



Market Minute - April 20, 2020

Housing/Real Estate Market

California's housing market begins to feel effects of COVID-19: Sales held up relatively well because deals continued during first two weeks of March before stay-in-place orders were implemented throughout the state. Pending sales suggest larger declines in April and May.

Homebuilders' confidence takes a big hit: The index measuring home builders' confidence fell off the cliff as it had its largest drop ever on a monthly basis, falling from 72 in March to a reading of 30 in April. This is the lowest the index has been since 2012.

New residential construction records biggest monthly decline since March 1984: Construction activity is poised to continue slowing further as major parts of economy remain closed in efforts to prevent spread of coronavirus and home builders' confidence faded.

Macro Economy

Retail sales plunge a record 8.7% in March: As coronavirus crisis freezes U.S. economy, sales at retailer stores plummet. Sales fell for the second time in a row, but as people continue to be asked to stay at home, the industry which relies heavily on foot traffic is likely to continue to see sharp declines before they can see any signs of hope at the end of the tunnel.

California jobs end 10-year winning streak: California shed nearly 100,000 nonfarm jobs last month. Based upon the weekly data for unemployment insurance, payrolls are likely to drop significantly more than that in the coming months given that as many as 1.3 million Californians have filed for unemployment over the past 4 weeks.

Industrial production had largest drop since 1946: U.S. factories suspend operations late in month due to pandemic and record steep 5.4% decline in output. Capacity utilization similarly dropped to 72.7% from 77%, the lowest since the Great Recession.

Import price index sinks 2.3% in March - likely to keep falling: Current price war between Russia and Saudi Arabia drove the cost of oil sharply lower, which triggered the biggest decline in U.S. import prices in over 3 years.

Coronavirus related layoffs jump above 22 million: The number of American who applied for unemployment benefits the prior week soared another 5.25 million, pushing the number of layoffs in the last 4 weeks to 22 million.

Real Estate Finance

Millions of homeowners seek assistance: According to a recent release by Black Knight, more than 3 million homeowners have entered forbearance on their monthly mortgage payment. This is more than three times the estimated number expected by the FHFA.

Mortgage rates dipped slightly: The 30-year fixed-rate mortgage (FRM) dipped slightly to 3.31% from the week prior at 3.33% and continues to be over $\frac{3}{4}$ of a percentage lower than the average of 4.17% recorded a year ago.

Mortgage applications increased: Mortgage applications increased 7.3% from a week earlier on a seasonally adjusted basis and the refinance index also increased by 10% from the previous week and remains 192% higher than a year ago. New purchase index however decreased 2% from the week prior on a seasonally adjusted basis and was 35% lower than the same week of last year.

Past Market Minutes

April 6, 2020 - Pending home sales rose in February, consumer confidence sinks in March

March 30, 2020 - February new home sales dropped, mortgage applications decreased

March 23, 2020 - Market off to a great start before COVID-19 outbreak, interest rates rose

March 16, 2020 - Confidence in housing remains high, small business owners optimistic, rates inch up and refi applications skyrocket

March 9, 2020 - Fed makes emergency rate cut, mortgage rates at all-time low

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