Market Minute: January 27, 2020

Housing/Real Estate Market

Upcoming Data Releases

- New-home Sales – 1/27
- Durable Goods – 1/28
- Case-Shiller Home Prices – 1/28
- Consumer Confidence – 1/28
- Pending Home Sales – 1/29
- Q4 GDP – 1/30
- Employment Cost Index – 1/31
- Consumer Spending – 1/31

December existing home sales jump in California: Existing home sales were up 7.4% from December of 2018 mainly due to a lower mortgage rate environment. However, active listings continued to decrease, which pushed prices up 10.3% on a year-over-year basis—the largest yearly gain since May 2014.

U.S. existing home sales rebounded in December: Sales of previously-owned homes jumped 3.6% in December despite a very low supply of properties for sale, which hit a 20-year low. The median sales price increased by 7.8% from 12 months ago to $274,500—the 94th consecutive month of yearly price gains.

Home builder confidence slipped slightly in January: The index measuring the home builders' sentiment fell to 75 from 76. However, last month was a near-record high. In fact, builders kicked off 2020 on a much better note than last year when the confidence index was at 58.

The pace of new-home construction soars in December to a 13-year high: Builders started construction on new homes in the U.S at a pace of 1.61 million in December. This represented a 17% increase from a revised 1.38 million in November and was 41% higher than a year earlier. Building permits also ended the year 6% above the rates set in December of 2018.

Macro Economy

California labor markets continue their run: The state added 12,600 new jobs in December as the unemployment rate held steady at 3.9%. Unemployment in the Golden State remains at the lowest level in more than 50 years.

New jobless claims rose slightly in mid-January: Although the number of Americans who applied for unemployment benefits rose by 6,000 to 211,000 last week, reports still show very few layoffs. In fact, layoffs remain near a 50-year low, which bodes well for the health of the labor market and the broader economy in 2020.

Job openings dropped sharply in November: The number of job openings fell from 7.36 million to 6.8 million in November, a 21-month low. The largest declines in job openings were in retail trade and construction and the quits rate, or the number of people who left jobs on their own, remained steady at 2.3%.

U.S. budget deficit narrows slightly in December: A deficit of $13.3 billion was slightly below the $15 billion deficit estimated by the Congressional Budget Office the week prior, and represents a 2% drop form a year earlier. Nevertheless, the year-to-date budget deficit is up 12%.

Small-business optimism dipped in December: The index measuring U.S. small-business sentiment decreased 2 points to 102.7. Six of the 10 components of the index fell, two improved, and two were unchanged. While economic and sales expectations increased, so did uncertainty, and their top concern was finding qualified workers.

U.S. retailers end the year on a strong note: The retail sales in the final month of the year 2019 had a solid increase of 0.3% in a good sign for the U.S. economy. For the full year, retail sales climbed a healthy 5.8%.

The cost of living grew at fastest rate since 2011: CPI rose 0.2% from the month prior and 2.3% in 2019 over the course of 12 months, which represented the fastest annual pace in eight years. Much of the increase in the cost of living for Americans was concentrated in rent, gas and medical care.

Producer price index barely rose in December: The wholesale cost of U.S. goods and services inched up 0.1% at the end of 2019. On an annual basis, the PPI rose 1.3% in 2019—half as much as it did in 2018.

U.S. import prices climb 0.3% in December: The cost of imports increased by 0.3% at the end of 2019, which marked the biggest advance in 9 months. However, most of the increase was due to higher oil prices.

U.S. industrial production fell in December, marking the 3rd drop in the last four months: The manufacturing sector struggles to regain momentum. Industrial output fell 0.3% on a monthly basis and was down 1% on a year-over-year basis.

Real Estate Finance

Mortgage rates dropped to lowest level in 3 months: The 30-year fixed-rate mortgage (FRM) declined to 3.60% from 3.65% the week prior. The FRM is just over ¾ of a basis point lower than the average of 4.45% recorded a year ago.

Mortgage applications decreased: Mortgage applications decreased 1.2% from a week earlier on a seasonally adjusted basis. The refinance index decreased 2% from the previous week but remains 116% higher than the same week a year ago. New purchase applications decreased 2% from the week prior and were 8% higher than the same week of last year.