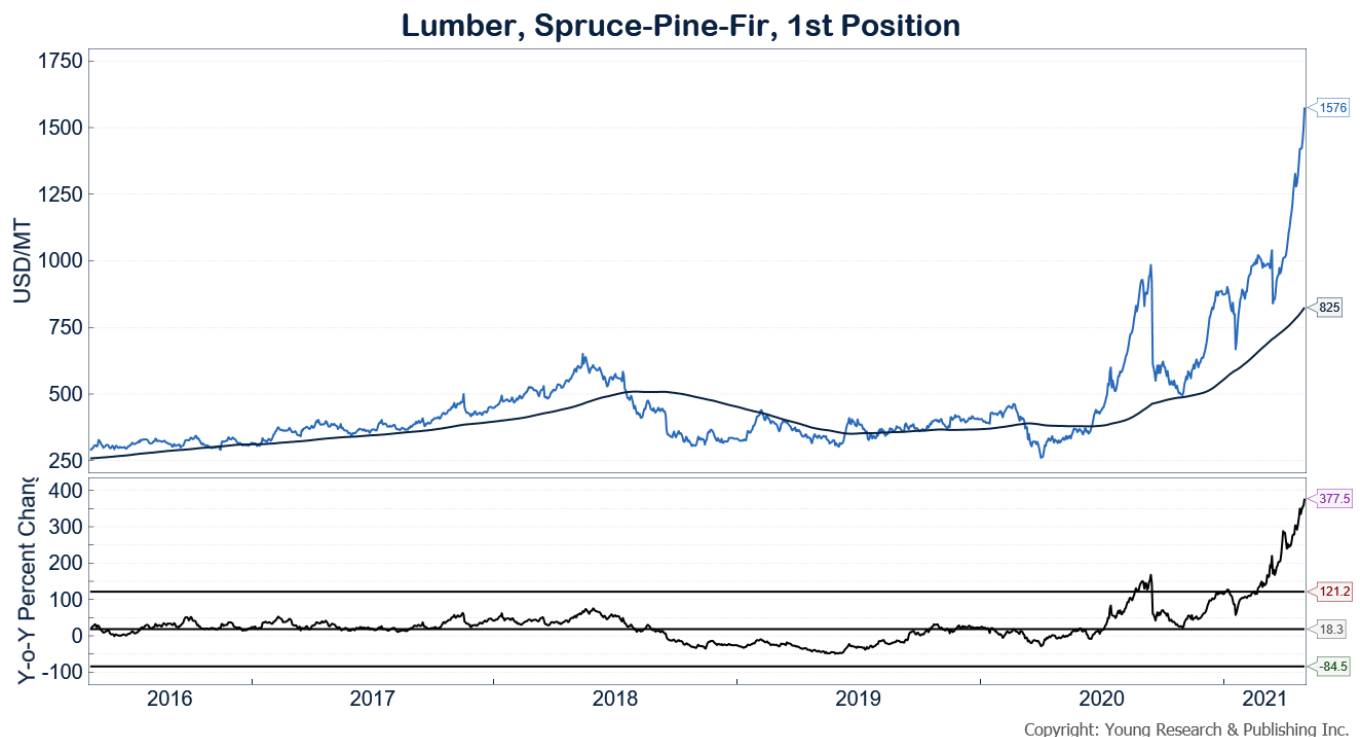


# Lumber Prices Are Soaring, Should the Fed Be Afraid?

Lumber prices are breaking records. First position Spruce-Pine-Fir futures are trading at over \$1500/metric ton. Perhaps the most frightening aspect of the spike in lumber prices is that builders have been able to pass them on to customers. The Fed should be very worried about the rapid rise in prices going directly to consumers. The central bank's policy of low interest rates for longer could buckle under the pressure if inflation heats up faster than expected.



Ryan Dezemmer reports in *The Wall Street Journal*:

*The Fed last week recommitted to near-zero interest rates, which have fueled the red-hot housing market. Rising home prices and low rates have also helped existing homeowners refinance mortgages to pocket cash without adding much to payments. Mortgage-finance firm Freddie Mac estimates that Americans last year withdrew nearly \$153 billion from their*

*homes in cash-out refinancings. Vacation options were limited by the pandemic and a remodeling boom ensued.*

*Demand hasn't been diminished by soaring prices, mill executives say.*

*"The prices appear to be passing on," Canfor CEO Don Kayne told investors Friday. Canfor, which owns mills in northwest Canada and throughout the U.S. South, notched quarterly records in sales and profit. "So far we haven't seen the resistance that you would expect.*

*Builders including PulteGroup Inc. and the Howard Hughes Corp. say they have offset higher prices for lumber as well as for other building materials by raising home prices without slowing sales. NexPoint Residential Trust Inc. investment chief Matthew McGraner assured shareholders that high lumber prices weren't eating into the apartment owner's margins. "Any additional costs, we've been able to pass on to the tenants," he said.*

*At a recent investor conference, Lowe's Cos. finance chief David Denton said the home-improvement chain and its rivals weren't waiting to see if the run-up in lumber prices would be short-lived before raising prices.*

*"That largely gets passed on pretty much real-time into the marketplace and you're seeing that across the industry," he said.*

There is likely a storm coming in commodity prices. Young's World Money Forecast is your port in a storm. [Click here to sign up today for regular updates.](#)