



VICTORY PARTNERS

MIDDLE MARKET INSIGHT

What Business Owners Need To Know

HOME PRICES

SHOT UP A RECORD
20.6% ANNUALLY IN
MARCH

30-YEAR

FIXED-RATE MORTGAGE
NEARLY DOUBLED
FROM 2.75% LAST
WINTER TO 5.25% IN
MAY

60% JUMP

EXXON MOBILE'S
SHARES HAVE JUMPED
60% THIS YEAR ALONE

\$120 PER

BARREL: U.S. BENCHMARK
WEST TEXAS
INTERMEDIATE

GAS PRICES

SPIKE AT \$5 PER GALLON
NATIONALLY

SHRINKFLATION

WHEN PRODUCTS
SHRINK SIZE WITHOUT
LOWERING PRICES

FEW MONTHS

HAVE PAST AND KLEENEX
HAS GONE FROM 65 COUNT
TO 60 COUNT

IN THAT SAME

TIME, CHOBANI HAS
REDUCED PACKAGE SIZES
FROM 5.3OZ TO 4.5OZ

Home Affordability in 2022

- Existing home sales dropped 33% after the 1987 crash and 45% during the subprime mortgage crisis. In a weekly client note, the Bank of America Global Research team stated, "In this cycle, we think a 35% peak-to-trough existing-home-sales decline is plausible."
- After hitting a new high of 20.6 % annual increase in March, the team believes that pace of growth is "at or near the peaks for this cycle," given that a large portion of the appreciation is likely due to historically low mortgage rates that have since evaporated.
- "However, even in a somewhat 'draconian' scenario, where the demand side for housing 'is meaningfully altered by reduced affordability, the supply side remains exceptionally supportive' for home price appreciation, Bank of America's team wrote."

Exxon Mobil Shares Hit All-Time High

- Exxon Mobil's stock rose more than 1% to a new all-time high on Wednesday, trading at \$105 per share, as the energy sector continues to outperform the rest of the market due to higher oil and gas prices.
- However, a number of Wall Street analysts believe oil prices will rise even higher: Analysts at Goldman Sachs boosted their third-quarter projection to \$140 per barrel from \$125 on Tuesday, while Morgan Stanley expects it to rise to at least \$130 per barrel, if not as high as \$150 per barrel.
- "The oil market is expected to remain tight as the supply side will continue to tell a story of low inventories," says Edward Moya, senior market analyst at Oanda. "Crude oil inventories will likely post more draws as the driving season and vacationing heats up."

Shrinking Packaging

- According to experts, shrinkflation is nothing new. However, it becomes more common during periods of high inflation, as businesses struggle to keep up with rising expenses for ingredients, packaging, labor, and transportation. According to S&P Global, global consumer price inflation rose by about 7% in May, and this trend is expected to continue through September.
- Some companies are up front about the changes. Calbee Inc., a Japanese snack company, announced 10% weight reductions — and 10% price increases — for many of its products in May. A substantial increase in the cost of raw materials was blamed by the corporation.
- Hitendra Chaturvedi, a supply chain management professor at Arizona State University's W.P. Carey School of Business, cites Mondelez International, which was chastised this spring for reducing the size of its Cadbury Dairy Milk chocolate in the U.K. without lowering the price. Operating income increased by 21% in 2021, but dropped 15% in the first quarter as cost constraints increased.

Sources: www.marketwatch.com | www.forbes.com | www.apnews.com