

MarketDesk U.S. Home Price Indicator

12-Month Forecast of the Y/Y Change in the U.S. National Home Price Index

Current Takeaway Prices should continue to see downward pressure over the next 12 months due to elevated inventory levels and interest rates

Overview of Indicator

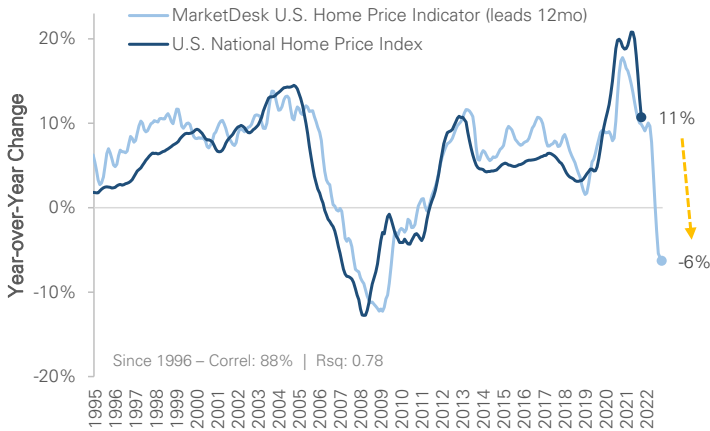
Housing is a critical input into the business cycle – Over the past 40 years, housing (construction and consumption of housing services) accounted for 15-18% of annual U.S. GDP. In addition to housing's direct impact on economic activity, home prices also impact consumer confidence and spending and banks' willingness to lend capital. The U.S. Home Price Indicator is a combination of five macro inputs that historically exhibit a high statistical correlation with future changes in the U.S. national home price index.

How to Use

The U.S. Home Price Indicator is built to forecast the direction and approximate magnitude of changes in home prices over the next 12 months. Use the indicator to forecast and spot key 'turning points' in home prices throughout economic cycles and subsequent impacts on housing related macro variables, such as construction activity and purchases of furniture and other fixtures. While changes in home prices are not directly actionable in public markets, home prices indirectly impact multiple macro variables via the consumer wealth effect.

Figure 61 – Actual Home Price Change vs MarketDesk Indicator

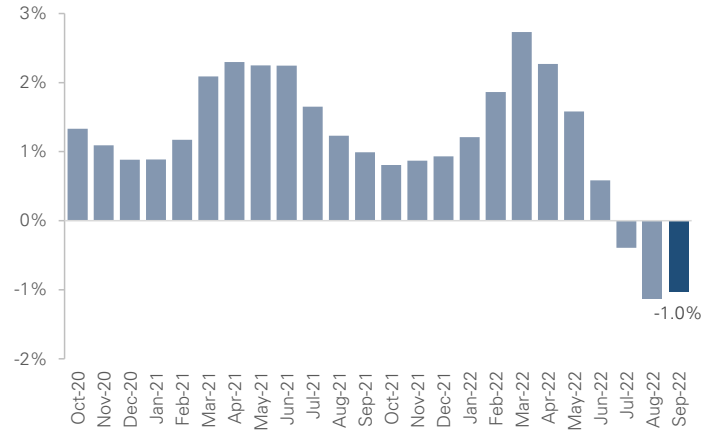
Relationship Between MarketDesk Forecasts and Actual Y/Y Price Changes



Source: www.QuantPack.com, Case-Shiller National Index

Figure 62 – Rolling 1-Month Change in U.S. Home Prices

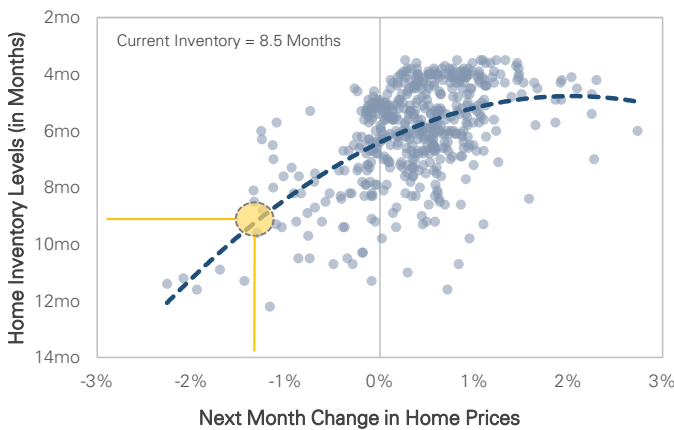
Short-Term Trend in Home Prices Over the Last 36 Months



Source: www.QuantPack.com, Case-Shiller National Index

Figure 63 – Inventory Levels vs Home Price Changes Since 1980

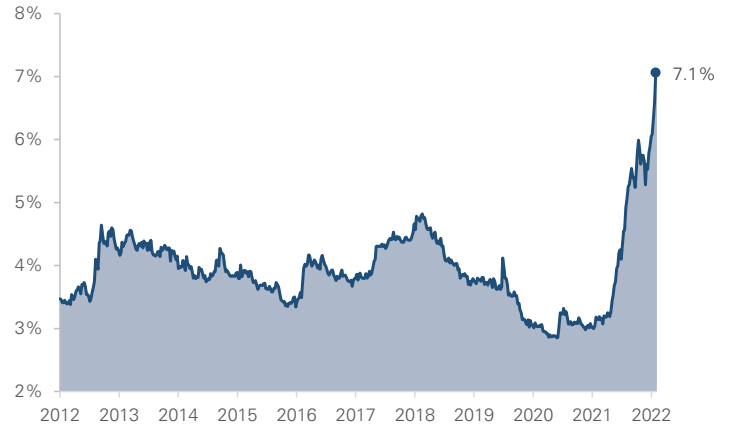
Higher (Lower) Inventory Levels Historically Cause Prices to Fall (Rise)



Source: www.QuantPack.com. Inventory = # Homes for Sale / # Homes Sold.

Figure 64 – Current 30-Year Fixed Rate Mortgage

Rolling 30-Year Fixed Mortgage Rate Over the Last 10 Years (U.S. National Average)



Source: www.QuantPack.com, Federal Reserve

Weekly Quant Pack

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