

Builder Confidence Dropped, But Not Enough to Jump to Conclusions

The National Association of Homebuilders (NAHB) along with Wells Fargo released the monthly builder confidence index this week, and it came out much weaker than expected. With tariff and immigration news rapidly evolving, it's tempting to conclude that any major changes in homebuilder sentiment would be directly related.

For instance, if builders think that building materials could be harder to obtain or more expensive, it generally hits the confidence index. This would be a particularly big problem with something like lumber as the U.S. imports roughly a third of its framing lumber from Canada.

While it's easier to agree with this narrative based purely on concepts and words, the actual numbers tell a different story when you see them on a chart. Builder confidence has been strongly locked into what market watchers would call a "consolidation pattern." On charts, this takes the shape of converging lines marking recent highs and lows.



Some technical analysts (market watchers who infer significance or movement cues based on chart patterns) believe that momentum will continue in the direction of a breakout--something that inevitably must happen this year as far as this consolidation is concerned.

Just as often, however, a consolidation breakout can give way to broadly sideways momentum until underlying economic fundamentals change in a big way. In the current case, it would be hard to argue that elevated interest rates are anything but the key factor depressing home sales and builder confidence.



Sydney Andrews
Mortgage Professional,
Loanenvy.com

[Loanenvy.com](https://www.loanenvy.com)

M: (818) 359-0744

sydney@loanenvy.com

NMLS#47982

