

Economic data tracker – More mixed signals in housing

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Trend watch and what's new this week

New U.S. COVID-19 cases and the death rate modestly edged higher this past week (slide 6). The percentage of hospitalized COVID-19 patients has held steady for roughly three weeks, though the rate of hospitalizations ticked higher this past week.

The activity-based data (slides 5 and 7) have continued to strengthen. Restaurant bookings and staffing both jumped after dipping for two weeks following the Memorial Day holiday.

While most of the upswing is the result of the summer travel season, it is remarkable how the 2022 data are tracking to pre-pandemic summer travel trends. For instance, air passenger counts are now running above the 2019 full-year average, though remain about 12% below the same week in June 2019.

Similarly, we revisited hotel occupancy (slide 8), which popped to 71.8% nationally this past week, hits highest level since 2019.

On slide 9, we show a key metric within the freight gauges, unit volumes of shipping containers, which have reaccelerated in '22 and are less than 1% from the all-time high.

On slide 10, we also revisited temporary staffing. Staffing levels have rebounded above pre-pandemic all-time high, and underscore continued strong demand and employment trends.

More mixed signals in housing

New and existing home sales figures for May moved in opposite directions as did their respective sales prices. Note that new sales are counted when a sales agreement are signed, whereas existing home sales are recorded at closing, which takes considerably longer. For instance, closings with a conventional mortgage (about 65% of sales) generally takes 30 to 45 days, while a cash sale (35% of sales) can close as quickly as two weeks.

On slide 11, new home sales jumped 10.7% in May, halting a four-month slide, but prices dipped 1.3%.

On slide 12, existing home sales fell 3.6%, down for the fourth straight month. Yet, prices jumped to \$414,200, a new all-time high.

Additionally, on slide 13, we address the inventory of homes for sale (both new and existing).

Our take

The cross currents within the economic data that we have noted here often were front-and-center in the May housing data, which seems unlikely since they are in same industry.

Aside from the aforementioned timing differences above, the directional contradiction seems stark. We are skeptical that there could be a

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Economic Commentary – Our take and the bottom line

Our take (continued)

sustained uptrend in new home sales into June given a nearly half-percent (0.50%) increase in mortgage rates from May to June (slide 3). We anticipate that new and existing home sales will continue to decline, reacting to both dramatically higher mortgage rates and home prices.

On the other hand, we expect new and existing home prices to remain elevated generally given the tight supply of both. While higher mortgage rates will cool housing sales further, more than a decade of underbuilding will likely continue to support prices, especially in the south, which accounts for more than 50% of all new home sales.

Even in the aftermath of the bursting housing bubble (2006 to 2008) when home sales plunged, new and existing home prices didn't decline nearly to the same magnitude, and actually held fairly firm in most areas. The obvious exceptions during that period were the prices of foreclosed homes. We don't expect foreclosures will jump as dramatically should a recession occur now as happened during the housing bubble years given that consumers are carrying higher cash buffers (thanks to higher wages) and lenders have generally adhered to stricter underwriting standards in the past decade compared to the housing bubble years.

Elevated home prices holding up home values would also mean maintaining a "wealth effect," whereby households can maintain their spending and lifestyles generally, which supports the broader economy. Unfortunately, firm home prices also likely means inflation trends remain somewhat hotter as well.

Bottom line

Intensifying inflationary pressures and dramatically-higher interest rates pile additional stress on consumers and businesses going forward. Specifically, tightening financial conditions will crimp growth going forward. That makes for a very narrow path for the U.S. to achieve a soft-ish economic landing. While the risks of U.S. recession in the coming 12 months are a greater possibility (above 50%), a recession isn't necessarily inevitable.



Wealth

Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Overall	Gross domestic product (GDP)	▲	1Q P: -1.5%	1Q F: -1.5%	Revised downward by 0.1 from -1.4%. Inflation, imports, and inventories punched down real GDP in the first quarter.
	Unemployment rate ^x	▲	May: 3.6%	Jun: 3.6%	Held steady since March; hard to argue U.S. isn't at full employment.
Jobs	Monthly jobs (nonfarm)	▲	May: 390K	Jun: 303K	Another strong month. The six-month average is 505K.
	Weekly jobless claims ⁺	▲	6/11: 229	6/18: 230K	Roughly flat WoW, though it remains near a 50-year low.
	Nonfarm productivity	▲	1Q F: -7.3%	2Q P: N/A	Revised modestly upward from -7.5%. The big decline as supply chain snags persist, and unit labor costs soared 12.6% in 1Q22.
Interest rates	Federal funds rate	▲	1.50% – 1.75%	7/27: 2.25% – 2.50%	Fed hiked an aggressive 0.75% rates on June 15 to counter spiraling inflation expectations. Market expects another 0.75% in July.
	10-year U.S. Treasury yield	▼	3.12%‡	Flat/down	Down sharply again since jumped about 3.5% in mid-June. We expect rate volatility will continue for some time.
	10-year AAA GO muni yield	▼	2.80%‡	Flat/down	Rolled back from 2.9% last week, though not as much as other yields.
	30-year fixed mortgage rate	▼	5.81%‡	Flat/down	Dipped WoW but still near the highest level since 2009. Higher mortgage rates hurt housing affordability.
Inflation	Consumer prices (CPI) ^x	▼	May: 1.0%	Jun: N/A	Energy jumped 3.9% MoM, including gasoline up 4.1%. Overall CPI increased 8.6% YoY, the most since 1981.
	Core CPI	▼	May: 0.6%	Jun: N/A	It held steady with the 0.6% April pace.
	Producer prices (PPI)	▼	May: 0.8%	Jun: N/A	Heated up again, while up 10.8% YoY (rose 11.5% in March)
	Core PPI	▼	May: 0.5%	Jun: N/A	Energy up 5.0% MoM. Overall up 8.3% YoY (rose 9.6% in March).

▲ Good ▼ Bad ⇄ Neutral ⁺Leading indicator ^xLagging indicator [‡]Intraday quote Bloomberg consensus shown

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Econ-at-a-Glance

	Economic indicator	Trend	Last	Next – consensus	Comments
Housing	Existing home sales	▼	May: 5.41M	Jun: N/A	Fell 3.4% MoM, the fourth straight monthly decline.
	New home sales	▼	May: 696K	Jun: N/A	Up 10.7% MoM, halting a four-month slide, but prices dipped 1.3%.
	New housing starts	▼	May: 1.549M	Jun: N/A	Dropped 14.4% MoM, though April revised upward to 5.5%.
	New permits ⁺	▼	May: 1.695M	Jun: N/A	Down 7.0% MoM, as both single and multifamily were weak.
Business	Durable goods orders ⁺	▲	Apr F: 0.5%	May P: 0.2%	Business equipment demand remained solid. Core capital goods orders (ex-air & defense) rose 0.3% MoM after very strong March.
	ISM manufacturing	▲	May: 56.1	Jun: 55.4	Jumped in May, snapping a two-month slide. It was the 24 th straight month of expansion, which began in June 2020.
	ISM services/non-manufacturing	▲	May: 55.9	Jun: N/A	The pace fell for the second straight month but remains roughly at the pre-pandemic 3-year average and continues to expand.
	Business inventories ^x	▲	Apr: 1.2%	May: N/A	Inventories have rebounded sharply in the past 6 months.
Consumer	Personal income	▲	Apr: 0.4%	May: 0.5%	Third straight strong month, buoyed by wage & income growth.
	Personal spending	▲	Apr: 0.9%	May: 0.4%	Fourth strong month in a row, which belies the widely-held narrative that inflation will smother spending.
	Advance retail sales	▲	May: -0.3%	Jun: N/A	Auto sale fell 3.5%. Excluding autos and gasoline, sales hit new high.
	Consumer sentiment	▼	Jun F: 50.0	Jul P: N/A	Crashed to the lowest level since '78 due to hotter inflation and sky-high gasoline prices, though long-term inflation expectations ebbed.

