

Time EST	Indicator	For		Actual*	Estimate**	Consensus***	Previous Period****
08:30 AM	Housing Starts	Jun	↓	1173k	1320k	1320k	1337k R↓
08:30 AM	Housing Starts MoM	Jun	↓	-12.3%	NA	-2.2%	4.8% R↓
08:30 AM	Building Permits	Jun	↓	1273k	1310k	1330k	1301k
08:30 AM	Building Permits MoM	Jun	↓	-2.2%	NA	2.2%	-4.6%
02:00 PM	U.S. Federal Reserve Releases Beige Book						

* ↑ indicates stronger than Consensus estimated, ↓ indicates weaker than Consensus estimated, ▬ indicates in-line with Consensus Estimated

** Estimate from Bank of the West Economics

*** Consensus from Bloomberg

**** ↑ means prior reading revised up, ↓ means prior reading revised down

Housing Starts and Building Permits Tumble in June

Housing starts and building permits fell far short of consensus expectations in June. Housing starts tumbled 12.3% from May to 1173K from a downwardly revised 1337K in May. The June drop in starts totally wiped out the May increase. Multi-family starts plunged 19.8% last month and are down 5.8% from a year ago. Single-family starts also decreased 9.1%. Regionally, housing starts plunged 35.8% in the Midwest and 9.1% in the South. The West had the smallest regional decline of 3.0% last month. A combination on supply constraints and weakening demand for housing is likely behind the declines in starts and permits last month.

Most alarming for the housing expansion, building permits dropped for a third consecutive month in June, slipping another 2.2% from May. Building permits declined sharply in the Midwest and Northeast last month, but did increase modestly in the South, partially offsetting a big drop in building permits in May.

Residential investment growth in the Q2 GDP report will be nearly invisible. We are currently estimating a 0.9% annualized growth rate in residential investment in the quarter that just ended. Moreover, the steady decline in building permits last quarter, suggests residential investment could actually decline in the third quarter as well. As the Fed normalizes interest rates, one of the first places it will be visible is in the housing market. Stay tuned!

U.S stocks are mixed this morning. The Dow is up 0.22%, but the S&P 500 and the NASDAQ are down 0.07% and 0.17%, respectively. Declines in the S&P 500 today are being led by utilities, consumer staples, and real estate stocks.

Treasury yields are lower across most maturities this morning. The 10-Year Treasury yield is at 2.860, unchanged from Monday. The 2-10 Treasury spread is 25.5, up 0.8 basis points from yesterday. The futures market probability of another Fed funds rate hike in September is at 78.2% this morning, down from 80.4% from yesterday's close.

The U.S. dollar is stronger against the major currencies today. The Bloomberg dollar spot index is up 0.19% from yesterday's close. The U.S. dollar is gaining the most against the Mexican peso, euro, and British pound today.