

An aerial photograph of a residential neighborhood with several houses, green lawns, and trees. A blue diagonal banner is overlaid on the left side of the image, containing the main text.

HaMMR Digest

Stay current with economic and mortgage market trends.

January 13, 2025

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Summer Economic Chill Thawing in Winter?

- **Key Takeaway:** Unemployment has stabilized after summer spike, but a definitive retightening in labor market conditions remains elusive.
- **Macro Implications:** Labor market risks look more balanced, allowing Fed to focus more on inflation, but any discussion of rate hikes is premature.
- **Housing Implications:** Mortgage rates have soared since first rate cut in September, dampening optimism for a spring housing rebound.

Macro: The Rocky Balboa Economy?

- Economy enters 2025 on solid footing, supported by buoyant consumer.
- Economic slowdown concerns take a backseat to risk of sticky inflation.
- Policy uncertainty and elevated rates biggest headwinds for early 2025.

Jobs Report: Biggest Concern Shifting — Is Growth Too Strong?

- Unemployment ticked ~15bps lower to 4.09% in Dec.
- Private sector payrolls up 223k m/m; 3-month average cooled to 170k.
- Flows into employment rose while unemployment duration eased.

Labor Market Turnover: Not as Robust of a Story

- Net hiring remained solid, led by increase in smaller sized firms.
- Quits pace fell to a cycle low, reflecting decreased worker confidence.
- Breadth of layoffs narrowed as only information sector rose materially.

Rates: Time for a Breather

- 10-year UST up 16bps w/w to 4.76%, a 15-month high.
- Lower rates will require policy clarity and/or weaker data.
- Market swiftly paring back rate cut expectations: only 25bps priced for '25.

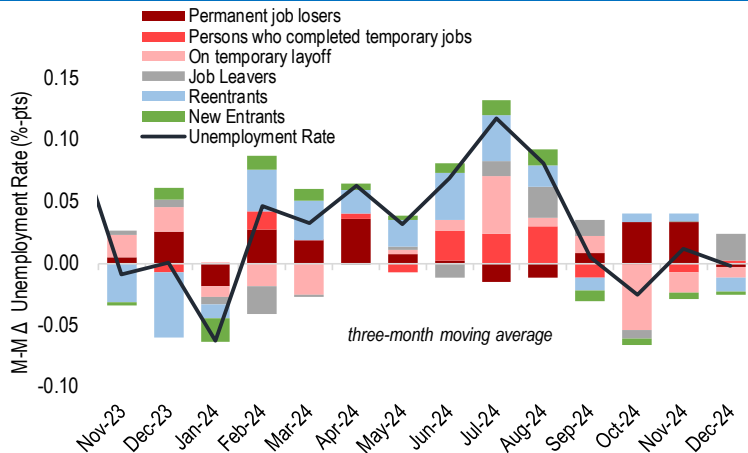
Housing: Higher Rates Bite Again

- Mortgage rates rose further above 7%, up ~100bps since first rate cut.
- Purchase applications have collapsed, falling -14% y/y in early January.
- Seasonality explains part of recent activity, but rates remain key driver.

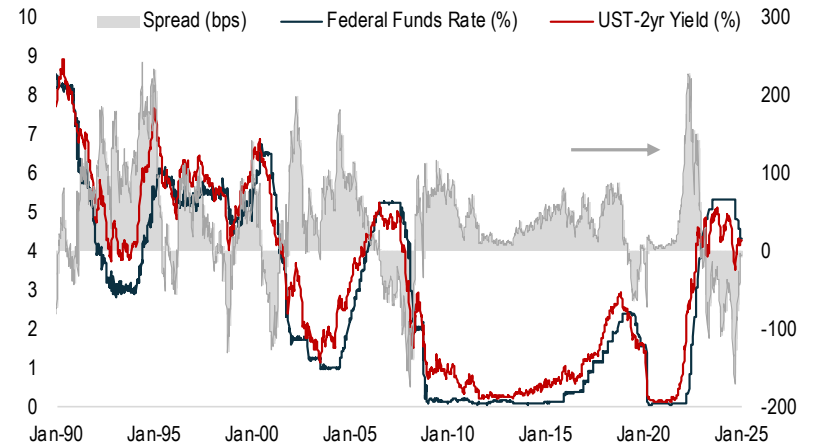
Personal Income: Labor Income Growth Key to Watch

- Real disposable income rose 0.2% m/m in Nov. and 2.6% y/y.
- Real spending rose 0.4% m/m, modestly pulling down savings rate.
- Solid spending momentum set to carry over into early 2025.

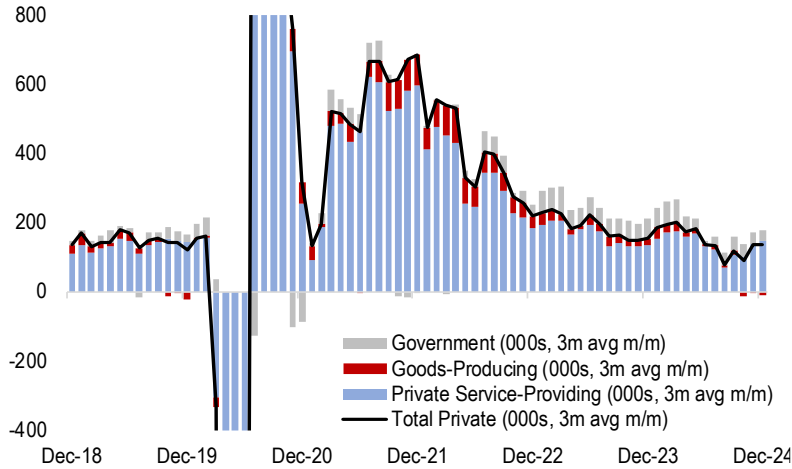
“Growth Scare” Narrative over the Summer Driven by Rising Unemployment Has Been Put to Bed ... for Now



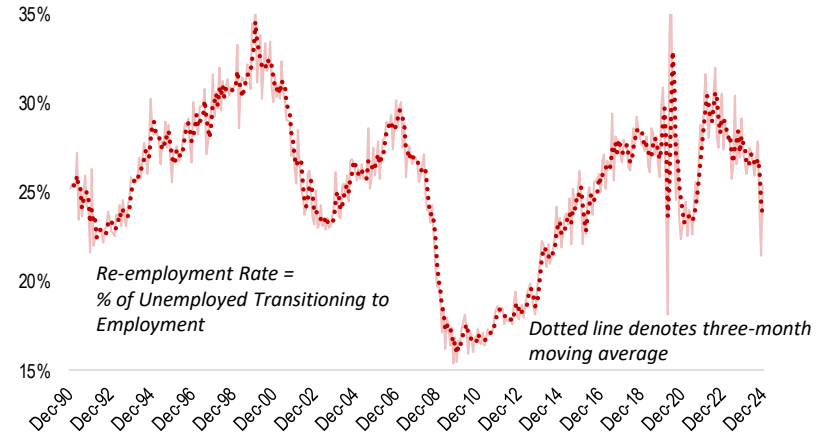
Short-Term Rates Have Swung from Signaling Fed Is “Too Tight” to “Just about Right”



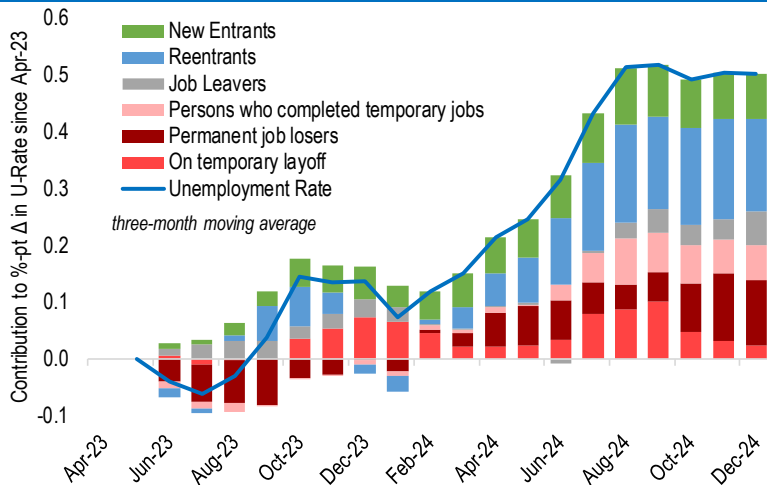
Private-Sector Job Growth Ended the Year on a High Note after Rebounding from Summer Lull ...



