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Investment Strategy

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US Housing Risks Are Now Key For Investors

Housing IS the Cycle: It Impacts Employment, Earnings & Financials

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US housing faces a 'perfect storm' of falling demand and rising supply

US housing will likely be central to the Fed rate cycle turning. New house prices fell 10% last quarter, as falling demand met increasing supply. Hopes that low inventories and strong balance sheets will limit any housing shock seem optimistic.

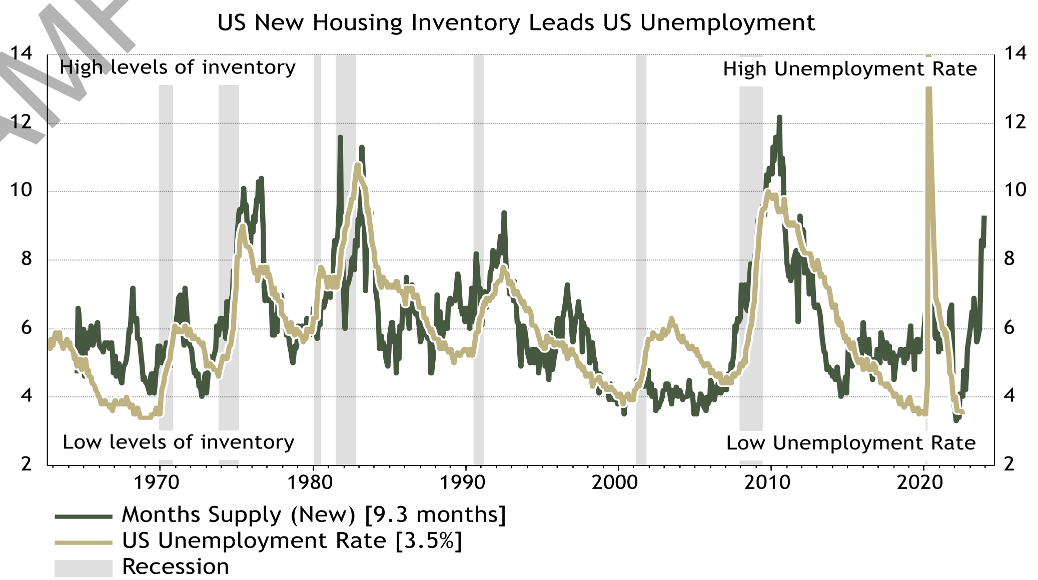
Housing IS the cycle: it impacts activity, jobs, earnings, and inflation

A 2007 NBER paper suggested 'Housing IS the Cycle'. Housing starts are already slowing. With new home inventories rising, housing starts could fall 600k to below 1m, taking 1.5% off GDP, reducing employment, and potentially easing inflation.

As the crisis moves from construction to collateral, investment risks rise

Investor risks increase as housing shocks move from construction and consumption into 'collateral'. This could see the stress move from housing-related commodities and equities, into new entrant mortgage lenders and commercial real estate.

Investors Would Do Well to Remember 'Housing IS the Cycle'



Source: ASR Ltd / US Census Bureau / Refinitiv Datastream

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