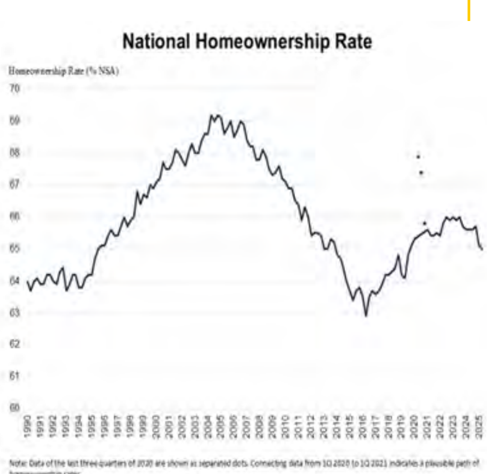
The Threat Of Stagflation

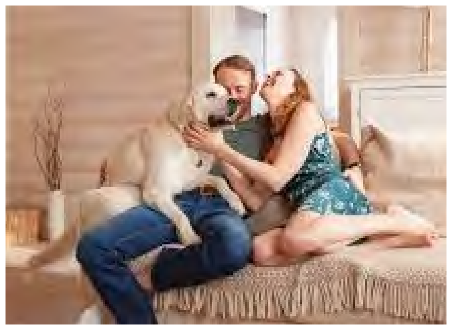
Judging by the jobs numbers for the past three months, the markets are calling for a rate decrease by the Federal Reserve at their next meeting in the middle of September. Certainly, long-term rates have been falling as a reaction to the weakening job situation and in anticipation of the Fed's next move. When the economy adds less jobs, consumers spend less and wage growth eases, which means that inflation should ease at the same time. This should give the Fed more wiggle room to ease interest rates.

The one wild card is the implementation of significant tariffs. For example, the National Association of Home Builders has indicated that higher tariffs on Canadian lumber is likely to raise the cost of a new home. Higher costs are directly translated into higher inflation. Is it possible to have rising inflation at the same time that the economy slows down? The answer is yes, and this condition is called "stagflation." It is not very common in our history.

If the Federal Reserve lowers interest rates while inflation is rising, then long-term interest rates such as mortgage rates are not likely to ease as much – if at all. Keep in mind that the effect of the implementation of tariffs upon inflation is not a certainty. There are plenty of other intervening factors.

But the threat of stagflation is one that the Fed will keep their eye on. Generally, a slower growth economy should be good news for interest rates as long as we don't have stagflation and/or fall into a recession. Thus, let's hope for a healthy balance of slow growth and lower interest rates. The jobs report to be released the first week of September will be watched carefully in this regard...





Considering The Pets

Did you know there are more households with pets than children? And these beloved pets are a driver of economic activity, namely, home buying. About one-fifth of recent home buyers considered their pet when choosing a neighborhood, a share that increases among unmarried couples and single women buyers. According to the U.S. Census, the share of families with children under the age of 18 living in their home has continued to decline. The share of families with children under the age of 18 in 2024 stood at 39%, down from 52% in 1950. In 1985, 58% of home buyers had children under the age of 18 in their homes. In 2024, just 27% of home buyers had a child under the age of 18 in their home. This is an all-time record low.

Meanwhile, there has been a rise in pet ownership. According to the American Pet Products Association, 71% of American households own a pet. This is up from 56% in 1988. And, it is no surprise that many home buyers consider their pets the most important factor when making homebuying decisions. Factors such as proximity to a veterinarian and outdoor space for pets are important considerations for buyers with pets. Among all unmarried couples, 24% of home buyers considered their pet when deciding on a neighborhood in which to purchase, compared to 15% of married couples. Seventeen percent of single women considered factoring their pet into their neighborhood choice, compared to 12% of single men...

Source: National Association of Realtors

Selected Interest Rates

August 21, 2025

30 Year Mortgages——6.59%
2024 High (May 2)——7.22%
2024 Low (Sept 26)——6.08%
15 Year Mortgages——5.69%
10 Year Treasuries——4.29%

Sources—Fed Reserve, Freddie Mac
Note: Average rates do not include fees and points. Information is provided for indicating trends only and should not be used for comparison purposes.

Affordability Improving?

U.S. home price growth remained below 2% in June, indicating a continued market slowdown, according to Cotality. The firm's Home Price Index said year-over-year price growth dipped to 1.7% in June, "well below the rate of inflation and [a signal] that real prices may be becoming slightly more affordable." The report said housing markets in the Sun Belt have seen particularly noticeable declines, while the Midwest and the Northeast are seeing seasonal price gains that align with pre-pandemic trends.

"The Northeast has continued recording strong price growth as compared to the rest of the country," it noted. Cotality Chief Economist Selma Hepp said slowing price growth and increased for-sale inventories are gradually improving affordability, which has recently been at its lowest levels in more than 30 years. "These changes are creating new opportunities for potential homebuyers who were previously unable to enter the market due to high prices," she added. "But the extent to which buyers can enter the market is influenced by the stability of the labor market and the absence of major layoffs."

Though the housing market is seeing slowing price increases, prices are still rising. But price growth is now less than the rate of inflation, which means that relative prices are inching closer to affordability and have laid the foundation for a buyers' market going forward, the report noted...

Source: The Mortgage Bankers Association

Did You Know...

The National Association of REALTORS® reported that home prices climbed in most U.S. metros during the second quarter. The national median single-family existing-home price rose to a record high—up 1.7% annually, reaching $429,400...Homebuyer affordability improved in June, with the national median payment applied for by purchase applicants decreasing to $2,172 from $2,211 in May, according to the Mortgage Bankers Association.

Compliments of
Suzanne Smith
HNB Mortgage
2101 W. Wadley Ste.36
Midland TX 79705
432-683-0081
Suzanne@HNBMortgage.com
NMLS # 192813
Branch/Company 226999/205935
Se habla Español