

Market Minute: March 30, 2020

Housing/Real Estate Market

February new-home sales dropped from 13-year high: Sales of newly-constructed homes in the U.S. declined by 4.4.% from January's 13-year high to a seasonally-adjusted annual rate of 765,000. Compared to February of last year, new-homes sales increased 14.3% which made February the second-highest month for new-home sales since 2007. Nevertheless, sales volume is expected to slow significantly in the months ahead due to coronavirus pandemic.

Macro Economy

Jobless claims reflect massive spike in layoffs as economy come to halt: A record 3.28 million Americans applied for unemployment benefits due to coronavirus closures on the week that ended March 21. The seasonally adjusted increase in initial jobless claims was the largest ever and they will likely rise further as more states order nonessential businesses to close to cope with the coronavirus pandemic.

Consumer sentiment posts largest drop since financial crisis: The University of Michigan's index dropped to 89.1—a drop of 11.9 points from the previous month. In particular, concerns about job losses drove the deterioration in consumer sentiment, which also drove down expectations for personal finances as well.

Consumer spending barely rose in February: For most of last year and the beginning of this, consumer spending had been the main engine carrying the U.S. economy forward. However, in February consumer spending increased a mild 0.2% despite solid gains in personal income. As the economy shuts down in response to the COVID-19 outbreak, both are expected to weaken in the next few months.

Fourth-quarter GDP expanded at a solid 2.1%: Consumer spending was revised higher than initially reported, but that was offset by downward revisions in federal spending and business fixed investment, leaving the pace of growth unchanged. Q4 of 2020 was a long time ago in the context of the current outbreak, but shows that the economy was on a solid footing going into the crisis.

Durable-goods orders had biggest gain in February since last summer: Orders for durable goods jumped 1.2%, mostly as a result of a sizeable gain in orders for new cars and trucks, which rose 2%, the largest in 8 months. Again, preliminary indications are that this is likely to decline in the March reading.

Real Estate Finance

Mortgage rates dropped: The 30-year fixed-rate mortgage (FRM) decreased to 3.50% from 3.65% the week prior and remains a little over half a percentage lower than the average of 4.06% recorded a year ago. Although the Fed has taken unprecedented action to provide liquidity to the market, frictions at the origination and servicing level are still preventing the full benefit of those actions from reaching consumers.

Mortgage applications decreased: Mortgage applications decreased 29.4% from a week earlier on a seasonally adjusted basis and the refinance index decreased 34% from the previous week but remains significantly higher than a year ago at 195% higher. New purchase index decreased 15% from the week prior on a seasonally adjusted basis but was 11% higher than the same week of last year.

Upcoming Data Releases

- Pending Home Sales Index – 3/30
- C/S Home Price Index – 3/31
- Consumer Confidence – 3/31
- ISM Manuf. Index – 4/1
- Construction Spending – 4/1
- Trade Deficit – 4/2
- Factory Orders – 4/2
- Weekly Jobless Claims – 4/2
- Unemployment Rate – 4/3
- ISM Non-Manuf. Index – 4/3