



HaMMR Digest

Stay current with economic and mortgage market trends.

January 8, 2024

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Back to Business

- **Key Takeaway:** Labor market strength overstated by headlines of Dec. jobs report, but other macro data was generally positive over the holidays.
- **Macro Implications:** Fed has laid the groundwork for rate cuts but remains in no hurry to pull the trigger prematurely — we still expect first cut in May.
- **Housing Implications:** Recent rapid descent in rates transitioning into a bumpy ride lower; we expect home sales and prices to rise modestly in '24.

Macro: 2023 a Solid Year for Growth, But What About 2024?

- Labor market showing further signs of cooling into year-end.
- Overall, growth remains on solid footing entering the new year.
- Consumer spending headed for a modest slowdown.

Jobs Report: Unemployment Rate Holds the Line at 3.7%

- Monthly payroll gains averaged 225k in '23, down from 400k in '22.
- Labor supply continued to soften and bears watching closely in '24.
- Wage growth still elevated but trending toward pre-COVID norm.

Job Openings: Labor Churn Slowed Down in 4Q23

- Nov. job openings fell for third month and down -18% y/y.
- Layoffs remained historically low but pace of hiring cooled further.
- Hiring and quits rates suggest labor turnover is lower than in 2019.

Personal Income: Holiday Spending Looked Promising

- Real disposable income rose 0.4% m/m in Nov. and 4.3% y/y.
- Real spending improved to 0.3% m/m with ex-autos up 2.6% y/y.
- Core PCE inflation slowed to 1.9% annualized over six months.

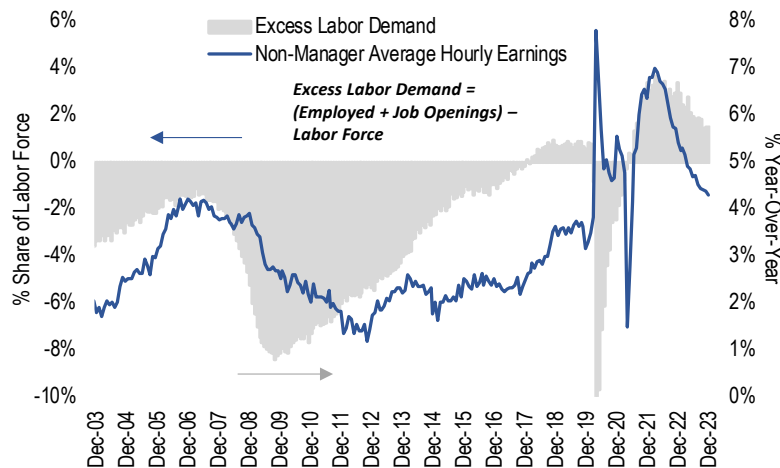
Rates: Implied Fed Rate Cuts Pared Back

- Dwindling in rates eased with 10-year UST yield up 15bps to ~4%.
- Market odds for first rate cut dropped to ~65% in March.
- Fed Dec. minutes suggest policymakers still wary of inflation.

Housing: 9-Week Descent in Mortgage Rates Hits Pause Button

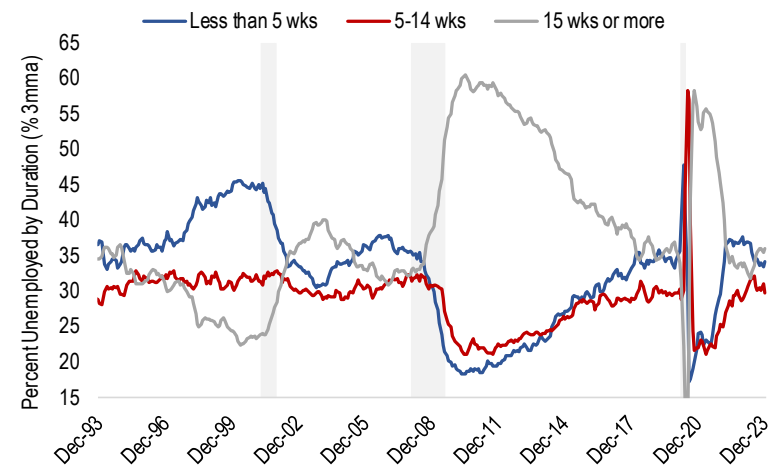
- Mortgage rates up 1bp w/w to 6.62%, well below '23 peak of 7.8%.
- Purchase applications starting to move higher on lower rates.
- We expect housing market to stabilize and inch higher in 2024.

Reduction in Excess Labor Demand Will Keep Downward Pressure on Wage Growth

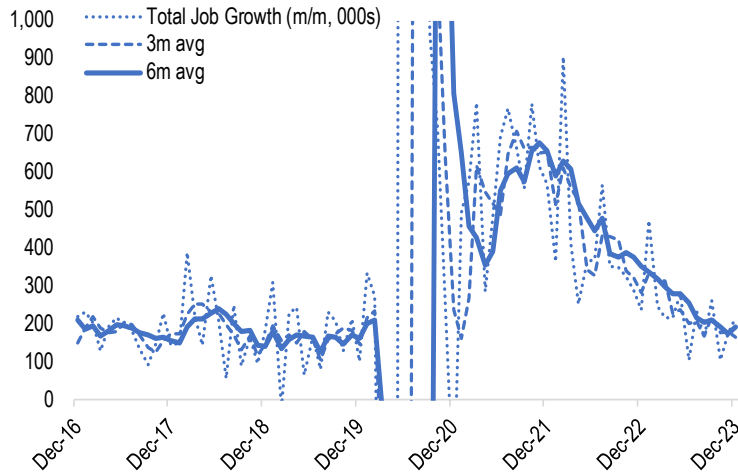


Sources: U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

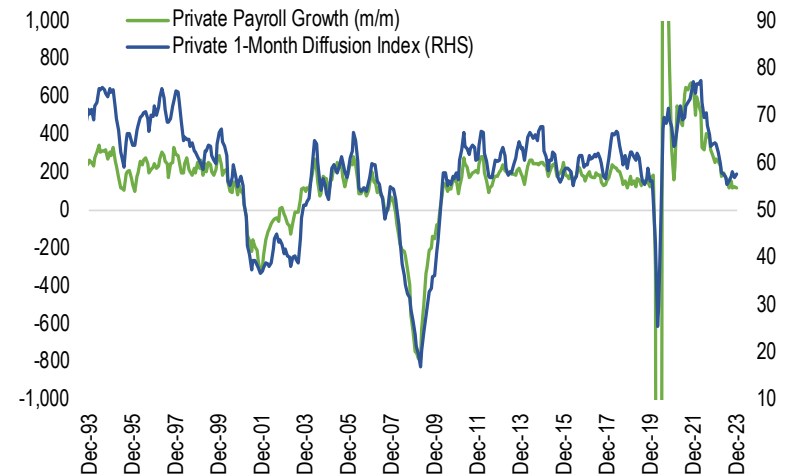
Duration of Unemployment Suggests Stabilization Rather Than Rapid Deterioration of Labor Market



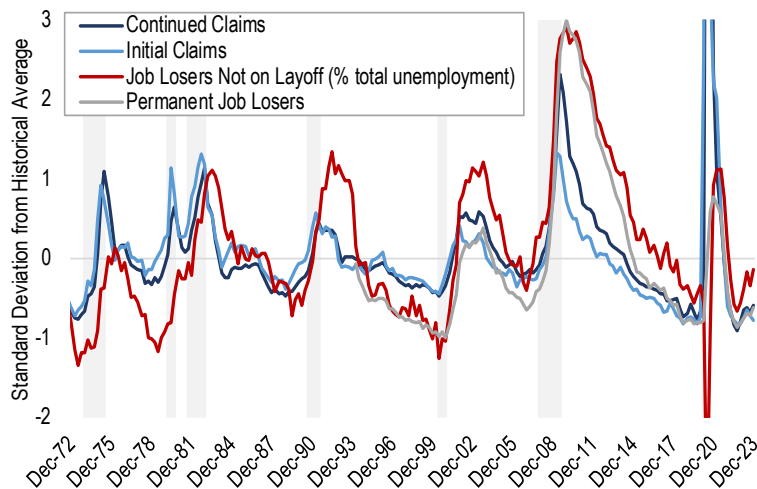
Total Payroll Gains Seemingly Moderating Toward Trend, Not Cooling Rapidly



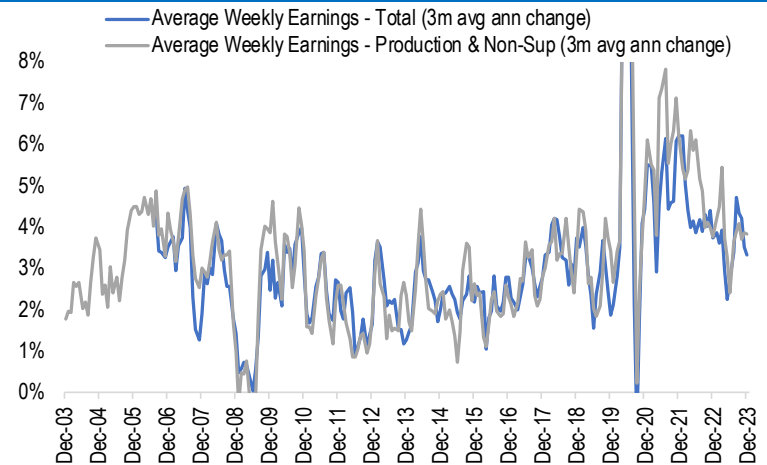
Private Payrolls and Breadth of Private Job Gains Remained Steady But on Modest Side



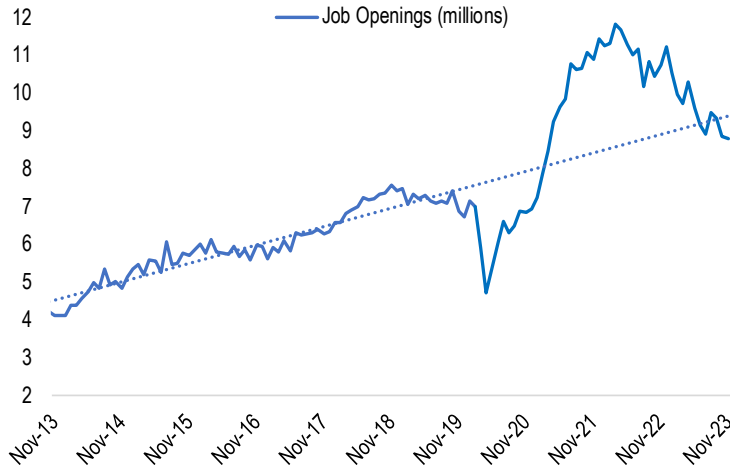
Measures of Labor Market Slack Building But Not Moving in Lockstep



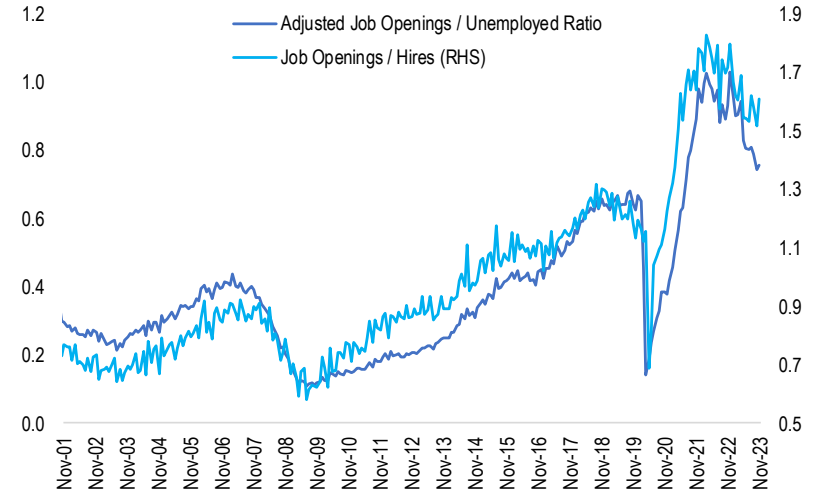
Average Weekly Earnings Growth Has Cooled Alongside Weaker Demand and Is Now Close to Typical Range



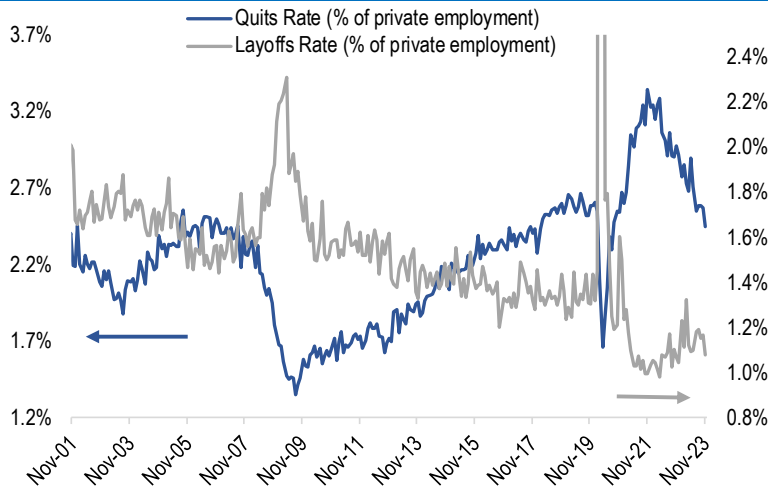
Total Job Openings Are Down -18% y/y and Have Fallen Below the Pre-Pandemic Trend



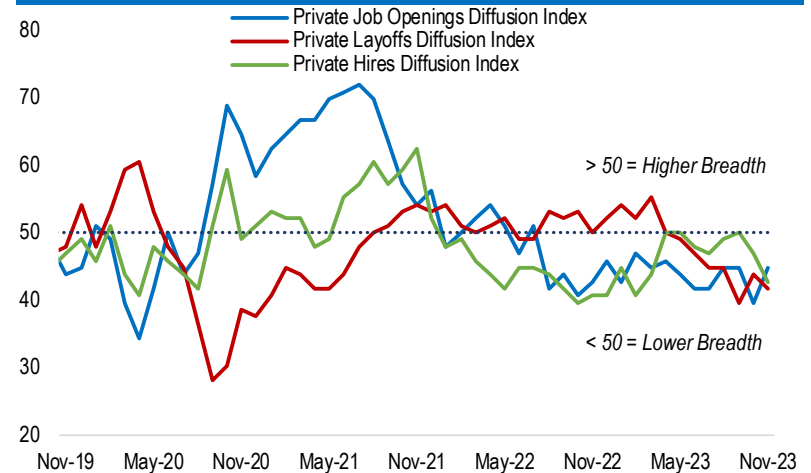
Despite Falling, Number of Job Openings Per Unemployed Individual Remained Elevated



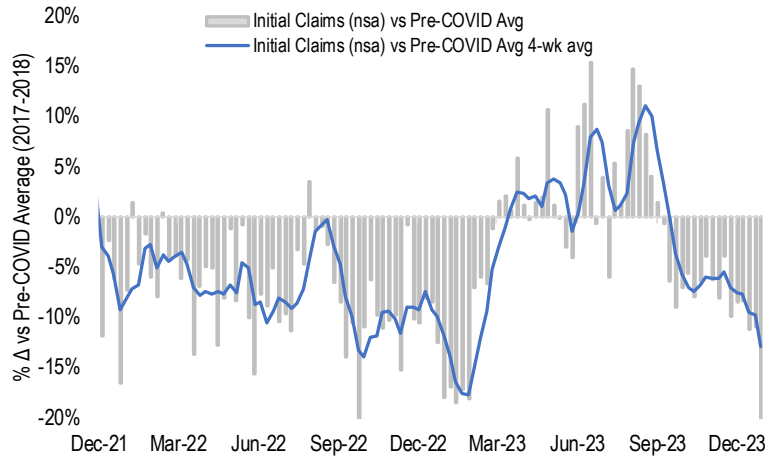
Cooling Labor Market Has Been Driven Primarily by Slower Pace of Hiring, Not an Increase in Layoffs



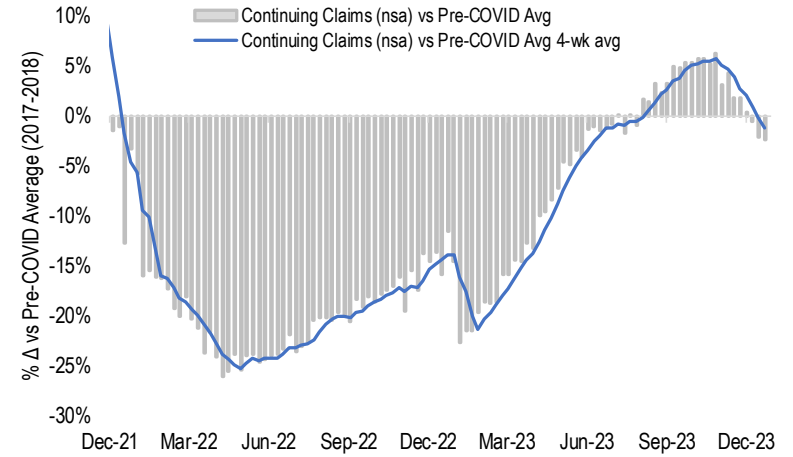
As Hiring Pace Cools, Less of an Uptick in Layoffs Is Needed to Raise the Unemployment Rate



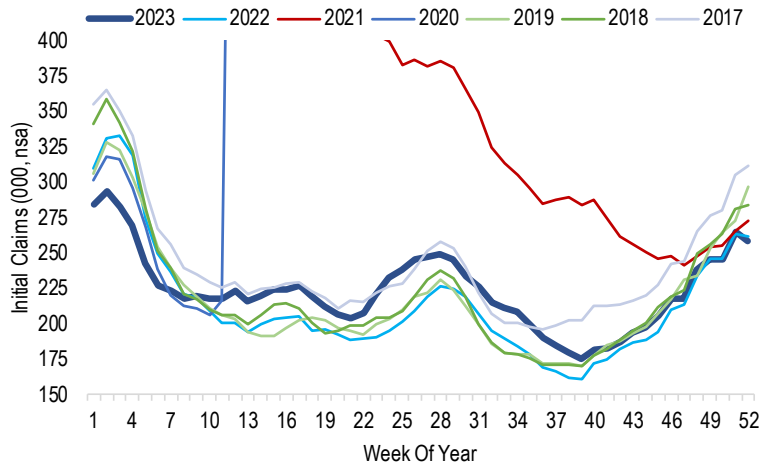
Initial Claims Finished 2023 by Plunging Well Below the Pre-Pandemic Norm ...



