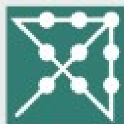

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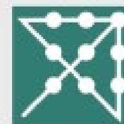

MORNING BRIEFING
June 28, 2022

Right & Wrong Tracks

Check out the accompanying chart collection.

Executive Summary: This year's first half has been treacherous for most investors; what will the second half bring? Today, we take stock of what's going right for the economy and financial markets—and may be bullish over the rest of the year—and what could prolong the bearish pain. … Among the bullish: sentiment indicators' contrarian buy signals, super-low joblessness, strong bank balance sheets, the "CFO Put," and (counterintuitively) the Fed's QT. … The main bearish scenario is a familiar fear: Inflation proves so intractable that the Fed tightens to the point of recession, which sets off a credit crunch. And that's not all that could morph bearish.

Strategy I: On the Right Track. What could go right or wrong over the rest of this year? The year is half over. It has been an *annus horribilis* so far. Will it continue to be so during the second half of the year? Or will we see a gradual improvement that might set the stage for an *annus mirabilis* in 2023? The only investment strategies that have worked out well so far this year have been ones that focused either on capital preservation or on shorting stocks and bonds. These may continue to outperform long-only strategies for a while longer, though we think that the stock and bond market selloffs have created excellent buying opportunities for long-term investors.

As is our nature, we are leaning toward better times ahead. However, optimism isn't an alternative to realism. Neither is pessimism. Both have to be disciplined by reality. Let's be disciplined and start with the realities that might turn out to be bullish for the economy and the financial markets over the rest of this year, then update the bearish ones:

(1) *Sentiment.* Both investor and consumer sentiment readings are remarkably pessimistic. Extreme sentiment readings tend to be prescient contrary indicators. Currently, they are so extremely pessimistic that they may be signaling better times ahead.

Last week, Joe and I were dumbfounded by the Investor Intelligence Bull/Bear Ratio. It fell to 0.60 during the June 21 week (*Fig. 1*). That's the lowest it's been since the March 9 week in 2009 during the Great Financial Crisis (GFC), when the ratio stood at 0.56. Back then, the S&P 500 bear market bottomed on March 9, 2009, after the index had fallen 56.8% from its October 9, 2007 peak.

This year's stock market weakness has been much less severe so far: The S&P 500 fell 23.6% from its January 3 peak through its most recent bottom on June 16. Yet sentiment is as depressed as it was at the bottom of the bear market of the GFC! By the way, during the June 21 week, the percent of bears was 44.1%, which is the most since early October 2011, while the percent of bulls was 26.5%, the least since mid-February 2016.

Also extremely depressed is the Consumer Sentiment Index (CSI), which was down to 50.0 during June, the lowest reading since the start of the monthly data in 1978, and the yearly data in 1952 (*Fig. 2*). Its expectations component—which dropped to 47.5, not far from its record low of 44.2 in July 1979—is included in one of the components of the Index of Leading Indicators. So using it as a contrary indicator might not be a good idea. After all, while many Americans go shopping when they are depressed, this time might be different if excessively pessimistic consumers decide to retrench.

(2) *Labor market.* The CSI tends to be inversely correlated with the unemployment rate (*Fig. 3*). What's different this time, so far, is that the jobless rate was 3.6% during May, around previous cyclical lows. It's soaring inflation, rather than rising unemployment, that's depressing consumers. Inflation hasn't been a significant factor in driving the CSI since the 1970s. However, if consumers do retrench, that could cause a recession, boost unemployment, and depress the CSI further.

The good news is that the ratio of job openings to the number of unemployed workers was 1.9 during April, down only slightly from the record 2.0 during March (*Fig. 4*). There are roughly two openings for every unemployed worker. That means that even if the number of openings drops as a result of slower economic growth, there will still be plenty of opportunities for the unemployed to find jobs. Some of them might decide to take jobs offered to them more readily if they perceive that such opportunities are dwindling. In other words, in a mild recession, the jobless rate is likely to remain low.

(3) *Productivity.* If labor remains relatively hard to get even in an economic slowdown (including a mild recession), many company managements may conclude that paying workers more won't make hiring them easier or keep them from quitting. The only viable long-term solution to chronic labor shortages is to increase capital spending to boost productivity. That's been our story for the past year, and Debbie and I are sticking to it. However, the sharp drop in productivity during Q1 is likely to be followed by another decline during Q2. We view these as setbacks rather than game changers for our optimistic outlook for productivity, a.k.a. the Roaring 2020s scenario.

(4) *The Fed.* Since the start of this year, Fed officials have turned increasingly hawkish in their discussions of the outlook for monetary policy. They followed up with a 25bps hike in the federal funds rate range on March 16, a 50bps hike on May 4, and a 75bps hike on June 15 to 1.50%-1.75%. We are expecting two more hikes of 75bps each in July and September, raising the range to 3.00%-3.25%.

The FOMC's *Summary of Economic Projections* dated June 15 shows that the committee's median forecast is that the federal funds rate will be raised to 3.40% this year and 3.80% next year. Melissa and I aren't convinced that the Fed will have to raise the rate above 3.25% during the current tightening cycle. That's because unlike tightening cycles in the past (with the sole exception of 2018-19), the Fed's balance sheet is on course for a significant reduction as the Fed's holdings of bonds mature under its quantitative tightening program (QT) (*Fig. 5*). We reckon that QT is equivalent to at least a 50bps-100bps increase in the federal funds rate.

In other words, while QT has been widely feared by investors as additional monetary tightening, it might very well lower the peak federal funds rate during the current monetary tightening cycle! The Fed's forward guidance on its rate hike and QT, first issued back on January 5, sent interest rates soaring in the US and around the world. Financial conditions have tightened significantly as a result, reducing the need for the Fed to raise the federal funds rate by much more than has already been discounted by the markets, in our opinion. Since the start of the year, there have been huge hikes in the two-year Treasury yield (234bps to 3.08%), the 10-year Treasury yield (166bps to 3.17%), the 30-year mortgage rate (268bps to 5.96%), and the high-yield corporate bond yield (413bps to 8.43%) (*Fig. 6*).

(5) *Balance sheets*. Our subjective probability of a recession over the rest of this year through next year remains at 45%. If a recession occurs, it would likely be a mild one. That's because the financial system, especially the banking system, is mostly well capitalized. On June 24, Reuters *reported*: "Shares in the biggest U.S. banks rallied on Friday after they passed the Federal Reserve's annual health check, but Bank of America (BAC.N) underperformed with test results implying it needs a larger-than-expected capital buffer, which could limit share buybacks and dividends."

The test measures how the big banks would fare in a hypothetical severe economic downturn. The results of the Fed's annual "stress test" show that the banks have enough capital to weather a severe economic downturn and paves the way for them to issue share buybacks and pay dividends. The 34 lenders with more than $100 billion in assets that the Fed oversees would suffer a combined $612 billion in losses under a hypothetical severe

downturn, the central bank said. But that would still leave them with roughly twice the amount of capital required under its rules.

The balance sheets of consumers and businesses are also in relatively good shape. Most of the stress in the economy currently is on consumer incomes, as their purchasing power has been eroded by inflation, causing them to reduce their personal saving rate. They've also been cutting back spending on consumer durable goods, which has left some retailers with unintended inventories. Consumers' cutbacks may continue to slow economic growth, in our opinion, but without causing a recession—and (almost) certainly not a severe one.

(6) *Commodity prices.* The commodity prices included in the broadest S&P Goldman Sachs Commodity Indexes have been soaring since the end of the lockdown recession in the US during the spring of 2020 (*Fig. 7* and *Fig. 8*). They've plunged in recent days. The same can be said about the CRB indexes, especially the basic metals (including copper) index (*Fig. 9* and *Fig. 10*).

This development confirms the adage often quoted by commodity traders that the best cure for high commodity prices is high commodity prices. The bad news is that the recent drop may reflect rapidly slowing global economic growth, which could turn into a recession. On the other hand, the drop may mark a peak in inflation, which will reduce the amount of central bank tightening required to bring it down. We are in the latter camp. For now.

(7) *CFO Put.* Joe and I have suggested that the "CFO Put" (i.e., the boost to share prices courtesy of company decisions like share buybacks, dividends, and mergers and acquisitions) may somewhat offset the fact that the "Fed Put" (the boost to stocks courtesy of the Fed's years of very easy monetary policy) is kaput. Bloomberg's Lu Wang *reported* on June 15: "While hedge funds were busy bailing from stocks at a record pace as the S&P 500 plunged into a bear market, Corporate America was furiously buying." She also reported:

"Regardless, corporate buys don't look set to slow when judging by announced plans. American firms have advertised the intention to buy back $709 billion of their own shares since January, 22% above the planned total at this time last year, data compiled by Birinyi Associates show. David Kostin, chief U.S. equity strategist at Goldman, predicts actual buybacks this year will rise 12% to a record $1 trillion."

