

## WEEKLY MARKET RECAP: December 04 – December 08, 2023

Happy Friday, traders.

Welcome to our weekly market wrap, where we look back at these last five trading days with a focus on the market news, economic data and headlines that had the most impact on the financial market – and may continue to into the future for the US Dollar and other key correlated assets.

Despite a decline over the past few weeks, the 30-year fixed rate mortgage rate remains at nearly its highest level in 20 years and more than double its level at the start of last year. However, it is important to distinguish between the impact of this rate surge on the housing market and on consumption. This week's chart shows the yawning gap between the average rate on new 30-year fixed-rate mortgages and the average mortgage rate for existing mortgage holders. For home buyers, the change in the environment has been dramatic, leading to a very sharp decline in both housing starts and home sales. However, it is important to recognize that fewer than 4% of American households bought a home in the last year. For the vast majority of families who either don't have a mortgage or have a fixed-rate mortgage, the surge in mortgage rates has had no impact on their financial position.

For this reason, while the Federal Reserve has been raising interest rates to slow aggregate demand, real consumer spending has remained strong, with a 2.2% year-over-year increase in October and a strong early start to the holiday retail season. In short, while the Fed's higher-for-longer interest rate policy continues to undermine the housing market, it is having little impact on consumer spending and today's housing crunch, unlike the bursting housing bust of the mid-2000s, and does not appear to be of a magnitude that will put the U.S. economy into a recession.

**Thanks for reading! Have a great weekend.**

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