

GLOBAL MARKET SQUARE



Housing Market Shows Resilience as Home Loan Refinance Applications Surged 20%, Lower Rates, and Easing Inflation Pressures Make Global Stocks Retreat.

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The U.S. and European stock markets closed with losses as investors seemed to take a breather, but the Nasdaq closed with a small gain. Following the Dow Jones and S&P 500 record highs, all three major indexes are poised to close September in positive territory, even as concerns about a slowing economy persist following last week's rate cut by the Federal Reserve. The bank's decision to lower interest rates has helped the S&P 500 buck the trend of a sluggish stock month.

European markets closed down, reflecting caution among investors and causing ongoing market volatility amid global uncertainty.

Asian markets closed mostly higher overnight, with Chinese stocks continuing to rally behind fresh stimulus measures from policymakers. These measures included cutting short-term interest rates and easing downpayment requirements for second-home buyers.

Meanwhile, the U.S. Treasury yield curve steepened today, with the 10-year yield closing at 3.79%, while the 2-year yield closed at 3.53%.

Most investors are paying attention to PCE, and Core PCE is due Friday. Inflation Nowcasting has the PCE at 2.33% inflation, down from 2.50%, while core PCE is at 2.77%, rising from 2.62% last month.

Although inflationary pressures have eased recently, the three-month annualized growth in core PCE dipped to 1.7% in July—the lowest level since December 2023. However, more real-time indicators like the Zillow Observed Rent Index show a sharp deceleration in rent growth, signaling potential relief for shelter costs in the coming months. We believe that declining shelter inflation and softening labor-market conditions should help keep inflation pressures in check going forward.

Housing Market Normalization in Progress:

Despite facing elevated mortgage rates, the U.S. housing market has shown resilience. After a period of softness from late 2022 through early 2023, home prices have rebounded, with the S&P Case-Shiller National Home Price Index hitting a new peak in July, marking an 11% increase since January 2023.

However, the pace of these gains is starting to slow, with year-over-year growth in July reaching 5%, the lowest since October 2023. The supply of existing homes for sale recently rose to its highest level since October 2020, as declining mortgage rates incentivized more listings. Paradoxically, further declines in mortgage rates could temper home-price appreciation by adding more inventory to the market. We expect home price growth to slow but remain positive, likely aligning more closely with wage growth, which has averaged around 4% in recent months.

Home loan refinance applications surged by 20% last week compared to the prior week, driven by a slight dip in interest rates. The average rate for 30-year fixed-rate mortgages with conforming loan balances (up to \$766,550) fell from 6.15% to 6.13%. As a result, refinances made up 55.7% of total

mortgage applications, reflecting increased interest among homeowners looking to capitalize on the lower rates.

Key Economic Data:

- **U.S. New Single-Family Houses Sold:** fell to 716,000, down from 751,000 last month.
- **U.S. New Single-Family Houses Sold MoM:** fell by -4.66%, compared to 10.28% last month.

Eurozone Summary:

- **Stoxx 600:** Closed at 519.18, down 0.56 points or 0.11%.
- **FTSE 100:** Closed at 8,268.70, down 14.06 points or 0.17%.
- **DAX Index:** Closed at 18,918.50, down 78.13 points or 0.41%.

Wall Street Summary:

- **Dow Jones Industrial Average:** closed at 41,914.75, down 293.47 points or 0.70%.
- **S&P 500:** closed at 5,722.26, down 10.67 points or 0.19%.
- **Nasdaq Composite:** closed at 18,082.21, up 7.68 points or 0.04%.
- **Birling Capital Puerto Rico Stock Index:** closed at 3,803.04, down 14.27 points or 0.37%.
- **Birling Capital U.S. Bank Stock Index:** closed at 5,286.78, down 39.29 points or 0.74%.
- **U.S. Treasury 10-year note:** closed at 3.79%.
- **U.S. Treasury 2-year note:** closed at 3.53%.



Inflation Nowcasting PCE & Core PCE

Inflation Nowcasting	PCE	Core PCE	Updated
August	2.33%	2.77%	25-Sep

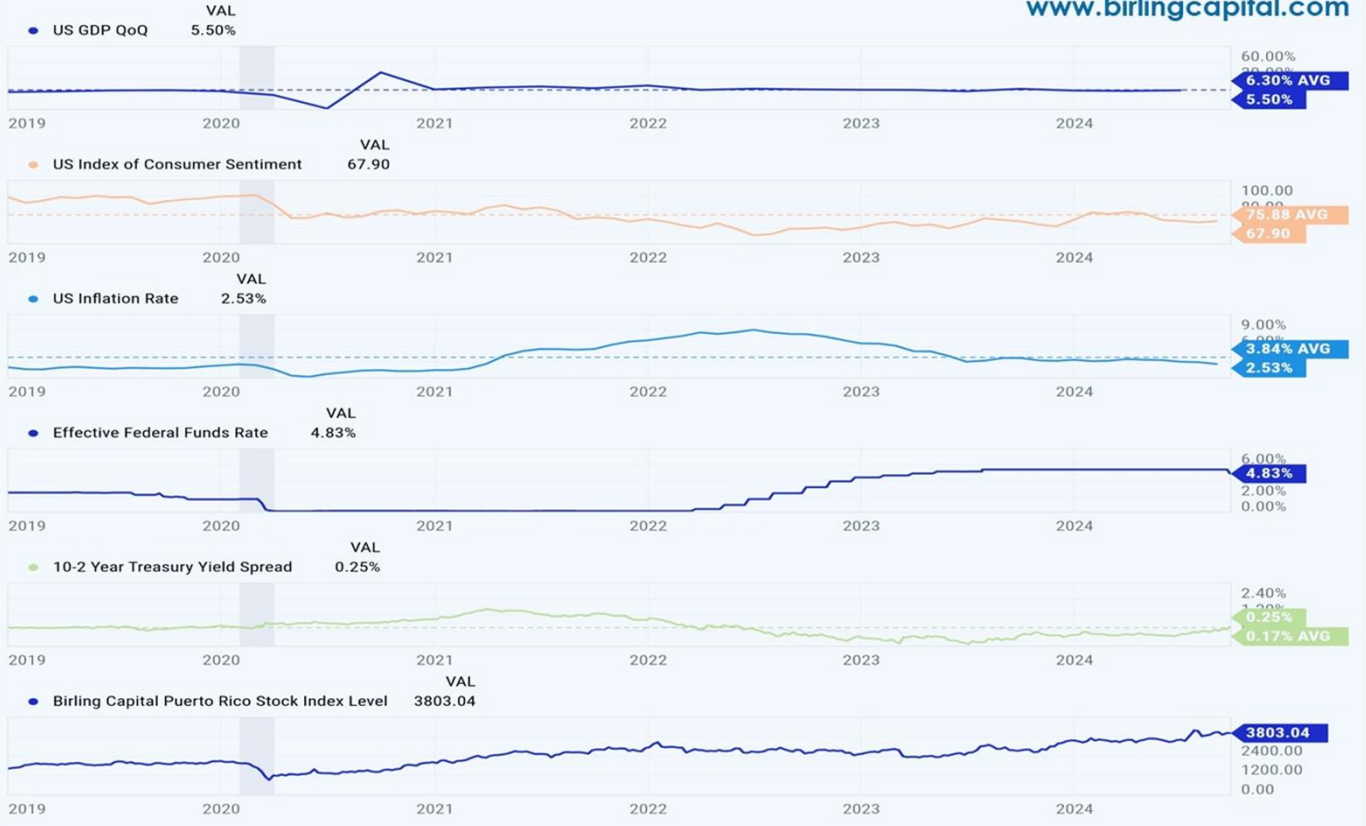
US New Single Family Houses Sold & US New Single Family Houses Sold MoM

● US New Single Family Houses Sold VAL 716.00K
● US New Single Family Houses Sold MoM -4.66%



The Economic Cycle: US GDP, US Index of Consumer Sentiment, US Inflation Rate, Effective Federal Funds Rate & 10-year US Treasury

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Wall Street Recap

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