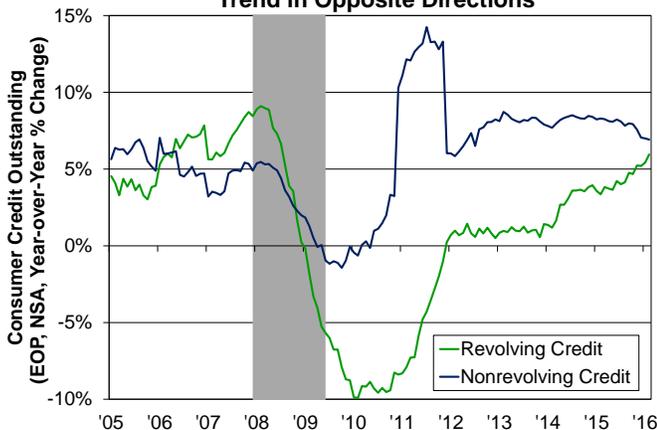


## Economics: Global Concerns Spook the Dovish Federal Reserve

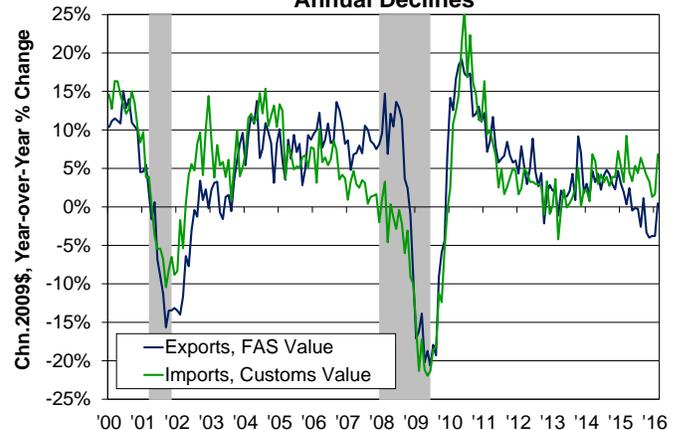
All eyes were on the Federal Reserve this week, as markets looked for clarity on the future path of monetary policy from the [minutes](#) of the March Federal Open Market Committee meeting. Using stronger language than in the statement following the meeting, the minutes revealed that members saw the global economic and financial situation posing “appreciable downside risks to the domestic economic outlook.” The April rate hike is also off the table, as several members were concerned that it would convey an inappropriate “sense of urgency.” Fed funds futures implied that odds for an April hike were at zero, and do not fully price in a rate hike until December. As the Fed pledges to be data-dependent in setting monetary policy, this week’s data support a patient stance. The JOLTS reported that the job openings rate fell slightly in February, while the hires rate recovered from a fall in January to match an expansion best. Consumers demonstrated a growing confidence in their financial situation, as revolving credit (mainly credit card debt) bounced back in February after declining in January for the first time in nearly a year. Despite a moderate month-over-month increase, the annual gain in revolving credit was the largest since July 2008. Weak global demand and a strong dollar caused the trade deficit to widen for the third consecutive month in February, posting the largest gap since last August. One positive for trade was the improvement in real goods exports, which ended a four-month streak of annual declines. The manufacturing sector received more bad news, as factory orders fell in February for the third time in the past four months, and core capital goods orders, a leading indicator of business investment in equipment, was revised down to show a larger decline than initially reported.

- **Consumer (non-mortgage) credit outstanding** rose \$17.2 billion in February, according to the Federal Reserve Board. Nonrevolving credit, which has not decreased in four and a half years, drove the gain, increasing \$14.3 billion. Revolving credit rose \$2.9 billion. From a year ago, consumer credit grew 6.7 percent. Nonrevolving credit increased 6.9 percent year-over-year, the slowest pace of gain since July 2012, compared with a 5.9 percent rise for revolving credit.
- **The Job Openings and Labor Turnover Survey (JOLTS)** showed that job openings decreased 2.8 percent in February to 5.4 million, according to the Bureau of Labor Statistics. As a share of total employment, the job openings rate slipped one-tenth to 3.7 percent. The hires rate reversed the two-tenths fall in January to return to 3.8 percent. The quit rate, a gauge of worker confidence in the labor market, edged up to 2.1 percent. The layoff rate remained flat at 1.2 percent.
- **The U.S. trade deficit** widened by \$1.2 billion to \$47.1 billion in February, according to the Census Bureau. The 1.3 percent increase in imports outweighed the 1.0 percent rise in exports. The inflation-adjusted goods deficit, used in the calculation of net exports in the GDP estimate, widened \$1.6 billion to \$63.3 billion.
- **Factory orders** fell 1.7 percent in February, according to the Census Bureau. Nondurable goods, the new piece of data in the report, edged down 0.4 percent. Core capital goods orders (nondefense orders excluding aircraft) was revised down to show a 2.5 percent drop from an initially reported decline of 1.8 percent.
- **The Institute for Supply Management (ISM) Nonmanufacturing Index**, a gauge of service sector activity, rose 1.1 points from a two-year low in February to 54.5 in March (any reading above 50 indicates expansion).
- **Initial claims for unemployment insurance** decreased by 9,000 to 267,000 in the week ending April 2, according to the Department of Labor. The four-week moving average increased by 3,500 for a second week to reach 266,750.

**Revolving and Nonrevolving Credit Growth  
Trend in Opposite Directions**



**Real U.S. Exports End a Four Month Streak of  
Annual Declines**



Source: Federal Reserve Board

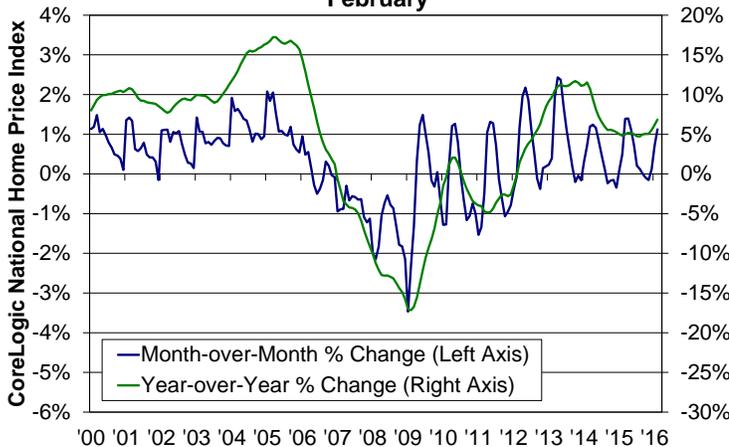
Source: Census Bureau

# Housing: Home Builders Try to Ramp Up amid Strengthening Home Price Gains

Data released this week showed the extensive influence of low inventory on the housing market. First, the CoreLogic National Home Price Index accelerated further in February, with annual appreciation rising nearly 7.0 percent to the fastest pace since June 2014. In addition, all 50 states showed year-over-year appreciation for the first time in more than two years. Solid job creation during the first three months of the year amid a more than 40-basis-point decline in mortgage rates should set the stage for strong housing demand heading into the spring and summer buying season. Healthy demand, paired with low inventory, will keep upward pressure on home prices. However, markets dependent on the energy sector are starting to see slowdowns in home price growth. North Dakota, Oklahoma, and Texas saw slower rates of annual price appreciation. Texas, in particular, saw the rate of appreciation slow in every metropolitan area except one. With the market starved of supply, home builders appear to be trying to ramp up their operations. According to the JOLTS, after reaching a near two-year low in November, the construction job openings rate improved for three consecutive months, hitting an expansion high in February. The hires rate also rose, ending a two-month stretch of decline. On the mortgage market front, refinance applications bounced back last week in response to a large drop in mortgage rates. By contrast, after trending up since the middle of February, purchase applications took a breather. The outlook for near-term mortgage demand is upbeat, as this week's Freddie Mac survey showed that the 30-year fixed mortgage rates fell 12 basis points to 3.59 percent, a 14-month low.

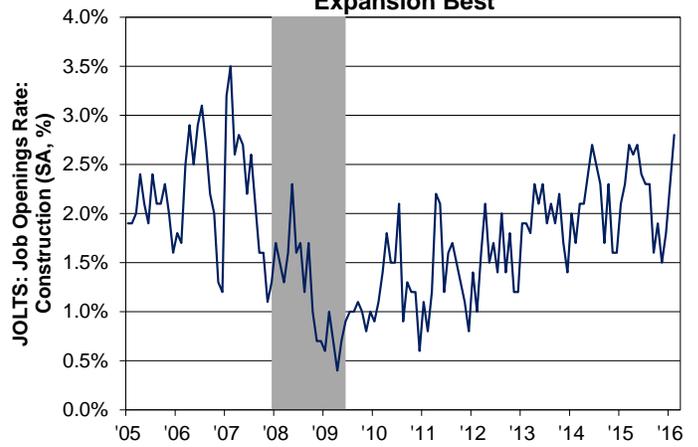
- **The Job Openings and Labor Turnover Survey (JOLTS) showed construction job openings** rose 22.9 percent to 193,000 in February, marking the third consecutive month of gains over 20 percent, according to the Bureau of Labor Statistics. The job openings rate for construction workers jumped five-tenths to 2.8 percent, the highest rate since April 2007. The hires rate rose three-tenths to 4.9 percent, while the quit rate edged up two-tenths to 1.5 percent.
- **The CoreLogic National Home Price Index**, a repeat sales measure (not seasonally adjusted), rose 1.1 percent in February. From a year ago, the index increased 6.8 percent, and has increased on an annual basis every month since March 2012. The index remains 6.5 percent below the April 2006 peak.
- **Mortgage applications** increased 2.7 percent in the week ending April 1, according to the Mortgage Bankers Association. Refinance applications drove the gain, rising 6.8 percent from the prior week. The average 30-year fixed mortgage rate in the survey fell eight basis points to 3.86 percent, marking the largest drop since mid-February. Purchase applications fell 2.4 percent, more than undoing the gain last week.

Home Price Growth Accelerates Further in February



Source: CoreLogic

Construction Job Openings Rate Hits a New Expansion Best



Source: Bureau of Labor Statistics

Frank Shaw  
Economic and Strategic Research Group  
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