CONY

CONY Flash Macro Note **July 17, 2019**

www.corpny.com

Flash Macro Update (07/17/2019)

Ahead of the FOMC meeting, which will be held at the end of this month, investors continue to monitor high frequency macro data in order to see whether FED's expected rate cut in July will turn into a rate cut cycle or not. In that context, June housing starts data was important today. After the stronger than expected retail sales yesterday, US June housing starts data indicated that activity in the housing sector continued to be relatively weak compared to 2018.

Housing starts in the US, which is the most important housing data among others, in our view, recorded a m-o-m decline of 0.9% in June. The data was in general slightly worse than expected. With the June data we compute that housing starts were down by 4.1% y-o-y in the first half of the year.

When we look at the details of the data, we see that the slowdown mainly comes from multi-family housing this time, which could be seen as good news, as single-family housing accounts for the largest share of the housing market rather than the multi-family housing. In terms of regions, in the first five months of the year, mostly the Northeast was very weak but in June we observe a recovery in housing starts in Northeast and Midwest, while there were declines in South and West in June.

It is worth noting that housing permits also confirmed the weak state of the housing sector. Housing permits in June registered a m-o-m decline of 6.1%, which is also not encouraging, in our view. They were at 1.22 million units in June against 1.30 million in May suggesting that housing activity continued to slow down.

Mortgage rates are coming down and if FED starts an easing cycle, it might trigger further decline in rates that could give some boost to the housing market going forward. The data overall was weak, in our view and should support the decline in yields in the fixed income market. But rather than the housing data the highlight of the month will be the FOMC meeting and 2Q19 GDP data.

Ozgur ALTUG
Chief Economist
CONY Global Macro Strategy