



# HaMMR Digest

Stay current with economic and mortgage market trends.

March 4, 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

### Toe the Line

- **Key Takeaway:** Softer data than consensus expectations pulled Treasury yields lower to end last week with focus turning to Feb. jobs report out Friday.
- **Macro Implications:** No material change to our outlook: moderation to a solid pace of growth in near-term with first Fed rate cut by June.
- **Housing Implications:** Early signs of revival for home sales have abated as resilient economy delays a sustained move lower for mortgage rates.

### Macro: Data Deluge Weaker Than Expected But Still Solid

- Atlanta Fed's 1Q24 GDPNow slowed to 2.1% from 3.2% last week.
- January consumer spending details were on the soft side.
- Real nonresidential construction spending declined again in January.

### Rates: Moved Lower as String of Hot Data Releases Ends

- Market odds for first rate cut in June climbed above 90%.
- 10-year UST yields fell 10bps w/w to 4.19%.
- Risks still skewed to downside for rates as the year progresses.

### Housing: Momentum Fledgling

- Mortgage rates continued to hover around 7%, weighing on demand.
- Purchase applications declined for the fifth straight week.
- Jan. pending home sales declined -4.9%, the most since Aug.

### New Home Sales: Builders Have Little Competition

- New home sales rose 1.5% in Jan. and 1.8% y/y.
- Over a year ago, sales rose most for "under construction," up 6.5%.
- More robust inventory than resale market, positive for future sales.

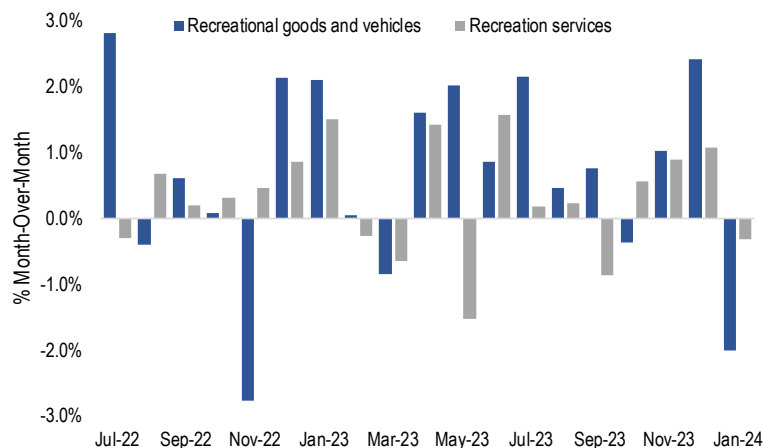
### Personal Income: Discretionary Spending Curbed in January

- Real disposable income was flat in Jan. and up 2.1% y/y.
- Real spending declined -0.1% m/m led by weakness in durables.
- Core PCE inflation firmed to 2.5% annualized over 6 months in Jan.

### Consumer Sentiment: Rebound Stalled Out in Early February

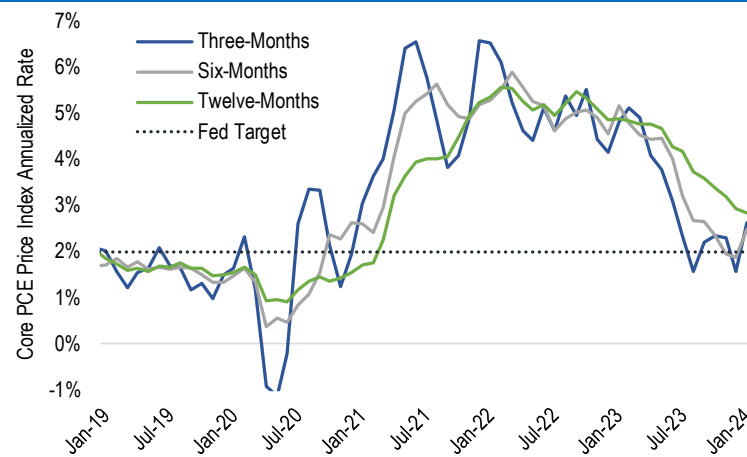
- Consumer Confidence Index eased slightly from multi-month high.
- Consumer Sentiment Index also pulled back from multi-year high.
- Details still point to improvement over prior three months.

### Real Discretionary Spending Took a Big Step Back in January with Recreational Spending Leading Lower



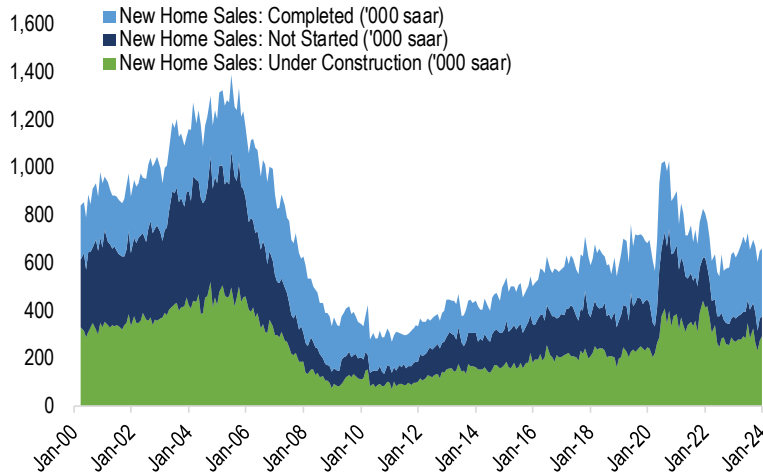
Sources: U.S. Bureau of Economic Analysis (BEA), Arch Global Economics

### Fed's Preferred Inflation Gauge Rebounded in Jan. But Underlying Disinflation Trend Still in Place

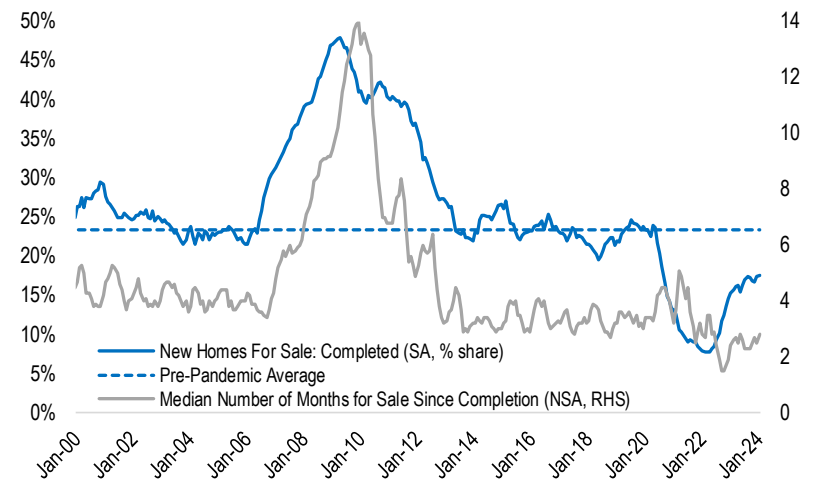


Core PCE = Personal Consumption Expenditure Price Index Excluding Food & Energy Prices

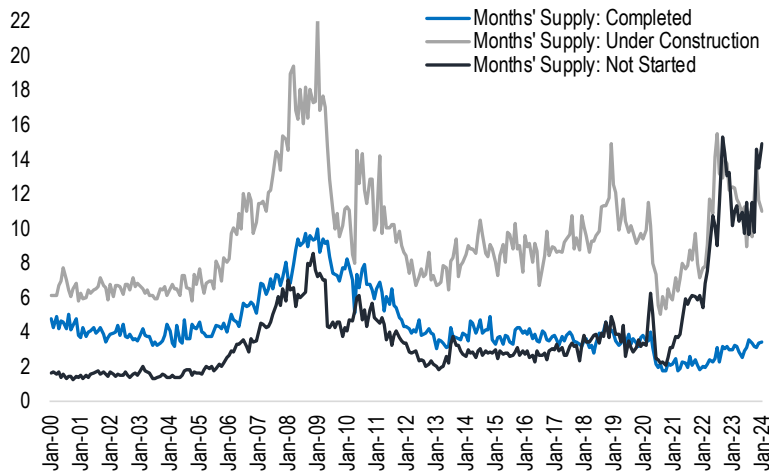
### New Home Sales Advanced for Third Straight Month Led by “Under Construction” Units



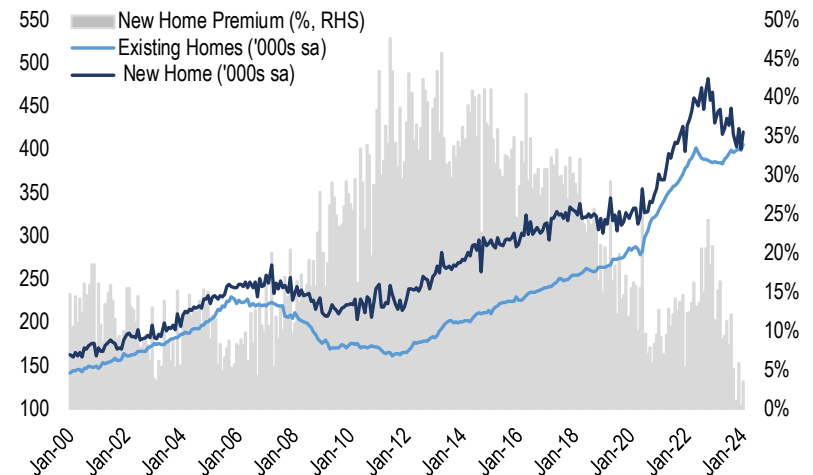
### Share of Completed Homes for Sale Still Normalizing But Demand Remained Firm



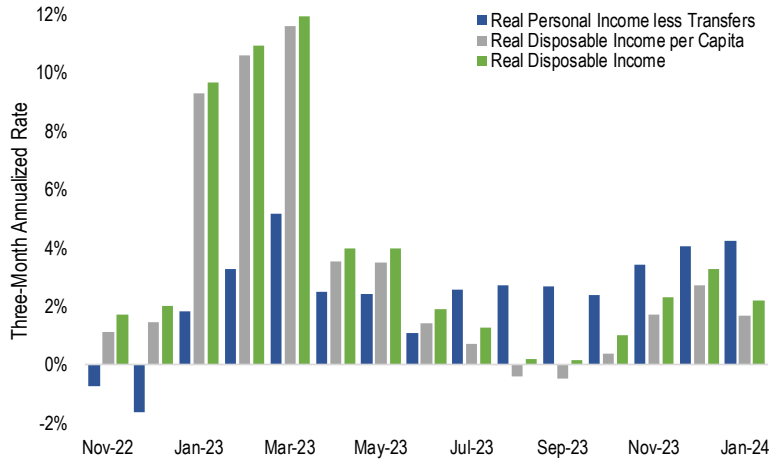
### Months' Supply Remained in Check Across All Segments Except the “Not Started” Category



### National New Home Premium Recovered in January as Fewer Builders Are Utilizing Price Cuts



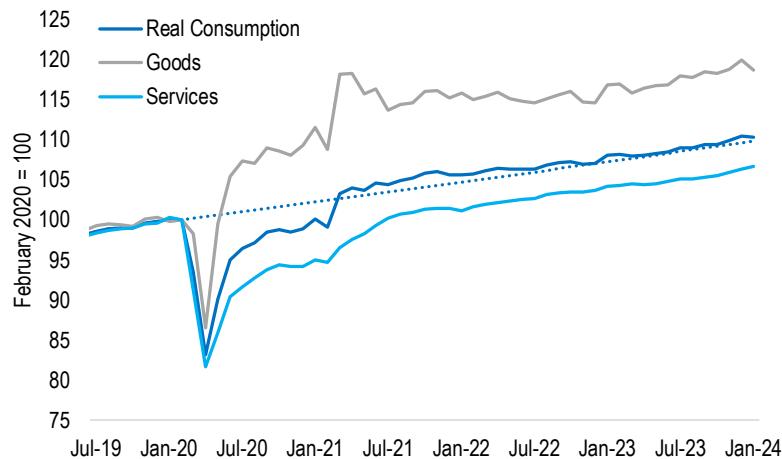
### Measures of Real Income Growth Slowed in Jan. Amid Rebound in Inflation



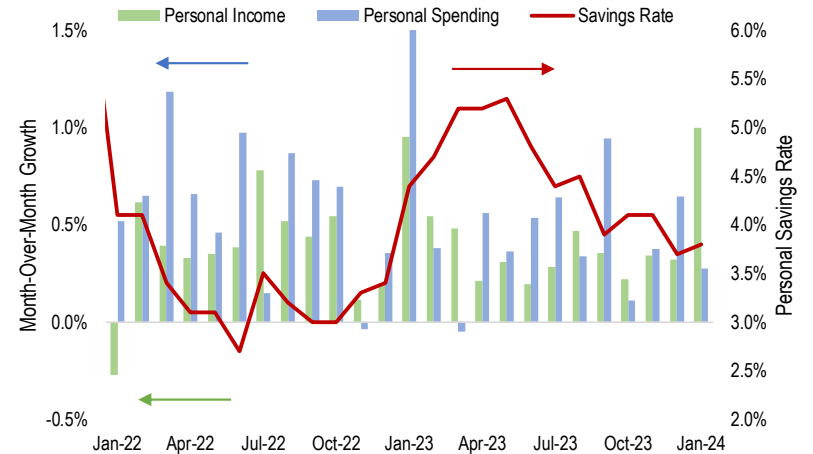
### Gap Between the Annual Pace of Spending and Income Growth Has Narrowed



### Household Spending on Goods Softened Materially In Jan. While Services Spending on Firmer Footing

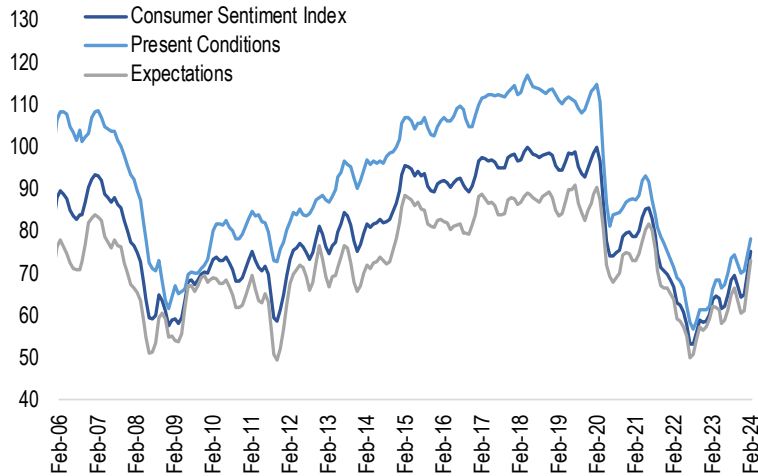


### Jan. Nominal Personal Income Strength Aided by Social Security COLA and Surge in Investment Income

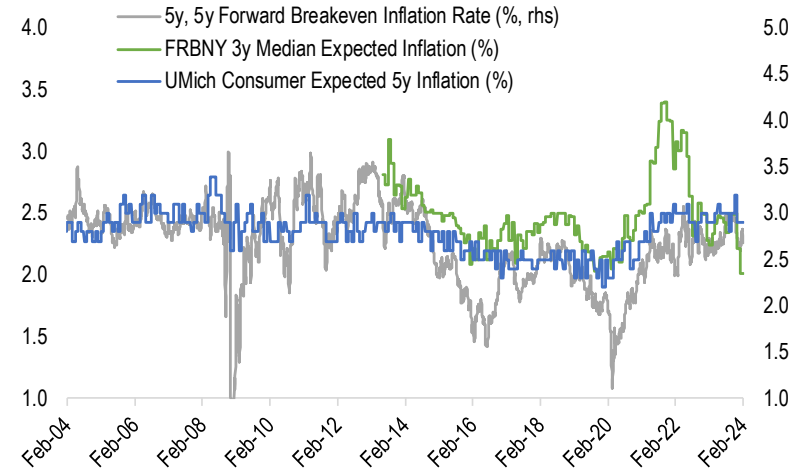




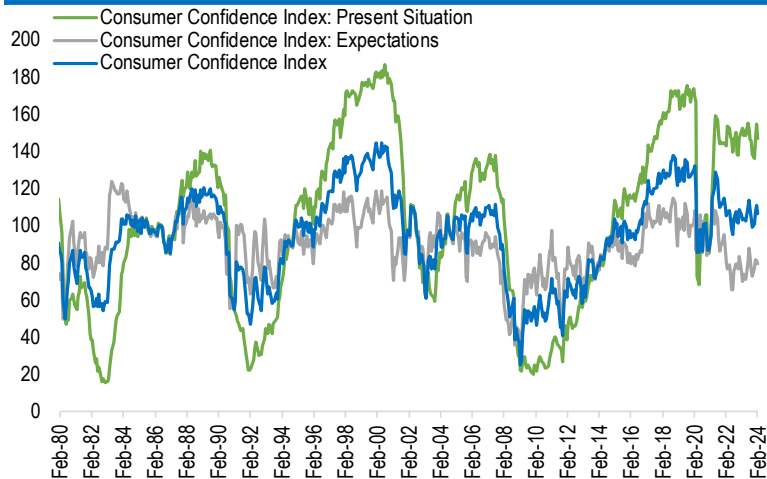
### University of Michigan Consumer Sentiment Continued to Improve from the Lows Hit in Late 2022



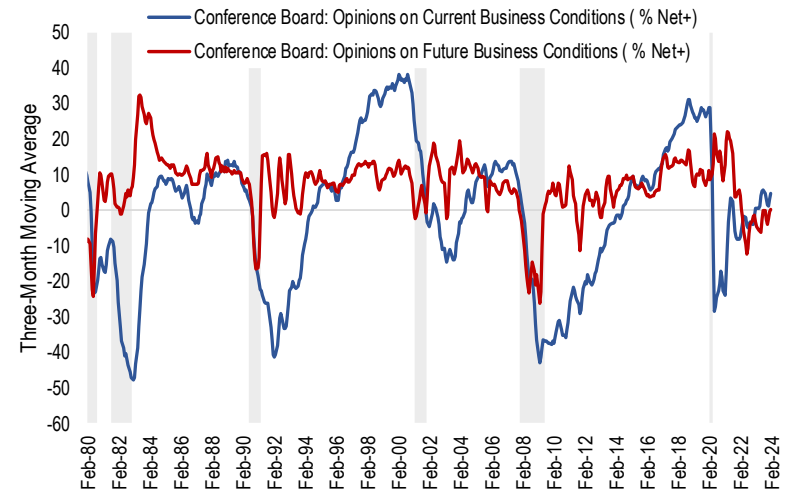
### FRBNY Inflation Expectations Improved in January While UMich Expectations Unchanged in February



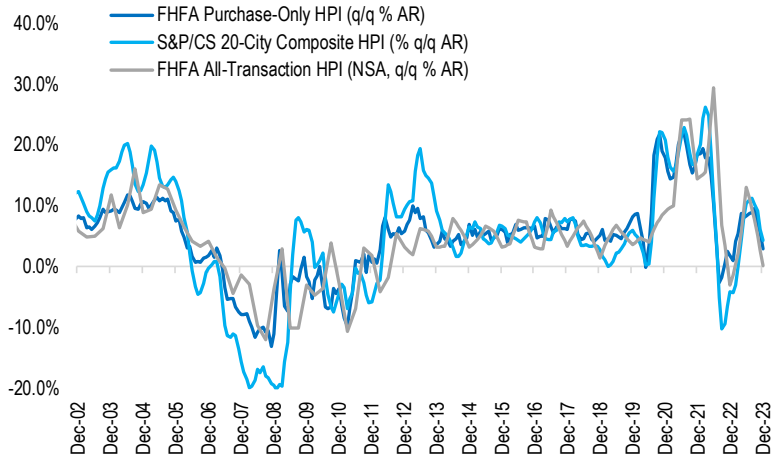
### Conference Board's Consumer Confidence Index Moving Sideways as Labor Prospects Soften Marginally



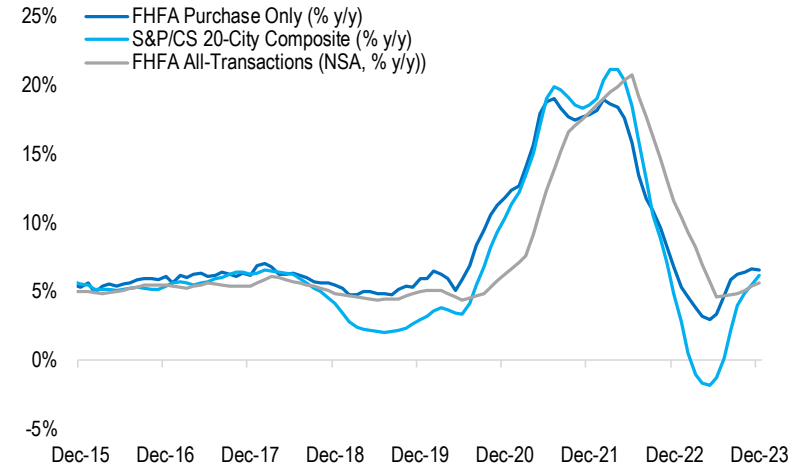
### However, Households See General Business Conditions Improving Currently and in the Months Ahead



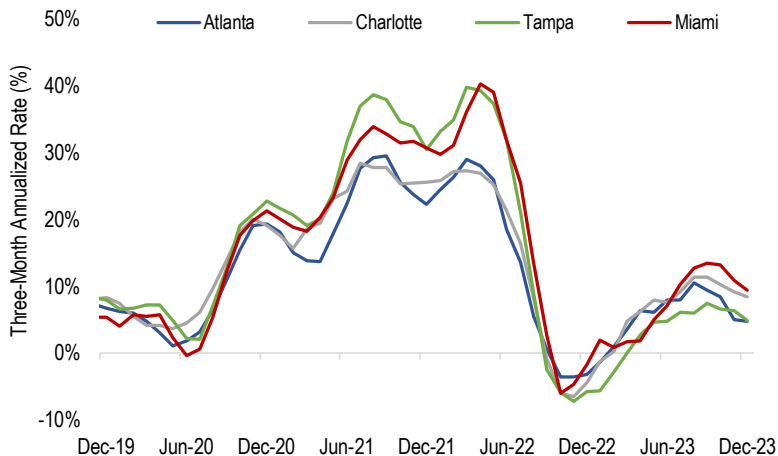
### Home Prices Cooled Further to End 2023 as Mortgage Rates Surged Higher



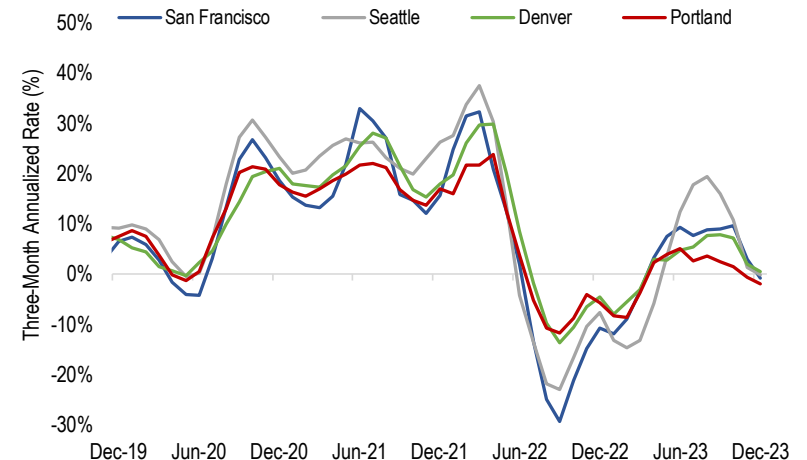
### Similarly, Annual Home Price Growth Levelled Off After Initial Rebound Supported by Base Effects



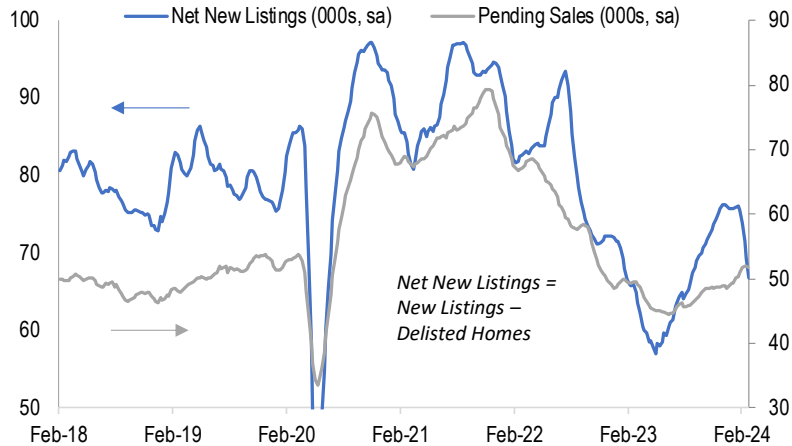
### No Major Metro Immune to the 4Q Slowdown But Price Growth Still Generally Robust in Southeast ...



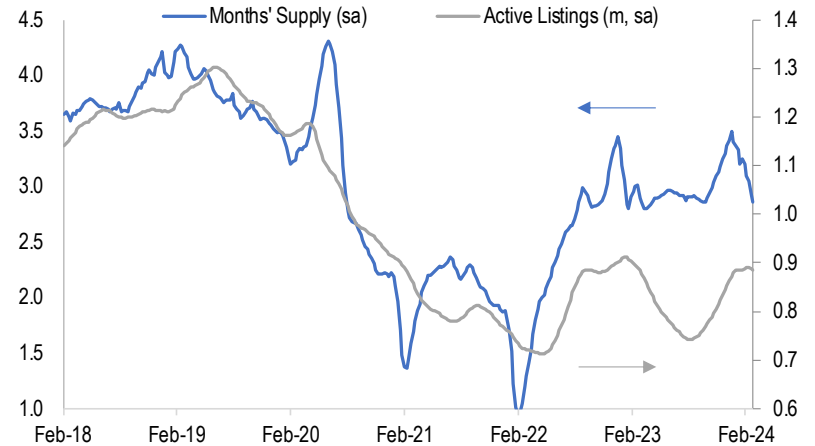
### ... while Metros in the West Posted the Weakest Growth with Outright Declines in Portland and San Francisco



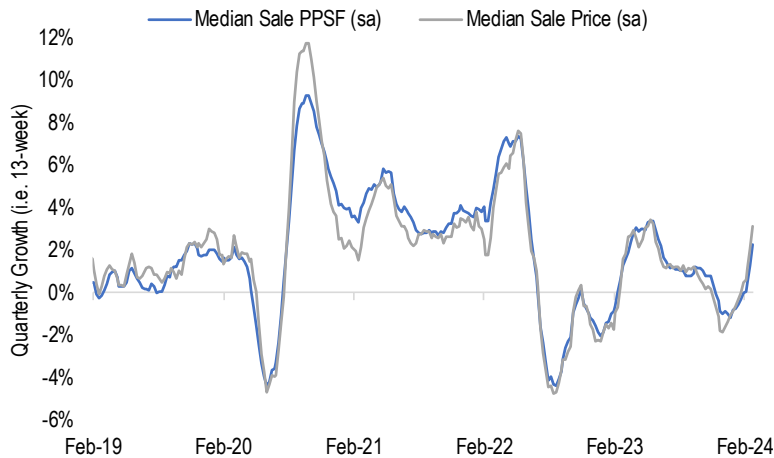
## Real-Time Data on Pending Sales Show Rebound Tapering Off But New Supply Slowing Rapidly ...



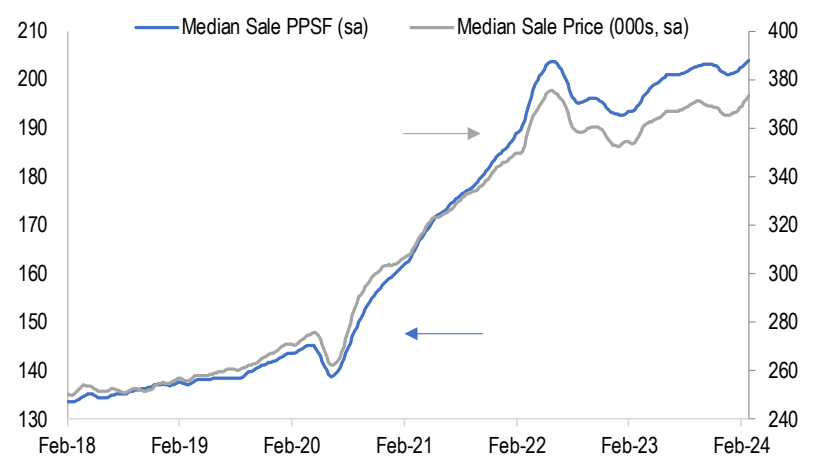
## ... causing a Continued Decline in Months' Supply after a Sharp Rise Through Dec.



## Pace of Seasonally Adjusted Home-Price Growth Continued to Rebound Amidst Tight Conditions ...



## ... lifting National Median Sales Prices Back Above Mid-2022 Peak



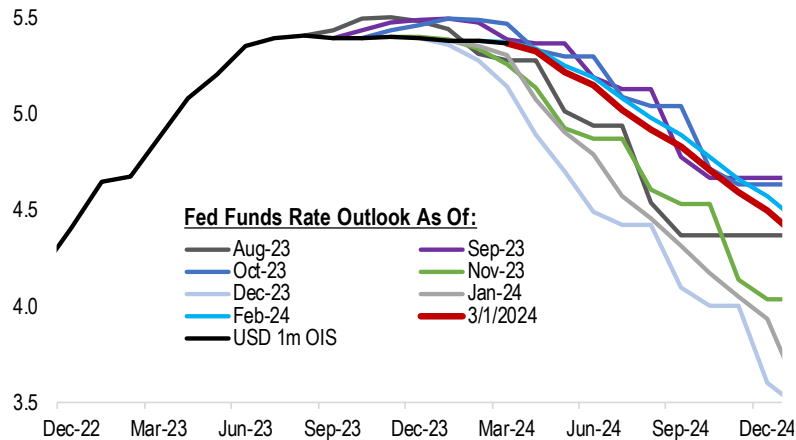
## Although National Home Prices Are Up a Solid 5.3% Over a Year Ago, Price Gains Vary Greatly Across the Country

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%	0.8%	5.8%	1.6%	24%	1.7%	98.4%	0.4%	0%	-16.6	-13.8	-24%	-28%
Atlanta	6.6%	2.8%	5.6%	1.0%	21%	0.5%	98.3%	0.4%	-24%	-4.6	-2.5	-32%	-21%
Austin	0.2%	-11.8%	6.4%	0.2%	11%	-1.1%	97.1%	0.3%	-2%	36.9	37.9	52%	46%
Baltimore	7.4%	2.6%	5.2%	0.5%	36%	2.7%	100.5%	0.1%	-6%	-22.2	-19.3	-38%	-44%
Boston	9.3%	1.1%	2.9%	-0.2%	45%	7.7%	100.3%	0.9%	-10%	-8.1	-1.1	-15%	-20%
Chicago	9.4%	0.3%	2.8%	0.5%	33%	6.8%	99.0%	1.3%	-24%	2.1	12.5	-31%	-11%
Dallas	2.1%	-0.9%	6.8%	1.6%	17%	-0.6%	97.7%	0.0%	6%	9.3	12.6	-3%	-16%
Denver	5.2%	-7.7%	7.1%	0.7%	27%	2.4%	99.2%	0.4%	3%	14.8	17.0	2%	-3%
Houston	2.7%	1.9%	7.1%	1.5%	12%	-0.8%	97.1%	0.1%	4%	-2.0	-1.2	-10%	-19%
Los Angeles	7.8%	-3.8%	3.4%	0.5%	44%	10.7%	100.5%	1.8%	-12%	-7.9	5.3	-15%	-3%
Miami	9.5%	6.0%	4.4%	1.4%	12%	1.4%	96.0%	0.1%	7%	0.8	4.0	-9%	-30%
Minneapolis	3.1%	0.1%	4.6%	1.1%	30%	2.0%	99.3%	0.3%	-1%	-3.3	-2.8	-24%	-19%
Nashville	4.3%	3.6%	4.6%	0.6%	13%	-1.0%	98.1%	0.3%	-7%	9.5	12.8	-4%	-5%
New York	9.4%	-3.3%	14.5%	11.3%	25%	5.2%	98.8%	0.6%	-13%	-48.8	-38.0	-22%	-20%
Phoenix	5.2%	-4.8%	7.3%	0.1%	15%	2.1%	98.1%	0.7%	-6%	3.3	21.3	0%	0%
Portland	2.0%	-1.9%	5.5%	1.6%	27%	0.7%	99.2%	0.0%	0%	13.9	12.4	12%	-4%
Riverside	5.2%	-0.9%	4.6%	0.4%	35%	7.3%	99.0%	0.9%	-12%	-17.5	0.7	-27%	-18%
San Diego	15.0%	-5.9%	4.4%	0.3%	45%	11.2%	100.1%	1.1%	-3%	-15.0	2.1	-37%	-33%
Seattle	8.5%	-10.6%	3.8%	-0.8%	34%	9.9%	100.9%	1.9%	-17%	-7.6	10.5	-10%	3%
Tampa	2.3%	3.4%	9.7%	1.4%	11%	-1.4%	97.0%	-0.2%	20%	2.6	-2.7	3%	-20%
Washington DC	4.6%	-1.1%	3.8%	0.6%	38%	7.5%	100.1%	0.6%	-12%	-8.5	4.8	-22%	-18%

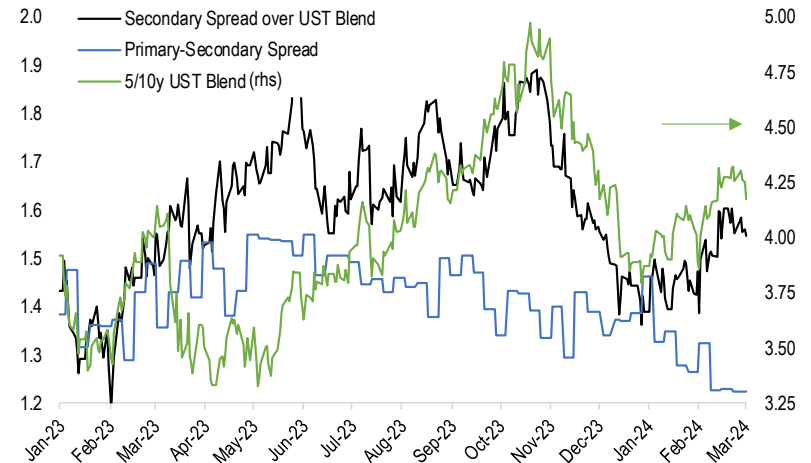
Data as of Feb. 25, 2024, and reflects 4-week averages.



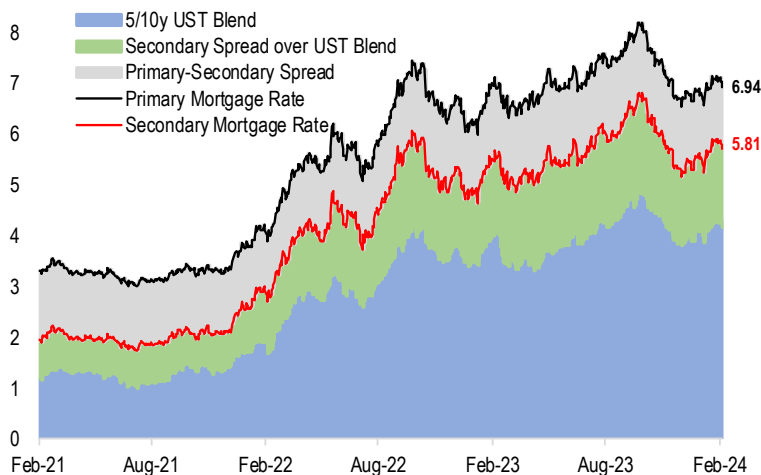
### Market Odds of a May Rate Cut Back Up to ~30% as June Odds Rapidly Approaching 100%



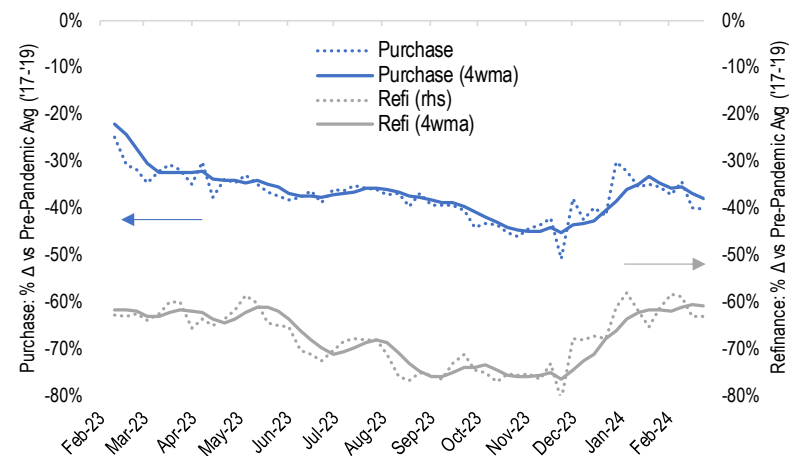
### U.S. Treasury Yields Down ~10bps Last Week as Mortgage Spreads Relatively Unchanged



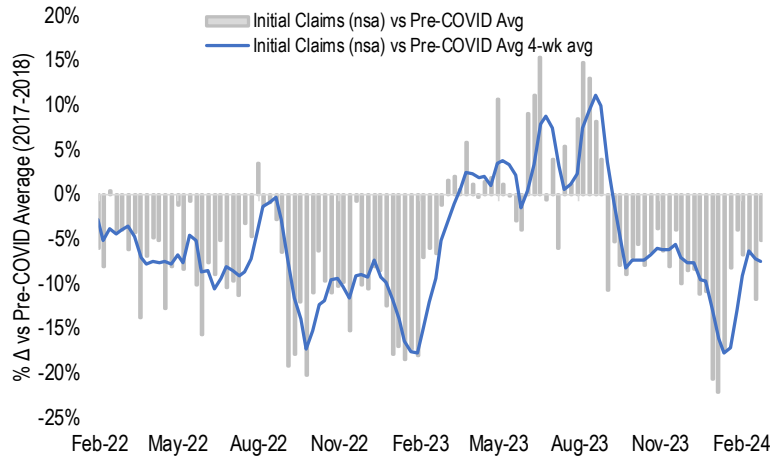
### Moving Implied Mortgage Rates Lower But Still Hovering Around 7%



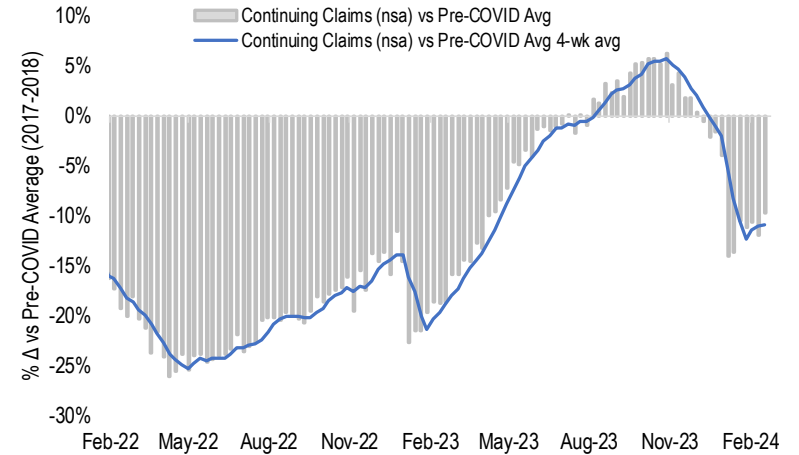
### The Modest Uptrend in Rates Has Cooled the Rebound for Mortgage Purchase and Refinancing Applications



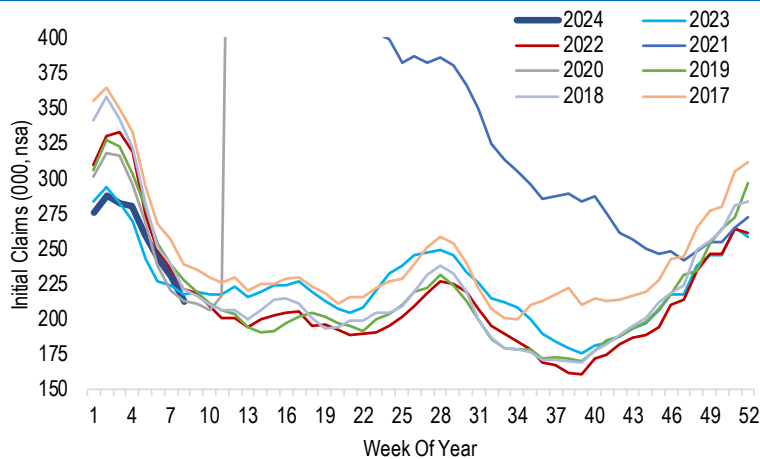
### Initial Claims Have Been Noisy to Start 2024 But Remained Below Pre-Pandemic Norm ...



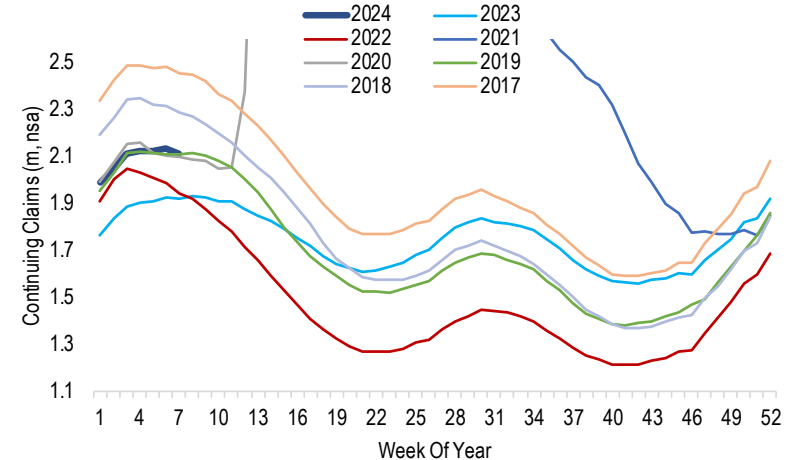
### ... while Continuing Claims Have Been a Bit Steadier, Suggesting Workers Not Languishing on Sidelines



### Non-Seasonally Adjusted Initial Claims Dropped Below 2023 to Lowest Level Since 1960s ...



### ... 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
3/5/24	S&P Global US Services PMI	Feb F	--	51.4	--	51.3	index, sa
3/5/24	S&P Global US Composite PMI	Feb F	--	51.4	--	51.4	index, sa
3/5/24	Durable Goods Orders	Jan F	--	-6.1%	--	-6.1%	m/m, sa
3/5/24	Cap Goods Orders Nondef Ex Air	Jan F	--	--	--	0.1%	m/m, sa
3/5/24	ISM Services Index	Feb	--	53.0	--	53.4	index, nsa
3/6/24	MBA Mortgage Applications	3/1/24	--	--	--	-5.6%	w/w, sa
3/6/24	ADP Employment	Feb	--	150	--	107	k, m/m, sa
3/6/24	JOLTS Job Openings	Jan	--	8.9	--	9.0	m, sa
3/6/24	Wholesale Inventories	Jan F	--	-0.1%	--	-0.1%	m/m, sa
3/6/24	Wholesale Trade Sales	Jan	--	--	--	0.7%	m/m, sa
3/7/24	Nonfarm Productivity	4Q F	--	3.1%	--	3.2%	q/q, saar
3/7/24	Unit Labor Costs	4Q F	--	0.7%	--	0.5%	q/q, saar
3/7/24	Initial Jobless Claims	3/2/24	--	218	--	215	k, sa
3/7/24	Continuing Claims	2/24/24	--	1,870	--	1,905	k, sa
3/7/24	Consumer Credit	Jan	--	10.0	--	1.6	\$B, m/m, sa
3/8/24	Nonfarm Payrolls	Feb	--	200	--	353	k, m/m, sa
3/8/24	Private Payrolls	Feb	--	160	--	317	k, m/m, sa
3/8/24	Unemployment Rate	Feb	--	3.7%	--	3.7%	sa
3/8/24	Average Hourly Earnings m/m	Feb	--	0.2%	--	0.6%	sa
3/8/24	Average Hourly Earnings y/y	Feb	--	4.3%	--	4.5%	nsa
3/8/24	Average Weekly Hours All Employees	Feb	--	34.3	--	34.1	sa
3/8/24	Labor Force Participation Rate	Feb	--	62.6%	--	62.5%	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
2/26/24	New Home Sales	Jan	<b>661</b>	684	651	664	k, saar
2/26/24	New Home Sales m/m	Jan	<b>1.5%</b>	3.0%	7.2%	8.0%	sa
2/27/24	Durable Goods Orders	Jan P	<b>-6.1%</b>	-5.0%	-0.3%	0.0%	m/m, sa
2/27/24	Cap Goods Orders Nondef Ex Air	Jan P	<b>0.1%</b>	0.1%	-0.6%	0.2%	m/m, sa
2/27/24	FHFA House Price Index	Dec	<b>0.1%</b>	0.3%	0.4%	0.3%	m/m, sa
2/27/24	S&P CoreLogic CS 20-City m/m SA	Dec	<b>0.2%</b>	0.2%	0.2%	0.2%	sa
2/27/24	S&P CoreLogic CS 20-City y/y NSA	Dec	<b>6.1%</b>	6.1%	5.4%	5.4%	nsa
2/27/24	Conf. Board Consumer Confidence	Feb	<b>106.7</b>	115.0	110.9	114.8	index, sa
2/28/24	MBA Mortgage Applications	2/23/24	<b>-5.6%</b>	--	--	-10.6%	w/w, sa
2/28/24	GDP Annualized q/q	4Q S	<b>3.2%</b>	3.3%	--	3.3%	saar
2/28/24	Personal Consumption q/q	4Q S	<b>3.0%</b>	2.7%	--	2.8%	saar
2/28/24	Core PCE Deflator q/q	4Q S	<b>2.1%</b>	2.0%	--	2.0%	saar
2/28/24	Retail Inventories m/m	Jan	<b>0.5%</b>	0.4%	0.6%	0.8%	sa
2/28/24	Wholesale Inventories	Jan P	<b>-0.1%</b>	0.2%	--	0.4%	m/m, sa
2/29/24	Personal Income	Jan	<b>1.0%</b>	0.4%	--	0.3%	m/m, sa
2/29/24	Personal Spending	Jan	<b>0.2%</b>	0.2%	--	0.7%	m/m, sa
2/29/24	Real Personal Spending	Jan	<b>-0.1%</b>	-0.1%	0.6%	0.5%	m/m, sa
2/29/24	PCE Inflation m/m	Jan	<b>0.3%</b>	0.3%	0.1%	0.2%	sa
2/29/24	PCE Inflation y/y	Jan	<b>2.4%</b>	2.4%	--	2.6%	nsa
2/29/24	PCE Core Inflation (ex Food and Energy) m/m	Jan	<b>0.4%</b>	0.4%	0.1%	0.2%	sa
2/29/24	PCE Core Inflation (ex Food and Energy) y/y	Jan	<b>2.8%</b>	2.8%	--	2.9%	nsa
2/29/24	Initial Jobless Claims	2/24/24	<b>215</b>	210	202	201	k, sa
2/29/24	Continuing Claims	2/17/24	<b>1,905</b>	1,875	1,860	1,862	k, sa
2/29/24	Pending Home Sales m/m	Jan	<b>-4.9%</b>	1.5%	5.7%	8.3%	sa
2/29/24	Pending Home Sales y/y	Jan	<b>-6.8%</b>	-4.4%	--	-1.0%	nsa
3/1/24	S&P Global US Manufacturing PMI	Feb F	<b>52.2</b>	51.5	--	51.5	index, sa
3/1/24	U. of Mich. Sentiment	Feb F	<b>76.9</b>	79.6	--	79.6	index, nsa
3/1/24	U. of Mich. 1 Yr Inflation	Feb F	<b>3.0%</b>	3.0%	--	3.0%	nsa
3/1/24	U. of Mich. 5-10 Yr Inflation	Feb F	<b>2.9%</b>	2.9%	--	2.9%	nsa
3/1/24	ISM Prices Paid	Feb	<b>52.5</b>	53.0	--	52.9	index, nsa
3/1/24	ISM Manufacturing	Feb	<b>47.8</b>	49.5	--	49.1	index, sa
3/1/24	Wards Total Vehicle Sales	Feb	<b>15.8</b>	15.4	--	15.0	m, 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)