Welcome to N. Tarrant Property Notes for

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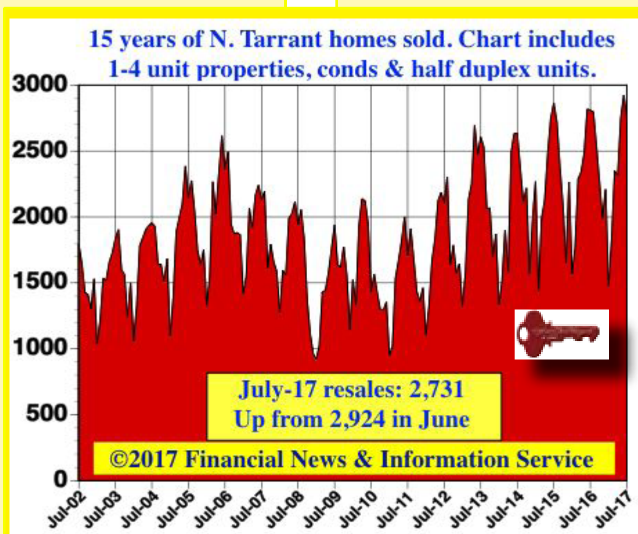
Property weakness seems to be everywhere except in this market.

There is less and less room to argue that the national economy has lost its expansion momentum and is doing what we feel was a slow roll to a recession.

What was initially a strong likelihood of declining economic activity has morphed into a certainty due to the two major storms which hit the continental USA in a very short period of time with a third one not far behind Irma in the Atlantic. While rebuilding does stimulate construction activity, sales for retailers and manufacturers of building materials and supplies, it does not fully offset lost productivity and output.



On a more uptempo note, home loan rates fell by 1/8% this past week, which is an unusually large downward move for recent history. Prices of debt instruments and precious metals were on a magnificent ride this week with the political, economic and international disorder due largely (but not exclusively) to the situation with the threats emanating from North Korea.

To be frank, the economy is really not in terrible shape. It is just softening because of all the future uncertainty being posed by a do-nothing Congress that at least averted catastrophe by passing a debt ceiling increase, albeit a temporary one for only three months. Congress gets to fight with itself again in December over this contentious issue along with a budget package to keep the government operating.

The econonews week opened Tuesday with the report that July factory orders fell by 3.3% after rising by 3.2% in June. The services index for the Institute for Supply management unexpectedly rose by more than thought in August. The better news was that the unit labor cost for manufactured goods in Q2-2017 rose by only 1/3 of the Q1 rise and below market expectations, which is another obstacle in the way of future Fed rate hikes. One of the Fed's greatest fears is wage-induced inflation and tame unit labor costs minimizes that factor.

The July inventory buildup for business was unexpected and it was equal to the June increase. Perhaps all the economic optimism being touted by Wall Street pundits has induced companies into thinking stronger sales levels are coming their way.

As we enter the last quarter of the year there are more questions than answers for our monetary policy makers and this is a problem. When they feel certainty, they often know how to deal with it. It's the uncertainty that leaves room for error in their policy changes.

In looking ahead to the data releases for the upcoming week we think the PPI, CPI and retail sales figures will chart the course of interest rates for the remainder of the years, so… Stay tuned.