



HaMMR Digest

Stay current with economic and mortgage market trends.

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Confidence Games

- **Key Takeaway:** Feb. inflation reports were only modestly better than Jan.'s prints and, thus, the disinflationary process has slowed at the start of '24.
- **Macro Implications:** Fed will reiterate bumpy path to target for inflation and that they are in no rush to cut unless growth slows materially.
- **Housing Implications:** Mortgage rates likely to remain in a holding pattern around the high-6%/low-7% range until Fed's rate path becomes clearer.

Macro: Better Than January But Still a Tad Warm

- Consumer spending has downshifted over prior few months.
- Industrial production recovered in Feb. but trend remains soft.
- Inflation prints better than Jan. but disinflation process has slowed.

Rates: Path of Least Resistance Was Higher

- 10-year UST rose 24bps w/w to 4.30% amid strong inflation prints.
- Markets did not push out expected rate cuts beyond June.
- Multiple cuts in '24 likely remains Fed consensus after policy meeting.

Housing: Holding Pattern for Mortgage Rates

- Mortgage rates remain near 7% as market yields pivot higher.
- Purchase applications struggle to rebound with rates stuck near 7%.
- Inventory upswing has abated as sellers pull back on listings.

Inflation: More Progress Needed

- Headline and core consumer prices were up 0.4% in Feb.
- Wholesale inflation firmed on the back of rising energy costs.
- Feb. softer than Jan. but not enough to resume disinflation trend.

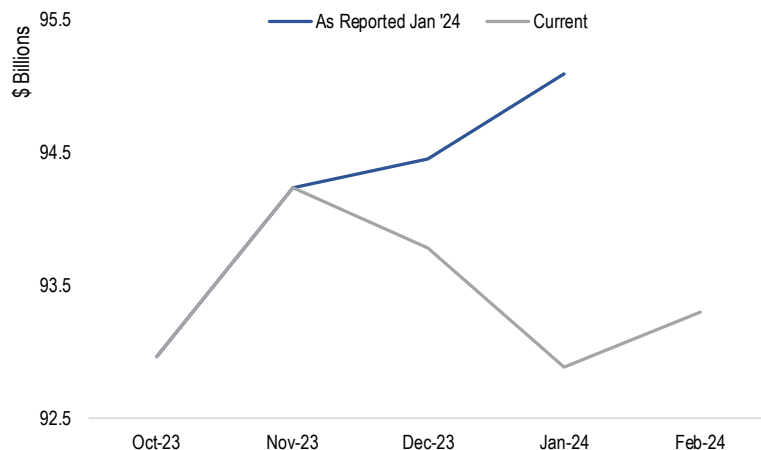
Retail Sales: Reacceleration Worries Can Be Put to Bed

- Retail sales rebounded 0.6% in Feb. with annual growth at 1.5%.
- Real spending has averaged -0.4% m/m over prior three months.
- Spending softness is not just in goods as restaurant sales weakened.

Small Business Sentiment: False Dawn

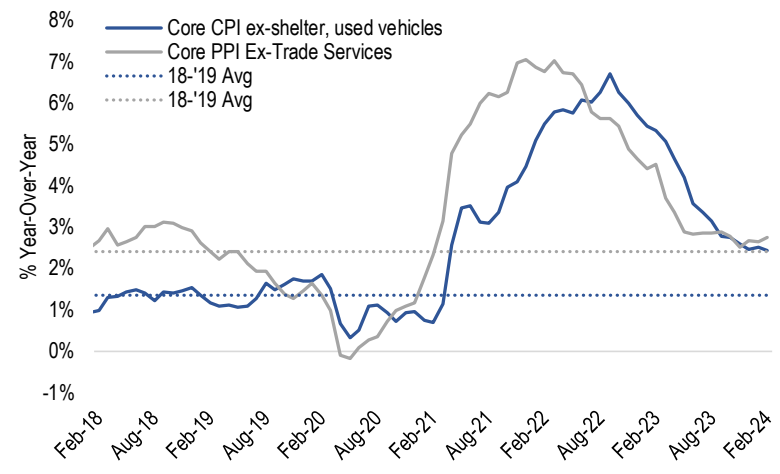
- NFIB Optimism Index declined for the second straight month.
- Details point to firms hesitant to expand capacity.
- Fewer firms planning to raise worker pay or prices.

Downward Revisions to Restaurant Sales Confirm Spending Weakness Is Not a "Goods Only" Story

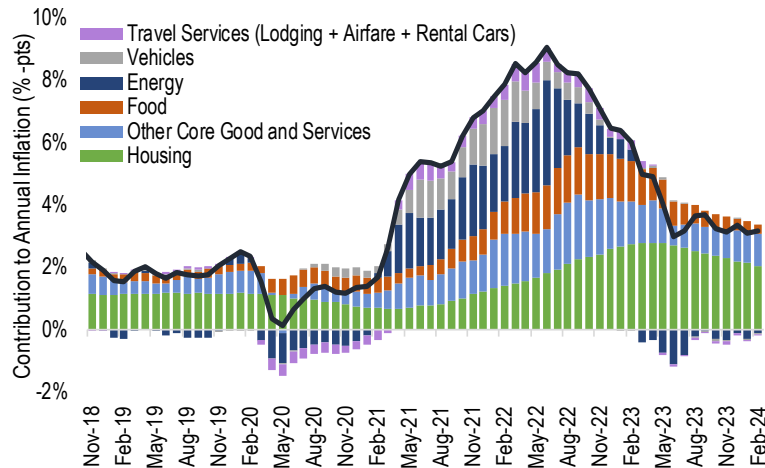


Sources: U.S. Bureau of Labor Statistics (BLS), U.S. Census Bureau, National Federation of Independent Business (NFIB), Arch Global Economics

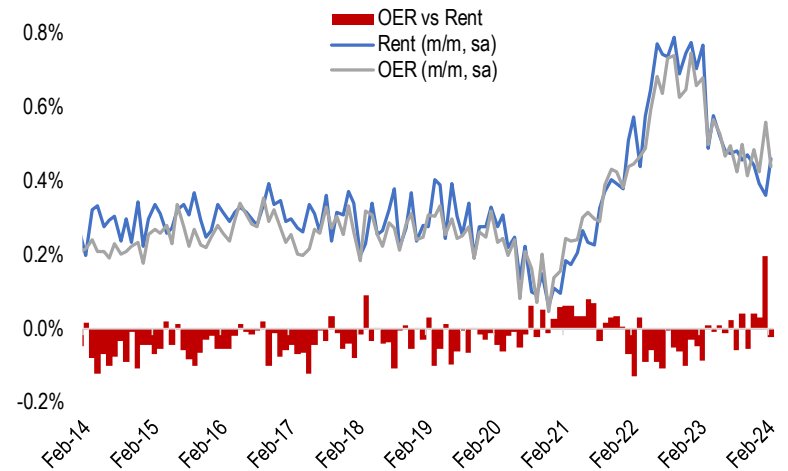
Still a Bit Away from Being Comfortable with Inflation's Trajectory



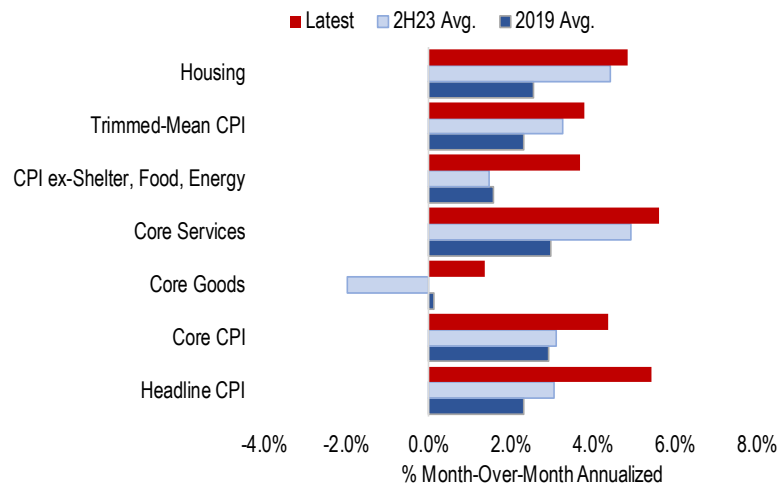
Annual Inflation Has Been Steady in Recent Months as Core Has Been Slow to Normalize



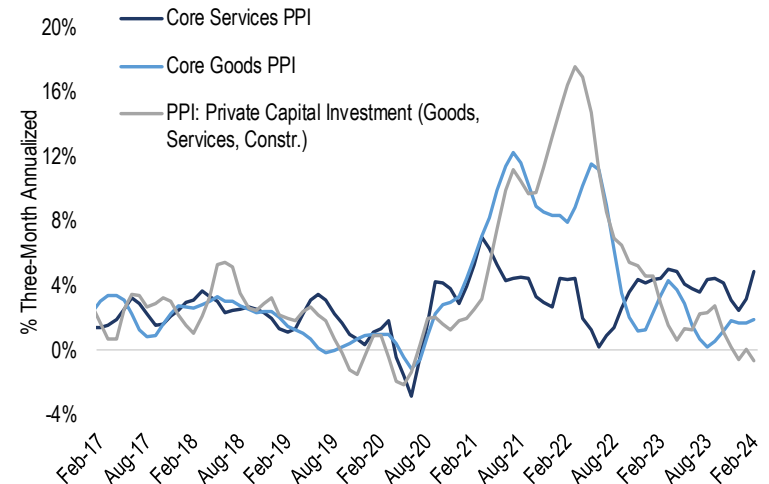
The Unusual Wedge Between Measures of Housing Inflation Closed in February



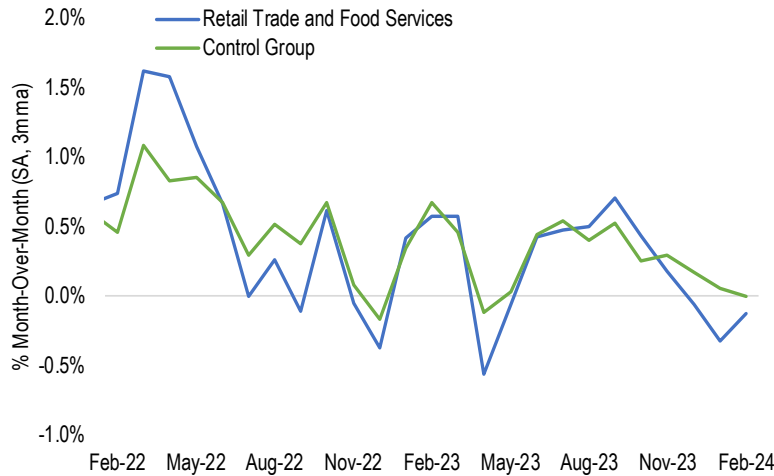
Annualized Monthly Inflation Cooled from January But Remained Firmer Than 2H23



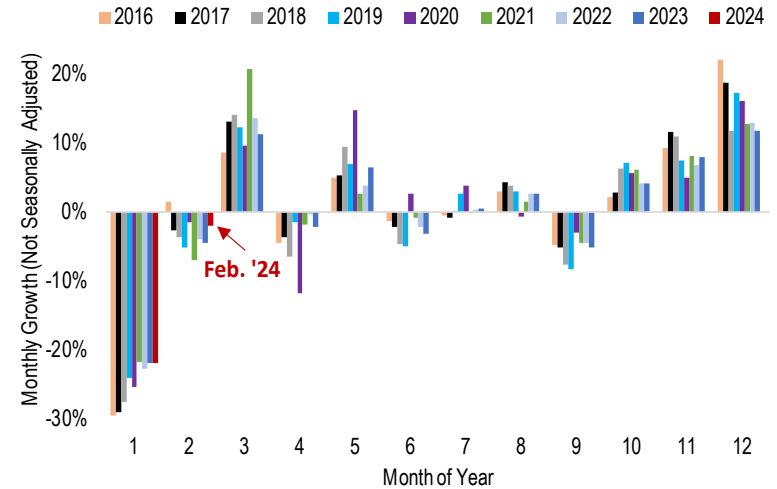
Drag from Goods Disinflation Likely Has Run Its Course While Services Prices Remained on Firmer Side



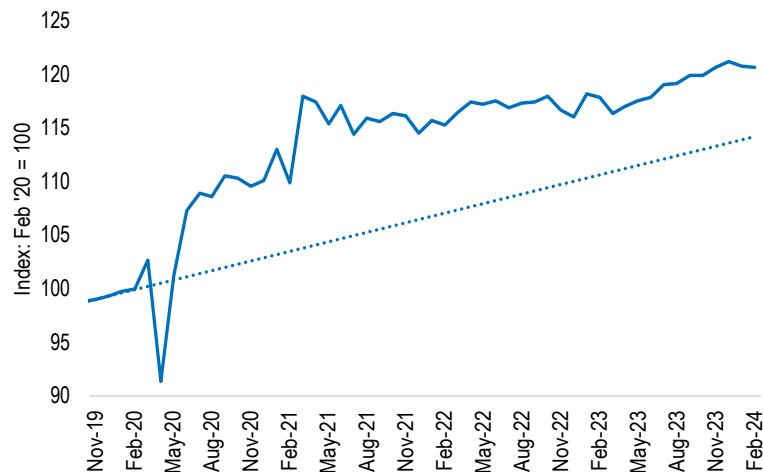
Feb. Retail Sales Growth Surprised to the Downside Again, with Downward Revisions to Prior Months



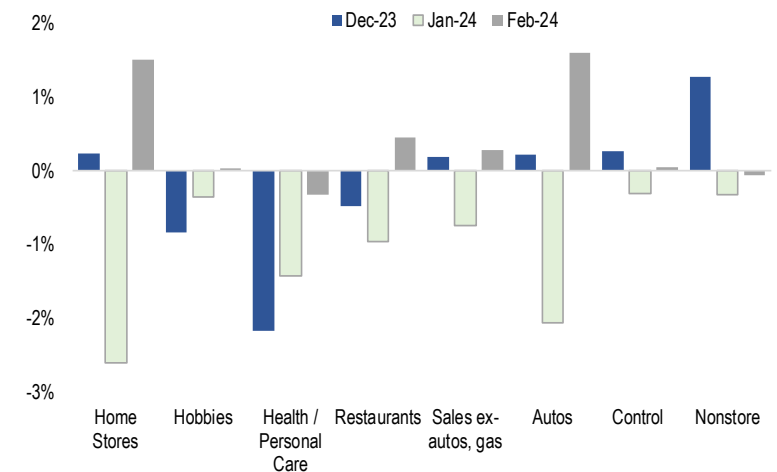
However, Control Group Growth Was Slightly Better for Feb. without Drag from Seasonal Adjustment Factors



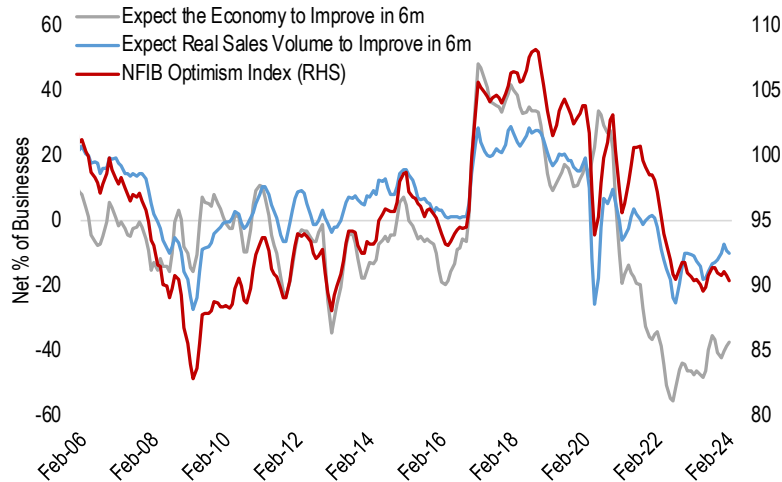
Real (Inflation Adjusted) Control Group Sales Remained Well Above Pre-Pandemic Trend



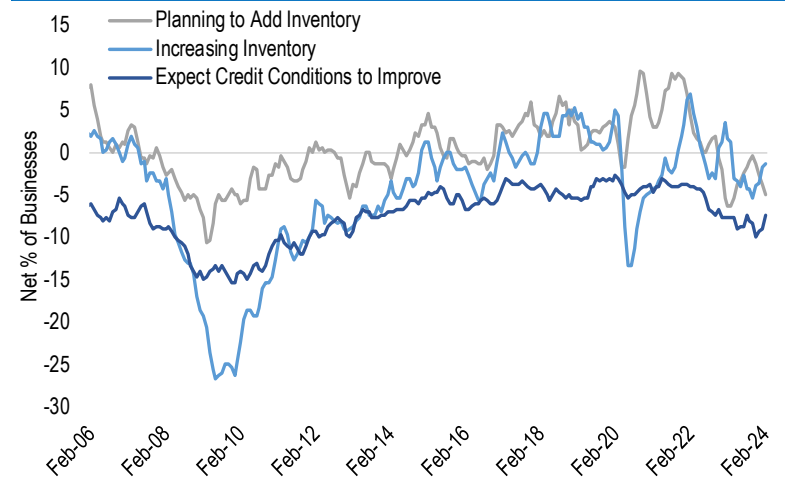
Trend Has Softened from 2H23 Despite Rebound in Monthly Growth Across Several Categories



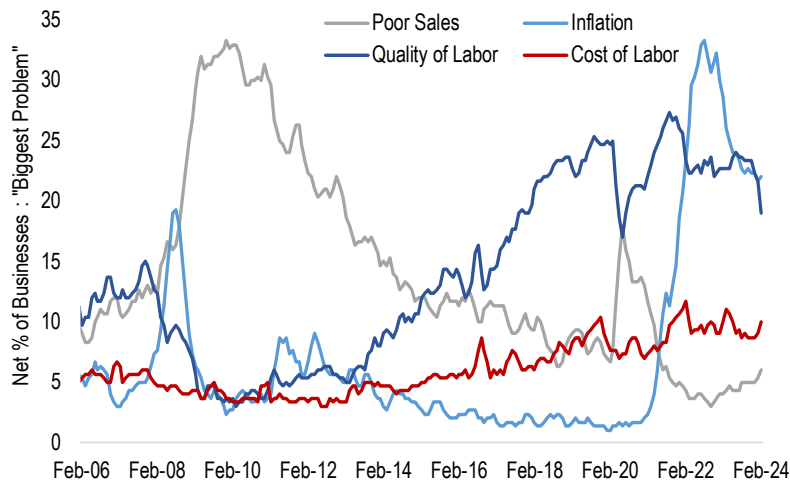
Small Business Optimism Declined for Second Straight Month as Sales Expectations Eased



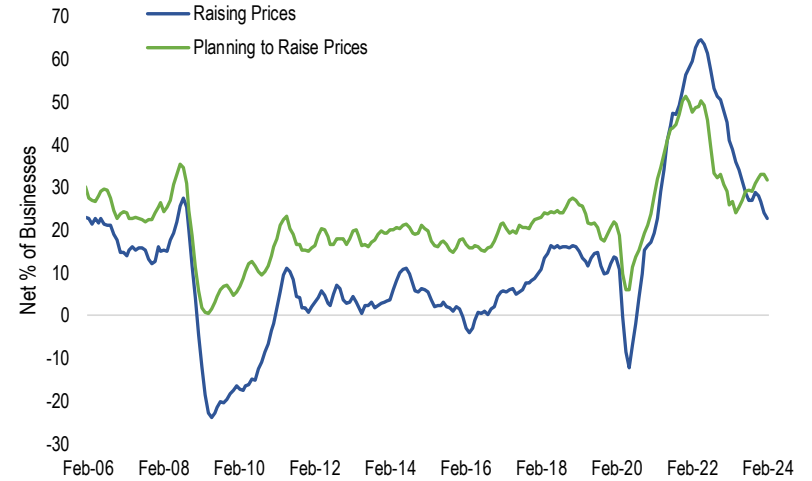
Inventory Re-Stocking Not Top of Mind Despite Marginal Improvement in Credit Condition Expectations



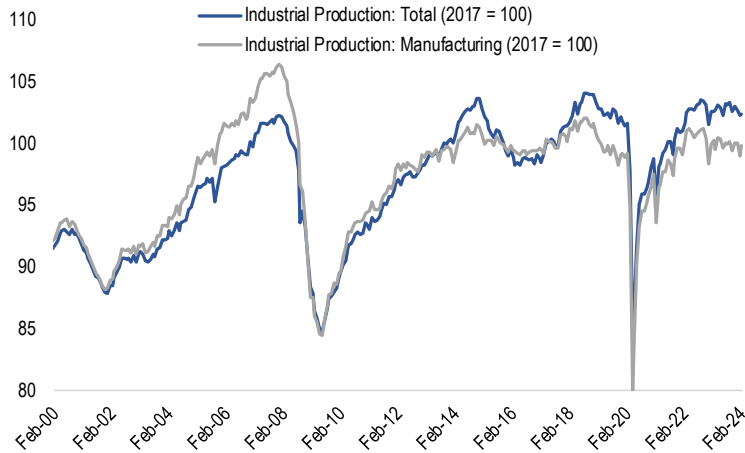
Rising Concerns About "Quality of Labor" and "Poor Sales" Suggest a Weakening Economy



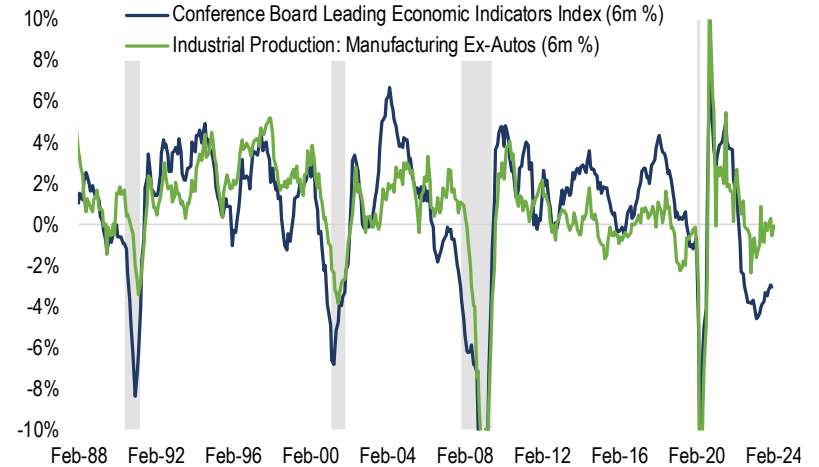
In Possible Response to Perceived Softer Conditions Ahead, Small Businesses Are Not Looking to Raise Prices



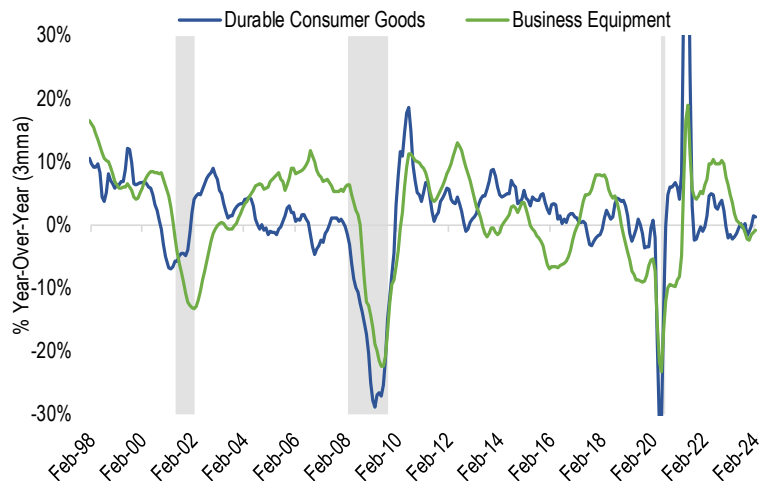
Total Industrial Production Broke a Two-Month Slide in Feb. Aided by Big Lift in Mining and Manufacturing



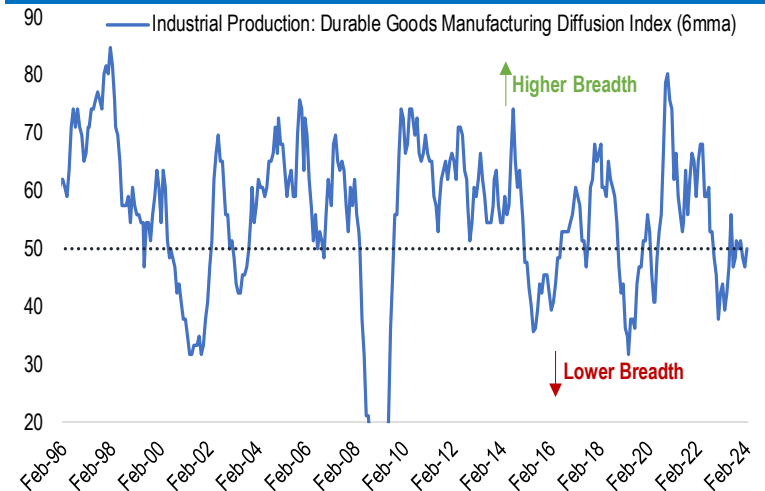
Excluding Autos, Manufacturing Output Has Essentially Been Flat Over Prior Six Months



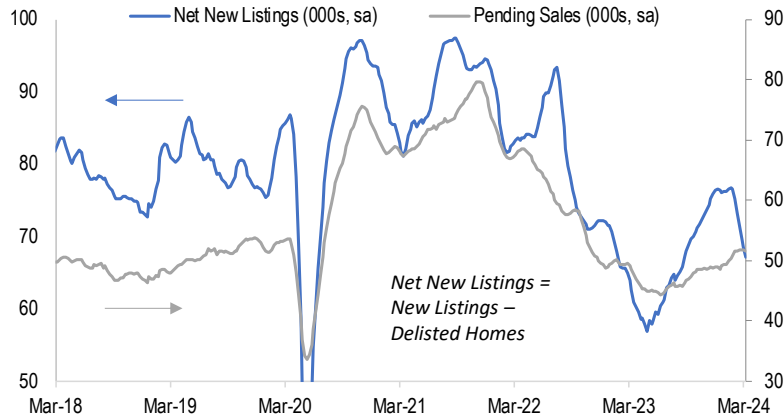
Strong Rebound in Consumer Goods Output Unlikely While Businesses Await Catalyst to Invest



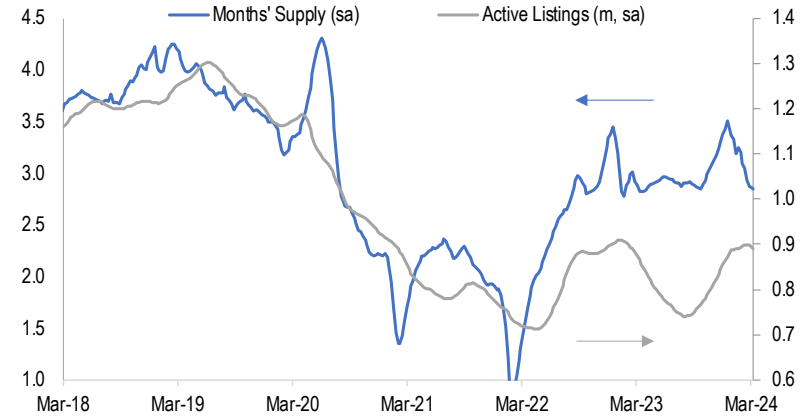
Durable Goods Sectors Evenly Split Between Expansion and Contraction



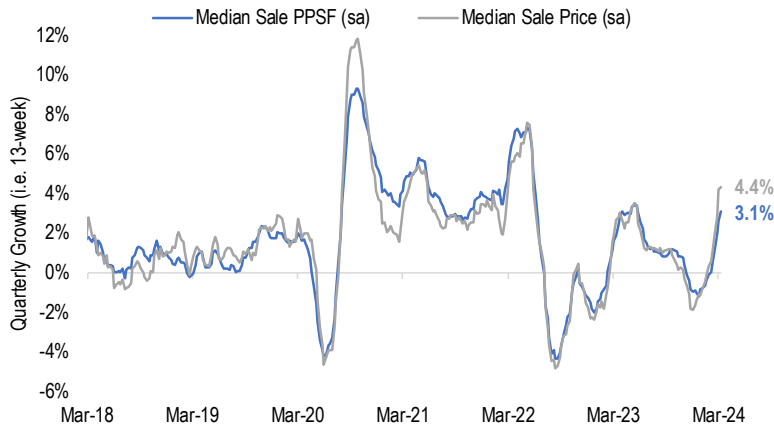
Real-Time Data on Pending Sales Show Rebound Tapering Off, But New Supply Slowing Rapidly ...



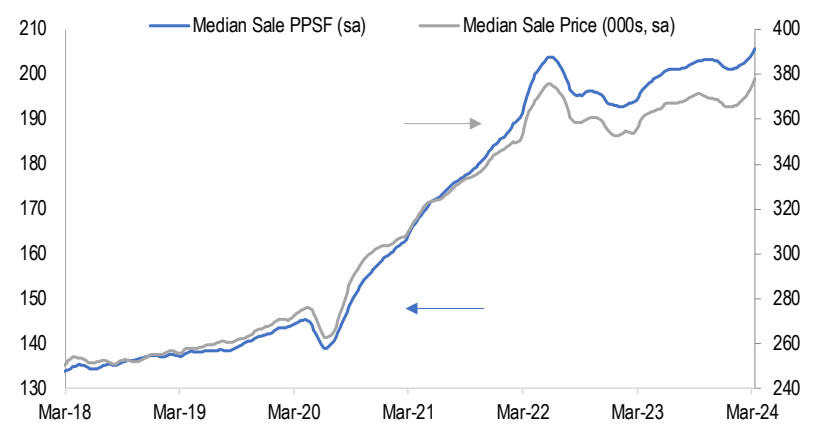
... causing a Slowing Decline in Months' Supply after Rapidly Improving through Feb.



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



... lifting National Median Sales Prices Further Above Mid-2022 Peak

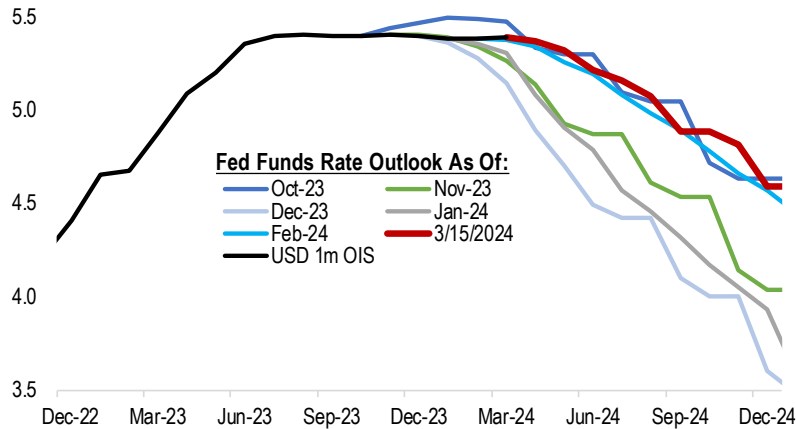


Although National Home Prices Are Up a Solid 5.2% Over a Year Ago, Price Gains Vary Greatly Across the Country

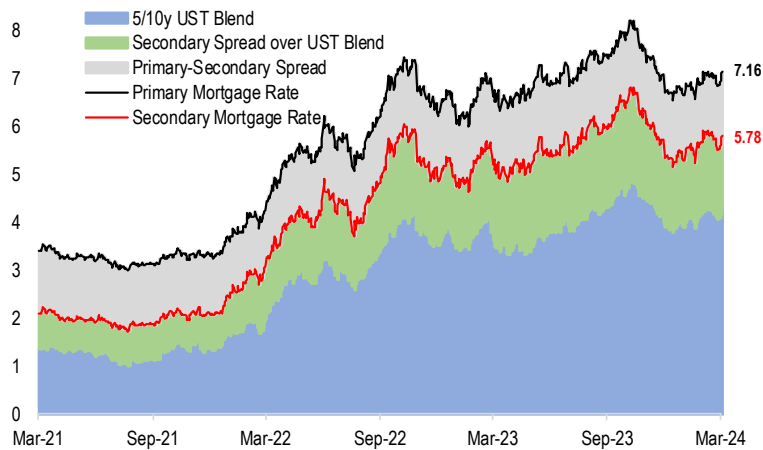
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.2%	-0.3%	5.6%	1.5%	25%	1.2%	98.6%	0.3%	3%	-15.9	-13.7	-23%	-32%
Atlanta	6.4%	2.5%	5.5%	1.2%	23%	0.5%	98.6%	0.4%	-21%	-4.0	-1.5	-30%	-23%
Austin	-1.4%	-13.9%	6.7%	-0.1%	15%	1.4%	97.7%	0.7%	0%	33.2	38.7	56%	45%
Baltimore	7.9%	2.2%	5.5%	1.1%	40%	3.4%	101.1%	0.5%	-2%	-26.0	-20.9	-36%	-46%
Boston	10.7%	0.1%	3.5%	0.4%	48%	5.3%	101.1%	0.9%	-6%	-8.6	-4.6	-20%	-24%
Chicago	8.9%	0.8%	2.6%	0.4%	35%	5.5%	99.3%	1.0%	-22%	-2.1	6.9	-27%	-17%
Dallas	2.5%	-2.0%	6.9%	1.5%	19%	-0.8%	97.9%	0.0%	13%	6.7	11.9	2%	-21%
Denver	6.1%	-9.0%	7.9%	1.5%	30%	1.2%	99.5%	0.2%	10%	8.5	10.9	10%	-9%
Houston	2.5%	1.5%	7.2%	1.7%	13%	-1.1%	97.0%	-0.2%	8%	-4.0	-1.9	-10%	-24%
Los Angeles	6.0%	-3.6%	3.7%	0.9%	45%	8.7%	100.7%	1.6%	-8%	-8.2	1.7	-14%	-10%
Miami	9.4%	3.3%	4.4%	1.7%	13%	0.9%	96.0%	-0.1%	10%	4.0	-1.1	-14%	-35%
Minneapolis	4.1%	-1.1%	5.1%	1.6%	32%	-1.4%	99.5%	0.0%	7%	-0.7	-4.7	-17%	-24%
Nashville	2.9%	3.2%	4.6%	0.7%	15%	0.1%	98.3%	0.2%	-3%	12.2	12.3	0%	-13%
New York	7.7%	-2.2%	3.4%	0.3%	27%	6.5%	99.0%	0.7%	-18%	-50.3	-37.8	-29%	-23%
Phoenix	5.5%	-6.4%	7.4%	0.3%	16%	1.6%	98.3%	0.6%	-2%	3.5	19.0	4%	-5%
Portland	1.9%	-3.1%	5.8%	2.0%	29%	-2.5%	99.3%	-0.3%	2%	10.3	4.5	13%	-9%
Riverside	6.4%	-3.4%	4.7%	0.9%	37%	7.6%	99.3%	1.0%	-8%	-18.2	-0.1	-26%	-22%
San Diego	11.9%	-4.7%	4.7%	0.6%	47%	7.7%	100.3%	0.7%	4%	-11.3	-1.4	-32%	-36%
Seattle	10.7%	-13.2%	4.0%	-0.9%	40%	11.2%	101.6%	2.1%	-10%	-6.3	5.6	-7%	-3%
Tampa	1.8%	3.2%	10.2%	2.3%	12%	-2.1%	97.4%	-0.2%	27%	1.8	-4.0	5%	-24%
Washington DC	5.2%	-1.1%	3.8%	0.7%	42%	7.4%	100.5%	0.5%	-8%	-4.7	4.2	-21%	-24%

Data as of March 10, 2024, and reflects 4-week averages.

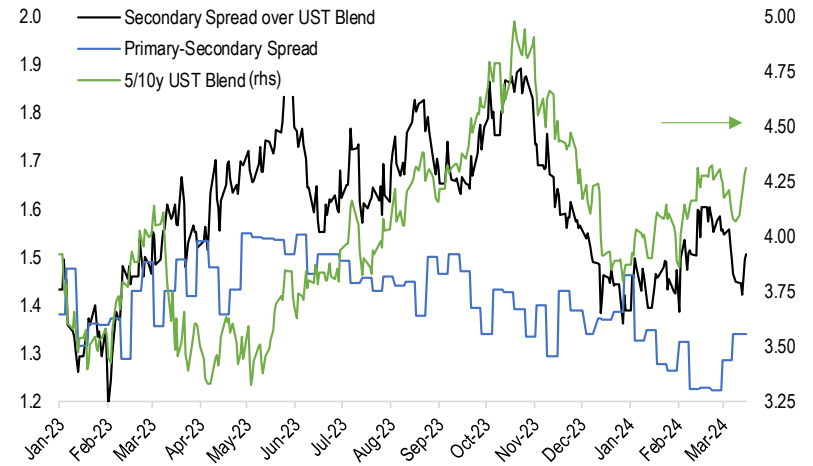
Market Odds of a May Rate Cut Rapidly Approaching Zero as June Odds Fell toward 50/50



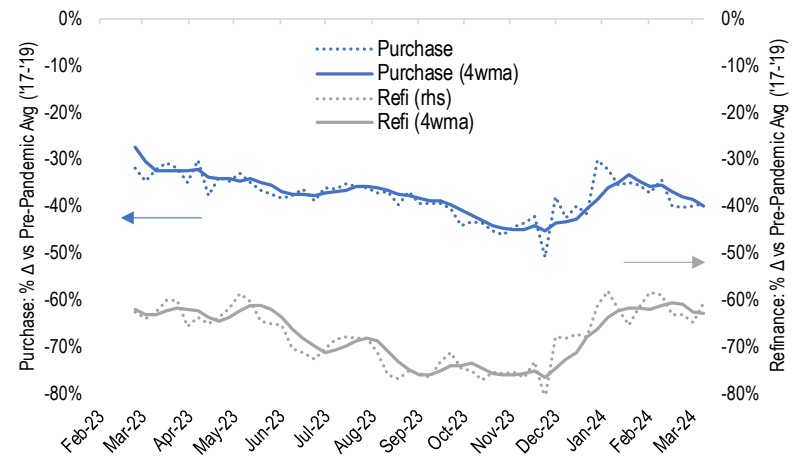
... pushing Implied Mortgage Rates Back Above 7% for the First Time in Weeks



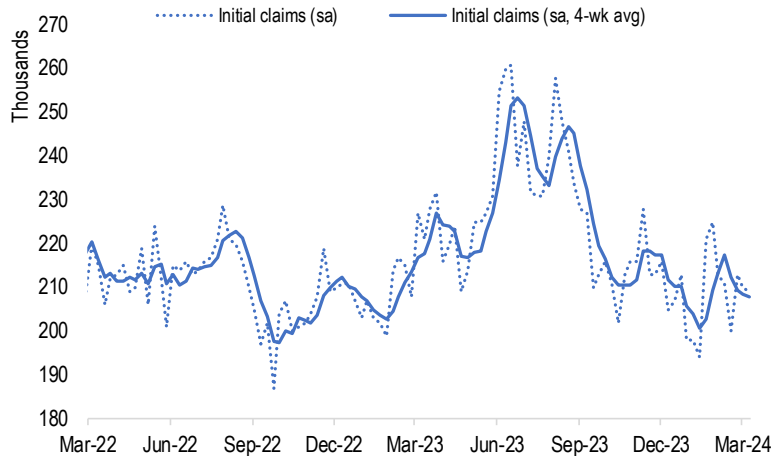
U.S. Treasury Yields Up ~25bps Last Week and Mortgage Spreads Followed ...



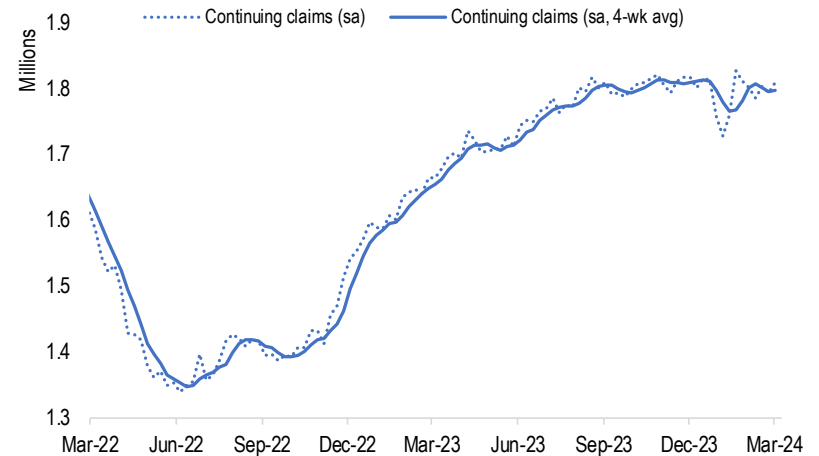
The Uptrend in Rates through Early March Tempered the Early '24 Rebound for Mortgage Applications



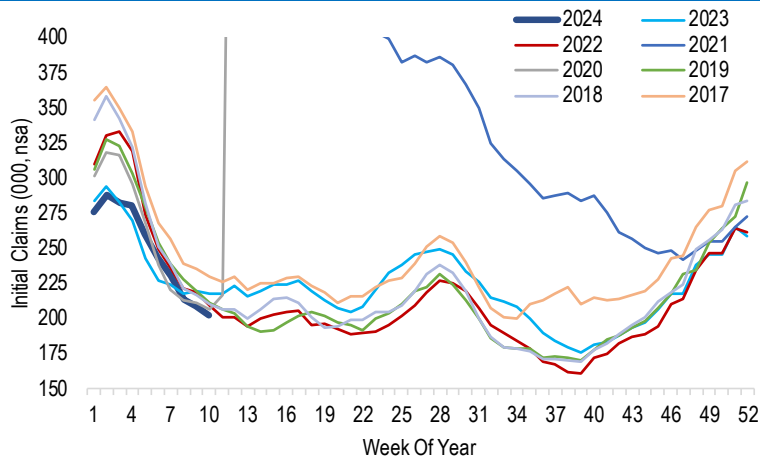
Initial Claims Still Well Below Pre-Pandemic Norm Despite Recent Surge in Announced Layoffs ...



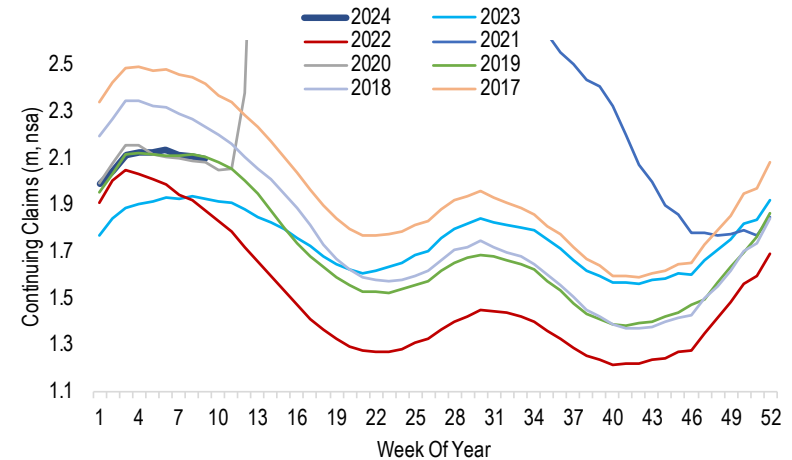
... and Steady Continuing Claims Suggest Workers Not Languishing on Sidelines



Non-Seasonally Adjusted Initial Claims Remained at 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
3/18/24	NAHB Housing Market Index	Mar	--	48	--	48	index, sa
3/19/24	Building Permits m/m	Feb	--	2.0%	--	-1.5%	sa
3/19/24	Building Permits	Feb	--	1,500	--	1,470	k, saar
3/19/24	Housing Starts	Feb	--	1,430	--	1,331	k, saar
3/19/24	Housing Starts m/m	Feb	--	7.4%	--	-14.8%	sa
3/20/24	MBA Mortgage Applications	3/15/24	--	--	--	7.1%	w/w, sa
3/20/24	FOMC Rate Decision (Upper Bound)	3/20/24	--	5.5%	--	5.5%	
3/21/24	Philadelphia Fed Business Outlook	Mar	--	-2.3	--	5.2	index, sa
3/21/24	Initial Jobless Claims	3/16/24	--	215	--	209	k, sa
3/21/24	Continuing Claims	3/9/24	--	1,824	--	1,811	k, sa
3/21/24	S&P Global US Manufacturing PMI	Mar P	--	51.8	--	52.2	index, sa
3/21/24	S&P Global US Services PMI	Mar P	--	52.0	--	52.3	index, sa
3/21/24	S&P Global US Composite PMI	Mar P	--	52.1	--	52.5	index, sa
3/21/24	Conference Board Leading Index	Feb	--	-0.2%	--	-0.4%	m/m, sa
3/21/24	Existing Home Sales	Feb	--	3,940	--	4,000	k, saar
3/21/24	Existing Home Sales m/m	Feb	--	-1.5%	--	3.1%	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
3/12/24	NFIB Small Business Optimism	Feb	89.4	90.5	--	89.9	index, sa
3/12/24	CPI m/m	Feb	0.4%	0.4%	--	0.3%	sa
3/12/24	CPI Core (ex Food and Energy) m/m	Feb	0.4%	0.3%	--	0.4%	sa
3/12/24	CPI y/y	Feb	3.2%	3.1%	--	3.1%	nsa
3/12/24	CPI Core (ex Food and Energy) y/y	Feb	3.8%	3.7%	--	3.9%	nsa
3/13/24	MBA Mortgage Applications	3/8/24	7.1%	--	--	9.7%	w/w, sa
3/14/24	Advance Retail Sales m/m	Feb	0.6%	0.8%	-1.1%	-0.8%	sa
3/14/24	Retail Sales Control Group m/m	Feb	0.0%	0.4%	-0.3%	-0.4%	sa
3/14/24	PPI Final Demand m/m	Feb	0.6%	0.3%	--	0.3%	sa
3/14/24	PPI Core (ex Food and Energy) m/m	Feb	0.3%	0.2%	--	0.5%	sa
3/14/24	PPI Final Demand y/y	Feb	1.6%	1.2%	1.0%	0.9%	nsa
3/14/24	PPI Core (ex Food and Energy) y/y	Feb	2.0%	1.9%	--	2.0%	nsa
3/14/24	Initial Jobless Claims	3/9/24	209	218	210	217	k, sa
3/14/24	Continuing Claims	3/2/24	1,811	1,905	1,794	1,906	k, sa
3/14/24	Business Inventories m/m	Jan	0.0%	0.2%	0.3%	0.4%	sa
3/15/24	Empire Manufacturing	Mar	-20.9	-7.0	--	-2.4	index, sa
3/15/24	Import Price Index m/m	Feb	0.3%	0.3%	--	0.8%	nsa
3/15/24	Import Price Index y/y	Feb	-0.8%	-0.8%	--	-1.3%	nsa
3/15/24	Industrial Production	Feb	0.1%	0.0%	-0.5%	-0.1%	m/m, sa
3/15/24	Capacity Utilization	Feb	78.3%	78.5%	78.3%	78.5%	sa
3/15/24	U. of Mich. Sentiment	Mar P	76.5	77.1	--	76.9	index, nsa
3/15/24	U. of Mich. 1 Yr Inflation	Mar P	3.0%	3.1%	--	3.0%	nsa
3/15/24	U. of Mich. 5-10 Yr Inflation	Mar P	2.9%	2.9%	--	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)