

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 13, 2024

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Banker Anxiety Remains Elevated

- **Key Takeaway:** Light data week put emphasis on bank credit data that showed banks are still wary of macroeconomic conditions.
- **Macro Implications:** Cumulative impact of tight bank credit being felt by small businesses and consumers, especially for autos and credit cards.
- **Housing Implications:** Banks have eased credit conditions for residential mortgages compared to last year, which bodes well for qualified buyers.

Macro: Waiting for April Inflation Data

- Consumer credit card usage slowed down in 1Q24 compared to last year.
- Peak bank credit tightening appears to be behind us.
- Preliminary May consumer sentiment plunged as inflation expectations rose.

Rates: Calm Before the Inflation Storm?

- Yield on 10-yr UST ended last week at 4.5%, right where it started.
- Market still pricing two 25bps Fed rate cuts this year: Sept. and Dec.
- April inflation data released this week will be pivotal for rate outlook.

Housing: Mortgage Rates Steady in Low-7% Range

- Since the end of April, mortgage rates have come down ~25bps.
- Purchase applications remain low but should start to slowly trend higher.
- Fannie Mae survey shows consumers see positive home price growth in '24.

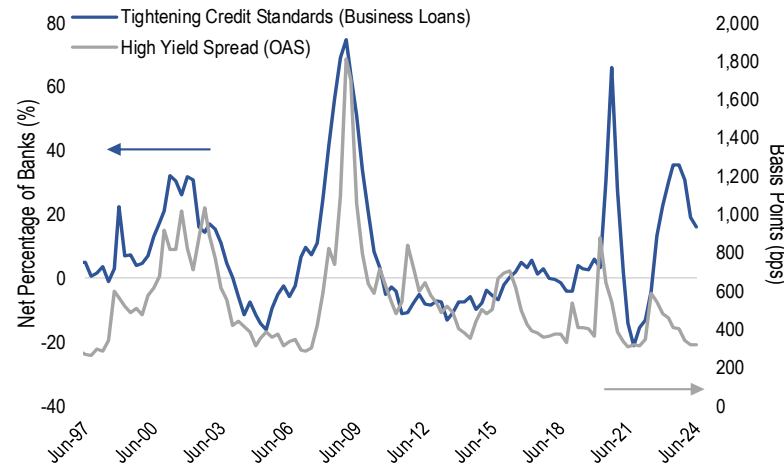
Consumer Credit: Households Shy Away from Credit Cards

- Total consumer credit was up 0.1% m/m in Mar. and up 2.3% y/y.
- Revolving credit was flat m/m; weakest growth since April 2021.
- Overall consumer credit trends remain healthy.

Banking & Credit: Bank Credit Standards Marginally Improved

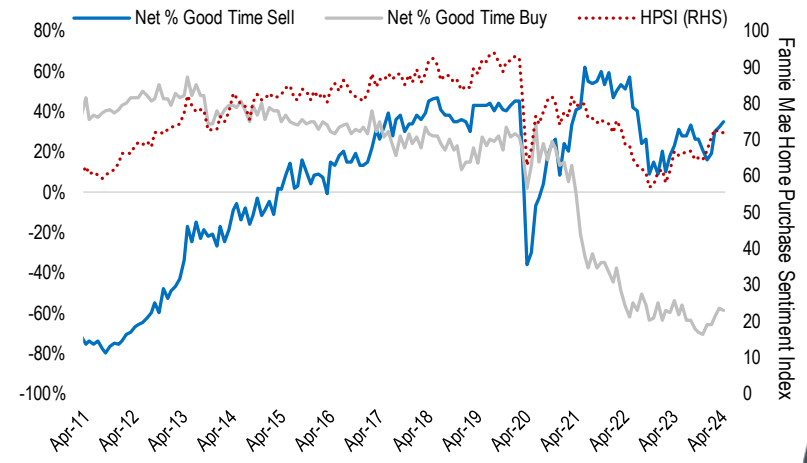
- Lending standards tightened at a moderating intensity in 2Q24.
- Standards tightened further for C&I and consumer auto loans.
- Consumer loan demand stronger only for residential loans.

Bank Credit Channel Tight Despite Marginal Improvement; Capital Markets Credit Risk Remains Low



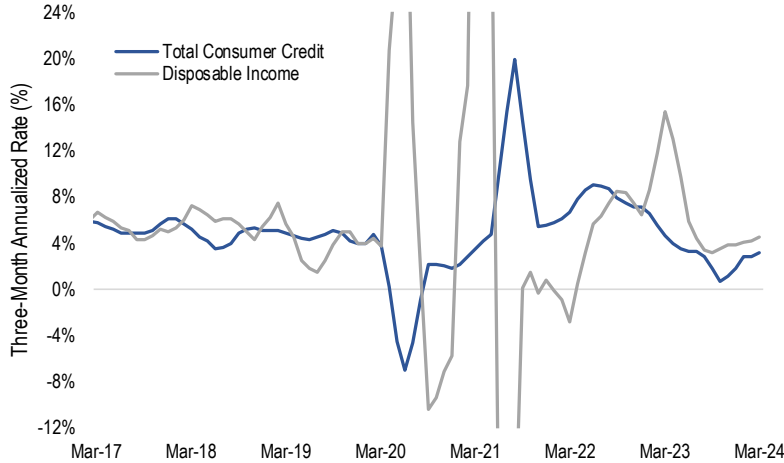
Sources: Federal Reserve Board (FRB), Bloomberg, Fannie Mae, Arch Global Economics

Fannie Mae's Home Purchase Sentiment Index Trends Higher as Sellers and Buyers Adapt to Higher Rates

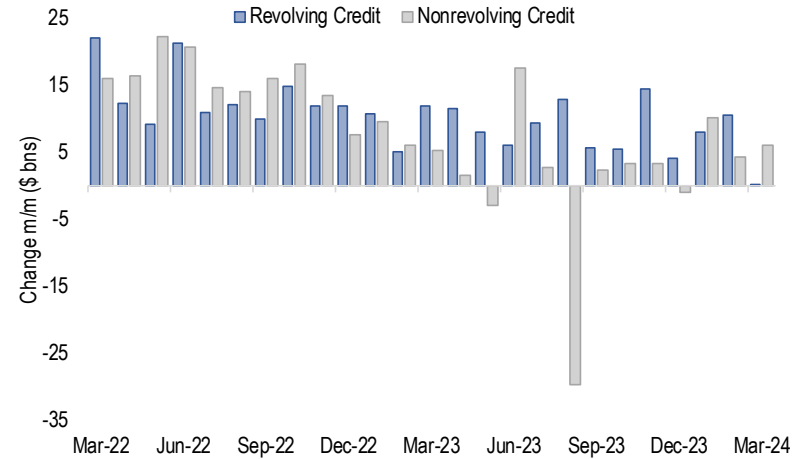


C&I = Commercial & Industrial

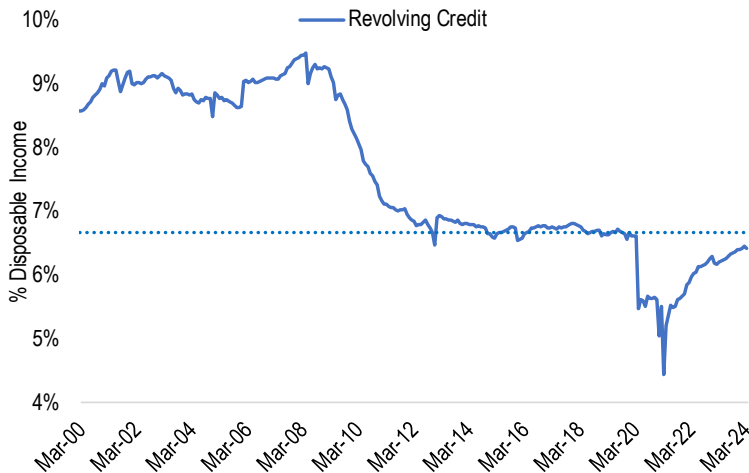
Total Consumer Credit Growth Has Not Kept Pace with Disposable Income Growth



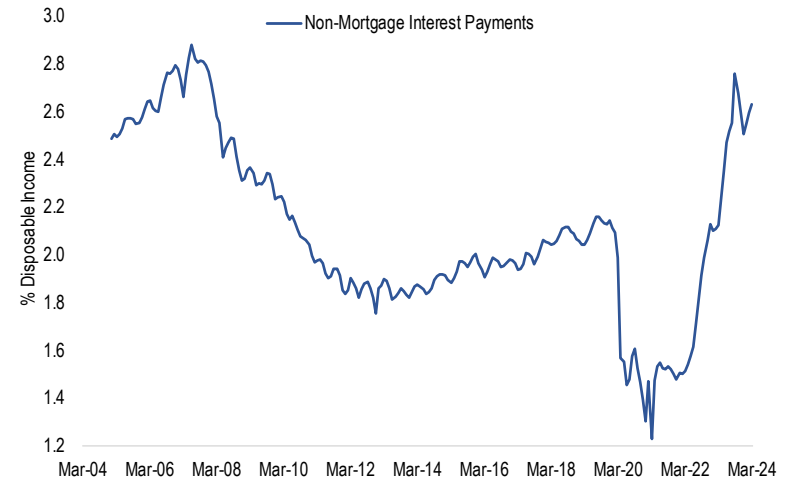
Total Consumer Credit Rose in March with Primary Lift Coming from Nonrevolving Credit



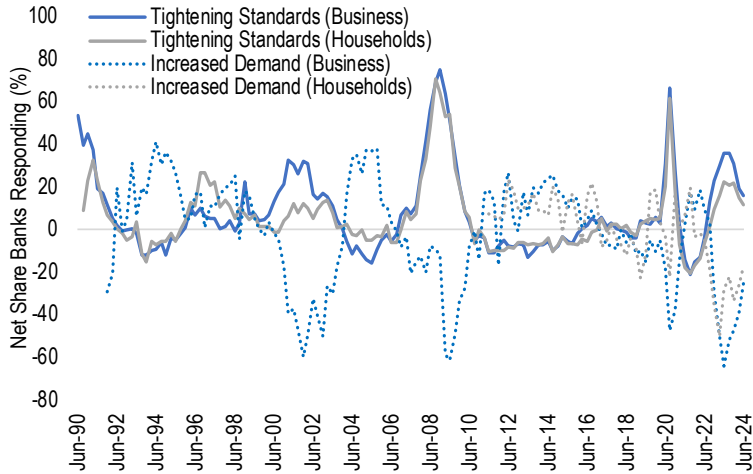
Households in Aggregate Still Have Some Capacity to Tap into Credit Relative to Pre-COVID Norm



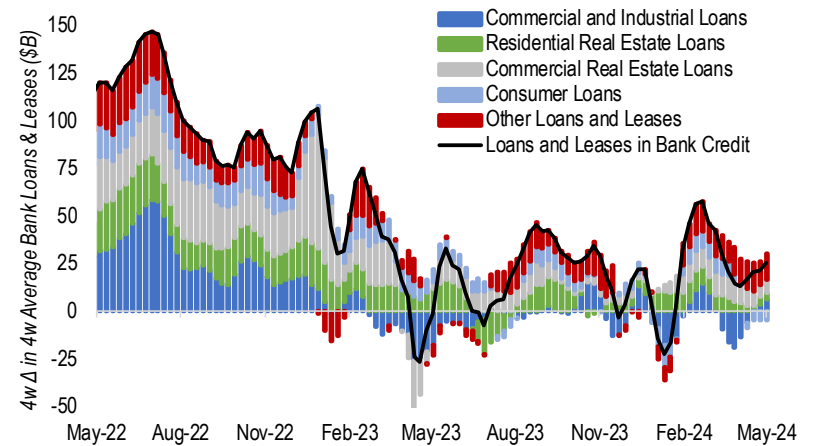
High Cost of New Consumer Loans Has Driven Non-Mortgage Interest Payments Sharply Higher



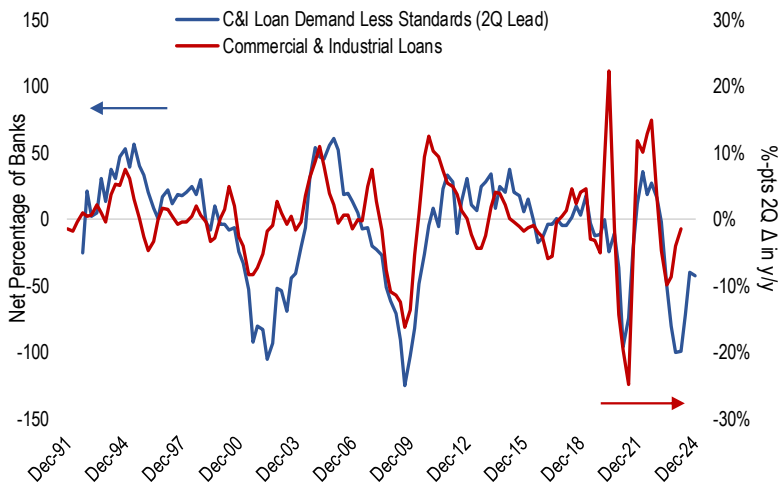
Net Share of Banks Tightening Credit Standards Eased as Demand for Credit Showed Improvement



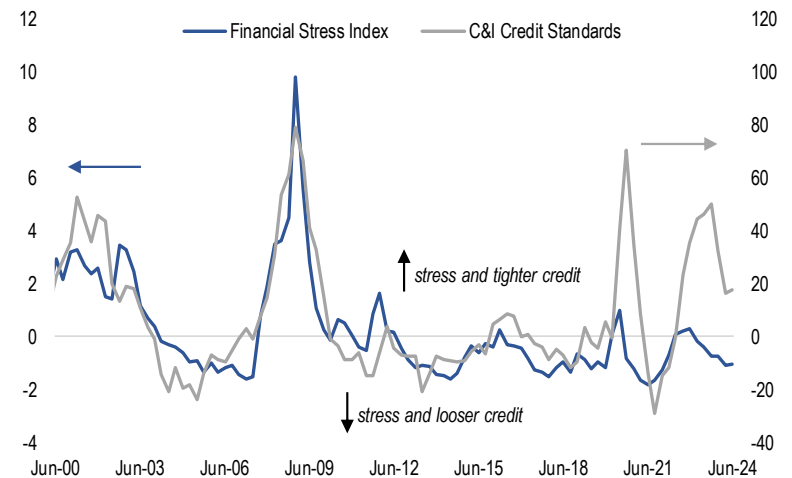
Bank Credit Impulse Showing a Rebound, but Growth Not Driven by Consumers/Businesses



Commercial & Industrial Loans Still Shrinking but at a Slower Pace with Banks Still Risk Averse

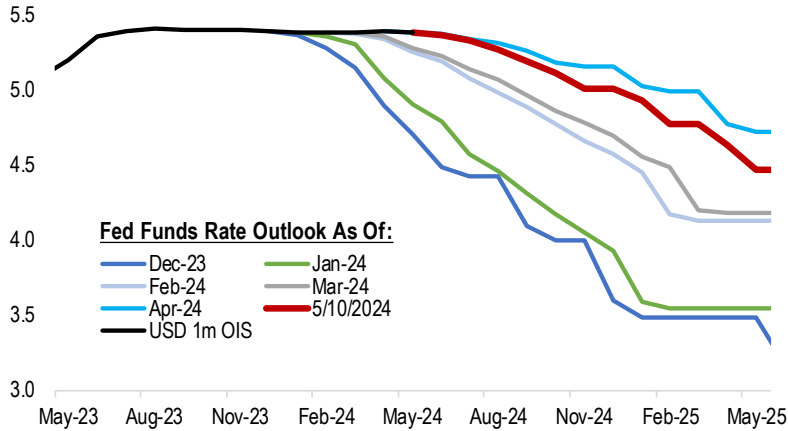


Despite Surge in Rates and Tightening of Bank Credit Standards, Financial Stress Has Been Held in Check

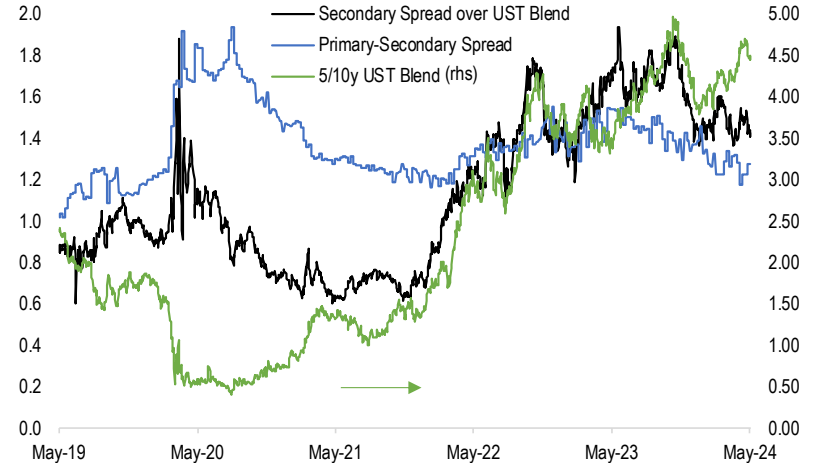


Sources: FRB, U.S. Treasury Department, Arch Global Economics

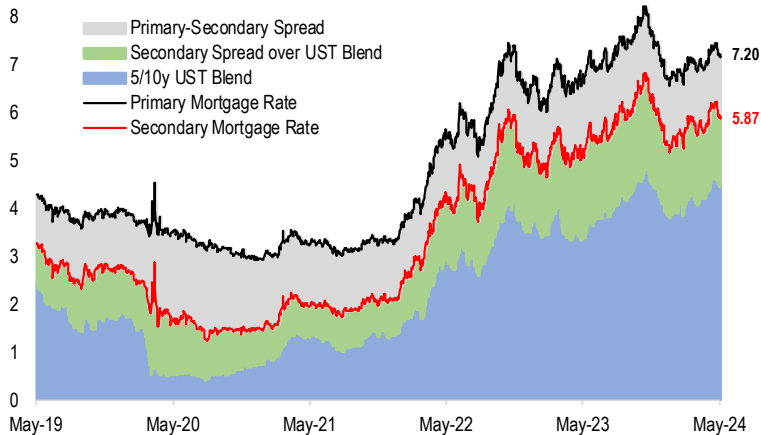
Market Still Expects Two Fed Rate Cuts in 2024, with First Cut Still in Sept. and Second Not Until Dec.



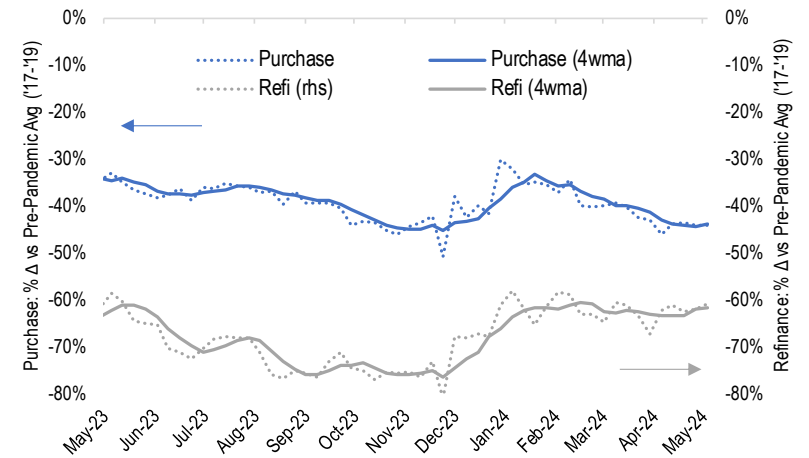
U.S. Treasury Yields and Mortgage Spreads Unchanged on the Week ...



... which Kept Mortgage Rates in the Low-7% Range for Another Week



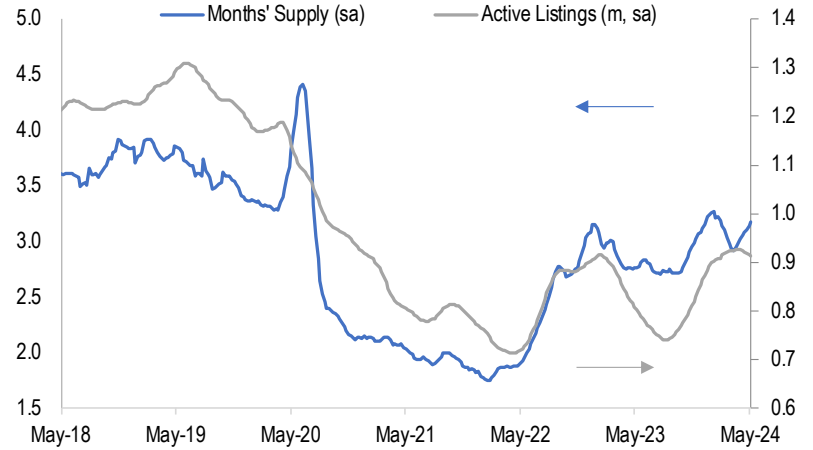
Mortgage Purchase Applications Appear to Be Bottoming in Response to Recent Rate Decline



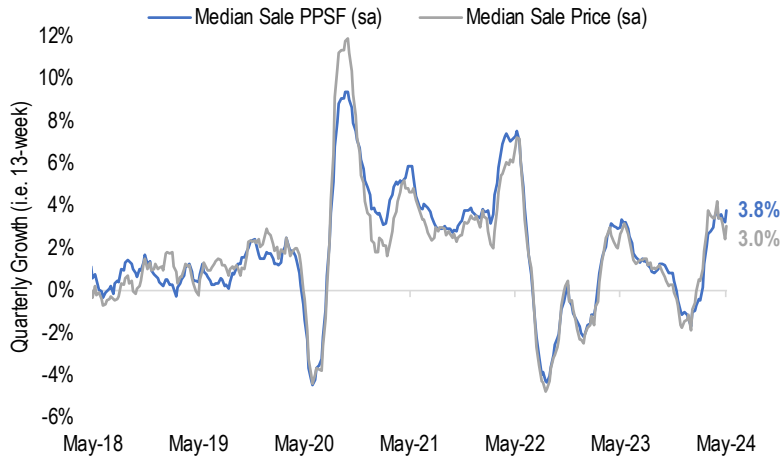
Real-Time Data on Pending Home Sales Show a Continued Cooldown as New Supply Slowing Rapidly ...



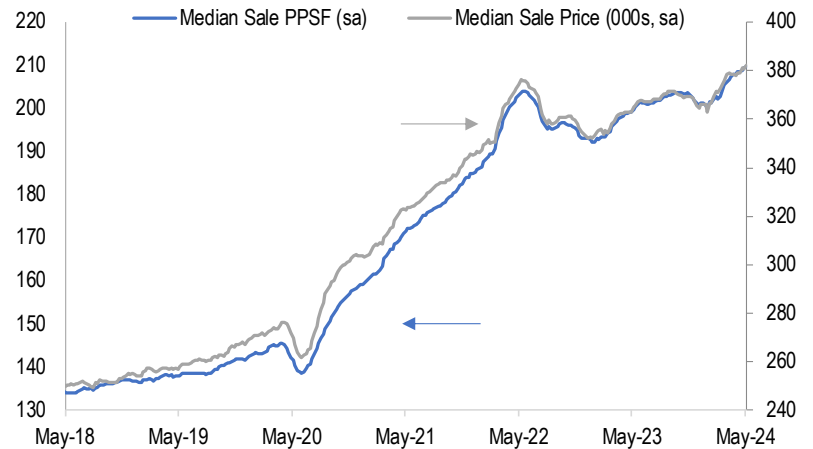
... causing Months' Supply to Inch Higher, Reversing Much of Early 2024 Tightening



Softening Market Conditions Have Slowed the Rebound in Seasonally Adjusted Home-Price Growth



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

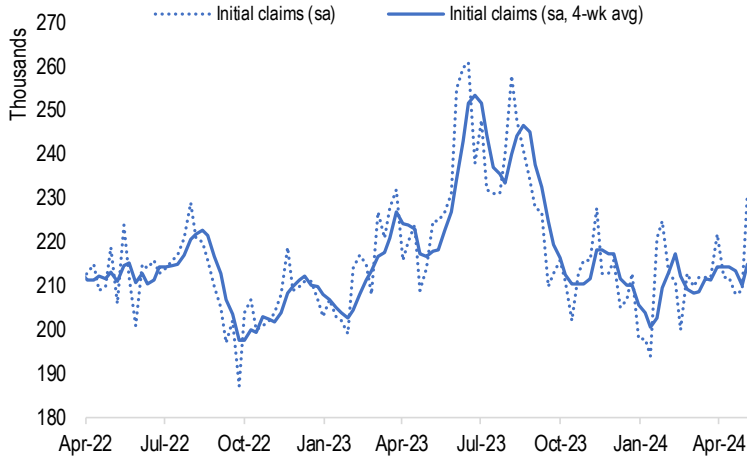


Although National Home Prices Are Up a Solid 5% over a Year Ago, Price Gains Vary Greatly Across the Country

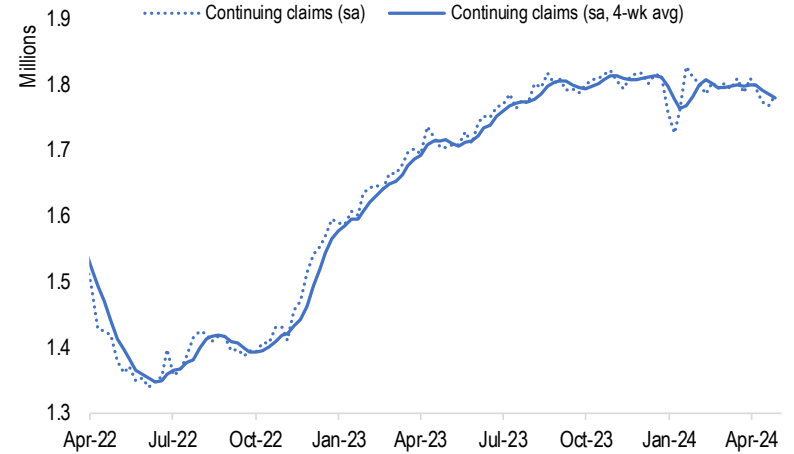
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	5.0%	-1.9%	6.2%	1.9%	30%	-1.3%	99.4%	0.0%	13%	-11.5	-12.5	-16%	-29%
Atlanta	5.8%	-0.8%	6.6%	2.6%	28%	-2.9%	99.0%	-0.1%	-7%	0.5	-0.3	-22%	-21%
Austin	-0.4%	-18.8%	8.5%	0.7%	18%	0.9%	98.1%	0.3%	13%	29.1	33.3	73%	48%
Baltimore	6.4%	0.3%	6.0%	1.7%	48%	1.4%	101.8%	-0.1%	5%	-7.0	-7.8	-37%	-43%
Boston	6.9%	-1.0%	4.3%	0.8%	61%	5.9%	103.1%	0.8%	2%	6.3	7.5	-16%	-18%
Chicago	9.1%	-0.2%	2.7%	0.8%	46%	3.6%	100.5%	0.8%	-15%	16.3	20.3	-19%	-11%
Dallas	2.1%	-5.6%	8.1%	2.5%	23%	-6.8%	98.6%	-0.5%	30%	3.9	0.3	5%	-21%
Denver	2.5%	-6.6%	9.8%	2.2%	34%	-5.8%	99.7%	-0.6%	30%	3.3	1.9	29%	-7%
Houston	2.3%	-0.5%	8.2%	2.8%	16%	-4.6%	97.6%	-0.6%	21%	0.1	-1.2	-6%	-26%
Los Angeles	8.7%	-7.2%	4.0%	1.2%	51%	2.9%	101.3%	0.8%	7%	-4.6	-2.6	-5%	-10%
Miami	10.0%	1.0%	4.5%	2.0%	11%	-4.6%	96.2%	-0.5%	21%	1.9	-5.1	-5%	-36%
Minneapolis	1.9%	-0.7%	5.8%	2.2%	43%	-3.0%	100.7%	-0.5%	11%	-0.9	-2.4	-12%	-18%
Nashville	3.8%	-1.5%	5.4%	1.2%	19%	-0.5%	98.6%	0.2%	7%	-2.6	1.5	3%	-3%
New York	7.5%	-2.2%	3.9%	0.1%	32%	7.2%	100.0%	0.9%	-5%	-44.2	-28.3	-24%	-29%
Phoenix	5.6%	-9.1%	7.8%	1.9%	17%	0.0%	98.4%	0.2%	16%	5.5	8.3	20%	-3%
Portland	2.3%	-4.7%	7.3%	2.6%	37%	-3.6%	100.3%	-0.2%	16%	3.2	1.1	16%	-4%
Riverside	5.9%	-6.1%	5.3%	1.7%	40%	3.7%	99.6%	0.4%	9%	-12.9	-8.6	-13%	-23%
San Diego	11.5%	-7.3%	5.5%	2.2%	49%	0.3%	100.8%	0.3%	31%	-3.7	-4.0	-17%	-38%
Seattle	9.1%	-10.4%	5.4%	0.7%	48%	6.7%	102.6%	1.5%	5%	-1.0	-1.0	2%	4%
Tampa	2.2%	-2.1%	10.4%	3.0%	13%	-4.9%	97.4%	-0.5%	49%	-0.5	-6.7	22%	-24%
Washington DC	5.6%	-0.5%	4.9%	1.4%	51%	3.7%	101.4%	0.5%	2%	6.7	7.9	-14%	-19%

Data as of May 5, 2024, and reflects 4-week averages.

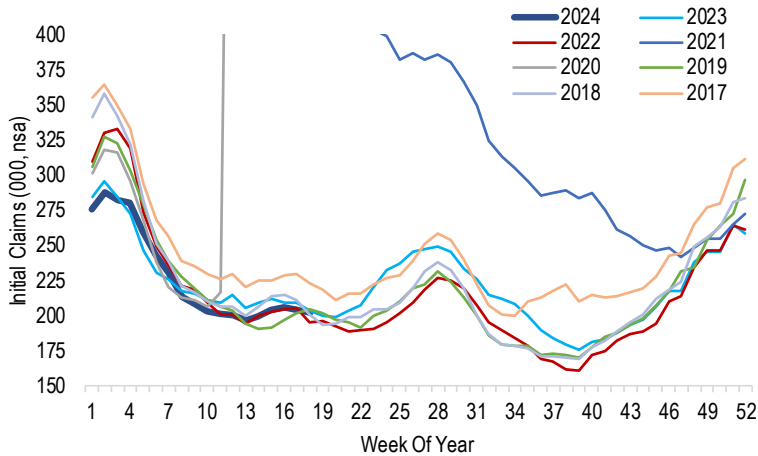
Initial Claims Finally Broke Out of Recent Range, but Appears to Be Driven by Timing of NY Spring Break



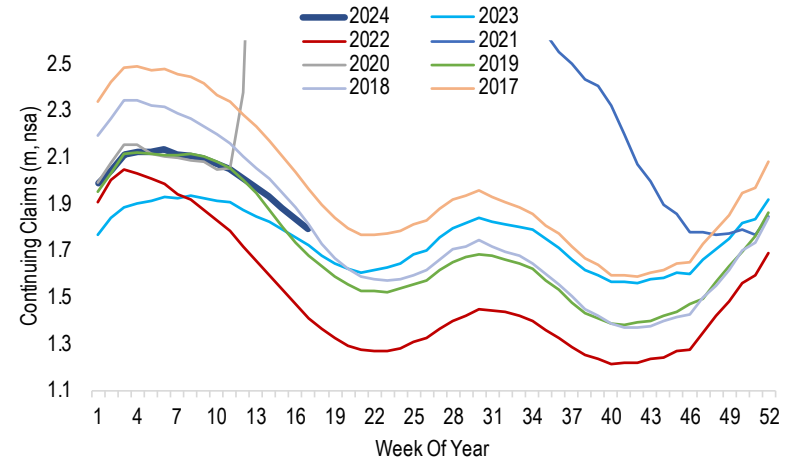
... and Continuing Claims Have Started to Trend Lower; We Expect a Sharp Decline in Next Week's Report



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



... but Non-Seasonally Adjusted Continuing Claims Still Declining 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
5/7/24	Consumer Credit	Mar	6.3	15.0	15.0	14.1	\$B, m/m, sa
5/8/24	MBA Mortgage Applications	5/3/24	2.6%	--	--	-2.3%	w/w, sa
5/8/24	Wholesale Trade Sales	Mar	-1.3%	0.8%	2.0%	2.3%	m/m, sa
5/8/24	Wholesale Inventories	Mar F	-0.4%	-0.4%	--	-0.4%	m/m, sa
5/9/24	Initial Jobless Claims	5/4/24	231	212	209	208	k, sa
5/9/24	Continuing Claims	4/27/24	1,785	1,782	1,768	1,774	k, sa
5/10/24	U. of Mich. Sentiment	May P	67.4	76.2	--	77.2	index, nsa
5/10/24	U. of Mich. 1 Yr Inflation	May P	3.5%	3.2%	--	3.2%	nsa
5/10/24	U. of Mich. 5-10 Yr Inflation	May P	3.1%	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)

UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/14/24	NFIB Small Business Optimism	Apr	--	88.2	--	88.5	index, sa
5/14/24	PPI Final Demand m/m	Apr	--	0.3%	--	0.2%	sa
5/14/24	PPI Core (ex Food and Energy) m/m	Apr	--	0.2%	--	0.2%	sa
5/14/24	PPI Final Demand y/y	Apr	--	2.2%	--	2.1%	nsa
5/14/24	PPI Core (ex Food and Energy) y/y	Apr	--	2.3%	--	2.4%	nsa
5/15/24	MBA Mortgage Applications	5/10/24	--	--	--	2.6%	w/w, sa
5/15/24	CPI m/m	Apr	--	0.4%	--	0.4%	sa
5/15/24	CPI Core (ex Food and Energy) m/m	Apr	--	0.3%	--	0.4%	sa
5/15/24	CPI y/y	Apr	--	3.4%	--	3.5%	nsa
5/15/24	CPI Core (ex Food and Energy) y/y	Apr	--	3.6%	--	3.8%	nsa
5/15/24	Advance Retail Sales m/m	Apr	--	0.4%	--	0.7%	sa
5/15/24	Retail Sales Control Group m/m	Apr	--	0.1%	--	1.1%	sa
5/15/24	NAHB Housing Market Index	May	--	51	--	51	index, sa
5/16/24	Initial Jobless Claims	5/11/24	--	220	--	231	k, sa
5/16/24	Continuing Claims	5/4/24	--	1,783	--	1,785	k, sa
5/16/24	Housing Starts	Apr	--	1,420	--	1,321	k, saar
5/16/24	Housing Starts m/m	Apr	--	7.5%	--	-14.7%	sa
5/16/24	Building Permits m/m	Apr	--	0.9%	--	-4.3%	sa
5/16/24	Building Permits	Apr	--	1,480	--	1,458	k, saar
5/16/24	Import Price Index m/m	Apr	--	0.2%	--	0.4%	nsa
5/16/24	Import Price Index y/y	Apr	--	0.4%	--	0.4%	nsa
5/16/24	Industrial Production	Apr	--	0.1%	--	0.4%	m/m, sa
5/16/24	Capacity Utilization	Apr	--	78.4%	--	78.4%	sa
5/17/24	Conference Board Leading Index	Apr	--	-0.3%	--	-0.3%	m/m, sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics