



# HaMMR Digest

Stay current with economic and mortgage market trends.

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## Signal Or Noise?

- **Key Takeaway:** All three inflation reports were above consensus expectations, sharply lifting Treasury yields and pushing back rate cut expectations.
- **Macro Implications:** We leave our Fed call unchanged with May still a plausible start date for rate cuts should Jan. inflation prints prove an aberration.
- **Housing Implications:** Mortgage rates are likely to remain in a holding pattern around the high-6% range until the Fed's rate path becomes clearer.

## Macro: Muddled with a Dash of Inflation?

- Home construction remains bright spot in a rather poor macro week.
- Rate cut fever has fully abated as disinflationary path stalls out.
- Inflation expectations remain well anchored despite hot Jan. prints.

## Rates: Uncertainty Abounds

- Market expectations for first rate cut have been pushed to June.
- 10-year UST rose 13bps w/w to 4.29% amid strong inflation prints.
- Expect rates to toggle back and forth until clear Fed path emerges.

## Housing: Mortgage Rates Grinding Higher

- Mortgage rates are up 40bps since the beginning of 2024.
- Purchase applications declined for third straight week.
- Momentum cooling as higher rates spook potential buyers.

## Inflation: Cannot Fully Discount Rebound

- Consumer prices were up 0.3% in Jan. with core inflation up 0.4%.
- Wholesale inflation was firm as well with core prices rising 0.5%.
- As expected, the path back to Fed's target will not be smooth.

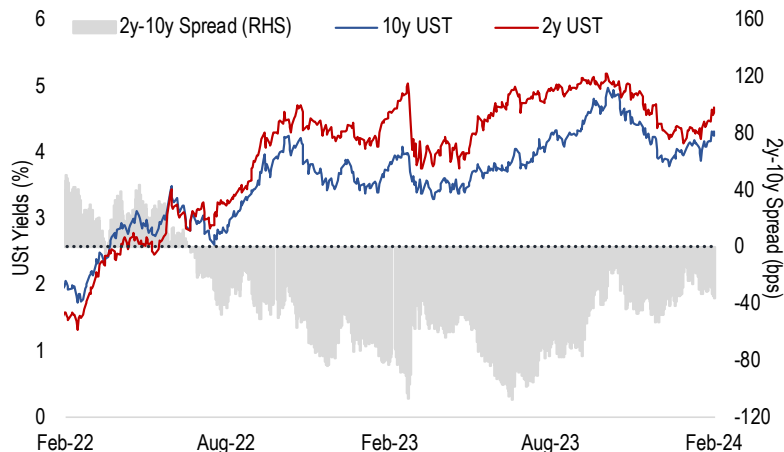
## Construction: Homebuilder Optimism Recovery Continues

- Single-family starts fell -4.7% m/m but were up 22% y/y in Jan.
- Single-family permits up 12 months in a row and 36% y/y.
- Multifamily activity continues to fall amid elevated pipeline.

## Retail Sales: Downshift Evident but Mind Seasonal Factors

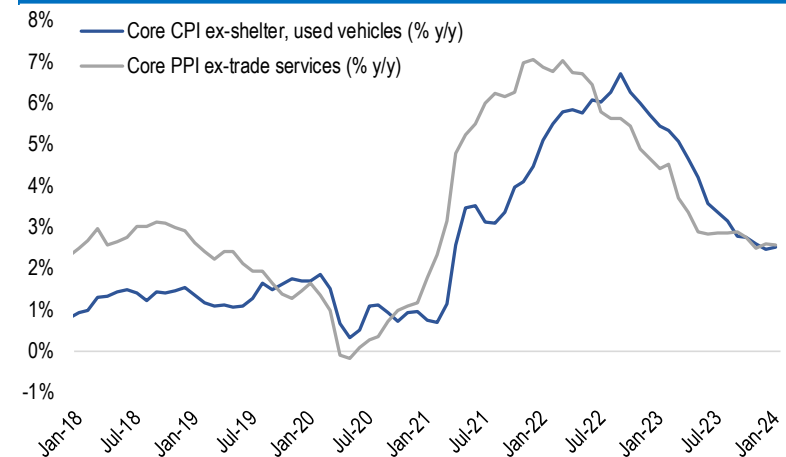
- Retail sales plunged -0.8% in Jan. but were still up 2.0% y/y.
- Non-seasonally adjusted sales reflected typical Jan. growth pattern.
- Consumer spending has cooled with further moderation expected.

UST Yields Moved Sharply Higher as Inflation Reports Dash Hopes of Early Fed Cuts

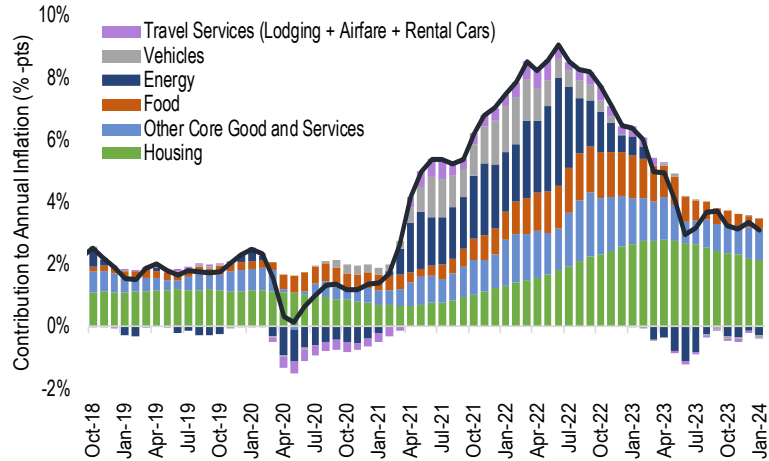


Sources: U.S. Bureau of Labor Statistics (BLS), Bloomberg, Arch Global Economics

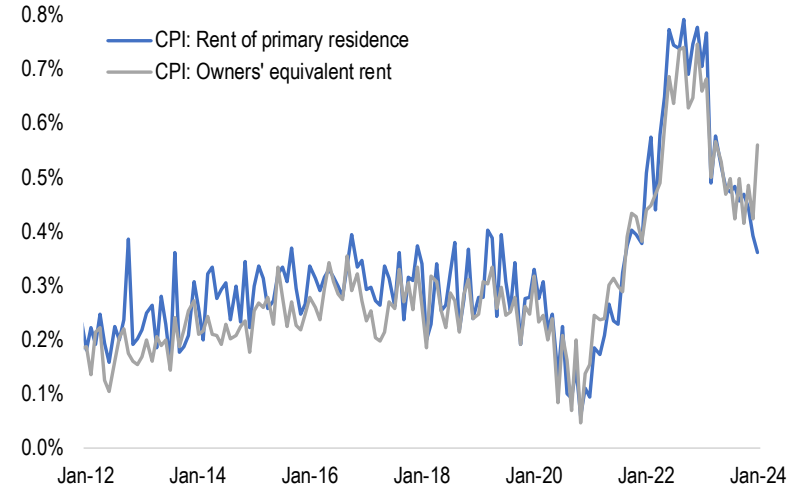
Annual Inflation Readings Seem to Have Levelled Off, Renewing Concerns about the "Last Mile"



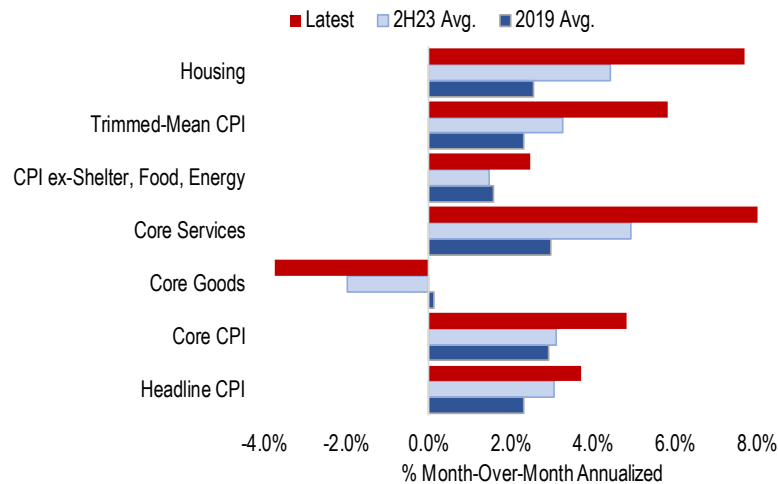
### Housing Still Key Driver of Elevated Annual Inflation, Core Services Also Remain Too Hot for Comfort



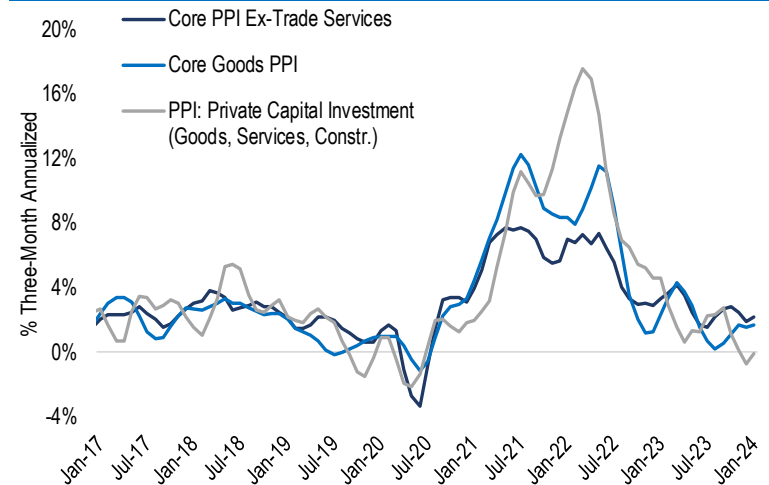
### Sharp Divergence in Measures of Housing Inflation Unlikely to Be Beginning of New Trend



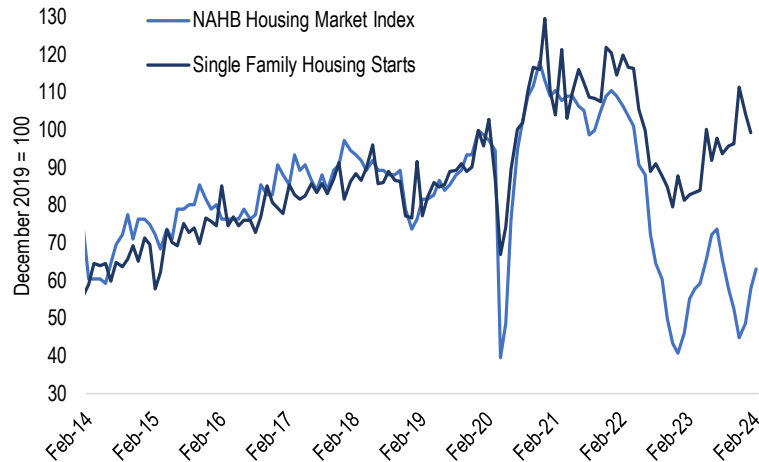
### Monthly Inflation Was Strong Across the Board to Begin 2024 Aside from Vehicles



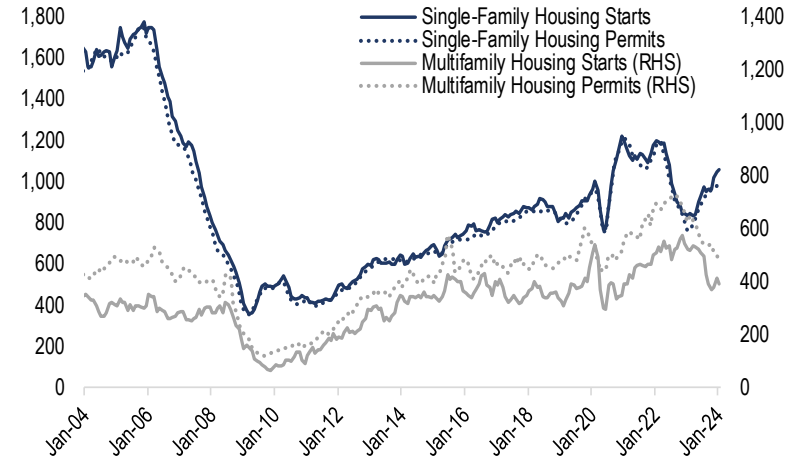
### Drag from Goods Disinflation Likely Has Run Its Course



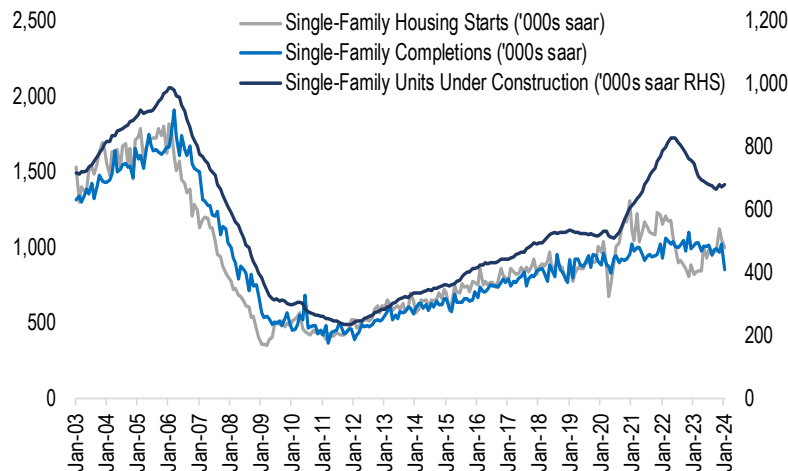
### Builder Optimism Continued to Rebound Alongside Expected Lower Rates and Dearth of Resale Stock



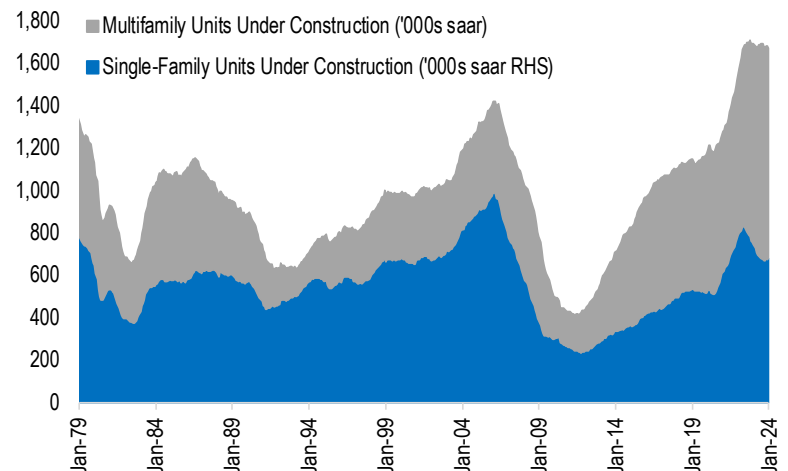
### Single-Family Permitting Activity Remained Robust, While Multifamily Approaches COVID Lows



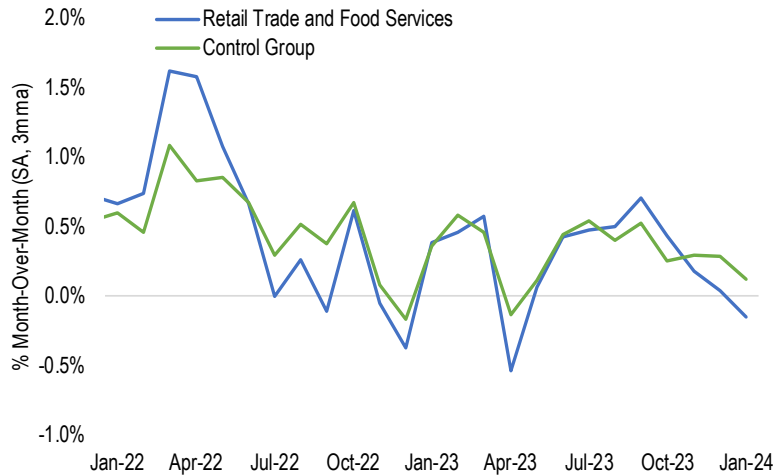
### Single-Family Completions and Starts Both Tumbled Amid Poor Weather



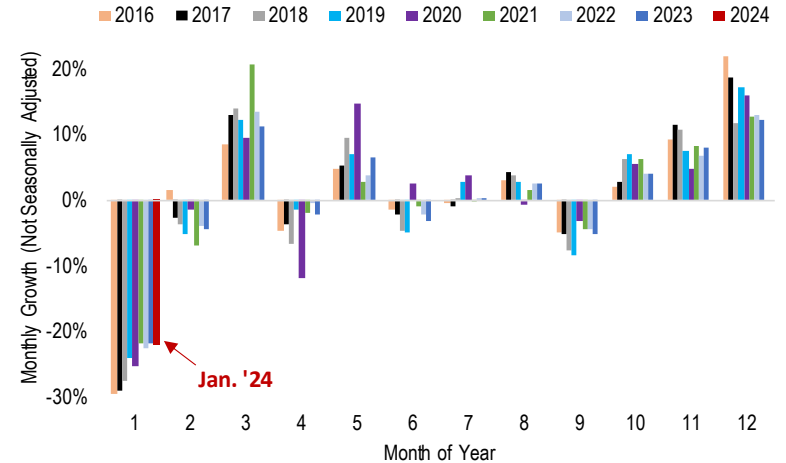
### Multifamily Units Under Construction Headed Lower as Single-Family Segment Starts to Rise Again



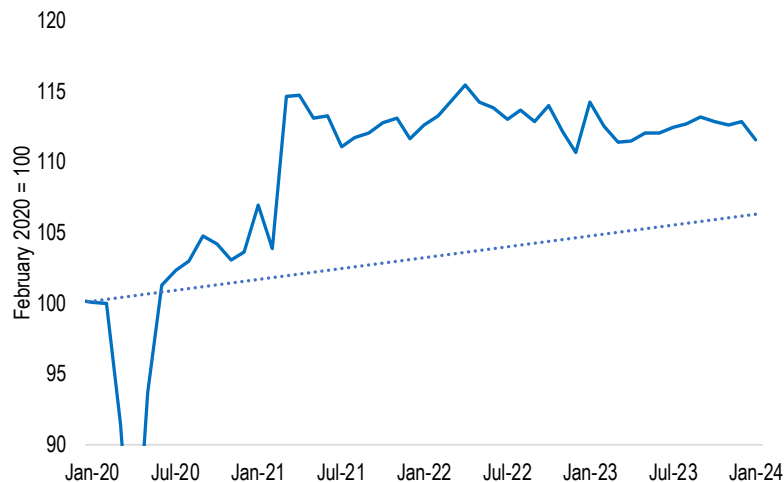
### Jan. Retail Sales Growth Surprised Meaningfully to the Downside with Clear Downshift in Momentum



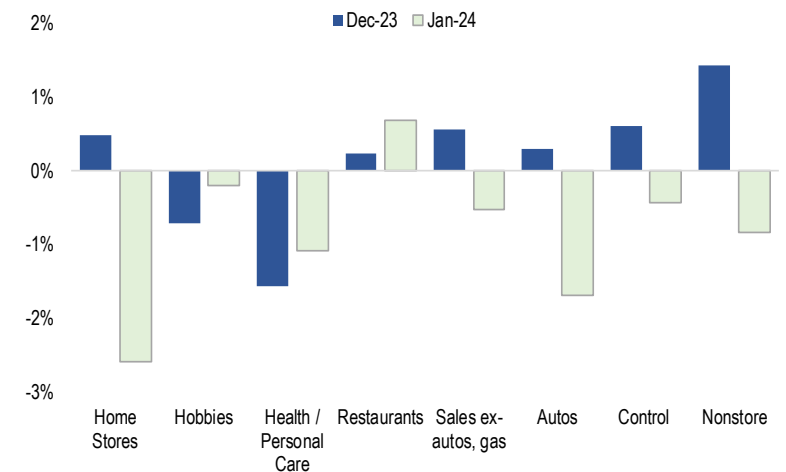
### However, Control Group Growth was Fairly Typical for Jan. without Drag from Seasonal Adjustment Factors



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

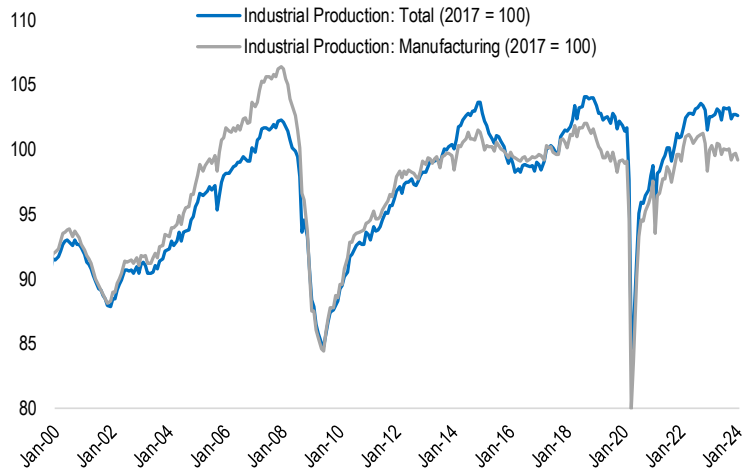


### Restaurant Sales Growth Remained Robust, a Positive Signal Suggesting Services Spending Remained Firm

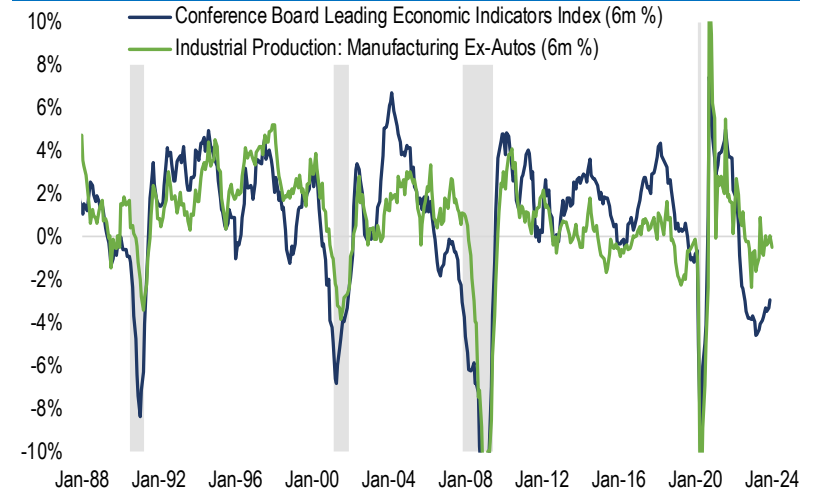




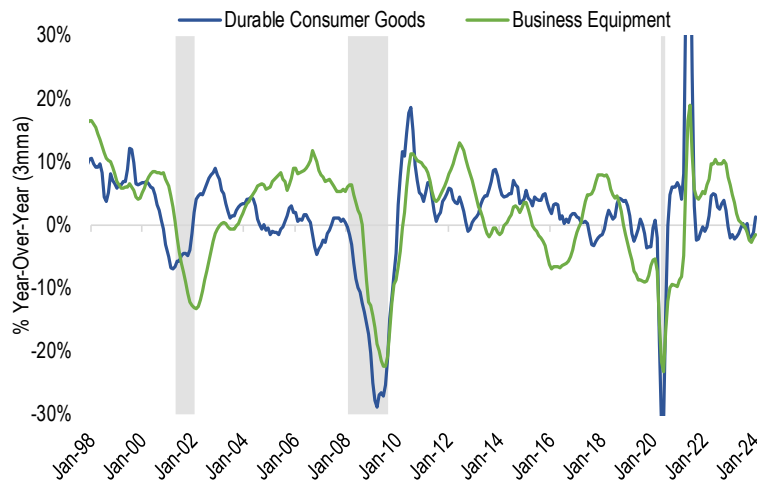
### Total Industrial Production Muddled Through in January Aided by Utilities Boosting Cold Snap



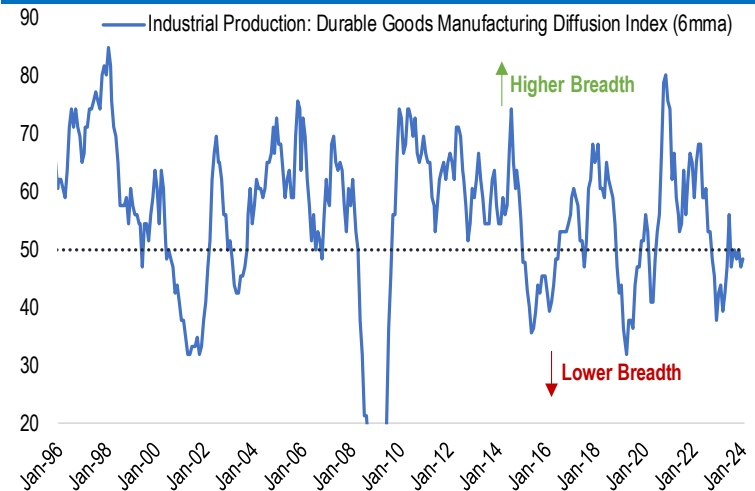
### Excluding Autos, Manufacturing Output Trying to Find Escape Velocity



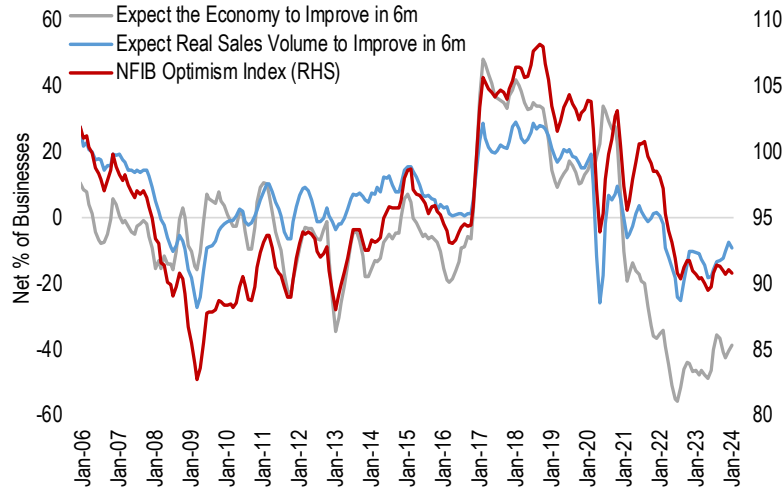
### Strong Rebound in Consumer Goods Output Unlikely While Businesses Await Catalyst to Invest



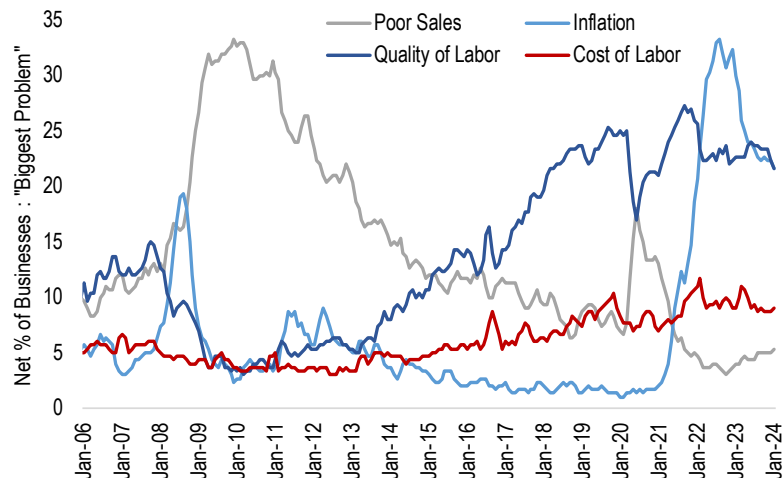
### Durable Goods Sectors Nearly Evenly Split Between Expansion and Contraction



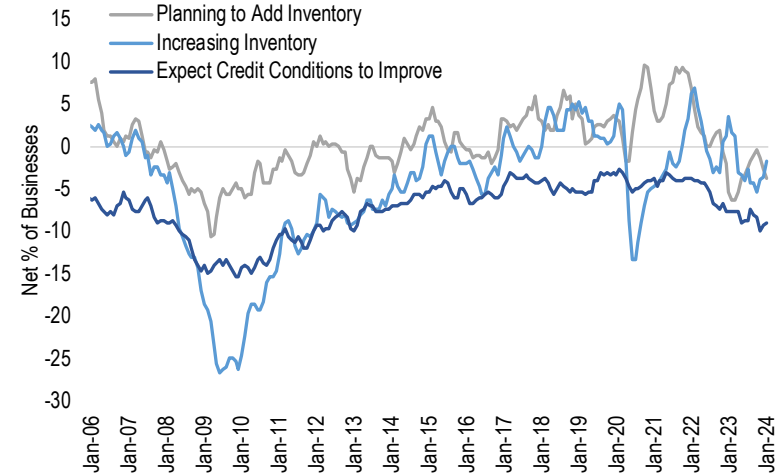
### Small Business Optimism Held Steady as Expectations for a Rebound in Real Sales Moderated



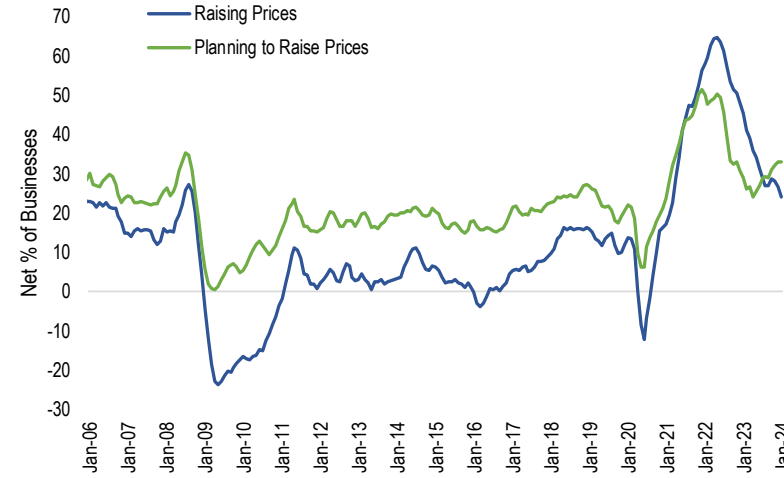
### "Inflation" and "Quality of Labor" Tied as "Biggest Problem" for Small Businesses



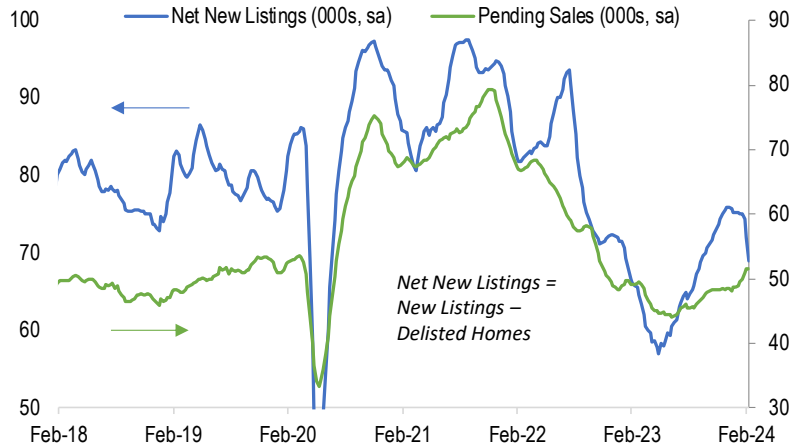
### Inventory Re-Stocking Not Top of Mind as Credit Conditions Remained Tight



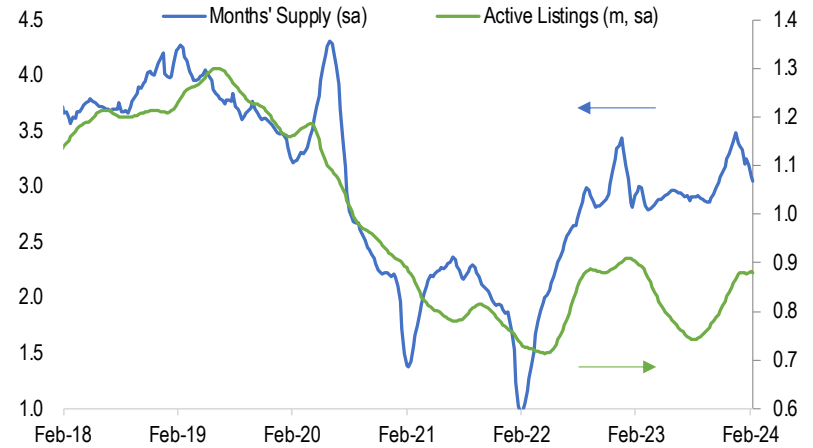
### Small Businesses Looking to Shore up Margins by Raising Prices in the Months Ahead



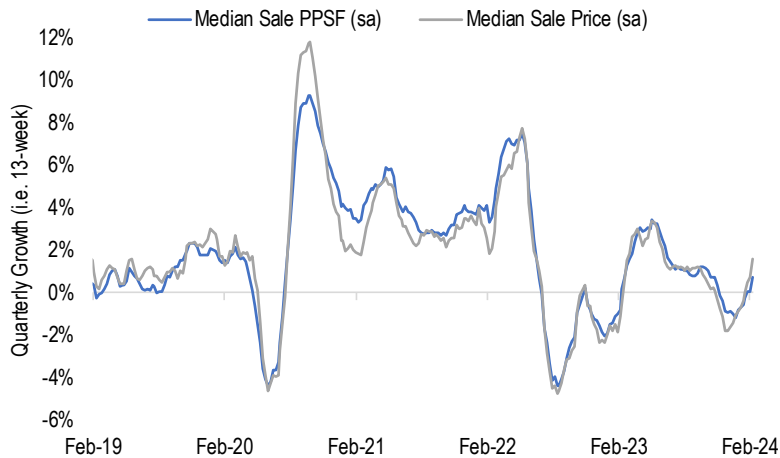
## Real-Time Data on Pending Sales Show Rebound Still Underway as Supply of Existing Homes Cooled ...



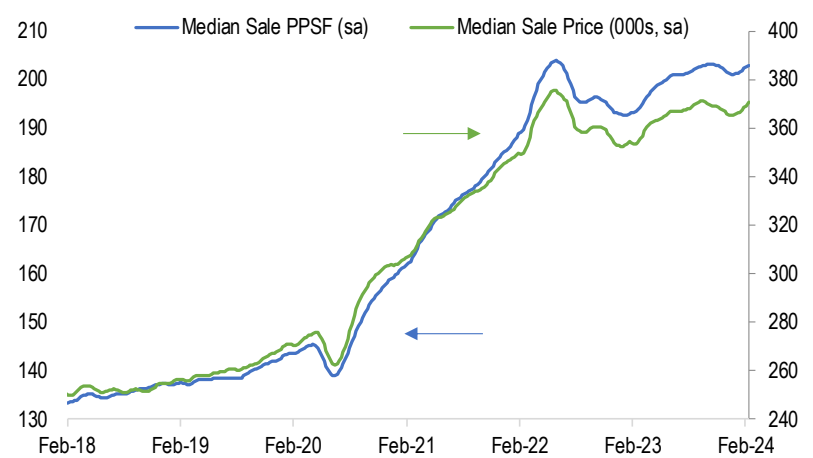
## ... causing a Continued Decline in Months' Supply after a Sharp Rise Through Dec.



## 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



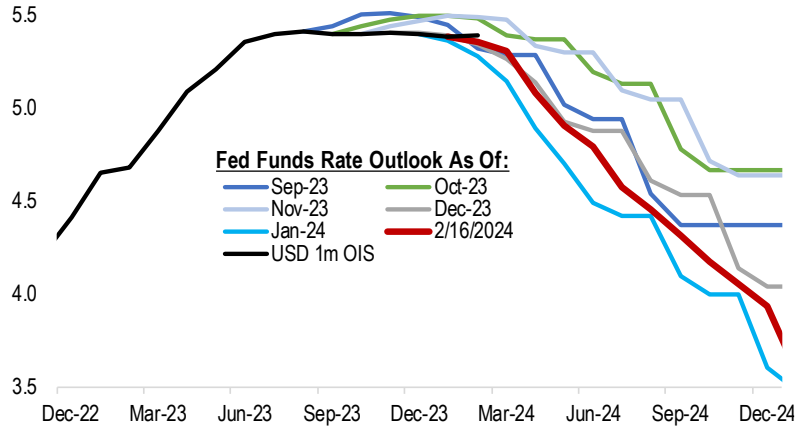


## Most (But Not All) Housing Markets Have Tightened Over Past Year, Which Supported Price Recovery

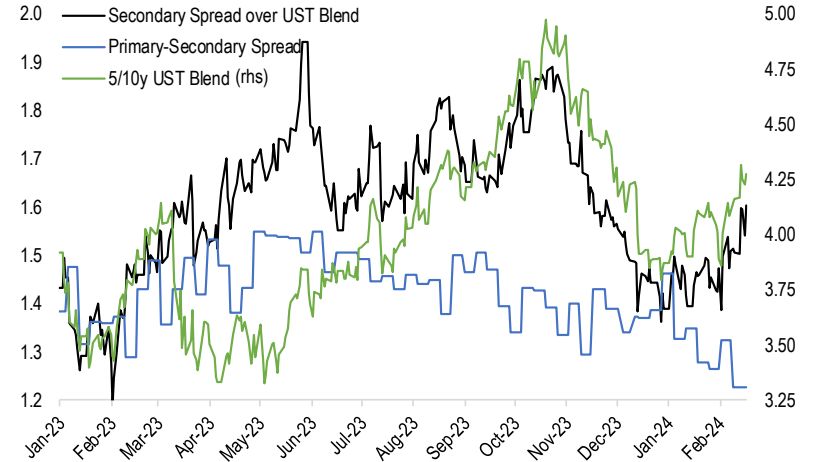
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.4%	1.9%	5.6%	1.1%	22%	2.1%	98.2%	0.5%	-2%	-15.4	-13.2	-20%	-22%
Atlanta	6.7%	3.7%	5.3%	0.5%	20%	1.1%	98.1%	0.3%	-27%	-4.1	0.0	-29%	-11%
Austin	-2.1%	-10.5%	6.2%	-0.7%	8%	-1.3%	96.7%	0.3%	-5%	36.5	37.2	40%	48%
Baltimore	4.8%	2.5%	4.9%	0.1%	34%	4.6%	100.1%	-0.5%	-9%	-19.3	-15.9	-34%	-36%
Boston	7.1%	2.3%	3.1%	0.0%	42%	9.3%	100.1%	1.1%	-11%	-3.1	3.0	-9%	-12%
Chicago	8.1%	1.3%	2.7%	0.3%	31%	6.6%	98.8%	1.3%	-25%	6.7	16.8	-28%	-3%
Dallas	2.2%	0.3%	6.7%	1.0%	14%	-0.5%	97.5%	0.2%	1%	7.9	8.8	-4%	-5%
Denver	1.7%	-3.8%	6.4%	-0.2%	22%	2.3%	98.7%	0.3%	-2%	19.4	18.6	12%	17%
Houston	1.9%	4.2%	6.7%	0.9%	12%	0.3%	97.0%	0.2%	1%	-0.7	-0.8	-11%	-14%
Los Angeles	7.7%	-4.7%	3.3%	0.1%	40%	9.2%	99.8%	1.3%	-14%	-4.7	6.7	-10%	10%
Miami	9.2%	8.1%	4.5%	1.3%	11%	0.4%	96.0%	0.4%	5%	-1.4	4.5	-3%	-23%
Minneapolis	2.7%	0.8%	4.4%	0.7%	26%	1.6%	99.0%	0.4%	-2%	-5.6	1.2	-15%	-7%
Nashville	3.0%	5.1%	4.1%	-0.3%	14%	2.2%	98.2%	0.8%	-8%	5.1	8.9	0%	10%
New York	9.3%	-2.7%	14.7%	11.3%	26%	6.2%	99.0%	0.8%	-15%	-41.5	-32.0	-23%	-18%
Phoenix	5.5%	-4.3%	7.2%	-0.2%	13%	1.8%	98.0%	0.9%	-10%	3.3	20.5	3%	11%
Portland	2.0%	-0.4%	4.8%	0.1%	25%	2.6%	98.8%	0.2%	-5%	11.4	12.6	15%	18%
Riverside	5.8%	0.3%	4.4%	-0.1%	34%	8.3%	99.0%	1.0%	-14%	-16.3	2.2	-23%	-9%
San Diego	11.3%	-2.4%	4.4%	0.2%	40%	11.6%	99.8%	1.4%	-7%	-13.6	2.4	-32%	-27%
Seattle	7.1%	-6.5%	3.5%	-1.4%	28%	9.7%	100.0%	1.7%	-23%	-3.5	13.0	-9%	20%
Tampa	1.8%	5.2%	9.4%	0.6%	12%	-1.0%	97.0%	-0.1%	15%	1.6	-2.6	5%	-13%
Washington DC	3.4%	2.2%	3.6%	0.0%	32%	5.5%	99.6%	0.7%	-15%	-5.2	7.0	-13%	-4%

Data as of Feb. 11, 2024, and reflects 4-week averages.

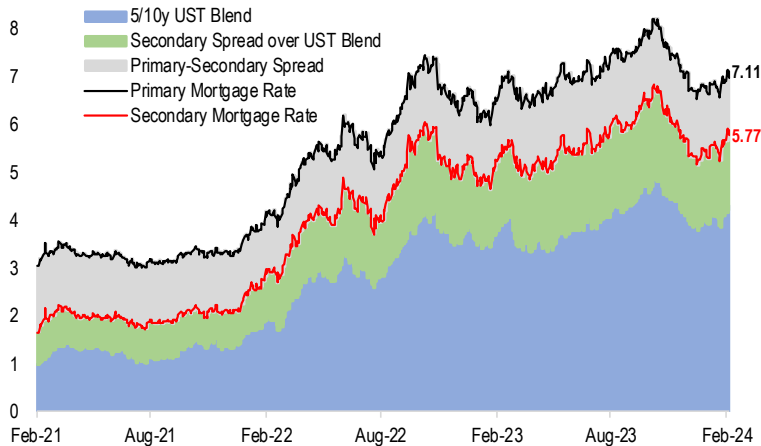
### Market Odds of a March Rate Cut Moved Lower to ~10%; May Odds Down to ~40% from 75% a Week Ago



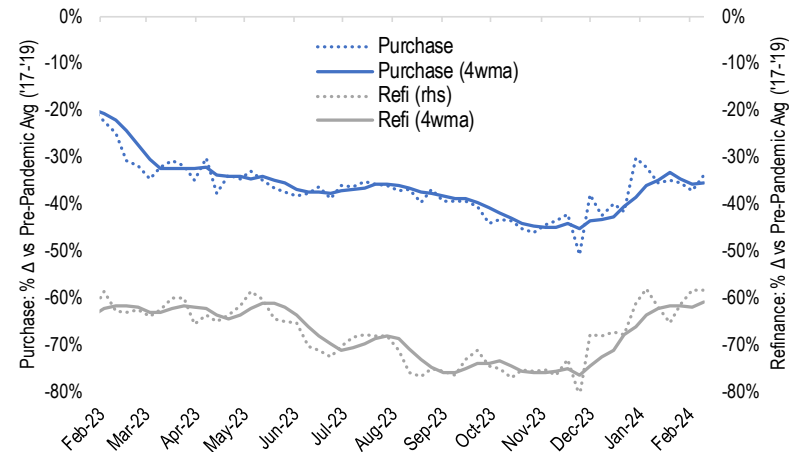
### U.S. Treasury Yields Jumped Higher Last Week Along with Mortgage Spreads



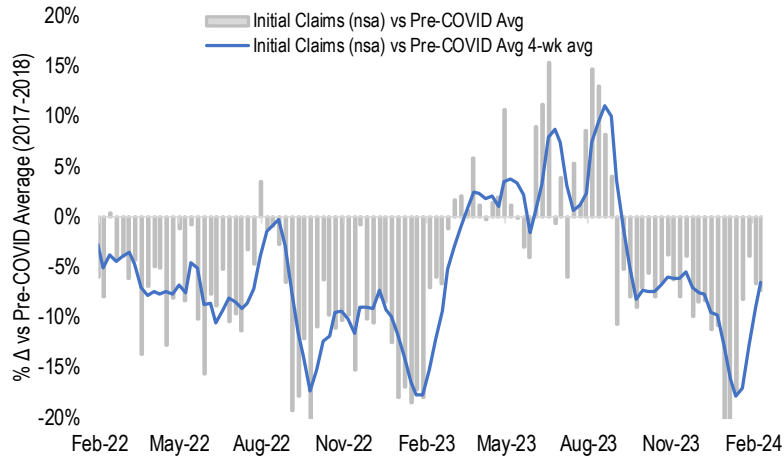
### Lifting Implied Mortgage Rates Above 7%, Highest Since Early Dec.



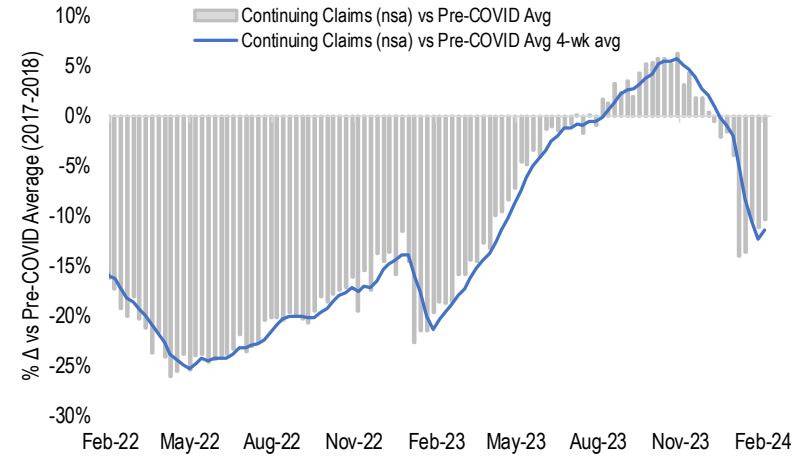
### The Modest Uptrend in Rates Has Cooled the Rebound for Mortgage Purchase and Refinancing Applications



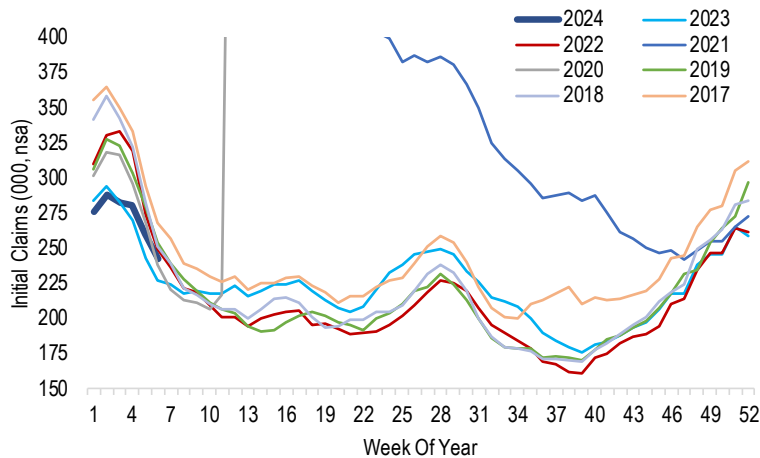
### Initial Claims Moved Lower Again after Surging in January ...



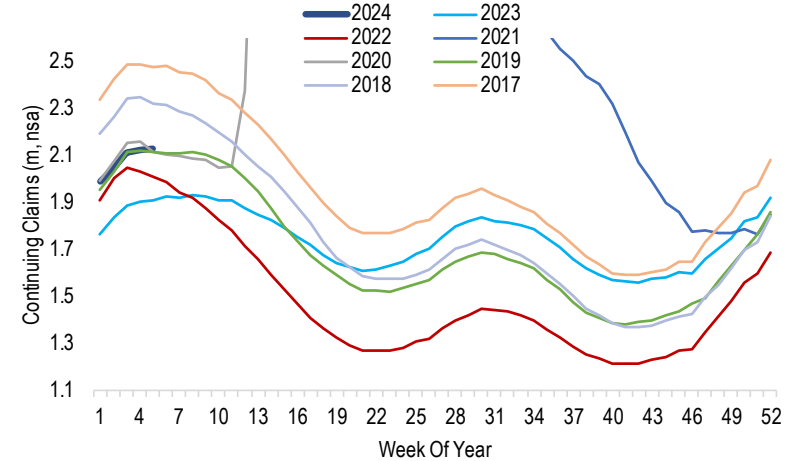
### ... while Continuing Claims Inched Gradually Higher



### Non-Seasonally Adjusted Initial Claims up Slightly vs. 2023, but Still Below Norm for mid-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
2/20/24	Conference Board Leading Index	Jan	--	-0.3%	--	-0.1%	m/m, sa
2/21/24	MBA Mortgage Applications	2/16/24	--	--	--	-2.3%	w/w, sa
2/21/24	FOMC Meeting Minutes	1/31/24	--	--	--	--	
2/22/24	Chicago Fed Nat Activity Index	Jan	--	-0.25	--	-0.15	index, nsa
2/22/24	Initial Jobless Claims	2/17/24	--	218	--	212	k, sa
2/22/24	Continuing Claims	2/10/24	--	1,880	--	1,895	k, sa
2/22/24	S&P Global US Manufacturing PMI	Feb P	--	50.5	--	50.7	index, sa
2/22/24	S&P Global US Services PMI	Feb P	--	52.1	--	52.5	index, sa
2/22/24	S&P Global US Composite PMI	Feb P	--	52.0	--	52.0	index, sa
2/22/24	Existing Home Sales	Jan	--	3,970	--	3,780	k, saar
2/22/24	Existing Home Sales m/m	Jan	--	5.0%	--	-1.0%	sa

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
2/13/24	NFIB Small Business Optimism	Jan	89.9	92.3	--	91.9	index, sa
2/13/24	CPI m/m	Jan	0.3%	0.2%	0.2%	0.3%	sa
2/13/24	CPI Core (ex Food and Energy) m/m	Jan	0.4%	0.3%	--	0.3%	sa
2/13/24	CPI y/y	Jan	3.1%	2.9%	--	3.4%	nsa
2/13/24	CPI Core (ex Food and Energy) y/y	Jan	3.9%	3.7%	--	3.9%	nsa
2/14/24	MBA Mortgage Applications	2/9/24	-2.3%	--	--	3.7%	w/w, sa
2/15/24	Empire Manufacturing	Feb	-2.4	-12.5	--	-43.7	index, sa
2/15/24	Advance Retail Sales m/m	Jan	-0.8%	-0.2%	0.4%	0.6%	sa
2/15/24	Retail Sales Control Group m/m	Jan	-0.4%	0.2%	--	0.8%	sa
2/15/24	Import Price Index m/m	Jan	0.8%	0.0%	-0.7%	0.0%	nsa
2/15/24	Import Price Index y/y	Jan	-1.3%	-1.3%	-2.4%	-1.6%	nsa
2/15/24	Initial Jobless Claims	2/10/24	212	220	220	218	k, sa
2/15/24	Continuing Claims	2/3/24	1,895	1,880	1,865	1,871	k, sa
2/15/24	Industrial Production	Jan	-0.1%	0.2%	0.0%	0.1%	m/m, sa
2/15/24	Capacity Utilization	Jan	78.5%	78.8%	78.7%	78.6%	sa
2/15/24	Business Inventories m/m	Dec	0.4%	0.4%	--	-0.1%	sa
2/15/24	NAHB Housing Market Index	Feb	48	46	--	44	index, sa
2/16/24	Housing Starts	Jan	1,331	1,460	1,562	1,460	k, saar
2/16/24	Housing Starts m/m	Jan	-14.8%	0.0%	3.3%	-4.3%	sa
2/16/24	Building Permits	Jan	1,470	1,512	1,493	1,495	k, saar
2/16/24	Building Permits m/m	Jan	-1.5%	1.3%	1.8%	1.9%	sa
2/16/24	PPI Final Demand m/m	Jan	0.3%	0.1%	--	-0.1%	sa
2/16/24	PPI Core (ex Food and Energy) m/m	Jan	0.5%	0.1%	-0.1%	0.0%	sa
2/16/24	PPI Final Demand y/y	Jan	0.9%	0.6%	--	1.0%	nsa
2/16/24	PPI Core (ex Food and Energy) y/y	Jan	2.0%	1.6%	1.7%	1.8%	nsa
2/16/24	U. of Mich. Sentiment	Feb P	79.6	80.0	--	79.0	index, nsa
2/16/24	U. of Mich. 1 Yr Inflation	Feb P	3.0%	2.9%	--	2.9%	nsa
2/16/24	U. of Mich. 5-10 Yr Inflation	Feb P	2.9%	2.8%	--	2.9%	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)