

HaMMR Digest

Stay current with economic and mortgage market trends.

May 12, 2025

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Breathing Room

- **Key Takeaway:** Fed set to remain patient, but emerging trade deals will alter the calculus for growth and inflation expectations.
- **Macro Implications:** Trade deals remove some headwinds from the outlook, but a wait-and-see Fed focused on price stability will remain a drag.
- **Housing Implications:** The Fed's continued pause should anchor rates in the near-term, leaving little hope for meaningfully lower mortgage rates.

Macro: A Whimper, Then a Bang

- A modest UK trade deal was outshined by a much larger China agreement.
- High frequency spending data reveals slowdown in discretionary outlays.
- This week's April CPI report too soon to see significant tariff impacts.

Rates: Global Backdrop Matters

- 10y UST rose 4bps to 4.37% with late-week rise driven by global events.
- Yield curve essentially flat on the week amid scant macro data.
- Market odds of three 25bps rate cuts in 2025 now down to a toss-up.

Housing: Sideways

- Mortgage rates stuck near 7% despite downshift in rate volatility.
- Inventory still accumulating as demand fades, weighing on prices.
- Pending sales continued to flatline, bucking the typical seasonal upswing.

ISM PMI: Forward Looking Measures Remain Weak

- Manufacturing production declined relative to prior month.
- Services employment remained in contraction, suggesting weak hiring.
- Cost pressures continue to build with more firms citing risk of layoffs.

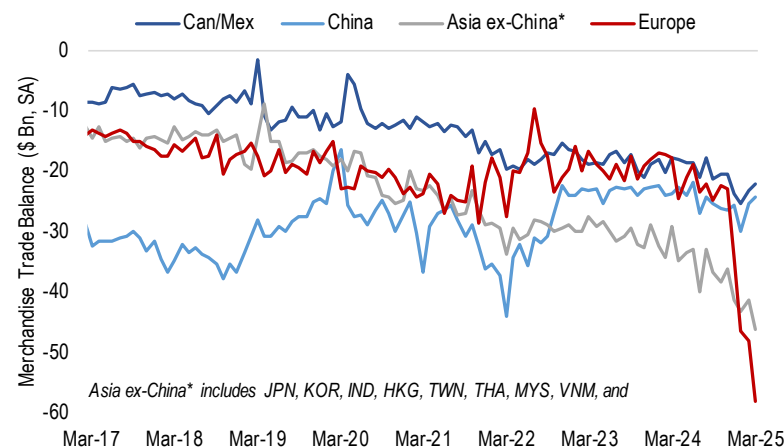
Consumer Credit: Swipe Fatigue

- Consumer credit declined -4.9% annualized in the first quarter.
- Revolving credit fell -7.2% annualized in 1Q25 after a -3% drop in 4Q24.
- Consumer debt burden remains low but pockets of stress evident.

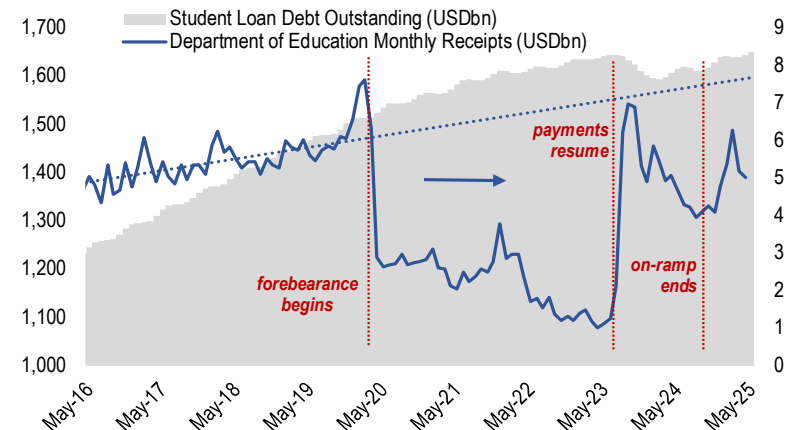
Student Loan Focus: Another Headwind to Watch

- Delinquency rates will rise as forbearance / grace periods end.
- Stricter repayment enforcement will pressure high-debt cohort.
- Return to pre-forbearance payment trend would hinder consumption.

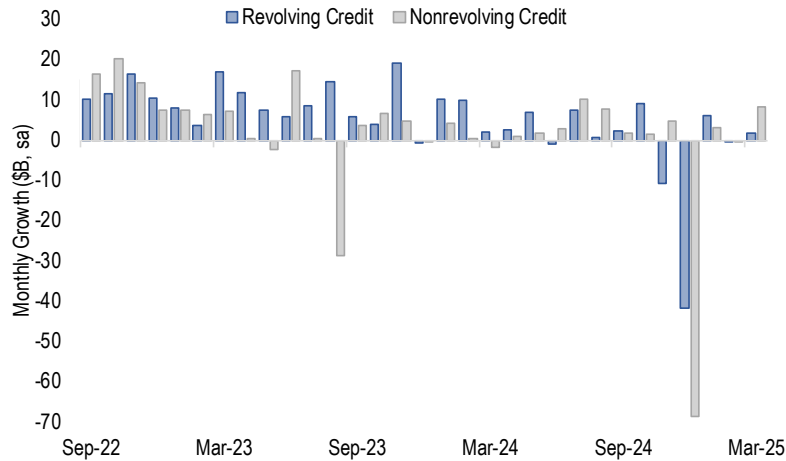
Massive Shift in European Trade Balance Due to Surge in Pharmaceuticals While Asia Trade Driven by Electronics



