



HaMMR Digest

Stay current with economic and mortgage market trends.

February 12, 2024

Parker Ross — Global Chief Economist
pross@archgroup.com | 914 216 7270

Leonidas Mourelatos — Director of Real Estate Economics
lmourelatos@archgroup.com | 631 521 9048

ARCH MORTGAGE INSURANCE COMPANY® | 230 NORTH ELM STREET GREENSBORO NC 27401 | [ARCHMI.COM](https://www.archmi.com)

© 2024 Arch Mortgage Insurance Company. All Rights Reserved. Arch MI is a marketing term for Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company. Arch Mortgage Insurance Company is a registered mark of Arch Capital Group (U.S.) Inc. or its affiliates. HaMMR is a service mark of Arch Capital Group (U.S.) Inc. or its affiliates. MCUS-B1633B-0124

Status Quo

- **Key Takeaway:** Light data week put extra emphasis on Fed rhetoric that continues to push back against near-term rate cuts.
- **Macro Implications:** Trend growth remains firm with GDP Nowcasts pointing towards 3%+ for 1Q24, also helping push back on rate cut timing.
- **Housing Implications:** Stronger economic momentum to be partly offset by tighter-for-longer monetary policy, limiting the upside for housing.

Macro: Waiting for Next Catalyst

- Business and consumer sentiment continues to improve.
- Peak bank credit tightening appears to be behind us.
- Seasonal adjustment revisions for CPI inflation leave trend unchanged.

Rates: Biased Higher in Short-Term

- Market odds for first rate cut in March fell below 20% with May odds ~75%.
- 10-year UST yields up 10bps to 4.18% amid hawkish Fed rhetoric.
- A path lower for rates remains, but inflation data will need to remain cool.

Housing: Mortgage Rates Stuck in Holding Pattern

- Mortgage rates have been gradually trending higher since late Dec.
- Purchase applications declined for second straight week.
- Early '24 rebound in demand started to cool as rates have climbed.

Consumer Credit: Households Put Credit Card Away in Dec.

- Total consumer credit was flat m/m in Dec. and up only 2.4% y/y.
- Revolving credit rose 0.1%, the slowest pace since June 2023.
- Overall consumer credit trends remain healthy.

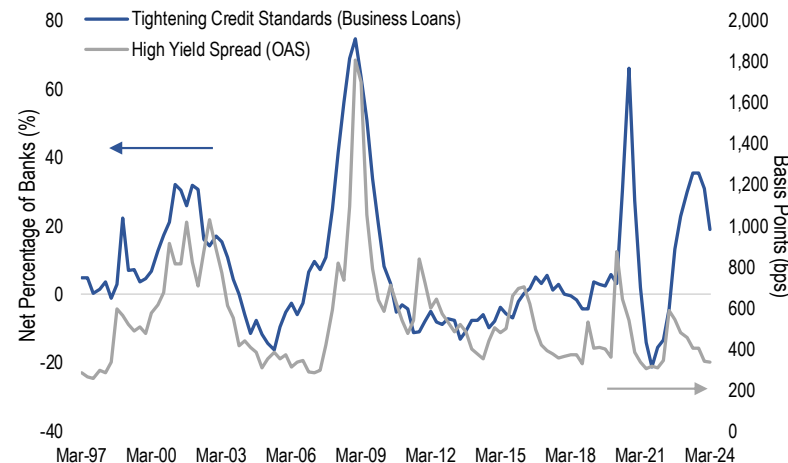
Banking & Credit: Bank Credit Standards Remain Tight

- Fewer banks reported tightening credit standards in 1Q24.
- Improvement occurred across most loan categories.
- Banks noted weaker demand from households than firms.

Purchasing Manager Indexes: Jan. Business Activity Rebounds

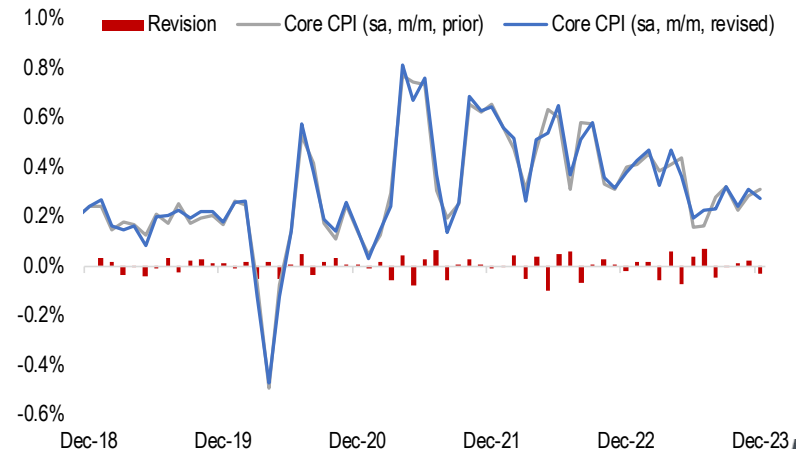
- Manufacturing output picked up in Jan. amid rise in new orders.
- Services sector expansion accelerating from 4Q23 pace.
- Overall, firms not throwing in the towel on the expansion.

