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Big U.S. banks say consumers are still strong, despite economy fears

Source: Reuters

U.S. consumers remain resilient with solid spending in the third quarter, two of the country's biggest lenders said on Friday, although there are signs higher inflation has stretched some Americans on lower incomes. Strong earnings from JPMorgan Chase and Wells Fargo and upbeat comments from their top executives should further ease investor worries that elevated borrowing costs were weighing on consumers and pushing the economy to the cusp of a downturn, even as JPMorgan hiked provisions for soured loans.

“Overall, we see the spending patterns as being sort of solid,” said Jeremy Barnum, chief financial officer of JPMorgan, adding that spending had normalized from a post-pandemic bounce. Barnum said that spending patterns were “consistent with the narrative that consumers are on solid footing and consistent with a strong labor market.”

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U.S. consumer sentiment slips in October on frustration over high prices

Source: Associated Press

American’s outlook on the economy soured a bit this month after two months of small gains, according to the University of Michigan’s consumer

sentiment index, released Friday. The index slipped to 68.9 in October from 70.1 in September, which had been its highest reading since May. “Consumers continue to express frustration over high prices,” said Joanne Hsu, director of consumer surveys at the University of Michigan.

Economists noted that the decline occurred after the Federal Reserve cut its benchmark interest rate in September, while gas prices have steadily fallen, and overall inflation has cooled – trends that typically boost sentiment. Yet Hurricane Helene and Middle East turmoil could have pushed sentiment lower, noted Bradley Saunders, an economist at Capital Economics. And after falling in anticipation of the Fed’s rate cut, mortgage rates have climbed in the past two weeks. Still, consumers have kept spending despite their gloomy responses to economic confidence surveys, buoying the economy. Growth likely reached 3.2 percent in the July-September quarter, a healthy pace according to the Federal Reserve Bank of Atlanta.

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Why the gap between American's perception of U.S. economy and reality has doubled since 2019

Source: Forbes
A strange economic phenomenon is happening. By most objective measures, U.S. economic performance under the Biden-Harris administration has been superior to that under the Trump administration, and a vast majority of Americans report satisfaction with their economic situation. And yet, most Americans believe the economy is faring poorly, resulting in a large gap between their lived economic experience and

perception of the state of the national economy.

Economists point to the large increase in the prices for a few major expenses, including housing – which has risen 20 to even 40 percent in some areas in just two years, and the recent rise in the price of food, both as groceries and from restaurants.

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New market rate housing disappearing in Los Angeles, city reports

Source: The Center Square
Production of new market rate housing in Los Angeles has almost entirely disappeared over the last four years, according to a new report from the city. While so-called "affordable" housing is promoted as a cure for the state's high cost of housing, research shows these homes only reduce costs for a select few and increased the time to build and cost of housing for everyone else. LACP wrote in its annual report that "in Fiscal Year 2023-24, a total of 22,623 proposed units were filed with Los Angeles City Planning for consideration. Of these, 16,458 units were proposed as deed-restricted housing, representing 73 percent of all housing units submitted to the Department for entitlement review and approval. Over the same time, a total of 17,556 housing units were approved, of which 10,588 units (60 percent) were deed-restricted affordable units. During the prior four-year period, the average share of affordable housing units was 30 percent, and the average share of affordable housing units approved was 24 percent.

Two recent changes in local policy are Los Angeles Mayor Karen Bass's

Executive Order 1, which expedites the permitting of 100 percent of affordable housing, and Measure ULA, a property transfer tax approved by voters in November 2022.

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Calif. residents can expect insurance rate hikes in the coming months

Source: MSN

California residents can expect sharp increases in their condo, renter and home insurance rates in the coming months. State Farm recently requested permission from state regulators to raise rates by 30 percent for homeowners, 52 percent for renters, and 36 percent for condo owners. Allstate Insurance just received approval to raise rates by an average of 34 percent. The increase is hitting some residents hard.

While many are frustrated by the rate increases, some residents may lose their coverage entirely. State Farm, the largest insurance provider in California, disclosed its plans to drop coverage for 72,000 houses and apartments and will not issue new policies in the state. However, not all residents will be impacted – mostly those in high-risk areas. Climate change-related wildfires have increased, putting more homes at risk. From 2020 to 2023, the average area burned by wildfires each year in California was three times larger than the average in the 2010s.

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Weekly mortgage demand tanks 17% after rates hit highest level since August

Source: CNBC

Mortgage interest rates rose last week for the third straight week, hitting the highest level since August. That caused demand from both current homeowners and potential homebuyers to take a big step back. Total mortgage application volume fell 17 percent for the week compared to the previous week, according to the Mortgage Bankers Association's seasonally adjusted index.

The average contract interest rate for 30-year fixed-rate mortgages with conforming loan balances of $766,650 or less increased to 6.52 percent from 6.36 percent, with points increasing to 0.65 from 0.62 (including the origination fee) for loans with a 20 percent down payment. The refinance share of applications, which is the most sensitive to weekly rate moves, fell 26 percent for the week but were still 111 percent higher than the same week one year ago. Applications for a mortgage to purchase a home fell 7 percent for the week but were 7 percent higher than the same week one year ago. More supply on the market now is opening up opportunities for some buyers.

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