



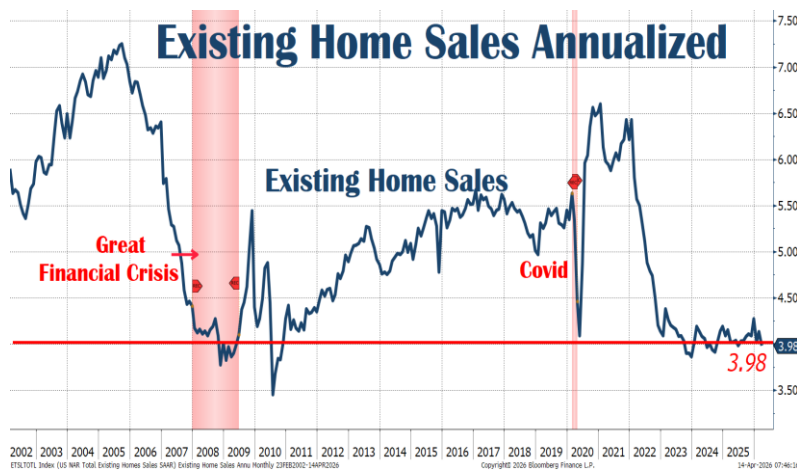
**Tom Slefinger**  
Market Strategist

# Weekly Relative Value

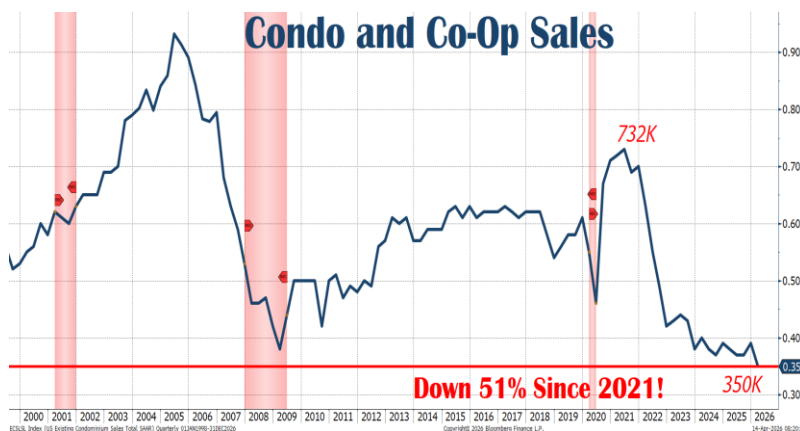
WEEK OF APRIL 20, 2026

## Homesick

The housing market is virtually dead. Existing home sales came in light in March with a -3.6% month-over-month decline to 3.98 million units at an annualized rate, far below the 6.5 million seen during the boom. Not only that, but sales are also 25% lower than before the pandemic. It really says something about the state of affairs in the U.S. housing industry when existing home sales are -7.0% lower today than they were the very same month that Lehman collapsed in September 2008. And don't blame the weather. All four major regions suffered the same fate in recording a falloff in home turnover activity.



Sales of condos and co-ops plunged by 5.4% in March from February to an annual rate of 350,000, the LOWEST in the National Association of Realtors' (NAR) data.



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### THIS WEEK

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A major factor behind falling condo and home sales is rising Homeowners Association (HOA) fees. See [“Surging HOA Fees Are Pushing Homeowners to the Brink”](#) (*The Wall Street Journal*).

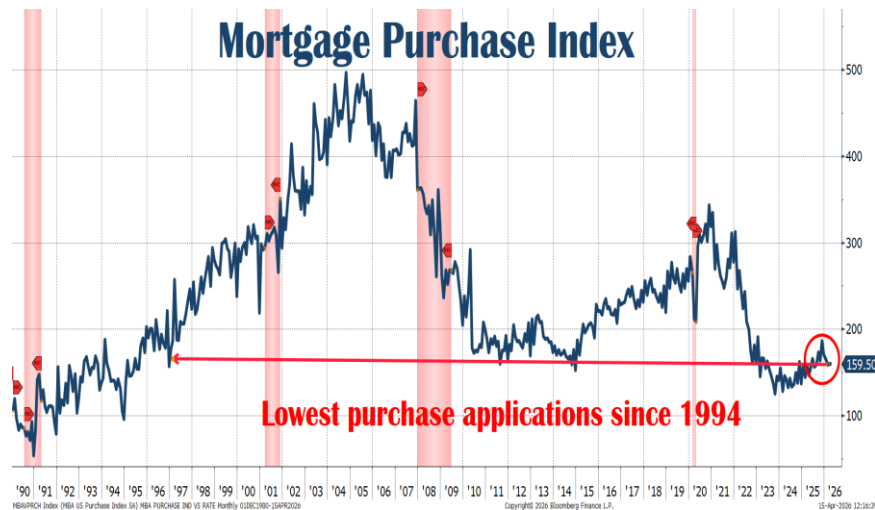
Median monthly fees have increased significantly — up 26% for single-family HOAs and 29% for condos since 2019 — and these figures don’t include special assessments (one-time charges for large repairs, structural work), sometimes adding thousands or even tens of thousands of dollars per owner in addition to regular dues.

While HOA and condo fees aren’t typically the biggest expense for homeowners, their rising costs — alongside high home prices and mortgage rates — are making buying a home less affordable.

A Census Bureau analysis found that about 21.6 million U.S. owner households — one-fourth — paid HOA or condo fees in 2024. Realtor.com notes these fees make up the largest portion of mortgage payments for Florida home buyers.

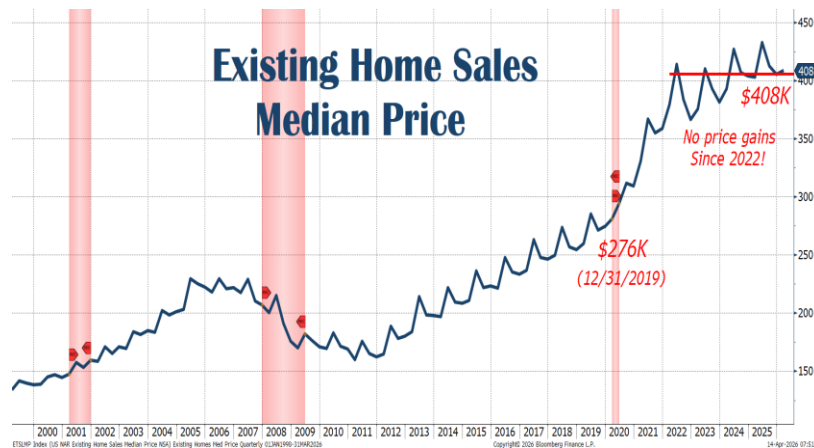
And it doesn’t look like a recovery anytime soon. The Mortgage Bankers Association’s (MBA) Mortgage Application Purchase data, updated weekly, shows buyer demand has dropped to an index level of 159. Applications are now nearly 40% lower than pre-pandemic levels and have started declining year over year, reversing a brief uptick from early 2025.

The ongoing weakness points to a challenging spring selling season. I wouldn’t be surprised if April and May’s existing sales reach record lows for those months, and the first half of 2026 sees the lowest levels ever for the first six months of the year.



And for the first time in recorded history, home sellers now outnumber buyers by 600,000! Since 2021, the month’s supply of homes has risen by 156%!

The higher inventory nationwide contributed to the national median price falling 2.2% year over year and by 5.5% from its mid-2025 peak.



The three markets listed below currently hold inventory levels exceeding the March long-term average by more than 50%! As inventory soars, one would anticipate that these markets will come under increased pressure.

Market	Inventory Level Above March Long-Term Average (%)
Washington	64%
Colorado	63%
Tennessee	58%

**Note:** The national median price is irrelevant for local markets. Since mid-2022, prices have dropped in some cities (for example by -28% in Austin) and have continued to rise in others (for example year over year in Chicago by +2.5% and in New York City by +4.0%).

Among the 400 largest metro area housing markets, these four cities have seen the biggest home price decline since their 2022 peak:

Percentage Change	Location
-27.8%	Austin, TX
-25.4%	Punta Gorda, FL
-18.9%	Cape Coral-Fort Myers, FL
-17.5%	North Port-Sarasota, FL

Why is this happening? Even though values are starting to drop in many markets, overall price levels remain disconnected from what buyers can pay. Add on insurance, HOA fees and utilities. So, they're not buying. Obviously, this is not a good start for the spring/summer housing market.

### February Home Sellers Cut Prices at Record Rate

Share of February home sellers with final list price below original list price



Source: Redfin analysis of MLS data • Created with Datawrapper

If sellers want to sell, they better get ready to cut the price. Indeed, Redfin shows that home sellers are cutting prices at a record rate. Approximately 34% of February home sellers cut their list prices versus 31.5% a year ago, the highest February share since 2012. Sellers in Texas (San Antonio, Austin, Dallas) and Florida (Tampa, Fort Lauderdale) were most likely to lower prices while San Francisco sellers were least likely to cut. Sellers who cut prices cut by an average of \$40,915, or -7.3%, the highest February percentage since 2023 and the second-highest since 2017. Among all sellers, the average price was reduced by \$13,463, or -2.4%, the highest for this month on record.

This is simply where we're at now in the housing market. Sellers must adapt and understand that if they don't cut the price now, their house will sit. For a long time. Prices remain too high, sellers too stubborn, and buyers with the most inertia they've had in U.S. history.

Of course, buyers have inertia for good reasons. The real prices to buy are in a massive bubble, and combined with 6% mortgage rates, they can barely even qualify for mortgages. And even if they do qualify, many don't want to purchase at these prices.

For those who believe sustainable inflation is our future, don't spend all your time on the gasoline bill and focus a bit more time on the asset deflation (as mild as it may be), because the implications of a reversal in the "wealth effect" on consumer spending promise to be non-trivial.

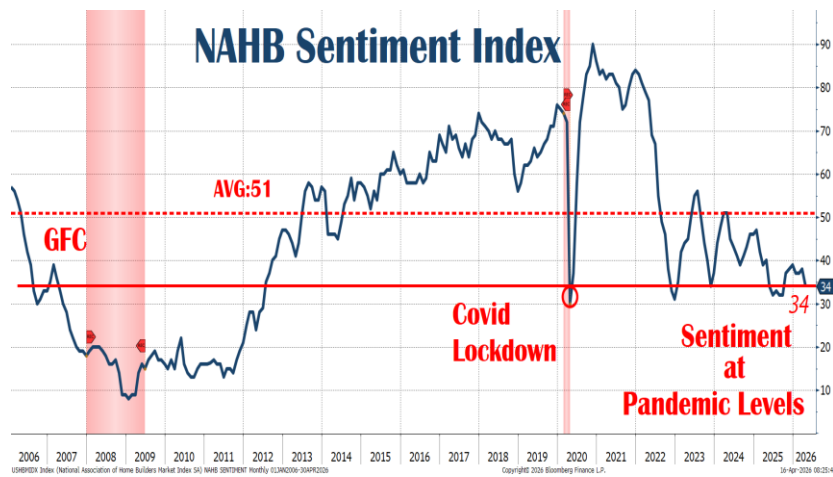


**Bottom line:** Based on the number of home sales transactions, if recessions can be measured in a qualitative, rather than a quantitative sense, we would be in one.

## NOBODY’S HOME

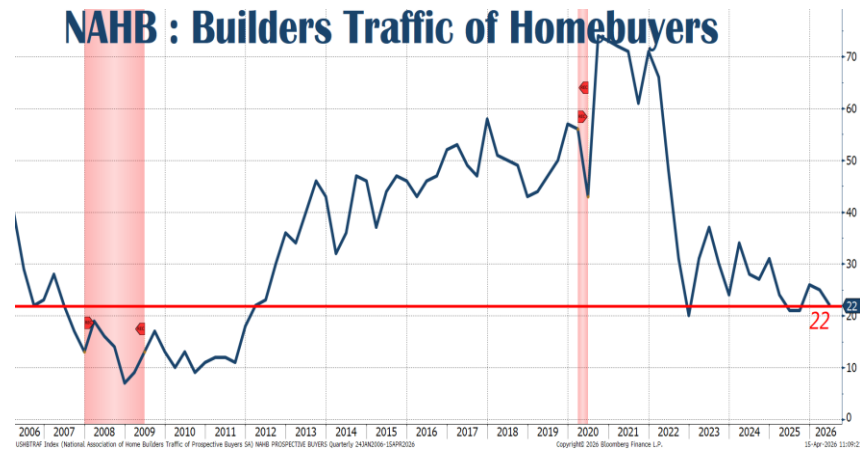
*“Builder sentiment has fallen back in spring as buyers face ongoing elevated interest rates and growing economic uncertainty.” – Bill Owens, Chairman, National Association of Home Builders (NAHB)*

The bond-induced run-up in mortgage rates over the past month crushed the NAHB homebuilder sentiment index to 34 in April from 38 in March. This was the biggest decline in 11 months and took the level to its lowest since last September. For some perspective, the long-run norm going back to 1985 is 51.



All regions deteriorated this month, and what really stood out was the six-month sales expectation component, which sank to 42 from 49 in March, to now stand at a 10-month low.

Tack on the fact that prospective buyer traffic remained super-depressed at 22 (it was 25 in March), and this is a tell-tale sign of the moribund conditions pervading the residential real estate sector.



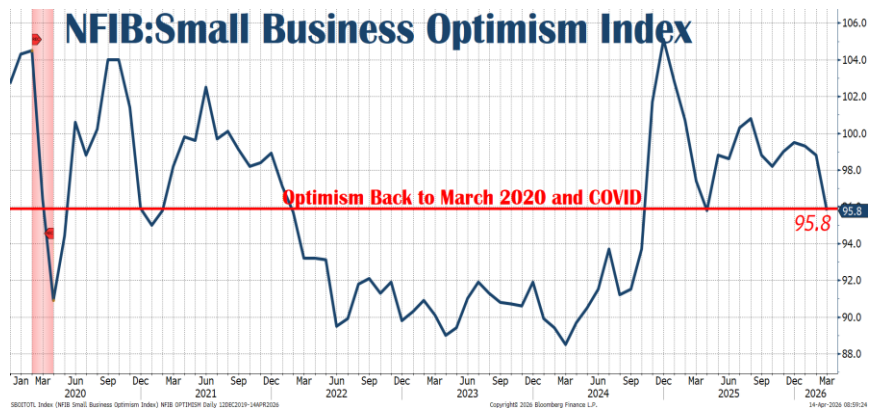
Because of the dire housing market conditions (due to housing affordability), home builders are cutting costs and shrinking the footprint. See *“Flimsier Cabinets and Fewer Windows: Home Builders Are Skimping on the Basics”* (*The Wall Street Journal*). And then we have this little ditty: The median size of new single-family homes shrank from 2,466 in 2015 to 2,153 in 2025. KB Home now offers homes under 1,600 square feet!

**SMALL BIZ UPDATE**

The National Federation of Independent Business (NFIB) Small Business Optimism Index survey data are among the most closely watched indicators of the U.S. economy because small businesses form its backbone. They account for roughly 44-45% of U.S. gross domestic product (GDP) and employ about 45% (or more) of the private workforce — tens of millions of jobs across every state and industry.

When small business owners feel optimistic (or pessimistic), it directly influences their real-world decisions on hiring, capital spending, inventory, expansion and wages — actions that ripple through the broader economy faster than many larger corporate metrics.

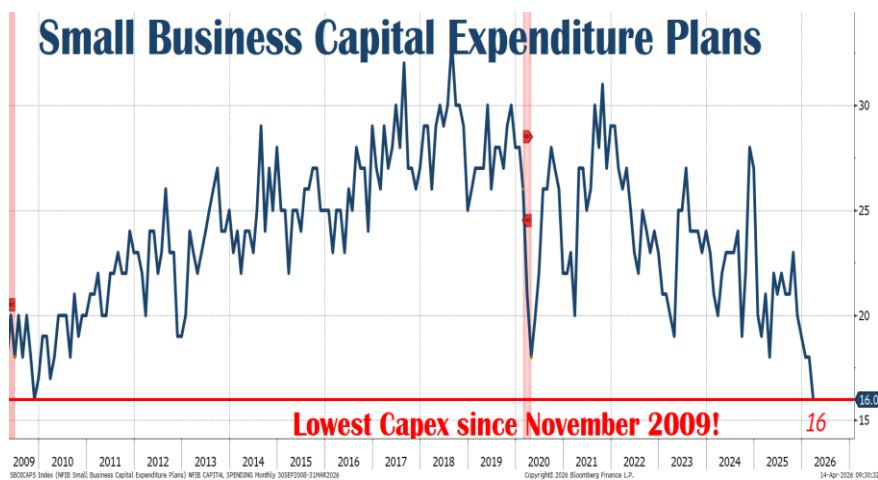
The latest reading suggests that the war and market volatility were just too much to stomach for the small business sector in March, as the NFIB sentiment index slid a hard -3 points to 95.8, undercutting the consensus forecast of 97.9. This was the third straight decline, and the index is now tied for the lowest level since October 2024 and right in line with where it was in March 2020 when the pandemic started to rage.



Job openings slipped and were down -20% from year-ago levels. Hiring intentions stayed tied at a 10-month low.



Despite the artificial intelligence (AI) spending boom, capital expenditures (capex) intentions fell to their lowest level since — get this — November 2009!



Business expansion plans in general have all but been frozen — tied for the lowest level since May of last year, in the aftermath of all the Trump tariff turmoil. The metric assessing business uncertainty has hooked back up to the highest level in six months.

In a sign of weakening demand ahead, pricing plans fell to a net balance of +24% from +32% in January. Even with the war shock on oil prices, this is tied for the weakest pulse in anticipated pricing power in three years. The share of the 432 small-business owners claimed inflation to be their top constraint, at 14%, compared to 25% two years ago. Is the Fed paying attention?



## WHY OIL PRICES WILL NOT LEAD TO HIGHER RATES

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*“If gasoline and other oil products get more expensive, people have less to spend on rent, restaurants, and everything else...Supply-chain disruptions only change relative prices, they have no impact on overall inflation.”*

— Steve Hanke, American Economist

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Long-term interest rates have gone up as some in the market are operating believe that high oil prices will drive inflation higher. Once again, investors need to get a history book. High oil prices do not cause sustainable “core” inflation. The Fed doesn’t look at the headline Consumer Price Index (CPI), or Personal Consumption Expenditures (PCE); they look at “core” inflation, which excludes the items that are most quickly and directly impacted by oil prices.

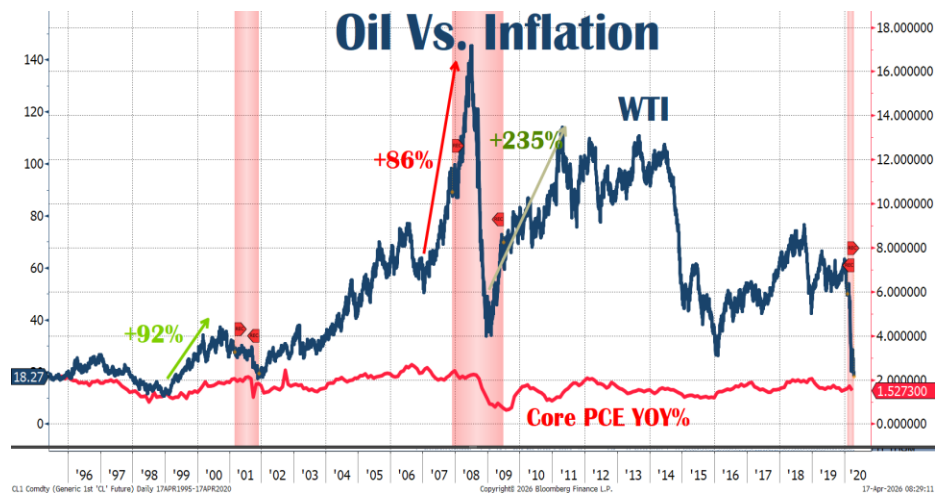
Oil raises input costs, but companies often absorb these increases, lowering profit margins instead of passing costs to consumers. They can’t simply raise prices without risking lower sales, since price hikes may lead some buyers to stop purchasing. Therefore, companies must carefully weigh price changes against potential impacts on demand.

In 2007-08, oil prices nearly tripled, causing broad demand to collapse. While the Great Financial Crisis is often attributed to the housing market meltdown centered on mortgages, factors like rising oil prices contributed to consumers’ inability to pay. Oil wasn’t the sole cause, but it played a role in the crisis.

This is what happened. Oil skyrocketed, and Core PCE didn’t rise — it declined. Why? Because consumers stopped buying things. They didn’t have the money to buy things. Therefore, the prices that companies could command declined. That is deflation, not inflation.

There was also a spike in oil in 2000. Did Core PCE rocket up? No. It remained mild, and interest rates came down. Again, oil probably wasn’t the cause or the catalyst, but rising energy costs contribute to consumers having less money for non-energy things.

History tells us that higher oil prices are more likely to lead to a period of flat or declining core inflation than they are to higher core inflation. And that’s primarily because “core” inflation excludes energy, the most immediate and one of the largest price impacts for consumers.



**Bottom line:** You can't squeeze blood from a rock (or a turnip, if you prefer). When essentials spending devours an increased share of a household's budget, they simply spend less on "wants" as they can't pay up.

If consumers cut spending and businesses hike prices, sales fall, causing a recession and deflation. Historically, sustained oil price increases consistently lead to this outcome.

## BACK TO THE CPI DATA

Despite the headline CPI rising by +0.9% month-over-month in March, this increase was anticipated. More importantly for the Fed, core CPI rose just +0.2%, below the +0.3% consensus forecast.

Gasoline prices shot up by a record +21% in one month, which is unprecedented, and about triple anything seen during the repeated energy shocks of the 1970s.

Although oil price increases affected airline fares, delivery and moving costs in March, many segments — including appliances, furniture, drugs, recreation services, autos, sporting goods, video/audio equipment, medical and IT services — stagnated or declined. Rental growth remains subdued, with hotels and restaurants showing little pricing power. Tariff effects on apparel, footwear, toys and home improvement products are fading, as core goods CPI rose just 0.1% month over month after months of flat readings.

**Here's the real story. Outside of energy, the other 93% of the CPI rang in with a grand total of a +0.17% monthly increase, and this comes to precisely a +2.0% annualized rate, which is where the Fed's target is.**

So, it may be early days yet, but the hawks at the Fed don't have a leg to stand on and seem willing to fight its last war from 2021 and 2022 when it became clear that the inflation bulge was not transitory — but back then, we had massive demand stimulus from pandemic checks and a labor market that was clearly out of balance.

Let me go a step further and say that the last time the headline CPI was this strong and the core this tame at +0.2%, was back in June 2008 when WTI was making an approach towards \$150 a barrel but the economy was seven months into a recession that nobody, including the Fed, realized at the time. That is why there was no spillover effect from the energy price surge back then, as is the case today.

Remember, Powell told us two weeks ago that the Trump tariffs have added between a half and a full point to inflation, which means after we adjust for that, the core inflation rate is running no higher than between +1.6% and +2.1%. That's it! And that is what the Fed should really be focused on.

**Bottom line:** We have folks at the Fed constantly yammering about how we have a huge inflation problem on our hands as they continue to fight the last war when they underestimated the impact of massive fiscal stimulus and government payments, which contributed greatly to the 2021-2022 surge in inflation from 0% to 9%.

The 93% chunk of the CPI that is not energy is slowing down so much; all the more so now that the tariff impact has peaked out. I don't believe the Fed or bond investors have an appreciation of where core inflation is going to close the year, but my bet is a lot lower.

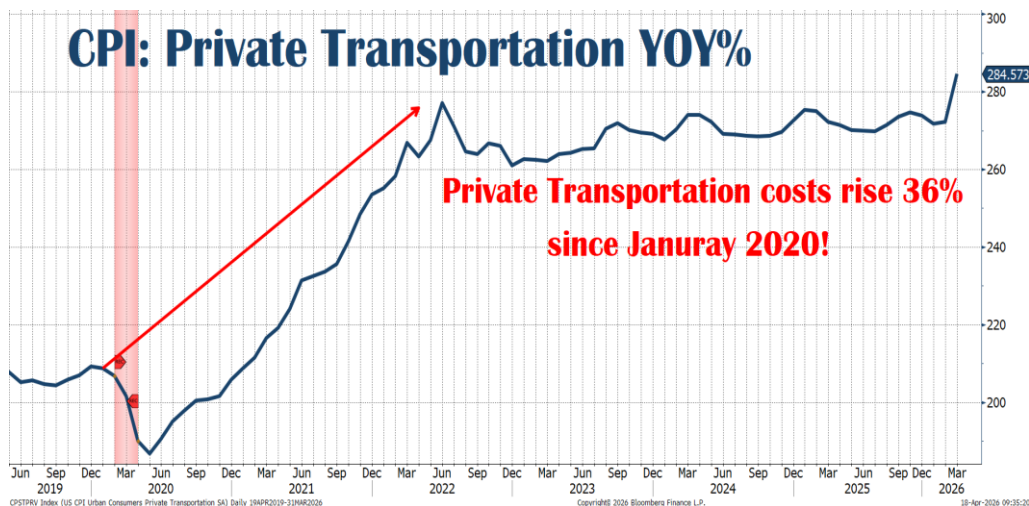
## STICKER SHOCK — BEYOND THE STICKER

### The cost of owning a vehicle in this country has soared by 36% since 2020!

Here are the details:

- **Motor vehicle maintenance and repairs** rose 1.25% in March and 6.1% year over year, with service prices up 50% since January 2020 due to rising labor costs.
- **Motor vehicle insurance** has stayed steady since mid-2025, with no change in March and a 0.8% yearly increase. The index is 56% higher than in January 2020; recent price growth has halted.
- **Motor vehicle parts and equipment** increased by 0.7% in March, 3.9% year over year, and 27% since January 2020, mainly during 2021–2022.
- **New vehicles** rose 0.1% in March and 0.47% year over year, remaining below the mid-2023 peak. Prices are flat after a 21% rise from mid-2020 to mid-2023, offset by discounts amid weak demand. Sales in 2025 were just above levels seen 40 years ago.

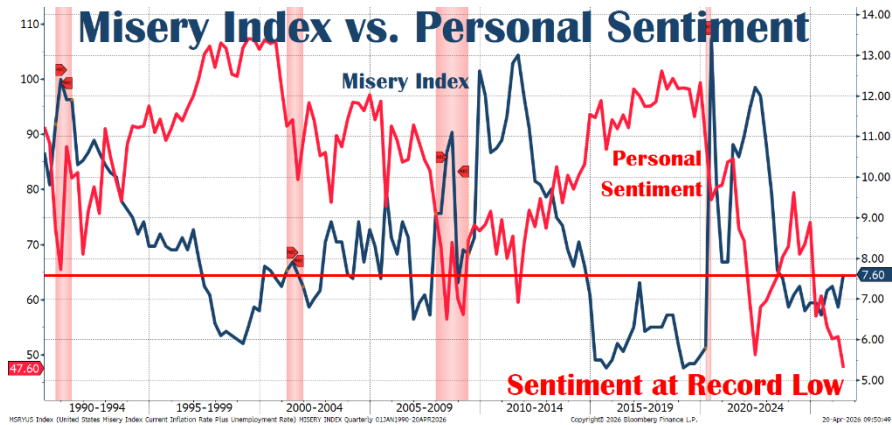
All in all, the CPI for "private transportation" rose 4.6% in March, hitting a new record due to higher gasoline prices. This year-over-year jump also reflects March's spike, reversing February's decline. Since January 2020, costs are up 36%, reflecting the rising expense of vehicle ownership in America.



## WHY THE MISERY?

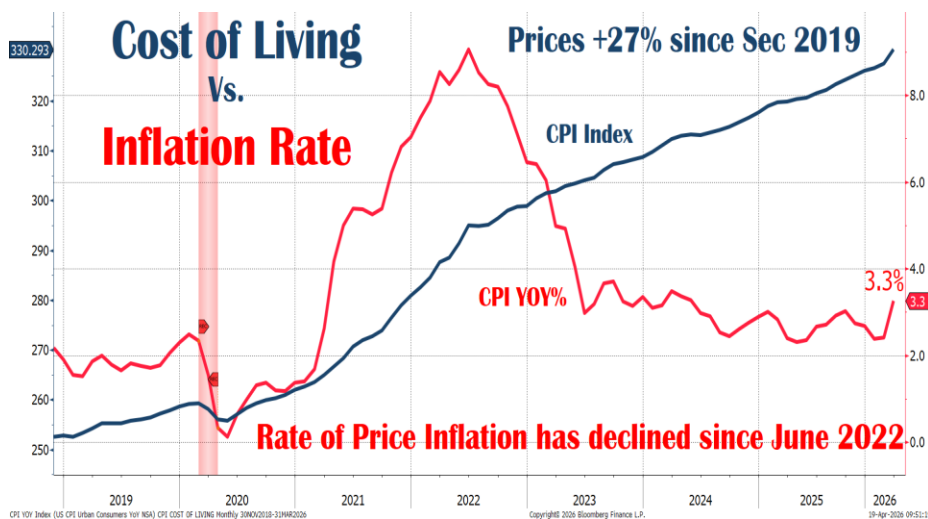
Why are Americans so down on an economy that, while not the greatest, isn't terrible by the usual measures? Historically, you could predict sentiment well using just one variable: the so-called "misery index," the sum of inflation and the unemployment rate.

Here, using annual averages (and the first three months of 2026) is what the relationship between the misery index and consumer sentiment has looked like since 1990.



Any way you cut it, since 2022, Americans have felt much worse about the economy than conventional economic measures say they "should." Moreover, that pessimism has gotten worse over time: Consumer sentiment is much worse now than it was in 2023 and 2024.

So, what does explain the current dismal consumer sentiment? It's about the *price level* as opposed to the *rate of inflation*. The chart below illustrates what I mean. It shows the Consumer Price Index since 2019 versus the "cost of living," the point being that while the level of prices increases has declined sharply, the cost of living continues to increase.



## FOR THE BIRDS

*“Stupid is as stupid does.” — Momma in the film Forrest Gump*

During the dot-com bubble, companies added .com to their names and watched their stocks double overnight regardless of what the underlying business did. It happened again in 2017 when Long Island Iced Tea changed its name to Long Blockchain Corp and jumped 289% before the U.S Securities and Exchange Commission (SEC) opened an investigation.

Every speculative bubble produces the same phenomenon, the moment when the name itself becomes the asset. A new pets.com has emerged. Allbirds, a sneaker company days away from ceasing operations announced it is pivoting to AI compute infrastructure and rebranding as NewBird AI — backed by a \$50 million convertible financing facility to buy graphics processing units (GPUs) and build AI infrastructure. And the share price shot up... wait for it... by +579%! You cannot possibly make this stuff up.

At least pets.com, a retailer selling pet supplies on the web, was a real business. It was just that the economics didn't work out. But pets.com didn't pivot to selling fiber optic cable. This is the AI bubble in a single data point. A company with no customers, no infrastructure, no technical expertise, no path to competing. Just a press release with the hot buzzword of the day (“dot.com,” “Blockchain,” “AI”) and then watch the stock rocket higher when the suckers line up and empty their wallets.

The main difference is just swapping “blockchain” for “AI compute.”

Who bought this?



**Bottom line:** You're watching it happen in real time: the final sign of mania. Companies rebrand as “AI” ... and reprice instantly. This is no longer investing. It's a bubble detached from reality.

**UNIVERSAL HIGH INCOME**

*“Universal HIGH INCOME via checks issued by the Federal government is the best way to deal with unemployment caused by AI. AI/robotics will produce goods & services far in excess of the increase in the money supply, so there will not be inflation. — Elon Musk*

Despite earning over \$200 billion in revenue and \$60 billion profit last year, Meta will lay off around 8,000 employees (10% of its workforce) on May 20, with further cuts possible in late 2026 if AI advances. Total reductions could surpass 20%.

Layoffs are based on anticipated AI capabilities rather than actual performance, echoing similar moves by other tech giants like Oracle, Amazon, Microsoft, Snap and Disney this year. The downstream effect on consumer spending, tax revenue, and the entry-level job market compounds with every announcement, and at some point that demand destruction feeds back onto the companies doing the cutting.

**MARKET OUTLOOK AND PORTFOLIO STRATEGY**

*“The golden age of America has only just begun... It will be like nothing that has ever been seen before”.  
— President Donald Trump, March 2025*

Although the Trump administration forecasts real GDP growth of 4-5% for 2026, current macroeconomic data point to a notable slowdown. The U.S. Consumer Sentiment Index has dropped to historic lows — the weakest since the survey began in 1952. Meanwhile, a deleveraging cycle is gradually unfolding, with private credit markets at the forefront. The Atlanta Fed’s GDPNow indicates Q1 GDP growth at just 1.3%, and real final sales are at 0.81%. Q4 GDP was only 0.5%. Is this really the golden era?



Some believe that U.S. income tax refunds will provide significant relief, but the average refund so far is \$3,462 — only 11% higher than last year at this point and well below expectations. In fact, it's about \$1,000 less than what the White House had promised. Have a look at these three *Wall Street Journal* articles: “[Tax Refund Season Got a Bit Less Beautiful](#),” [Luxury Stocks Are Suddenly on Flash Sale](#)” and [How Airline Passengers Are Being Hit by the Jet-Fuel Crunch](#)” for a look at what is really happening at the consumer level.

As for the incoming economic data, Tuesday’s Retail Sales report will offer the first real look at how higher gas prices are affecting consumers. A few useful surveys will also help provide a fuller picture of consumer and business sentiment at the start of the second quarter, including Philly Fed Services on Tuesday and the final University of Michigan survey on Friday

This week, we will also receive an avalanche of earnings data. The earnings season will peak later this month and should give us a better read on the macro picture in the face of higher energy prices and AI-related disruption risks.

**Bottom line:** After a flurry of economic data these past two weeks, what we have been left with is a weakening labor market and degradation of U.S. Q1 real GDP growth of +1.3% from over +2.0%, and real final sales of just +0.8% at an annual rate. There is precious little margin of error now in terms of moving into economic contraction.

As discussed above, the Fed is constantly yammering about how we have a monumental inflation problem on our hands as they continue to fight the last war. While core PCE inflation remains at 3.0%, Powell has noted that up to one percent is influenced by tariffs on goods, and this effect is close to peaking.

***Ergo, I remain comfortable hiding out in the bond market, with an emphasis on the front end where too much central bank tightening or not enough easing is priced in, from my point of view, and where real yields are attractive.***

## WHY SUBSCRIBE TO THE WRV?

The financial world and social media are often crowded with opinions and commentary about the markets and economy. I focus on filtering out the usual noise, rhetoric and optimism that tend to emphasize potential rewards but often overlook related risks — a recurring issue in Wall Street research. My analysis strives to move beyond misleading narratives, critically evaluate headlines, and deliver comprehensive reviews of financial market movements and economic realities. While some may consider this approach too cautious, I see it as similar to a mechanic double-checking all safety features — recognizing and understanding risk is vital and must not be ignored. This dedication sets the *Weekly Relative Value* (WRV) publication apart. Subscribers receive timely updates on important trends in the economy and markets, as well as key risks. To get future issues of *WRV* sent straight to your inbox, please subscribe [here](#).

## MORE INFORMATION

For more information about credit union investment strategy, portfolio allocation and security selection, please contact the author at [tom.slefinger@alloyacorp.org](mailto:tom.slefinger@alloyacorp.org) or (630) 276-2753.

As Alloya’s Market Strategist, **Tom Slefinger** leverages nearly 40 years of investment strategy expertise to deliver insightful commentary on the economy and market events to optimize balance sheet performance at the credit union level. With thousands of subscribers, Tom’s daily and weekly publications are widely read amongst credit union executives.

Prior to becoming the corporate's Market Strategist, Tom served as the Senior Vice President of Institutional Fixed Income Sales at Alloya Investment Services, a division of Alloya Solutions, LLC. In this role, Tom developed and managed operations associated with institutional fixed income sales in addition to developing investment portfolio strategies, identifying appropriate sectors and securities, and optimizing portfolio performance at the credit union level.

Tom holds a B.S. in business administration from the University of Maine. In addition, he holds a Series 7 and 63 through ISI.

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