

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 21, 2025

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### Glass Half Full or Half Empty?

- **Key Takeaway:** Core inflation missed consensus estimates amid weakness in key services categories, halting the upswing in Treasury yields.
- **Macro Implications:** Path to a March Fed rate cut remains intact as long as forthcoming inflation prints point to further moderation.
- **Housing Implications:** The ascent in mortgage rates took a pause but remained too restrictive for a material increase in home sales.

### Macro: One Foot in Front of the Other

- Fed’s account of business activity showed an uptick through early Jan.
- Small business optimism rose further with more firms planning to hire.
- Jobless claims stepped higher; expect noise from California wildfires.

### Rates: Yields Pause after Incessant Surge

- 10-year UST fell 14bps w/w to 4.60% largely due to cooler inflation print.
- Fed commentary supporting further rate cuts also capped yields.
- Market pricing second rate cut in '25 as a toss-up vs. only one last week.

### Housing: Enthusiasm Curbed

- Mortgage rates remained elevated in lower 7%-range.
- Annual purchase app growth improved but remained negative.
- Fannie Mae Home Purchase Sentiment index stemmed its uptrend.

### Consumer Inflation: Cooling Underlying Momentum

- Headline CPI inflation rose 0.4% in Dec. after a 0.3% bump in Nov.
- Food and energy costs picked up notably over the month.
- Core inflation lost more momentum than expected.

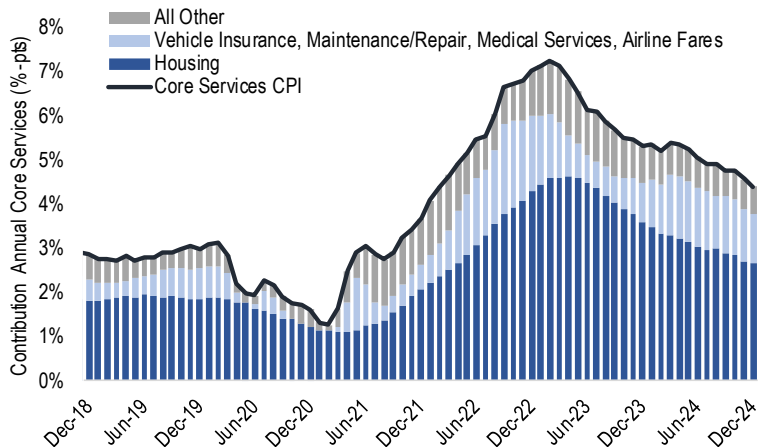
### Home Construction: Trading Water but Headwinds Ahead

- Single-family starts rose 14% annualized in 4Q, still down -3% y/y.
- Permitting trails the pace of starts, implying a slowdown near-term.
- Elevated rates, higher costs, and slower migration are outlook risks.

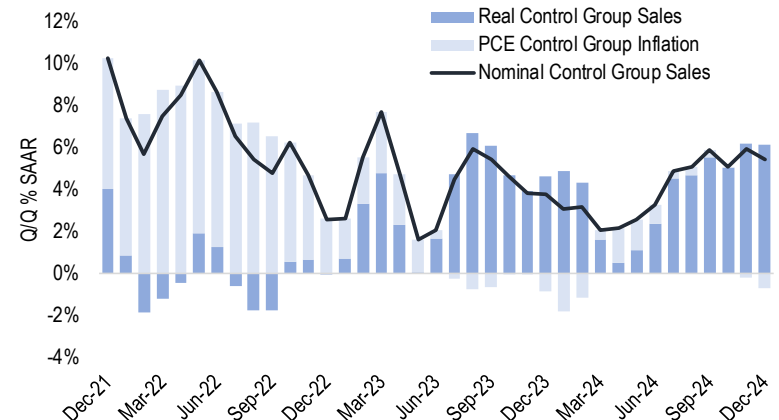
### Retail Sales: Holiday Bonanza

- Dec. retail sales grew 0.4% with most categories up (0.4% ex-auto).
- Control group sales up 0.7% with notable gains in recreational goods.
- Solid real income gains should keep spending at solid pace in 1H25.

Annual Core Services Inflation Has Been Driven by Handful of Categories that the Fed Minimally Impacts

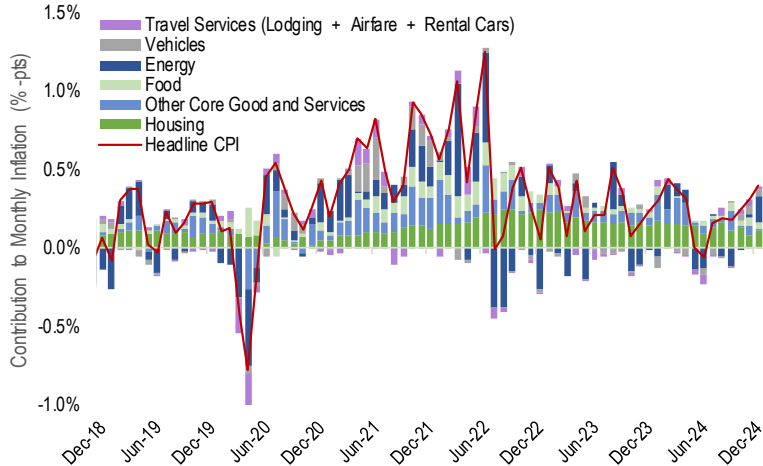


Core Inflation-Adjusted Consumer Spending Finished the Year on a High Note, Solid Momentum to Start '25

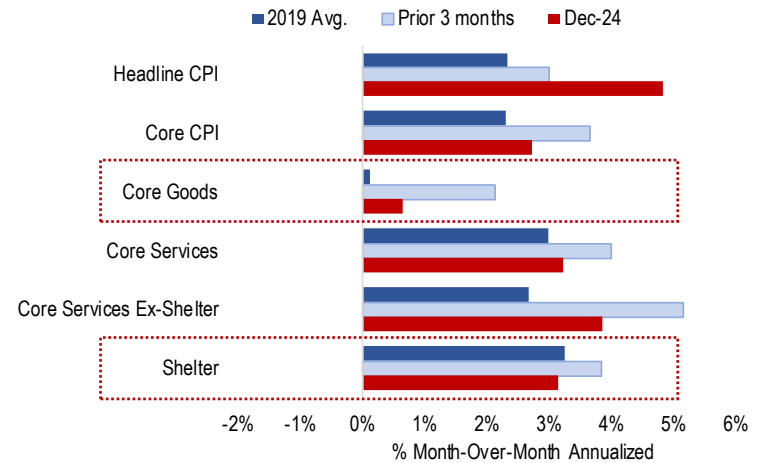


Sources: U.S. Bureau of Labor Statistics, Census Bureau, Arch Global Economics.

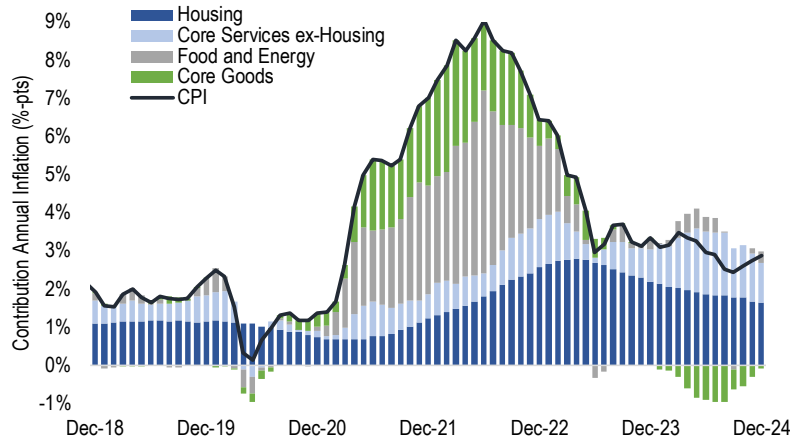
**Dec. Consumer Price Inflation Inched Higher Primarily Due to Food, Energy and Airline Fares as Core Softened**



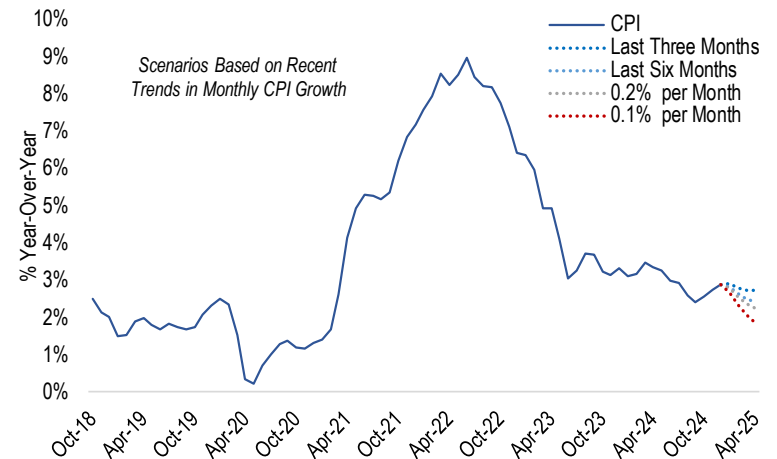
**Broad-Based Weakness in Dec. Core Inflation Outside of Modest Rebound in Housing**



**Annual Headline Inflation Ticked Higher on Less Goods Deflation and Uptick in Food and Energy Prices**

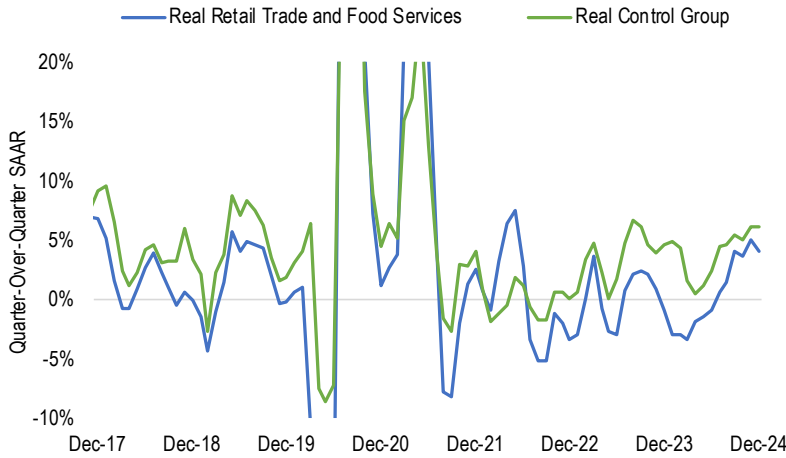


**Sustained Reacceleration in Annual Headline Inflation Would Require Another "Shock" to the System**

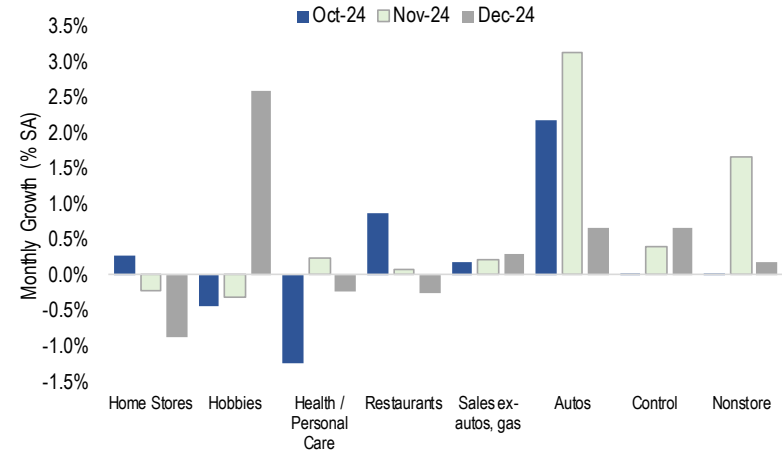


Sources: Bureau of Labor Statistics, Arch Global Economics.

