

HaMMR Digest

Stay current with economic and mortgage market trends.

June 16, 2025

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Beneath the Headlines

- **Key Takeaway:** Evidence of tariff-driven price increases remains minimal but with an effective tariff rate in the mid-teens, it is a matter of when, not if.
- **Macro Implications:** Fed will sit tight and cautiously monitor tariff impacts despite disinflation process broadly continuing and labor market softening.
- **Housing Implications:** Swelling inventory and weak demand likely to remain the housing story for 2025 with mortgage rates stuck near 7%.

Macro: Coming Around the Bend

- Tariff cost pressures are slowly building but remained minimal through May.
- Iran-Israel escalation threatens to sharply lift energy prices in near-term.
- Prelim June consumer sentiment rebounds as inflation fears eased.

Rates: Downward Bias

- 10y down -10bps amid soft CPI, higher claims and rising Middle East tensions.
- Focus of Fed policy-setting meeting will be on updated “dots” forecasts.
- Current market pricing back to two Fed rate cuts this year and three next.

Housing: Not Much to Cheer About

- Mortgage rates likely stuck in high-6% / low-7% range for rest of 2025.
- Inventory still accumulating as new listings continue to outpace sales.
- More homes selling at a discount relative to seasonally norms.

Consumer Inflation: Look Within

- CPI inflation slowed to 0.08% m/m in May amid widespread cooling.
- Core inflation eased to 0.13%, below prior 3- and 6-month averages.
- Tariff-impacted core goods acceleration masked by weak auto & apparel.

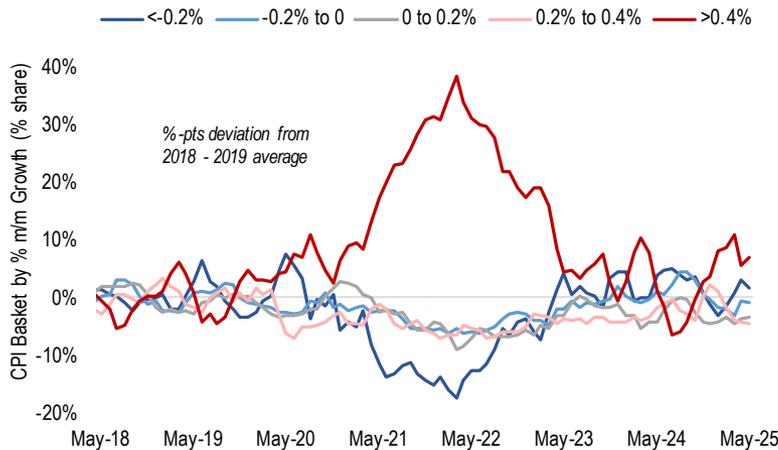
Producer Inflation: More Firms Passing the Bill

- Headline PPI inflation rebounds 0.13% in May, from -0.24% in April.
- Core inflation strengthened in part due to surging consumer goods.
- Trade margin plunge in April revised away, bounced back in May.

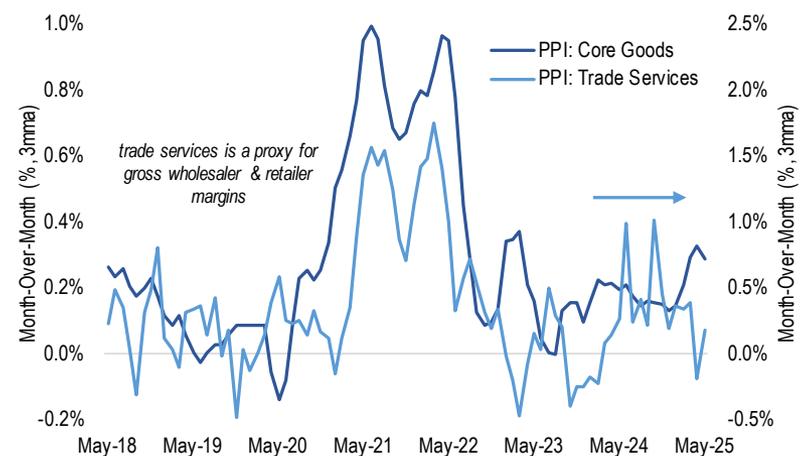
Small Business Optimism: A (Big) Step in the Right Direction

- NFIB Optimism index rose to 98.8, first monthly increase since Dec. '24.
- Economic outlook jumped 10%-pts alongside higher sales expectations.
- More firms expect to raise prices for reasons other than wages.

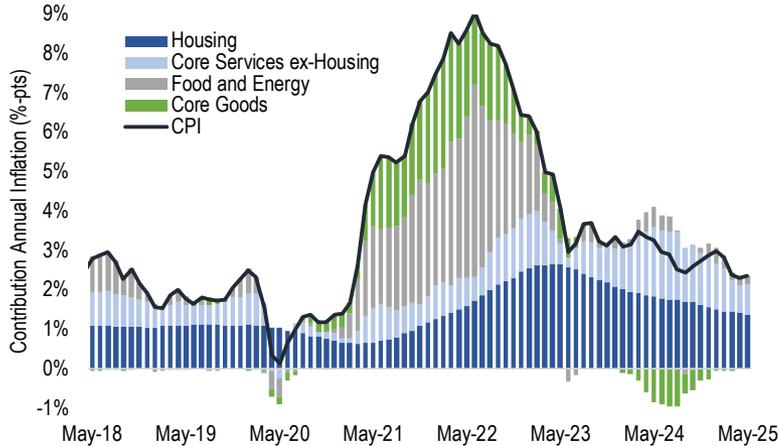
Despite Cooler Headline Consumer Inflation, Tariff Pressures Are Percolating Beneath the Surface



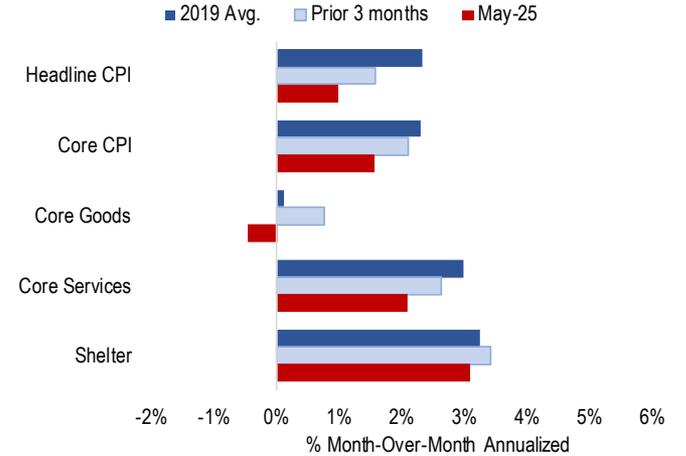
Rebound in Trade Margins Suggests More Firms Passed on Tariff Costs to End Consumer



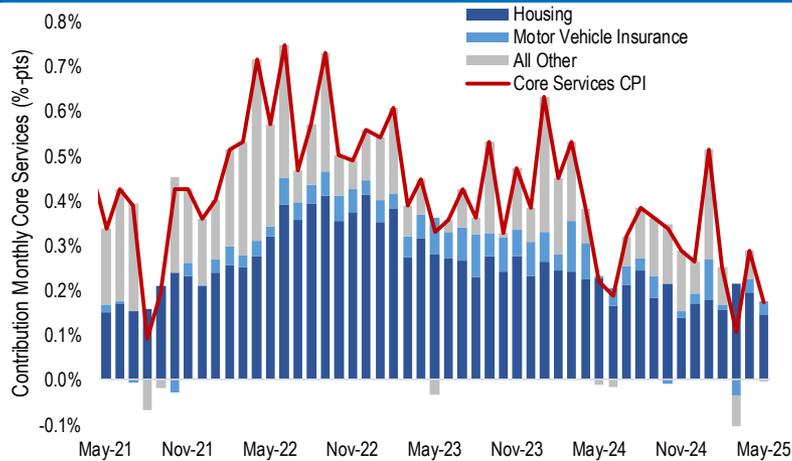
Annual Headline Inflationary Pressure Kept at Bay amid Weak Energy Prices and Pullback in Housing Costs



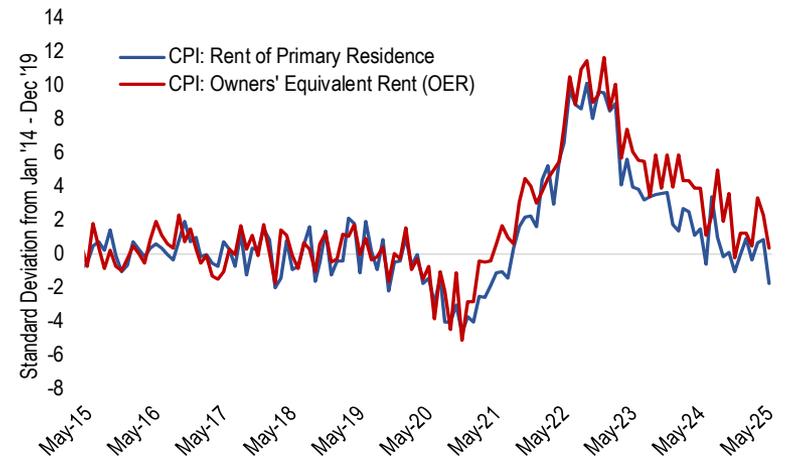
Core Goods Prices Dragged Down by Weakness in Autos and Apparel



Core Services Inflation Continued to Broadly Cool on a Monthly Basis ...



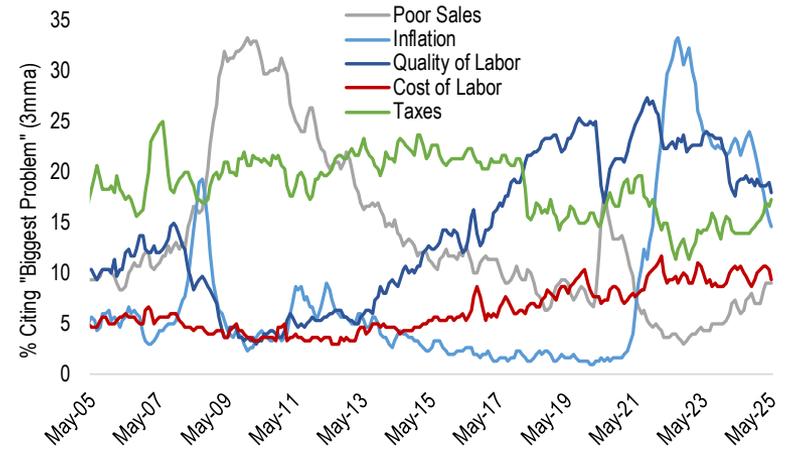
... As Housing Inflation Has Largely Normalized



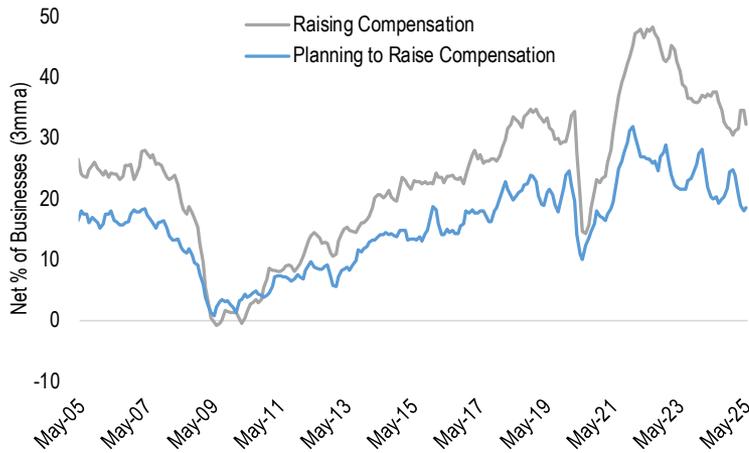
Net Share of Small Businesses Planning to Hire Has Hit a Multi-Month Low, Coinciding with Rising Job Losers



"Taxes" Cited as "Biggest Problem" by More Businesses, Likely Due to Budget Bill, "Inflation" Still Falling



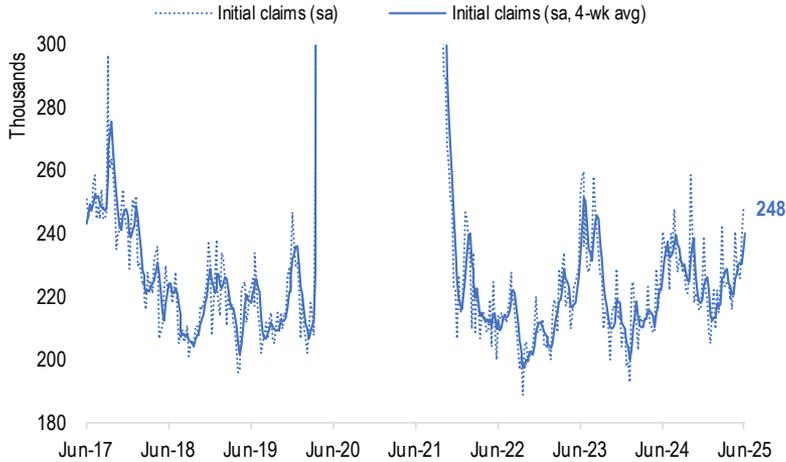
Pay Increases Have Pivoted Higher, but Future Wage Growth Expectations Falling amid Rising Economic Risks



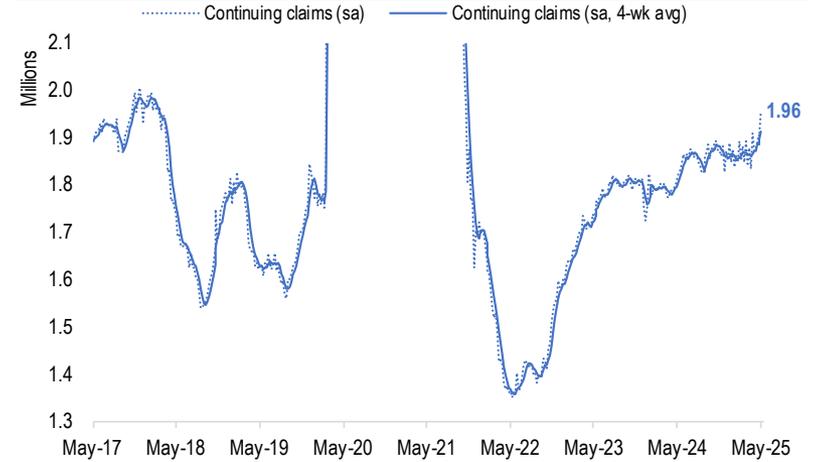
Share of Firms Raising Prices Receded after Earlier Bounce, but Plans to Hike Prices Still Rising



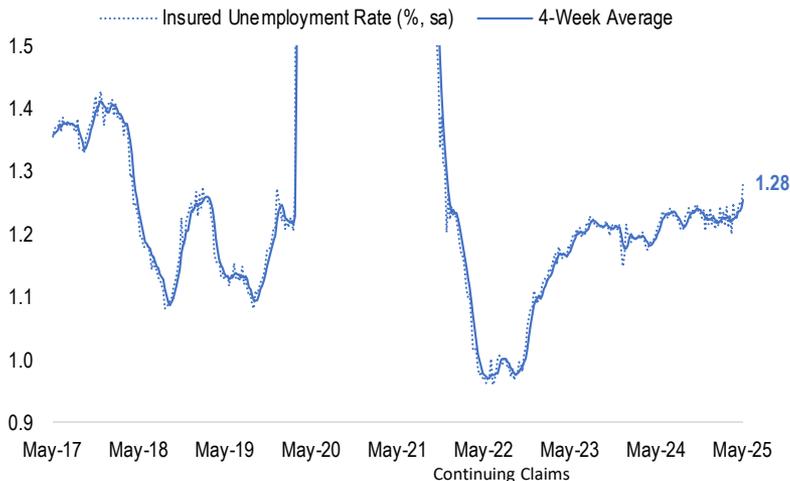
Initial Claims Climbed to 248k (SA) during Week Ending June 7, Near Upper Range of Post-Pandemic Era



Continuing Claims Jumped 54k to new Cycle High (1,956k SA) during the Week Ending May 31



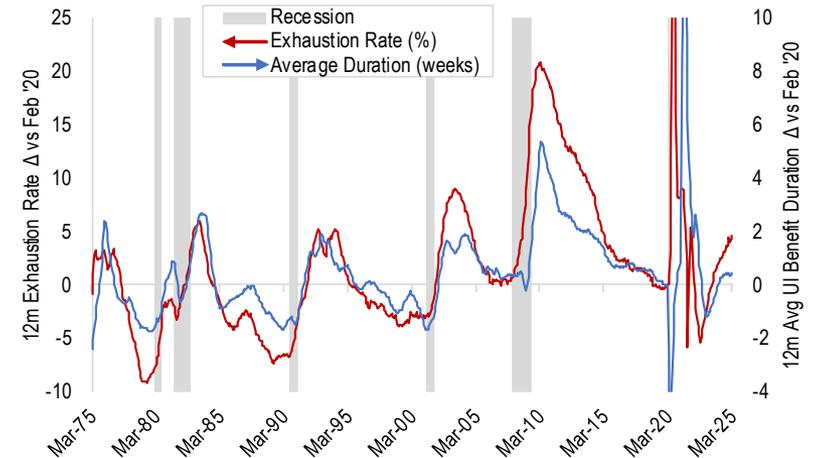
Normalizing for the Size of the Labor Force, Insured Unemployment Also Surged to a Post-Pandemic High



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

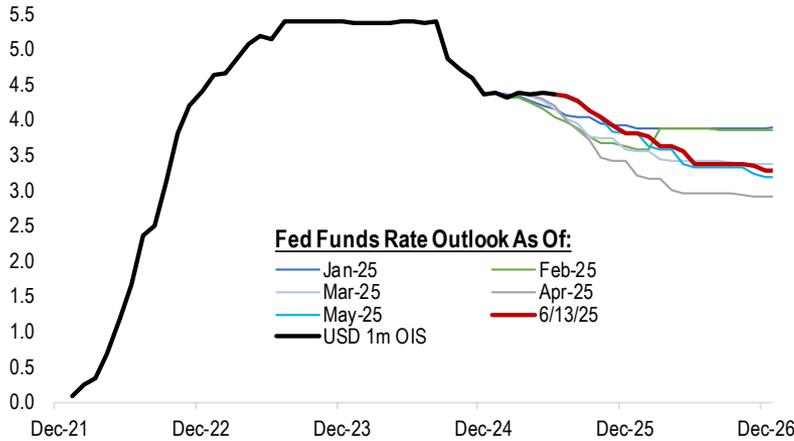
Sources: U.S. Department of Labor, Arch Global Economics

Elevated Share of UI Beneficiaries Exhausting Benefits Means Continuing Claims Worse Than They Appear

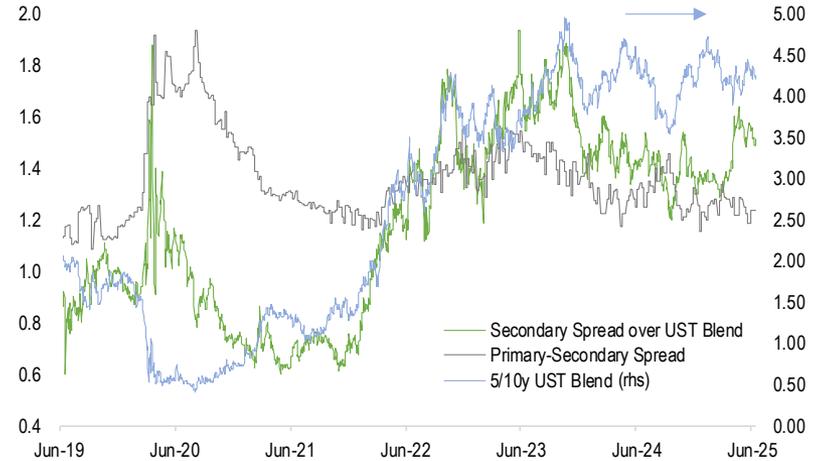


SA = Seasonally Adjusted
NSA = Not Seasonally Adjusted

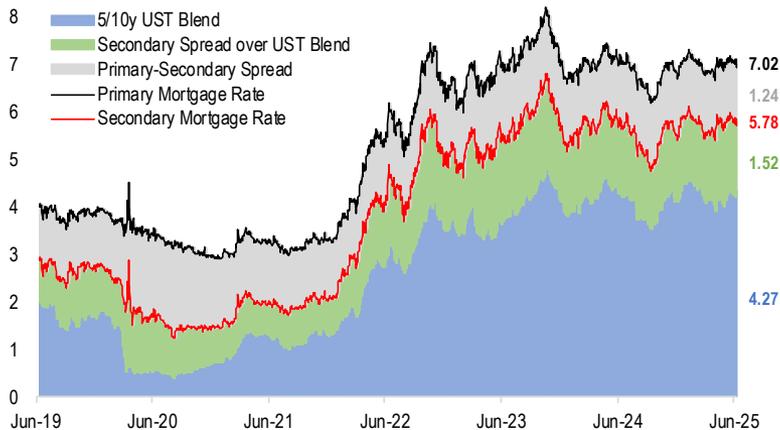
Weak Inflation, Rising Claims, Middle East Escalation Leads to Market Pricing in an Additional Rate Cut in '26



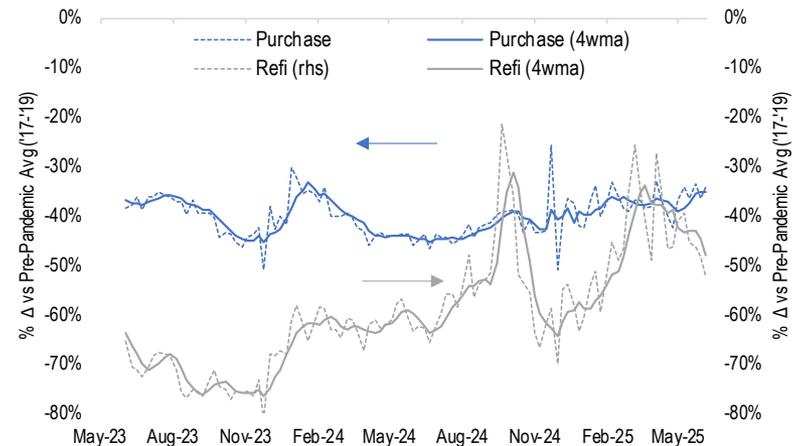
U.S. Treasury Yields Dropped -11bps Last Week and Mortgage Spreads Were Unchanged...



... Which Brought Mortgage Rates Back in Line with the Average Level for 2025 (~7%)



Purchase Apps Have Perked Up Modestly, Suggesting Some Buyers Have Come to Terms with Higher Rates



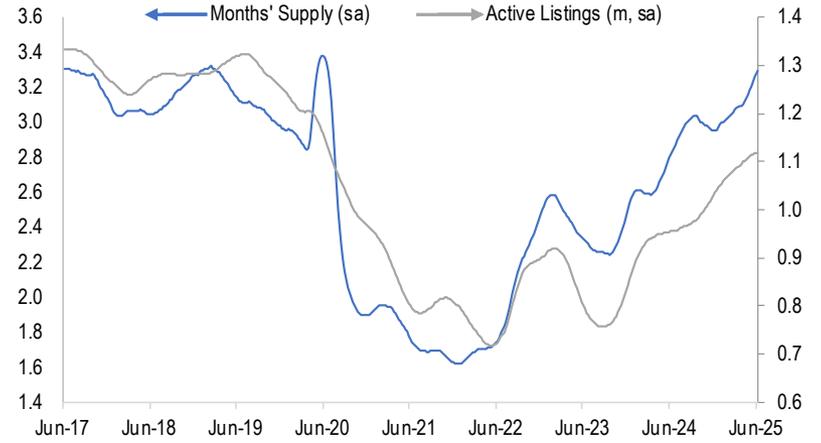
Sources: Bloomberg, FRB, Mortgage Bankers Association, Arch Global Economics

Secondary Spread: Current Coupon Option Adjusted Spread Over 5/10y UST Blend
Primary-Secondary Spread: Primary Mortgage Rate – Secondary Mortgage Rate

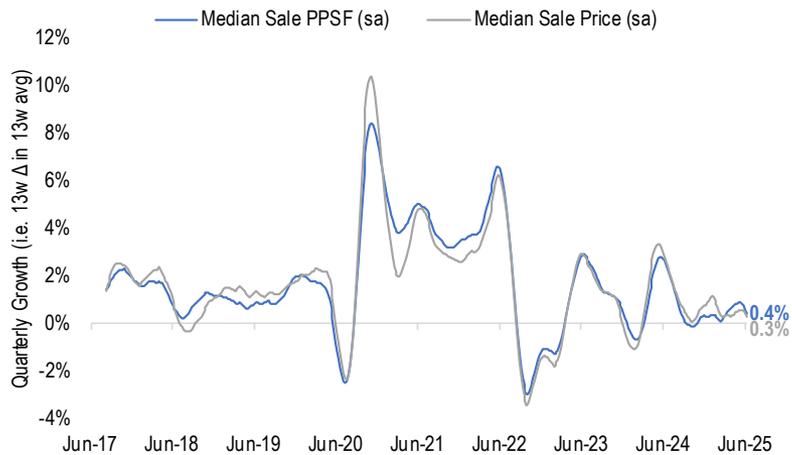
New Listings Have Cooled but Still Far Outpacing Pace of Pending Sales



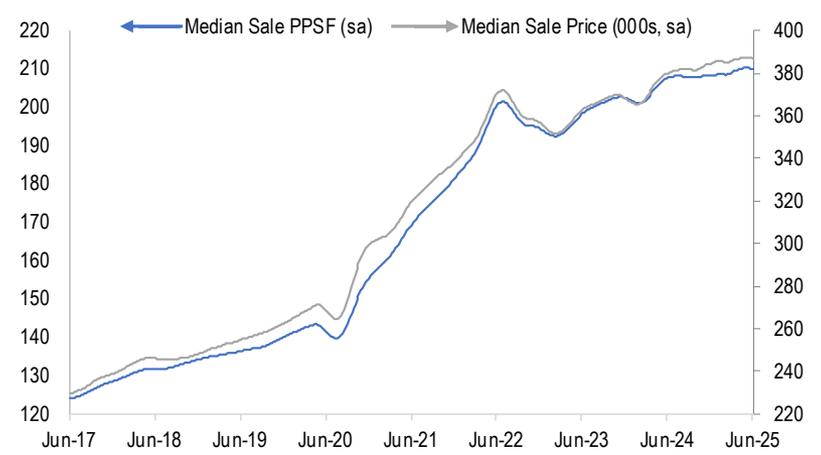
... Which Lifted Months' Supply Further above the Pre-Pandemic Level as Inventory Continued to Swell



Pace of Seasonally Adjusted Home-Price Growth Weakened into Early June



Home Prices Have Levelled Off After Climbing Modestly in Early 2025



Annual Home Price Growth Has Slowed to a Crawl and Most Markets Have 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	0.6%	-1.7%	3.9%	-0.3%	7.0%	1.6%	99.1%	-0.4%	-7.3	-11.8	14%	10%	-9%
Atlanta	-0.8%	0.6%	2.3%	0.4%	7.8%	2.6%	98.5%	-0.4%	15.3	3.3	17%	23%	-6%
Austin	-3.6%	-1.5%	2.7%	0.2%	9.8%	1.3%	97.6%	-0.2%	38.5	27.8	19%	137%	84%
Baltimore	1.9%	2.0%	7.7%	2.9%	6.8%	1.2%	101.4%	-0.5%	0.6	-5.4	7%	-23%	-36%
Boston	2.8%	-0.1%	5.8%	-2.3%	6.4%	1.7%	102.6%	-0.7%	9.4	8.4	20%	7%	-8%
Chicago	5.5%	-0.8%	6.0%	1.6%	3.6%	1.4%	100.6%	-0.3%	19.9	19.2	0%	-1%	-5%
Dallas	-4.8%	-3.0%	0.7%	1.7%	9.8%	2.5%	97.9%	-0.6%	12.7	3.5	6%	31%	14%
Denver	-3.5%	-1.4%	1.1%	2.1%	10.9%	1.1%	99.2%	-0.6%	11.0	4.1	37%	118%	53%
Houston	-0.8%	-1.0%	2.9%	1.2%	8.8%	2.8%	97.1%	-0.5%	9.0	0.0	20%	28%	7%
Los Angeles	0.8%	-4.5%	2.7%	-0.8%	5.7%	2.2%	100.2%	-1.2%	2.2	-3.3	16%	34%	6%
Miami	4.8%	1.3%	2.0%	0.8%	4.9%	1.4%	95.1%	-0.9%	19.9	3.3	23%	63%	-6%
Minneapolis	1.1%	-0.6%	3.3%	1.3%	7.1%	2.1%	100.9%	0.1%	-0.5	-0.8	4%	8%	1%
Nashville	1.6%	0.0%	3.7%	1.3%	6.6%	2.1%	98.3%	-0.1%	4.3	-4.2	21%	41%	7%
New York	5.8%	-0.8%	7.2%	0.0%	4.1%	0.5%	100.4%	0.0%	-42.1	-38.8	5%	-18%	-29%
Phoenix	-2.7%	-4.1%	1.0%	1.6%	8.1%	1.3%	98.1%	-0.3%	15.5	7.8	32%	78%	33%
Portland	-0.1%	-3.1%	0.8%	-0.5%	9.1%	2.0%	100.1%	-0.2%	6.4	2.4	22%	67%	26%
Riverside	-0.6%	-3.4%	2.9%	0.2%	6.7%	2.2%	99.1%	-0.8%	-3.3	-11.5	17%	28%	3%
San Diego	-0.8%	-2.1%	0.6%	-0.5%	7.5%	2.5%	99.3%	-1.2%	3.9	-3.6	27%	35%	0%
Seattle	-0.2%	-0.5%	5.5%	2.8%	8.1%	2.1%	100.7%	-1.4%	-0.4	-1.4	42%	68%	11%
Tampa	-1.1%	0.5%	3.9%	2.3%	10.0%	1.0%	97.1%	-0.5%	7.4	-0.6	14%	73%	31%
Washington DC	1.0%	-4.8%	3.9%	1.8%	6.2%	1.8%	100.3%	-1.1%	16.1	5.6	17%	14%	-7%

Data as of June 8, 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
6/16/25	8:30 AM	Empire Manufacturing	Jun	-16.0	-6.0	--	-9.2	index, sa
6/17/25	8:30 AM	Advance Retail Sales m/m	May	--	-0.6	--	0.1	%, sa
6/17/25	8:30 AM	Retail Sales Control Group m/m	May	--	0.3	--	-0.2	%, sa
6/17/25	8:30 AM	Import Price Index m/m	May	--	-0.2	--	0.1	%, nsa
6/17/25	8:30 AM	Import Price Index y/y	May	--	0.0	--	0.1	%, nsa
6/17/25	9:15 AM	Industrial Production m/m	May	--	0.0	--	0.0	%, sa
6/17/25	9:15 AM	Capacity Utilization	May	--	77.7	--	77.7	sa
6/17/25	10:00 AM	Business Inventories m/m	Apr	--	0.0	--	0.1	%, sa
6/17/25	10:00 AM	NAHB Housing Market Index	Jun	--	36.0	--	34.0	index, sa
6/18/25	7:00 AM	MBA Mortgage Applications w/w	6/13/25	--	--	--	12.5	%, sa
6/18/25	8:30 AM	Housing Starts	May	--	1,350	--	1,361	k, saar
6/18/25	8:30 AM	Building Permits	May P	--	1,425	--	1,422	k, saar
6/18/25	8:30 AM	Housing Starts m/m	May	--	-0.8	--	1.6	%, sa
6/18/25	8:30 AM	Building Permits m/m	May P	--	0.2	--	-4.0	%, sa
6/18/25	8:30 AM	Initial Jobless Claims	6/14/25	--	245	--	248	k, sa
6/18/25	8:30 AM	Continuing Claims	6/7/25	--	1,940	--	1,956	k, sa
6/18/25	2:00 PM	FOMC Rate Decision (Upper Bound)	6/18/25	--	4.5	--	4.5	%
6/20/25	8:30 AM	Philadelphia Fed Business Outlook	Jun	--	-1.5	--	-4.0	index, sa
6/20/25	10:00 AM	Conference Board Leading Index m/m	May	--	-0.1	--	-1.0	%, sa

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
6/9/25	10:00 AM	Wholesale Inventories m/m	Apr F	0.2	0.0	--	0.0	%, sa
6/9/25	10:00 AM	Wholesale Trade Sales m/m	Apr	0.1	0.3	0.8	0.6	%, sa
6/9/25	11:00 AM	NY Fed 1-Yr Inflation Expectations	May	3.2	3.5	--	3.6	%
6/10/25	6:00 AM	NFIB Small Business Optimism	May	98.8	96.0	--	95.8	index, sa
6/11/25	7:00 AM	MBA Mortgage Applications w/w	6/6/25	12.5	--	--	-3.9	%, sa
6/11/25	8:30 AM	CPI m/m	May	0.1	0.2	--	0.2	%, sa
6/11/25	8:30 AM	CPI Core (ex Food and Energy) m/m	May	0.1	0.3	--	0.2	%, sa
6/11/25	8:30 AM	CPI y/y	May	2.4	2.4	--	2.3	%, nsa
6/11/25	8:30 AM	CPI Core (ex Food and Energy) y/y	May	2.8	2.9	--	2.8	%, nsa
6/12/25	8:30 AM	PPI Final Demand m/m	May	0.1	0.2	-0.2	-0.5	%, sa
6/12/25	8:30 AM	PPI Core (ex Food and Energy) m/m	May	0.1	0.3	-0.2	-0.4	%, sa
6/12/25	8:30 AM	PPI Final Demand y/y	May	2.6	2.6	2.5	2.4	%, nsa
6/12/25	8:30 AM	PPI Core (ex Food and Energy) y/y	May	3.0	3.1	3.2	3.1	%, nsa
6/12/25	8:30 AM	Initial Jobless Claims	6/7/25	248	242	248	247	k, sa
6/12/25	8:30 AM	Continuing Claims	5/31/25	1,956	1,910	1,902	1,904	k, sa
6/13/25	10:00 AM	U. of Mich. Sentiment	Jun P	60.5	53.6	--	52.2	index, nsa
6/13/25	10:00 AM	U. of Mich. 1 Yr Inflation	Jun P	5.1	6.4	--	6.6	nsa
6/13/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	Jun P	4.1	4.1	--	4.2	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

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