



Basis Points – May 4, 2023

 westwoodgroup.com/weeklyblog/basis-points-may-4-2023/

In the Know

Where Do Mortgage Rates Go From Here?

As we (hopefully) reach a much-needed plateau in interest rates, would-be homebuyers are wondering about mortgage costs after today's rate hike, and where the housing market may go from here. Obviously, the future of both housing and our economy at large remains relatively opaque, but there are a few things we can tell you about likely coming trends. First off, the current rate trajectory has been very well telegraphed, and despite today's rate hike, most banks have already factored the increase in. Simply put, it's likely that mortgage rates have already topped out around the 7% mark and should slowly moderate lower from here. That said, we don't see mortgage rates diving far below the 6% level in 2023.

And even though investors believe that there's a good chance the federal funds rate could begin coming back down as soon as the end of the year, by as much as 50 basis points, banks are going to be ultra-conservative (slow) at dropping mortgage rates back down. From a housing market perspective, inventories remain extremely low as current owners are reluctant to sell, both for lack of alternatives and because many have mortgages below 3%. For now, home prices should remain stable, but depending on how quickly the jobs market and economy continue to cool, there's likely to be increased pricing pressure (on average) later in the year. For now, a great number of buyers, who don't *need* to move, have backed away from the market and are "giving up," according to Redfin's chief economist.

Three Things

Uber Speeds Up

After its stock struggled to gain ground in the first quarter, the world's most popular ride-share company delivered some relatively good news, prompting investors to bid for shares during yesterday's session. San Francisco-based Uber Technologies announced a 29% increase in year-over-year revenue for the first quarter to \$8.82 billion. And though the company did report a net loss in the quarter, its adjusted earnings or EBITDA rose to \$761 million, topping analysts' expectations. Uber also reported an increase in customers, the number of trips, and even the average transaction value, driven largely by deliveries.

More Job Market Weakness Revealed

Recent data revealed that increasing layoffs in leisure, hospitality and construction fueled a larger-than-expected drop in job openings. According to the Labor Department, U.S. job openings in March fell to 9.6 million, the lowest level in nearly two years. Job openings peaked at 12 million in March of 2022, but have been on the decline since. Several industries, including finance and technology, pulled listings for new positions. Layoffs also reached levels not seen since 2020 as 1.8 million workers lost their jobs in March, up from around 1.5 million the month prior.

Gold Still Shining

Despite rising rates domestically (which tend to be a good thing for currency), the U.S. dollar has been steadily declining since late last year. The weakness can be largely attributed to high inflation and the looming specter of a recession. With the dollar falling, investors are flocking to a popular safe haven, gold. Gold prices neared record highs as investors hedge both against inflation and that the Federal Reserve will not only back off its rate hike regimen but may have to move them back down to stave off economic risks. Recent banking stress and other geopolitical risks are also making gold attractive for investors, a trend that may stick around for a while.

The End of Gray Hair?

A new study published in the journal *Nature* revealed that gray hair may indeed be a reversible trait. Researchers from New York University discovered that “stuck” melanocyte stem cells (McSCs) could be the cause for hair to turn gray. These stem cells get caught in the hair follicle’s “bulge” compartment and are unable to return to the hair’s “germ” compartment, where they would regenerate into pigment cells. The hurdle for scientists now will be to figure out how to keep these McSCs moving, which could mean more colorful and youthful hair for those who aren’t ready to embrace their gray locks just yet.

The information contained herein represents the views of Westwood Wealth Management at a specific point in time and is based on information believed to be reliable. No representation or warranty is made concerning the accuracy or completeness of any data compiled herein. Any statements non-factual in nature constitute only current opinion, which is subject to change. Any statements concerning financial market trends are based on current market conditions, which will fluctuate. Past performance is not indicative of future results. All information provided herein is for informational purposes only and is not intended to be, and should not be interpreted as, an offer, solicitation, or recommendation to buy or sell or otherwise invest in any of the securities/sectors/countries that may be mentioned.