Easing Credit Conditions Suggest Less Pressure on Corporate Margins from Financing Costs in 2024

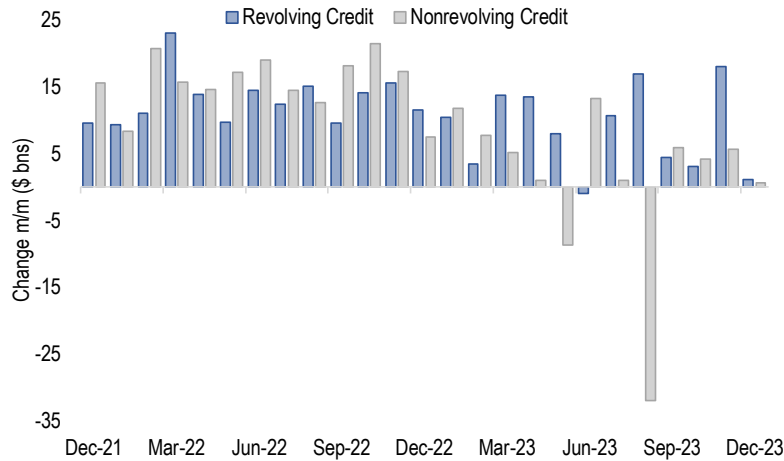


Sources: U.S. Bureau of Labor Statistics (BLS), Federal Reserve Board (FRB), Bloomberg, Arch Global Economics

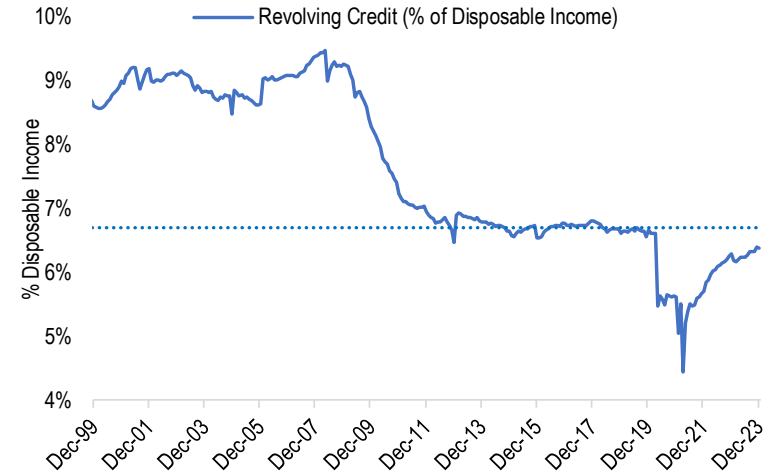
Revised Seasonal Adjustment Factors for CPI Inflation Will Not Sway the Fed



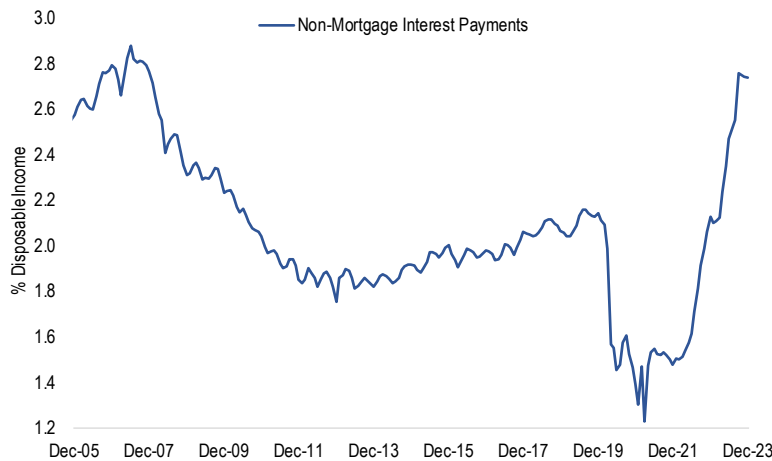
Revolving Credit Growth Slowed in December as Households Relied More on Income to Spend



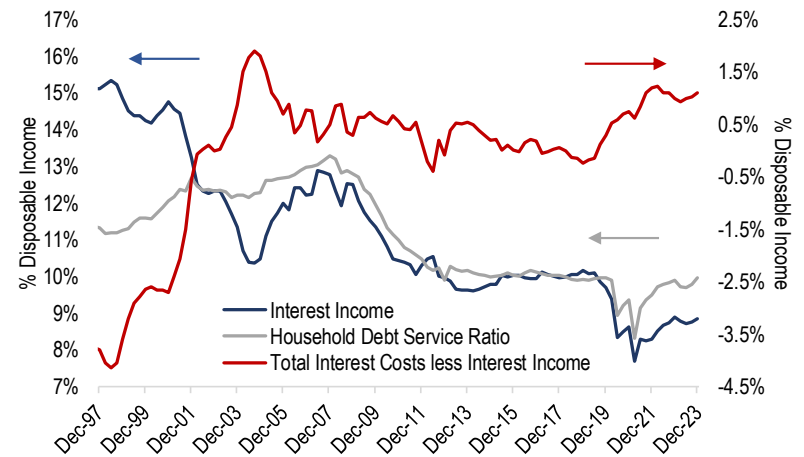
Households in Aggregate Still Have Some Capacity to Tap into Credit Relative to Pre-COVID Norm



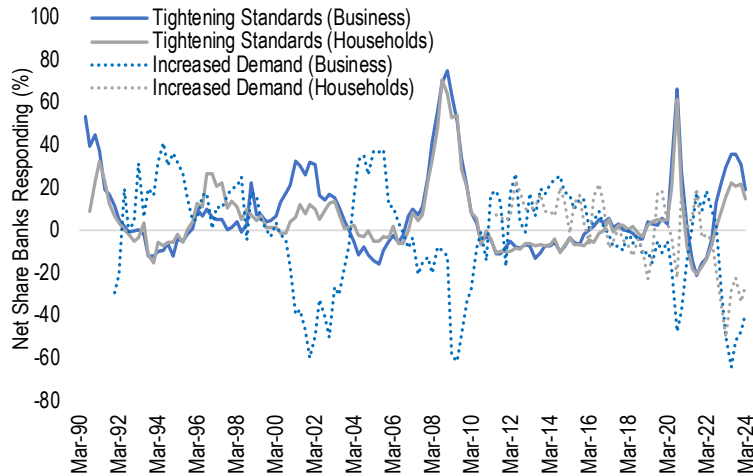
High Cost of Consumer Debt Has Driven the Surge in Non-Mortgage Interest Payments



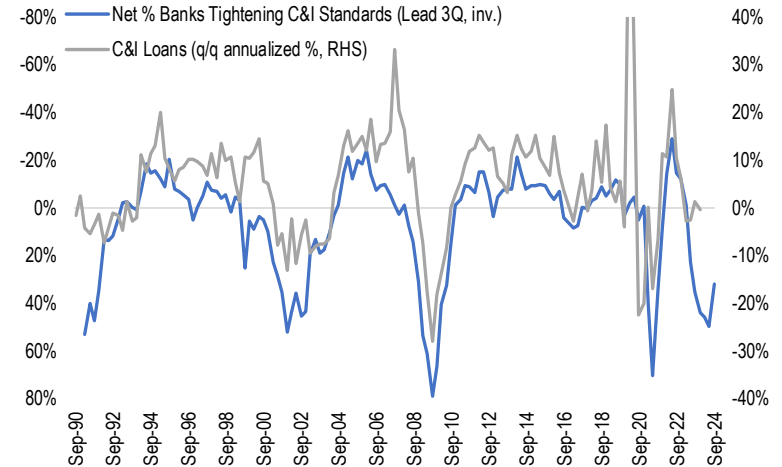
Higher Interest Rates on Consumer Loans and Credit Cards to Continue Lifting Debt Service Burden



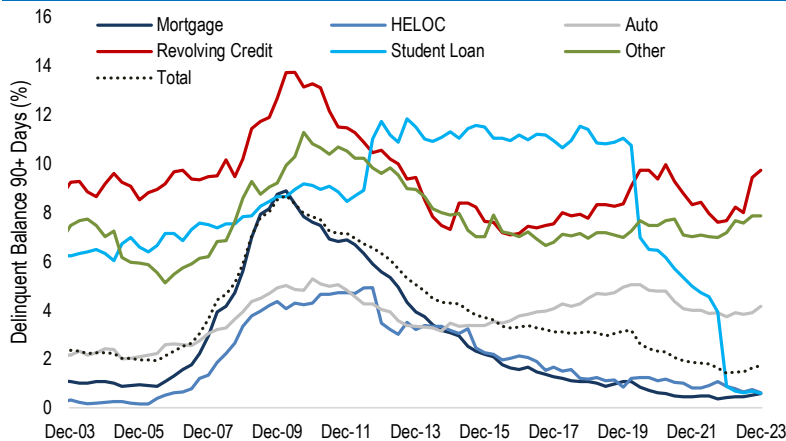
Net Share of Banks Tightening Credit Standards Eased as Demand Showed Minimal Improvement



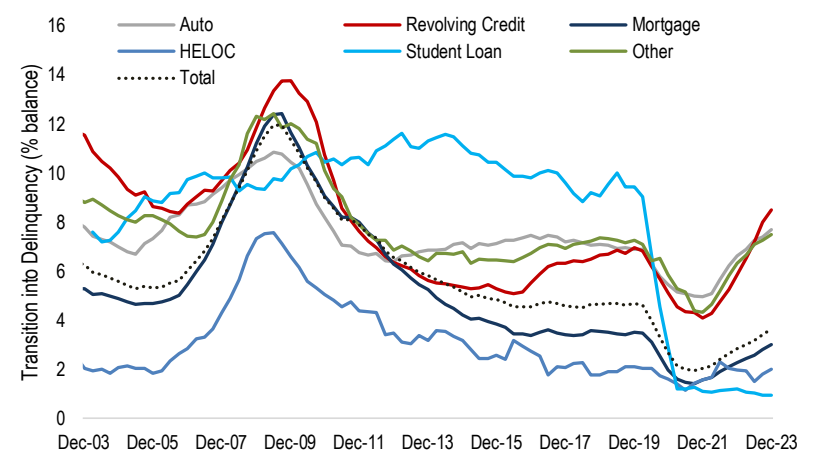
Business Loan Growth Holding Steady Despite Tight Lending Standards



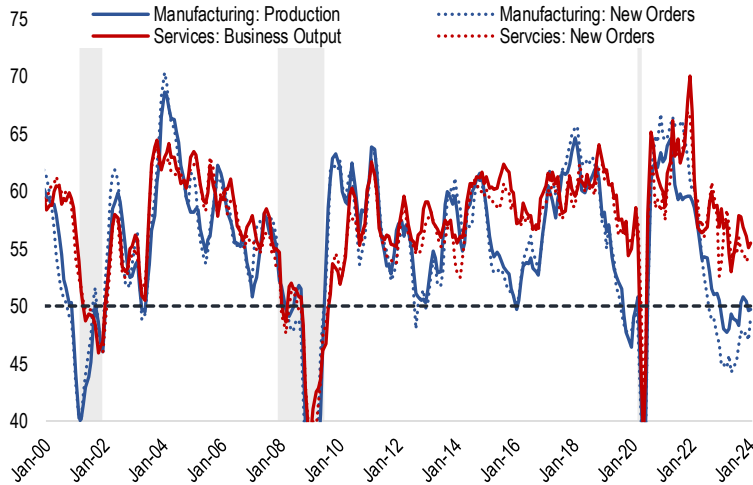
Overall, Severely Delinquent Balances Remained Low; Suggest Households Can Still Tap Additional Credit



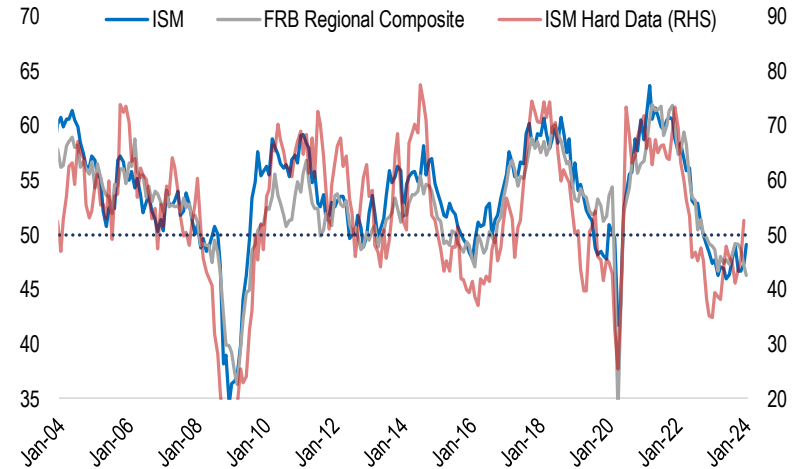
Flow into Early Delinquency Primarily Driven by Younger, Lower-Income Cohorts



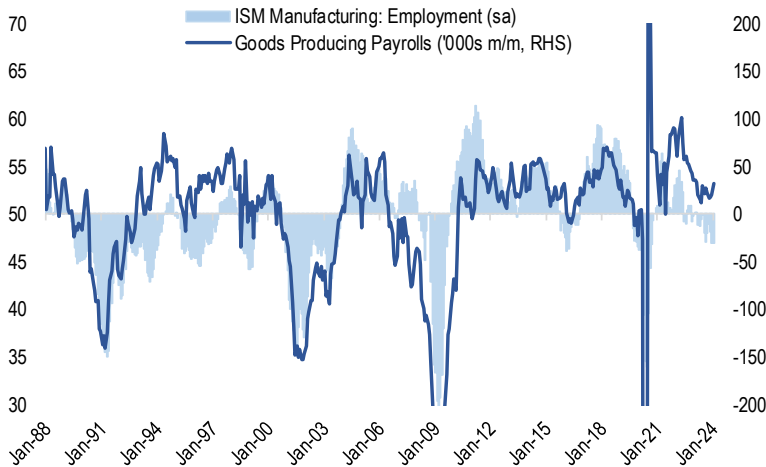
Business Output and New Orders Still Solid for Services While Manufacturing Looking Set for Recovery



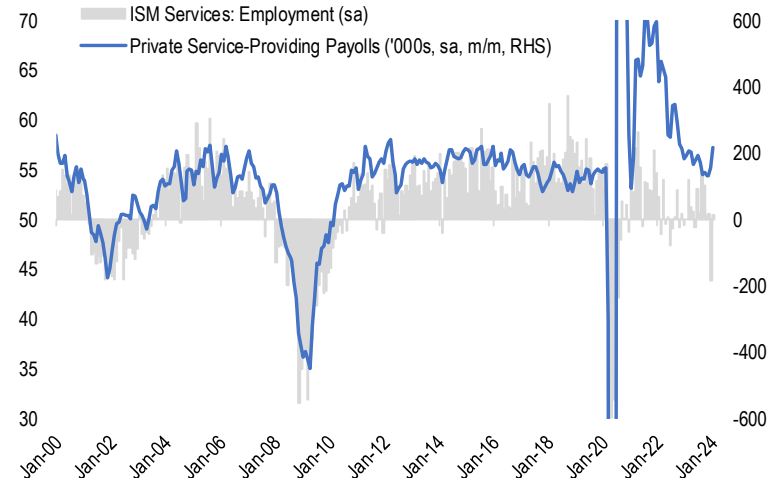
Manufacturing Sentiment and Real Goods Pointing in Right Direction



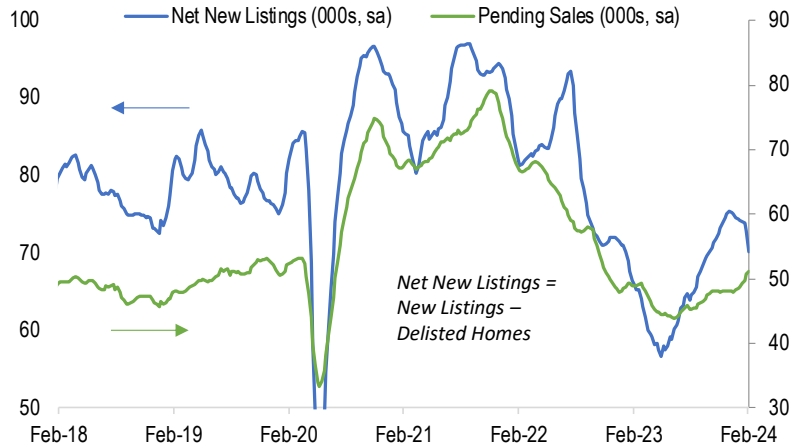
Resilient Goods-Producing Employment Could See a Boost from Fed Rate Cuts



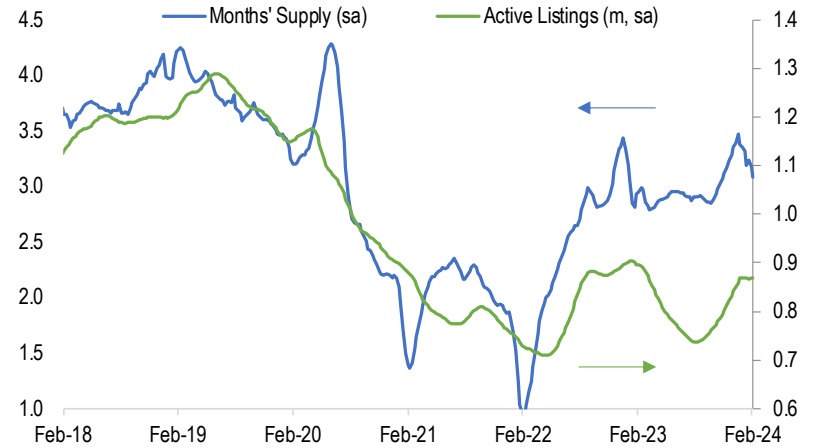
Weak Services PMI Employment Continued to Look Out-of-Sync with Actual Services Payrolls



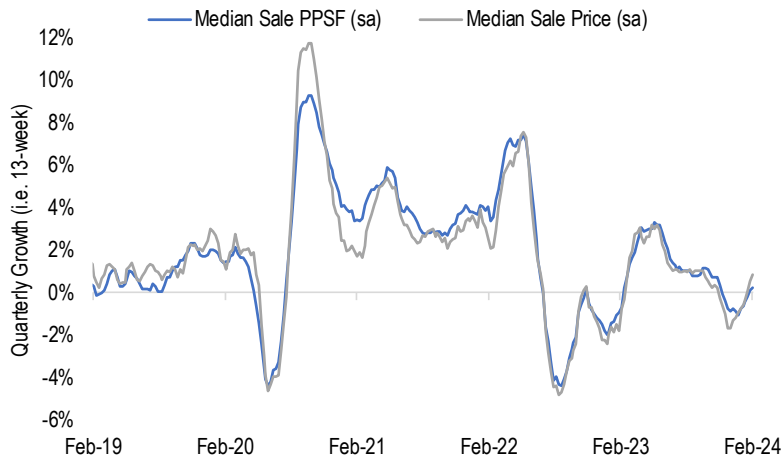
Real-Time Data on Pending Sales Show Rebound Still Underway as Supply of Existing Homes Cooled ...



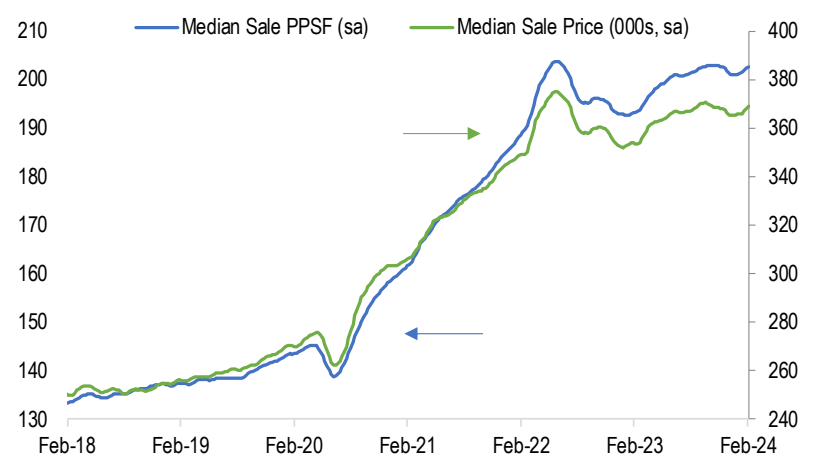
... causing a Continued Decline in Months' Supply after a Sharp Rise Through Dec.



Pace of Seasonally Adjusted Home-Price Growth Continued to Rebound Alongside Increased Demand ...



... lifting National Median Sales Prices Closer to Prior Peak Reached Back in Mid-2022

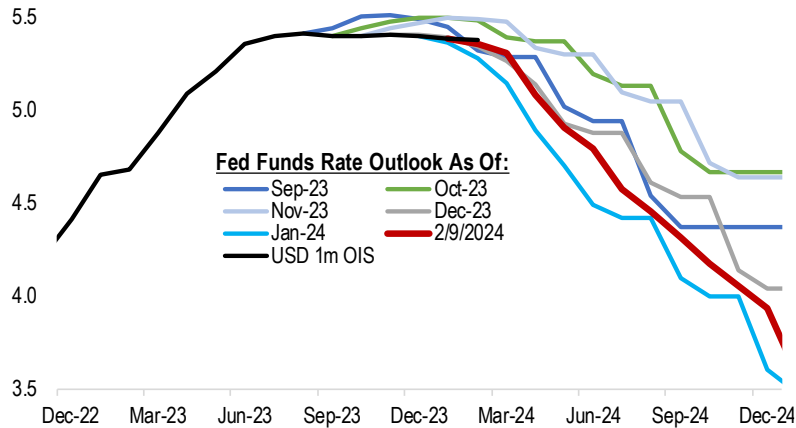


Most (But Not All) Housing Markets Have Tightened Over Past Year, Which Supported Price Recovery

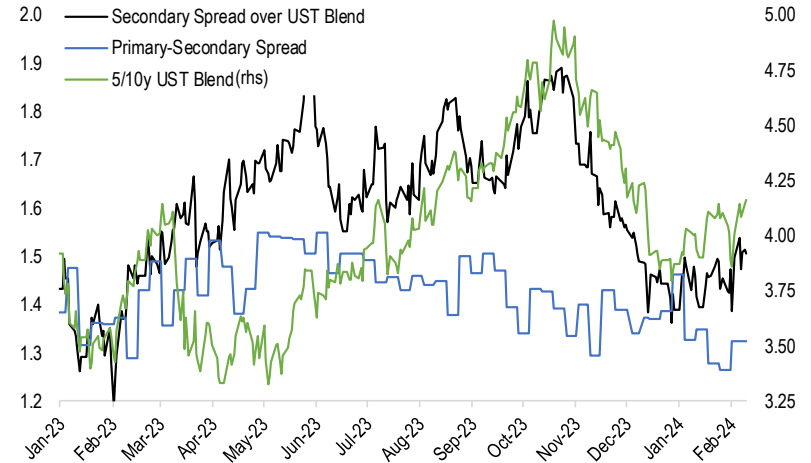
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.3%	2.0%	5.5%	0.8%	22%	2.0%	98.2%	0.5%	-4%	-15.4	-12.9	-18%	-18%
Atlanta	6.5%	3.5%	5.4%	0.2%	20%	1.3%	98.0%	0.3%	-29%	-4.2	-1.7	-28%	-4%
Austin	-3.0%	-9.1%	6.2%	-1.0%	9%	-1.0%	96.7%	0.5%	-7%	36.2	36.3	38%	49%
Baltimore	5.5%	2.1%	5.0%	0.1%	35%	5.9%	100.4%	0.1%	-10%	-19.0	-13.7	-32%	-32%
Boston	5.1%	3.4%	3.3%	0.0%	41%	8.3%	100.1%	1.1%	-12%	-2.0	2.3	-10%	-9%
Chicago	8.1%	1.5%	2.7%	0.2%	31%	7.5%	98.7%	1.2%	-26%	7.3	17.3	-25%	-1%
Dallas	1.6%	1.3%	6.6%	0.2%	14%	-0.8%	97.5%	0.2%	-1%	8.2	8.0	-5%	0%
Denver	1.8%	-3.1%	6.3%	-0.4%	21%	2.9%	98.6%	0.3%	-5%	17.3	19.0	20%	23%
Houston	1.9%	5.4%	6.5%	0.5%	12%	0.2%	97.0%	0.2%	0%	-2.6	-2.7	-15%	-13%
Los Angeles	7.5%	-3.6%	3.4%	0.0%	39%	8.9%	99.8%	1.4%	-15%	-3.0	7.5	-8%	12%
Miami	7.8%	9.9%	4.4%	1.1%	10%	-1.3%	95.8%	0.1%	3%	1.1	3.8	-6%	-18%
Minneapolis	3.5%	-0.6%	4.4%	0.3%	26%	1.7%	98.9%	0.3%	-4%	-5.7	-0.2	-10%	0%
Nashville	1.4%	7.4%	3.8%	-0.7%	14%	2.8%	98.0%	0.7%	-7%	6.3	10.5	5%	16%
New York	10.6%	-2.0%	10.2%	6.8%	30%	6.9%	99.2%	1.1%	-17%	-34.7	-24.5	-21%	-15%
Phoenix	6.1%	-4.7%	7.1%	-0.7%	14%	2.6%	97.9%	0.9%	-13%	3.8	20.0	7%	19%
Portland	2.5%	-1.5%	4.6%	-0.4%	24%	3.6%	98.7%	0.3%	-6%	9.9	11.0	20%	26%
Riverside	4.2%	1.4%	4.3%	-0.4%	35%	9.1%	99.0%	1.0%	-16%	-14.4	2.0	-21%	-4%
San Diego	10.3%	-0.7%	4.5%	0.3%	37%	9.0%	99.5%	1.2%	-8%	-9.4	3.3	-28%	-22%
Seattle	5.7%	-4.3%	3.6%	-1.7%	26%	8.2%	99.6%	1.5%	-27%	1.0	12.0	-7%	32%
Tampa	1.9%	5.4%	9.2%	0.1%	11%	-2.7%	97.0%	-0.3%	12%	1.0	-3.1	9%	-8%
Washington DC	5.5%	2.2%	3.8%	-0.1%	31%	4.9%	99.5%	0.7%	-15%	-2.0	8.7	-9%	0%

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

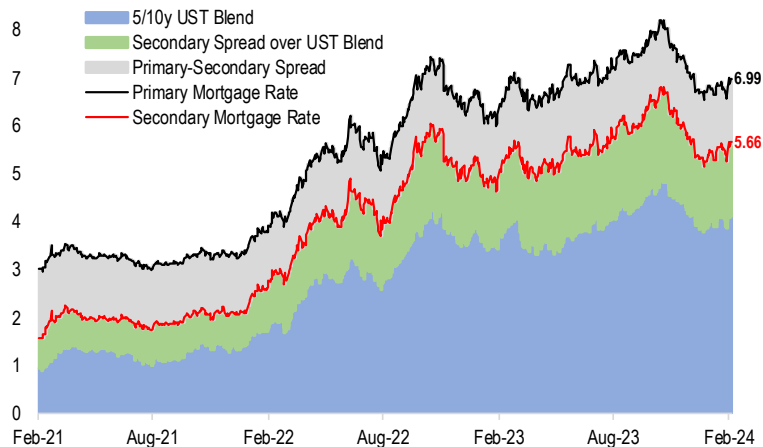
Market Odds of a March Rate Cut Remained Low at ~20%; May Odds Down to ~75% from 90% A Week Ago



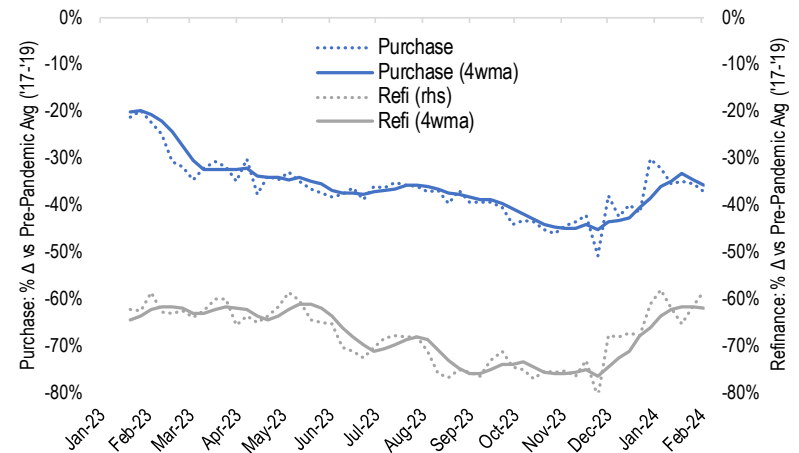
U.S. Treasury Yields Climbed Higher Last Week Along with Mortgage Spreads



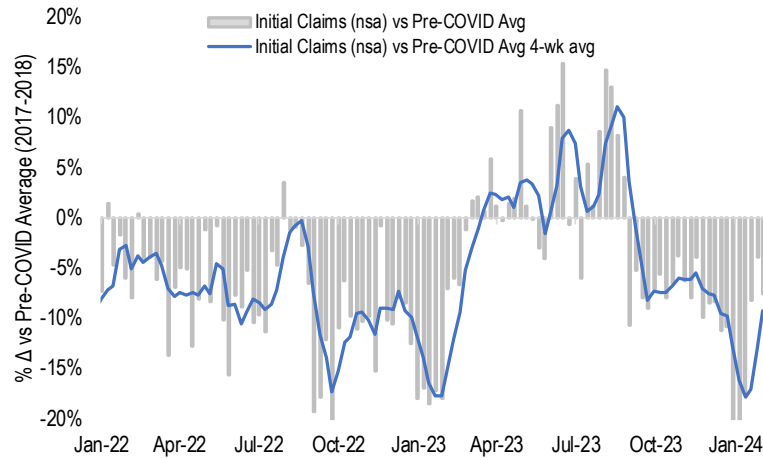
Lifting Mortgage Rates Close To 7%, Highest Since Early Dec.



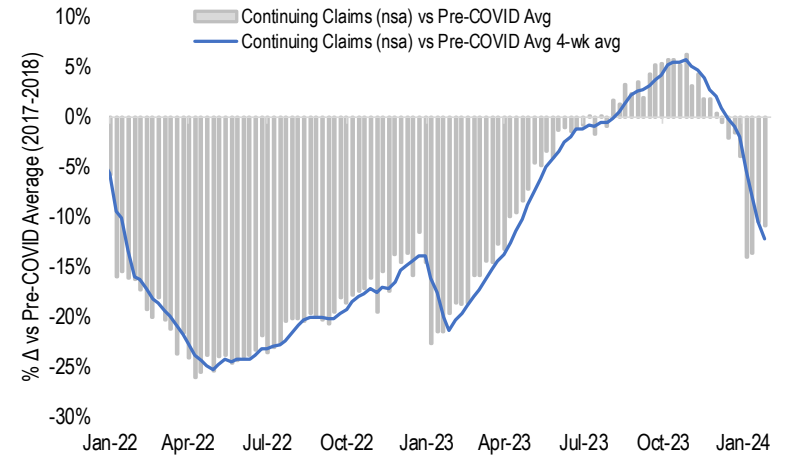
The Modest Uptrend in Rates Has Cooled the Rebound for Mortgage Purchase and Refinancing Applications



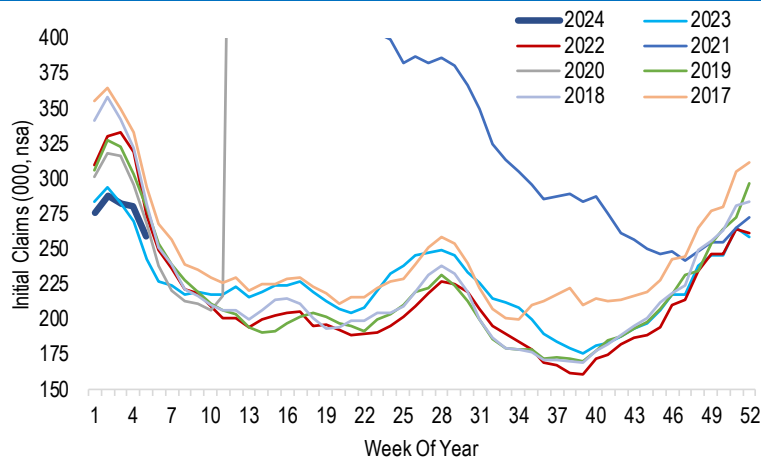
Initial Claims Moved Lower Again After Surging Over the Past Few Weeks ...



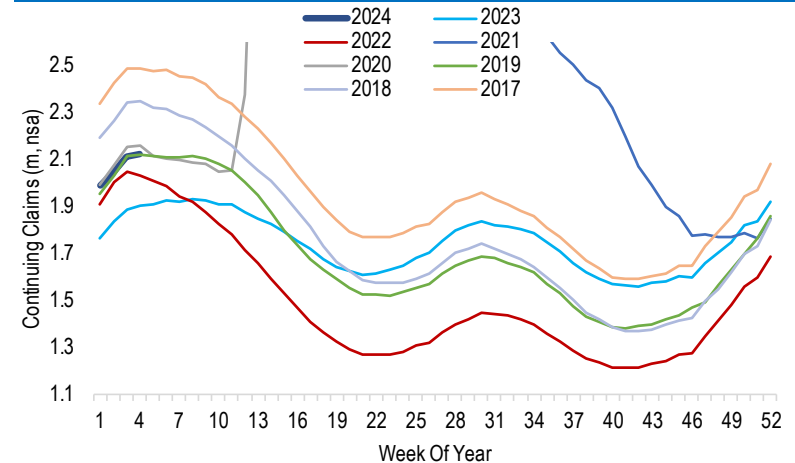
... and Continuing Claims Also Moved Lower After Prior Week's Jump



Non-Seasonally Adjusted Initial Claims Up Slightly vs. 2023, But Still Below Norm for Early Feb. ...



... while Continuing Claims Still Tracking Well with Early 2019/2020 Level



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
2/13/24	NFIB Small Business Optimism	Jan	--	92.1	--	91.9	index, sa
2/13/24	CPI m/m	Jan	--	0.2%	--	0.3%	sa
2/13/24	CPI Core (ex Food and Energy) m/m	Jan	--	0.3%	--	0.3%	sa
2/13/24	CPI y/y	Jan	--	2.9%	--	3.4%	nsa
2/13/24	CPI Core (ex Food and Energy) y/y	Jan	--	3.7%	--	3.9%	nsa
2/14/24	MBA Mortgage Applications	2/9/24	--	--	--	3.7%	w/w, sa
2/15/24	Empire Manufacturing	Feb	--	-11.8	--	-43.7	index, sa
2/15/24	Advance Retail Sales m/m	Jan	--	-0.1%	--	0.6%	sa
2/15/24	Retail Sales Control Group m/m	Jan	--	0.2%	--	0.8%	sa
2/15/24	Import Price Index m/m	Jan	--	-0.1%	--	0.0%	nsa
2/15/24	Import Price Index y/y	Jan	--	-1.3%	--	-1.6%	nsa
2/15/24	Initial Jobless Claims	2/10/24	--	220	--	218	k, sa
2/15/24	Continuing Claims	2/3/24	--	1,880	--	1,871	k, sa
2/15/24	Industrial Production	Jan	--	0.3%	--	0.1%	m/m, sa
2/15/24	Capacity Utilization	Jan	--	78.8%	--	78.6%	sa
2/15/24	Business Inventories m/m	Dec	--	0.4%	--	-0.1%	sa
2/15/24	NAHB Housing Market Index	Feb	--	46	--	44	index, sa
2/16/24	Housing Starts	Jan	--	1,460	--	1,460	k, saar
2/16/24	Housing Starts m/m	Jan	--	0.0%	--	-4.3%	sa
2/16/24	Building Permits	Jan	--	1,515	--	1,495	k, saar
2/16/24	Building Permits m/m	Jan	--	1.5%	--	1.9%	sa
2/16/24	PPI Final Demand m/m	Jan	--	0.1%	--	-0.1%	sa
2/16/24	PPI Core (ex Food and Energy) m/m	Jan	--	0.1%	--	0.0%	sa
2/16/24	PPI Final Demand y/y	Jan	--	0.7%	--	1.0%	nsa
2/16/24	PPI Core (ex Food and Energy) y/y	Jan	--	1.7%	--	1.8%	nsa
2/16/24	U. of Mich. Sentiment	Feb P	--	80.0	--	79.0	index, nsa
2/16/24	U. of Mich. 1 Yr Inflation	Feb P	--	2.9%	--	2.9%	nsa
2/16/24	U. of Mich. 5-10 Yr Inflation	Feb P	--	--	--	2.9%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
2/5/24	S&P Global US Services PMI	Jan F	52.5	52.9	--	52.9	index, sa
2/5/24	S&P Global US Composite PMI	Jan F	52.0	52.3	--	52.3	index, sa
2/5/24	ISM Services Index	Jan	53.4	52.0	50.5	50.6	index, nsa
2/5/24	Senior Loan Officer Opinion Survey	Q1	--	--	--	--	
2/7/24	MBA Mortgage Applications	2/2/24	3.7%	--	--	-7.2%	w/w, sa
2/7/24	Consumer Credit	Dec	1.6	16.0	23.5	23.8	\$B, m/m, sa
2/8/24	Initial Jobless Claims	2/3/24	218	220	227	224	k, sa
2/8/24	Continuing Claims	1/27/24	1,871	1,875	1,894	1,898	k, sa
2/8/24	Wholesale Trade Sales	Dec	0.7%	0.3%	-0.1%	0.0%	m/m, sa
2/8/24	Wholesale Inventories	Dec F	0.4%	0.4%	--	0.4%	m/m, 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)