



HaMMR Digest

Stay current with economic and mortgage market trends.

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Here Comes the Sun

- **Key Takeaway:** Retail sales looked more flattering than reality in December while single-family construction continued to expand at decent clip.
- **Macro Implications:** Overall output signals solid growth momentum with recovering consumer and business sentiment minimizing near-term risks.
- **Housing Implications:** Households expect rates to keep falling and home prices to keep rising, bolstering the nascent demand recovery.

Macro: Rolling Along

- Recent economic data mostly surprised to the upside.
- Beige Book report on business activity improved since Nov.
- Weak sectors of 2023 likely find their stride in 2024.

Rates: Bumpy Road Downhill Continues

- Market odds for first rate cut in March dropped below 50%.
- 10-year UST rose 22bps w/w to 4.15%, a one month high.
- A path lower for rates remains, but the choppy ride will continue.

Housing: Waiting for the Recovery to Solidify

- Mortgage rates jumped toward 6.9% last week as UST yields surged.
- Purchase applications jumped 9% w/w (Jan. 12) to highest since July.
- Housing market on road to stabilization over first half of '24.

Existing Home Sales: Another (Brief) Step Back

- Sales fell -1.0% m/m in Dec., capping the weakest year since 1995.
- Inventory rose for fifth straight month but still down -30% from '19.
- Months' supply crept higher to 3.8 months in Dec., up 12% y/y.

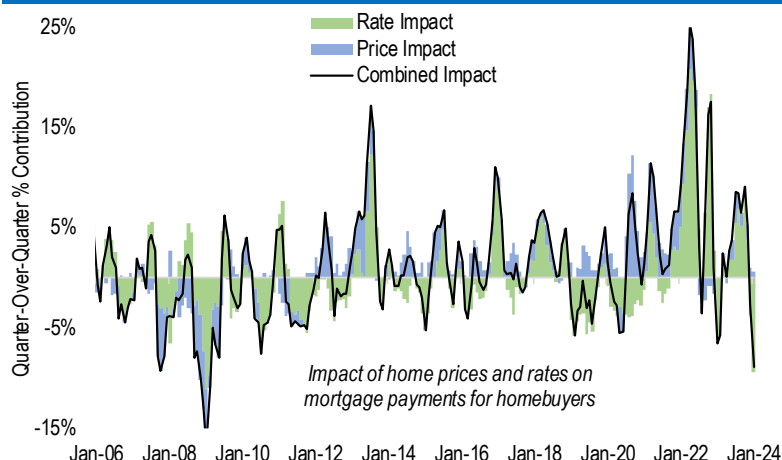
Construction: Builder Optimism Rebounds

- Single-family starts fell -8.6% m/m but were up 16% y/y in Dec.
- Single-family permits up 10 months in a row and 33% y/y.
- Multifamily backlog still elevated with permits in firm downtrend.

Retail Sales: Solid End to a Decent Year

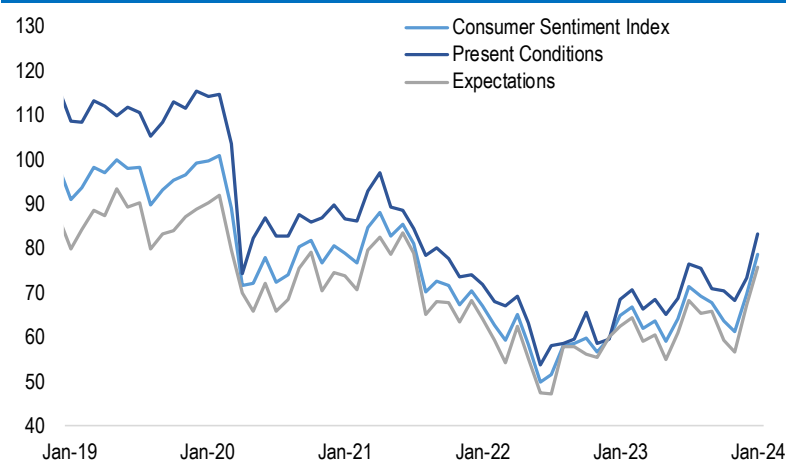
- Retail sales accelerated to 0.6% in Dec. and are up 5.6% y/y.
- Real control group sales up nine months in a row and 5.3% y/y.
- Consumers tapered outlays in 2H23; further moderation expected.

Recent Decline in Rates Provided a Much-Needed Affordability Reprieve for Homebuyers



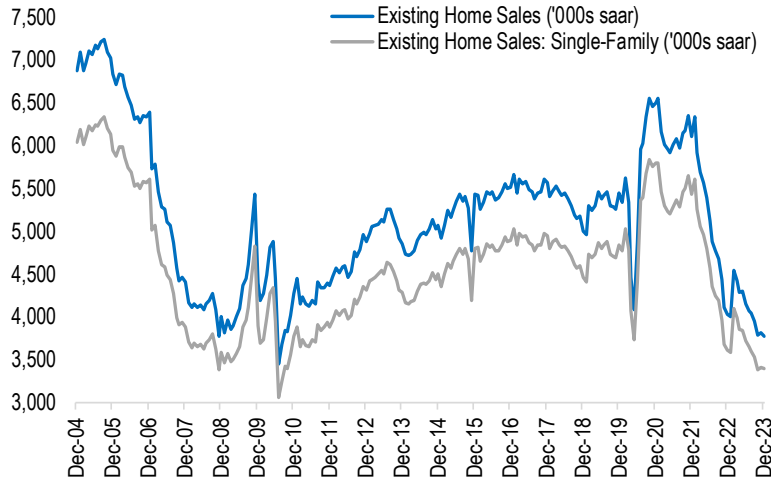
Sources: University of Michigan, Freddie Mac, National Association of Realtors (NAR), Arch Global Economics

UMICH Consumer Sentiment Index Surged on Lower Inflation and Better Income Expectations

