

Tom Mullooly: In episode 293, we talk about a key component of inflation. You're going to want to listen to this.

Tom Mullooly: Welcome to the Mullooly Asset Show, I'm your host for today, Tom Mullooly, and this is episode number 293. Thanks for tuning in. So we get inflation updates all the time. People they get hung up on a number from a month or two and go, "Oh, inflation's 8%, it's terrible." Is it really? Is it really? Let's take a look.

Tom Mullooly: This morning we got the April figures for new home sales. Now, if you're buying a new home, congratulations, that's really great. But what the April new home sales actually mean are new construction homes. So every month we get the numbers that show what the new construction homes are, and then we also get the existing home sales, and that'll be out in the next couple of days. But the April new home sales, the forecast was for 750,000 new home sales, the actual number was 591,000. The number was down quite a bit, and to compound the issue even more, they went back and they reduced the new home sales for the past three months as well.

Tom Mullooly: So you need to understand why this is important. Home sales, whether it's new home sales or existing home sales, homes are a huge component of inflation. They don't necessarily talk about, hey, my mortgage payment went up because my interest rate went up on a variable mortgage. But what it does translate into are rents, and rent is a key component of inflation, and so home sales really do matter. All you have to do is look at what happened in 2007, 2008, 2009, with housing, you can see the impact that housing has on the entire economy in the United States. And so the Federal Reserve is doing their job. This is very important, they have to find a way to take the edge off. The economy is running really hot, but they need to find a way to take the edge off without guiding the economy into the gutter.

Tom Mullooly: And so what happens is we get a number like home sales for April, new construction home sales, and all the economists and talking heads on TV, all they're saying is, "Hey, if this continues, the economy is going to be in the gutter." If this continues. So the Fed's doing their job and I have a lot of faith in them. And maybe I'm wrong, I don't think I am, but if they can slow down the economy without steering us into a recession, we're going to be just fine. And we're going to look back and say, "Wow, the Fed really did their job." And so we work in a very weird industry, the investment industry. Things go on sale, nobody wants to touch it. Any other industry when prices go on sale, people flock to buy them, but in our business, when things go on sale, nobody wants to touch them. We're going to look back and say that that first half of 2022 was a great time to be putting money to work.

Tom Mullooly: That's the message for episode 293. I think you're going to be okay, you hang in there.