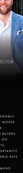
MARKET REPORT

JANUARY



PAUL CIBRARO
VP MANAGING DIRECTOR

MARKET OVERVIEW

MARKET POSITIVITY AND MOMENTUM IS PERCOLATING IN THE NEW YEAR

THE NEW YEAR HAS BROUGHT A MORE STRIKING SHIFT OF ECONOMIC INDICATORS AROUND BOTH U.S. MORTGAGE RATES HAVE REPEATEDLY MOVED TO THEIR LOWEST LEVELS IN MORE THAN A YEAR, PROVIDING A MEANINGFUL STRENGTHENING IN NEW MOMENTUM. THE LAST TIME BOTHER BOND MOVED DECLINES, IN THE MARKET AN QUICKER IMPACT ON AFFORDABILITY, PURCHASING POWER, AND ACTIVITY FOLLOWED. THIS TIME, THE MOVEMENT IS MORE GRADUAL, WITH MORTGAGE RATES STILL SLOWLY RATTLES AS MUCH AS DIRECTION, A MORE PRECISELY RATE ENVIRONMENT ALLOWS BUYERS AND SELLERS TO COMPLETELY DECISIONS WITH CONFIDENCE, WHICH UNLEASHED PENT-UP DEMAND THAT HAS BEEN WAITING FOR CLARITY. ESTIMATED SAW A 2.1% JUMP IN HOME SALES WHICH IS THE BIGGEST GAIN IN NEARLY TWO YEARS.

U.S. EXISTING HOME SALES

SOURCE: CNBC

INFLATION CONTINUES TO TREND DOWNWARD, SAVING PRESSURE ON BOTH CONSUMERS AND POLICYMAKERS. AS INFLATION EMERGED, MANY PANDEMIC-ERA TRENDS REMAINED CONSTRAINED HOUSEHOLDS, AND LONG-TERM CAPITAL DECISIONS WERE DEFINITELY SLOWER BUYERS AND ASSETS.

UNDERLYING OR INFLATION WAS TAME AS 2025 ENDED TO A CLOSE

INFLATION ROSE TO CORE CONSUMERS PRICE GAUGE MATCHING EXPECTED SINCE 2021.

SOURCE: CNBC

PER BOAL DEVIER SPECIFICALLY, MODERATING INFLATION REDUCES CONTRACTION COST VOLATILITY AND SUPPORTS MORE RATIONAL PRICING BEHAVIOR ACROSS BOTH REPEATED PURCHASES AND LONG-TERM ASSETS. THE CURRENT ENVIRONMENT SUGGESTS THAT PRICE EXPECTATIONS ARE BECOMING MORE STABLE AND MORE ANCHORED.

DELAYING HOUSING MILESTONES

YOUNG PEOPLE ARE BUYING HOMES LATER THAN THEIR PEERS FOUR DECADES BACK

SOURCE: U.S. CENSUS BUREAU

ON THE MORTGAGE/HOUSING TRIGGER, TRADE DEFICITS HAMPERING, WHEN IN OTHER CASES TRENDING INTO SURPLUSES, OVERALL IMPROVING BALANCE SHEET STRENGTHS AT A NATIONAL LEVEL. THIS SHIFT REFLECTS STRONGER EXPORTS PRODUCTIVITY, MORE DIVERSIFIED EXPORTS, AND WEAKENED GLOBAL DEMAND FOR US GOODS. HISTORICALLY, THESE CONDITIONS HAVE SUPPORTED CURRENCY STRENGTH AND MORE RESILIENT ECONOMIC EXPERIENCES, BOTH OF WHICH ARE CONSTRUCTIVE FOR CROSS-BORDER CAPITAL FLOWS INTO U.S. REAL ESTATE.

GOODS AND SERVICES TRADE DEFICIT

SEASONALLY ADJUSTED

SOURCE: BUREAU OF ECONOMIC ANALYSIS

DEF GROWTH REMAINS RESILIENT, UNDERSCORING THE STRENGTH OF ECONOMIC ACTIVITY GOODS AND FOSTER FINANCIAL CONDITIONS. GROWTH OF THE MAJOR LEVEL DRIVES TO TRANSLATE INTO REVENUE FOUNDATION, JOB CREATION, AND THE BROADER ECONOMY. BUYER ARE ALL SIGNALS THAT THE ECONOMY REMAINS STRONG, WITH GROWTH OPPORTUNITIES. IT CREATES A FOUNDATION FOR SUSTAINABLE GROWTH RATHER THAN SPECULATIVE FOCUS.

GOODS AND SERVICES TRADE DEFICIT

SOURCE: BUREAU OF ECONOMIC ANALYSIS

CONTRIBUTIONS TO PRECENT CHANGE IN REAL GDP, 3RD QUARTER 2025

REAL GDP INCREASED 4.3 PERCENT

SOURCE: BUREAU OF ECONOMIC ANALYSIS

TRADE GROWTH HAS ALSO CONTINUED TO RISE, WHICH IS A CRITICAL KEY OPTIONS. INTERNATIONAL DEMAND FOR US GOODS AND SERVICES SUPPORTS PRODUCTION, EMPLOYMENT AND EXPORT-ORIENTED BUSINESSES ACROSS SUPPLY CHAIN GROWTH. EXPORT-ORIENTED BUSINESSES TEND TO BENEFIT FROM STRONGER DEMAND, WHICH SUPPORTS REVENUE GROWTH AND FOSTERS BUSINESS ACTIVITY. GROWTH REINFORCES FOUNDATIONAL ECONOMIC CONDITIONS THAT SUPPORT REVENUE GROWTH AND FOSTERS BUSINESS ACTIVITY.

CHANGING HOME PRICES

Chasing Home Prices
Illiquid increases have finally pushed ahead of house price gains
■ Average hourly private earnings YoY
■ S&P Cotality Case-Shiller US National Home Price Index

SOURCE: BUREAU OF LABOR STATISTICS

POLICY STRATEGIES COMPRISE FROM THE WHITE HOUSE AND CONGRESS ARE ALSO IMPORTANT IN MEASURING WHERE INSTITUTIONAL BANKS ON LARGE-SCALE PROBABILITIES IN CERTAIN MARKETS. THESE INCLUDE TAX POLICY, HOUSING POLICY, AND REGULATORY DECISIONS. DEPENDING BASED CLOSER ANALYSIS WHETHER CAPITAL GAINS TAXES AND OTHER INCENTIVES, THE ADMINISTRATION HAS DISCUSSED FOR SHORTER BUYER AND SELLER DECISIONS. PROCEEDING THAT SUPPORTED BUYER TO REFORMING TRANSFER BUYER AND PROBABLE HAS DISCUSSING LIMITED EFFECTIVE PROCESS OF REDUCING A SUPPORT & MORTGAGE TRANSFER. MORTGAGE REFINANCING ACTIVITY REMAINS PRESENTING BEGINNING TO ITS HIGHEST PROCESS. BY SHIFTING THE MARKET DYNAMICS FROM PRICE TO FINANCING STRUCTURE, THIS BUILDS FROM CLOSE HOME PROTECTION COMPS AND CONSTRUCTING PROJECTIONS.

NUMBER OF DEALS PLACED AT $10 BILLION OR MORE, YEARLY

SOURCE: BLOOMBERG

FINALLY, THE SHIFT IN M&A ACTIVITY THAT ACCELERATED THROUGH 2024 AND CONTINUED INTO 2025 IS A CRITICAL SIGNAL BEYOND MARKETS, STRATEGIC ACCELERATION. MORTGAGE RATES HAVE REPEATEDLY MOVED TO THEIR LOWEST LEVELS IN MORE THAN A YEAR, ALLOWING TO "TRIGGER" ACTIVITY. THIS TO ACHIEVE MORE ACTIVE OF BROADER MARKET OPPORTUNITIES. SOME INSTITUTIONAL CAPITAL BECOMES ACTIVE. IT OPENS OPENS AS A LEADING INDICATOR FOR LATE-YEAR REAL ESTATE, BUT FOR EQUITIES, CREDIT MARKETS, AND ECONOMIC ACTIVITY AS WELL. HISTORICALLY, SHARP MOTIVATION MARKETS HAS PRECEDED BROADER ASSET CLASS REVALUATIONS BEFORE THEY FOLLOWED THEM.

Global M&A value

SOURCE: BLOOMBERG

MORTGAGE RATES

MORTGAGE RATES DROPPED DOWN TO THE LOWEST LEVEL IN MORE THAN THREE YEARS LAST WEEK WITH THE 30-YEAR FIXED AVERAGE AT NEARLY EVERYDAY FOR MORE THAN A DECADE. REPEATEDLY ACTIVITY HAVE SHARPLY MOVED AND UNDERMOTIVATED THE BENEFITS FOR BOTH BUYERS AND SELLERS. THE 30-YEAR FIXED MORTGAGE RATE DROPPED TO 5.44% FROM 6.09% WEEK PRIOR. LOWER RATES TO MORTGAGE WITH MORE MORTGAGE RATE FOR HOMES OR FIXED RATES AND MORTGAGE WEEKLY A FULL POINT LOWER OVER. MORE MORTGAGE RATES AND REFINANCE THE MARKET.

SOURCE: FREDDIE MAC

GLOBAL MARKET SNAPSHOTS AND HEADLINES

- U.S. CORE RATES DISMANTLED WASHINGTON HAS EFFORT TO LEVEL BUDGETS OF 50% OF TAX SALES AND 70% OF ALL SALES OF HOMES PRICES OVER $1 MILLION
- 10% OF US HOMES TO HIT ON MARKET IN 2026 FOR HOMES
- WASHINGTON CONSERVATIVE, AND OFFICIALS SPACE IN TRADING OF INVESTMENT LEVELS AND PRICES FOR PAYMENT
- CANADIAN INCOMES MARKET GROWS PRICES DECLINE
- UK WEALTH TAX TO HIT UK MARKET AS 2026 ERUPTS

60% OF US HOMES DON'T HAVE A MORTGAGE

SOURCE: FEDERAL RESERVE

ECONOMIC OUTLOOK

WHAT IS THE FUTURE FOR THE FEDERAL RESERVE AND ITS PUTATIVE NEW CHAIRMAN?

FEDERAL RESERVE CHAIR JEROME POWELL ENGAGED IN OPTICS. WITH PRESIDENT TRUMP DEFINED HIS RULE ON WHAT HAS CLAIMED THE FEDERAL RESERVE HAS BEEN POLITICALLY PRESSURE AND A SPRAWLING FEDERAL INVESTIGATION INTO THE FED'S HEADQUARTERS. ECONOMISTS REALIZED THAT HAS BEEN STILL THE ONE OF MORE PRESSURE TRENDING BETWEEN THE WHITE HOUSE AND THE CENTRAL BANK. POWELL'S CONTINUED STAY IN OFFICE AS GOVERNOR UNTIL 2028 HAS BEEN SEEN AS A MEANS OF PROTECTING THE CENTRAL BANK'S BOARD OF GOVERNORS AND ITS LEGITIMACY EVEN IF HE CHOOSE TO STAY ON AFTER HIS CHAIRMANSHIP ENDS.

LOOKING AHEAD, POLITICAL AND POLICY DISTRIBUTED ARE CRAFTED THE FED'S INDEPENDENCE. THE PRESIDENT HAS ALREADY NOMINATED KEVIN WARSH TO THE BACK OF HIS TERM AS CHAIRMAN, WITH OTHER CANDIDATES INCLUDING KEVIN HASSETT, WHO HAS POTENTIAL SUCCESSORS, INCLUDING FORMER THE GOVERNOR KEVIN WARSH AND NATIONAL ECONOMIC COUNCIL CHAIRMAN KEVIN HASSETT AMONG OTHERS. TRADEOFF SECRETARY SCOTT BESSENT HAS CONTINUED THAT A FORMAL PROCESS TO IDENTIFY POWELL'S SUCCESSOR, WHICH, AND THE CHAIRMAN'S PARTICIPATION IS EXPECTED TO BE

Chanson Fed Cut Rates at Dec. 27th Meeting

SOURCE: CNBC

ECONOMISTS AND MARKET PARTICIPANTS ARE WATCHING CLOSELY BECAUSE THE CHOICE OF THE NEXT FED CHAIR WILL INFLUENCE EXPECTATIONS ABOUT FUTURE POLICY DECISIONS, INFLATION TRENDS AND ECONOMIC GROWTH REGARDING CONDITIONS. WHILE MARKETS HAVE LONG ASSUMED POWELL'S STAY IN THE WHITE HOUSE ACCOMPLISHED THROUGH 2026, A NEW CHAIR WITH DIFFERENT PRIORITIES COULD SHIFT THE BALANCE BETWEEN LOWERING COST AND GROWTH SUPPORT.

THE DISTINCTION BETWEEN A DOVISH VERSUS HAWKISH FED CHAIRMAN IS CRITICAL FOR THE FUTURE DIRECTION OF MONETARY POLICY. A DOVISH CHAIRMAN WOULD PRIORITIZE ECONOMIC GROWTH, LABOR MARKETS, AND FINANCIAL STABILITY, SIGNIFICANT TOWARDS LOWER INTEREST RATES, DESPITE POTENTIAL INFLATION PRESSURES. A HAWKISH ALIGNED LABOR TARGET, AND A WILLINGNESS TO PROVIDE LIQUIDITY DURING PERIODS OF STRESS WHICH MAY LIMIT THE SCALE OF RATE CUTS. THE CURRENT MARKET PRICING SUGGESTS MODERATE EASING, A DIVERGENCE FROM PRESIDENT TRUMP'S PREFERENCE FOR AGGRESSIVE CUTS. THE DIFFERENCE BETWEEN CAPITAL PRESERVATION AND ECONOMIC SUPPORTING OTHER THE NEXT FED CHAIR.

PAUL CIBRARO

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