

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 29, 2024

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Of Hope and Progress

- **Key Takeaway:** Underlying trend in economic activity remains firm with inflation remaining sticky-high in the first three months of year.
- **Macro Implications:** Fed has room to be patient, but policymakers will need to strike the right balance between staying too tight and cutting in time.
- **Housing Implications:** Rate volatility has the potential to whipsaw in the coming months, keeping mortgage rates elevated and buyers on the sideline.

Macro: Solid Trend Growth

- Advance 1Q24 real GDP showed a solid underlying trend in growth.
- Housing demand remains tilted toward new home segment.
- Medium-term consumer inflation expectations ticked higher in April.

Rates: Great Gyration

- Market pricing now reflects only one 25bps rate cut this year in Sept.
- 10-yr UST crossed above 4.7% but ended week up 4bps to 4.66%.
- A path lower for rates has been pushed further out but remains intact.

Housing: Get Used to Higher Mortgage Rates

- Mortgage rates continued to inch further above 7%.
- Purchase applications remained depressed with limited upside ahead.
- Pending home sales rose 3.4% in March to highest level in a year.

New Home Sales: More Room for Upside

- New home sales rose 8.8% in March and 8.3% y/y.
- Over prior year, sales rose most for “completed” homes, up 22%.
- Healthy supply of new home inventory supporting sales activity.

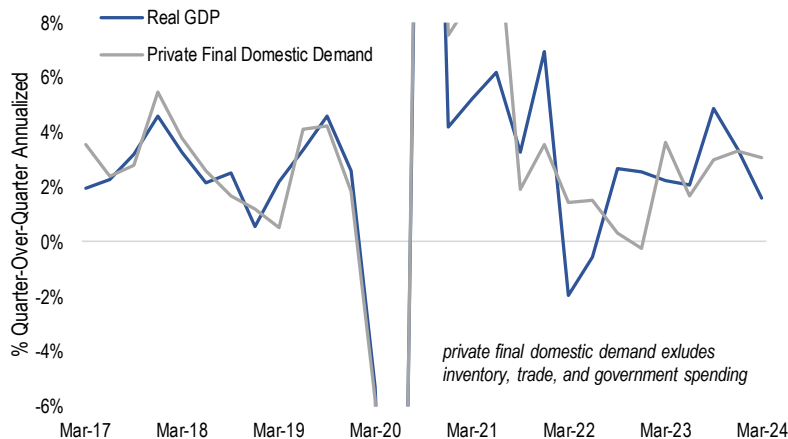
Real GDP: Details Better Than Headline

- Real GDP rose 1.6% q/q annualized (2.5% consensus) and 3.0% y/y.
- Main drag from net exports (-0.86%-pts) and inventory (-0.35%-pts).
- Private final domestic demand was up a solid 3.1% q/q annualized.

Personal Income: Goods Spending Rebounded in March

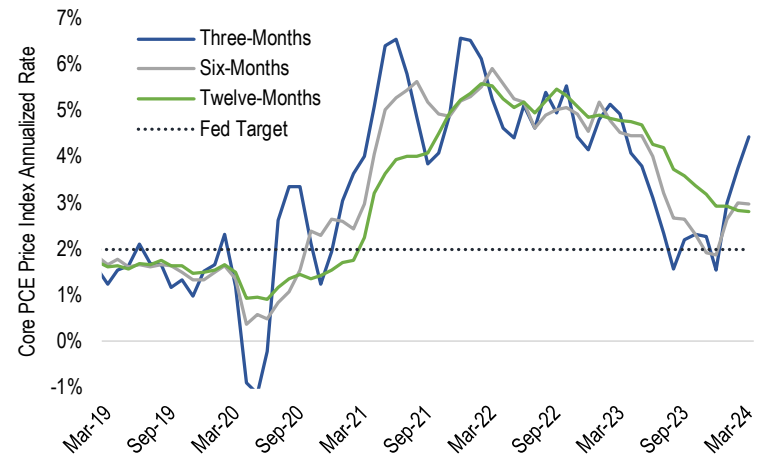
- Real disposable income rose 0.2% in March and 1.4% y/y.
- Real spending rose 0.5% on multi-year high in non-durables spend.
- 1Q24 core PCE inflation rose 4.4% annualized, from 1.6% in 4Q23.

Real Private Final Domestic Demand Remained Firm in 1Q24 Despite Slowdown in Headline Real GDP



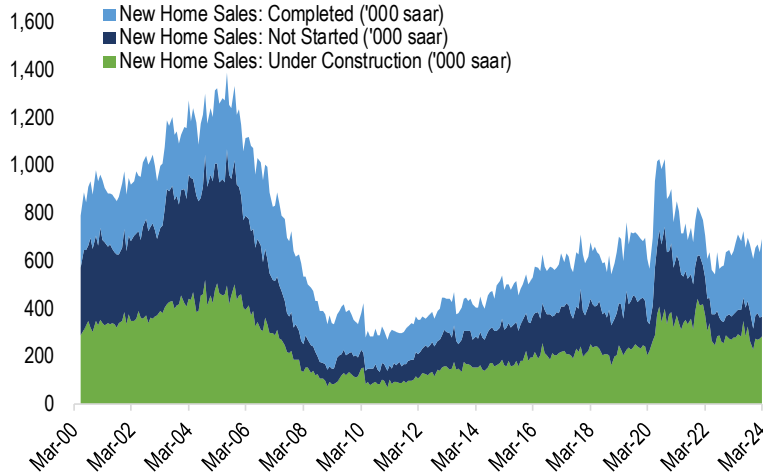
Sources: U.S. Bureau of Economic Analysis (BEA), Arch Global Economics

Fed Will Be Discouraged with 1Q24 Jump in Inflation Momentum, Delaying Start of Rate Cuts

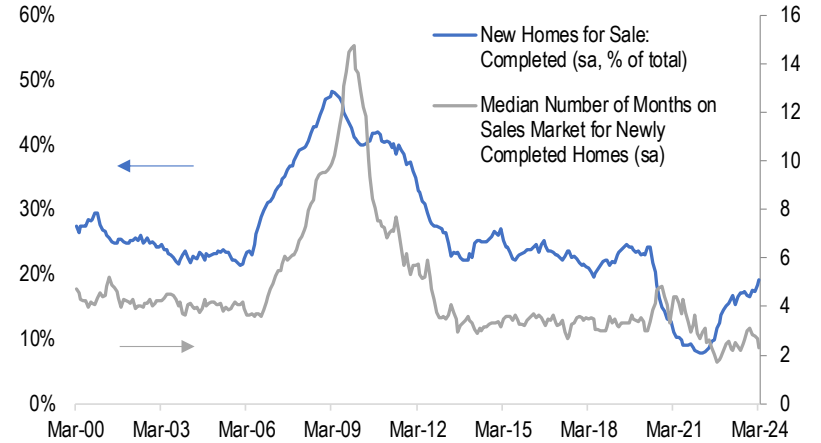


Core PCE = Personal Consumption Expenditure Price Index Excluding Food & Energy Prices

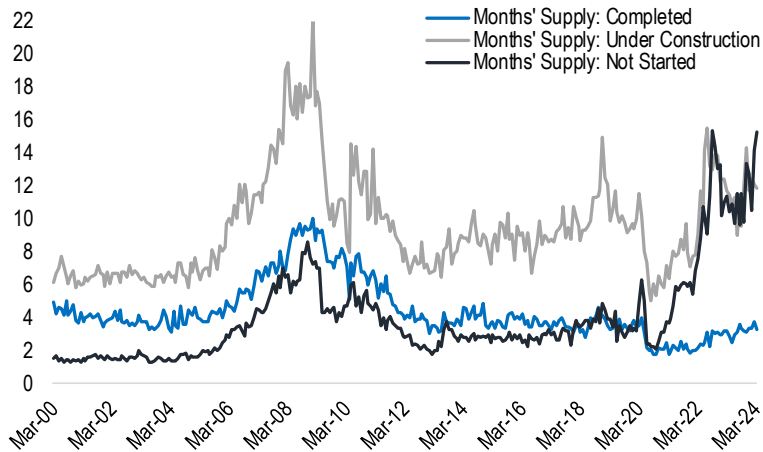
New Home Sales Surged in March Mostly Due to 17% Uptick in Sales of "Completed" Units



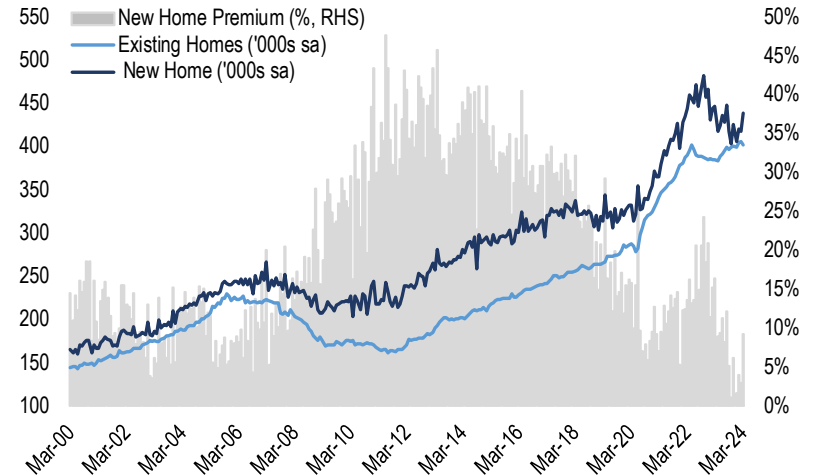
Share of Completed Homes for Sale Still Normalizing, but Demand Remained Firm



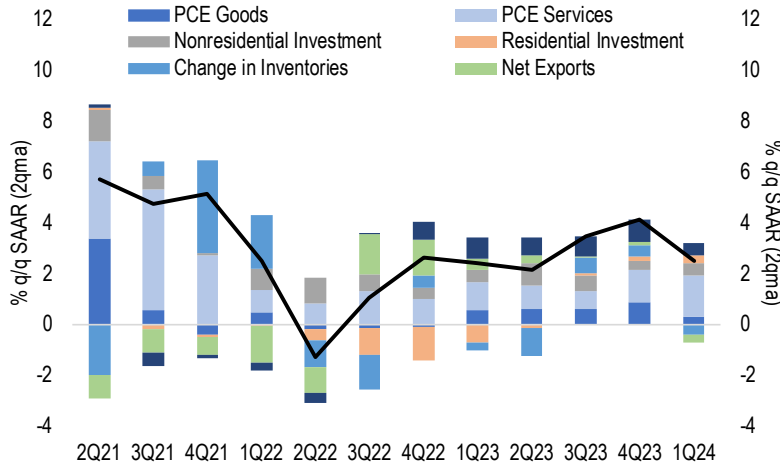
Months' Supply Remained in Check Across All Segments Except the "Not Started" Category



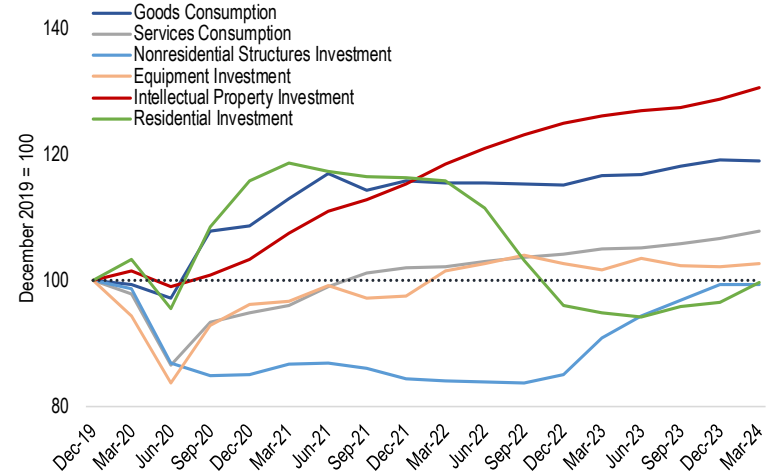
National New Home Premium Rose in March as Builders Pulled Back on Price Cuts and Larger Homes Sold



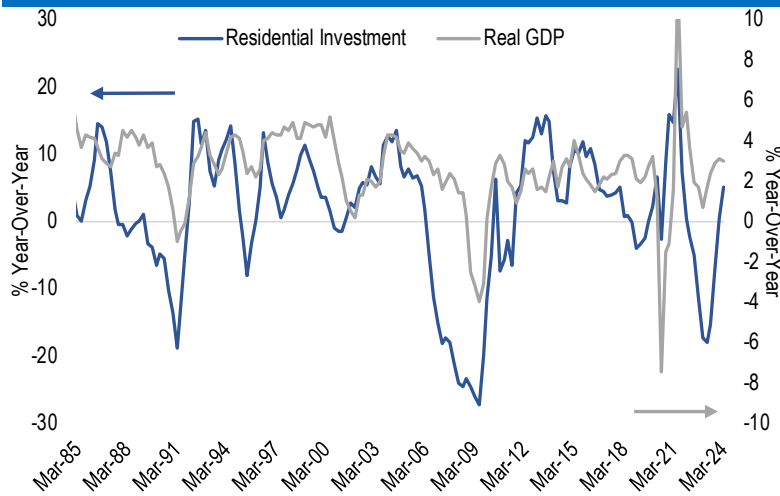
Household Outlays for Services Contributed the Most to Headline Real GDP Growth Since 3Q21



Private Investment Firmed in 1Q24 Amid Rebound in Equipment and Residential Outlays



Housing Provided a Meaningful Bump in Q1, but Will Likely Cool Going Forward Given Backup in Rates



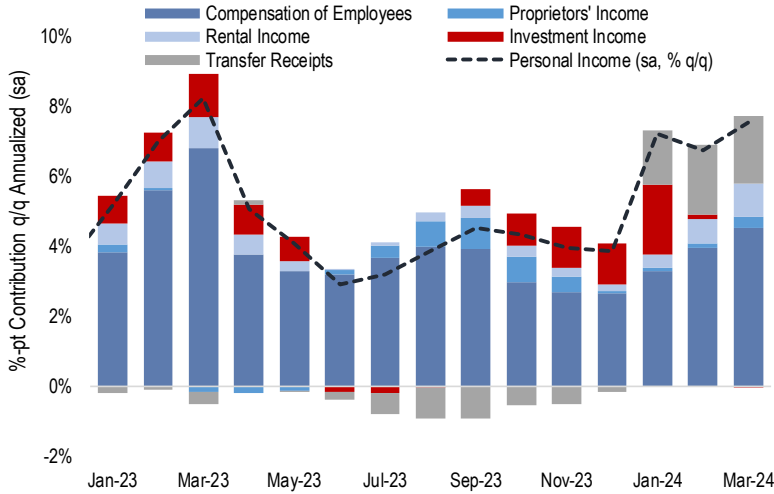
Inventory Accumulation Was Weak in Q1 Aside from Retail Due to Restocking in Auto Sector



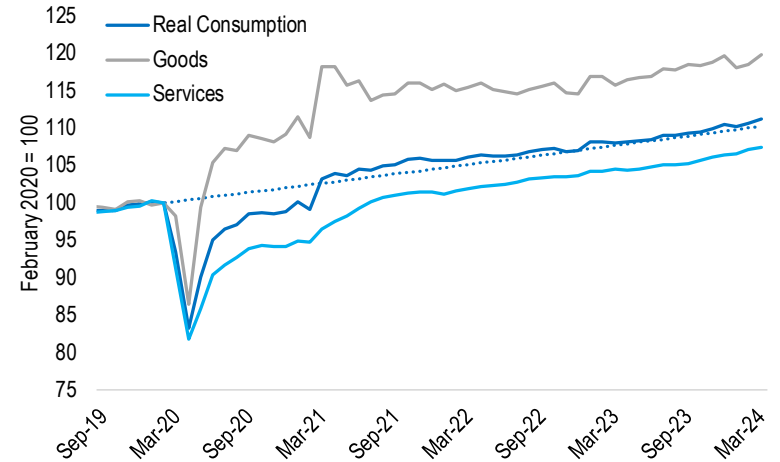
SAAR = Seasonally Adjusted Annual Rate

Sources: BEA, Arch Global Economics

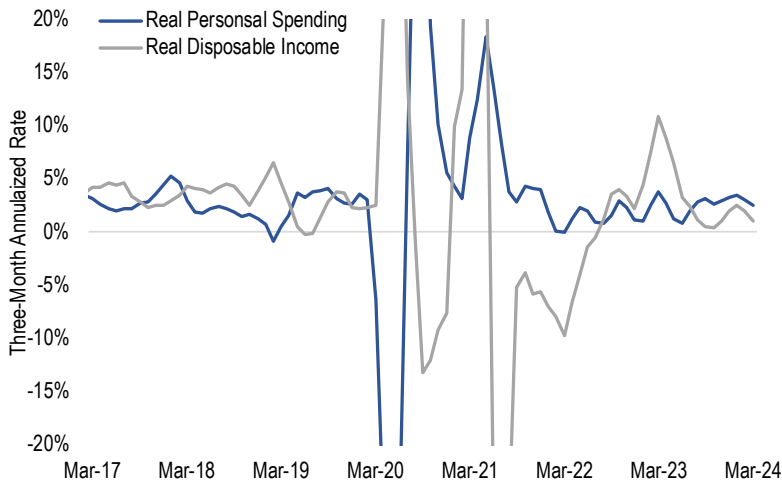
Compensation Growth Is Picking up Pace, Supporting Income and Consumption Growth



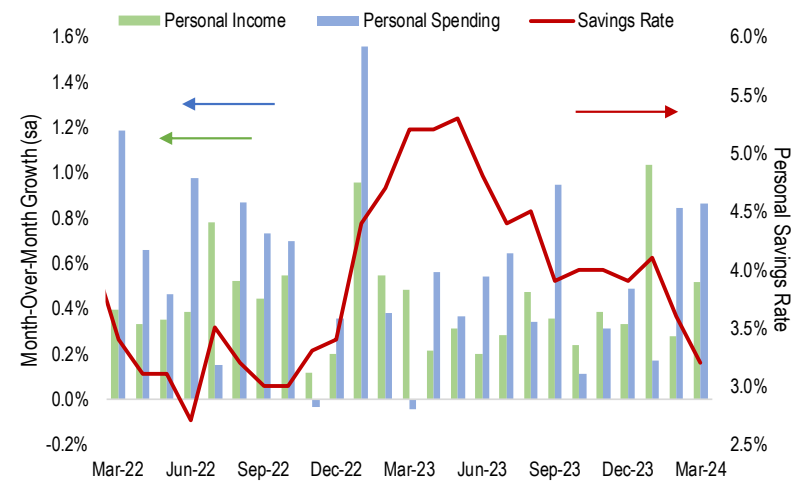
Household Spending on Goods Was Strong in March, Offsetting Weakness in Prior Two Months



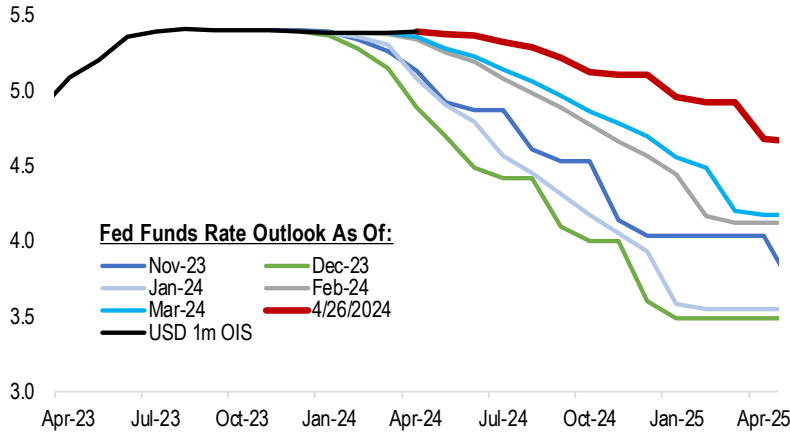
Real Disposable Income Growth Cooled Further in 1Q24 and Remained Below the Pace of Spending ...



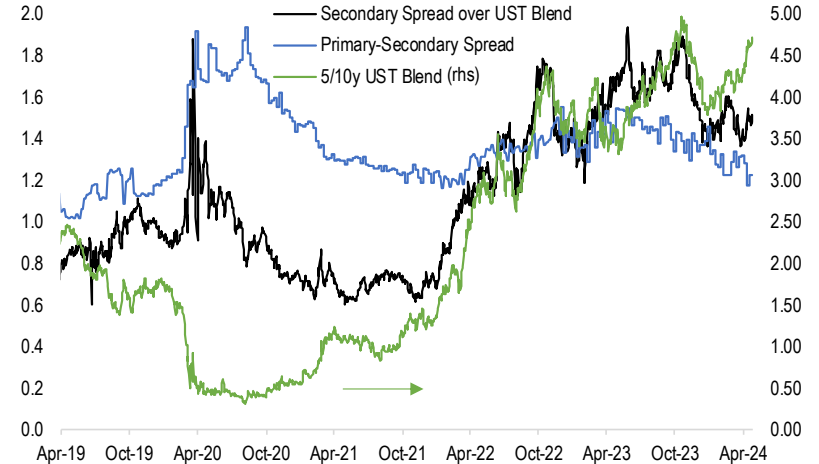
... driving the Personal Savings Rate Back Down Toward Post-Pandemic Lows



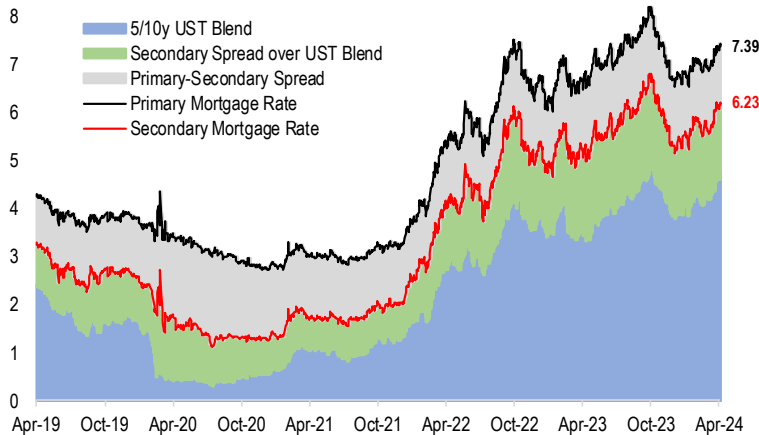
**Market Pushed Back First Fed Rate Cut to Sept.,
July Odds Down to ~30% from ~50% the Week Before**



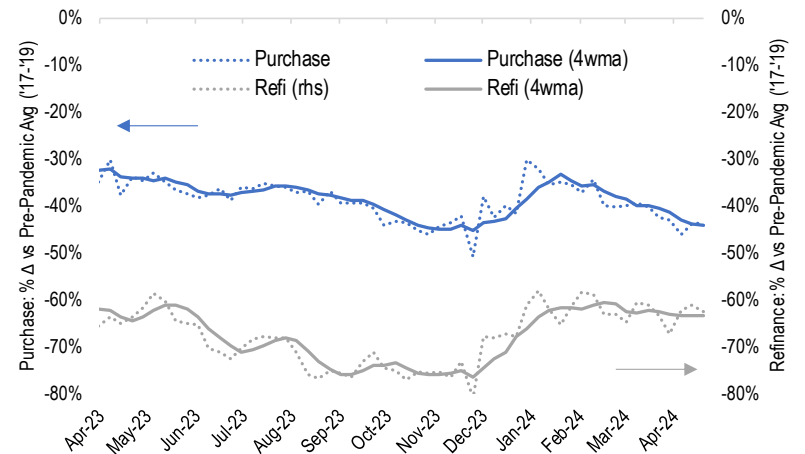
**U.S. Treasury Yields Inched Higher Last Week
While Mortgage Spreads Were Relatively Unchanged ...**



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



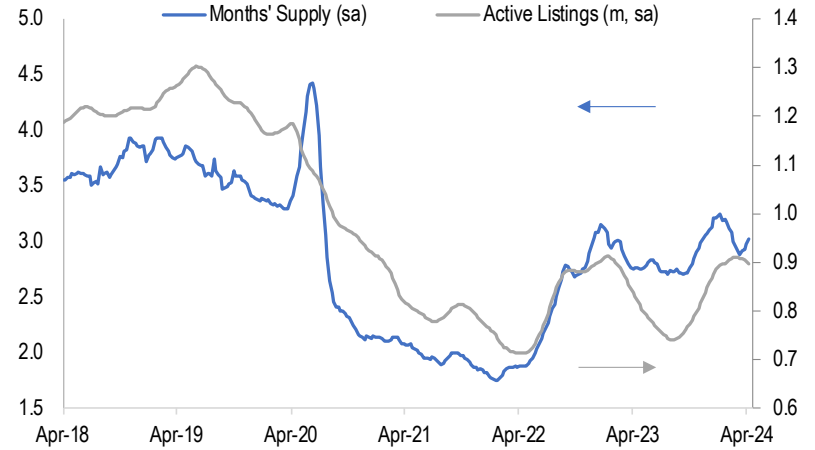
**Mortgage Applications Cooled Further
as Elevated Mortgage Rates Continued to Weigh**



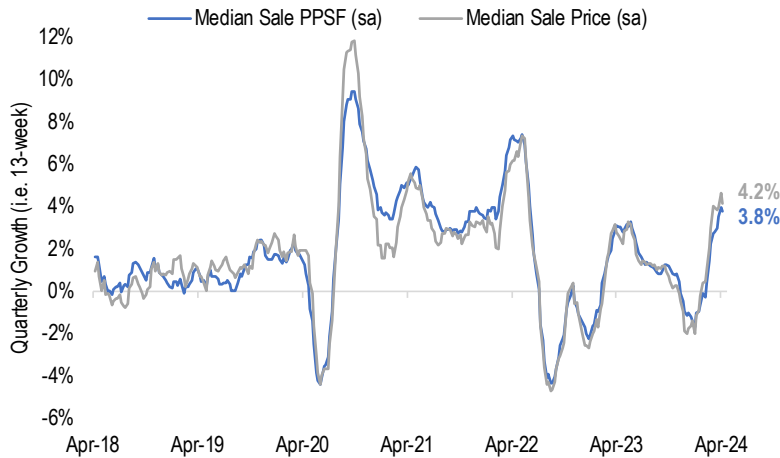
Real-Time Data on Pending Home Sales Show a Continued Cooldown as New Supply Slowing Rapidly ...



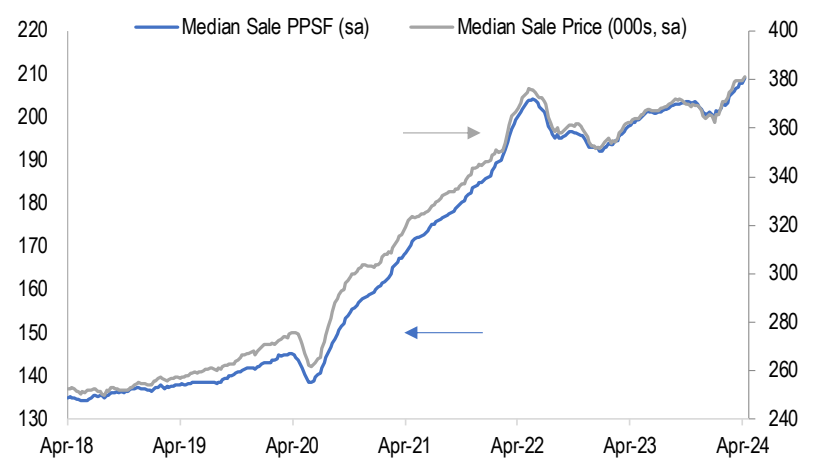
... causing Months' Supply to Inch Higher after Several Months of Tightening



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



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

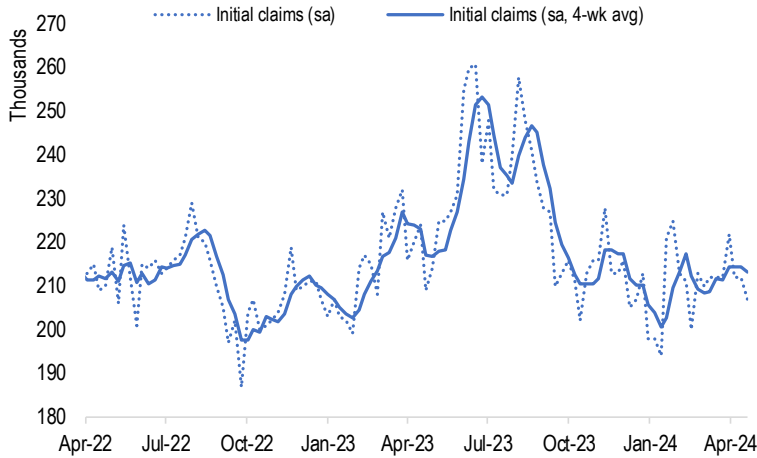


Although National Home Prices Are Up a Solid 4.9% over a Year Ago, Price Gains Vary Greatly Across the Country

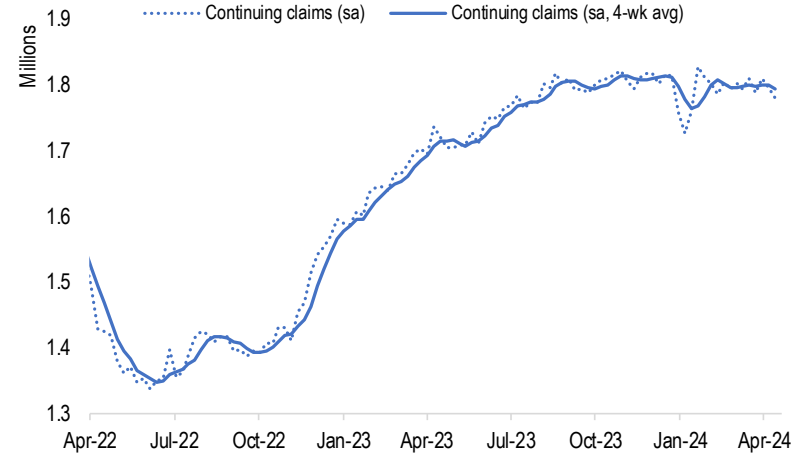
| Metro | Median Sale Price Per Square Foot (y/y) | | Active Listings with Price Drops | | Share of Homes Sold Above List | | Average Sale-to-List Ratio | | Total Active Listings (y/y) | Median Days on Market vs Pre-COVID | | Months' Supply vs Pre-COVID | |
|-------------------|---|----------|----------------------------------|--------------|--------------------------------|--------------|----------------------------|--------------|-----------------------------|------------------------------------|----------|-----------------------------|----------|
| | 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% | -1.7% | 6.0% | 1.7% | 30% | -0.1% | 99.2% | 0.2% | 10% | -12.4 | -12.2 | -19% | -29% |
| Atlanta | 6.3% | 0.1% | 6.4% | 2.5% | 29% | -1.3% | 98.9% | 0.0% | -11% | -1.8 | -1.0 | -23% | -22% |
| Austin | -0.3% | -17.1% | 7.6% | 0.4% | 17% | -0.9% | 97.9% | 0.2% | 6% | 29.1 | 33.0 | 64% | 47% |
| Baltimore | 6.3% | 0.3% | 5.6% | 1.3% | 48% | 2.9% | 101.6% | 0.0% | 3% | -12.1 | -11.3 | -40% | -46% |
| Boston | 6.7% | 1.2% | 3.7% | 0.3% | 58% | 6.0% | 102.6% | 0.8% | -2% | 4.0 | 5.0 | -21% | -20% |
| Chicago | 8.8% | -1.3% | 2.6% | 0.6% | 44% | 5.1% | 100.3% | 0.9% | -17% | 12.6 | 18.1 | -23% | -14% |
| Dallas | 1.6% | -4.4% | 7.7% | 2.0% | 22% | -5.7% | 98.4% | -0.4% | 25% | 3.8 | 1.0 | 2% | -21% |
| Denver | 2.3% | -7.4% | 9.3% | 2.5% | 34% | -2.9% | 99.8% | -0.3% | 25% | 3.6 | 2.6 | 27% | -10% |
| Houston | 2.3% | 0.5% | 7.6% | 2.6% | 16% | -3.7% | 97.5% | -0.6% | 17% | 0.1 | -0.7 | -8% | -25% |
| Los Angeles | 6.2% | -6.3% | 3.6% | 1.0% | 50% | 4.9% | 101.3% | 1.0% | 2% | -5.4 | -0.7 | -11% | -9% |
| Miami | 8.7% | 4.1% | 4.2% | 1.7% | 12% | -2.9% | 96.2% | -0.3% | 16% | -1.0 | -4.5 | -13% | -35% |
| Minneapolis | 1.8% | -0.2% | 5.5% | 2.2% | 44% | 1.2% | 100.6% | -0.1% | 11% | -2.8 | -2.5 | -16% | -21% |
| Nashville | 3.8% | -0.7% | 5.1% | 1.2% | 18% | -1.3% | 98.5% | 0.2% | 5% | -1.3 | 2.9 | -2% | -7% |
| New York | 6.2% | -2.1% | 3.6% | 0.2% | 30% | 6.2% | 99.8% | 1.0% | -7% | -48.2 | -27.7 | -22% | -26% |
| Phoenix | 5.5% | -8.4% | 7.6% | 1.3% | 17% | 1.3% | 98.4% | 0.4% | 11% | 3.7 | 8.7 | 16% | 0% |
| Portland | 2.6% | -5.0% | 7.0% | 2.6% | 37% | -2.4% | 100.2% | -0.3% | 13% | 3.5 | 0.9 | 8% | -4% |
| Riverside | 6.4% | -5.2% | 5.0% | 1.4% | 40% | 6.1% | 99.5% | 0.6% | 3% | -14.2 | -7.3 | -17% | -20% |
| San Diego | 9.7% | -5.7% | 4.8% | 1.9% | 50% | 3.5% | 100.9% | 0.7% | 22% | -4.8 | -3.5 | -24% | -38% |
| Seattle | 10.5% | -11.4% | 4.8% | 0.5% | 48% | 9.8% | 102.7% | 2.0% | -1% | -1.8 | -1.3 | -7% | -1% |
| Tampa | 3.4% | -1.1% | 10.0% | 2.5% | 12% | -4.4% | 97.3% | -0.3% | 44% | -1.0 | -4.7 | 17% | -25% |
| Washington DC | 7.1% | -2.3% | 4.4% | 1.3% | 52% | 6.2% | 101.4% | 0.7% | -1% | 6.0 | 9.8 | -18% | -21% |

Data as of April 21, 2024, and reflects 4-week averages.

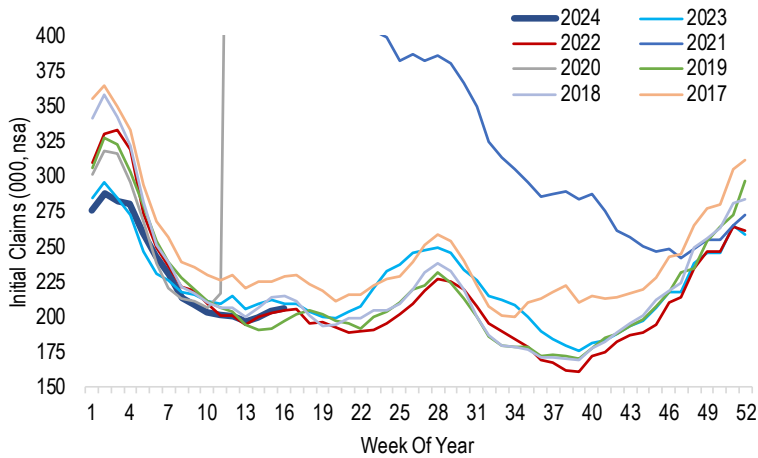
Initial Claims Appear to Have Settled into Post-Pandemic Normal Range of ~215k Per Week



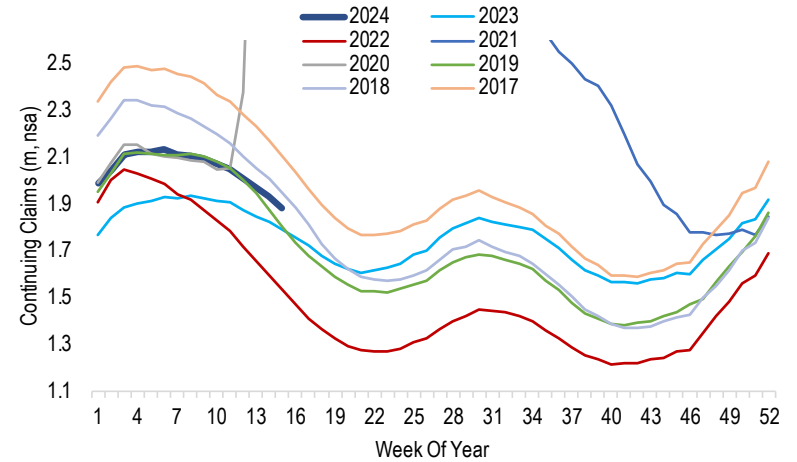
... and Steady Continuing Claims Suggest Workers Not Languishing on Sidelines



Non-Seasonally Adjusted Initial Claims Confirm Filings Remain in Line with Normal Trend ...



... 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 |
|---------|------------------------------------|---------|--------|-----------|---------|-------|------------|
| 4/30/24 | Employment Cost Index | 1Q | -- | 1.0% | -- | 0.9% | q/q, sa |
| 4/30/24 | FHFA House Price Index | Feb | -- | 0.1% | -- | -0.1% | m/m, sa |
| 4/30/24 | S&P CoreLogic CS 20-City m/m SA | Feb | -- | 0.1% | -- | 0.1% | sa |
| 4/30/24 | S&P CoreLogic CS 20-City y/y NSA | Feb | -- | 6.7% | -- | 6.6% | nsa |
| 4/30/24 | Conf. Board Consumer Confidence | Apr | -- | 104.0 | -- | 104.7 | index, sa |
| 5/1/24 | MBA Mortgage Applications | 4/26/24 | -- | -- | -- | -2.7% | w/w, sa |
| 5/1/24 | ADP Employment | Apr | -- | 180 | -- | 184 | k, m/m, sa |
| 5/1/24 | S&P Global US Manufacturing PMI | Apr F | -- | 49.9 | -- | 49.9 | index, sa |
| 5/1/24 | JOLTS Job Openings | Mar | -- | 8.68 | -- | 8.76 | m, sa |
| 5/1/24 | ISM Manufacturing | Apr | -- | 50.1 | -- | 50.3 | index, sa |
| 5/1/24 | ISM Prices Paid | Apr | -- | 55.2 | -- | 55.8 | index, nsa |
| 5/1/24 | FOMC Rate Decision (Upper Bound) | 5/1/24 | -- | 5.50% | -- | 5.50% | |
| 5/1/24 | Wards Total Vehicle Sales | Apr | -- | 15.7 | -- | 15.5 | m, saar |
| 5/2/24 | Nonfarm Productivity | 1Q P | -- | 0.8% | -- | 3.2% | q/q, saar |
| 5/2/24 | Unit Labor Costs | 1Q P | -- | 3.3% | -- | 0.4% | q/q, saar |
| 5/2/24 | Initial Jobless Claims | 4/27/24 | -- | 210 | -- | 207 | k, sa |
| 5/2/24 | Continuing Claims | 4/20/24 | -- | 1,798 | -- | 1,781 | k, sa |
| 5/2/24 | Durable Goods Orders | Mar F | -- | 2.6% | -- | 2.6% | m/m, sa |
| 5/2/24 | Cap Goods Orders Nondef Ex Air | Mar F | -- | -- | -- | 0.2% | m/m, sa |
| 5/3/24 | Nonfarm Payrolls | Apr | -- | 250 | -- | 303 | k, m/m, sa |
| 5/3/24 | Private Payrolls | Apr | -- | 198 | -- | 232 | k, m/m, sa |
| 5/3/24 | Unemployment Rate | Apr | -- | 3.8% | -- | 3.8% | sa |
| 5/3/24 | Average Hourly Earnings m/m | Apr | -- | 0.3% | -- | 0.3% | sa |
| 5/3/24 | Average Hourly Earnings y/y | Apr | -- | 4.0% | -- | 4.1% | nsa |
| 5/3/24 | Average Weekly Hours All Employees | Apr | -- | 34.4 | -- | 34.4 | sa |
| 5/3/24 | Labor Force Participation Rate | Apr | -- | 62.7% | -- | 62.7% | sa |
| 5/3/24 | S&P Global US Services PMI | Apr F | -- | 50.9 | -- | 50.9 | index, sa |
| 5/3/24 | S&P Global US Composite PMI | Apr F | -- | -- | -- | 50.9 | index, sa |
| 5/3/24 | ISM Services Index | Apr | -- | 52.0 | -- | 51.4 | index, 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 |
|---------|---|---------|--------------|-----------|---------|-------|------------|
| 4/23/24 | S&P Global US Manufacturing PMI | Apr P | 49.9 | 52.0 | -- | 51.9 | index, sa |
| 4/23/24 | S&P Global US Services PMI | Apr P | 50.9 | 52.0 | -- | 51.7 | index, sa |
| 4/23/24 | S&P Global US Composite PMI | Apr P | 50.9 | 52.0 | -- | 52.1 | index, sa |
| 4/23/24 | New Home Sales | Mar | 693 | 668 | 637 | 662 | k, saar |
| 4/23/24 | New Home Sales m/m | Mar | 8.8% | 0.9% | -5.1% | -0.3% | sa |
| 4/24/24 | MBA Mortgage Applications | 4/19/24 | -2.7% | -- | -- | 3.3% | w/w, sa |
| 4/24/24 | Durable Goods Orders | Mar P | 2.6% | 2.5% | 0.7% | 1.3% | m/m, sa |
| 4/24/24 | Cap Goods Orders Nondef Ex Air | Mar P | 0.2% | 0.2% | 0.4% | 0.7% | m/m, sa |
| 4/25/24 | GDP Annualized q/q | 1Q A | 1.6% | 2.5% | -- | 3.4% | saar |
| 4/25/24 | Personal Consumption q/q | 1Q A | 2.5% | 3.0% | -- | 3.3% | saar |
| 4/25/24 | Core PCE Deflator q/q | 1Q A | 3.7% | 3.4% | -- | 2.0% | saar |
| 4/25/24 | Retail Inventories m/m | Mar | 0.3% | 0.5% | -- | 0.5% | sa |
| 4/25/24 | Wholesale Inventories | Mar P | -0.4% | 0.3% | 0.4% | 0.5% | m/m, sa |
| 4/25/24 | Initial Jobless Claims | 4/20/24 | 207 | 215 | -- | 212 | k, sa |
| 4/25/24 | Continuing Claims | 4/13/24 | 1,781 | 1,814 | 1,796 | 1,812 | k, sa |
| 4/25/24 | Pending Home Sales m/m | Mar | 3.4% | 0.4% | -- | 1.6% | sa |
| 4/25/24 | Pending Home Sales y/y | Mar | -4.5% | -3.0% | -- | -2.2% | nsa |
| 4/26/24 | Personal Income | Mar | 0.5% | 0.5% | -- | 0.3% | m/m, sa |
| 4/26/24 | Personal Spending | Mar | 0.8% | 0.6% | -- | 0.8% | m/m, sa |
| 4/26/24 | Real Personal Spending | Mar | 0.5% | 0.3% | 0.5% | 0.4% | m/m, sa |
| 4/26/24 | PCE Inflation m/m | Mar | 0.3% | 0.3% | -- | 0.3% | sa |
| 4/26/24 | PCE Inflation y/y | Mar | 2.7% | 2.6% | -- | 2.5% | nsa |
| 4/26/24 | PCE Core Inflation (ex Food and Energy) m/m | Mar | 0.3% | 0.3% | -- | 0.3% | sa |
| 4/26/24 | PCE Core Inflation (ex Food and Energy) y/y | Mar | 2.8% | 2.7% | -- | 2.8% | nsa |
| 4/26/24 | U. of Mich. Sentiment | Apr F | 77.2 | 77.9 | -- | 77.9 | index, nsa |
| 4/26/24 | U. of Mich. 1 Yr Inflation | Apr F | 3.2% | 3.1% | -- | 3.1% | nsa |
| 4/26/24 | U. of Mich. 5-10 Yr Inflation | Apr F | 3.0% | 3.0% | -- | 3.0% | 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)