US Housing Finding a Bottom?

With June Housing Starts and Building Permits data (released today) coming in generally weaker, we take a look at a simple and proprietary measure that summarizes the state of the US housing market.

Our measure extracts the common factor which explains the dynamics and co-movement of a variety of US housing market data series.

As the chart shows, while there has been a slight upturn in this measure recently, it's still bouncing around at historically low levels, signifying generally weak housing market activity.

The Fed has listed a number of issues justifying its dovishness; the main ones are concerns about downside risks to the global economy and stubbornly low inflation and inflation expectations.

A read of the June FOMC minutes gives the impression of a central bank that has a number of concerns about economic activity in the US going forward beyond just those two.

The impact policy uncertainty is having on investment and business spending makes an appearance, as well as this comment about the housing market:

"A couple of participants noted that the continued softness in the housing sector was a concern, even though the decline in mortgage rates since last fall was expected to provide stronger impetus for activity; a couple of participants were somewhat optimistic that residential investment would pick up."
So, while not their primary concern, and one they think will right itself in the near future, the strength of the residential housing market is also on their minds.

As the chart shows, while its grind weaker appears to have been arrested for now, there is no imminent sign of a pickup and therefore not much prospect for an ebullient housing market to become a major contributor to the real economy, at least in the short term.

**BNY Mellon Housing Market Factor and GDP-based Residential Investment**

![chart](chart.png)

*SOURCE: BNY Mellon Markets, Bloomberg, data as of 17 July 2019*

Please direct questions or comments to:

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