

An aerial photograph of a residential neighborhood with several houses, green lawns, and trees. A blue diagonal banner is overlaid on the left side of the image, containing the main text.

HaMMR Digest

Stay current with economic and mortgage market trends.

April 1, 2024

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Consumer Resiliency

- **Key Takeaway:** Consumer spending on services rebounded in February, setting up a solid first quarter for private consumption.
- **Macro Implications:** Economy remains in a solid growth phase, supported by healthy income growth, despite less momentum relative to 2023.
- **Housing Implications:** A resilient economy delays a sustained move lower for mortgage rates as Fed unlikely to cut before June.

Macro: Economy Still Expanding at Solid Pace in Q1

- Data for the week generally positive, led by household spending.
- Private capital investment/restocking perked up modestly in Feb.
- Consumer inflation expectations back in pre-pandemic range.

Rates: Recent Range Held

- Market odds for first rate cut in June moved below 70%.
- 10-year UST yields fell 1bps w/w to 4.20%.
- Risks still skewed to downside for rates as the year progresses.

Housing: Looking for a Catalyst

- Mortgage rates continued to hover around 7%, weighing on demand.
- Purchase applications through March 22 suggest weak activity.
- Feb. pending home sales rebounded 1.6% but are down -7.0% y/y.

New Home Sales: Trend Remains Positive

- New home sales inched down -0.3% in Feb. but are up 5.9% y/y.
- Sales rose most for “under construction,” up 12% vs. a year ago.
- More robust inventory than resale market, positive for future sales.

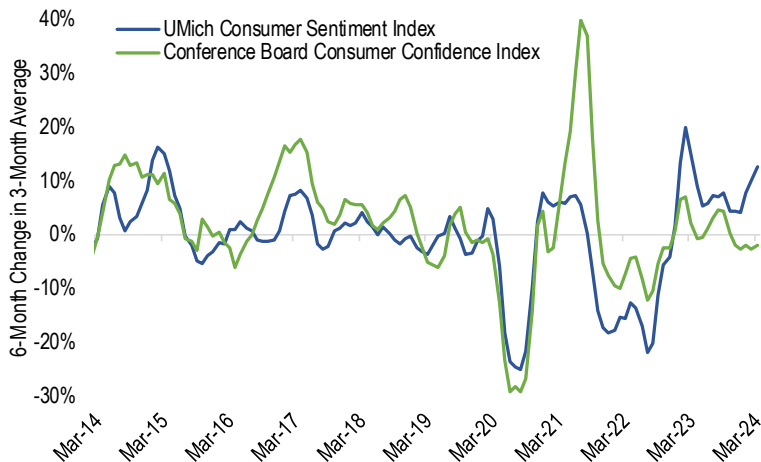
Personal Income: Services Spending Rebounded in Feb.

- Real disposable income ticked down -0.1% in Feb. but up 1.7% y/y.
- Real spending rose 0.4% on multi-month high in services spending.
- Core PCE inflation slowed in Feb., but trend remains a bit hot.

Consumer Sentiment: Divergence Growing

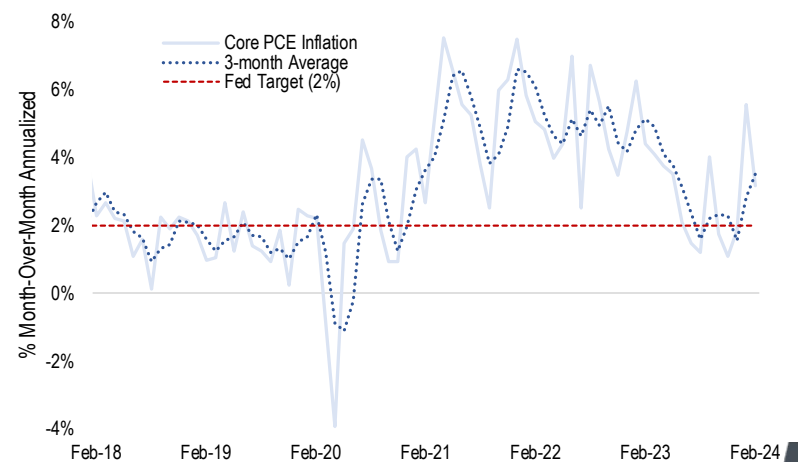
- Conference Board’s Consumer Confidence Index flat on the month.
- UMich Sentiment Index rose, hitting highest level since Jul. ‘21.
- Improving inflation outlook juxtaposes weaker job expectations.

UMich Consumer Sentiment Driven Higher by Households Feeling Less Inflationary Pressure



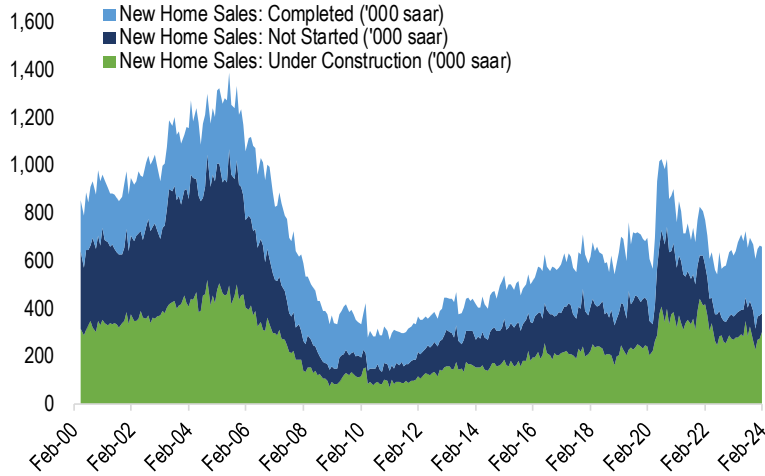
Sources: Conference Board, University of Michigan, BEA, Arch Global Economics

Fed’s Preferred Inflation Gauge Softened in Feb., But Policymakers Will Need to See Further Improvement

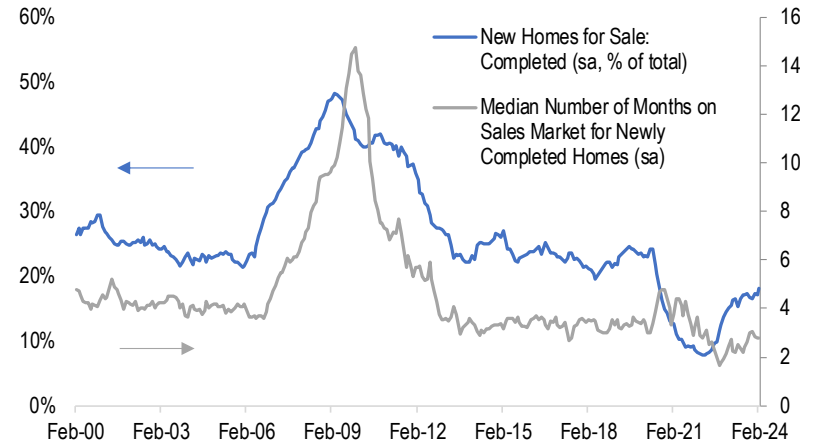


Core PCE = Personal Consumption Expenditure Price Index Excluding Food & Energy Prices

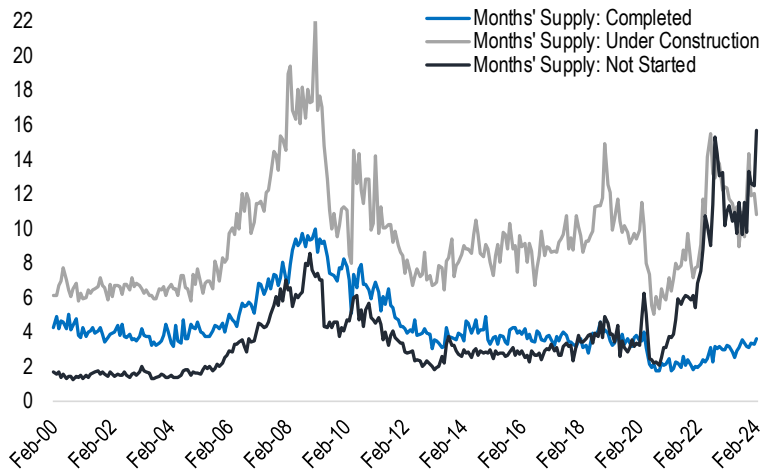
New Home Sales Took a Step Back in February Mostly Due to Slowdown in "Under Construction" Units



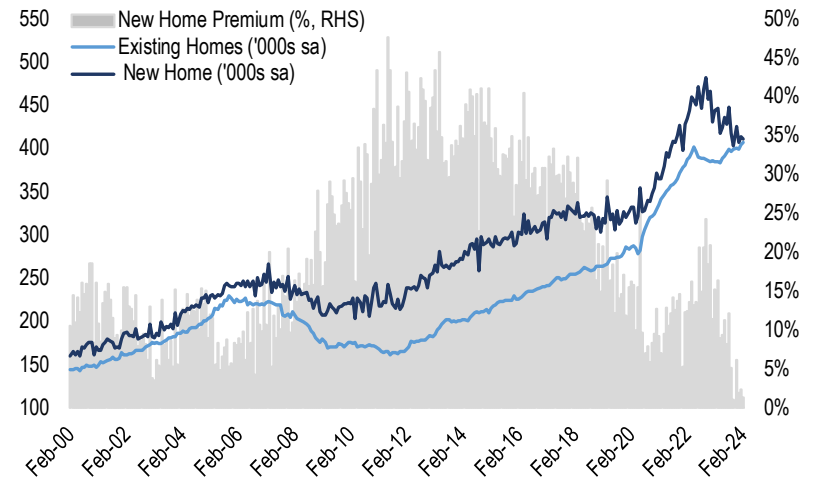
Share of Completed Homes for Sale Still Normalizing, But Demand Remained Firm



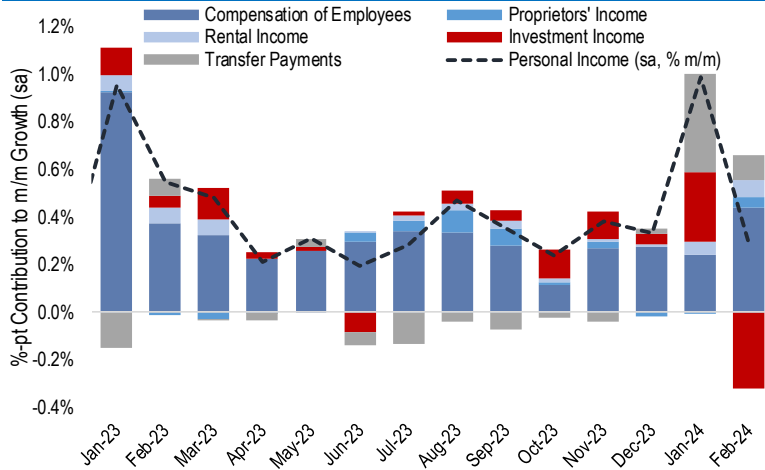
Months' Supply Remained in Check Across All Segments Except the "Not Started" Category



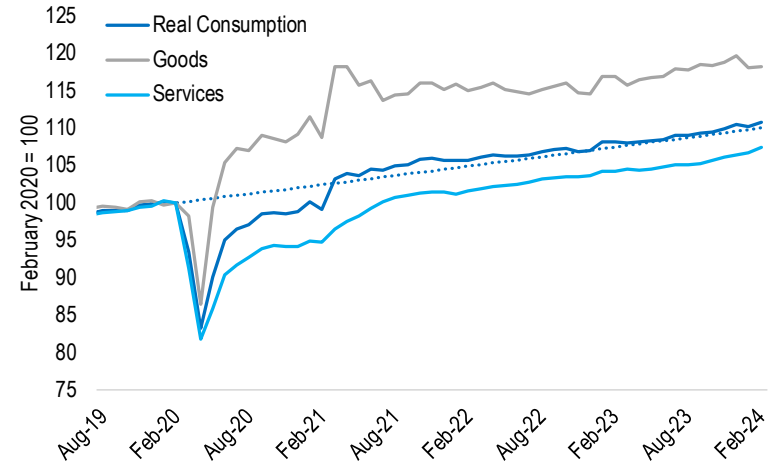
National New Home Premium Remains Historically Low Given Builder Incentives and Tight Resale Market



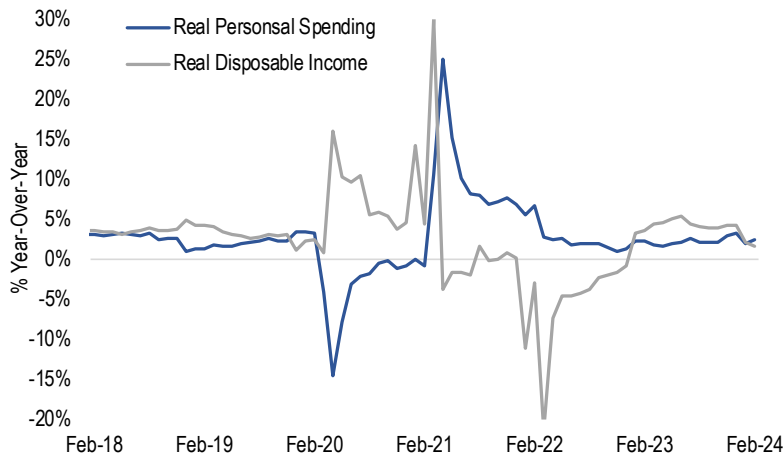
Strong Earnings Growth in Feb. Partly Offset by Lower Investment Income



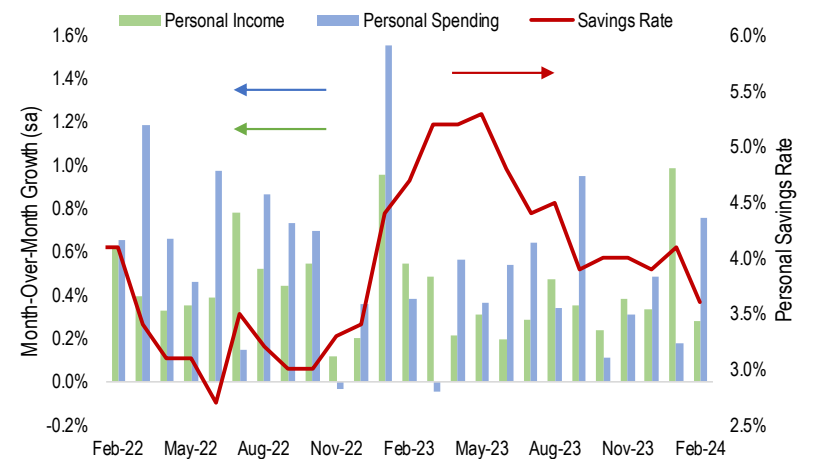
Household Spending on Goods Was Flat in Feb. While Services Spending Firmed



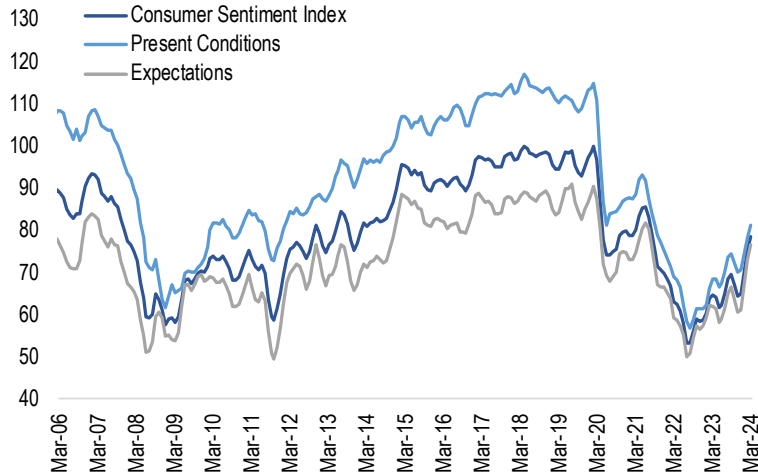
Real Income Growth Cooled and Fell Below the Pace of Spending Growth ...



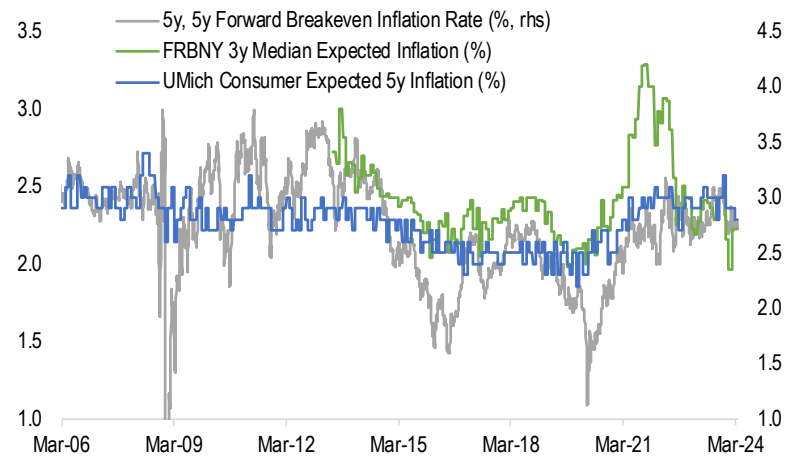
... driving the Personal Savings Rate Back Down Toward Post-Pandemic Lows



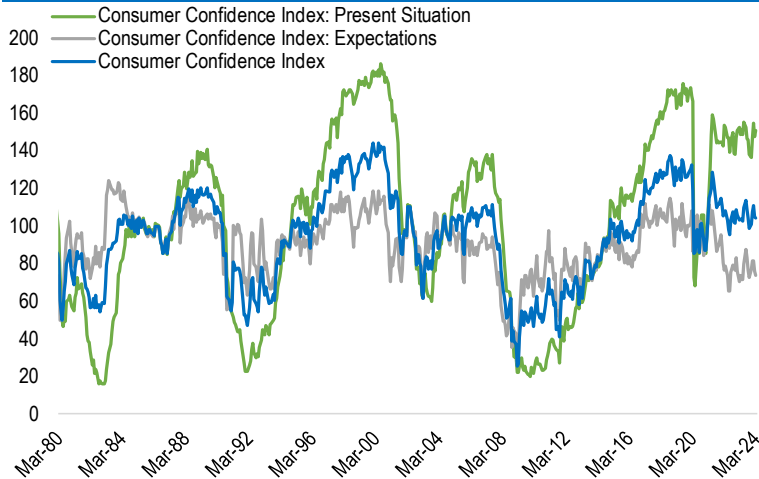
UMich Consumer Sentiment Continued Recovery as Households Perceived Easing Inflation Pressures



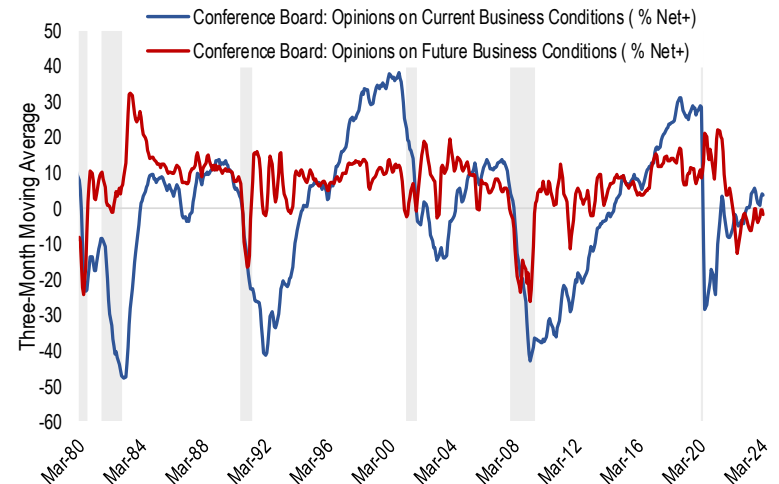
Measures of Medium-Term Inflation Expectations Have Returned to Pre-COVID Norms



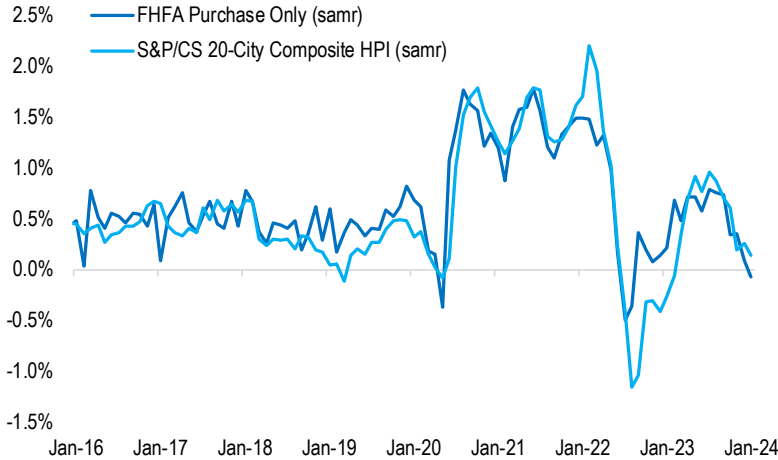
Conference Board's Consumer Confidence Index Moving Sideways as Labor/Income Prospects Soften



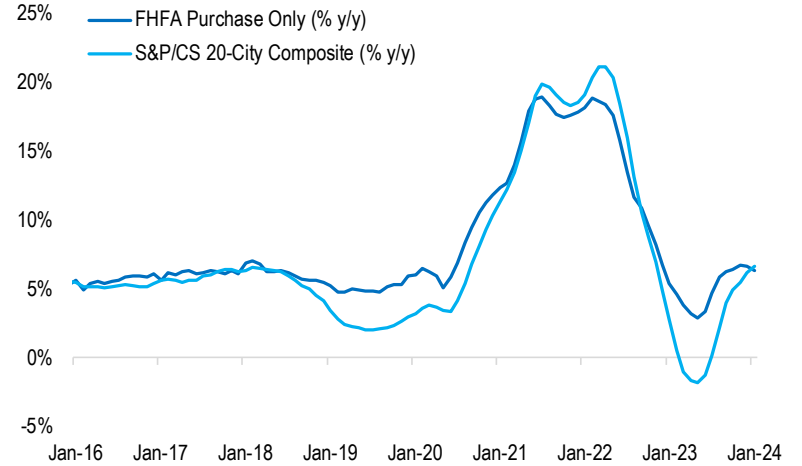
Households See General Business Conditions Improving Currently But Are Tentative About the Future



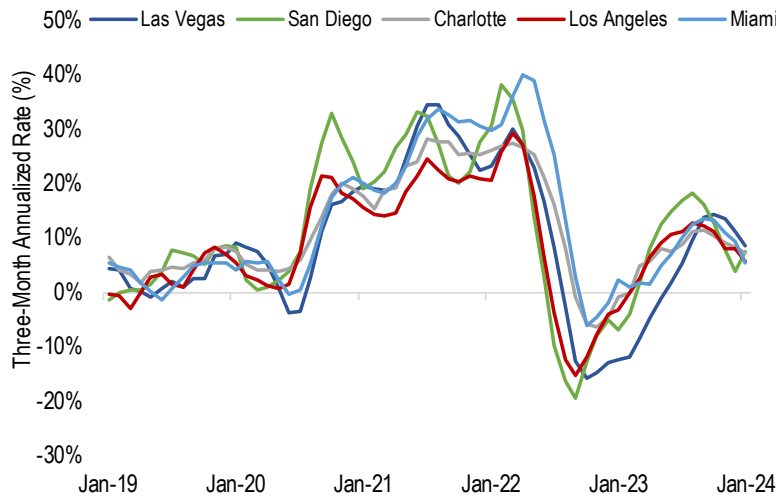
Home Price Growth Cooled Further in Jan. in Response to Late '23 Mortgage Rate Spike



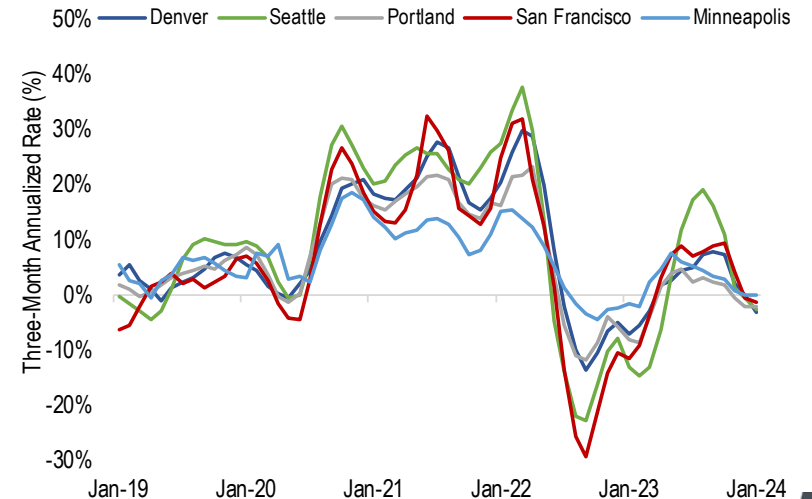
Similarly, Annual Home Price Growth Levelled Off After Prior Rebound



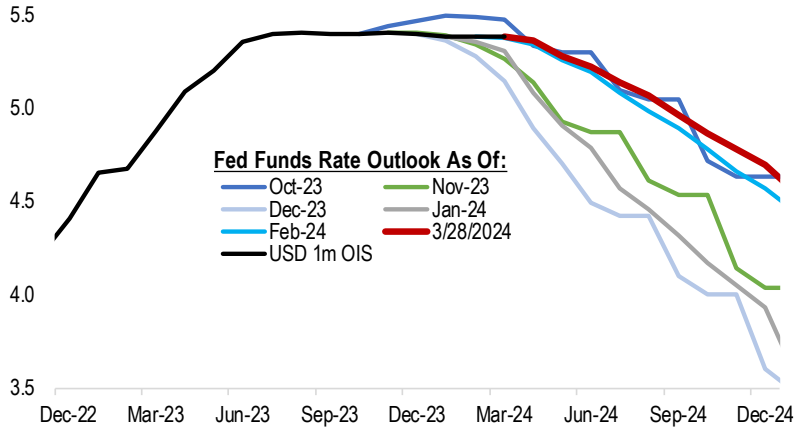
Home Price Momentum Is Quickly Dissipating Even for a Few Once-Strong Southeast Metros ...



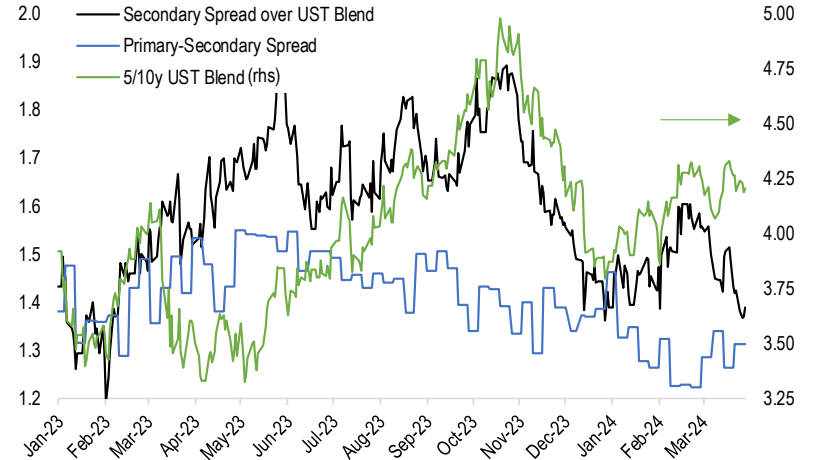
... while Growth Was Generally Weakest in Western Metros Again



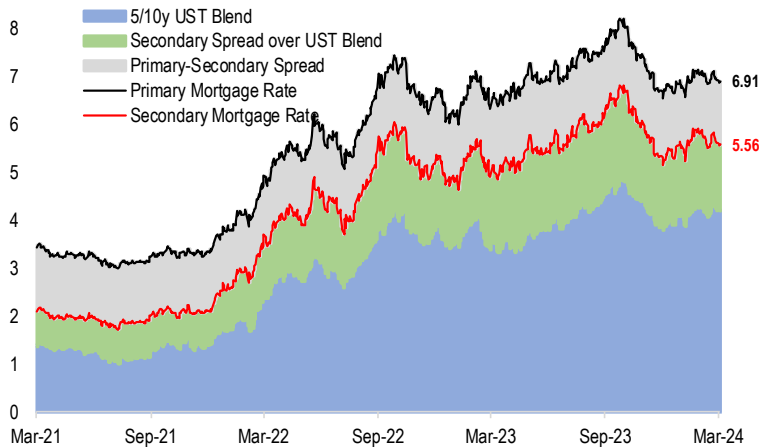
Market Odds of a May Rate Cut Down to 10% as June Odds Also Fell Below 70%



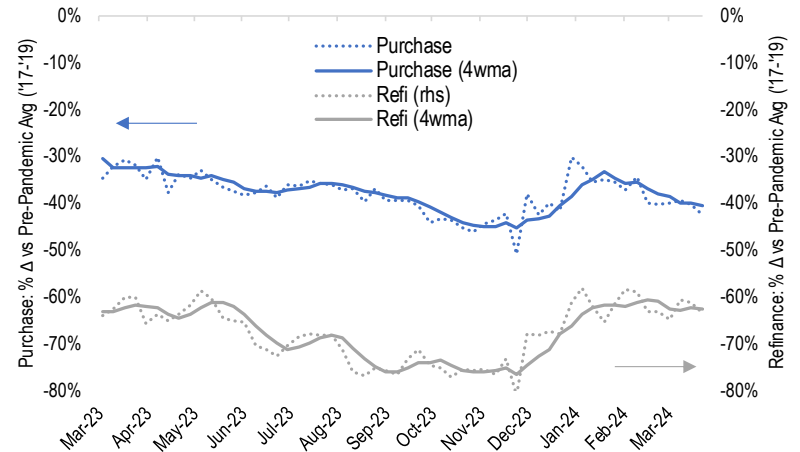
U.S. Treasury Yields Roughly Unchanged Last Week as Mortgage Spreads Compressed ...



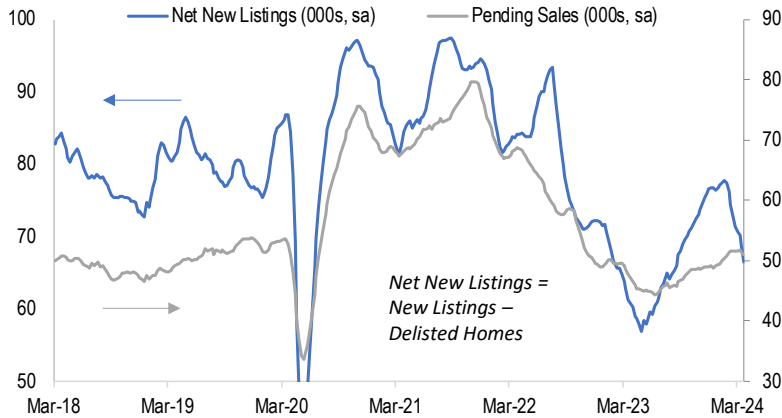
... keeping Implied Mortgage Rates Below 7%, Continuing Choppy Path of Last Several Months



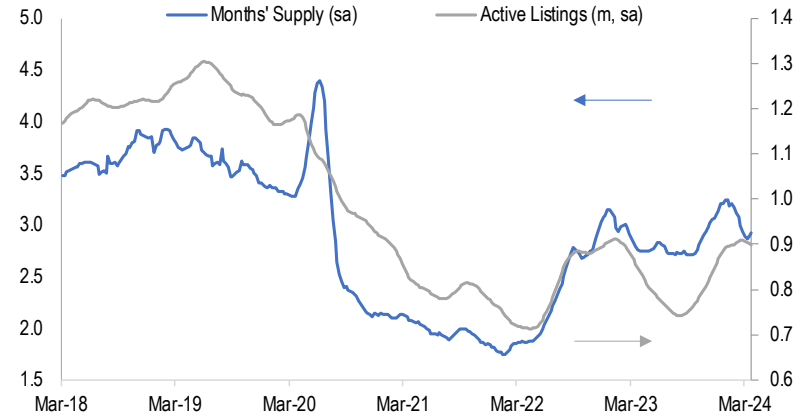
Mortgage Applications Continued to Cool as Elevated Mortgage Rates Continued to Weigh



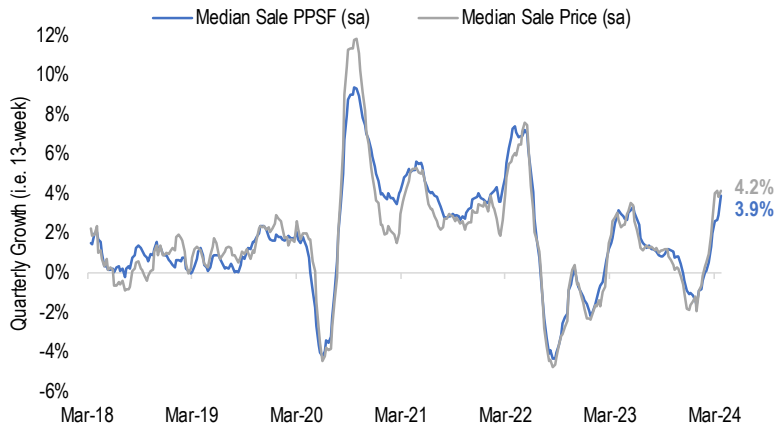
Real-Time Data on Pending Sales Show Continued Cooldown as New Supply Slowing Rapidly ...



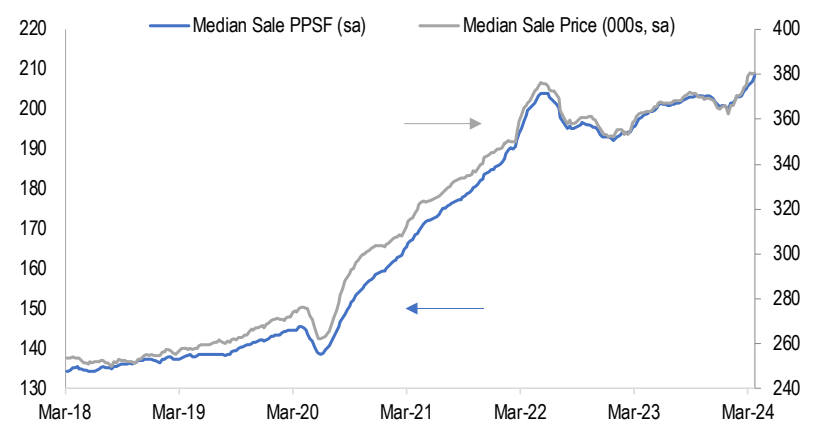
... causing a Months' Supply to Inch Higher after Several Months of Tightening



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



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

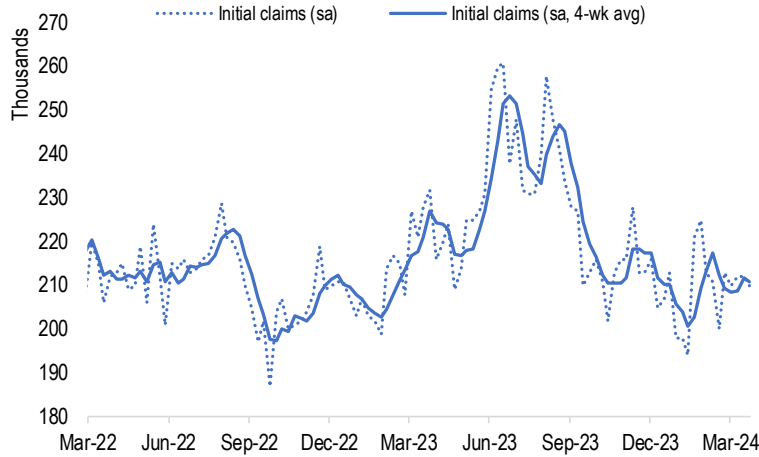


Although National Home Prices Are Up a Solid 5% over a Year Ago, Price Gains Vary Greatly Across the Country

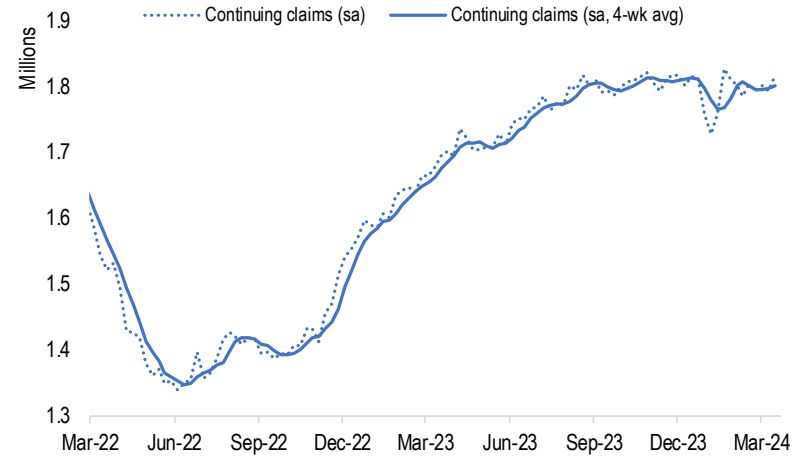
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.0%	-0.9%	5.8%	1.6%	27%	0.7%	98.8%	0.3%	6%	-14.8	-13.3	-21%	-30%
Atlanta	5.8%	1.0%	5.8%	1.5%	26%	0.9%	98.8%	0.3%	-18%	-3.2	0.7	-26%	-19%
Austin	-0.9%	-15.6%	6.9%	-0.3%	16%	1.0%	97.8%	0.6%	4%	32.2	41.8	53%	42%
Baltimore	7.1%	2.1%	5.8%	1.5%	43%	2.6%	101.5%	0.6%	1%	-24.1	-21.1	-37%	-44%
Boston	11.3%	-0.8%	3.9%	0.9%	50%	4.4%	101.8%	1.1%	-2%	-3.1	-0.9	-17%	-16%
Chicago	10.5%	-0.4%	2.6%	0.4%	38%	5.2%	99.5%	0.9%	-20%	-1.6	6.2	-26%	-16%
Dallas	3.1%	-3.9%	6.9%	1.5%	20%	-2.5%	98.2%	-0.1%	18%	4.9	7.6	6%	-18%
Denver	5.3%	-9.5%	7.8%	1.4%	33%	-0.3%	99.7%	0.0%	16%	6.8	5.3	15%	-5%
Houston	3.2%	1.0%	7.1%	1.8%	14%	-1.5%	97.1%	-0.4%	12%	-4.6	0.5	-6%	-22%
Los Angeles	5.1%	-4.5%	3.8%	1.0%	46%	6.1%	100.8%	1.1%	-5%	-6.8	0.8	-11%	-11%
Miami	12.4%	-0.2%	4.4%	1.8%	13%	-0.3%	96.2%	0.0%	12%	-3.7	-3.3	-12%	-35%
Minneapolis	5.6%	-1.8%	5.6%	2.2%	36%	-0.8%	99.9%	-0.1%	11%	-1.6	-3.1	-16%	-19%
Nashville	2.7%	1.4%	4.9%	1.1%	16%	-1.1%	98.4%	0.0%	0%	6.6	5.6	-3%	-11%
New York	6.9%	-0.7%	3.5%	0.2%	28%	6.7%	99.3%	0.9%	-9%	-52.5	-39.1	-24%	-22%
Phoenix	5.1%	-6.6%	7.3%	0.2%	16%	0.8%	98.4%	0.7%	3%	3.2	13.0	10%	-2%
Portland	2.8%	-4.7%	6.2%	2.2%	32%	-1.1%	99.5%	-0.2%	7%	6.6	0.5	10%	-5%
Riverside	7.0%	-4.4%	4.9%	1.1%	38%	6.6%	99.4%	0.9%	-5%	-17.7	-3.2	-23%	-20%
San Diego	9.7%	-5.9%	5.3%	1.4%	48%	7.9%	100.6%	0.8%	12%	-8.2	-2.0	-29%	-38%
Seattle	10.5%	-12.3%	4.4%	-0.5%	43%	11.2%	102.0%	2.0%	-6%	-4.8	1.8	-8%	-5%
Tampa	2.3%	2.7%	10.4%	3.0%	13%	-2.5%	97.4%	-0.2%	34%	0.3	-4.8	10%	-21%
Washington DC	6.9%	-1.3%	3.8%	0.8%	46%	7.3%	100.9%	0.7%	-5%	1.3	6.5	-17%	-20%

Data as of March 24, 2024, and reflects 4-week averages.

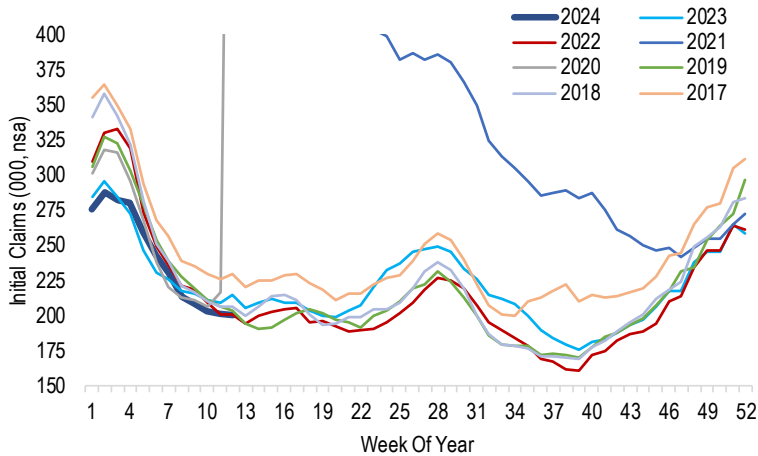
Initial Claims Still Well Below Pre-Pandemic Norm Despite Early '24 Surge in Announced Layoffs ...



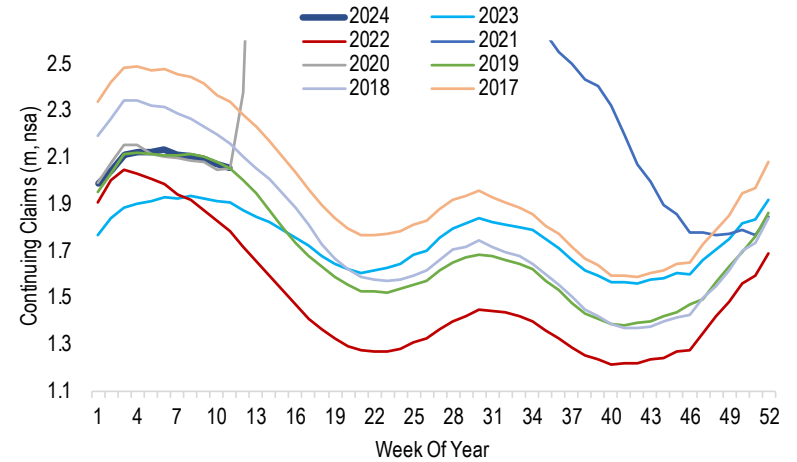
... and Steady Continuing Claims Suggest Workers Not Languishing on Sidelines



Non-Seasonally Adjusted Initial Claims Remained in Line with Historic Lows Reached in Recent Years ...



... 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
4/1/24	S&P Global US Manufacturing PMI	Mar F	--	52.5	--	52.5	index, sa
4/1/24	ISM Manufacturing	Mar	--	48.3	--	47.8	index, sa
4/1/24	ISM Prices Paid	Mar	--	53.0	--	52.5	index, nsa
4/2/24	JOLTS Job Openings	Feb	--	8.8	--	8.9	m, sa
4/2/24	Durable Goods Orders	Feb F	--	1.4%	--	1.4%	m/m, sa
4/2/24	Cap Goods Orders Nondef Ex Air	Feb F	--	--	--	0.7%	m/m, sa
4/2/24	Wards Total Vehicle Sales	Mar	--	15.9	--	15.8	m, saar
4/3/24	MBA Mortgage Applications	3/29/24	--	--	--	-0.7%	w/w, sa
4/3/24	ADP Employment	Mar	--	150	--	140	k, m/m, sa
4/3/24	S&P Global US Services PMI	Mar F	--	51.7	--	51.7	index, sa
4/3/24	S&P Global US Composite PMI	Mar F	--	--	--	52.2	index, sa
4/3/24	ISM Services Index	Mar	--	52.8	--	52.6	index, nsa
4/4/24	Initial Jobless Claims	3/30/24	--	214	--	210	k, sa
4/4/24	Continuing Claims	3/23/24	--	1,810	--	1,819	k, sa
4/5/24	Nonfarm Payrolls	Mar	--	205	--	275	k, m/m, sa
4/5/24	Private Payrolls	Mar	--	165	--	223	k, m/m, sa
4/5/24	Unemployment Rate	Mar	--	3.8%	--	3.9%	sa
4/5/24	Average Hourly Earnings m/m	Mar	--	0.3%	--	0.1%	sa
4/5/24	Average Hourly Earnings y/y	Mar	--	4.1%	--	4.3%	nsa
4/5/24	Average Weekly Hours All Employees	Mar	--	34.3	--	34.3	sa
4/5/24	Labor Force Participation Rate	Mar	--	62.5%	--	62.5%	sa
4/5/24	Consumer Credit	Feb	--	16.4	--	19.5	\$B, m/m, 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
3/25/24	New Home Sales	Feb	662	677	664	661	k, saar
3/25/24	New Home Sales m/m	Feb	-0.3%	2.3%	1.7%	1.5%	sa
3/26/24	Durable Goods Orders	Feb P	1.4%	1.0%	-6.9%	-6.2%	m/m, sa
3/26/24	Cap Goods Orders Nondef Ex Air	Feb P	0.7%	0.1%	-0.4%	0.0%	m/m, sa
3/26/24	FHFA House Price Index	Jan	-0.1%	0.3%	--	0.1%	m/m, sa
3/26/24	S&P CoreLogic CS 20-City m/m SA	Jan	0.1%	0.2%	0.3%	0.2%	sa
3/26/24	S&P CoreLogic CS 20-City y/y NSA	Jan	6.59%	6.60%	6.15%	6.13%	nsa
3/26/24	Conf. Board Consumer Confidence	Mar	104.7	107.0	104.8	106.7	index, sa
3/27/24	MBA Mortgage Applications	3/22/24	-0.7%	--	--	-1.6%	w/w, sa
3/28/24	GDP Annualized q/q	4Q T	3.4%	3.2%	--	3.2%	saar
3/28/24	Personal Consumption q/q	4Q T	3.3%	3.0%	--	3.0%	saar
3/28/24	Core PCE Deflator q/q	4Q T	2.0%	2.1%	--	2.1%	saar
3/28/24	Initial Jobless Claims	3/23/24	210	212	212	210	k, sa
3/28/24	Continuing Claims	3/16/24	1,819	1,815	1,795	1,807	k, sa
3/28/24	Pending Home Sales m/m	Feb	1.6%	1.5%	-4.7%	-4.9%	sa
3/28/24	Pending Home Sales y/y	Feb	-2.2%	--	--	-6.8%	nsa
3/28/24	U. of Mich. Sentiment	Mar F	79.4	76.5	--	76.5	index, nsa
3/28/24	U. of Mich. 1 Yr Inflation	Mar F	2.9%	3.1%	--	3.0%	nsa
3/28/24	U. of Mich. 5-10 Yr Inflation	Mar F	2.8%	2.9%	--	2.9%	nsa
3/29/24	Personal Income	Feb	0.3%	0.4%	--	1.0%	m/m, sa
3/29/24	Personal Spending	Feb	0.8%	0.5%	--	0.2%	m/m, sa
3/29/24	Real Personal Spending	Feb	0.4%	0.1%	-0.2%	-0.1%	m/m, sa
3/29/24	PCE Inflation m/m	Feb	0.3%	0.4%	0.4%	0.3%	sa
3/29/24	PCE Inflation y/y	Feb	2.5%	2.5%	--	2.4%	nsa
3/29/24	PCE Core Inflation (ex Food and Energy) m/m	Feb	0.3%	0.3%	0.5%	0.4%	sa
3/29/24	PCE Core Inflation (ex Food and Energy) y/y	Feb	2.8%	2.8%	2.9%	2.8%	nsa
3/29/24	Retail Inventories m/m	Feb	0.5%	0.4%	0.5%	0.5%	sa
3/29/24	Wholesale Inventories	Feb P	0.5%	0.2%	-0.2%	-0.3%	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)