



The decline in monthly home sales highlights the persistent pressure from elevated mortgage rates and affordability issues. (UBS)

# US new home sales drop

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**New home sales in August dropped by 4.7% compared to July, reaching a seasonally adjusted annual rate of 716,000 units, down from a revised 751,000 units in July, according to the Census Bureau.**

Despite this monthly decline, new home sales were up 9.8% year over year and exceeded forecasts of 700,000 units. The slowdown in sales reflects the challenge posed by high mortgage rates, record home prices, and limited inventory, all of which continue to dampen buyer interest. While mortgage rates have been trending downward since May, the average 30-year fixed rate remains relatively high at 6.09%.

**Our view:** The decline in monthly home sales highlights the persistent pressure from elevated mortgage rates and affordability issues. However, the year-over-year increase suggests underlying demand remains strong. Furthermore, we expect the Fed to continue cutting interest rates across the two remaining Federal Open Market Committee (FOMC) meetings this year, which should lead to a gradual easing of borrowing costs, and help stabilize the housing market. Against this backdrop, our base case calls for a soft landing. In a lower interest rate environment, we recommend investors reallocate excess cash and money market funds into high-quality stocks and bonds.

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