



HaMMR Digest

Stay current with economic and mortgage market trends.

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Dilemma

- **Key Takeaway:** First 4Q23 real GDP print suggests a strong handoff for growth in 1Q24, led by private consumption while inflation cooled further.
- **Macro Implications:** Fed will need to decide what to focus on — inflation or economic growth — to guide markets in terms of the rate-cut path.
- **Housing Implications:** Economy remains on solid footing and early indications suggest momentum is picking up for home sales activity.

Macro: What Is There to Be Gloomy About?

- Advance 4Q23 real GDP estimate shows broad-based growth intact.
- Capital goods orders strong in Dec. as firms increased investments.
- Inflation close to Fed's target despite solid economic activity.

Rates: Whipsawed on Positive Economic Surprises

- Market odds for first rate cut in March remained at roughly 50%.
- 10-year UST yields flat on the week despite midweek volatility.
- A path lower for rates remains, but the choppy ride will continue.

Housing: So Far, So Good

- Mortgage rates inched lower (~6.8%) as mortgage spreads narrowed.
- Purchase applications continued to rise on weekly basis.
- Pending home sales rose 8% in Dec., the fastest pace since 2020.

New Home Sales: Bustling Along

- New home sales rose 8.0% in Dec. and 4.4% y/y.
- Over a year ago, sales rose most for “not started” units at 15%.
- More robust inventory than resale market, positive for future sales.

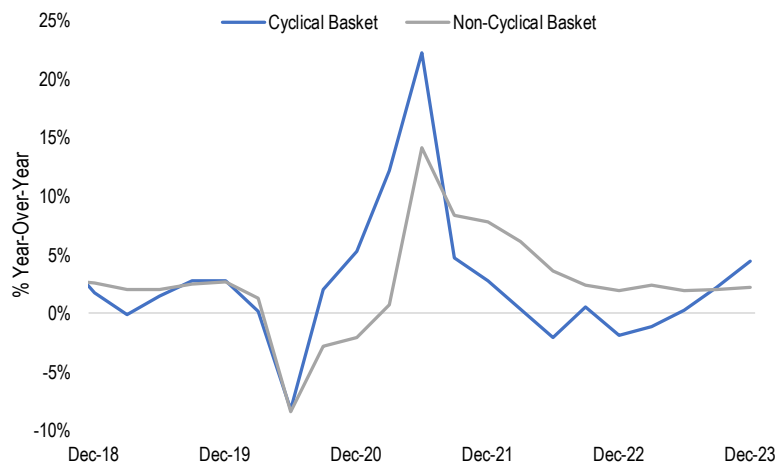
Real GDP: Entering 1Q24 with Strong Momentum

- Real GDP rose 3.3% q/q and 3.1% y/y, accelerating from 0.7% in '22.
- Private restocking was better than expected due to autos sector.
- Residential investment to recover further in '24, supporting growth.

Personal Income: Households Not Skimping on Spending

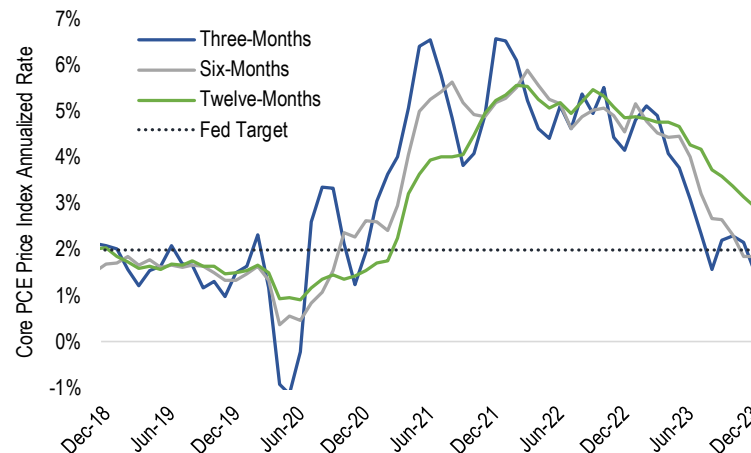
- Real disposable income rose 0.4% m/m in Dec. and 4.3% y/y.
- Real spending improved to 0.3% m/m with ex-autos up 2.6% y/y.
- Core PCE inflation slowed to 1.9% annualized over 6 months in Dec.

