

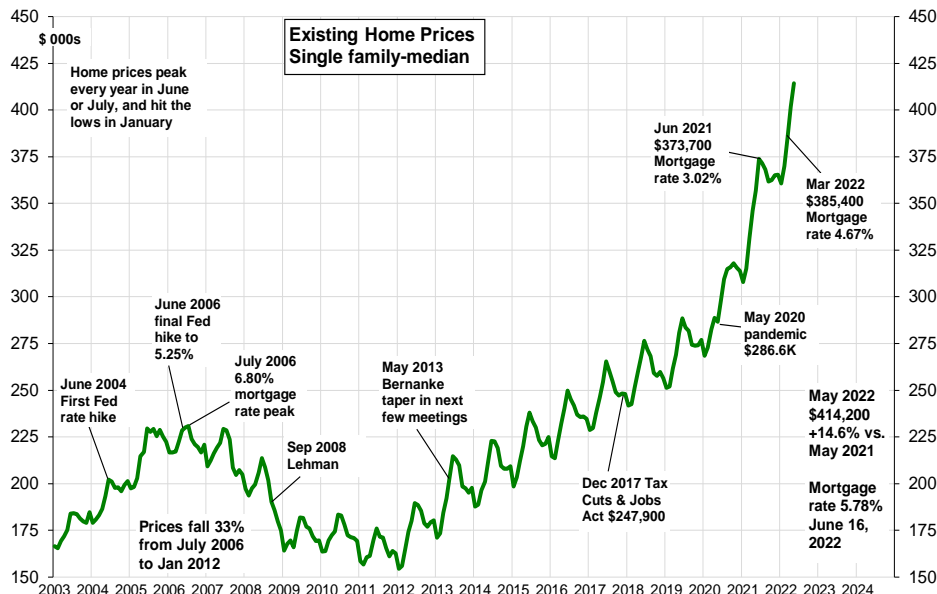
# Breaking Economy News

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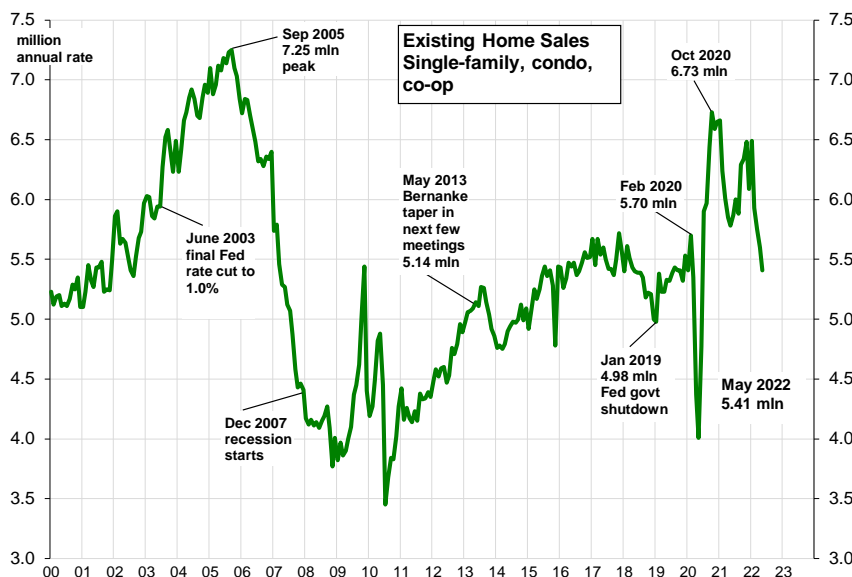
## HOUSING MARKET IS BENDING NOT BREAKING

Breaking economy news. Existing home sales fell 3.4% in May to 5.41 million at an annual rate. Realtors have reported home buyers have stepped back in May, but historically, the drop off is not all that much yet, despite the Fed's ferocious messaging on rates. Existing home sales were 4.98 million in December 2018 with the Fed pushing rates to 2.5%, the financial market turbulence and



Federal government shutdown. Home sales activity at 5.41 million is still elevated from back then even with some similarities for the period with the S&P 500 loss as much as 20.2% and mortgage rates just over 4.9% at the peak. Stocks are down in the dumps today again, but mortgage rates were 5.78% last week and yet existing home sales are still resilient. Recession level existing home sales turnover is more like 4 to 4.5 million at an annual rate and the economy ain't there yet.

Housing bubble? All the King's horses and all the King's men haven't done enough to stop the housing bubble from inflating. The higher it goes, the greater the danger if the bubble pops. Home prices set another record high in May at \$414,200, up 14.6% the last year. The year-year change in median prices of existing single-family homes: South +20%, West +13.4%, Midwest +9.6%, and Northeast +5.8%.



Net, net, the Fed isn't trying hard enough as it looks today like the housing market is bending not breaking. Fed officials are trying to slow the economy with front-loaded rate hikes, but the housing market remains amazingly resilient. The Fed knew there was a housing bubble in 2005 and that's why started pushing interest rates eventually to the 5.25% peak in the summer of 2006. In the summer of 2022, the Fed funds rate is 1.75% currently even if Powell is saying another 50 or 75 bps hike is on the table in July. Single-family existing home prices are up 14.4% the last year and the rise since the pandemic certainly fits the description of a bubble. Just look at it. Just a thought. The Fed's anti-inflation strategy isn't going to push rates up until home prices crack are they? Stay tuned. Story developing. Policymakers say no recession, but everything else is on the table. It looks like the Fed is coming for your wages and your jobs and the value of your homes. All so you can afford to put gas in your tank. Bet on it.

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