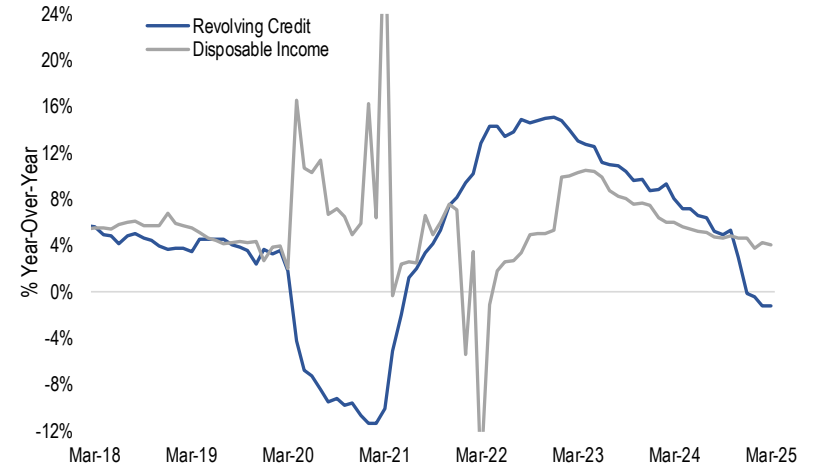
Student Loan Payment Restart and Tougher Enforcement Add Another Growth Headwind



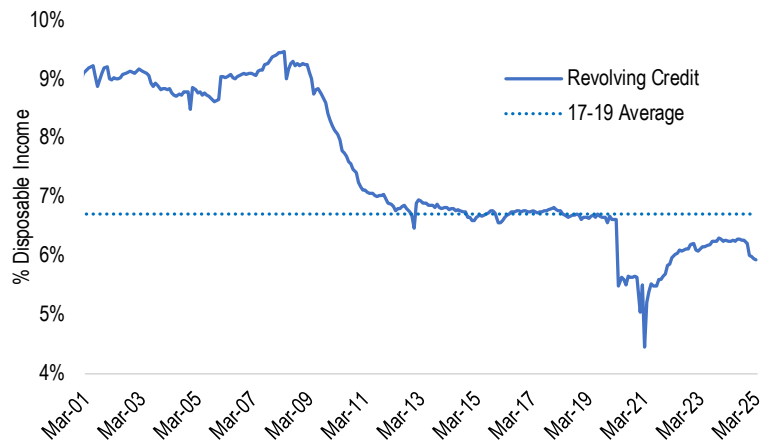
Nonrevolving Credit Increase Supported by Rising Student Loans and Auto Loans via Strong Auto Sales



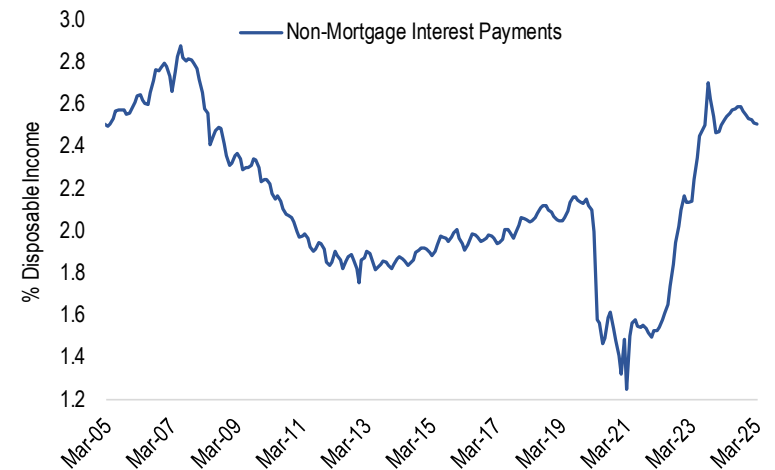
Weak Growth in Revolving Consumer Credit Confirms the Slowdown in Consumer Spending



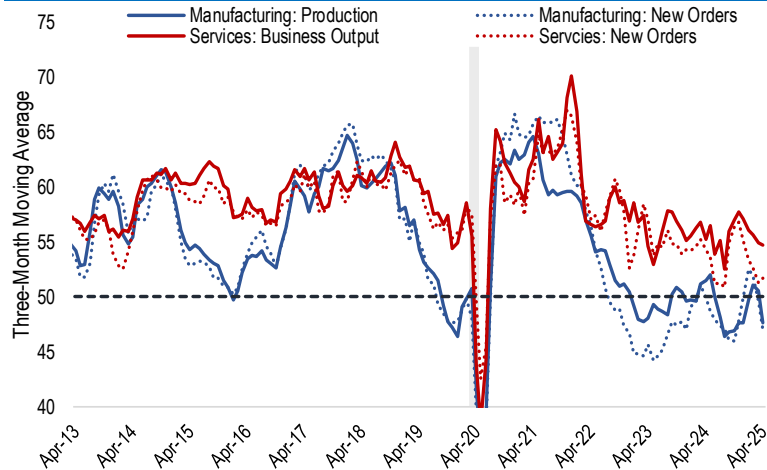
Revolving Credit Stepped Further below Pre-Pandemic Norm Relative to Disposable Income



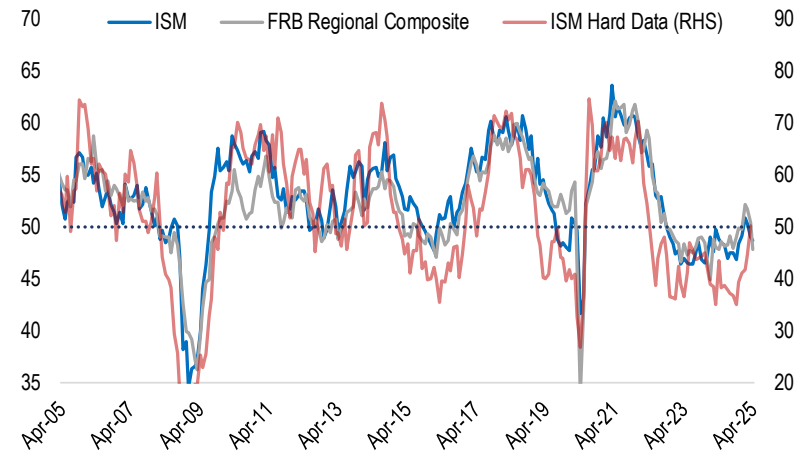
Non-Mortgage Interest Payments Will Remain Elevated amid Lagged Rate Adjustment by Banks



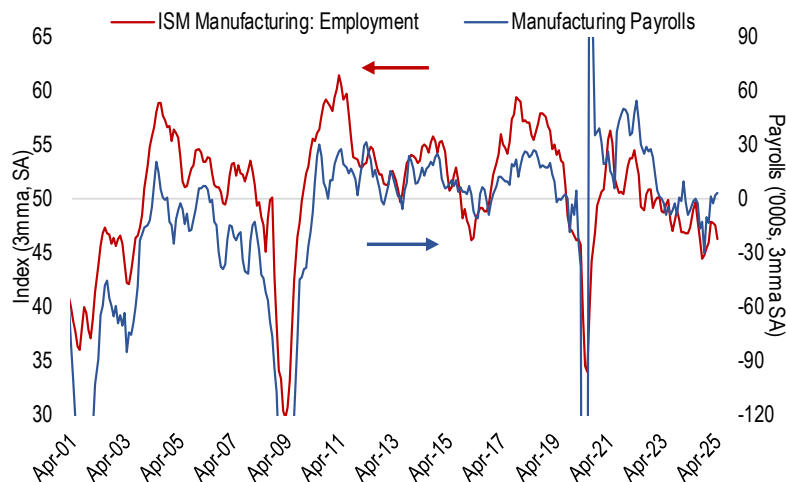
Manufacturing PMI Feeling Overhang of Frontloading While Services New Orders Seem to Have Bottomed



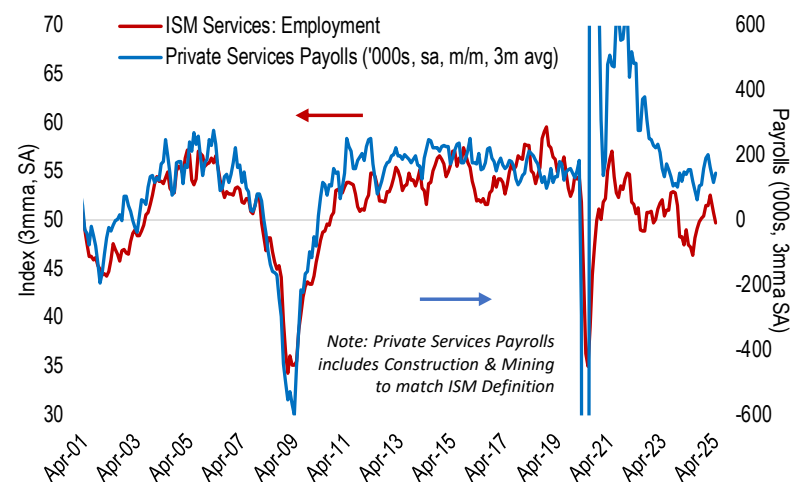
ISM "Hard Data" Propelled Higher in March, but Survey Data Has Turned Lower as of April



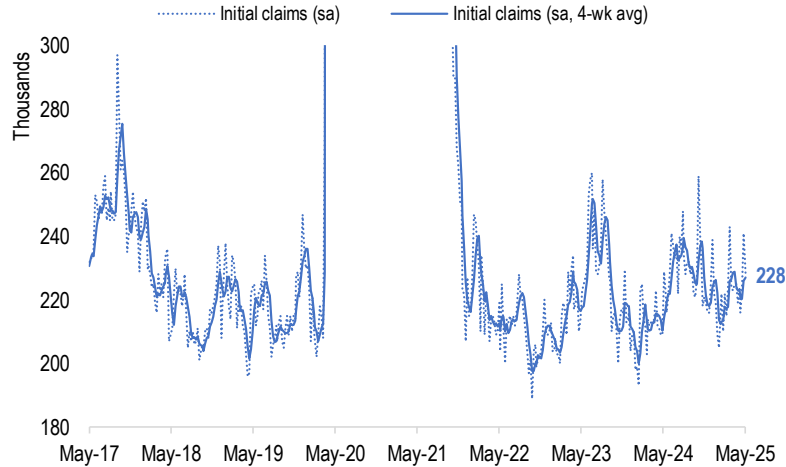
ISM Manufacturing Employment Turned Lower Driven More by Expectations as Actual Payrolls Have Risen



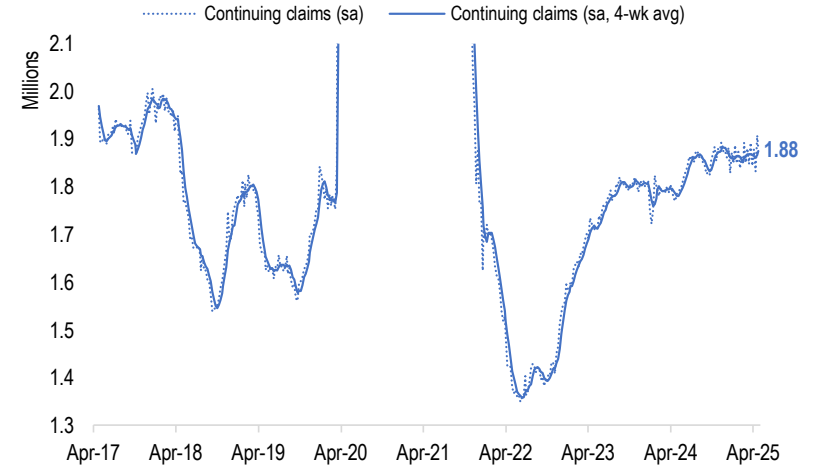
ISM Services Employment Still Weak as Hiring Intentions Remained Tepid at Best



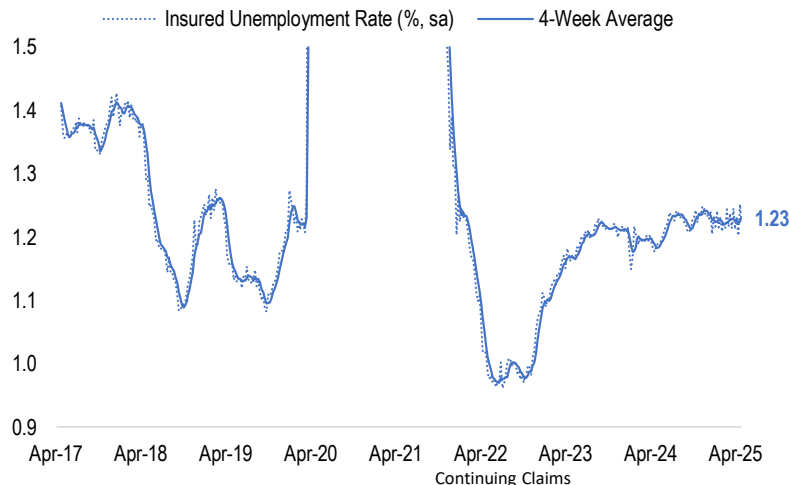
Initial Claims Ticked Down to 228k (SA) during the Week Ending May 3, in line with Recent Norm



Continuing Claims Also Eased to 1,879k (SA) One Week after Reaching Highest Level Since Pandemic



