



# HaMMR Digest

Stay current with economic and mortgage market trends.

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## Mixed Signals

- **Key Takeaway:** While consumer inflation was a bit hot, details were more positive and weak wholesale inflation has the Fed on glidepath to rate cuts.
- **Macro Implications:** Market odds of a March rate cut surged — we still expect Fed on hold until at least May, limiting near-term downside for yields.
- **Housing Implications:** Mortgage rates are likely to be in a holding pattern around the mid-6% range until the Fed's rate path becomes clearer.

## Macro: Hard to Complain

- Data continues to suggest relatively solid growth into year-end '23.
- Forward-looking price pressures generally headed in right direction.
- Consumer credit delinquency rates bear watching.

## Rates: Whipsaw Continues

- Market odds for first rate cut in March popped to ~80%.
- 10-year UST fell 12bps w/w to 3.94%, down from '23 peak of 5%.
- Expect rates to toggle back and forth until clear Fed path emerges.

## Housing: Mortgage Rates Settling in Around Mid-6% Range

- Mortgage rates remained around 6.6%, below '23 peak of 7.8%.
- Purchase applications increased 6% w/w to start the new year.
- Housing market on road to stabilization over first half of '24.

## Inflation: Mission Not Accomplished Yet

- Consumer prices were up 0.3% in Dec. with core inflation up 0.3%.
- Wholesale inflation was softer with headline declining -0.1%.
- Price pressures heading in right direction but expect a bumpy ride.

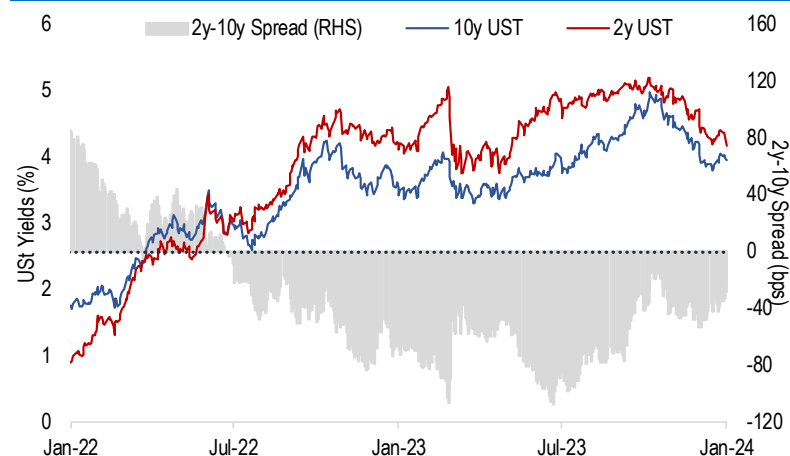
## Consumer Credit: Households Not Shy with Credit Cards

- Total consumer credit rose 0.5% m/m in Nov. and 2.8% y/y.
- Revolving credit rose 1.5%, the fastest pace since March 2022.
- Interest rates charged on credit at multi-decade highs.

## Small Business Sentiment: New Dawn?

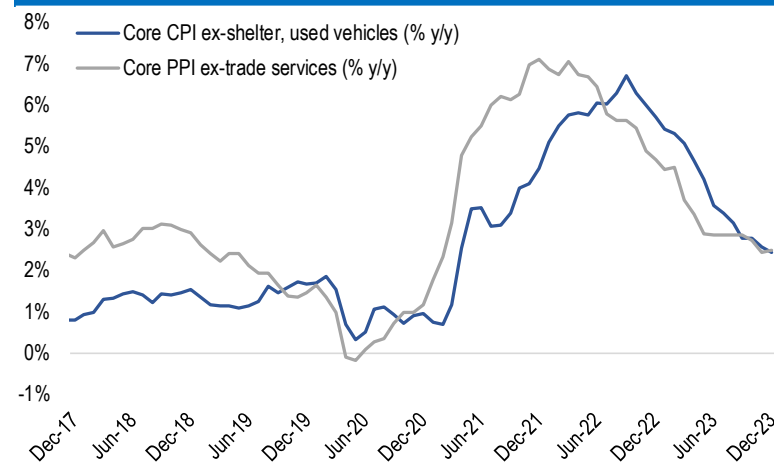
- NFIB Optimism Index rose 1.4% in Dec, first uptick in five months.
- Despite the increase, small businesses are not looking to invest.
- Inflation is “biggest problem” again and firms plan to raise prices.

UST Yields Moved Sharply Lower Friday  
After Weak Wholesale Inflation Report



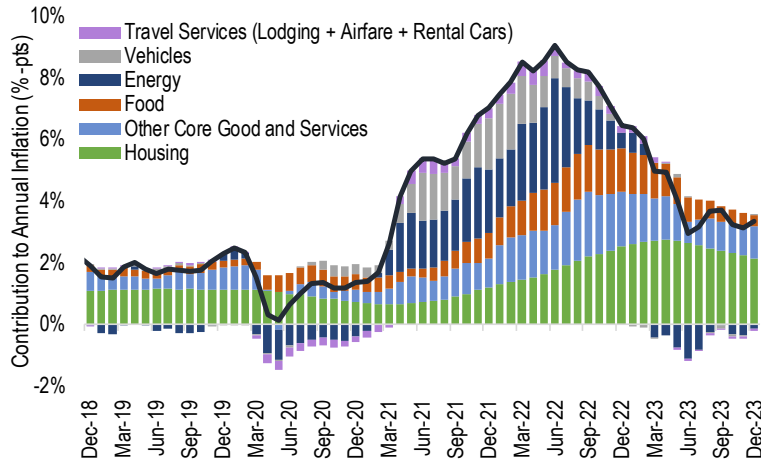
Sources: U.S. Bureau of Labor Statistics (BLS), Bloomberg, Arch Global Economics

Annual Inflation Readings Gliding Towards Fed's  
Target But Staying Power Will Be Key

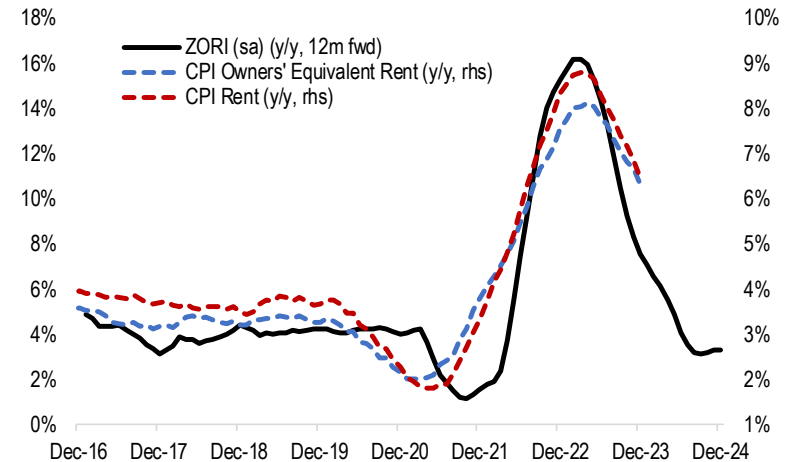


NFIB = National Federation of Independent Business

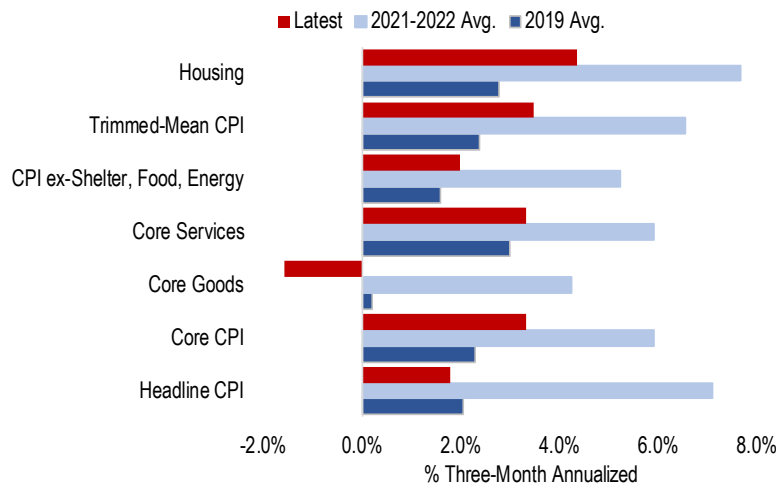
### Housing Still Key Driver of Elevated Annual Inflation, Core Services Also a Bit Too Hot for Comfort



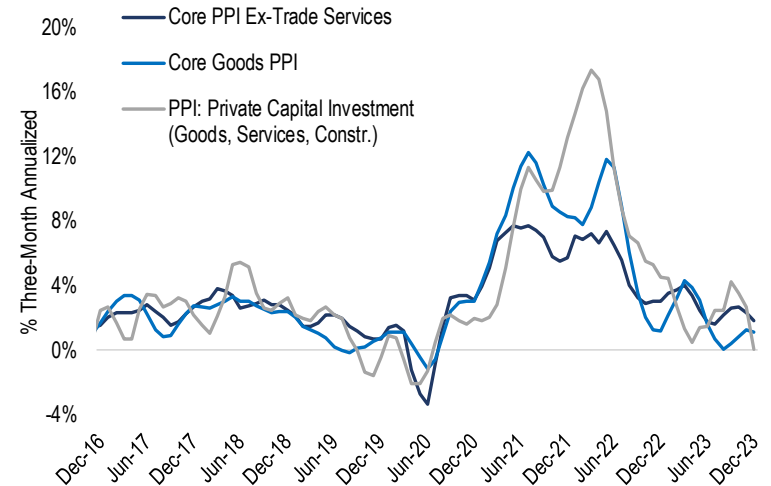
### Writing Is on the Wall for Housing's Future Declining Contribution to Inflation



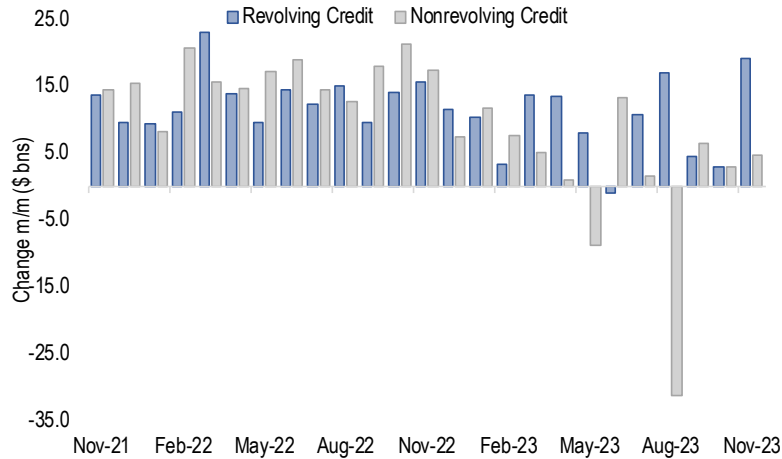
### Three-Month Inflation Inching Closer to 2019 Averages Across Key Groupings



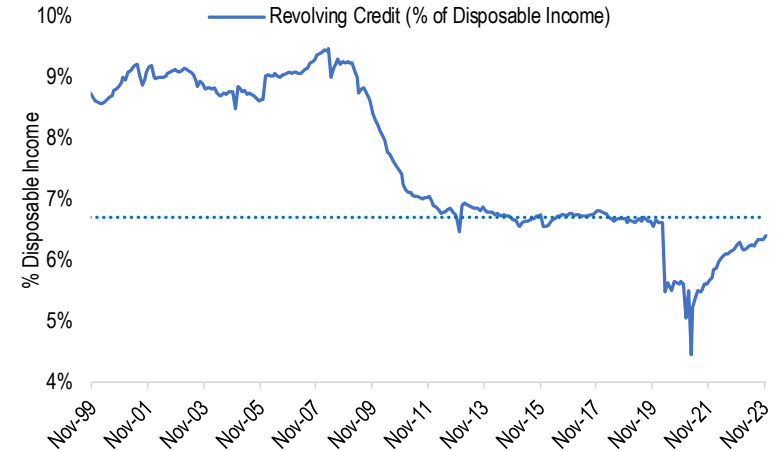
### How Much Producer Price Disinflation Will Be Passed on to Consumers?



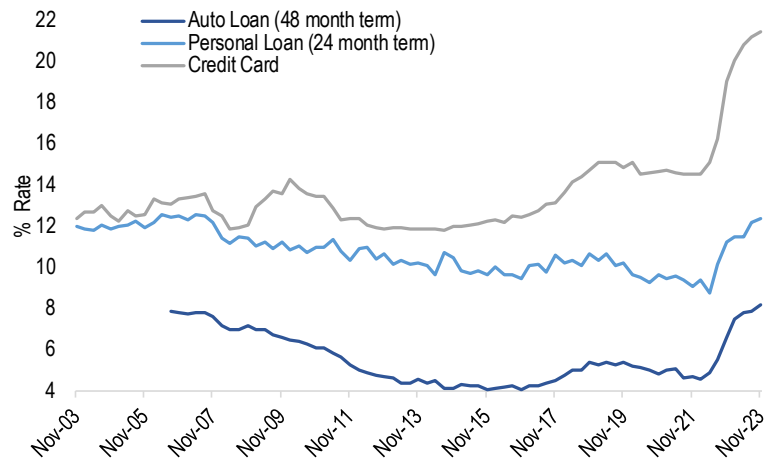
### Revolving Credit (Mostly Credit Cards) Jolted Higher in November in Support of Holiday Spending



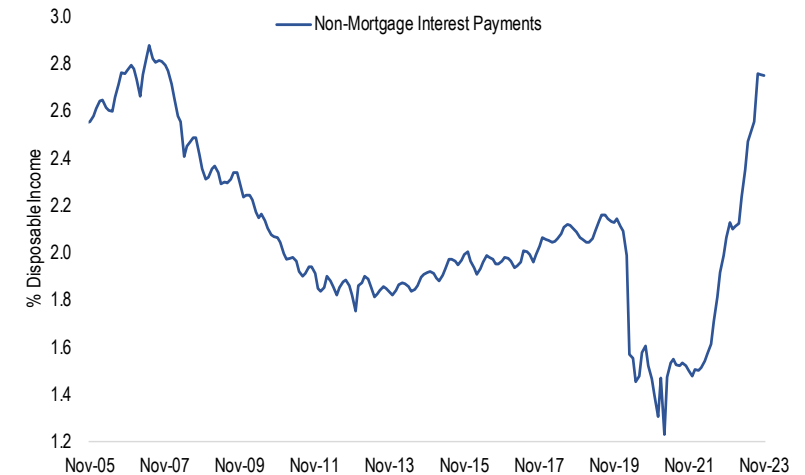
### Households in Aggregate Still Have Some Capacity to Tap Into Credit Relative to Pre-COVID Norm



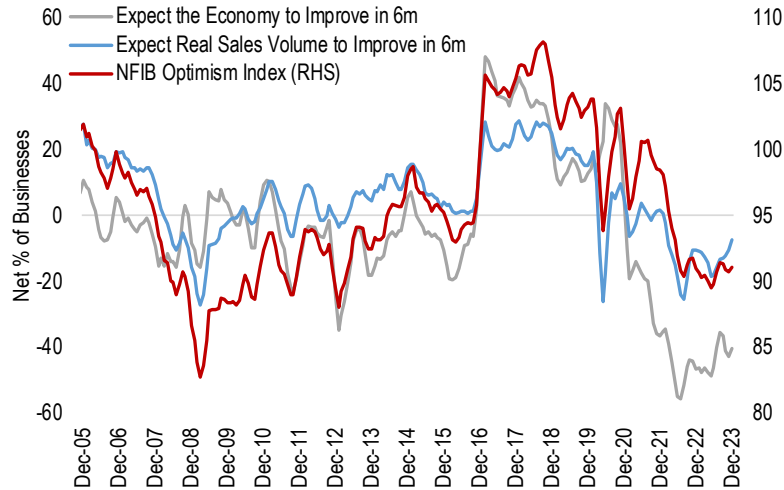
### But Interest Rates on Consumer Loans and Credit Cards Have Not Been This High in Decades



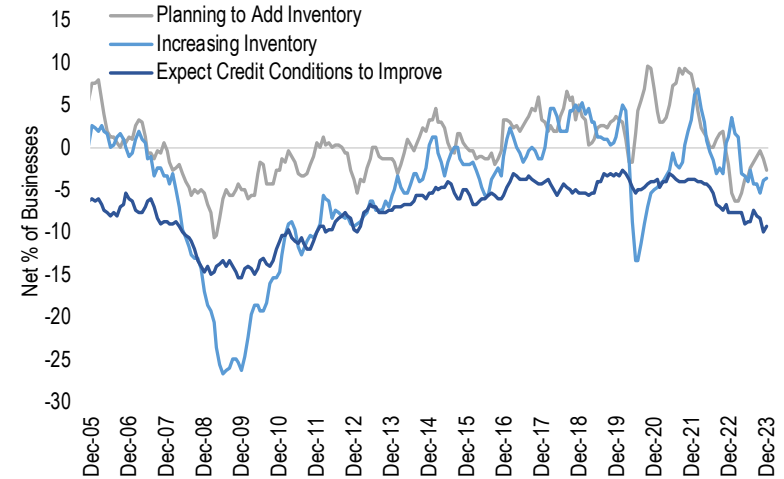
### High Cost of Consumer Debt Has Driven the Surge in Non-Mortgage Interest Payments



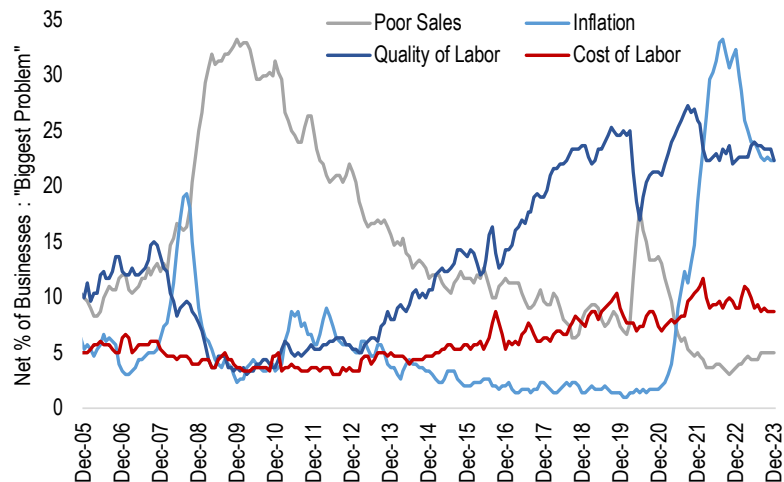
### Small Business Optimism Inched Higher as More Firms Expect Sales Volumes to Improve



### However, Businesses Are Not Looking to Build Inventories Amid Perceived Tight Credit Conditions



### "Inflation" Overtakes "Quality of Labor" Again as "Biggest Problem"

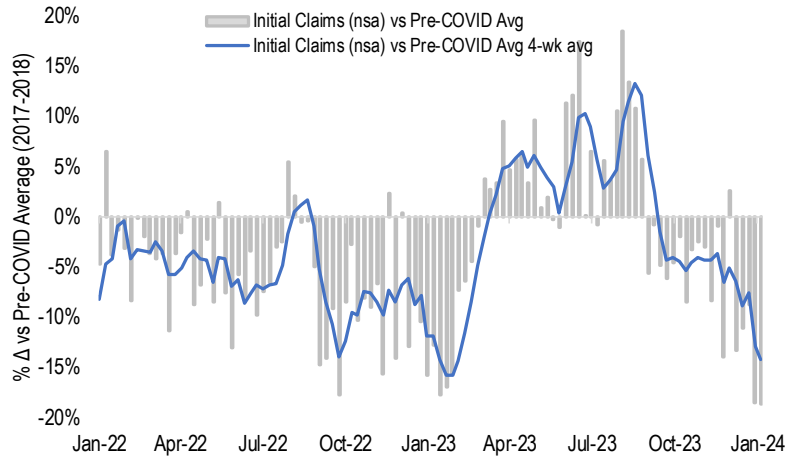


### As Such, Small Businesses Seem Intent on Raising Prices in the Months Ahead

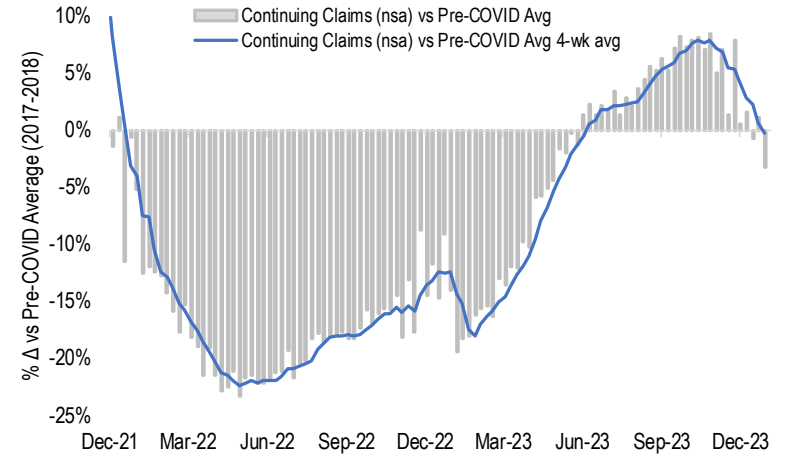




### Initial Claims Started 2024 by Remaining Well Below the Pre-Pandemic Norm ...

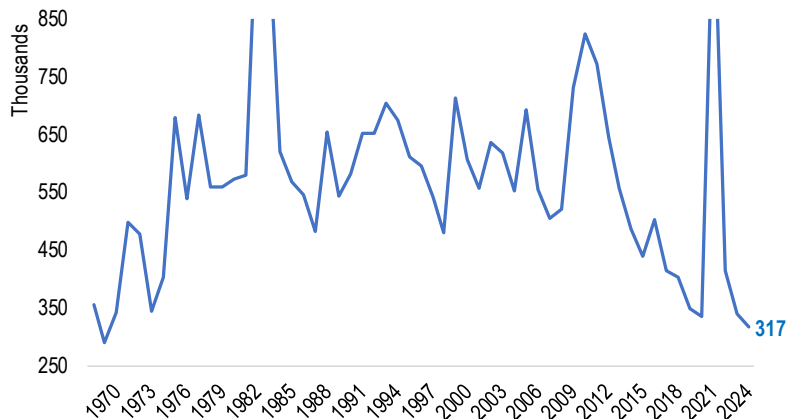


### ... while Continuing Claims Renewed a Solid Downtrend vs. the Pre-Pandemic Norm

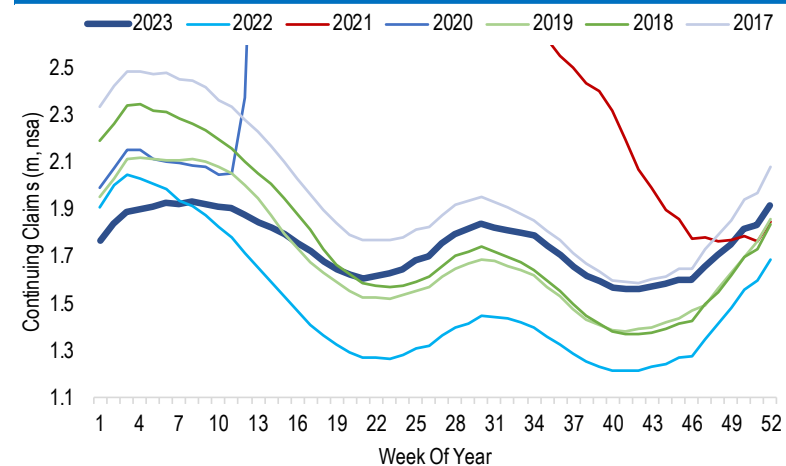


### Little Concern About Layoffs as Unadjusted Initial Claims Reached a Record Low Not Seen Since 1969 ...

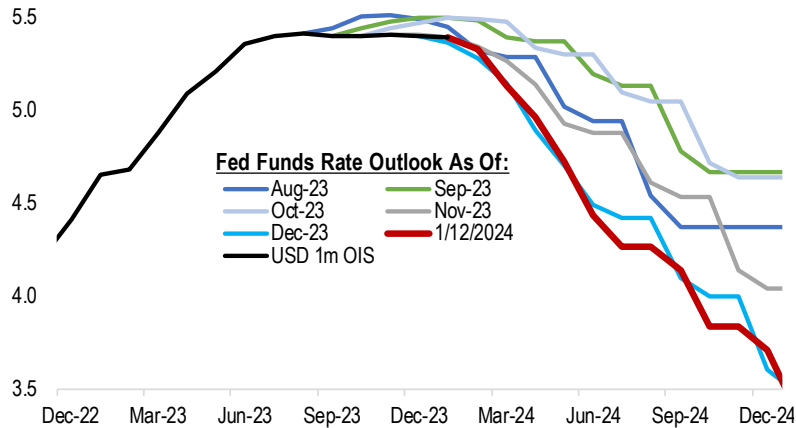
Initial Claims (NSA) for 1st Week of Year



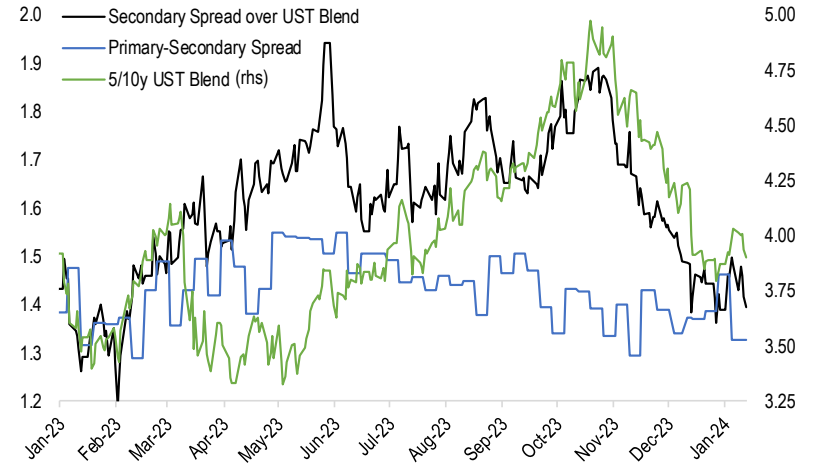
### ... and Continuing Claims Are No Longer Trending Higher vs. Pre-Pandemic Norm or Year-Ago Level



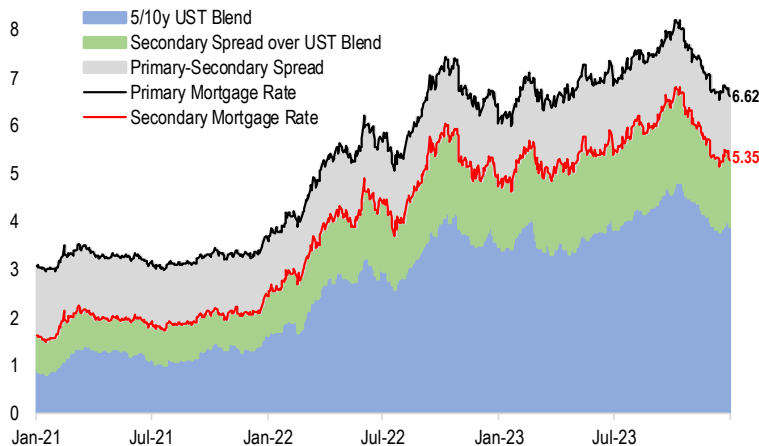
### Odds of March Rate Cut Surged Toward 80% After Weak Wholesale Inflation Report



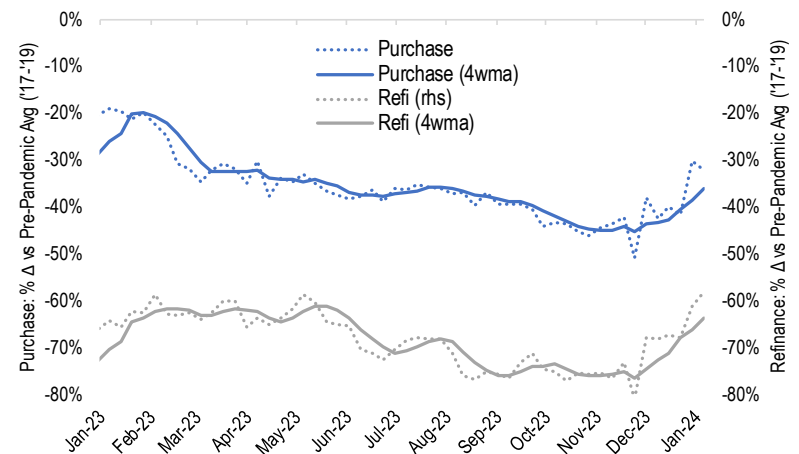
### ... and Pulled U.S. Treasury Yields Lower While Mortgage Spreads Also Narrowed ...



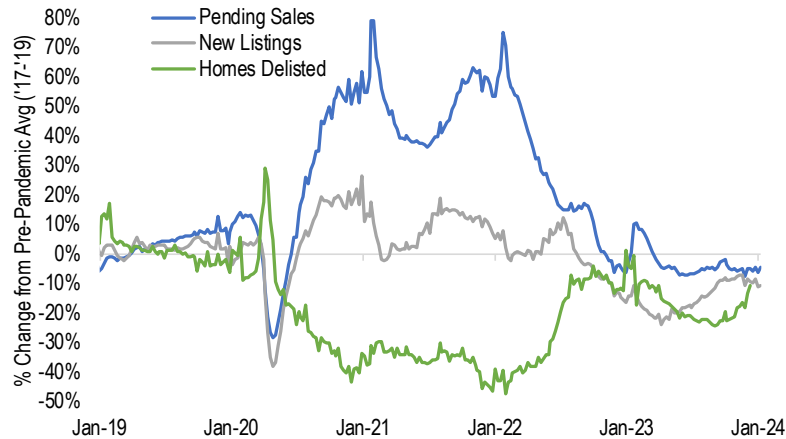
### ... leading to a Decline in Mortgage Rates Back Toward ~6.6% ...



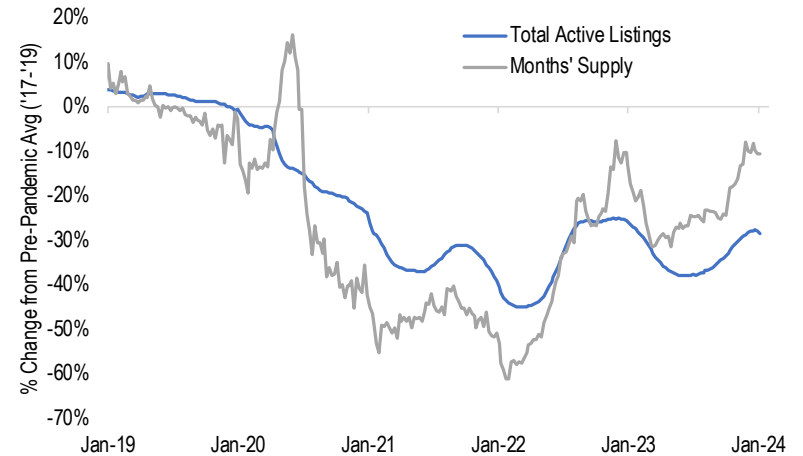
### ... which was Enough to Keep Mortgage Purchase and Refinancing Applications in an Uptrend



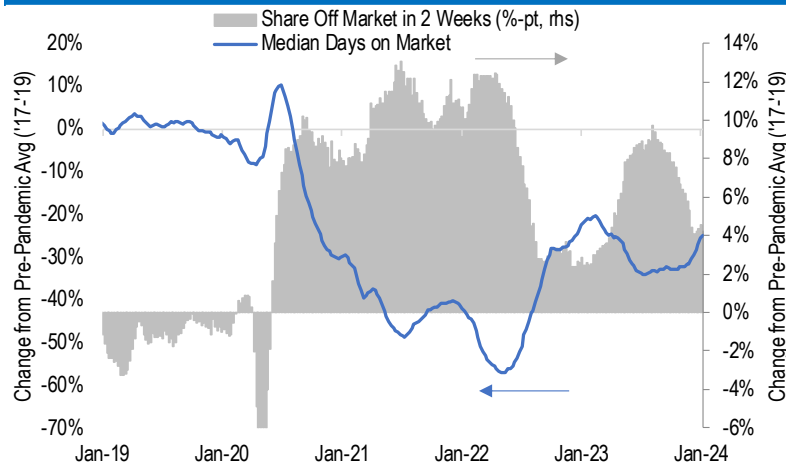
## Pending Sales Relatively Steady But Pace of New Listings Has Also Taken a Step Back Recently ...



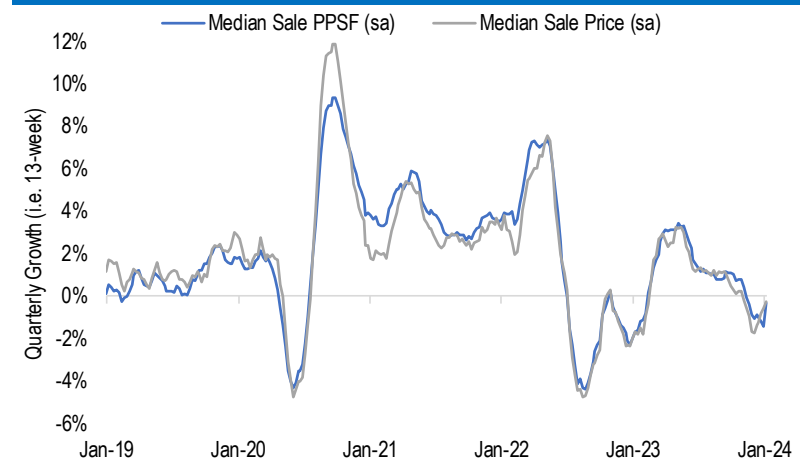
## ... causing a Leveling Off in Months' Supply for the National Housing Market



## 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	5.0%	2.8%	3.9%	0.5%	24%	2.0%	98.3%	0.5%	-3%	-16.2	-14.4	-23%	-29%
Atlanta	4.1%	6.6%	3.1%	-0.3%	20%	1.0%	98.1%	0.5%	-23%	-7.0	-6.5	-30%	-20%
Austin	-3.9%	-9.2%	4.8%	-0.8%	10%	-1.2%	96.6%	0.7%	-4%	30.6	25.5	54%	32%
Baltimore	6.4%	3.0%	4.2%	0.2%	36%	3.8%	100.5%	0.1%	-10%	-16.9	-14.1	-46%	-44%
Boston	8.4%	0.1%	2.3%	-0.1%	47%	7.0%	100.7%	1.2%	-16%	-2.0	0.5	-23%	-25%
Chicago	9.8%	0.3%	2.1%	0.3%	32%	7.2%	98.8%	1.0%	-22%	4.3	12.8	-29%	-16%
Dallas	1.6%	4.1%	4.4%	-0.7%	15%	-0.6%	97.5%	0.1%	0%	6.1	2.8	2%	2%
Denver	7.2%	-3.6%	4.0%	-1.1%	20%	0.4%	98.5%	0.1%	-4%	15.9	14.7	34%	23%
Houston	2.4%	5.8%	4.1%	-0.4%	13%	-0.4%	97.1%	0.1%	4%	-3.5	-4.9	-14%	-23%
Los Angeles	4.9%	-2.1%	2.1%	-0.2%	43%	12.6%	100.0%	1.6%	-19%	-5.5	4.8	-10%	15%
Miami	8.6%	10.0%	2.7%	0.6%	12%	0.6%	96.2%	0.2%	0%	-4.9	-6.5	-13%	-33%
Minneapolis	2.8%	2.1%	3.3%	0.4%	26%	-0.1%	98.8%	0.1%	-1%	-3.5	-4.7	-9%	-19%
Nashville	3.1%	8.4%	2.5%	-0.4%	16%	2.8%	98.1%	0.2%	-1%	6.4	1.2	11%	-2%
New York	8.3%	-0.4%	2.3%	0.0%	32%	8.9%	99.6%	1.3%	-16%	-38.5	-33.0	-27%	-27%
Phoenix	5.0%	-2.3%	4.3%	-1.2%	14%	2.8%	98.0%	1.1%	-19%	0.0	13.9	-4%	13%
Portland	2.0%	-0.2%	3.2%	-0.5%	24%	2.6%	98.8%	0.4%	-2%	7.0	6.0	17%	10%
Riverside	2.9%	2.7%	2.9%	-0.4%	35%	8.5%	99.1%	1.0%	-19%	-13.0	-2.8	-22%	-3%
San Diego	11.0%	-0.7%	2.8%	-0.4%	38%	10.7%	99.6%	1.4%	-18%	-7.8	1.0	-31%	-23%
Seattle	8.0%	-3.8%	2.6%	-1.3%	20%	3.3%	98.9%	1.0%	-29%	3.1	7.6	12%	39%
Tampa	2.5%	10.4%	5.8%	-0.6%	12%	-0.5%	97.1%	0.0%	9%	-1.7	-3.7	-3%	-10%
Washington DC	6.0%	1.5%	2.7%	-0.3%	30%	6.4%	99.6%	0.5%	-16%	0.7	8.2	-19%	-16%

Data as of January 7, 2024, 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
1/8/24	Consumer Credit	Nov	23.8	8.6	5.8	5.1	\$B, m/m, sa
1/9/24	NFIB Small Business Optimism	Dec	91.9	91.0	--	90.6	index, sa
1/10/24	MBA Mortgage Applications	1/5/24	9.9%	--	--	-10.7%	w/w, sa
1/10/24	Wholesale Inventories	Nov F	-0.2%	-0.2%	--	-0.2%	m/m, sa
1/10/24	Wholesale Trade Sales	Nov	0.0%	0.4%	-1.5%	-1.3%	m/m, sa
1/11/24	CPI m/m	Dec	0.3%	0.2%	--	0.1%	sa
1/11/24	CPI Core (ex Food and Energy) m/m	Dec	0.3%	0.3%	--	0.3%	sa
1/11/24	CPI y/y	Dec	3.4%	3.2%	--	3.1%	nsa
1/11/24	CPI Core (ex Food and Energy) y/y	Dec	3.9%	3.8%	--	4.0%	nsa
1/11/24	Initial Jobless Claims	1/6/24	202	210	203	202	k, sa
1/11/24	Continuing Claims	12/30/24	1,834	1,870	1,868	1,855	k, sa
1/12/24	PPI Final Demand m/m	Dec	-0.1%	0.1%	-0.1%	0.0%	sa
1/12/24	PPI Core (ex Food and Energy) m/m	Dec	0.0%	0.2%	--	0.0%	sa
1/12/24	PPI Final Demand y/y	Dec	1.0%	1.3%	0.8%	0.9%	nsa
1/12/24	PPI Core (ex Food and Energy) y/y	Dec	1.8%	2.0%	--	2.0%	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)

## UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Consensus	Prior	Note
1/16/24	Empire Manufacturing	Jan	-5.0	-14.5	index, sa
1/17/24	MBA Mortgage Applications	1/12/24	--	9.9%	w/w, sa
1/17/24	Advance Retail Sales m/m	Dec	0.4%	0.3%	sa
1/17/24	Retail Sales Control Group m/m	Dec	0.2%	0.4%	sa
1/17/24	Import Price Index m/m	Dec	-0.5%	-0.4%	nsa
1/17/24	Import Price Index y/y	Dec	-2.0%	-1.4%	nsa
1/17/24	Industrial Production	Dec	0.0%	0.2%	m/m, sa
1/17/24	Capacity Utilization	Dec	78.7%	78.8%	sa
1/17/24	Business Inventories m/m	Nov	-0.1%	-0.1%	sa
1/17/24	NAHB Housing Market Index	Jan	39	37	index, sa
1/18/24	Housing Starts m/m	Dec	-8.7%	14.8%	sa
1/18/24	Housing Starts	Dec	1,425	1,560	k, saar
1/18/24	Building Permits m/m	Dec	0.6%	-2.5%	sa
1/18/24	Building Permits	Dec	1,475	1,460	k, saar
1/18/24	Philadelphia Fed Business Outlook	Jan	-7.0	-10.5	index, sa
1/18/24	Initial Jobless Claims	1/13/24	206	202	k, sa
1/18/24	Continuing Claims	1/6/24	1,845	1,834	k, sa
1/19/24	U. of Mich. Sentiment	Jan P	70.0	69.7	index, nsa
1/19/24	U. of Mich. 1 Yr Inflation	Jan P	3.1%	3.1%	nsa
1/19/24	U. of Mich. 5-10 Yr Inflation	Jan P	3.0%	2.9%	nsa
1/19/24	Existing Home Sales m/m	Dec	0.3%	0.8%	sa
1/19/24	Existing Home Sales	Dec	3,830	3,820	k, saar

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics