



HaMMR Digest

Stay current with economic and mortgage market trends.

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Anxiously Awaiting Confidence

- **Key Takeaway:** Disinflation picked up steam in May with multiple signs pointing to further cooling of price pressures ahead.
- **Macro Implications:** Fed's staunch dependency on lagging data raises risk they will be too late to cut (again) as drags on economy continue to build.
- **Housing Implications:** An overly data-dependent Fed has the potential to keep rate volatility elevated, stalling a recovery in home sales.

Macro: All About Prices

- Consumer price growth cooled broadly in May; housing still sticky.
- Preliminary June consumer sentiment dipped to seven-month low.
- Small businesses' economic outlook remained weak.

Rates: Soft Inflation Inspires Confidence

- 10-yr UST declined 20bps w/w to 4.22% amid soft inflation data.
- Market back to pricing two 25bps Fed rate cuts this year in Sept. and Dec.
- Fed's preferred measure of inflation (PCE) released later in the month.

Housing: Mortgage Rates Revisit the 6s

- Mortgage rates dipped below 7% for the first time since early April.
- Purchase applications remained muted while refinancings ticked higher.
- Buyers and sellers still looking to escape holding pattern of low activity.

Consumer Inflation: Sweet Relief

- Headline CPI inflation flat in May amid a decline in energy prices.
- Core inflation rose 0.2%, the softest monthly print since Aug. '21.
- Big step back in core services overshadowed by sticky shelter.

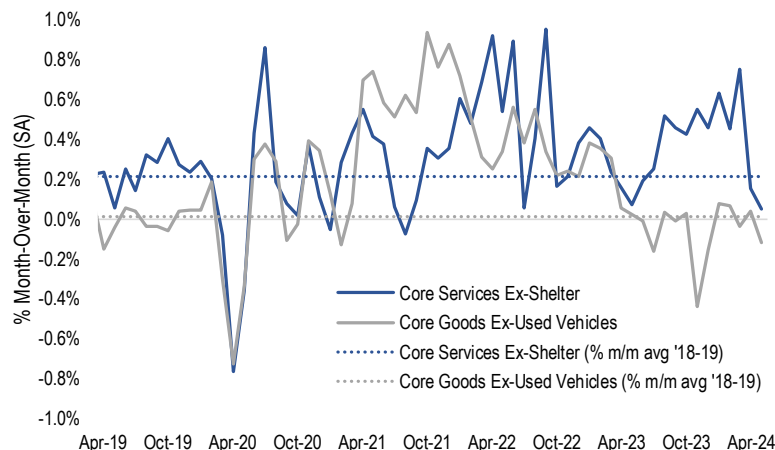
Producer Inflation: Twofer Special

- Headline producer prices fell -0.2% in May, with core prices flat.
- Core goods rose 0.3% but unlikely to be signal of building pressure.
- Core services rose at the slowest monthly pace since Apr. 2022.

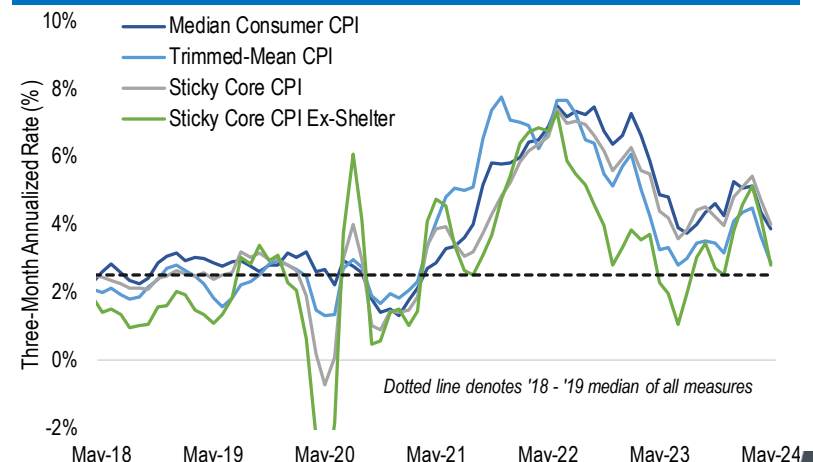
Small Business Sentiment: Stabilization Likely Short-Term

- NFIB Optimism rose in May despite uncertainty index at 4-year high.
- Details suggest poor sales and reduced capex expectations.
- Credit conditions have largely normalized, but rate concerns rising.

