📊 The Reina Report - Recession Dashboard, Inflation & Real Estate Risks

July 21, 2025

🚦 Macro Overview

The economy is like a car with a full tank but a sputtering engine — still moving, but warning lights are flashing.

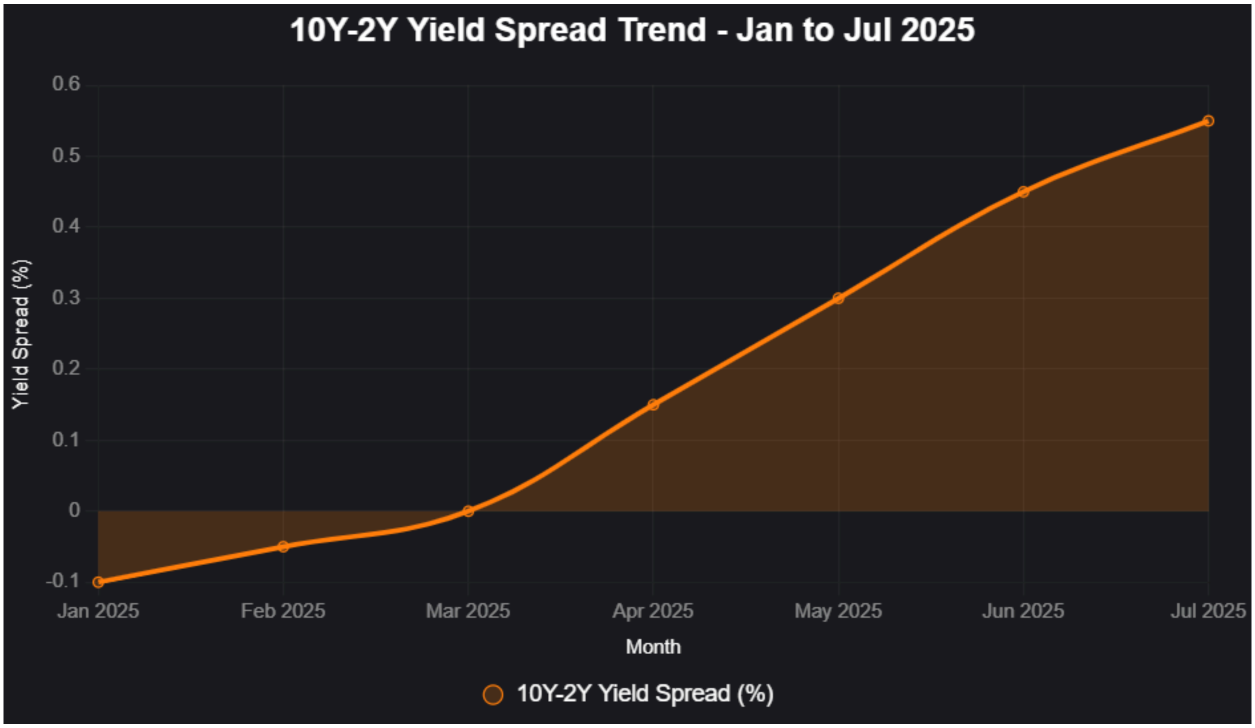
- **Unemployment:** 4.2%
- **Core CPI:** 3.4%
- **LEI:** Flashing recession risk

High Treasury yields and sticky inflation mean elevated borrowing costs. Real estate investors should stay alert: opportunities in rentals are rising, but a soft landing isn't guaranteed.

📉 Recession Signal Dashboard

📉 Yield Curve Inversions

- **10Y–2Y Spread:** +0.55% (CNBC, July 19)
- **10Y–3M Spread:** +0.04% (FRED, July 19)



🔍 **Insight:** Curves are barely positive after long inversions — re-steepening like this preceded the 2001 and 2008 recessions by 6–12 months. Flat curves still anchor mortgage rates near 7%, squeezing buyers.

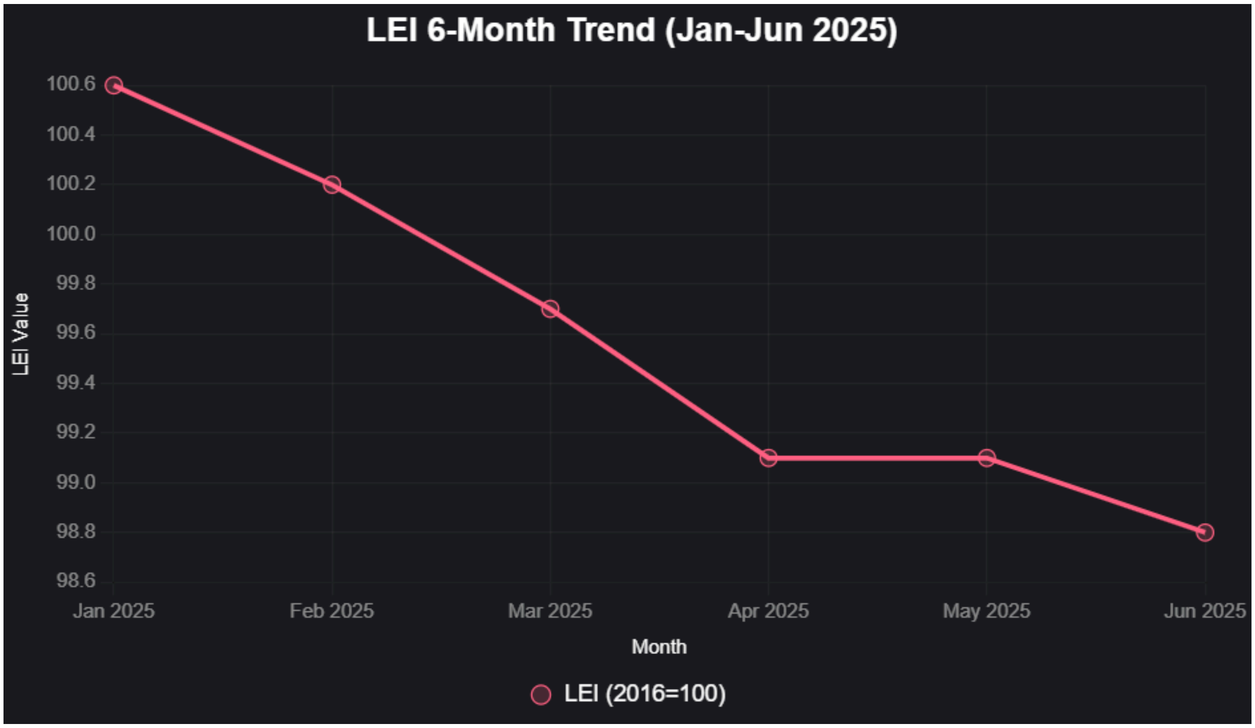
📈 Jobless Claims & Unemployment

- **Initial Claims:** 221,000 (DOL, Week of July 12)
- **Unemployment Rate:** 4.2% (FRED, June)

📌 **Note:** Up 3.2% YoY. Still below crisis levels, but rising. If claims reach 250K, buyer demand may drop further.

📊 Leading Economic Index (LEI)

- **Latest:** 98.8, ↓ 0.3% MoM, ↓ 2.8% over 6 months (Conference Board, July 21)



⚠️ **Recession Signal:** The 3Ds rule is triggered.

- **Coincident Index:** ↑ 0.3% to 115.1
- **Lagging Index:** Flat at 119.9

Real estate impact: Buyer demand weakens, but rental demand stays strong (+4% YoY).

📍 Sahm Rule

- **Current Reading:** +0.3 (FRED, July)

🧠 **What it means:** Nearing +0.5 recession threshold. Watch for a spike — that would likely hurt buyer confidence but keep rental demand firm.

🏭 ISM Manufacturing PMI

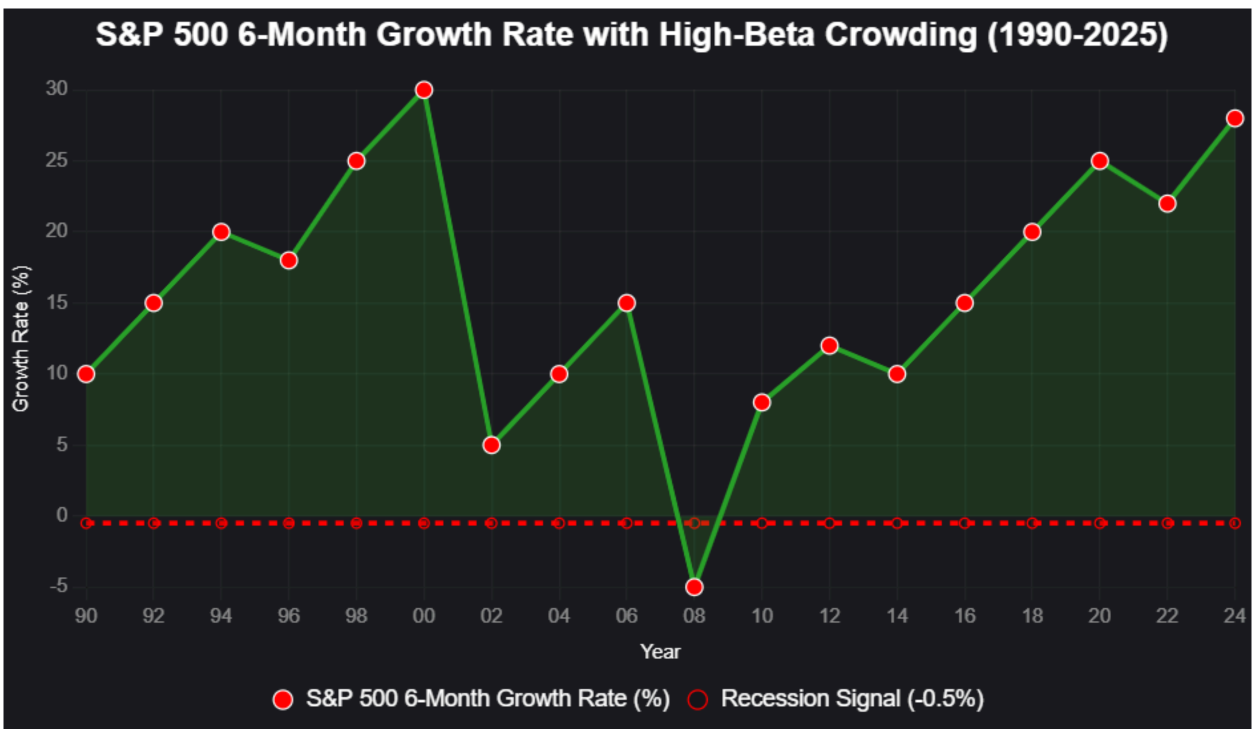
- **Latest:** 46.3 (ISM, June)

📉 **Still contracting.** Weak orders and employment = risk to industrial assets. Residential demand remains more stable.

💥 Market Sentiment

JPMorgan Data (via @LanceRoberts, July 21, 5:41 AM PDT):

- **High-beta crowding:** 100th percentile
- **S&P 500 6M growth:** 99.9th percentile



⚠️ **Interpretation:** This is speculative euphoria — similar to Dot-Com and 2021 AI boom tops. If momentum turns, equities and buyer sentiment may fall fast.

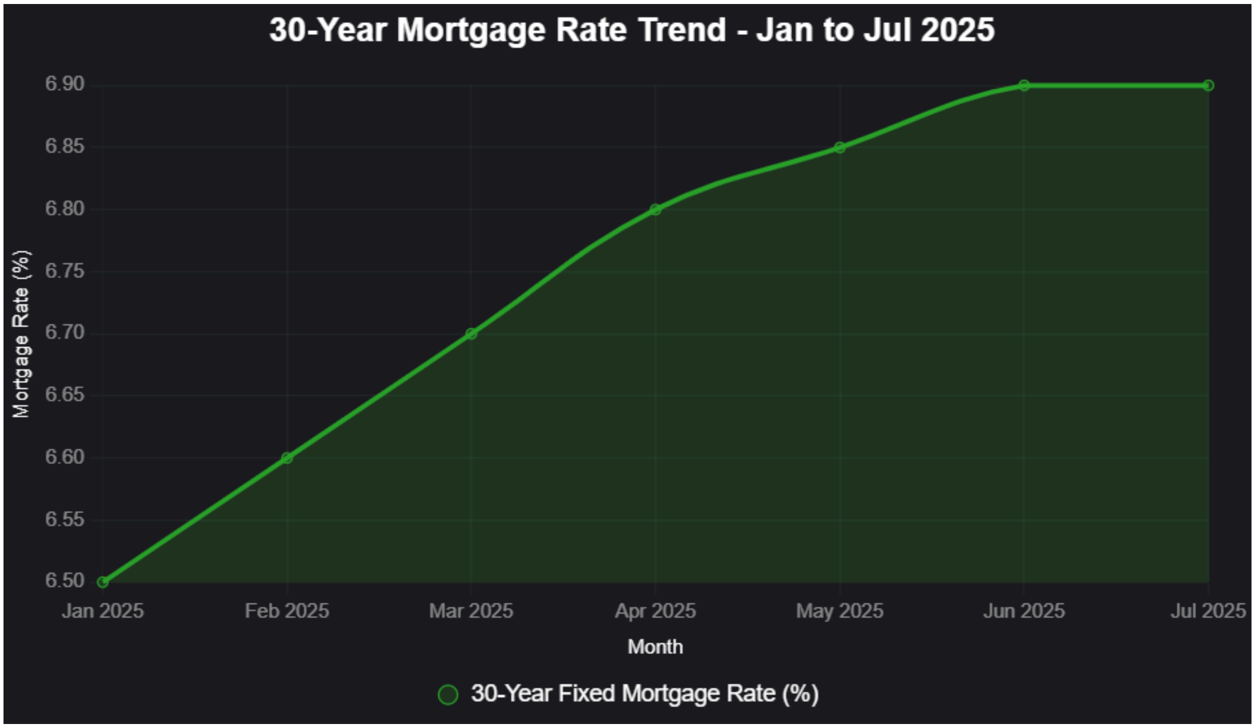
🔥 Inflation & Fed Policy

- **Core CPI:** 3.4% (BLS, June)
- **Core PCE:** 2.9% (BEA, June)
- **5Y/5Y Inflation Expectations:** 2.16% (FRED, July 18)
- **Real 10Y Yield (TIPS):** 1.65% (FRED, July 18)

💬 **Outlook:** Inflation remains stubborn. A Q3 rate cut (25–50bps) is likely (~70% chance per CME FedWatch). Rates may ease to 6.5–6.8% by year-end, but affordability is still crushed.

🏡 Housing Market Update

- **Existing Home Sales:** ↓ 5.4% YoY (NAR, June)
- **Median Home Price:** $412,000, ↑ 3.2% YoY
- **30-Yr Mortgage Rate:** 6.9% (Freddie Mac, July 17)
- **Housing Starts:** 1.32M, ↓ 4.1% YoY (Census, June)



📌 **Buyers need ~$120K income** (vs. $90K pre-rate hikes). Builders slow down. Rentals grow at 4% YoY. CRE stress limits multifamily momentum.

🏢 Credit & Bank Risk

🏦 CRE + Regional Banks

- **Trend:** Rising delinquencies in office/retail/mixed-use
- **Source:** Fed SLOOS (May 2025)

📉 **Impact:** Remote work & rate shock squeeze CRE. If delinquencies hit 5%, risk of banking stress grows. Stick to low-leverage rentals.

⚖️ Corporate Bankruptcy

- **Highest since 2020**
- **Sectors:** Small caps, PE-backed firms ([S&P Global, July 2025])

🔍 **Red Flag:** Cost pressures + weak demand. Caution around commercial tenants (especially retail).

📉 Hiring & Labor Trends

- **NFIB Hiring Plans:** Lowest since 2020
- **Indeed Job Postings:** ↓ 29% YoY (Indeed Hiring Lab, July 18)

⚠️ Hiring pullback continues. Watch for buyer fatigue — but rental demand remains strong in tighter labor markets.

🧭 Other Key Indicators

- **NY Fed WEI:** 0.46 (July 13)
- **Citi CESI:** -14.7 (Citi via Yardeni, July 19)

📌 **Interpretation:** Sluggish growth, missed expectations. Another flag for real estate caution.

📌 Summary & Strategic Outlook

🔮 Recession Watch

- LEI: 98.8, ↓ 2.8% over 6 months

- Sahm Rule: +0.3 — approaching danger zone
- Claims: Up 3.2% YoY

🎯 **Call:** Recession signal flashing but not confirmed. Soft landing still possible.

💸 Policy & Yield Outlook

- **Q3 Rate Cut Likely (25–50bps)**
- Mortgage rates could fall to 6.5%
- Bond rally possible, but MOVE Index = high volatility risk

📝 Watchlist

- MOVE Index (bond volatility)
- Sahm Rule ≥ +0.5
- LEI 6M growth ≤ –0.5%
- CRE delinquencies rising

💡 Actionable Insights

📈 For Investors:

- Lock in rental properties with strong CEI support

- Avoid over-leveraged commercial assets

🏡 **For Realtors:**

- Prioritize cash buyers and highlight rental upside
- Leverage 4% rent growth in marketing

📚 Sources

- Conference Board (LEI, July 21, 2025)
- FRED, BLS, BEA, DOL, NAR, Census Bureau, Freddie Mac, CNBC, Fed SLOOS, S&P Global, NFIB, Indeed Hiring Lab, NY Fed, Citi/Yardeni, [JPMorgan via @LanceRoberts]

📱 Quick Links – Stay Connected or Leave a Review:

ReinaHomes.com

Google

Zillow

FOLLOW US ON Instagram

Facebook

Realtor.com

Joey Reina | Realtor® | Lic #02163431

Sun Real Estate Team Inc. | www.ReinaHomes.com

📧 Joey@ReinaHomes.com | 📞 530-401-3424

🔒 Disclaimer:

This report is for informational and educational purposes only. It does not constitute financial, investment, or legal advice. Although I hold a degree in Financial Management and actively track economic trends, I am not a licensed investment advisor. Always consult a qualified financial professional before making investment decisions.