**Daily Dose of Macro & Markets 27th August 2025**: "US Housing: Waiting On The Fed"

The 'Daily Dose of Macro & Markets' is our new publication designed to speak to the key global macro debates that matter for markets (with 1 - 3 charts and two paragraphs). This product will be published every Tuesday, Wednesday and Thursday morning (early London time).

**Key Quote:** "US Housing Activity: Depressed", 20th August 2025 Daily Dose of Macro & Markets

"...on a variety of measures **US housing activity is in a deep recession** (and has been for the past three years): The NAHB homebuilders' index is at 5 year lows; existing and pending home sales are currently at (or close to) record all time lows (and have been for 3 years); the 'home buying conditions' sub index of the Michigan consumer sentiment survey is close to multi decade lows (having bounced modestly from last August's all time low); while inventory levels are high (especially for new homes)..."

**Source:** Daily Dose of Macro & Markets 20th August 2025: "US Housing Activity: Depressed", 20th August 2025, available HERE.

## US Housing: Waiting On The Fed

US housing remains in a deep recession. Home sales are close to record all-time lows; inventories are high and rising; starts and permits are trending down; and broad measures of activity are soft (e.g. the NAHB index). As we noted last week, the key reason is that money is still 'too tight' in the US. That is, housing remains unaffordable due to high mortgage rates and, as such, house prices are starting to adjust lower (see HERE for Wednesday's Daily Dose of Macro & Markets: "US Housing Activity: Depressed").

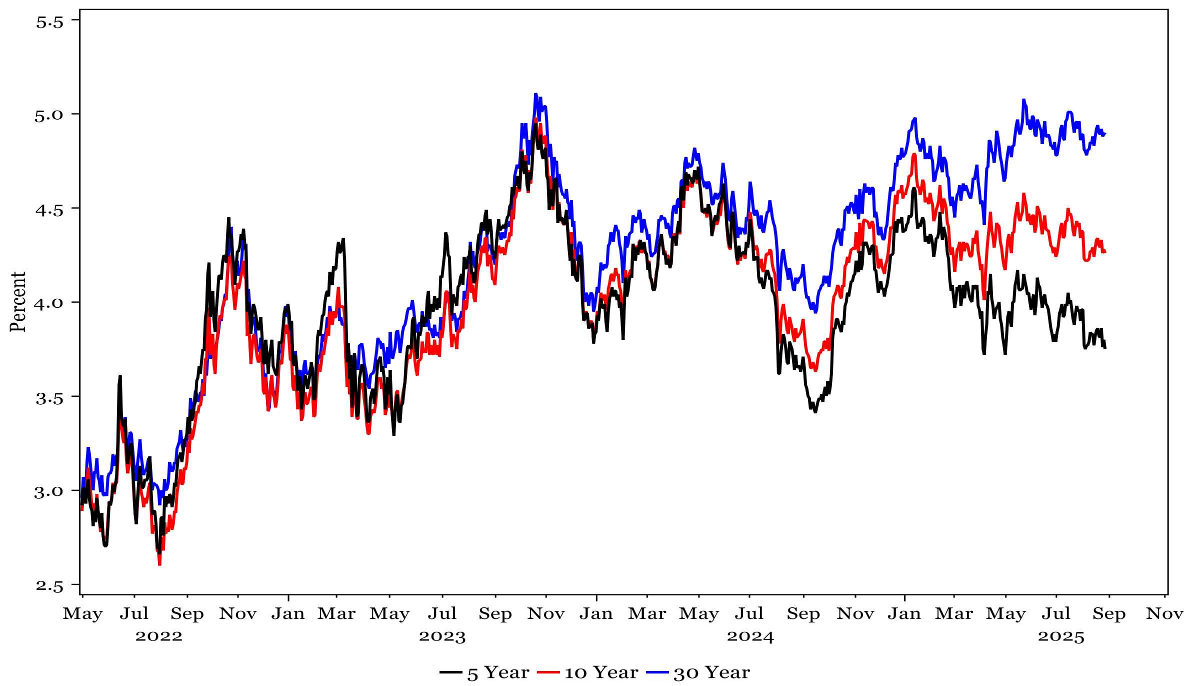
Yesterday's data added to that theme. FHFA house prices contracted for the third month in a row (-0.2% m-o-m, FIG 3) and by more than the consensus expected (table 1). US house prices rose 2.6% y-o-y, their slowest growth rate since 2012.

