

HaMMR Digest

Stay current with economic and mortgage market trends.

May 19, 2025

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Truncated

- **Key Takeaway:** Partial euphoria sets in as worst of trade war fears have been delayed (at a minimum), lowering near-term recession odds.
- **Macro Implications:** A rebound in sentiment measures suggest a more modest hit to growth ahead and likely an even more patient Fed.
- **Housing Implications:** Mortgage rates to stay higher longer as mortgage spreads underperform post U.S.-China détente alongside higher UST yields.

Macro: Collateral Damage

- Tariff costs more evident upstream, but some will filter down to consumers.
- Banks tighten credit standards for business loans citing rising economic risk.
- Bumper 1Q25 industrial output and auto sales took a breather in April.

Rates: Highs, Then a Sigh

- 10y yields touched a 3-month high of 4.55% before retreating to 4.34%.
- Yield curve flat as both front and long end rise.
- Market odds fall to just over two 25bps rate cuts in 2025 from three.

Housing: Air Pocket

- Mortgage rates likely stuck in high-6%/low-7% range for rest of 2025.
- Inventory still accumulating as demand fades, weighing on prices.
- Pending sales hit lowest level since 2020 for this time of year.

Consumer Inflation: Calm before the Storm?

- Headline CPI inflation rose 0.2% in April amid bump in energy costs.
- Core inflation printed at 0.2%, par with prior 3- and 6-month averages.
- Core goods prices have been firming ahead of tariff impacts.

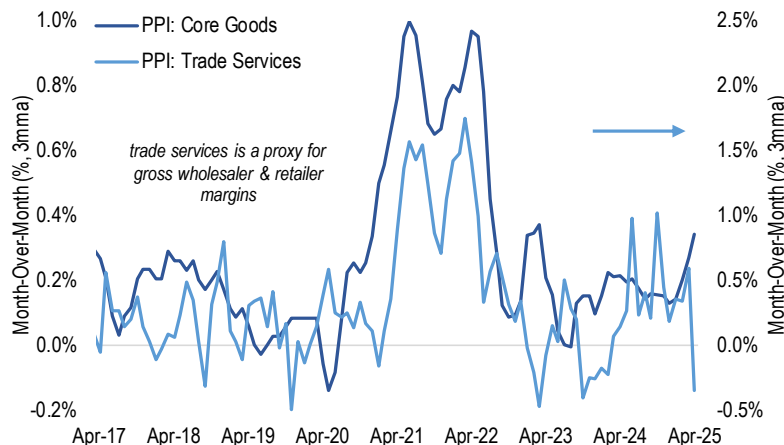
Home Construction: Hammered by High Rates

- Single-family starts fell -2.1% in April and -12% y/y.
- Permitting remained in downtrend and slowest pace since 2023.
- Builder sentiment slipped further as price cuts hit post-2023 high.

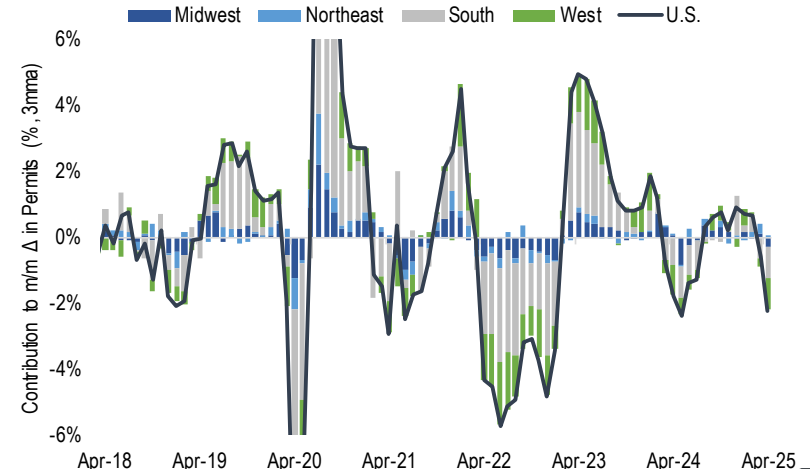
Retail Sales: Not in a Buying Mood

- Retail sales up 0.1% m/m in April as strong March auto sales reversed.
- Real (inflation-adjusted) control group sales have cooled notably in '25.
- Lack of breadth across categories as consumers remained selective.

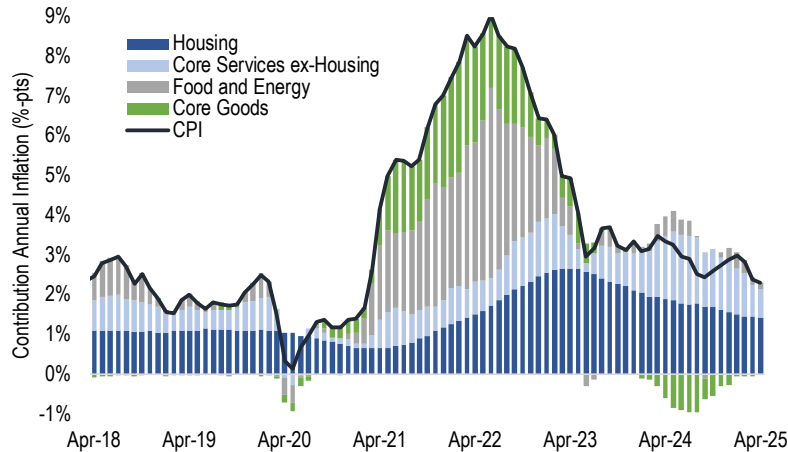
Tariff Impacts Percolating in Producer Prices; Wholesaler/Retailer Profit Margins Taking a Hit



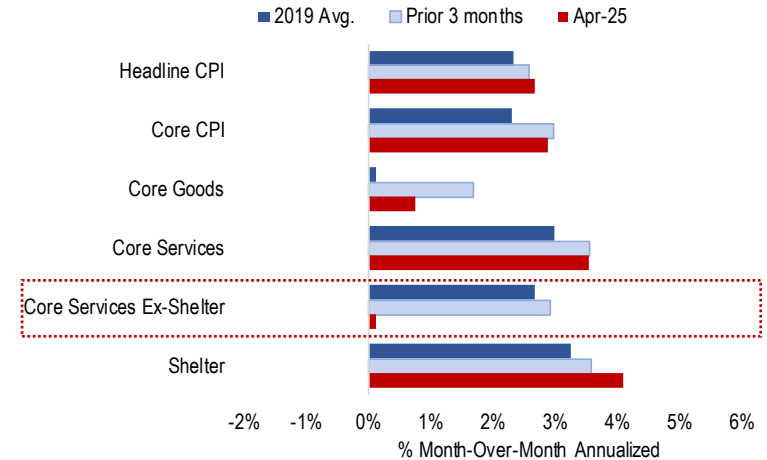
Housing: First “Real” Casualty of the Trade Quagmire or 7% Mortgage Rates Just Not Manageable for Most?



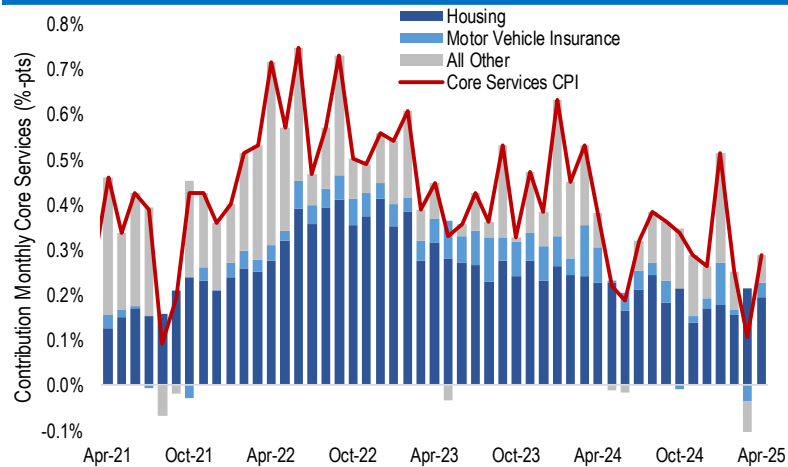
Annual Headline Inflation Moderated Further in April on Weaker Core Services (ex-Housing) Inflation



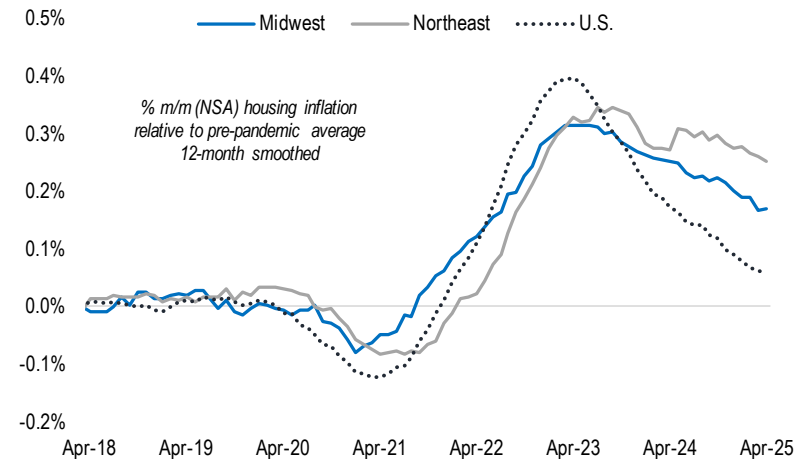
Services Deceleration Aided by Further Declines in Airfares and Hotel Prices



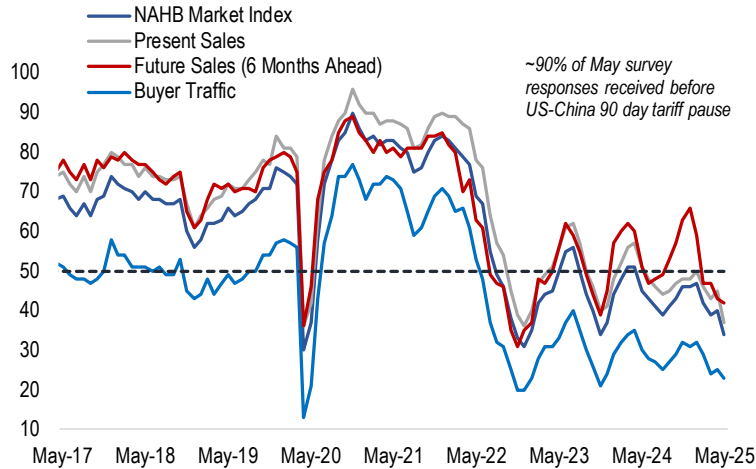
Core Services Inflation Rebounded in April amid a Lift in Housing Costs ...



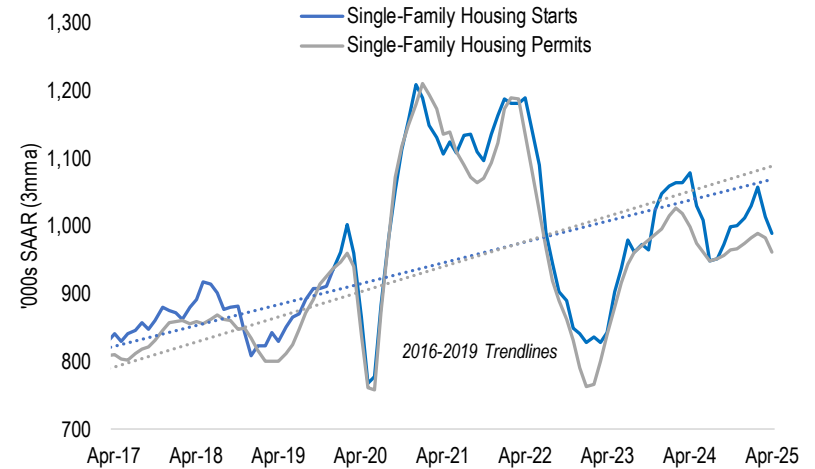
... Attributed to Continued Strength in the Midwest and Northeast Where Housing Supply Is Tightest



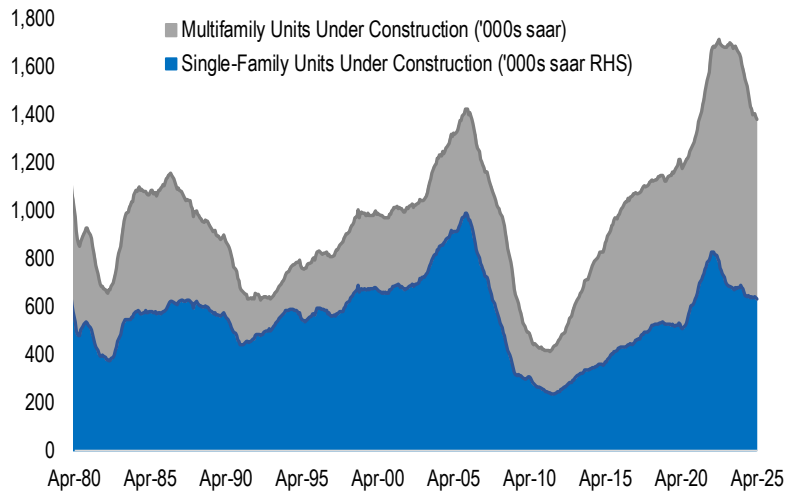
Builder Optimism Continued to Decline in May, Suggesting Weaker Construction Activity Ahead



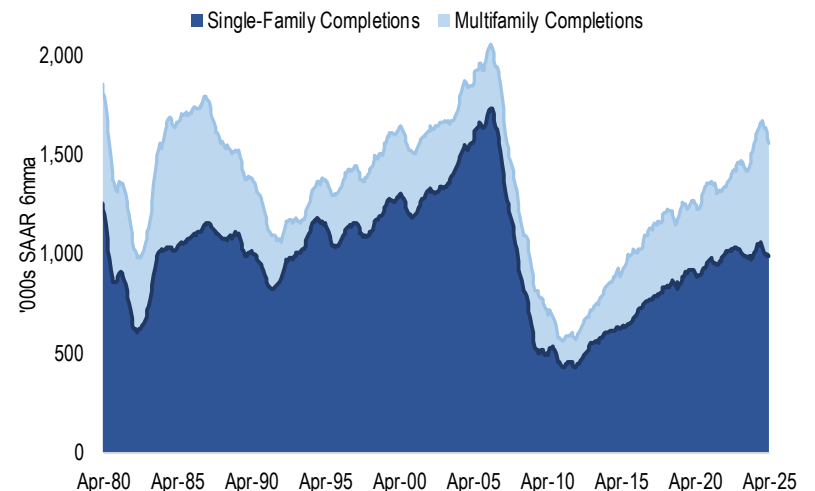
Multiple Headwinds Face Single-Family Construction with Builders Already in Pull-Back Mode



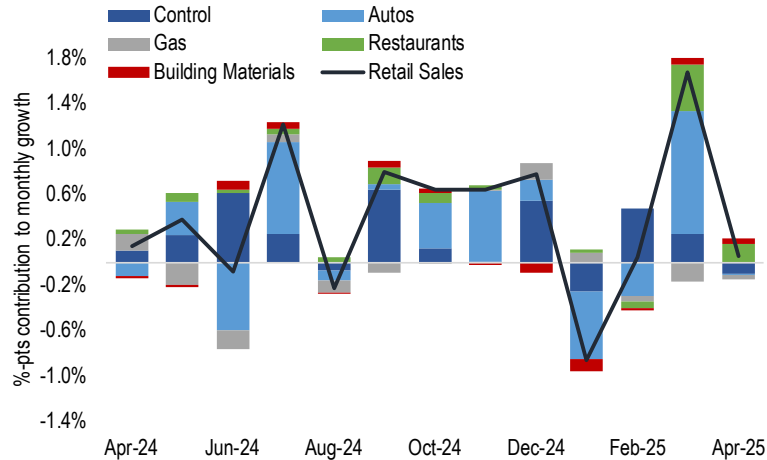
Single-Family Units in the Pipeline Have Trended Sideways While Multifamily Is Still Receding Quickly



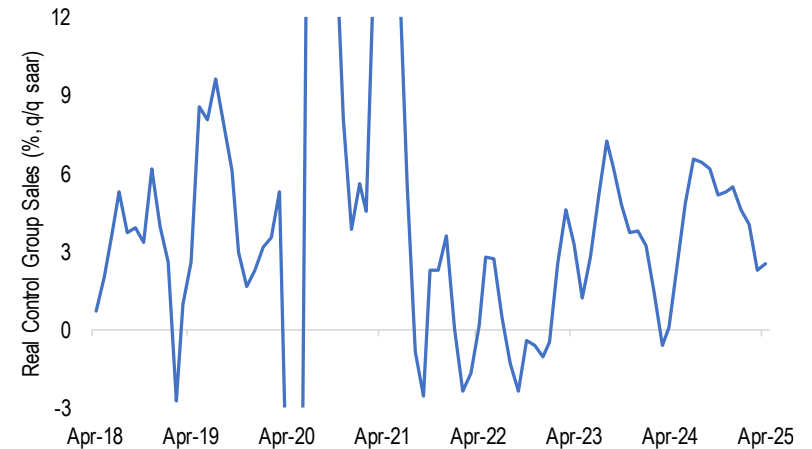
Accordingly, Completions Should Move Sideways or Lower as Builders Work through Backlog



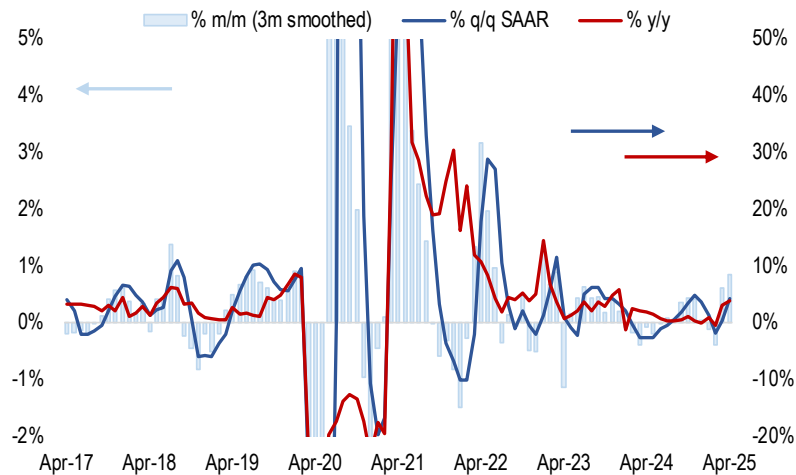
Only Sign of Tariff Front-Running by Consumers Has Been in Autos, but That Trend Cooled Materially in April



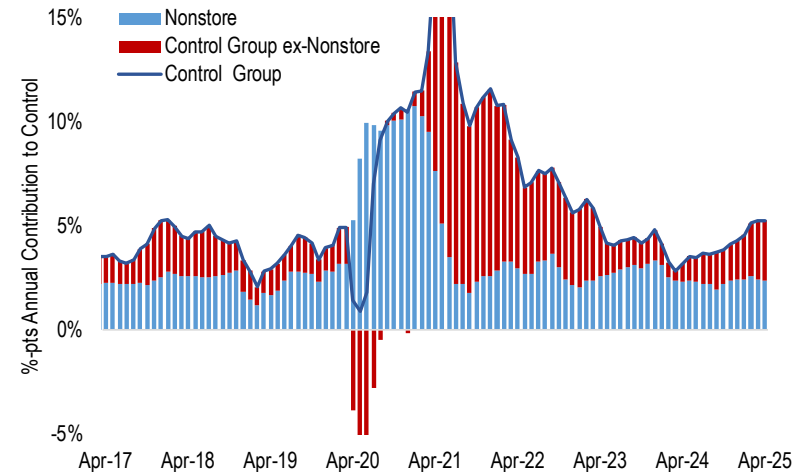
Annual Real (Inflation-Adjusted) Control Group Sales Growth Has Cooled Notably in 2025



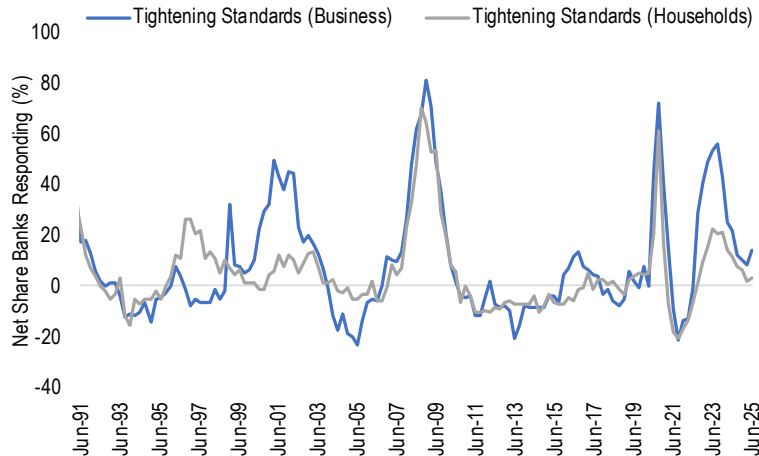
Real Restaurant Sales Climb Further on Top of Upward Revisions, Implying Consumers Not Overly Cautious, Yet



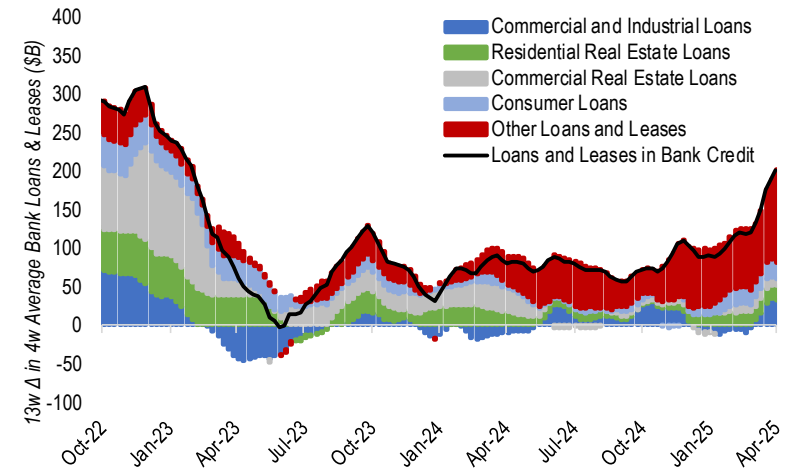
Online (Non-Store) Sales Were Weak Again in April



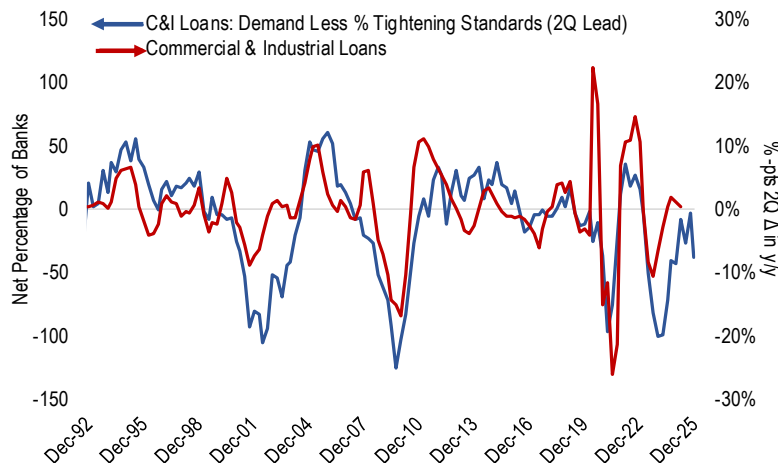
Banks Tightened Credit at Greater Intensity for First Time in a Year Citing “Risk Aversion” as Primary Reason



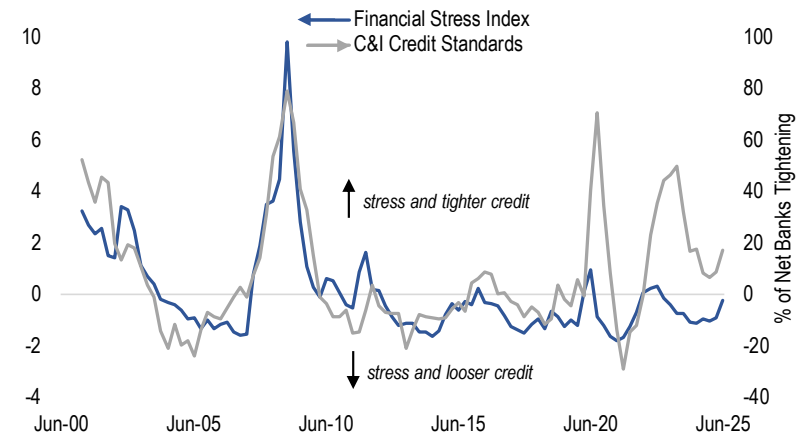
Nonetheless, Bank Credit Impulse Rebound Has Been Broad-Based to Start the Year but Will Likely Abate



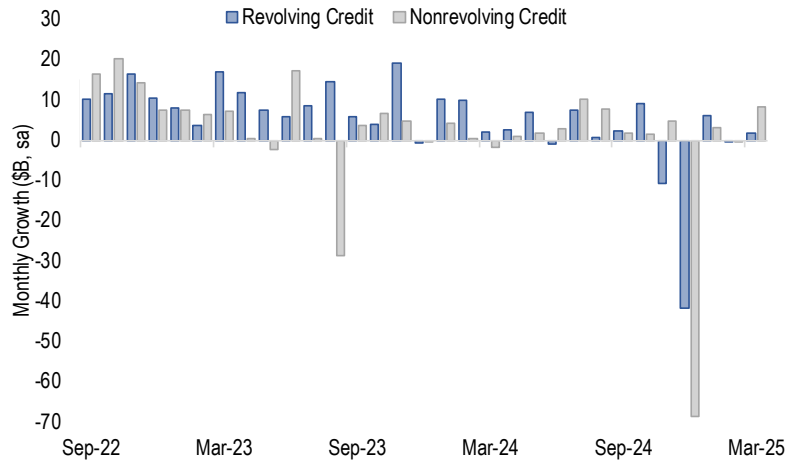
Tighter Credit and Weaker Demand Will Keep a Lid on Business Loan Growth



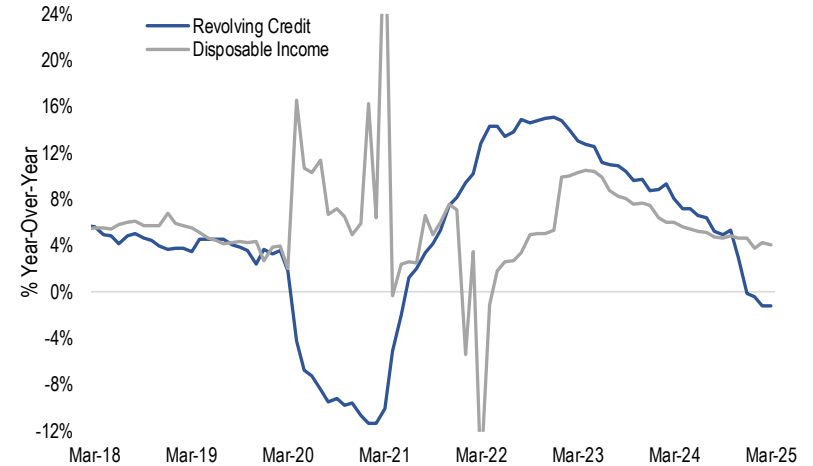
Bank Credit Tightened Further amid Pickup in Market Volatility and Funding Stress



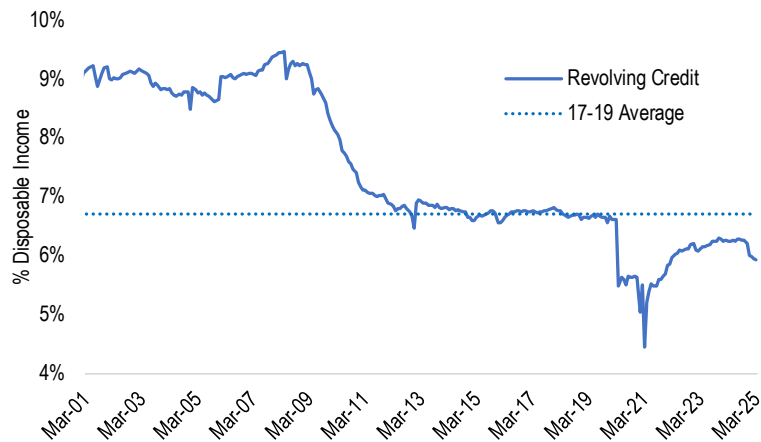
Nonrevolving Credit Increase Supported by Rising Student Loans and Auto Loans via Strong Auto Sales



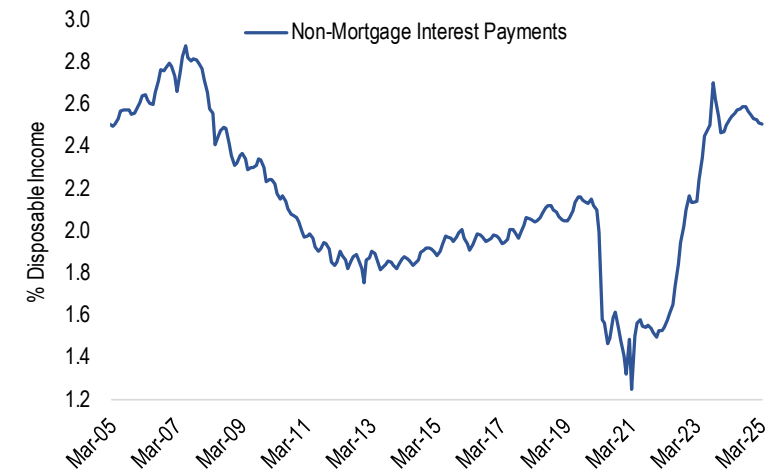
Downshift in Revolving Consumer Credit Confirms Slowdown in Consumer Spending



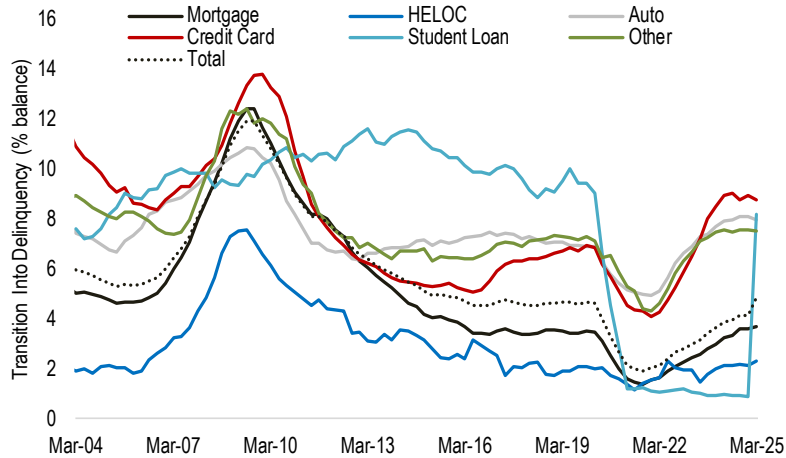
Revolving Credit Stepped Further below Pre-Pandemic Norm Relative to Disposable Income



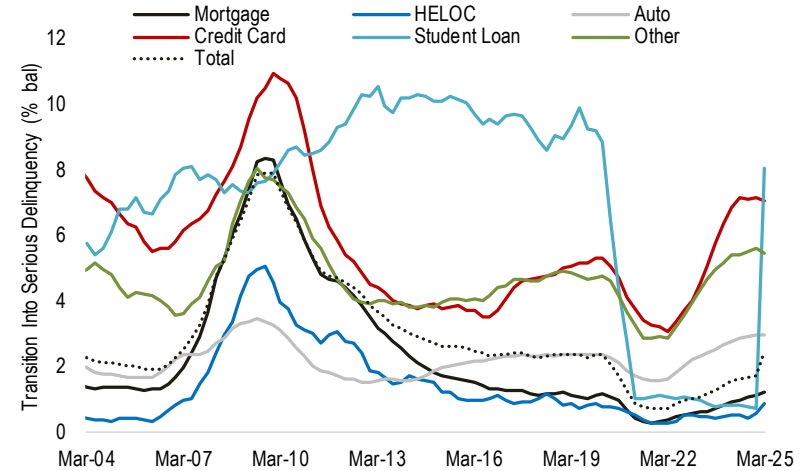
Non-Mortgage Interest Payments Will Remain Elevated amid Lagged Rate Adjustment by Banks



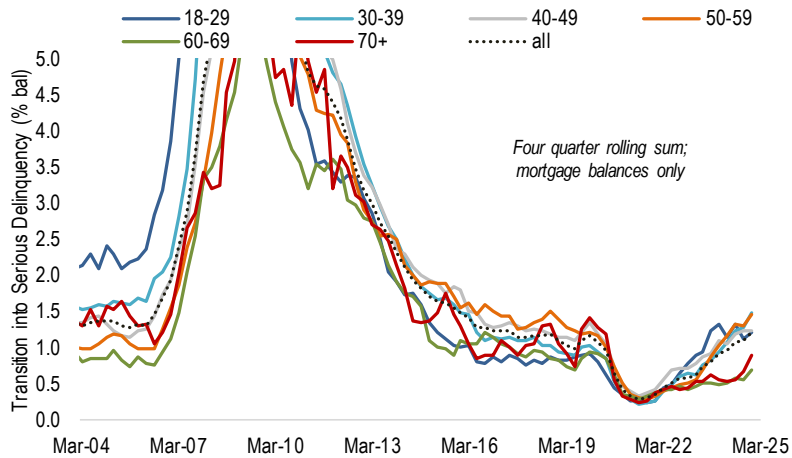
30 Day Delinquency Transition Rates Spiked for Student Loans as Delinquency Reporting Pause Ended



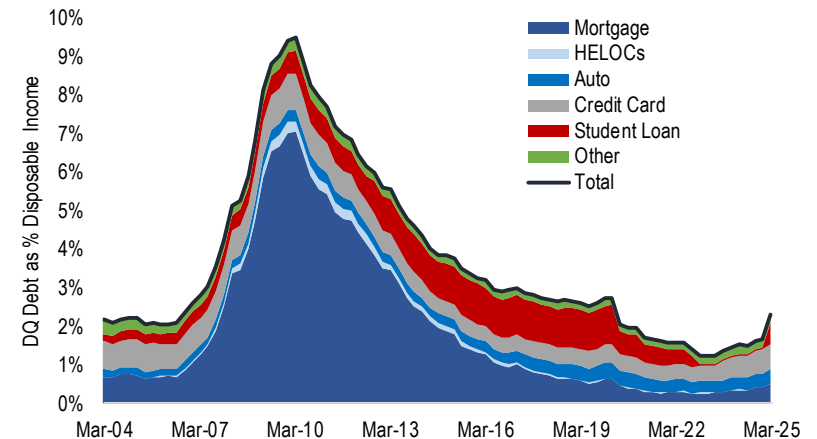
Transition Rates into Serious Delinquency (90+ Days) Rose for Most Categories except Credit Cards and Other



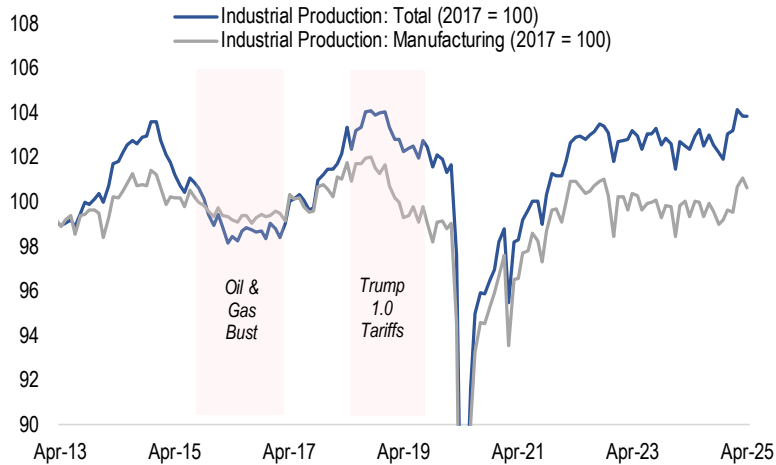
Mortgage Seriously Delinquent Transition Rates at or above Pre-Pandemic Levels for Most Age Cohorts



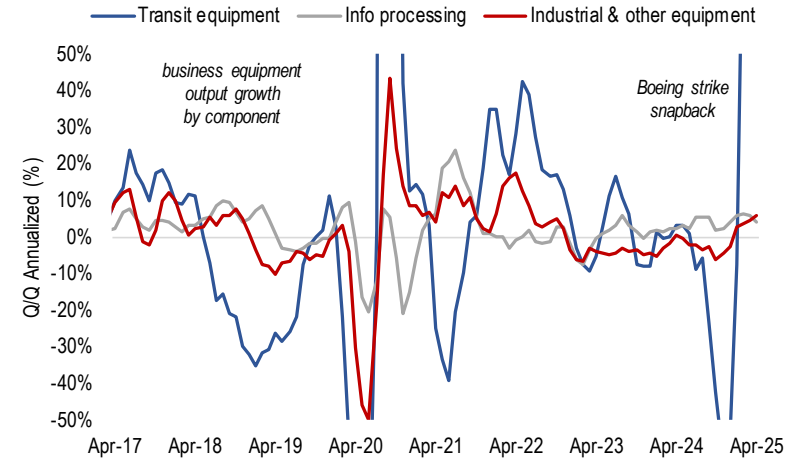
Total Delinquent Consumer and Mortgage Debt Remained Small Share of Income



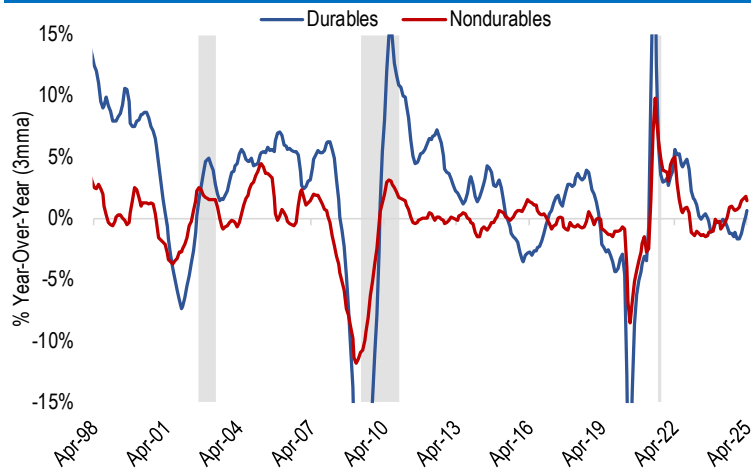
Industrial Production Eased after a Very Robust 1Q25 with Manufacturing Declining the Most Since Oct. '24



Robust Business Equipment Production Will Significantly Slow in the Months Ahead

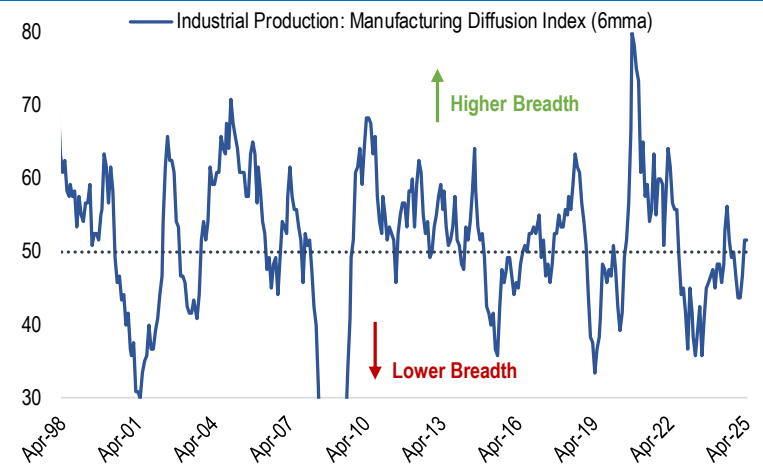


Nondurables Continued Its Growth Leadership Despite Strong Rebound in Durables Activity

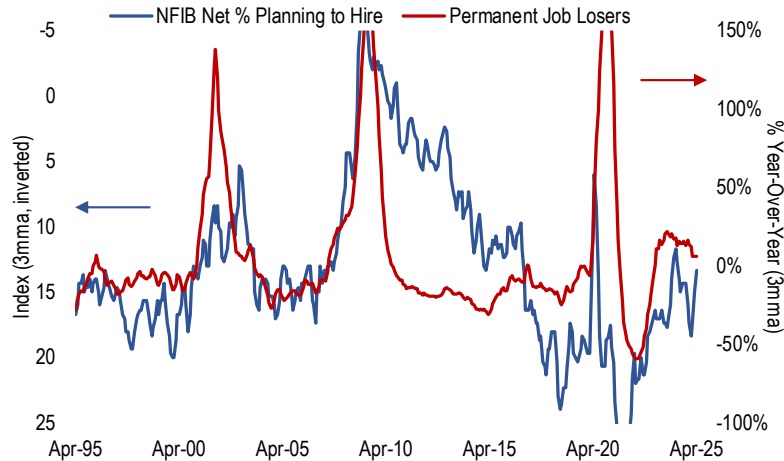


Durable goods are products that can be inventoried and have an average life of at least 3 years

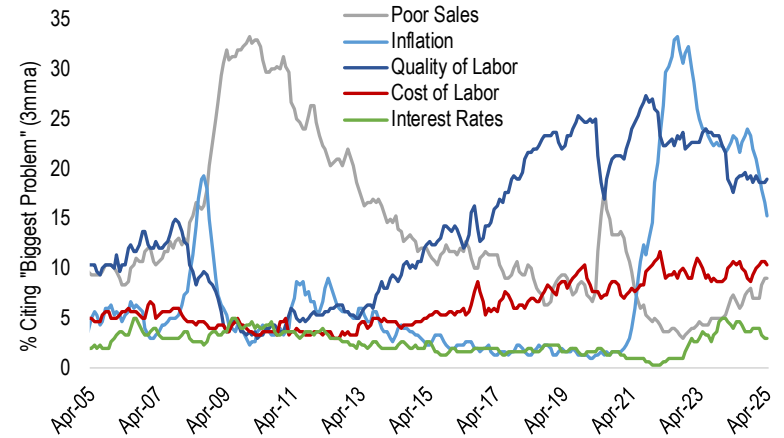
More Industries Expanded Production than Declined with Steady Strength in Aerospace and Metals Output



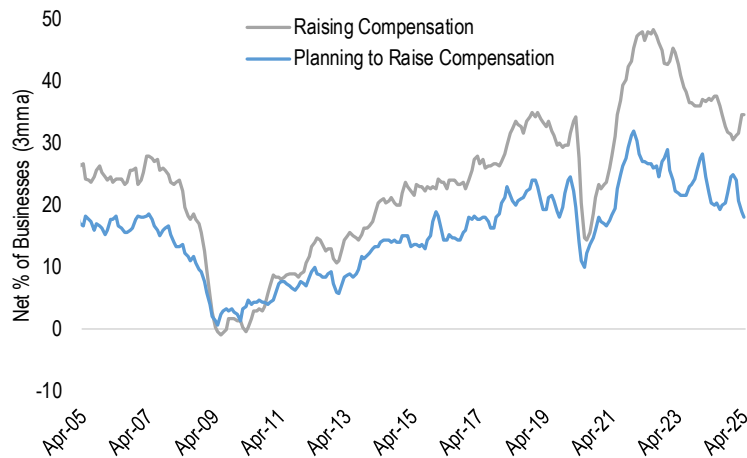
Small Businesses Have Turned More Cautious on Hiring, Reversing Prior Year's Improvement



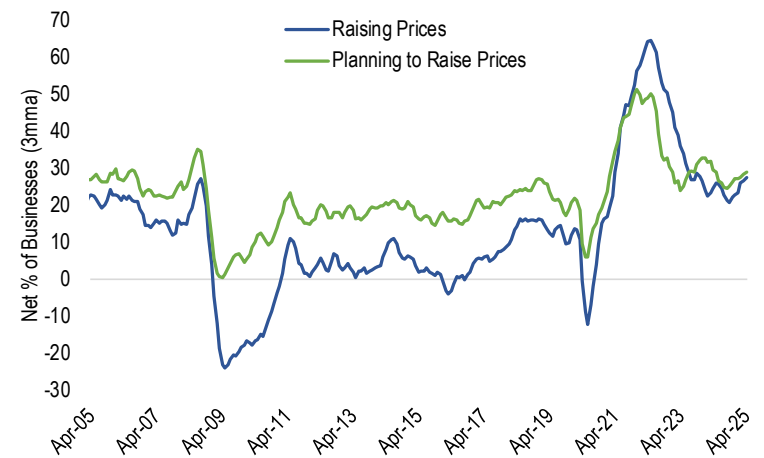
"Poor Sales" Cited as "Biggest Problem" by More Businesses Now Than Pre-Pandemic and Still Rising



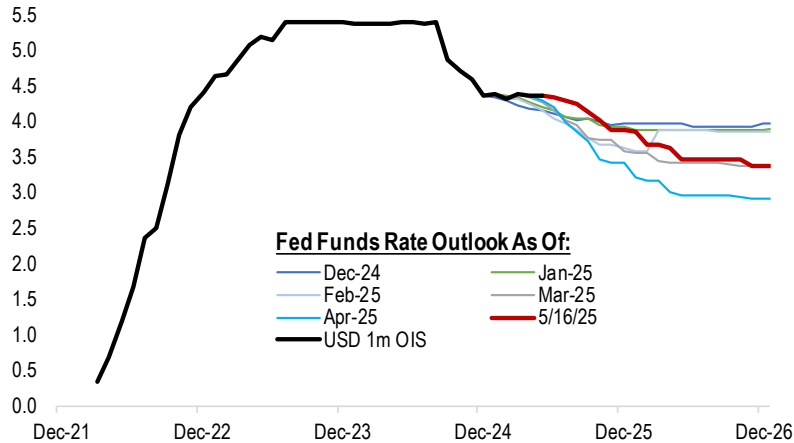
Pay Increases Have Pivoted Higher, but Future Wage Growth Expectations Falling amid Rising Economic Risks



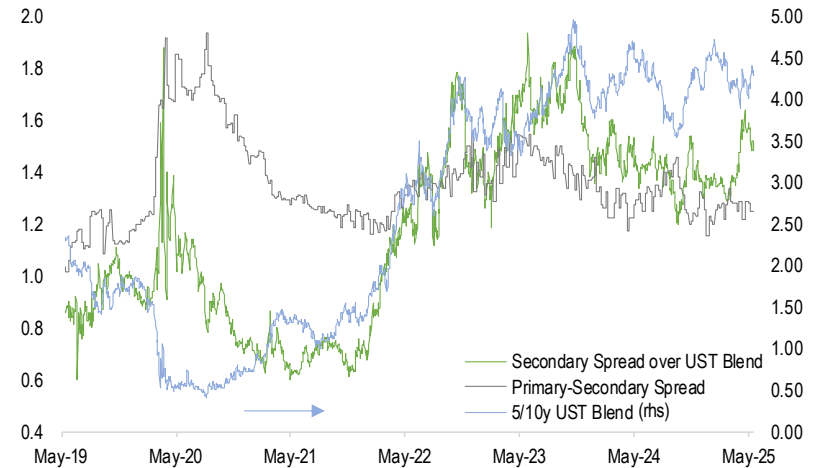
Share of Firms Raising Prices Has Picked Up and Has Further Room to Run



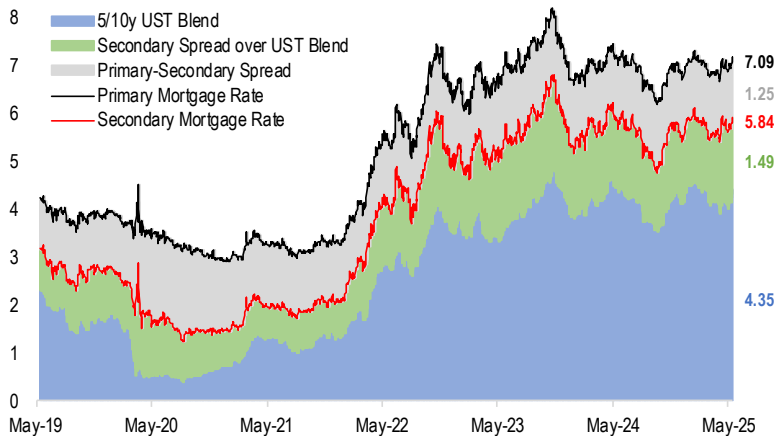
China Trade Deal Consolidated Market Pricing around Two 25bps Rate Cuts in 2025



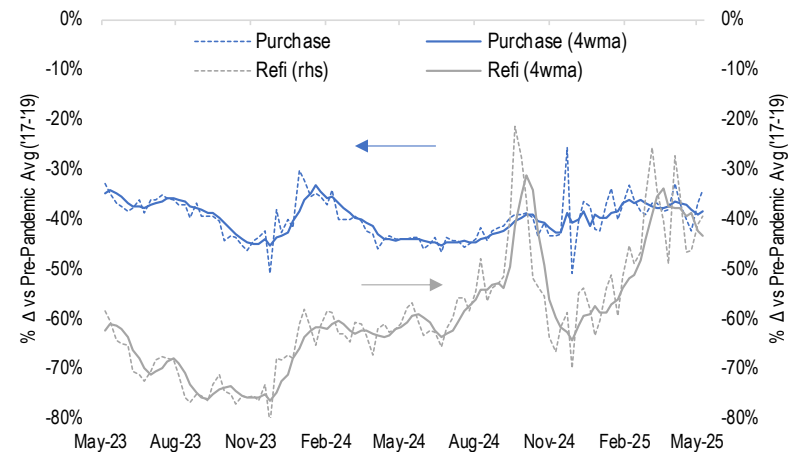
U.S. Treasury Yields Rose 10bps Last Week, but Mortgage Spreads Narrowed Slightly ...



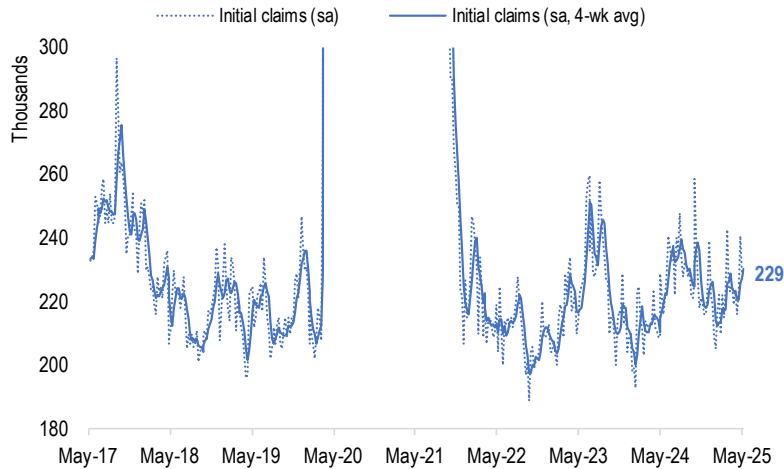
... Leaving Mortgage Rates Right around 7% for Yet Another Week



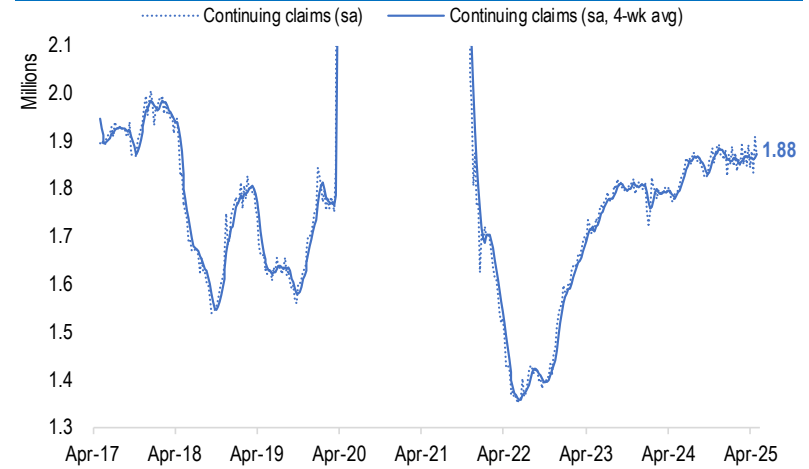
Purchase Applications Continued Trading Water as Rates Remained Close to Upper End of Two-Year Range



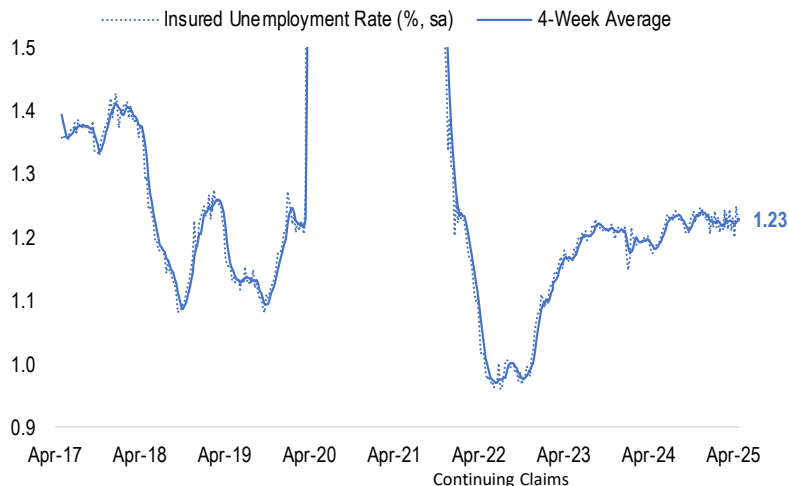
Initial Claims Ticked Up to 229k (SA) during the Week Ending May 10, in line with Recent Norm



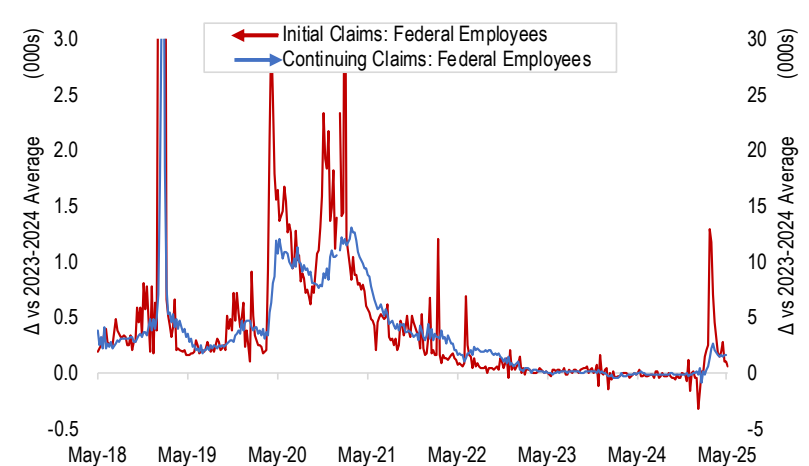
Continuing Claims Also Inched Higher to 1,881k (SA) and Remained close to Post-Pandemic High



Normalizing for the Size of the Labor Force, Insured Unemployment Also Still near Post-Pandemic High



Still No Signs of Widespread or Sustained Federal Employee Layoffs in Jobless Claims Data

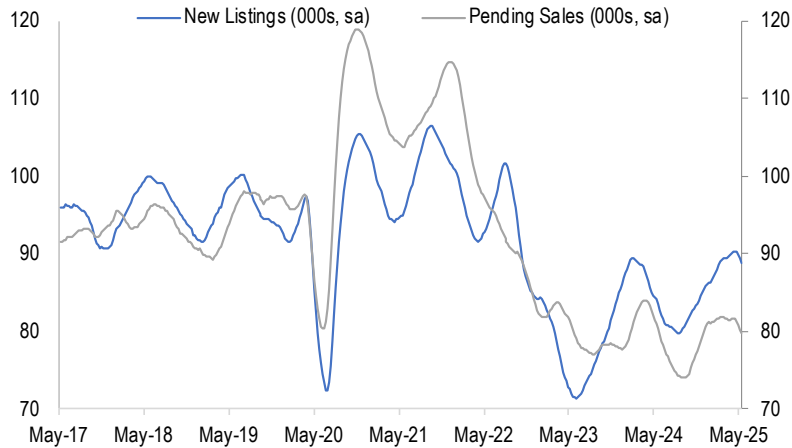


Insured Unemployment = $\frac{\text{Continuing Claims}}{\text{Employed Population Eligible for Unemployment Insurance}}$

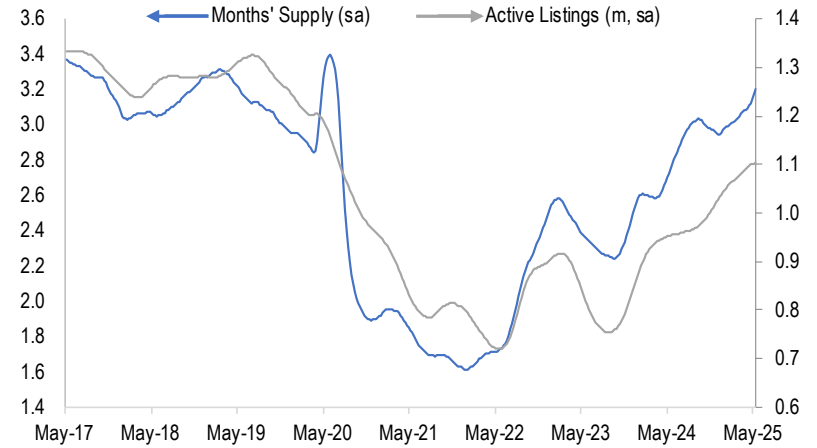
Sources: U.S. Department of Labor, Arch Global Economics

SA = Seasonally Adjusted
NSA = Not Seasonally Adjusted

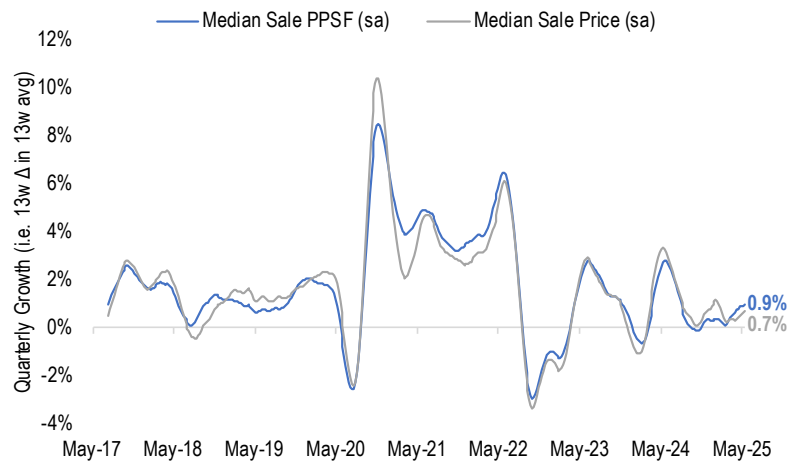
New Listings Have Cooled but Still Far Outpacing Pace of Pending Sales



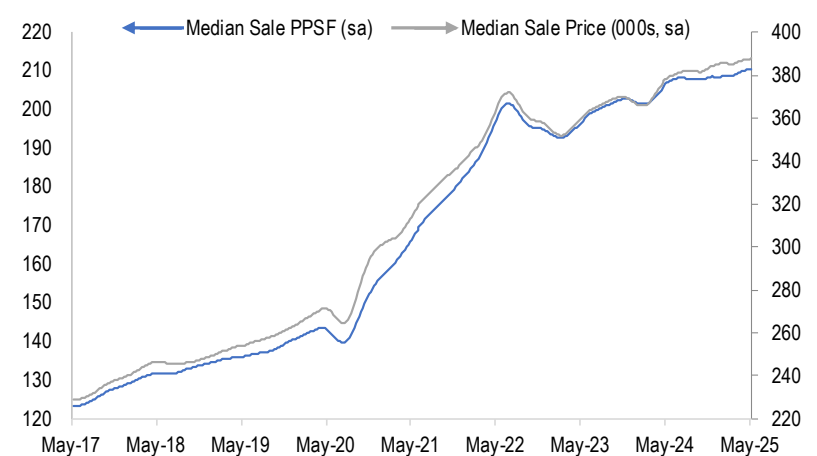
... Which Nudged Months' Supply a Bit Higher, as Inventory Continued to Swell



Pace of Seasonally Adjusted Home-Price Growth Still Trending Higher after Weak Start to '25



Home Prices Continued to Inch Higher in 2025 after Moving Mostly Sideways in 2H24



Annual Home Price Growth Has Broadly Cooled and Most Markets Have Generally Softened

Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	0.9%	-2.3%	4.4%	0.7%	6.7%	1.5%	99.0%	-0.4%	-8.4	-11.7	14%	4%	-14%
Atlanta	-0.4%	-0.1%	3.1%	3.0%	7.1%	2.2%	98.5%	-0.5%	11.3	1.3	18%	8%	-13%
Austin	-3.3%	-0.9%	3.4%	3.9%	8.9%	0.9%	97.8%	-0.3%	35.7	27.2	17%	134%	70%
Baltimore	2.0%	-2.7%	6.5%	3.1%	6.8%	1.5%	101.0%	-0.8%	-2.7	-5.7	18%	-22%	-36%
Boston	4.2%	-0.9%	7.1%	3.2%	5.3%	1.3%	102.6%	-0.6%	7.9	7.2	16%	0%	-14%
Chicago	4.2%	-4.3%	5.4%	0.0%	3.2%	1.2%	100.4%	0.0%	16.9	18.7	-3%	-9%	-11%
Dallas	-3.1%	-1.4%	0.4%	1.2%	8.7%	1.9%	98.1%	-0.4%	15.5	3.7	32%	61%	12%
Denver	-2.5%	-3.9%	2.6%	3.0%	10.4%	1.4%	99.4%	-0.4%	9.5	3.0	44%	93%	31%
Houston	-1.6%	-3.0%	2.8%	2.1%	8.0%	1.6%	97.2%	-0.4%	8.7	-1.3	20%	23%	1%
Los Angeles	1.0%	-2.6%	2.5%	-7.7%	5.4%	2.3%	100.4%	-0.9%	-1.1	-4.1	11%	15%	7%
Miami	3.0%	1.2%	3.6%	-0.2%	4.9%	1.3%	95.4%	-0.8%	13.1	4.1	24%	57%	-10%
Minneapolis	2.1%	0.4%	1.6%	0.2%	6.3%	1.6%	100.7%	0.0%	-0.9	-0.2	2%	-9%	-11%
Nashville	-0.2%	-2.1%	3.1%	1.9%	6.1%	2.2%	98.2%	-0.4%	6.1	-2.9	19%	31%	4%
New York	5.3%	-5.6%	6.2%	-0.2%	4.0%	0.4%	100.3%	0.4%	-44.6	-41.9	0%	-20%	-27%
Phoenix	-2.6%	-5.2%	1.5%	0.1%	8.4%	1.2%	98.2%	-0.2%	12.9	6.0	31%	57%	22%
Portland	-0.3%	-0.9%	3.2%	2.6%	8.2%	1.9%	100.2%	-0.2%	6.8	3.4	12%	43%	30%
Riverside	0.8%	-1.5%	2.4%	-1.8%	7.1%	2.7%	99.1%	-0.4%	-6.3	-11.7	12%	6%	-5%
San Diego	-2.0%	-4.2%	3.2%	-2.1%	7.2%	2.7%	99.5%	-1.2%	2.8	-3.3	28%	16%	-5%
Seattle	-0.6%	-5.3%	5.8%	1.8%	7.7%	2.9%	101.3%	-1.2%	-0.9	-1.2	40%	60%	5%
Tampa	-2.1%	-0.3%	0.9%	-0.5%	10.1%	1.0%	97.1%	-0.4%	4.5	-2.0	17%	63%	25%
Washington DC	1.9%	-4.4%	4.1%	-1.2%	5.8%	1.6%	100.4%	-1.1%	13.2	6.2	29%	21%	-13%

Data as of May 11, 2025, and reflects 4-week averages.

Upcoming Data Releases

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/19/25	10:00 AM	Conference Board Leading Index m/m	Apr	-1.0	-1.0	-0.8	-0.7	%, sa
5/21/25	7:00 AM	MBA Mortgage Applications w/w	5/16/25	--	--	--	1.1	%, sa
5/22/25	8:30 AM	Initial Jobless Claims	5/17/25	--	230	--	229	k, sa
5/22/25	8:30 AM	Continuing Claims	5/10/25	--	1,884	--	1,881	k, sa
5/22/25	9:45 AM	S&P Global US Manufacturing PMI	May P	--	49.9	--	50.2	index, sa
5/22/25	9:45 AM	S&P Global US Services PMI	May P	--	51.0	--	50.8	index, sa
5/22/25	9:45 AM	S&P Global US Composite PMI	May P	--	50.3	--	50.6	index, sa
5/22/25	10:00 AM	Existing Home Sales	Apr	--	4.1	--	4.0	m, saar
5/22/25	10:00 AM	Existing Home Sales m/m	Apr	--	2.0	--	-5.9	%, sa
5/23/25	11:00 AM	Building Permits	Apr F	--	--	--	1,412	k, saar
5/23/25	11:00 AM	Building Permits m/m	Apr F	--	--	--	-4.7	%, sa
5/23/25	10:00 AM	New Home Sales	Apr	--	690	--	724	k, saar
5/23/25	10:00 AM	New Home Sales m/m	Apr	--	-4.7	--	7.4	%, sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/13/25	6:00 AM	NFIB Small Business Optimism	Apr	95.8	95.0	--	97.4	index, sa
5/13/25	8:30 AM	CPI m/m	Apr	0.2	0.3	--	-0.1	%, sa
5/13/25	8:30 AM	CPI Core (ex Food and Energy) m/m	Apr	0.2	0.3	--	0.1	%, sa
5/13/25	8:30 AM	CPI y/y	Apr	2.3	2.4	--	2.4	%, nsa
5/13/25	8:30 AM	CPI Core (ex Food and Energy) y/y	Apr	2.8	2.8	--	2.8	%, nsa
5/14/25	7:00 AM	MBA Mortgage Applications w/w	5/9/25	1.1	--	--	11.0	%, sa
5/15/25	8:30 AM	Advance Retail Sales m/m	Apr	0.1	0.0	1.7	1.4	%, sa
5/15/25	8:30 AM	Retail Sales Control Group m/m	Apr	-0.2	0.3	0.5	0.4	%, sa
5/15/25	8:30 AM	PPI Final Demand m/m	Apr	-0.5	0.2	0.0	-0.4	%, sa
5/15/25	8:30 AM	PPI Core (ex Food and Energy) m/m	Apr	-0.4	0.3	0.4	-0.1	%, sa
5/15/25	8:30 AM	PPI Final Demand y/y	Apr	2.4	2.5	3.4	2.7	%, nsa
5/15/25	8:30 AM	PPI Core (ex Food and Energy) y/y	Apr	3.1	3.1	4.0	3.3	%, nsa
5/15/25	8:30 AM	Initial Jobless Claims	5/10/25	229	228	229	228	k, sa
5/15/25	8:30 AM	Continuing Claims	5/3/25	1,881	1,890	1,872	1,879	k, sa
5/15/25	9:15 AM	Industrial Production m/m	Apr	0.0	0.1	--	-0.3	%, sa
5/15/25	9:15 AM	Capacity Utilization	Apr	77.7	77.8	--	77.8	sa
5/15/25	10:00 AM	Business Inventories m/m	Mar	0.1	0.2	--	0.2	%, sa
5/15/25	10:00 AM	NAHB Housing Market Index	May	34	40	--	40	index, sa
5/16/25	8:30 AM	Housing Starts	Apr	1,361	1,363	1,339	1,324	k, saar
5/16/25	8:30 AM	Building Permits	Apr P	1,412	1,450	1,481	1,467	k, saar
5/16/25	8:30 AM	Housing Starts m/m	Apr	1.6	3.0	-10.1	-11.4	%, sa
5/16/25	8:30 AM	Building Permits m/m	Apr P	-4.7	-1.2	1.9	0.5	%, sa
5/16/25	8:30 AM	Import Price Index m/m	Apr	0.1	-0.3	-0.4	-0.1	%, nsa
5/16/25	8:30 AM	Import Price Index y/y	Apr	0.1	-0.2	0.8	0.9	%, nsa
5/16/25	10:00 AM	U. of Mich. Sentiment	May P	50.8	53.4	--	52.2	index, nsa
5/16/25	10:00 AM	U. of Mich. 1 Yr Inflation	May P	7.3	6.5	--	6.5	nsa
5/16/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	May P	4.6	4.4	--	4.4	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Green = upside surprise; Red = downside surprise; (compared vs. prior if no consensus estimates available)