

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.

June 3, 2024

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A Little Bit Softer Now

- **Key Takeaway:** Key measure of consumer inflation downshifted from a strong first quarter, assuaging fears of reaccelerating price growth.
- **Macro Implications:** Fed will likely want to see further inflation progress before committing to rate cuts, but July remains in play if the data cooperate.
- **Housing Implications:** Buyers and sellers unlikely to snap out of “wait and see” mode until rates move lower, keeping home sales depressed.

Macro: According to Plan

- Housing demand continued to soften through April.
- Consumer confidence measures reflect a mixed picture for May.
- Fed’s May Beige Book showed heightened consumer sensitivity to prices.

Rates: Back and Forth We Go

- 10-yr UST up 5bps w/w to 4.51% after touching a high of 4.64% mid-week.
- Market now pricing in just one 25bps rate cut in 2024 at Sept. meeting.
- Fed rate cuts or materially weaker data needed to lower Treasury yields.

Housing: Still Waiting for Lower Rates

- Mortgage rates continued to hover around 7%.
- Purchase applications remained depressed with limited upside ahead.
- Pending home sales plunged -7.7% m/m to a four-year low in April.

Existing Home Sales: Echoes of 2023

- Sales fell -1.9% m/m in April and were down -1.9% y/y.
- Inventory declined for first time in nine months and by -0.2% m/m.
- Market remained tight with months’ supply at just 3.6 (sa).

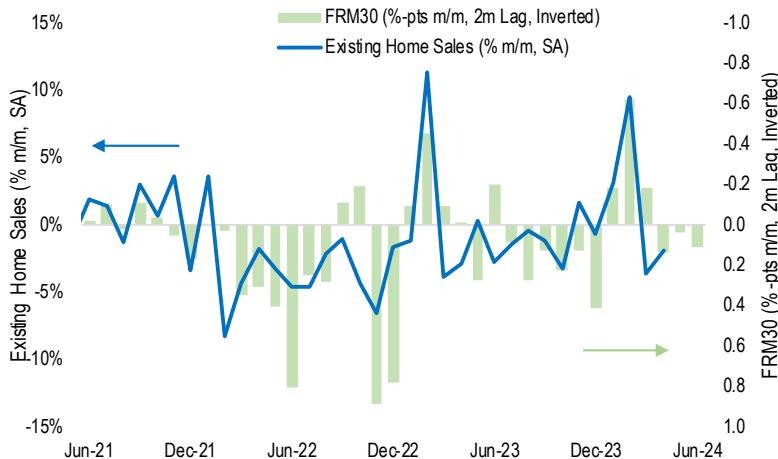
New Home Sales: Cooling Off

- New home sales fell -4.7% in April and -7.7% y/y.
- Despite the pullback, we expect new home sales to grind higher.
- Completed homes sold after only 2 months (sa), lowest since ‘22

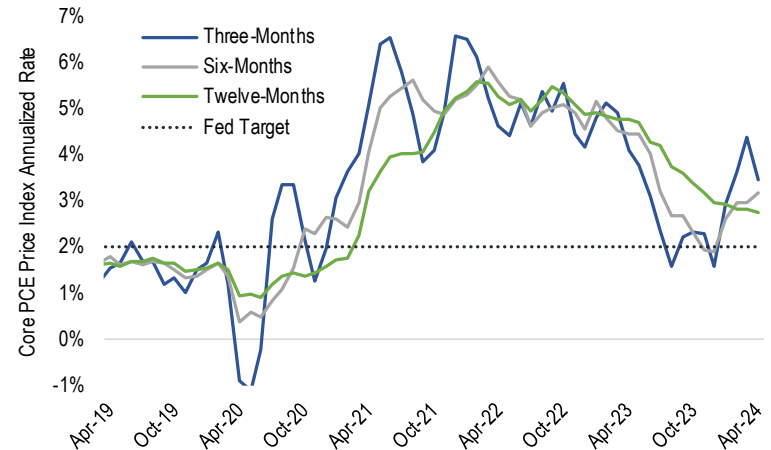
Personal Income: Downshift

- Real disposable income declined -0.1% in April, rising just 1.0% y/y.
- Real spending declined -0.1% amid pullback in goods outlays.
- April core PCE inflation rose 0.2%, down from 0.4% average in 1Q24.

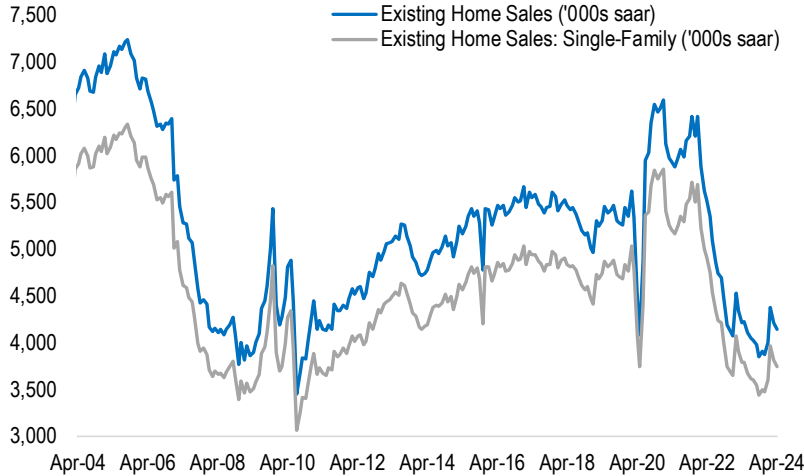
Impetus for Existing Home Sales Is Still Skewed to the Downside



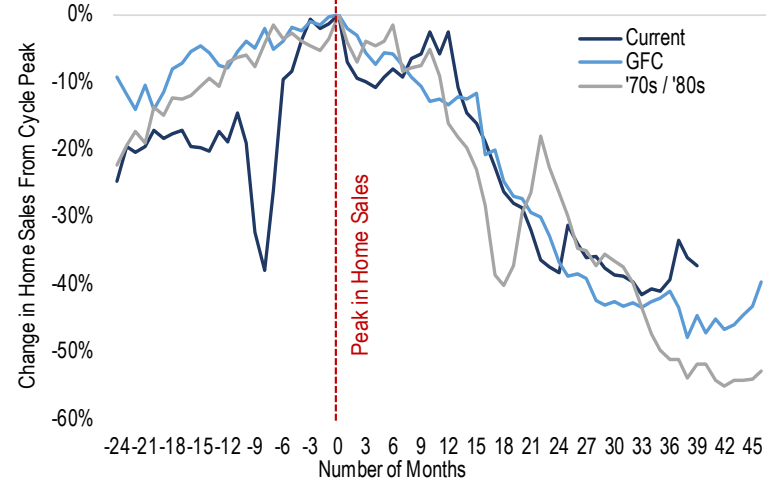
Fed Will Take Solace in April PCE Inflation Print but Unlikely to Sway the “Hawks” Yet



Existing Home Sales Fell again in April and by -1.9%, as Rebound in Mortgage Rates Tempered Demand



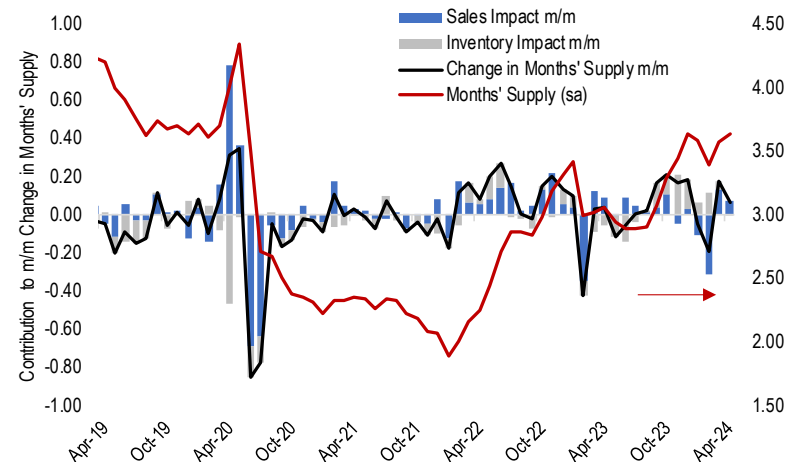
Existing Home Sales Seemingly Following the Same Path from Early Last Year, Slowing after an Initial Spike



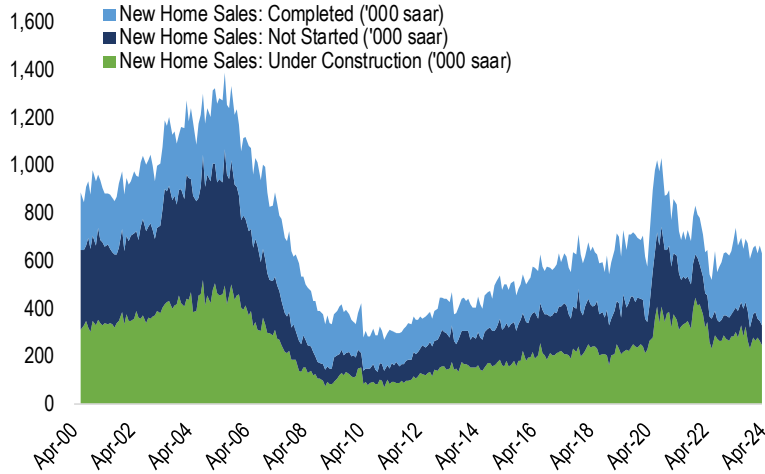
Inventory Increased 17% y/y, the Fastest Annual Pace since 2006; however, the Market Remained Tight



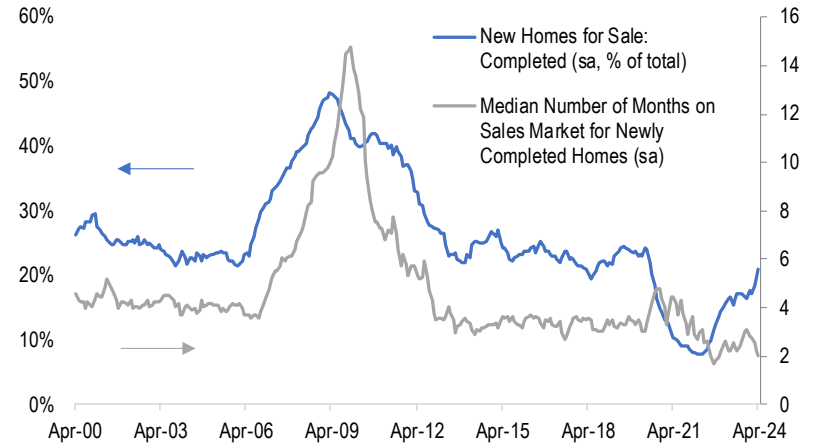
Despite Uplift in Inventory, Months' Supply Remained just below Its Pre-Pandemic Level



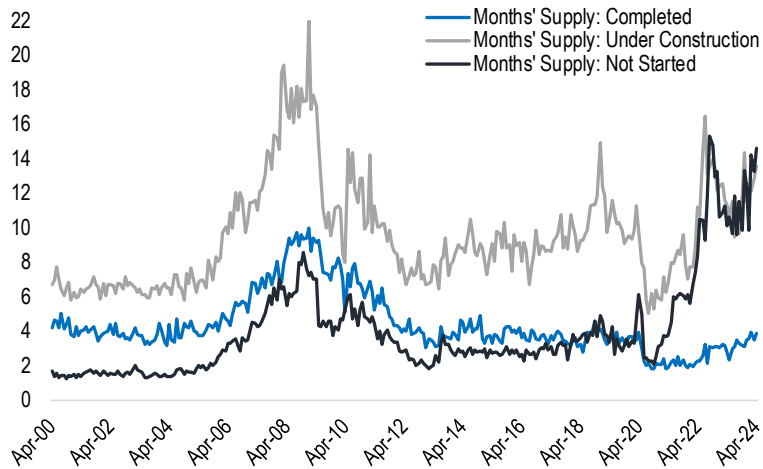
New Home Sales Fell in April, Mostly Due to -7% Pullback in Sales of "Under Construction" Units



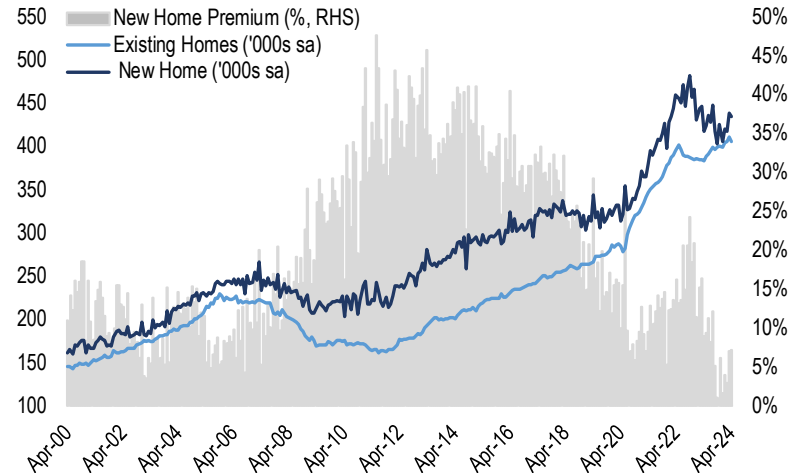
Share of Completed Homes for Sale Still Normalizing but Demand Remained Firm



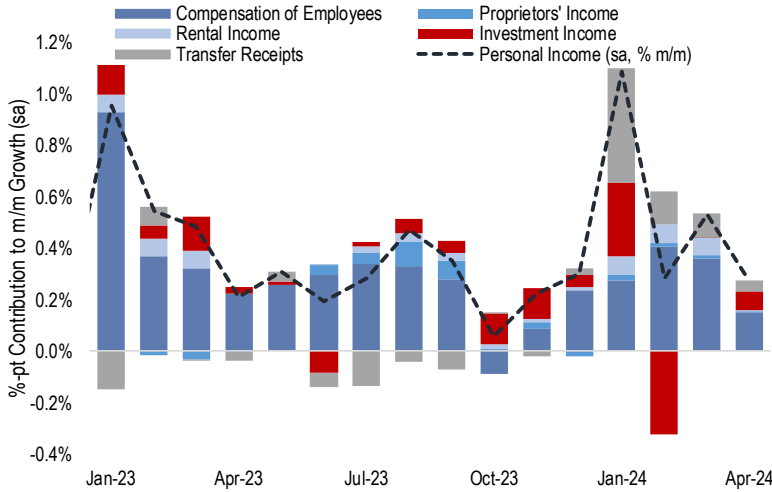
Months' Supply Remained in Check across all Segments except the "Not Started" Category



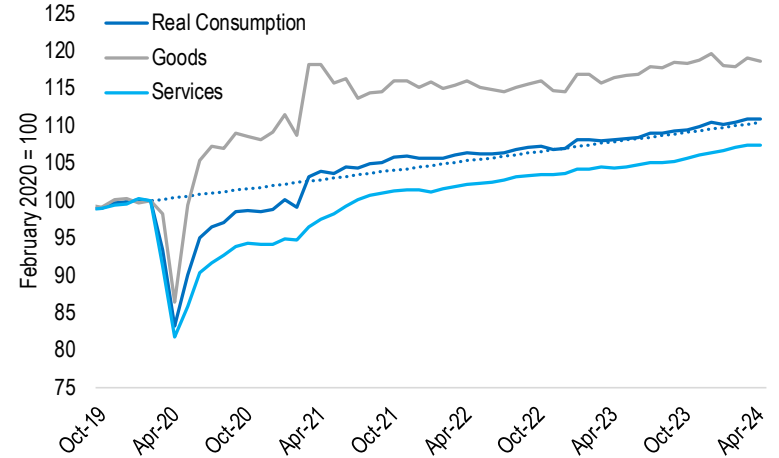
National New Home Premium Was Flat in April despite Increase in Builder Incentives



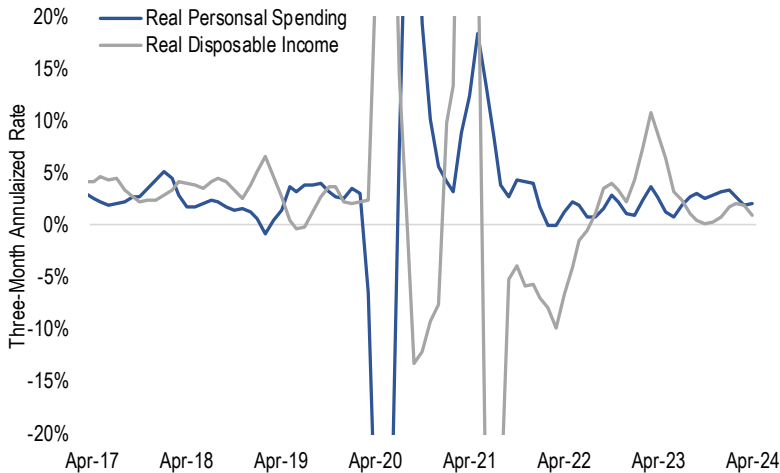
Compensation Growth Cooled in April amid a Softening Labor Market



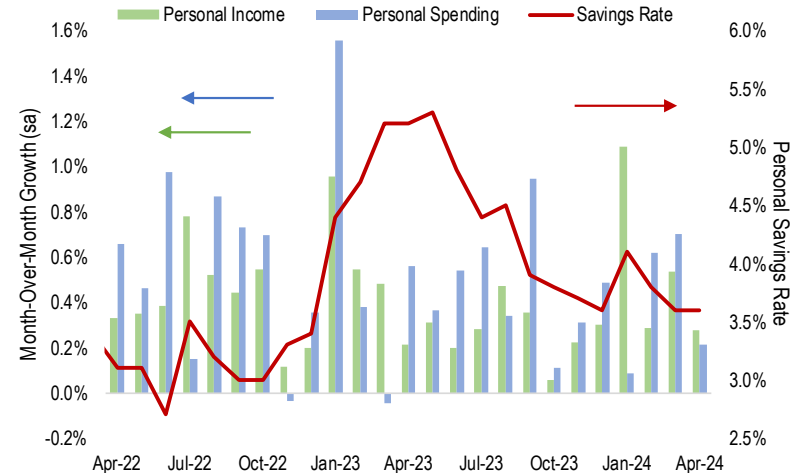
Household Spending on Goods Was Weak in April aside from Autos While Services Outlays also Moderated



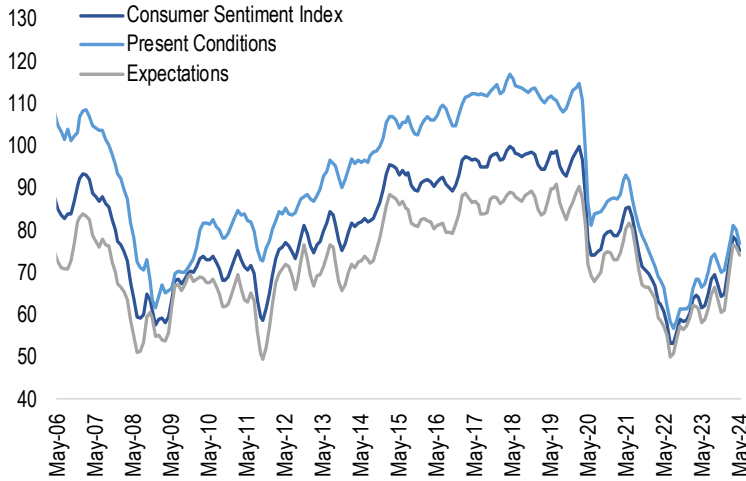
Real Disposable Income Growth Cooled Further and Remained below the Pace of Spending



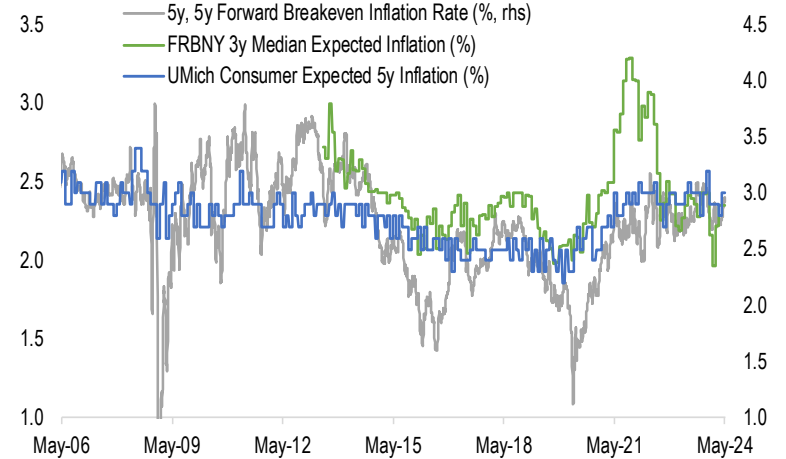
Moderating Growth in income and Spending Left the Savings Rate Unchanged at 3.6%



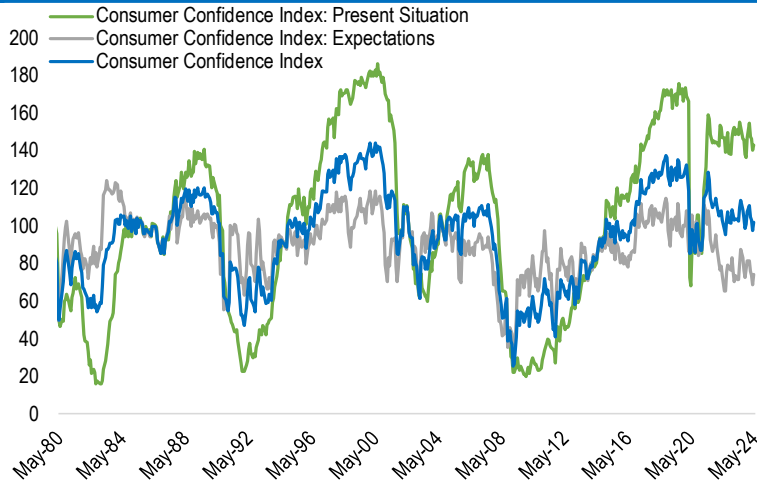
UMich Consumer Sentiment Recovery Hits Pause as Rising Gas Prices Take Their Toll



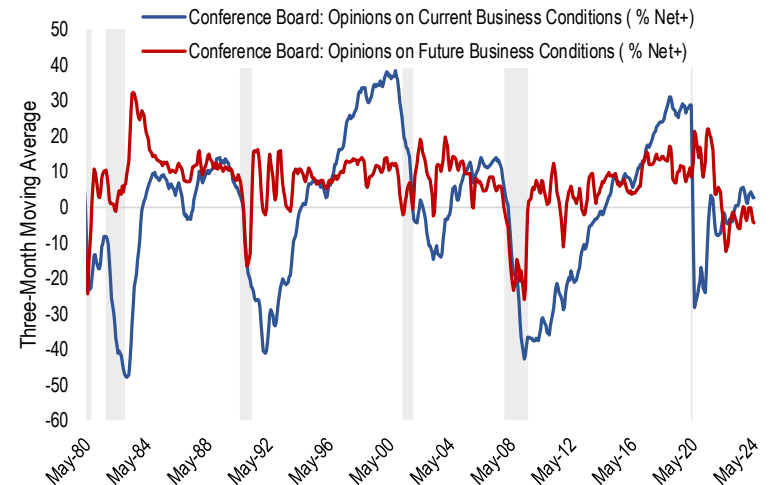
Measures of Medium-Term Inflation Expectations Continued to Hover around Pre-COVID-19 Norms



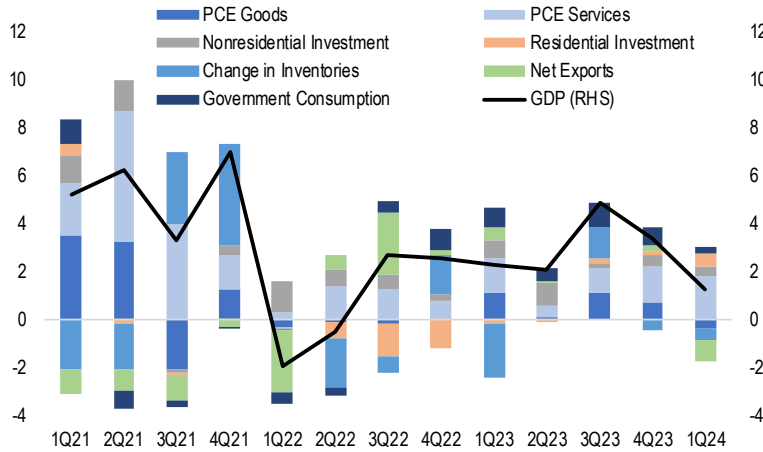
Conference Board's Consumer Confidence Index Has Been Trending Sideways since 2022



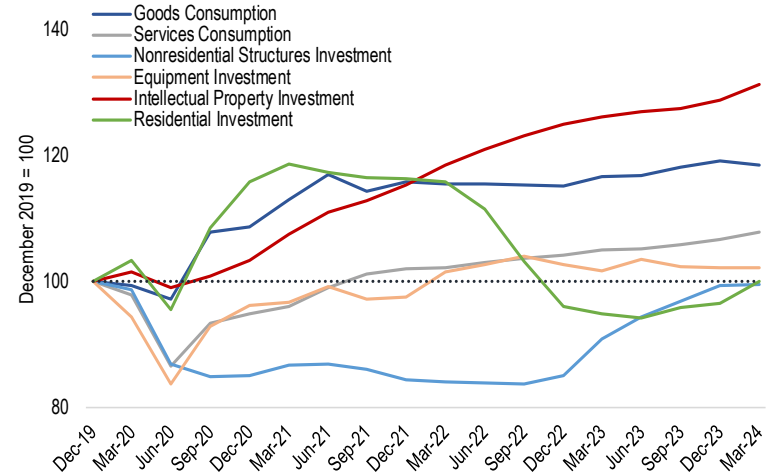
Households Increasingly Tentative about Future Business Conditions



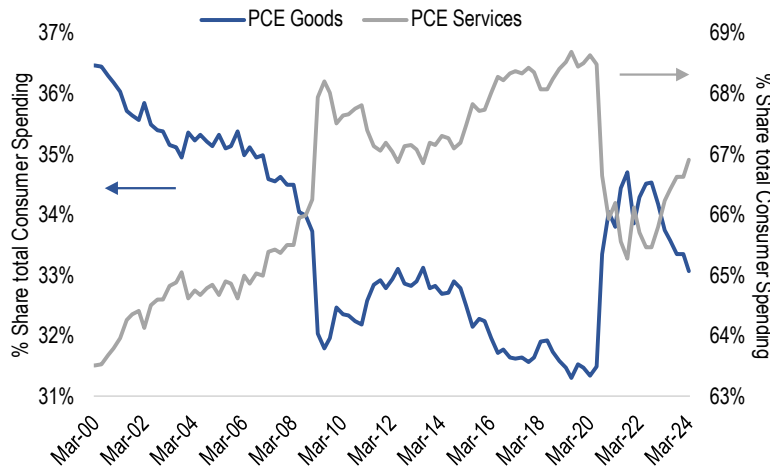
Growth Continued to Cool in Q1, Largely Due to Slowdown in Consumer Spending



Residential Investment Rebound Led Private Investment Higher in 1Q24



Consumer Spending on Goods Downshifted Meaningfully in the First Quarter



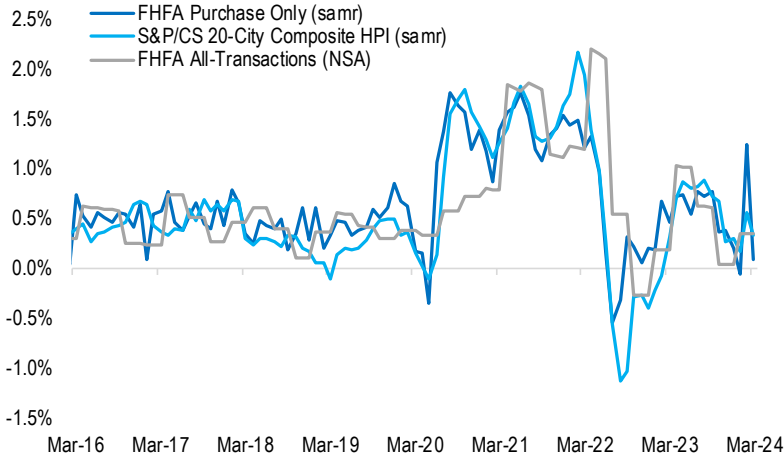
Inventory Accumulation Was Weak in Q1 aside from Retail, Due to Restocking in Auto Sector



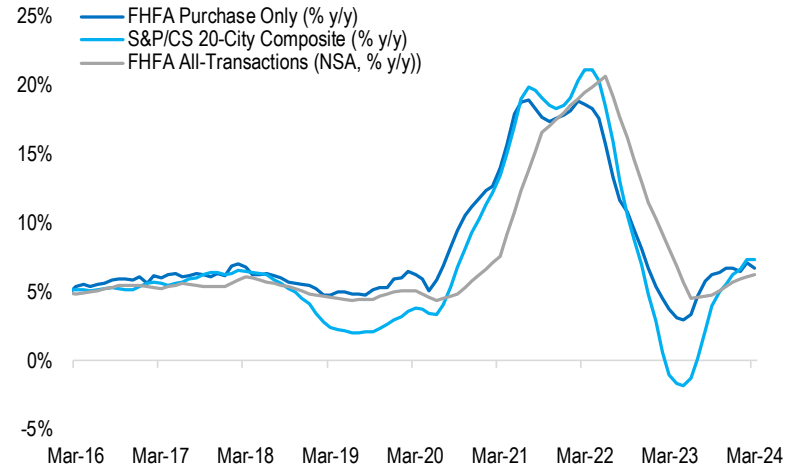
SAAR = Seasonally Adjusted Annual Rate

Sources: BEA, Arch Global Economics

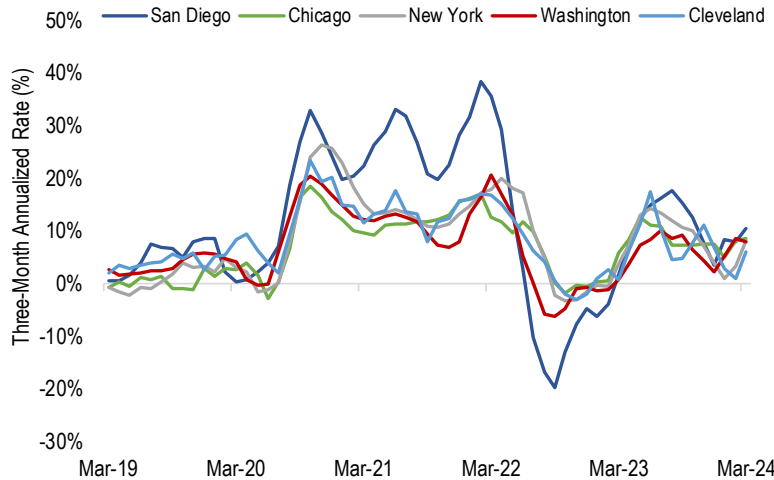
Home-Price Growth Slowed Sharply in March, Led by Declines in the Pacific and New England Regions



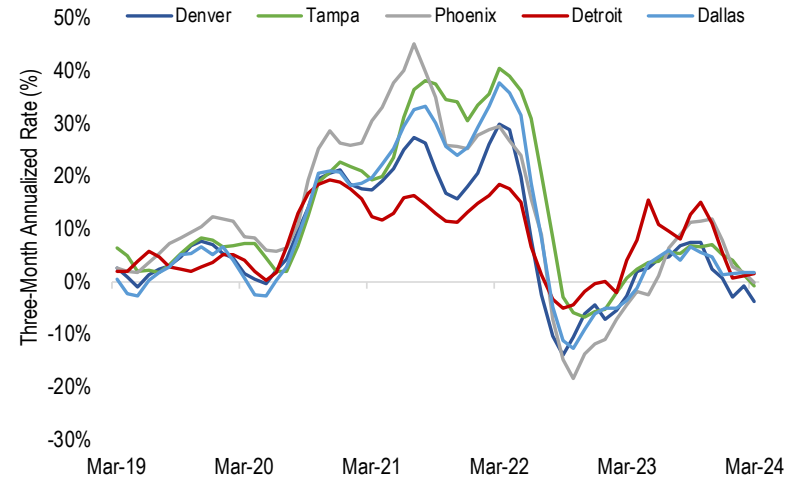
Annual Home-Price Growth Continued to Accelerate Modestly but Should Level off in Coming Months



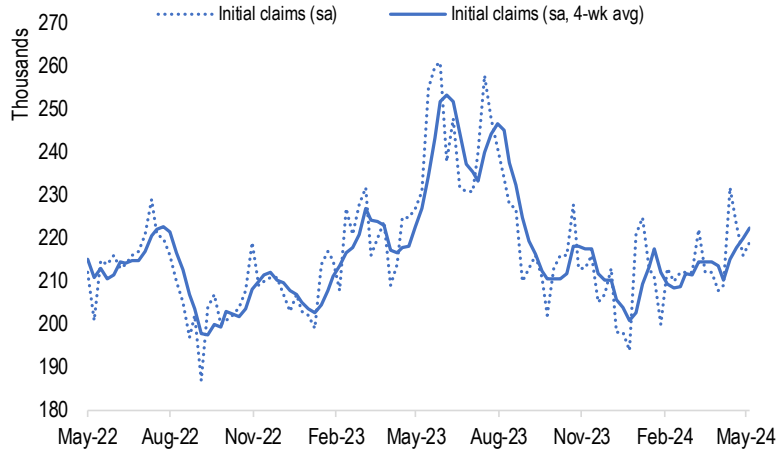
Top States for Home-Price Momentum Show Regional Diversity



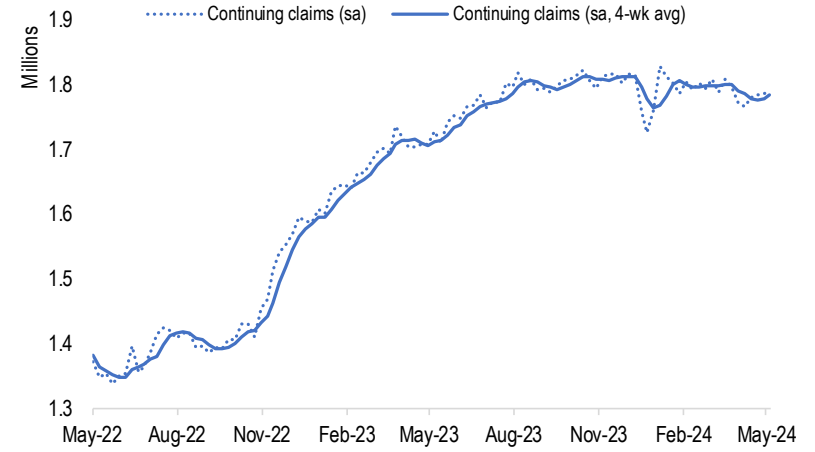
Significant Loss of Home-Price Momentum Seen in Tampa, with Denver Still in Negative Territory



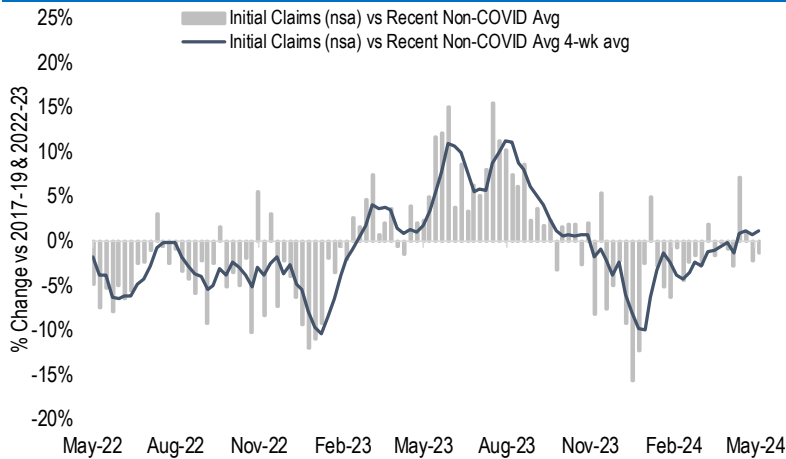
Initial Claims (SA) Trend Has Turned Modestly Higher in Recent Weeks ...



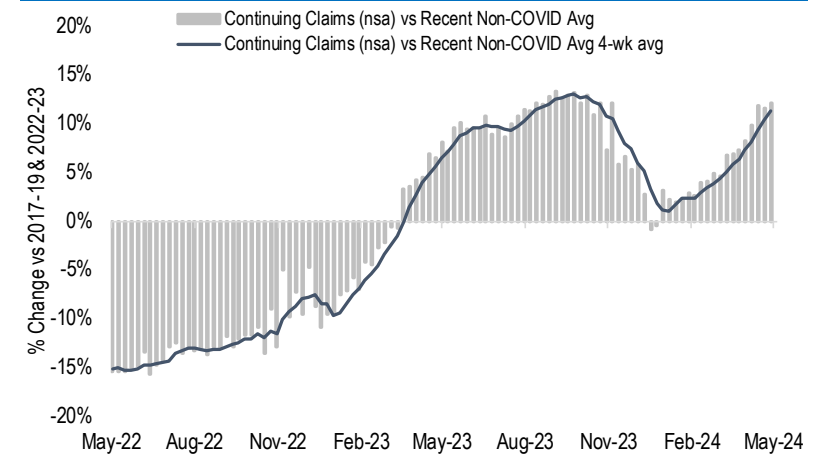
... even as Seasonally Adjusted Continuing Claims Have Moved Lower



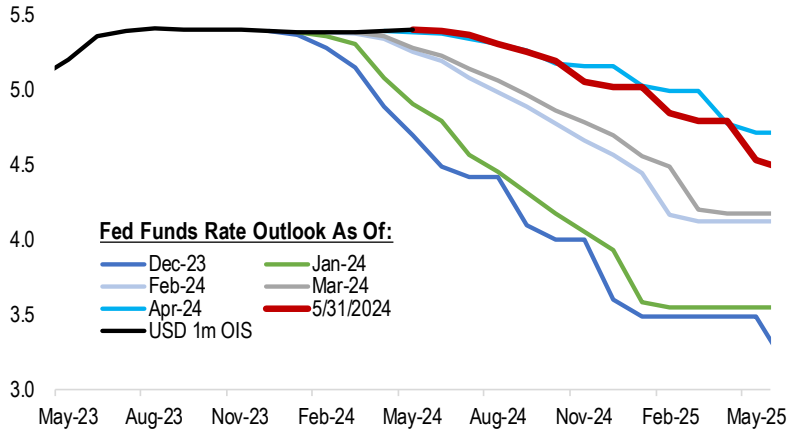
But Unadjusted Initial Claims Filings Keep Trending Higher vs. Typical Trend in Recent Non-COVID-19 Years ...



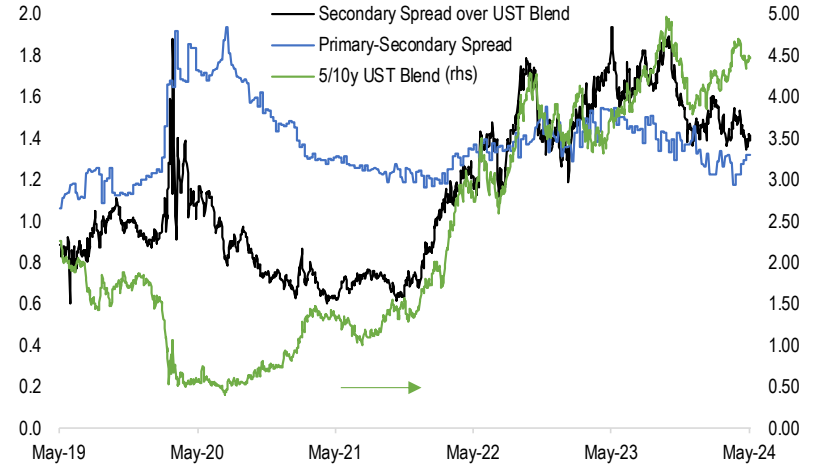
... and Unadjusted Continuing Claims Remained in an Uptrend Relative to Recent Non-COVID-19 Years



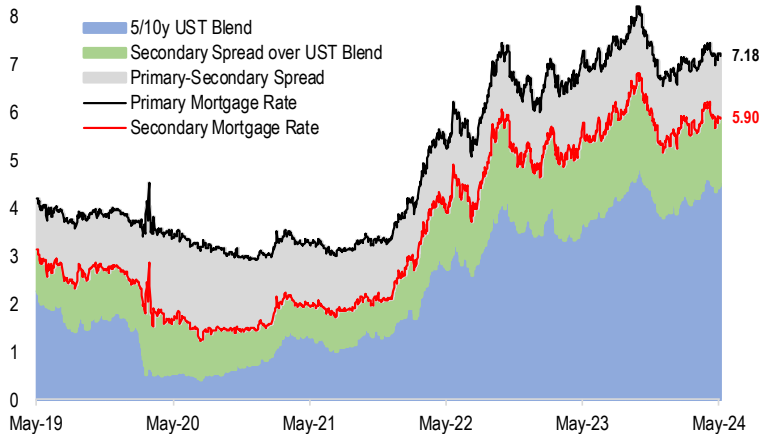
Market Back to Expecting Only One Fed Rate Cut in 2024, with First Cut Still Slated for September



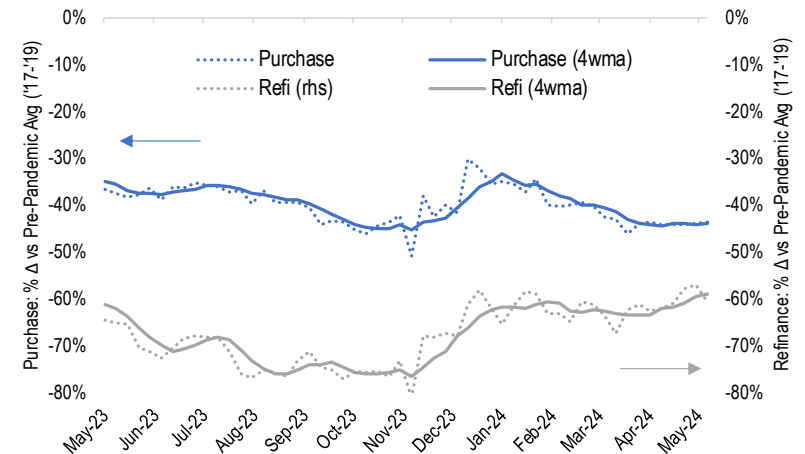
U.S. Treasury Yields and Mortgage Spreads Moved Slightly Higher on the Week ...



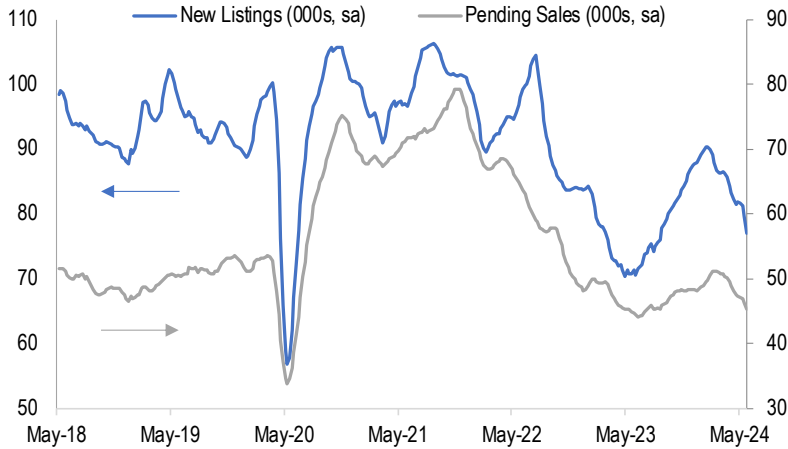
... Which Kept Mortgage Rates above 7% at the End of May



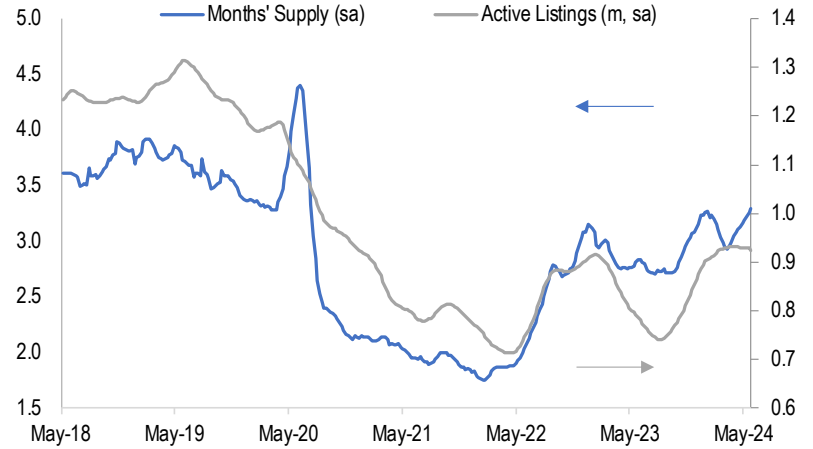
Mortgage Purchase Applications Have Flatlined since Late March



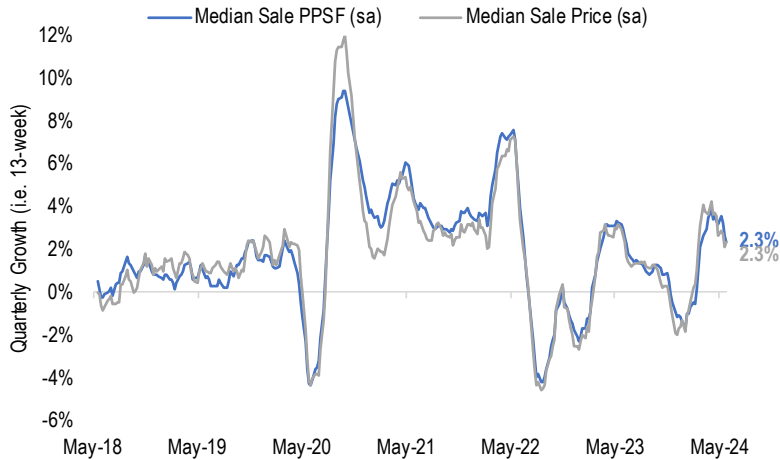
Pending Home Sales Continued to Cool, but New Supply Is also Slowing Rapidly



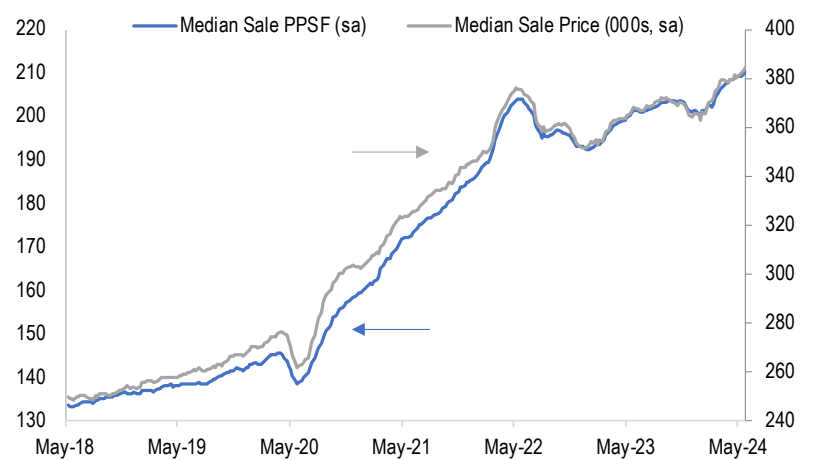
Months' Supply Inched Higher to a New Post-Pandemic Peak, in Line with Early 2020 Level



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



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



Although National Home Prices Are up a Solid 4.3% 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	4.3%	-1.1%	6.4%	2.0%	32%	-2.5%	99.5%	-0.2%	15%	-10.8	-13.8	-13%	-26%
Atlanta	3.3%	-0.6%	7.0%	2.9%	29%	-3.8%	99.1%	-0.3%	-5%	2.0	-0.8	-17%	-18%
Austin	-0.7%	-18.4%	9.2%	1.2%	17%	-0.7%	98.1%	0.3%	15%	26.8	31.2	88%	45%
Baltimore	5.9%	1.0%	6.5%	1.7%	48%	-2.3%	101.8%	-0.4%	8%	-5.3	-9.2	-39%	-45%
Boston	6.6%	-0.2%	4.7%	1.1%	63%	3.7%	103.3%	0.5%	6%	8.0	8.5	-13%	-14%
Chicago	7.3%	1.4%	2.9%	1.0%	47%	0.6%	100.6%	0.4%	-15%	19.0	20.8	-18%	-6%
Dallas	2.2%	-5.7%	8.4%	2.6%	23%	-8.4%	98.6%	-0.6%	32%	4.3	-1.5	12%	-17%
Denver	0.8%	-4.6%	10.3%	2.1%	35%	-6.7%	99.8%	-0.6%	36%	3.4	-0.3	32%	-1%
Houston	2.7%	-1.7%	8.2%	2.2%	17%	-4.9%	97.6%	-0.6%	23%	-0.7	-4.3	-1%	-23%
Los Angeles	8.2%	-7.4%	4.3%	1.7%	51%	1.2%	101.3%	0.3%	11%	-3.9	-3.8	-2%	-13%
Miami	4.9%	2.5%	4.7%	2.0%	12%	-4.3%	96.1%	-0.4%	24%	4.3	-5.1	-5%	-29%
Minneapolis	2.1%	-1.7%	6.3%	2.2%	45%	-6.2%	100.8%	-0.8%	10%	-0.5	-4.0	-7%	-9%
Nashville	2.6%	-1.2%	5.9%	1.8%	18%	-3.2%	98.5%	-0.1%	7%	-2.7	-1.4	-1%	-9%
New York	5.3%	-1.2%	4.0%	0.3%	34%	6.3%	100.3%	0.7%	-4%	-42.4	-33.6	-25%	-29%
Phoenix	4.7%	-10.1%	7.8%	2.3%	18%	-0.5%	98.4%	0.1%	24%	7.5	6.7	20%	-7%
Portland	1.6%	-4.1%	7.5%	2.3%	39%	-4.0%	100.4%	-0.4%	20%	2.4	-1.3	17%	3%
Riverside	5.8%	-5.4%	5.6%	2.0%	42%	1.4%	99.6%	0.2%	13%	-10.8	-9.3	-9%	-25%
San Diego	8.3%	-3.8%	6.6%	3.0%	51%	-1.4%	100.8%	-0.4%	37%	-3.8	-6.6	-11%	-36%
Seattle	7.7%	-6.7%	6.4%	1.0%	48%	3.4%	102.5%	1.1%	15%	-1.3	-1.3	4%	1%
Tampa	-0.5%	-2.0%	10.6%	3.3%	13%	-7.4%	97.5%	-0.5%	55%	1.5	-11.2	23%	-20%
Washington DC	5.8%	0.9%	5.0%	1.4%	52%	1.7%	101.6%	0.4%	5%	5.3	5.5	-15%	-20%

Data as of May 26, 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
5/22/24	Existing Home Sales	Apr	4,140	4,230	4,220	4,190	k, saar
5/22/24	Existing Home Sales m/m	Apr	-1.9%	0.8%	-3.7%	-4.3%	sa
5/23/24	S&P Global US Manufacturing PMI	May P	50.9	49.9	--	50.0	index, sa
5/23/24	S&P Global US Services PMI	May P	54.8	51.2	--	51.3	index, sa
5/23/24	S&P Global US Composite PMI	May P	54.4	51.2	--	51.3	index, sa
5/23/24	New Home Sales	Apr	634	678	665	693	k, saar
5/23/24	New Home Sales m/m	Apr	-4.7%	-2.2%	5.4%	8.8%	sa
5/24/24	Durable Goods Orders	Apr P	0.7%	-0.8%	0.8%	2.6%	m/m, sa
5/24/24	Cap Goods Orders Nondef Ex Air	Apr P	0.3%	0.1%	-0.1%	0.1%	m/m, sa
5/24/24	U. of Mich. Sentiment	May F	69.1	67.7	--	67.4	index, nsa
5/24/24	U. of Mich. 1 Yr Inflation	May F	3.3%	3.4%	--	3.5%	nsa
5/24/24	U. of Mich. 5-10 Yr Inflation	May F	3.0%	3.1%	--	3.1%	nsa
5/28/24	FHFA House Price Index	Mar	0.1%	0.5%	--	1.2%	m/m, sa
5/28/24	S&P CoreLogic CS 20-City m/m SA	Mar	0.3%	0.3%	0.6%	0.6%	sa
5/28/24	S&P CoreLogic CS 20-City y/y NSA	Mar	7.4%	7.3%	7.3%	7.3%	nsa
5/28/24	Conf. Board Consumer Confidence	May	102.0	96.0	97.5	97.0	index, sa
5/29/24	MBA Mortgage Applications	5/24/24	-5.7%	--	--	1.9%	w/w, sa
5/30/24	GDP Annualized q/q	1Q S	1.3%	1.3%	--	1.6%	saar
5/30/24	Personal Consumption q/q	1Q S	2.0%	2.2%	--	2.5%	saar
5/30/24	Core PCE Deflator q/q	1Q S	3.6%	3.7%	--	3.7%	saar
5/30/24	Initial Jobless Claims	5/25/24	219	217	216	215	k, sa
5/30/24	Continuing Claims	5/18/24	1,791	1,796	1,787	1,794	k, sa
5/30/24	Pending Home Sales m/m	Apr	-7.7%	-1.0%	3.6%	3.4%	sa
5/30/24	Pending Home Sales y/y	Apr	-0.8%	-2.1%	-4.4%	-4.5%	nsa
5/31/24	Personal Income	Apr	0.3%	0.3%	--	0.5%	m/m, sa
5/31/24	Personal Spending	Apr	0.2%	0.3%	0.7%	0.8%	m/m, sa
5/31/24	Real Personal Spending	Apr	-0.1%	0.1%	0.4%	0.5%	m/m, sa
5/31/24	PCE Inflation m/m	Apr	0.3%	0.3%	--	0.3%	sa
5/31/24	PCE Inflation y/y	Apr	2.7%	2.7%	--	2.7%	nsa
5/31/24	PCE Core Inflation (ex Food and Energy) m/m	Apr	0.2%	0.2%	--	0.3%	sa
5/31/24	PCE Core Inflation (ex Food and Energy) y/y	Apr	2.8%	2.8%	--	2.8%	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
6/3/24	S&P Global US Manufacturing PMI	May F	--	50.9	--	50.9	index, sa
6/3/24	ISM Manufacturing	May	--	49.6	--	49.2	index, sa
6/3/24	ISM Prices Paid	May	--	59.5	--	60.9	index, nsa
6/3/24	Wards Total Vehicle Sales	May	--	15.80	--	15.74	m, saar
6/4/24	JOLTS Job Openings	Apr	--	8.36	--	8.49	m, sa
6/4/24	Durable Goods Orders	Apr F	--	0.7%	--	0.7%	m/m, sa
6/4/24	Cap Goods Orders Nondef Ex Air	Apr F	--	--	--	0.3%	m/m, sa
6/5/24	MBA Mortgage Applications	5/31/24	--	--	--	-5.7%	w/w, sa
6/5/24	ADP Employment	May	--	175	--	192	k, m/m, sa
6/5/24	S&P Global US Services PMI	May F	--	54.8	--	54.8	index, sa
6/5/24	S&P Global US Composite PMI	May F	--	--	--	54.4	index, sa
6/5/24	ISM Services Index	May	--	51.0	--	49.4	index, nsa
6/6/24	Nonfarm Productivity	1Q F	--	0.1%	--	0.3%	q/q, saar
6/6/24	Unit Labor Costs	1Q F	--	4.9%	--	4.7%	q/q, saar
6/6/24	Initial Jobless Claims	6/1/24	--	220	--	219	k, sa
6/6/24	Continuing Claims	5/25/24	--	1,790	--	1,791	k, sa
6/7/24	Nonfarm Payrolls	May	--	190	--	175	k, m/m, sa
6/7/24	Private Payrolls	May	--	170	--	167	k, m/m, sa
6/7/24	Unemployment Rate	May	--	3.9%	--	3.9%	sa
6/7/24	Average Hourly Earnings m/m	May	--	0.3%	--	0.2%	sa
6/7/24	Average Hourly Earnings y/y	May	--	3.9%	--	3.9%	nsa
6/7/24	Average Weekly Hours All Employees	May	--	34.3	--	34.3	sa
6/7/24	Labor Force Participation Rate	May	--	62.7%	--	62.7%	sa
6/7/24	Wholesale Trade Sales	Apr	--	0.5%	--	-1.3%	m/m, sa
6/7/24	Wholesale Inventories	Apr F	--	0.2%	--	0.2%	m/m, sa
6/7/24	Consumer Credit	Apr	--	10.00	--	6.27	\$B, m/m, sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics