



GOLDENSTONE
WEALTH MANAGEMENT

Varshney & Villegas Private Investments

"Your Stepping Stone To A Golden Life"

Is the Housing Party Over **AND** Has The Hangover Begun?

Only When The Tide Goes Out Do
you Know Who Has Been
Swimming Naked

- Warren Buffet



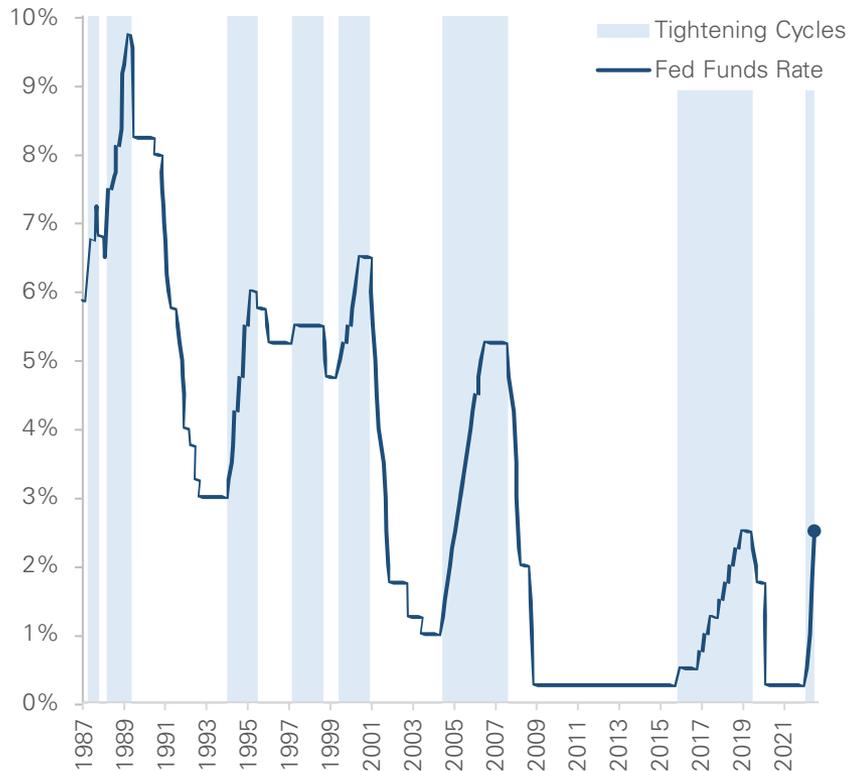
Most Recent Headlines

- Mortgage Demand Lowest in 22 years
- Mortgage Refinancing Down 86% since same time last year
- Sacramento among top 30 MOST COOLING markets

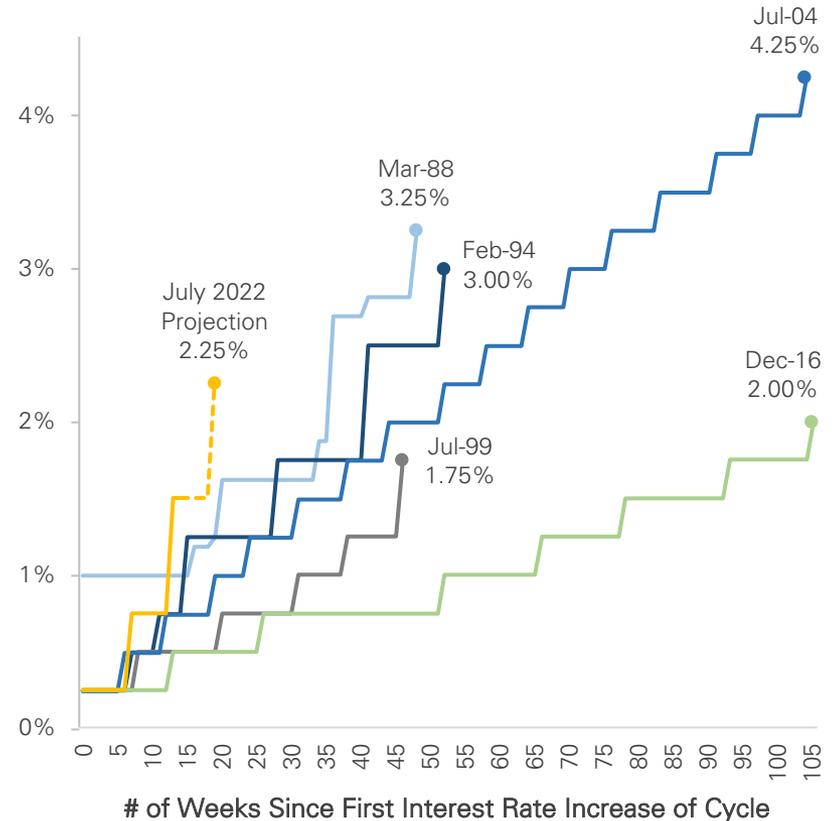


Speed & Magnitude of Interest Rate Increases Across Cycles

U.S. Federal Funds Target Rate (%)
Historical Federal Funds Rate (1987-Present)



Cumulative Change in the Federal Funds Rate
Indexed to Zero First Week of Interest Rate Increase



Disclosures: Data is sourced from Federal Reserve. July 2022 projection based on CME FedWatch Tool as of 6/30/2022.

Higher Interest Rates Start to Impact the Housing Market

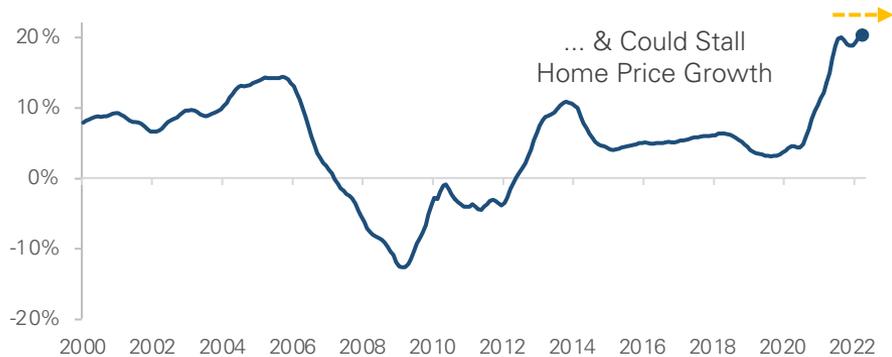
1 30-Year Fixed Mortgage Rate



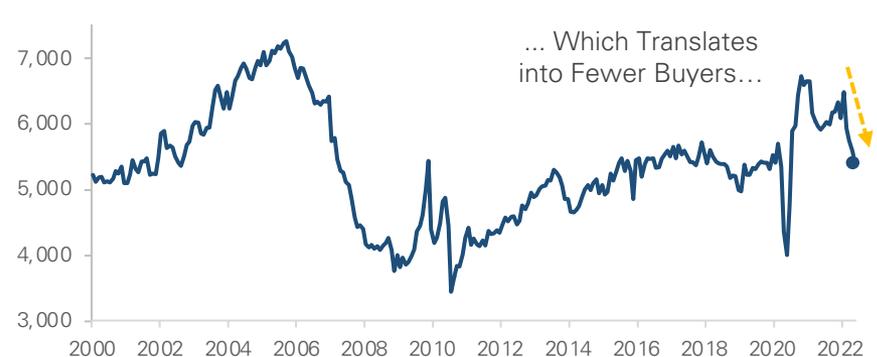
2 Housing Buying Conditions



4 Case Shiller Home Price Index (1-Year Change)



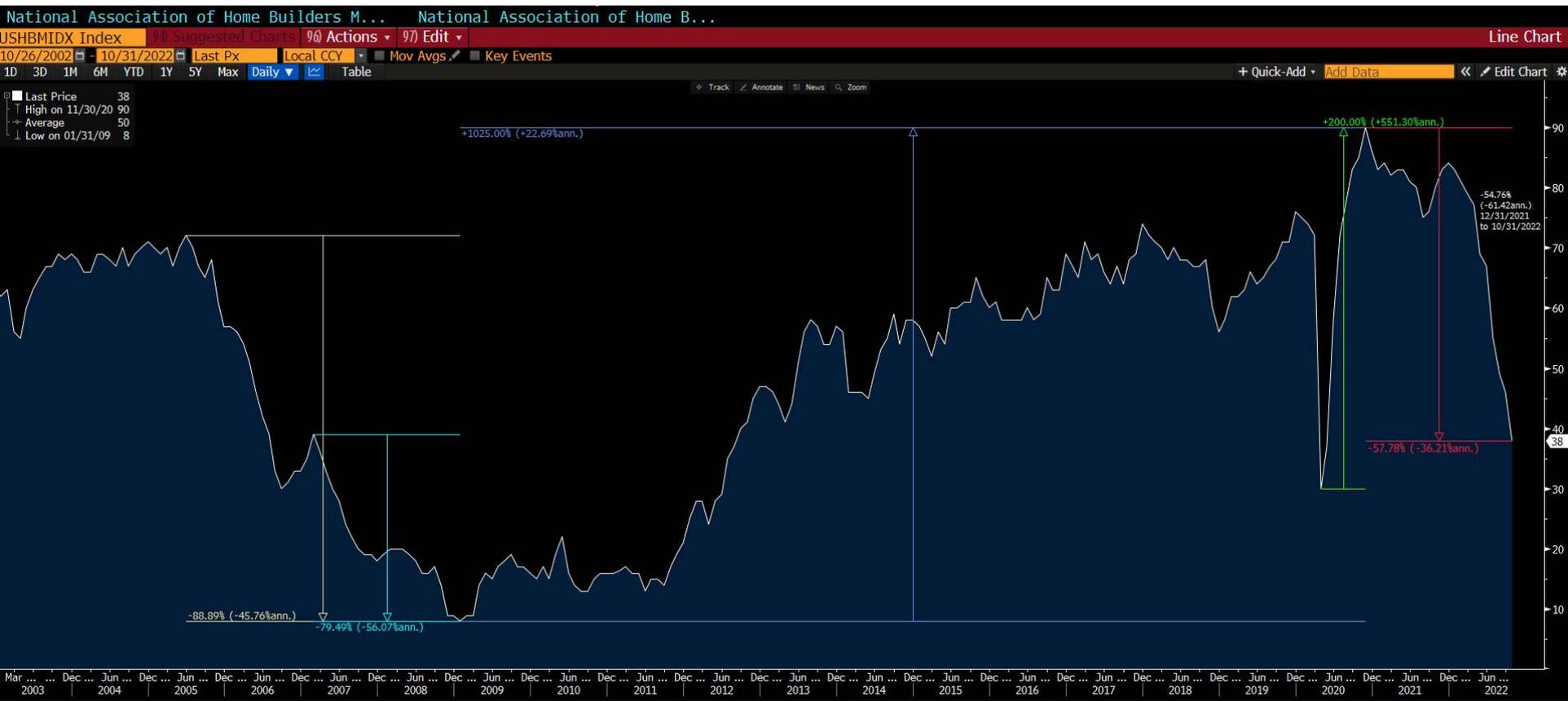
3 Existing Home Sales (000s)



Disclosures: Data is sourced from Federal Reserve, National Association of Realtors, and University of Michigan.



NAHB/Wells Fargo Market Homebuilder Confidence Down 55% YTD



Refine By <Countries, Sectors, etc.> Group By Securities Show Hi/Lo As of 10/25/2022

Overview Returns Valuation Estimates Actuals Credit Technicals Custom Results

Total Return Volatility

Name	YTD Tot Ret	1W Tot Ret	1M Tot Ret	3M Tot Ret	6M Tot Ret	1Y Tot Ret
30 Factor Strength (1 Yr)						
What Values Worked		Lower	Lower	Higher	Higher	Higher
<input type="text" value="<Enter Filter>"/>						
Investable Universe (34)	-35.6%	2.6%	4.5%	-11.5%	-11.3%	-28.0%
31) GRIFFON CORP	24.1%	5.6%	12.6%	19.6%	89.6%	32.1%
32) PGT INNOVATIONS INC	-3.4%	-5.8%	12.0%	14.3%	20.8%	2.8%
33) COMSTOCK HOLDING COMPAN...	-22.1%	-1.0%	-13.1%	-14.3%	-25.3%	-23.3%
34) TAYLOR MORRISON HOME CO...	-22.7%	5.6%	15.2%	-0.9%	-5.6%	-3.5%
35) SKYLINE CHAMPION CORP	-24.7%	4.6%	13.9%	0.6%	12.3%	-6.7%
36) GREEN BRICK PARTNERS INC	-26.0%	3.6%	3.0%	-10.7%	9.5%	-12.7%
37) CAVCO INDUSTRIES INC	-27.2%	6.5%	11.1%	-2.9%	-4.8%	-4.0%
38) NVR INC	-27.6%	2.8%	5.4%	-4.2%	-1.7%	-12.3%
39) DR HORTON INC	-29.8%	4.2%	5.6%	0.4%	2.3%	-13.9%
40) LANDSEA HOMES CORP	-29.9%	8.5%	0.2%	-26.9%	-41.5%	-43.6%
41) PULTEGROUP INC	-30.1%	-0.2%	1.0%	-11.2%	-8.8%	-19.6%
42) MASCO CORP	-30.1%	-0.7%	3.4%	-12.3%	-6.5%	-19.9%
43) AMERICAN WOODMARK CORP	-30.4%	-1.5%	-1.1%	-5.3%	-3.6%	-34.9%
44) LENNAR CORP-A	-31.1%	2.3%	2.5%	-3.2%	-0.3%	-20.2%
45) M/I HOMES INC	-31.7%	5.6%	12.4%	-7.0%	-5.8%	-31.7%
46) INTERFACE INC	-31.9%	2.0%	16.3%	-23.9%	-16.3%	-29.6%
47) LENNAR CORP - B SHS	-32.1%	2.9%	5.6%	-2.2%	-5.1%	-21.3%
48) ARMSTRONG WORLD INDUSTR...	-33.0%	-6.7%	-1.9%	-6.5%	-16.5%	-23.4%
49) KB HOME	-34.0%	4.4%	7.1%	-7.7%	-13.3%	-27.8%
50) TOLL BROTHERS INC	-38.7%	1.4%	3.5%	-9.4%	-8.1%	-27.1%
51) MERITAGE HOMES CORP	-40.2%	2.1%	-0.4%	-16.0%	-12.5%	-31.6%
52) MASONITE INTERNATIONAL C...	-40.3%	-2.7%	1.9%	-19.4%	-11.9%	-40.2%
53) MDC HOLDINGS INC	-40.9%	5.7%	11.4%	-11.6%	-13.5%	-34.4%
54) TRI POINTE HOMES INC	-41.1%	4.6%	5.1%	-9.9%	-18.6%	-33.2%
55) CENTURY COMMUNITIES INC	-41.6%	5.9%	6.8%	-10.6%	-10.9%	-27.0%
56) LGI HOMES INC	-43.2%	4.4%	4.9%	-16.2%	-10.1%	-39.7%
57) FORTUNE BRANDS HOME & SE...	-44.3%	1.9%	5.8%	-12.2%	-18.9%	-38.7%

