

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.

May 6, 2024

Parker Ross — Global Chief Economist
pross@archgroup.com | 914 216 7270

Leonidas Mourelatos — Director of Real Estate Economics
lmourelatos@archgroup.com | 631 521 9048

Dual Conundrum

- **Key Takeaway:** April jobs report was much softer than March and expectations, with unemployment continuing to rise after recent surge in layoffs.
- **Macro Implications:** Cooling labor market will put less upward pressure on wage growth, assuaging concerns about pass-through to services inflation.
- **Housing Implications:** With the market back to pricing in two rate cuts for 2024, mortgage rate normalization path comes back into view.

Macro: End of the Reacceleration Narrative

- Further labor market softening brings Fed’s dual mandate back into focus.
- Economic surprise index at 12-month lows on weaker-than-expected data.
- Fed may need to tolerate sticky inflation if labor market cools much further.

Jobs Report: Higher Unemployment, Weaker Growth

- Unemployment rate climbed further to 28-month high of 3.9%.
- Monthly job growth slowed to 175k in April from 315k in March.
- Wage growth slowed further, suggesting limited upside inflation risk.

Labor Market Turnover: Less Churn in March

- Job growth driven by cooler pace of separations, not increased hiring.
- Quits pace slowed and breadth of layoffs increased across job sectors.
- March job openings declined -3.8% m/m and were down -12% y/y.

Rates: Down We Go

- 10-yr UST plunged below 4.50% and ended week down -16bps to 4.51%.
- Market pricing back to two 25bps Fed rate cuts this year: Sept. and Dec.
- Case for rate cuts complicated by hot inflation and softer labor market.

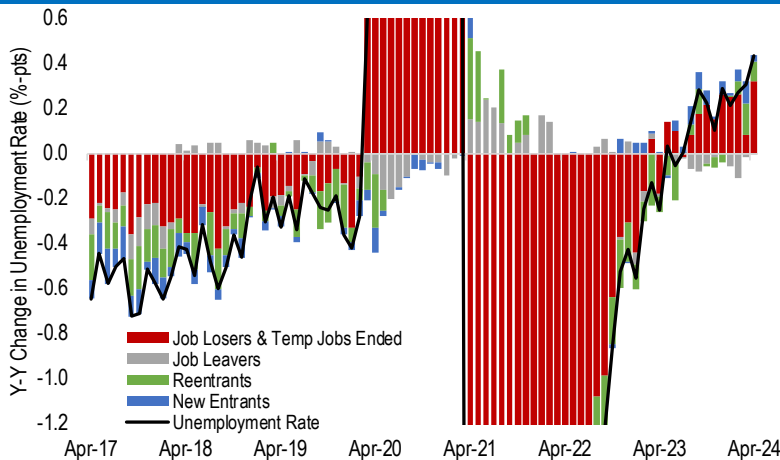
Housing: What a Difference a Week Makes

- Mortgage rates dropped -23bps, closing in on 7% after soft macro data.
- Purchase applications remained depressed but dip in rates should help.
- Feb. home price indexes rebounded more than expected from Jan. lull.

Purchasing Manger Indexes: Services Employment Contracts

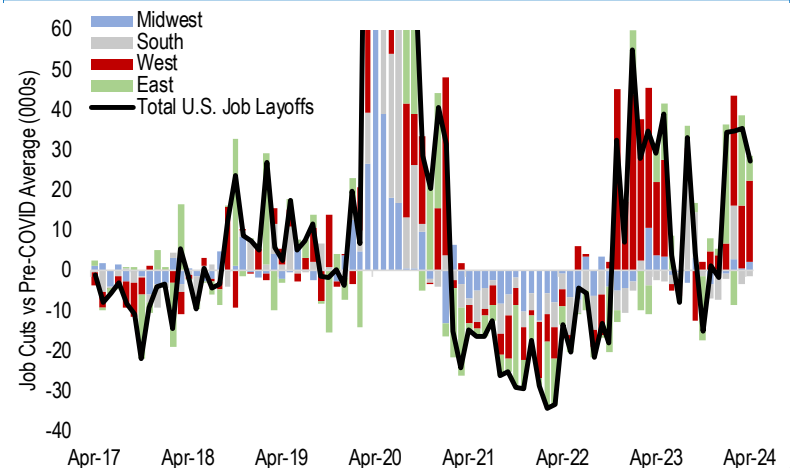
- Reduced hiring shows up in weak Services PMI Employment index.
- Manufacturing PMI continued to hint at early signs of recovery in April.
- Composite reading tipped into mild contraction territory at 49.4.

Unemployment Rate Still Rising on Annual Basis
Due to an Increase in Job Losers...

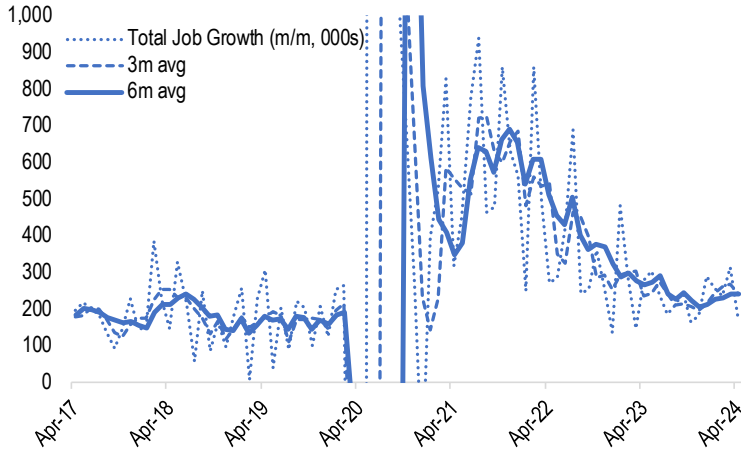


Sources: U.S. Bureau of Labor Statistics (BLS), Challenger, Gray & Christmas, Arch Global Economics

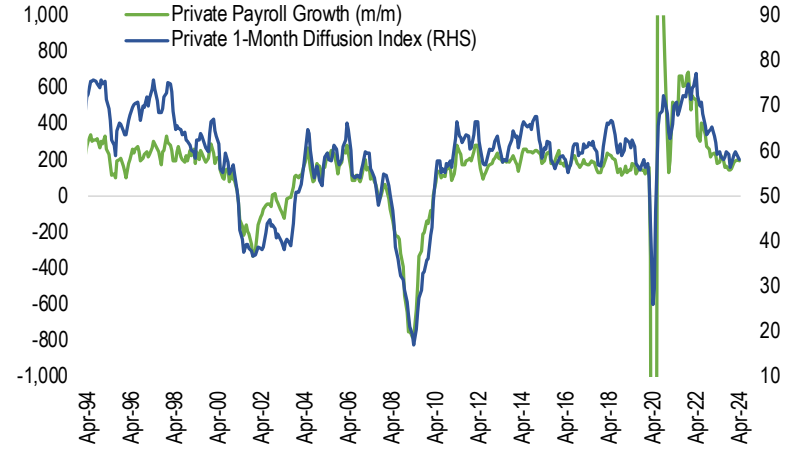
... which Have Been Concentrated in Tech, Finance,
Trucking and FinTech Industries in the East and West