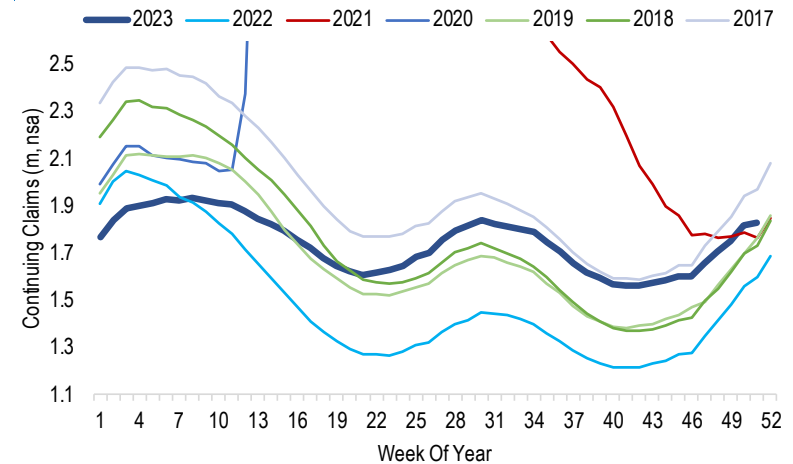
... while Continuing Claims Remained in a Modest Downtrend vs. the Pre-Pandemic Norm



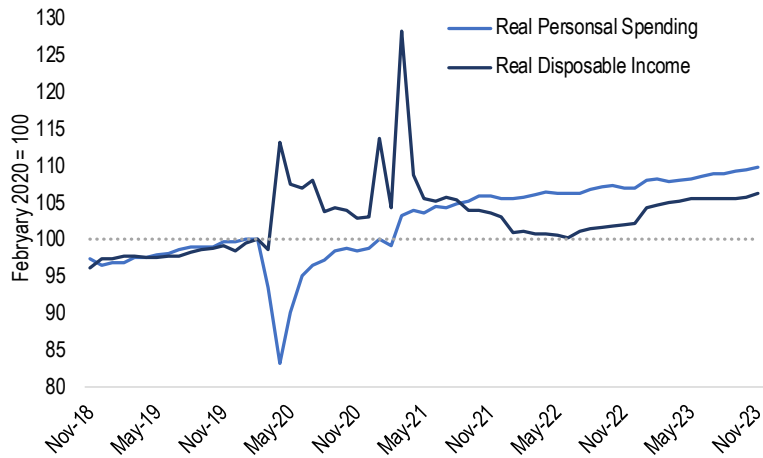
Little Concern as Initial Claims Continued to Follow Typical Pre-Pandemic Path Into Year-End ...



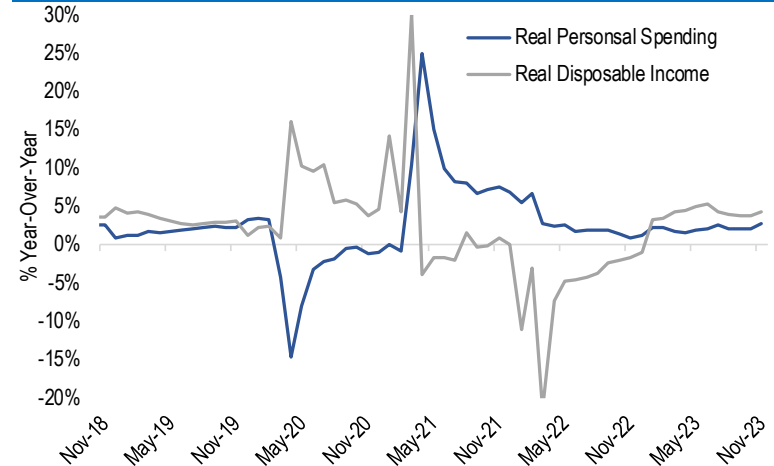
... and Continuing Claims Are No Longer Trending Higher vs. Pre-Pandemic Norm or Year-Ago Level



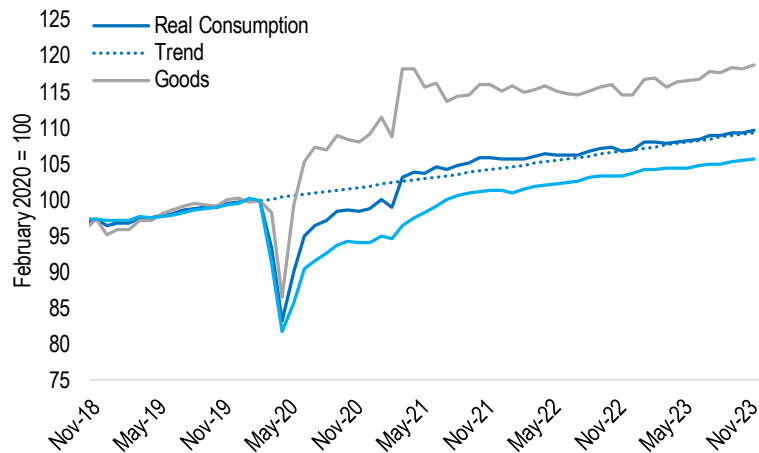
Real Spending Growth Remained Steady as Real Disposable Income Continued to Play Catch-Up



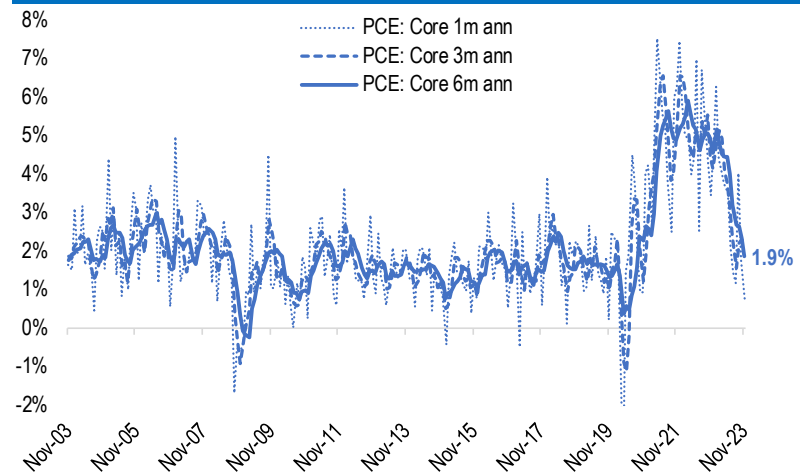
Labor Market Still Tight Enough to Bolster Income Growth, Which Has Outpaced Spending Growth in '23



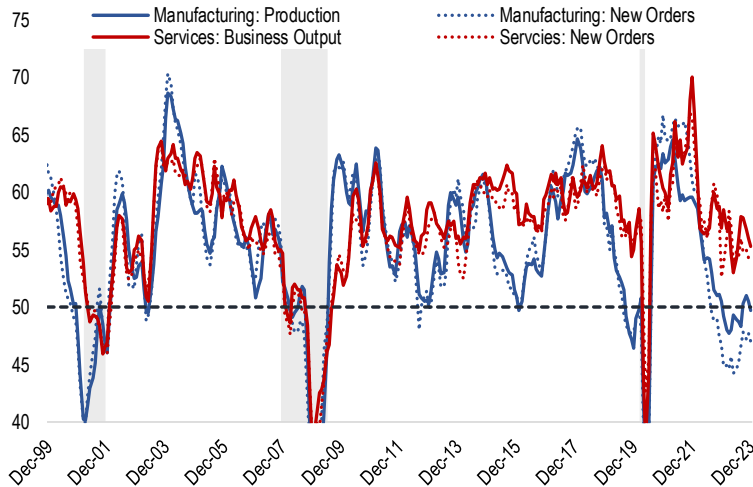
Real Personal Spending Back to Pre-Pandemic Trend But with Different Composition



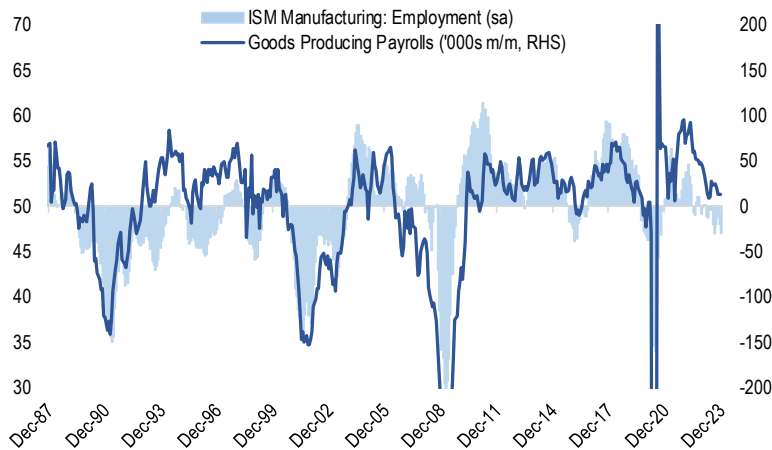
Fed's Preferred Gauge of Inflation (Core PCE) Back Below Target on a 6-Month Annualized Basis



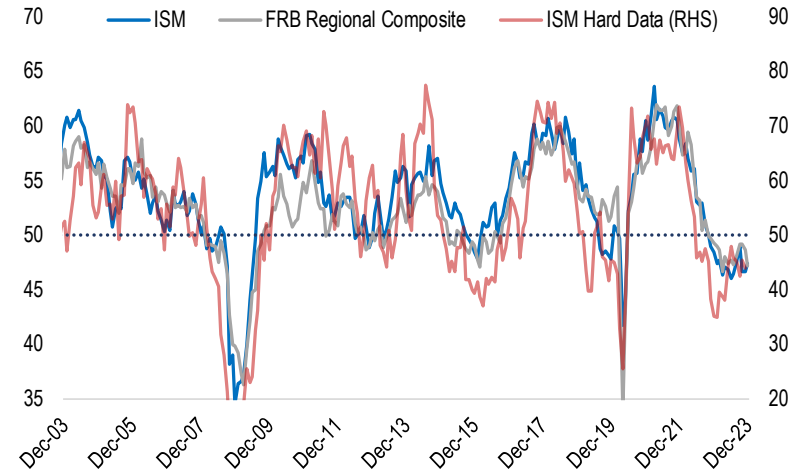
Business Output and New Orders Still Solid for Services While Manufacturing Took a Step Back



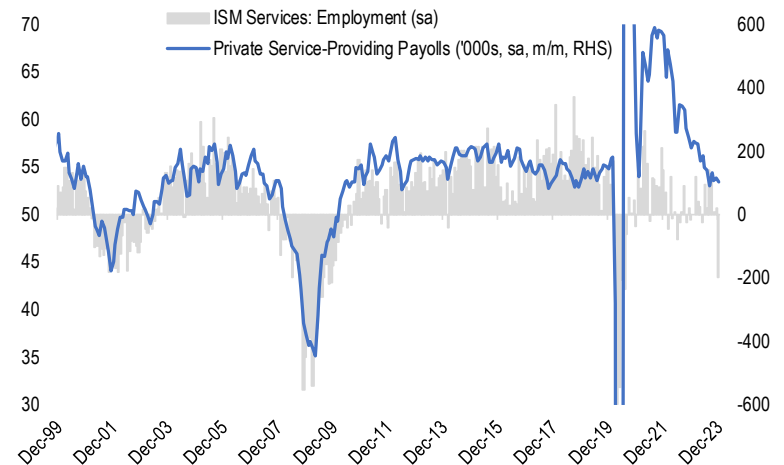
Resilient Goods Producing Employment Could See a Boost with Fed Rate Cuts



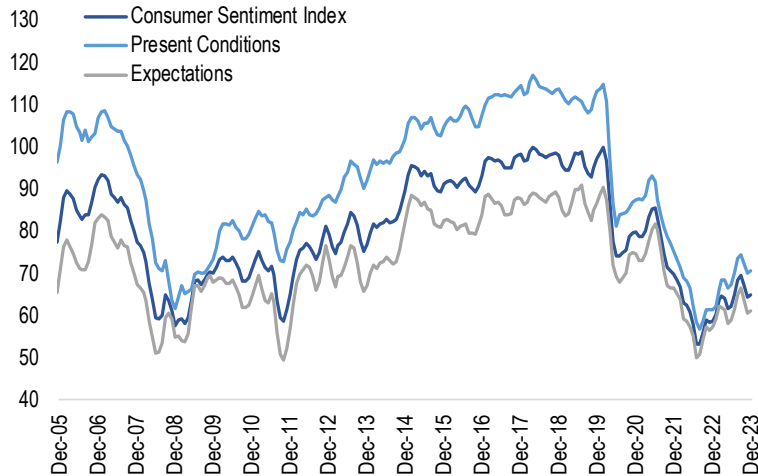
Manufacturing Sentiment and Real Goods Output Ended 2023 on a Soft Note



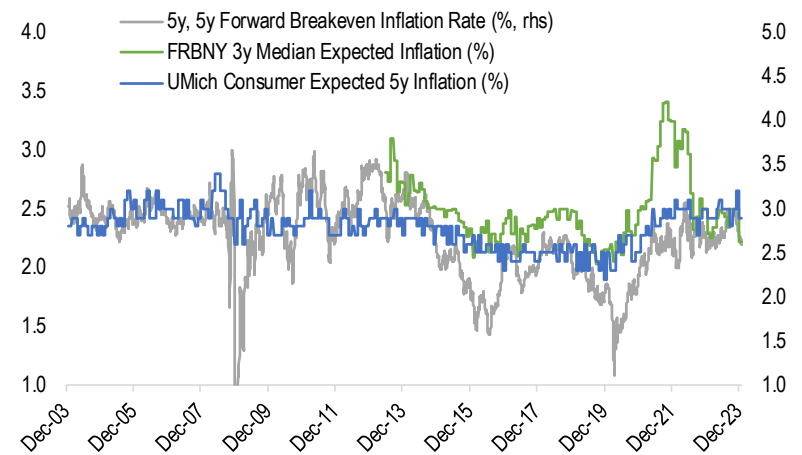
Services PMI Employment Continued to Look Out of Sync with Actual Services Payrolls



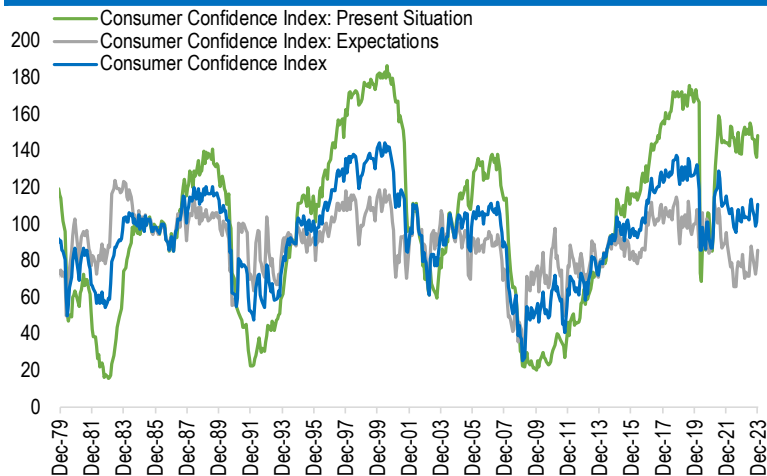
University of Michigan Consumer Sentiment Remained in a Choppy Uptrend in December



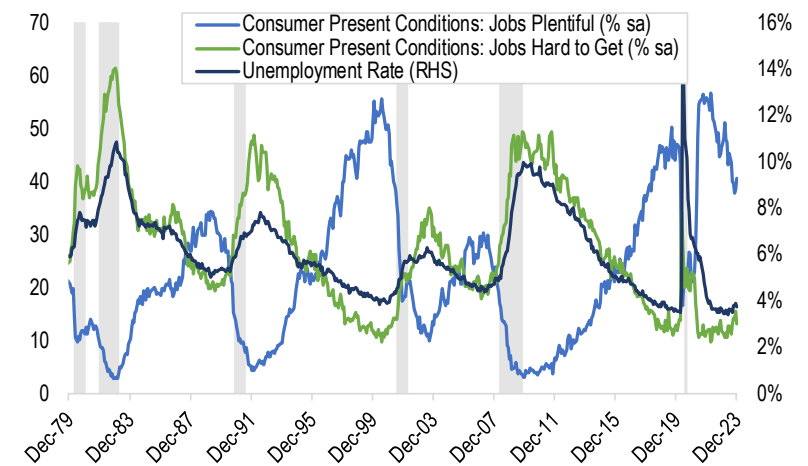
FRBNY and UMICH Inflation Expectations Moved Lower in December, Realigning with Market Expectations



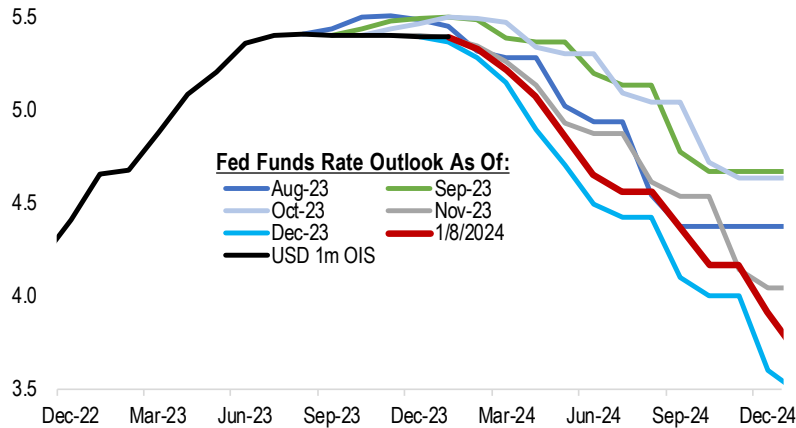
Conference Board's Consumer Confidence Index Also Choppy But in a Modest Uptrend



