Weekly Updates Issue # 614

1. Weekly Markets Changes

[May 12, 2017]

S&P TSX	S&P 500	Dow Jones	NASDAQ	CAD/USD	Gold	WTI Crude
15,537.88 -44.16 -0.28%	2,390.90 -8.39 -0.35%	21,896.61 -110.3 -0.53%	6,121.23 +20.47 +0.34%	$0.7292 -0.33¢ -0.45%	$1,227.80 -0.60 -0.05%	$47.82 +1.35 +2.91%

2. What analysts are saying about Home Capital's warning shot

[May 12, 2017] Beleaguered Canadian mortgage lender Home Capital Group Inc. posted its first-quarter results after the close of markets Thursday -- and the "slight dip" in profit and revenue was the last thing on anyone's mind.

The company's shares are down as much as 20 per cent after management said during a conference call Friday that asset sales aren't likely to happen any time soon and more collateral needs to be pledged than expected. In the quarterly report, the company also confirmed what was widely speculated, they share concerns about Home Capital's ability to continue as a going concern.

A run on the company's deposits in the wake of allegations from the Ontario Securities Commission on April 19 led to a severe selloff in the shares, forced the company to take an expensive line of credit to meet its near-term obligations, and hire advisers to evaluate its strategic options, including a potential sale. There have been a few recent bright signs, however: CIBC Asset Management more than tripled its stake in April, while top shareholder Turtle Creek Asset Management boosted its holdings to more than 15 percent of the company.

Late Thursday night, the alternative mortgage provider also released a filing detailing the terms of its $2 billion credit facility with a syndicate led by the

Healthcare of Ontario Pension Plan, which turn out to be more onerous than previously thought.

During the conference call on Friday morning, management warned that significant “knock-on effects” would ensue if the company failed to recover.

Here’s what analysts are saying about the quarterly results:

Laurentian Bank's Marc Charbin (Hold, price target cut to $11 from $28):

“Deposits continue to decrease for HCG without any evidence of a turnaround. HCG has highlighted that $2.7B of deposits are due in the next three months and a further $4.3B in the next nine months. It appears as though asset sales are the priority to satisfy deposit outflows so that HCG can maintain a level of renewals and originations that meet more narrow underwriting criteria. Cash flow is being managed daily and surely will be disclosed in the coming weeks along with new funding sources.”

National Bank Financial's Jaeme Gloyn (Underperform, price target $6):

“We continue to see material risks related to each new development, in particular HCG’s ability to attract new deposits, raising significant concern with viability of the existing business model. With that in mind, we revisit the next steps for Home Capital, in chronological order as we see it: 1) Continue operating the company as is, 2) Explore an originate to sell business model, 3) Solicit asset sales, and 4) Regulatory resolution.”

Scotiabank's Phil Hardie (Rating under review)

“Given significantly reduced earnings visibility and diminished ability to confidently quantify the numerous stacked risks involved, our rating remains Under Review. The stacked risks include: (1) execution risk in an operational turn, (2) executive management transition, (3) regulatory, (4) a late cycle and transitioning housing market, and finally (5) the higher funding costs and ability to attract sufficient cost-efficient retail deposits to fund loans. Due to regulatory involvement we do not expect to gain much clarity on issues related to the OSC allegations.”

TD Securities' Graham Ryding (Speculative buy, price target $15):

“Results shed little insight towards near-term outlook…The company acknowledges there is material uncertainty regarding its future funding capabilities and ability to continue as a going concern.”