▲ Good ▼ Bad ⇄ Neutral ⁺Leading indicator ^xLagging indicator [‡]Intraday quote Bloomberg consensus shown

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U.S. activity-based data matrix

Indicator	Relative trend	What we're watching
Back to office	▼	Rose to 44 (pre-pandemic indexed to 100), the second straight weekly increase. Top cities are Austin (59), Houston (56), and Dallas (51); bottom are San Jose (34) and San Francisco (35). While the trend has steadily improved, it remains less than half of pre-pandemic levels, which is not conducive for overall growth.
TSA air passenger throughput	▲	Weekly passengers rose 1.6% WoW, topping 16.2 million, 0.5% above the 2019 weekly average of 16.1M. Passenger counts are 11.9% below the same week in June '19 but are up 17.9% from June '21.
OpenTable restaurant bookings	▲	Jumped to +6.1% compared to pre-pandemic levels. Top positive states were led by Nebraska (+35%) and Oklahoma (+34%); bottom were Maryland (-34%) and New York (-31%). Top cities were Austin (+34%) and Ft. Lauderdale (+32%); bottom were Minneapolis (-53%) and Baltimore (-45%).
Google mobility	▲	Parks jumped to +51% from +44% during the prior week. 7-day averages relative to 2020: Residential +3%, Grocery/Pharmacy +1%, Transit -17%, Workplaces -25%, Retail/Restaurant/Recreation -6%.
Hotel occupancy	▲	Occupancy jumped to 71.8%, the highest since Oct. '19. The average daily rate rose to \$155.02, up 14.9% from the same week in June '19, while revenue per available room was \$111.29, or up 9.4% from June '19.
Freight (rail/truck/ship)	▲	Rail carloads fell 1.8% WoW after an outsize 7.3% jump following the holiday; it rose 2.5% in May. Container traffic at top U.S. ports jumped 9.6% MoM in May. Truck loading rose 0.5% MoM in May, a fresh all-time high.
Staffing index	▲	Rebounded to 105.9 from 104.1 in the week, snapping a two-week decline. It remains well-above the 2019 average of 93.6. The low for this cycle was 59.6 set in April 2020.
Apartment rental prices	↔	Rent index rose 7.9% MoM in May, and up 15.9% YoY, but down from up 17.2% in February. While prices are significantly above pre-pandemic levels, rental growth clearly peaked during the second half of 2021.

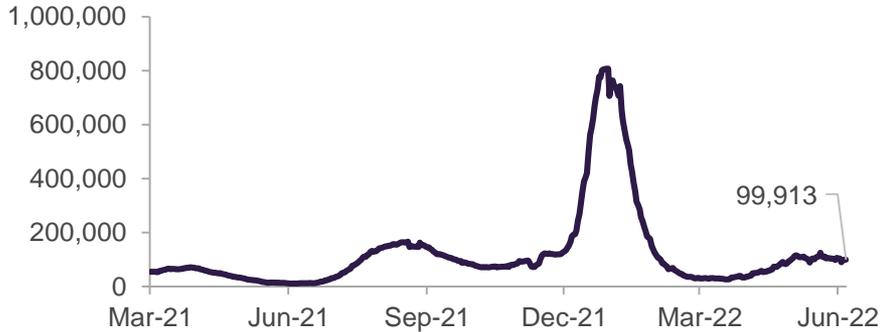
Trend relative to whether it is favorable for economic growth:

▲ Positive ▼ Negative ↔ Neutral / Mixed

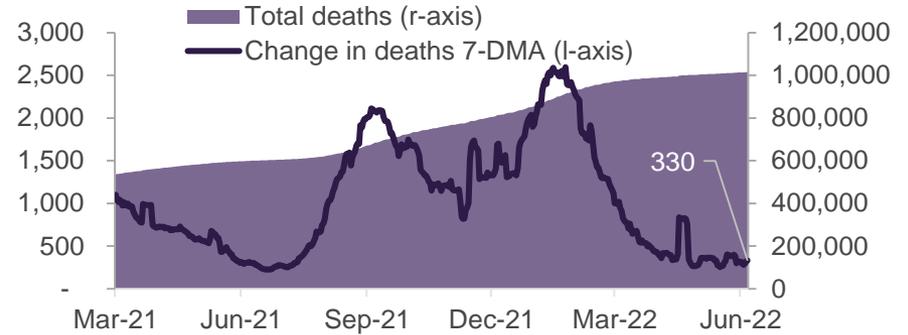
Sources: Truist IAG, Bloomberg, Kastle Back to Work Barometer, Transportation Security Administration, OpenTable, Google COVID-19 Community Mobility Report, STR/CoStar, American Staffing Association, Zillow. Week-over-week and year-over-year change are abbreviated as WoW and YoY, respectively.

U.S. COVID-19 watch – New cases and death rate edge higher, while hospitalizations moderating

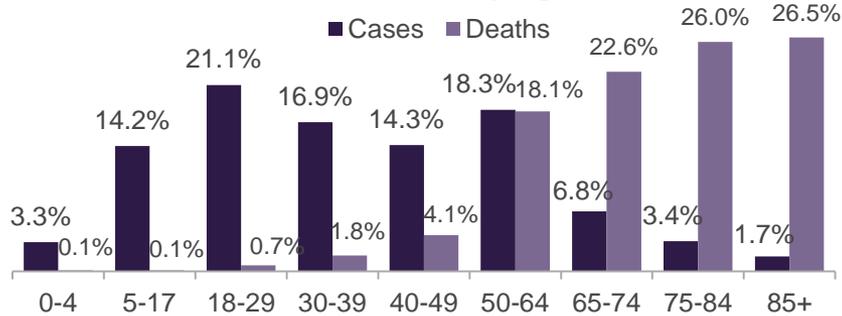
New confirmed cases 7-day moving average



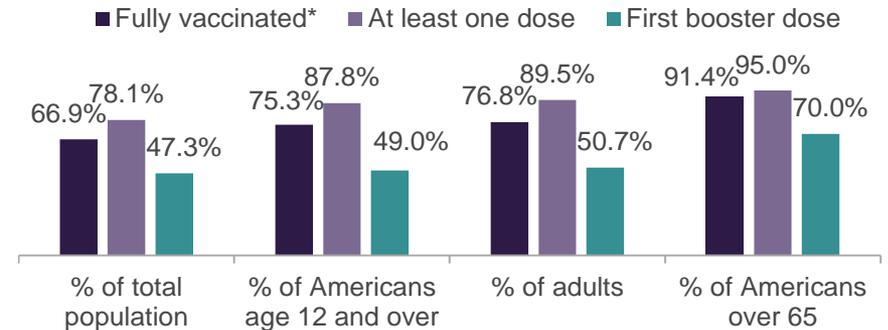
U.S. COVID-19 deaths



U.S. COVID-19 percentage of cases and deaths by age



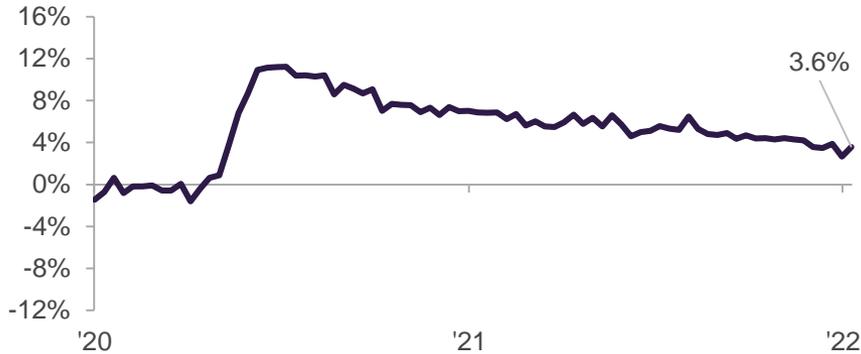
U.S. vaccinations (percentage of population)



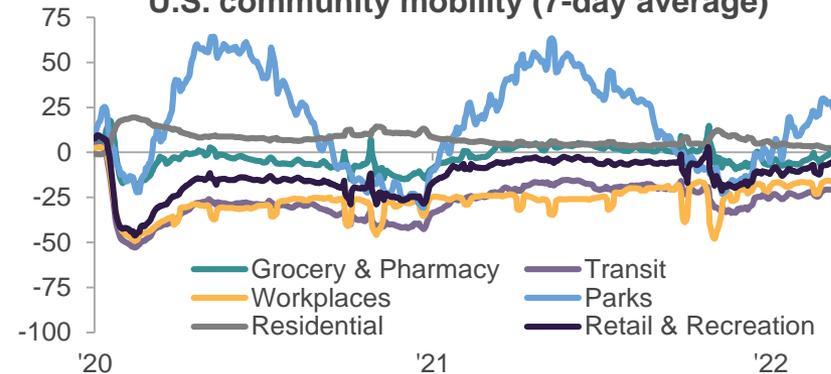
Sources: Truist IAG and the following additional sources respectively: Top left and right, Bloomberg, Johns Hopkins University through June 23, 2022. Data for 50 U.S. states plus American Samoa, Washington D.C., Guam, Northern Mariana Islands, Puerto Rico, and U.S. Virgin Islands. 7-day moving average (DMA). Top left, bottom right: Centers for Disease Control & Prevention (CDC), through June 23, 2022. *Fully vaccinated is defined as receiving two doses on different days (regardless of time interval) of the two-dose mRNA series or receiving a single-dose vaccine regimen.

Activity-based trends remain solid into mid June

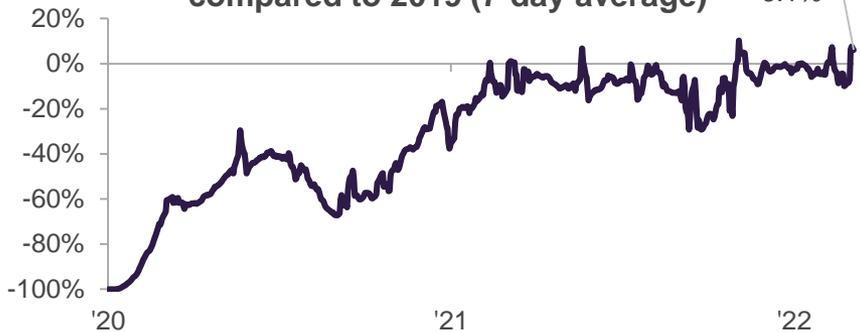
NY Fed weekly economic index



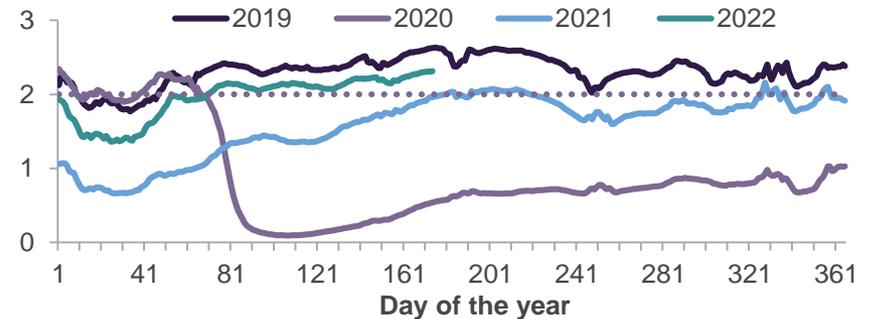
U.S. community mobility (7-day average)



OpenTable bookings % change compared to 2019 (7-day average)



TSA checkpoint traveler throughput (7-day average, in millions)

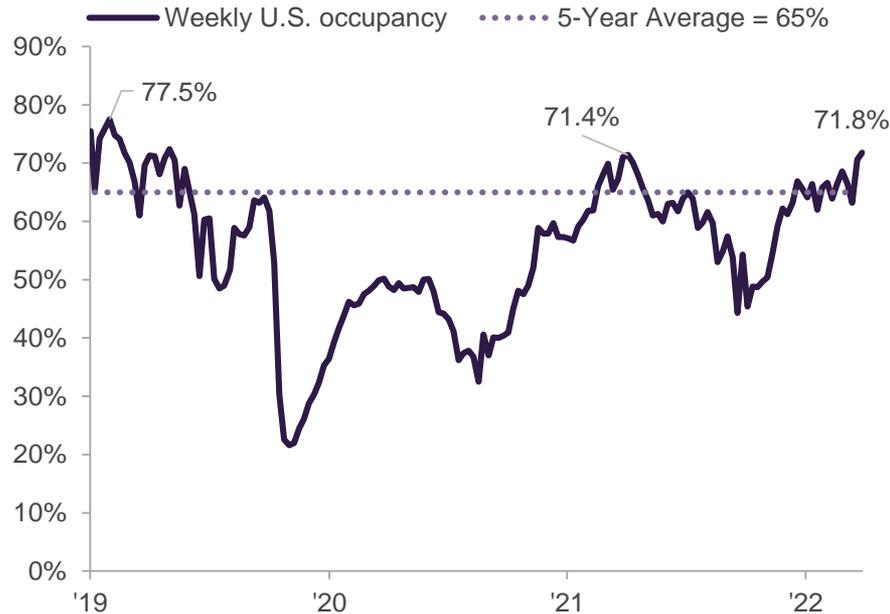


Sources: Truist IAG and the following additional sources respectively: Top left: Bloomberg, NY Federal Reserve Weekly Economic Index through June 18, 2022. Top right: (U.S. Community Mobility) Google COVID-19 Community Mobility Reports 7-day average through June 20. Bottom left: Bloomberg, OpenTable 7-day average through June 16. Bottom right: Bloomberg, Transportation Security Administration (TSA) 7-day average through June 23.

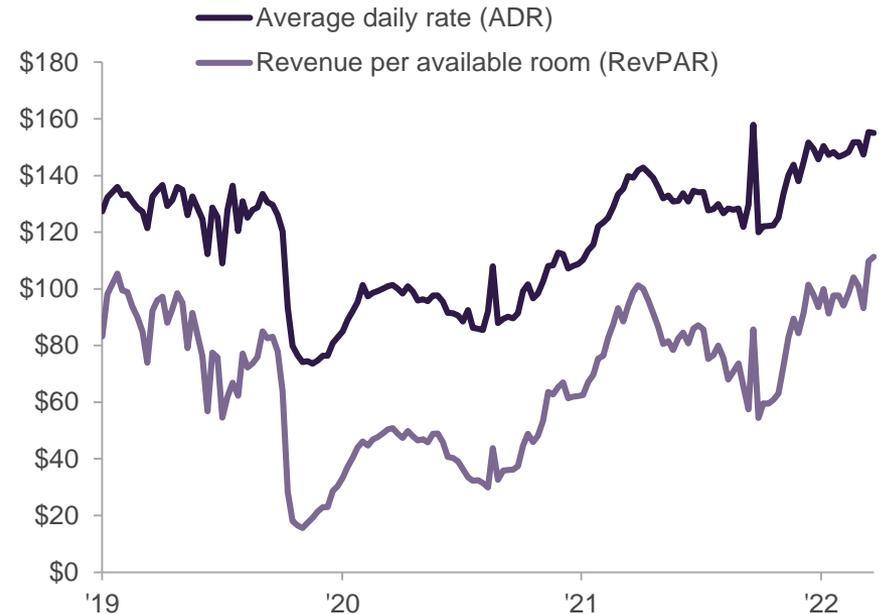
Summer travel in full swing as hotels occupancy hits highest level since '19

Hotel occupancy jumped to 71.8% nationally this past week, the highest since October 2021. Several cities were more than 10 percentage points above it, including New York City (86.6%), San Diego (85%), and Seattle (85%). Additionally, average daily rates and revenue per available room have continued to climb.

Weekly U.S. hotel occupancy



U.S. hotel rates



Sources: Truist IAG, STR; weekly data through June 18, 2022. 5-year average is for 2015 to 2019.

Shipping volumes have reaccelerated in '22, just under all-time high

Unit volumes of shipping containers rose 9.6% month over month in May at the top U.S. ports, which includes four of the top five ports (the Port of NY/NJ hasn't reported May data). That's the largest monthly gain since May 2021, which was also the all-time high.

Volumes have increased 19.8% year-to-date and are up 23% from the same period in 2019. This continues a strong long-term uptrend in shipping volumes.

**Total unit volumes at top U.S. ports
(Los Angeles, Long Beach, Savannah, SEATAC)**



Sources: Truist IAG, Bloomberg; monthly data through May 2022. Containers defined as twenty-foot equivalent units (TEU).

Temp staffing levels climb above pre-pandemic all-time high

Temp positions are traditionally very seasonal, making the data quite volatile especially around holidays. In the latest week, the staffing index rebounded to 105.9, which is well-above the 96.9 average during 2021.

Excluding the 2021 holiday season (when it hit 108.7), the staffing index are above the pre-pandemic all-time high of 105.8 set in December 2014.

Also, an increase indicates a need for more workers, which tends to be a good harbinger of eventually increasing permanent jobs.



Sources: Truist IAG, Bloomberg, American Staffing Association; weekly data through June 13, 2022. The index tracks weekly changes in temporary and contract employment, with a reference value set at 100 for the week of June 12, 2006. Figures are not seasonally adjusted.

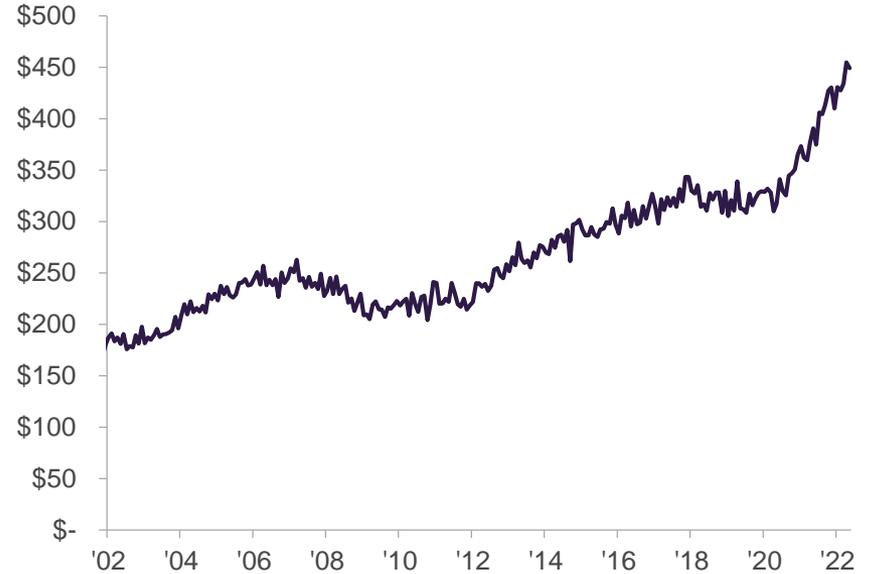
New home sales rebound in May, but prices dipped

New homes sales jumped 10.7% to an annualized rate of 696,000 in May. That snaps a sharp four-month decline and brings it roughly in-line with the 20-year average. Meanwhile, prices dipped 1.3% to \$449,000 in May, though are 44% above the May 2019 level.

**U.S. new single-family home sales
(SAAR, units in millions)**



**Median price of new single-family homes
(in \$thousands)**



Sources: Truist IAG, Bloomberg, U.S. Census Bureau. Figures shown are seasonally-adjust annualized rate (SAAR); monthly data through May 2022.

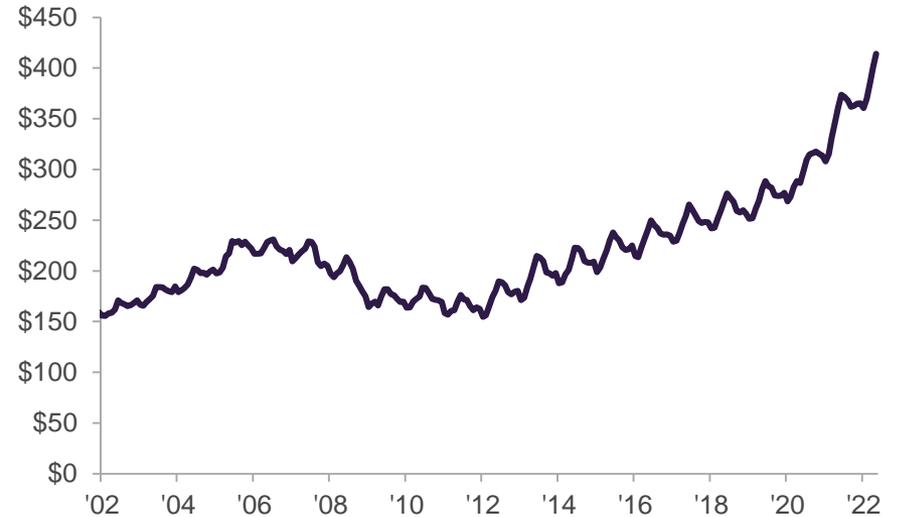
Existing home sales keep sliding, but prices jump to new all-time high

Existing homes sales dropped 3.6% to an annualized rate of 4.80 million in May, the fourth straight decline. Meanwhile, prices rose 3.1% to \$414,200 in May and are 47.5% above the May 2019 level. With the inventory of homes for sale (slide 11) hovering near a 40-year low, existing prices will likely remain elevated.

**Existing single-family home sales
(units in millions, SAAR)**



**Median sales price of existing single-family homes
(in thousands)**

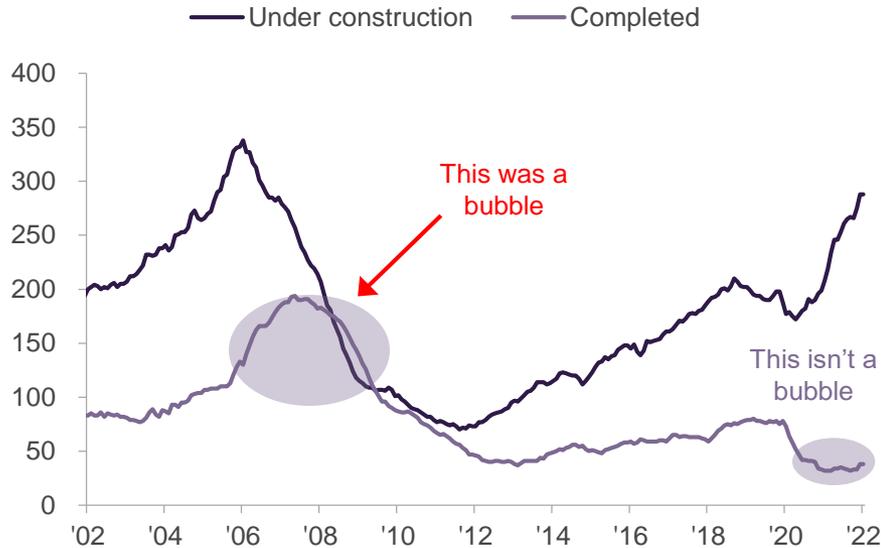


Sources: Truist IAG, Bloomberg, National Association of Realtors. Figures shown are seasonally-adjust annualized rate (SAAR); monthly data through May 2022.

Housing bubble talk appears misplaced

Much of the talk about a housing bubble is currently centered on the dramatic jump in the number of new homes under construction, which is approaching levels not seen since the 2006 to 2008 period. However, completions remain near a 20-year low, apparently impacted by supply chain issues for appliances, HVAC, etc.

U.S. new single-family homes for sale (in thousands)



Inventory of existing single-family homes for sale (units in millions)



Sources: Truist IAG, Bloomberg, National Association of Realtors, U.S. Census Bureau. Figures shown are seasonally-adjusted annualized rate (SAAR) at end of period; monthly data through May 2022.

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Wealth