Home Builders Stock Price Performance



Name	YTD Tot Ret	1W Tot Ret	1M Tot Ret	3M Tot Ret	6M Tot Ret	1Y Tot Ret
30) Factor Strength (1 Yr)						
What Values Worked		Lower	Lower	Higher	Higher	Higher
	<Enter Filter>					
Investable Universe (34)	-35.6%	2.6%	4.5%	-11.5%	-11.3%	-28.0%
31) DIXIE GROUP INC	-82.5%	2.4%	-15.5%	-34.7%	-64.4%	-78.9%
32) HOVNANIAN ENTERPRISES-A	-68.7%	5.9%	5.8%	-15.4%	-16.0%	-55.5%
33) JELD-WEN HOLDING INC	-63.7%	2.7%	3.0%	-44.1%	-54.5%	-65.2%
34) BEAZER HOMES USA INC	-52.4%	5.1%	0.7%	-25.1%	-29.1%	-40.9%
35) FORESTAR GROUP INC	-48.3%	0.8%	-3.2%	-19.1%	-34.5%	-43.0%
36) DREAM FINDERS HOMES INC -...	-45.1%	2.9%	4.6%	-17.7%	-39.4%	-34.9%
37) MOHAWK INDUSTRIES INC	-45.0%	1.4%	7.7%	-25.3%	-21.8%	-48.2%
38) FORTUNE BRANDS HOME & SE...	-44.3%	1.9%	5.8%	-12.2%	-18.9%	-38.7%
39) LGI HOMES INC	-43.2%	4.4%	4.9%	-16.2%	-10.1%	-39.7%
40) CENTURY COMMUNITIES INC	-41.6%	5.9%	6.8%	-10.6%	-10.9%	-27.0%
41) TRI POINTE HOMES INC	-41.1%	4.6%	5.1%	-9.9%	-18.6%	-33.2%
42) MDC HOLDINGS INC	-40.9%	5.7%	11.4%	-11.6%	-13.5%	-34.4%
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52) AMERICAN WOODMARK CORP	-30.4%	-1.5%	-1.1%	-5.3%	-3.6%	-34.9%
53) MASCO CORP	-30.1%	-0.7%	3.4%	-12.3%	-6.5%	-19.9%
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55) LANDSEA HOMES CORP	-29.9%	8.5%	0.2%	-26.9%	-41.5%	-43.6%
56) DR HORTON INC	-29.8%	4.2%	5.6%	0.4%	2.3%	-13.9%
57) NVR INC	-27.6%	2.8%	5.4%	-4.2%	-1.7%	-12.3%



New Home Sales Are Declining (-11%)

New Home Sales (Thousands)



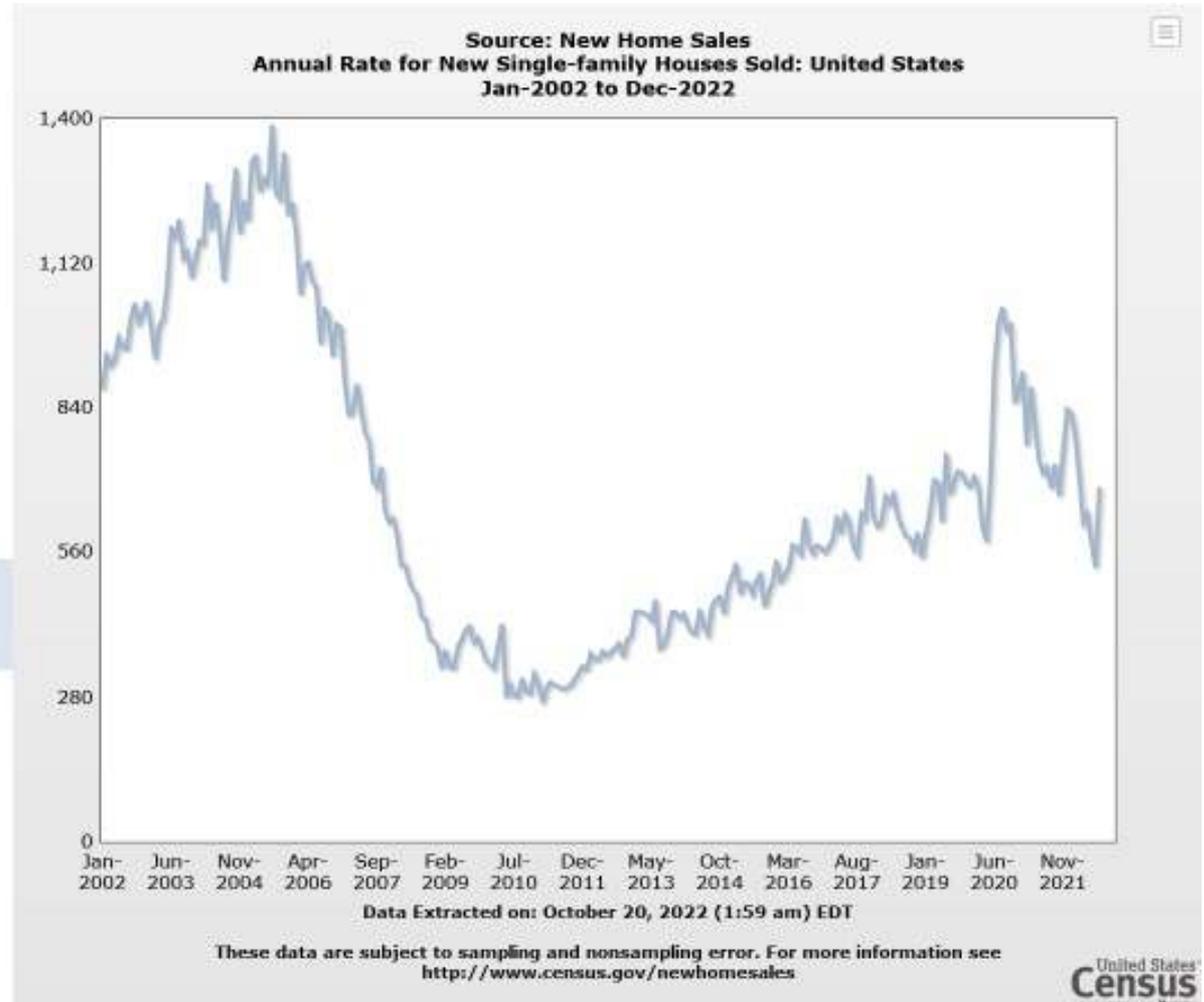
NEW RESIDENTIAL SALES AUGUST 2022

New Houses Sold¹: 685,000
New Houses For Sale²: 461,000
Median Sales Price: \$436,800
Next Release: October 26, 2022

¹Seasonally Adjusted Annual Rate (SAAR)

²Seasonally Adjusted

Source: U.S. Census Bureau, HUD, September 27, 2022



New Residential Construction



NEW RESIDENTIAL CONSTRUCTION SEPTEMBER 2022

Building Permits: 1,564,000

Housing Starts: 1,439,000

Housing Completions: 1,427,000

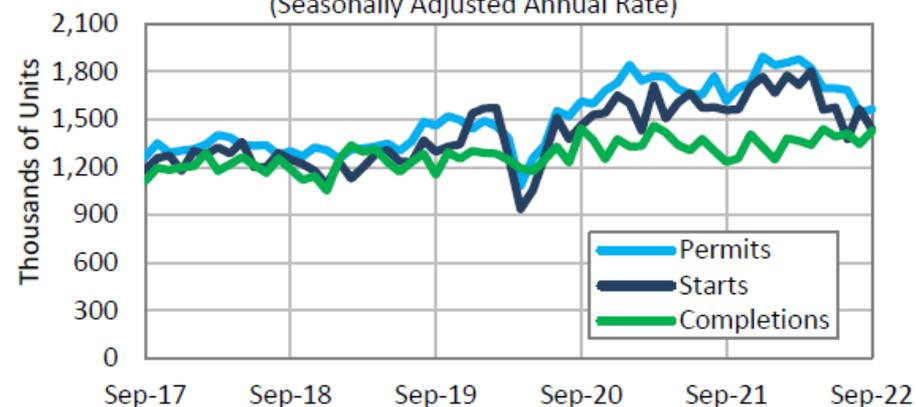
Next Release: November 17, 2022

Seasonally Adjusted Annual Rate (SAAR)

Source: U.S. Census Bureau, HUD, October 19, 2022

New Residential Construction

(Seasonally Adjusted Annual Rate)

