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Weekly Commentary

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Housing on the rebound

The labor market got all the attention last week, which is typically the case when it hits expectations and definitely so when it misses like it did spectacularly with a rise of just 20,000 new jobs. But that likely will work itself out and at this point in the business cycle, wages—which rose—are more important.

But the housing market should have been center stage. After being a laggard in 2018, housing has reignited recently. With experts anticipating a decline, new home sales rose at an annual rate of 621,000 in December—a 7-month high. January housing starts jumped, with permits also rising. Lastly, builder sentiment and affordability are climbing as mortgage rates and prices are moderating.

Tying this up is that nationwide services activity rose the most in a year to a 4-month high, with new orders and business activity increasing at their fastest pace since August 2005. Doesn't look like the numbers we would be getting if a recession were around the corner.

Last week the London interbank offered rate (Libor) was essentially unchanged, with 1-month at 2.49%, 3-month at 2.60% and 6-month at 2.68%.