Top 3 things to watch this year ...

1. **Consumers** — The personal savings rate in America is at its lowest since 2005, and around one-quarter of what it was leading up to the pandemic. Consumer confidence is similar to the depths of the '08 financial crisis, but the labor market and consumer spending have remained strong through 2022. Will the recession narrative be a self-fulfilling prophecy? Or are consumers so driven by "animal spirits" after being stuck at home that the Fed is able to achieve a soft landing?
2. **Home Prices** — Home prices are expected to continue declining, but with inventory levels remaining scarce, prices could hold higher ground than some think — still, certain markets will drop more than others. The incentive to move to find "more house" has completely flipped, and now many homeowners will be reluctant to sell unless they have good reason to.
3. **Interest Rates** — The Fed probably isn't done raising rates, even though some pundits believe they are too slow and looking at lagging data. Those same pundits are expecting the Fed to course correct and cut rates in the second half of the year to stimulate the economy again. Either way, mortgage rates have room to decrease even without the Fed cutting base rates as the gap between treasury bonds and mortgage bonds remains wide due to the quick increases in interest rates, the Fed stopping its mortgage-backed securities buying program, and general market volatility.

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