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Athena Financial Solutions

What's Really Driving the U.S. Housing Market, and Will it Last?

James Brodie

Founder
Athena Financial Solutions

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What's really driving the housing market and will it last?

James Brodie C.M.T.



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Existing home sales median prices (+23.5% y-o-y June 2021, \$350,300)

One family homes prices rose 18.1% y-o-y (\$374,000 median) (\$430,600 average)

S&P CoreLogic Case-Shiller property values climbed 14.6% y-o-y in April

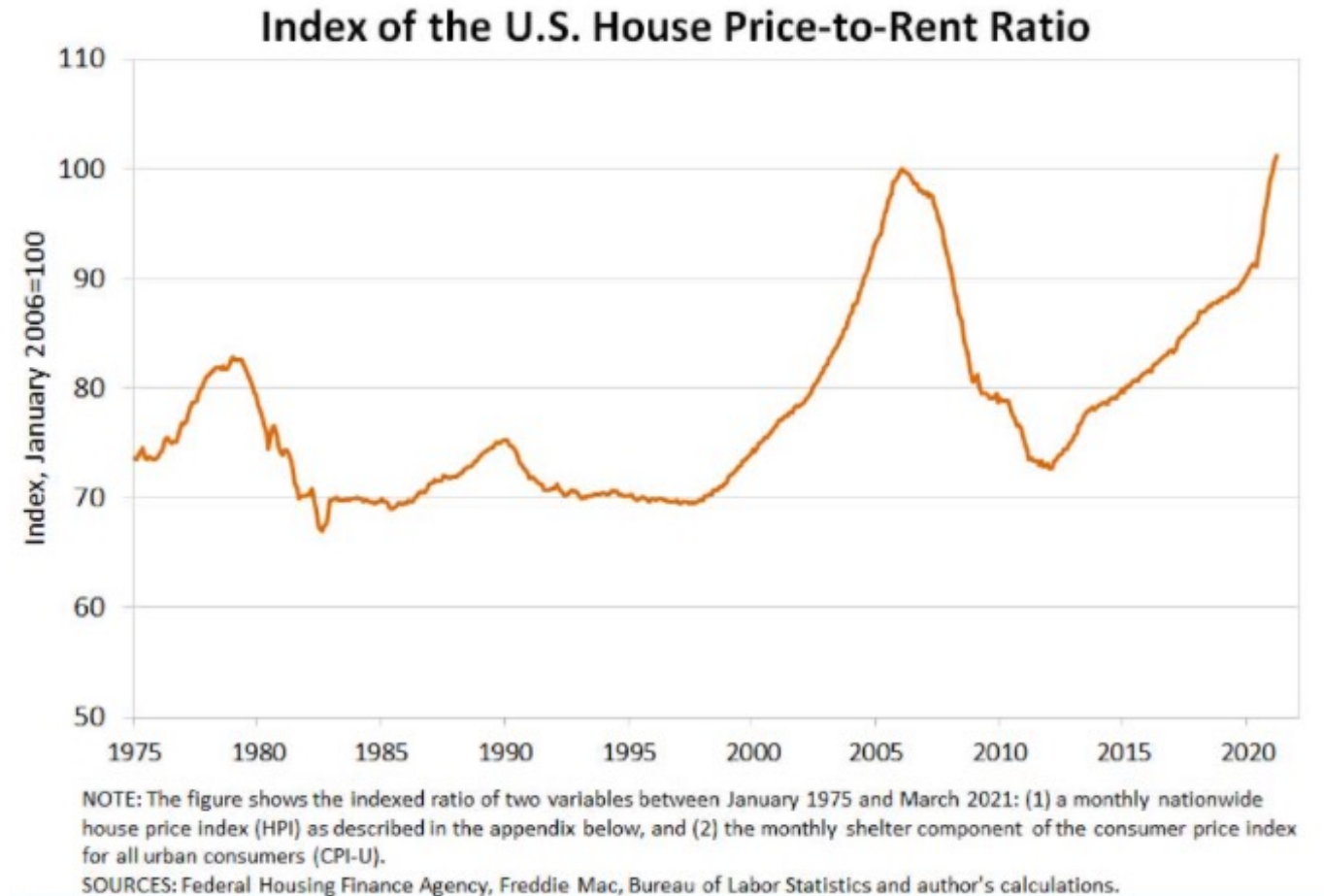
(Sources: Bloomberg, US census bureau, US commerce department, S&P CoreLogic Case-Shiller)

Existing home sales median prices (+23.5% y-o-y June 2021, \$350,300)

Source National Association of Realtors



(Source: Bloomberg, US census bureau, US commerce department)



(Source: Federal Reserve Bank of St Louis)

Drivers

- Demand in suburbs (but city demand falling)
- Bidding wars from desperate buyers
- Low mortgage rates
- QE
- Asset prices and valuations
- Home Inventory at record lows (supply!)

New privately owned new housing starts

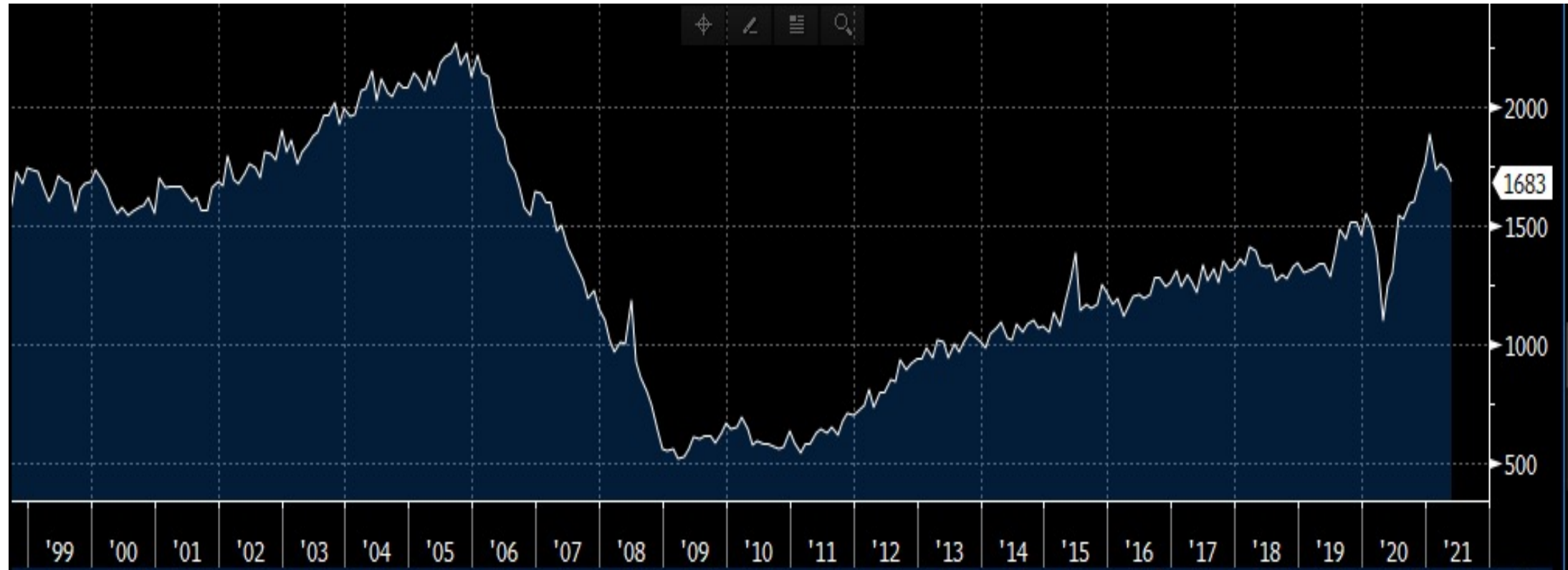
March 2021 a 15 year high



(Source: Bloomberg, US census bureau, US commerce department)

Private housing authorised building permits

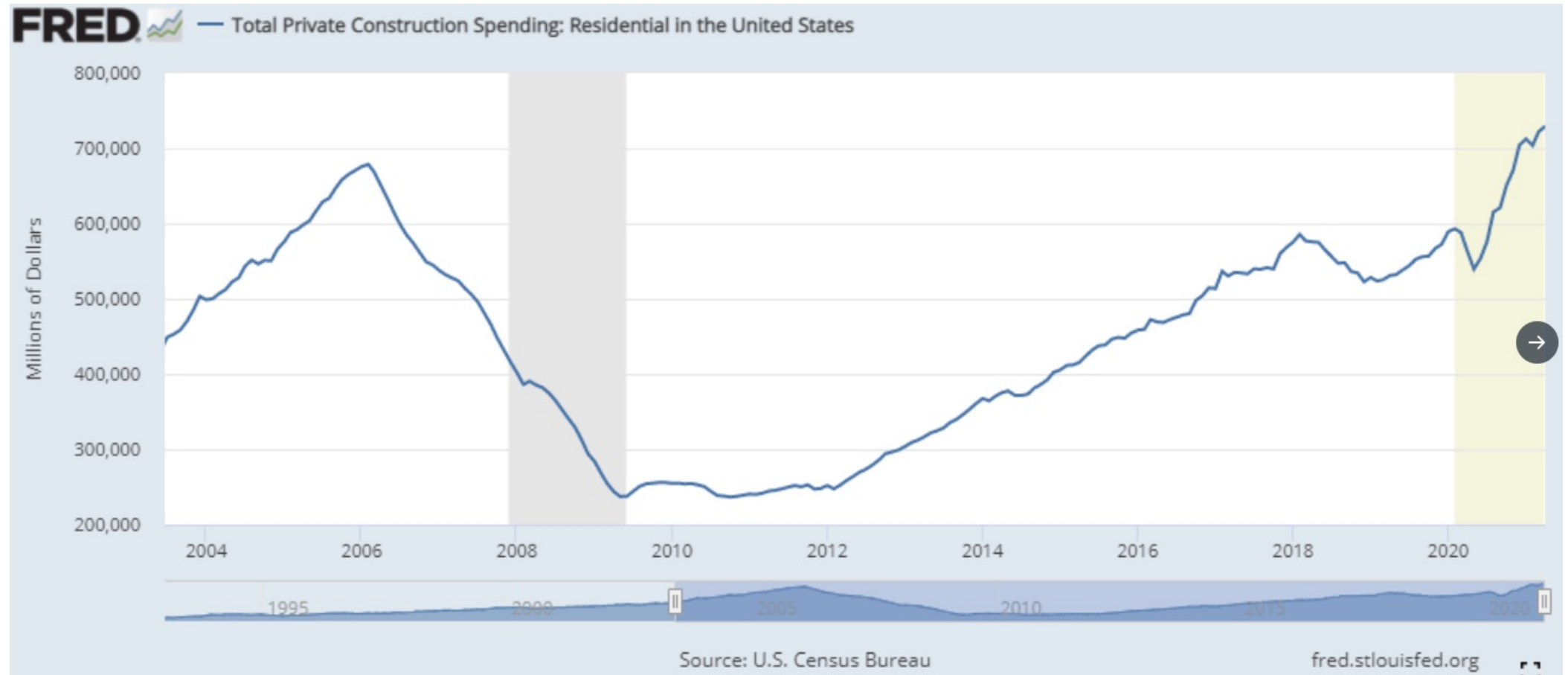
Long term trend higher OR short term trend lower



