

**TURNING
POINT**
ANALYTICS



Turning Point Analytics utilizes a time-tested, real-world strategy that optimizes the client's entry and exit points and adds alpha. TPA defines each stock as Trend or Range to identify actionable inflection points.

"In the short run, the market is a voting machine, but in the long run, it is a weighing machine." - Benjamin Graham

WORLD SNAPSHOT – COMMENTS & CHARTS

Thursday, November 17, 2022

General comments first and macro tables at the bottom. [Links for Explanations of Technical terms at the bottom of the report.](#)

Homebuyers Should Pay Attention to Long-Term Patterns

The best homeowner strategy is to be a buyer in January and a seller in June.

Comparing the U.S. in 2022 to 2007: While the population has increased by 12%, the number of homes for sale has decreased by 69%.

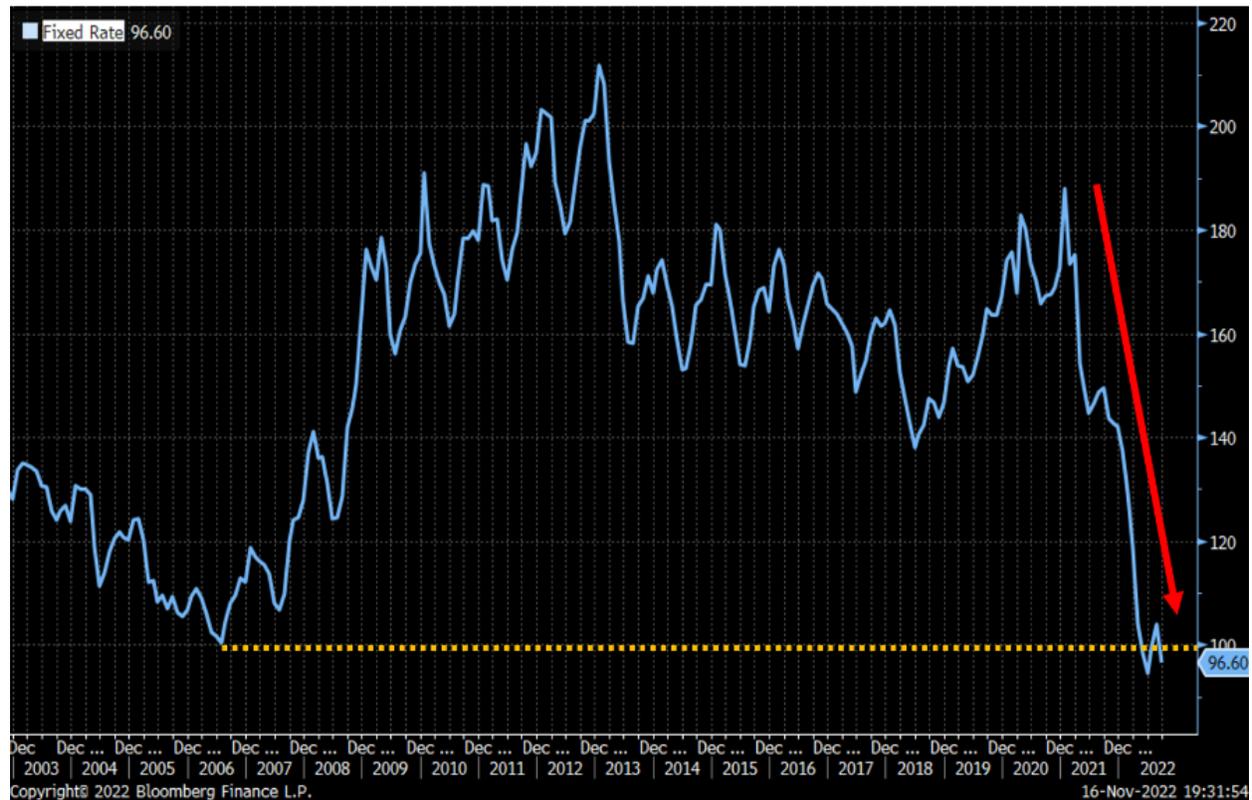
We all know that in the past 3 years home prices have skyrocketed. The Median U.S. Home price is now \$384,800, which is down from the high in June, but up 41.7% in the last 3 years from a median price of \$271,500. Meanwhile in 2022, mortgage rates are now above 7%, a steep and expensive increase from the beginning of the year when it was at 3.22%.

Average 30-Year Mortgage – 5 Years



The National Association of Realtors Affordability Index is now at a level lower than it was in 2006 and 2007 just before the Housing Crisis. The National Association of Realtors Affordability Index “...measures whether or not a typical family earns enough income to qualify for a mortgage loan on a typical home at the national and regional levels based on the most recent price and income data.”

National Association of Realtors Affordability Index – 2003-2022



High mortgage rates and high prices may seem like a recipe for disaster for the housing market and probably would be if we were still not feeling the ramifications of the 2008 Housing Crisis and the historical lack of home building that came in its wake.

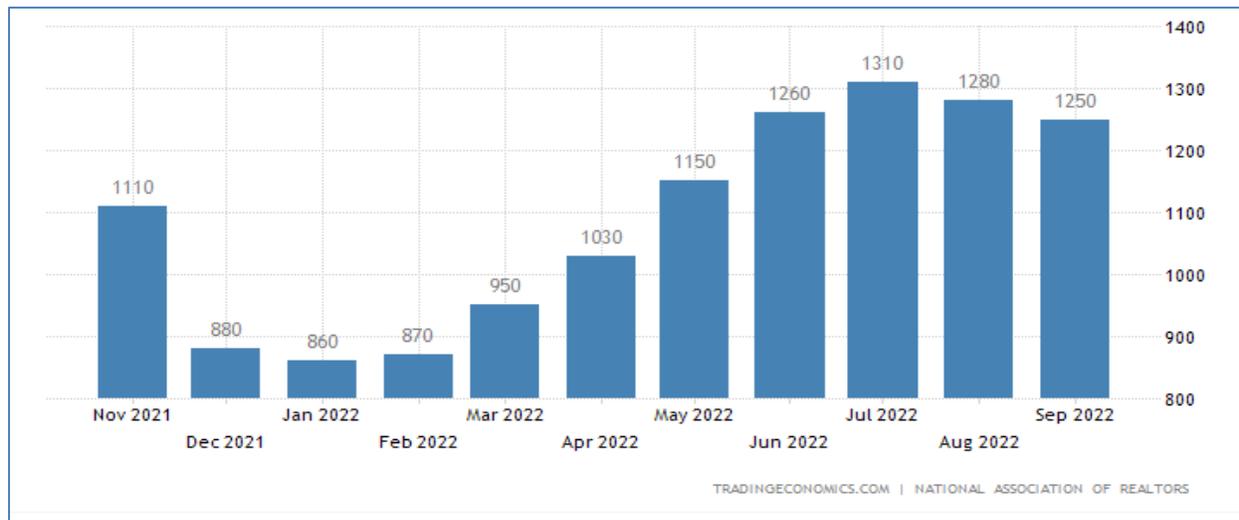
The chart below shows the same timeframe as chart above, but looks at the U.S. housing inventory. When Housing Affordability last hit these lows in 2006 and 2007, the supply of homes or housing inventory was almost 4 times what it is today. In 2007 existing inventory was over 4 million homes. Today it is just under 1.25 million. While the number of homes has decreased, the U.S. population has grown from 302 million to 338 million. So, the scenario today is much different. ***To put it another way, comparing the U.S. in 2022 to 2007, while the population has increased by 12%, the number of homes for sale has decreased by 69%.***

U.S. Housing Inventory 2003-2022



The chart below shows that housing inventory has recently turned higher from the extreme lows of January. It is important to note, however, that even though inventories of homes are higher than they were at the start of 2022, they are deficient by historical standards and the overall trend is down.

U.S. Housing Inventory – 1 Year



The real estate market now consists of two camps:

1. Buyers, who believe that prices are up too much and that the economy and interest rates will mean less demand that will force sellers to reduce prices and...
2. Sellers, who believe that the steep increase in rates, a slow-down in the economy, and other exogenous events have created a short-term lull in demand. They believe that low inventory and high demand will eventually mean higher prices.

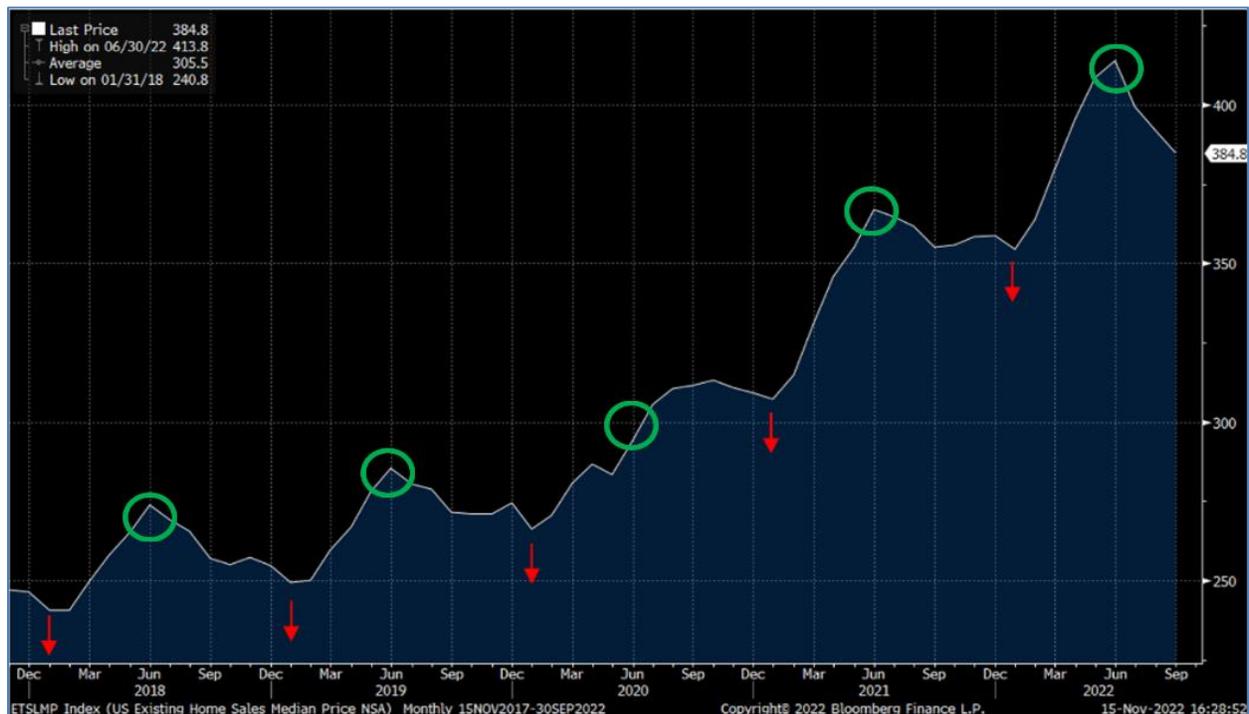
One thing is for certain – they cannot both be right.

We believe that the rate of increase in prices over the past 3 years was unsustainable and that high rates will reduce demand temporarily. We also believe that eventually, people need to buy homes and that the deficient supply of homes makes any price decline a buying opportunity. Homes are not like stocks and commodities. Eventually, everyone needs a place to live, so people cannot just decide to sell, without replacing that home with another home. In addition, home buying would be a zero-sum game, if the population did not continue to grow, but more people means more demand.

All of this leads to the inescapable conclusion that buyers will eventually need to buy. If that is the case, buyers need to pay attention to the long-term price patterns of stocks. The pattern is quite simple and has existed for decades. Prices are at yearly lows in the winter and reach their apex around June.

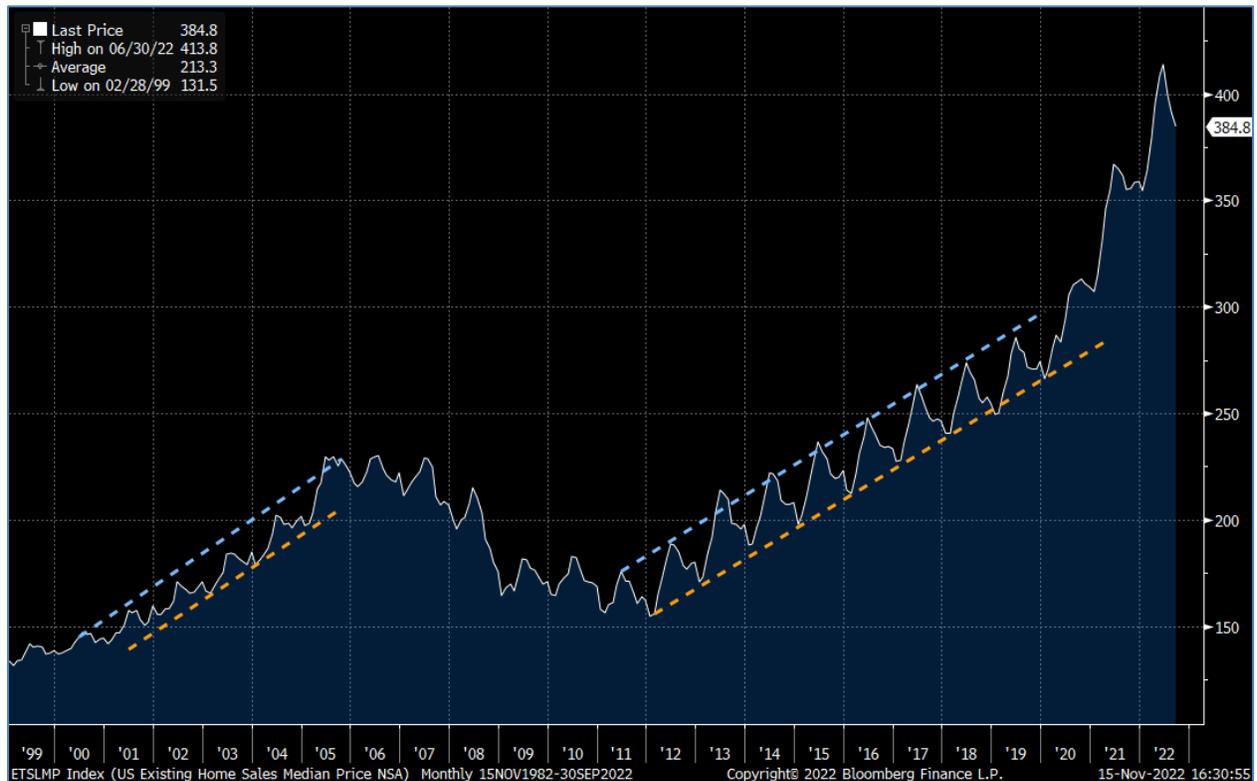
The chart below shows that yearly low and high median home prices consistently occur at the same time across the U.S. The chart below shows prices over the past 5 years, with arrows showing the lows and circles showing the highs.

U.S. Median Sales Price – 5 Years (National Association Of Realtors)



Finally, the chart below reveals that the same pattern has existed for at least the past 23 years. The pattern of highs and lows is obvious.

U.S Median Sales Price – 1999-2022 (National Association Of Realtors)



The conclusion from the above analysis is obvious. People who are or will be a buyer in the next 12 months should be looking for a home right now to get an optimal price.

Sources:

<https://www.macrotrends.net/countries/USA/united-states/population>

<https://www.nar.realtor/>

<https://www.stlouisfed.org/>

CLICK ON LINKS BELOW FOR TECHNICAL INDICATOR EXPLANATIONS:

[ASCENDING - DESCENDING TRIANGLE](#)

[BASING-TOPPING-CONSOLIDATION](#)

[BREAKOUT \(Breakdown\)](#)

[CHANNEL & RANGE](#)

[DIRECTIONAL MOVEMENT INDEX \(DMI\)](#)

[DOUBLE BOTTOM or DOUBLE TOP](#)

[MACD-MOVING AVERAGE CONVERGENCE-DIVERGENCE](#)

[MOVING AVERAGES](#)

[RELATIVE STRENGTH & PEER STOCK PERFORMANCE](#)

[REPEATING PATTERNS](#)

[RSI-RELATIVE STRENGTH](#)

[SUPPORT, RESISTANCE, BREAKOUT, BREAKDOWN](#)

[TREND](#)

**ALWAYS REMEMBER: No strategy exists in a vacuum – always evaluate the relevant sector & market.
Over 80% of portfolio performance is determined by sector and market forces (Ibbotson & Kaplan study – January/February 2000)**

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