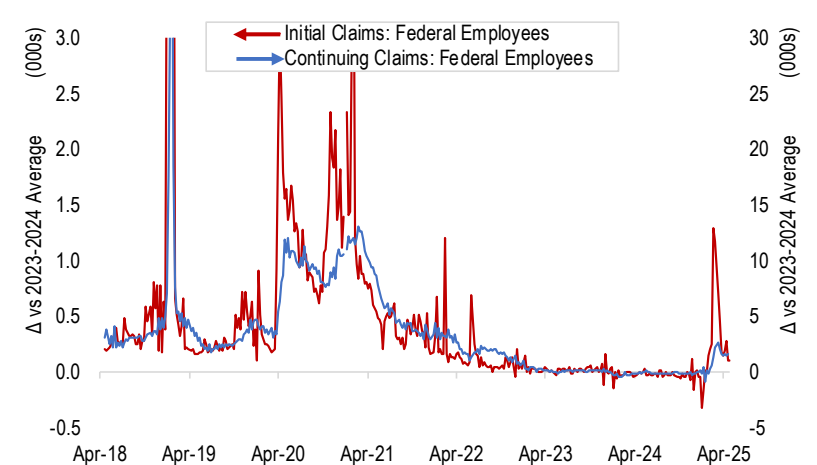
Normalizing for the Size of the Labor Force, Insured Unemployment Also Still near Post-Pandemic High



Insured Unemployment = $\frac{\text{Continuing Claims}}{\text{Employed Population Eligible for Unemployment Insurance}}$

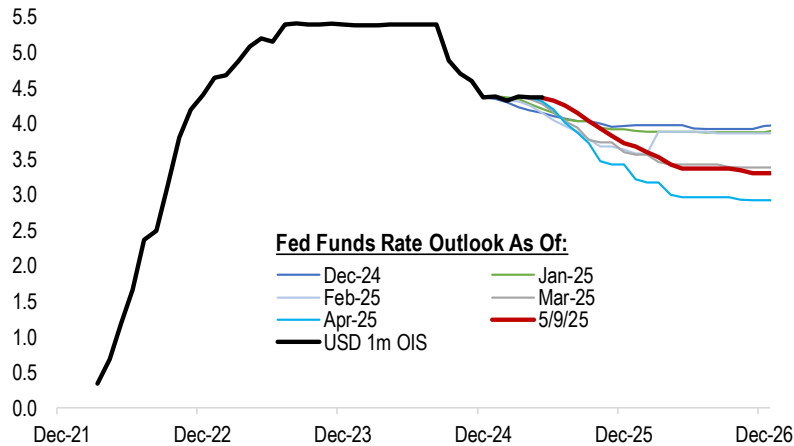
Sources: U.S. Department of Labor, Arch Global Economics

Still No Signs of Widespread or Sustained Federal Employee Layoffs in Jobless Claims Data

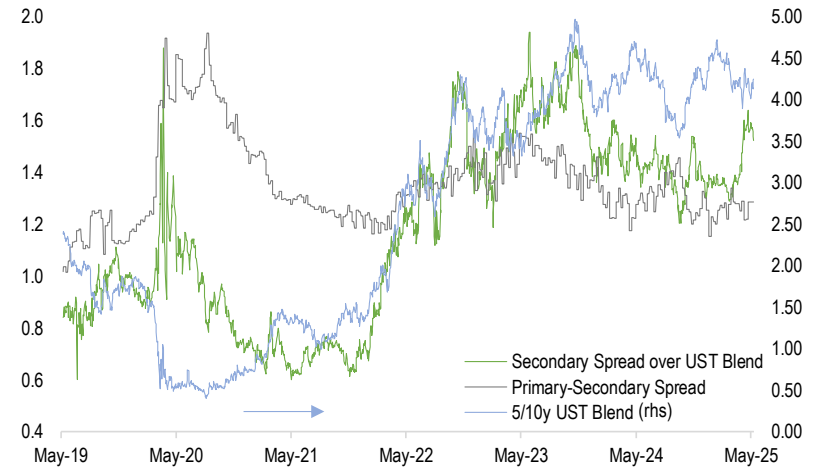


SA = Seasonally Adjusted
NSA = Not Seasonally Adjusted

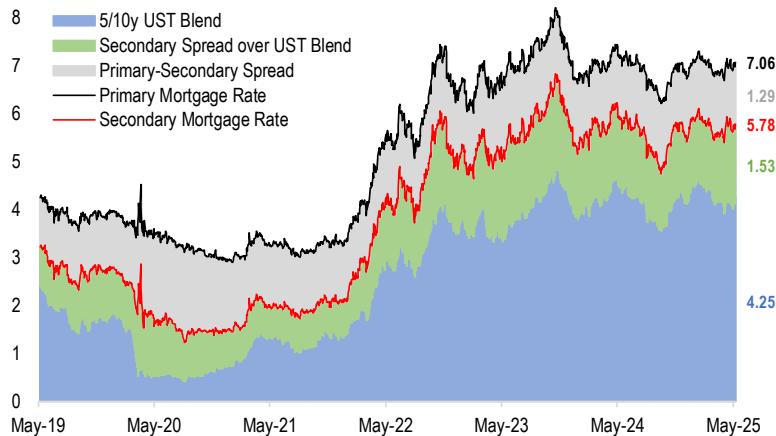
UK Trade Deal Lowered Odds of Three 25bps Rate Cuts from a Sure Thing a Week Ago to a Toss-Up Last Week



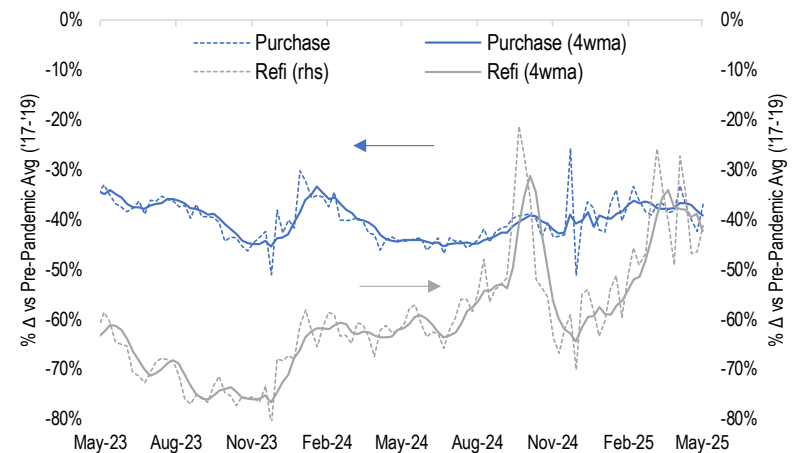
UST Yields Rose 7bps Last Week, but Mortgage Spreads Narrowed Slightly ...



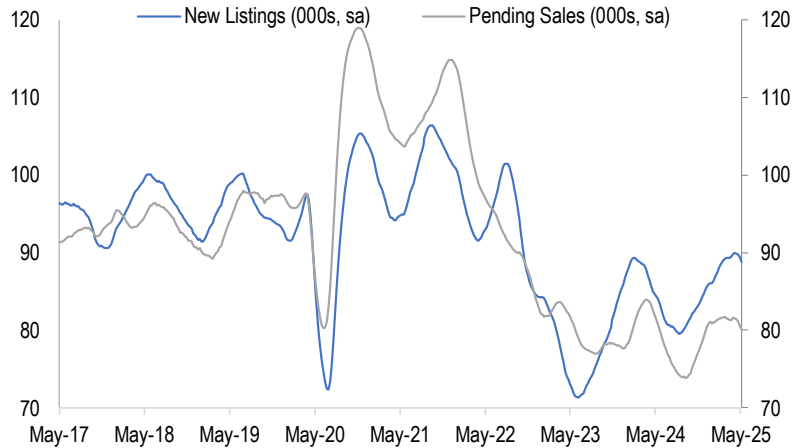
... Leaving Mortgage Rates Right Around 7% for Yet Another Week



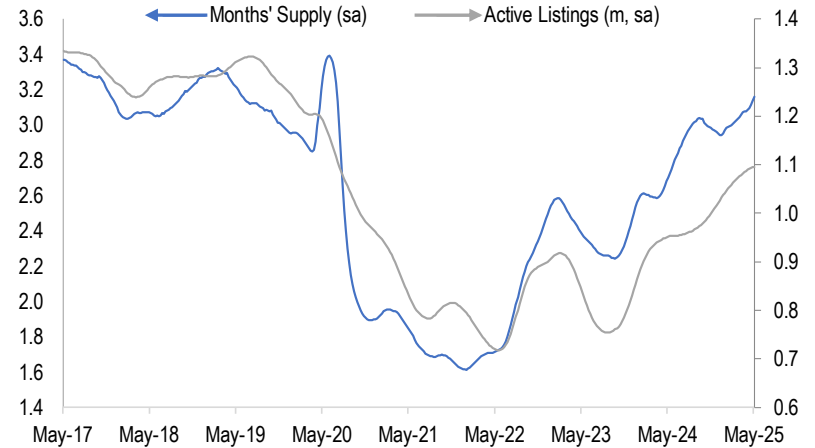
Purchase Applications Continued Trading Water as Rates Remained Close to Upper End of Two-Year Range



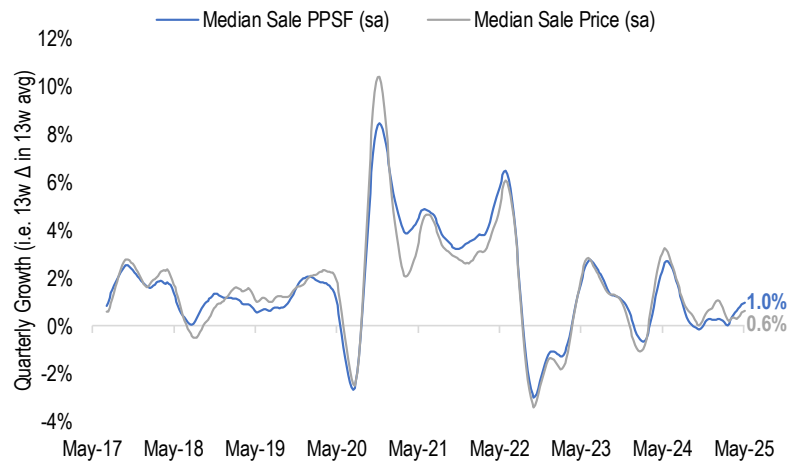
New Listings Still Far Outpacing Pending Sales, Which Have Continued to Cool



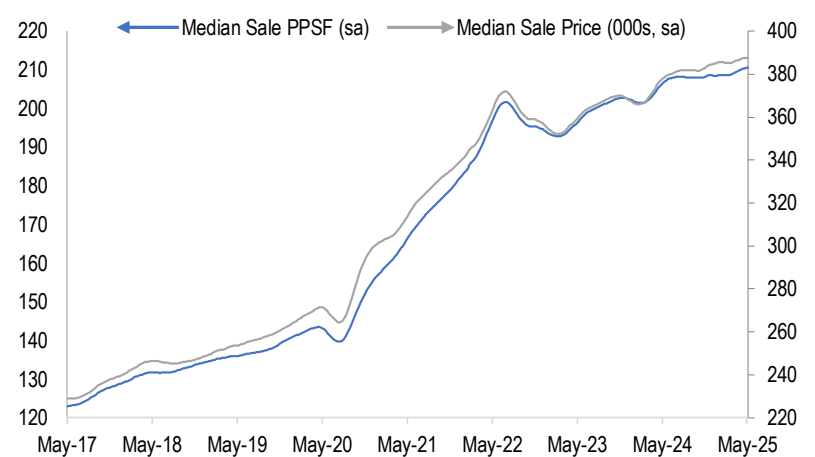
... Which Nudged Months' Supply a Bit Higher, as Inventory Continued to Swell



Pace of Seasonally Adjusted Home-Price Growth Still Trending Higher after Weak Start to '25



Home Prices Continued to Inch Higher in 2025 after Moving Mostly Sideways in 2H24



Annual Home Price Growth Has Broadly Cooled as Most Markets Have Generally Softened

Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	1.1%	-2.3%	4.8%	1.0%	6.6%	1.6%	99.0%	-0.3%	-8.5	-12.0	14%	3%	-14%
Atlanta	-1.2%	-1.4%	3.4%	2.9%	7.0%	2.2%	98.5%	-0.5%	11.7	1.0	18%	10%	-14%
Austin	-3.0%	0.0%	3.4%	4.0%	8.9%	1.3%	97.7%	-0.3%	34.8	29.2	14%	127%	65%
Baltimore	2.7%	-1.2%	5.4%	2.0%	6.5%	1.3%	101.3%	-0.4%	-4.3	-7.2	16%	-23%	-36%
Boston	2.8%	-6.0%	7.3%	2.4%	5.0%	1.2%	102.6%	-0.5%	7.1	6.3	16%	4%	-14%
Chicago	4.1%	-3.9%	5.5%	-1.0%	3.2%	1.2%	100.3%	-0.1%	16.1	16.6	-5%	-12%	-11%
Dallas	-2.4%	-1.7%	0.7%	1.2%	8.9%	2.1%	98.1%	-0.5%	15.3	3.8	26%	53%	10%
Denver	-1.4%	-3.3%	3.7%	3.5%	10.4%	1.6%	99.4%	-0.4%	9.5	2.8	42%	82%	34%
Houston	-0.9%	-2.3%	2.1%	1.7%	7.7%	1.5%	97.3%	-0.4%	9.4	-0.3	17%	20%	-3%
Los Angeles	0.7%	-2.3%	3.9%	-5.4%	5.4%	2.4%	100.4%	-0.9%	-0.8	-4.6	9%	11%	3%
Miami	1.6%	-2.4%	4.3%	0.0%	4.9%	1.4%	95.3%	-0.8%	14.9	2.2	24%	46%	-11%
Minneapolis	1.7%	0.7%	1.9%	-0.8%	6.0%	1.4%	100.7%	0.0%	-1.8	-0.8	2%	-6%	-11%
Nashville	-0.5%	-1.9%	4.6%	4.0%	5.9%	2.0%	98.3%	-0.4%	7.3	-3.1	18%	31%	4%
New York	3.9%	-6.9%	6.1%	-0.8%	3.9%	0.4%	100.1%	0.3%	-43.4	-43.4	0%	-21%	-28%
Phoenix	-3.0%	-4.6%	1.4%	0.3%	8.6%	1.4%	98.1%	-0.3%	13.5	5.5	31%	56%	24%
Portland	0.0%	-0.6%	2.8%	1.8%	8.3%	2.2%	100.2%	-0.1%	7.3	3.4	12%	43%	28%
Riverside	1.2%	-2.8%	2.8%	-1.9%	7.1%	2.8%	99.1%	-0.5%	-6.3	-12.7	10%	3%	-7%
San Diego	-1.1%	-3.9%	3.1%	-2.2%	7.2%	3.0%	99.6%	-1.2%	1.7	-3.3	27%	13%	-11%
Seattle	0.9%	-4.2%	6.3%	2.4%	7.4%	2.9%	101.4%	-1.1%	-0.8	-1.0	38%	51%	7%
Tampa	-3.6%	-2.4%	2.6%	2.5%	10.1%	1.2%	96.9%	-0.5%	5.0	-2.5	16%	58%	25%
Washington DC	2.0%	-4.1%	4.3%	-1.8%	5.8%	1.7%	100.5%	-0.8%	12.2	6.7	26%	15%	-13%

Data as of May 4, 2025, and reflects 4-week averages.

Upcoming Data Releases

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/13/25	6:00 AM	NFIB Small Business Optimism	Apr	--	95.0	--	97.4	index, sa
5/13/25	8:30 AM	CPI m/m	Apr	--	0.3	--	-0.1	%, sa
5/13/25	8:30 AM	CPI Core (ex Food and Energy) m/m	Apr	--	0.3	--	0.1	%, sa
5/13/25	8:30 AM	CPI y/y	Apr	--	2.4	--	2.4	%, nsa
5/13/25	8:30 AM	CPI Core (ex Food and Energy) y/y	Apr	--	2.8	--	2.8	%, nsa
5/14/25	7:00 AM	MBA Mortgage Applications w/w	5/9/25	--	--	--	11.0	%, sa
5/15/25	8:30 AM	Advance Retail Sales m/m	Apr	--	0.0	--	1.4	%, sa
5/15/25	8:30 AM	Retail Sales Control Group m/m	Apr	--	0.3	--	0.4	%, sa
5/15/25	8:30 AM	PPI Final Demand m/m	Apr	--	0.2	--	-0.4	%, sa
5/15/25	8:30 AM	PPI Core (ex Food and Energy) m/m	Apr	--	0.3	--	-0.1	%, sa
5/15/25	8:30 AM	PPI Final Demand y/y	Apr	--	2.5	--	2.7	%, nsa
5/15/25	8:30 AM	PPI Core (ex Food and Energy) y/y	Apr	--	3.1	--	3.3	%, nsa
5/15/25	8:30 AM	Initial Jobless Claims	5/10/25	--	229	--	228	k, sa
5/15/25	8:30 AM	Continuing Claims	5/3/25	--	1,885	--	1,879	k, sa
5/15/25	9:15 AM	Industrial Production m/m	Apr	--	0.1	--	-0.3	%, sa
5/15/25	9:15 AM	Capacity Utilization	Apr	--	77.8	--	77.8	sa
5/15/25	10:00 AM	Business Inventories m/m	Mar	--	0.2	--	0.2	%, sa
5/15/25	10:00 AM	NAHB Housing Market Index	May	--	40	--	40	index, sa
5/16/25	8:30 AM	Housing Starts m/m	Apr	--	2.8	--	-11.4	%, sa
5/16/25	8:30 AM	Building Permits m/m	Apr P	--	-1.2	--	0.5	%, sa
5/16/25	8:30 AM	Import Price Index m/m	Apr	--	-0.3	--	-0.1	%, nsa
5/16/25	8:30 AM	Import Price Index y/y	Apr	--	-0.2	--	0.9	%, nsa
5/16/25	10:00 AM	U. of Mich. Sentiment	May P	--	53.2	--	52.2	index, nsa
5/16/25	10:00 AM	U. of Mich. 1 Yr Inflation	May P	--	6.6	--	6.5	nsa
5/16/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	May P	--	4.4	--	4.4	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/5/25	9:45 AM	S&P Global US Services PMI	Apr F	50.8	51.2	--	51.4	index, sa
5/5/25	9:45 AM	S&P Global US Composite PMI	Apr F	50.6	51.2	--	51.2	index, sa
5/5/25	10:00 AM	ISM Services Index	Apr	51.6	50.2	--	50.8	index, nsa
5/7/25	7:00 AM	MBA Mortgage Applications w/w	5/2/25	11.0	--	--	-4.2	%, sa
5/7/25	2:00 PM	FOMC Rate Decision (Upper Bound)	5/7/25	4.5	4.5	--	4.5	%
5/7/25	3:00 PM	Consumer Credit m/m	Mar	10.2	9.4	-0.6	-0.8	\$B, sa
5/8/25	8:30 AM	Nonfarm Productivity q/q	1Q P	-0.8	-0.8	1.7	1.5	%, saar
5/8/25	8:30 AM	Unit Labor Costs q/q	1Q P	5.7	5.1	2.0	2.2	%, saar
5/8/25	8:30 AM	Initial Jobless Claims	5/3/25	228	230	--	241	k, sa
5/8/25	8:30 AM	Continuing Claims	4/26/25	1,879	1,895	1,908	1,916	k, sa
5/8/25	10:00 AM	Wholesale Inventories m/m	Mar F	0.4	0.5	--	0.5	%, sa
5/8/25	10:00 AM	Wholesale Trade Sales m/m	Mar	0.6	0.9	2.0	2.4	%, sa
5/8/25	11:00 AM	NY Fed 1-Yr Inflation Expectations	Apr	3.63	--	--	3.58	%

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Green = upside surprise; **Red** = downside surprise; (compared vs. prior if no consensus estimates available)