RBC Dominion Securities Inc.'s Geoffrey Kwan (Underperform, price target $8):

“We believe investors may be concerned that the over-collateralization is higher than what they may have initially believed. Given there is no penalty to cancel the facility, we think it makes it that much more important for HCG to secure funds (e.g., alternative funding facility with better terms, asset sales) to cancel the facility. While the credit agreement answers some of our questions (e.g., there is no penalty/premium if HCG wants to permanently cancel the credit line), it is unclear what mortgages qualify for the security backing the loan and whether it's a broadly diversified pool of mortgages or whether the mortgages used for security backing the credit line might be the highest credit quality mortgages in HCG's mortgage book. More broadly speaking, with one of HCG's competitors getting a $2B credit line from a syndicate of the Big Six Canadian banks at more attractive terms than HCG's credit line, is this a potential funding source for Home Capital?"

Industrial Alliance Securities' Dylan Steuart (Hold, price target $.9.50):
"Ironically, the view as of March 31 looked promising: Loan originations of $2.3B were up 32% from a year ago, and loans on the balance sheet were up 3.5% YoY. Of course, given the events subsequent to quarter-end, little of that is consequential to the prospects going forward… While the going concern's disclosures and the increased collateral identified against the credit line could raise some eyebrows, very little in the quarterly disclosure changes the challenges going forward."

3. Home Capital reports dip in saving accounts deposits

[May 12, 2017] Home Capital Group says it expects to have $125 million deposited in its high interest savings by the end of Friday.

That's down a modest $3 million from the company's previous liquidity report on Thursday, but a huge drop from $1.4 billion just over two weeks ago.

It also announced deposits with its guaranteed investment certificates stood at $12.52 billion, down $20 million from Wednesday.

The struggling company uses the deposits as a source of funding for its mortgage lending business, one of the biggest Canadian alternatives to the major banks.

Home Capital (TSX:HSG) has issued on a daily basis this week as it works to restore confidence in its mortgage lending business, following a series of events that have cut the value of its stock by half since mid-April.

The company has scheduled a conference call with analysts this morning, followed by Home Capital's annual meeting of shareholders in Toronto.

It announced late Thursday that it earned $58 million or 90 cents a share in the first quarter ended March 31, slightly less than the $64.2 million in earnings or 92 cents a share reported in the first quarter of 2016.

But the company's interim CEO, Bonita Then, said its management's focus is on finding more sources of funding in the near term and the seeking longer-term solutions to put its business back on track.

On Thursday, Moody's Investors Service downgraded Canada's six big banks. The cut reflected an ongoing concern that expanding levels of private-sector debt could weaken asset quality in the future, Moody's senior vice-president David Beattie said.

"Continued growth in Canadian consumer debt and elevated housing prices leaves consumers, and Canadian banks, more vulnerable to downside risks facing the Canadian economy than in the past," Beattie said.

David Madani, senior Canada economist at Capital Economics, said the downgrade comes amid mounting concerns about the housing market and its effect on the economy. "Even the banks themselves have admitted recently that housing is a problem," he said.

Home Capital's earnings report released late Thursday noted "liquidity" and "reputational" events, an apparent reference to allegations from Ontario's securities watchdog that have put pressure on the subprime mortgage lender's stock.

The OSC alleged that the company and three of its executives misled investors in their handling of a scandal involving falsified loan applications. The company has vowed to defend itself against the allegations, which it says are without merit. Lawyers for the three men haven't responded to requests for comment.

Brenda Eprile, the recently appointed chair of Home Capital's board of directors, noted the company is taking steps to address its image, pointing to this week's appointment of four new directors to its board, including Claude Lamoureux.

The company also replaced company founder Gerald Soloway — one of the men facing OSC allegations — with former Royal Bank executive Alan Hibben last week.

"We are taking the steps required to regain the full confidence of Home's stakeholders," Eprile said in the statement Thursday.

She added the company is continuing its search for a new CEO and chief financial officer.

4. Home Capital warns its failure would have significant 'knock-on effects' in the mortgage market

[May 12, 2017] Home Capital Group Inc. said it's seeking new sources of funding to counter a run on deposits and warned that the failure of the Canadian lender would have significant "knock-on effects" in the broader mortgage market.

The struggling mortgage lender has some “breathing room” to pursue strategic options and new funding sources following an $1.8 billion plunge in deposits and a 60 per cent share decline, director Alan Hibben, a former RBC Capital Markets managing director, said on a conference call.

“I don’t expect there to be any new significant transactions within the next days and weeks, however that shouldn’t be misconstrued, we will be extremely active in bringing a range of options forward,” Hibben said without elaborating. The former investment banker said he’s taking a more active role alongside management.

Home Capital’s troubles are being closely watched by investors concerned about possible contagion to other lenders and to the red-hot real estate markets in Toronto and Vancouver. The Canadian dollar has slumped, and is the worst performing currency among Group of 10 nations this year. Moody’s Investors Service late Wednesday cut the credit ratings on six Canadian banks, citing rising household debt and soaring real estate prices that make the banks more vulnerable to losses.

Home Capital executives sought to reassure investors that’s it’s working to find new sources of funding to stem the deposit outflows and to replace a costly $2 billion credit line arranged last month by the Healthcare of Ontario Pension Fund.

Ripple Effect

A company failure would have knock-on effects for the market and for the so-called alternative mortgage customers who can’t get loans from the major commercial banks, the company said.

We are facing a crisis of confidence

“There is much at stake,” Chairwoman Brenda Eprile said on the call in her first public comments since taking the position this month. “We are working diligently” to rebuild strength of the company, said Eprile, former chief accountant for the Ontario Securities Commission.

Home Capital, accused by regulators last month of misleading investors over fraudulent mortgage loan applications, has lost almost $1.8 billion in high-interest deposits in five weeks, draining the Toronto-based company of funds used to finance mortgages. The company said it’s facing liquidity issues because of reputational concerns raised by the Ontario Securities Commission allegations, as well as a class action lawsuit announced earlier this year. The lack of a chief executive officer and chief financial officer is also hurting, the company said.

Home Capital fell 10 per cent to $9.71 at 10 a.m. in Toronto, paring its gain this week to 65 per cent. The stock has fallen by two-thirds this year.

Going Concern

Home Capital executives addressed investors and analysts after warning Thursday that the reputational hit threatens the company's viability.

"We are facing a crisis of confidence," Hibben said.

"Material uncertainty exists regarding the company's future funding capabilities as a result of reputational concerns that may cast significant doubt" about continued operations, the company said in its earnings statement. "Management's focus is on finding more sources of funding in the near term so we can be more active serving our customers, and on seeking longer-term solutions that put the business back on track."

High-interest savings deposits dropped to about $125 million as of Friday from $1.9 billion at March 31, the company said. Home Capital also lost $344 million in cashable GICs, or guaranteed investment certificates. Tightening lending criteria and broker incentive programs will lead to a decline in originations and renewals going forward, the company said.

Pension Loan

The lender's liquid assets are about $962 million as of May 11, it said in a separate statement. It had drawn $1.4 billion of a $2 billion rescue loan from an Ontario pension fund that carries an effective interest rate of 22.5 per cent, the firm disclosed. The company also sold a $154 million portfolio of preferred shares to raise cash.

Total on-balance sheet loans grew 3.2 per cent to $18.6 billion in the first quarter from the end of 2016 as traditional single-family residential mortgages, which comprise half of total loans, grew 3.4 per cent to $11.4 billion.

Home Capital used its first quarter results to underscore its battle plan. It's planning to sell assets to help pay down the $2 billion loan. The lender's priority is to fill the CEO and CFO roles, and is in talks with an external adviser on strategic options. The company is also talking to industry partners about funding mortgage commitments and renewals in the near-term, according to its statement.

The company reached an agreement MCAP Corp. to service $1.5 billion of Home Capital's mortgages and renewals.

Maxime Chagnon, a spokesman for the Caisse de depot et placement du Quebec, which has a partnership with MCAP in a unit of its business, said in an email Friday MCAP is not the buyer of the mortgages but rather a facilitator for the sale of them. He said MCAP will manage and service the loans for the buyer and won't own them. Home Capital hasn't identified the partner on this deal. A representative for MCAP declined to comment.

"If successfully implemented, a combination of some of these actions will enable the company to continue as a going concern," the firm said, adding that the ability to attract new deposits may be outside its control. "Therefore management believes that material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern."

New Directors

In the last week, lenders, investors and brokerages including Dominion Lending Centres have come out in support of the company and its new management, sparking a rally in the share price. Home Capital replaced the company's founder Gerald Soloway on the board with Hibben, and added three more industry heavy-hitters to the board.

The company reported profit for the period ending March 31 that matched the preliminary disclosure it gave April 21, with earnings of 90 cents a share, or $1.02 on an adjusted basis.

5. Moody's downgrades credit ratings for six of Canada's largest banks

[May 11, 2017] Six of Canada's largest banks had their long-term debt and deposit ratings lowered one level. Moody's Investors Service has downgraded Canada's six big banks in another worrying sign about growing consumer debt and housing prices.

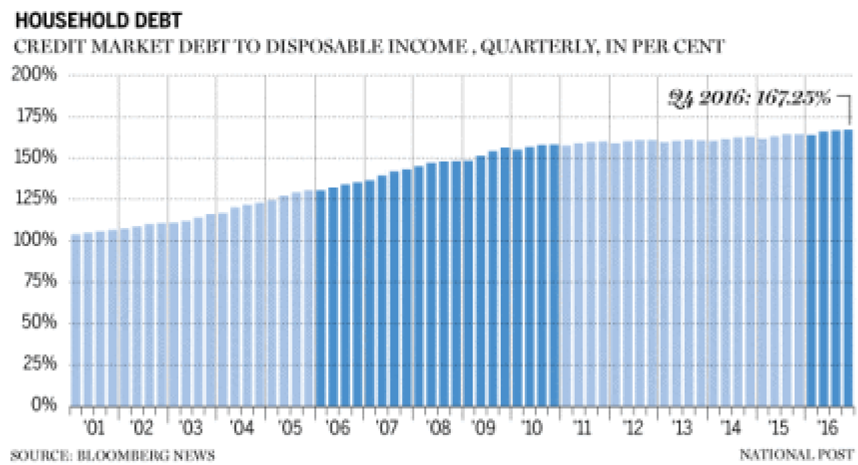
The cut reflects an ongoing concern that expanding levels of private-sector debt could weaken asset quality in the future, Moody's senior vice-president David Beattie said.

"Continued growth in Canadian consumer debt and elevated housing prices leaves consumers, and Canadian banks, more vulnerable to downside risks facing the Canadian economy than in the past," Beattie said.

Shares of TD Bank, Bank of Montreal, Scotiabank, CIBC, National Bank and Royal Bank all fell Thursday in the wake of the downgrade, which may increase their cost of borrowing. Royal Bank closed down 58 cents at $92.75, while TD Bank dropped 47 cents to $63.42.

This downgrade was prompted by weakening credit conditions in Canada, led by a surge in household debt, Moodys said, noting it was now at a record high of 167.3 per cent of disposable income, as of the fourth-quarter of 2016.

CANADIANS LOVE DEBT



It is the second time in the past five years that the banks' exposure to increasingly indebted Canadian consumers and elevated housing prices has led the credit rating agency to downgrade their debt en masse. But Moody's noted that the county's banks remain among the highest rated globally.

In January of 2013, Moody's downgraded the long-term ratings of the senior debt of six of the country's largest banks by one notch.

On Wednesday, there was another one notch downgrade to the baseline credit assessments and long-term ratings of Toronto-Dominion Bank, Bank of Montreal, Bank of Nova Scotia, Canadian Imperial Bank of Commerce, National Bank of Canada and Royal Bank of Canada, and their affiliates.

David Madani, senior Canada economist at Capital Economics, said the downgrade comes amid mounting concerns about the housing market and its effect on the economy.

"Even the banks themselves have admitted recently that housing is a problem," he said.

Despite moves by the federal government in recent years to cool the housing market, Moody's noted that house prices and consumer debt levels remain historically high and business credit has also grown rapidly.

"We do note that the Canadian banks maintain strong buffers in terms of capital and liquidity," the Moody's report said.

"However, the resilience of household balance sheets, and consequently bank portfolios, to a serious economic downturn has not been tested at these levels of private sector indebtedness."

But Madani said the Canadian banks have taken steps to protect themselves even if there is a major housing correction that leads to a broader economic slowdown.

“The thing to keep in mind though is when it comes to the major traditional larger banks, they’ve been very careful to insure a lot of their non-conventional mortgages,” he said.

Madani said the Canadian banks would take a hit, but they have also expanded their operations outside of the country and diversify where they make their money in recent years.

Moody’s said it expects the six big banks will face a more challenging operating environment for the remainder of this year and beyond.

The debt rating agency downgraded the baseline credit assessments, the long-term debt and deposit ratings and the counterparty risk assessments of the banks and their affiliates by one notch, with the exception of TD Bank’s counter party risk assessment which was affirmed. It also maintained its negative outlook for the relevant ratings on the six banks.

The change cut TD Bank’s long-term rating to Aa2, while the five other banks fell to A1.

The move comes amid heightened scrutiny of the Canadian housing and financial sector, particularly around alternative mortgage lender Home Capital, which was forced to seek an emergency $2-billion line of credit recently as customers rushed to withdraw their deposits from their high-interest savings accounts.

Madani downplayed the possibility of trouble at Home Capital causing broader problems in the sector.

“They aren’t too big to fail, their balance sheet is very small and lately we’ve already seen some private lenders step up and purchase some of their presumably better quality mortgages,” he said.

The news comes as troubled mortgage lender Home Capital has sparked concern about whether Canada is about to experience its very own housing and debt crisis, some 10 years after the global financial crisis.

So, is Canada indeed headed for a housing bust? And what would that mean for the economy and most Canadians?

The housing market may have turned a corner

“It’s not like anything has changed” for Canadian banks, Mike Rizvanovic of Veritas Investment Research said about Moody’s downgrade.

There was no event in particular that triggered Moody’s decision. Rather, the credit rating agency issued a warning to the shareholders of Canada’s big banks about what could potentially happen if the economy were to experience a downturn, Rizvanovic added.

Moody’s noted that debt held by consumers and private businesses in Canada has ballooned to 185 per cent of GDP at the end of 2016, up from 179.3 per cent in 2015. That’s a lot of additional debt in a short period of time, and we

don't quite know how well household balance sheets would hold up in a serious recession, the agency noted.
The downgrade is a warning shot to Canada's financial institutions but is unlikely to have a significant, direct impact on them, said Rizvanovic.
However, the move is the latest in a series of developments that signal that economists, politicians and the banks themselves are becoming more pessimistic about the housing market, said David Madani of Capital Economics.
Policymakers have been tightening the screws on the mortgage market — first in Vancouver, with the foreign homebuyers' tax, then at the federal level with the new mortgage rules, and recently in Ontario, with the province's own tax on foreign speculators. Some of Canada's big banks have also become more vocal about risks in the mortgage market, with BMO and TD warning of a housing bubble in Toronto. Home Capital, Canada's largest provider of riskier non-prime mortgages, has been experiencing a crisis of confidence among its clients and a run on deposits after regulators alleged it misled investors. And now we have Moody's downgrade.
It all signals a shifting mood, said Madani, who has long been an outspoken skeptic of the Canadian housing market.
Unlike many of the analysts at Canada's big banks, Madani believes that Canada's real estate frenzy will necessarily end with some sharp drops in home prices.
"All bubbles burst, and we'll have a major correction," he said.
A major correction would see prices at the national level decrease by 30 to 40 per cent, he added. That's the kind of drop required to bring prices back in line with income levels, he noted.
The drop, however, would likely happen over time and mostly reflect an adjustment in Canada's red-hot markets of Toronto and Vancouver, Madani said, adding that "smaller markets would see no big declines."
Madani thinks the slowdown may have already started, not with the crisis at Home Capital, which he says is "too small to matter," but with the decline in home sales in Vancouver.
Although months of double-digit drops in sales volumes have barely had an impact on prices so far, Madani argues it's just a matter of time.
"Usually prices follow with a lag," he said.
In the U.S., home sales started dropping in 2005, but it wasn't until 2006 that prices began to dip and not until 2007 that delinquencies started to rise, Madani noted.
Rizvanovic said that a Vancouver-style softening of the housing market could "easily" happen in Toronto as well.

Still, both Madani and Rizvanovic told Global News that if Canada were to enter an economic downturn, current sky-high home prices and record levels of household debt would likely make it much more painful.

Overstretched household budgets mean that Canadians would likely have to pull back sharply on spending in the event of a job loss or reduced income growth. And the housing market has grown to account for such a large share of the economy that any contraction in the industry would have a significant impact on the wider economy, they told Global News.

New construction in Toronto alone accounts for one per cent of GDP, Madani estimates.

Stagnating or declining home prices would also weigh on consumer spending through what economists refer to as "the wealth effect," both Madani and Rizvanovic said. People tend to feel wealthier and splurge when the price of their home is going up. But when house prices decline, that psychological effect works in reverse.

All of that could turn a recession "from bad to very bad," said Madani.

6. Canadian economy takes unfair hit from global perceptions

[May 8, 2017] On May 24, the Bank of Canada releases its interest rate statement. That's a perfect time to stand up for Canada, says deputy chief economist Benjamin Tal of CIBC World Markets, in a weekly economics report.

Some support from the Bank would be appreciated, because people are avoiding investing in Canada due to rumblings about NAFTA and the Home Capital saga, says Tal. "The loonie and Canadian financials are off by roughly 3% recently," he says.

And other economic indicators aren't telling a different story.

"The equity market hit a 6-week low, while the loonie fell below 73 U.S. cents for the first time in over a year," says Dina Ignjatovic, economist with TD Bank, in an economics report. The poor results were the result of an 8% plunge in crude oil prices to US$45 per barrel.

Other recent economic data are mixed:

- The Canadian economy added just 3,000 jobs in April — all part time, says Ignjatovic. The unemployment rate fell to 6.5%, as 45,000 people left the workforce. Wage growth slowed to a record low of just 0.5% year over year.
- Auto sales slipped 1.6% year over year in April, but this follows a record-breaking quarter.

- Exports bounced back in March, helping to narrow Canada's trade deficit. However, net trade will still be a drag on growth during the first quarter.

But "momentum in exports should continue going forward," says Ignjatovic, "as the Canadian dollar remains under pressure and economic activity in the U.S. is set to pick up after a slow start to the year."

Better net trade performance, along with improved business investment, should offset expected declines in housing activity the rest of the year.

"The Bank of Canada will be looking for such signs of a more sustainable growth path before moving off the sidelines," says Ignjatovic.

As for the Home Capital saga, "The situation is contained, and the quality of the assets is solid. Any reference to that reality from the Bank will carry a lot of weight," says Tal.

Rating agency DBRS downgraded Home Capital's senior debt rating to CCC on May 3, but said Monday that "positively, HCG continues to take steps toward improving governance in a bid to restore market confidence."

7. Home Capital suspends dividend as deposits continue to drain

[May 8, 2017] Shares of Home Capital Corp. swung wildly Monday after the company suspended its dividend and said it suffered from a further outflow of money from its high-interest savings accounts and GICs.

The fate of the subprime mortgage lender is being closely watched by investors, regulators and governments, as some market observers worry its woes could undermine the broader Canadian financial sector.

The company's stock was up 34 cents or about 5.8% at $6.19 on the TSX after falling more than 10% to as low as $5.06 in early trading.

In an effort to bolster confidence, Home Capital announced Monday three new board members including two former CEOs of major Ontario pension funds — Claude Lamoureux from the Ontario Teachers' Pension Plan and Paul Hagis of OMERS — as well as Sharon Sallows, a trustee for two major real estate trusts.

The company also named Brenda Eprile, who joined the Home Capital board last year, as chairwoman. She replaces Kevin Smith, who will remain on the board.

"Claude, Paul and Sharon bring a tremendous amount of experience and skill that will be invaluable in helping the company deal with its operational challenges, and in ensuring that we move ahead to rebuild confidence in Home under the oversight of a very strong and trusted board of directors," Eprile said in a statement.

Eprile was a senior member of the OSC staff before becoming a consultant focused on regulatory affairs.

Home Capital (TSX:HCG) has been weathering a series of blows, including OSC staff allegations that the company and three senior executives misled investors in their handling of a scandal involving falsified loan applications.

The lender uses money deposited into GICs and savings accounts to help fund its mortgage lending. To offset the draining deposits, Home Capital said it drew $1.4 billion from the $2-billion credit line provided by HOOPP, one of Ontario's largest public-sector pension funds.

The company is to release its Q1 financial results on Thursday after delaying them last week.

The company has vowed to defend itself against the allegations, which have sparked a massive withdrawal of funds from Home Capital. Lawyers for the three men haven't responded to requests for comment.

Home Capital has made several changes at its board table, including the replacement of company founder Gerald Soloway with former Royal Bank executive Alan Hibben last week.

Jim Keohane, CEO of the Healthcare of Ontario Pension Plan (HOOPP), also resigned from the board citing a potential conflict of interest following the pension fund's decision to provide a $2-billion credit line to Home Capital. William Falk, who announced his departure from the board earlier this year, is also set to step down on Thursday.

The company estimates that only $192 million will remain deposited in its high-interest savings accounts by the end of Monday, down from $1.4 billion two weeks ago. The balance deposited with GICs offered by its subsidiaries stood at $12.64 billion as of Friday — down $220 million since April 28.

8. Housing starts drop 15% as moving average maintained

[May 8, 2017] Canada Mortgage and Housing Corp. says the annual pace of new housing starts fell 15% last month compared with March.

The Ottawa-based federal agency says the seasonally adjusted annual rate of housing starts was 214,098 units in April, down from 252,305 in March.

The move lower came as the pace of multi-unit urban starts fell 16.7%, and single-detached urban starts dropped 12.1%.

However, the dip in April wasn't big enough to stop the six-month moving average from rising to 213,768 units for the month compared with 210,702 in March.

"Housing starts have been above the 200k mark for five consecutive months now, which suggests that new supply is still coming back as an affordability safety valve on tight conditions in some key resale markets, namely in southern Ontario's bidding wars," says Derek Holt, vice-president and head of capital markets economics at Scotiabank, in a report.

A cooler Toronto market

But efforts to cool the pace of resale price gains could nip new supply in the bud, says Holt.

Josh Nye, economist at RBC, agrees. "Toronto may already be seeing an impact from the [15% foreign buyers tax], as a surge in new listings in April helped push the market closer to supply-demand balance," he says in a report.

Holt notes that in Toronto total starts fell 21% month over month, mainly due to multi-units, which include condos. "This follows the elevated prior month reading that had soared by 50% [month over month]," he says.

Slowdown in the Toronto market and other areas of the province will likely spill over into homebuilding activity.

As a result, "we expect moderation in both resales and housing starts over the second half of the year (albeit with levels remaining strong) will put an end to the residential sector's strong contributions to GDP growth, including an expected half percentage point lift in the first quarter," says Nye.

Have a nice and fruitful week!