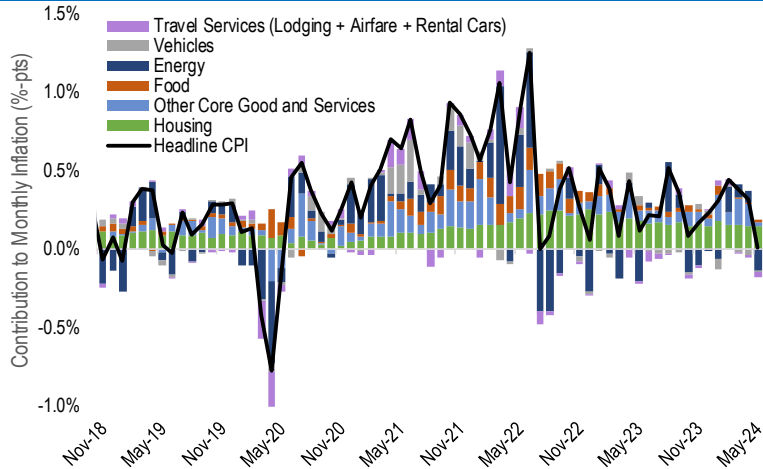
Another Large Step Down in Core Services Ex-Shelter Should Ease Fears of Inflation Reacceleration



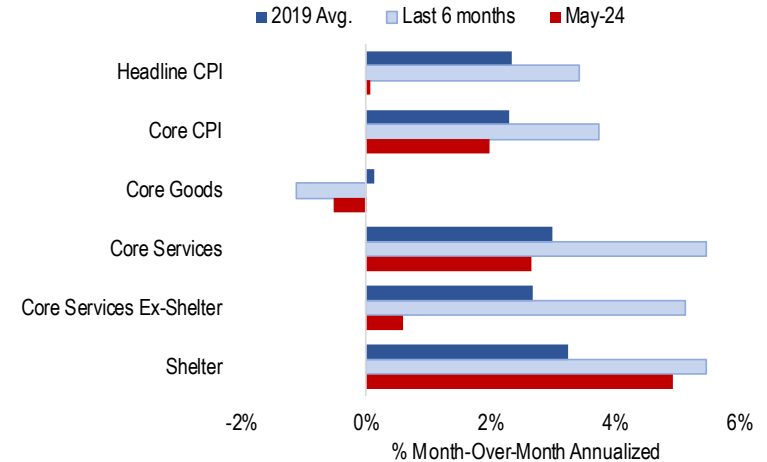
Alternate Measures of Central Tendency Inflation Clearly Show a Loss of Momentum



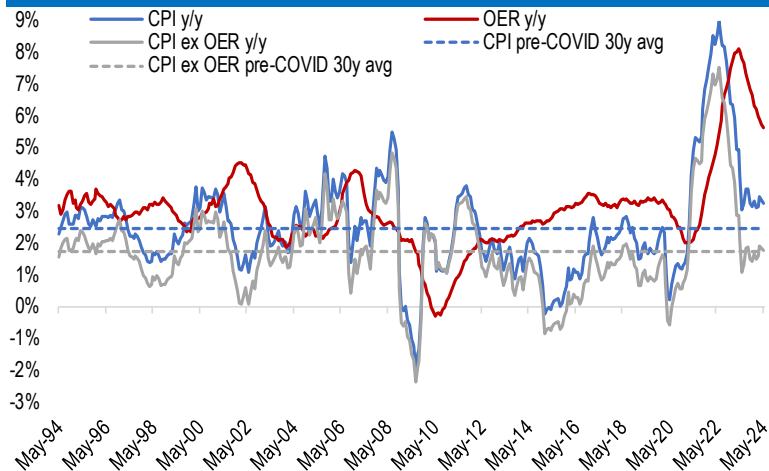
Monthly CPI Inflation Plunged to Zero in May; Housing Was Main Component Preventing Large Decline