High Rates No Longer Having Intended Effect on the Most Rate-Sensitive Components of GDP



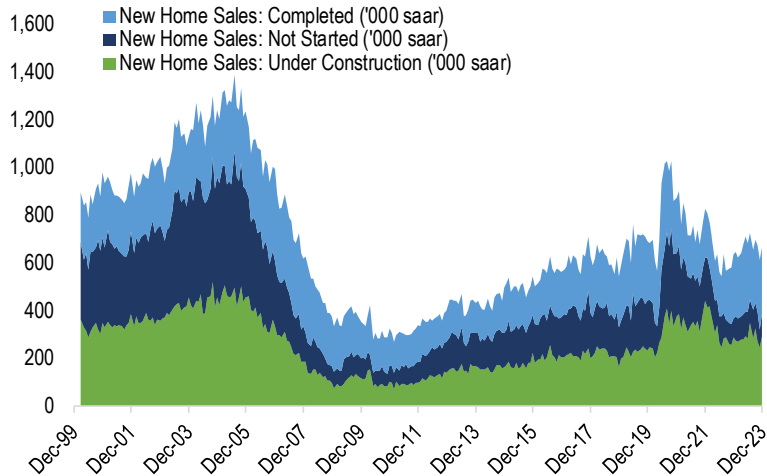
Sources: U.S. Bureau of Economic Analysis (BEA), Arch Global Economics

Momentum in the Fed's Preferred Inflation Gauge Has Been Near Target for Second Half of 2024

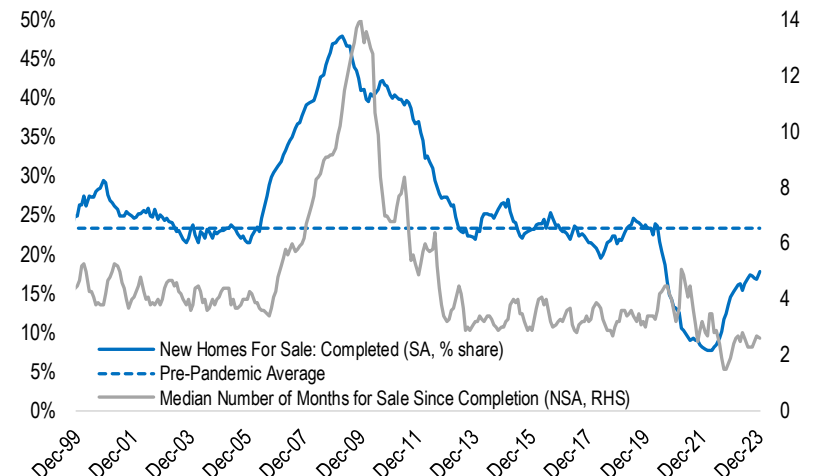


Core PCE = Personal Consumption Expenditure Price Index Excluding Food & Energy Prices

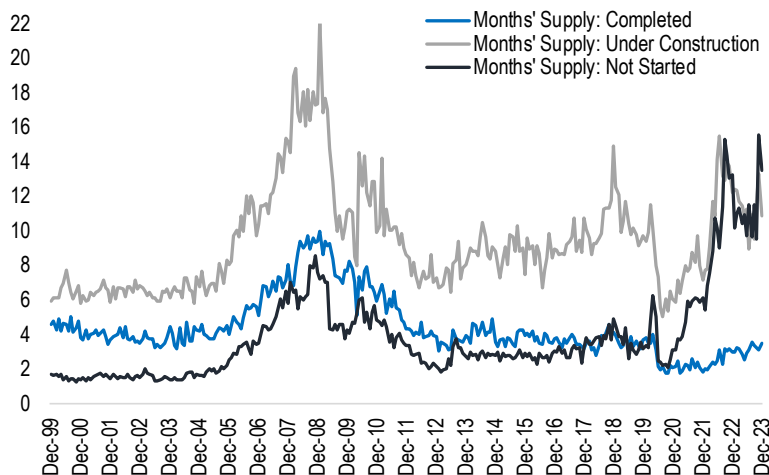
New Home Sales Rebounded Strongly in December Led by “Not Started” Units



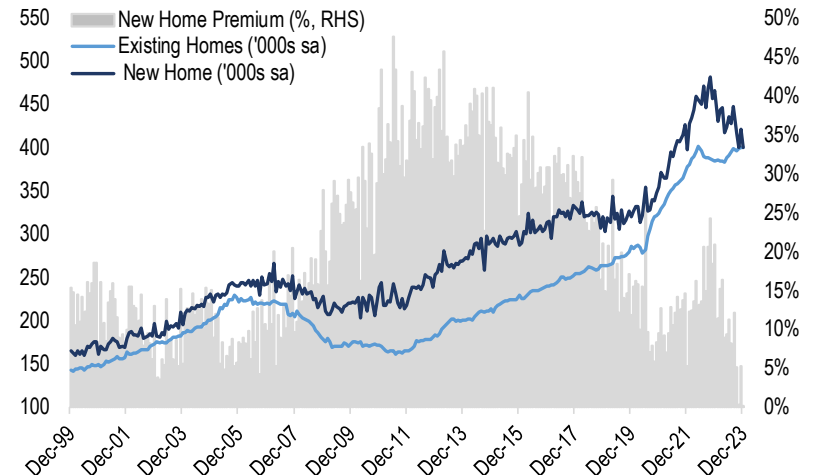
Share of Completed Homes for Sale Keep Normalizing But Demand Keeping Pace



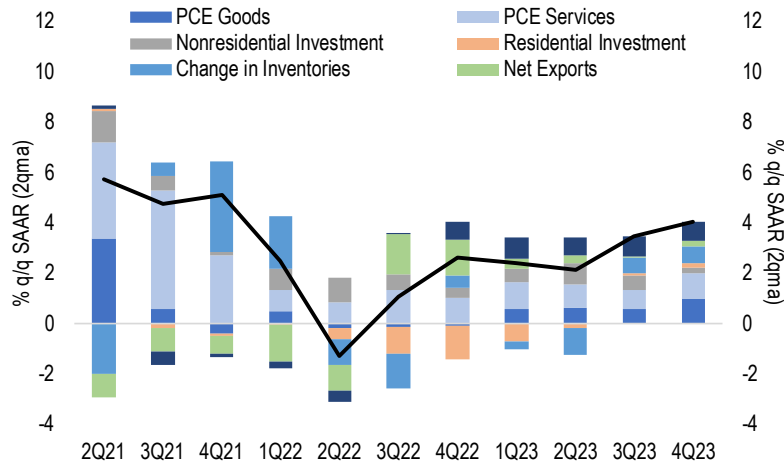
Months' Supply Remained in Check Across All Segments Except the “Homes Not Started” Category



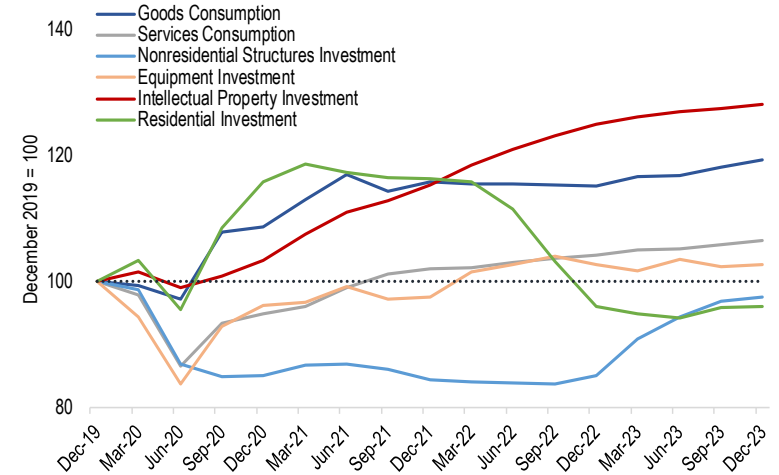
National New Home Premium Vanished in December Amid Price Cuts and Builders' Focus on Smaller Homes



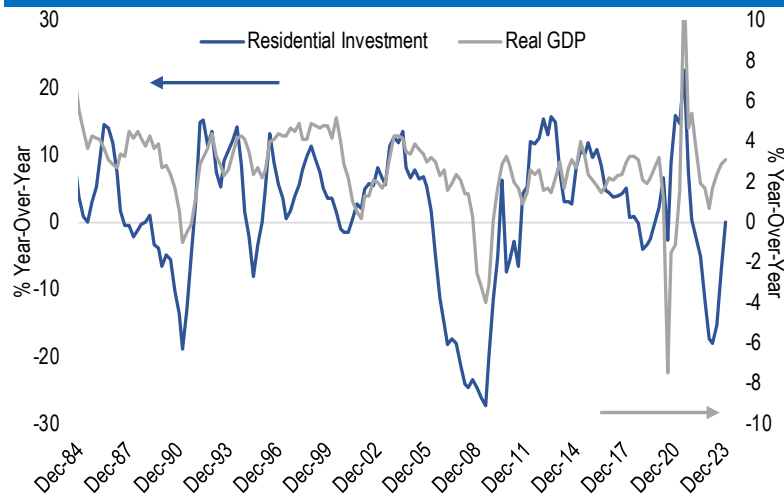
Over the Last Two Quarters, No Major GDP Components Subtracted from Growth



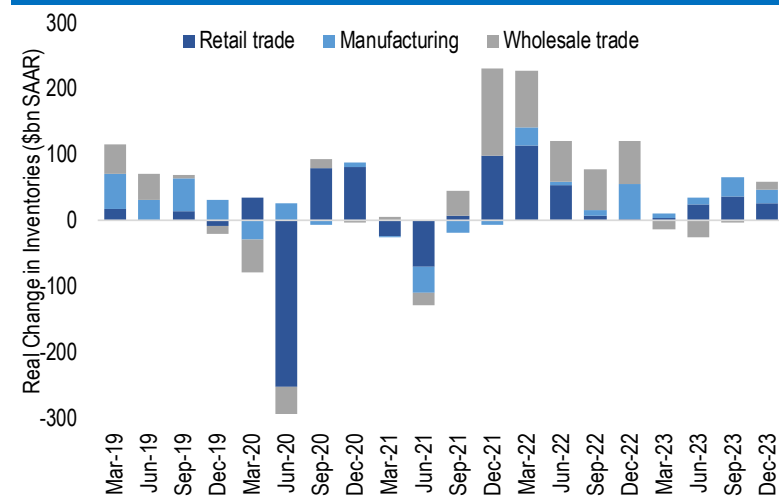
Residential Investment in Stabilization Phase While Firms Remain Focused on "Tech" Investment



Housing Tends to Lead the Economic Cycle and Annual Pace Of Growth Points to a Recovery Underway



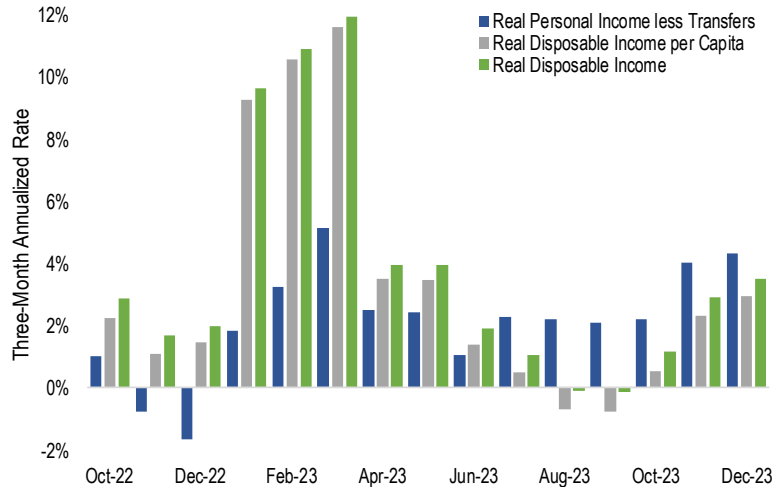
Inventory Surprised to the Upside Recently; Mainly Driven by Restocking in Autos Sector



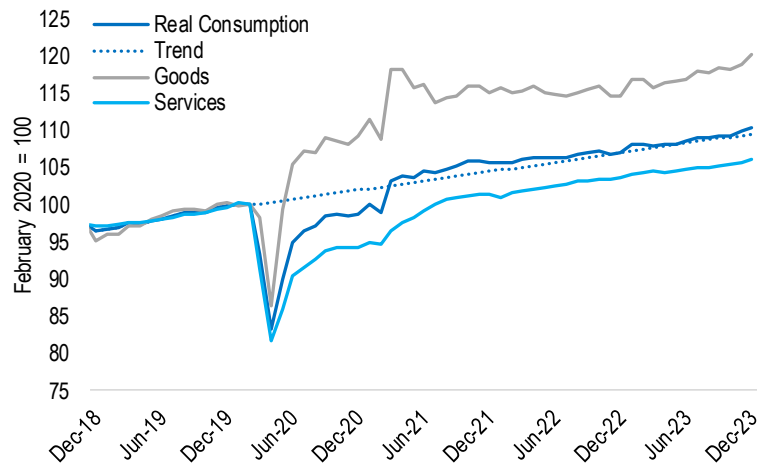
SAAR = Seasonally Adjusted Annual Rate

Sources: BEA, Arch Global Economics

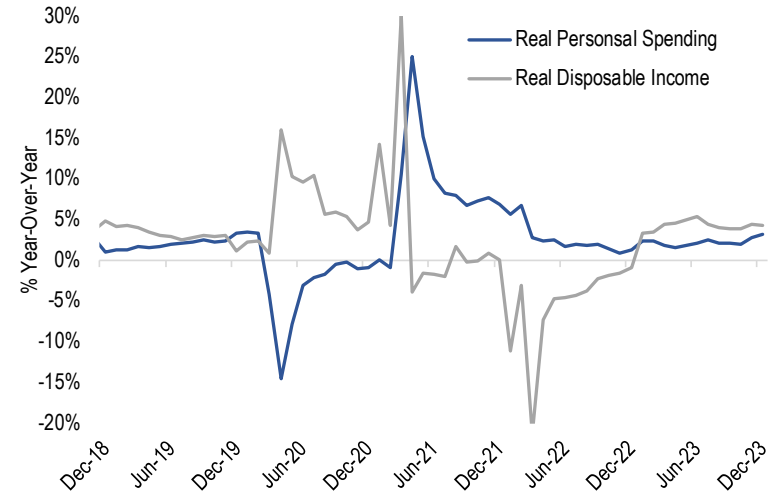
Measures of Real Income Growth Rebounded Strongly in Final Quarter of 2023



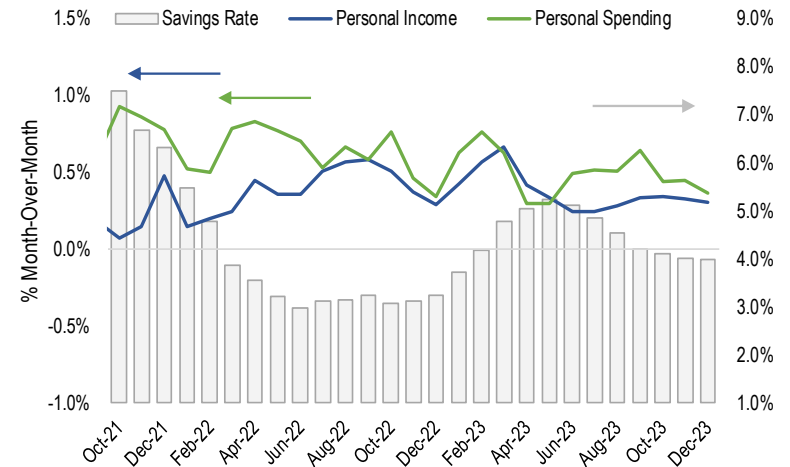
Households Continue to Spend on Goods, While Services Remain Persistently Below Pre-Pandemic Trend



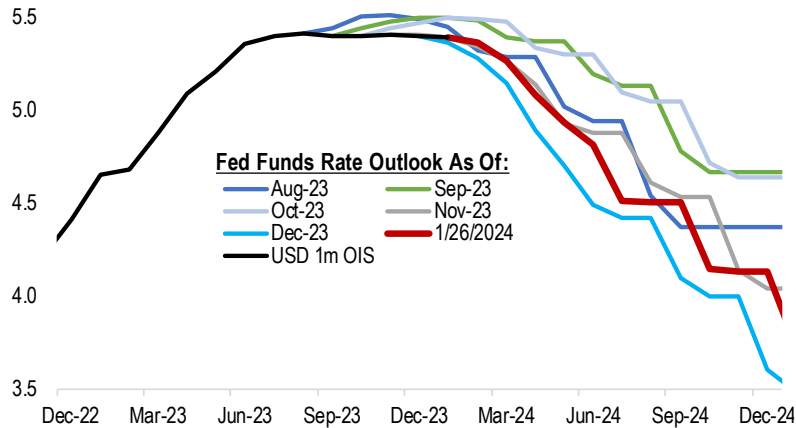
Gap Between the Annual Pace of Spending and Income Growth Has Been Narrowing



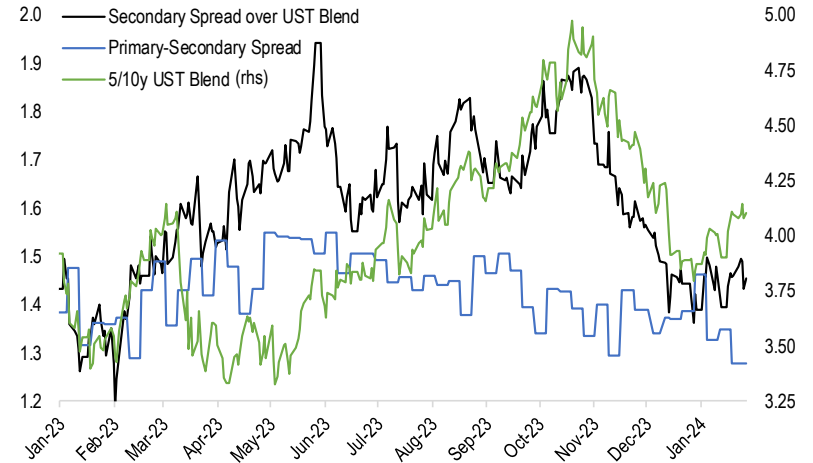
Savings Rate Fell to Multi-Month Low in December as Consumers Shopped for the Holidays



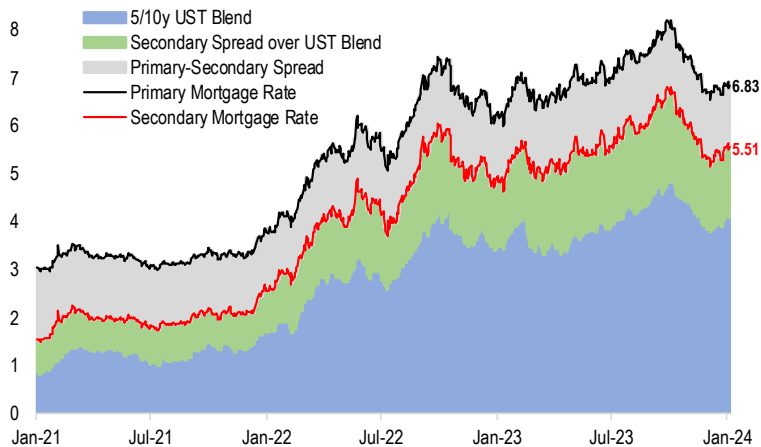
Market Odds of Rate Cut in March Remained Close to 50% Last Week



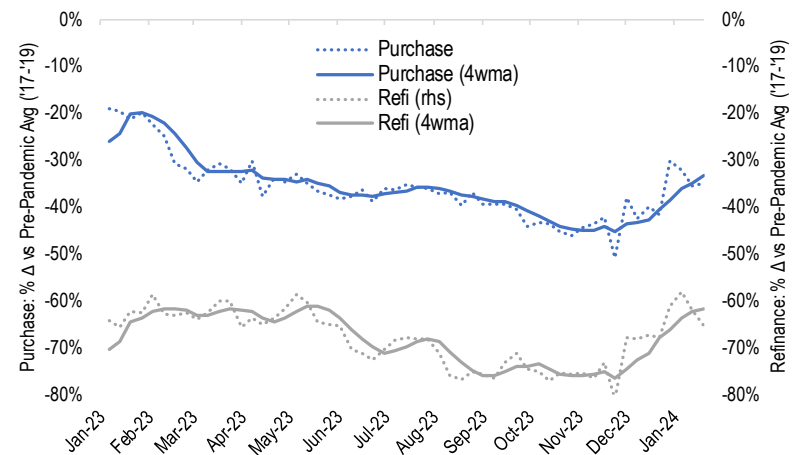
U.S. Treasury Yields Relatively Unchanged Last Week, While Mortgage Spreads Were Narrower ...



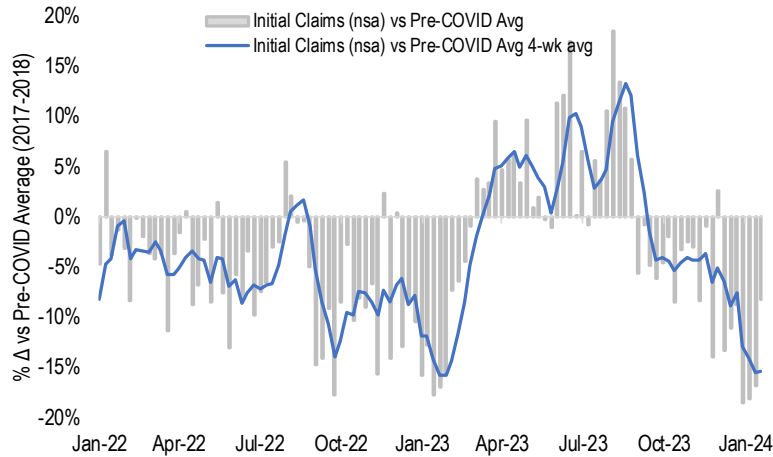
... leading to a Modest Decline in Mortgage Rates Back Toward ~6.8% ...



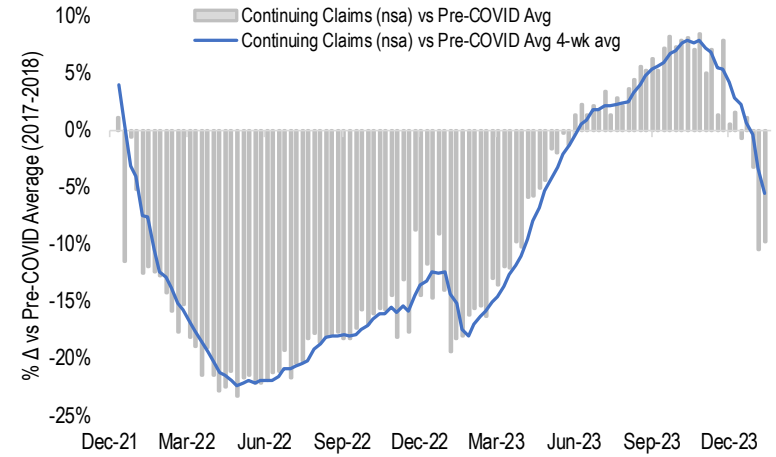
... and Mortgage Purchase and Refinancing Applications Remained in an Uptrend Through Mid-Jan.



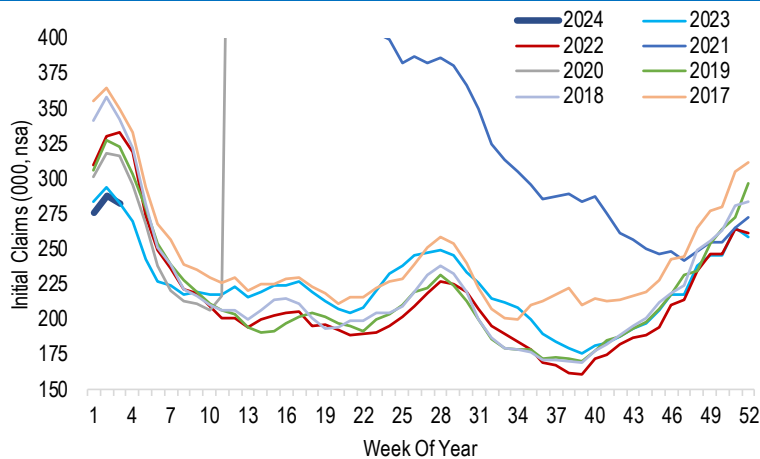
Initial Claims Climbed But Remained Below the Pre-Pandemic Norm Through Late Jan. ...



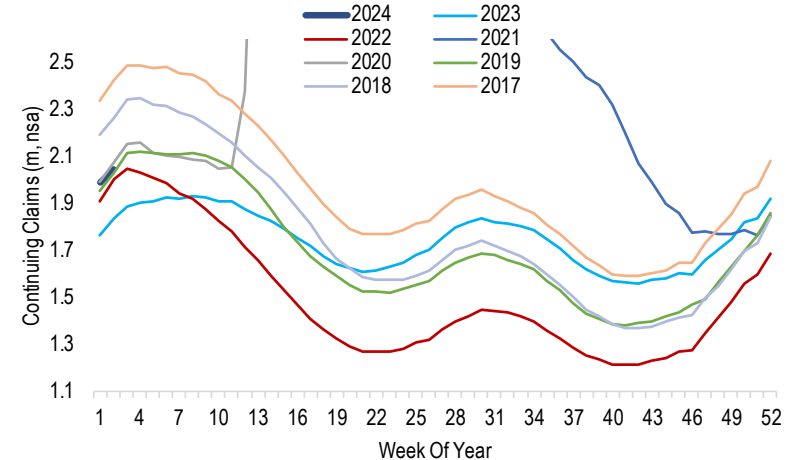
... while Continuing Claims Remained in a Strong Downtrend vs. the Pre-Pandemic Norm



Non-Seasonally Adjusted Initial Claims Following Path Similar to 2023 ...



... while Continuing Claims Are Even Lower, Closer to Early 2019/2020 Level



Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
1/22/24	Conference Board Leading Index	Dec	-0.1%	-0.3%	--	-0.5%	m/m, sa
1/24/24	MBA Mortgage Applications	1/19/24	3.7%	--	--	10.4%	w/w, sa
1/24/24	S&P Global US Manufacturing PMI	Jan P	50.3	47.6	--	47.9	index, sa
1/24/24	S&P Global US Services PMI	Jan P	52.9	51.5	--	51.4	index, sa
1/24/24	S&P Global US Composite PMI	Jan P	52.3	51.0	--	50.9	index, sa
1/25/24	GDP Annualized q/q	4Q A	3.3%	2.0%	--	4.9%	saar
1/25/24	Personal Consumption q/q	4Q A	2.8%	2.5%	--	3.1%	saar
1/25/24	Core PCE Deflator q/q	4Q A	2.0%	2.0%	--	2.0%	saar
1/25/24	Retail Inventories m/m	Dec	0.8%	0.0%	0.1%	-0.1%	sa
1/25/24	Wholesale Inventories	Dec P	0.4%	-0.2%	-0.4%	-0.2%	m/m, sa
1/25/24	Durable Goods Orders	Dec P	0.0%	1.5%	5.5%	5.4%	m/m, sa
1/25/24	Cap Goods Orders Nondef Ex Air	Dec P	0.3%	0.1%	1.0%	0.8%	m/m, sa
1/25/24	Initial Jobless Claims	1/20/24	214	200	189	187	k, sa
1/25/24	Continuing Claims	1/13/24	1,833	1,823	--	1,806	k, sa
1/25/24	New Home Sales m/m	Dec	8.0%	10.0%	-9.0%	-12.2%	sa
1/25/24	New Home Sales	Dec	664	649	615	590	k, saar
1/26/24	Personal Income	Dec	0.3%	0.3%	--	0.4%	m/m, sa
1/26/24	Personal Spending	Dec	0.7%	0.5%	0.4%	0.2%	m/m, sa
1/26/24	Real Personal Spending	Dec	0.5%	0.3%	0.5%	0.3%	m/m, sa
1/26/24	PCE Inflation m/m	Dec	0.2%	0.2%	--	-0.1%	sa
1/26/24	PCE Inflation y/y	Dec	2.6%	2.6%	--	2.6%	nsa
1/26/24	PCE Core Inflation (ex Food and Energy) m/m	Dec	0.2%	0.2%	--	0.1%	sa
1/26/24	PCE Core Inflation (ex Food and Energy) y/y	Dec	2.9%	3.0%	--	3.2%	nsa
1/26/24	Pending Home Sales m/m	Dec	8.3%	2.0%	-0.3%	0.0%	sa
1/26/24	Pending Home Sales y/y	Dec	-1.0%	-4.3%	-5.5%	-5.1%	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	Actual	Consensus	Revised	Prior	Note
1/30/24	FHFA House Price Index	Nov	--	0.3%	--	0.3%	m/m, sa
1/30/24	S&P CoreLogic CS 20-City m/m SA	Nov	--	0.5%	--	0.6%	sa
1/30/24	S&P CoreLogic CS 20-City y/y NSA	Nov	--	5.7%	--	4.9%	nsa
1/30/24	Conf. Board Consumer Confidence	Jan	--	114.0	--	110.7	index, sa
1/30/24	JOLTS Job Openings	Dec	--	8.71	--	8.79	m, sa
1/31/24	MBA Mortgage Applications	1/26/24	--	--	--	3.7%	w/w, sa
1/31/24	ADP Employment	Jan	--	148	--	164	k, m/m, sa
1/31/24	Employment Cost Index	4Q	--	1.0%	--	1.1%	q/q, sa
1/31/24	FOMC Rate Decision (Upper Bound)	1/31/24	--	5.50%	--	5.50%	
2/1/24	Nonfarm Productivity	4Q P	--	2.3%	--	5.2%	q/q, saar
2/1/24	Unit Labor Costs	4Q P	--	1.5%	--	-1.2%	q/q, saar
2/1/24	Initial Jobless Claims	1/27/24	--	210	--	214	k, sa
2/1/24	Continuing Claims	1/20/24	--	1,843	--	1,833	k, sa
2/1/24	S&P Global US Manufacturing PMI	Jan F	--	50.3	--	50.3	index, sa
2/1/24	ISM Manufacturing	Jan	--	47.0	--	47.4	index, sa
2/1/24	ISM Prices Paid	Jan	--	45.8	--	45.2	index, nsa
2/1/24	Wards Total Vehicle Sales	Jan	--	15.7	--	15.8	m, saar
2/2/24	Nonfarm Payrolls	Jan	--	180	--	216	k, m/m, sa
2/2/24	Private Payrolls	Jan	--	148	--	164	k, m/m, sa
2/2/24	Unemployment Rate	Jan	--	3.8%	--	3.7%	sa
2/2/24	Average Hourly Earnings m/m	Jan	--	0.3%	--	0.4%	sa
2/2/24	Average Hourly Earnings y/y	Jan	--	4.1%	--	4.1%	nsa
2/2/24	Average Weekly Hours All Employees	Jan	--	34.3	--	34.3	sa
2/2/24	Labor Force Participation Rate	Jan	--	62.6%	--	62.5%	sa
2/2/24	Durable Goods Orders	Dec F	--	--	--	0.0%	m/m, sa
2/2/24	Cap Goods Orders Nondef Ex Air	Dec F	--	--	--	0.3%	m/m, sa
2/2/24	U. of Mich. Sentiment	Jan F	--	79.0	--	78.8	index, nsa
2/2/24	U. of Mich. 1 Yr Inflation	Jan F	--	--	--	2.9%	nsa
2/2/24	U. of Mich. 5-10 Yr Inflation	Jan F	--	--	--	2.8%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics