

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 8, 2024

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American Exceptionalism

- **Key Takeaway:** March jobs report was strong nearly across the board, quelling fears of an uncontrolled rise in the unemployment rate.
- **Macro Implications:** Despite strong job growth, inflation feed-through is minimal as wage growth moderated, keeping Fed on easing path in 2H24.
- **Housing Implications:** Markets paring back rate cut expectations will keep mortgage rates elevated, delaying improvement in affordability.

Macro: Strong Jobs Market Will Not Dissuade Fed

- Heavy Fed commentary revealed growing apprehension on rate cuts.
- Strong macro data will not alter near-term policy path if disinflation remains.
- Feb. consumer credit data showed households leaning more on income.

Jobs Report: Robust, Non-Inflationary March Print

- Monthly payrolls rose a strong 303k in March following 270k gain in Feb.
- Labor supply improved while the unemployment rate eased to 3.8%.
- Wage growth slowed further, suggesting limited upside inflation risk.

Labor Market Turnover: Shifting at the Margin

- Feb. job openings rose modestly but are still down -20% y/y.
- Quits rate showed signs of stabilizing across most sectors.
- Hiring increased and far exceeded separations, keeping net hiring positive.

Purchasing Manger Indexes: Manufacturing Closing the Gap

- March manufacturing output rose at fastest pace since June '22.
- Services pulled back modestly in March amid slower delivery times.
- Composite reading points to expansion at slightly cooler pace.

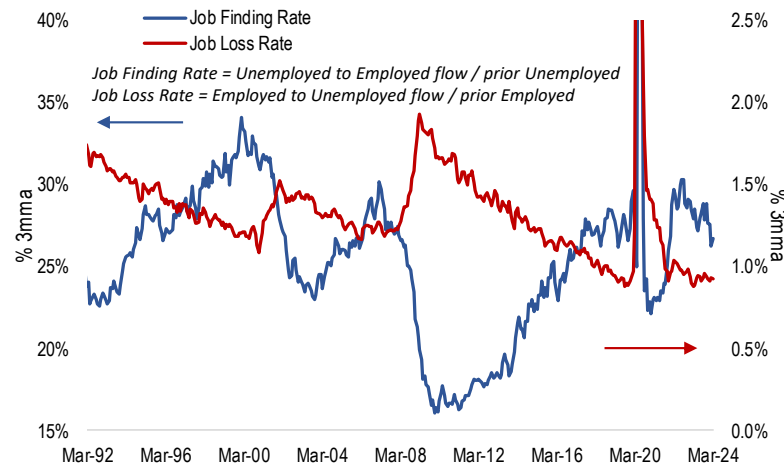
Rates: Turbulence Building

- Market odds for first rate cut in June down to ~50% from ~70%.
- 10-yr UST yields rose 20bps w/w to 4.4%, hitting 4.42% mid-week.
- Inflation release this week will be pivotal for Fed policy.

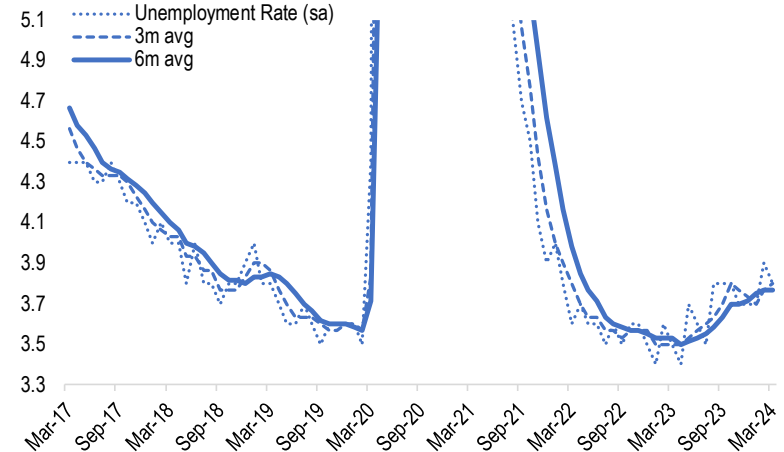
Housing: Waiting Game

- Mortgage rates remain in a holding pattern around 7%.
- Purchase applications through March 29 suggest weak activity.
- Motivated sellers and cash buyers account for bulk of activity.

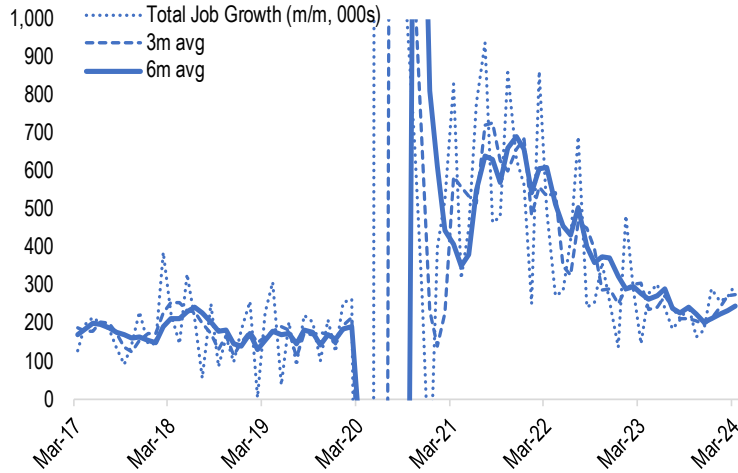
Job Finding Rate Arrested Its Decline While Job Loss Rate Suggests Mass Wave of Layoffs Not Underway



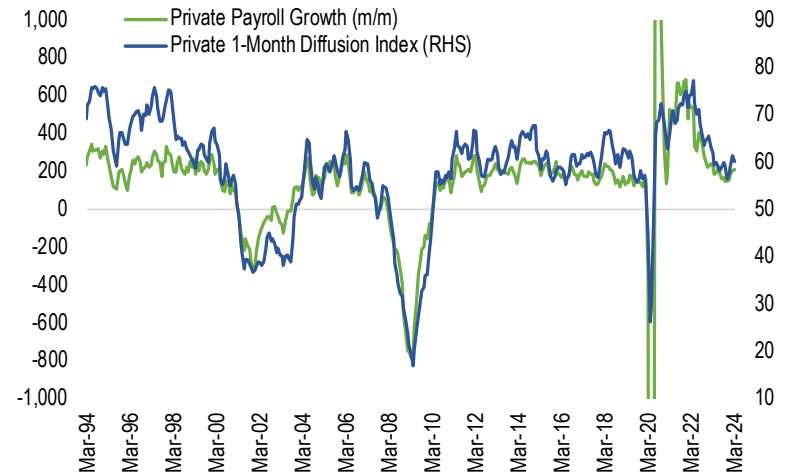
Unemployment Rate Levelled Off Despite Surge in Labor Supply Amid Significant Increase in Employment



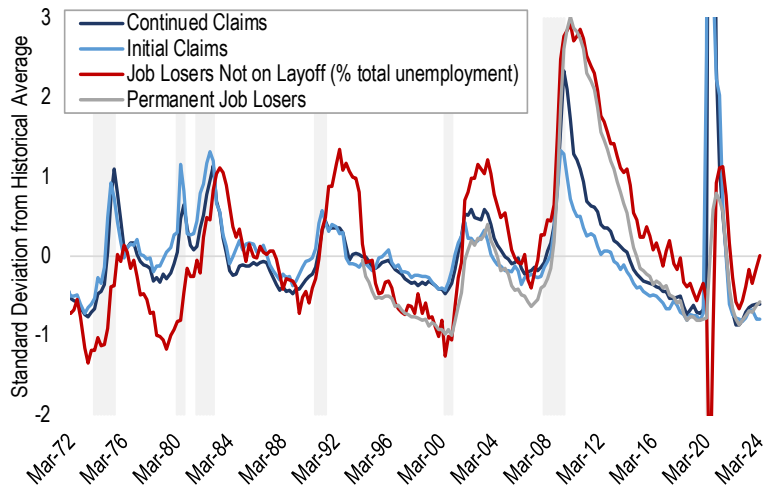
Trend in Job Growth Has Turned Higher After Cooling into Year-End '23



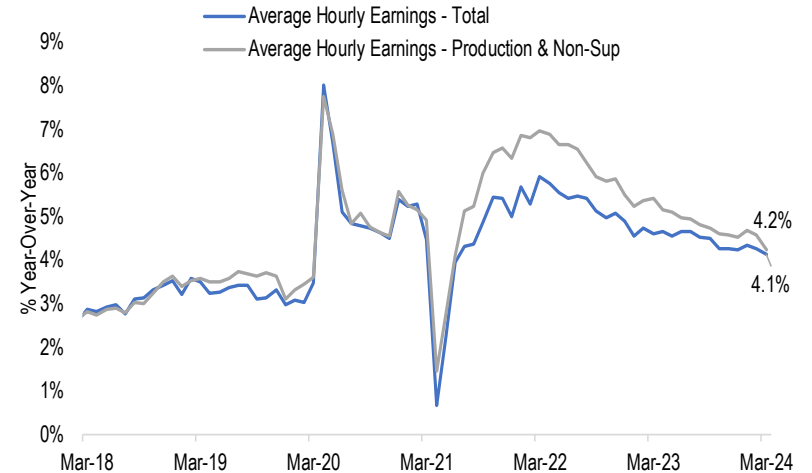
Private Job Growth Continued Its Streak of Broad-Based Gains



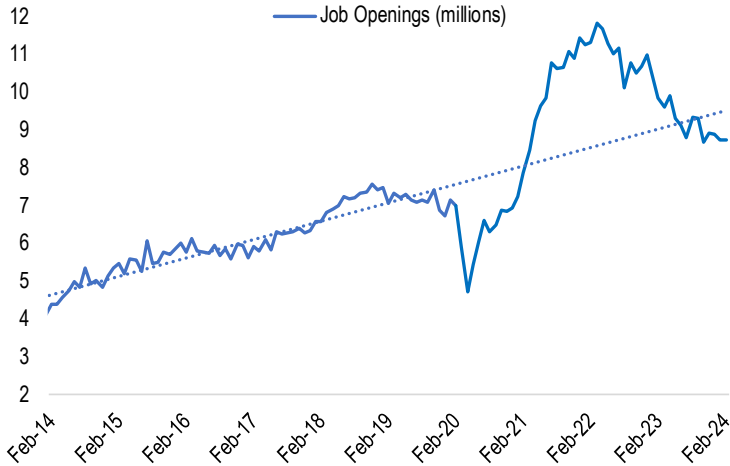
Measures of Job Loss Typically Move in Unison During Times of Stress. This Is Clearly Not One of Those Times



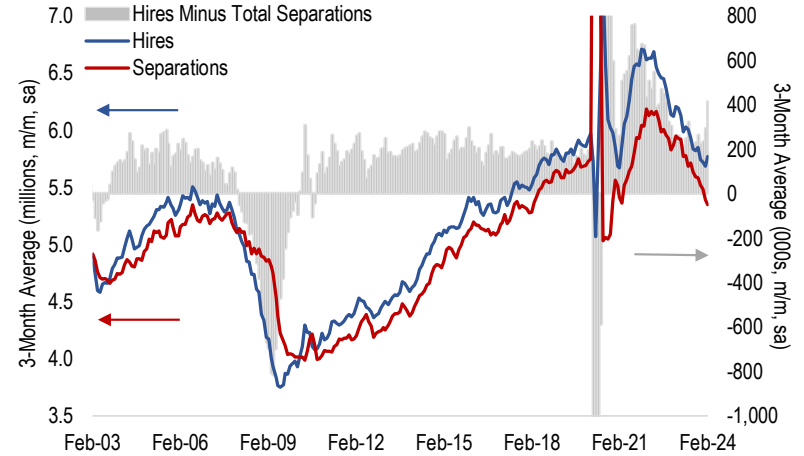
Annual Growth in Average Hourly Earnings Decelerated But Remained Modestly Elevated



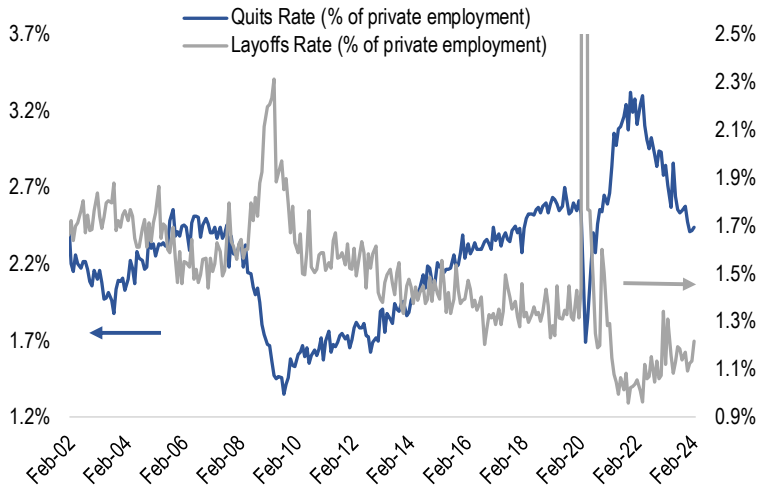
Total Job Openings Were Down -20% y/y in Feb. and Have Fallen Below the Pre-Pandemic Trend



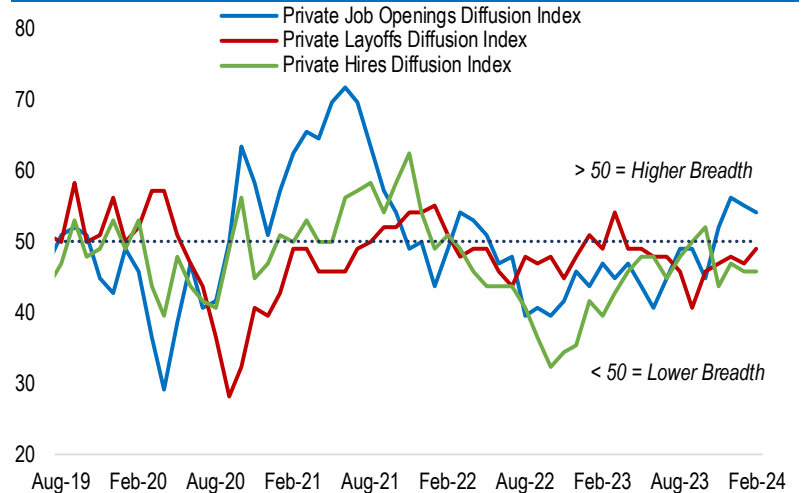
Job Growth Rebound Driven by Uptick in Hiring and Cooling Pace of Separations (e.g. Quits/Layoffs)



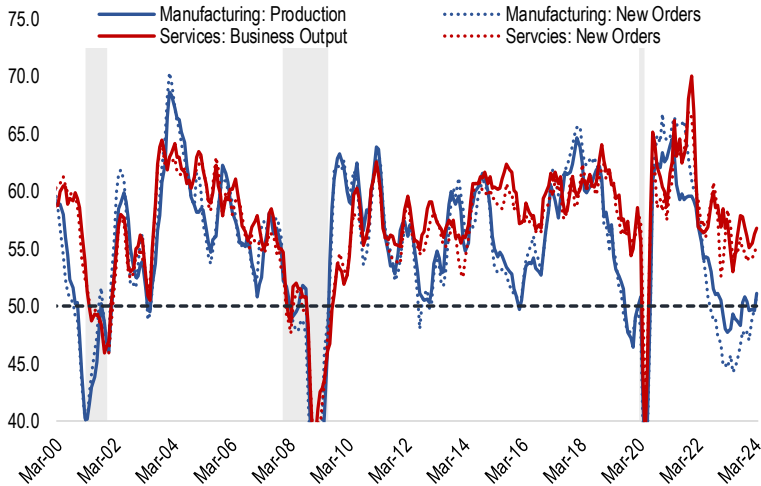
Quits Showed Signs of Stabilizing While Layoffs Remained Low



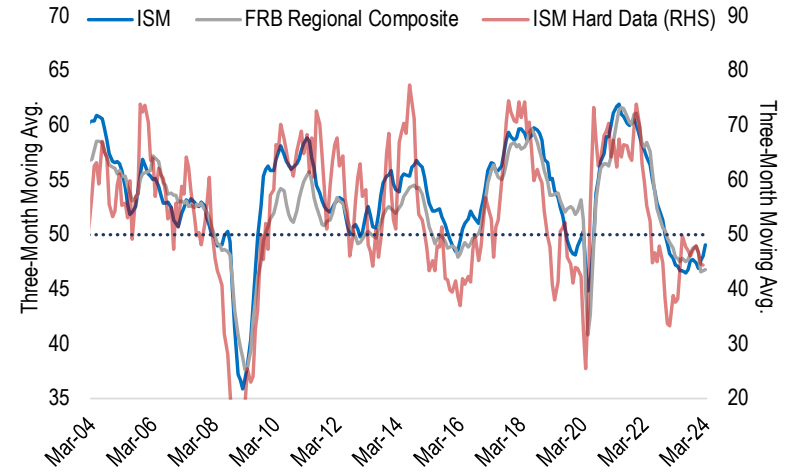
Breadth of Industries Adding Staff Roughly Flat in Feb. While Breadth of Layoffs Rose Slightly



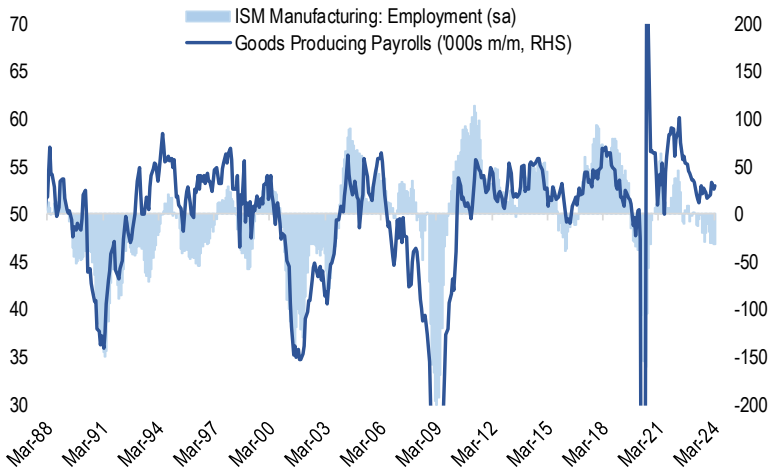
Business Output and New Orders Remained Solid for Services; Manufacturing Showing Early Recovery Signs



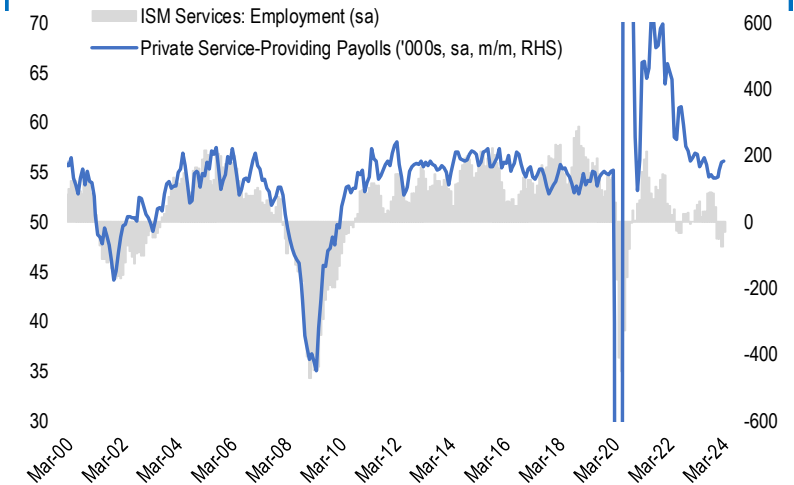
Manufacturing Sentiment Showed Net Improvement in March After a Weak Feb. Across The Board



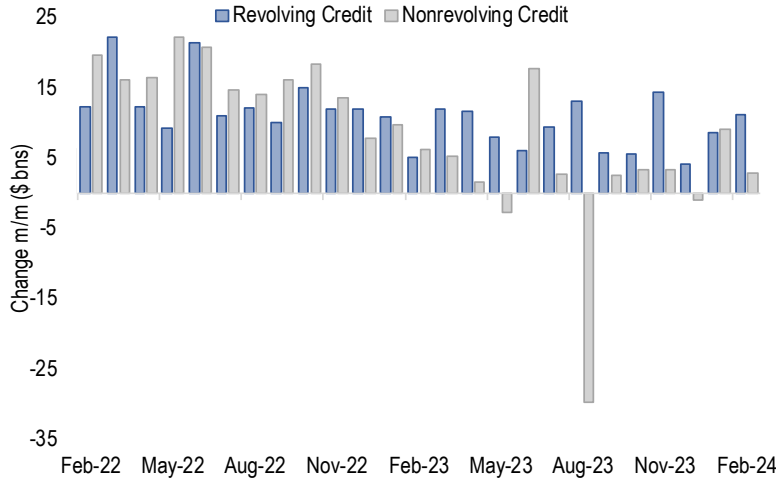
Resilient Goods-Producing Employment Despite Elevated Rates



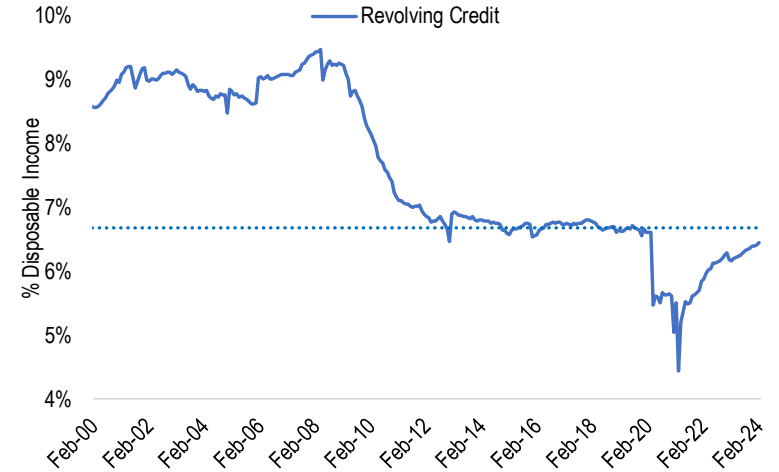
Weak Services PMI Employment Index More Related to Reduced Hiring Pace Than Net Job Growth or Layoffs



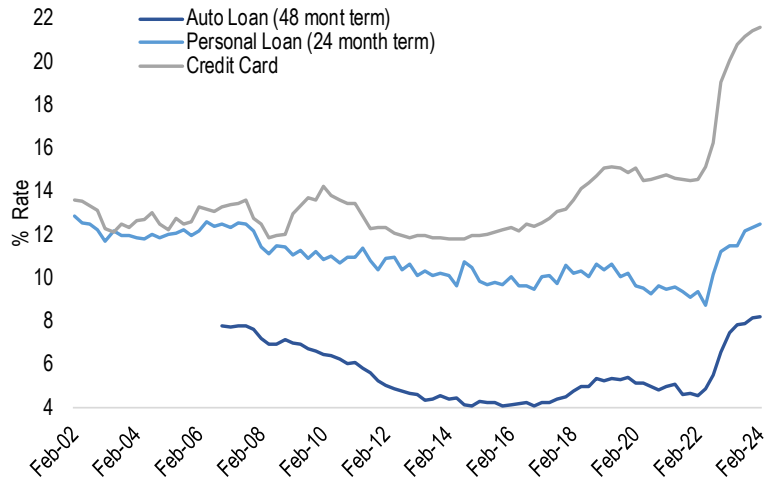
Total Consumer Credit Rose in February with Primary Lift Coming from Nonrevolving Credit



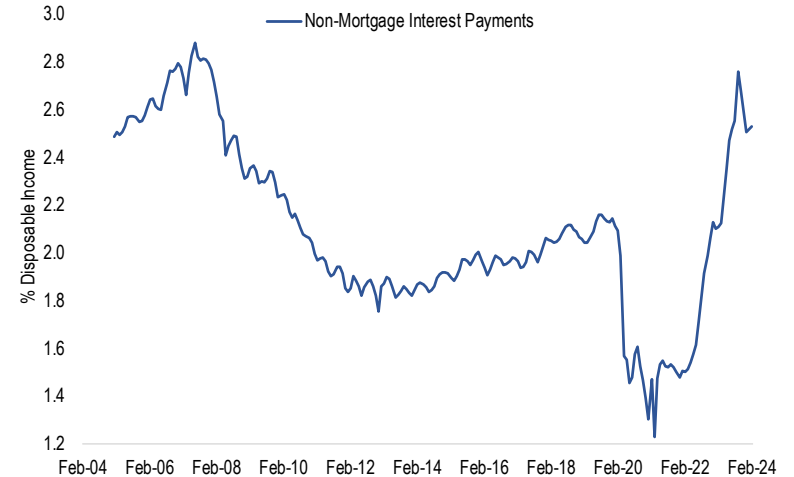
Households in Aggregate Still Have Some Capacity to Tap into Credit Relative to Pre-COVID Norm



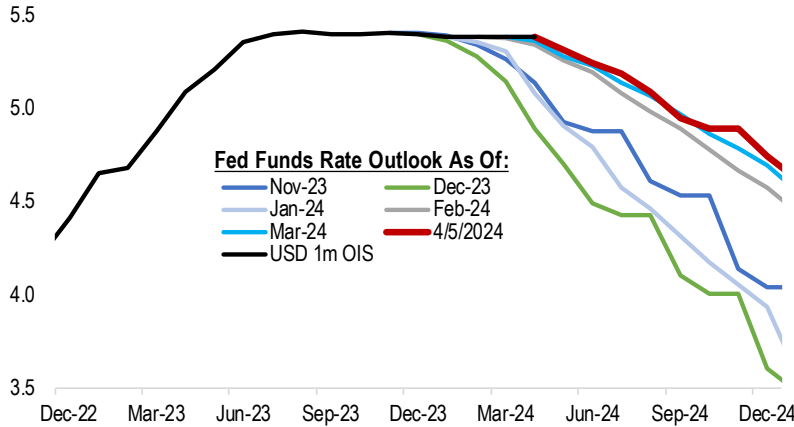
Interest Rates on Debt Show Signs of Levelling Off, But Consumers Shouldn't Expect A Material Step-Down



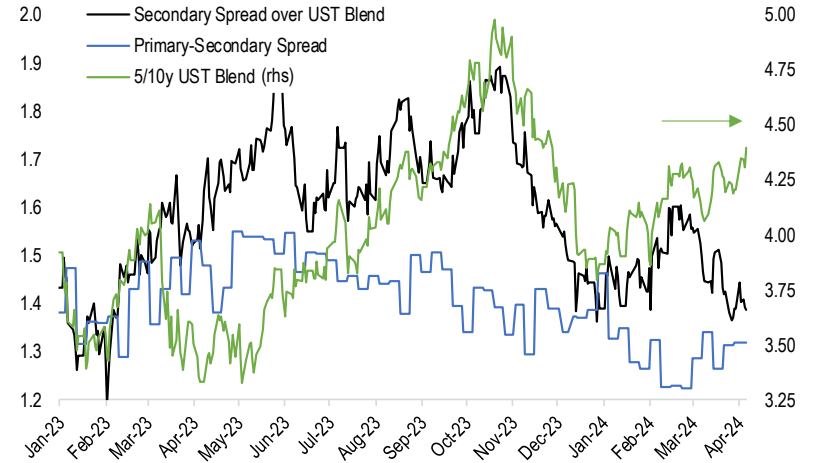
High Cost of Consumer Loans Has Driven Non-Mortgage Interest Payments Sharply Higher



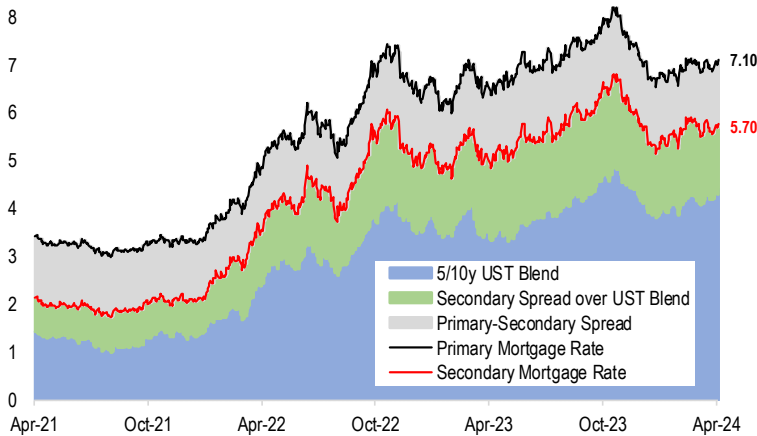
Market Odds of a June Rate Cut Down to ~50% as Fed Expected to Keep Rates Higher for Longer



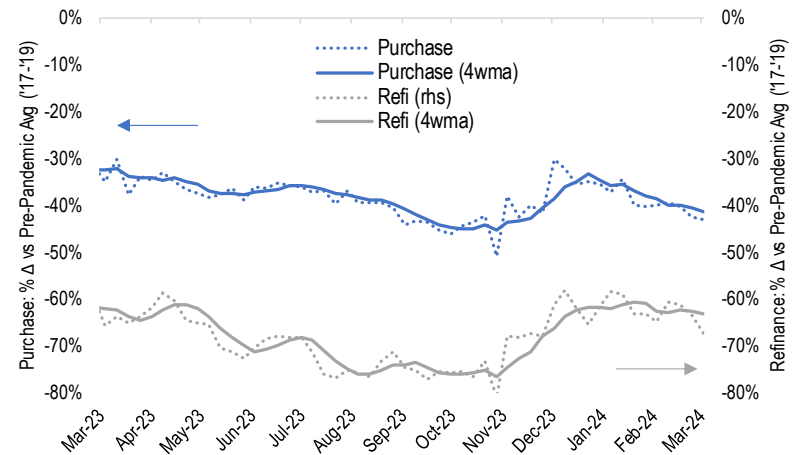
U.S. Treasury Yields Rose Sharply Last Week as Mortgage Spreads Compressed Slightly ...



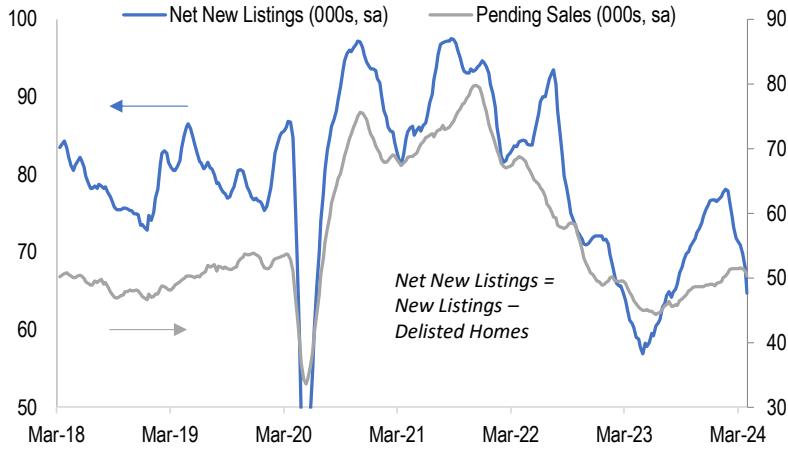
... lifting Implied Mortgage Rates Back Above 7%, Continuing Choppy Path of Last Several Months



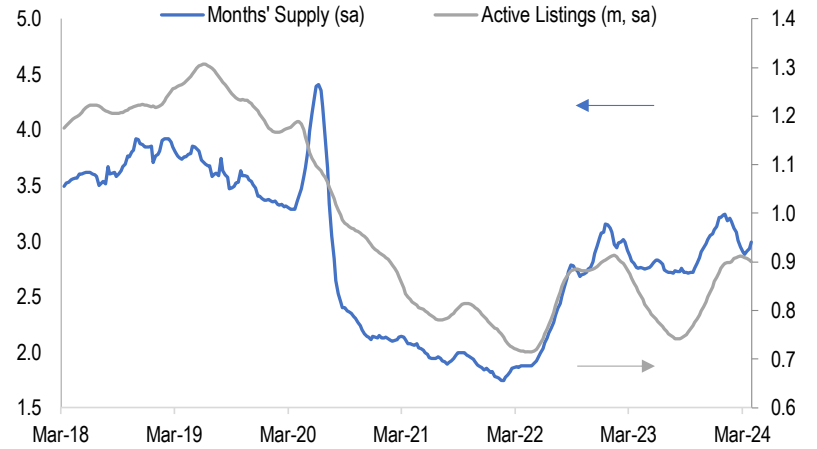
Mortgage Applications Continued to Cool as Elevated Mortgage Rates Continued to Weigh



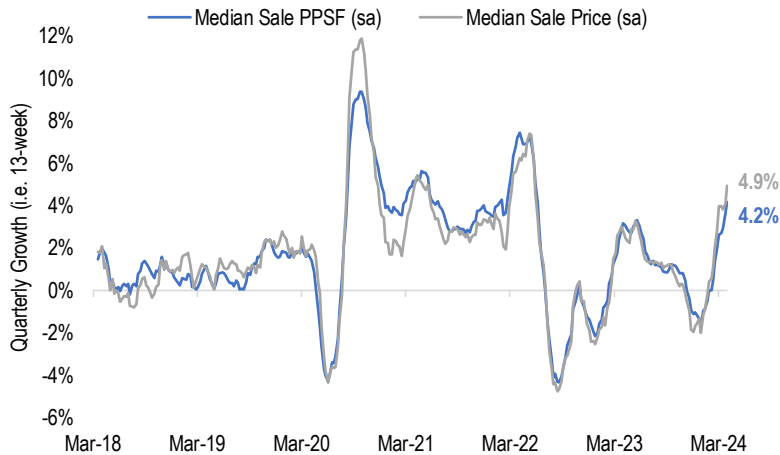
Real-Time Data on Pending Sales Show Continued Cooldown as New Supply Slowing Rapidly ...



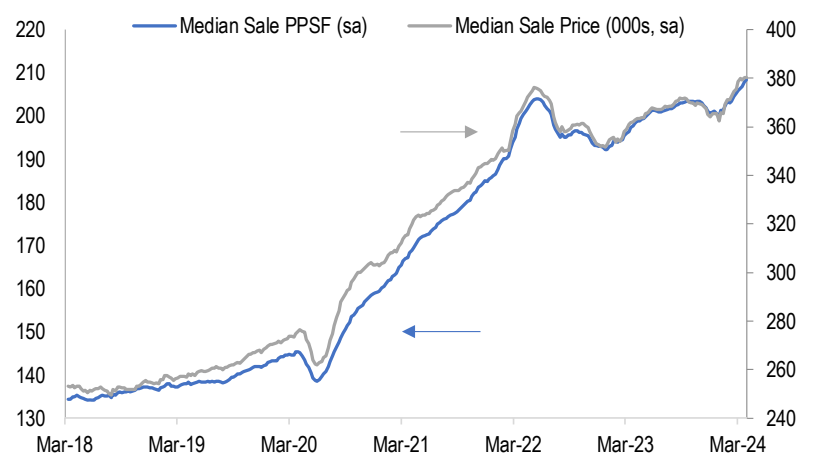
... causing Months' Supply to Inch Higher after Several Months of Tightening



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



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

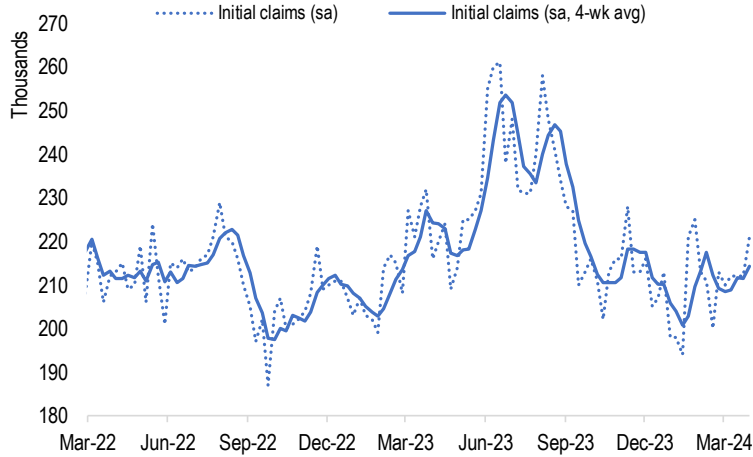


Although National Home Prices Are Up a Solid 5% over a Year Ago, Price Gains Vary Greatly Across the Country

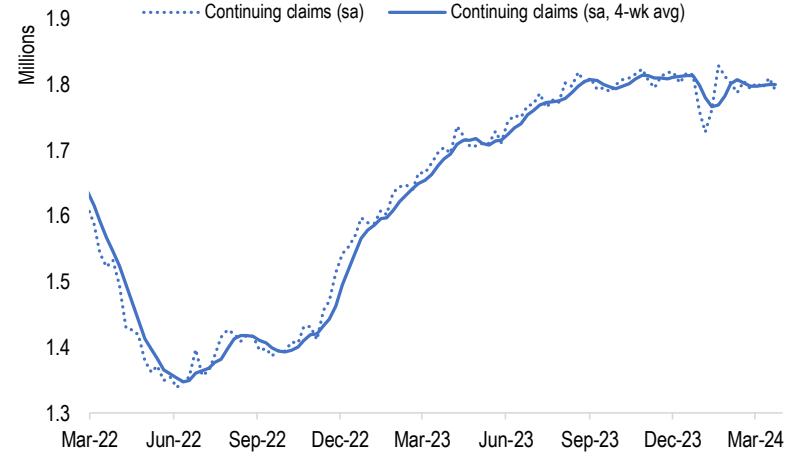
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	4.9%	-1.0%	5.6%	1.2%	28%	0.7%	99.0%	0.3%	7%	-14.1	-12.8	-20%	-29%
Atlanta	6.0%	1.1%	5.7%	1.4%	27%	0.9%	98.9%	0.3%	-18%	-2.8	0.2	-26%	-18%
Austin	-0.7%	-14.8%	6.9%	-0.6%	16%	1.1%	97.7%	0.5%	5%	31.8	41.6	57%	42%
Baltimore	5.9%	1.5%	5.6%	1.1%	45%	2.8%	101.6%	0.3%	1%	-21.4	-18.7	-38%	-43%
Boston	9.2%	0.1%	3.6%	0.4%	51%	4.8%	101.8%	1.0%	-4%	0.4	2.4	-17%	-16%
Chicago	9.6%	-1.1%	2.5%	0.4%	40%	5.2%	99.7%	0.8%	-18%	2.4	9.2	-23%	-16%
Dallas	2.6%	-3.7%	6.8%	1.3%	20%	-3.8%	98.2%	-0.2%	19%	4.9	6.3	6%	-19%
Denver	4.7%	-8.8%	7.6%	1.2%	34%	0.4%	99.8%	0.0%	15%	5.7	3.9	15%	-4%
Houston	3.3%	0.7%	7.0%	1.9%	15%	-1.9%	97.3%	-0.3%	13%	-2.5	1.7	-6%	-22%
Los Angeles	3.5%	-3.7%	3.7%	0.8%	48%	6.5%	100.9%	1.1%	-4%	-6.6	1.5	-10%	-9%
Miami	11.9%	0.4%	4.3%	1.6%	12%	-1.8%	96.1%	-0.2%	15%	-4.0	-2.2	-9%	-35%
Minneapolis	4.4%	-1.1%	5.4%	2.1%	38%	-1.1%	100.0%	-0.2%	10%	-1.1	-2.6	-16%	-17%
Nashville	4.1%	1.1%	4.7%	0.7%	16%	-1.8%	98.4%	0.0%	1%	5.9	3.8	-2%	-11%
New York	5.7%	-0.2%	3.4%	-0.1%	28%	5.7%	99.2%	0.7%	-9%	-51.3	-37.0	-21%	-23%
Phoenix	4.9%	-7.1%	7.2%	0.2%	16%	1.4%	98.4%	0.7%	5%	3.9	12.5	11%	-1%
Portland	2.3%	-4.9%	6.2%	2.0%	34%	0.2%	99.7%	-0.3%	5%	6.2	1.1	7%	0%
Riverside	6.5%	-5.0%	4.7%	0.8%	39%	5.9%	99.5%	0.8%	-4%	-15.6	-3.8	-21%	-20%
San Diego	8.8%	-4.4%	5.0%	1.3%	49%	7.7%	100.7%	0.9%	13%	-7.6	-2.0	-29%	-38%
Seattle	11.6%	-12.5%	4.6%	-0.2%	43%	9.7%	102.1%	2.0%	-6%	-4.0	0.3	-9%	-2%
Tampa	3.6%	1.9%	10.1%	2.8%	13%	-3.0%	97.4%	-0.2%	36%	-0.5	-4.1	14%	-21%
Washington DC	6.6%	-2.0%	3.7%	0.7%	47%	6.7%	101.1%	0.8%	-4%	3.3	7.8	-13%	-17%

Data as of March 31, 2024, and reflects 4-week averages.

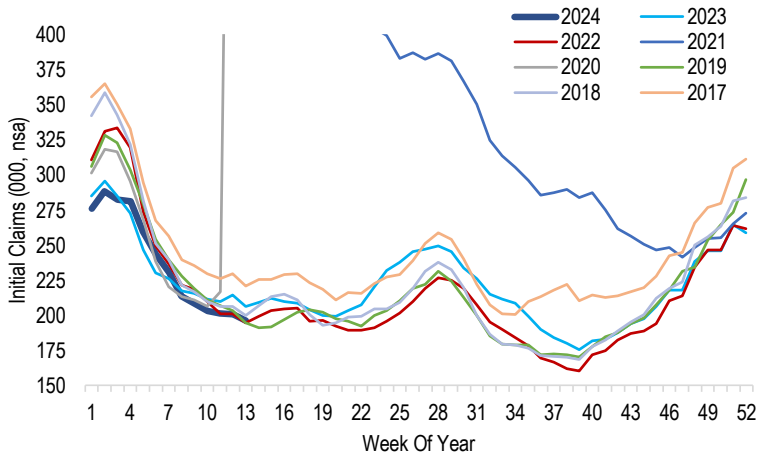
Initial Claims Still Well Below Pre-Pandemic Norm Despite Early '24 Surge in Announced Layoffs ...



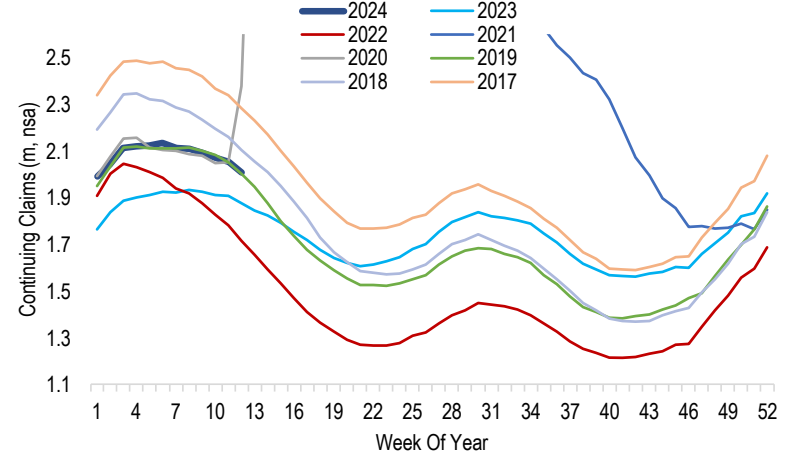
... and Steady Continuing Claims Suggest Workers Not Languishing on Sidelines



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
4/9/24	NFIB Small Business Optimism	Mar	--	89.9	--	89.4	index, sa
4/10/24	MBA Mortgage Applications	4/5/24	--	--	--	-0.6%	w/w, sa
4/10/24	CPI m/m	Mar	--	0.3%	--	0.4%	sa
4/10/24	CPI Core (ex Food and Energy) m/m	Mar	--	0.3%	--	0.4%	sa
4/10/24	CPI y/y	Mar	--	3.4%	--	3.2%	nsa
4/10/24	CPI Core (ex Food and Energy) y/y	Mar	--	3.7%	--	3.8%	nsa
4/10/24	Wholesale Trade Sales	Feb	--	0.8%	--	-1.7%	m/m, sa
4/10/24	Wholesale Inventories	Feb F	--	0.5%	--	0.5%	m/m, sa
4/10/24	FOMC Meeting Minutes	3/20/24	--	--	--	--	
4/11/24	PPI Final Demand m/m	Mar	--	0.3%	--	0.6%	sa
4/11/24	PPI Core (ex Food and Energy) m/m	Mar	--	0.2%	--	0.3%	sa
4/11/24	PPI Final Demand y/y	Mar	--	2.2%	--	1.6%	nsa
4/11/24	PPI Core (ex Food and Energy) y/y	Mar	--	2.3%	--	2.0%	nsa
4/11/24	Initial Jobless Claims	4/6/24	--	215	--	221	k, sa
4/11/24	Continuing Claims	3/30/24	--	1,800	--	1,791	k, sa
4/12/24	Import Price Index m/m	Mar	--	0.3%	--	0.3%	nsa
4/12/24	Import Price Index y/y	Mar	--	0.3%	--	-0.8%	nsa
4/12/24	U. of Mich. Sentiment	Apr P	--	79.0	--	79.4	index, nsa
4/12/24	U. of Mich. 1 Yr Inflation	Apr P	--	2.9%	--	2.9%	nsa
4/12/24	U. of Mich. 5-10 Yr Inflation	Apr P	--	2.9%	--	2.8%	nsa

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
4/1/24	S&P Global US Manufacturing PMI	Mar F	51.9	52.5	--	52.5	index, sa
4/1/24	ISM Manufacturing	Mar	50.3	48.3	--	47.8	index, sa
4/1/24	ISM Prices Paid	Mar	55.8	53.0	--	52.5	index, nsa
4/2/24	JOLTS Job Openings	Feb	8.8	8.7	8.7	8.9	m, sa
4/2/24	Durable Goods Orders	Feb F	1.3%	1.4%	--	1.4%	m/m, sa
4/2/24	Cap Goods Orders Nondef Ex Air	Feb F	0.7%	0.7%	--	0.7%	m/m, sa
4/2/24	Wards Total Vehicle Sales	Mar	15.5	15.9	--	15.8	m, saar
4/3/24	MBA Mortgage Applications	3/29/24	-0.6%	--	--	-0.7%	w/w, sa
4/3/24	ADP Employment	Mar	184	150	155	140	k, m/m, sa
4/3/24	S&P Global US Services PMI	Mar F	51.7	51.7	--	51.7	index, sa
4/3/24	S&P Global US Composite PMI	Mar F	52.1	--	--	52.2	index, sa
4/3/24	ISM Services Index	Mar	51.4	52.8	--	52.6	index, nsa
4/4/24	Initial Jobless Claims	3/30/24	221	214	212	210	k, sa
4/4/24	Continuing Claims	3/23/24	1,791	1,811	1,810	1,819	k, sa
4/5/24	Nonfarm Payrolls	Mar	303	214	270	275	k, m/m, sa
4/5/24	Private Payrolls	Mar	232	170	207	223	k, m/m, sa
4/5/24	Unemployment Rate	Mar	3.8%	3.8%	--	3.9%	sa
4/5/24	Average Hourly Earnings m/m	Mar	0.3%	0.3%	0.2%	0.1%	sa
4/5/24	Average Hourly Earnings y/y	Mar	4.1%	4.1%	--	4.3%	nsa
4/5/24	Average Weekly Hours All Employees	Mar	34.4	34.3	--	34.3	sa
4/5/24	Labor Force Participation Rate	Mar	62.7%	62.6%	--	62.5%	sa
4/5/24	Consumer Credit	Feb	14.1	15.0	17.7	19.5	\$B, 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)