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CONY Flash Macro Note **March 26, 2019**

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Flash Macro Update (03/26/2019)

Amid global growth concerns housing data in the US in February was slightly lower than expected that added woes to the state of global economic activity. Although the data does not suggest a collapse for February, any lower than expected data in the US is perceived as negative. In terms of financial markets, we think that the housing data in the US is positive for the fixed income market and negative for the equity market in the short-term.

Housing starts in the US, which is the most important housing data among others, in our view, recorded a m-o-m decline of 8.7% in February. On a y-o-y basis, housing starts were also down by 10% in February. In addition, January data was revised down and in January m-o-m increase was around 12% which was close to 20% before the revision. With the February data we compute that housing starts were down by 7.2% y-o-y in the first two months of the year. Apparently, housing did not make a good start to year 2019.

When we look at the details of the data, we see that the slowdown mainly comes from single-family housing (which accounts for the largest share of the housing market) rather than the multi-family housing. We also observe that Northeast housing starts suffered significantly in February, whereas Midwest continued to do well.

It is worth noting that there was one alleviating factor, which was the housing permits in February. Although housing permits were slightly lower than consensus, they were at 1.296 million in February against 1.317 million in January suggesting that housing activity continues at a decelerating pace. The permits also indicated that a pickup in homebuilding could be ahead of us.

Sector representatives are still optimistic about the US housing market, as the 30-year fixed mortgage rate dropped to an average of 4.28% last week, the lowest in more than a year, from 4.31% in the prior week, according to data from mortgage finance agency Freddie Mac.

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