

Housing/Real Estate Market

Home prices continue to slow in May: Case-Shiller's 20-city index rose 0.1% in May compared to April on a seasonally adjusted basis and 2.4% from a year ago. This is the 14th straight month in which the annual home price growth slowed, and the lowest level of growth in nearly 7 years.

Pending home sales rise nationally in June: Pending home sales increased 2.8% with gains in each of the four major regions, but particularly in the West, where it jumped 5.4%. This is likely as a result of strong job growth, a steady stock market (prior to the past few weeks), rising home values, and low mortgage rates. However, California has not enjoyed the rebound in home sales.

Construction spending falls 1.3% in June: The U.S. Commerce department said that construction spending dropped 1.3% in June to a seasonally adjusted annual rate of \$1.29 trillion, which is 2.1% lower than it was this same time last year. While construction spending for residential construction dropped 8.0% on an annual basis.

Macro Economy

Fed cuts interest rates for first time since 2008 crisis: The Federal Reserve cut its benchmark interest rate by 0.25% and ended its quantitative easing program two months early. Since the Fed last raised rates, economic growth has slowed and inflation has remained soft. The Fed hopes that cutting the federal funds rate will bolster the economy and incentivize spending/borrowing rather than savings.

The U.S. added 164,000 new jobs in July keeping unemployment near record low: The U.S. labor market added another 164,000 new jobs to keep unemployment at 3.7% near its record low. Although hiring has slowed since last year, the labor market is still 80,000 jobs short in order to keep up with new people entering the labor force. Wages however, have picked up just slightly above 3% and although it's a bit lower than usual during full employment, employees seem happy and confident on the economy.

Consumers spending at a healthy pace and inflation is low: Consumer spending didn't grow quite as much in June as they did the prior 3 months, but the overall level of spending remains high. Incomes rose for the 5th consecutive month and savings edged higher. Meanwhile, PCE inflation barely rose, leaving it unchanged from last year's level at 1.4%—well below Fed's 2% target.

Consumer confidence rebounds to its highest level in 2019: The consumer confidence index jumped to 135.7 in July from a revised 124.3 in June—reaching the highest level this year and nearing an 18-month high. With lower rates, and despite global economic concerns, consumers remain upbeat.

Employment cost index rose at a slower pace in Q2: The employment costs (wages and other benefits) rose 0.6% in the second quarter of 2019. The increase in compensation gains over the past year slipped from 2.8% to 2.7% but is above the average of 2% from 2010 to 2016. This is important from a consumer standpoint, yet remains well below 3% offering, which prevents rising labor costs from adding much to inflation.

Upcoming Data Releases

- ISM Non-Manufacturing – 8/5/19
- Job Openings – 8/6/19
- CA Q2 HAI – 8/7/19
- Consumer Credit – 8/7/19
- Weekly Jobless Claims – 8/8/19
- Producer Price Index – 8/9/19

American manufacturers grew at slowest pace in 3 years: The ISM manufacturing index dropped to 51.2% in July. Even though the reading is still above 50% (indicating modest expansion), the index has fallen sharply since the U.S. confrontations with China began last year.

Factory orders rebound after two consecutive months of declines: U.S. factory orders rose 0.6% in June. Excluding transportation, it moved up 0.3% and core capital goods orders advanced a revised 1.5%, down from a preliminary 1.9%. Recent data suggests however, that manufacturing sector has continued to lose momentum this year.

Jobless claims rose, but remain near lowest level in decades: While jobless claims increased by 8,000 towards the end of July, layoffs are still extremely low. The more stable monthly average of new claims fell by 1,750 to 211,500 offering more evidence that the U.S. labor market is its strongest in half a century.

U.S. trade balance dipped in June amid decaying China trade dispute and uncertainty in global economy: The U.S. trade gap fell 0.3% to \$55.2 billion in June from \$55.3 billion in May, as imports fell. However, exports also dropped 2.1%.

Down Jones and the stock market had steepest weekly loss in months: The stock market reacted to escalating tensions with China and fell to its lowest level in a month after regaining much of its lost momentum in the wake of the Fed's rate cut.

Real Estate Finance

Mortgage rates remain flat: The 30-year fixed-rate mortgage (FRM) averaged 3.75% and remained unchanged from the week prior, but nearly a full basis point from a year ago at 4.60%. Mortgage interest have essentially stabilized for the past two months. However, the Fed's rate cut and recent 10-year bond rates suggest that rates will remain low or even decline slightly in coming months.

Mortgage applications decrease for the 3rd straight week: Mortgage loan applications decreased 1.4% on a seasonally adjusted basis. The refinance index was practically unchanged with a slight dip of 0.1%, while the purchase index drove most of the decline by decreasing 3%. So far, low rates have not lured many would-be buyers into the market.

The use of down payment assistance doubled in four years: As home prices grew and affordability became more of an obstacle to attain homeownership, more buyers opted to take advantage of Down payment assistance. Q1 and Q2 Homeownership Program Index (HPI) showed that the use of assistance programs has doubled since 2013, while # of programs available and funding on the other hand has started to decrease. California remains as the State in the nation with the most programs available at 343.