

FOR THE WEEK OF FEBRUARY 24, 2020

QUOTE OF THE WEEK

"To be yourself in a world that is constantly trying to make you something else is the greatest accomplishment."--Ralph Waldo Emerson, American poet and philosopher

NATIONAL MARKET UPDATE

January Housing Starts dipped 3.6%, but were still up 21.4% from a year ago. Starts rose in the Northeast and West, falling only in the Midwest and South. The 1.567 unit annual rate was the second highest since 2006.

For two months now, starts have hit the 1.5 million yearly rate needed to accommodate population growth and scrappage. Happily, January Building Permits also reached that level, up 9.2% to 1.551 million, a 12-year high!

Existing Home Sales also slipped in January, off 1.3%, to a 5.460 million annual rate, yet still showed a nice yearly 9.6% rise. Sales gained in the South and Midwest, were unchanged in the Northeast, and fell only in the West.

REVIEW OF LAST WEEK

UP AND DOWN... Extending the two-week rally, the S&P 500 and the Nasdaq hit new highs mid-week, then ***growing coronavirus concerns sparked a big sell-off that sent all three major stock indexes down by the end.***

Of course, the sell-off may have simply been motivated by investors taking profits after the prior run-up and before stocks suffer any temporary losses from the slowing Chinese economy and disrupted supply chains.

But our economy rocks on. Add to the encouraging housing news, **historically low weekly jobless claims, and a rebound in manufacturing**, with reads for the New York and Philadelphia regions surging in February.

The week ended with the Dow down 1.4%, to 28,992; the S&P 500 down 1.3%, to 3,338; and the Nasdaq down 1.6%, to 9,577.

Coronavirus worries rallied bonds. The 30YR FNMA 4.0% bond ended UP .22, to \$104.81. **The national average 30-year fixed mortgage rate edged up a mere two basis points (.02%) in Freddie Mac's Primary Mortgage Market Survey. Remember, mortgage rates can be extremely volatile, so check with your mortgage professional for up-to-the-minute information.**

DID YOU KNOW?... Homebuilder confidence slipped one point in February, but remained just below December's 20-year high. Freddie Mac reported new residential construction is "on pace to reach the highest level in more than a decade."

THIS WEEK'S FORECAST

NEW AND PENDING HOME SALES, GDP RISE, PRICES HOLD, CONSUMERS SPEND...

We should see January gains in both **New Home Sales** and **Pending Home Sales** existing home contracts. The **GDP-2nd Estimate** is expected to go to 2.2%. The forecast for **Core PCE Prices** has inflation within the Fed's target range, while **Personal Spending** is predicted to show a strong consumer.

NOTE: Weaker economic data tends to send bond prices up and interest rates down, while positive data points to lower bond prices and higher loan rates.

FEDERAL RESERVE WATCH

Forecasting Federal Reserve policy changes in coming months... There's growing sentiment on Wall Street for a quarter percent rate cut at the end of April. Note: In the lower chart, a 19% probability of change is an 81% probability the rate will stay the same.

Current Fed Funds Rate: 1.50%-1.75%

AFTER FOMC MEETING ON:	CONSENSUS
Mar 18	1.50%-1.75%
Apr 29	1.25%-1.50%
Jun 10	1.25%-1.50%

Probability of change from current policy:

AFTER FOMC MEETING ON:	CONSENSUS
Mar 18	19%
Apr 29	52%
Jun 10	30%

BUSINESS TIP OF THE WEEK

Change is inevitable. So instead of fighting it, keep an open mind and look for the opportunities that typically unfold as change happens. We can't control the change thrown at us. But we can control how we react to it.

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