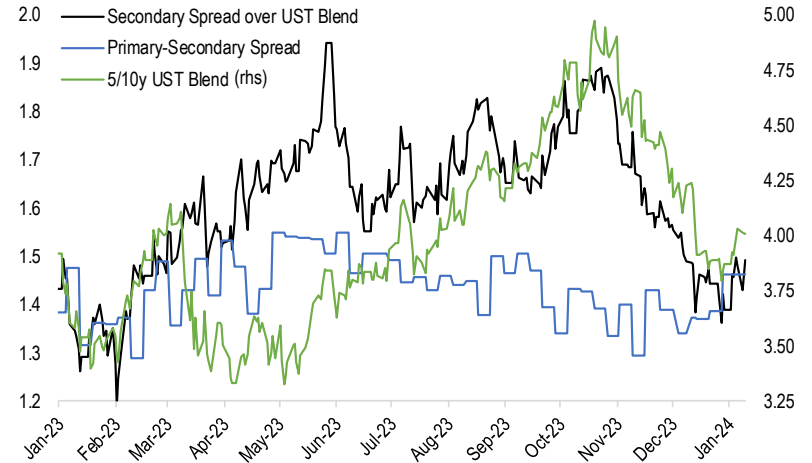
Households' Perceptions of Job Market Reflect a Healthy Labor Market Still in Transition



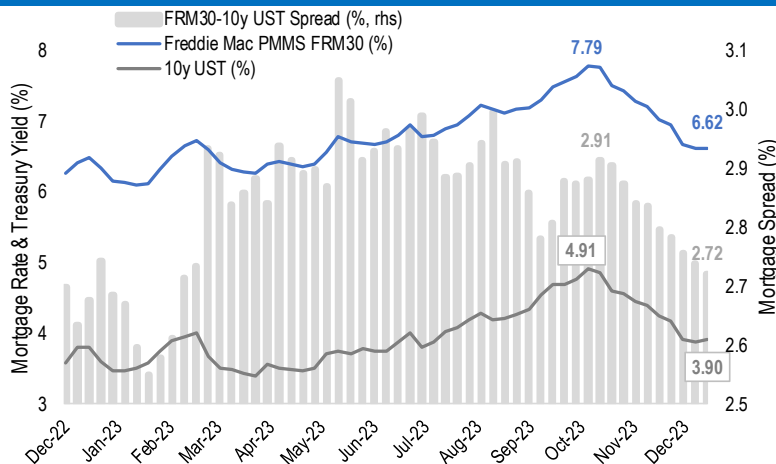
6 Rate Cuts Now Priced in for '24 vs. 7 Previously in Response to Solid String of Recent Data Releases ...



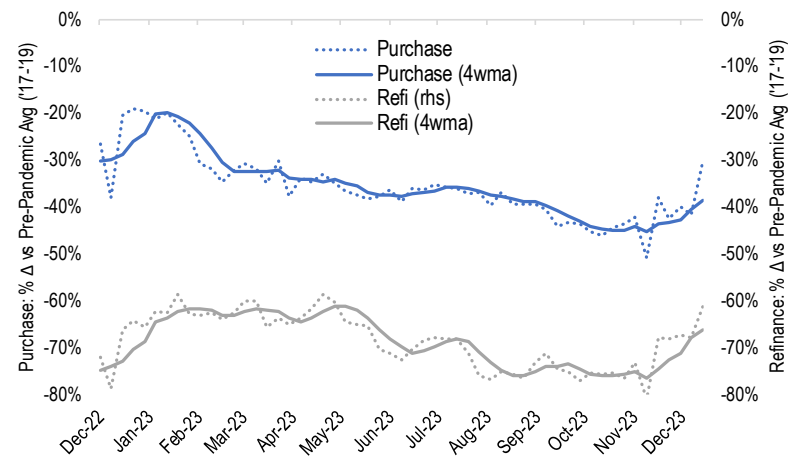
... and Lifted U.S. Treasury Yields While Halting the Normalization of Mortgage Spreads ...



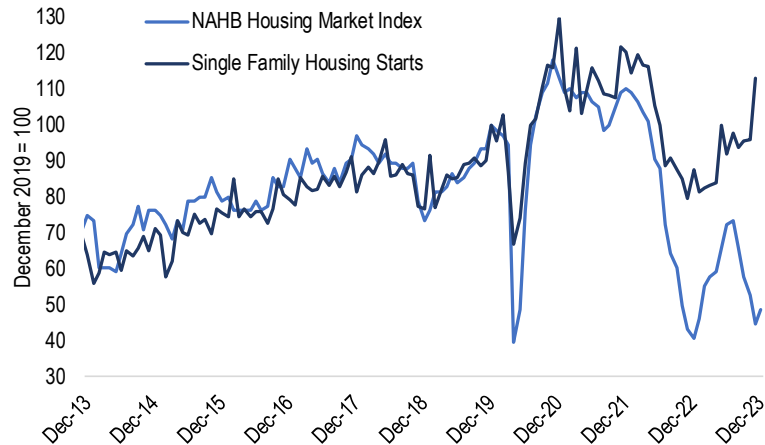
... leading to a Leveling Off for Mortgage Rates Around 6.60% ...



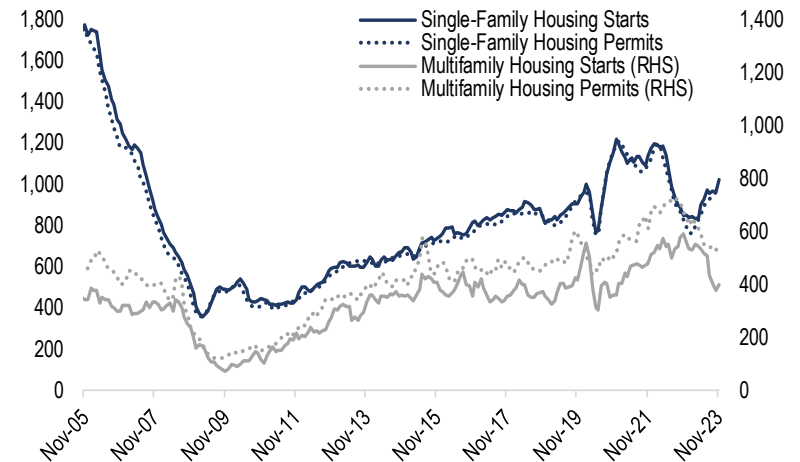
... which was Enough to Spur a Notable Increase in Mortgage Purchase and Refinancing Applications



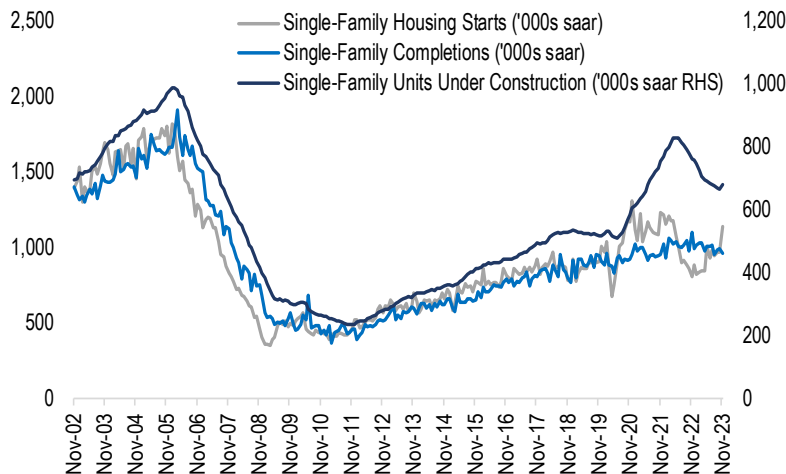
Builders Generally Pessimistic But Still Putting Shovels in the Ground



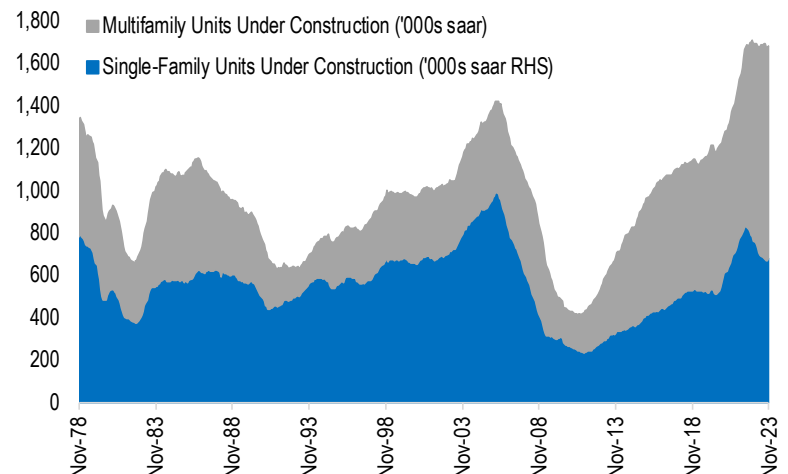
Single-Family Permits In Firm Uptrend, Positive for Future Supply



