

Mortgage Rates Drop as Existing Home Prices Reach New Highs

This morning, Freddie Mac reported the fourth straight weekly decrease in the average mortgage lending rate with the 30-year fixed dropping from 2.88% to 2.78% and the 15-year from 2.22% to 2.12%. The 30-year rate has now moved within 13 basis points of its all-time low, while the 15-year reached the lowest average in history. *It may be time to refinance if you haven't already.*

Also this morning, existing home sales rose by +1.4% in June, the first increase since January, as lean inventories showed slight improvement. The National Association of Realtors reported 1.25 million existing homes on the market in June, an increase of +3.3% from May. It was the largest available inventory of existing homes since November, but still nearly -20% below a year ago. At the current sales pace, existing inventory would be sold in 2.6 months, a slight increase from May, but still about half of what realtors would normally consider a tight market.

Housing demand remains extremely strong as evidenced by an average of just 17 days on the market, matching a record low, while 89% of homes were sold in less than a month. As expected, the supply/demand imbalance continues to push prices higher. The median sales price for an existing home was \$363k in June, a new record high and a +23.4% increase over the same period last year.

First-time home buyers purchased 31% of properties during the month, down from 35% a year ago, while individual investors or second-home buyers accounted for 14% of purchase in June, up from 9% a year ago. This reflects the disproportionate pandemic effect on household wealth favoring those with real estate and equity holdings. The NAR expects home prices will continue to climb throughout the year, although the pace of increase is expected to slow.

In other housing-related news from earlier in the week, housing starts rose +6.3% in June to a three-month high of 1.63 million annual units. However, building permits (an indicator of future starts) fell from an annualized pace of 1.69 to 1.59 million annual units, well below the 1.88 million unit pace in January and the lowest since October. Homebuilders are incentivized, but continue to struggle with higher materials prices, supply chain disruptions and a severe lack of skilled workers.

In other news this morning, initial jobless claims for the week ending July 17th unexpectedly rose to 419k, a 51k increase over the previous week and well above the 350k median forecast. Although this seems to signal weakening of the labor market, analysts caution that seasonal adjustment factors including automakers annual retooling period have distorted the data. It's possible that the delta variant spread could have an impact on the labor market in the coming weeks if the upswing in new cases continues, but the general expectation is that the July employment report will show another solid rise in nonfarm payrolls. The U.S. Department of Labor reported the total number receiving benefits for all programs during the week ending July 3rd dropped by 1.26 million to 12.6 million as an increasing number of

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states opt out of federal unemployment benefit programs before the official end date on September 6th.

Market Indications as of 11:07 A.M. Central Time

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| DOW | Down 57 to 34,741 (HIGH: 34,996) |
| NASDAQ | Up 11 to 14,644 (HIGH: 14,733) |
| S&P 500 | Down 2 to 4,356 (HIGH: 4,385) |
| 1-Yr T-bill | current yield 0.07%; opening yield 0.06% |
| 2-Yr T-note | current yield 0.20%; opening yield 0.20% |
| 3-Yr T-note | current yield 0.37%; opening yield 0.38% |
| 5-Yr T-note | current yield 0.70%; opening yield 0.73% |
| 10-Yr T-note | current yield 1.24%; opening yield 1.28% |
| 30-Yr T-bond | current yield 1.89%; opening yield 1.93% |

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