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*Delta manages portfolios at TD Ameritrade and Schwab.*

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October 21, 2022

## The Housing Market Under Pressure

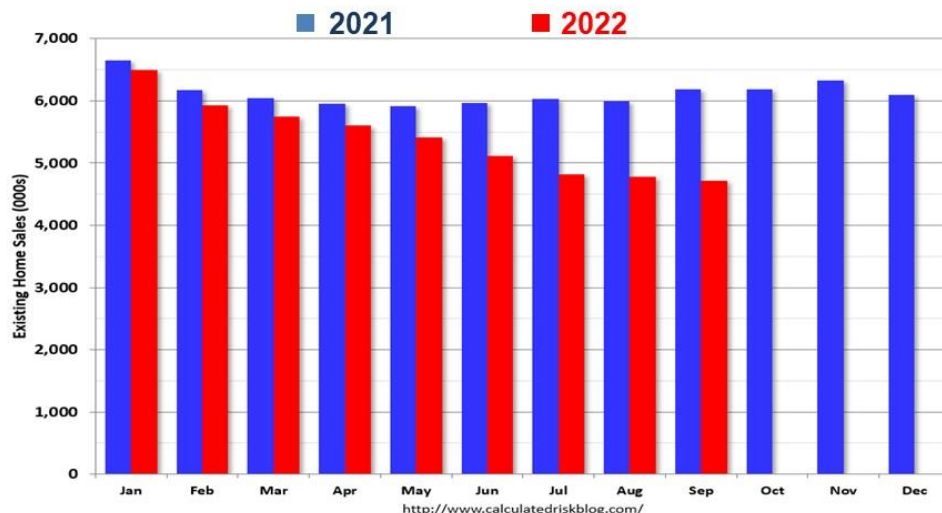
The Covid pandemic created significant market distortions. The economic shutdown and reopening process with the 42% increase in money supply is being unwound in the equity markets currently.

It is also being unwound in the housing market. The housing market tends to bottom years after the equity market finds its low.

The Covid stay-at-home behavior change combined with historically low interest rates and a huge injection of government cash into consumer hands stimulated a home buying frenzy. Just as we saw record high stock market index levels, we saw record home price increases. This trend has reversed and may be stuck in reverse for years to come.

September existing home sales declined by 23.8% year-over-year.

**Existing Home Sales, 2021 and 2022, SAAR (000s)**



Prices are falling across the country.

### Median Sale Price % Chg. May 2022 – Oct 2022

Rank	Metro	Sale Price 5/22	Sales Price 10/22	% Chg.
1	Oakland, CA	\$1,087,875	\$909,688	-16.4%
2	San Jose, CA	\$1,591,000	\$1,360,000	-14.5%
3	Austin, TX	\$553,870	\$475,893	-14.1%
4	Ogden, UT	\$502,500	\$446,225	-11.2%
5	Oxnard, CA	\$889,875	\$795,188	-10.6%
6	Seattle, WA	\$848,719	\$760,597	-10.4%
7	Anaheim, CA	\$1,074,375	\$965,500	-10.1%
8	San Francisco, CA	\$1,663,563	\$1,503,750	-9.6%
9	Washington, DC	\$548,808	\$501,500	-8.6%
10	Sacramento, CA	\$607,500	\$555,250	-8.6%
11	Reno, NV	\$556,125	\$508,998	-8.5%
12	Cape Coral, FL	\$417,000	\$381,900	-8.4%
13	Frederick, MD	\$540,836	\$496,853	-8.1%
14	San Diego, CA	\$879,000	\$812,125	-7.6%
15	Boise City, ID	\$530,861	\$490,599	-7.6%

Source: Redfin

Homebuyer mortgage payments are rising rapidly as rates have more than doubled.

### FreddieMac Mortgage Rates as of 10/20/2022



In California, the average 30-year fixed mortgage rate is 7.64% if the credit score is between 700-719 and the buyer makes a 20% down payment on a loan amount of \$300,000. Given the Fed's current statements about further rate hikes, we expect to see mortgage rates rise above 8% in the near-term, up from 2.5%-3% a year ago.

For many home buyers, the equity market is the source of the down payment. With the S&P 500 down by over 20% and the NASDAQ down by over 30% year-to-date, an important source of funds for a down payment has depreciated materially.

The final shoe to drop on the housing market will be a deterioration in the labor market during a recession. Unemployment will rise and wage growth will slow.

Much like what the equity markets have done, the housing market may end up giving back all of its Covid gains. Because the pace of transactions in the home market is much slower than in the stock market, the price correction process takes years. During the Great Financial Crisis (GFC) which began with a housing price and lending bubble, the stock market hit its low in 2009 while the housing market reached its low in 2011.

If you are a new home buyer, this is good news. If you are an existing homeowner, there is a high likelihood you own your home with very attractive loan terms. For the sake of both the stock and housing markets, we look forward to putting Covid in the rear-view mirror.

### **Let Us Help You Position Your Portfolio – Give Us a Call Today**

We have unique and sophisticated investment methods that seek to capture the stock market's gains while minimizing drawdowns in bear markets. If you would like to learn more about how we manage money, we invite you to give us a call at **(415) 249-6337**, visit [www.deltaim.com](http://www.deltaim.com) or email us at [info@deltaim.com](mailto:info@deltaim.com).



*"It's very simple. If I was a cat, you would love me."*

# Delta Stock Market Dashboard

MARKET SENTIMENT IS

**BEARISH**

THIS WEEK'S NUMBER IS

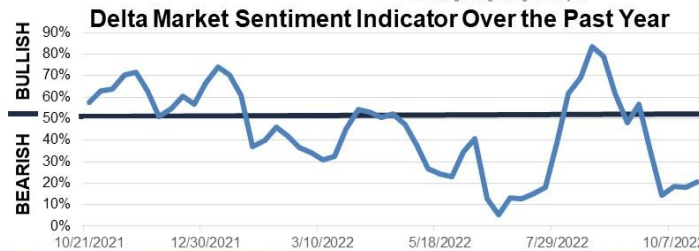
**20.5**

Our technical indicator increased from 18.2 to 20.5 this week

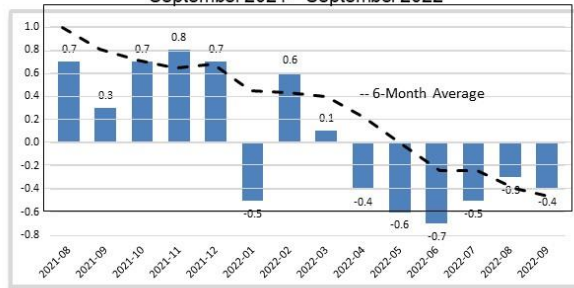
INDICATOR STATISTICS

Consecutive Bearish Weeks:	5
Cycle Inception Date:	9/23/2022
Range:	14.3 - 34.8
Mean:	21.3
Bullish Weeks YTD:	15
Bearish Weeks YTD:	28
*S&P 500	-1.4%
*DJIA	-1.8%
*NASDAQ	-2.7%

\* Percentage change during current cycle

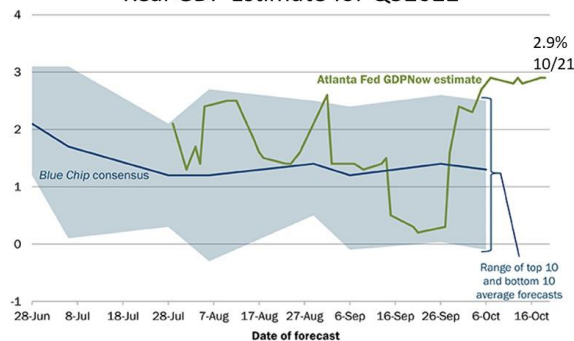


## Leading Economic Index % Change Monthly September 2021 – September 2022



Source: The Conference Board – last update 10/20/2022

## Atlanta Fed GDPNow Forecast Real GDP Estimate for Q3 2022



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

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