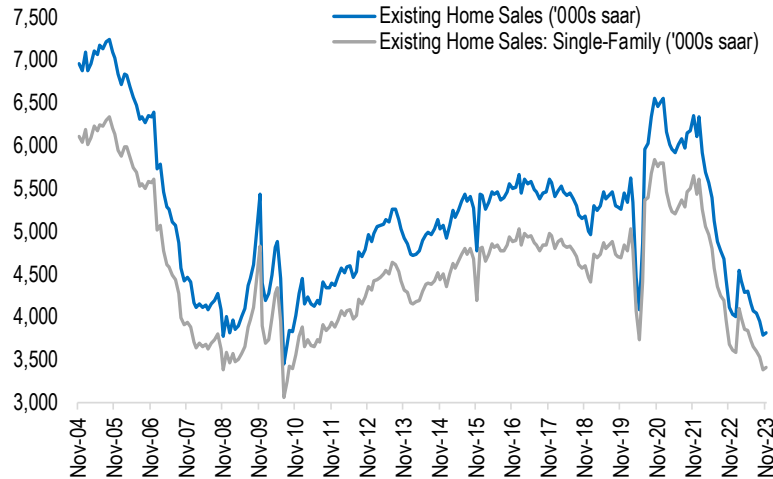
Completions Trended Lower as Focus Remained on Starts and Units Under Construction in November



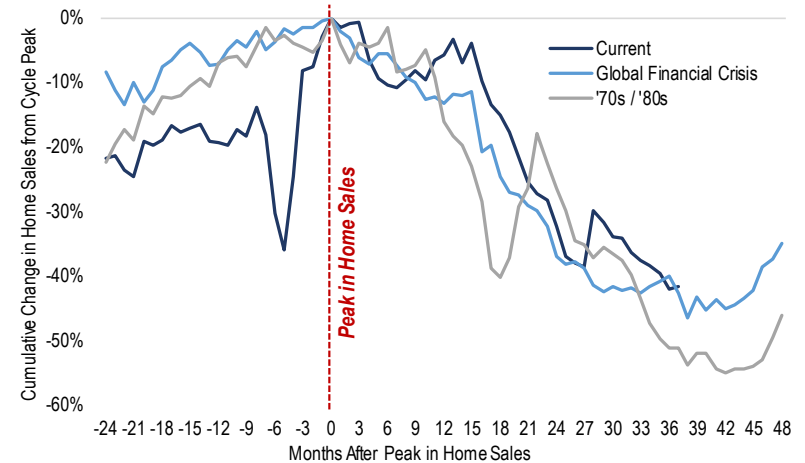
Outlook for Multifamily Starts Remains Negative Given Bloated Backlog and Softening Rental Market



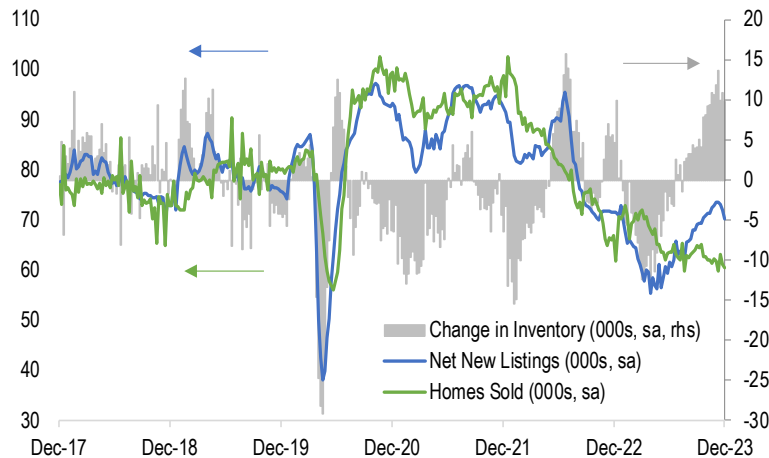
Existing Home Sales Showed Signs of Life in November, But Remained ~30% Below Pre-Pandemic Pace



Existing Home Sales Likely to Find Bottom Soon, Similar to Timing of Prior Severe Downturns



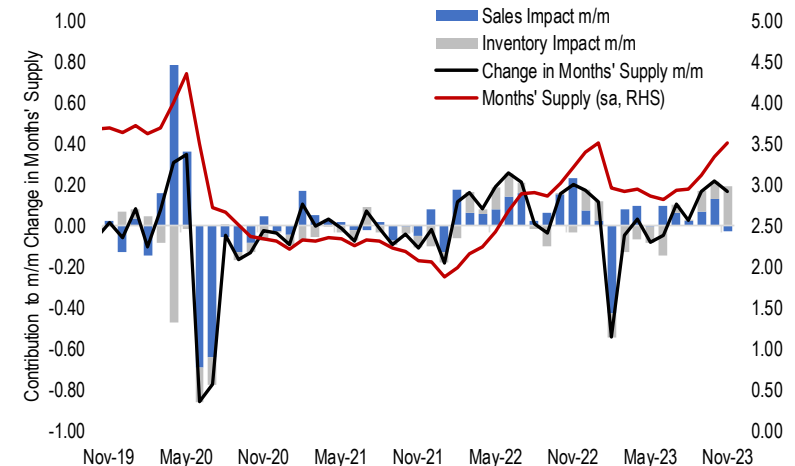
Pace of New Listings Slowed to End 2023; Depressed Sales Volume Still Causing Inventory to Accumulate



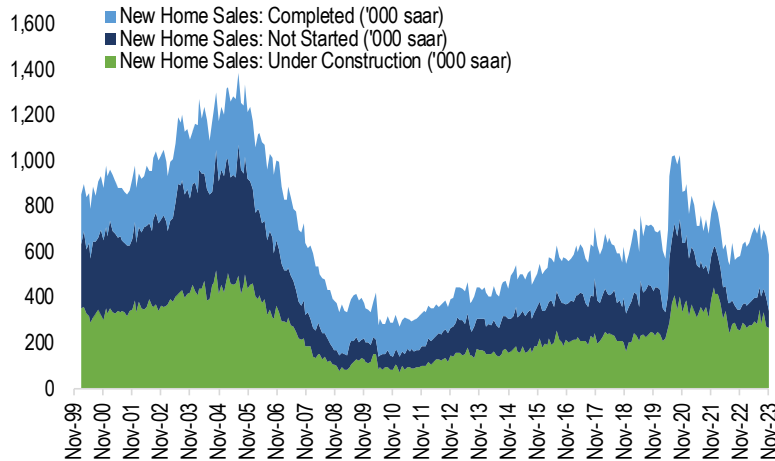
Net New Listings = New Listings Less Delisted Homes

Sources: BLS, Federal Housing Finance Agency (FHFA), [Redfin](#), Arch Global Economics

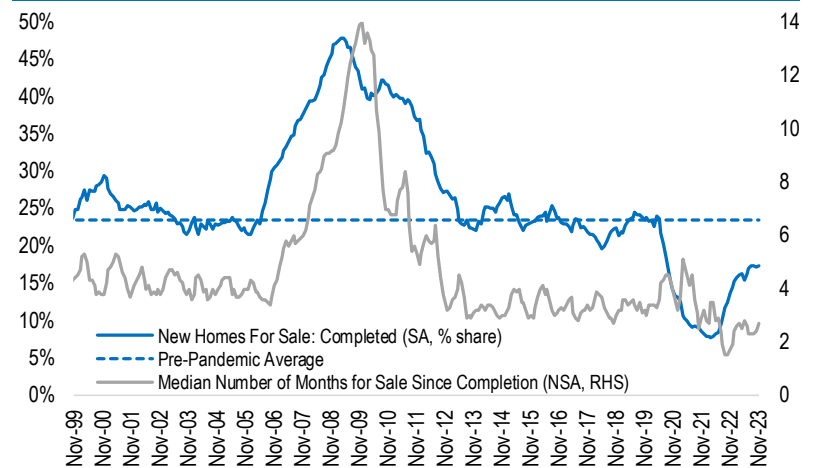
Inventory on the Rise as New Listings Outpaced Sales and Pushed Months' Supply Higher



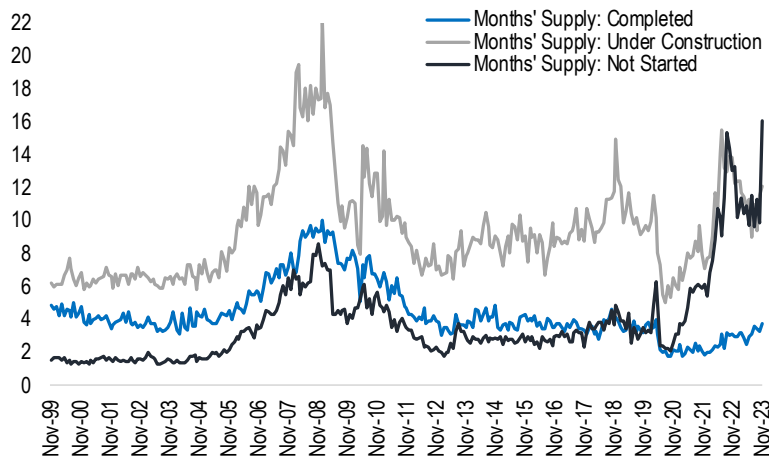
New Home Sales Fell Across All Phases of Construction in November Despite Lower Mortgage Rates



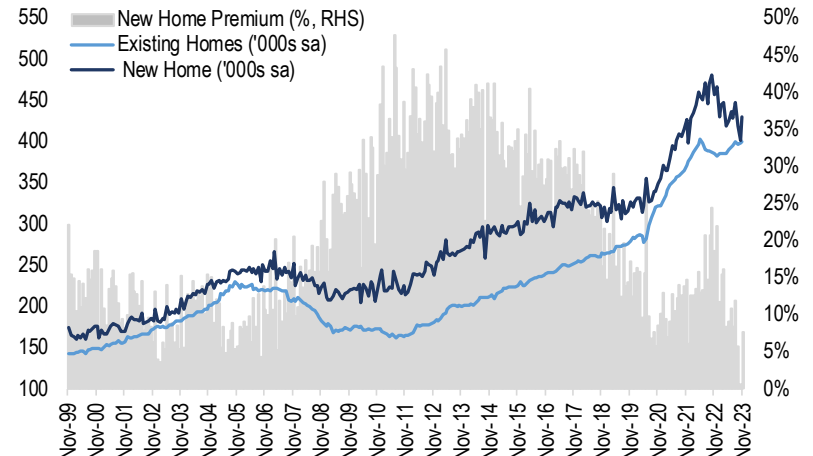
Demand for Move-In Ready New Homes Ample as Completed Homes Did Not Remain on Market for Long



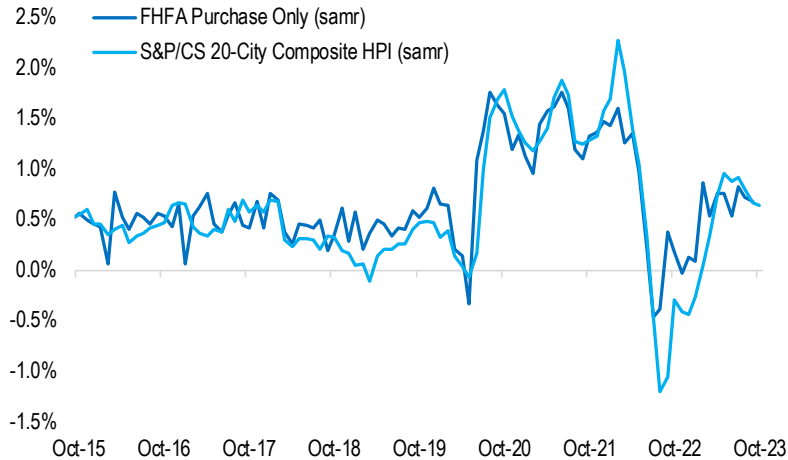
Months' Supply Deteriorated Sharply in "Not Started" Segment, Which Will Likely Prove to Be a One-Off



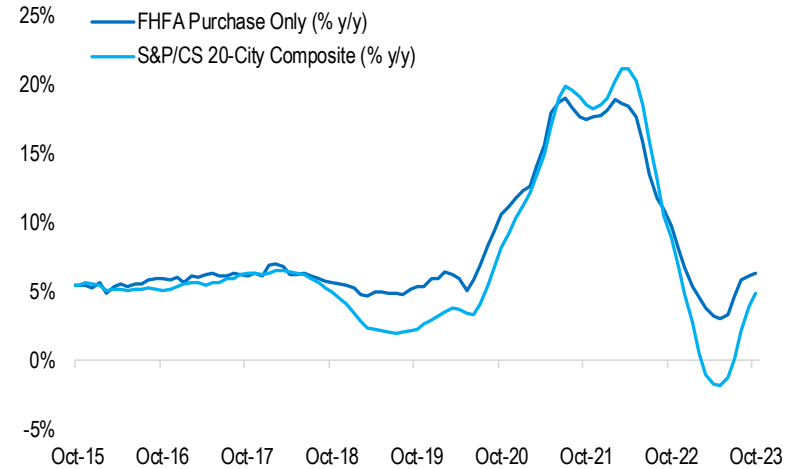
Builder Price Cuts Appeared to Be Less Prevalent as Premium Over Existing Homes Rebounded



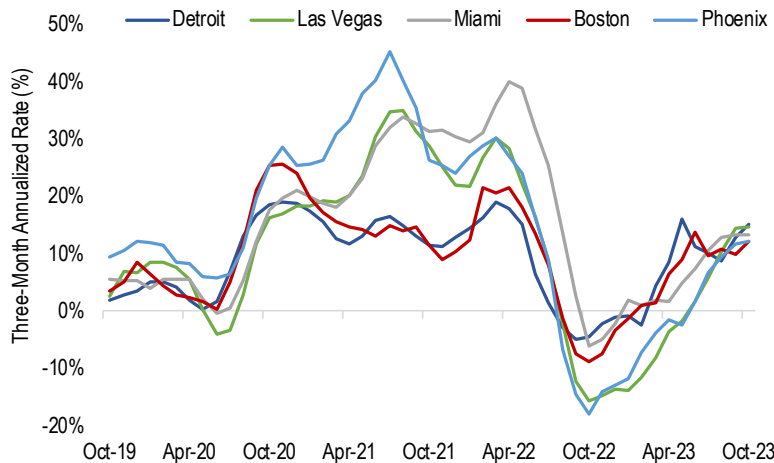
Monthly Home Price Growth Cooled After Early '23 Rebound; Further Slowing Likely Before Stabilizing



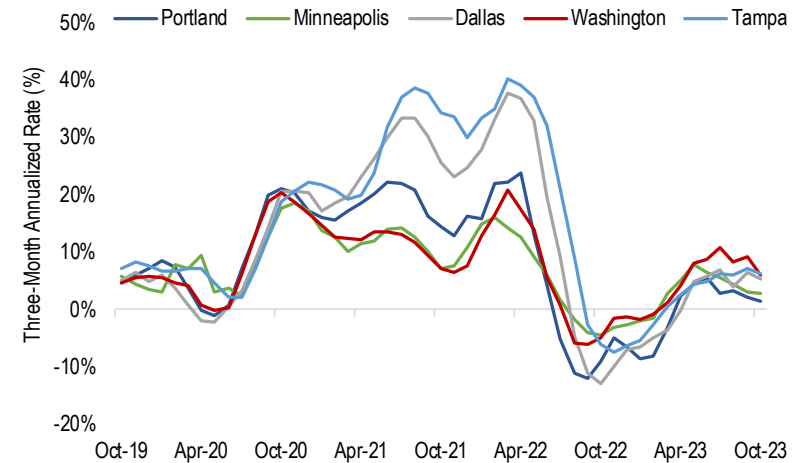
Annual Home Price Growth to Continue Rising Into Year-End But at a Slower Pace



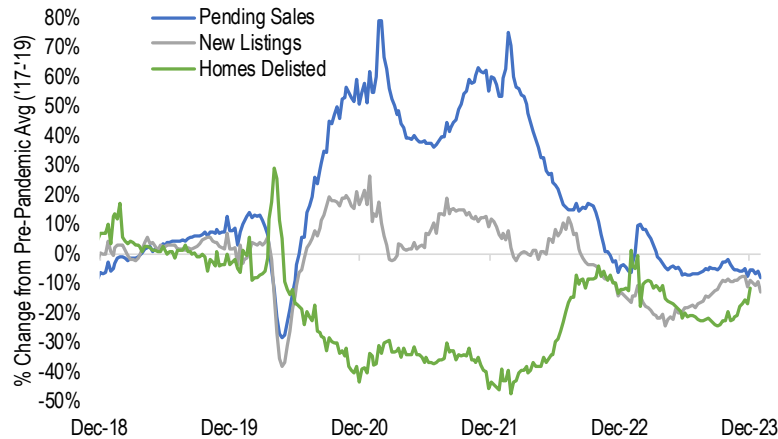
Strongest Home-Price Growth Metros Include Some Bouncing Back from Big Declines (Phoenix/Las Vegas)



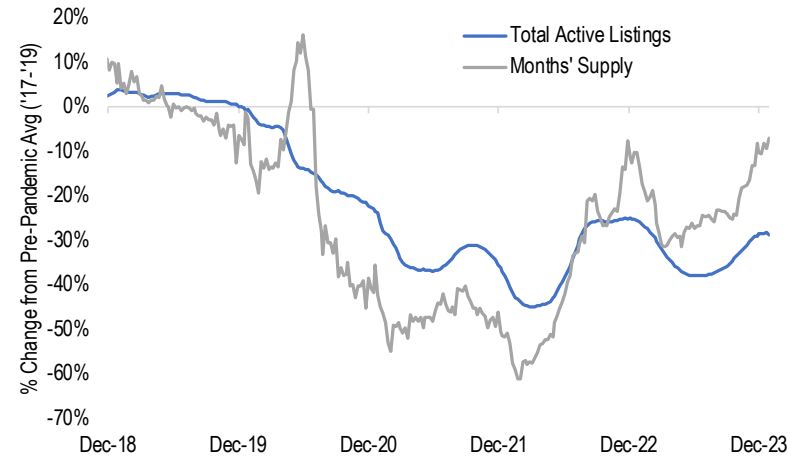
While Metros with the Weakest Growth Include Some Former High-Flyers (Tampa/Dallas)



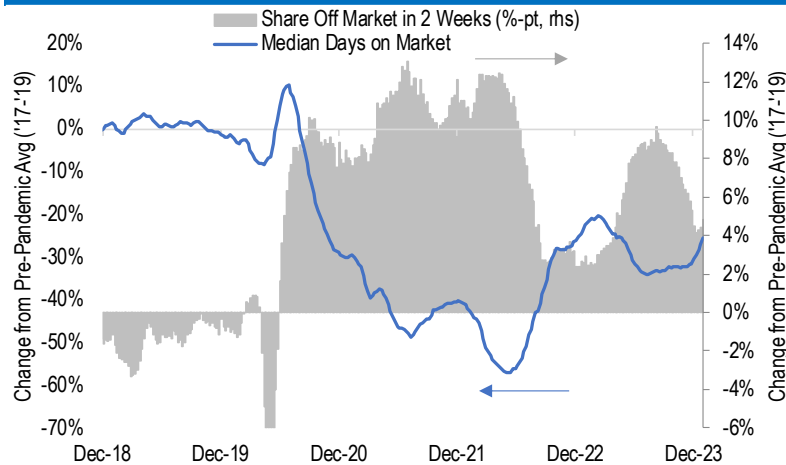
Pending Sales Still Soft But Pace of New Listings Has Also Taken a Step Back Recently ...



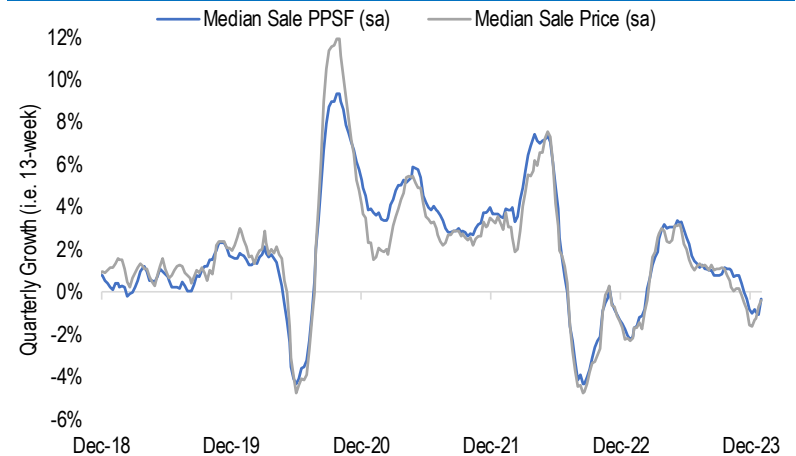
... causing a Slowdown in the Pace of Softening of the National Housing Market



Days on Market Continued to Trend Higher But Remained Below Pre-Pandemic Norm



Seasonally Adjusted Home Prices Already Starting to Rebound from Soft Patch That Got Underway in Nov.



National Market Remained Relatively Tight But Trends Growing Mixed Across Metro Areas

Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.1%	3.0%	3.9%	0.5%	24%	1.9%	98.4%	0.5%	-4%	-14.0	-12.3	-7%	-13%
Atlanta	5.1%	7.1%	3.2%	-0.2%	20%	-0.2%	98.1%	0.3%	-24%	0.1	-1.2	-7%	6%
Austin	-3.1%	-8.3%	4.6%	-0.2%	10%	-1.3%	96.7%	0.7%	-4%	31.5	23.3	80%	56%
Baltimore	6.7%	2.9%	4.3%	0.3%	36%	4.3%	100.5%	0.4%	-10%	-15.5	-13.0	-33%	-29%
Boston	9.1%	0.7%	2.2%	-0.1%	48%	8.7%	100.8%	1.2%	-16%	-2.8	-0.5	-15%	-19%
Chicago	10.8%	0.4%	2.1%	0.3%	31%	6.7%	98.6%	0.9%	-22%	5.7	13.2	-19%	-4%
Dallas	0.9%	5.0%	4.4%	-0.6%	14%	-2.0%	97.6%	0.1%	-2%	-1.9	-5.6	13%	3%
Denver	6.3%	-2.9%	3.9%	-1.4%	20%	0.8%	98.5%	0.1%	-5%	10.1	9.6	33%	33%
Houston	1.9%	6.6%	4.2%	-0.1%	13%	-0.7%	97.2%	0.2%	4%	-7.0	-8.3	13%	-2%
Los Angeles	6.6%	-3.0%	2.2%	0.0%	43%	12.4%	100.1%	1.7%	-19%	-6.8	2.9	1%	26%
Miami	11.5%	6.9%	2.9%	0.7%	13%	0.5%	96.3%	0.1%	-2%	-11.0	-10.8	10%	-14%
Minneapolis	2.9%	2.3%	3.2%	0.6%	27%	0.2%	98.9%	0.2%	-2%	-0.4	-1.2	7%	2%
Nashville	2.9%	9.4%	2.7%	-0.2%	16%	2.5%	98.2%	0.3%	-1%	3.8	-0.6	16%	7%
New York	4.9%	2.6%	2.1%	0.1%	32%	9.1%	99.5%	1.1%	-16%	-33.7	-30.2	-15%	-16%
Phoenix	4.0%	-1.8%	3.9%	-1.1%	15%	3.0%	98.0%	1.1%	-20%	4.3	18.0	22%	49%
Portland	2.2%	0.5%	3.2%	-0.3%	24%	2.4%	98.7%	0.2%	-2%	4.5	2.0	28%	15%
Riverside	3.7%	2.7%	3.1%	0.0%	35%	9.0%	99.1%	1.1%	-20%	-13.0	-2.7	-14%	12%
San Diego	12.3%	-1.1%	3.0%	-0.3%	38%	12.1%	99.7%	1.5%	-20%	-10.3	-1.0	-12%	-8%
Seattle	7.5%	-3.8%	2.4%	-1.6%	22%	5.2%	99.0%	1.1%	-28%	-3.3	4.3	17%	45%
Tampa	2.3%	9.7%	5.8%	-0.3%	12%	-1.0%	97.2%	0.0%	7%	-2.2	-4.0	24%	9%
Washington DC	5.1%	1.8%	2.7%	-0.2%	30%	6.2%	99.5%	0.5%	-17%	-1.6	3.8	-1%	6%

Data as of December 31, 2023 and reflects 4-week averages.

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
1/2/24	S&P Global US Manufacturing PMI	Dec F	47.9	48.4	--	48.2	index, sa
1/3/24	MBA Mortgage Applications	12/29/24	-10.7%	--	--	1.4%	w/w, sa
1/3/24	ISM Manufacturing	Dec	47.4	47.1	--	46.7	index, sa
1/3/24	ISM Prices Paid	Dec	45.2	49.5	--	49.9	index, nsa
1/3/24	JOLTS Job Openings	Nov	8.8	8.8	8.9	8.7	m, sa
1/3/24	FOMC Meeting Minutes	12/13/24	--	--	--	--	
1/3/24	Wards Total Vehicle Sales	Dec	15.8	15.5	--	15.3	m, saar
1/4/24	ADP Employment	Dec	164	125	101	103	k, m/m, sa
1/4/24	Initial Jobless Claims	12/30/24	202	216	220	218	k, sa
1/4/24	Continuing Claims	12/23/24	1,855	1,881	1,886	1,875	k, sa
1/4/24	S&P Global US Services PMI	Dec F	51.4	51.3	--	51.3	index, sa
1/4/24	S&P Global US Composite PMI	Dec F	50.9	--	--	51.0	index, sa
1/5/24	Nonfarm Payrolls	Dec	216	175	173	199	k, m/m, sa
1/5/24	Private Payrolls	Dec	164	130	136	150	k, m/m, sa
1/5/24	Unemployment Rate	Dec	3.7%	3.8%	--	3.7%	sa
1/5/24	Average Hourly Earnings m/m	Dec	0.4%	0.3%	--	0.4%	sa
1/5/24	Average Hourly Earnings y/y	Dec	4.1%	3.9%	--	4.0%	nsa
1/5/24	Average Weekly Hours All Employees	Dec	34.3	34.4	--	34.4	sa
1/5/24	Labor Force Participation Rate	Dec	62.5%	62.8%	--	62.8%	sa
1/5/24	Durable Goods Orders	Nov F	5.4%	5.4%	--	5.4%	m/m, sa
1/5/24	Cap Goods Orders Nondef Ex Air	Nov F	0.8%	--	--	0.8%	m/m, sa
1/5/24	ISM Services Index	Dec	50.6	52.5	--	52.7	index, nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Green = beat expectations; Red = worse than expectations; (compared vs. prior if no consensus estimates available)

UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Consensus	Prior	Note
1/8/24	Consumer Credit	Nov	9.0	5.1	\$B, m/m, sa
1/9/24	NFIB Small Business Optimism	Dec	91.0	90.6	index, sa
1/10/24	MBA Mortgage Applications	1/5/24	--	-10.7%	w/w, sa
1/10/24	Wholesale Inventories	Nov F	-0.2%	-0.2%	m/m, sa
1/10/24	Wholesale Trade Sales	Nov	--	-1.3%	m/m, sa
1/11/24	CPI m/m	Dec	0.2%	0.1%	sa
1/11/24	CPI Core (ex Food and Energy) m/m	Dec	0.3%	0.3%	sa
1/11/24	CPI y/y	Dec	3.2%	3.1%	nsa
1/11/24	CPI Core (ex Food and Energy) y/y	Dec	3.8%	4.0%	nsa
1/11/24	Initial Jobless Claims	1/6/24	210	202	k, sa
1/11/24	Continuing Claims	12/30/24	1,875	1,855	k, sa
1/12/24	PPI Final Demand m/m	Dec	0.1%	0.0%	sa
1/12/24	PPI Core (ex Food and Energy) m/m	Dec	0.2%	0.0%	sa
1/12/24	PPI Final Demand y/y	Dec	1.3%	0.9%	nsa
1/12/24	PPI Core (ex Food and Energy) y/y	Dec	2.0%	2.0%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics