperforming at 0.6%.

### **Construction spending in May had the biggest drop in 7 months:**

U.S. construction spending projects fell 0.8% in May at a seasonally adjusted annual rate of \$1.3 trillion. April's number was revised up to a reflect a positive gain of 0.4% after a prior estimate of a flat reading. Public construction projects dropped 0.9% and so did residential construction, which fell 0.6% for the same month continuing its weakening drift.

## Macro Economy

**Despite trade tensions in June, manufacturing activity expanded with ISM easing only slightly:** The ISM index fell from 52.1% to 51.7% indicating that manufacturers grew at the slowest pace since late 2016. The survey results suggested that manufacturers grew worrisome as trade tensions escalated in June. They also indicated new orders remained unchanged, production and employment grew, supplier deliveries slowing at a slower rate, customers' inventories too low, prices decrease, and exports grew while imports were unchanged.

**Service sector of U.S. economy grows at slowest pace in nearly 2 years as tariff worries grow in June:** While the ISM non-manufacturing index fell from 56.9% to 55.1% and still remains in expansion territory, the service side of the economy grew at the slowest rate since July 2017. Weakness stemmed from a drop in business production, new orders declining, employment falling slightly, and worries over the worsening of trade tension between U.S. and China.

**Factory orders fell for the second consecutive time and the third time in the last 4 months:** Factory orders slipped 0.7% in May as transportation equipment plunged 4.6%. Excluding transportation, orders barely inched up 0.1%, suggesting a weakening of manufacturers' shipments, inventories and orders as we near the end of the second quarter of 2019.

**U.S. trade deficit widened for the third straight month in May:** The trade balance in May rose 8.4% to \$55.5 billion from a revised \$51.2 billion in April and marked the biggest gap level of 2019. Goods exports increased, but not enough to counter the steep decline seen in April and overall, they have yet to return to pre-trade war levels. The widening of the deficit in the first two months of the second quarter is likely to subtract from GDP.

**The U.S. labor market rebounded in June the economy added 224,000 jobs in June while entering its record 11<sup>th</sup> year expansion:** Improved hiring has calmed worries about a deteriorating economy. While it is a fact that the pace of hiring has slowed and unemployment inched up (3.7%) a bit in June mainly due to more people looking for work, unemployment is still near a 50-year low and thus the labor market remains strong by that and other standards.

### *Upcoming Data Releases*

- Consumer Credit – 7/8/19
- Small Bus. Index – 7/9/19
- Job Openings – 7/9/19
- Consumer Price Index – 7/11/19
- Weekly Jobless Claims – 7/11/19
- Federal Budget – 7/11/19
- Producer Price Index – 7/12/19

**Jobless claims fell 8,000 to 221,000 in late June:** The number of people who applied for unemployment benefits decreased. Despite downshifting in the first half of 2019, the labor market entered the 122<sup>nd</sup> month of economic growth with solid foundations.

## **Real Estate Finance**

**Mortgage rates level out:** The 30-year fixed-rate mortgage (FRM) barely moved as it averaged 3.75% compared to 3.73% the week prior. Compared to a year ago when it averaged 4.5%, the rates continue to provide a greater value proposition for those thinking about entering the real estate market, than it did mid-last year.

**Mortgage applications decrease slightly:** The number of mortgage loan application decrease 0.1% on a seasonally adjusted basis from a week prior, while refinance applications decreased 1% for the same time period. Overall however, purchase activity the first half of the year is almost 10% higher than it was a year ago, mainly due to the lower interest rates than last year.