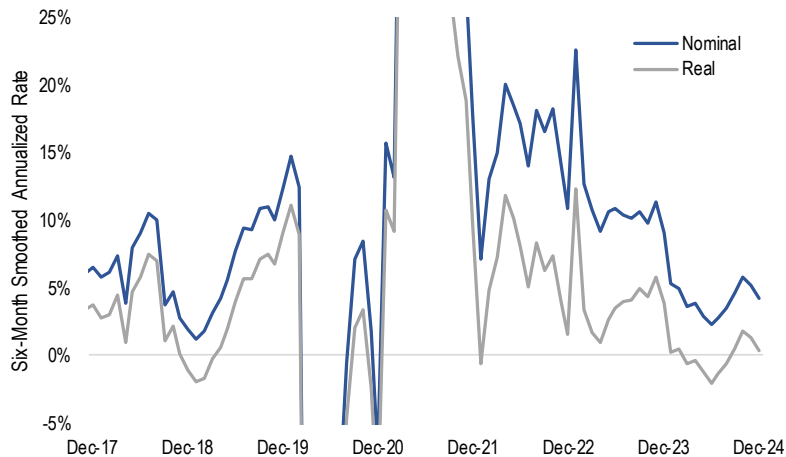
**December Capped a Solid Year for Consumer Spending  
With Real Sales up 4% Annualized in 4Q24**



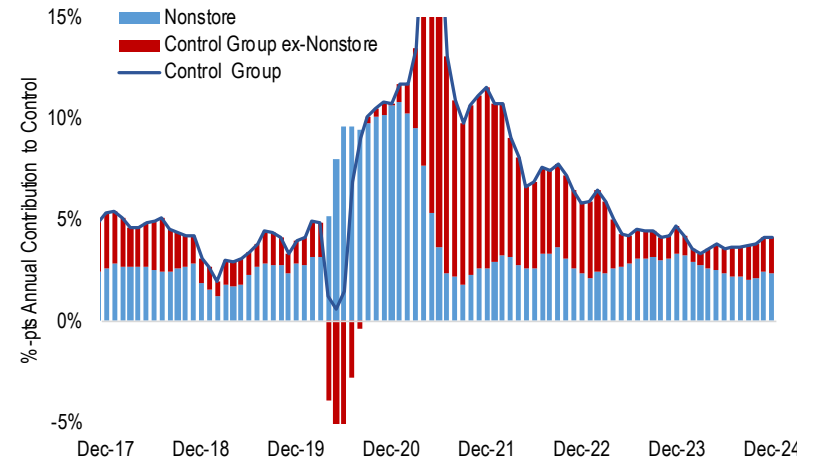
**Surge in Holiday-Related Spending  
Lifted Retail Sales at End of 2024**



**Restaurant Sales Continued to Cool after a Rebounding  
Over the Prior Few Months**

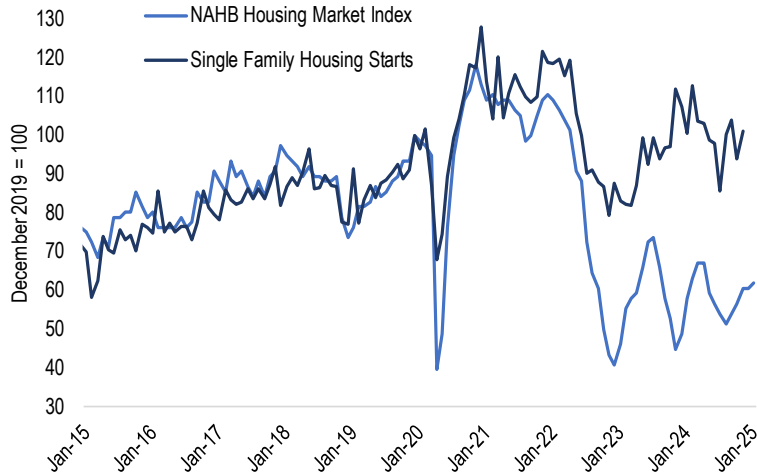


**Online Sales (i.e., Nonstore) Ticked Lower as Consumers  
Spread Spending across other Categories**

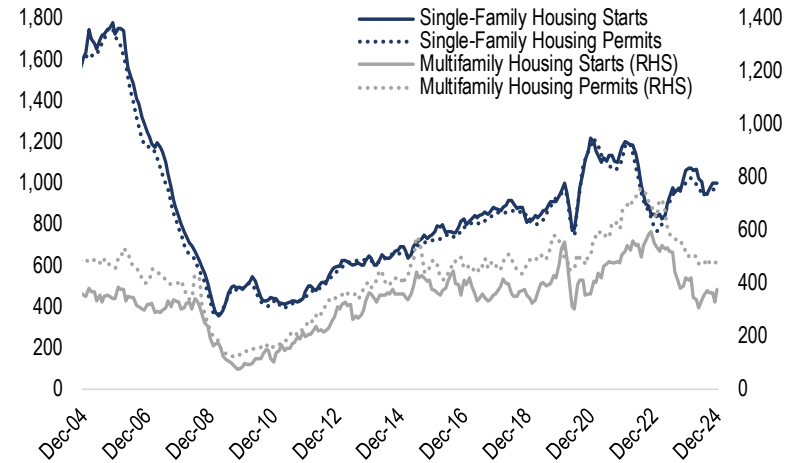


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted.  
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), Arch Global Economics.

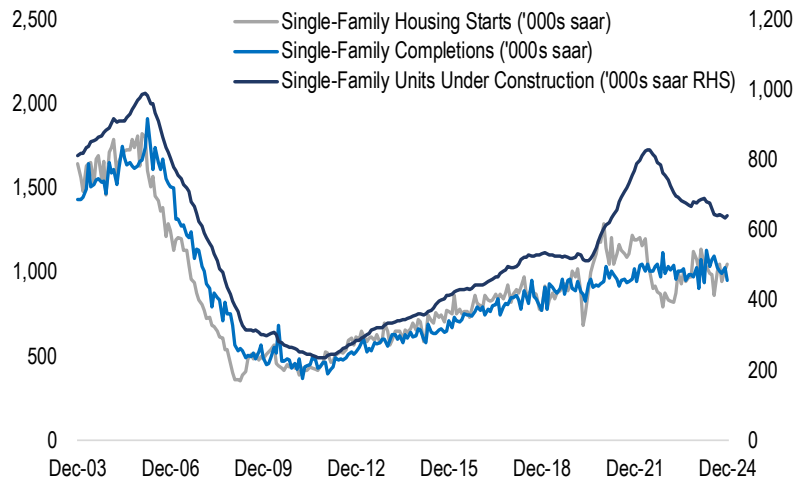
**Builder Optimism Inched Slightly Higher in January  
Despite Decrease in "Future Sales" Component**



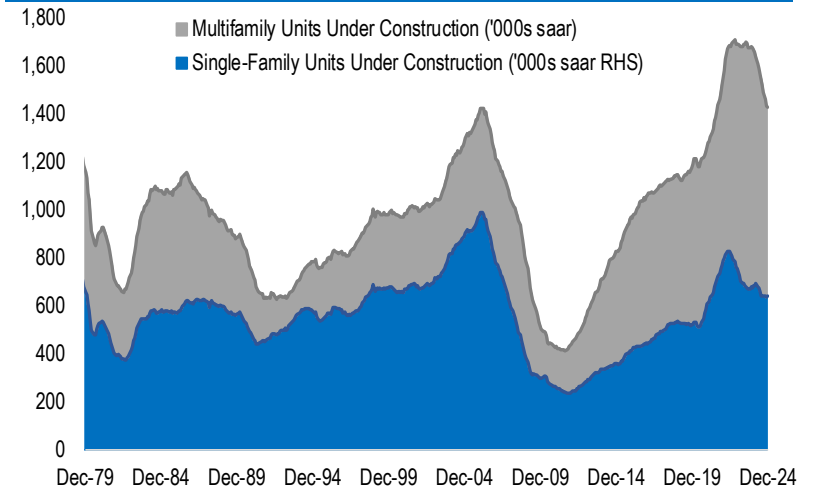
**Single-Family Construction Activity Has Been Roughly  
Flat over the Prior Few Months Despite Some Volatility**



**Single-Family Completions Have Fallen in 3 out of the  
Last 4 Months with a Big Drop in the South in Dec.**



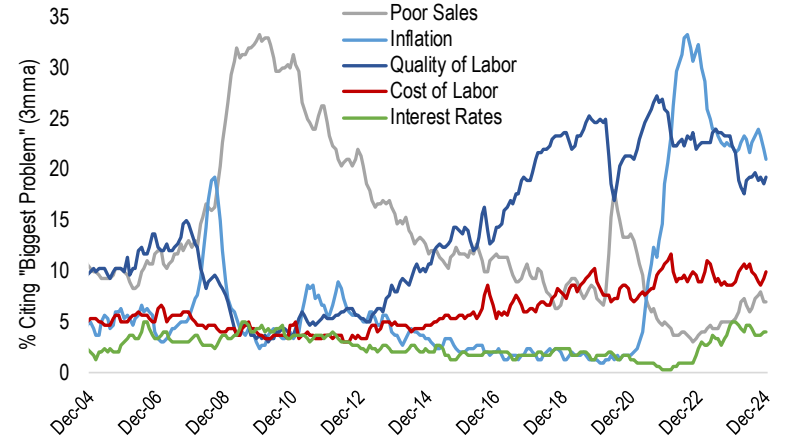
**Units in the Pipeline Have Continued to Drop as Caution  
Over Future Production Settles In**



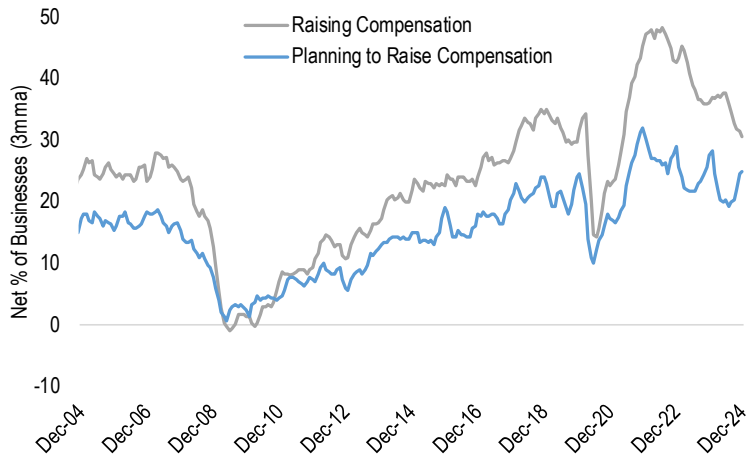
**Small Businesses Seem More Eager to Hire, Which Bodes Well for Unemployed ... if True**



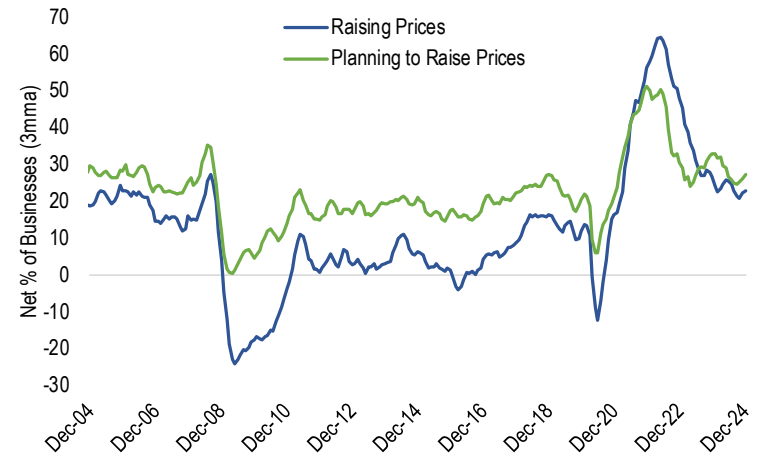
**"Inflation" Remained Top Concern for Small Firms While "Poor Sales" Eased Its Ascent**



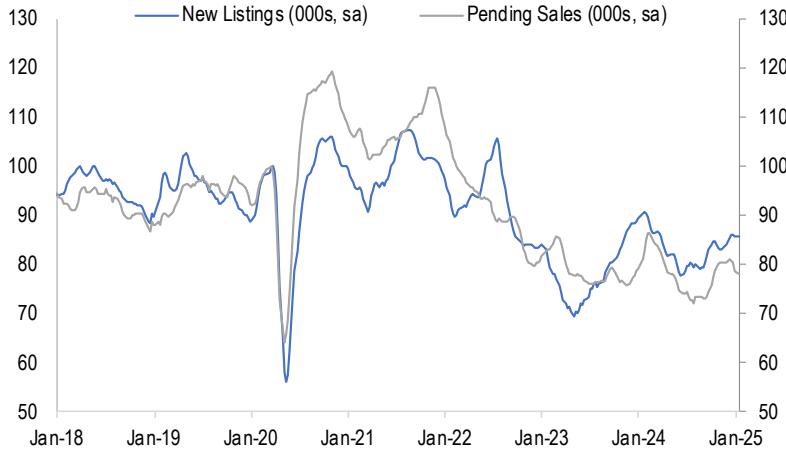
**Wage Pressures Have Cooled to Near Pre-Pandemic Levels Based on Firms Raising/Planning to Raise Wages**



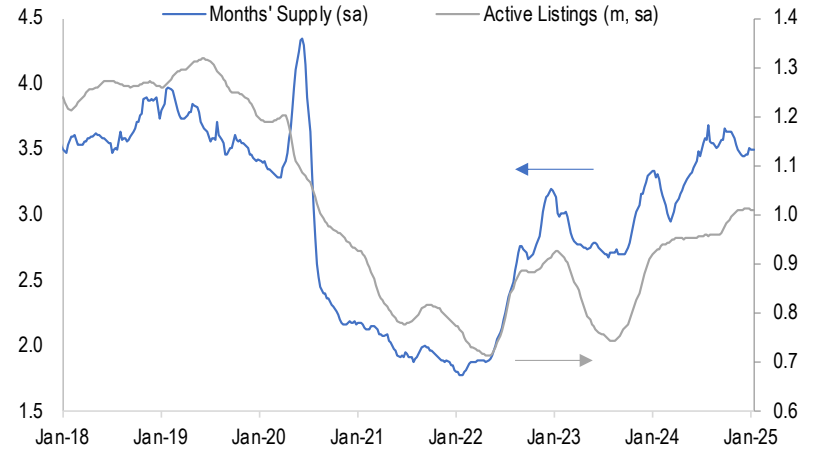
**Share of Firms Raising/Planning to Raise Prices Has Stabilized just above Pre-Pandemic Norms**



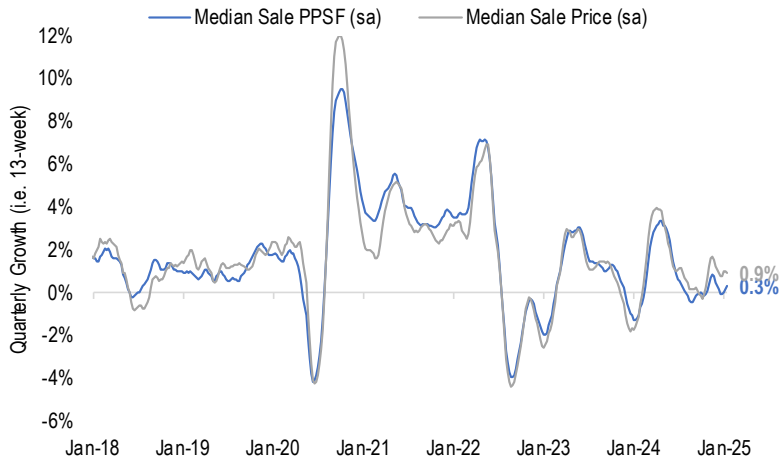
**Pending Home Sales Cooling Again While New Listings Have Continued to Inch Higher ...**



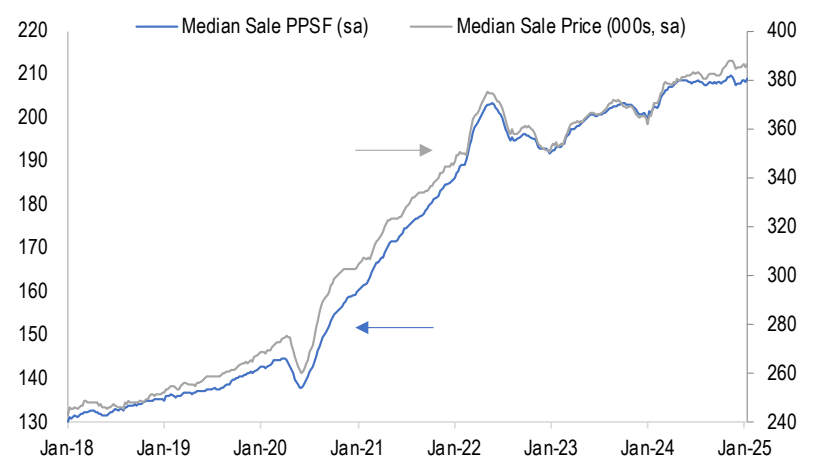
**... Which Has Lifted Months' Supply Modestly Even as Inventory Declined Modestly**



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



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



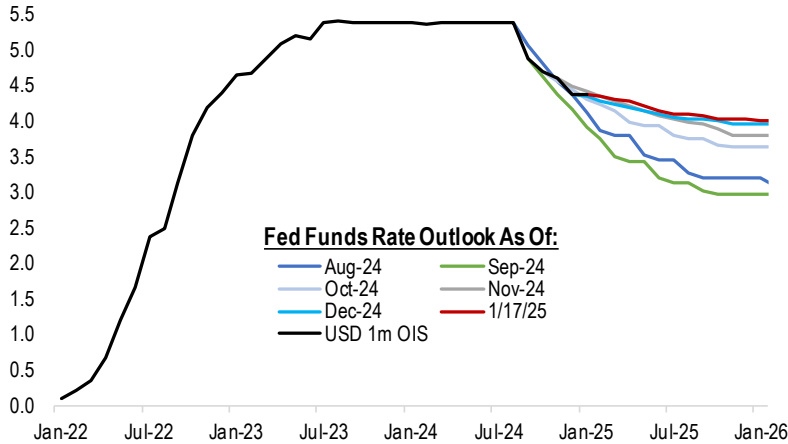
## Some Housing Markets Still Softening Even as Most Have Stabilized in Recent Months

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	4.0%	1.5%	5.2%	1.4%	4.0%	0.6%	98.2%	-0.1%	-11.0	-17.3	10%	-15%	-20%
Atlanta	1.3%	-1.1%	1.8%	1.0%	4.0%	1.2%	97.8%	-0.1%	13.6	-4.2	11%	-20%	-27%
Austin	-2.9%	0.6%	3.2%	4.2%	4.7%	0.3%	96.7%	0.0%	30.9	23.4	0%	31%	38%
Baltimore	4.2%	-0.1%	4.7%	0.7%	3.9%	-0.1%	100.4%	-0.2%	-11.6	-16.1	4%	-41%	-39%
Boston	6.8%	5.0%	0.3%	-5.3%	2.9%	0.7%	100.2%	-0.3%	0.6	-1.8	-2%	-24%	-19%
Chicago	8.1%	0.8%	4.0%	-1.9%	2.4%	0.7%	98.6%	-0.3%	9.6	5.3	-9%	-33%	-20%
Dallas	0.8%	1.7%	1.7%	0.7%	4.9%	1.0%	97.3%	-0.2%	19.2	8.2	14%	20%	3%
Denver	-0.8%	-0.5%	3.9%	3.3%	4.8%	0.8%	98.5%	0.0%	26.5	14.0	22%	45%	38%
Houston	0.6%	0.1%	2.9%	-0.2%	5.1%	1.6%	96.6%	-0.6%	4.0	-2.4	10%	-14%	-13%
Los Angeles	2.6%	0.1%	4.3%	3.6%	2.3%	0.4%	99.6%	-0.4%	4.7	-4.5	15%	9%	-2%
Miami	6.4%	2.1%	3.3%	-2.7%	3.1%	0.6%	95.4%	-0.4%	13.2	-4.3	25%	17%	-18%
Minneapolis	2.0%	1.3%	3.2%	1.9%	4.0%	1.1%	98.9%	0.1%	-2.7	-4.3	-2%	-13%	-6%
Nashville	0.2%	0.2%	3.0%	1.0%	3.0%	0.9%	97.7%	-0.3%	14.3	9.5	8%	13%	10%
New York	8.8%	2.3%	18.7%	10.9%	2.5%	-0.1%	99.5%	0.3%	-54.1	-43.3	-6%	-29%	-29%
Phoenix	1.8%	2.6%	3.3%	1.1%	4.7%	0.3%	98.0%	0.0%	11.8	1.3	22%	21%	10%
Portland	1.7%	1.0%	3.0%	4.1%	4.5%	1.3%	98.9%	0.0%	16.6	7.0	1%	17%	26%
Riverside	6.2%	2.9%	5.9%	2.7%	3.2%	0.7%	98.7%	-0.2%	-6.4	-12.6	19%	-7%	-18%
San Diego	2.4%	-0.1%	2.9%	-1.4%	3.2%	0.7%	98.9%	-0.5%	3.6	-7.8	24%	-16%	-24%
Seattle	4.0%	0.5%	3.9%	-2.1%	3.8%	1.3%	99.2%	0.2%	3.6	2.5	21%	20%	12%
Tampa	-2.4%	3.6%	-1.7%	4.9%	6.6%	1.0%	96.6%	-0.4%	8.8	-2.1	13%	7%	6%
Washington DC	6.2%	1.6%	8.3%	4.1%	2.8%	0.2%	99.6%	0.1%	1.8	-0.1	6%	-18%	-15%

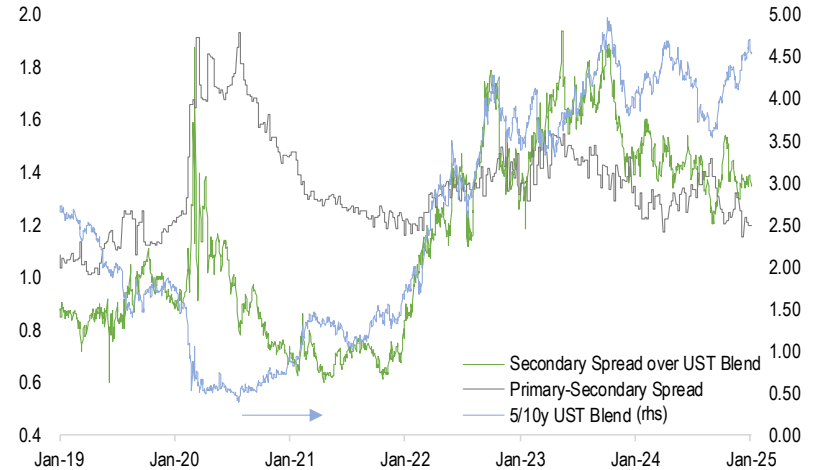
Data as of Jan. 12, 2025, and reflects 4-week averages.



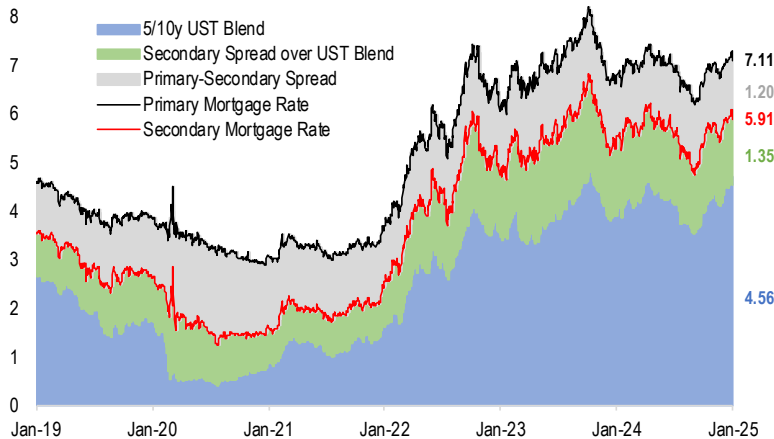
Market Back to Pricing in Two Cuts as a Toss-Up for 2025 vs. Only One Cut Last Week



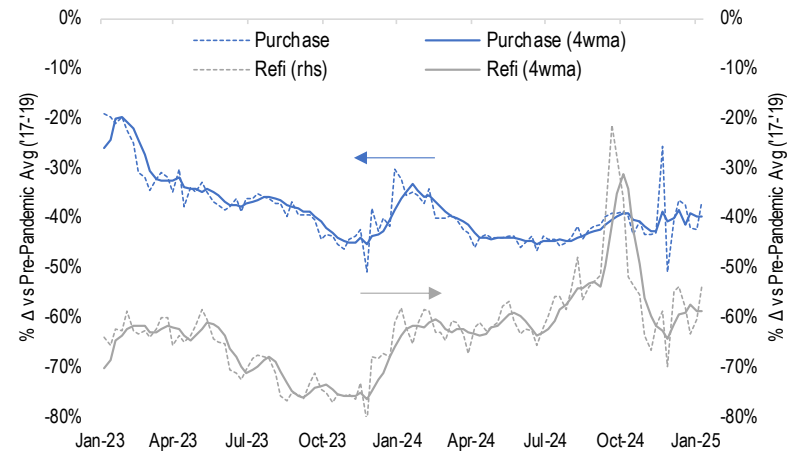
UST Yields Down 14bps Last Week While Mortgage Spreads Also Narrowed ...



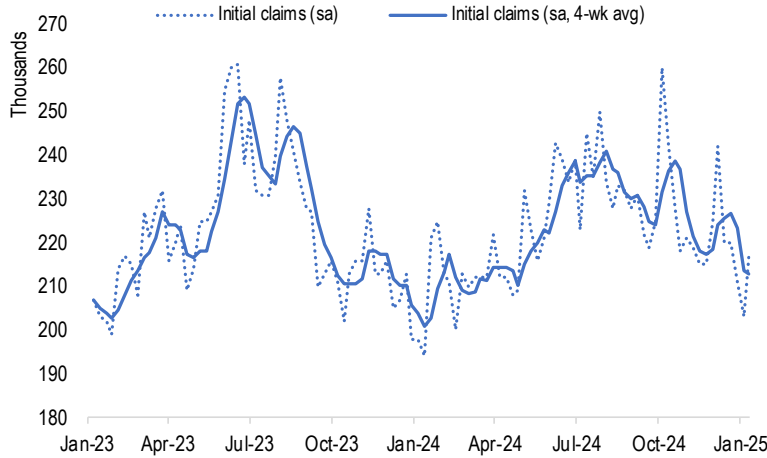
... Pulling Down Implied Mortgage Rates Back Toward 7% after Reaching an 8-Month High



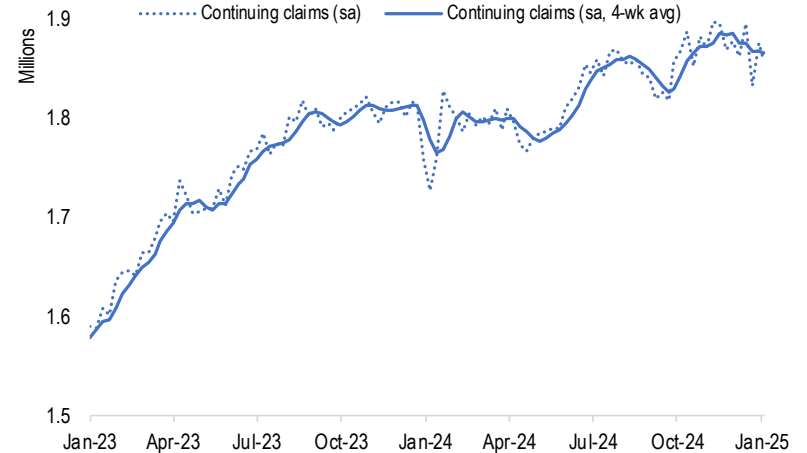
Mortgage Applications Rebounded Sharply in Second Week of January



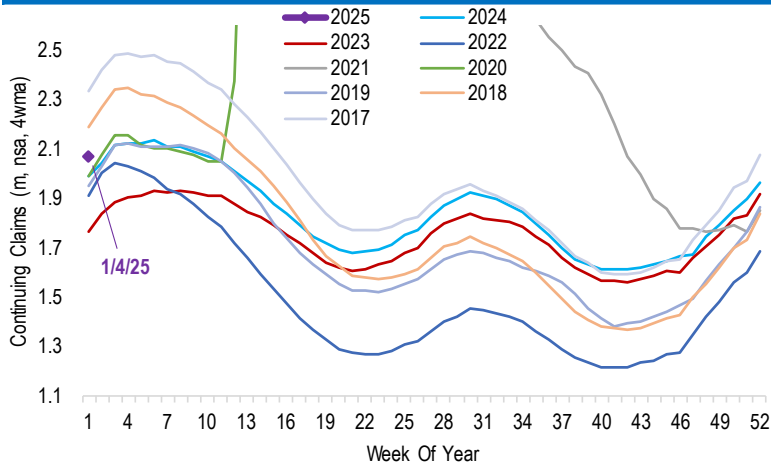
**Initial Claims (SA) Continued to Decline into Year-End But Caution Warranted Around Holiday Season**



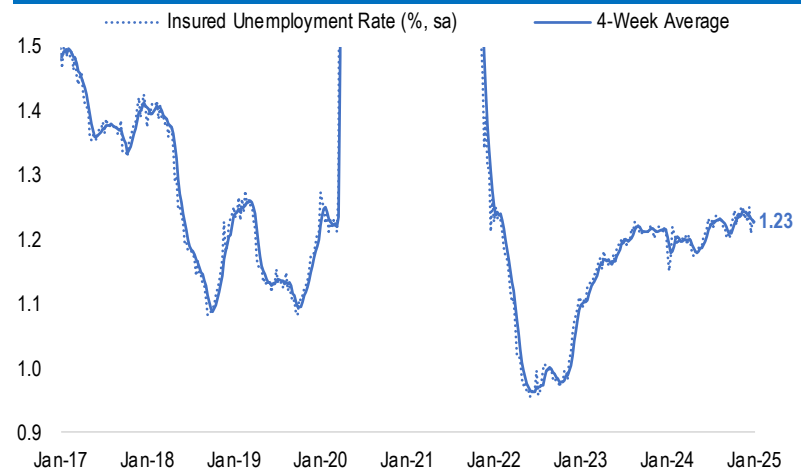
**Continuing Claims Remained Near Multi-Year Highs As Unemployed Workers Struggled to Find New Jobs**



**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**



## UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
1/22/25	7:00 AM	MBA Mortgage Applications w/w	1/17/25	--	--	--	33.3	%, sa
1/22/25	10:00 AM	Conference Board Leading Index m/m	Dec	--	-0.1	--	0.3	%, sa
1/23/25	8:30 AM	Initial Jobless Claims	1/18/25	--	220	--	217	k, sa
1/23/25	8:30 AM	Continuing Claims	1/11/25	--	1,868	--	1,859	k, sa
1/23/25	11:00 AM	Kansas City Fed Manf. Activity	Jan	--	--	--	-4.0	sa, index
1/24/25	9:45 AM	S&P Global US Manufacturing PMI	Jan P	--	49.9	--	49.4	index, sa
1/24/25	9:45 AM	S&P Global US Services PMI	Jan P	--	56.5	--	56.8	index, sa
1/24/25	9:45 AM	S&P Global US Composite PMI	Jan P	--	--	--	55.4	index, sa
1/24/25	10:00 AM	U. of Mich. Sentiment	Jan F	--	73.2	--	73.2	index, nsa
1/24/25	10:00 AM	U. of Mich. 1 Yr Inflation	Jan F	--	--	--	3.3	nsa
1/24/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	Jan F	--	--	--	3.3	nsa
1/24/25	10:00 AM	Existing Home Sales	Dec	--	4.2	--	4.2	m, saar
1/24/25	10:00 AM	Existing Home Sales m/m	Dec	--	1.2	--	4.8	%, 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
1/13/25	11:00 AM	NY Fed 1-Yr Inflation Expectations	Dec	<b>3.0</b>	3.0	--	3.0	%
1/14/25	6:00 AM	NFIB Small Business Optimism	Dec	<b>105.1</b>	102.1	--	101.7	index, sa
1/14/25	8:30 AM	PPI Final Demand m/m	Dec	<b>0.2</b>	0.4	--	0.4	%, sa
1/14/25	8:30 AM	PPI Core (ex Food and Energy) m/m	Dec	<b>0.0</b>	0.3	--	0.2	%, sa
1/14/25	8:30 AM	PPI Final Demand y/y	Dec	<b>3.3</b>	3.5	--	3.0	%, nsa
1/14/25	8:30 AM	PPI Core (ex Food and Energy) y/y	Dec	<b>3.5</b>	3.8	3.5	3.4	%, nsa
1/15/25	7:00 AM	MBA Mortgage Applications w/w	1/10/25	<b>33.3</b>	--	--	-3.7	%, sa
1/15/25	8:30 AM	CPI m/m	Dec	<b>0.4</b>	0.4	--	0.3	%, sa
1/15/25	8:30 AM	CPI Core (ex Food and Energy) m/m	Dec	<b>0.2</b>	0.3	--	0.3	%, sa
1/15/25	8:30 AM	CPI y/y	Dec	<b>2.9</b>	2.9	--	2.7	%, nsa
1/15/25	8:30 AM	CPI Core (ex Food and Energy) y/y	Dec	<b>3.2</b>	3.3	--	3.3	%, nsa
1/16/25	8:30 AM	Advance Retail Sales m/m	Dec	<b>0.4</b>	0.6	0.8	0.7	%, sa
1/16/25	8:30 AM	Retail Sales Control Group m/m	Dec	<b>0.7</b>	0.4	--	0.4	%, sa
1/16/25	8:30 AM	Import Price Index m/m	Dec	<b>0.1</b>	-0.1	--	0.1	%, nsa
1/16/25	8:30 AM	Import Price Index y/y	Dec	<b>2.2</b>	2.1	1.4	1.3	%, nsa
1/16/25	8:30 AM	Initial Jobless Claims	1/11/25	<b>217</b>	210	203	201	k, sa
1/16/25	8:30 AM	Continuing Claims	1/4/25	<b>1,859</b>	1,870	1,877	1,867	k, sa
1/16/25	10:00 AM	Business Inventories m/m	Nov	<b>0.1</b>	0.1	0.0	0.1	%, sa
1/16/25	10:00 AM	NAHB Housing Market Index	Jan	<b>47</b>	45.0	--	46.0	index, sa
1/17/25	8:30 AM	Housing Starts	Dec	<b>1,499</b>	1,327	1,294	1,289	k, saar
1/17/25	8:30 AM	Housing Starts m/m	Dec	<b>15.8</b>	3.0	-3.7	-1.8	%, sa
1/17/25	8:30 AM	Building Permits	Dec P	<b>1,483</b>	1,460	--	1,493	k, saar
1/17/25	8:30 AM	Building Permits m/m	Dec P	<b>-0.7</b>	-2.2	--	5.2	%, sa
1/17/25	9:15 AM	Industrial Production m/m	Dec	<b>0.9</b>	0.3	0.2	-0.1	%, sa
1/17/25	9:15 AM	Capacity Utilization	Dec	<b>77.6</b>	77.0	77.0	76.8	sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics.

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