



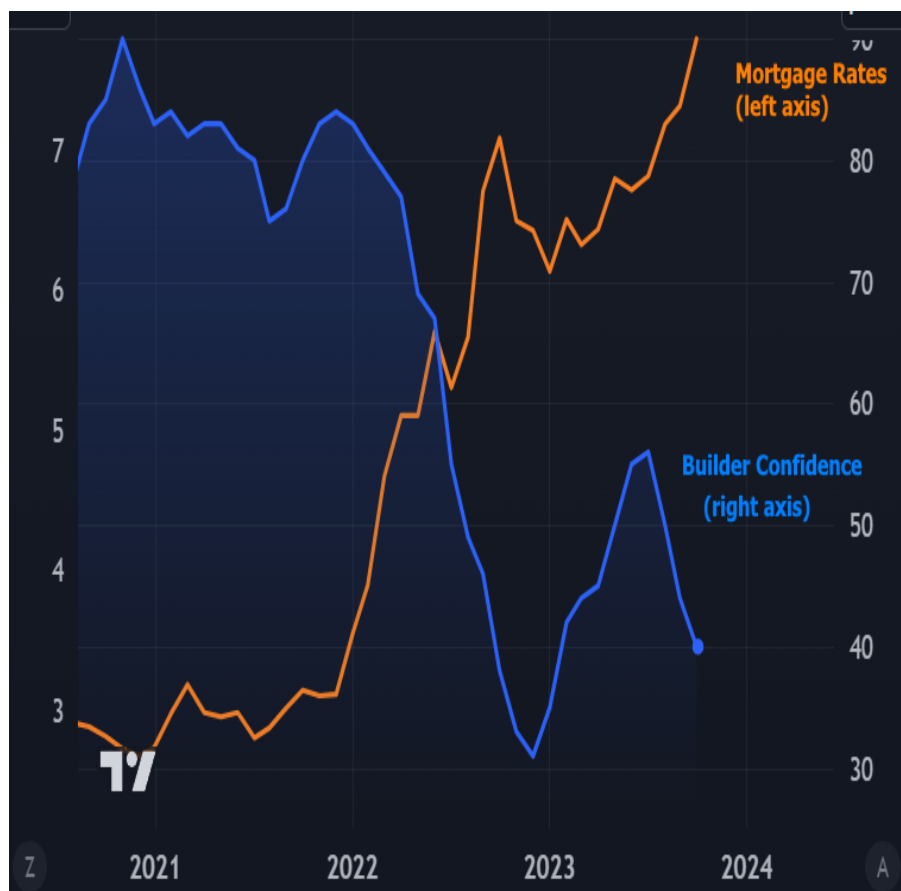
Builder Confidence Lowest in Nearly a Year, But Lower Rates Could Change Things

The National Association of Homebuilders and Wells Fargo releases the results of a survey of NAHB members each month regarding the health of the homebuilding sector. While officially referred to as the Housing Market Index (or HMI), the headline number is essentially "builder confidence."

After rising steadily from the end of 2022 through July, confidence has been in a tailspin across all categories. Viewed against the backdrop of mortgage rates, it's impossible to miss the general symmetry between higher rates and lower confidence. As rising rates gathered steam in the summer months it's not a huge surprise to see a reversal in the HMI.



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Now in the most recent report (the one released today), builders were responding to the survey just as rates were flirting with 8%, but before this week's CPI helped get us more than halfway back to 7%.

By no means can we conclude that a few weeks of stellar rate improvements will be enough to turn builders' frowns upside down, but it's safer to expect such things if the rate trend continues. The point for today is that this particular survey comes at just about the worst possible time for a data series that has recently been almost exclusively a function of rates.