

Market Minute: February 24, 2020

Housing/Real Estate Market

[California home sales](#) maintain last year's momentum in January: Continued record low mortgage interest rates sustained California home sales as home prices pulled back from one of the highest levels recorded last year.

[U.S. existing home sales](#) dip slightly in January: Low mortgage rates continue to boost the housing market nationally, but the number of homes available for sale is near record lows which is limiting opportunities for buyers.

[Home builder's confidence](#) remains near all-time highs: The recent low interest rates and strong demand for housing as a result of cheaper mortgages, has bode well for construction firms as they feel very optimistic about new development. So much so, that [building permits even hit a 13-year high](#).

[California housing affordability](#) holds steady at end of 2019: 31% of California households could afford to purchase the \$607,040 median-priced home in the Q4 of 2019. While this was unchanged from the previous quarter, compared to a year ago, housing affordability improved in 44 tracked counties, declined in 4 and remained the same in 1.

[Freddie Mac survey](#) shows affordability drives purchase and rental decisions: The survey found that 84% of renters believe renting is more affordable than owning, which was a jump of 17% points from last year's results and a survey new all-time high. Ironically, affordability issues continue to affect renters more than owners.

Macro Economy

[Small-business owners](#) start off the year optimistic: While they to continue struggle to find qualified workers, they feel quite more optimistic about sales and profits in January than they did at the end of 2019. NFIB index rebounds from 102.7 to 104.3.

[Job openings](#) fall to 2-year low in December as hiring slowed: The number of job openings in the U.S. fell to 6.42 million at the end of 2019 reflecting a slowdown in hiring as a result of a softening economy. Nevertheless, hiring relatively steady and [jobless claims cling near post-recession low](#).

Consumers are feeling better about [taking on more debt](#): U.S. household debt hit \$14 trillion in Q4 of last year. This represented an increase of \$193 billion over the previous quarter. Credit-card and student-loan debt rose modestly, but mortgage debt surged by \$120 billion, as a result of lower interest rates incentivizing people to jump into the real estate market.

[Consumer prices increased in January](#) driven by rising rents: While CPI inched up 0.1%, inflation remains low. The cost of living in the past 12 months meanwhile jumped the highest level since the fall of 2018, from 2.3% to 2.5%.

[U.S. ran a \\$32.6 billion budget deficit in January](#) compared to a surplus of \$9 billion the same month of last year: The federal government's current fiscal year to date deficit is now \$79 billion more than the same period last year

[U.S. retailers off to a sluggish start](#) in 2020: Despite sales growing a modest 0.3% in January thanks to consumers spending more money eating out and furnishing homes, retail sales were relatively soft and didn't appear to add much to the economy.

Upcoming Data Releases

- CS Home Price Index – 2/25
- Consumer Confidence – 2/25
- New-Home Sales – 2/26
- GDP Q4 – 2/27
- Durable Goods Orders – 2/27
- Weekly Jobless Claims – 2/27
- Personal Income – 2/28

Producer price index showed tepid increase: The wholesale cost of U.S. goods and services barely rose 0.2% in December and declined 0.1% in November, suggesting there was little inflation building at the end of 2019. Wholesale inflation has tapered off as it rose 1.3%, which was half as much as it did in 2018.

Industrial production slumps, marking its 4th decline in past 5 months: Industrial output fell 0.3%, although excluding autos, it was up by the same token. In any case, manufacturing continues to struggle with trade tensions, a strong dollar and business uncertainty.

U.S. import prices start off the year flat: The import price index was unchanged in January, as lower fuel costs offset the 0.2% increase in non-fuel goods. The increase in import prices over the past 12 months slowed to 0.3% from 0.5%.

Real Estate Finance

Little change in mortgage rates: The 30-year fixed-rate mortgage (FRM) inched up to 3.49% from 3.47% the week prior. The FRM continues to be significantly lower than the average of 4.35% recorded a year ago.

Mortgage applications decreased: Mortgage applications decreased 6.4% from a week earlier on a seasonally adjusted basis. The refinance index decreased 8% from the previous week but remains 165% higher than the same week a year ago. New purchase applications decreased 3% from the week prior on a seasonally adjusted basis but were 10% higher than the same week of last year.