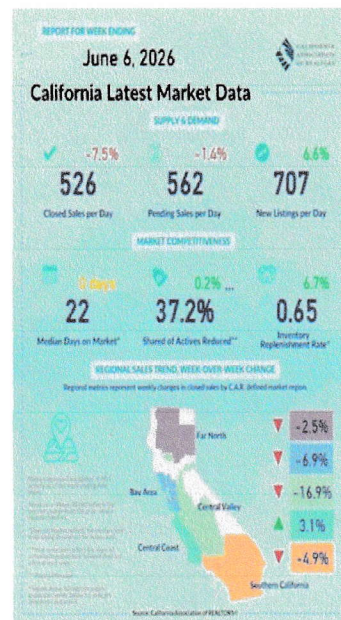


June 08, 2026 – Last week's strong jobs report is welcome news for the economy, underscoring a labor market that remains more resilient than expected. But that same strength also complicates the mortgage rate outlook, as solid hiring could keep Treasury yields and borrowing costs elevated in the near term. While easing inflation expectations and steady employment offer reasons for cautious optimism, rates may remain volatile before any relief emerges later in the year.

Labor market remains resilient in May, but wage growth lags behind inflation: U.S. job growth posts a third month's gain, blowing past consensus expectations of 88k. Nonfarm payrolls rose a seasonally adjusted 172k in May, continuing the positive job growth observed since March. Payrolls were revised up by 29k to 214k for March and by 64k to 179k for April. With the upward revisions, average monthly job growth over the past three months now stands at more than 188k. Leisure and hospitality (70k), government (52k), and health care and social assistance (47.2k) each added at least 40k jobs in May. Financial activities, on the other hand, lost 22k jobs and was down 107k jobs compared to the same month last year. The continuing reduced reliance on the healthcare sector for overall job growth is an encouraging sign for the economy. The unemployment rate remained unchanged at 4.3% for the third straight month, which is good news for workers who have jobs. On the other hand, the labor market remains rough for many job seekers, as the share of unemployed workers who have been out of work for 27 weeks or more climbed to 27.5%, significantly higher than the 20.4% recorded a year ago. Wages remained on the rise, with average hourly earnings up 3.4% from a year ago but the increase came in lower than the annual inflation increase of 3.8%. This could put Americans' purchasing power to a test and may result in a slowdown in consumer spending in the months ahead.

Mortgage rate outlook complicates by a strong jobs report: Mortgage rates had been moving sideways at the beginning of this month before the latest jobs report, with the average 30-year fixed mortgage rates hovering near 6.60%. Longer wait on the US/Iran negotiations, odds of higher gas prices, and a stronger-than-expected labor market raised the floor under mortgage rates and shifted the rates trend upward in the near term. After the release of the May jobs report, the 10-year Treasury yield jumped past 4.5% last Friday morning, while the two-year yield climbed above 4.1%. The solid job growth last month allows the Fed officials to focus their attention on inflation and strengthens the hawks' case for rate hikes later this year. With inflation likely to surpass 4% or even 4.5% in the third quarter, mortgage rates could climb further before coming down towards the end of the year.

Short-term inflation outlook improves but job market expectations deteriorate further in May: Inflation expectations at the one-year ahead horizon decreased slightly last month after increasing for two consecutive sessions, according to the New York Fed's *Survey of Consumer Expectations*. Respondents collectively expected inflation 12 months from now to reach 3.5%, a dip of 0.1 percentage point (ppt) from April, as the negotiation between the U.S. and Iran continues. Median year-ahead gas price growth expectations also moderated by 0.1 ppt to 5.0% in May. The medium and longer-term inflation expectations remained unchanged last month at 3.1% and 3.0%, an indication that consumers continue to see the recent uptick in inflation as a temporary shift in price growth that could subside after the next 12 months. On a less positive note, consumers remained pessimistic about the labor market outlook last month. Their perceived odds of losing one's job in the next 12 months went up by 0.5 ppts to 15.1%, and their perceived odds of finding a job if one's current job was lost declined by 2.3 ppts to 43.7%. Despite recent job reports showing sustainable growth in the past couple of months, labor market expectations remain down as geopolitical tension lingers on and economic uncertainties continue.



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International home shopper traffic slows in the first quarter: Foreign buyers remain interested in residential properties in the U.S., but geopolitical turmoil in recent months may have slowed international housing demand from last year. In 2026 Q1, international home shoppers made up 1.6% of all online shopping demand, a dip from 1.8% recorded a year ago in 2025 Q1, according to a recent report released by Realtor.com. Canadian home shoppers (37.8%) made up more than a third of the international traffic, followed by shoppers from Mexico (6.4%), the U.K. (5.9%), Germany (3.9%), and Australia (3.0%). The most popular U.S. markets for foreign buyers include Miami (10.3%), New York (4.7%), Los Angeles (4.6%), Orlando (3.0%), and Tampa (2.8%). Los Angeles has been losing its popularity in the past few years partly due to surging insurance costs, high tax burdens on homeowners – particularly for those who own ultra high-priced properties, and rising concerns of wildfires. With home price growth moderating and hopefully the Middle East conflict calming down in the near future, international homebuying interest could see a bounce back in the next 18 months.

Residential construction climbs for the second straight month: U.S. construction spending climbed again in April and exceeded expectations, according to the latest monthly report released by the Commerce Department. Total outlays were up 0.4% from March and were up 0.9% year-over-year. The monthly gain was primarily due to an increase in residential construction spending, as single-family climbed 1.4% and remodeling rose 0.4%. Multi-family construction spending, meanwhile, dipped 0.3% month-over-month in April. Compared to a year ago, single-family outlays were down 2.9%, while multifamily spending was up 1.1% and remodeling was 7.5% higher. Despite the pick-up in residential construction spending in recent months, elevated interest rates and geopolitical uncertainty continue to pose headwinds for developers in the short term, which could slow down construction activity in the coming quarters.

Note: *This summary report gets updated every Monday by 6:00 pm PST. Feel free to email us at research@car.org if you have any questions and/or feedback.*