

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 21, 2024

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Payback

- **Key Takeaway:** Headline consumer inflation came in slightly below consensus expectations, dampening inflation reacceleration fears.
- **Macro Implications:** July remains our base for the first Fed rate cut even as the market has consolidated around Sept. for the first cut.
- **Housing Implications:** Rate volatility will remain elevated in the near-term and likely impede a faster normalization of mortgage rates.

Macro: Sigh of Relief

- Consumer price growth eased in April after a “hot” start to the year.
- Industrial production remains tepid at best given downward revisions.
- Increase in 1Q24 credit card delinquency led by lower-income cohort.

Rates: Modicum of Reprieve

- 10-yr UST declined 8bps w/w to 4.42%, reached a low of 4.32% mid-week.
- Market still pricing two 25bps Fed rate cuts this year: Sept. and Dec.
- Fed’s preferred measure of inflation (PCE) released later in the month.

Housing: Mortgage Rates Still Declining Toward 7%

- Mortgage rates down more than 30bps since peaking in April.
- Purchase applications struggle to rebound with rates still elevated.
- Weekly pending sales data continue to pull back.

Consumer Inflation: Price Pressures Cool

- Headline and core consumer prices were up 0.3% in April.
- Core services saw moderation in insurance and rental prices.
- Energy inflation remained elevated while food prices were flat.

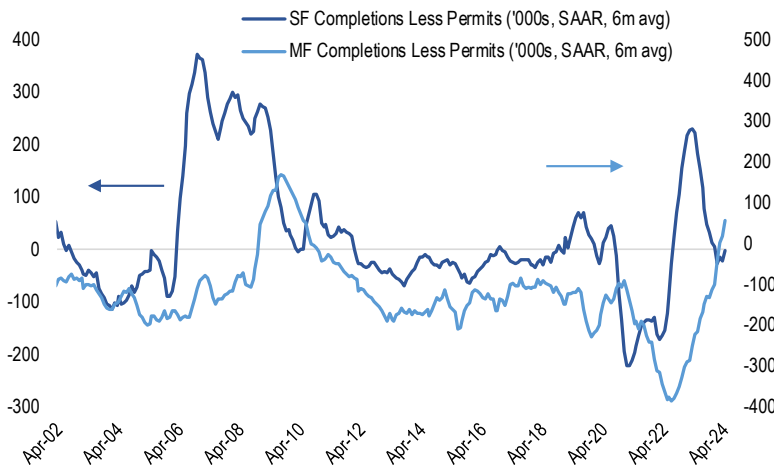
Construction: Homebuilder Optimism Falls

- Single-family starts were down -0.4% m/m but up 18% y/y in April.
- Single-family permits fell for third straight month and by -0.8% m/m.
- Multifamily starts remained weak, down -33% y/y.

Retail Sales: Online Sales Slumped in April After Surge in March

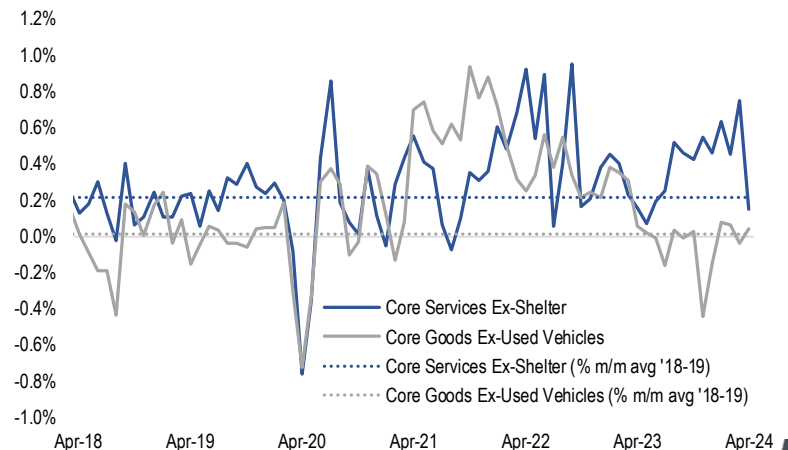
- Retail sales were flat in April after the sturdy 0.6% gain in March.
- Real spending has averaged -0.1% m/m over prior three months.
- Weak April print likely weighed down by timing of Easter holiday.

Difference Between Late- and Early-Stage Homebuilding Shows Growing Builder Caution Amid Higher Rates

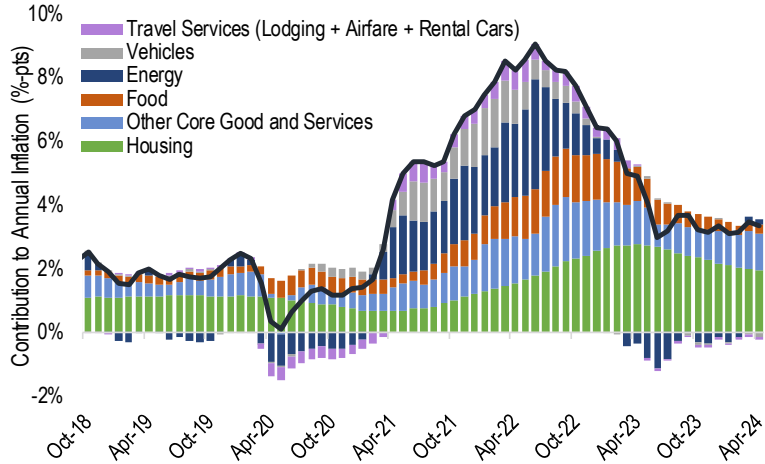


Sources: U.S. Bureau of Labor Statistics (BLS), U.S. Census Bureau, Arch Global Economics

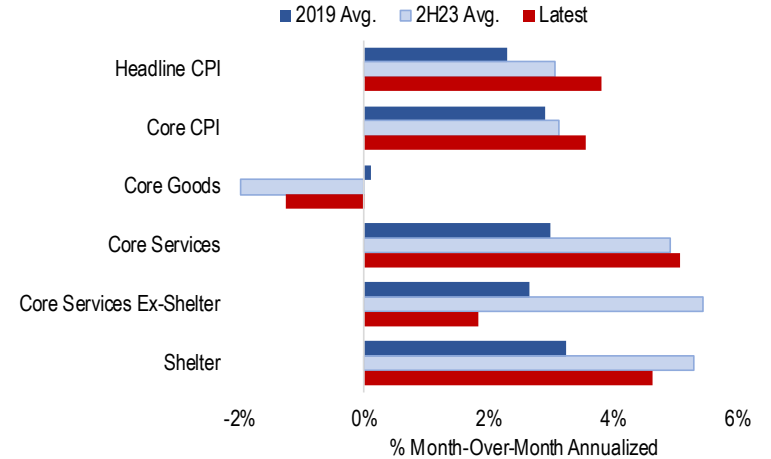
Big Step Down in Core Services Ex-Shelter Inflation in April, a First Step Toward a Potential July Fed Rate Cut



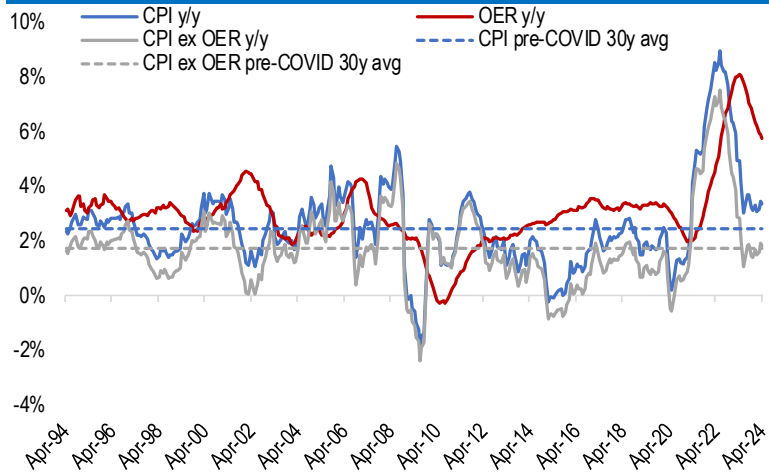
Annual CPI Inflation Steady Amid Sticky Core and Rebounding Energy Prices



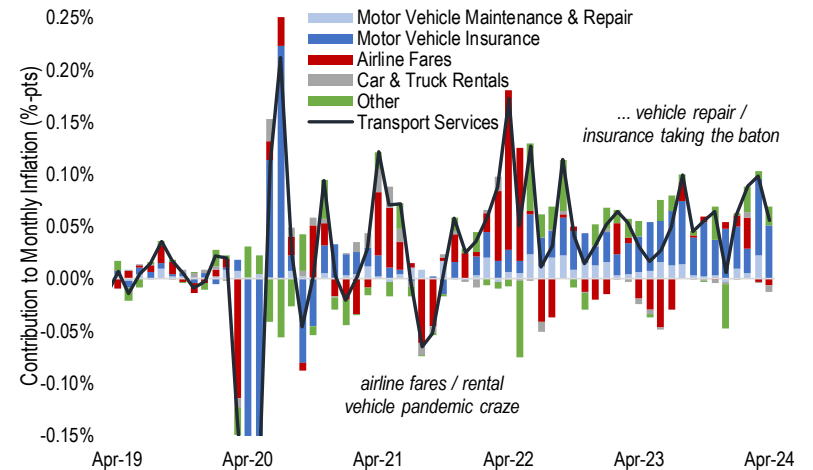
Shelter Inflation Remained Particularly Sticky in April, but Other Core Goods and Services Have Cooled



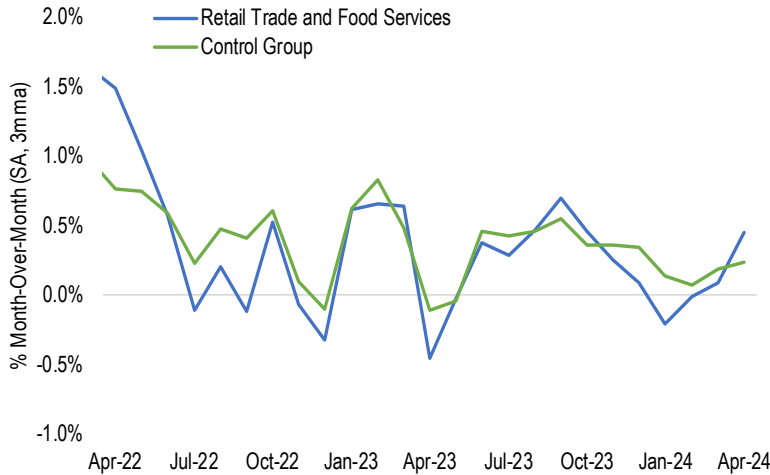
Excluding Owners' Equivalent Rent (OER), Inflation Has Been in Line with Pre-Pandemic Norm for Nearly a Year



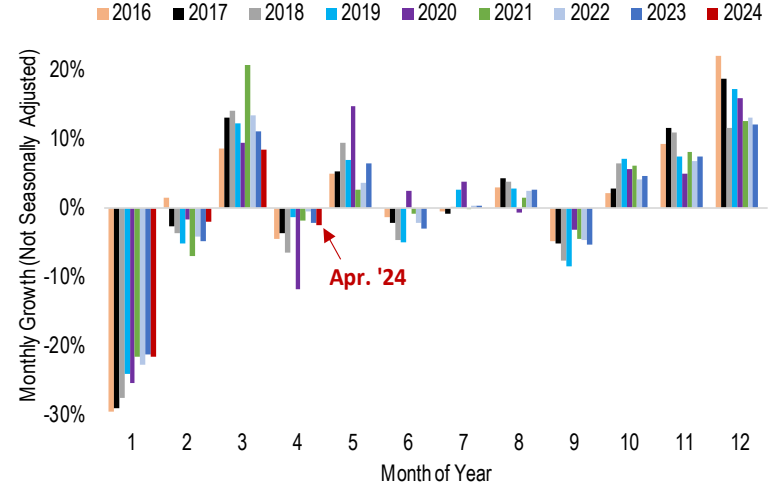
Transport Services Have Become the Post-Pandemic Poster Child for Sticky Core Prices Aside from Shelter



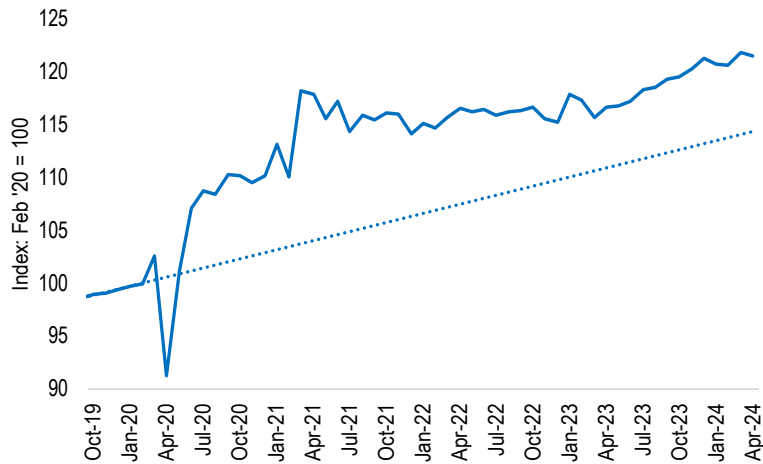
April Retail Sales Growth Surprised to the Downside with Downward Revisions to Prior Months



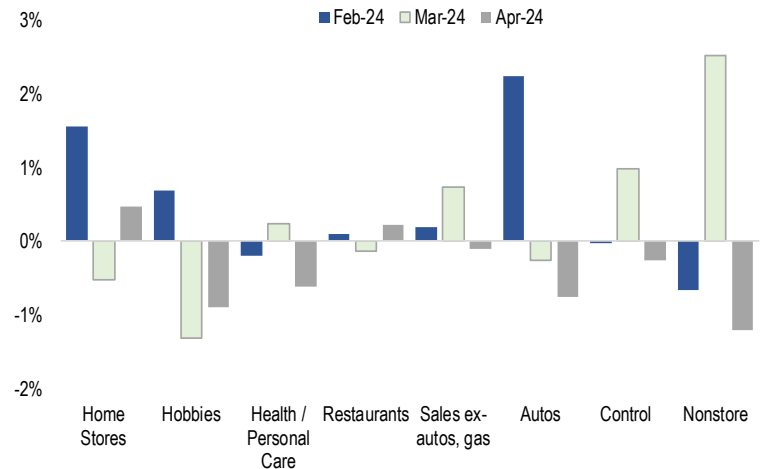
Control Group Growth Was Slightly Worse for April without Bump from Seasonal Adjustment Factors



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

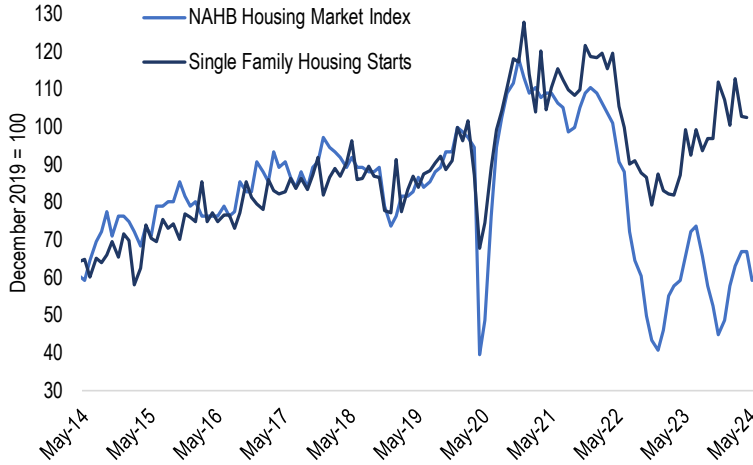


Online Sales (i.e. Nonstore) Provided Biggest Drag to April Retail Sales Growth After Surge in March

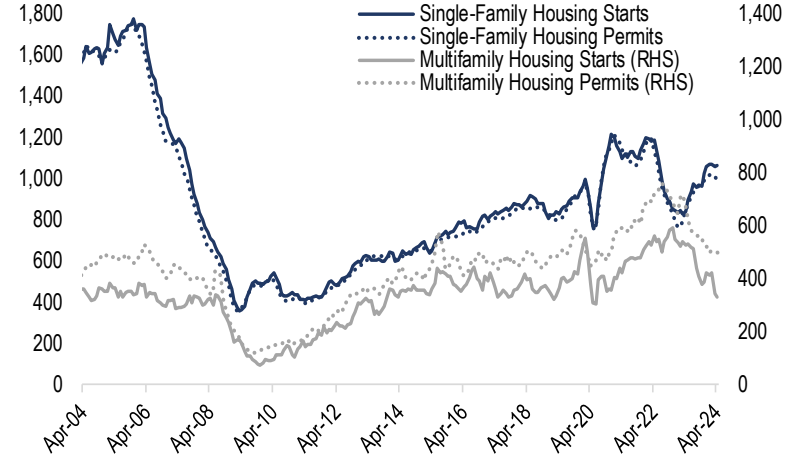


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted
Sources: U.S. Census Bureau, BLS, Arch Global Economics

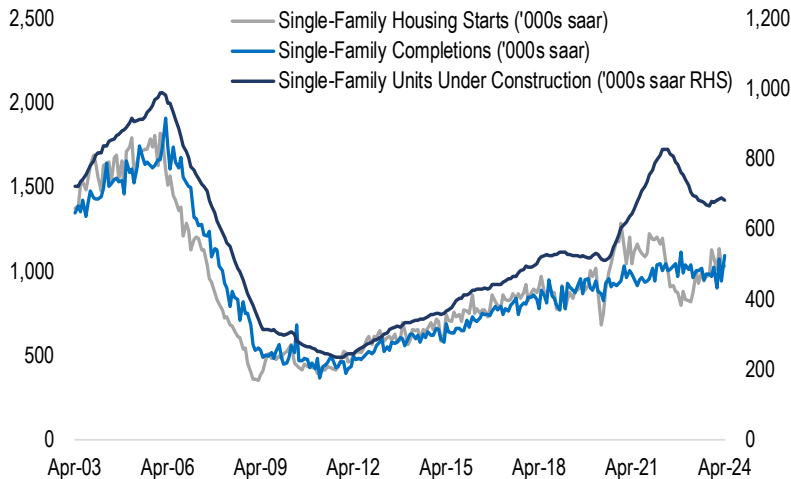
Builder Optimism Declined for First Time in Seven Months Amid Higher Rates



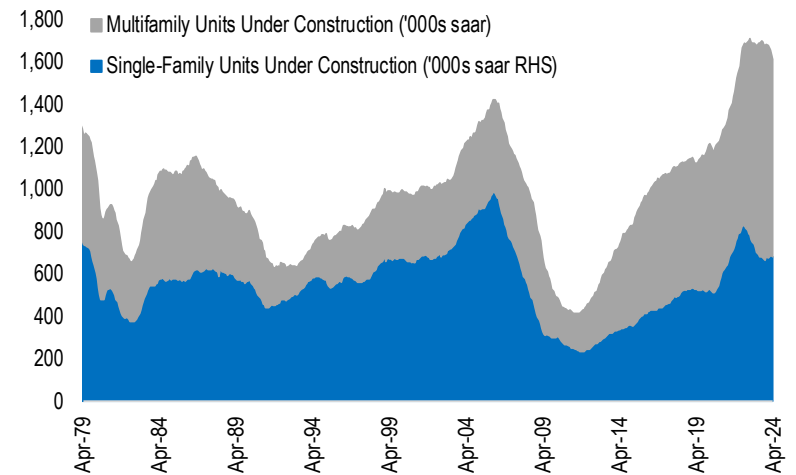
Single-Family Permitting Activity Has Begun to Cool While Multifamily Remained on Downward Trend



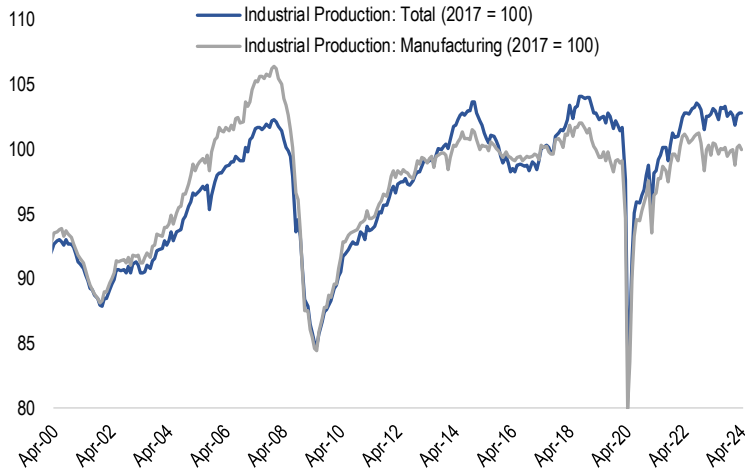
Single-Family Completions Rebounded in April While the Pace of Starts Cooled



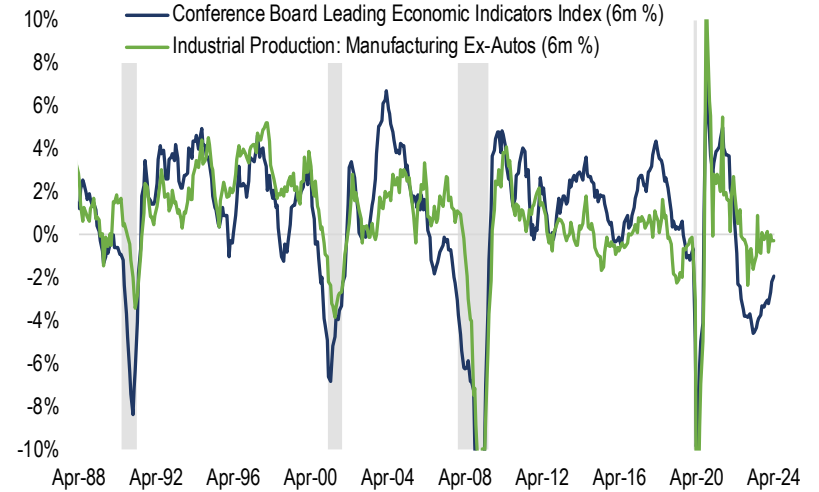
Multifamily Units Under Construction Headed Lower as Single-Family Units Have Turned Higher



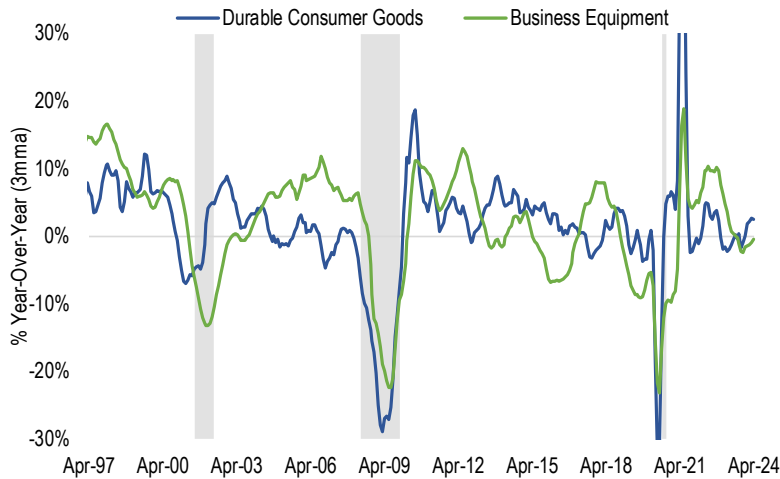
Total Industrial Production Was Flat in April Despite a Decline in Factory Output



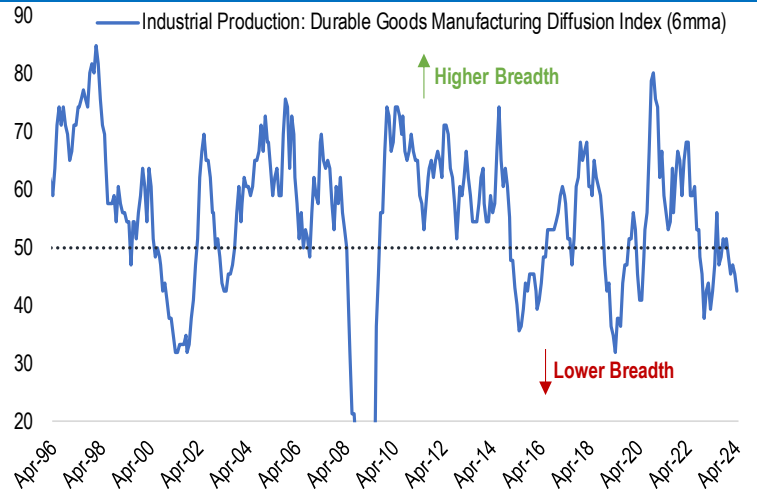
Downward Revisions to Prior Months Indicate Manufacturing Momentum Still Tepid



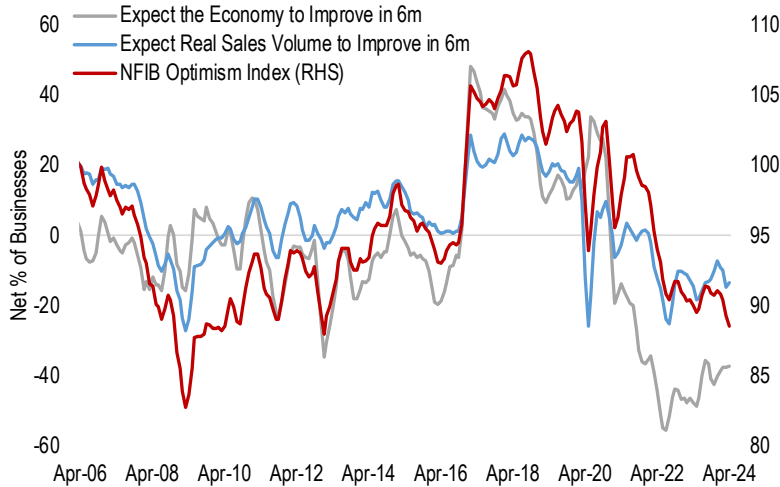
Trend Is Higher For Consumer Goods and Business Investment, Albeit from a Low Base



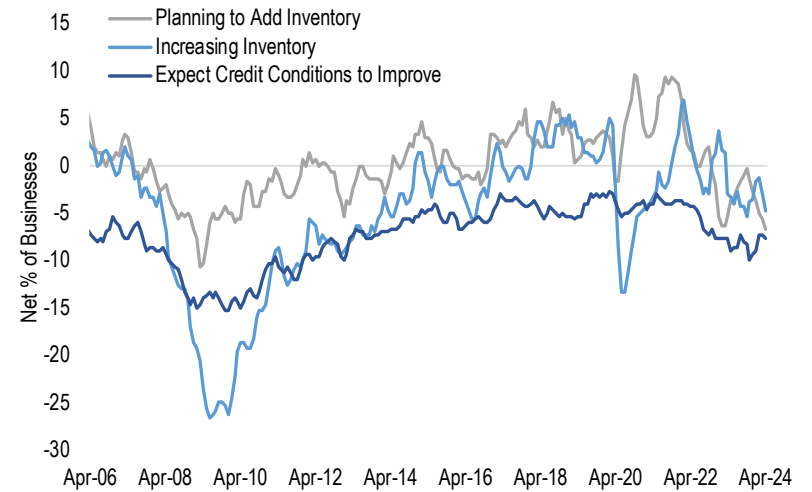
Durable Goods Sectors Showing Broad Weakness Led by Wood Products and Electrical Equipment



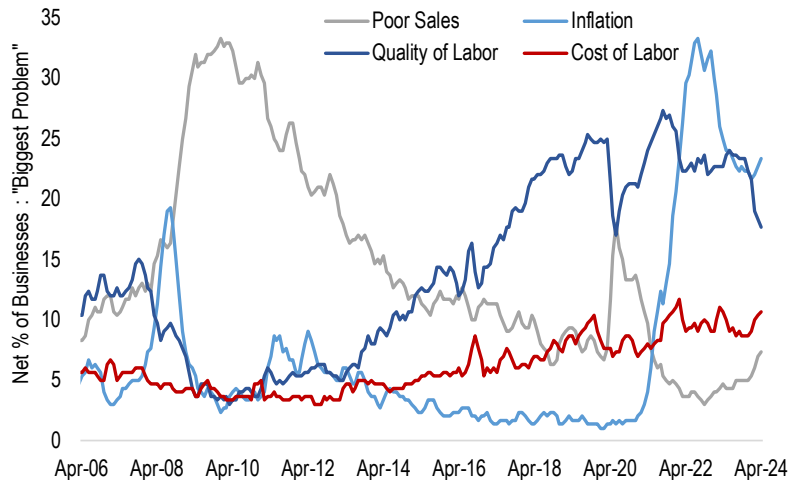
Small Business Optimism Declined for Third Straight Month as Sales Expectations Fell Again



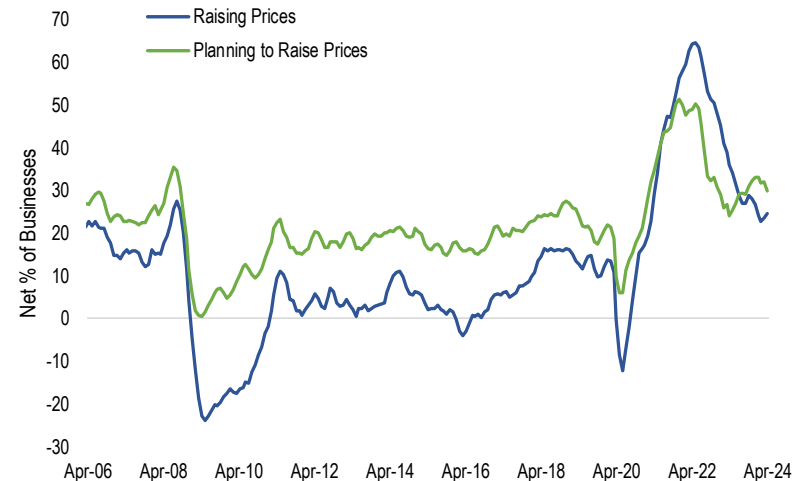
Credit Conditions Are Normalizing but an Uncertain Outlook Is Keeping Investment Intentions at Bay



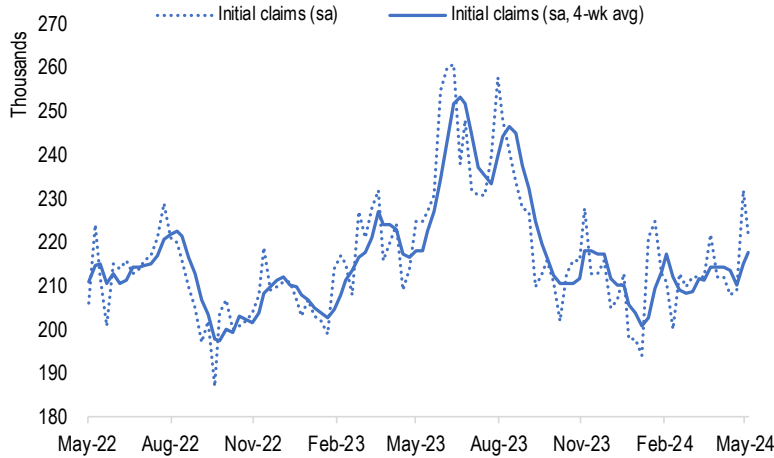
"Inflation" Regains Top Spot as "Biggest Problem" for Small Businesses as "Labor Quality" Concerns Fall



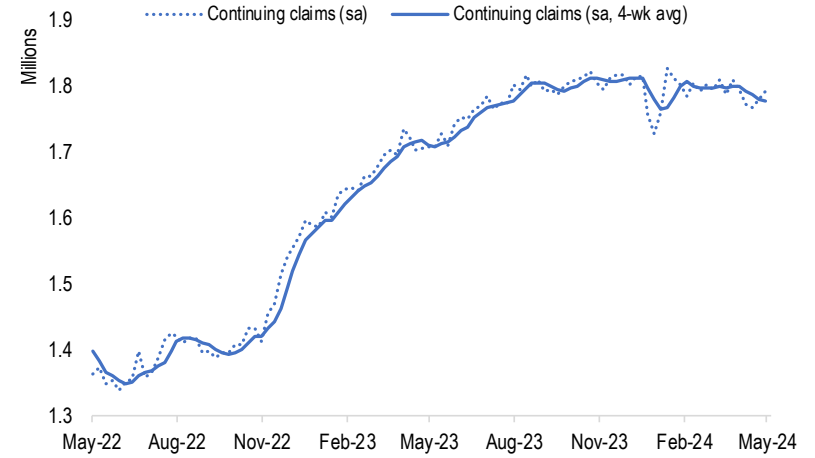
Fewer Firms Reported Plans to Raise Prices, Suggesting Less Price Pressure Ahead



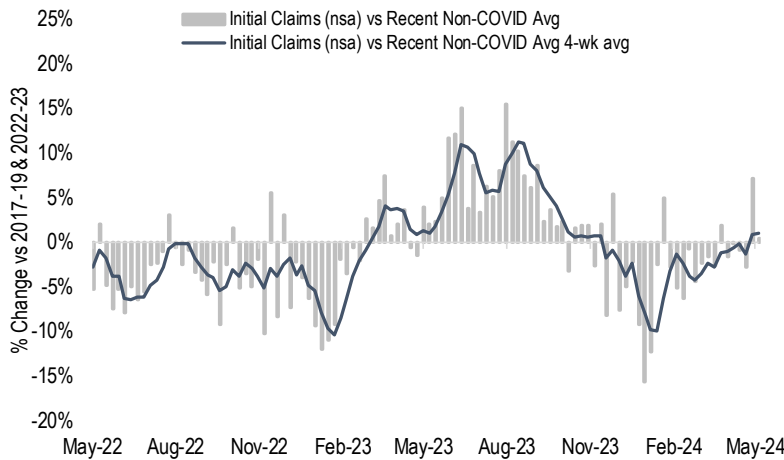
Initial Claims (SA) Trend Has Turned Modestly Higher in Recent Weeks



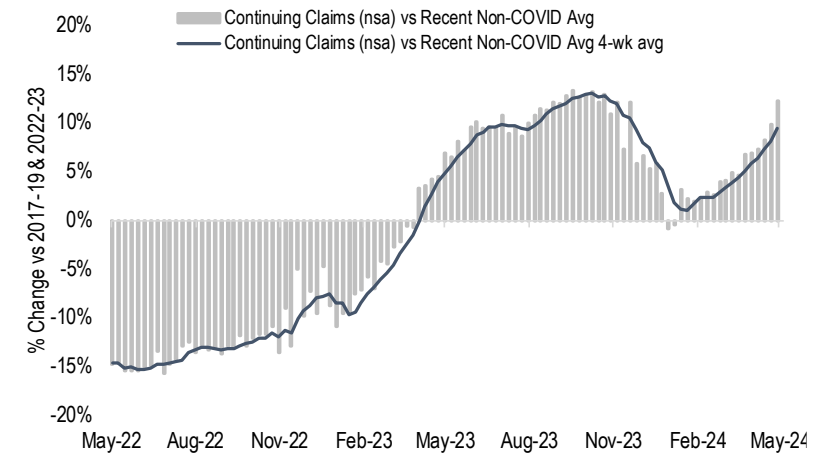
... even as Seasonally Adjusted Continuing Claims Have Started to Trend Lower



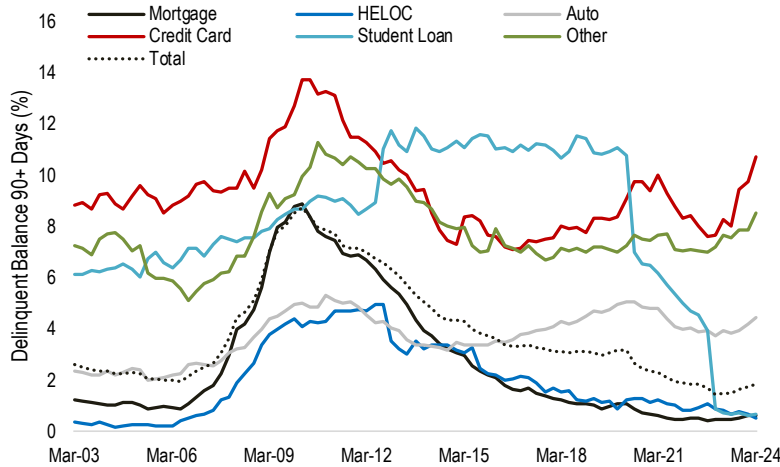
While Unadjusted Initial Claims Filings Remained in Line with Typical Recent Non-COVID Years ...



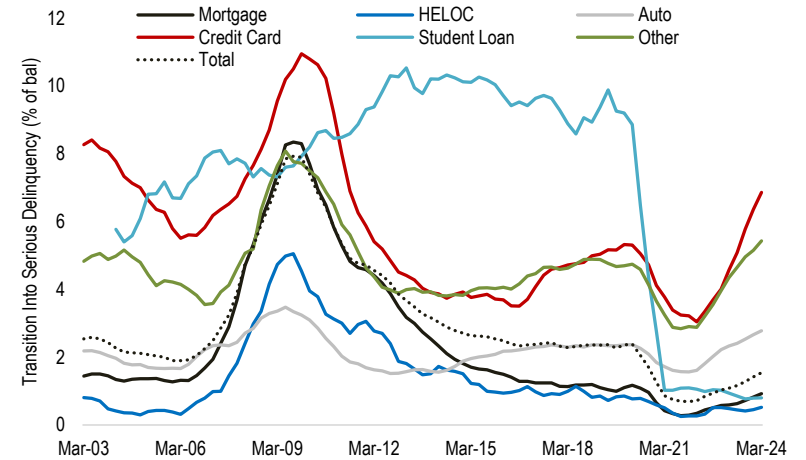
... Non-Seasonally Adjusted Continuing Claims Have Trended Higher Relative to Recent Non-COVID Trend



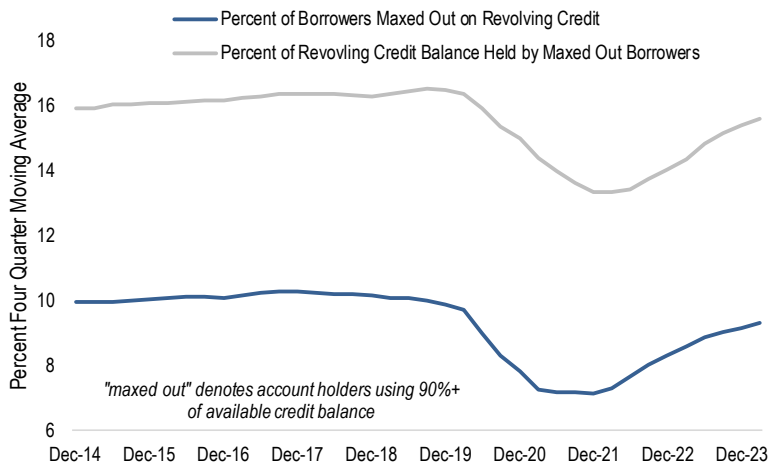
Total Severely Delinquent Balances Remained Low Largely on Account of Mortgages (70% of Total Debt)



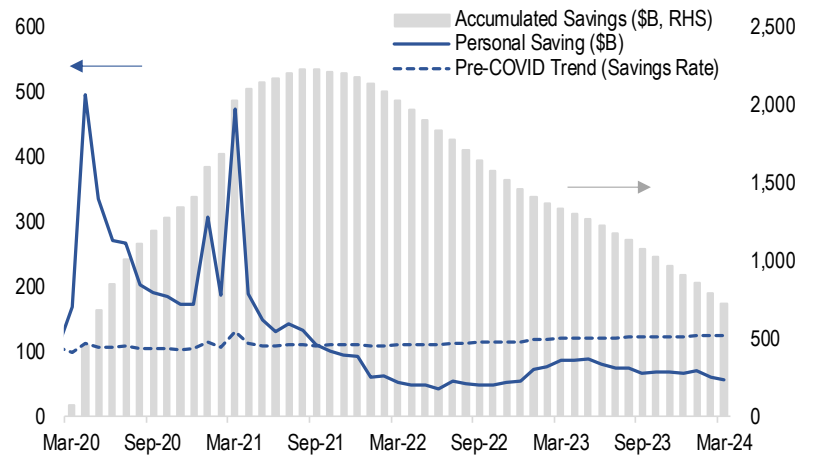
Flows into Serious Delinquency Primarily Driven by Younger, Lower Income Cohorts



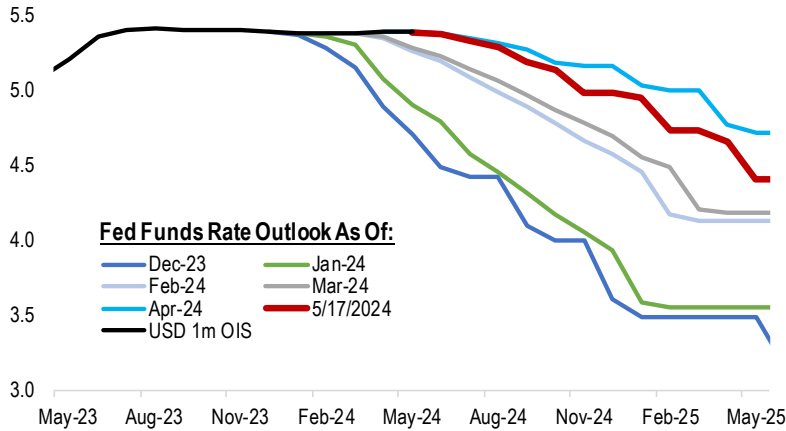
A Growing Share of Consumers Have "Maxed-Out" Credit Lines but Still Below Pre-Pandemic Level



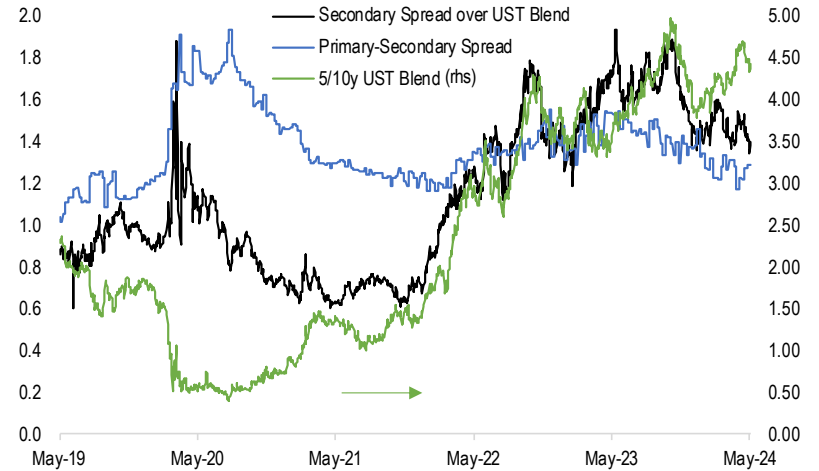
Most of Accumulated Savings from the Pandemic Spent by Early 2024



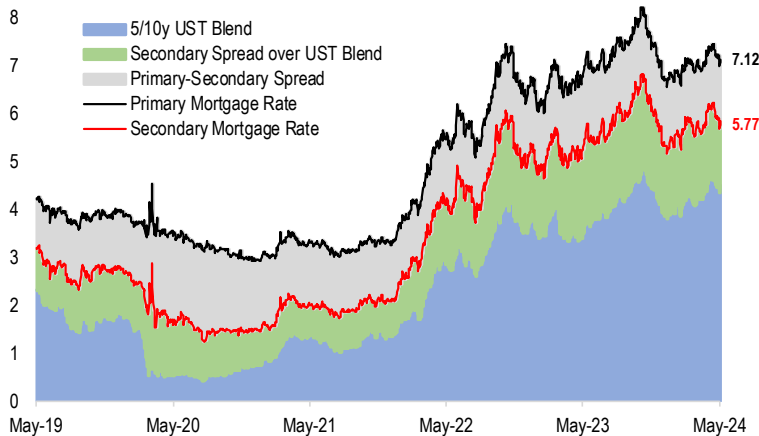
Market Still Expects Two Fed Rate Cuts in 2024, with First Cut Still in Sept. and Second Not Until Dec.



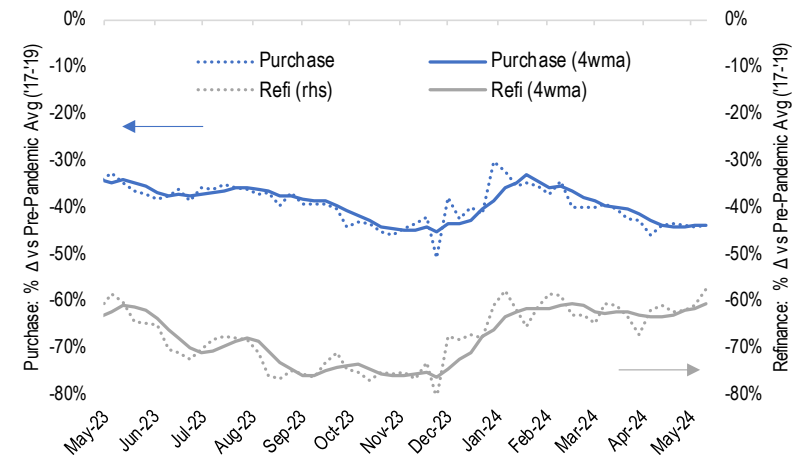
U.S. Treasury Yields and Mortgage Spreads Moved Lower on the Week ...



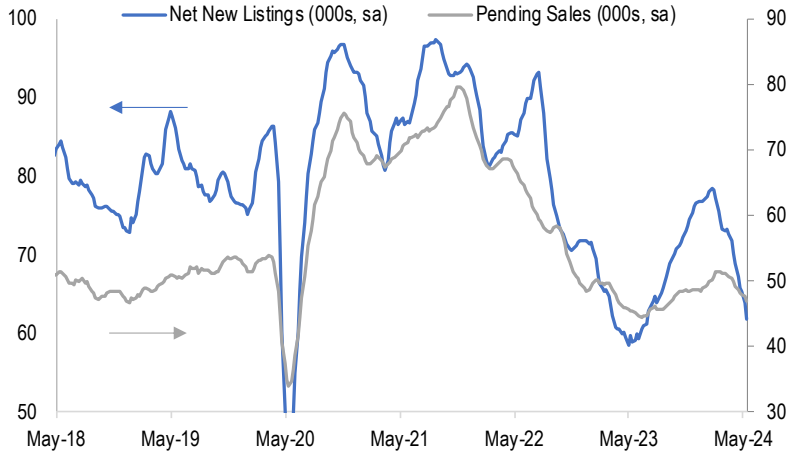
... which Caused Mortgage Rates to Inch Closer to 7%



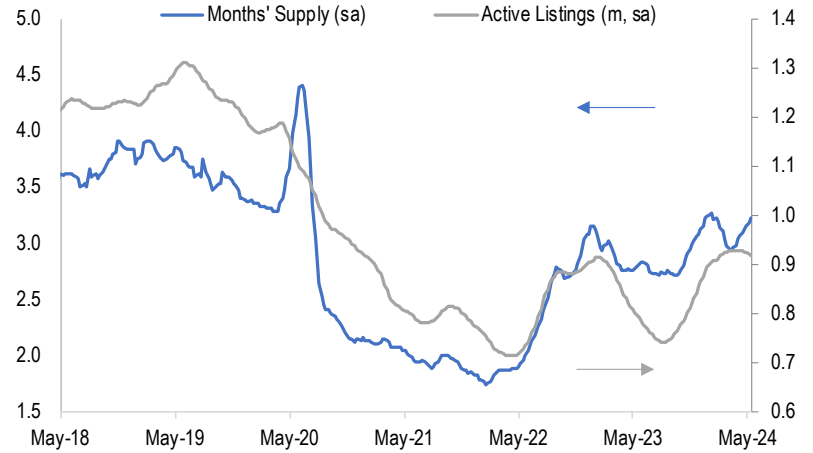
Mortgage Purchase Applications Appear to Be Bottoming in Response to Recent Rate Decline



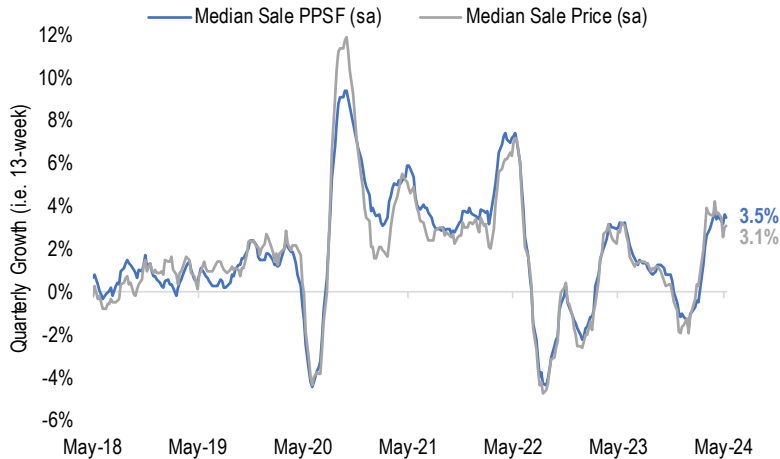
Real-Time Data on Pending Home Sales Show a Continued Cooldown as New Supply Slowing Rapidly ...



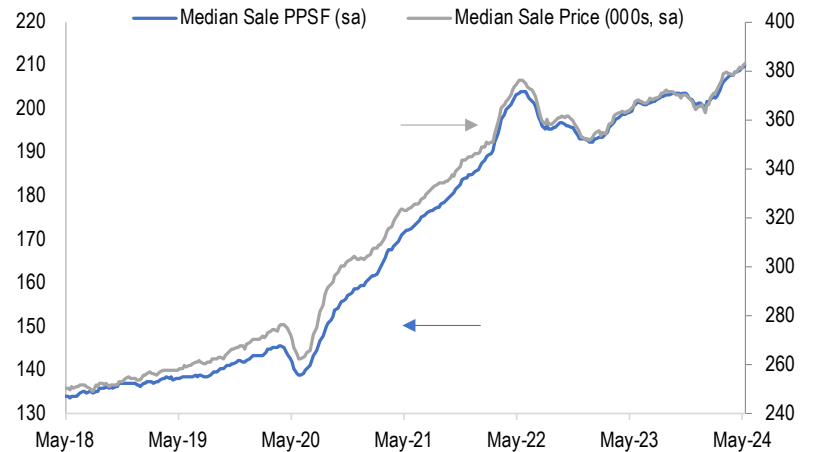
... causing Months' Supply to Inch Higher, Reversing Much of Early 2024 Tightening



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



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



Although National Home Prices Are Up a Solid 4.5% 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	4.5%	-1.7%	6.3%	1.9%	31%	-1.7%	99.4%	0.0%	14%	-11.1	-12.8	-15%	-27%
Atlanta	5.4%	-0.9%	6.9%	2.8%	29%	-3.4%	99.0%	-0.2%	-6%	0.9	-0.6	-20%	-18%
Austin	-1.5%	-18.1%	8.9%	1.1%	18%	0.8%	98.0%	0.3%	14%	26.6	33.8	84%	48%
Baltimore	5.6%	1.2%	6.1%	1.6%	48%	-0.5%	101.9%	-0.2%	6%	-5.6	-8.0	-35%	-44%
Boston	5.6%	-1.6%	4.5%	1.0%	62%	5.8%	103.2%	0.8%	3%	7.2	8.2	-15%	-17%
Chicago	10.2%	-0.3%	2.8%	0.9%	45%	1.6%	100.5%	0.6%	-15%	18.4	20.7	-19%	-8%
Dallas	2.2%	-5.5%	8.2%	2.6%	23%	-8.1%	98.6%	-0.6%	31%	4.2	-0.8	9%	-18%
Denver	2.3%	-6.0%	10.1%	2.2%	34%	-6.1%	99.8%	-0.6%	31%	3.5	0.8	27%	-2%
Houston	3.3%	-1.2%	8.4%	2.7%	17%	-4.2%	97.7%	-0.5%	21%	-1.4	-1.5	-2%	-24%
Los Angeles	8.7%	-7.9%	4.0%	1.3%	52%	4.6%	101.4%	0.7%	9%	-4.3	-2.3	-1%	-11%
Miami	8.2%	1.6%	4.5%	2.0%	11%	-4.3%	96.2%	-0.4%	22%	4.5	-4.4	-5%	-31%
Minneapolis	2.0%	-1.3%	6.1%	2.2%	43%	-4.3%	100.7%	-0.7%	11%	-0.1	-2.3	-13%	-13%
Nashville	3.6%	-1.7%	5.3%	1.2%	18%	-1.1%	98.6%	0.0%	8%	-2.5	1.4	4%	-3%
New York	6.5%	-0.6%	4.0%	0.2%	32%	7.0%	100.1%	0.7%	-5%	-42.9	-30.3	-23%	-30%
Phoenix	4.9%	-8.8%	7.8%	2.2%	18%	0.5%	98.4%	0.1%	18%	6.1	7.6	18%	-4%
Portland	2.4%	-4.8%	7.3%	2.6%	38%	-2.8%	100.3%	-0.2%	16%	3.0	0.7	17%	-1%
Riverside	6.7%	-6.7%	5.4%	1.8%	41%	2.8%	99.6%	0.4%	11%	-12.1	-7.9	-11%	-25%
San Diego	10.8%	-5.9%	5.8%	2.3%	49%	0.1%	100.8%	0.1%	33%	-3.3	-4.9	-12%	-38%
Seattle	9.3%	-8.6%	5.7%	0.5%	48%	5.2%	102.5%	1.3%	9%	-1.2	-1.2	2%	2%
Tampa	1.2%	-2.3%	10.4%	2.9%	13%	-5.5%	97.5%	-0.5%	51%	0.3	-7.5	23%	-22%
Washington DC	4.7%	0.1%	5.0%	1.4%	51%	2.2%	101.5%	0.4%	3%	5.9	6.9	-14%	-19%

Data as of May 12, 2024, and reflects 4-week averages.

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/14/24	NFIB Small Business Optimism	Apr	89.7	88.2	--	88.5	index, sa
5/14/24	PPI Final Demand m/m	Apr	0.5%	0.3%	-0.1%	0.2%	sa
5/14/24	PPI Core (ex Food and Energy) m/m	Apr	0.5%	0.2%	-0.1%	0.2%	sa
5/14/24	PPI Final Demand y/y	Apr	2.2%	2.2%	1.8%	2.1%	nsa
5/14/24	PPI Core (ex Food and Energy) y/y	Apr	2.4%	2.3%	2.1%	2.4%	nsa
5/15/24	MBA Mortgage Applications	5/10/24	0.5%	--	--	2.6%	w/w, sa
5/15/24	CPI m/m	Apr	0.3%	0.4%	--	0.4%	sa
5/15/24	CPI Core (ex Food and Energy) m/m	Apr	0.3%	0.3%	--	0.4%	sa
5/15/24	CPI y/y	Apr	3.4%	3.4%	--	3.5%	nsa
5/15/24	CPI Core (ex Food and Energy) y/y	Apr	3.6%	3.6%	--	3.8%	nsa
5/15/24	Advance Retail Sales m/m	Apr	0.0%	0.4%	0.6%	0.7%	sa
5/15/24	Retail Sales Control Group m/m	Apr	-0.3%	0.1%	1.0%	1.1%	sa
5/15/24	NAHB Housing Market Index	May	45	50	--	51	index, sa
5/16/24	Initial Jobless Claims	5/11/24	222	220	232	231	k, sa
5/16/24	Continuing Claims	5/4/24	1,794	1,780	1,781	1,785	k, sa
5/16/24	Housing Starts	Apr	1,360	1,421	1,287	1,321	k, saar
5/16/24	Housing Starts m/m	Apr	5.7%	7.6%	-16.8%	-14.7%	sa
5/16/24	Building Permits m/m	Apr	-3.0%	0.9%	-5.0%	-4.3%	sa
5/16/24	Building Permits	Apr	1,440	1,480	1,485	1,458	k, saar
5/16/24	Import Price Index m/m	Apr	0.9%	0.3%	0.6%	0.4%	nsa
5/16/24	Import Price Index y/y	Apr	1.1%	0.4%	--	0.4%	nsa
5/16/24	Industrial Production	Apr	0.0%	0.1%	0.1%	0.4%	m/m, sa
5/16/24	Capacity Utilization	Apr	78.4%	78.4%	78.5%	78.4%	sa
5/17/24	Conference Board Leading Index	Apr	-0.6%	-0.3%	--	-0.3%	m/m, 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)

UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
5/22/24	MBA Mortgage Applications	5/17/24	--	--	--	0.5%	w/w, sa
5/22/24	Existing Home Sales	Apr	--	4,220	--	4,190	k, saar
5/22/24	Existing Home Sales m/m	Apr	--	0.7%	--	-4.3%	sa
5/22/24	FOMC Meeting Minutes	5/1/24	--	--	--	--	
5/23/24	Chicago Fed Nat Activity Index	Apr	--	0.15	--	0.15	index, nsa
5/23/24	Initial Jobless Claims	5/18/24	--	220	--	222	k, sa
5/23/24	Continuing Claims	5/11/24	--	1,791	--	1,794	k, sa
5/23/24	S&P Global US Manufacturing PMI	May P	--	50.0	--	50.0	index, sa
5/23/24	S&P Global US Services PMI	May P	--	51.2	--	51.3	index, sa
5/23/24	S&P Global US Composite PMI	May P	--	51.0	--	51.3	index, sa
5/23/24	New Home Sales	Apr	--	679	--	693	k, saar
5/23/24	New Home Sales m/m	Apr	--	-2.0%	--	8.8%	sa
5/23/24	Kansas City Fed Manf. Activity	May	--	-7.0	--	-8.0	sa, index
5/24/24	Durable Goods Orders	Apr P	--	-0.8%	0.9%	2.6%	m/m, sa
5/24/24	Cap Goods Orders Nondef Ex Air	Apr P	--	0.1%	-0.2%	0.1%	m/m, sa
5/24/24	U. of Mich. Sentiment	May F	--	67.8	--	67.4	index, nsa
5/24/24	U. of Mich. 1 Yr Inflation	May F	--	3.4%	--	3.5%	nsa
5/24/24	U. of Mich. 5-10 Yr Inflation	May F	--	3.0%	--	3.1%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics