



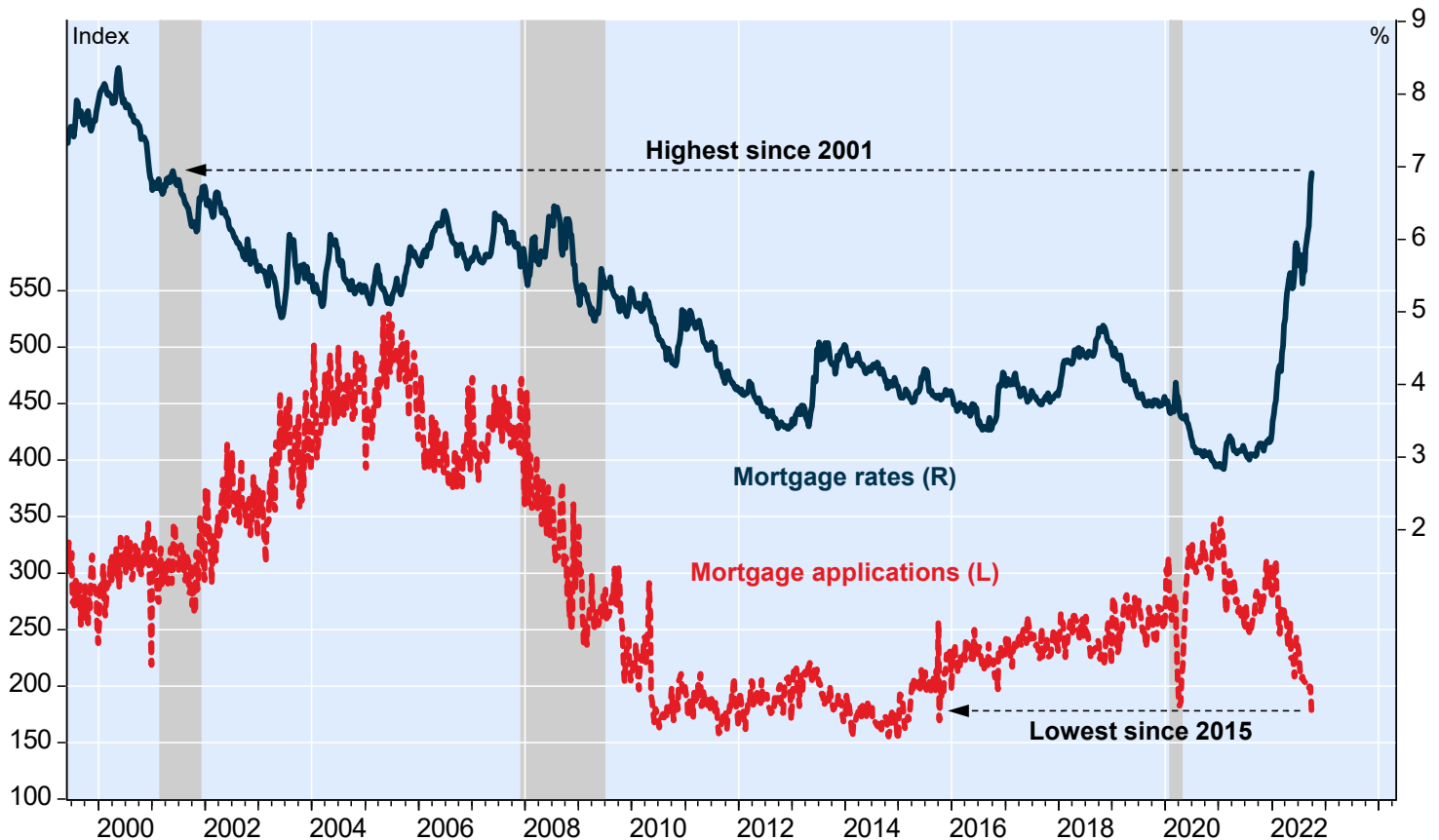
U.S. Watch

By Jocelyn Paquet

The Federal Reserve has made it clear in its recent communications that its overarching focus is to bring inflation back down to its 2% goal as soon as possible and that, to achieve this, it would not hesitate to raise interest rates several more times between now and the middle of 2023. FOMC members certainly acknowledge that this will bring some pain to households and businesses but recent data on the housing market suggest they're still sugaring the pill in their communications. Home resales have fallen 28% from their peak and currently stand significantly below their pre-pandemic levels. Prices have also started to come down according to the S&P CoreLogic Case-Shiller Index, which registered its first monthly decline in a decade in July. The situation will get worse. As today's Hot Chart shows, mortgage applications aimed at the purchase of a home sank 12.6% in the week to 30 September, a decline the likes of which had only been seen twice in the previous 10 years. The sharp drop in applications was no stranger to the fact that 30-year mortgage rates averaged close to 7% during the week. Blimey, they didn't even go that high before the 2008 crisis! A further slowdown is thus to be expected in the housing market, something that should help cool the economy and inflation.

U.S.: Housing market buckling under the weight of rising mortgage rates

Average rates paid on a 30-year fixed mortgage vs. mortgage applications aimed at the purchase of a home



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