(Source: Bloomberg, US census bureau, US commerce department)

Total private construction spending

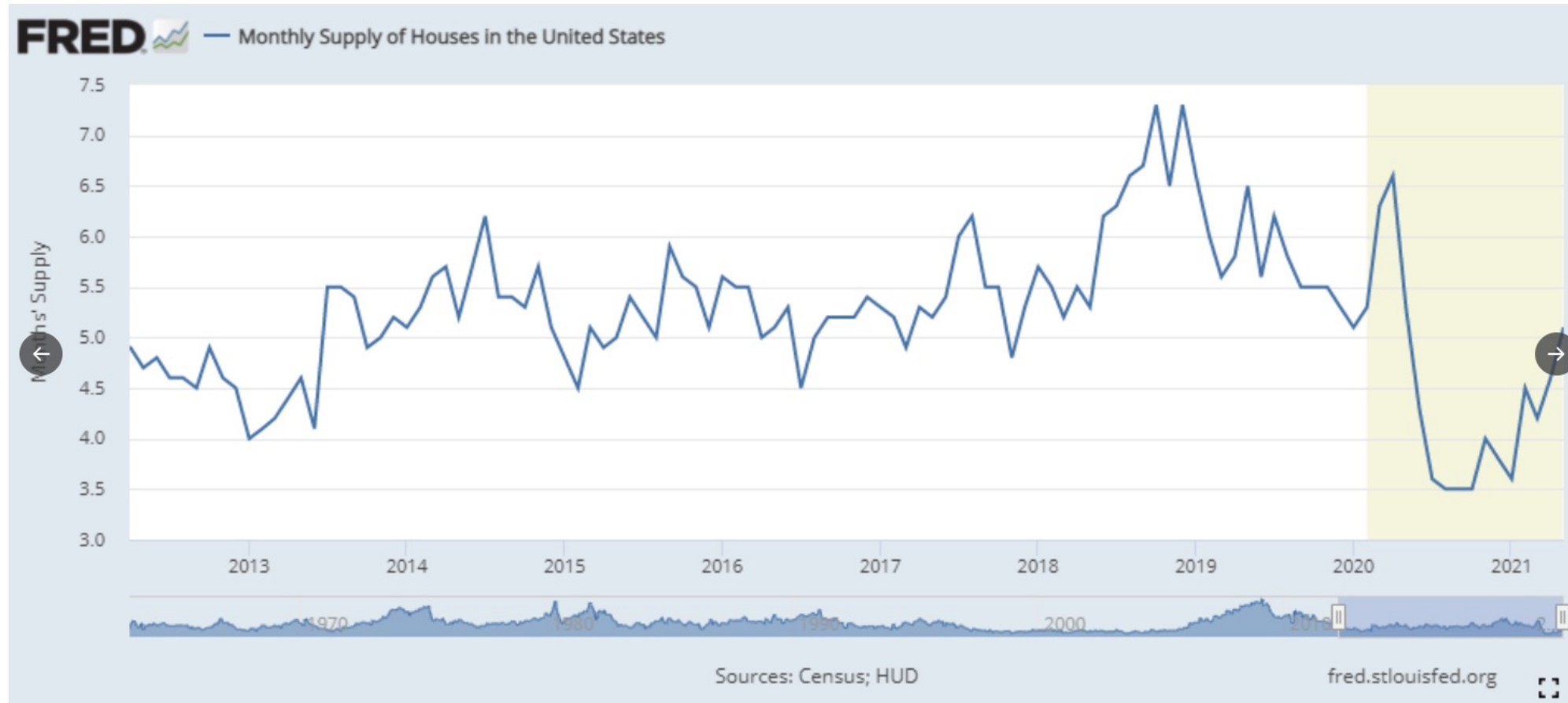
Long term trend higher.



(Source: US census bureau, St Louis Fed)

Housing supply rising

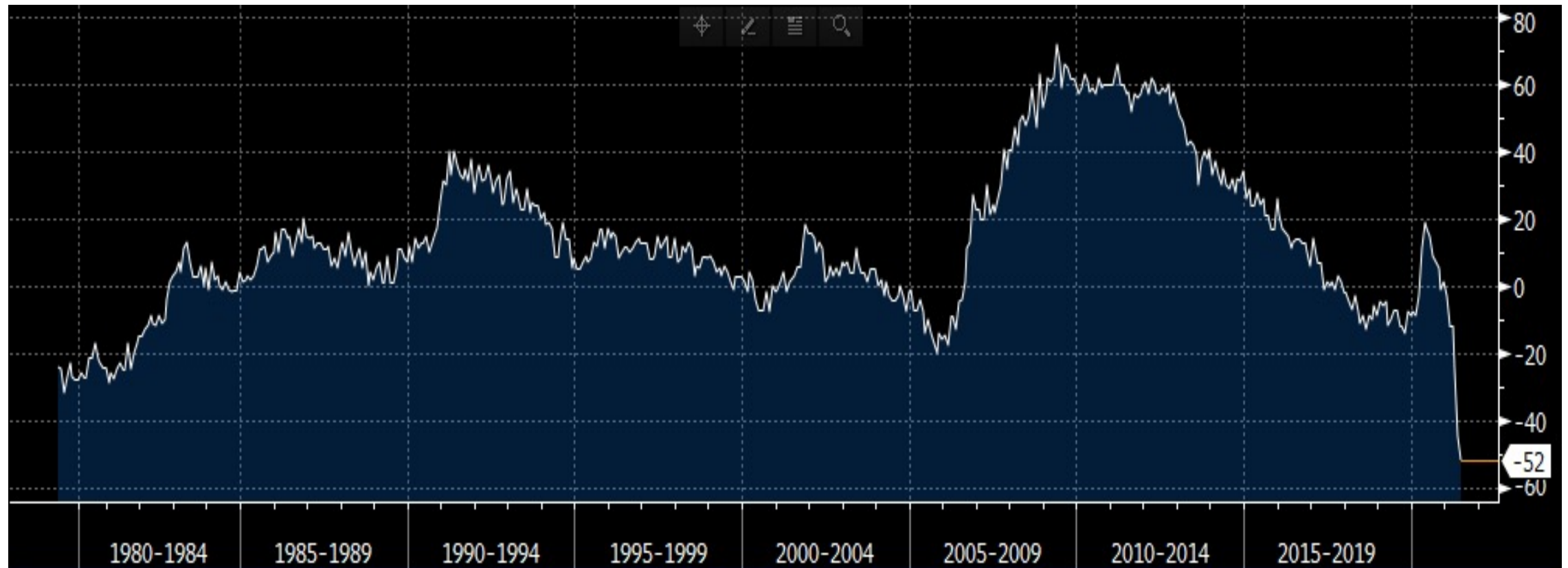
Long term trend higher.



(Source: US census bureau, HUD, St Louis Fed)

Buying conditions for houses related to price

Sentiment in FREEFALL....worst on record! Valuations



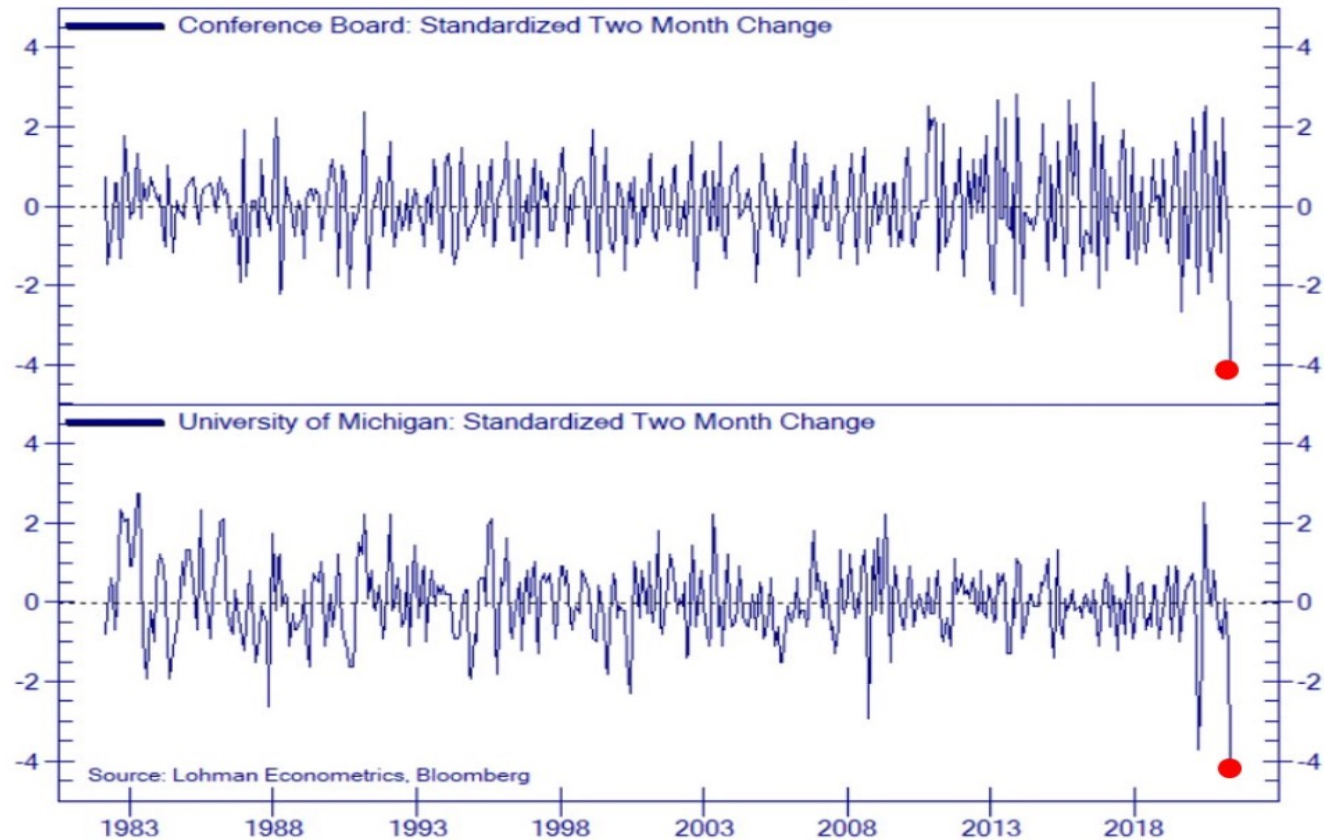
(Source: University of Michigan)

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Two month change in consumer home buying attitudes

Sentiment worst on record!

Two Month Change In Consumer Home Buying Attitudes



(Source: Conference board, University of Michigan, Lohman Econometrics)

Global housing affordability at 20 year lows



Source: Bloomberg Economics and OECD

Sharp reversal in trend



Source: National Association of realtors

New home sales fell -5.9% m-o-m in May (and fell -7.8% in April)

Sales volumes FALLING



(Source: Bloomberg, US census bureau, US commerce department)

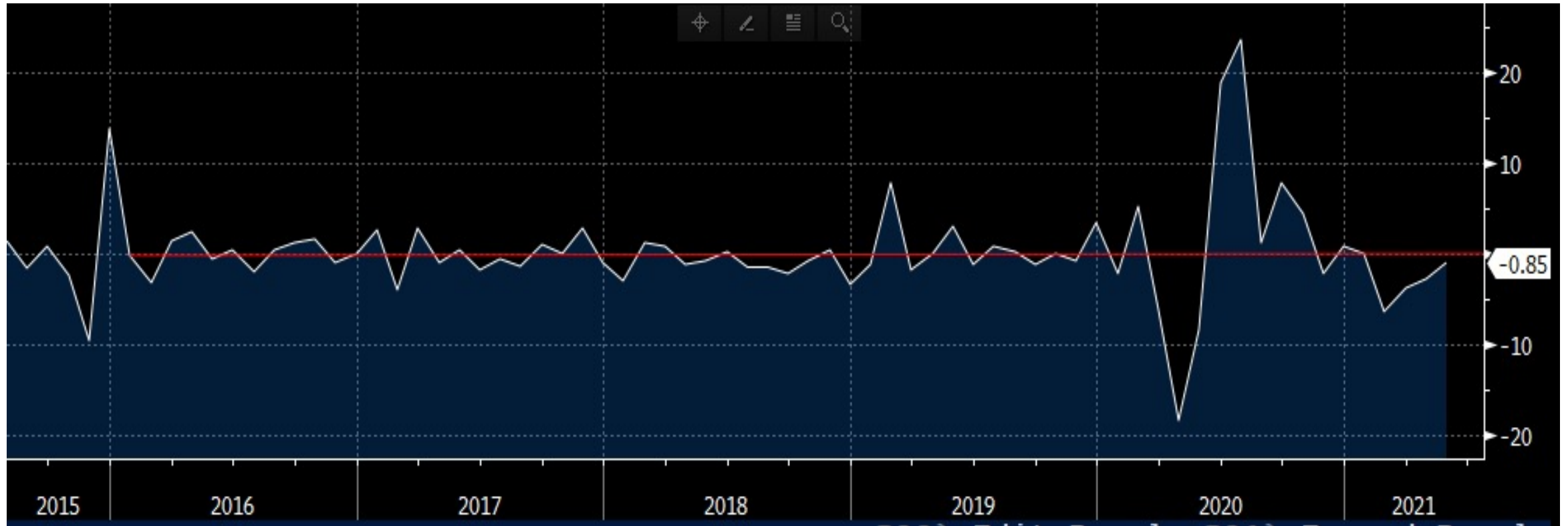
Existing home sales peaked?

Monthly sales 5.8 mio



(Source: Bloomberg, US census bureau, US commerce department)

Existing home sales fell m-o-m in March, April, May & June



(Source: Bloomberg, US census bureau, US commerce department)

US inventory of existing homes

Downtrend or bottoming?

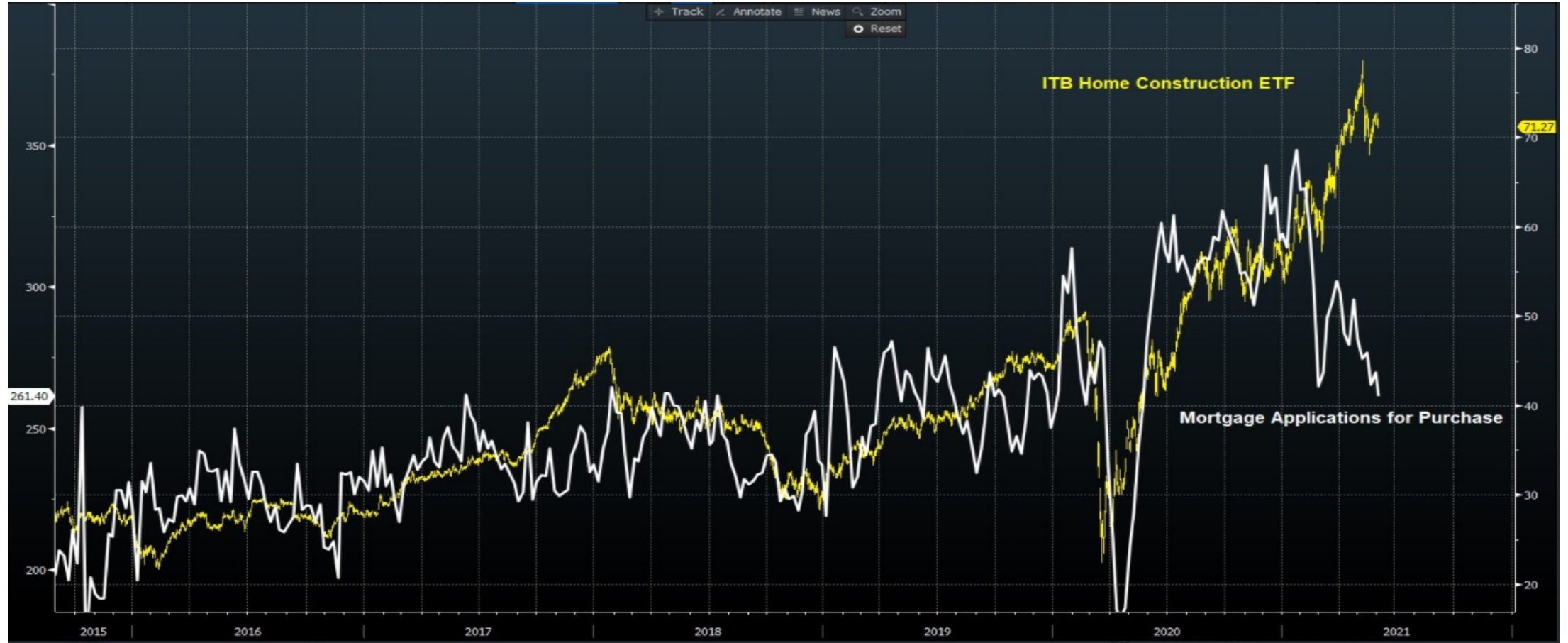


Source: Bloomberg, National Association of realtors

Sales are falling!

- affordability
- record low supply BUT rising
- rising raw material costs BUT lumber falling aggressively
- rising labour costs
- FED policy, tapering?

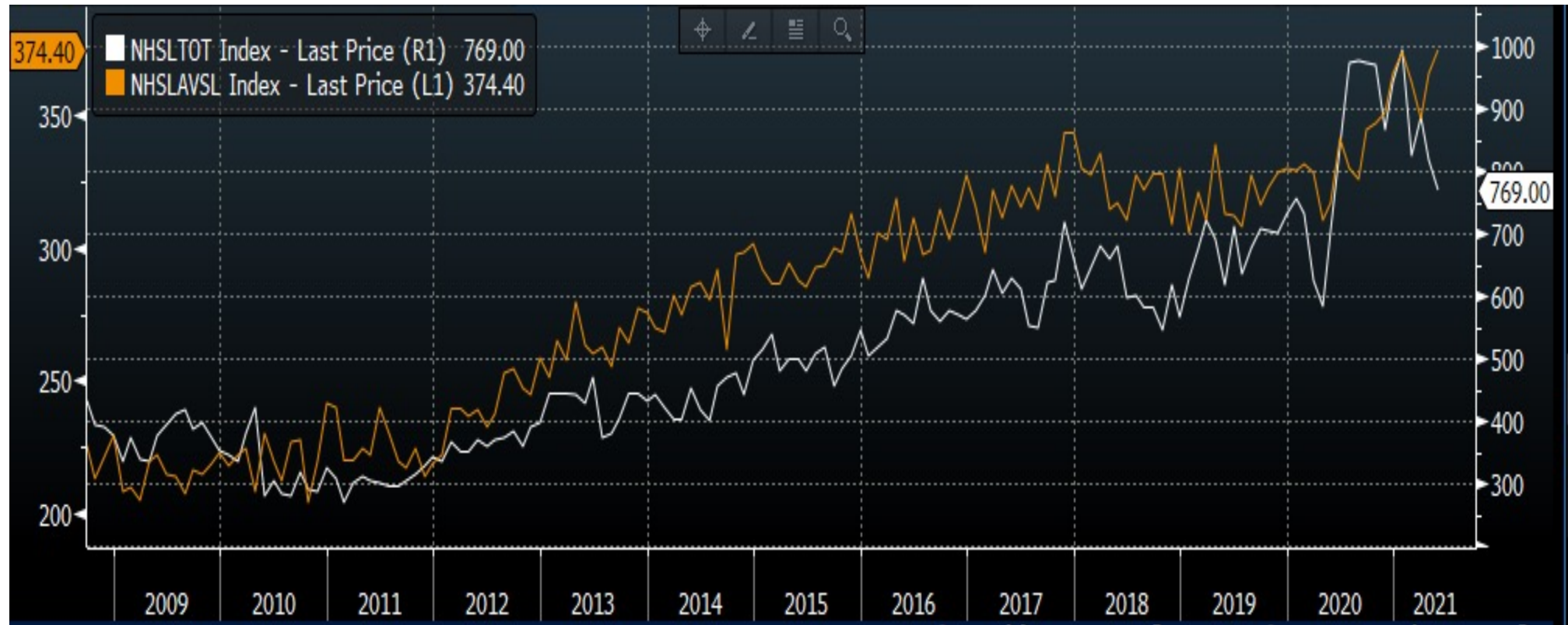
Home construction ETF vs Mortgage applications



(Source: Bloomberg)

Home prices versus sales..... Economics 101!

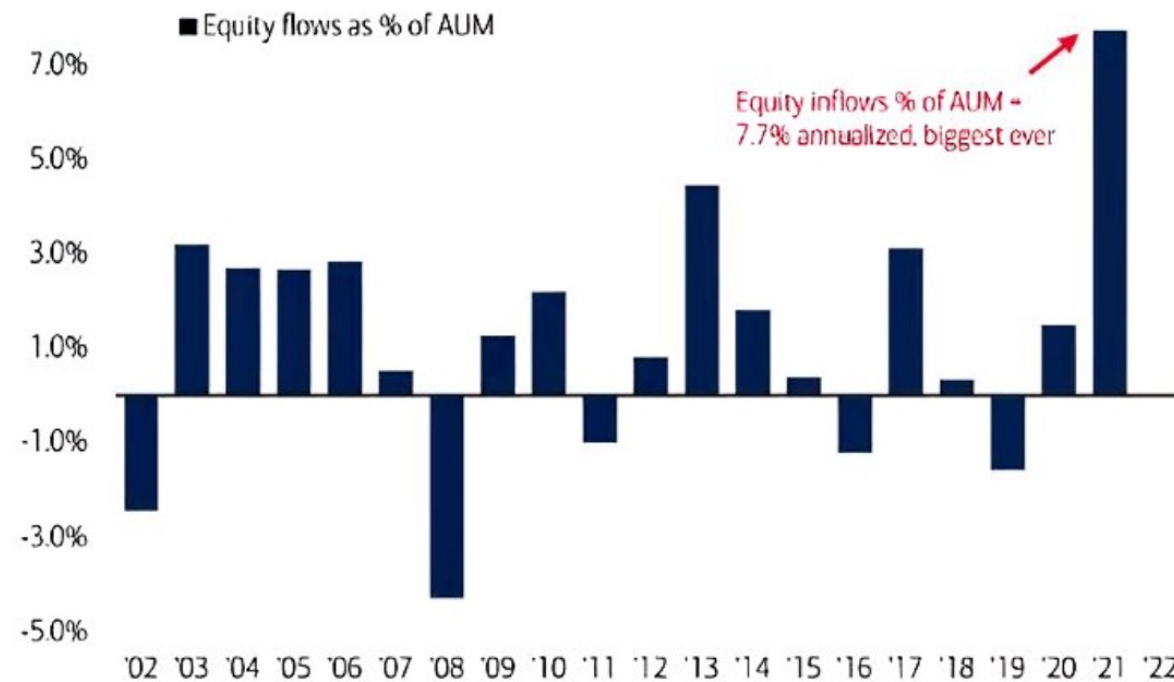
One family houses sold and average price



(Source: Bloomberg, US census bureau, US commerce department)

Largest equity inflows in at least 20 years (Gross > previous 20 years combines)

Chart 14: Record annualized YTD equity inflows as % of AUM
Annual equity inflows % of AUM since 2002 (2021 YTD annualized)



Source: BofA Global investment Strategy, EPFR global

Source: BofA global research, EPFR

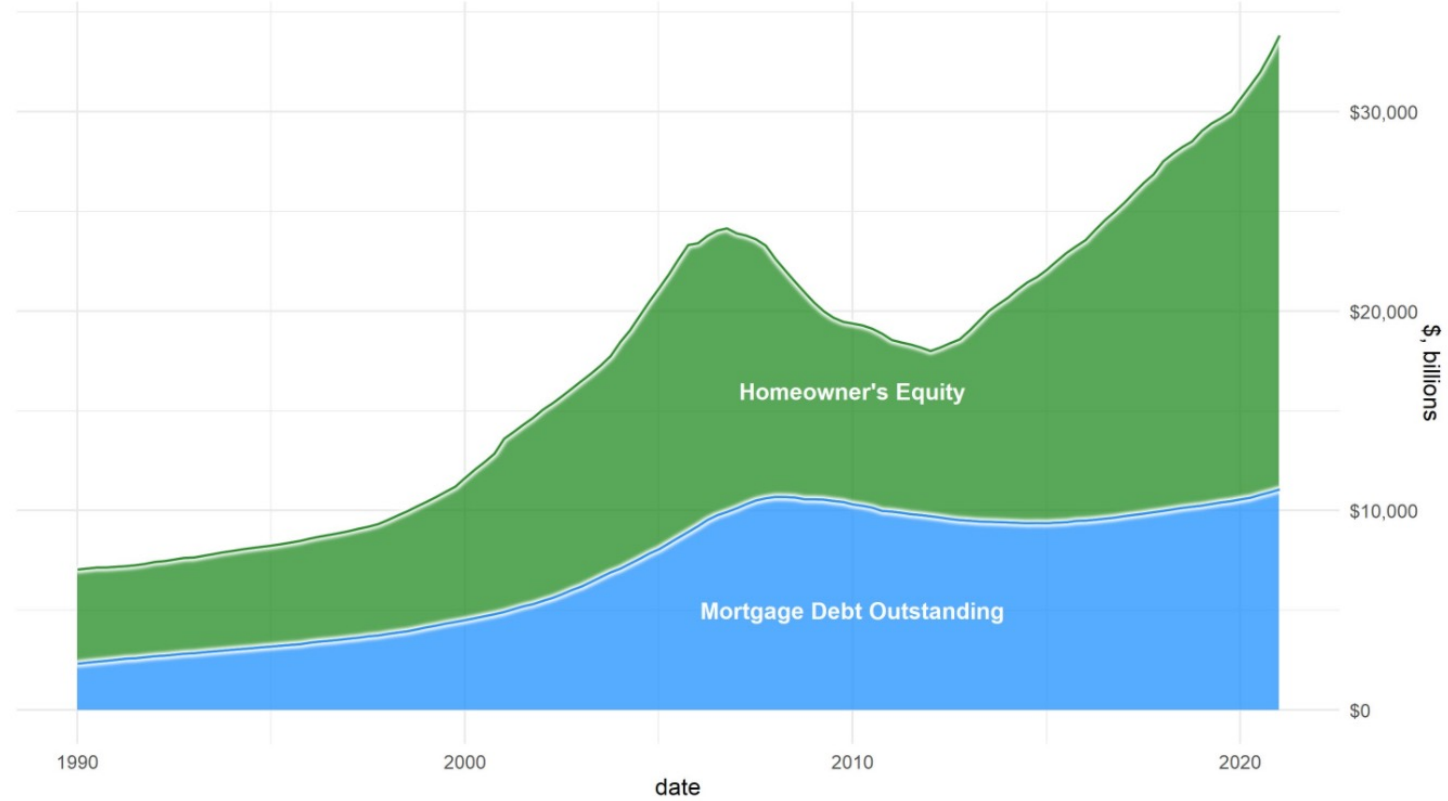
Bitcoin – crypto lost close to \$2 trillion since April



Home owner equity surging

QE and equality?

U.S. homeowner equity surges to nearly \$23 trillion as the value of the housing stock tops \$33 trillion



@lenkiefier Source: Board of Governors of the Federal Reserve System (US)
Financial Accounts of the United States Table B.101 Balance Sheet of Households and Nonprofit Organizations

Source: Board of governors of the Federal Reserve System

Prices rising but

- Demand falling on affordability concerns
- Sales falling
- Inventory rising
- QE – FED is actually already started draining liquidity (5% o/n reverse repo market)
 - with a strong economy why are the FED still buying MBS?
 - Tapering QE
- Asset prices fall (crypto first, what about equity markets which are still in an uptrend?)

'Trading and investing with discipline' webinars

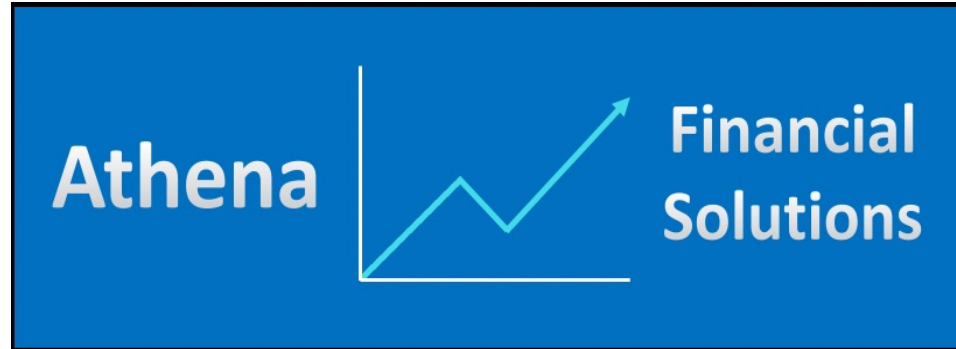
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CHAPTER 1	CHAPTER 1	CHAPTER 1
Introduction to fundamental analysis, technical analysis and behavioural finance <small>The first chapter introduces fundamental analysis, technical analysis, behavioral finance and risk management. These are discussed with reference to current market structure, trends, themes and risks, immediately highlighting trading strategies and risk management techniques. Duration 90 Minutes</small>	Dow theory, intermediate trends and chart construction <small>This tutorial looks at some key technical analysis concepts such as Dow Theory, trend lines and different chart types. Python back testing is used to support key concepts and Bloomberg charts are used to highlighting trend lines and candlestick price action. Duration 50 Minutes</small>	Building a trading process <small>This tutorial introduces the importance of building a disciplined process using the tools and concepts covered on the course. Correlations between markets are also discussed and the first of many trading rules focusing on disciplined risk management. Duration 80 Minutes</small>
CHAPTER 2 Technical analysis concepts and trading strategies <small>Chapter 2 continues to build on technical analysis concepts, trading strategies and risk management with a focus on Elliot wave theory, volume & open interest, Fibonacci analysis, volatility (Average True Range) and market psychology. Duration 60 Minutes</small>	CHAPTER 2 Reversal patterns and trading strategies <small>This tutorial looks at trend reversals from the perspectives of price action, market psychology and also trading strategies. Duration 32 Minutes</small>	CHAPTER 2 Continuation patterns and trading strategies <small>This tutorial looks at trend continuation patterns. Again, the focus is not so much on pattern recognition but the market psychology behind the price action, and above all identifying powerful risk/reward trading strategies. Duration 56 Minutes</small>
CHAPTER 3 Identifying trends, moving averages and trend following strategies	CHAPTER 3 Trend following strategies <small>In this tutorial we build and back test a trend following trading strategy in Python to highlight both its</small>	CHAPTER 4 Oscillators, Bollinger bands and mean reverting strategies <small>In this tutorial we discuss oscillators, Bollinger</small>



THANK YOU!

James Brodie



Jamesbrodie@athenafinancialsolutions.com



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