

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 22, 2024

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Waiting Game

- **Key Takeaway:** Heavy data flow was overshadowed by rate volatility as more Fed communication points to a delayed start to the cutting cycle.
- **Macro Implications:** The durability of the economy will be tested as markets now see only 50/50 odds of a Fed rate cut by July (our base case).
- **Housing Implications:** Higher rates will stall the early '24 housing rebound as affordability is stretched even further.

Macro: Mixed Bag

- Home construction took a step back in March, but uptrend remains.
- 1Q real restaurant outlays fell -3.5% annualized, largest drop since '21.
- Industrial production rebounded for a second consecutive month.

Rates: Keep Calm

- Market pricing now reflects first Fed rate cut in Sept., with Dec. 50/50.
- 10-yr UST nearly touched 4.7% but ended week up 8bps to 4.6%.
- Higher rates for longer will test the durability of current business cycle.

Housing: Mortgage Rates Throttle Higher

- Mortgage rates continued to inch further above 7%.
- Purchase applications remained in downtrend; more downside ahead.
- First-time homebuyer share rose in March, reflecting prior fall in rates.

Existing Home Sales: Payback

- Sales fell -4.3% m/m in March and were down -3.7% y/y.
- Inventory up eighth straight month but still down -42% from '19.
- Market remained tight with months' supply at 3.6 (sa).

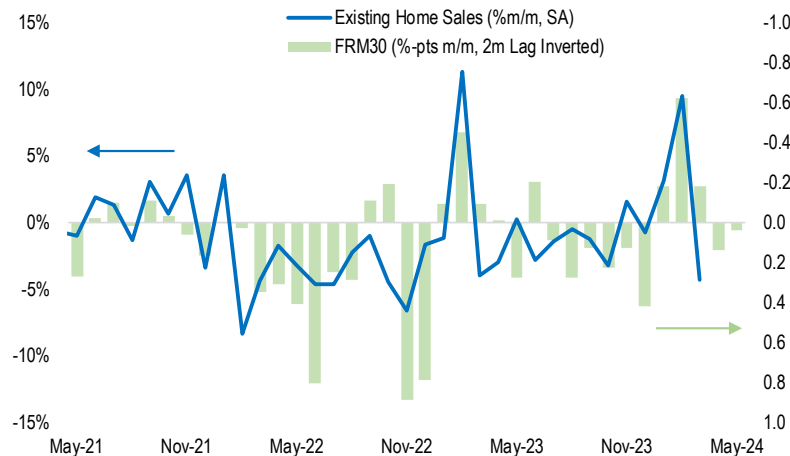
Construction: Homebuilder Optimism Hits Pause

- Single-family starts fell -12.4% m/m but were up 21% y/y in March.
- Single-family permits fell for first time in 13 months, down -5.7%.
- Multifamily starts remained weak, down -44% y/y.

Retail Sales: Mind the Breadth and Inflation

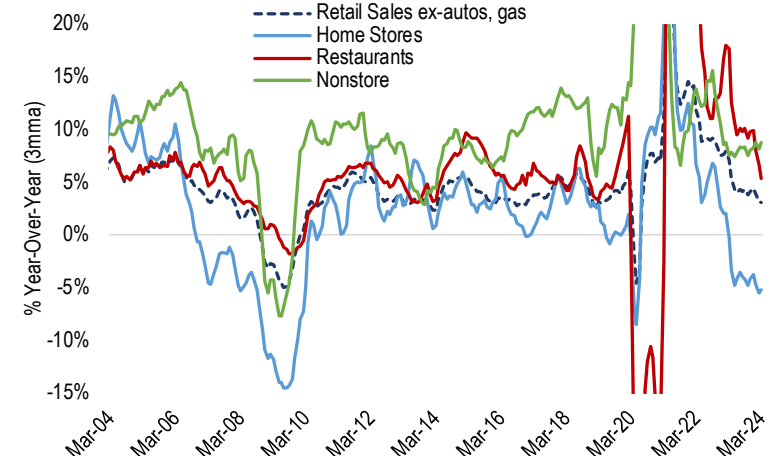
- Retail sales rose 0.7% in March on top of the sturdy 0.9% gain in Feb.
- Real spending has averaged -0.1% m/m over prior three months.
- Early Easter holiday and outsized lift in online sales padded top line.

Impetus for Existing Home Sales Is Still Skewed to the Downside



Sources: National Association of Realtors (NAR), Freddie Mac, U.S. Census Bureau, Arch Global Economics

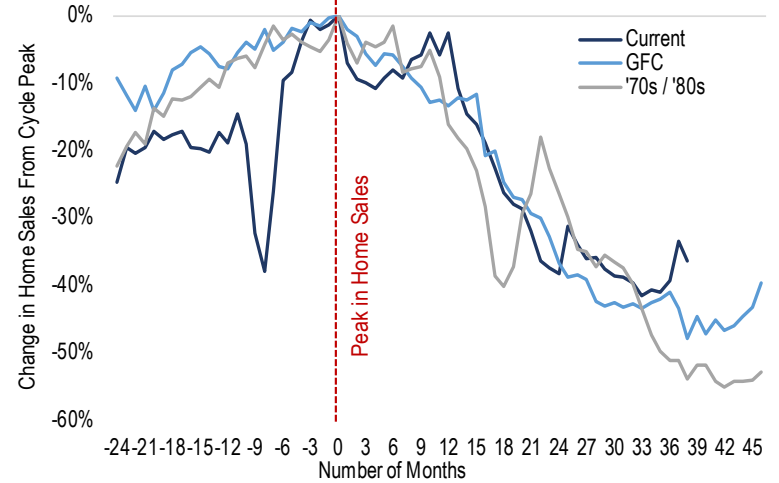
Retail Sales Growth Momentum Is Slowing for Key Categories



Existing Home Sales Fell -4.3% in March, Giving Back Some of the 9.5% Gain in February



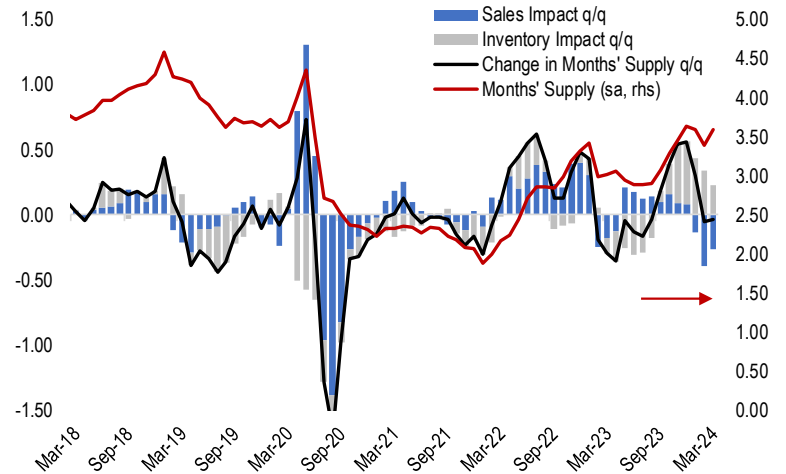
Existing Home Sales Seemingly Following the Same Path from Early Last Year, Slowing after an Initial Spike



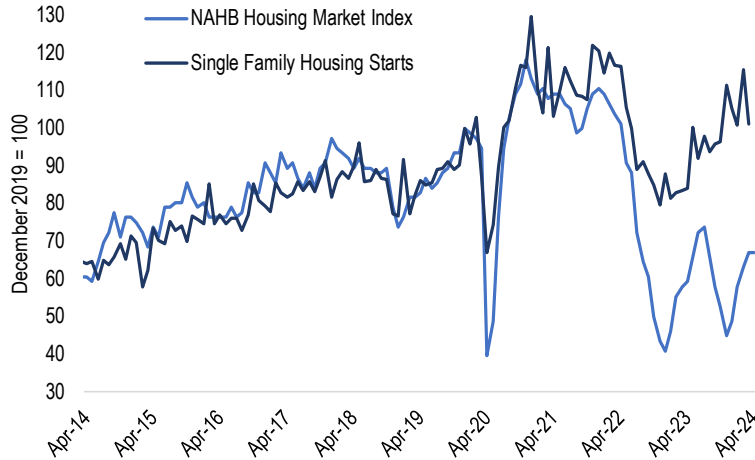
Inventory Increased 15% y/y and the Fastest Pace in a Year; However, the Market Still Remained Tight



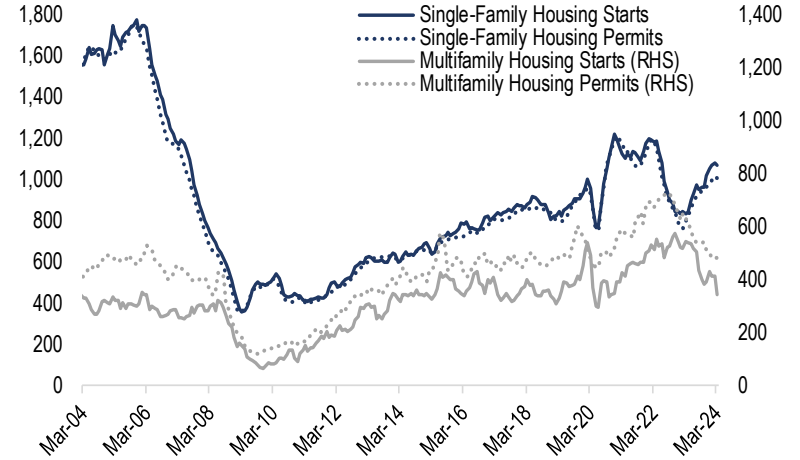
Despite Uplift in Inventory, Months' Supply Remained Below the Level that Prevailed before the Pandemic



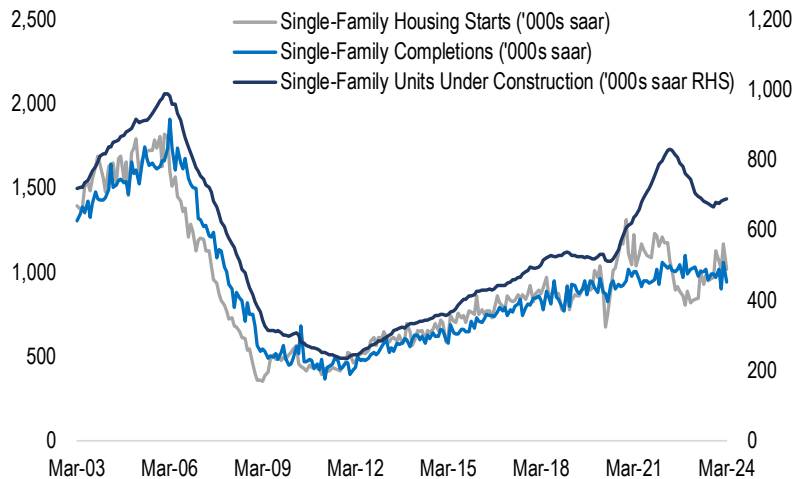
Builder Optimism Moved Sideways after Four Consecutive Months of Increases



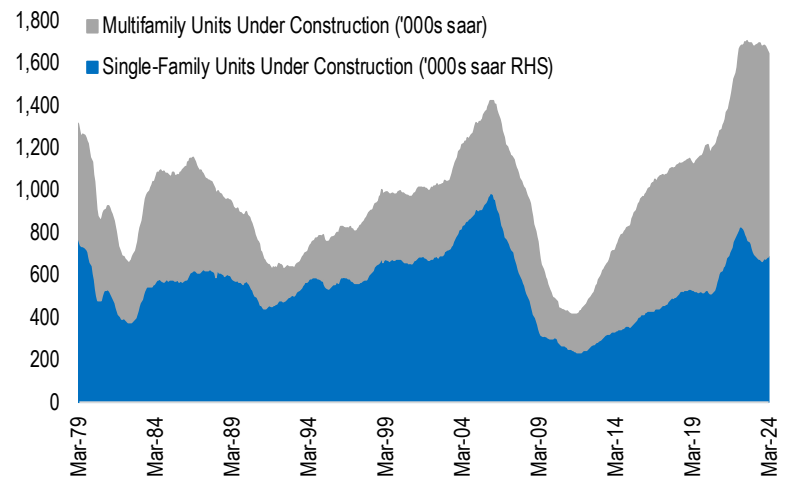
Single-Family Permitting Activity Remained Robust, While Multifamily Cooled Further to COVID-era Lows



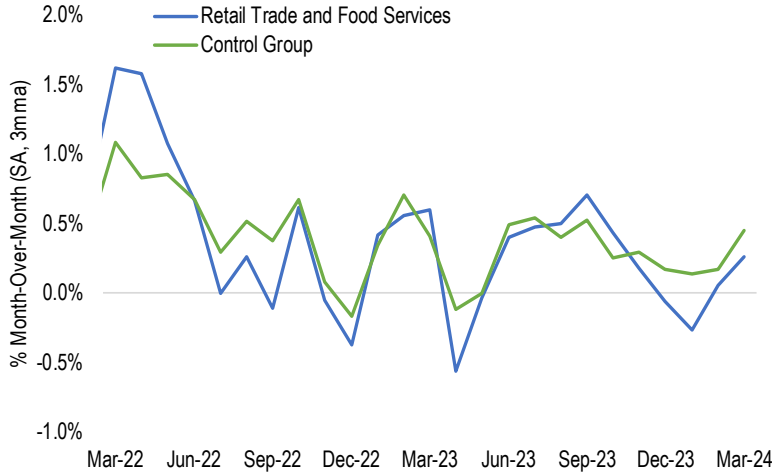
Single-Family Completions and Starts Both Softened in March but Unlikely a New Trend



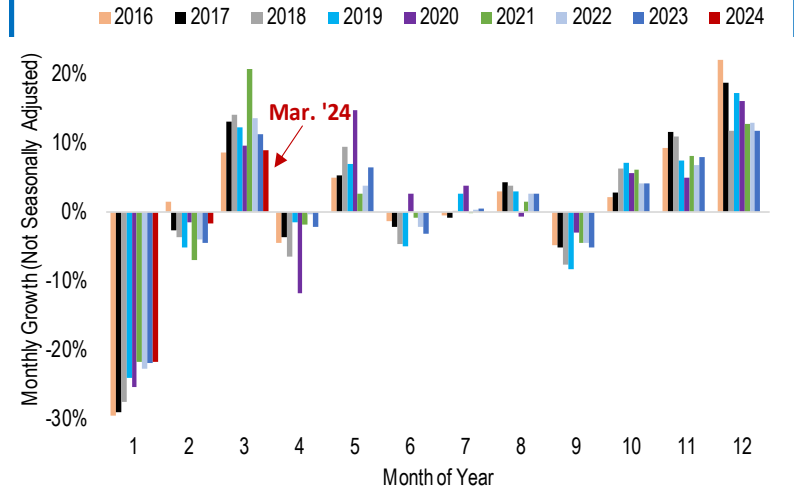
Multifamily Units Under Construction Headed Lower as Single-Family Units Have Turned the Corner



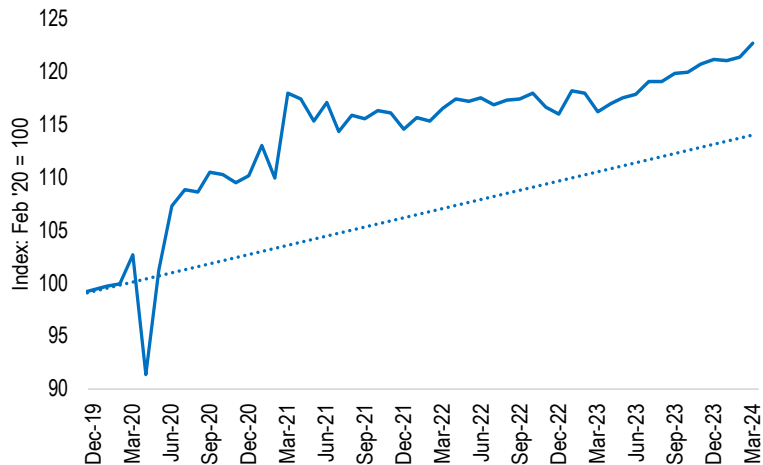
March Retail Sales Growth Surprised to the Upside with Upward Revisions to Prior Months



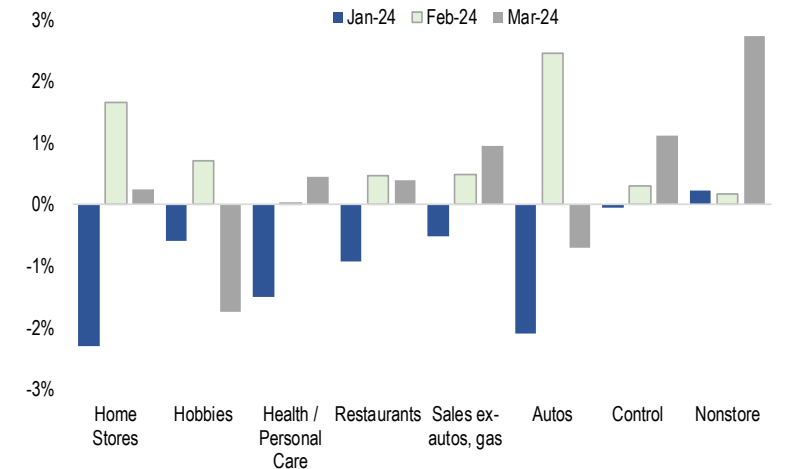
However, Control Group Growth Was Slightly Worse for March without Bump from Seasonal Adjustment



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

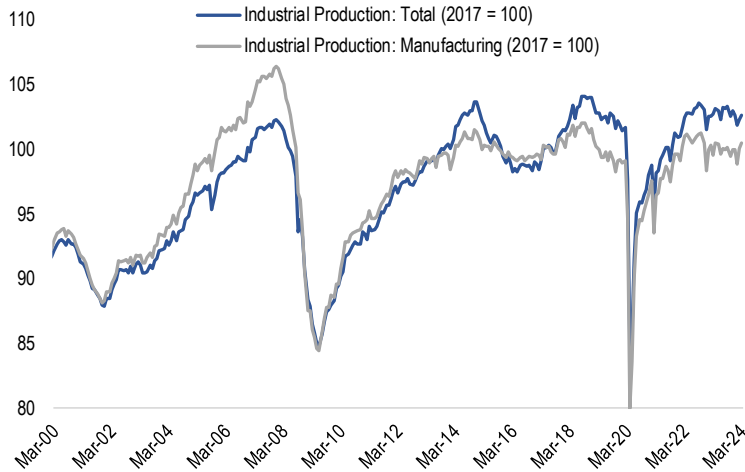


Online Sales (i.e. Nonstore) Provided Biggest Boost to March Retail Sales Growth

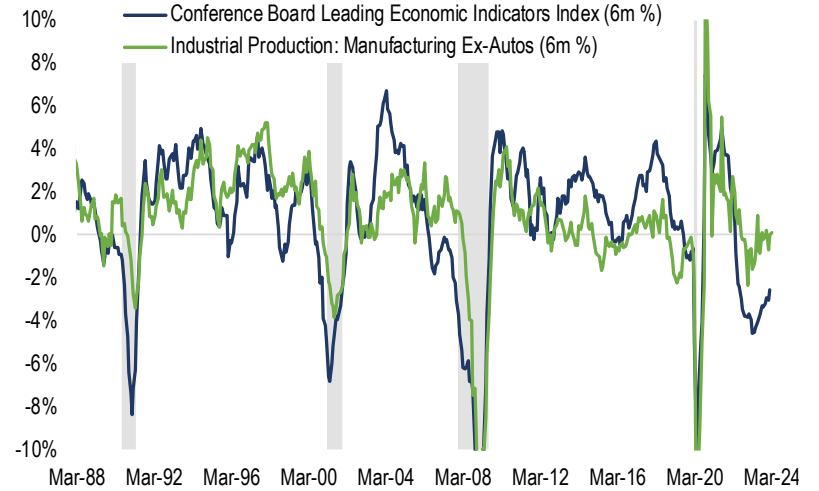


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

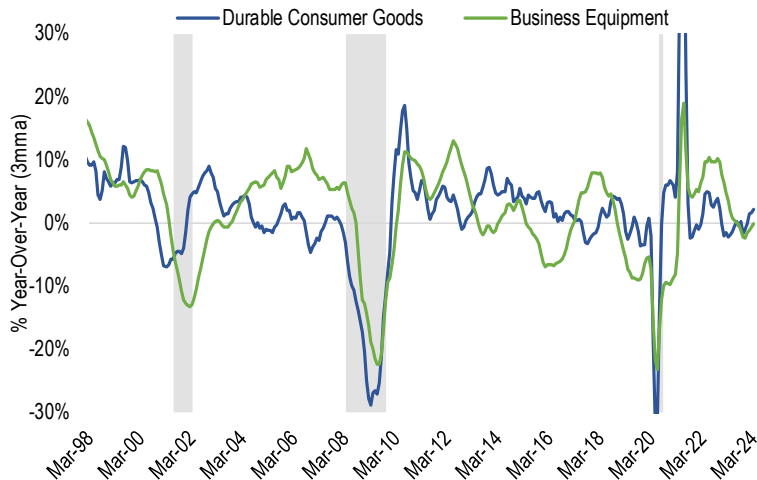
Total Industrial Production Rose for Second Consecutive Month Lifted by Boost to Factory Output



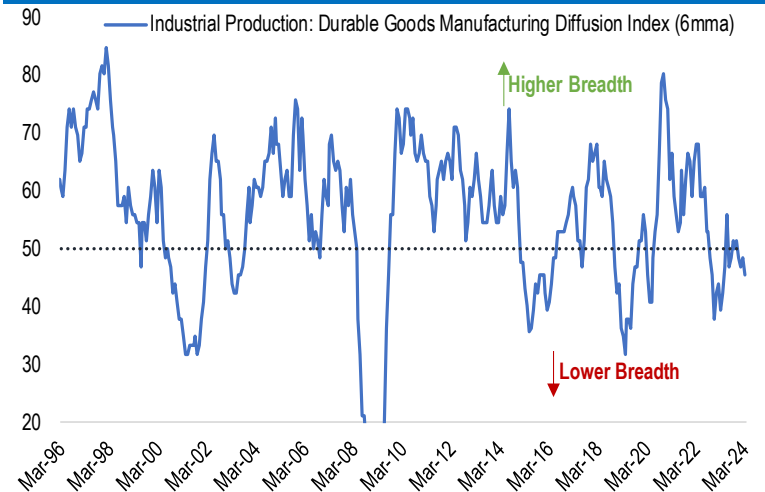
Excluding Autos, Manufacturing Output Was at Highest Level Since April 2023, Confirming Pickup in PMIs



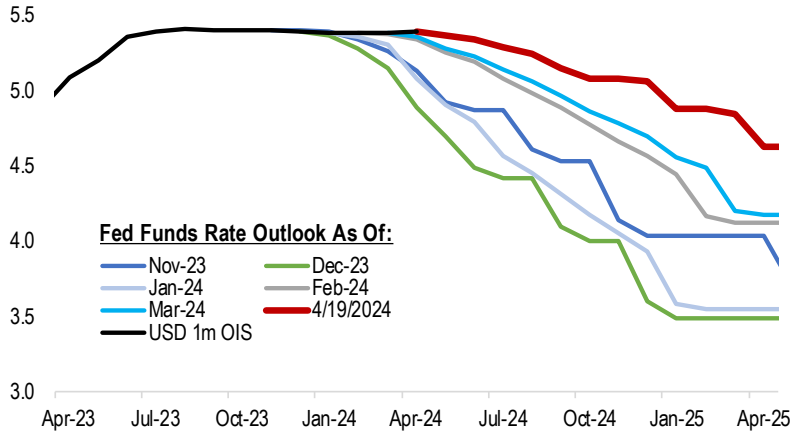
Momentum Is Picking up In Consumer Goods and Business Investment, Albeit from a Low Base



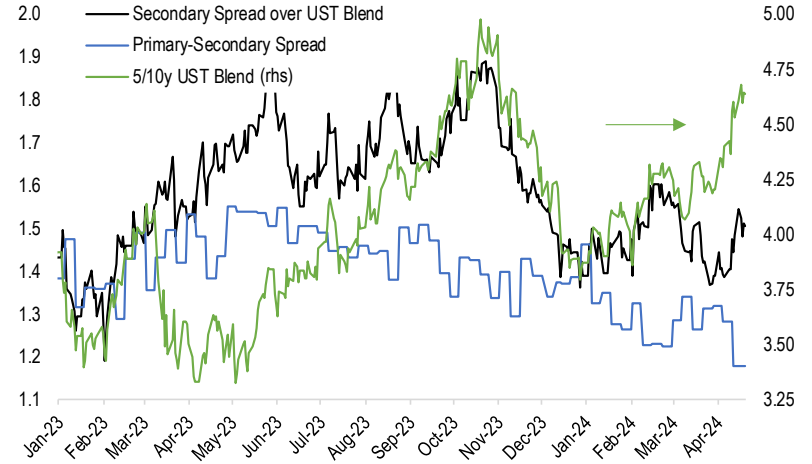
Durable Goods Sectors Not Showing Broad Strength with Autos, Wood Products and Aerospace Leading



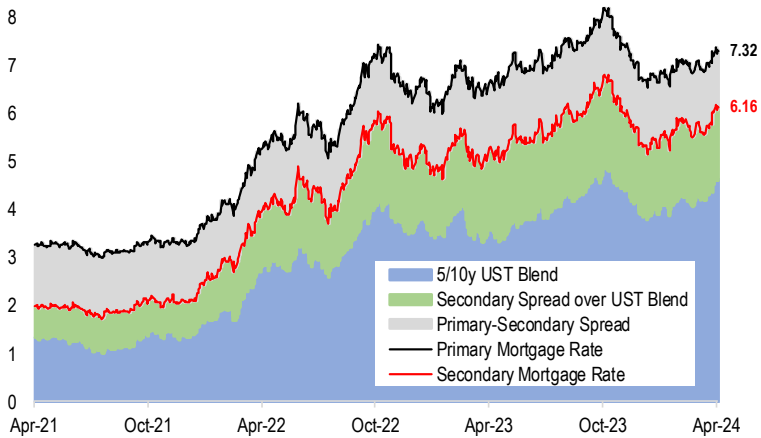
Market Odds of a July Rate Cut Down to ~50% as Fed Expected to Keep Rates Higher for Longer



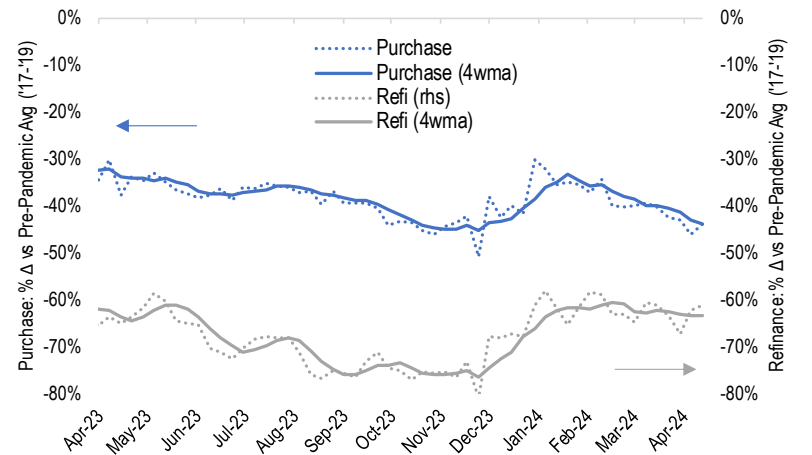
U.S. Treasury Yields Surged Again Last Week While Mortgage Spreads Moved Lower ...



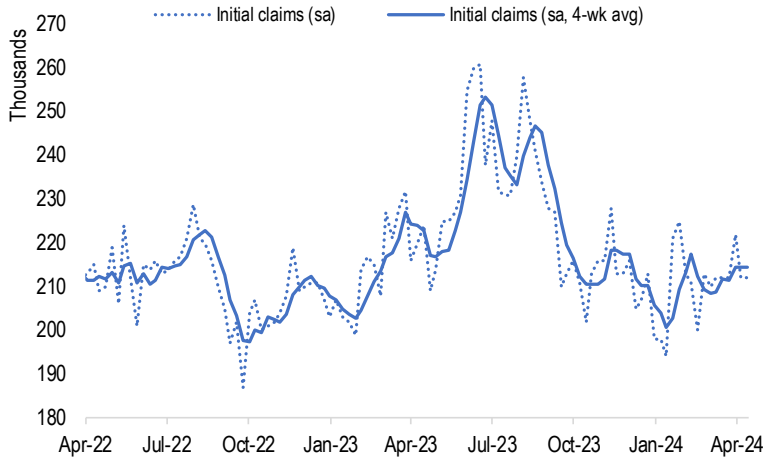
... lifting Implied Mortgage Rates Further Above 7%, Continuing a Choppy Uptrend over Last Several Months



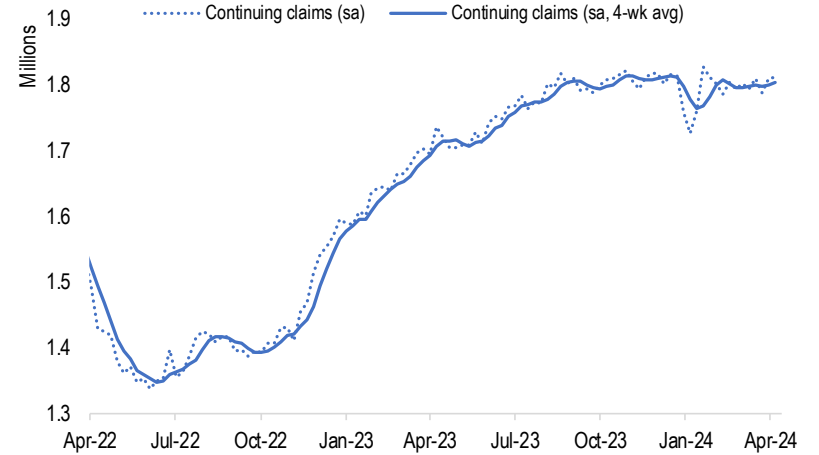
Mortgage Applications Cooled Further as Elevated Mortgage Rates Continued to Weigh



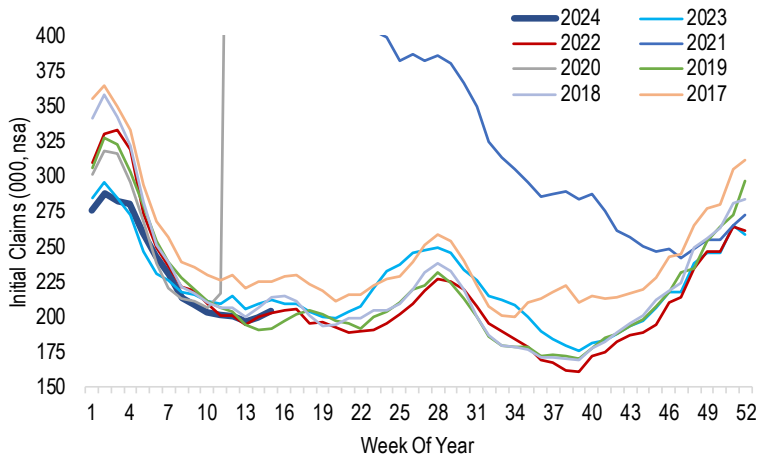
Initial Claims Appear to Have Settled into Post-Pandemic Normal Range of ~215k per week



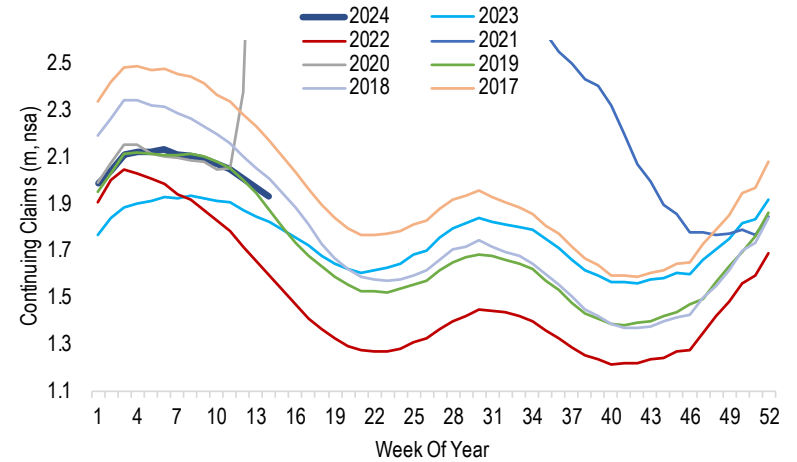
... and Steady Continuing Claims Suggest Workers Not Languishing on Sidelines



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



... but Non-Seasonally Adjusted Continuing Claims Have Started to Decline Slower than Pre-Pandemic Norm



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
4/23/24	S&P Global US Manufacturing PMI	Apr P	--	52.0	--	51.9	index, sa
4/23/24	S&P Global US Services PMI	Apr P	--	52.0	--	51.7	index, sa
4/23/24	S&P Global US Composite PMI	Apr P	--	52.0	--	52.1	index, sa
4/23/24	New Home Sales	Mar	--	670	--	662	k, saar
4/23/24	New Home Sales m/m	Mar	--	1.2%	--	-0.3%	sa
4/24/24	MBA Mortgage Applications	4/19/24	--	--	--	3.3%	w/w, sa
4/24/24	Durable Goods Orders	Mar P	--	2.5%	--	1.3%	m/m, sa
4/24/24	Cap Goods Orders Nondef Ex Air	Mar P	--	0.2%	--	0.7%	m/m, sa
4/25/24	GDP Annualized q/q	1Q A	--	2.5%	--	3.4%	saar
4/25/24	Personal Consumption q/q	1Q A	--	2.8%	--	3.3%	saar
4/25/24	Core PCE Deflator q/q	1Q A	--	3.4%	--	2.0%	saar
4/25/24	Retail Inventories m/m	Mar	--	--	--	0.5%	sa
4/25/24	Wholesale Inventories	Mar P	--	0.3%	--	0.5%	m/m, sa
4/25/24	Initial Jobless Claims	4/20/24	--	215	--	212	k, sa
4/25/24	Continuing Claims	4/13/24	--	1,810	--	1,812	k, sa
4/25/24	Pending Home Sales m/m	Mar	--	-0.3%	--	1.6%	sa
4/25/24	Pending Home Sales y/y	Mar	--	--	--	-2.2%	nsa
4/26/24	Personal Income	Mar	--	0.5%	--	0.3%	m/m, sa
4/26/24	Personal Spending	Mar	--	0.6%	--	0.8%	m/m, sa
4/26/24	Real Personal Spending	Mar	--	0.3%	--	0.4%	m/m, sa
4/26/24	PCE Inflation m/m	Mar	--	0.3%	--	0.3%	sa
4/26/24	PCE Inflation y/y	Mar	--	2.6%	--	2.5%	nsa
4/26/24	PCE Core Inflation (ex Food and Energy) m/m	Mar	--	0.3%	--	0.3%	sa
4/26/24	PCE Core Inflation (ex Food and Energy) y/y	Mar	--	2.7%	--	2.8%	nsa
4/26/24	U. of Mich. Sentiment	Apr F	--	77.9	--	77.9	index, nsa
4/26/24	U. of Mich. 1 Yr Inflation	Apr F	--	--	--	3.1%	nsa
4/26/24	U. of Mich. 5-10 Yr Inflation	Apr F	--	--	--	3.0%	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
4/15/24	Empire Manufacturing	Apr	-14.3	-5.2	--	-20.9	index, sa
4/15/24	Advance Retail Sales m/m	Mar	0.7%	0.4%	0.9%	0.6%	sa
4/15/24	Retail Sales Control Group m/m	Mar	1.1%	0.4%	0.3%	0.0%	sa
4/15/24	Business Inventories m/m	Feb	0.4%	0.4%	--	0.0%	sa
4/15/24	NAHB Housing Market Index	Apr	51	51	--	51	index, sa
4/16/24	Housing Starts	Mar	1,321	1,485	1,549	1,521	k, saar
4/16/24	Housing Starts m/m	Mar	-14.7%	-2.4%	12.7%	10.7%	sa
4/16/24	Building Permits	Mar	1,458	1,510	1,523	1,518	k, saar
4/16/24	Building Permits m/m	Mar	-4.3%	-0.9%	2.3%	1.9%	sa
4/16/24	Industrial Production	Mar	0.4%	0.4%	0.4%	0.1%	m/m, sa
4/16/24	Capacity Utilization	Mar	78.4%	78.5%	78.2%	78.3%	sa
4/17/24	MBA Mortgage Applications	4/12/24	3.3%	--	--	0.1%	w/w, sa
4/18/24	Philadelphia Fed Business Outlook	Apr	15.5	2.0	--	3.2	index, sa
4/18/24	Initial Jobless Claims	4/13/24	212	215	212	211	k, sa
4/18/24	Continuing Claims	4/6/24	1,812	1,818	1,810	1,817	k, sa
4/18/24	Conference Board Leading Index	Mar	-0.3%	-0.1%	0.2%	0.1%	m/m, sa
4/18/24	Existing Home Sales	Mar	4,190	4,200	--	4,380	k, saar
4/18/24	Existing Home Sales m/m	Mar	-4.3%	-4.1%	--	9.5%	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)