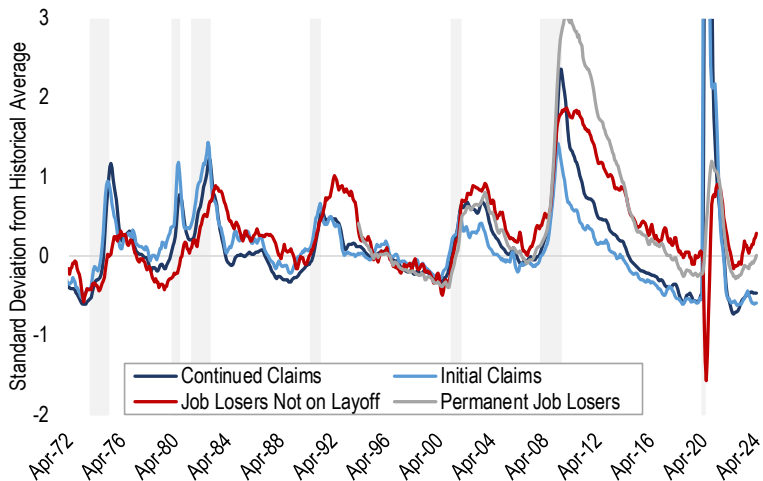
Big Step Down for Job Growth in April after Hot Start to 2024



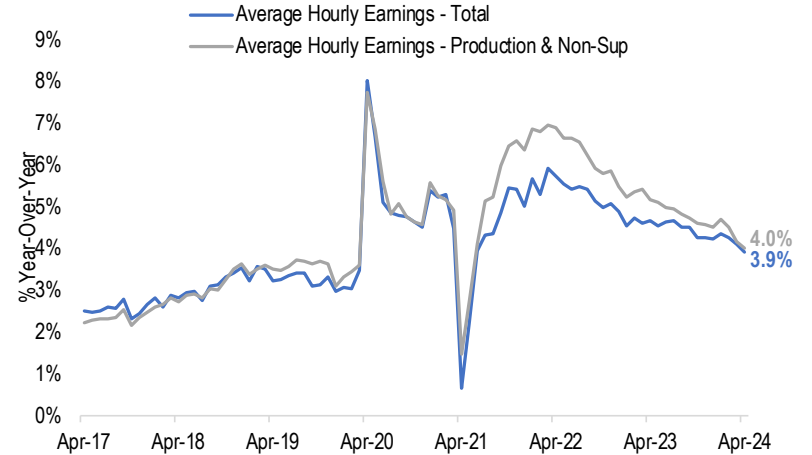
Private Job Growth Continued Its Streak Of Relatively Broad-Based Gains Despite Headline Cooling



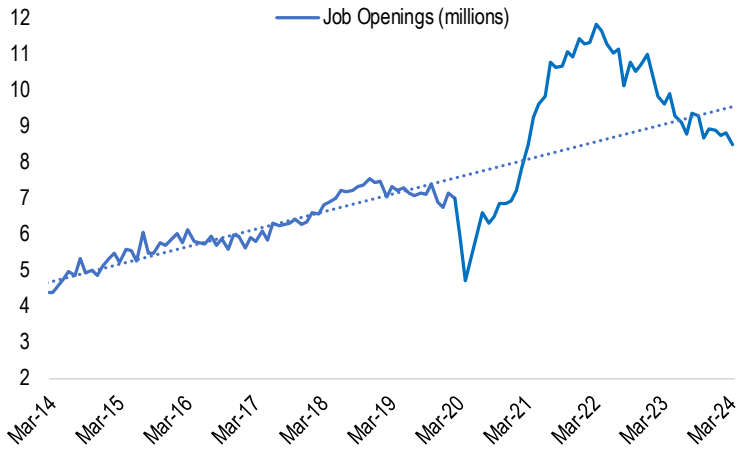
Measures of Job Loss Generally Trending Higher, but Not Overly Concerning Yet



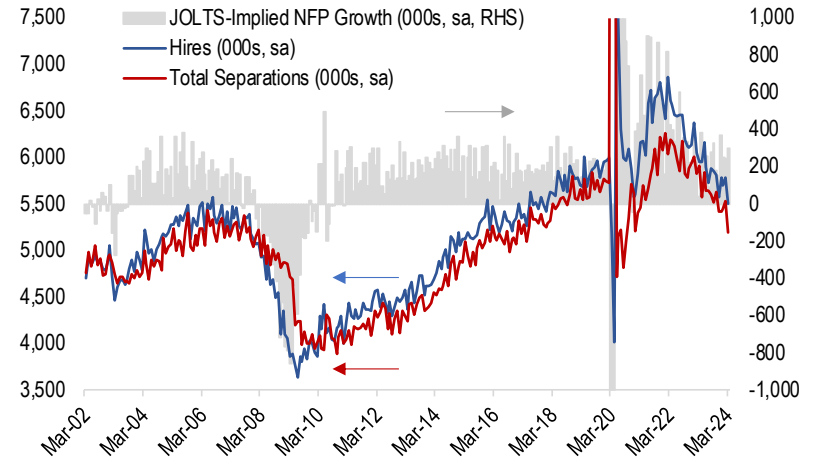
Annual Growth in Average Hourly Earnings Decelerated Again, but Remained Modestly Elevated



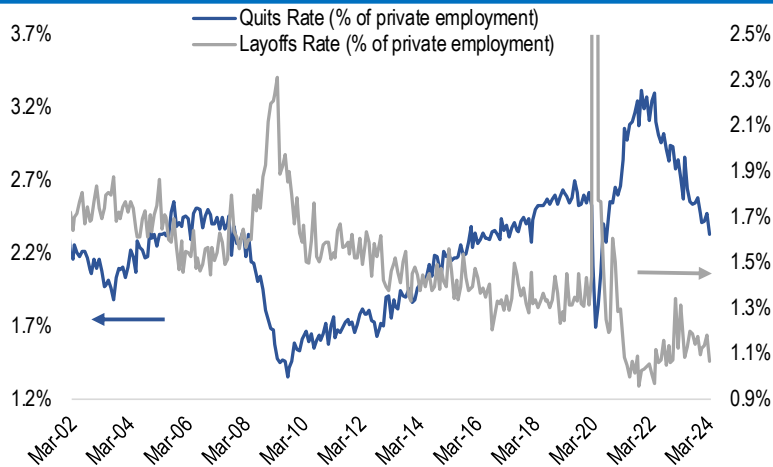
Total Job Openings Were Down -12% y/y in March and Have Fallen Below the Pre-Pandemic Trend



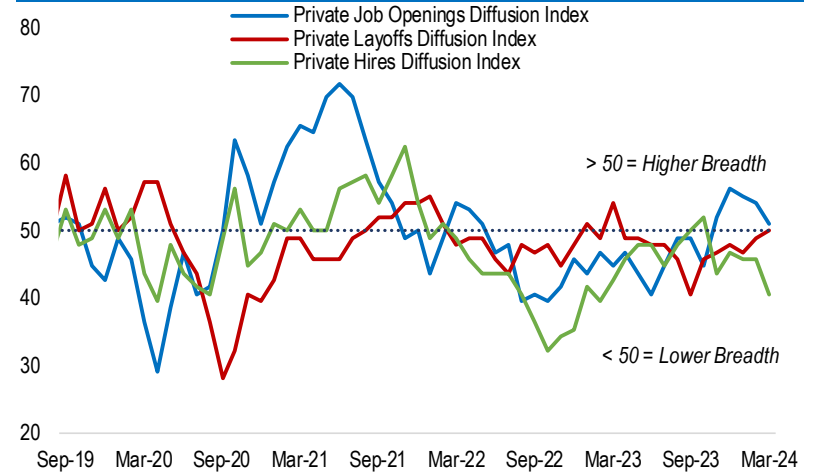
Job Growth Supported by Cooler Pace of Separations (e.g. Quits/Layoffs) as Hiring Pace Slowed



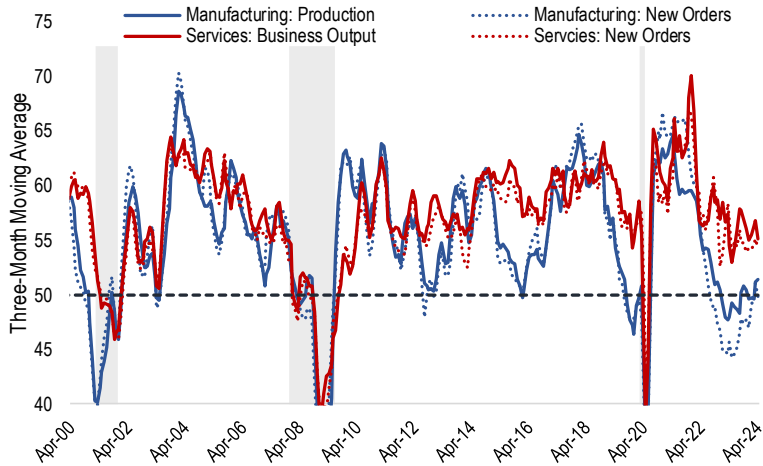
Quits Resumed Downtrend While Layoffs Pivoted Lower



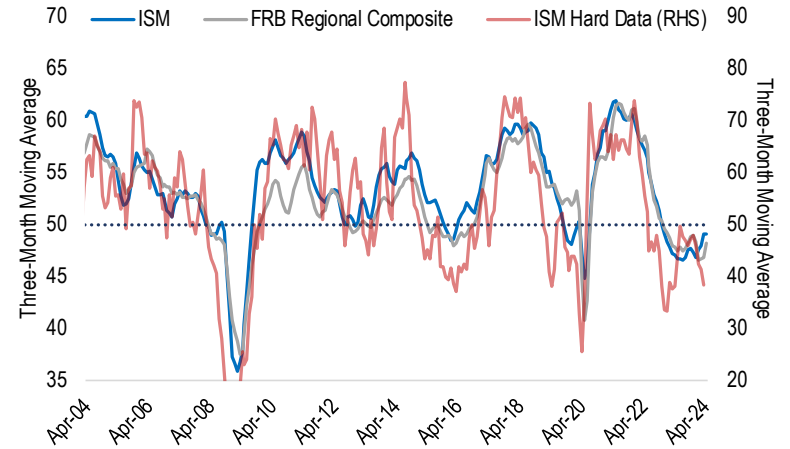
Breadth of Industries Adding Staff Declined in March While Breadth of Layoffs Rose to a Twelve-Month High



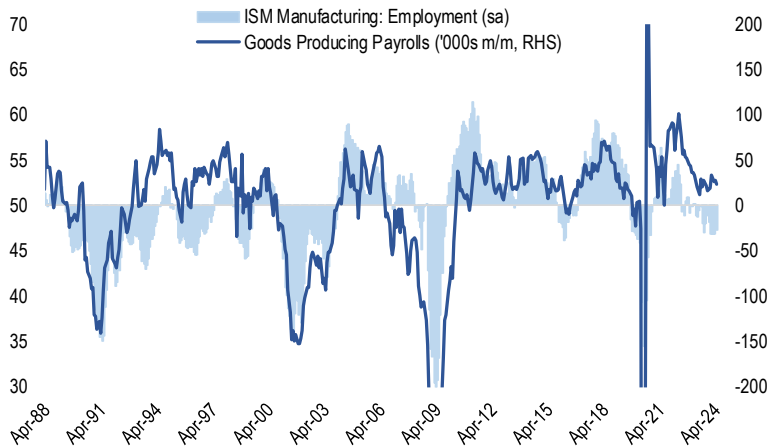
Business Output & New Orders Remained Solid for Services; Manufacturing Showing Early Recovery Signs



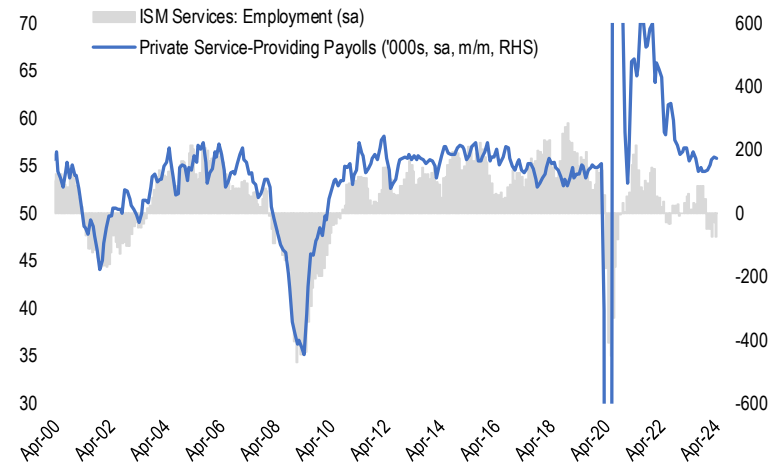
ISM "Hard Data" Diverges from Sentiment Measure Amid Large Drawdown in Inventories Component



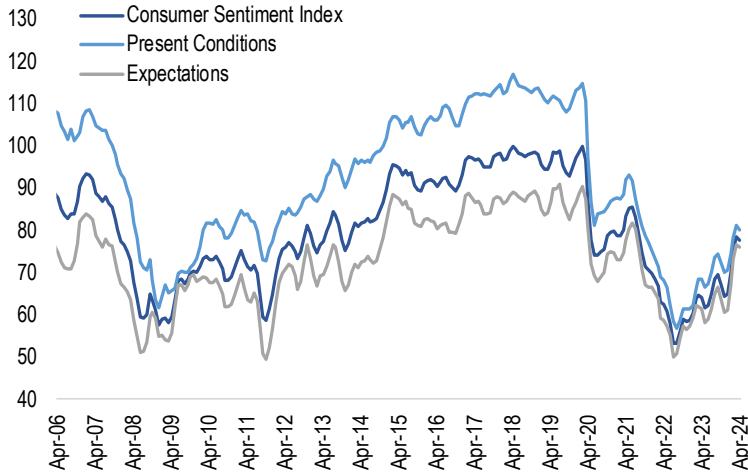
Resilient Goods-Producing Employment Despite Elevated Rates



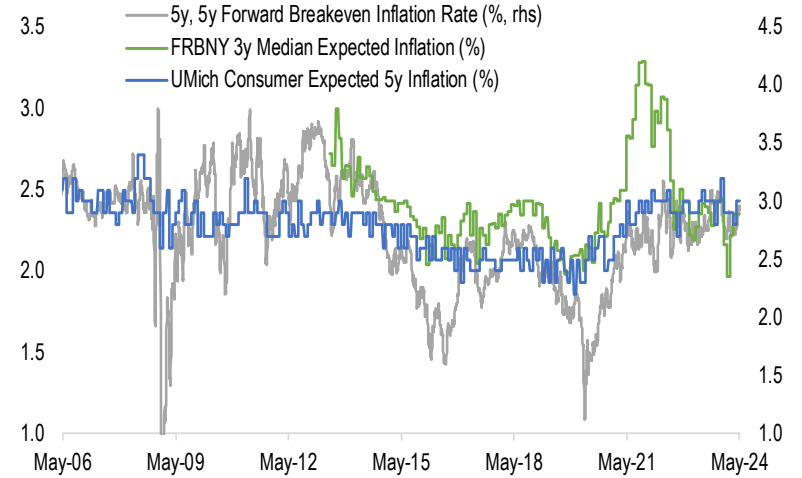
Weak Services PMI Employment Index More Related to Reduced Hiring Pace Than Net Job Growth or Layoffs



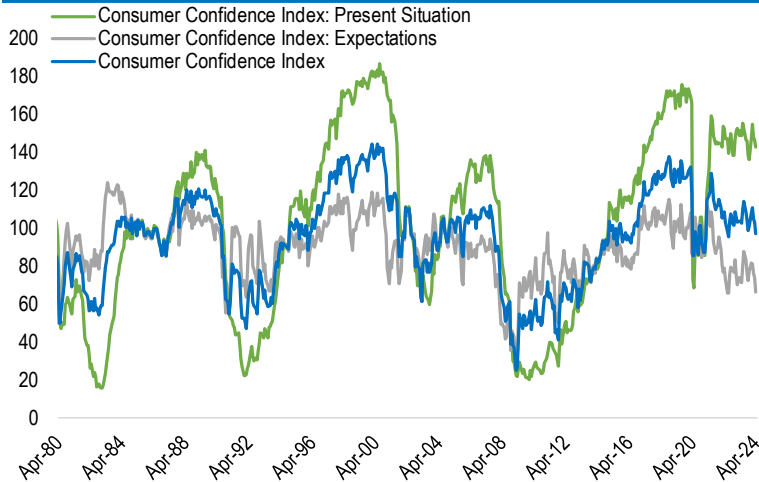
UMich Consumer Sentiment Recovery Hits Pause as Rising Gas Prices Take Their Toll



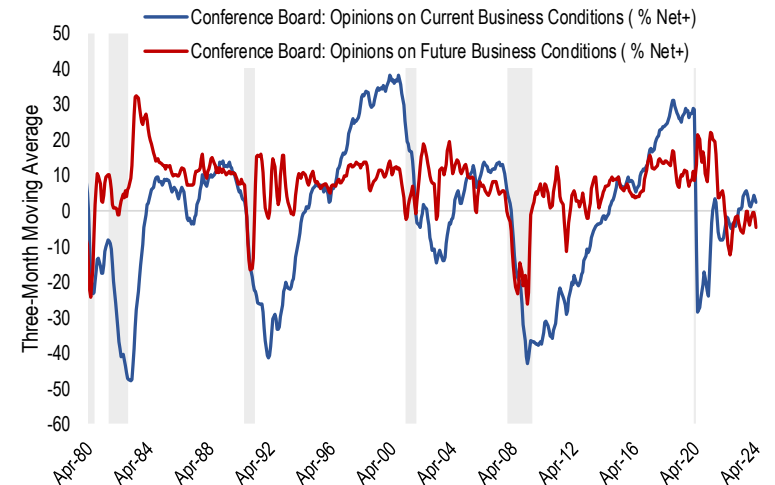
Measures of Medium-Term Inflation Expectations Have Returned to Pre-COVID Norms



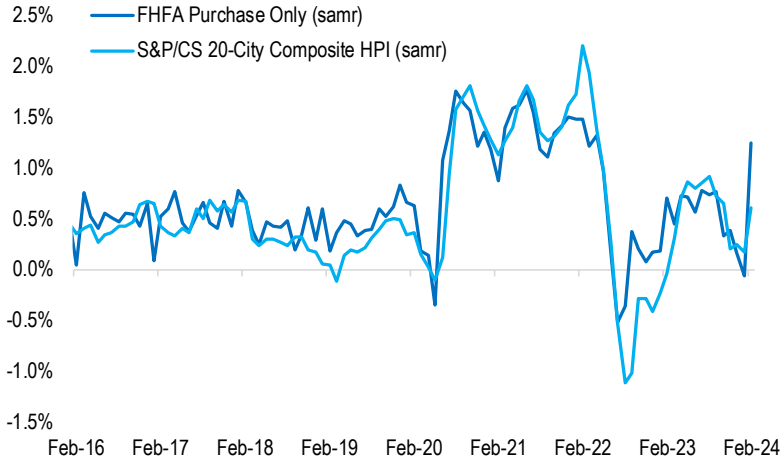
Conference Board's Consumer Confidence Index Softened as Economic and Labor Prospects Dwindled



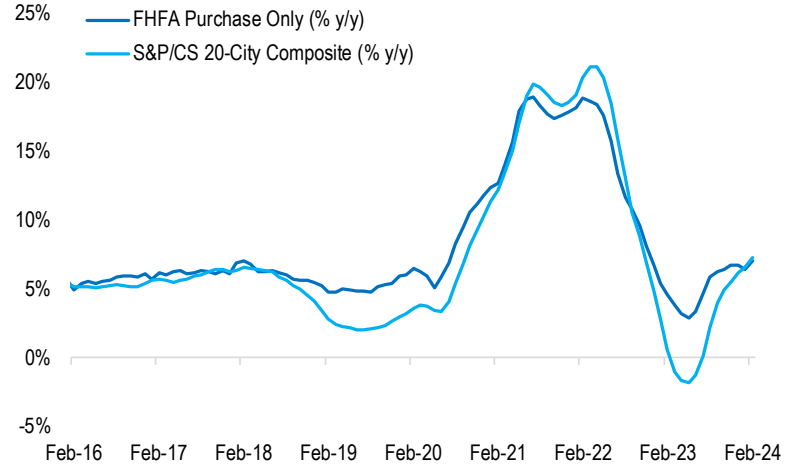
Households Increasingly Tentative about Future Business Conditions



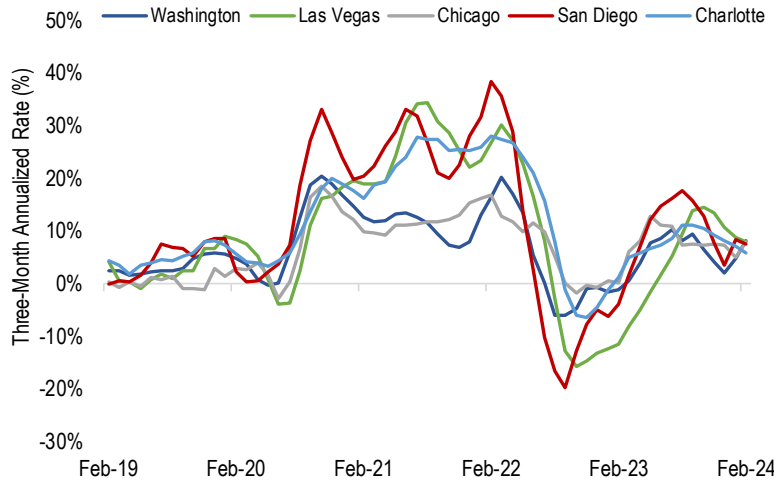
Home Price Growth Spiked in February Aided by Strong Outturn in New England and Middle Atlantic Regions



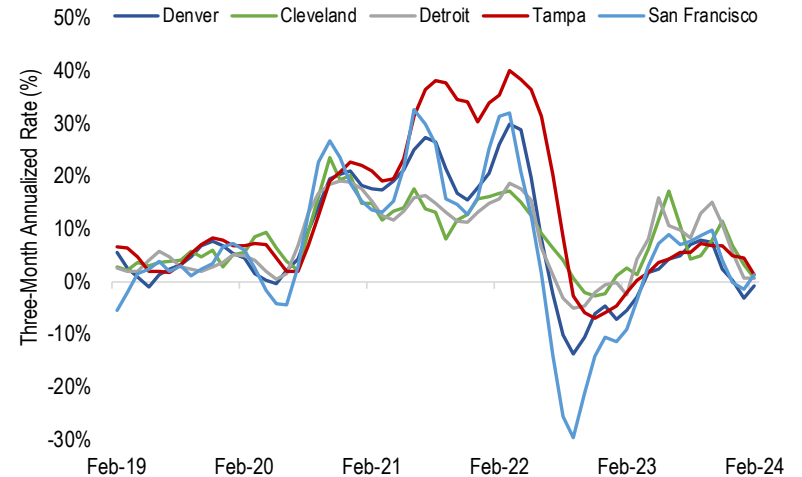
Similarly, Annual Home Price Growth Showed a Modest Reacceleration After Levelling Off



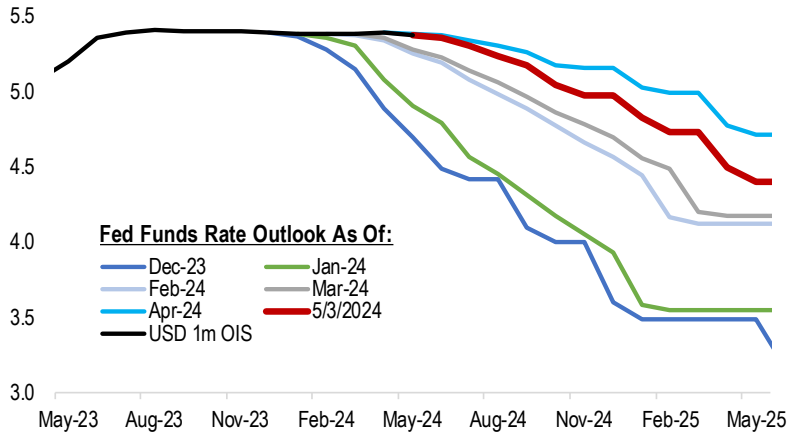
Top States for Home Price Momentum Show Regional Diversity



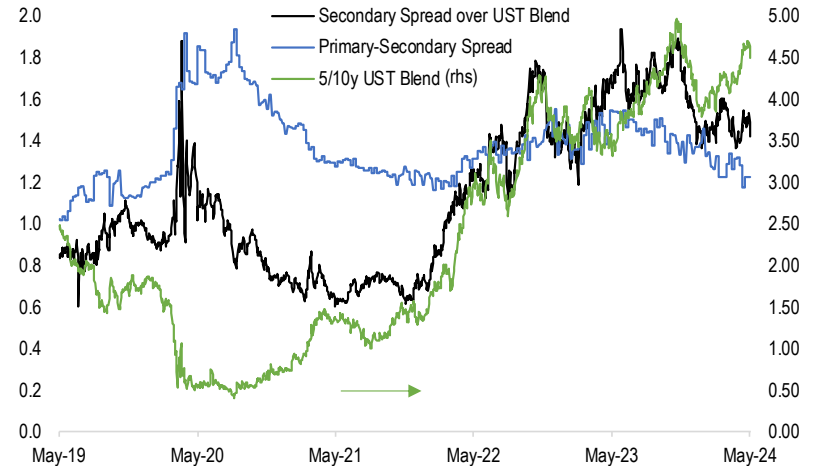
Significant Loss of Home Price Momentum Seen in Tampa with Denver Still in Negative Territory



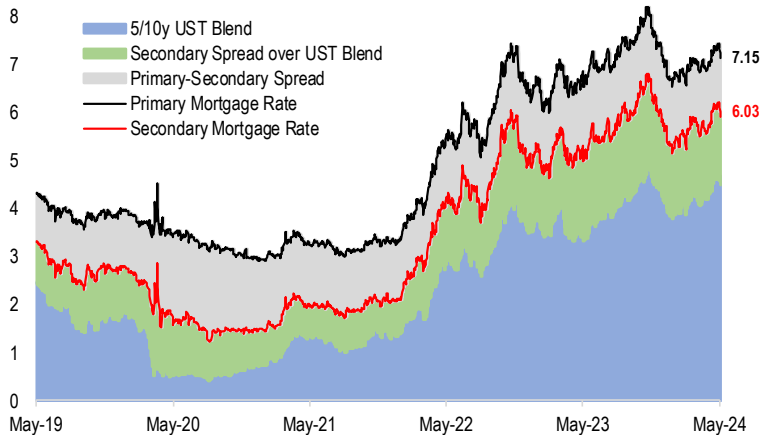
Market Back to Expecting Two Fed Rate Cuts in 2024, with First Cut Still in Sept. and Second Not Until Dec.



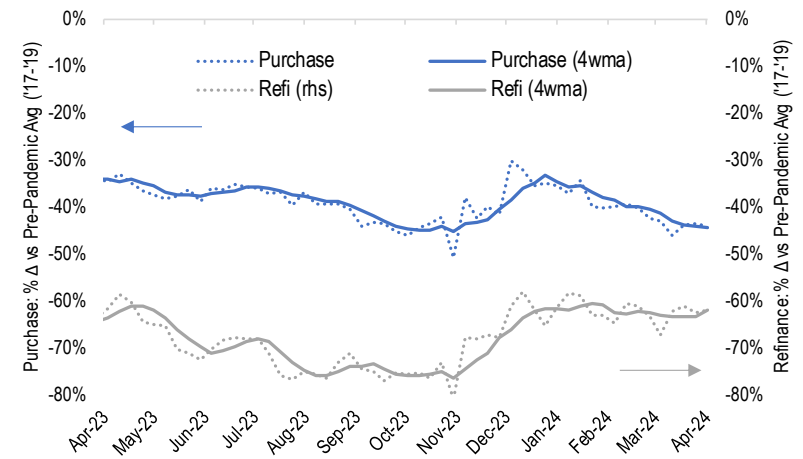
U.S. Treasury Yields Moved Sharply Lower While Mortgage Spreads Narrowed Modestly ...



... giving a Brief Reprieve for Home Buyers, after Months of Mortgage Rates Trending Higher



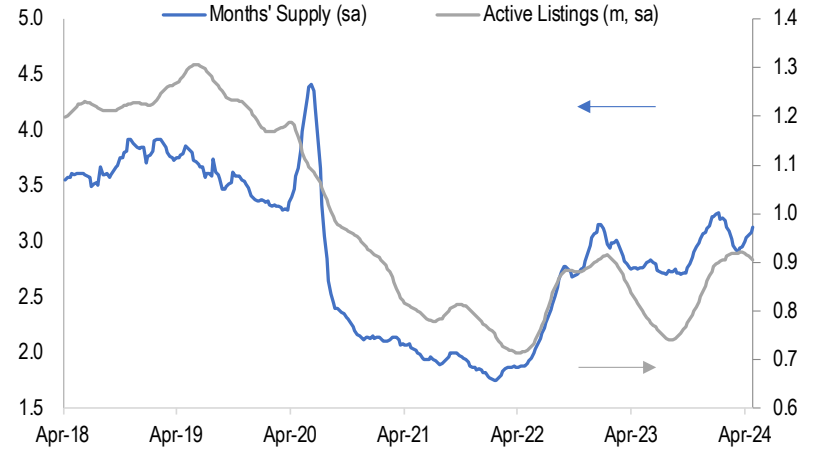
Mortgage Applications Cooled Further as Previously Elevated Mortgage Rates Continued to Weigh



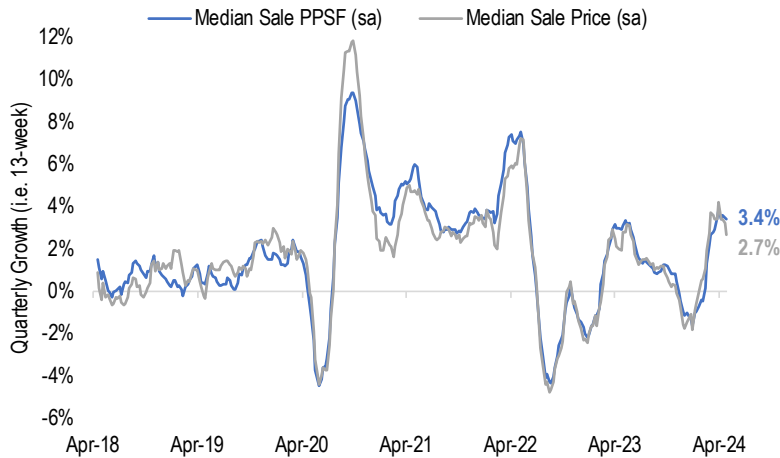
Real-Time Data on Pending Home Sales Show a Continued Cooldown as New Supply Slowing Rapidly ...



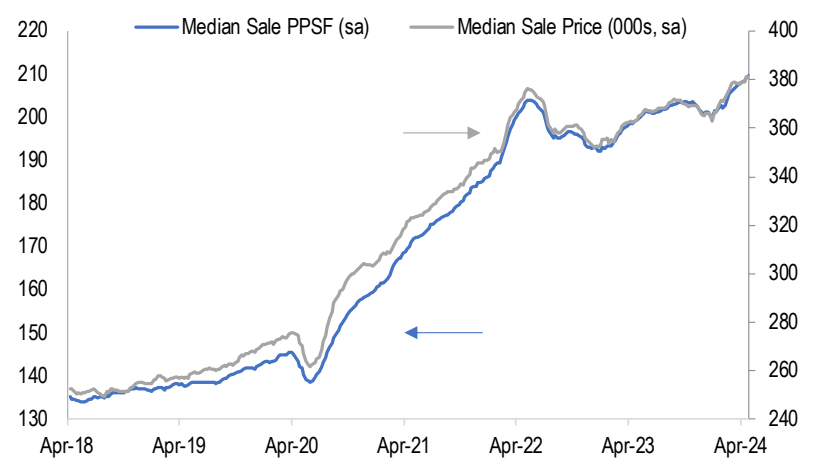
... causing Months' Supply to Inch Higher after Several Months of Tightening



Softening Market Conditions Starting to Weigh on Pace of Seasonally Adjusted Home-Price Growth



But National Median Sales Price Continued to Climb Further Above Mid-2022 Peak

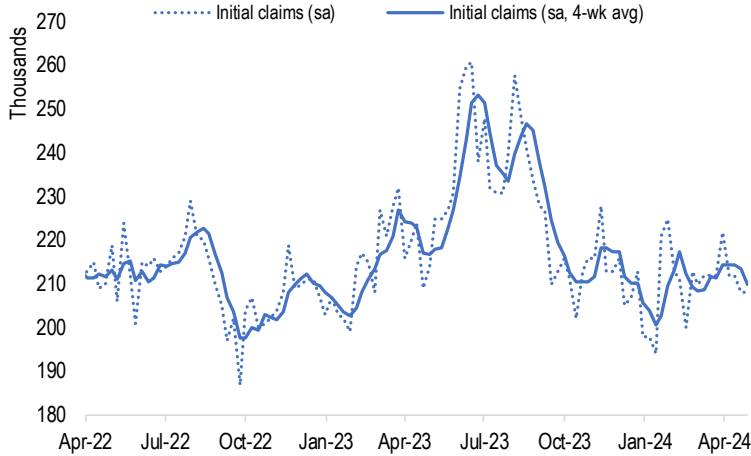


Although National Home Prices Are Up a Solid 4.9% over a Year Ago, Price Gains Vary Greatly Across the Country

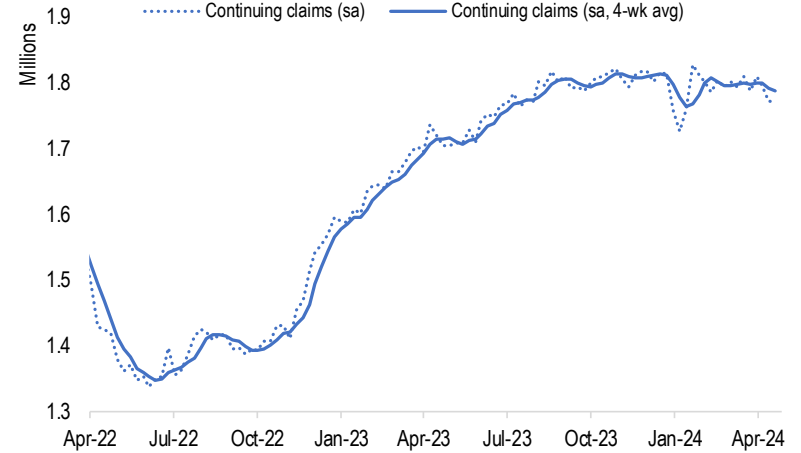
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.3%	-2.0%	6.2%	2.1%	30%	-0.6%	99.3%	0.1%	12%	-12.3	-12.5	-17%	-32%
Atlanta	6.1%	-0.6%	6.5%	2.6%	28%	-2.4%	98.9%	-0.1%	-9%	-0.7	-0.4	-22%	-26%
Austin	-0.1%	-18.1%	8.1%	1.1%	18%	0.0%	98.1%	0.3%	10%	28.4	32.8	73%	44%
Baltimore	6.5%	0.2%	5.9%	1.8%	48%	1.5%	101.7%	-0.1%	5%	-10.0	-9.8	-38%	-48%
Boston	7.1%	-0.1%	4.1%	0.7%	60%	5.5%	102.8%	0.7%	1%	5.3	6.0	-19%	-23%
Chicago	9.7%	-1.0%	2.7%	0.8%	46%	4.3%	100.4%	0.9%	-16%	14.2	19.2	-21%	-16%
Dallas	2.2%	-5.2%	8.0%	2.5%	23%	-5.9%	98.5%	-0.5%	26%	3.0	0.5	3%	-25%
Denver	4.6%	-8.1%	9.7%	2.6%	34%	-5.0%	99.7%	-0.5%	27%	3.3	2.6	30%	-13%
Houston	2.3%	0.0%	7.9%	2.9%	17%	-3.4%	97.6%	-0.5%	18%	-0.3	-0.3	-6%	-28%
Los Angeles	8.2%	-7.6%	3.8%	1.2%	51%	4.9%	101.4%	1.0%	5%	-5.3	-1.3	-8%	-12%
Miami	9.4%	2.6%	4.4%	2.1%	13%	-3.2%	96.2%	-0.4%	19%	0.4	-4.9	-8%	-36%
Minneapolis	2.0%	-0.7%	5.8%	2.3%	44%	-0.6%	100.7%	-0.3%	10%	-1.9	-2.6	-15%	-23%
Nashville	4.5%	-1.5%	5.3%	1.3%	19%	-0.6%	98.6%	0.2%	6%	-1.2	2.6	2%	-9%
New York	7.3%	-3.3%	3.7%	0.3%	31%	7.2%	99.9%	0.9%	-5%	-45.1	-26.6	-24%	-29%
Phoenix	6.1%	-9.0%	7.7%	1.8%	17%	0.9%	98.3%	0.2%	14%	3.8	8.1	20%	-4%
Portland	3.2%	-5.1%	7.2%	2.7%	37%	-3.0%	100.3%	-0.2%	14%	3.2	1.3	11%	-10%
Riverside	6.3%	-5.6%	5.3%	1.8%	40%	4.6%	99.6%	0.4%	6%	-14.3	-7.8	-15%	-24%
San Diego	10.4%	-7.1%	5.2%	2.3%	49%	1.4%	100.9%	0.4%	27%	-4.1	-4.3	-16%	-39%
Seattle	10.7%	-10.9%	5.0%	0.7%	49%	9.4%	102.7%	1.8%	3%	-1.3	-1.0	-3%	-6%
Tampa	3.2%	-2.2%	10.4%	2.7%	13%	-4.0%	97.3%	-0.5%	47%	-0.1	-5.0	19%	-27%
Washington DC	6.8%	-1.5%	4.8%	1.5%	52%	5.5%	101.4%	0.6%	0%	5.9	9.6	-17%	-25%

Data as of April 28, 2024, and reflects 4-week averages.

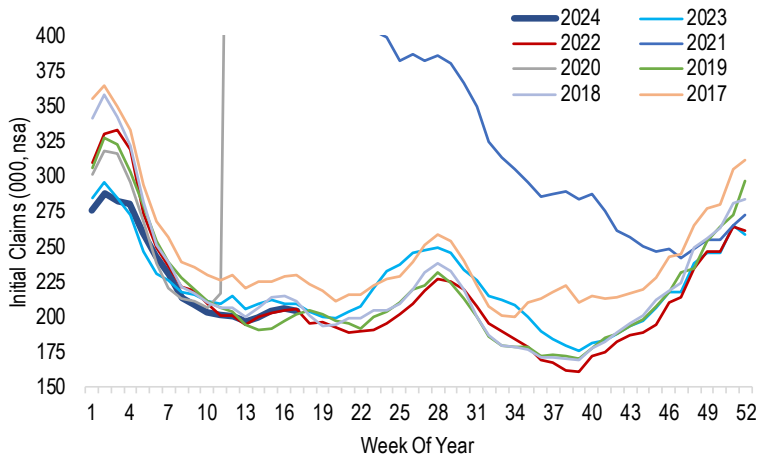
Initial Claims Appear to Have Settled into Post-Pandemic Normal Range of ~210k per week



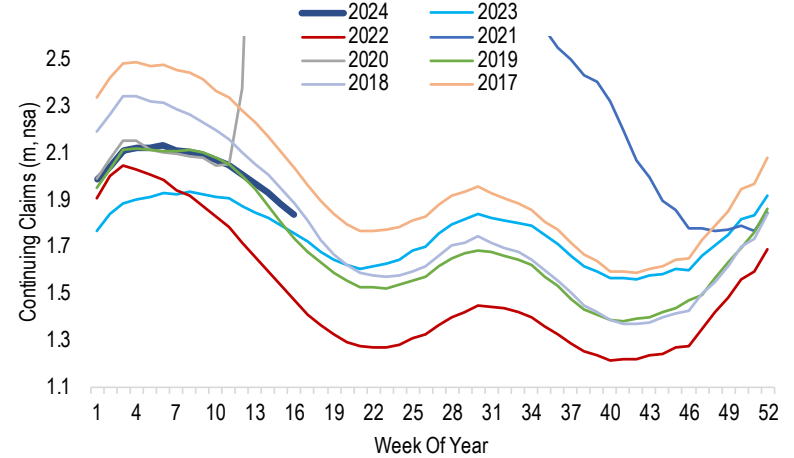
... and Steady Continuing Claims Suggest Workers Not Languishing on Sidelines



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



Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
4/30/24	Employment Cost Index	1Q	1.2%	1.0%	--	0.9%	q/q, sa
4/30/24	FHFA House Price Index	Feb	1.2%	0.2%	--	-0.1%	m/m, sa
4/30/24	S&P CoreLogic CS 20-City m/m SA	Feb	0.6%	0.1%	0.2%	0.1%	sa
4/30/24	S&P CoreLogic CS 20-City y/y NSA	Feb	7.3%	6.7%	6.6%	6.6%	nsa
4/30/24	Conf. Board Consumer Confidence	Apr	97.0	104.0	103.1	104.7	index, sa
5/1/24	MBA Mortgage Applications	4/26/24	-2.3%	--	--	-2.7%	w/w, sa
5/1/24	ADP Employment	Apr	192	183	208	184	k, m/m, sa
5/1/24	S&P Global US Manufacturing PMI	Apr F	50.0	49.9	--	49.9	index, sa
5/1/24	JOLTS Job Openings	Mar	8.49	8.68	8.81	8.76	m, sa
5/1/24	ISM Manufacturing	Apr	49.2	50.0	--	50.3	index, sa
5/1/24	ISM Prices Paid	Apr	60.9	55.4	--	55.8	index, nsa
5/1/24	FOMC Rate Decision (Upper Bound)	5/1/24	5.50%	5.50%	--	5.50%	
5/1/24	Wards Total Vehicle Sales	Apr	15.7	15.7	--	15.5	m, saar
5/2/24	Nonfarm Productivity	1Q P	0.3%	0.5%	3.5%	3.3%	q/q, saar
5/2/24	Unit Labor Costs	1Q P	4.7%	4.0%	0.0%	0.4%	q/q, saar
5/2/24	Initial Jobless Claims	4/27/24	208	211	208	207	k, sa
5/2/24	Continuing Claims	4/20/24	1,774	1,790	1,774	1,781	k, sa
5/2/24	Durable Goods Orders	Mar F	2.6%	2.6%	--	2.6%	m/m, sa
5/2/24	Cap Goods Orders Nondef Ex Air	Mar F	0.1%	--	--	0.2%	m/m, sa
5/3/24	Nonfarm Payrolls	Apr	175	240	315	303	k, m/m, sa
5/3/24	Private Payrolls	Apr	167	193	243	232	k, m/m, sa
5/3/24	Unemployment Rate	Apr	3.9%	3.8%	--	3.8%	sa
5/3/24	Average Hourly Earnings m/m	Apr	0.2%	0.3%	--	0.3%	sa
5/3/24	Average Hourly Earnings y/y	Apr	3.9%	4.0%	--	4.1%	nsa
5/3/24	Average Weekly Hours All Employees	Apr	34.3	34.4	--	34.4	sa
5/3/24	Labor Force Participation Rate	Apr	62.7%	62.7%	--	62.7%	sa
5/3/24	S&P Global US Services PMI	Apr F	51.3	51.0	--	50.9	index, sa
5/3/24	S&P Global US Composite PMI	Apr F	51.3	51.0	--	50.9	index, sa
5/3/24	ISM Services Index	Apr	49.4	52.0	--	51.4	index, 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)

UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/7/24	Consumer Credit	Mar	--	15.00	--	14.13	\$B, m/m, sa
5/8/24	MBA Mortgage Applications	5/3/24	--	--	--	-2.3%	w/w, sa
5/8/24	Wholesale Trade Sales	Mar	--	0.9%	--	2.3%	m/m, sa
5/8/24	Wholesale Inventories	Mar F	--	-0.4%	--	-0.4%	m/m, sa
5/9/24	Initial Jobless Claims	5/4/24	--	214	--	208	k, sa
5/9/24	Continuing Claims	4/27/24	--	1,785	--	1,774	k, sa
5/10/24	U. of Mich. Sentiment	May P	--	76.2	--	77.2	index, nsa
5/10/24	U. of Mich. 1 Yr Inflation	May P	--	3.3%	--	3.2%	nsa
5/10/24	U. of Mich. 5-10 Yr Inflation	May P	--	3.0%	--	3.0%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics