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Putting Home Sales Slowdown in Perspective

Both New and Existing Home Sales came in lower than expected this week. Taken together with last week's big drop in Housing Starts, this raises obvious questions about the housing market. **How much should you worry?**

Incidentally, I posed the **same question** in last week's newsletter. You can revisit it with this link or simply read on. The answer is the same, and for mostly the same reasons, but we'll explore it a bit further this time.

Again, the short answer is "no." And again, the long answer requires some more explanation.

If, for instance, your hopes and dreams rely on home sales continuing to rise without pausing, you may indeed have something to worry about. For everyone else, all we're seeing so far is a fairly normal **cooling-off** period.

This can be seen in the following chart with Existing Home Sales settling into a sideways pattern. Incidentally, this means we're sideways at the **strongest levels** ever seen in this data apart from the run up to the housing bubble. With that in mind, some "normal cooling" might not be a bad thing.

National Average Mortgage Rates



Mortgage News Daily	Rate	Change	Points
30YR Fixed	7.33%	-0.12	0.00
15YR Fixed	6.89%	-0.10	0.00
30YR FHA	6.95%	-0.10	0.00
30YR Jumbo	7.44%	-0.06	0.00
7/6 SOFR	6.81%	-0.19	0.00
30YR VA	6.97%	-0.10	0.00

Rates as of: 11/20

MBS and Treasury

	Price / Yield	Change
MBS UMBS 6.0	99.51	+0.41
10 YR Treasury	4.9403	-0.1033
30 YR Treasury	5.3324	-0.0738

Pricing as of: 11/20 5:59PM EST

Recent Housing Data

		Value	Change
Mortgage Apps	Nov 11	199.8	-2.35%
Building Permits	Oct	1.3M	-7.5%
Housing Starts	Oct	1.31M	+7.21%
New Home Sales	Sep	676K	-1.17%
Pending Home Sales	Oct	63	-4.69%
Existing Home Sales	Oct	3.99M	+0.25%
Builder Confidence	Nov	25	-13.79%

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Whereas it might require a deep breath and some perspective to feel optimistic about existing sales, **New Home Sales** are still very clearly in a linear uptrend. They just happen to be experiencing a move lower **INSIDE** that trend--one that they've seen at least 4 times in the past 5 years. In fact, the periodic corrections of the past few years are clearly milder than those seen during the previous expansion (as seen at the bottom of the following chart).

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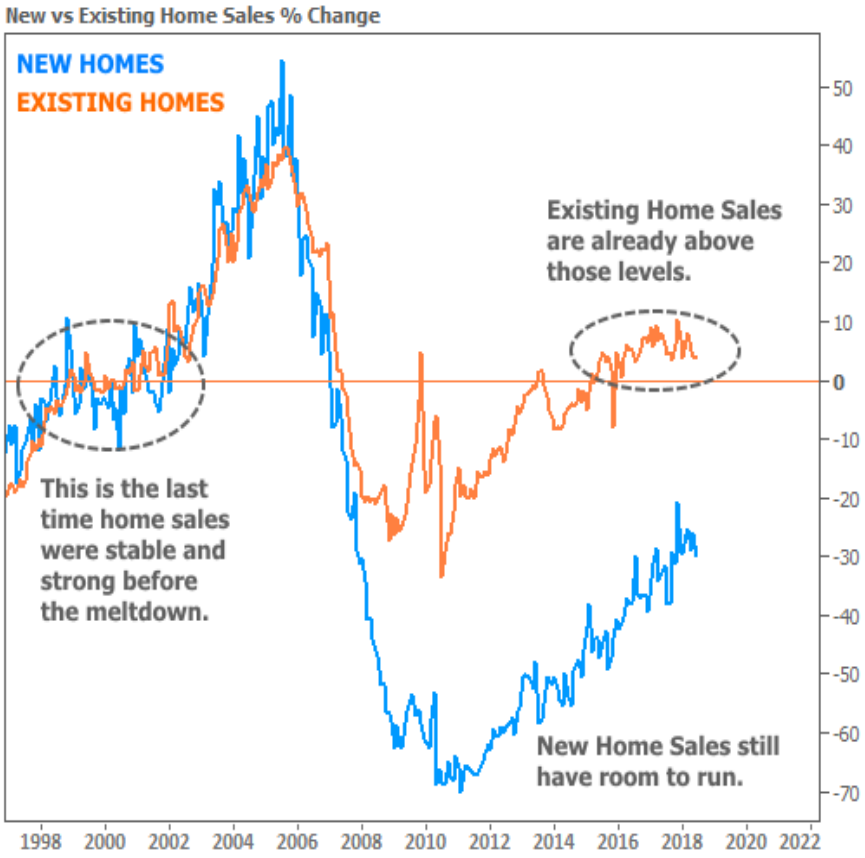


It makes sense that New Home Sales are **outperforming**. Relative to that strong, stable baseline from 1998-2002, they've lost much more ground than existing sales and they haven't recovered as quickly. The following chart shows the percent change in sales from the 1998-2002 time frame. Notice that existing sales have been above the baseline for several years. Like we discussed last week, there are much worse places to be leveling-off.

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So, does all of the above mean everything's fine and there's no reason to worry?

It's rarely a good idea to think about the future market outlook with such certainty. What we can be certain of is that there's no obvious reason to be **alarmed** by currently available data (especially the New Home Sales data).

Yes, sales have declined in recent months, and Existing Sales are clearly in a sideways pattern. But then we might ask ourselves if we'd really want to see Existing Sales continuing to push the pace if that increased the risk of a sharper correction in housing. If we **don't** dip too far below current levels, it'll be something that **almost everyone** can live with and it will set a stronger foundation for future improvement.

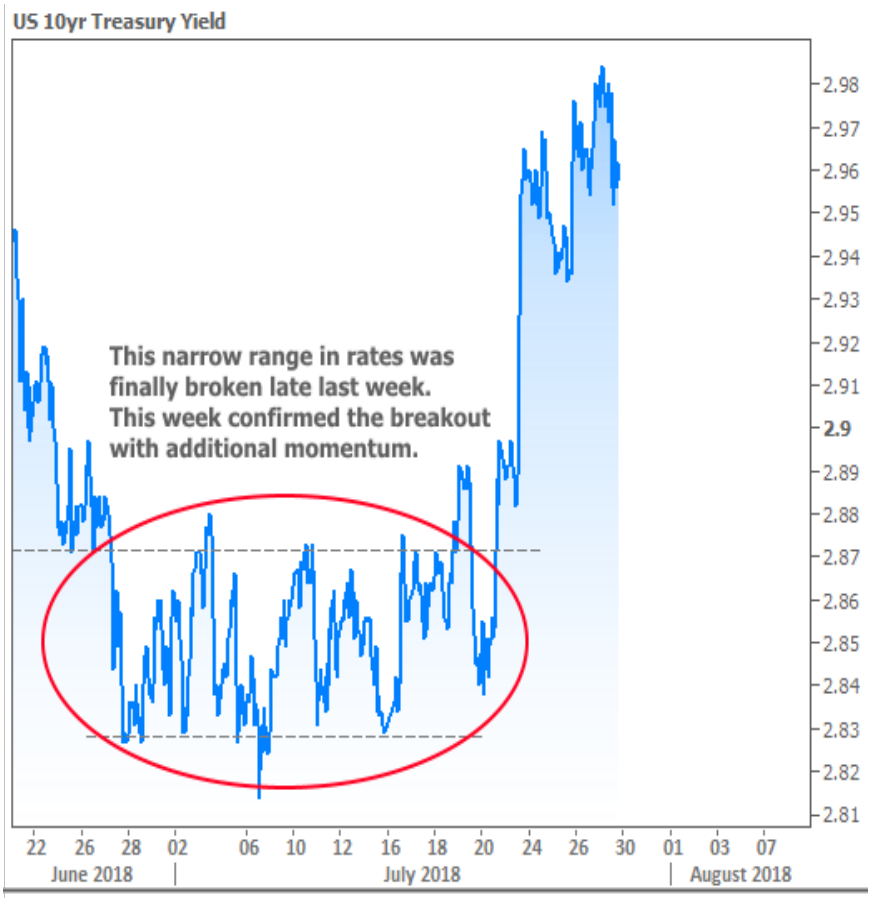
Of course future potential can always be derailed by unforeseen shocks, and market participants tend to worry more about that when certain headwinds start piling up. One of the current headwinds is the **recent rise in rates**.

As of last week, rates were **just beginning** to inch higher from a very narrow range (roughly 2.82-2.90% in terms of 10yr Treasury yields). This week essentially confirmed that breakout with yields getting close to 3%. Conforming mortgage rates experienced a similar move higher for most lenders.

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Next week brings an incredibly active calendar of economic data and events. If you had to name the 2 biggest calendar events for interest rates over the years, Fed Announcements and Nonfarm Payrolls (NFP) data would be at the top of the list. We get both next week as well as a slew of other data. On a housing-specific note, Monday's Pending Home Sales data will give us an idea of what to expect from next month's Existing Sales numbers.

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Recent Economic Data

Date	Event	Actual	Forecast	Prior
Monday, Jul 23				
10:00AM	Jun Existing home sales (ml)	5.38	5.44	5.43
10:00AM	Jun Exist. home sales % chg (%)	-0.6	0.5	-0.4
Tuesday, Jul 24				
9:00AM	May Monthly Home Price yy (%)	6.4		6.4
9:00AM	May Monthly Home Price mm (%)	0.2		0.1
Wednesday, Jul 25				
7:00AM	w/e MBA Purchase Index	245.5		247.9
7:00AM	w/e Mortgage Refinance Index	988.6		979.6
10:00AM	Jun New home sales-units mm (ml)	0.631	0.670	0.689
10:00AM	Jun New home sales chg mm (%)	-5.3	-2.8	6.7
1:00PM	5-Yr Note Auction (bl)	36		
Thursday, Jul 26				
8:30AM	Jun Durable goods (%)	1.0	3.0	-0.4
8:30AM	Jun Nondefense ex-air (%)	0.6	0.4	0.3
8:30AM	w/e Jobless Claims (k)	217	215	207
1:00PM	7-Yr Note Auction (bl)	30		
Friday, Jul 27				
8:30AM	Q2 GDP Advance (%)	4.1	4.1	2.0
10:00AM	Jul U Mich 5-Yr Inf Final (%)	2.4		2.4
10:00AM	Jul U Mich Sentiment Final (ip)	97.9	97.1	97.1
10:00AM	Jul U Mich 1Yr Inf Final (%)	2.9		2.9
Monday, Jul 30				
10:00AM	Jun Pending Home Sales (%)	+0.9	0.0	-0.5
10:00AM	Jun Pending Sales Index	106.9		105.9
Tuesday, Jul 31				
8:30AM	Q2 Employment costs (%)	+0.6	0.7	0.8
8:30AM	Jun Personal Income (%)	+0.4	0.4	0.4
8:30AM	Jun Consumer Spending (Consumption) (%)	+0.4	0.4	0.2
8:30AM	Jun Core PCE (y/y) (%)	+1.9	2.0	2.0
9:00AM	May CaseShiller 20 yy (%)	6.5	6.5	6.6

Event Importance:

No Stars = Insignificant
☆ Low
★ Moderate
★★ Important
★★ Very Important

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Date	Event	Actual	Forecast	Prior
9:00AM	May CaseShiller 20 mm SA (%)	0.2	0.2	0.2
9:45AM	Jul Chicago PMI	65.5	62.3	64.1
10:00AM	Jul Consumer confidence	127.4	126.0	126.4
Wednesday, Aug 01				
7:00AM	w/e MBA Purchase Index	237.9		245.5
7:00AM	w/e Mortgage Refinance Index	971.3		988.6
8:15AM	Jul ADP National Employment (k)	219.0	185	177
10:00AM	Jul ISM Manufacturing PMI	58.1	59.5	60.2
10:00AM	Jul ISM Mfg Prices Paid	73.2	75.8	76.8
10:00AM	Jun Construction spending (%)	-1.1	0.3	0.4
2:00PM	N/A FOMC rate decision (%)	1.875	1.875	1.875
Thursday, Aug 02				
8:30AM	w/e Jobless Claims (k)	218	220	217
9:45AM	Jul ISM-New York index	797.5		785.0
10:00AM	Jun Factory orders mm (%)	+0.7	0.7	0.4
Friday, Aug 03				
8:30AM	Jul Non-farm payrolls (k)	+157	190	213
8:30AM	Jul Unemployment rate mm (%)	3.9	3.9	4.0
10:00AM	Jul ISM N-Mfg PMI	55.7	58.6	59.1

Who is Mid Valley Financial?

Since 1985, Mid Valley Financial has been a trusted partner for complex real estate financing solutions. We specialize in handling unique and challenging loan scenarios, including those with non-traditional income or asset documentation. Our expertise in hard money and private money lending offers quick funding and flexible terms for real estate investors, business owners, and agricultural operators. Whether you need funds for purchasing, renovating, or refinancing properties, our experienced team is here to help.

Beyond hard money lending, we offer a comprehensive suite of competitively priced home loan options, including conventional, FHA, VA, and jumbo loans. So whether you are a first-time homebuyer, looking to secure the family estate or vacation property, or have unique financial circumstances, our experienced team can help you find the best solution.

Our commitment to exceptional customer service and innovative financing solutions has made us one of the leading direct lenders and mortgage brokers in the California real estate market. With a proven track record of success and a focus on building long-term relationships, we're here to help you achieve your financial goals.

Mid Valley Financial MVF

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