Strategy II: On the Wrong Track. On the other hand (as two-handed economists often say), the economy and financial markets could remain on the wrong track over the rest of

this year. Inflation could remain protracted and stubbornly high. In this case, the Fed would have no choice but to continue tightening monetary policy until the result is a recession. In this scenario, industry analysts would have to scramble to cut their earnings estimates for this year and next year, sending valuation multiples lower. Domestic political and geopolitical developments could provide plenty of more bad news. Consider the following:

(1) *Inflation.* Debbie and I are still predicting that the PCED measure of inflation should peak between 6.0% and 7.0% during the first half of this year. It was still elevated at 6.3% y/y during April, down only slightly from the year's high of 6.6% y/y during March (*Fig. 11*). We are projecting that the headline rate should fall to 4%-5% during H2 on its way to 3%-4% next year.

May's PCED inflation rate will be reported on Thursday. May's CPI, which was reported on June 10, showed that energy and food inflation rates remain hot (*Fig. 12*). As noted in the previous section, commodity prices suggest that energy and food inflation rates might have moderated in June. In addition, durable goods inflation moderated according to May's CPI (*Fig. 13*). Unintended inventories of consumer discretionary goods piled up during March and April, forcing retailers to cut their prices to clear them out in May and June. While used car price inflation has dropped sharply in recent months, new car prices continue to rise at a faster pace, according to May's CPI (*Fig. 14*). Meanwhile, rent inflation continues to get warmer.

As we all saw on June 10, when May's worse-than-expected CPI report was released, any setback in the moderating-inflation scenario can hammer both stock and bond prices.

(2) *The Fed.* Now that the Fed is "unconditionally" committed to bringing inflation back down to 2%, the risk is that it will do so even if that requires a policy-engineered recession. Last Wednesday, Federal Reserve Chairman Jerome Powell *testified* before the Senate Banking Committee on monetary policy. He was no longer talking about a "softish" or "bumpy" landing. Instead, he acknowledged that a recession may be hard to avoid and that there still isn't any "compelling evidence" that inflation is coming down. He stated, "Recession is certainly a possibility."

(3) *Recession.* Of course, the weakest economic sector currently is housing, which is in a recession. Residential investment spending in real GDP was flat during Q1 and is on track to fall by 10.0% (saar) during Q2, according to the Atlanta Fed's *GDPNow* tracking model. Home prices are likely to fall, but they aren't likely to have the same negative impact on the economy as they had during the GFC.

Nevertheless, the weakness in housing activity is one of the main reasons that the economy is on the edge of a recession. The GDPNow model, currently showing Q2 growth at 0.3%, could fall into negative territory this week. Real GDP fell 1.5% during Q1. A widely believed rule of thumb is that two consecutive negative quarters of real GDP growth mark a recession; in fact, it is up to the Dating Committee of the National Bureau of Economic Analysis to make recession calls. But by the time it makes that call, the recession could be over!

We are still putting the odds of an outright (earnings-depressing) recession at 45%. However, the economy is currently certainly mired in a mid-cycle growth recession. As noted above, inflation has been eroding consumers' purchasing power, forcing them to reduce their personal saving rate to support their spending. Real personal consumption expenditures rose 3.1% (saar) during Q1 and is currently on track to increase 2.7% during Q2. But, as also noted above, we can't rule out the possibility that consumers will retrench given the record low in the CSI.

(4) *Credit crunch.* A recession could trigger a credit crunch, exacerbating the downturn, even though the banking system is in very good shape. We are watching the yield spread between the high-yield corporate bond composite and the 10-year US Treasury bond (*Fig. 15*). It has widened from 279bps at the beginning of the year to 519bps on Friday. That's disconcerting, but not alarming. However, this yield spread has a history of going from disconcerting to alarming in a matter of days.

(5) *Earnings and valuation.* Stock investors fear recessions because they force analysts to scramble to cut their earnings estimates for the current year and coming one. At times in the past, industry analysts have lowered these estimates during economic expansions simply because they were too optimistic. But S&P 500 forward earnings continues to rise because the coming year's consensus estimate remained above the current year's consensus estimate even as both were revised downward. However, during recessions, forward earnings has always declined (*Fig. 16* and *Fig. 17*). The forward P/E, which fell sharply during H1 this year, would certainly have more downside if a recession unfolded during H2 (*Fig. 18*).

(6) *Midterm elections.* Many political observers have been expecting that the Republicans would gain lots of seats in Congress during the mid-term elections later this year. Investors have widely expected that such an outcome would be bullish because gridlock is widely viewed as bullish. But now the Supreme Court's ruling on abortion may have improved Democrats' prospects in many congressional races.

(7) *Europe and climate activism.* As we discussed in yesterday's *Morning Briefing*, the Russians are retaliating against European sanctions on Russian oil by reducing exports of their natural gas to Europe. Europeans may be forced to ration natural gas usage, especially as winter approaches. The result could be a recession in Europe. Real GDP was up 5.4% y/y in the Eurozone during Q1 (*Fig. 19*). But the region's Economic Sentiment Indicator (ESI) has been falling rapidly in recent months, suggesting that real GDP growth could do the same. (June data for the ESI will be released tomorrow.)

As we also discussed yesterday, climate activists have succeeded in convincing western governments to impose severe regulations on their fossil fuel industries to reduce supplies. However, they've been naïve in anticipating that the transition from dirty to clean energy sources could happen quickly and without a great deal of economic pain. An ongoing shortage of fossil fuels, while renewable sources of energy remain unreliable, could cause a prolonged period of global stagflation.

(8) *The war.* Last, but not least, is Russia's war on Ukraine. The longer it lasts, the more that it too is likely to contribute to a prolonged period of global stagflation, including global famine.

Calendars

US: Tues: Consumer Confidence 100.9; Richmond Fed Manufacturing Index; Advance Goods Trade Balance; Wholesale Inventories; S&P/CS HPI Composite Index 1.8%/m/m/21.0%y/y; API Weekly Crude Oil Inventories; Daily. **Wed:** Real GDP -1.5%; GDP Price Index & Core PCE Price Index 8.1%/5.1%; Corporate Profits; MBA Mortgage Applications; Crude Oil Inventories & Gasoline Production; Powell; Bullard; Mester. (Bloomberg estimates)

Global: Tues: Germany Gfk Consumer Confidence -27.7; France Consumer Confidence 84; Japan Retail Sales 0.4%m/m/3.3%y/y; NATO Summit; ECB Forum on Central Banking; Lagarde; Panetta; Lane; Cunliffe; Elderson. **Wed:** ECB Business & Consumer Confidence 103.0; Germany CPI; Spain CPI; Spain Retail Sales -1.9% y/y; China M-PMI 48.6; Japan Industrial Production -0.3%; Japan Household Confidence; De Guindos; Schnabel; Bailey; Balz. (Bloomberg estimates)

Strategy Indicators

S&P 500/400/600 Forward Earnings (*link*): Just one of these three indexes had forward earnings at a record high last week. LargeCap's was at a record high for a fourth week, but by only a penny as the change in the time-weighting for forward earnings negated the w/w drop in the annual forecasts for 2022 and 2023. MidCap's dropped for a second straight week to 0.7% below its record high in early June. MidCap's consecutive weekly decline was its first since May 2020. SmallCap's tumbled 1.2% from its record high a week earlier. In what has shaped up to be an extraordinary V-shaped recovery, LargeCap's forward earnings has risen during 103 of the past 109 weeks, with the down weeks due to Tesla's addition to the index in December 2020, Amazon's earnings misses for Q1-2022 and Q2-2021, Walmart's Q1-2022 miss, and index changes last September and December. MidCap's forward earnings is up in 102 of the past 107 weeks, and SmallCap's posted 98 gains in the past 108 weeks. SmallCap had been steadily making new highs each week until mid-December, but then dropped 1.4% below its record by early March. Forward earnings for these indexes had been on an uptrend from November 2019 until February 2020, before tumbling to a bottom by June 2020 due to the Covid-19 economic shutdown. LargeCap's forward earnings has risen 70.2% from its lowest level since August 2017; MidCap's is now up 139.7% from its lowest level since May 2015; and SmallCap's has soared 201.1% from its lowest point since August 2013. In the latest week, the rate of change in LargeCap's forward earnings fell to a 15-month low of 18.9% y/y from 19.4%; that's down from a record-high 42.2% at the end of July 2021 and up from -19.3% in May 2020, which was the lowest since October 2009. The yearly rate of change in MidCap's forward earnings dropped to a 15-month low of 31.9% y/y from 33.4% a week earlier. That's down from a record high of 78.8% at the end of May and compares to a record low of -32.7% in May 2020. SmallCap's rate fell to a 15-month low of 31.8% y/y from 34.1%. It's down from a record high of 124.2% in June 2021 and up from a record low of -41.5% in June 2020. Companies have been beating consensus estimates quite handily since the Q2-2020 earnings season, causing analysts' consensus earnings forecasts for 2021 to 2023 to improve instead of decline as is typical. Here are the latest consensus earnings growth rates for 2022 and 2023: LargeCap (10.1%, 9.7%), MidCap (14.2, 6.5), and SmallCap (12.6, 12.1).

S&P 500/400/600 Valuation (*link*): Valuations surged higher for these three indexes last week. LargeCap's forward P/E rose 1.0pts to 16.3 from a 26-month low of 15.3. That's down from a six-month high of 21.5 in early November. LargeCap's forward P/E also compares to a 19-year high of 22.7 in January 2021 and is up from 13.3 in March 2020, which was the lowest since March 2013. MidCap's rose 0.7pts to 11.8 from a 27-month low

of 11.1. That's down from a 13-week high of 17.1 in early November. It had been at a record high of 22.9 in June 2020 and an 11-year low of 10.7 in March 2020. SmallCap's gained 0.7pts to 11.4 from 10.7. That week-earlier reading was the lowest since it bottomed at a record low of 10.2 in November 2009 during the Great Financial Crisis. That compares a 13-week high of 16.1 in early November and its record high of 26.7 in early June 2020 when forward earnings was depressed. LargeCap's forward P/E in February 2020—before Covid-19 decimated forward earnings—was 18.9, the highest level since June 2002. Of course, that high was still well below the tech-bubble record high of 25.7 in July 1999. Last week's level compares to the post-Lehman-meltdown P/E of 9.3 in October 2008. MidCap's P/E was below LargeCap's P/E yet again last week, as it has been for most of the time since August 2018. In contrast, it was last solidly above LargeCap's from April 2009 to August 2017; MidCap's current 28% discount to LargeCap is near its biggest since September 2000. SmallCap's P/E was below LargeCap's for a 97th week. That's the longest stretch at a discount since 1999-2002; SmallCap's current 30% reading is near its biggest discount since February 2001. SmallCap's P/E had been mostly above LargeCap's since 2003. Looking at SmallCap's P/E relative to MidCap's, it was at a discount for a 54th straight week; the current 3% discount is up from a 9% discount in December but remains near its lows during 2000-01.

S&P 500 Sectors Quarterly Earnings Outlook (*link*): Since the Q3-2020 earnings season, analysts as a whole have been raising their consensus forecasts for future quarters instead of lowering them as is the norm through the earnings warnings seasons. That six-quarter streak of positive revisions throughout the quarter officially ended with Q1-2022. In the latest week, the Q2-2022 earnings-per-share forecast fell 1 cents w/w to $55.45, and is now down 0.8% from its $55.92 forecast at the start of the quarter. Analysts expect S&P 500 earnings growth to weaken substantially to 5.1% y/y on a frozen actual basis and 5.8% on a pro forma basis. That's down from Q1-2022's 11.6% y/y on a frozen actual basis and an 11.4% y/y gain on a pro forma basis. Double-digit growth is expected for just three sectors in Q2-2022, and five are expected to record a y/y decline. That compares to Q1-2022's count of seven sectors with double-digit growth, one with a single-digit gain, and three with a y/y decline. Here are the S&P 500 sectors' latest earnings growth rates for Q2-2022 versus their Q1-2022 growth rates: Energy (218.7% in Q2-2022 versus 269.5% in Q1-2022), Industrials (30.9, 40.5), Materials (18.8, 46.3), S&P 500 (5.8, 11.4), Real Estate (4.2, 25.5), Health Care (3.0, 18.3), Information Technology (2.3, 14.6), Consumer Staples (-1.9, 7.9), Consumer Discretionary (-3.2, -27.9), Utilities (-12.1, 24.6), Communication Services (-14.0, -2.8), and Financials (-18.6, -17.1).

US Economic Indicators

Durable Goods Orders & Shipments (***link***): Core capital goods orders and shipments both reached new record highs again in May, as companies have been attempting to boost productivity to compete with high inflation and a tight labor market. Nondefense capital goods shipments excluding aircraft (used in calculating GDP) has climbed every month but one since its April 2020 bottom, rising 0.8% in May and 32.4% over the period. Meanwhile, core capital goods orders (a proxy for future business investment) has advanced during all but four months since April 2020, up 0.5% and 32.3% over the comparable periods. Overall durable goods orders expanded for the seventh time in eight months—by 0.7%m/m and 8.3% over the eight months through May—on widespread strength over the period: motor vehicles & parts (15.6%), primary metals (11.2), communications equipment (6.5), computers & related products (6.0), machinery (5.8), electrical equipment & appliances (3.7), and fabricated metals (2.9). Looking ahead, however, recent monthly surveys from four Federal Reserve districts—New York, Philadelphia, Kansas City, and Dallas—were troublesome, showing orders growth (to -5.6 from 7.9) contracting in June for the first time since May 2020.

Regional M-PMIs (*link*): Four Fed districts (New York, Philadelphia, Kansas City, and Dallas) have now reported on manufacturing activity for June and show the manufacturing sector moved from expansion to contraction. The composite index eased for the third month from 17.1 in April to 1.7 in May and -2.6 this month. Activity in the Kansas City (to 12.0 from 23.0) region expanded at half May's pace, while growth in the New York (–1.2 from -11.6) region moved back toward expansionary territory and activity in the Philadelphia (-3.3 from 2.6) area contracted for the first time since spring 2020. Meanwhile, activity in the Dallas (-17.7 from -7.3) region plunged further into negative territory. June saw orders (-5.6 from 7.9) growth in contractionary territory for the first time since May 2020, on big swings in activity in the Philadelphia (to -12.4 from 22.1), Kansas City (-8.0 from 15.0), and Dallas (-7.3 from 3.2) regions from positive to negative; New York's (5.3 from -8.8) moved from negative to positive, though that swing wasn't as dramatic. Employment (20.1 from 23.6) continued its strong readings, with hirings at the Philadelphia (28.1 from 25.5), New York (19.0 from 14.0), Kansas City (18.0 from 34.0), and Dallas (15.2 from 20.9) factories robust, though hirings in the latter two regions did slow in June.

Regional Prices Paid & Received Measures (*link*): We now have prices-paid and -received data from the Philadelphia, New York, Kansas City, and Dallas regions. The prices-paid measure in the New York region accelerated to 78.6 in June after easing from a record-high 86.4 in April to 73.7 in May, while Philadelphia's gauge eased for the second

month to 64.5 from April's record-high 84.6. Kansas City's (71.0 from 72.0) measure barely budged in June, but it was down from April's 83.0—which was near its record high of 88.0 last May. Meanwhile, the Dallas region's gauge sank to a 17-month low of 57.5; it was at a record high of 83.3 in November. Turning to the prices-received readings, New York's eased for the third month, from a record-high 56.1 in March to 43.6 this month, with Philadelphia's at 49.2 this month, down from a record-high 62.9 in October. Kansas City's accelerated to 51.0 after easing from a record-high 57.0 in April (which matched last July's high) to 42.0 in May. Dallas' measure eased to a 15-month low of 33.8, after reaching a record-high 50.9 in October.

Pending Home Sales (*link*): "Despite a small gain in pending sales from the prior month, the housing market is clearly undergoing a transition," said Lawrence Yun, NAR's chief economist. "Contract signings are down sizably from a year ago because of much higher mortgage rates." The Pending Home Sales Index (which tracks sales when a contract is signed but the transaction has not yet closed) edged up only 0.7% in May—though that ended a six-month losing streak. Sales were down 13.6% y/y in May, the 12th consecutive month of negative year-over-year readings. Regionally, pending home sales were a mixed bag last month, though all regions remained below year-ago levels: Northeast (+15.4% m/m & -11.9% y/y), South (+0.2 & -13.8), Midwest (-1.7 & -8.8), and West (-5.0 & -19.8). Yun noted that trying to balance the housing market "by choking off demand via mortgage rates" is hurting the consumer and the economy, noting that increasing supply is a better way to balance the market—and it also benefits the broader economy.

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