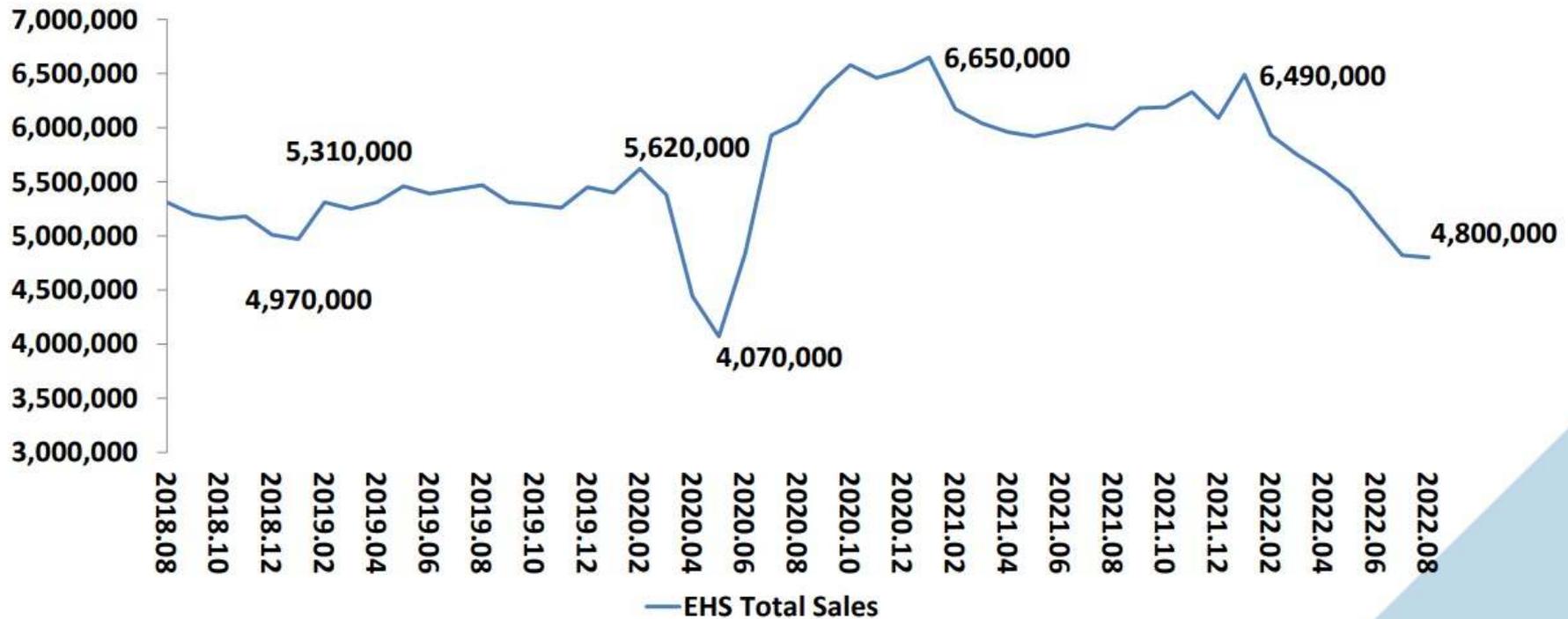


Source: U.S. Census Bureau, HUD, October 19, 2022



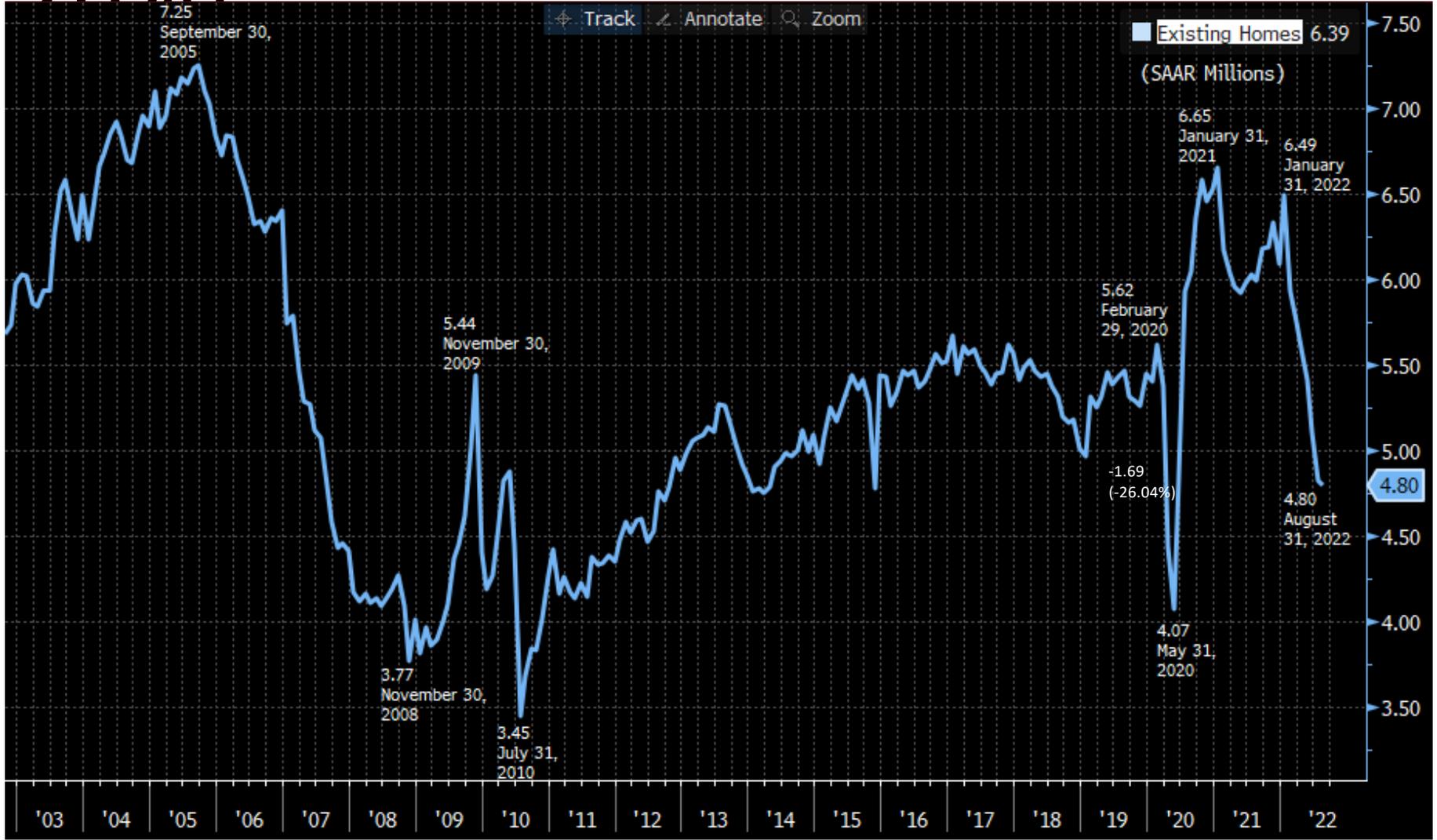
Existing Home Sales Declining

Total Existing Home Sales, SA Annual Rate



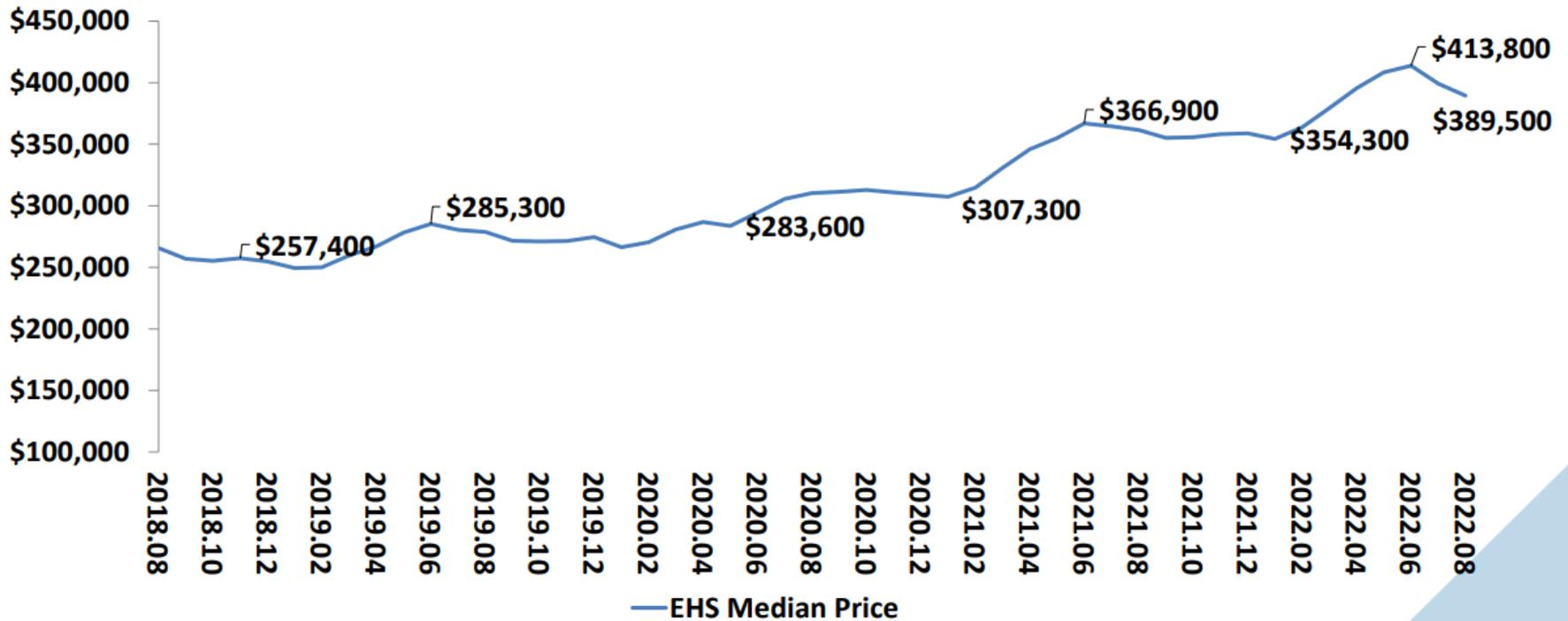
Existing Home Sales Declined

26%+

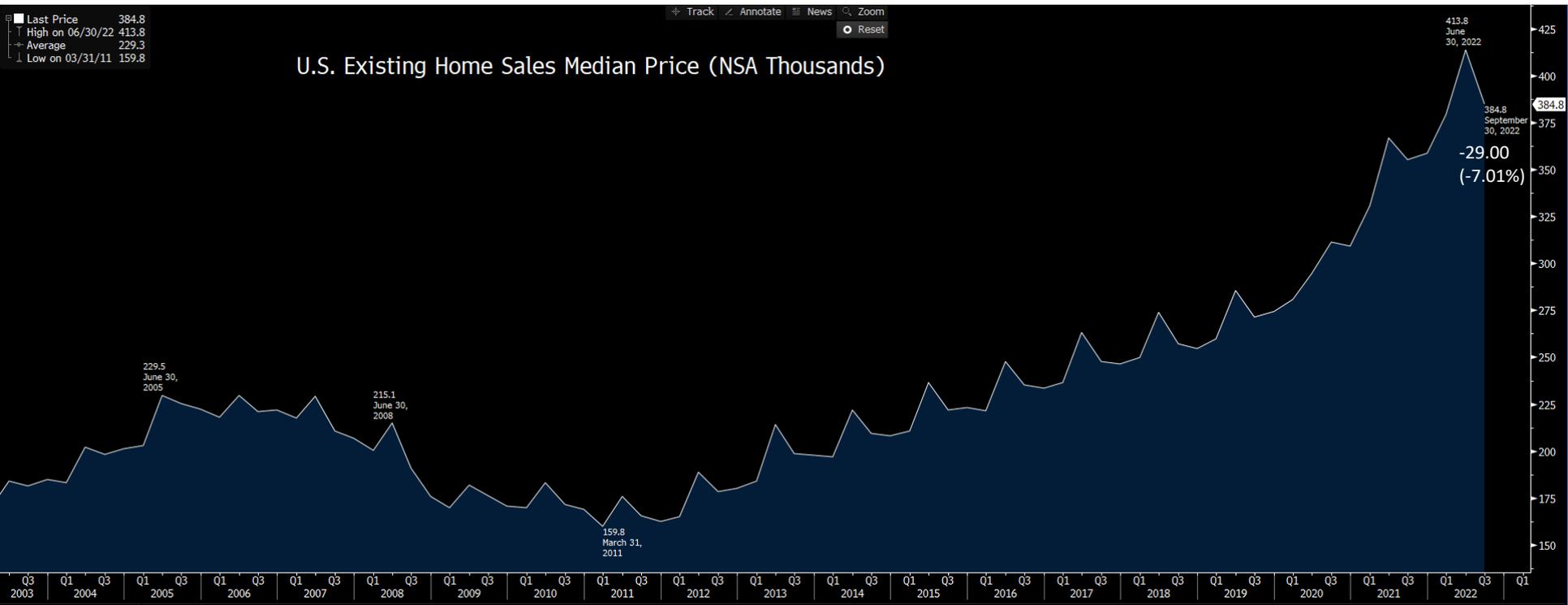


Existing Home Sales Median Prices Declining

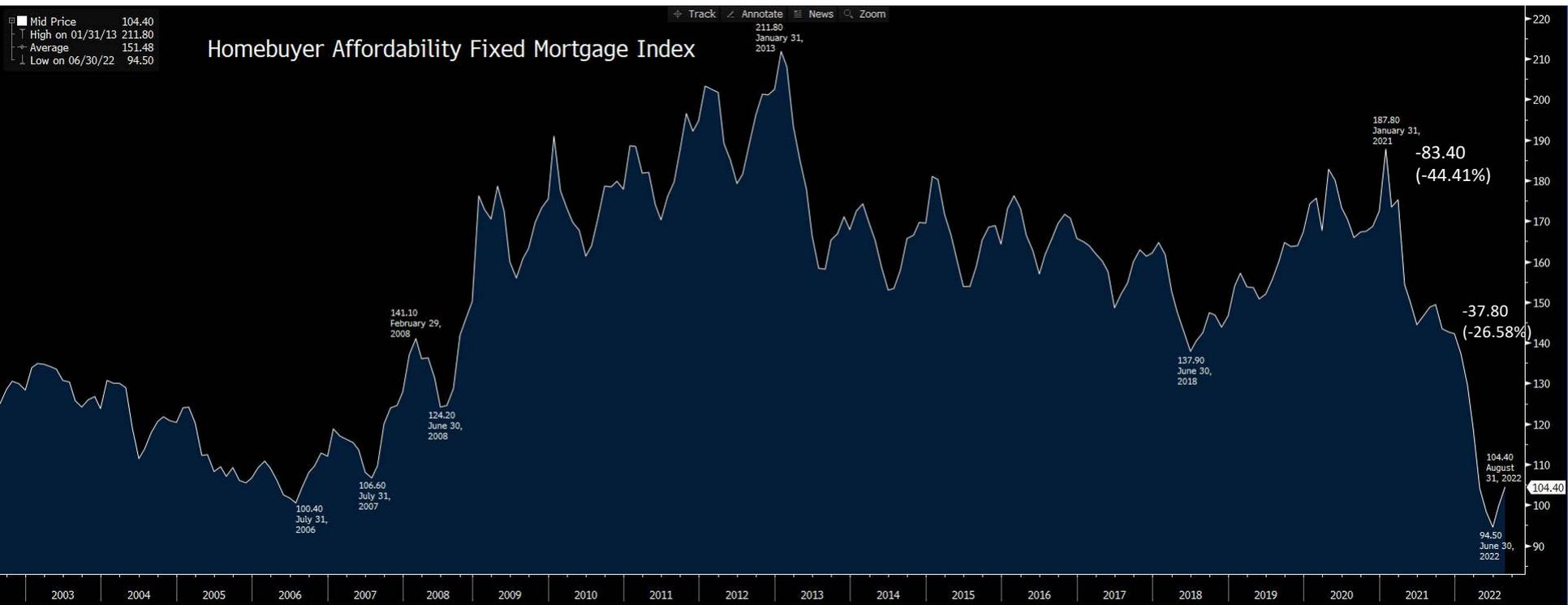
Median Price of Existing Home Sales



Existing Home Sales Median Price Declined 7%+

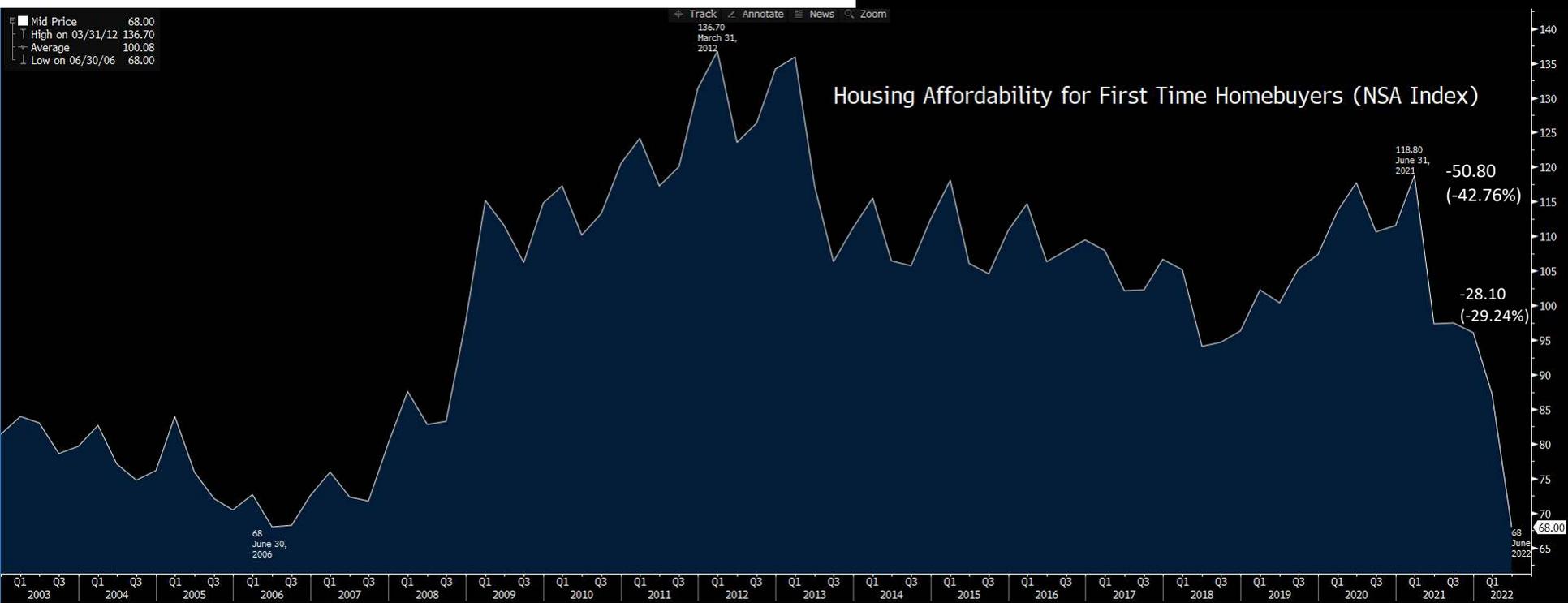


Homebuyer Affordability Declined 45% since 1/21

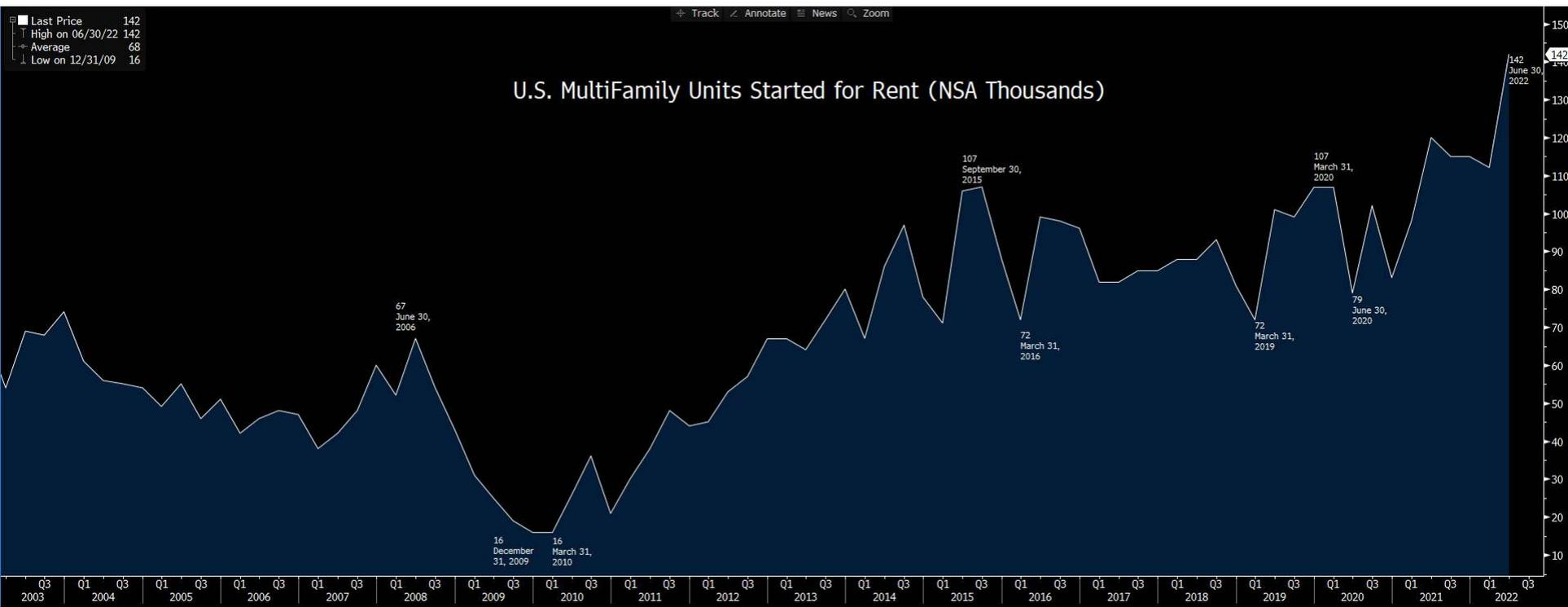


First Time Homebuyers Housing Affordability – NAR Index DOWN 43%

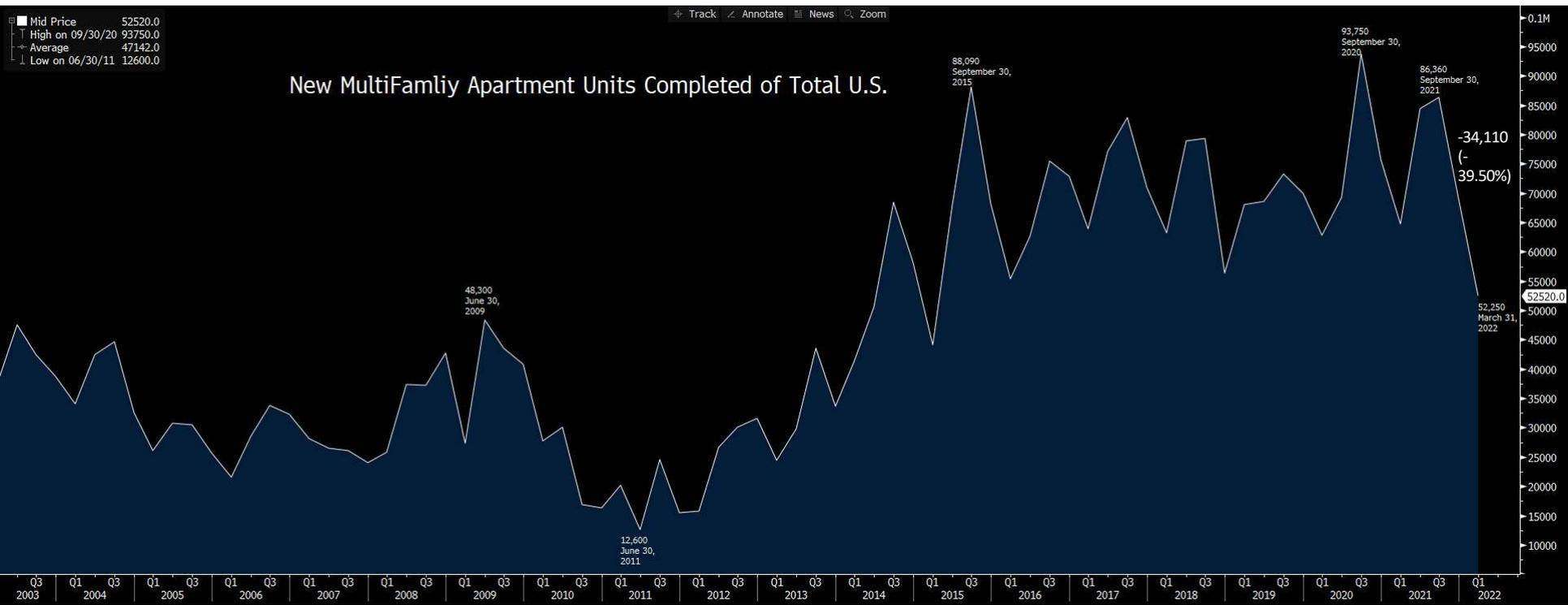
Shows the ability of renters who are potential 1st time buyers to qualify for a mortgage on a starter home. When this index equals 100, the typical first-time buyers can afford the typical starter home under existing financial conditions with a 10% down pymnt. The first time home buyer median income represents the typical income of a renter family with wage earners between the ages of 25 and 44 yrs. old.



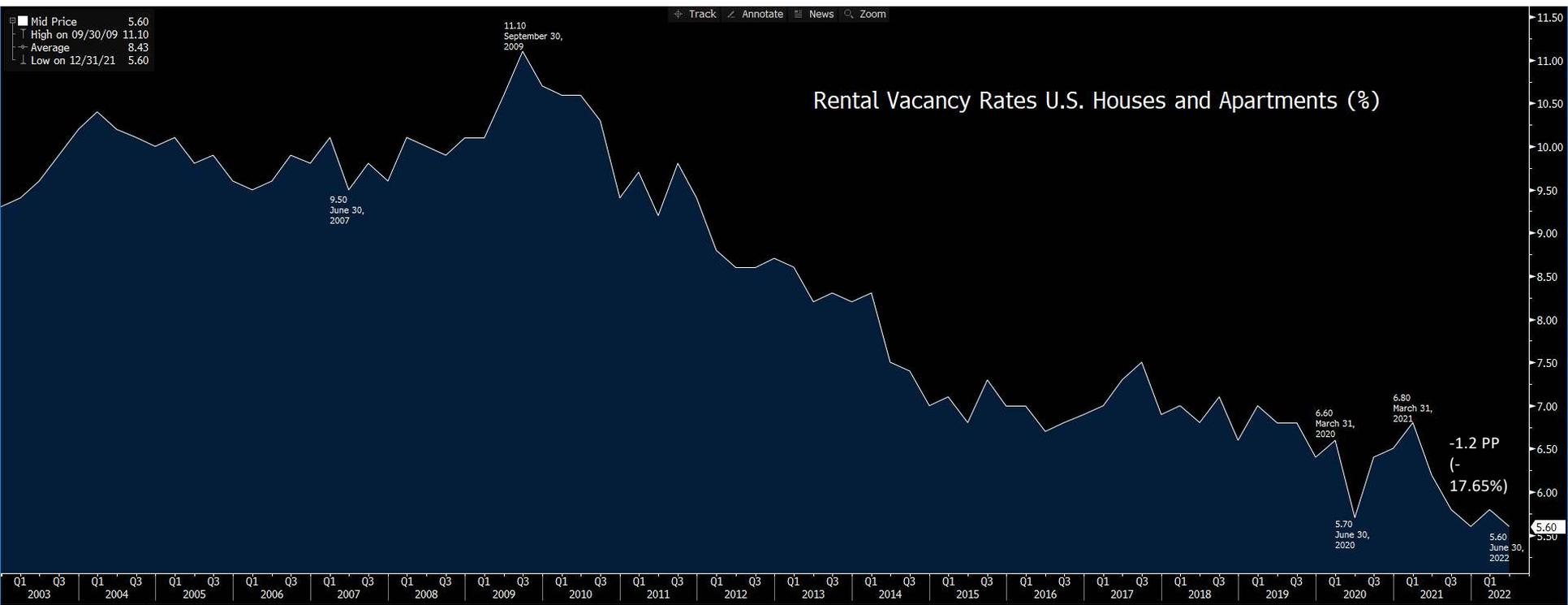
Multifamily Units Starts for Rent Going Up



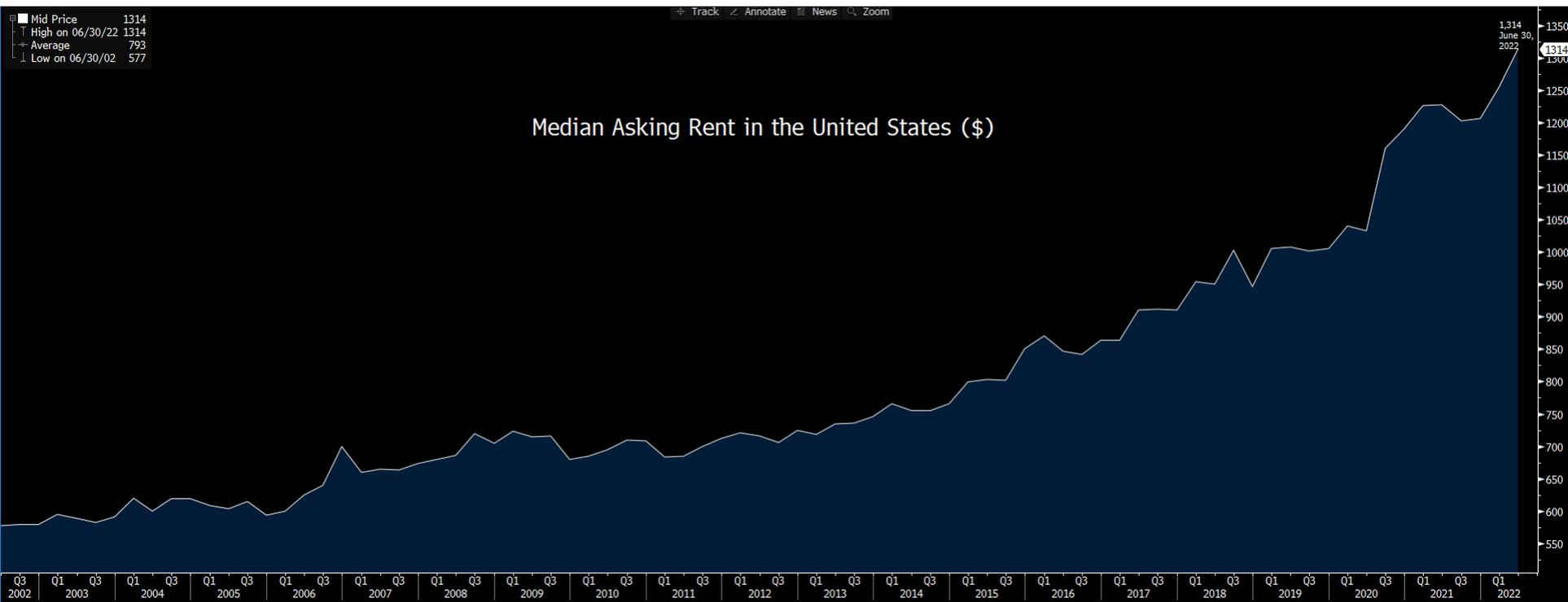
New Multifamily Apartment Units Completed Down 40%



Rental Vacancy Rates U.S. Down 18%



Median Asking Rent in the U.S. Climbing



REALTORS® Affordability Distribution Curve & Score (by state)

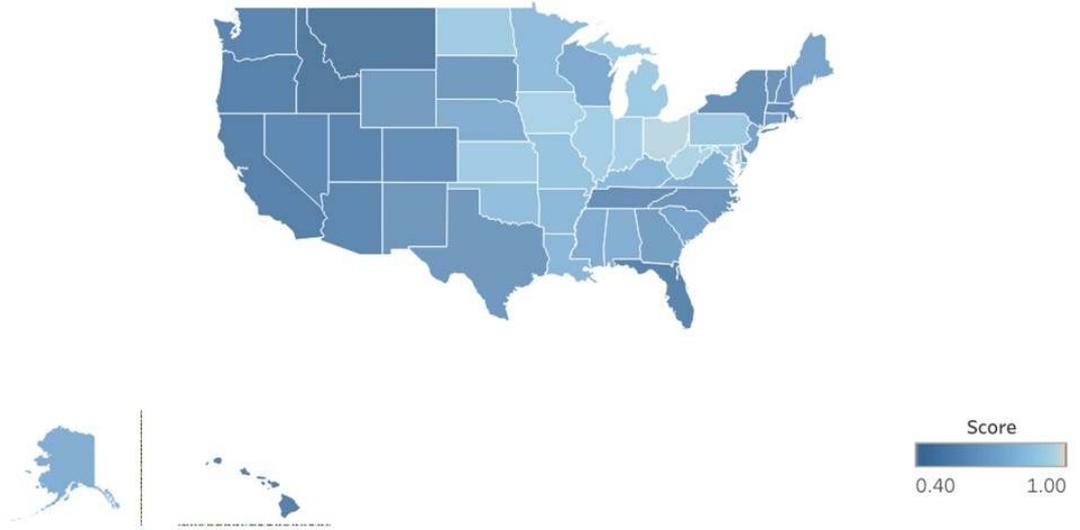
Select a month (from the slider)

8/1/2022

United States REALTORS® Affordability Score: **0.64**

See below the Score for each state (by hovering over the map)

Affordability Distribution Curve & Score – NAR



Most Affordable States

Ohio (0.96)
West Virginia (0.93)
Iowa (0.92)
Indiana (0.90)
Illinois (0.89)

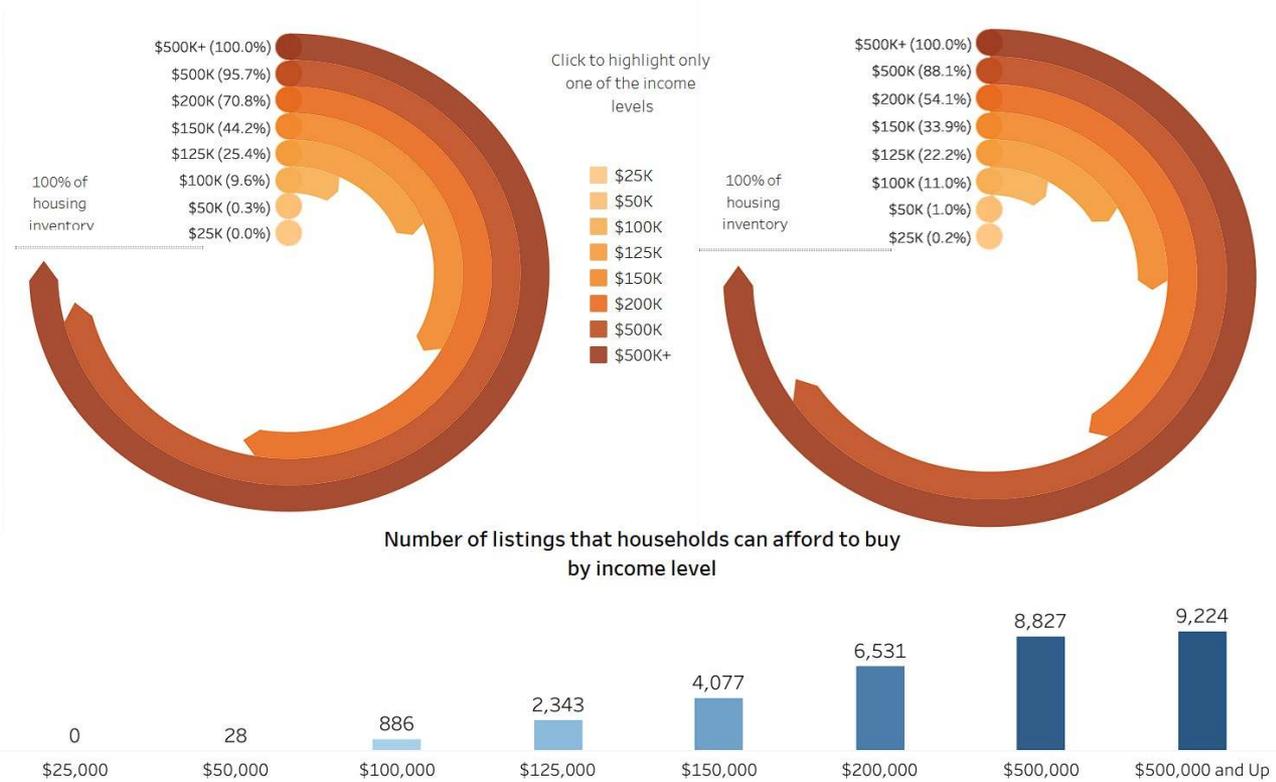
Least Affordable States

Montana (0.40)
Idaho (0.40)
Hawaii (0.45)
Oregon (0.45)
California (0.46)

Compare the housing affordability of selected metro area to the affordability statewide.

