

U.S. Data Review

- Housing starts: downside volatility in multi-family; small gain in single-family
- Consumer sentiment: equity volatility and trade dispute take a toll

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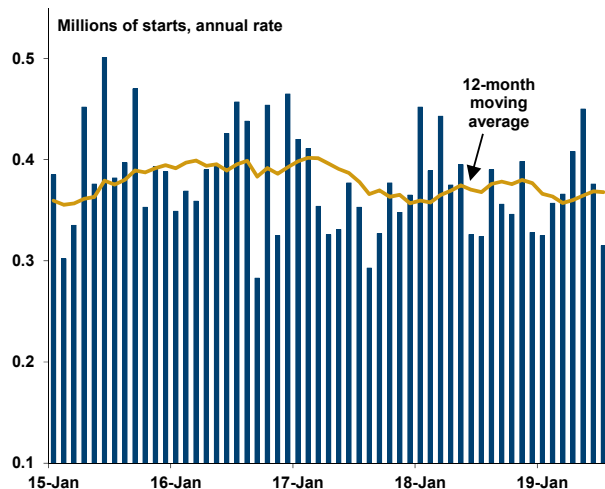
Housing Starts

Housing starts fell 4.0 percent in July, notably softer than the expected increase of 0.2 percent. In addition, results in the prior two months combined were revised downward by 0.5 percent. The results deviated sharply from expectations, but all of the softness occurred in the volatile multi-family sector, which is often a source of surprises.

Multi-family activity in June and July appears quite weak when viewed in isolation (off 16.2 percent in July after a drop of 16.4 percent in June). However, activity had climbed to an unusually high level in May and a correction seemed in order. As they often do, multi-family starts moved to the lower portion of the range in July after the high-side reading in May. Similar shifts have occurred in other months recently, and thus the July drop could be viewed as normal volatility (chart, left). A pickup in multi-family permits in July (up 21.8 percent) supports the view that the July drop reflected normal volatility in this noisy sector. The average level of multi-family starts in the past few years has been firm relative to historical standards.

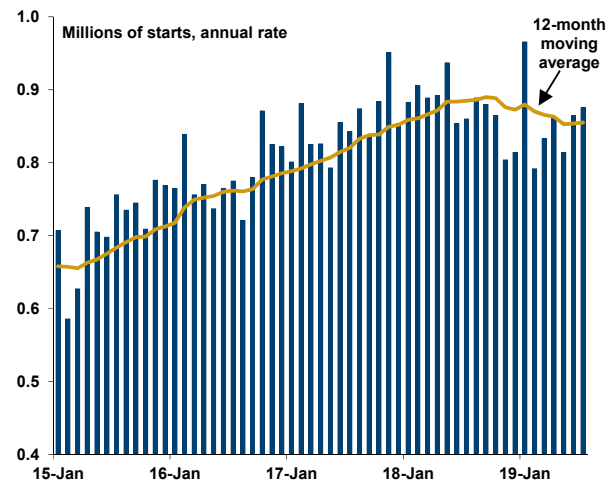
Single-family starts rose 1.3 percent, marking the fourth gain in the past five months and moving the level of activity in line with the averages in 2017 and 2018 after low-side readings around the turn of the year (chart, right). This sector cannot be described as booming, but low interest rates have stirred activity to a degree. An increase in single-family permits in July (up 1.8 percent) raises the possibility of further improvement in August.

Multi-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

Single-Family Housing Starts



Source: U.S. Census Bureau via Haver Analytics

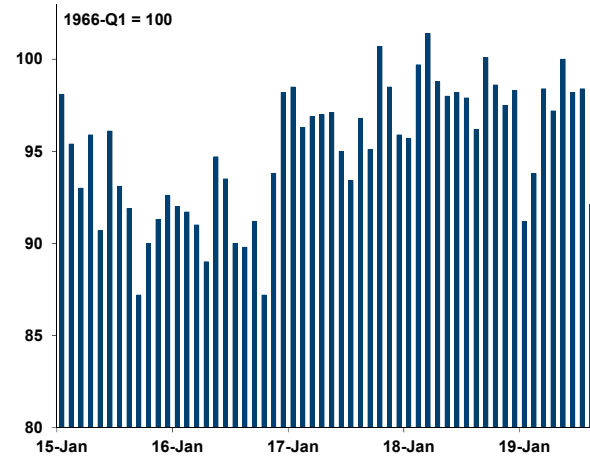
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Consumer Sentiment

The sentiment index of Reuters/University of Michigan Survey Research Center fell 6.4 percent in early August, substantially larger than the expected drop of 1.4 percent and among the largest declines of the past few years. Both the current conditions and expectations components contributed to the drop, although the contribution from expectations was much larger (off 9.1 percent versus a decline of 3.0 percent for the current conditions component).

The current level of the index has moved to the low portion of the range of the past few years. The observation from January of this year was slightly lower; otherwise, one has to go back to October 2016 to find a lower reading (chart). It seems as though volatility in the equity market is influencing consumer moods, as the sharp drop in January followed the swoon in stock prices in December, and equity volatility seems to have had an effect again. News of the intensification of the trade dispute might have had an additional effect beyond the damage it did to the stock market.

Consumer Sentiment



Source: Reuters/University of Michigan Survey Research Center via Haver Analytics