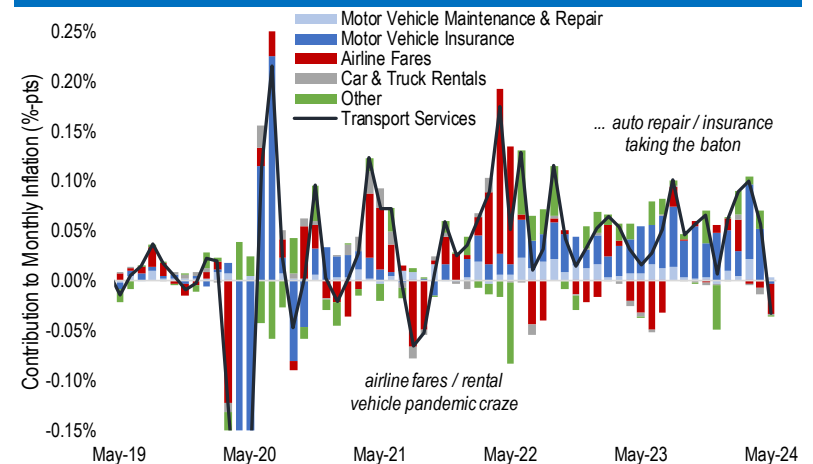
Shelter Inflation Remained Sticky in May, but Other Components Took a Big Step Back



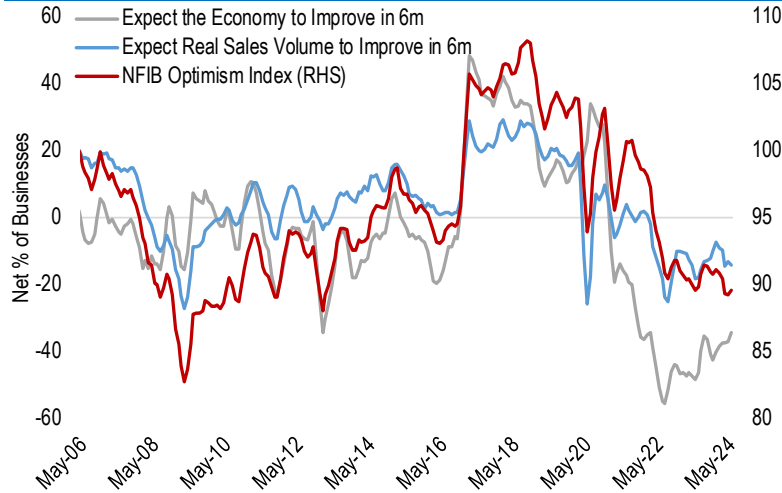
Excluding Owners' Equivalent Rent (OER), Inflation Has Been in Line with Pre-Pandemic Norm for Nearly a Year



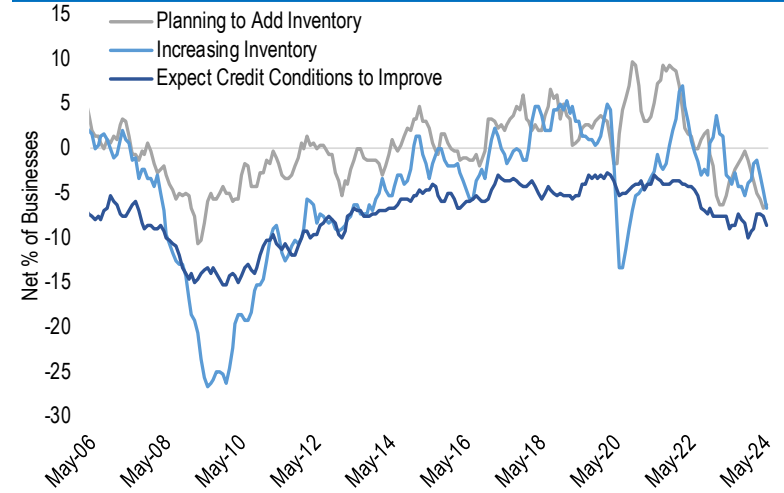
Transport Services Took a Big Step Down in May, Which Is Unlikely the Start of a New Trend



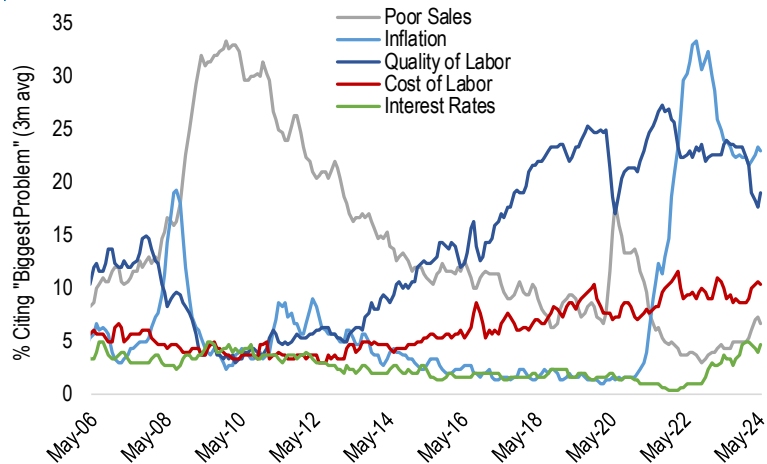
Small Business Optimism Steadied in May but Remains Mired in Poor Sales Prospects



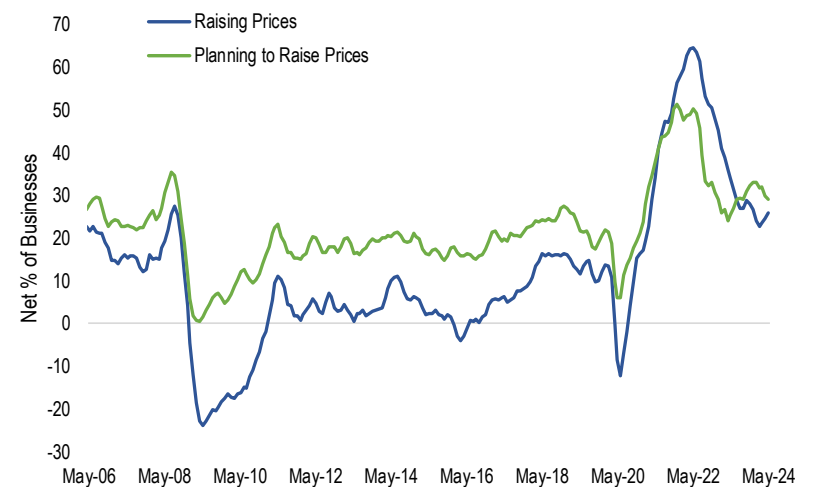
Credit Conditions Are Normalizing but an Uncertain Outlook Is Keeping Investment Intentions at Bay



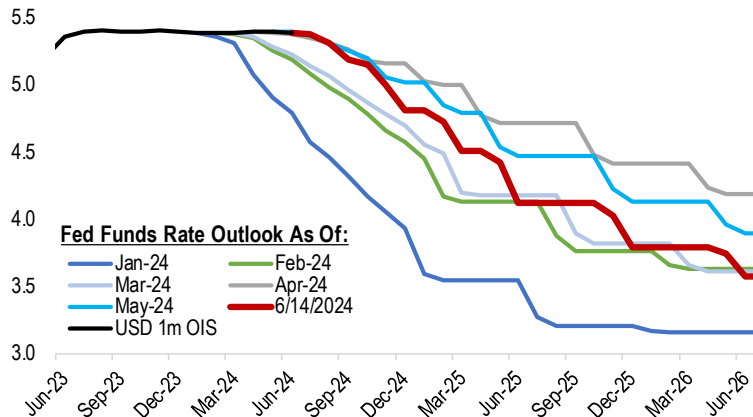
"Inflation" Remained Top Concern for Small Firms but Interest Rates and Poor Sales Rising



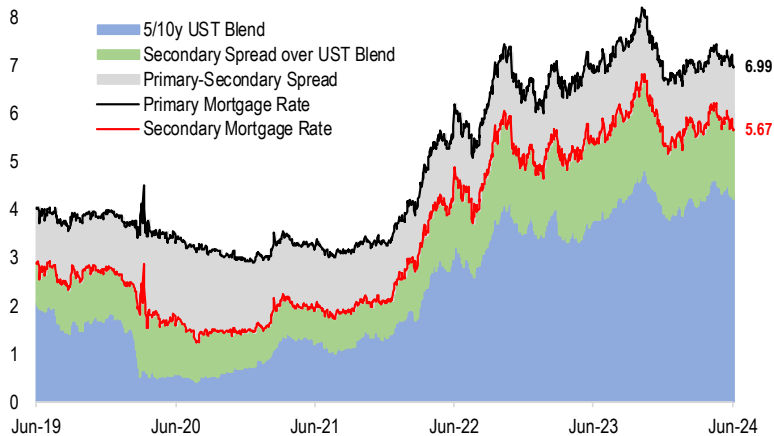
Fewer Firms Reported Plans to Raise Prices, Suggesting Less Price Pressure Ahead



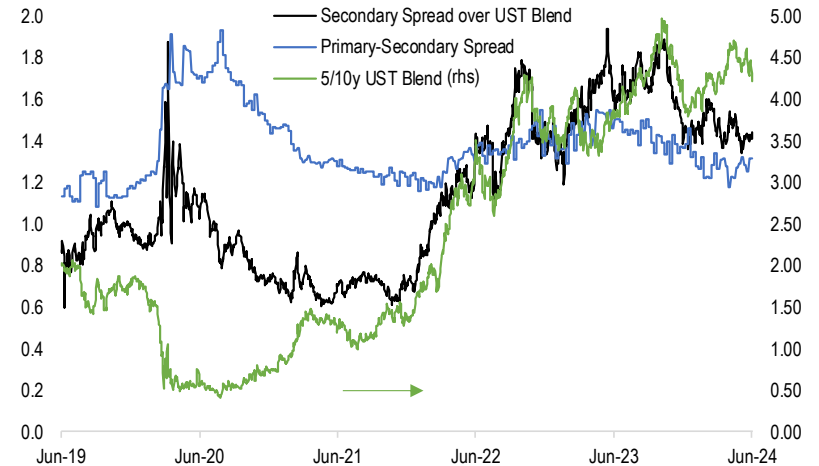
Market Back to Pricing in Two Fed Rate Cuts in 2024 (September and December) Following Last Week's Soft Inflation Prints



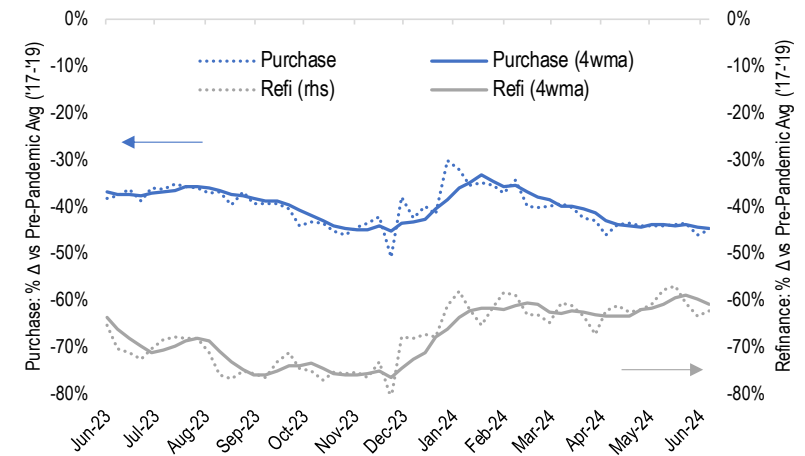
... Which Brought Mortgage Rates Back below 7% for the First Time Since Early April



U.S. Treasury Yields Plunged ~20bps Last Week and Mortgage Spreads Were Roughly Unchanged ...



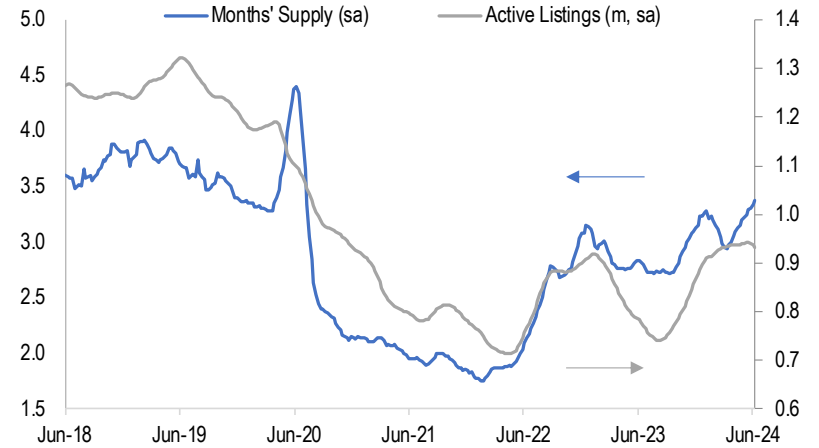
Mortgage Purchase Applications Have Not Responded yet to the Recent Decline in Rates



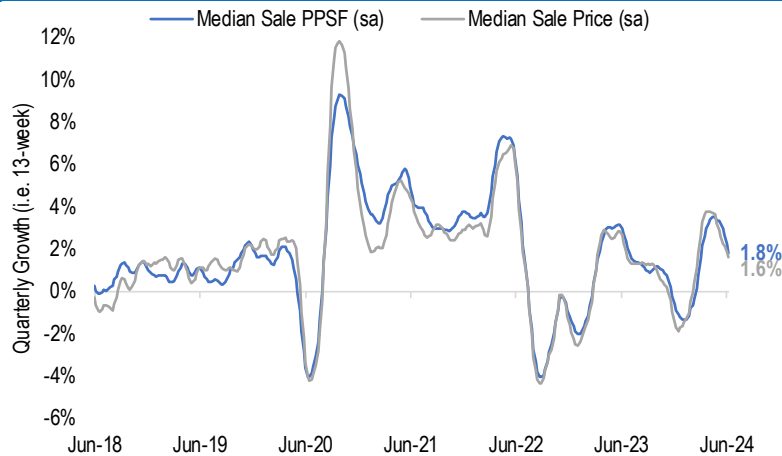
Pending Home Sales Continued to Cool, but New Supply Is Also Slowing Rapidly



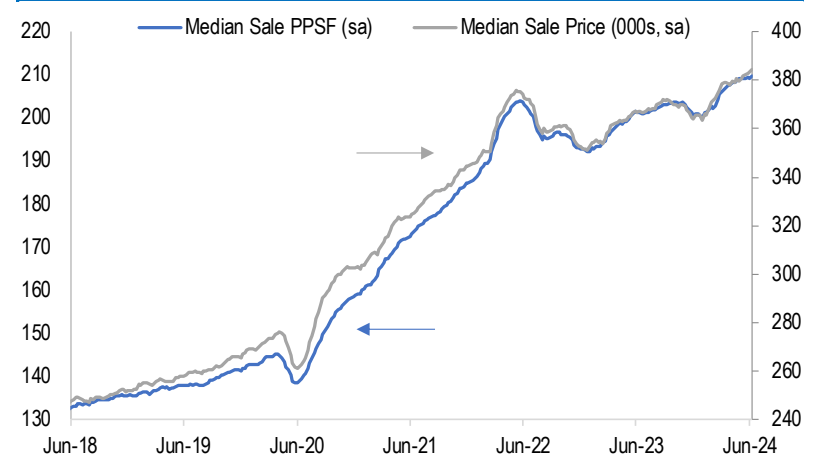
Months' Supply Inched Higher to a New Post-Pandemic Peak, in Line with Early 2020 Level



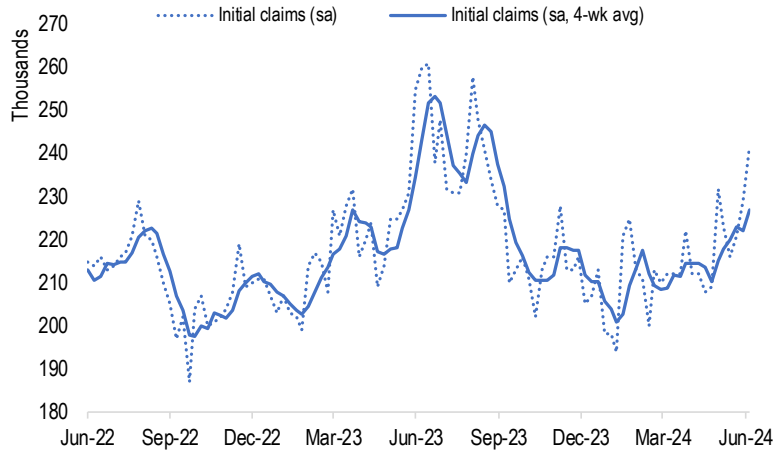
Softening Market Conditions Have Rapidly Pulled Down Seasonally Adjusted Home-Price Growth ...



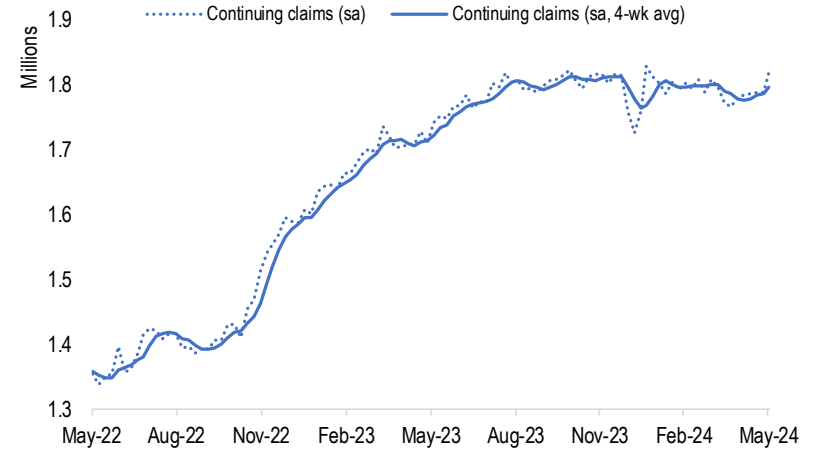
... as the National Median Sales Price Continued to Climb Further above Mid-2022 Peak



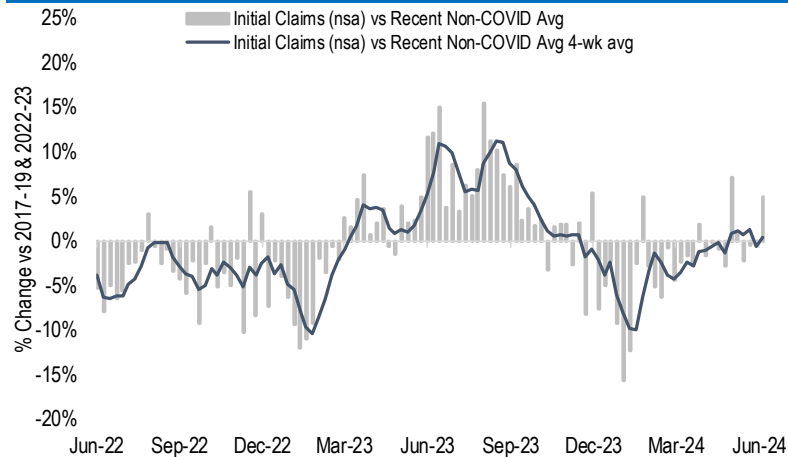
Initial Claims (SA) Trend Has Turned Notably Higher in Recent Weeks ...



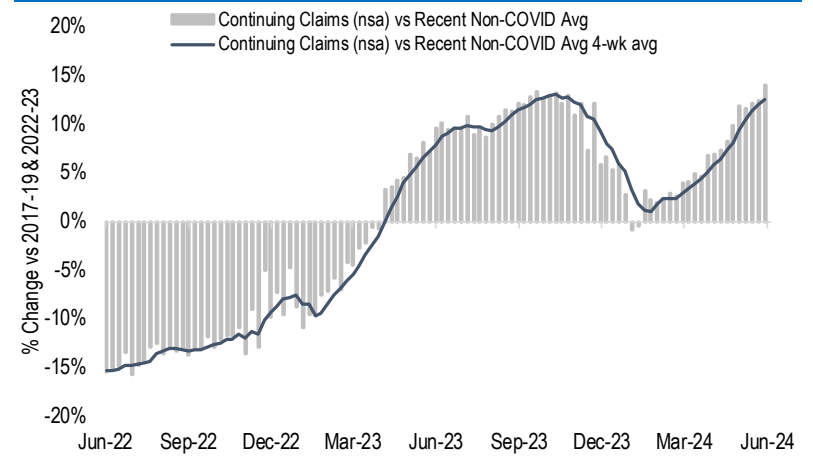
... and Continuing Claims (SA) Have Also Started to Turn Higher



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



... and Unadjusted Continuing Claims Now up More Than 12% Relative to Recent Non-COVID-19 Years



Recent Data Releases

Key economic and housing data releases over the prior week:

| Date | Indicator | Period | Actual | Consensus | Revised | Prior | Note |
|---------|-----------------------------------|---------|--------|-----------|---------|-------|------------|
| 6/11/24 | NFIB Small Business Optimism | May | 90.5 | 89.7 | -- | 89.7 | index, sa |
| 6/12/24 | MBA Mortgage Applications | 6/7/24 | 15.6% | -- | -- | -5.2% | w/w, sa |
| 6/12/24 | CPI m/m | May | 0.0% | 0.1% | -- | 0.3% | sa |
| 6/12/24 | CPI Core (ex Food and Energy) m/m | May | 0.2% | 0.3% | -- | 0.3% | sa |
| 6/12/24 | CPI y/y | May | 3.3% | 3.4% | -- | 3.4% | nsa |
| 6/12/24 | CPI Core (ex Food and Energy) y/y | May | 3.4% | 3.5% | -- | 3.6% | nsa |
| 6/12/24 | FOMC Rate Decision (Upper Bound) | 6/12/24 | 5.5% | 5.50% | -- | 5.50% | |
| 6/13/24 | Initial Jobless Claims | 6/8/24 | 242 | 225 | -- | 229 | k, sa |
| 6/13/24 | Continuing Claims | 6/1/24 | 1,820 | 1,795 | 1,790 | 1,792 | k, sa |
| 6/13/24 | PPI Final Demand m/m | May | -0.2% | 0.1% | -- | 0.5% | sa |
| 6/13/24 | PPI Core (ex Food and Energy) m/m | May | 0.0% | 0.3% | -- | 0.5% | sa |
| 6/13/24 | PPI Final Demand y/y | May | 2.2% | 2.5% | 2.3% | 2.2% | nsa |
| 6/13/24 | PPI Core (ex Food and Energy) y/y | May | 2.3% | 2.5% | 2.5% | 2.4% | nsa |
| 6/14/24 | Import Price Index m/m | May | -0.4% | -0.1% | -- | 0.9% | nsa |
| 6/14/24 | Import Price Index y/y | May | 1.1% | 1.3% | -- | 1.1% | nsa |
| 6/14/24 | U. of Mich. Sentiment | Jun P | 65.6 | 72.0 | -- | 69.1 | index, nsa |
| 6/14/24 | U. of Mich. 1 Yr Inflation | Jun P | 3.3% | 3.2% | -- | 3.3% | nsa |
| 6/14/24 | U. of Mich. 5-10 Yr Inflation | Jun 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 |
|---------|-----------------------------------|---------|--------|-----------|---------|-------|-----------|
| 6/17/24 | Empire Manufacturing | Jun | -6.0 | -10.0 | -- | -15.6 | index, sa |
| 6/18/24 | Advance Retail Sales m/m | May | -- | 0.3% | -- | 0.0% | sa |
| 6/18/24 | Retail Sales Control Group m/m | May | -- | 0.5% | -- | -0.3% | sa |
| 6/18/24 | Industrial Production | May | -- | 0.3% | -- | 0.0% | m/m, sa |
| 6/18/24 | Capacity Utilization | May | -- | 78.6% | -- | 78.4% | sa |
| 6/18/24 | Business Inventories m/m | Apr | -- | 0.3% | -- | -0.1% | sa |
| 6/19/24 | MBA Mortgage Applications | 6/14/24 | -- | -- | -- | 15.6% | w/w, sa |
| 6/19/24 | NAHB Housing Market Index | Jun | -- | 46 | -- | 45 | index, sa |
| 6/20/24 | Initial Jobless Claims | 6/15/24 | -- | 235 | -- | 242 | k, sa |
| 6/20/24 | Continuing Claims | 6/8/24 | -- | 1,810 | -- | 1,820 | k, sa |
| 6/20/24 | Housing Starts | May | -- | 1,370 | -- | 1,360 | k, saar |
| 6/20/24 | Building Permits | May | -- | 1,450 | -- | 1,440 | k, saar |
| 6/20/24 | Housing Starts m/m | May | -- | 0.7% | -- | 5.7% | sa |
| 6/20/24 | Building Permits m/m | May | -- | 0.7% | -- | -3.0% | sa |
| 6/20/24 | Philadelphia Fed Business Outlook | Jun | -- | 5.00 | -- | 4.50 | index, sa |
| 6/21/24 | S&P Global US Manufacturing PMI | Jun P | -- | 51.0 | -- | 51.3 | index, sa |
| 6/21/24 | S&P Global US Services PMI | Jun P | -- | 54.0 | -- | 54.8 | index, sa |
| 6/21/24 | S&P Global US Composite PMI | Jun P | -- | 53.5 | -- | 54.5 | index, sa |
| 6/21/24 | Conference Board Leading Index | May | -- | -0.3% | -- | -0.6% | m/m, sa |
| 6/21/24 | Existing Home Sales | May | -- | 4,100 | -- | 4,140 | k, saar |
| 6/21/24 | Existing Home Sales m/m | May | -- | -1.0% | -- | -1.9% | sa |

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics