



Basis Points – September 20, 2022

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Above the Fold

Home Goods Weakness a Housing Market Tell?

Despite growing secular headwinds, many headlines continue to tout a rise in the average American's home value, but other data suggests a housing market correction, hopefully shallow, has already begun. Last month, Zillow [reported](#) that the average home price fell 0.1% in July, the first in more than a decade, and there's further evidence that home prices and confidence have already begun a deeper descent that's yet to be reflected in other major data sets such as the Case-Shiller Home Price Index.

When the average American purchases a home, they typically add furnishings, appliances, lighting and other accoutrements to personalize their new dwelling. The sales of these items are directly correlated with the health of the housing market itself. According to the Commerce Department, sales declined last month at a seasonally adjusted pace of 1.6% at furniture and home-furnishing stores, and by 5.7% at electronics and appliance stores. Restoration Hardware (RH), which caters to the high-end marketplace, said it expected its net revenue to drop by 15% to 18% in the current quarter and sees a decline of 3.5% to 5.5% in revenues for its 2022 fiscal year versus a 32% revenue increase in 2021. RH's economic struggles are being echoed by its peers such as Williams-Sonoma, Wayfair and others. For balance, Home Depot executives say their customers have been [relatively resilient](#), but keep in mind that home improvement sales may be driven by consumers choosing not to buy, but to repair or enhance their existing home.

From a transactional perspective, homebuying activity, indicated by [U.S. existing home sales](#), also fell for the sixth straight month in July, the longest streak of declines in more than eight years. Home buying volume was down 20.2% from a year ago.

Three Things

Just How Much More Should Energy Cost This Winter?

Despite the near-term price relief most have experienced at the gas pump over the last few months, the Energy Information Administration forecasts a 7.5% increase in residential electricity prices this year compared to 2021, averaging 14.8 cents per kilowatt-hour. Americans will also have to absorb even greater increases in the price of natural gas, which is nearly double what it was this time last year. The popular heating fuel is currently trading (wholesale) at \$8 MMBtu (Metric Million British Thermal Unit); liquefied natural gas prices are nearly double that. And in case you were curious, the average annual household consumption is around 70 MMBtu, but retail prices are marked up substantially by utilities to cover delivery and other costs.

Can Video Games Help Fight Dementia?

The rise of gaming goes far beyond younger consumers. Last year, scientists at UC San Francisco [developed](#) the first-of-its-kind video game that can improve memory and cognitive function in older adults. And a recent report by the Wall Street Journal revealed a growing interest by several companies to develop digital games to help ward off dementia. One company, CogniFit, offers online cognitive assessments and brain training for a monthly fee, and we are likely to see a surge in this segment in the coming years as the research matures.

Porsche Shares to Hit the Market

Sports car maker Porsche, which is currently owned by German car giant Volkswagen AG (VW), is set to begin trading on Sept. 29 in one of the largest European IPOs (initial public offerings) in years. The deal, which includes a private sale of Porsche stock to VW's largest shareholder, Porsche Automobil Holding SE, values the premium car manufacturer at \$78 billion. VW is selling 25% of Porsche preferred shares, or about 12.5% of the entire company, to investors in the public offering. The offering is expected to raise \$19.5 billion for VW, and the company plans to distribute nearly half of the gross proceeds to shareholders in the form of a special dividend.

In the Know

An Anniversary Puerto Rico Would Like to Forget

Hurricane Fiona struck the island of Puerto Rico Sunday, nearly five years to the day after Hurricane Maria hit. Fiona, with winds up to 75 miles per hour, left the entire island without power, dumping up to 25 inches of rain in two days in some areas. Though its effects are expected to be less devastating, the island's infrastructure remains fragile, bringing fears of another protracted recovery.

Maria made landfall on Sept. 20, 2017, as a category 4 hurricane with peak winds of 155 MPH left the remote island devastated. At the time, the archipelago was already struggling to recover from Hurricane Irma, which passed close to the main island less than two weeks prior. The effects and human toll from Irma and Maria were the worst PR had experienced, leaving the island with major power outages for 11 months, the longest in U.S. history.

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