

## Home Sales Reflect Shutdown and Reopening

Updated June 24 at 12:30 p.m. CT

On Monday, existing home sales (which have historically represented 85% to 90% of the total housing market) dropped -9.7% during the month of May to an annualized unit pace of 3.91 million, the weakest since October 2010. The sales pace has now fallen for three consecutive months after logging a 13-year high of 5.76 million in February, and is down -26.6% year-over-year. Since existing home sales are tallied at closing, the anemic May data is actually reflective of the March/April period when most Americans were shuttered in their homes. Going forward, with the economy having since reopened, some improvement is certain.

Last week, Freddie Mac reported the 30-year fixed rate loan averaged an all-time low of 3.13% while the 15-year averaged its own record low of 2.58%. Mortgage applications for new purchases for the week ending June 12 were up +8.0% and +21% year-over-year. This suggests a solid bounce upward following three disappointing months, but a sharp rebound in June or July from depressed levels shouldn't yet indicate wellness. In fact, this morning, the Mortgage Bankers Association reported that new purchase apps had retreated -8.7% in the week ending June 19, although still up +18% year-over-year.

Yesterday, new home sales for May climbed +16.6% to a 676k annualized rate, following three straight months of decline. At this point, new home sales are actually up +12.7% from a year ago, while the average price was down -2.7% year-over-year. Unlike existing homes, new home sales are tallied at contract signing and are considered a more timely indicator. The available inventory of new homes is relatively lean which will keep upward pressure on prices. Housing starts have been depressed in recent months with the annualized pace plunging from 1.617 million units in January to just 934k in April, before rebounding slightly in May. Builders are cautious amid uncertainty.

Like most data releases, the recent housing numbers contain far too much noise to draw conclusions. The CARES Act has provided relief to over four million virus-impacted homeowners, allowing distressed borrowers with government-backed mortgages to pause their payments for up to a year. With so many homeowners struggling, and unemployment at historically elevated levels, credit conditions are tightening fast with the Mortgage Banker Association's Credit Availability Index falling to a 6-year low. Housing expectations for the remainder of the year will take their cue from the labor market, which will in turn be dependent on the path of the virus.

### Market Indications as of 12:30 P.M. Central Time

DOW	Down 699 to 25,457 (HIGH: 29,551)
NASDAQ	Down 221 to 9,910 (HIGH: 10,131)
S&P 500	Down 73 to 3,058 (HIGH: 3,386)
1-Yr T-bill	current yield 0.17%; opening yield 0.17%
2-Yr T-note	current yield 0.19%; opening yield 0.19%
5-Yr T-note	current yield 0.32%; opening yield 0.33%
10-Yr T-note	current yield 0.68%; opening yield 0.71%
30-Yr T-bond	current yield 1.45%; opening yield 1.49%

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