While money remains 'too tight', the key risk is that house prices begin to contract more meaningfully. Naturally that would result in weaker housing activity. More importantly, though, it would **dampen consumption** through (i) negative wealth effects (for which there's strong empirical evidence, e.g. see HERE); and, linked to that, (ii) probably a contraction in home equity withdrawal (HEW).

Regarding (ii), HEW is mostly driven by house price growth. Rising house prices encourage people to use their property like an ATM (taking out cash by increasing their mortgage balance). Conversely, falling house prices encourage deleveraging (over-payments). That relationship is shown in FIG 2. Currently, given weak house price growth, HEW is close to zero, at just 0.14% of disposable income in Q1 2025. The key risk, therefore, is that weaker prices result in negative wealth effects and a bout of deleveraging.

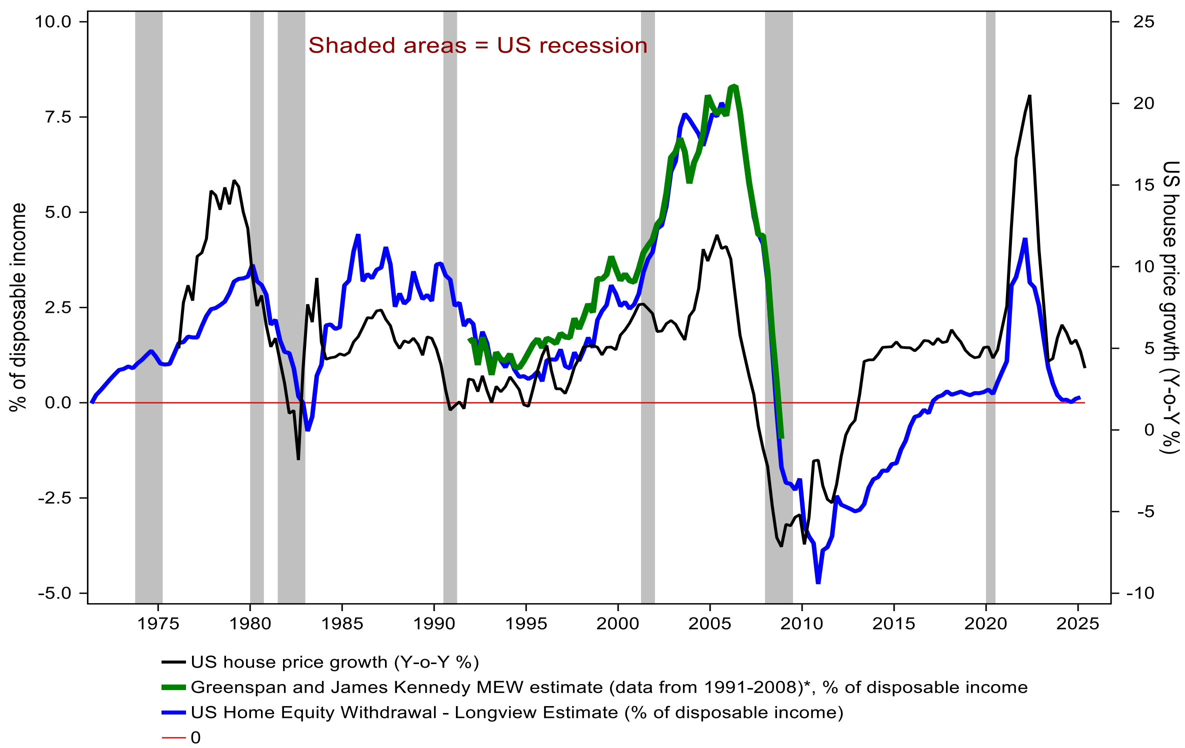
In that respect, although front end rates have eased, **long end yields remain stubbornly high**. The 30 year yield is still at 4.90% despite the move lower in other parts of the curve (e.g. 5s & 10s, see FIG 1). A recovery in US housing is unlikely without lower long end yields (which determine mortgage rates). All eyes, therefore, are on the Fed – and the potential for a (deeper than expected) rate cutting cycle.

**FIG 1:** US Treasury yields (5, 10, & 30 year yields, %)



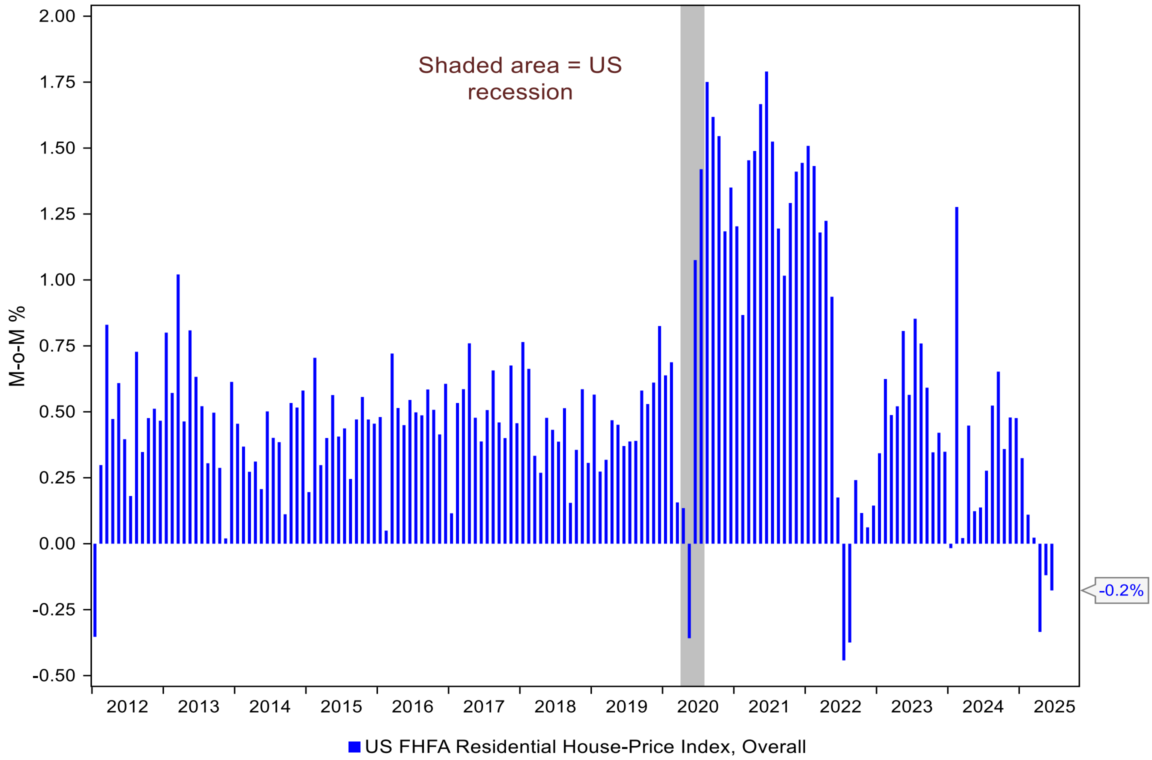

*Source: Longview Economics, Macrobond*

**FIG 2:** US Home Equity Withdrawal (% of disposable income) vs. FHFA house prices (Y-o-Y %)




*Source: Longview Economics, Macrobond*

**FIG 3:** US house price growth (FHFA, M-o-M, %)




*Source: Longview Economics, Macrobond*

**Table 1:** Yesterday's US housing data for June/Q2 2025

| | Date Time | A | M | R | Event | Period | Surv(M) | Actual | Prior | Revised |
|---|---|---|---|---|---|---|---|---|---|---|
| 21) | 08/26 14:00 | | | | FHFA House Price Index MoM | Jun | -0.1% | -0.2% | -0.2% | -0.1% |
| 22) | 08/26 14:00 | | | | House Price Purchase Index QoQ | 2Q | -- | -0.0% | 0.7% | 0.8% |
| 23) | 08/26 14:00 | | | | S&P Cotality CS 20-City MoM SA | Jun | -0.20% | -0.25% | -0.34% | -0.32% |
| 24) | 08/26 14:00 | | | | S&P Cotality CS 20-City YoY NSA | Jun | 2.09% | 2.14% | 2.79% | 2.81% |
| 25) | 08/26 14:00 | | | | S&P Cotality CS US HPI YoY NSA | Jun | -- | 1.89% | 2.25% | 2.32% |