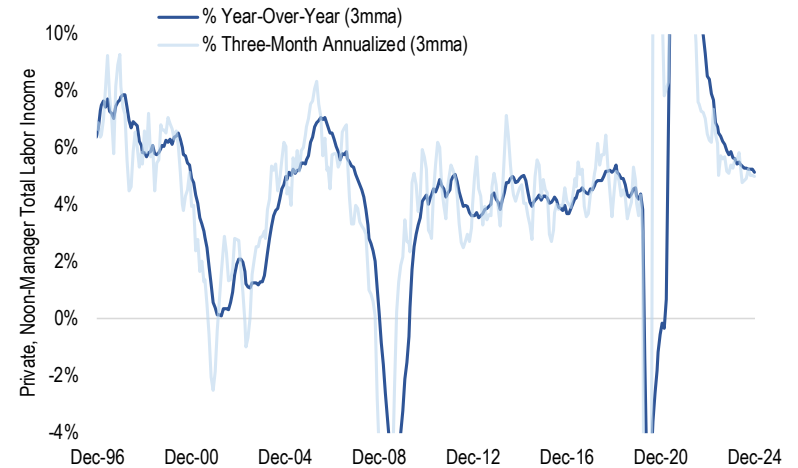
... But Re-employment Rate Still in a Downtrend, Indicating Unemployed Population Still Struggling



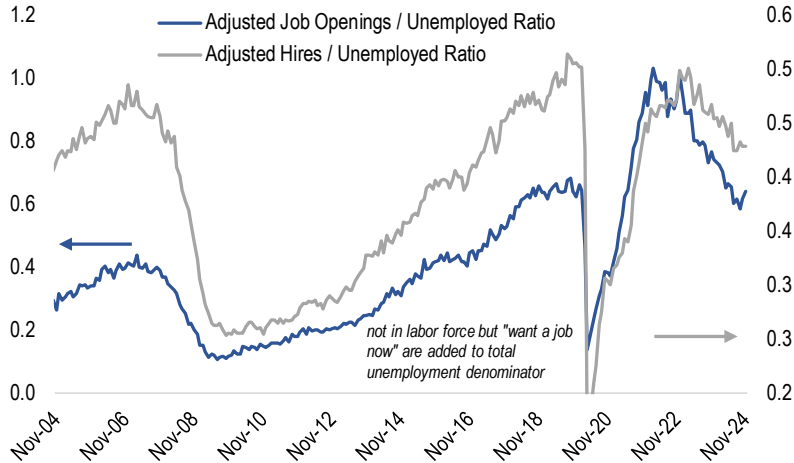
Uptrend in Unemployment Rate Has Seemingly Eased: Permanent Job Losers Key Segment to Watch



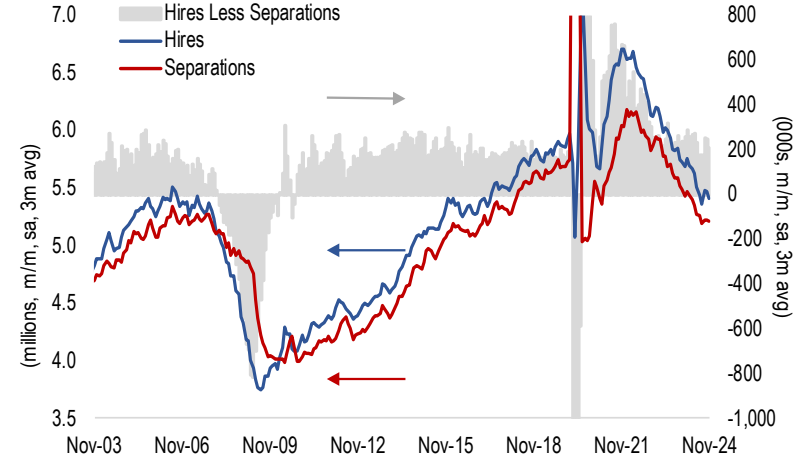
Aggregate Labor Income Remained Firm and Will Remain a Key Support for Household Spending



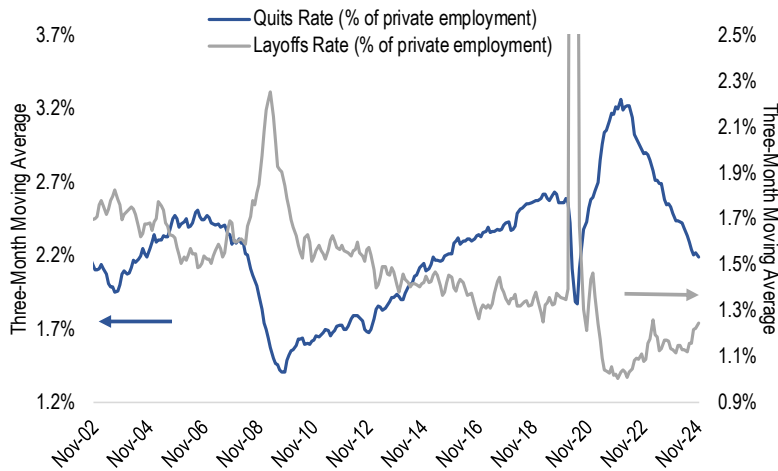
Job Market Showing Slightly Fewer Signs of Slack Compared to Six Months Ago



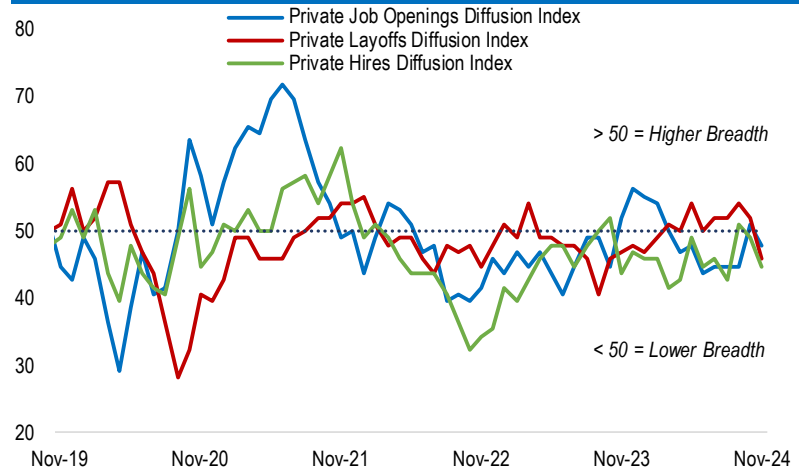
Net Job Growth Still Solid as Pace of Separations Remained Below Cooling Pace of Hiring



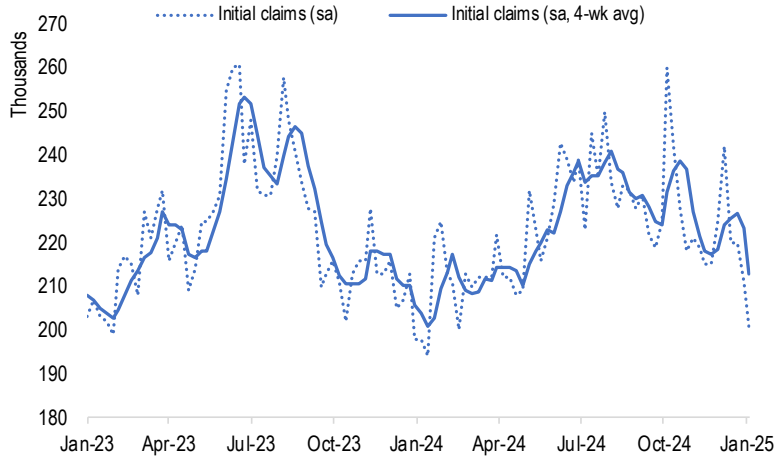
Smoothing through Monthly Noise, Quits Rate Still in a Multi-Year Downtrend as Layoffs Inched Higher



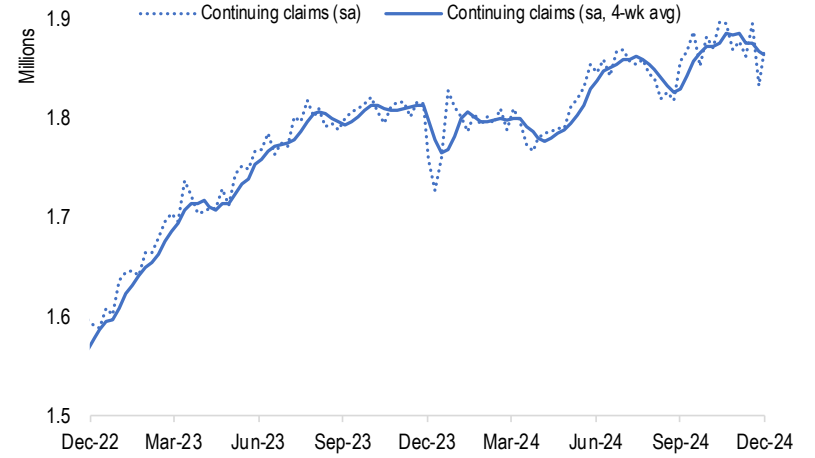
Hiring Breadth Gave Back Last Month's Gains While Breadth of Layoffs Turned Encouragingly Lower



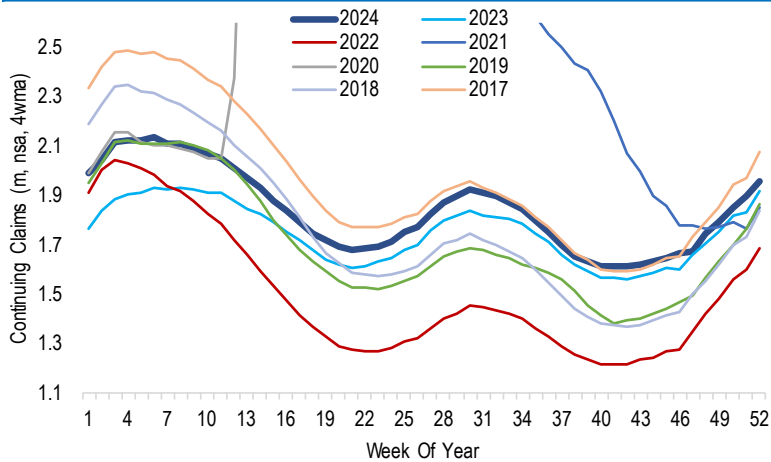
Initial Claims (SA) Continued to Decline into Year-End But Caution Warranted around Holiday Season



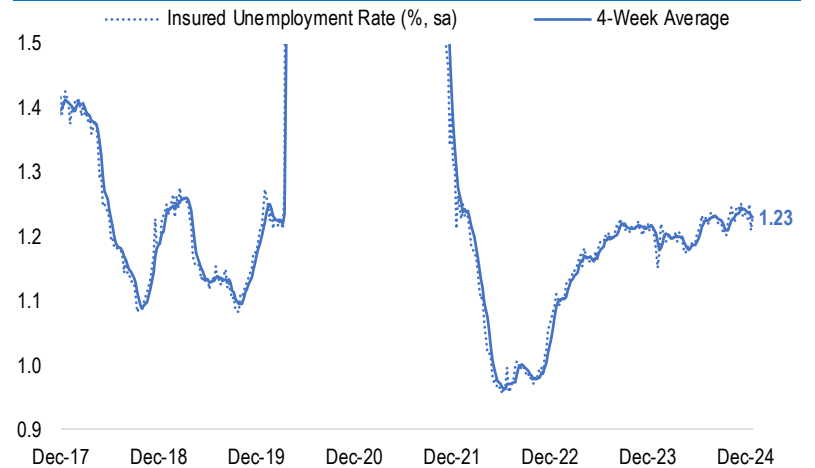
Continuing Claims Remained Near Multi-Year Highs As Unemployed Workers Struggled to Find New Jobs



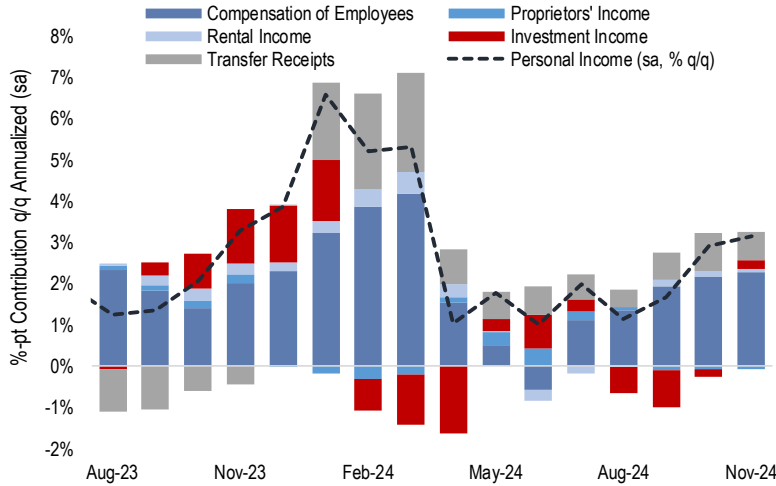
Unadjusted Continuing Claims Finished 2024 at Highest Level Since 2017



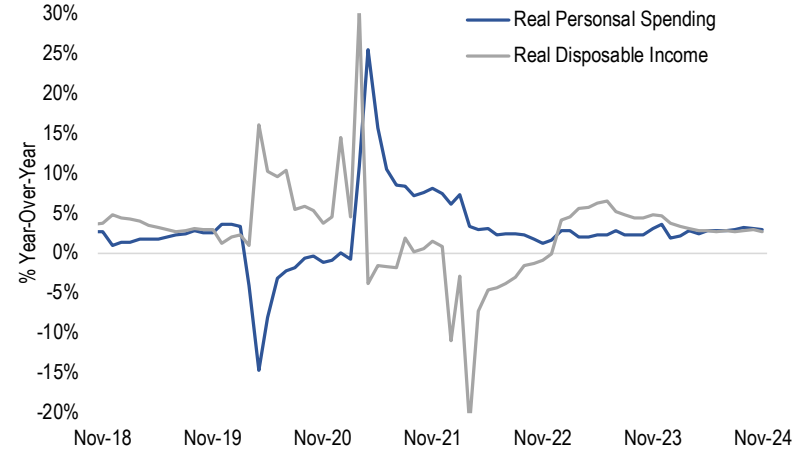
Normalizing for the Size of the Labor Force, Insured Unemployment Trended Modestly Higher in 2024



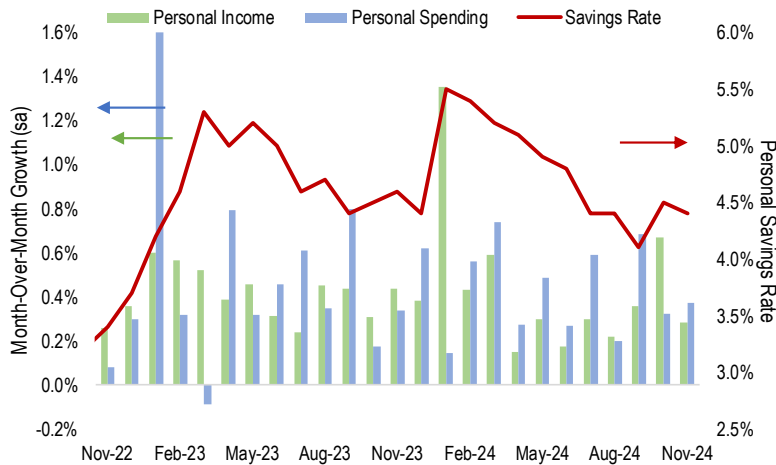
Lull in the Labor Market Seen in Early Summer Has Abated Alongside Recovery in Employee Compensation



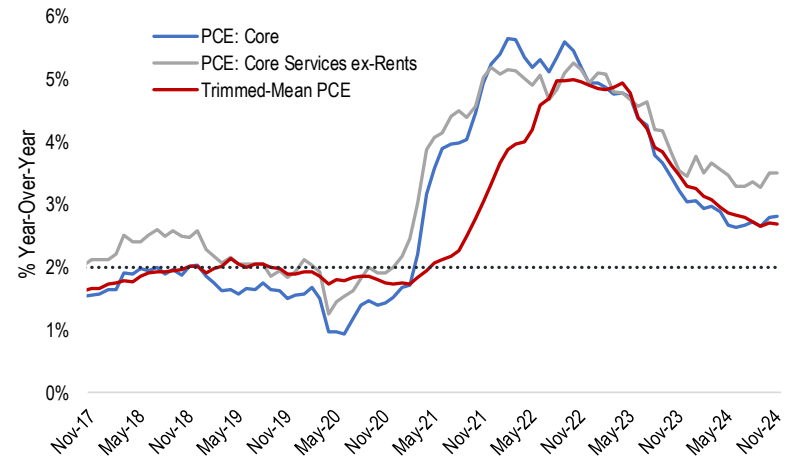
Annual Spending Growth Has Kept Pace or Exceeded Income Growth for Most of the Past 2 Years



The Personal Savings Rate Has Hovered around the Low-to-Mid 4% Range for the Prior Few Months



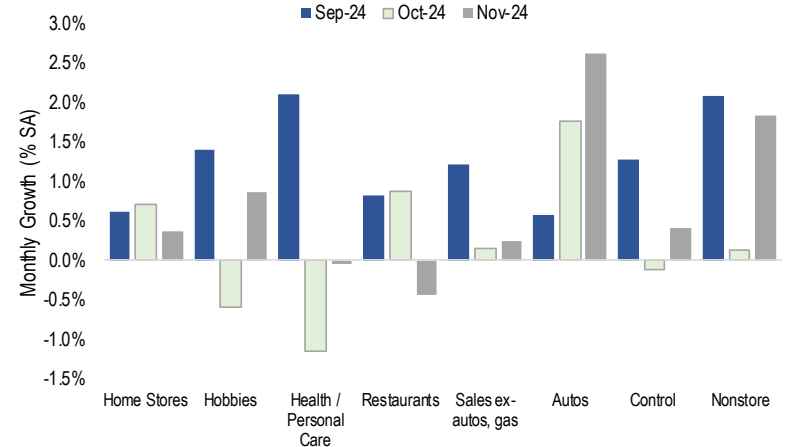
Recent Firming in Inflation Alongside Solid Economic Momentum Will Allow the Fed to Be Patient



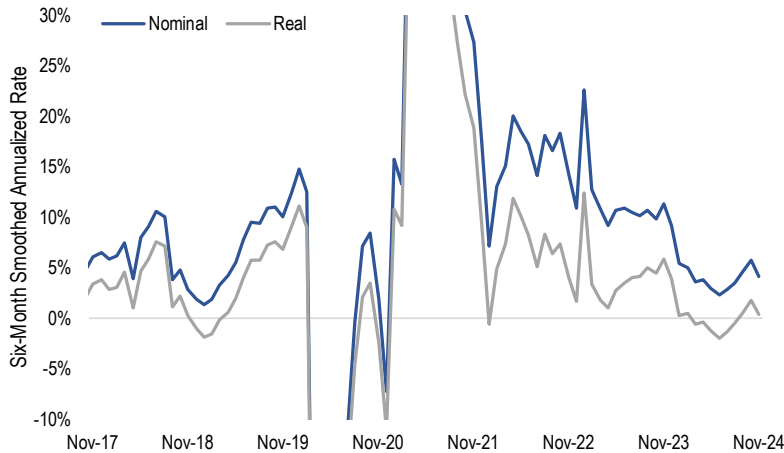
Growth in Nov. Retail Sales Took a Big Step Forward as Households Jumped at Holiday Deals



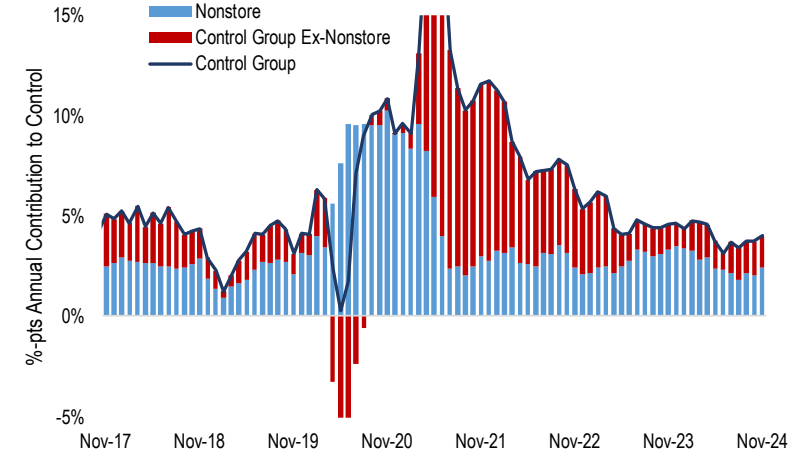
Nov. Discretionary Spending Looked Solid, Led by Strong Auto Sales



Restaurant Sales Cooled after a Rebounding Over the Prior Few Months

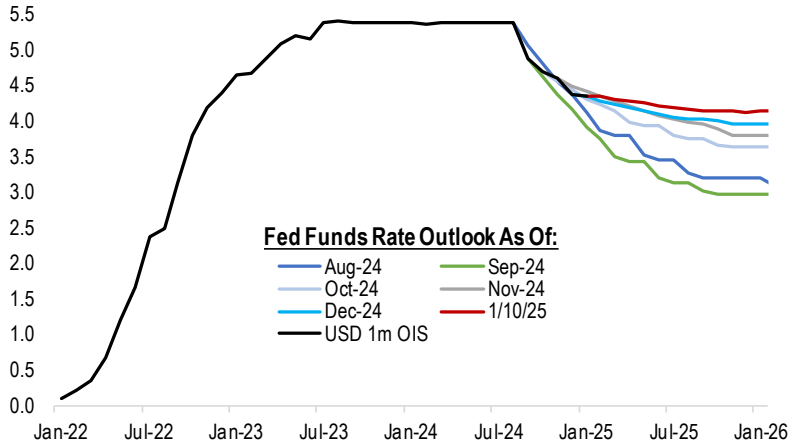


Online Sales (i.e., Nonstore), a Key Support to Control Group Sales, Also Ticked Higher Recently

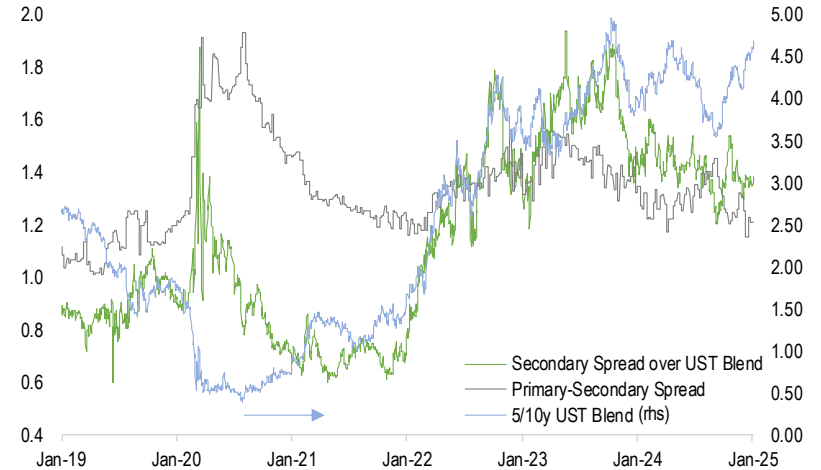


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

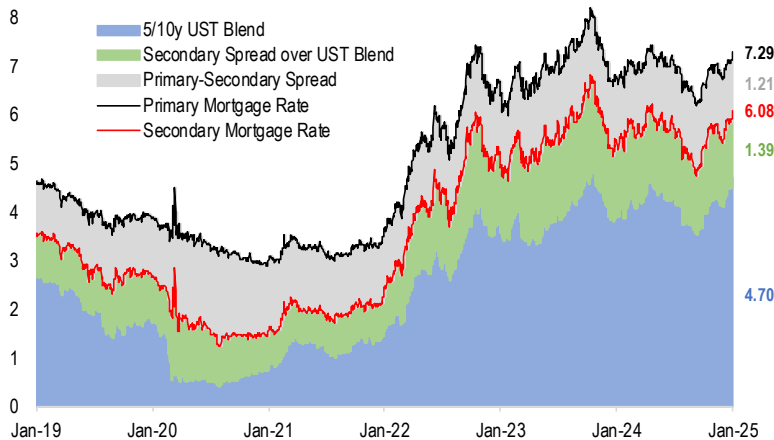
Market Now Sees Only One 25bps Cut in 2025 (June),
Down from 5 Expected Back in September



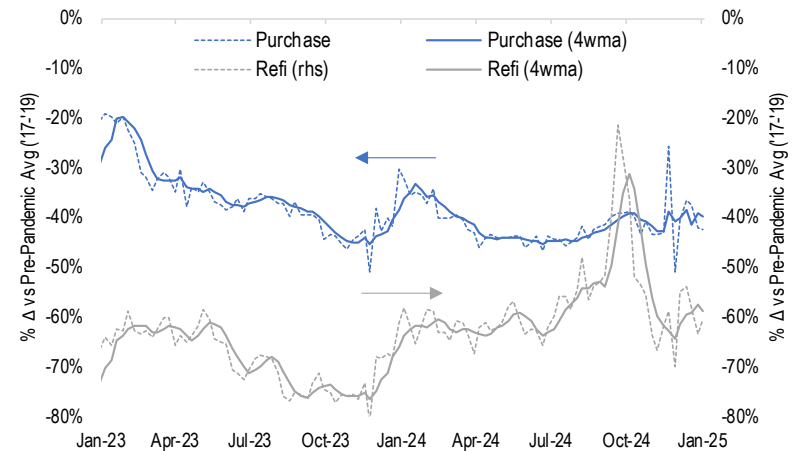
UST Yields Up Another 16bps Last Week
While Mortgage Spreads Were Relatively Unchanged ...



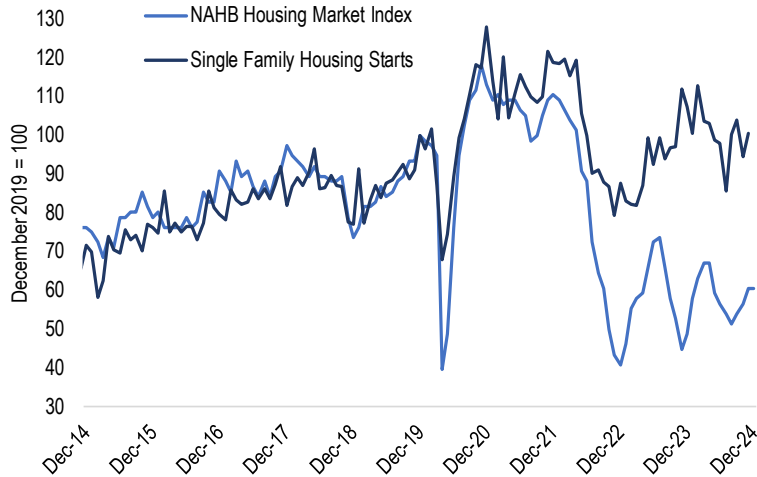
... Lifting Implied Mortgage Rates Further Above 7%,
Extending ~100bps Surge Since First Fed Rate Cut



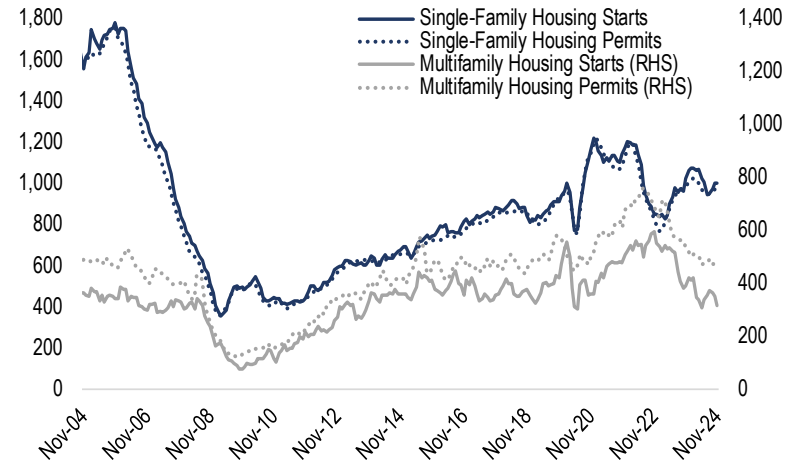
Mortgage Application Volatility Continued around
Holiday Season, But Trending Modestly Higher



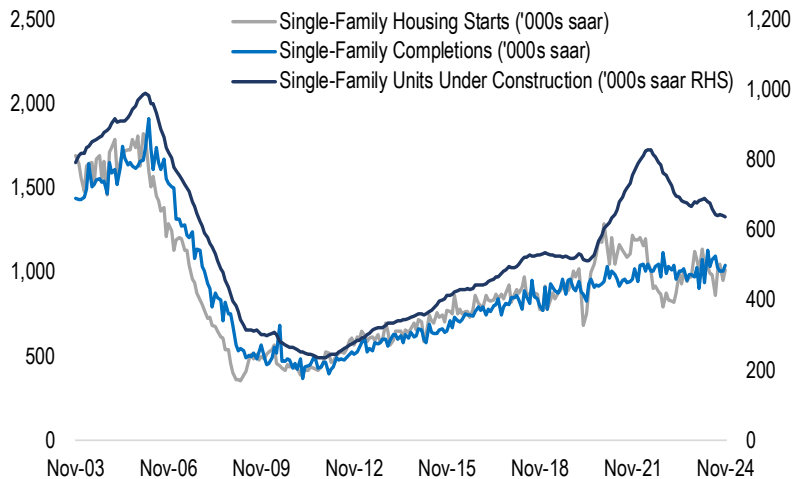
Builder Optimism Flat in Dec. Despite "Future Sales" Sub-Index Rising to Highest Level Since April '22



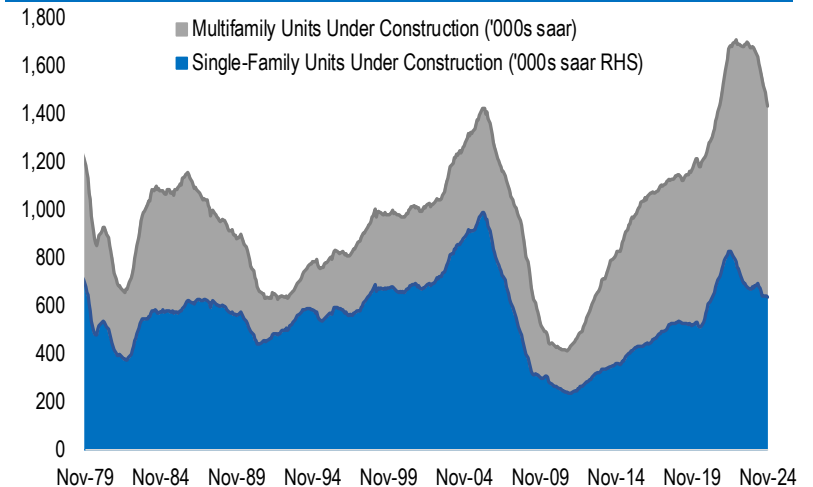
Single-Family Construction Activity Has Been Roughly Flat over the Prior Few Months Despite Some Volatility



Single-Family Completions Rose in November and Have Been Where Builders Are Focusing the Most ...



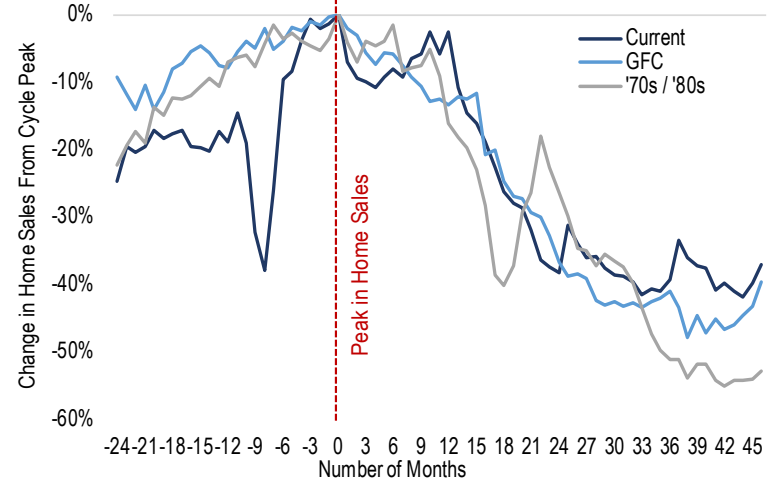
... And Why Units under Construction Continue to Traverse Lower



Existing Home Sales Rose for the Second Straight Month in November but Will Remain Challenged in Near-Term



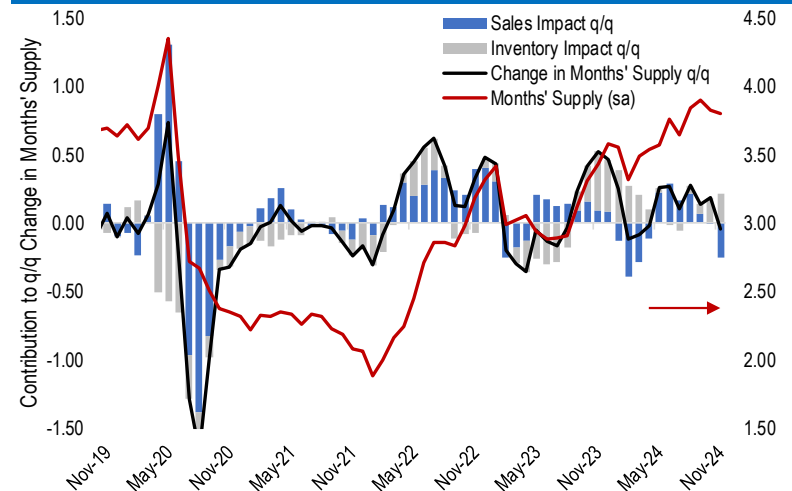
The Backup in Mortgage Rates Will See Sales Pivot Lower Once Again



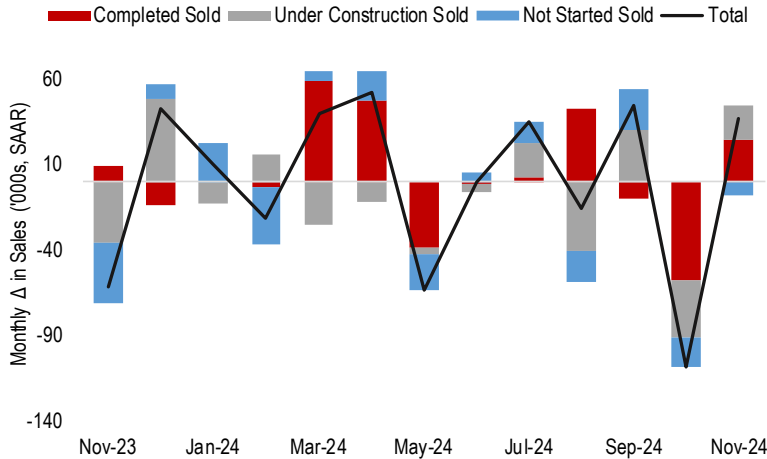
Inventory Inched Higher in November But Absolute Level Remained Historically Low



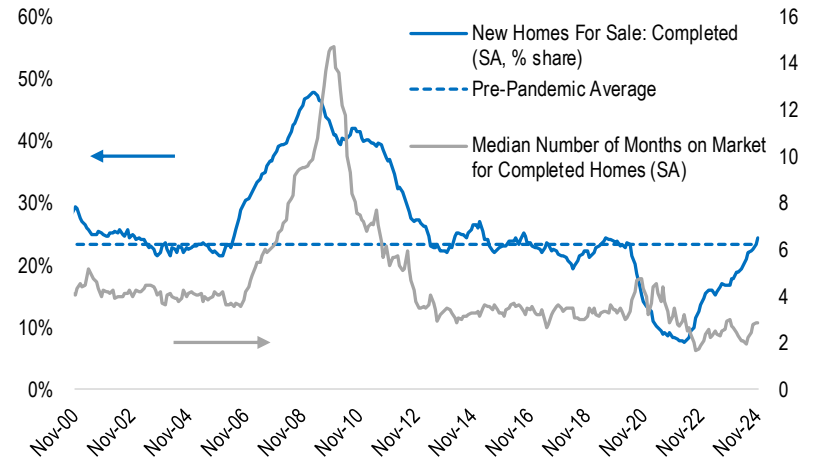
In the Three Months to November, Sales Outpaced Inventory Growth to Drag Months' Supply Lower



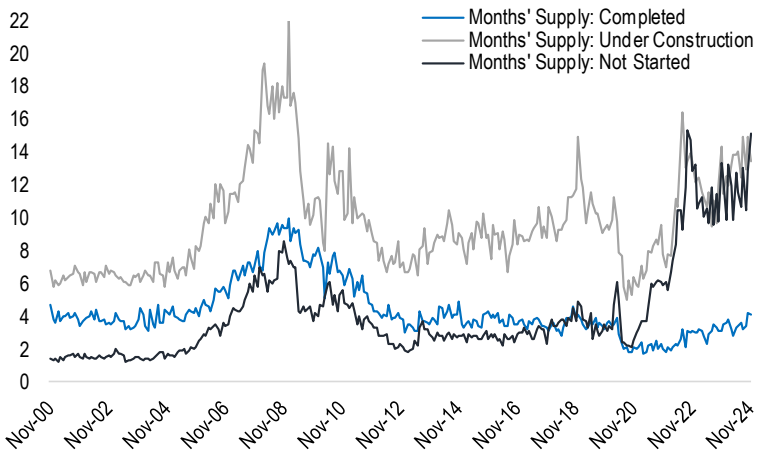
New Home Sales Rebounded in November But Not Enough to Fully Reverse October Decline



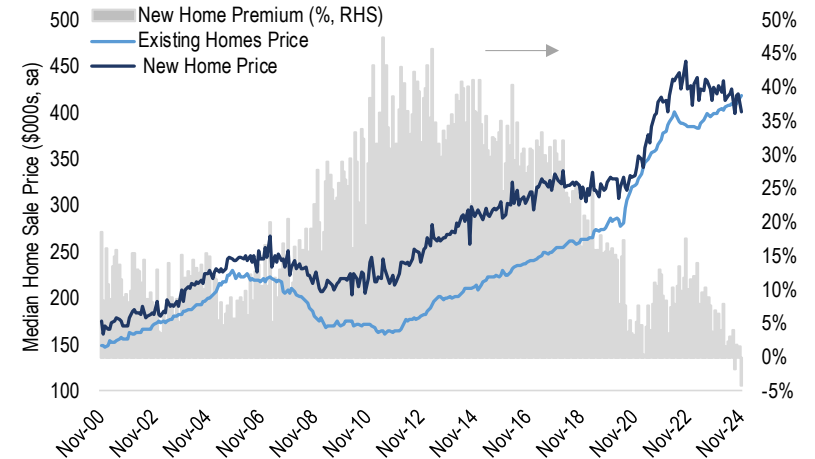
Completed Homes Rose as Share of New Homes for Sale and Finally Crossed above Pre-Pandemic Norm



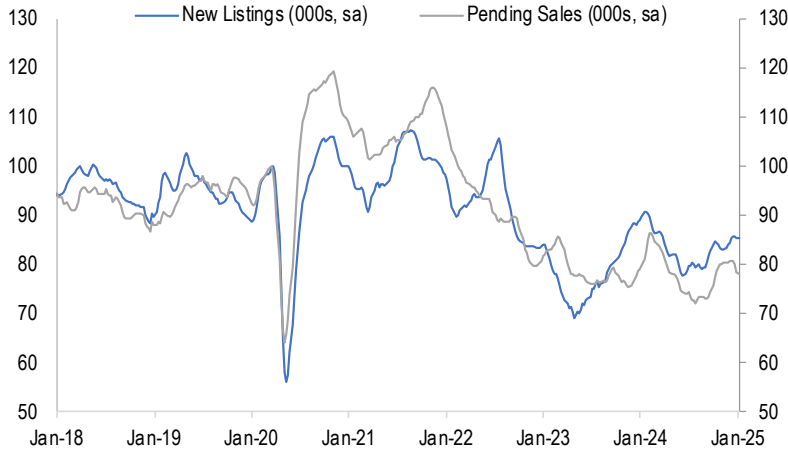
Months' Supply Rose Only for "Not Started" Segment While "Completed" Segment Moved Sideways



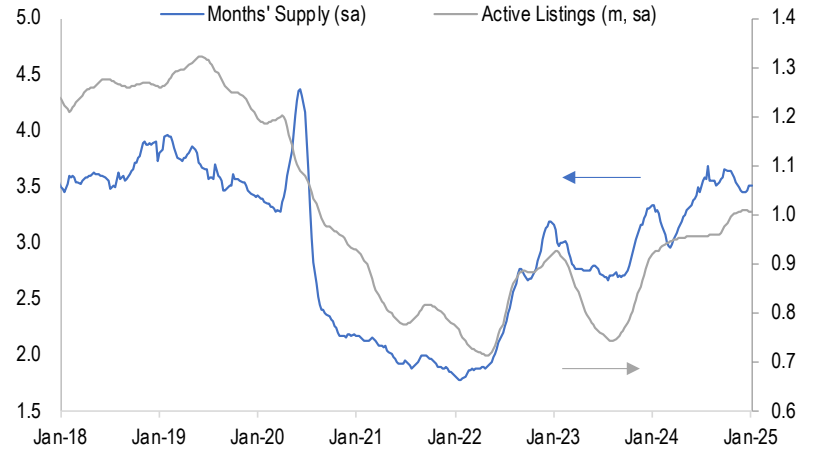
National New Home Premium over Existing Vanished, Turning Negative for Only Second Time Since 2000



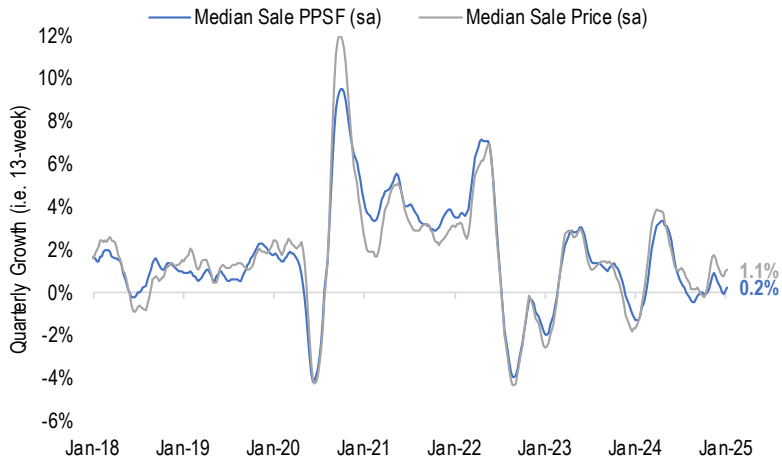
Pending Home Sales Rebound Tapering Off While New Listings Have Inched Higher ...



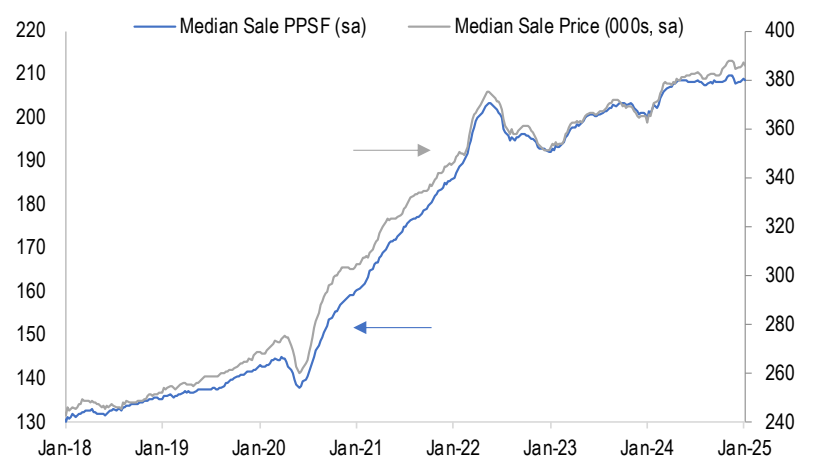
... Which Has Levelled Off Months' Supply as Inventory Declined Modestly



Pace of Seasonally Adjusted Home-Price Growth Modest to Start the New Year



Majority of Growth in National Median Sales Price/SF (SA) Occurred at the Start of 2024

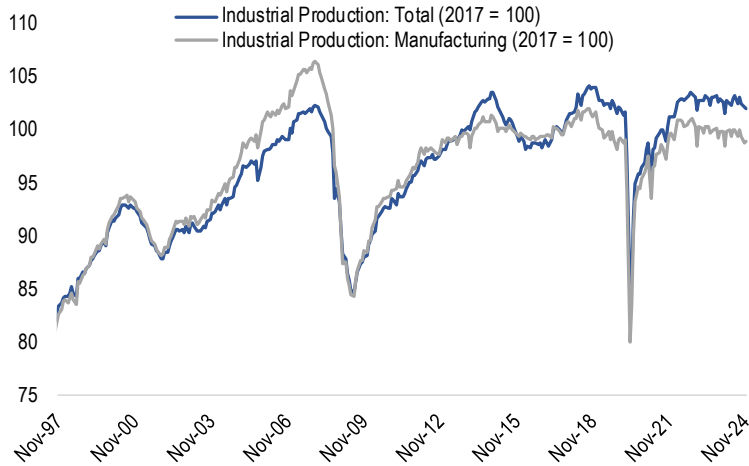


Some Housing Markets Still Softening Even as Most Have Stabilized in Recent Months

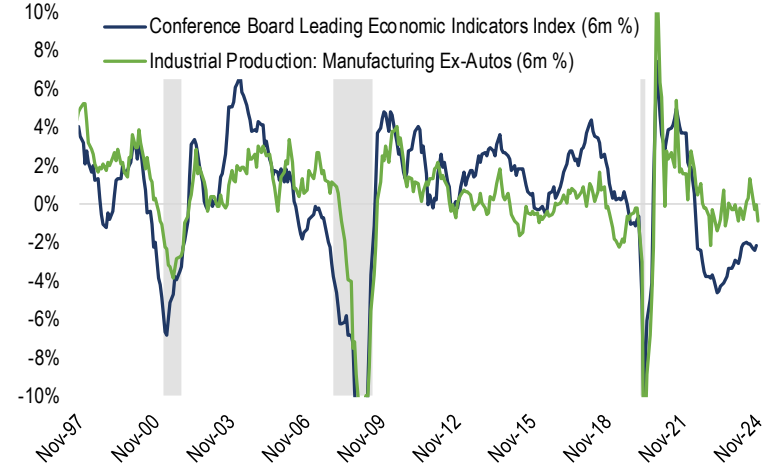
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.7%	1.3%	5.0%	0.6%	3.7%	0.2%	98.2%	0.0%	-11.5	-17.8	11%	-20%	-25%
Atlanta	0.5%	-1.0%	1.1%	0.8%	3.8%	1.1%	97.9%	0.0%	10.1	-5.7	10%	-29%	-34%
Austin	-1.1%	3.3%	2.8%	4.9%	4.2%	-0.2%	96.7%	0.1%	33.6	31.0	0%	34%	38%
Baltimore	4.4%	-0.2%	4.1%	-0.8%	4.1%	0.3%	100.3%	-0.1%	-11.5	-16.6	5%	-45%	-44%
Boston	4.6%	1.5%	1.3%	-3.6%	2.4%	0.3%	100.1%	-0.5%	0.2	-2.1	-1%	-24%	-21%
Chicago	8.0%	-0.1%	2.8%	-4.4%	2.3%	0.6%	98.7%	-0.2%	7.7	3.9	-8%	-35%	-27%
Dallas	-0.5%	0.1%	2.1%	1.2%	4.9%	1.2%	97.4%	-0.1%	18.0	6.4	22%	16%	3%
Denver	-2.3%	-2.1%	5.6%	4.3%	4.6%	1.0%	98.5%	0.0%	26.6	15.4	22%	42%	36%
Houston	0.4%	0.4%	2.9%	0.1%	4.6%	1.2%	96.6%	-0.5%	4.0	-1.9	10%	-23%	-18%
Los Angeles	3.7%	1.3%	3.4%	1.6%	2.3%	0.5%	99.8%	-0.2%	2.9	-5.7	15%	-1%	-2%
Miami	7.1%	3.8%	2.3%	-5.4%	2.7%	0.4%	95.2%	-0.7%	12.5	-5.0	25%	9%	-25%
Minneapolis	1.9%	1.0%	2.7%	0.9%	3.4%	0.6%	99.0%	0.3%	-1.9	-3.7	-2%	-16%	-11%
Nashville	1.4%	0.7%	5.0%	4.0%	2.9%	0.9%	98.0%	0.0%	8.4	3.0	9%	5%	6%
New York	7.8%	1.7%	16.8%	9.1%	2.1%	-0.2%	99.8%	0.5%	-54.3	-43.8	-2%	-30%	-33%
Phoenix	2.4%	2.6%	3.6%	2.1%	4.2%	0.3%	98.0%	0.0%	11.2	0.2	21%	11%	-1%
Portland	1.8%	1.0%	2.6%	2.4%	3.5%	0.4%	98.9%	0.2%	15.1	7.4	-1%	16%	23%
Riverside	6.1%	3.6%	5.8%	2.5%	2.9%	0.5%	98.9%	-0.1%	-6.3	-12.8	20%	-10%	-18%
San Diego	3.5%	1.6%	3.2%	-2.2%	2.9%	0.5%	98.8%	-0.7%	4.8	-7.8	25%	-15%	-24%
Seattle	3.2%	0.4%	4.2%	-1.7%	3.5%	1.2%	99.2%	0.2%	3.1	3.3	19%	16%	15%
Tampa	-2.9%	2.5%	-1.4%	3.3%	6.1%	0.9%	96.8%	-0.3%	11.1	-2.6	13%	1%	-1%
Washington DC	5.6%	2.4%	7.4%	2.5%	3.0%	0.5%	99.7%	0.1%	1.1	0.8	7%	-21%	-20%

Data as of Jan. 5, 2024, and reflects 4-week averages.

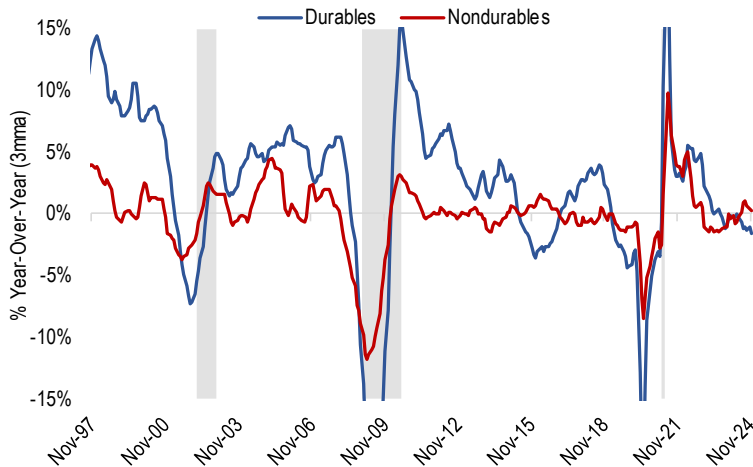
Total Industrial Production Failed to Rebound in November Amid Drags from Mining and Utilities



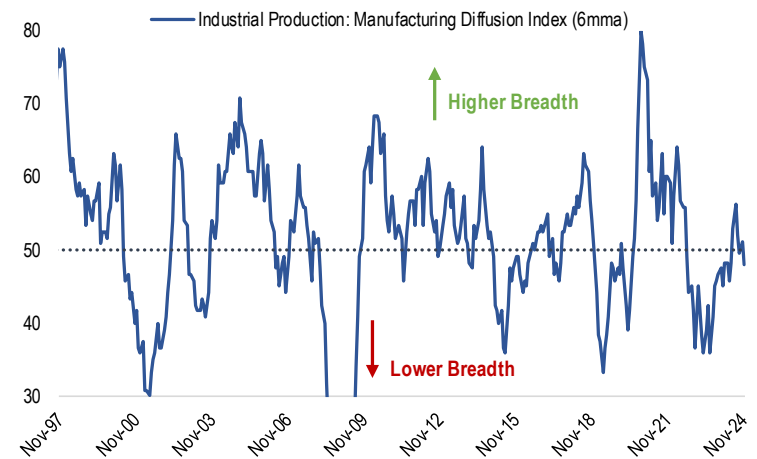
Manufacturing Ex-Autos Remained Soft Largely Due to Aerospace Production (-16% over Prior 3 Months)



Nondurables Continued to Account for Rising Share of Manufacturing Production Activity



Breadth of Manufacturing Industries in Decline Grew Again as the Sector Continued to Face Headwinds



Upcoming Data Releases

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
1/13/25	11:00 AM	NY Fed 1-Yr Inflation Expectations	Dec	--	--	--	3.0	%
1/14/25	6:00 AM	NFIB Small Business Optimism	Dec	--	101.5	--	101.7	index, sa
1/14/25	8:30 AM	PPI Final Demand m/m	Dec	--	0.4	--	0.4	%, sa
1/14/25	8:30 AM	PPI Core (ex Food and Energy) m/m	Dec	--	0.3	--	0.2	%, sa
1/14/25	8:30 AM	PPI Final Demand y/y	Dec	--	3.5	--	3.0	%, nsa
1/14/25	8:30 AM	PPI Core (ex Food and Energy) y/y	Dec	--	3.8	--	3.4	%, nsa
1/15/25	7:00 AM	MBA Mortgage Applications w/w	1/10/25	--	--	--	-3.7	%, sa
1/15/25	8:30 AM	CPI m/m	Dec	--	0.3	--	0.3	%, sa
1/15/25	8:30 AM	CPI Core (ex Food and Energy) m/m	Dec	--	0.2	--	0.3	%, sa
1/15/25	8:30 AM	CPI y/y	Dec	--	2.9	--	2.7	%, nsa
1/15/25	8:30 AM	CPI Core (ex Food and Energy) y/y	Dec	--	3.3	--	3.3	%, nsa
1/16/25	8:30 AM	Advance Retail Sales m/m	Dec	--	0.6	--	0.7	%, sa
1/16/25	8:30 AM	Retail Sales Control Group m/m	Dec	--	0.4	--	0.4	%, sa
1/16/25	8:30 AM	Import Price Index m/m	Dec	--	-0.2	--	0.1	%, nsa
1/16/25	8:30 AM	Import Price Index y/y	Dec	--	2.2	--	1.3	%, nsa
1/16/25	8:30 AM	Initial Jobless Claims	1/11/25	--	210	--	201	k, sa
1/16/25	8:30 AM	Continuing Claims	1/4/25	--	1,877	--	1,867	k, sa
1/16/25	10:00 AM	Business Inventories m/m	Nov	--	0.1	--	0.1	%, sa
1/16/25	10:00 AM	NAHB Housing Market Index	Jan	--	45	--	46	index, sa
1/17/25	8:30 AM	Housing Starts	Dec	--	1,325	--	1,289	k, saar
1/17/25	8:30 AM	Housing Starts m/m	Dec	--	2.8	--	-1.8	%, sa
1/17/25	8:30 AM	Building Permits	Dec P	--	1,460	--	1,493	k, saar
1/17/25	8:30 AM	Building Permits m/m	Dec P	--	-2.2	--	5.2	%, sa
1/17/25	9:15 AM	Industrial Production m/m	Dec	--	0.3	--	-0.1	%, sa
1/17/25	9:15 AM	Capacity Utilization	Dec	--	77.0	--	76.8	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
1/6/25	9:45 AM	S&P Global US Services PMI	Dec F	56.8	58.5	--	58.5	index, sa
1/6/25	9:45 AM	S&P Global US Composite PMI	Dec F	55.4	--	--	56.6	index, sa
1/6/25	10:00 AM	Durable Goods Orders m/m	Nov F	-1.2	-0.5	--	-1.1	%, sa
1/6/25	10:00 AM	Cap Goods Orders Nondef Ex Air m/m	Nov F	0.4	0.1	--	0.7	%, sa
1/6/25	10:00 AM	Cap Goods Ship Nondef Ex Air m/m	Nov F	0.3	0.3	--	0.5	%, sa
1/7/25	10:00 AM	JOLTS Job Openings	Nov	8,098	7,740	7,839	7,744	k, sa
1/7/25	10:00 AM	ISM Services Index	Dec	54.1	53.5	--	52.1	index, nsa
1/8/25	7:00 AM	MBA Mortgage Applications w/w	1/3/25	-3.7	--	--	--	%, sa
1/8/25	8:15 AM	ADP Employment m/m	Dec	122	140	--	146	k, sa
1/8/25	8:30 AM	Initial Jobless Claims	1/4/25	201	215	--	211	k, sa
1/8/25	8:30 AM	Continuing Claims	12/28/25	1,867	1,860	1,834	1,844	k, sa
1/8/25	10:00 AM	Wholesale Inventories m/m	Nov F	-0.2	-0.2	--	-0.2	%, sa
1/8/25	10:00 AM	Wholesale Trade Sales m/m	Nov	0.6	0.2	-0.3	-0.1	%, sa
1/8/25	2:00 PM	FOMC Meeting Minutes	12/18/25	--	--	--	--	
1/8/25	3:00 PM	Consumer Credit m/m	Nov	-7.5	10.5	17.3	19.2	\$B, sa
1/10/25	8:30 AM	Nonfarm Payrolls m/m	Dec	256	165	212	227	k, sa
1/10/25	8:30 AM	Private Payrolls m/m	Dec	223	140	182	194	k, sa
1/10/25	8:30 AM	Average Hourly Earnings m/m	Dec	0.3	0.3	--	0.4	%, sa
1/10/25	8:30 AM	Average Hourly Earnings y/y	Dec	3.9	4.0	--	4.0	%, nsa
1/10/25	8:30 AM	Average Weekly Hours All Employees	Dec	34.3	34.3	--	34.3	sa
1/10/25	8:30 AM	Unemployment Rate	Dec	4.1	4.2	--	4.2	%, sa
1/10/25	8:30 AM	Labor Force Participation Rate	Dec	62.5	62.5	--	62.5	%, sa
1/10/25	10:00 AM	U. of Mich. Sentiment	Jan P	73.2	74.0	--	74.0	index, nsa
1/10/25	10:00 AM	U. of Mich. 1 Yr Inflation	Jan P	3.3	2.8	--	2.8	nsa
1/10/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	Jan P	3.3	3.0	--	3.0	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)