

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 10, 2024

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Conundrum

- **Key Takeaway:** Labor market slack continued to build despite a rebound in job growth, as the unemployment rate reached a new post-COVID-19 high.
- **Macro Implications:** Relatively smooth path toward labor market balance offers Fed a runway, albeit shrinking, to normalizing monetary policy.
- **Housing Implications:** Mortgage rates are past their peak for the cycle but unlikely to move materially lower near-term unless economy falters.

Macro: Slower Does Not Mean “Bad”

- Breadth of data resembles continued normalization, not early recession.
- Construction spending cooled further in April.
- Consumers increasingly shying away from credit card utilization.

Jobs Report: Unemployment Composition Matters

- Unemployment rose to 4.0% in May due to more job seekers, not layoffs.
- Monthly job growth rebounded to 272k in May from 165k in April.
- Total labor income rebounded, boding well for consumer spending.

Labor Market Turnover: Same Old, Same Old

- Job growth driven by cooler pace of separations, not increased hiring.
- Quits pace steadied as breadth of layoffs fell across sectors.
- April job openings declined -3.5% m/m and were down -19% y/y.

Rates: Tea Leaves

- 10-yr United States Treasury (UST) fell 8bps w/w to 4.42% despite spike after jobs report.
- Bond market focused on job gains rather than unemployment.
- We push back our call for the first Fed rate cut to September from July.

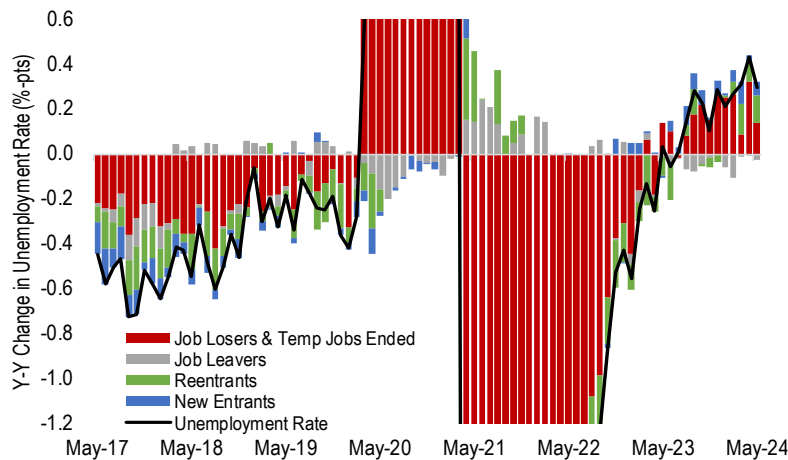
Housing: Buyers Step Back

- Mortgage rates continued to hover around 7%.
- Purchase applications remained depressed with limited upside ahead.
- May Fannie Mae homebuying sentiment survey hits record low.

Purchasing Manager Indexes: Services Activity Recovers

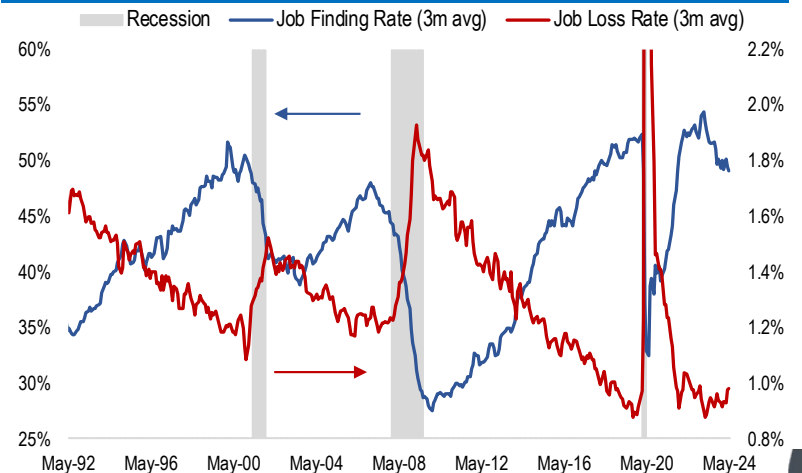
- Services PMI rebounded in May as business output climbed.
- Manufacturing PMI continued to hint at choppy recovery in May.
- Outlook components look less positive compared to three months ago.

Annual Increase in Unemployment Slowed Due to Pullback in Permanent Job Losers

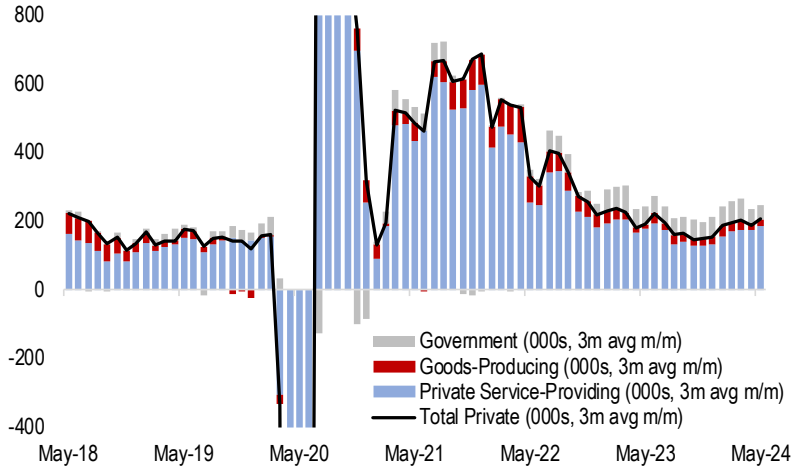


Sources: U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

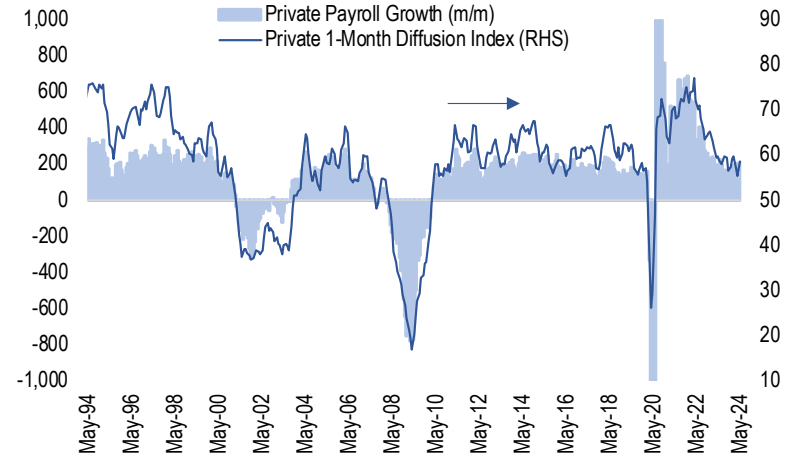
Job Finding and Loss Rates Suggest Labor Market Is Moving toward Better Balance, Not Collapse



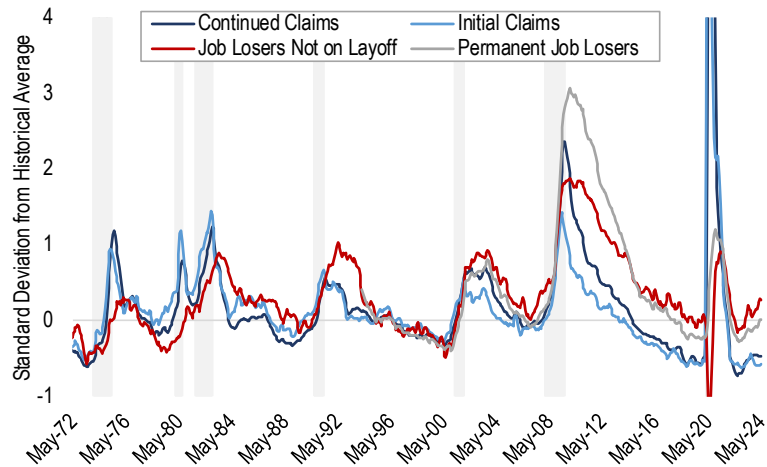
Private Service-Providing Industries Led Recent Rebound in Job Growth



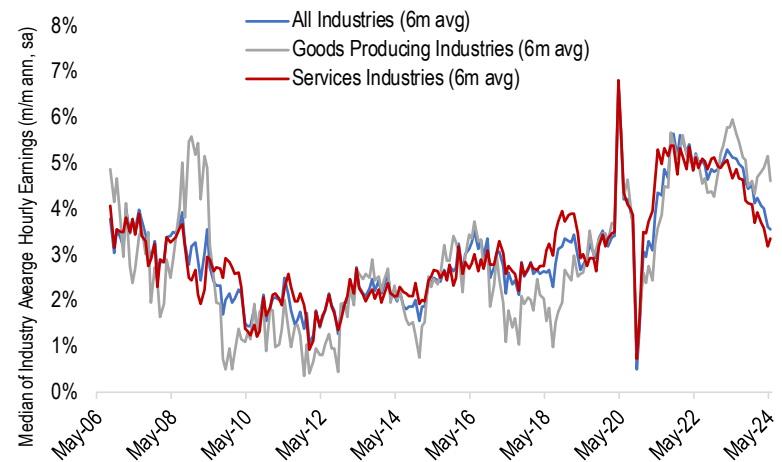
Private Job Growth Continued Its Streak of Relatively Broad-Based Gains



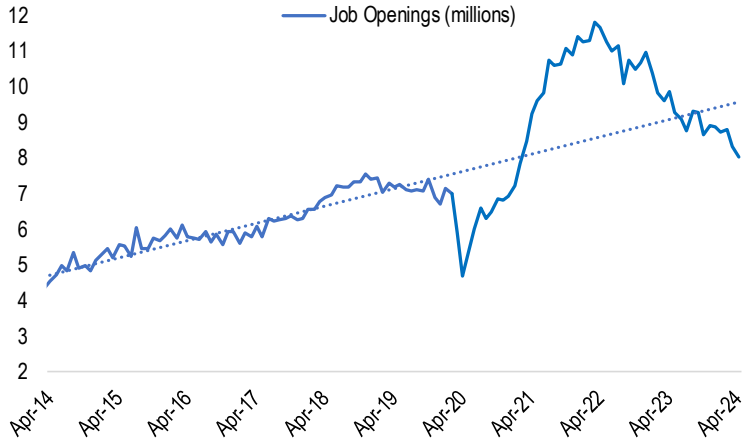
Measures of Job Loss Generally Still Trending Higher from Historic Lows, but Not Overly Concerning yet



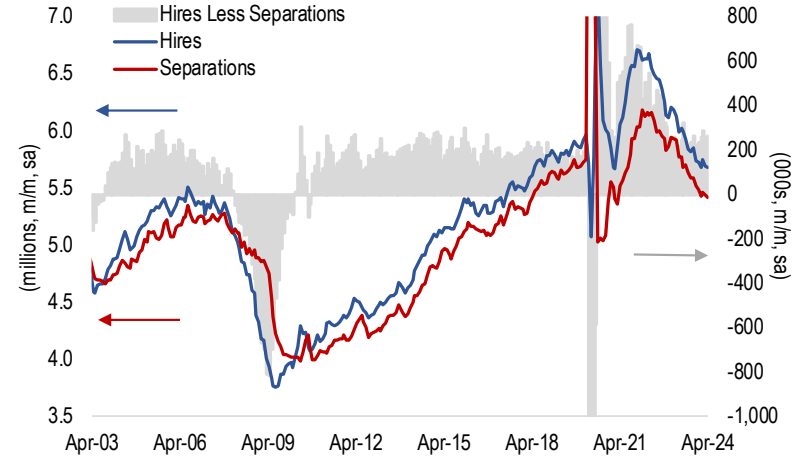
Typical Services Hourly Wage Growth Has Returned to Pre-Pandemic Norm; Still Elevated for Goods-Producing



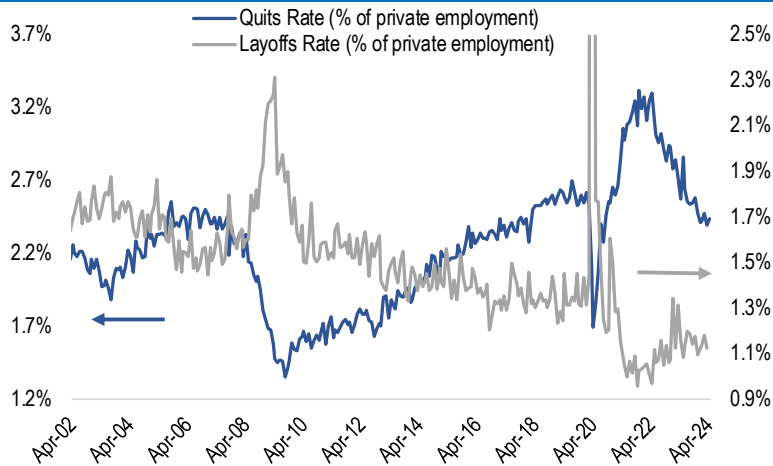
Total Job Openings Were Down -19% y/y in April and Have Fallen Well below the Pre-Pandemic Trend



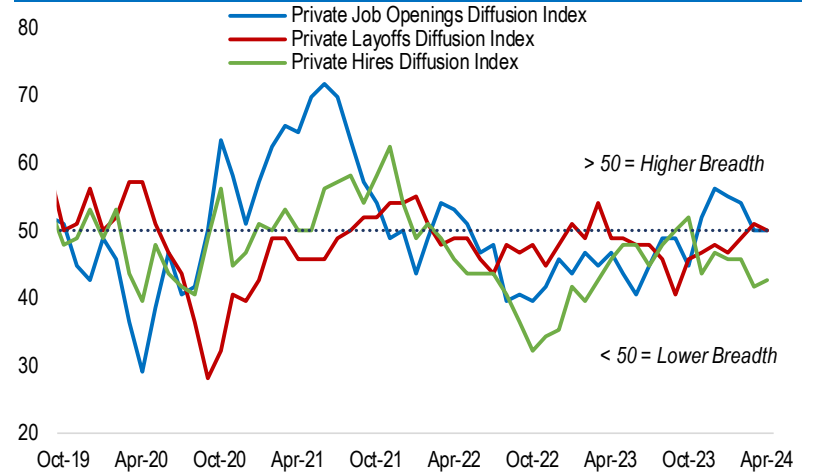
Hiring Slowed Further but so Did Pace of Separations (e.g., Quits/Layoffs), Enabling Continued Job Growth



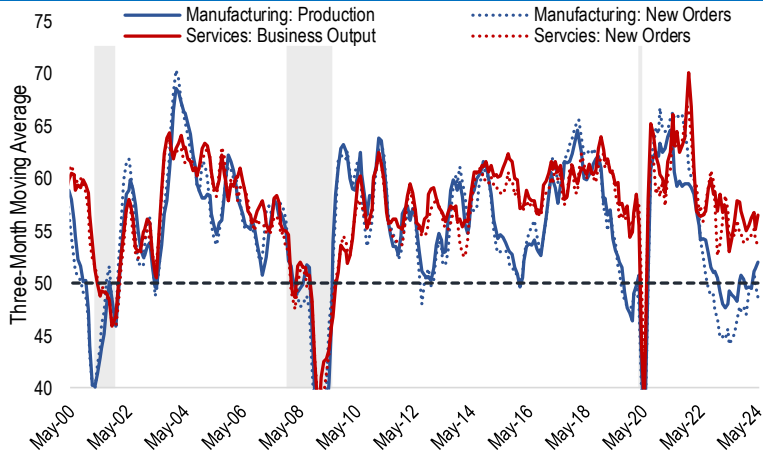
Quits Rate Has Stabilized around 2.2% While the Layoffs Rate Has Been Stuck Close to 1.0%



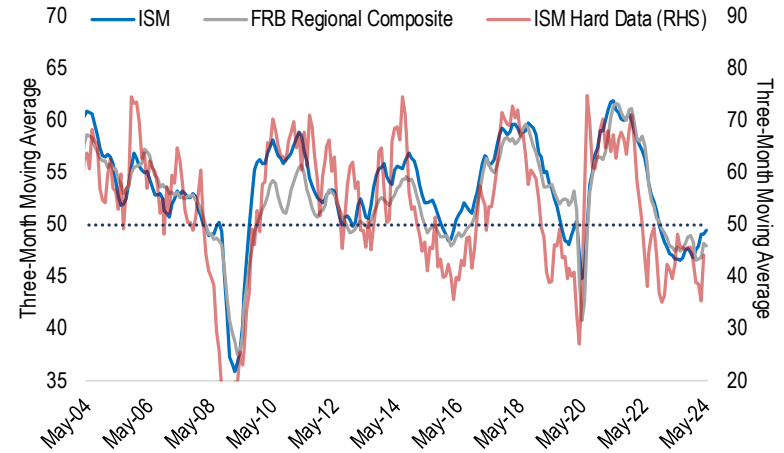
Breadth of Industries Adding Staff Rose in April While Breadth of Layoffs Took a Step Back



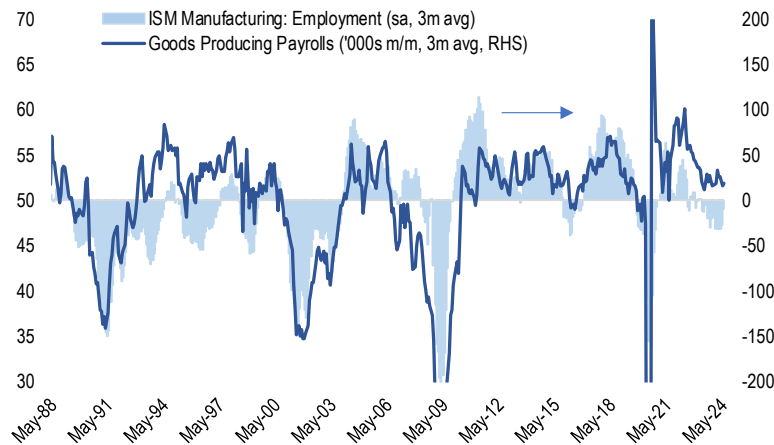
Business Output and New Orders Remained Solid for Services; Manufacturing Showing Early Recovery Signs



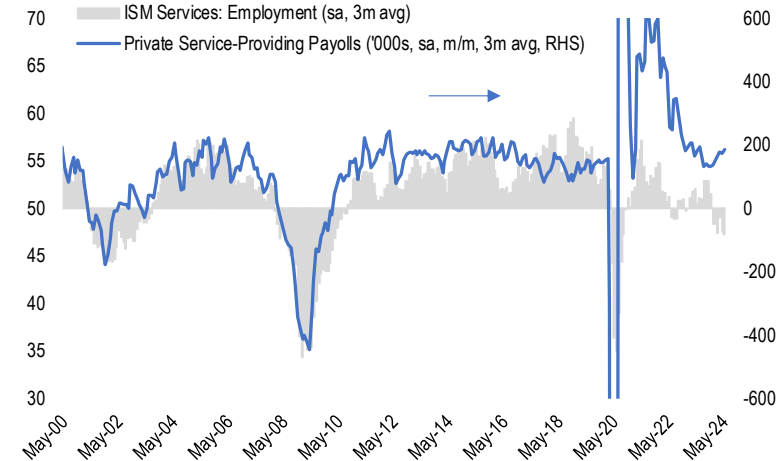
ISM "Hard Data" Recovered in April amid a Bounceback in New Orders and Shipments



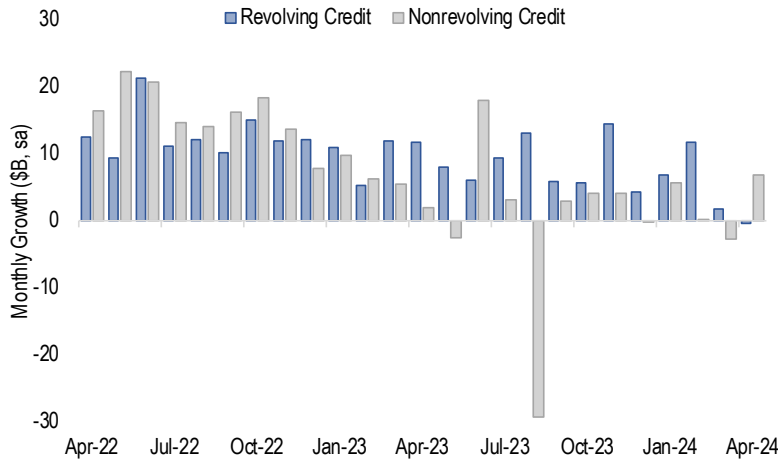
Goods-Producing Employment Remained Resilient despite Elevated Rates (and Weak ISM Survey)



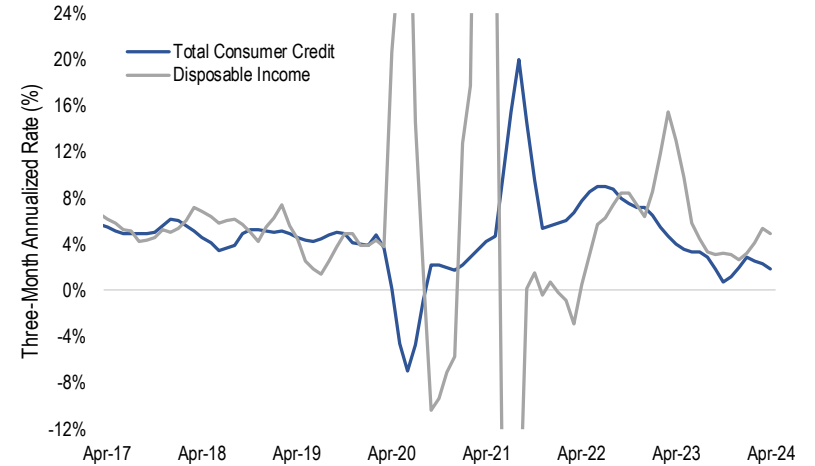
Weak Services PMI Employment Index More Related to Reduced Hiring Pace Than Net Job Growth or Layoffs



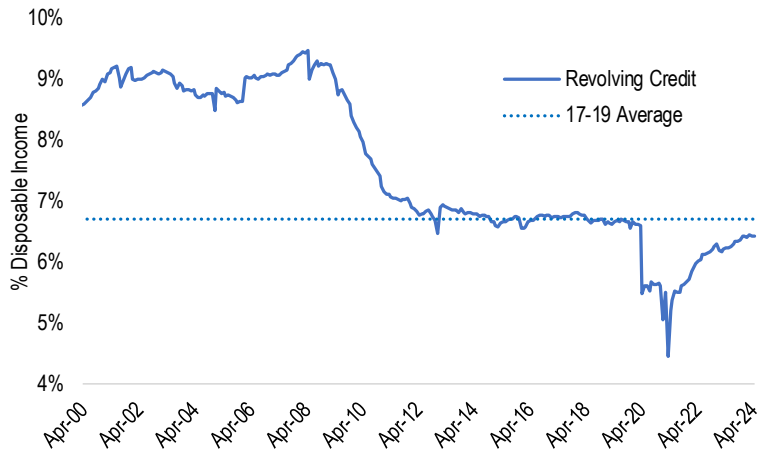
Total Consumer Credit Rose in April with Lift Entirely Coming from Nonrevolving Credit



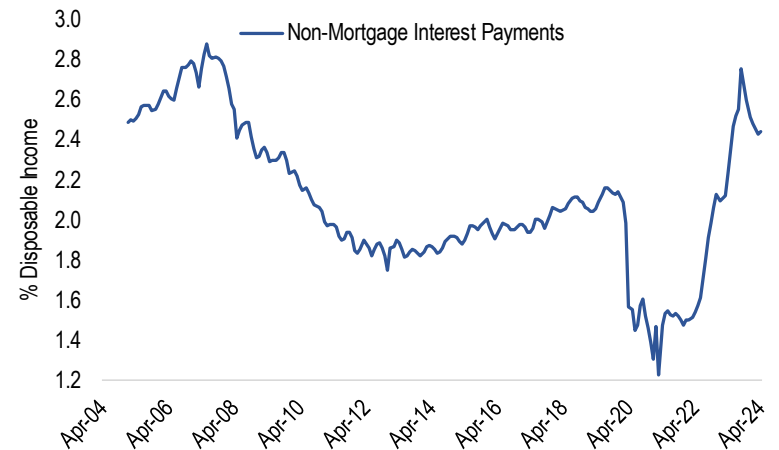
Household Borrowing in Check as Disposable Income Growth Has Outpaced Growth in Consumer Credit



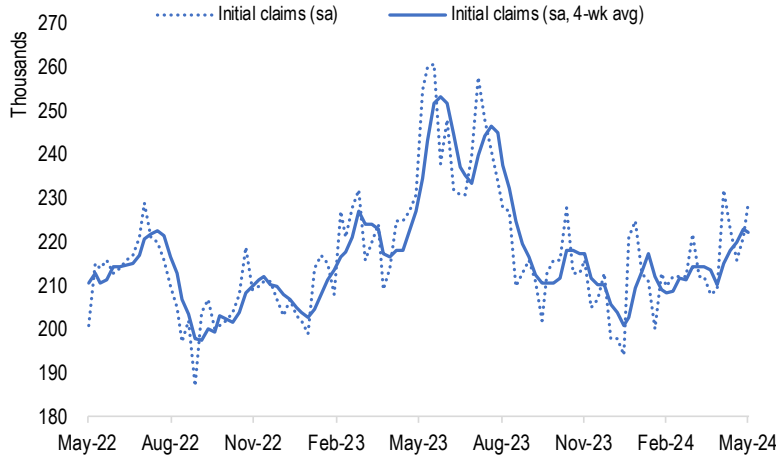
Households in Aggregate Still Have Some Capacity to Tap Into Credit Relative to Pre-COVID-19 Norm



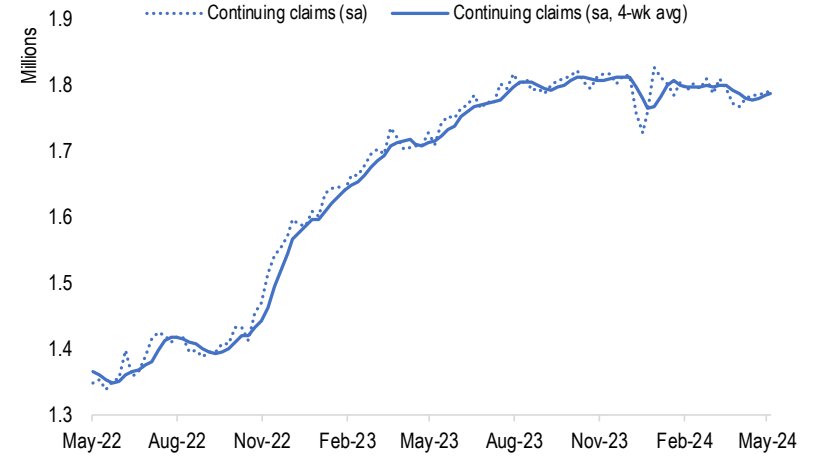
High Cost of New Consumer Loans has Driven Non-Mortgage Interest Payments Sharply Higher



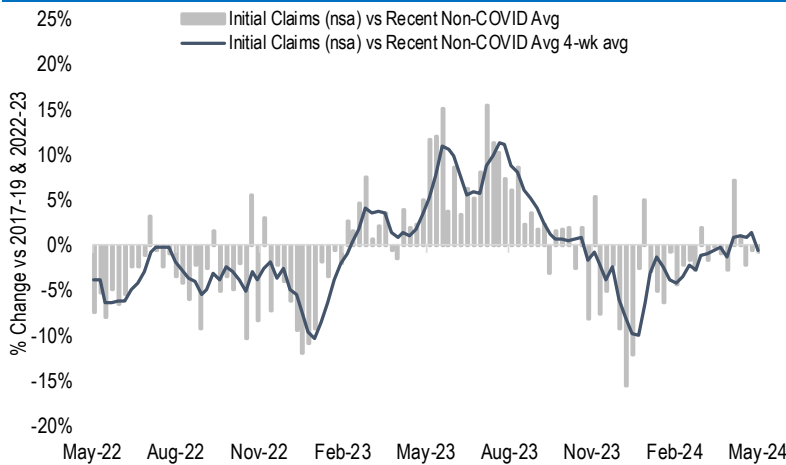
Initial Claims (SA) Trend Has Turned Modestly Higher in Recent Weeks



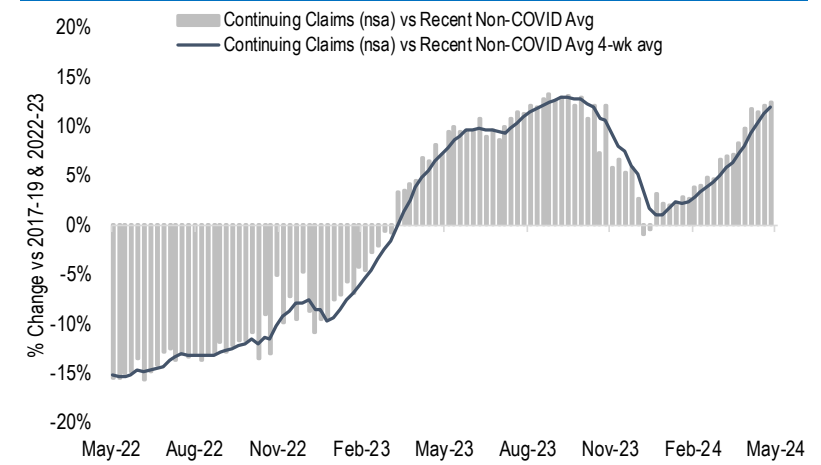
Continuing Claims (SA) Have Also Started to Turn Higher



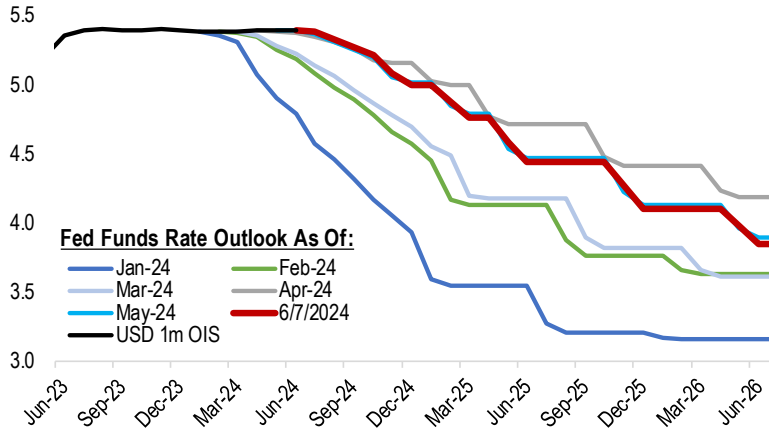
Unadjusted Initial Claims Filings Remained in a Choppy Uptrend vs. Recent Non-COVID-19 Years ...



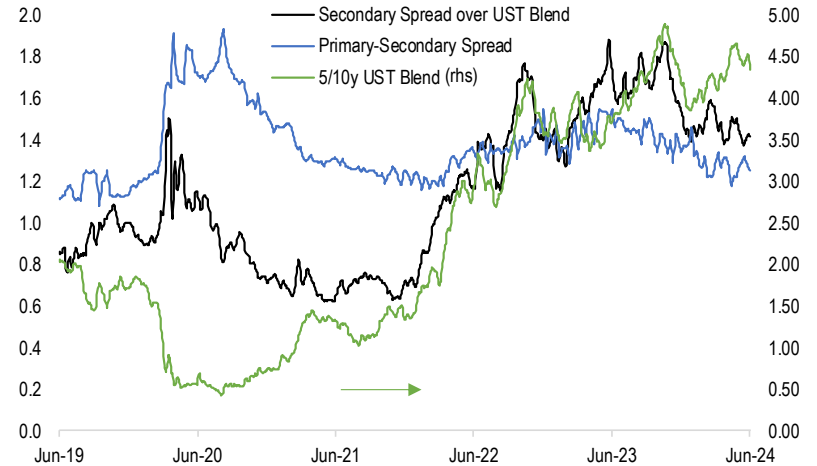
... and Unadjusted Continuing Claims Now up More Than 10% Relative to Recent Non-COVID-19 Years



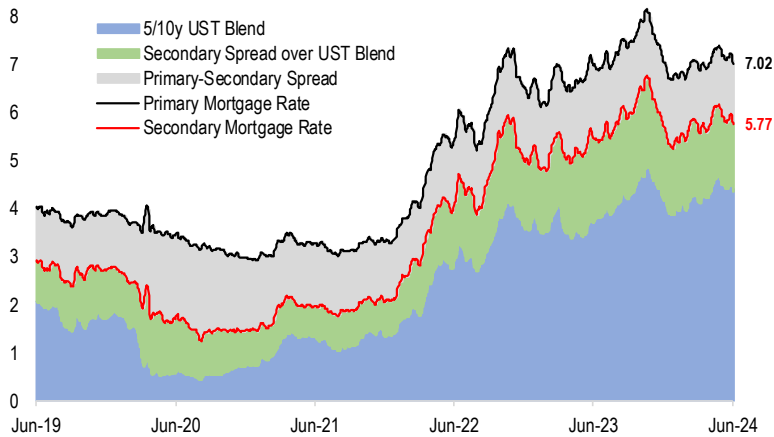
Market Fully Pricing in One Fed Rate Cut in 2024 (Sept.), Odds of Second Cut in Dec. Now Only 50/50



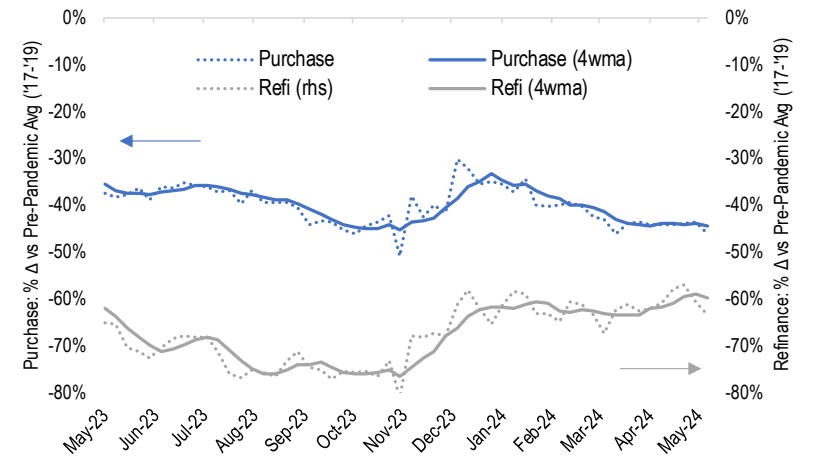
U.S. Treasury Yields and Mortgage Spreads Moved Slightly Lower on the Week ...



... Which Brought Mortgage Rates Closer to 7%



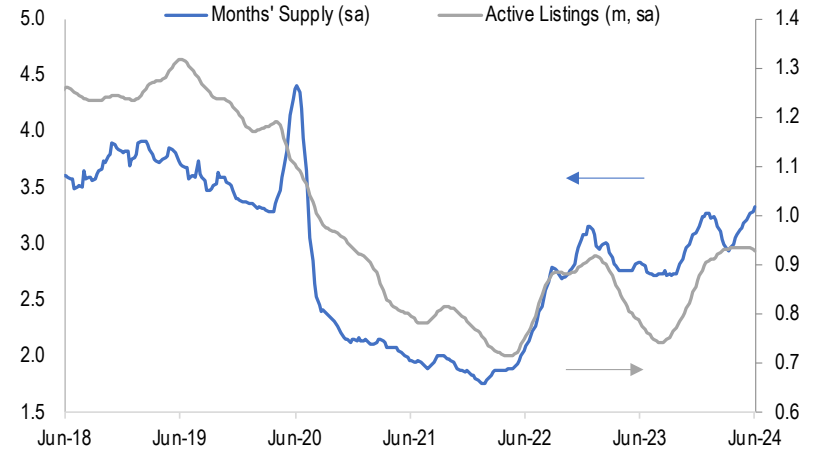
Mortgage Purchase Applications Have Not Responded yet to the Recent Dip in Rates



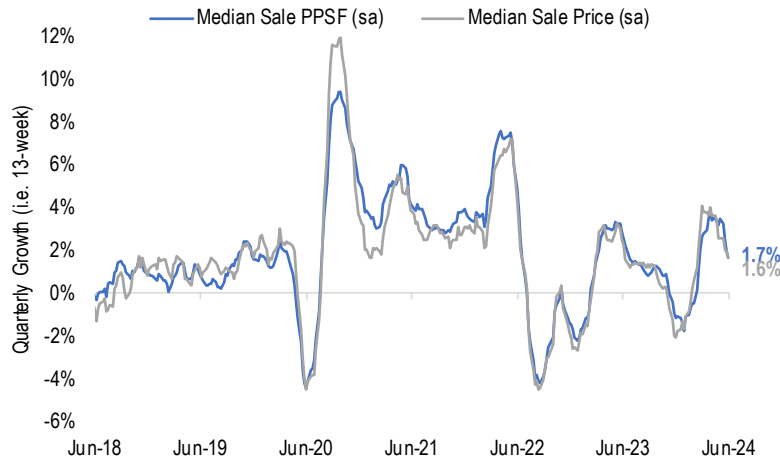
Pending Home Sales Continued to Cool, but New Supply Is Also Slowing Rapidly



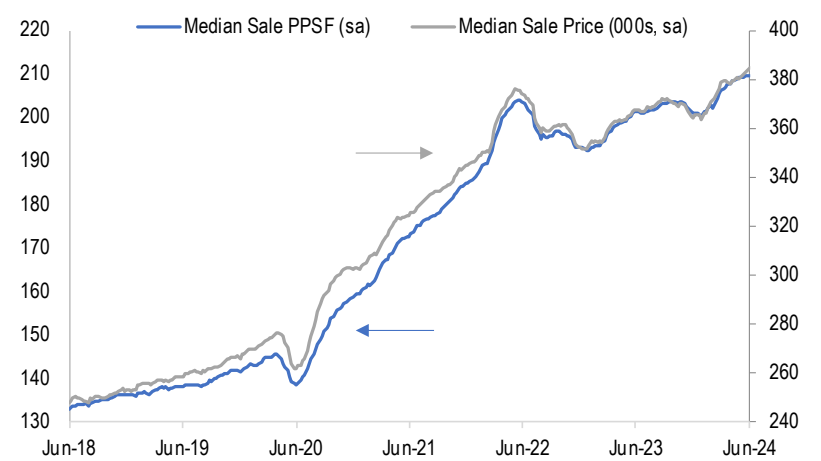
Months' Supply Inched Higher to a New Post-Pandemic Peak, In Line with Early 2020 Level



Softening Market Conditions Have Rapidly Pulled Down Seasonally Adjusted Home-Price Growth ...



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



Prices Have Cooled to 4.0% y/y from >5% in Early 2024 but Price Trends 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	4.0%	-0.9%	6.4%	2.0%	32%	-2.8%	99.6%	-0.2%	16%	-11.0	-14.0	-11%	-27%
Atlanta	2.7%	-0.1%	6.9%	2.8%	29%	-4.7%	99.1%	-0.4%	-3%	1.4	-1.5	-14%	-19%
Austin	-1.1%	-17.4%	9.1%	1.1%	16%	-1.8%	97.9%	0.1%	16%	25.8	30.4	95%	43%
Baltimore	5.3%	2.3%	6.3%	1.7%	49%	-2.9%	101.9%	-0.4%	8%	-5.2	-9.4	-35%	-45%
Boston	5.6%	0.5%	4.9%	1.1%	64%	3.0%	103.4%	0.3%	7%	8.0	8.3	-9%	-17%
Chicago	6.6%	1.6%	2.9%	1.0%	48%	0.3%	100.8%	0.4%	-12%	19.6	21.1	-11%	-8%
Dallas	2.0%	-5.9%	8.1%	2.1%	22%	-8.6%	98.6%	-0.7%	33%	4.0	-1.0	16%	-19%
Denver	0.8%	-5.0%	10.6%	2.5%	34%	-7.7%	99.8%	-0.6%	36%	3.8	0.1	43%	0%
Houston	2.1%	-1.3%	7.8%	2.2%	17%	-4.5%	97.5%	-0.7%	24%	-0.4	-3.9	2%	-24%
Los Angeles	6.5%	-6.5%	4.3%	1.7%	52%	0.8%	101.4%	0.0%	12%	-3.4	-4.4	-1%	-13%
Miami	4.2%	3.7%	4.5%	1.9%	12%	-3.8%	96.3%	-0.3%	25%	3.6	-4.0	-2%	-30%
Minneapolis	2.7%	-1.3%	6.4%	2.2%	45%	-7.1%	100.9%	-0.9%	9%	-0.8	-4.4	-4%	-9%
Nashville	3.3%	-3.2%	6.0%	1.9%	18%	-3.1%	98.5%	-0.2%	7%	-2.8	-2.8	0%	-13%
New York	6.4%	-2.0%	3.9%	0.3%	34%	6.7%	100.5%	1.0%	-3%	-40.5	-30.8	-24%	-29%
Phoenix	4.5%	-10.6%	7.6%	2.2%	18%	-0.5%	98.5%	0.2%	25%	7.1	5.1	22%	-10%
Portland	1.7%	-4.1%	8.0%	2.8%	40%	-3.3%	100.5%	-0.3%	16%	2.6	-0.7	17%	2%
Riverside	5.6%	-5.2%	5.7%	2.1%	43%	2.0%	99.7%	0.2%	14%	-11.6	-9.5	-7%	-24%
San Diego	6.9%	-3.0%	6.6%	3.1%	50%	-3.9%	100.8%	-0.6%	38%	-4.0	-7.0	-6%	-34%
Seattle	8.8%	-7.3%	6.5%	1.2%	48%	2.9%	102.4%	0.8%	16%	-1.3	-1.3	5%	-2%
Tampa	-0.6%	-3.3%	10.4%	3.1%	13%	-6.5%	97.6%	-0.5%	56%	2.5	-10.5	26%	-21%
Washington DC	4.5%	1.9%	5.1%	1.5%	52%	1.6%	101.6%	0.2%	6%	5.4	5.9	-9%	-21%

Data as of June 2, 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
6/3/24	S&P Global US Manufacturing PMI	May F	51.3	50.9	--	50.9	index, sa
6/3/24	ISM Manufacturing	May	48.7	49.5	--	49.2	index, sa
6/3/24	ISM Prices Paid	May	57.0	59.0	--	60.9	index, nsa
6/3/24	Wards Total Vehicle Sales	May	15.90	15.80	--	15.74	m, saar
6/4/24	JOLTS Job Openings	Apr	8.06	8.35	8.36	8.49	m, sa
6/4/24	Durable Goods Orders	Apr F	0.6%	0.7%	--	0.7%	m/m, sa
6/4/24	Cap Goods Orders Nondef Ex Air	Apr F	0.2%	0.3%	--	0.3%	m/m, sa
6/5/24	MBA Mortgage Applications	5/31/24	-5.2%	--	--	-5.7%	w/w, sa
6/5/24	ADP Employment	May	152	175	188	192	k, m/m, sa
6/5/24	S&P Global US Services PMI	May F	54.8	54.8	--	54.8	index, sa
6/5/24	S&P Global US Composite PMI	May F	54.5	54.2	--	54.4	index, sa
6/5/24	ISM Services Index	May	53.8	51.0	--	49.4	index, nsa
6/6/24	Nonfarm Productivity	1Q F	0.2%	0.0%	--	0.3%	q/q, saar
6/6/24	Unit Labor Costs	1Q F	4.0%	4.9%	--	4.7%	q/q, saar
6/6/24	Initial Jobless Claims	6/1/24	229	220	221	219	k, sa
6/6/24	Continuing Claims	5/25/24	1,792	1,790	1,790	1,791	k, sa
6/7/24	Nonfarm Payrolls	May	272	180	165	175	k, m/m, sa
6/7/24	Private Payrolls	May	229	165	158	167	k, m/m, sa
6/7/24	Unemployment Rate	May	4.0%	3.9%	--	3.9%	sa
6/7/24	Average Hourly Earnings m/m	May	0.4%	0.3%	--	0.2%	sa
6/7/24	Average Hourly Earnings y/y	May	4.1%	3.9%	4.0%	3.9%	nsa
6/7/24	Average Weekly Hours All Employees	May	34.3	34.3	--	34.3	sa
6/7/24	Labor Force Participation Rate	May	62.5%	62.7%	--	62.7%	sa
6/7/24	Wholesale Trade Sales	Apr	0.1%	0.5%	--	-1.3%	m/m, sa
6/7/24	Wholesale Inventories	Apr F	0.1%	0.2%	--	0.2%	m/m, sa
6/7/24	Consumer Credit	Apr	6.40	10.00	-1.10	6.27	\$B, 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
6/11/24	NFIB Small Business Optimism	May	--	89.6	--	89.7	index, sa
6/12/24	MBA Mortgage Applications	6/7/24	--	--	--	-5.2%	w/w, sa
6/12/24	CPI m/m	May	--	0.1%	--	0.3%	sa
6/12/24	CPI Core (ex Food and Energy) m/m	May	--	0.3%	--	0.3%	sa
6/12/24	CPI y/y	May	--	3.4%	--	3.4%	nsa
6/12/24	CPI Core (ex Food and Energy) y/y	May	--	3.5%	--	3.6%	nsa
6/12/24	FOMC Rate Decision (Upper Bound)	6/12/24	--	5.50%	--	5.50%	
6/13/24	Initial Jobless Claims	6/8/24	--	220	--	229	k, sa
6/13/24	Continuing Claims	6/1/24	--	--	--	1,792	k, sa
6/13/24	PPI Final Demand m/m	May	--	0.1%	--	0.5%	sa
6/13/24	PPI Core (ex Food and Energy) m/m	May	--	0.3%	--	0.5%	sa
6/13/24	PPI Final Demand y/y	May	--	2.5%	--	2.2%	nsa
6/13/24	PPI Core (ex Food and Energy) y/y	May	--	2.5%	--	2.4%	nsa
6/14/24	Import Price Index m/m	May	--	0.1%	--	0.9%	nsa
6/14/24	Import Price Index y/y	May	--	1.6%	--	1.1%	nsa
6/14/24	U. of Mich. Sentiment	Jun P	--	73.0	--	69.1	index, nsa
6/14/24	U. of Mich. 1 Yr Inflation	Jun P	--	--	--	3.3%	nsa
6/14/24	U. of Mich. 5-10 Yr Inflation	Jun P	--	--	--	3.0%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics