

HaMMR Digest

Stay current with economic and mortgage market trends.

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It's Complicated

- **Key Takeaway:** Downside economic data surprises relative to consensus alongside softening sentiment has seen growth expectations reprice lower.
- **Macro Implications:** Recession calls are unwarranted given high noise-to-signal ratio early in the year, but elevated policy uncertainty heeds caution.
- **Housing Implications:** A sustained drawdown in consumer sentiment would be an additional headwind to activity in the months ahead.

Macro: So Much for the Honeymoon Phase

- Consumers' perception of fewer future job prospects at multi-year high.
- Imports surge in January as firms front-run potential tariff risks.
- 1Q25 real GDP tracking is off to a weak start at sub-2% annualized.

Rates: Bottom Feeder

- 10-yr UST plunge 20bps w/w to 4.23% amid rising economic risk.
- Short-end curve reinverts as potential stagflationary shock gets priced in.
- Market pricing shifting closer to three (25bps) Fed cuts from two last week.

Housing: Not Smelling Those Spring-Selling-Season Flowers

- Mortgage rates slide following descent in UST-yields, down 30bps m/m.
- Annual purchase apps growth positive for third straight week (Feb 21st).
- January pending sales declined by -4.6% m/m to an all-time low.

New Home Sales: See You in February, Maybe

- Jan. new home sales fell -11.5% m/m and -1.1% y/y.
- Months' supply of completed homes up to 4.5 months, 11-year high.
- Builder incentives usage will remain high given soft demand.

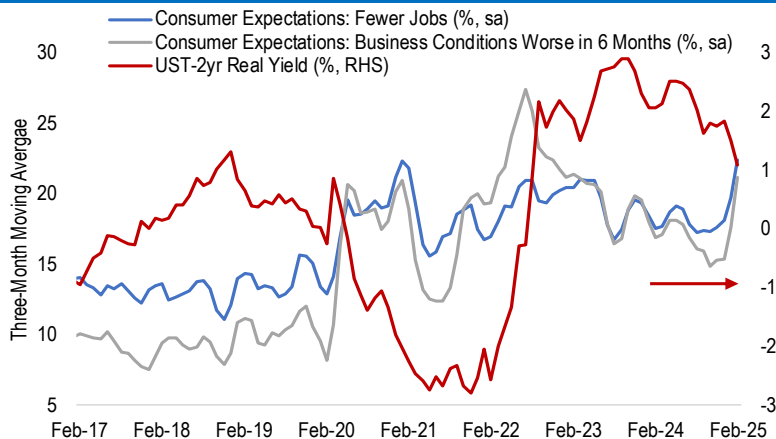
Personal Income and Spending: Household Wallets Snap Shut

- Real disposable income rose 0.6% m/m in Jan. and 1.8% y/y.
- Real spending sunk -0.5% m/m with a large -1.7% decline in goods.
- Soft spending spikes savings rate to 4.6, highest since Jun. '22.

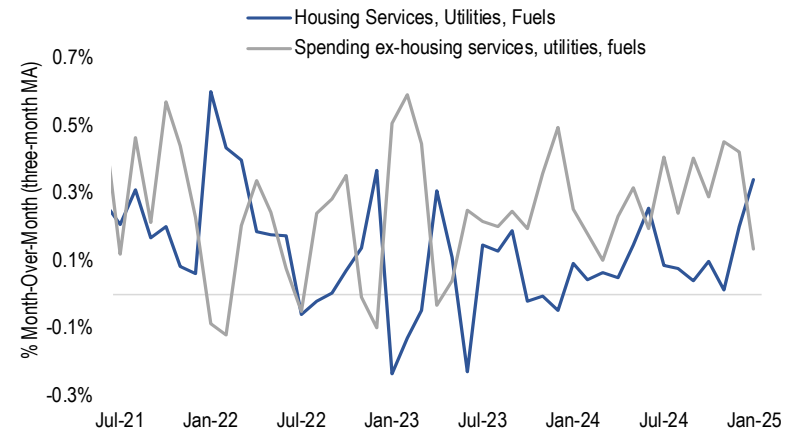
Consumer Sentiment: Shine Has Come Off

- Conference Board Index had largest monthly decline since Aug. 2021.
- Umich Sentiment Index has fallen to lowest level since Nov. 2023.
- Household expectations for labor market and inflation deteriorating.

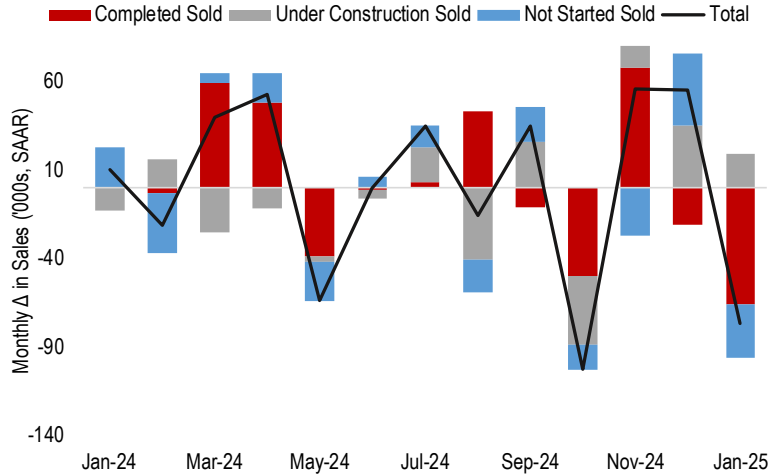
Consumer Anxiety over Future Economic Conditions Commensurate with Markets Pricing in Weaker Growth



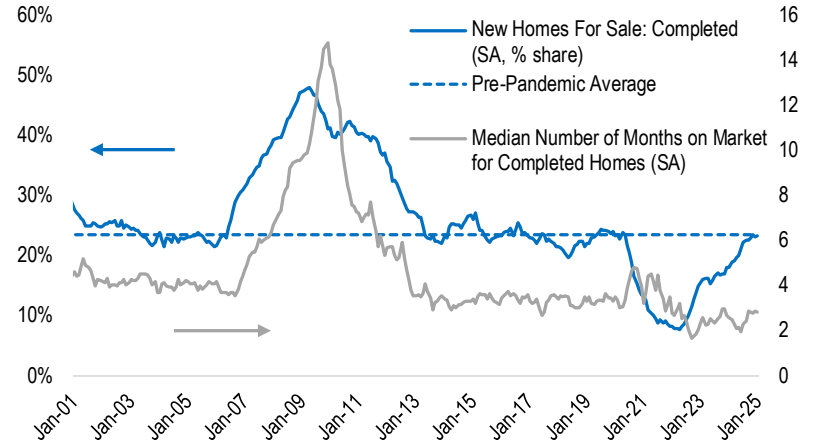
Multiple Factors Dented Real Spending, Including Uptick on Utilities Crowding Out Other Consumer Categories



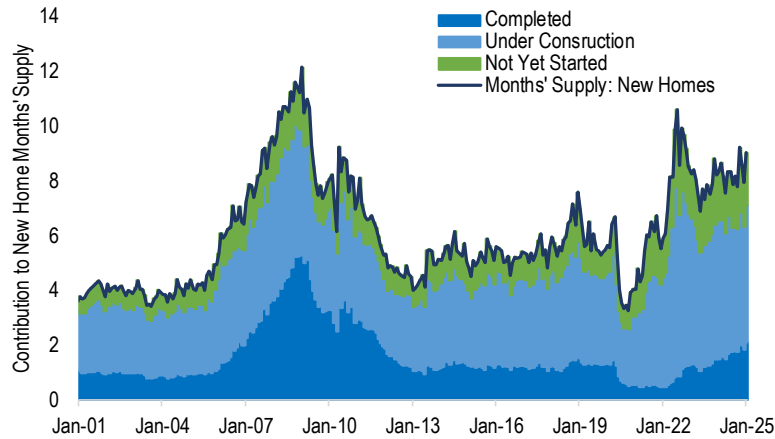
New Home Sales Slowed in January Amid Large Drop in “Completed” and “Not Started” Home Sales



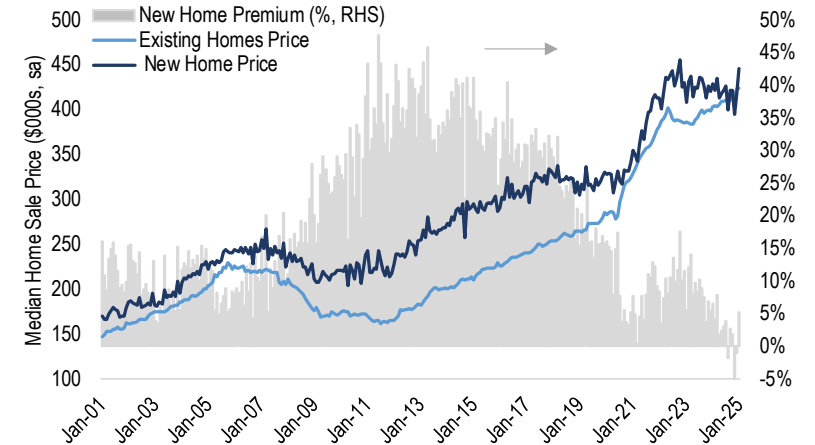
Completed Homes as Share of New Homes for Sale Has Been Rising and Is Level with Pre-Pandemic Trend



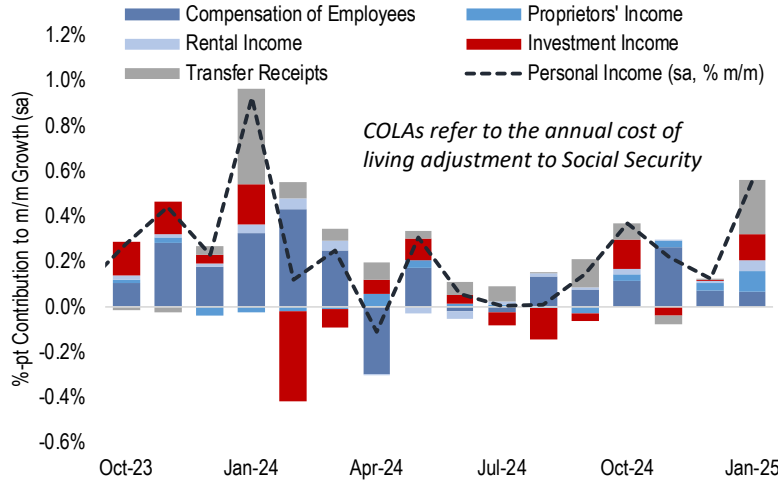
Months' Supply Fell Only for “Under Construction” Segment While Other Segments Rose



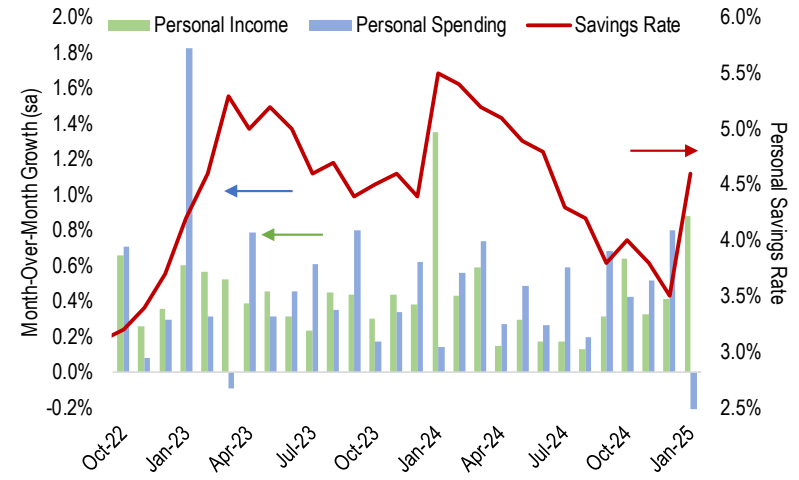
National New Home Premium over Existing Oscillating around Zero in Recent Months



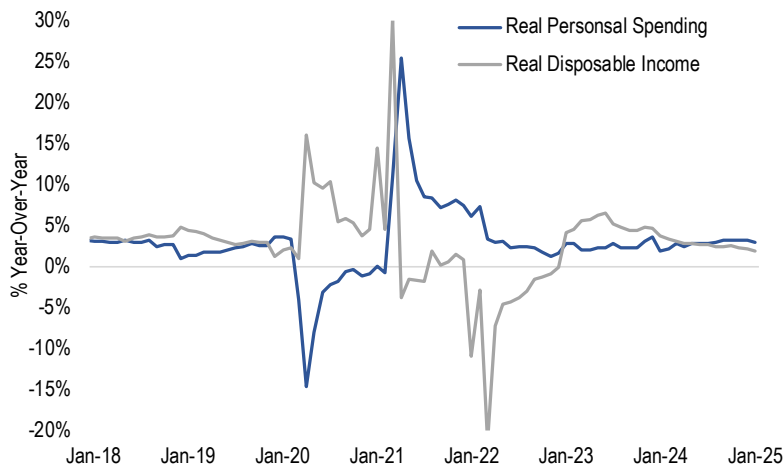
Real Labor Income Decelerated for Second Straight Month, Offset by Investment Income and COLAs



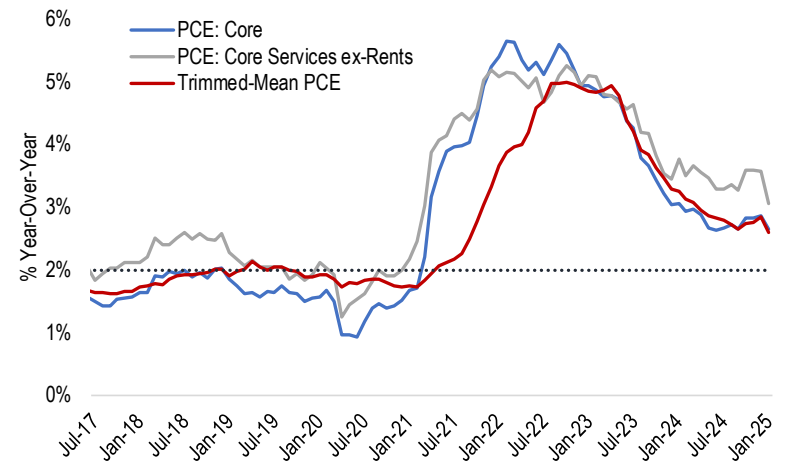
First Decline in Spending in 22 Months alongside Bump in Income Supported Surge in Savings Rate



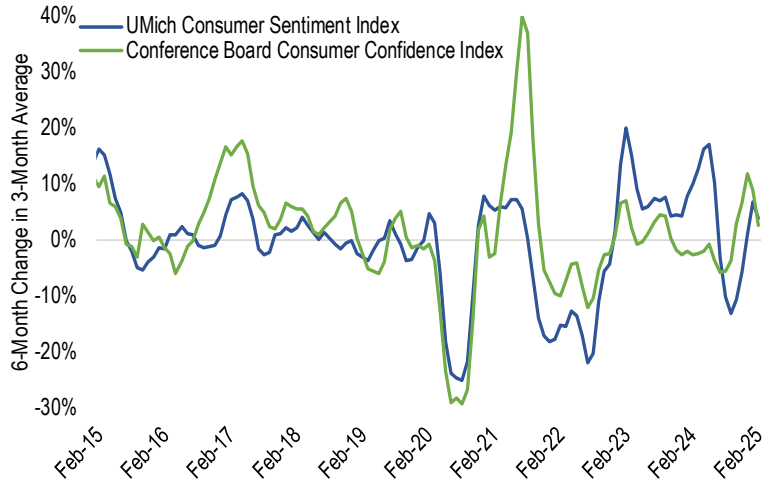
On an Annual Basis, Disposable Income Has Been Trailing Pace of Spending, Which Is Not Sustainable



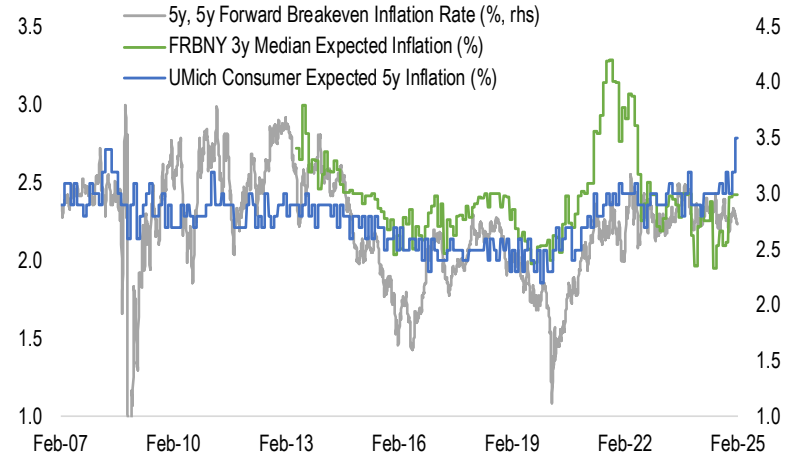
Encouraging PCE Inflation Will Not Sway Fed from Patient Stance Looking for Trend Confirmation



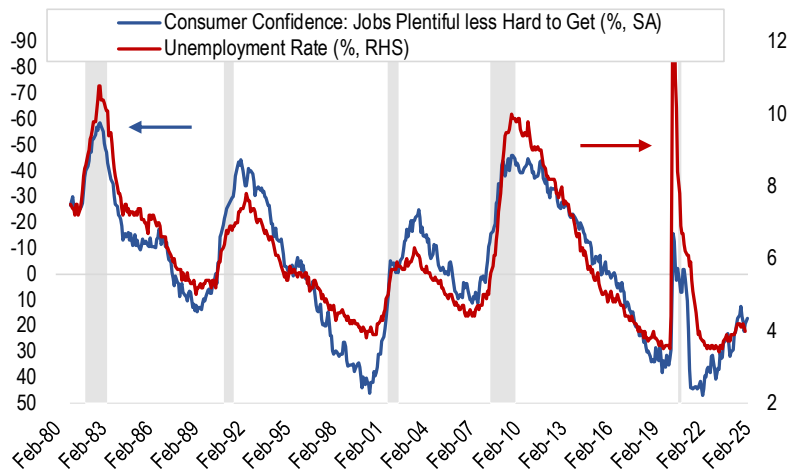
Consumer Confidence Trends Showing Clear Signs of Tuning Negative amid Rising Policy Risks



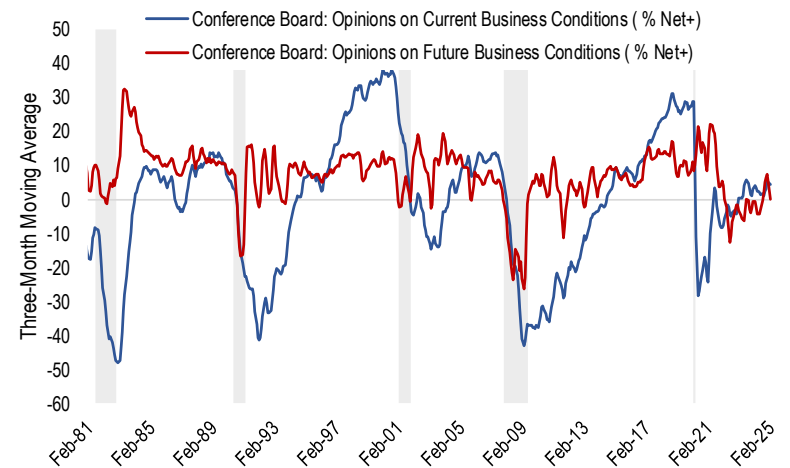
Medium-Term Inflation Expectations Have Picked Up amid Rebound in Energy/Food Costs and Tariff Risks



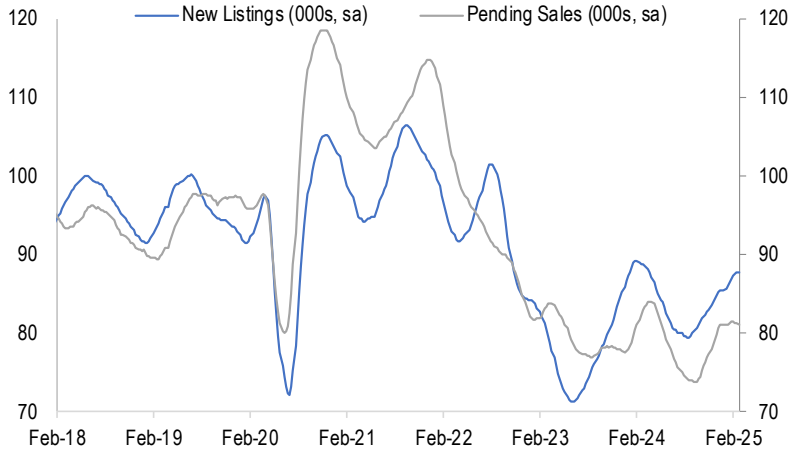
Conference Board Measure of Current Labor Market Health Suggests Modest Upside to Unemployment Rate



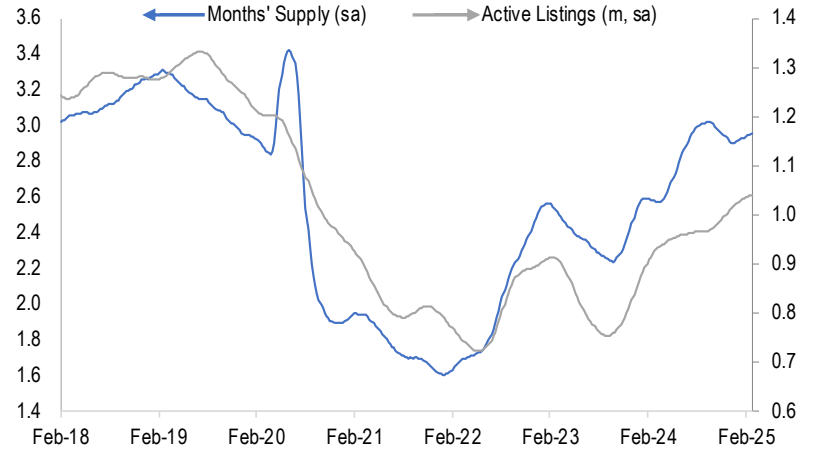
Households' Perceptions of Current Business Conditions Pullback as Future Conditions Deteriorate Further



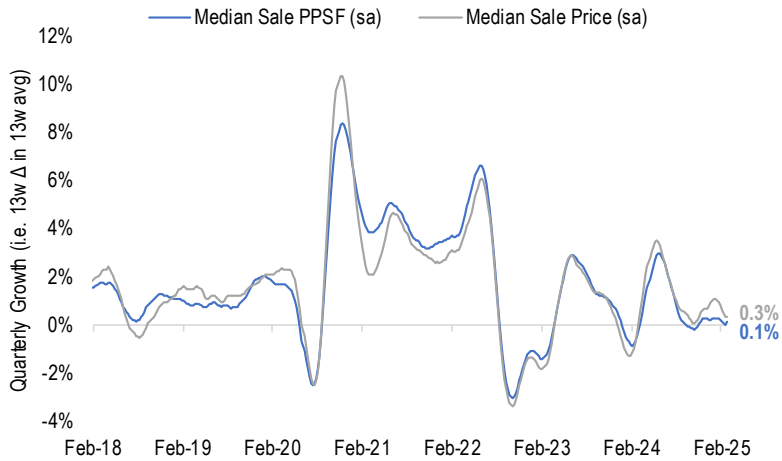
Pending Home Sales Have Levelled-Off as New Listings Continued to Inch Higher ...



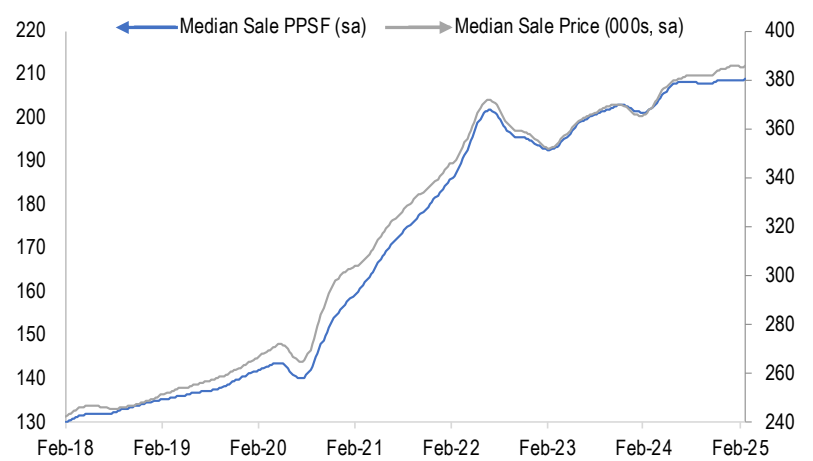
... Which Nudged Months' Supply a Bit Higher as Inventory Continued to Swell



Pace of Seasonally Adjusted Home-Price Growth Has Slowed to a Crawl



Majority of Recent Home Price Growth Occurred Back in Early 2024

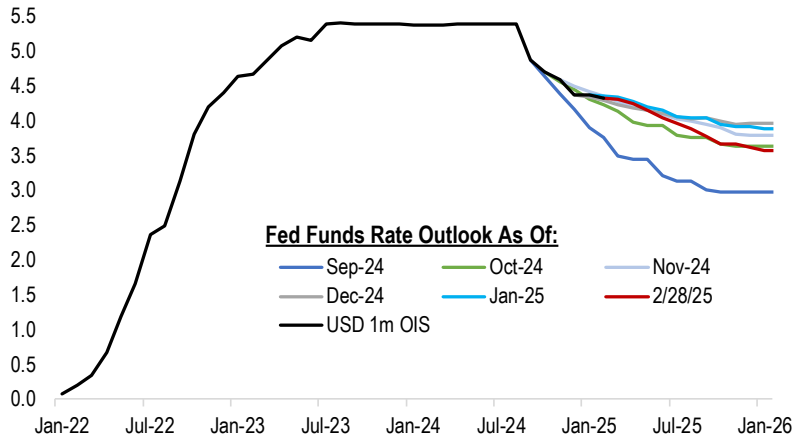


Most Housing Markets Have Become More Balanced in Recent Months, While Some Softened Further

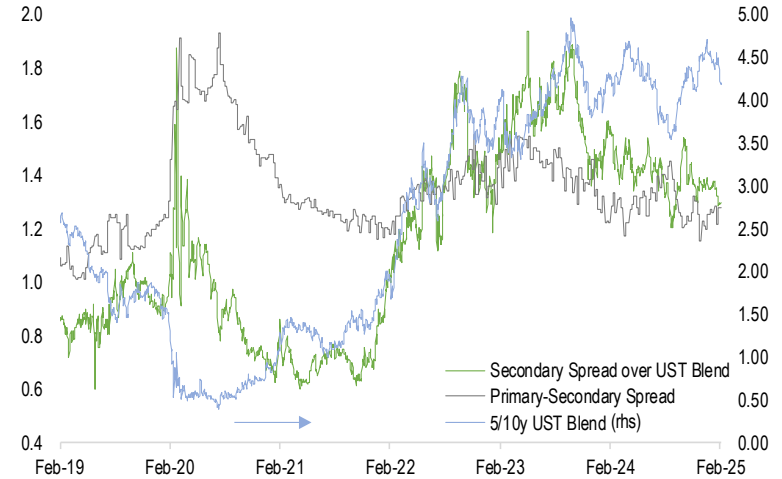
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.1%	-0.9%	6.2%	2.2%	6.0%	1.2%	98.1%	-0.2%	-10.1	-17.6	10%	-9%	-22%
Atlanta	-0.9%	-3.0%	2.6%	2.5%	6.6%	2.5%	97.8%	-0.4%	14.1	-3.9	14%	2%	-26%
Austin	-3.9%	-1.7%	3.6%	5.2%	6.6%	0.9%	97.2%	0.2%	41.4	37.9	3%	71%	46%
Baltimore	3.6%	-0.8%	5.3%	-0.2%	5.6%	1.1%	100.3%	-0.5%	-17.6	-22.6	3%	-34%	-38%
Boston	3.6%	-2.4%	5.7%	-2.2%	3.3%	0.7%	100.4%	0.1%	-5.6	-8.2	-1%	-15%	-13%
Chicago	6.9%	-0.2%	4.7%	-3.4%	3.0%	0.9%	99.0%	0.0%	4.1	2.6	-7%	-28%	-24%
Dallas	-1.3%	-0.3%	0.8%	-0.1%	7.7%	2.0%	97.4%	-0.2%	25.1	8.8	20%	29%	3%
Denver	-1.6%	-3.5%	1.7%	-0.4%	8.3%	2.1%	98.9%	-0.3%	28.2	14.2	34%	60%	7%
Houston	0.5%	-1.2%	3.5%	1.8%	7.5%	2.1%	96.7%	-0.5%	2.5	-2.5	13%	9%	-7%
Los Angeles	3.6%	1.3%	9.7%	7.6%	6.0%	3.3%	99.8%	-0.7%	3.6	-8.0	-6%	-21%	-7%
Miami	4.1%	-3.3%	6.6%	0.3%	5.0%	1.5%	95.5%	-0.4%	23.0	1.7	22%	32%	-13%
Minneapolis	2.0%	1.2%	2.6%	0.7%	4.9%	1.2%	99.0%	-0.3%	2.7	-3.3	-4%	-15%	-18%
Nashville	1.4%	-2.0%	4.1%	3.1%	4.9%	1.5%	97.9%	-0.4%	20.0	9.8	14%	19%	-2%
New York	6.4%	0.6%	6.2%	-6.1%	3.3%	-10.6%	99.3%	0.5%	-54.1	-48.2	-4%	-29%	-26%
Phoenix	2.9%	3.0%	3.2%	1.8%	8.2%	1.5%	98.0%	-0.1%	12.9	3.3	24%	27%	5%
Portland	2.1%	1.4%	1.6%	-0.3%	6.1%	1.4%	99.5%	0.3%	12.0	14.5	7%	24%	25%
Riverside	3.3%	-0.8%	4.3%	0.1%	8.0%	4.3%	98.8%	-0.2%	-8.0	-17.7	-1%	-20%	-22%
San Diego	0.7%	-1.6%	3.9%	1.4%	6.9%	3.6%	99.3%	-0.7%	-1.3	-15.0	8%	-19%	-30%
Seattle	2.7%	-2.9%	4.0%	1.3%	5.3%	2.0%	100.7%	-0.1%	-4.0	-8.0	27%	21%	-6%
Tampa	-2.7%	0.4%	4.3%	2.9%	9.5%	1.1%	96.5%	-0.6%	8.3	0.8	17%	29%	6%
Washington DC	6.5%	1.1%	5.8%	0.3%	4.5%	1.2%	100.0%	-0.1%	-6.6	-8.4	1%	-14%	-22%

Data as of Feb. 23, 2025, and reflects 4-week averages.

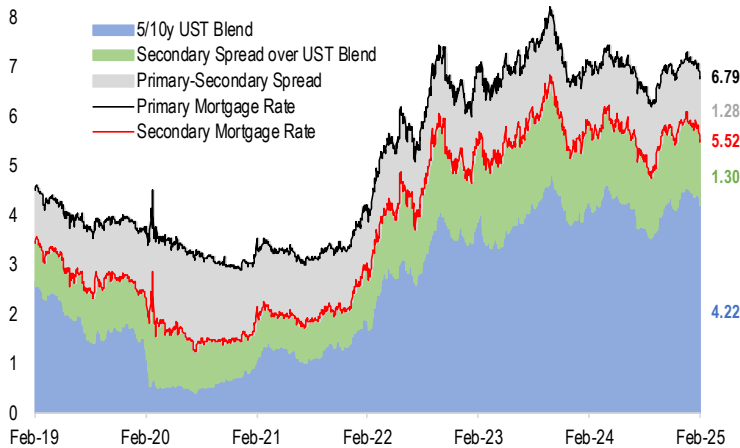
Markets Rapidly Adjusting Pricing from Barely One 25bps Fed Rate Cut to Three in a Matter of a Few Weeks



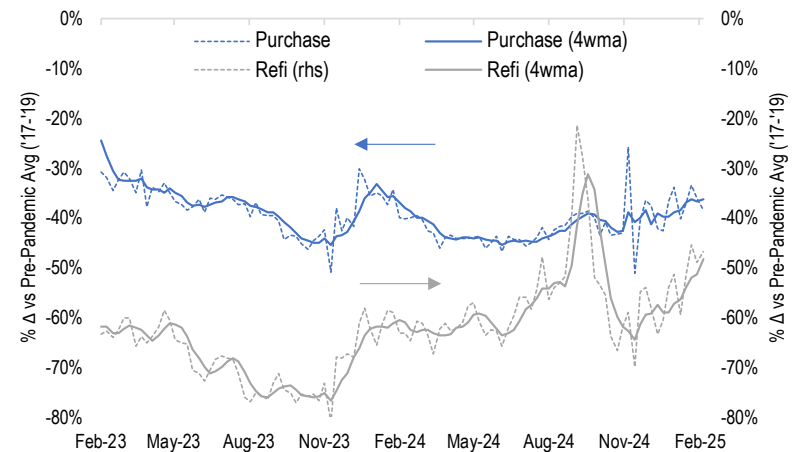
UST Yields Inched Down by -23bps Last Week alongside a -1bps Narrowing of Mortgage Spreads ...



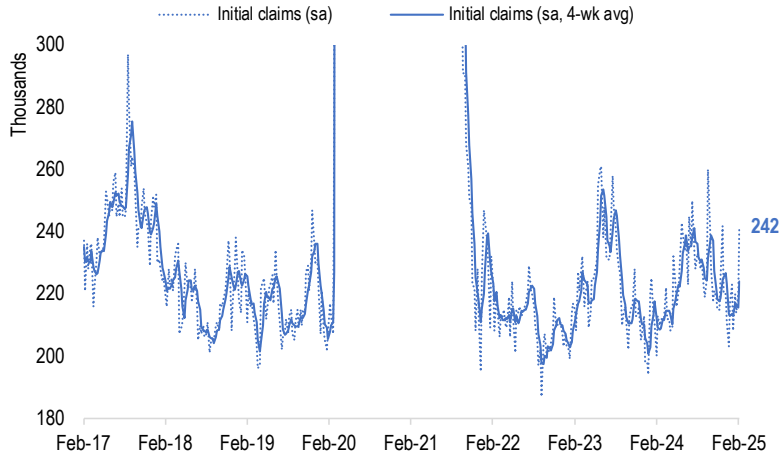
... Pulling Down Implied Mortgage Rates Further below 7% for a Third Consecutive Week



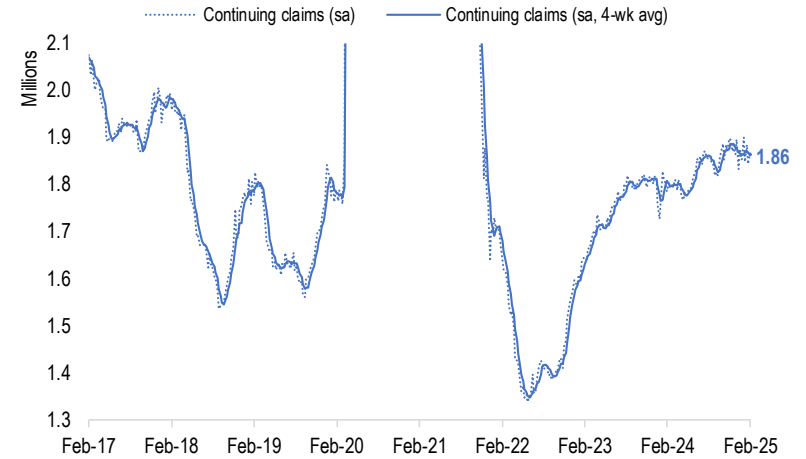
Mortgage Applications Gradually Trending Higher as Mortgage Rate Ascent Has Reversed



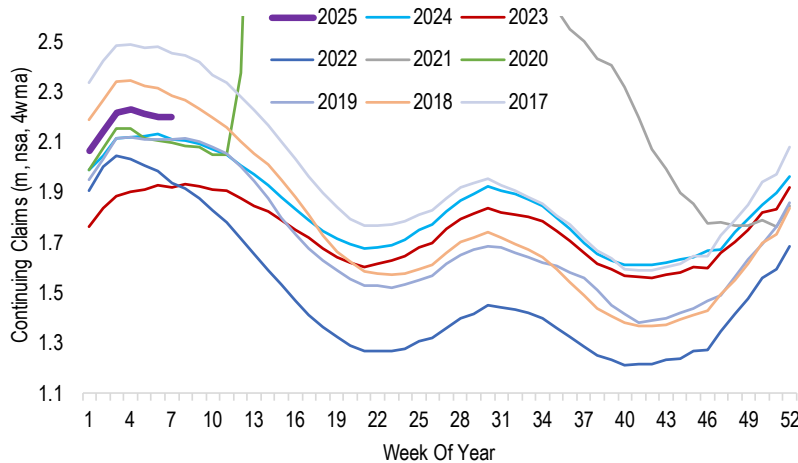
Initial Claims (SA) Saw the Largest Weekly Jump Since October, Led by Kentucky and Tennessee



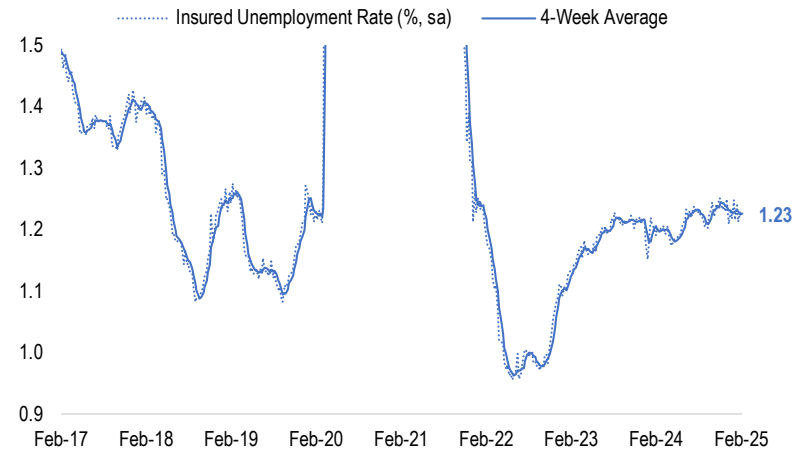
Continuing Claims Remained near Multi-Year Highs as Unemployed Workers Struggled to Find New Jobs



Unadjusted Continuing Claims Remained at Highest Level Since 2018



Normalizing for the Size of the Labor Force, Insured Unemployment Still Modestly above Pre-Pandemic



$$\text{Insured Unemployment} = \frac{\text{Continuing Claims}}{\text{Employed Population Eligible for Unemployment Insurance}}$$

Upcoming Data Releases

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
3/3/25	10:00 AM	Wards Total Vehicle Sales	Feb	--	15.9	--	15.6	m, saar
3/3/25	9:45 AM	S&P Global US Manufacturing PMI	Feb F	--	--	--	51.6	index, sa
3/3/25	10:00 AM	ISM Manufacturing	Feb	--	50.5	--	50.9	index, sa
3/3/25	10:00 AM	ISM Prices Paid	Feb	--	--	--	54.9	index, nsa
3/5/25	7:00 AM	MBA Mortgage Applications w/w	2/28/25	--	--	--	-1.2	%, sa
3/5/25	8:15 AM	ADP Employment m/m	Feb	--	133	--	183	k, sa
3/5/25	9:45 AM	S&P Global US Services PMI	Feb F	--	--	--	49.7	index, sa
3/5/25	9:45 AM	S&P Global US Composite PMI	Feb F	--	--	--	50.4	index, sa
3/5/25	10:00 AM	Durable Goods Orders m/m	Jan F	--	--	--	--	%, sa
3/5/25	10:00 AM	Cap Goods Orders Nondef Ex Air m/m	Jan F	--	--	--	--	%, sa
3/5/25	10:00 AM	ISM Services Index	Feb	--	53.0	--	52.8	index, nsa
3/5/25	10:00 AM	Cap Goods Ship Nondef Ex Air m/m	Jan F	--	--	--	--	%, sa
3/6/25	8:30 AM	Nonfarm Productivity q/q	4Q F	--	1.2	--	1.2	%, saar
3/6/25	8:30 AM	Unit Labor Costs q/q	4Q F	--	3.0	--	3.0	%, saar
3/6/25	8:30 AM	Initial Jobless Claims	3/1/25	--	--	--	--	k, sa
3/6/25	8:30 AM	Continuing Claims	2/22/25	--	--	--	--	k, sa
3/6/25	10:00 AM	Wholesale Inventories m/m	Jan F	--	--	--	--	%, sa
3/6/25	10:00 AM	Wholesale Trade Sales m/m	Jan	--	--	--	1.0	%, sa
3/7/25	8:30 AM	Nonfarm Payrolls m/m	Feb	--	155	--	143	k, sa
3/7/25	8:30 AM	Private Payrolls m/m	Feb	--	110	--	111	k, sa
3/7/25	8:30 AM	Average Hourly Earnings m/m	Feb	--	0.3	--	0.5	%, sa
3/7/25	8:30 AM	Average Hourly Earnings y/y	Feb	--	--	--	4.1	%, nsa
3/7/25	8:30 AM	Average Weekly Hours All Employees	Feb	--	34.2	--	34.1	sa
3/7/25	8:30 AM	Unemployment Rate	Feb	--	4.0	--	4.0	%, sa
3/7/25	8:30 AM	Labor Force Participation Rate	Feb	--	--	--	62.6	%, sa
3/7/25	3:00 PM	Consumer Credit m/m	Jan	--	--	--	40.8	\$B, 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
2/25/25	9:00 AM	FHFA House Price Index m/m	Dec	0.4	0.3	0.4	0.3	%, sa
2/25/25	9:00 AM	S&P CoreLogic CS 20-City m/m SA	Dec	0.5	0.4	0.4	0.4	%, sa
2/25/25	9:00 AM	S&P CoreLogic CS 20-City y/y NSA	Dec	4.5	4.4	4.4	4.3	%, nsa
2/25/25	10:00 AM	Conf. Board Consumer Confidence	Feb	98.3	102.5	105.3	104.1	index, sa
2/26/25	7:00 AM	MBA Mortgage Applications w/w	2/21/25	-1.2	--	--	-6.6	%, sa
2/26/25	8:20 AM	Building Permits	Jan F	1,473	--	--	1,483	k, saar
2/26/25	8:20 AM	Building Permits m/m	Jan F	-0.6	--	--	0.1	%, sa
2/26/25	10:00 AM	New Home Sales	Jan	657	680	734	698	k, saar
2/26/25	10:00 AM	New Home Sales m/m	Jan	-10.5	-2.6	8.1	3.6	%, sa
2/27/25	8:30 AM	GDP Annualized q/q	4Q S	2.3	2.3	--	2.3	%, saar
2/27/25	8:30 AM	Personal Consumption q/q	4Q S	4.2	4.1	--	4.2	%, saar
2/27/25	8:30 AM	Core PCE Deflator q/q	4Q S	2.7	2.5	--	2.5	%, saar
2/27/25	8:30 AM	Durable Goods Orders m/m	Jan P	3.1	2.0	--	-2.2	%, sa
2/27/25	8:30 AM	Cap Goods Orders Nondef Ex Air m/m	Jan P	0.8	0.3	--	0.4	%, sa
2/27/25	8:30 AM	Cap Goods Ship Nondef Ex Air m/m	Jan P	-0.3	0.3	--	0.5	%, sa
2/27/25	8:30 AM	Initial Jobless Claims	2/22/25	242	221	--	219	k, sa
2/27/25	8:30 AM	Continuing Claims	2/15/25	1,862	1,871	--	1,869	k, sa
2/27/25	10:00 AM	Pending Home Sales m/m	Jan	-4.6	-0.9	--	-5.5	%, sa
2/27/25	10:00 AM	Pending Home Sales y/y	Jan	-5.2	-1.1	--	-2.9	%, nsa
2/28/25	8:30 AM	Retail Inventories m/m	Jan	-0.1	0.2	--	-0.3	%, sa
2/28/25	8:30 AM	Personal Income m/m	Jan	0.9	0.4	--	0.4	%, sa
2/28/25	8:30 AM	Personal Spending m/m	Jan	-0.2	0.2	--	0.7	%, sa
2/28/25	8:30 AM	Real Personal Spending m/m	Jan	-0.5	-0.1	--	0.4	%, sa
2/28/25	8:30 AM	Wholesale Inventories m/m	Jan P	0.7	0.1	--	-0.5	%, sa
2/28/25	8:30 AM	PCE Inflation m/m	Jan	0.3	0.3	--	0.3	%, sa
2/28/25	8:30 AM	PCE Inflation y/y	Jan	2.5	2.5	--	2.6	%, nsa
2/28/25	8:30 AM	PCE Core Inflation (ex Food and Energy) m/m	Jan	0.3	0.3	--	0.2	%, sa
2/28/25	8:30 AM	PCE Core Inflation (ex Food and Energy) y/y	Jan	2.5	2.6	--	2.8	%, 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)