

Le point sur l'économie US par Rafic Vartan

Market update for the week ending January 19 2019

CRUDE OIL 53.76 GOLD 1.281.30 SILVER 15.36 EUR/USD 1.14

Stocks higher for the fourth consecutive week - Stock markets gained about 3% this week. It marked the longest string of weekly gains since August 2018. Companies that reported fourth quarter earnings came in better than expected. China also made comments signaling that they would work to take steps to lower its trade imbalance with The U.S., which encouraged investors that a trade deal was getting closer. Stocks have now made up almost 1/2 of their losses since hitting an all-time highs in September 2018. The Dow Jones Industrial Average closed the week at 24,706.35, up 3.0% from 23,995.95 last week. It's up 5.9% in January. The S&P 500 closed the week at 2,670.71, up 2.9% from 2,596.48 last week. It is up 6.5% in January. The NASDAQ closed the week at 7,157.23, up 2.7% from 6,971.48 last week. The NASDAQ is up 7.9% this month.

Treasury Bond Yields up slightly this week - The 10 year Treasury bond closed the week yielding 2.79%, up from 2.71% last week. The 30 year Treasury bond yield ended the week at 3.09%, up from 3.04% last week. We watch Treasury bond yields because mortgage rates follow bond yields.

Mortgage rates stable this week at the lowest levels in 9 months - The January 17, 2019 Freddie Mac Primary Mortgage Survey reported that the 30 year fixed mortgage rate average was 4.45%, unchanged from 4.55% last week. The 15 year fixed was 3.88%, unchanged from 3.89% last week. The 5 year ARM was 3.87%, up slightly from 3.83% last week.

December California existing home sales report - The California Association of Realtors reported that existing home sales totaled 372,260 in December on a seasonally adjusted annualized basis. That was down 2.4% from November and down 11.6% from last December. It marked the fewest sales in a month since January 2015. The statewide median price was \$557,600, up 1.4% from December 2017. On a regional basis Los Angeles County's median price of \$588,140 was up 1.8% from last December. Orange County had a median price of \$785,000, down 0.1% from December 2017. Ventura County's median price

of \$640,000 was down 0.8% from last December. Inventory levels also continued to rise. The unsold inventory index was a 3.5 month supply of homes listed in California, up from 2.5 months in December 2017. Los Angeles County had a 3.5 month supply, up from a 2.4 month supply last December. Orange County had a 4 month supply, down from 2.6 months last December. Ventura County had a 5.5 month supply, up from a 4 month supply in December 2017.

How to finish a basement (and How much it costs) - If "how to finish a basement" and "how much will it cost to finish my basement" are questions that have got you hemming and hawing, consider this. Your dark and dingy basement is a gold mine of possibilities. Throw up some walls, and you've got an extra bedroom or family gathering space. Add a bathroom or kitchen, and you've created a possible rental that can help cover those finished basement costs or house your in-laws or adult kids. But let's tackle first things first, like how to kick off the process of finishing your basement. What costs you need to take into consideration?

- **How much does it cost to finish a basement -** While expenses vary based on what you're doing, on average, finished basement costs are about \$70,000. That might seem steep, but get this. According to Remodeling magazine's Cost vs. Value calculations, you'll recoup an average of 70.4% of your costs when you sell. That's higher than a kitchen (64.9%) or a bathroom (65.7%) remodel. So clearly it can be a smart investment. Finishing a basement and converting it into, say, a family room costs 20% to 30% less than building the same size addition above ground. You don't have to put in a foundation, exterior walls, a room, and heating and air. It's all there. However, finishing a basement comes with some unique challenges. Here's what you're in store for and how to make the most of this subterranean space.

- **How to finish a basement. Ward off water problems -** Water, whose greatest joy is finding a way into your home no matter the obstacles, is a particular problem when refinishing a basement. Groundwater and rain that's not properly routed away from your house can enter basements through foundation cracks, loose windows, and doors. When you have nothing but some posts and beams in the basement, water is a nuisance; but once you've refinished the area, water can be a disaster. That's why it's important to install French drains (trenches with gravel and perforated pipe) and a sump pump or two to make sure water doesn't wreck your remodel. Also, plan to place a dehumidifier in the finished basement to continually remove moisture from that underground air and prevent mold growth.

- **Add lighting -** Light, bright places are so much more inviting than dark spaces. To add light to a basement, add windows if possible or, if you install a door, choose one with sidelights or divided light panes. Don't skimp on recessed lights with LED bulbs that last for years, and take advantage of walls by adding sconces. Make sure to add enough outlets to service floor and table lamps, which will add lighting texture to the space. You can also add solar tubes, which as the name suggests, are tubes connected to the outdoors that tunnel natural light down to your basement.

- **Pick the right flooring for a basement -** Remember all that insidious water mentioned above? Well, it's just waiting to soak your basement carpets and rugs, too. Thwart these evil intentions by installing flooring that can stand up to an unfortunate inch of standing water. First off, don't even think of installing hardwood floors in a refinished basement, which is a buckling fiasco waiting to happen. Carpet is another bad idea for a basement, although you can wet-vac water out of carpet and dry it with a fan. You can do crazy things with concrete slab these days, polishing it to a high sheen and adding stains that make it look like stone.

And tile will stand up to anything water has to offer. Vinyl will repel water, but sheets can peel up when water seeps beneath, so watch out.

▪ **Check for radon (and get rid of it)** - One cost you can't skip in a finished basement project is a check for radon, an odorless, colorless gas emitted by the breakdown of uranium in soil. About 1 in 15 homes has a level high enough that the U.S. government has recommended that action be taken to control the leak. To make sure your house is not one, you can conduct your own test with a radon kit that costs less than \$10, or pay the pros about \$165. Radon remediation can cost thousands and could involve sealing slab or foundation cracks or installing ventilators, but these safety measures are well worth it if you plan on spending time in your new living space.

Quote of the week

*Vision without action is a daydream.
Action without vision is a nightmare.*

