



Economic highlights from the week ending on January 22, 2021

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Housing market momentum remained solid heading into 2021. Total housing starts increased 5.8% in December to an annual pace of 1,669,000 (the strongest rate since 2006). Single family starts jumped 12.0% to an annualized rate of 1,338,000, while multi-family starts declined 13.6% to an annualized rate of 331,000. On a year-over-year basis, total housing starts were up 5.2% in December, driven by growth in single-family starts. Meanwhile, permits were up 4.5% on a month-over-month basis in December, to an annualized rate of 1,709,000 (also the strongest rate since 2006). Meanwhile, existing home sales were stronger than expected in December, up 0.7% month-over-month to a robust annual rate of 6.76 million. On a year-over-year basis, existing home sales were up more than 22% in December. Very low mortgage rates, solid stock market performance, and a meaningful shift toward working from home have provided strong tailwinds for the housing sector. The National Association of Home Builders' housing market index eased to 83 this month from 86 in December, suggesting that activity in the housing sector may be easing a bit after a very strong fourth quarter.



The Federal Open Market Committee will issue their first monetary policy statement of the year next Wednesday. Although four new Reserve Bank Presidents are rotating onto the Committee as voting members this year, we are not expecting any significant changes to policy over the near-term. We expect the Fed to remain highly accommodative until their goals of maximum employment and higher inflation are achieved. While we anticipate that inflation may start to creep higher in the coming months due to the base effect of cycling the deflationary impact of the pandemic last year, the Fed has clearly signaled that they are looking for a sustained increase in inflation. We believe the Fed is likely to look through any near-term uptick in inflation and will keep current accommodative monetary policy in place over at least the next six to twelve months, until the recovery is well underway, and vaccinations become much more widespread.



Next Week

Chicago Fed National Activity Index, Case-Shiller HPI, FHFA House Price Index, Consumer Confidence, Durable Goods, FOMC Announcement, GDP, New Home Sales, Leading Indicators, Personal Income & Outlays, Consumer Sentiment, Pending Home Sales

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