Sacramento--Roseville et al, CA (Score: 0.5)

California



REALTORS® Affordability Distribution Curve and Score

Deep data and charts for cities and states you may want to choose to download.

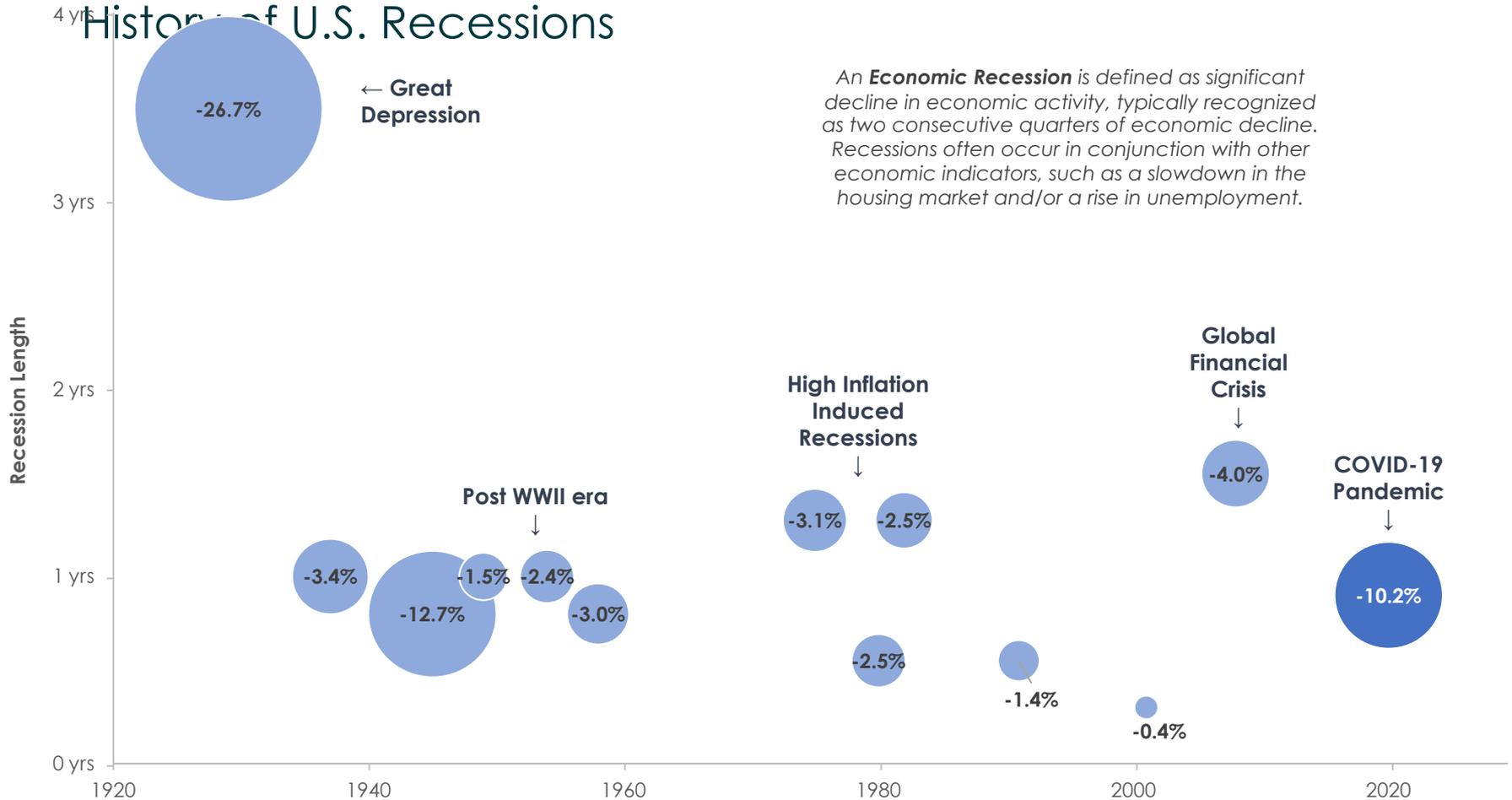
Sources: Nielsen, Optimal Blue, NAR, REALTOR.COM



Are We There Yet? (Recession That Is.....)



History of U.S. Recessions

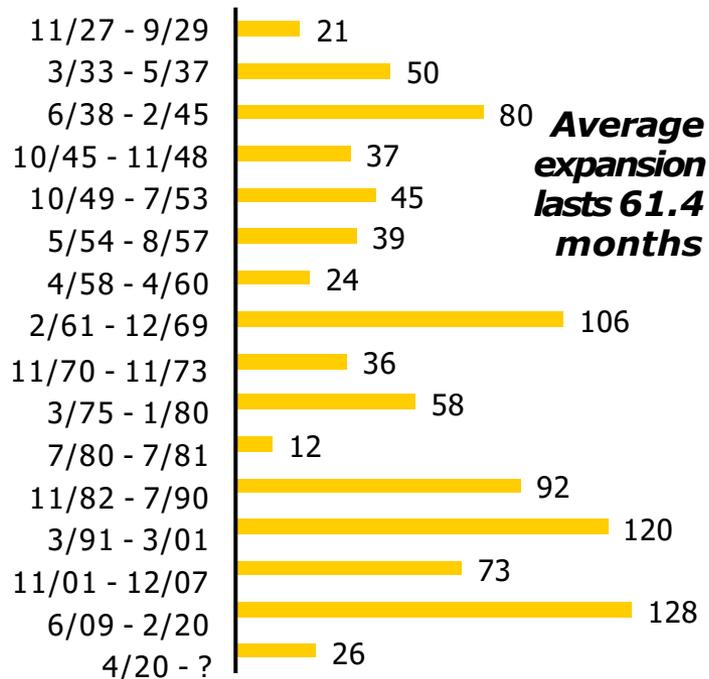


An **Economic Recession** is defined as significant decline in economic activity, typically recognized as two consecutive quarters of economic decline. Recessions often occur in conjunction with other economic indicators, such as a slowdown in the housing market and/or a rise in unemployment.

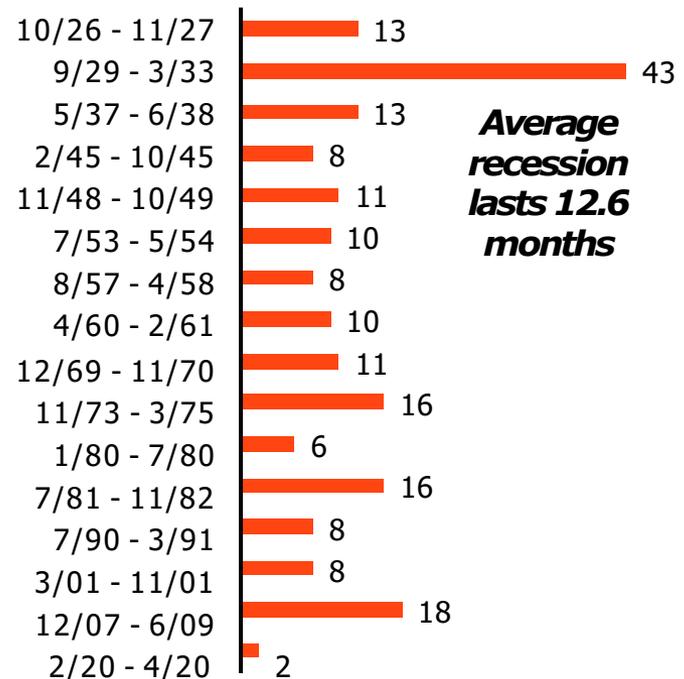
Disclosures: Data sourced from the Federal Reserve. This analysis is based on nominal GDP growth and contractions. The severity of each recession is calculated as the change in GDP from the peak quarter (before the recession) to the trough quarter (end of the recession). The Great Depression is the only recession that is calculated from 1929 to 1933.

Longest expansion to the shortest recession

Length of U.S. economic expansion (months)
since 1926



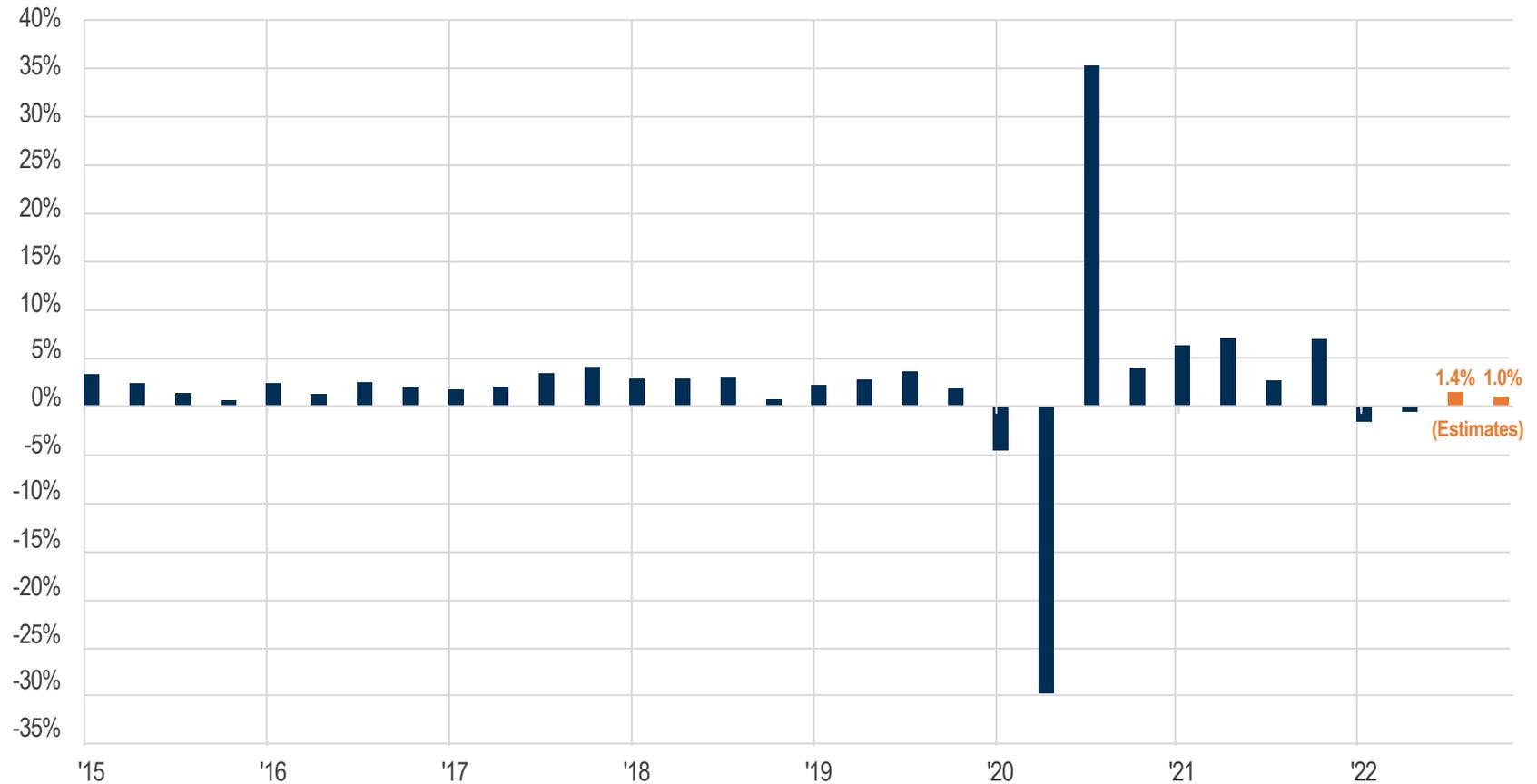
Length of U.S. economic recessions (months)
since 1926



Source: National Economic Bureau of Research and Morningstar as of 7/31/22. For illustrative purposes only.

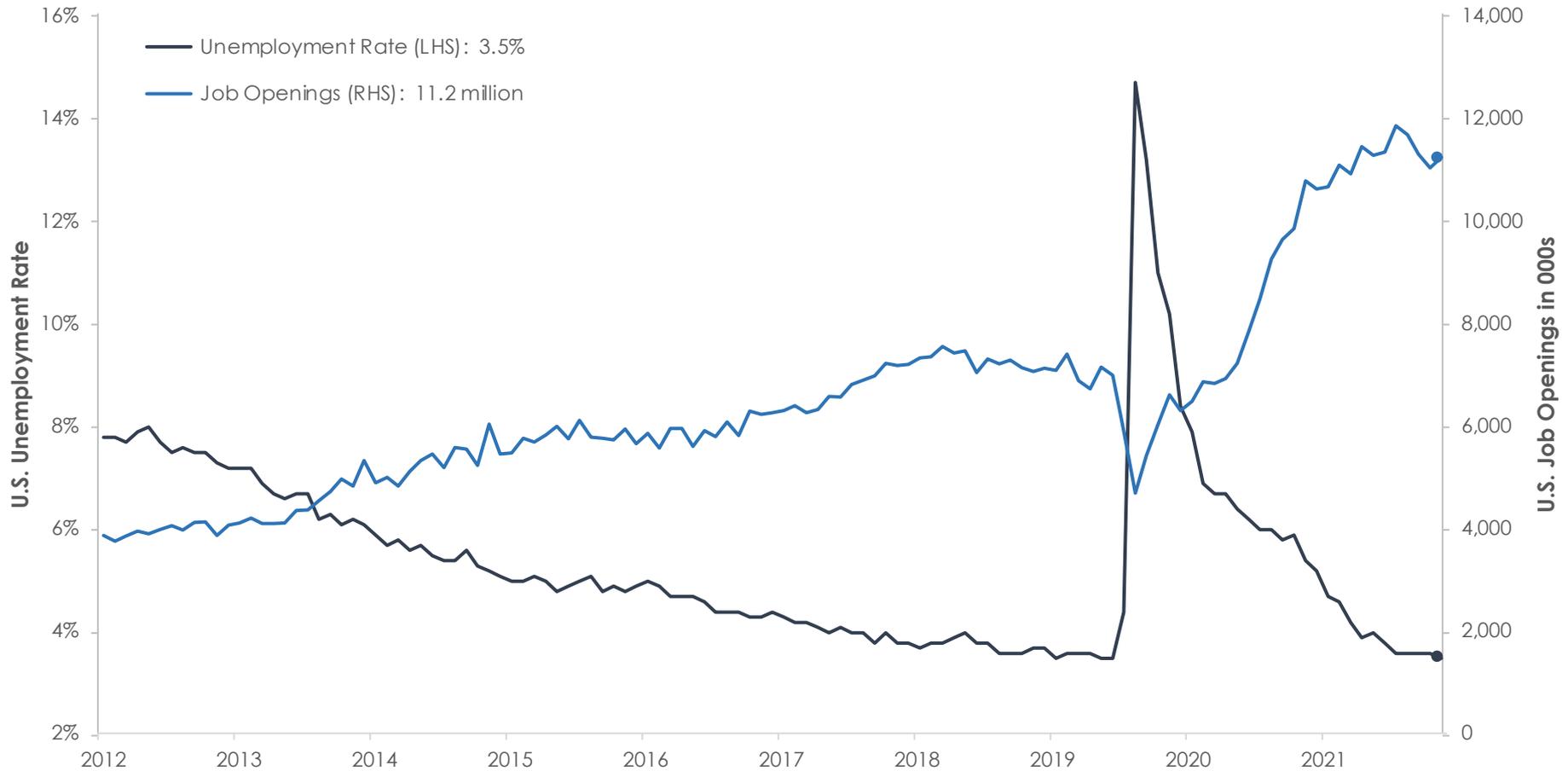
U.S. GDP: QUARTER-OVER-QUARTER CHANGE (SAAR)

MACRO



Source: Haver Analytics (historical), Bloomberg (consensus estimates). Q1 2015 to Q2 2022 are actual, Q3 2022 to Q4 2022 are consensus estimates. GDP percent change is on a quarter over quarter seasonally adjusted annual rate (SAAR) basis. There can be no assurance that any of the projections cited will occur. Gross domestic product (GDP) is the monetary value of all finished goods and services made within a country during a specific period.

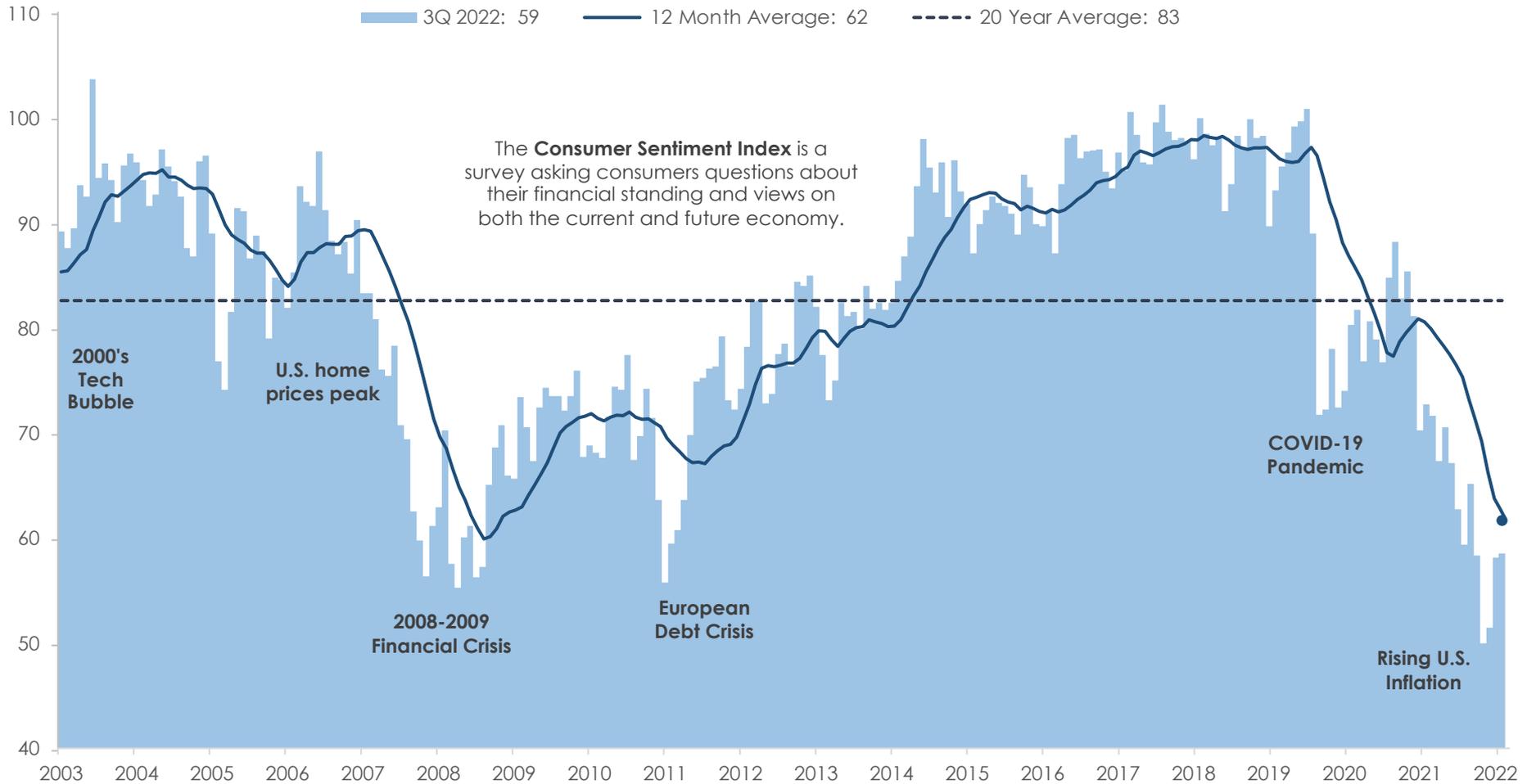
Unemployment Rate & Job Openings



Disclosures: The Unemployment Rate represents the number of unemployed as a percentage of the labor force. Labor force data is restricted to people 16 years of age and older, who currently reside in 1 of the 50 states or the District of Columbia, who do not reside in institutions (e.g., penal and mental facilities, homes for the aged), and who are not on active duty in the Armed Forces. Job Openings (Total Nonfarm) is provided by the U.S. Bureau of Economic Analysis (St. Louis Federal Reserve identifier: JTSJOL). Data sourced from Federal Reserve and U.S. Bureau of Economic Analysis. RHS = right hand side. LHS = left hand side.



Consumer Confidence

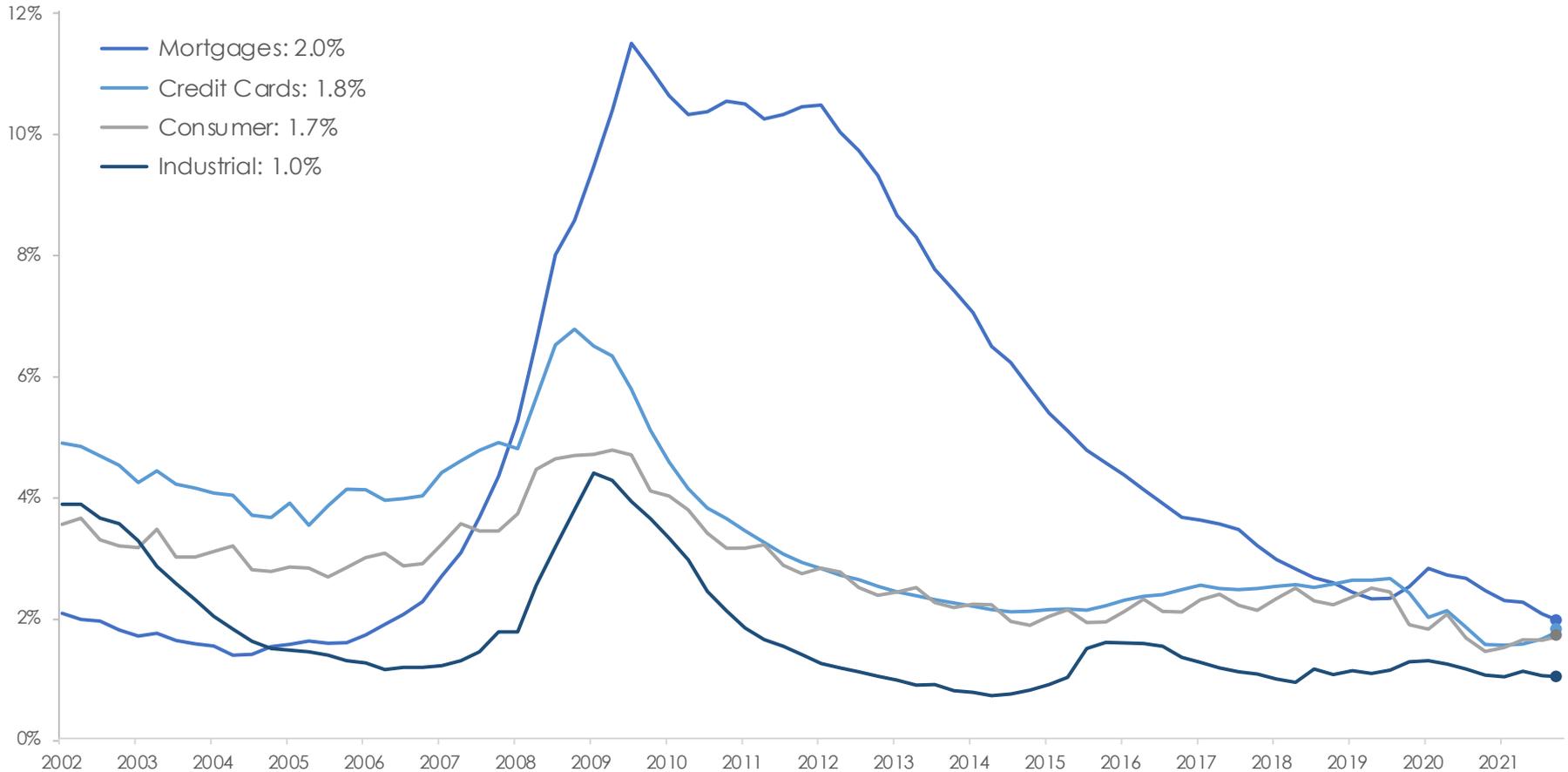


Disclosures: The University of Michigan Consumer Sentiment Index is a monthly survey that asks consumers questions about their financial standing and views on both the current and future economy.

Credit Conditions – Delinquency Rates

Bank Loan Delinquency Rates

All Commercial Banks, Seasonally Adjusted

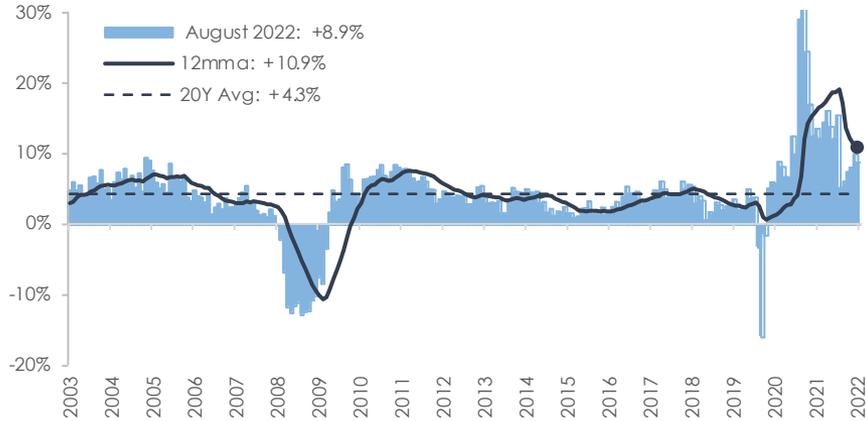


Disclosures: Based on latest available data sourced from the Federal Reserve.

Retail Sales & Personal Finances

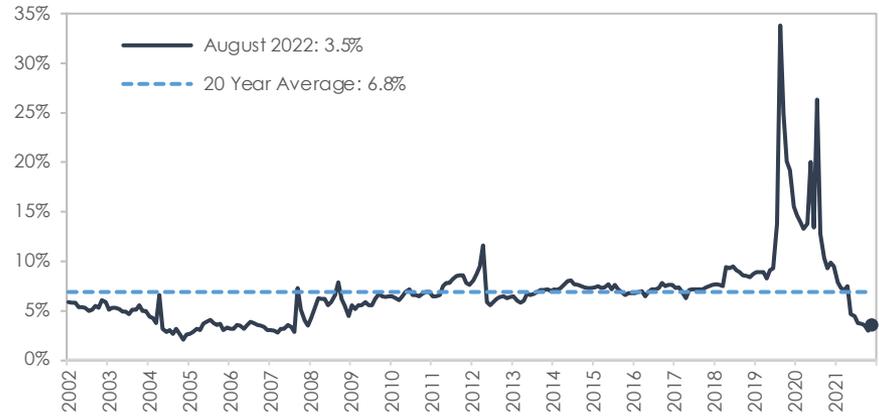
Year over Year Growth in Retail Sales

20 years of data (retail sales excluding food); 12mma = 12 month moving average



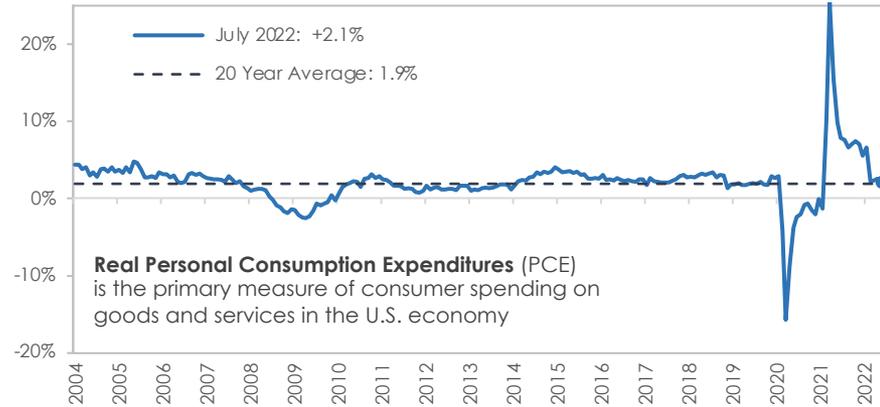
Personal Savings Rate

20 years of data; % of disposable income



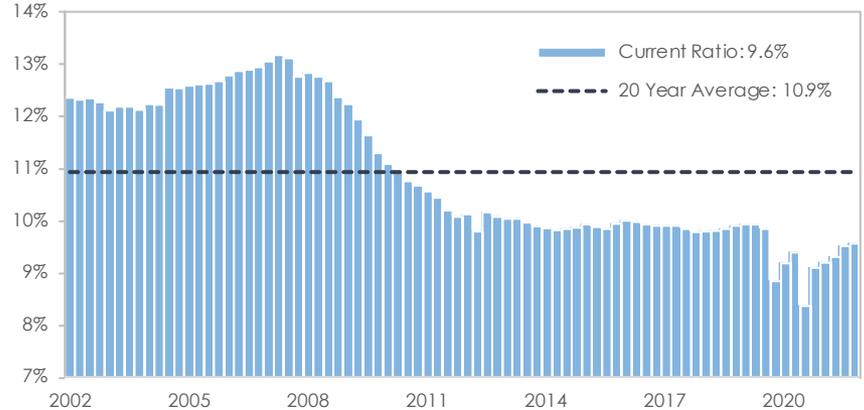
Real Personal Consumption Expenditures

20 years of data adjusted for inflation



Household Debt Service Ratio

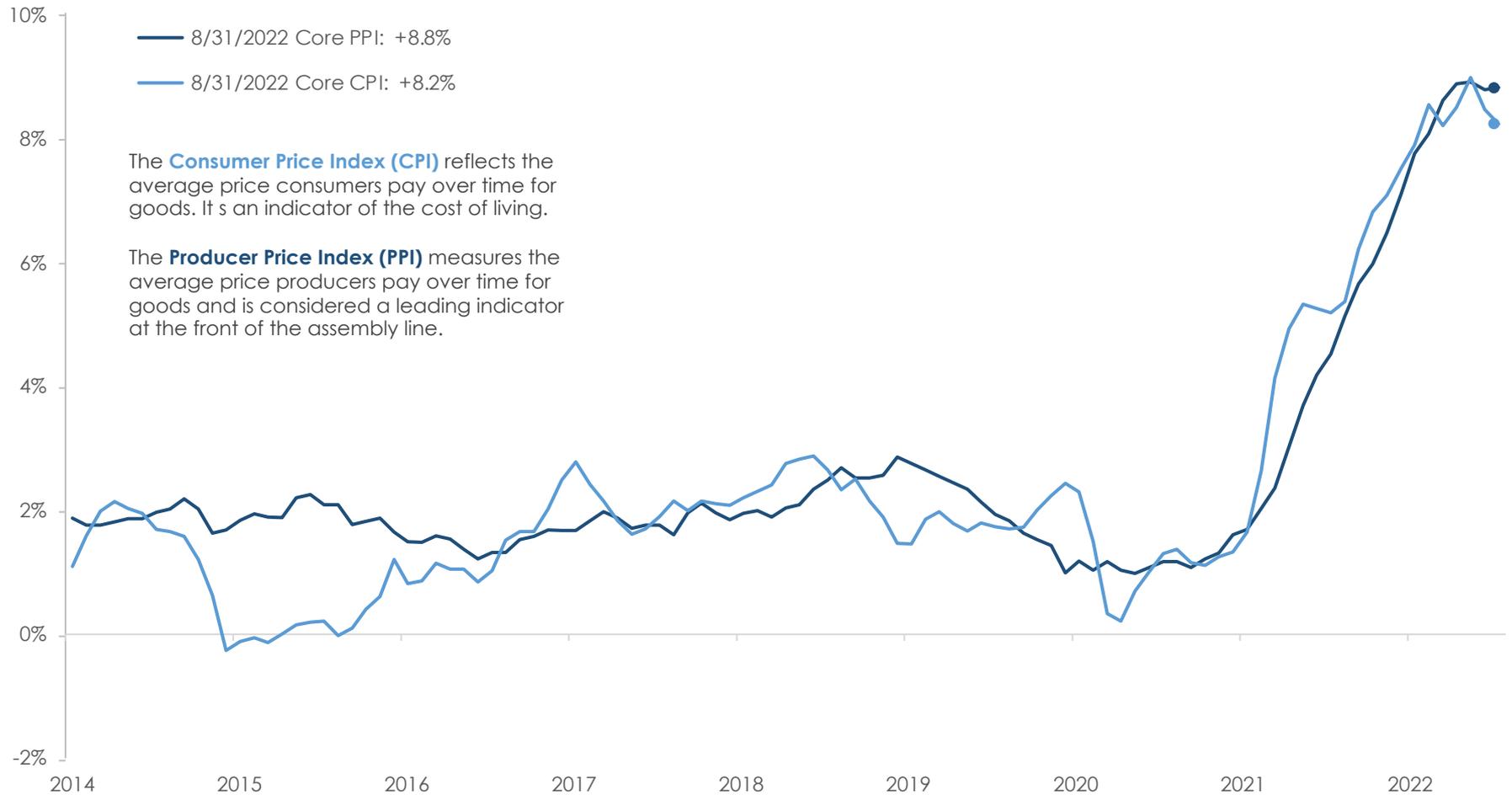
Percent of disposable personal income



Disclosures: Data sourced from U.S. Bureau of Economic Analysis, U.S. Census Bureau, and the Federal Reserve.



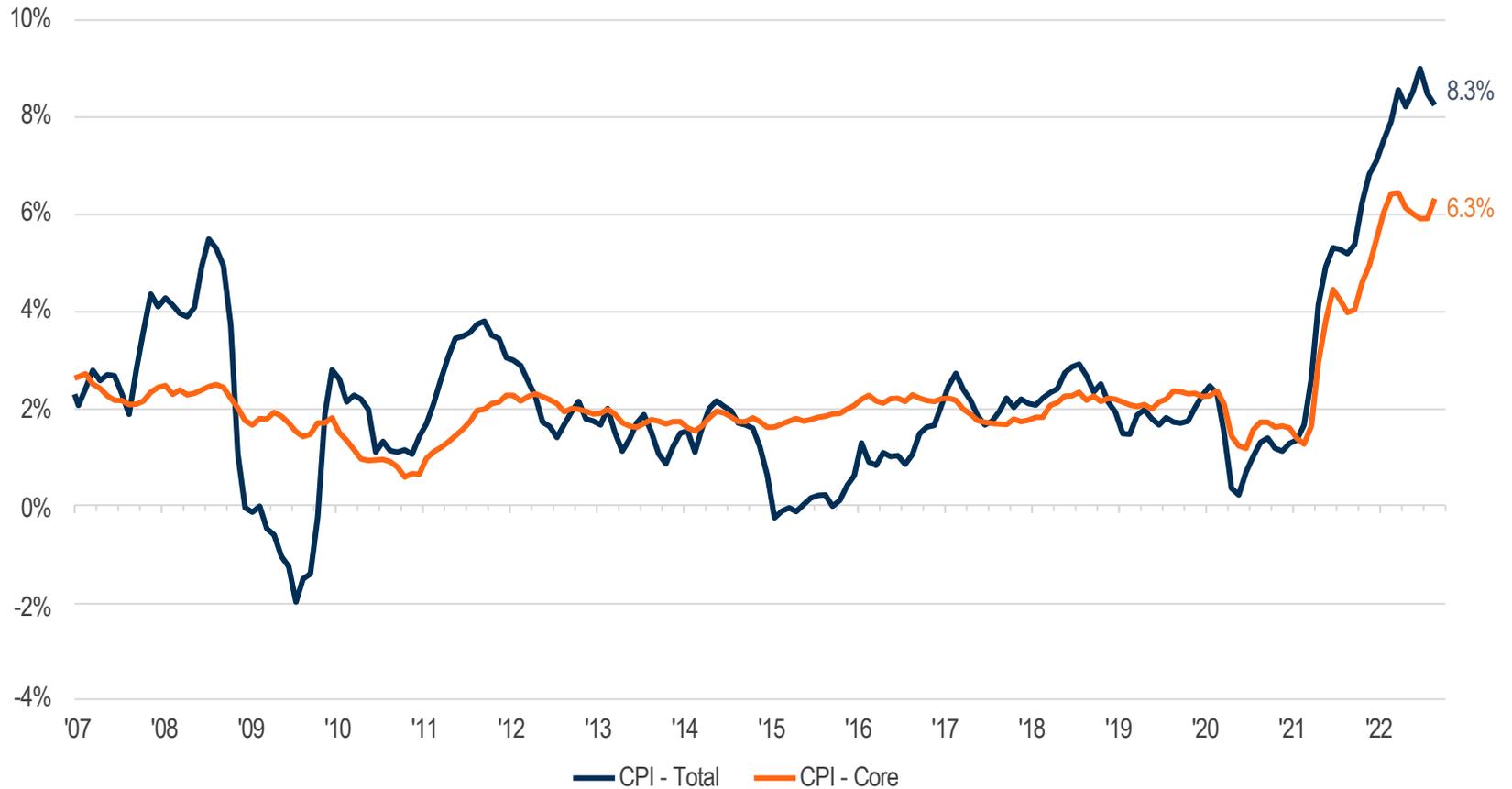
CPI vs PPI



Disclosures: Data sourced from the Federal Reserve, U.S. Bureau of Labor Statistics. The Consumer Price Index (CPI) measures the changes in the price level of a basket of consumer goods and services purchased by households. The Producer Price Index (PPI) measures the average changes in prices received by domestic producers for their output (based on Final Demand: Finished Goods Less Foods and Energy).

INFLATION

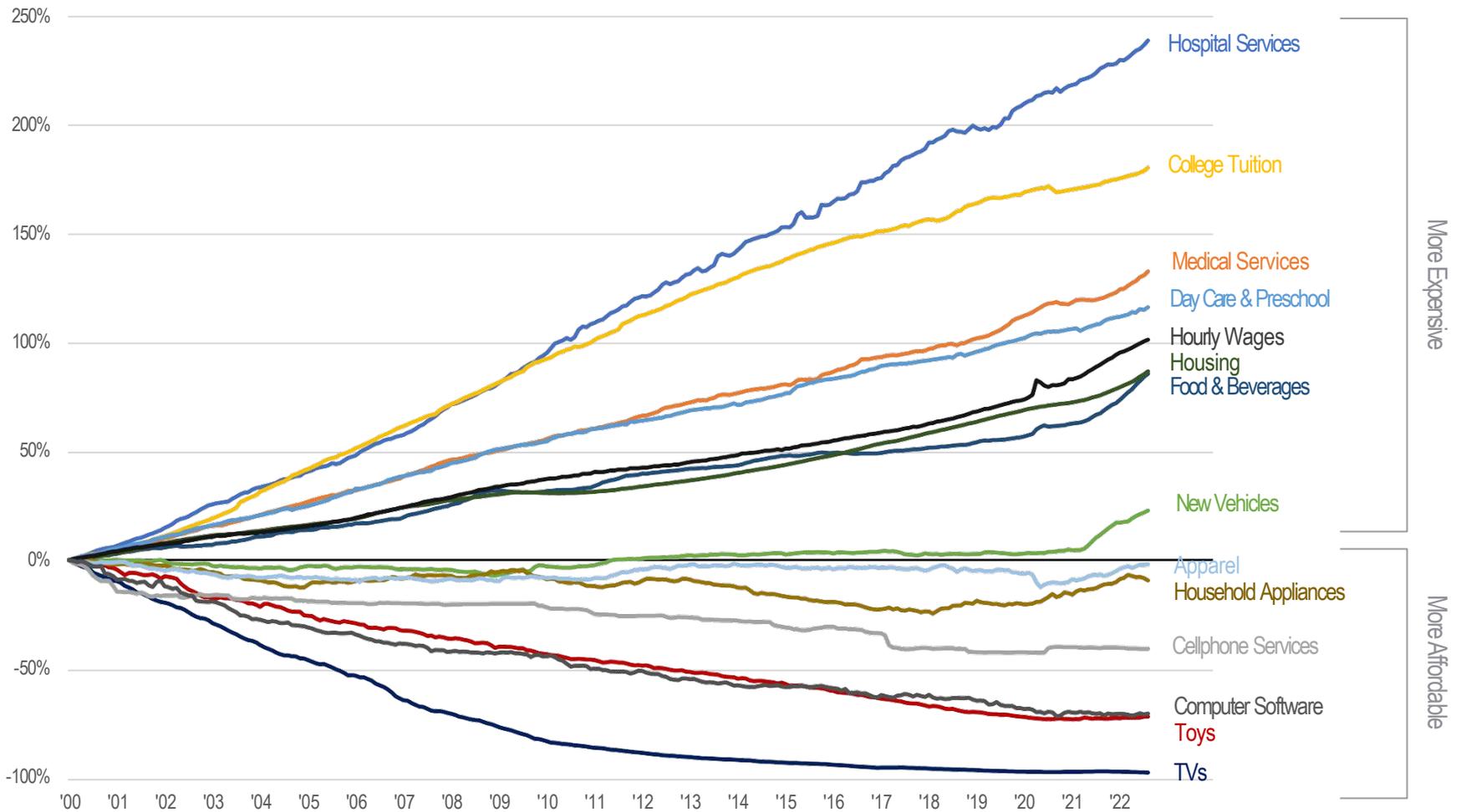
MACRO



Source: FRED. Data from January 2007 to August 2022 (latest data available), year-over-year. The **Consumer Price Index (CPI)** is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. Core CPI is CPI minus energy and food prices (categories that tend to be highly volatile).

Price Changes: Consumer Goods, Services and Wages

Since 2000



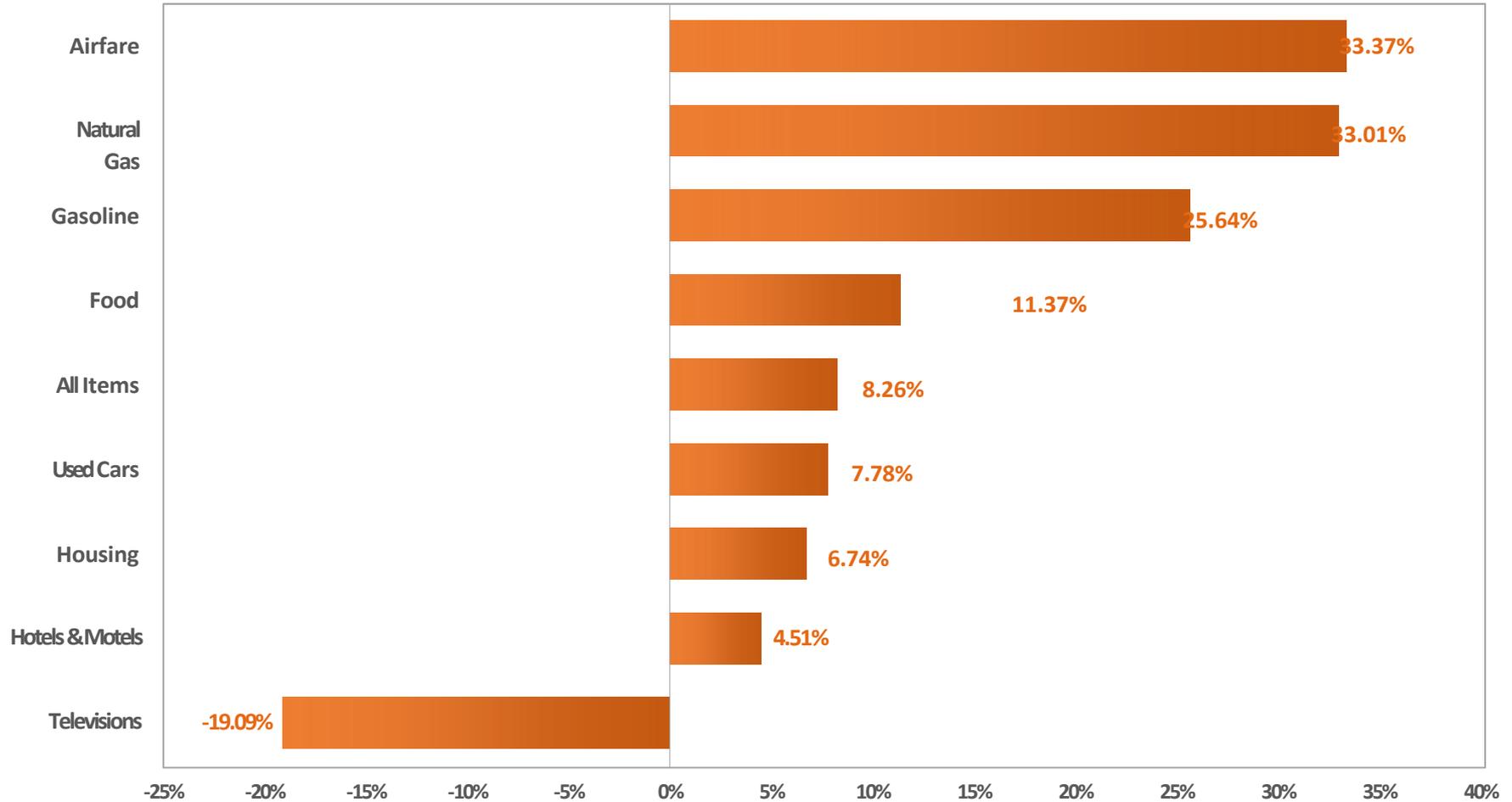
Source: Bureau of Labor Statistics, Cape Diem/AEI. Monthly data from January 2000 to August 2022. Chart shows cumulative changes indexed to January 2000. All data seasonally adjusted with the exception of Cellphone Services and Computer Software.

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Inflation Hits the Cost of Goods

May 2021 - August 2022

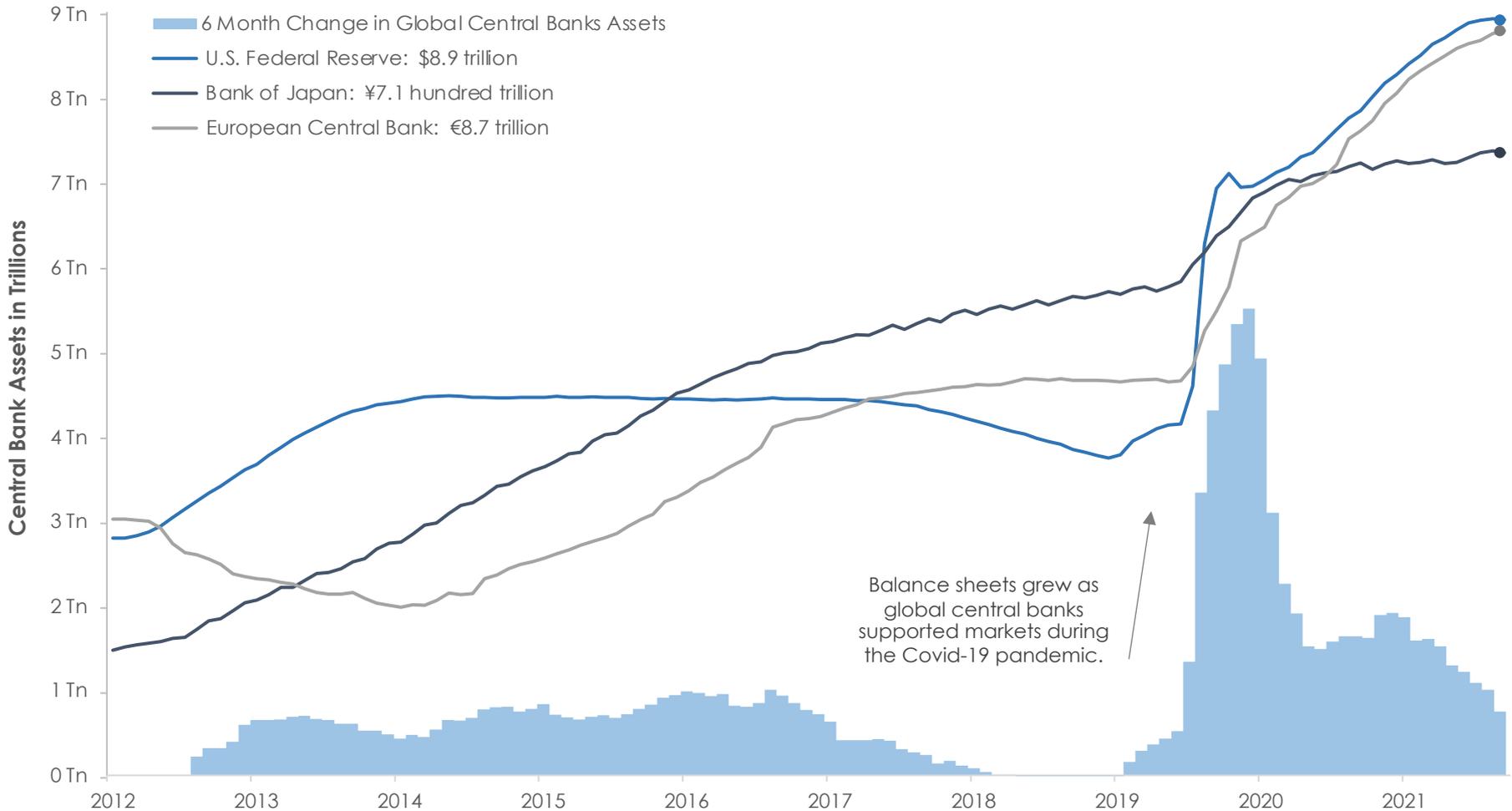
YEAR-OVER-YEAR CHANGE IN PRICE OF SELECTED ITEMS IN THE CONSUMER PRICE INDEX



Source: Bureau of Labor Statistics. As of 8/2022. The Consumer Price Index (CPI) measures inflation (the average change in prices over time that consumers pay for a basket of goods and services).

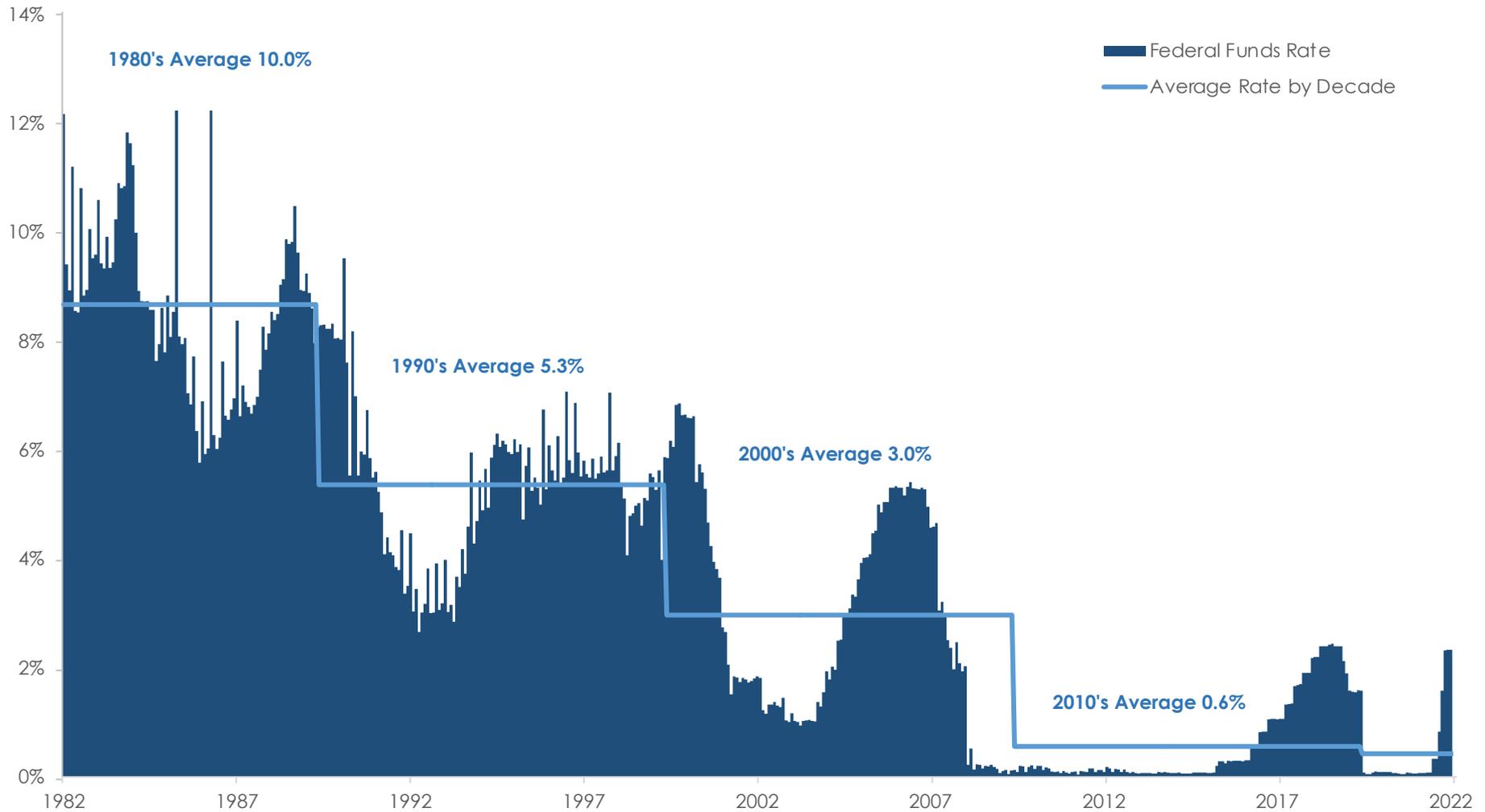
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Global Central Bank Balance Sheets



Disclosures: Monthly datapoints from the Federal Reserve. U.S. Federal Reserve Total Assets (ID: WALCL), Bank of Japan Total Assets (ID: JPNASSETS), European Central Bank Total Assets (ECBASSETSW).

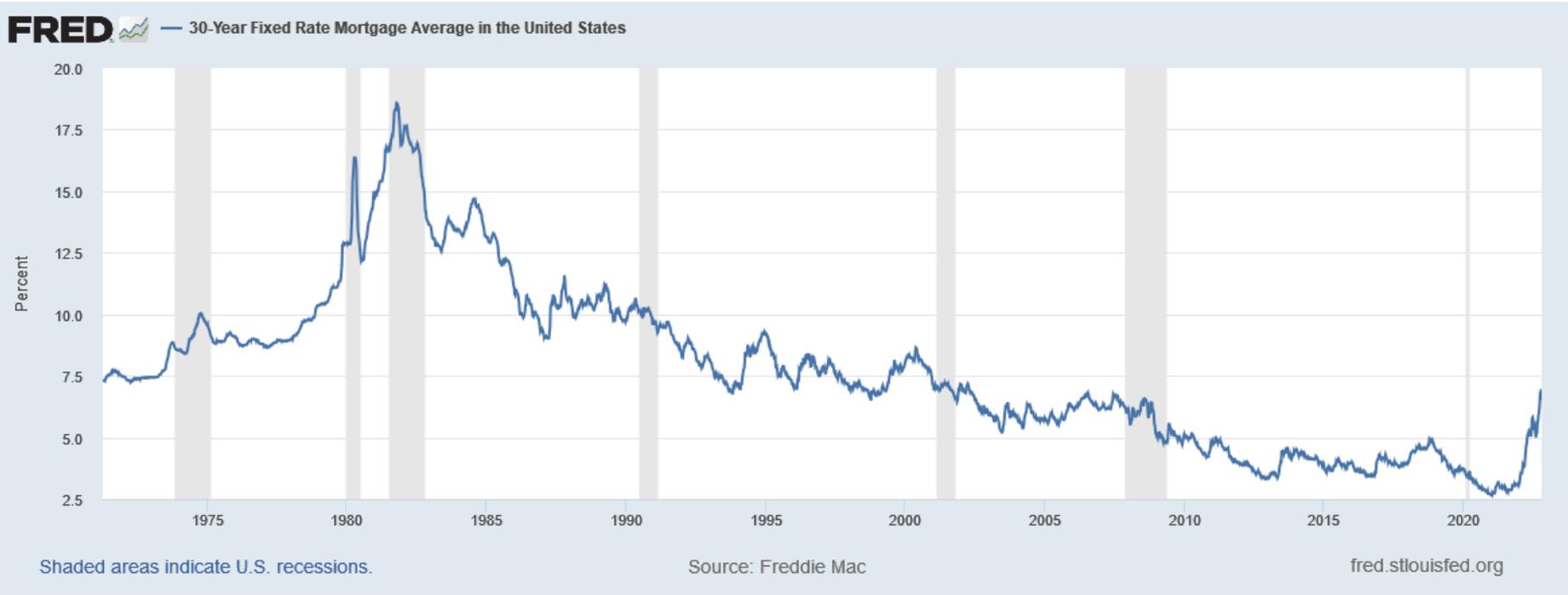
Federal Funds Rate



Disclosures: Monthly datapoints from the Federal Reserve since the 1980s. The Federal Funds Rate is the target interest rate set by the Federal Reserve at which commercial banks borrow and lend excess reserves overnight.



Mortgage Rates 30 Year Fixed Cross 7% - Impact on Affordability and Home Prices



Concluding Observations

Tailwinds:

- Low Inventories
- Chronic Underinvestment in Housing – Especially in California
- Household Formation Rising
- Millennials Finally Coming Into Wealth
- Consumer Remains Strong
- Job Market Remains Strong

Headwinds:

- Employer Layoffs Have Begun
- Workers Being Asked Back Into the Office
- Inflation Remains Persistent
- Policy Error by Federal Reserve and Congress
- Severe Recession/Stagflation

What Would It Take To Engineer a Soft Landing?





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