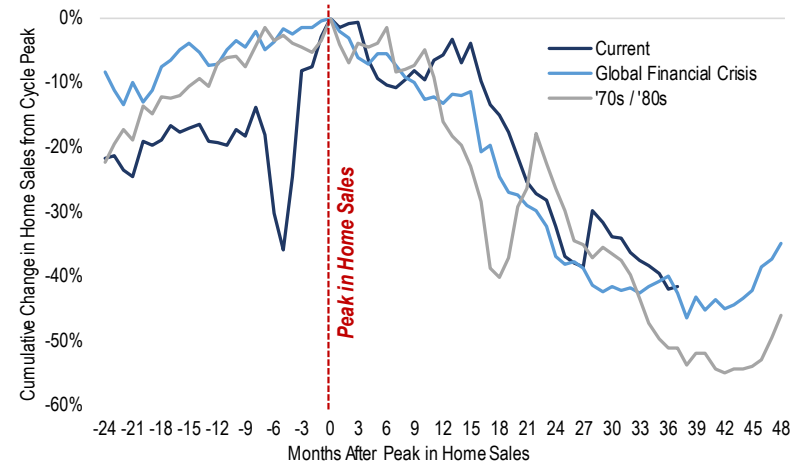


University of Michigan January '24 Print is Preliminary

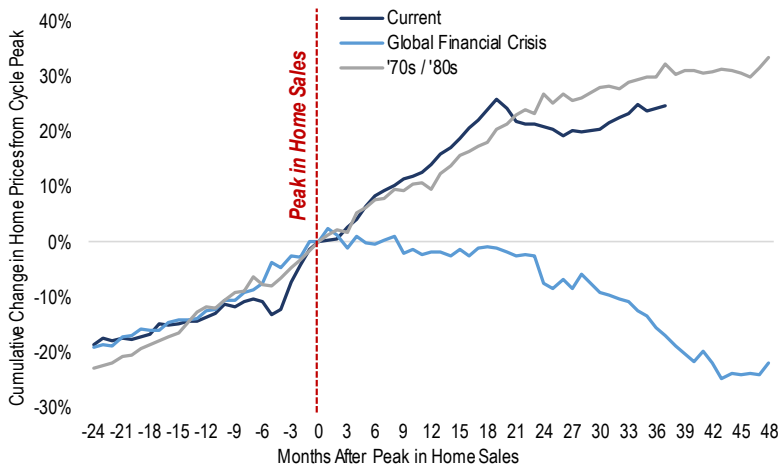
Existing Home Sales Couldn't Build on Modest Gains from November



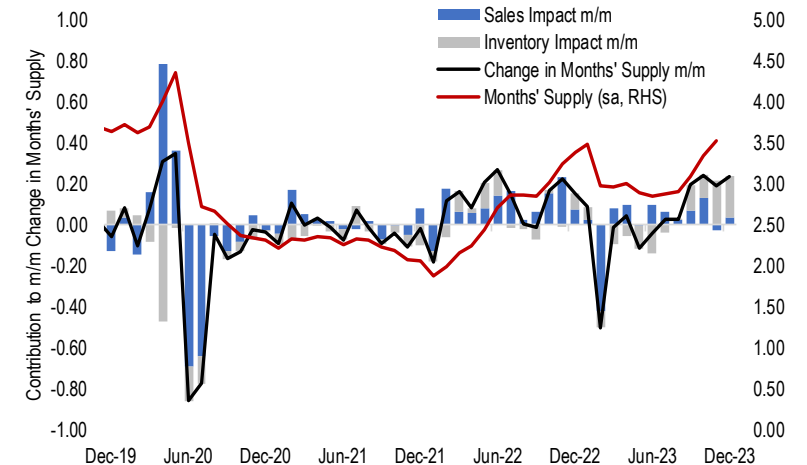
Existing Home Sales Likely Close to a Bottom, Similar to Timing of Prior Severe Downturns



Home Prices Continued to Follow Similar Path to the Late 1970s/Early 1980s Downturn



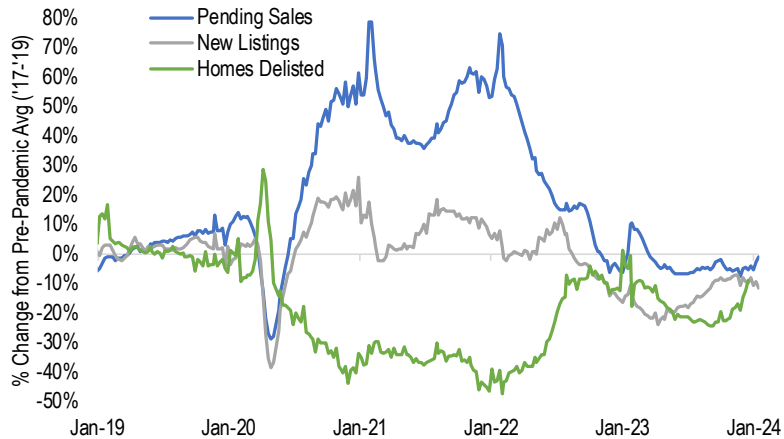
Inventory on the Rise as Inventory Builds and Sales Pace Remains Depressed



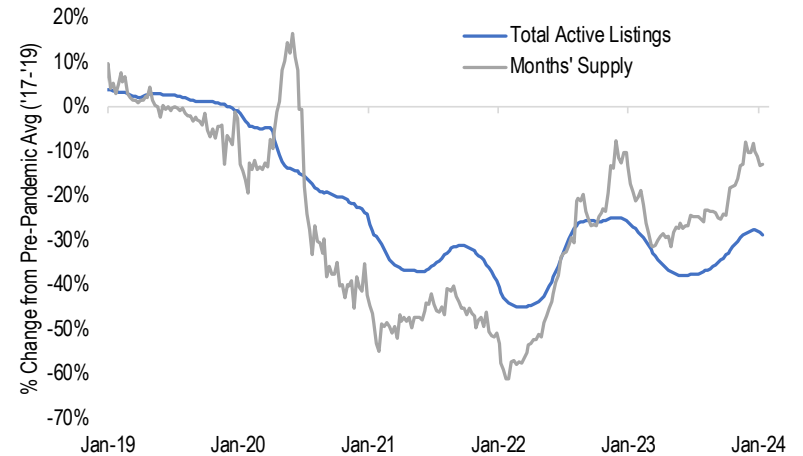
Net New Listings = New Listings Less Delisted Homes

Sources: U.S. Bureau of Labor Statistics (BLS), Federal Housing Finance Agency (FHFA), [Redfin](#), Arch Global Economics

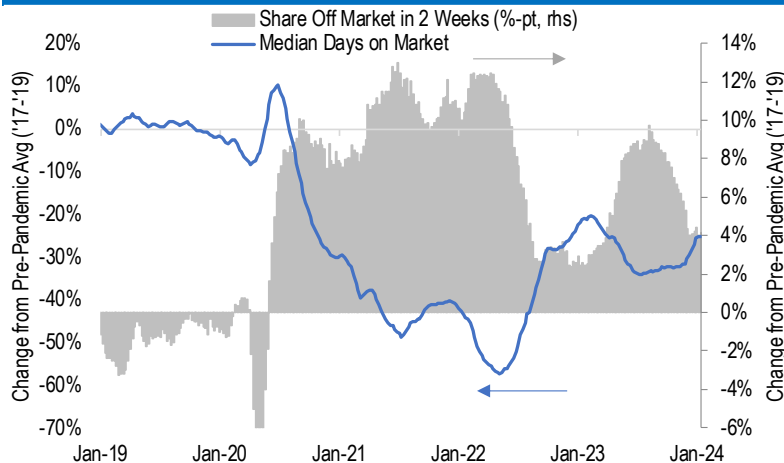
Real-Time Data on Pending Sales Show Jan. Rebound as Pace of New Listings Started to Cool ...



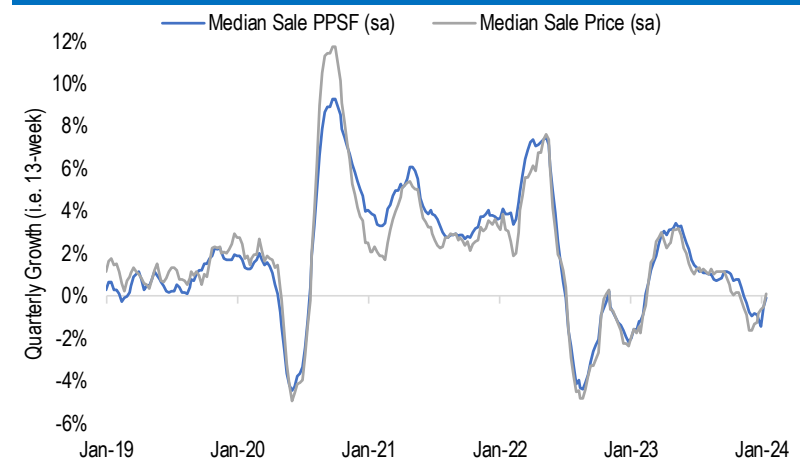
... causing a Decline in Months' Supply for the National Housing Market in Jan. After Sharp Rise Through Dec.



Share of Homes Sold in 2 Weeks Leveling Off, Slowing Pace of Increase in Days on Market



Increased Demand Leading to a Rebound in Seasonally Adjusted Home Prices After Late 2023 Soft Patch

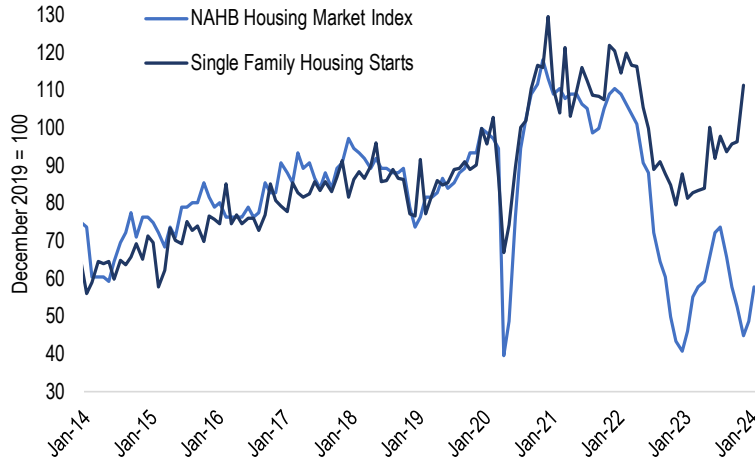


National Market Remained Relatively Tight But Trends Remained Mixed Across Metro Areas

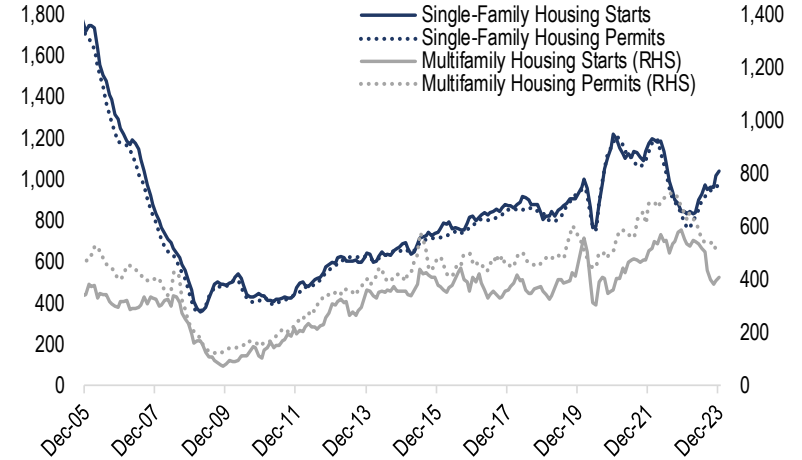
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.0%	2.0%	4.0%	0.0%	23%	2.0%	98.0%	0.0%	-2%	-16.0	-13.8	-18%	-24%
Atlanta	4.0%	6.0%	4.0%	0.0%	19%	1.0%	98.0%	0.0%	-24%	-5.6	-5.0	-25%	-11%
Austin	-4.0%	-9.0%	5.0%	-1.0%	11%	-1.0%	97.0%	1.0%	-4%	30.2	27.5	57%	39%
Baltimore	7.0%	2.0%	4.0%	0.0%	36%	5.0%	101.0%	0.0%	-9%	-16.1	-12.0	-40%	-40%
Boston	6.0%	2.0%	3.0%	0.0%	46%	7.0%	101.0%	1.0%	-16%	-1.7	1.4	-20%	-21%
Chicago	10.0%	0.0%	2.0%	0.0%	32%	8.0%	99.0%	1.0%	-23%	5.0	13.2	-23%	-10%
Dallas	2.0%	3.0%	5.0%	-1.0%	15%	0.0%	97.0%	0.0%	-3%	7.9	4.9	-1%	5%
Denver	7.0%	-4.0%	4.0%	-1.0%	20%	1.0%	98.0%	0.0%	-4%	15.2	14.5	34%	25%
Houston	2.0%	5.0%	4.0%	0.0%	12%	-1.0%	97.0%	0.0%	4%	-3.8	-5.8	-10%	-17%
Los Angeles	5.0%	-1.0%	2.0%	0.0%	42%	11.0%	100.0%	2.0%	-17%	-4.3	5.2	-9%	12%
Miami	9.0%	12.0%	3.0%	1.0%	12%	1.0%	96.0%	0.0%	-1%	-4.3	-6.8	-11%	-27%
Minneapolis	3.0%	1.0%	3.0%	0.0%	27%	1.0%	99.0%	0.0%	0%	-4.1	-5.1	-4%	-12%
Nashville	3.0%	8.0%	3.0%	0.0%	15%	3.0%	98.0%	0.0%	0%	9.7	5.5	18%	3%
New York	8.0%	-1.0%	3.0%	0.0%	30%	8.0%	100.0%	1.0%	-15%	-40.7	-35.4	-22%	-24%
Phoenix	6.0%	-3.0%	5.0%	-1.0%	15%	4.0%	98.0%	1.0%	-17%	1.2	15.9	6%	19%
Portland	3.0%	-2.0%	3.0%	-1.0%	23%	1.0%	99.0%	1.0%	-3%	6.4	7.5	19%	15%
Riverside	3.0%	3.0%	3.0%	-1.0%	34%	7.0%	99.0%	1.0%	-18%	-12.4	-1.9	-22%	-3%
San Diego	11.0%	0.0%	3.0%	0.0%	37%	10.0%	99.0%	1.0%	-16%	-8.1	1.0	-30%	-24%
Seattle	8.0%	-4.0%	3.0%	-1.0%	22%	4.0%	99.0%	1.0%	-29%	3.0	8.8	10%	43%
Tampa	3.0%	9.0%	6.0%	-1.0%	11%	-2.0%	97.0%	0.0%	9%	-0.7	-2.3	1%	-8%
Washington DC	7.0%	0.0%	3.0%	0.0%	30%	5.0%	100.0%	0.0%	-15%	0.0	9.9	-14%	-11%

Data as of January 14, 2024, and reflects 4-week averages.

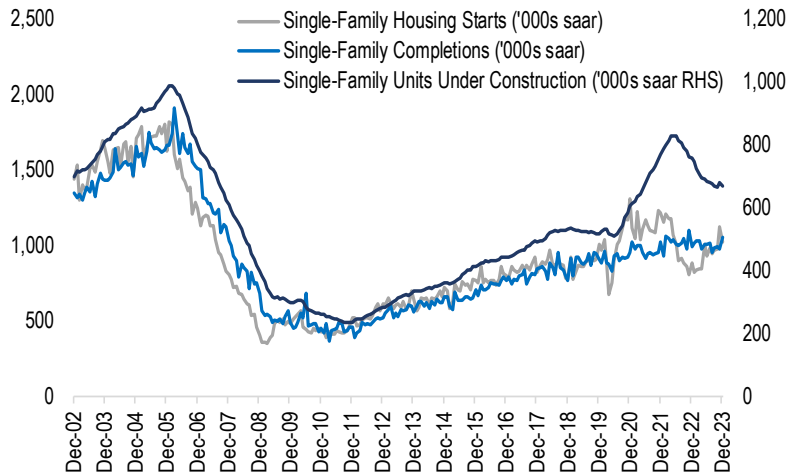
Jan. Builder Optimism Hit Highest Level Since Sept. as Lower Rates Bolstered Sales Prospects



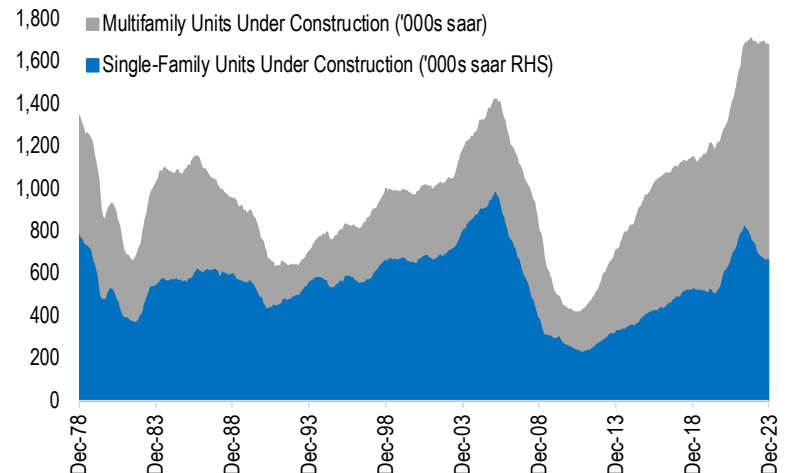
Single-Family Permitting Activity Remained Robust, Providing Much Needed Lift to Future Supply



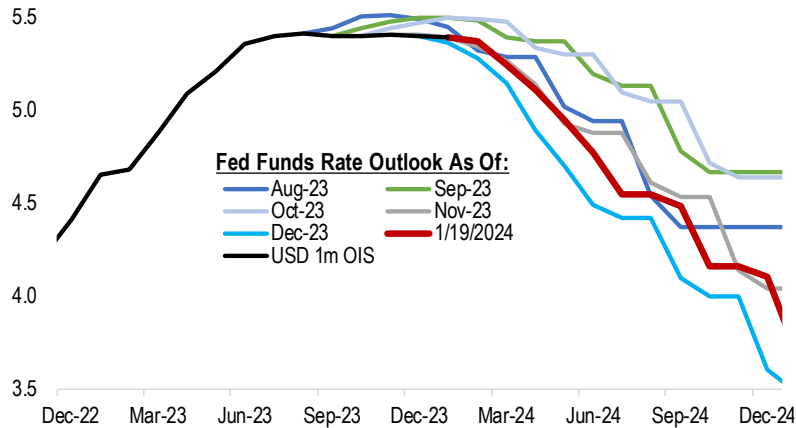
Single-Family Completions Soared to Highest Level in Over a Year as Starts Took a Step Back



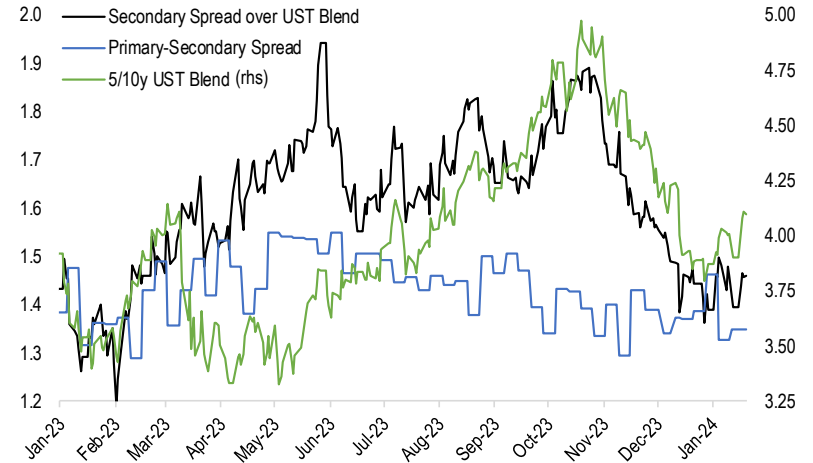
Builders Will Increasingly Shift Focus to Single-Family as Multifamily Supply Pipeline Remains Elevated



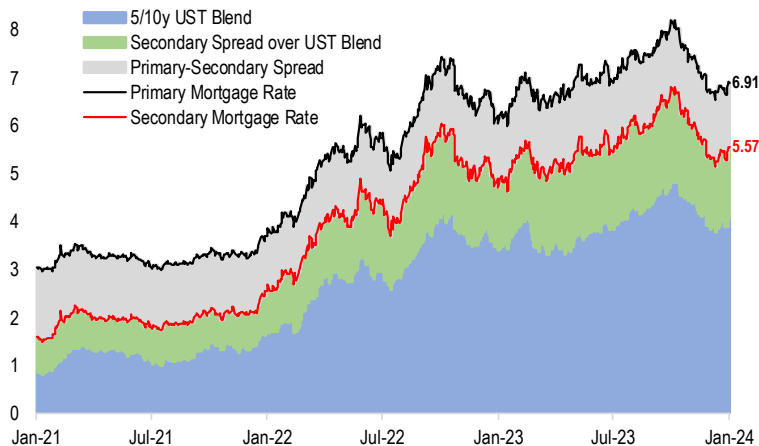
Strong Data Pushed Back Timing and Pace of Rate Cuts; March Odds Closer to 50%, Down from 80% Last Week



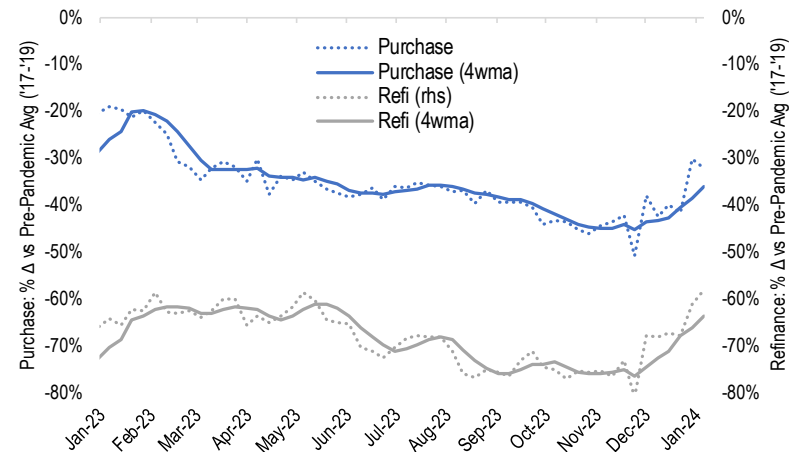
... and Pushed U.S. Treasury Yields Higher While Mortgage Spreads Also Widened ...



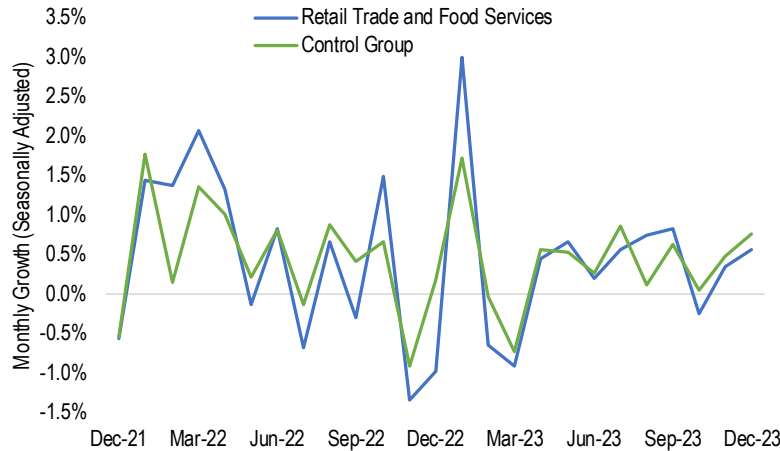
... leading to a Surge in Mortgage Rates Back Toward ~6.9% ...



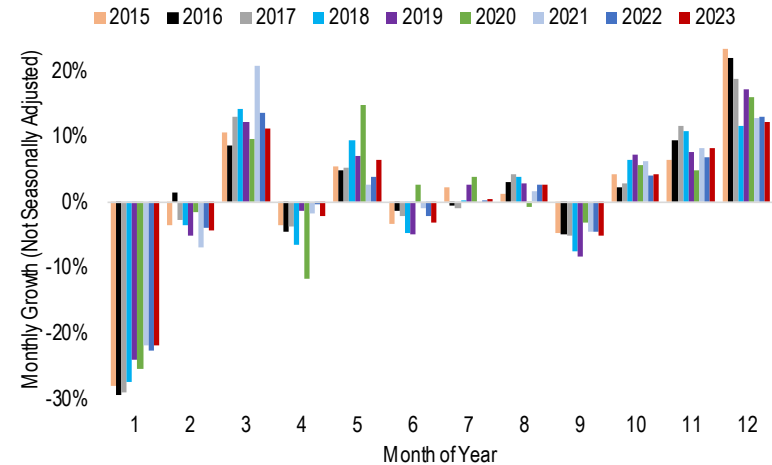
... but Mortgage Purchase and Refinancing Applications Remained in an Uptrend Through Early Jan.



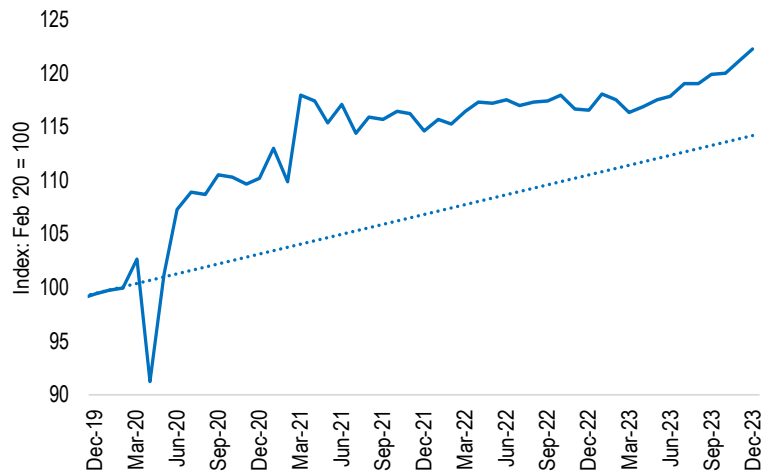
Dec. Growth in Retail Sales Surprised Strongly to the Upside ...



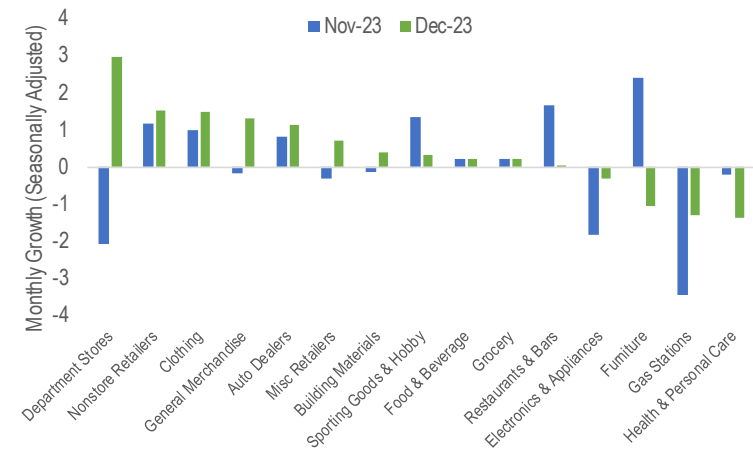
... but Control Group Growth Looked More Typical without Boost from Seasonal Adjustment Factors



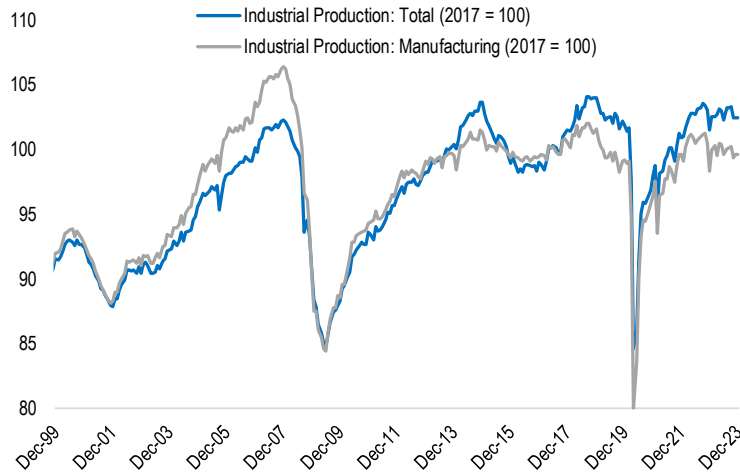
Real (Inflation Adjusted) Control Group Sales Remained Well Above Pre-Pandemic Trend



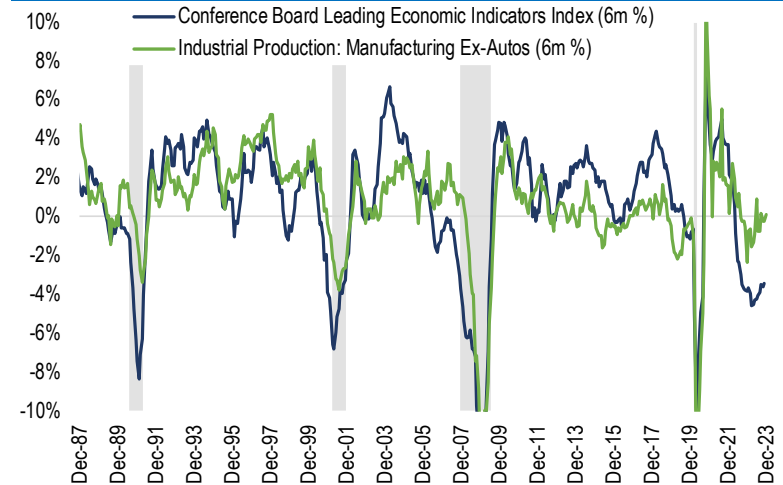
Holiday Categories of Apparel and Department Stores Led Growth in Dec. Along with a Surge in Online Sales



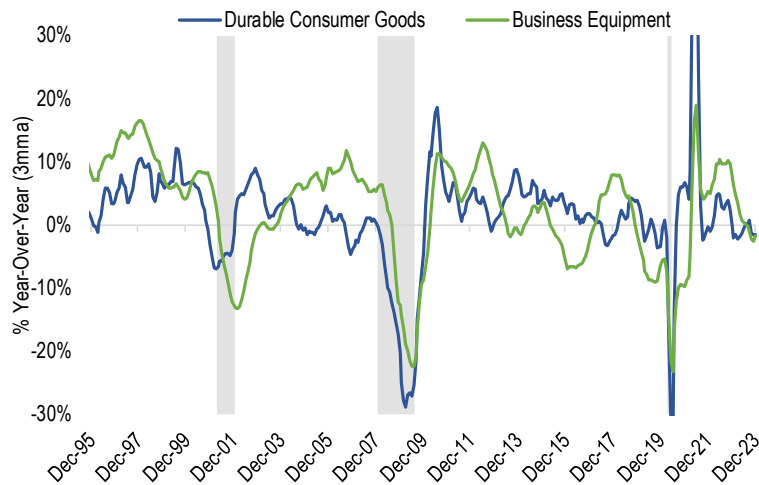
Total Industrial Production Muddled Through in 2023 with Modest Rebound Expected Ahead



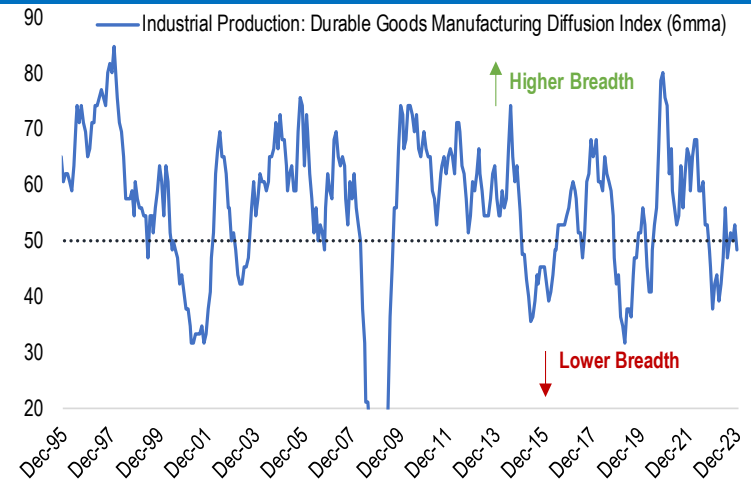
Excluding Autos, Manufacturing Output Has Seen Momentum Increase in 2H23



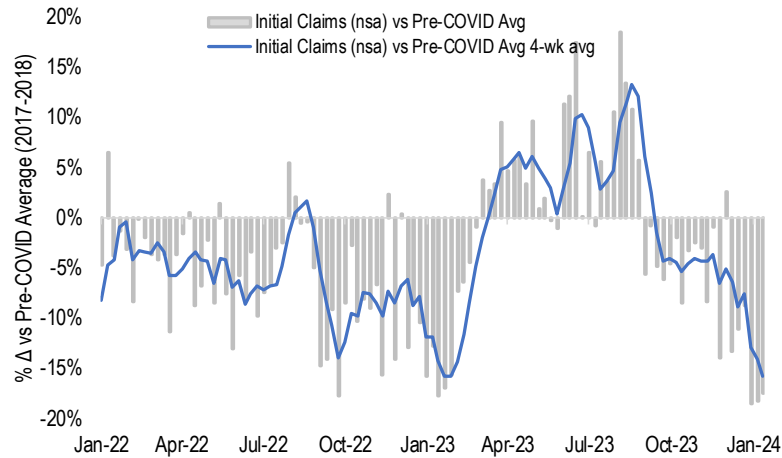
Elevated Inventories (ex Autos) Keep Consumer Goods Output Low While Businesses Await Catalyst to Invest



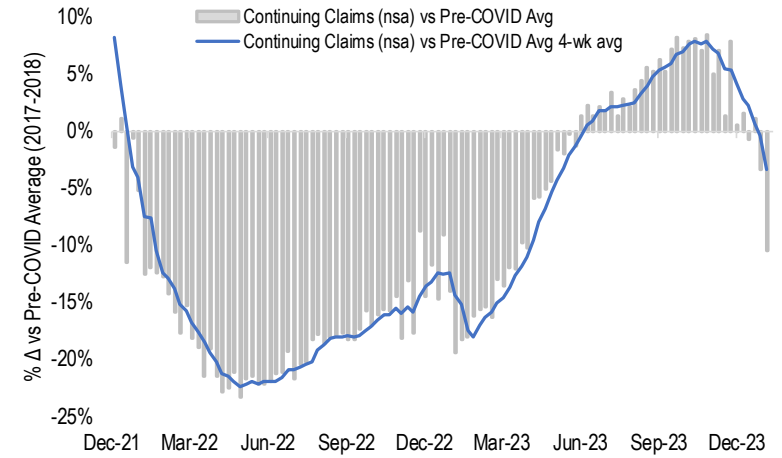
Durable Goods Sectors Nearly Evenly Split Between Expansion and Contraction in 4Q23



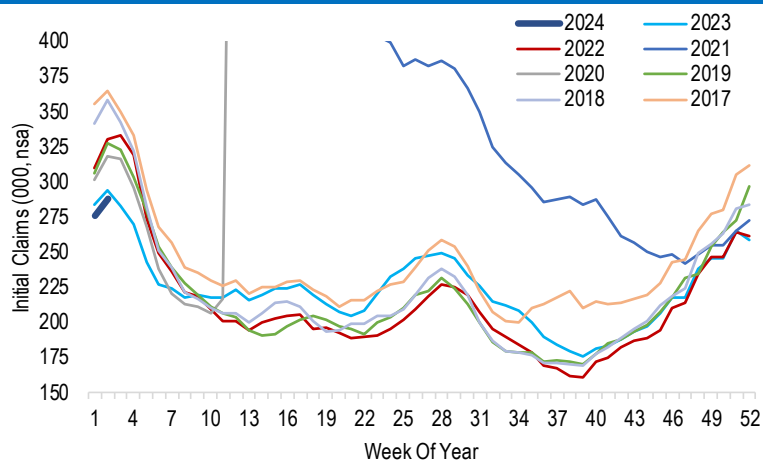
Initial Claims Remained Well Below the Pre-Pandemic Norm Through Mid-Jan...



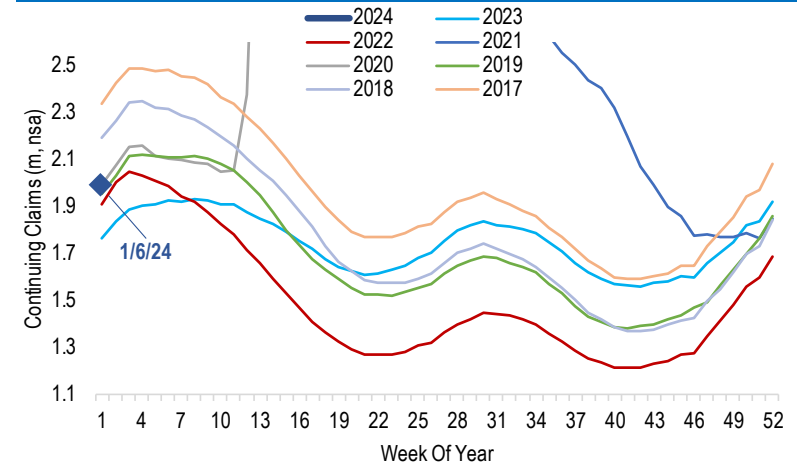
... while Continuing Claims Renewed a Very Strong Improvement vs. the Pre-Pandemic Norm



Non-Seasonally Adjusted Initial Claims Started 2024 at Lowest Level Since 1960s



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



Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
1/16/24	Empire Manufacturing	Jan	-43.7	-5.0	--	-14.5	index, sa
1/17/24	MBA Mortgage Applications	1/12/24	10.4%	--	--	9.9%	w/w, sa
1/17/24	Advance Retail Sales m/m	Dec	0.6%	0.4%	--	0.3%	sa
1/17/24	Retail Sales Control Group m/m	Dec	0.8%	0.2%	0.5%	0.4%	sa
1/17/24	Import Price Index m/m	Dec	0.0%	-0.5%	-0.5%	-0.4%	nsa
1/17/24	Import Price Index y/y	Dec	-1.6%	-2.0%	-1.5%	-1.4%	nsa
1/17/24	Industrial Production	Dec	0.1%	-0.1%	0.0%	0.2%	m/m, sa
1/17/24	Capacity Utilization	Dec	78.6%	78.7%	78.6%	78.8%	sa
1/17/24	Business Inventories m/m	Nov	-0.1%	-0.1%	--	-0.1%	sa
1/17/24	NAHB Housing Market Index	Jan	44	39	--	37	index, sa
1/18/24	Housing Starts m/m	Dec	-4.3%	-8.7%	10.8%	14.8%	sa
1/18/24	Housing Starts	Dec	1,460	1,425	1,525	1,560	k, saar
1/18/24	Building Permits m/m	Dec	1.9%	0.7%	-2.1%	-2.5%	sa
1/18/24	Building Permits	Dec	1,495	1,477	1,467	1,460	k, saar
1/18/24	Philadelphia Fed Business Outlook	Jan	-10.6	-6.5	-12.8	-10.5	index, sa
1/18/24	Initial Jobless Claims	1/13/24	187	205	203	202	k, sa
1/18/24	Continuing Claims	1/6/24	1,806	1,840	1,832	1,834	k, sa
1/19/24	U. of Mich. Sentiment	Jan P	78.8	70.1	--	69.7	index, nsa
1/19/24	U. of Mich. 1 Yr Inflation	Jan P	2.9%	3.1%	--	3.1%	nsa
1/19/24	U. of Mich. 5-10 Yr Inflation	Jan P	2.8%	3.0%	--	2.9%	nsa
1/19/24	Existing Home Sales m/m	Dec	-1.0%	0.3%	--	0.8%	sa
1/19/24	Existing Home Sales	Dec	3,780	3,830	--	3,820	k, saar

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
1/22/24	Conference Board Leading Index	Dec	-0.3%	-0.5%	m/m, sa
1/24/24	MBA Mortgage Applications	1/19/24	--	10.4%	w/w, sa
1/24/24	S&P Global US Manufacturing PMI	Jan P	47.5	47.9	index, sa
1/24/24	S&P Global US Services PMI	Jan P	51.0	51.4	index, sa
1/24/24	S&P Global US Composite PMI	Jan P	51.0	50.9	index, sa
1/25/24	GDP Annualized q/q	4Q A	2.0%	4.9%	saar
1/25/24	Personal Consumption q/q	4Q A	2.5%	3.1%	saar
1/25/24	Core PCE Deflator q/q	4Q A	2.0%	2.0%	saar
1/25/24	Retail Inventories m/m	Dec	0.3%	-0.1%	sa
1/25/24	Wholesale Inventories	Dec P	-0.2%	-0.2%	m/m, sa
1/25/24	Durable Goods Orders	Dec P	1.1%	5.4%	m/m, sa
1/25/24	Cap Goods Orders Nondef Ex Air	Dec P	0.2%	0.8%	m/m, sa
1/25/24	Initial Jobless Claims	1/20/24	200	187	k, sa
1/25/24	Continuing Claims	1/13/24	1,840	1,806	k, sa
1/25/24	New Home Sales m/m	Dec	10.0%	-12.2%	sa
1/25/24	New Home Sales	Dec	649	590	k, saar
1/26/24	Personal Income	Dec	0.3%	0.4%	m/m, sa
1/26/24	Personal Spending	Dec	0.4%	0.2%	m/m, sa
1/26/24	Real Personal Spending	Dec	0.3%	0.3%	m/m, sa
1/26/24	PCE Inflation m/m	Dec	0.2%	-0.1%	sa
1/26/24	PCE Inflation y/y	Dec	2.6%	2.6%	nsa
1/26/24	PCE Core Inflation (ex Food and Energy) m/m	Dec	0.2%	0.1%	sa
1/26/24	PCE Core Inflation (ex Food and Energy) y/y	Dec	3.0%	3.2%	nsa
1/26/24	Pending Home Sales m/m	Dec	2.0%	0.0%	sa
1/26/24	Pending Home Sales y/y	Dec	--	-5.1%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics