

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 24, 2024

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### Fed Should Pivot to Worrying about Growth

- **Key Takeaway:** Data was weaker than consensus expectations last week, indicating economic activity is unlikely to sprout a strong rebound in Q2.
- **Macro Implications:** Economic normalization and weakness can look similar, but we believe current trends reflect the former.
- **Housing Implications:** As economic slack builds and inflation cools, the Fed should shift gears to rate cuts in Q3, kickstarting a new housing cycle.

### Macro: More Signs of a Slowdown

- The big bounce in housing activity from 1Q24 is proving short-lived, again.
- Consumer spending continues to cool despite solid income gains.
- Industrial production’s strong outturn for May unlikely to carry forward.

### Rates: Holding Pattern

- 10-yr UST was roughly unchanged despite intra-week volatility.
- Market still pricing two 25bps Fed rate cuts this year: Sept. and Dec.
- Softer macro data did not drag rates lower this week.

### Housing: Mortgage Rates Skewing Lower

- Mortgage rates continued to hover around 7%.
- Purchase applications remained depressed at historically low levels.
- Further progress on rates needed to jolt housing market activity higher.

### Existing Home Sales: Stuck in Mud

- Sales fell -0.7% m/m (sa) in May and were down -2.8% y/y.
- Inventory declined for second straight month and by -1.0% m/m (sa).
- Market remained tight with months’ supply at just 3.6 (sa).

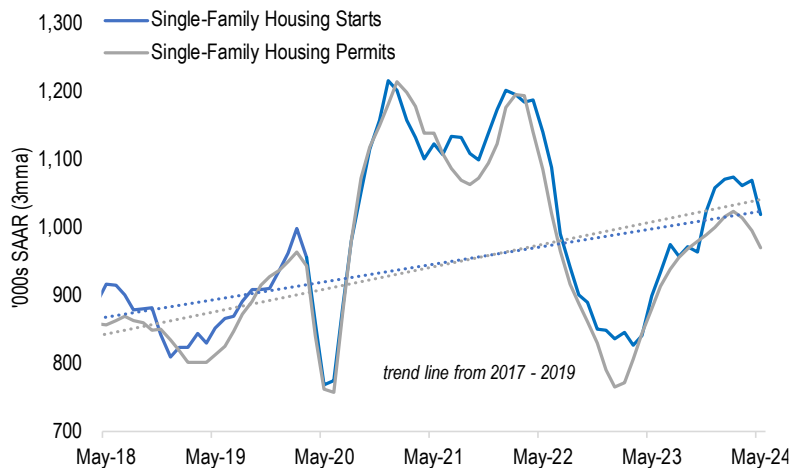
### Construction: Home Builder Optimism Falls Again

- Single-family starts declined -5.2% m/m (sa) to a seven-month low.
- Single-family permits fell for fourth straight month, by -2.9% m/m (sa).
- Multifamily starts remained weak, down -50% y/y.

### Retail Sales: Consumers Growing More Cautious

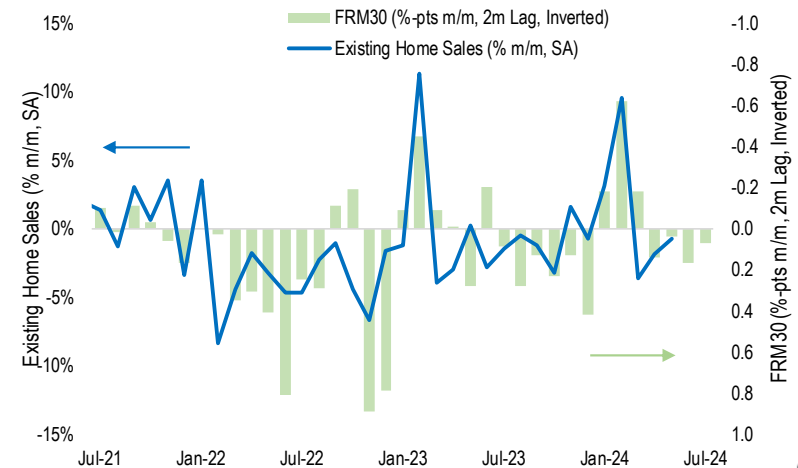
- Retail sales rose a modest 0.1% in May after declining -0.2% in April.
- Real spending has averaged -0.1% m/m over prior three months.
- Large downward revisions to sales in four of last five months.

### Housing Construction Has Taken a Turn Lower, Implying Weaker Contribution to Overall 2Q24 Real GDP



Sources: National Association of REALTORS (NAR), Freddie Mac, U.S. Census Bureau, Arch Global Economics

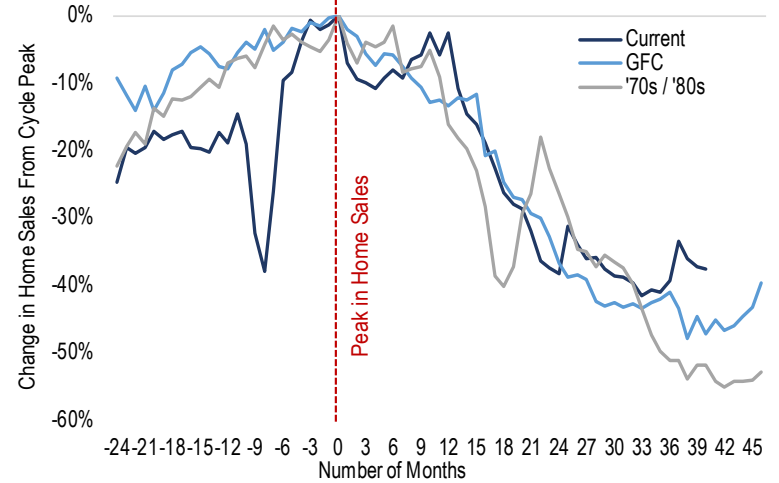
### Existing Home Sales Likely to Remain Weak over the Near Term



**Existing Home Sales Muddling Along at below-Trend Pace with Minimal Upside Near-Term**



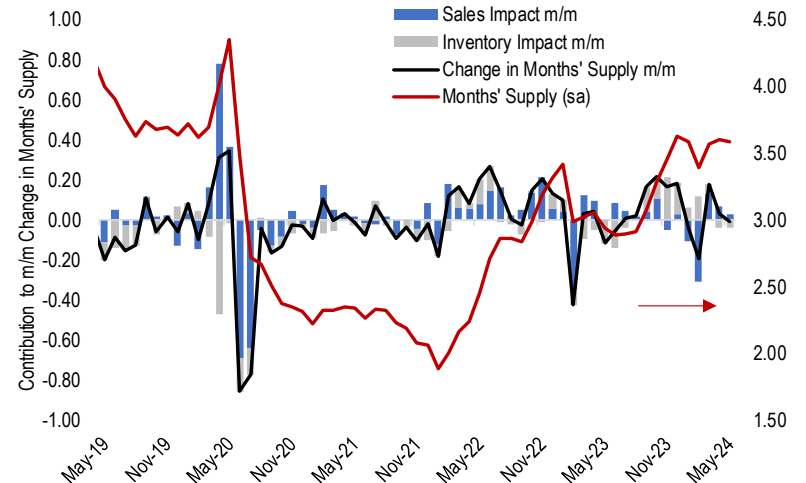
**Existing Home Sales Seemingly Following the Same Path from Early Last Year, Slowing after an Initial Spike**



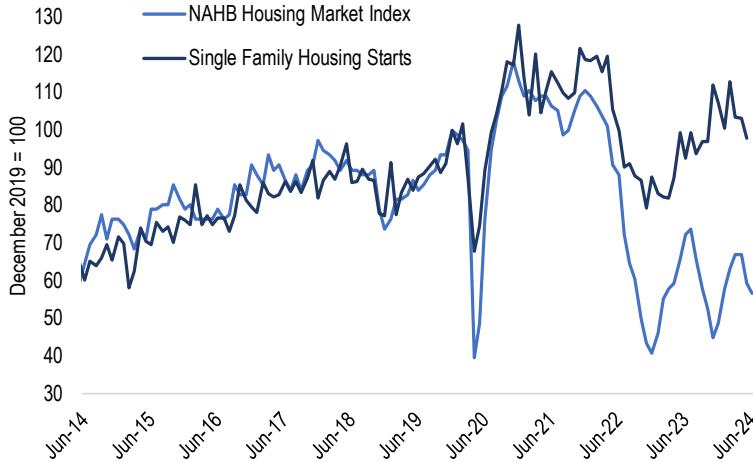
**Inventory Increased 17% y/y, the Fastest Annual Pace Since 2006; However, the Market Remained Tight**



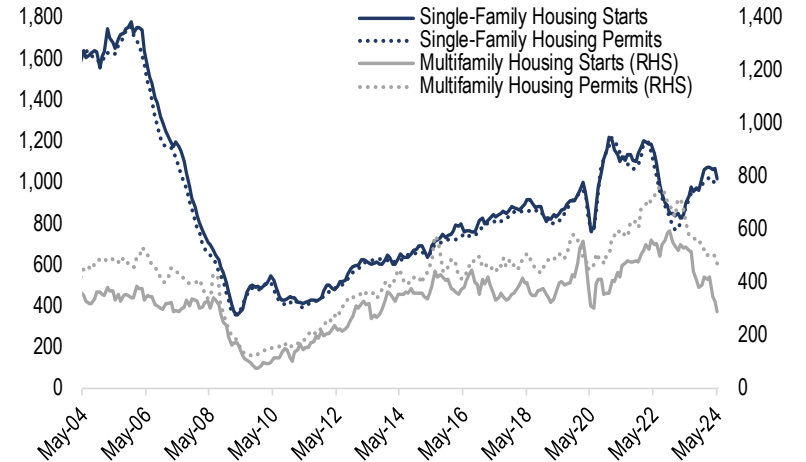
**Monthly Inventory Build Has Lost Momentum, Keeping Months' Supply in Check**



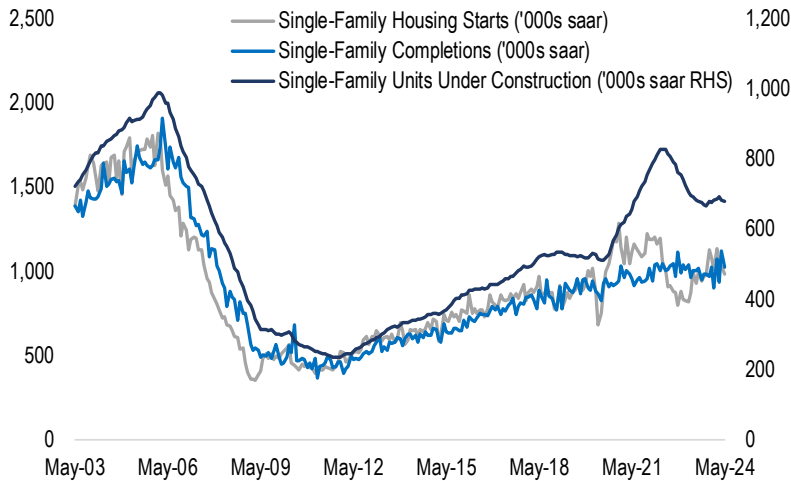
**Builder Optimism Fell to Lowest Level Since December 2023 with an Increased Need of Incentives to Drive Sales**



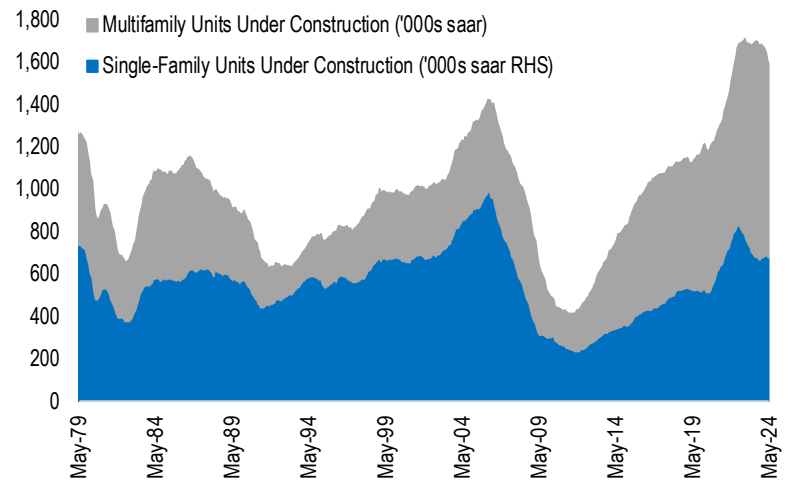
**Single-Family Permitting Has Cooled in Recent Months While Multifamily Remained on Downward Trend**



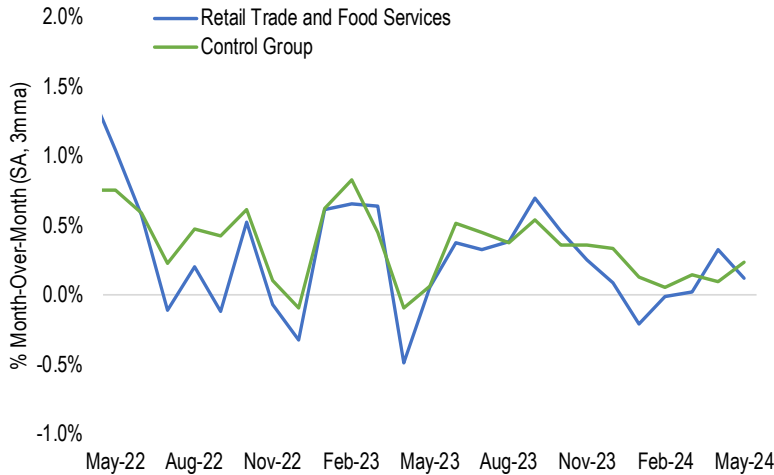
**Single-Family Completions Fell in May While the Pace of Starts Declined to a Multi-Month Low**



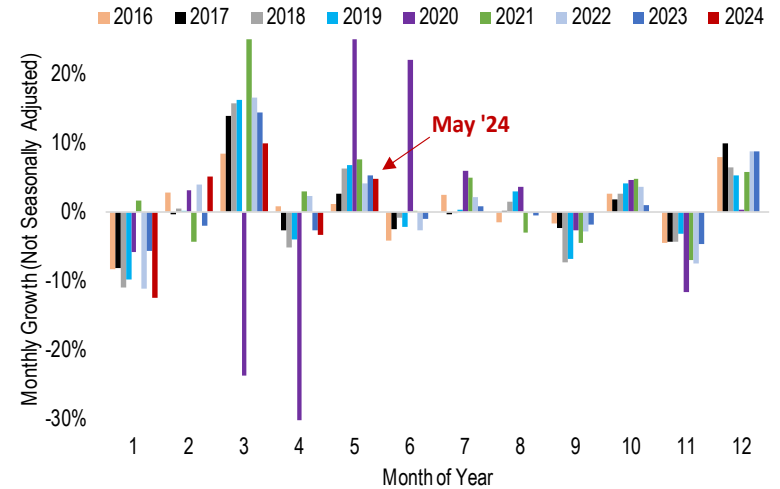
**Both Single-Family and Multifamily Units under Construction Now Headed Lower**



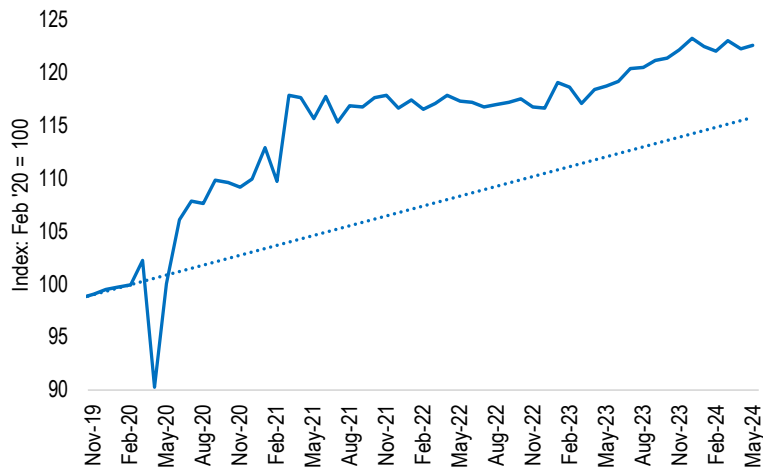
**May Retail Sales Growth Surprised to the Downside with Downward Revisions to Prior Months**



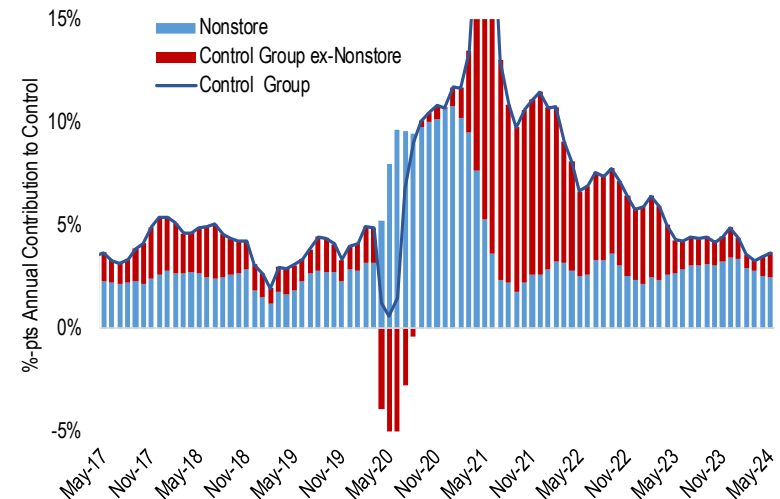
**Restaurant Sales, Key Component for Discretionary Spending, Have Been Weaker Than Seasonal Norms**



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

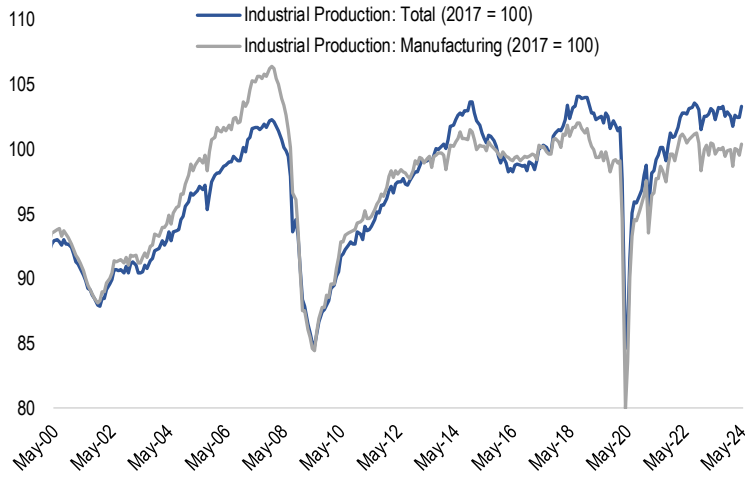


**Online Sales (i.e., Nonstore) Have Been a Key Support to Sales but Even Here, Momentum Is Waning**

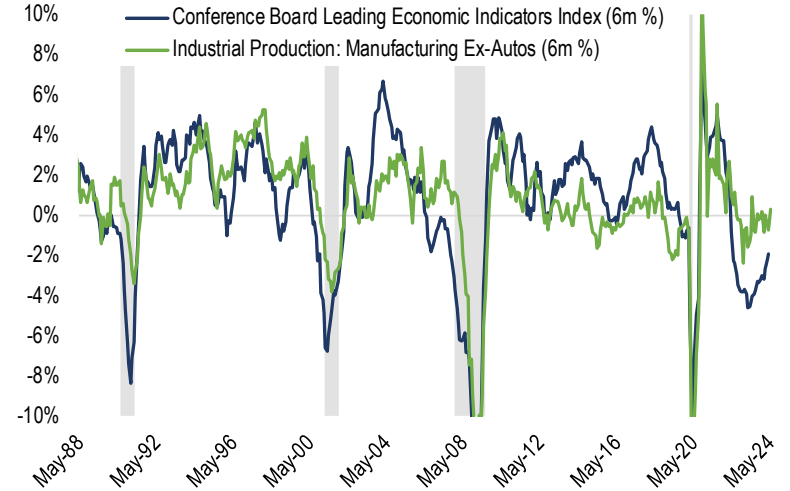


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted  
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics, Arch Global Economics

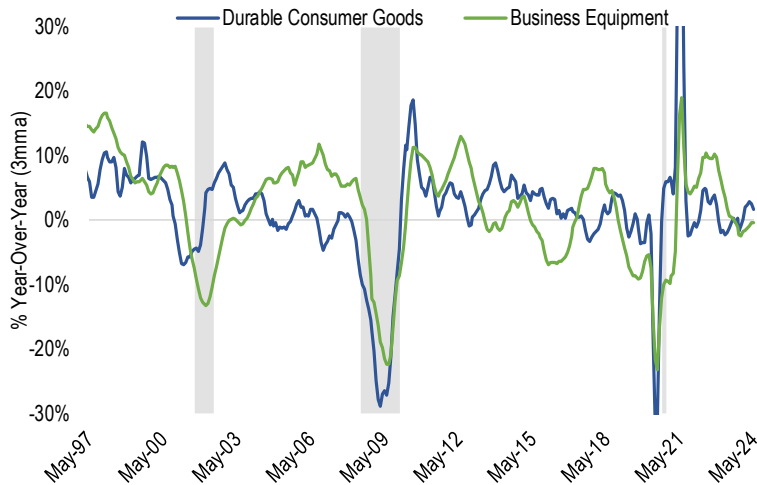
**Total Industrial Production Rebounded Strongly in May with Output at Highest Level Since October 2022**



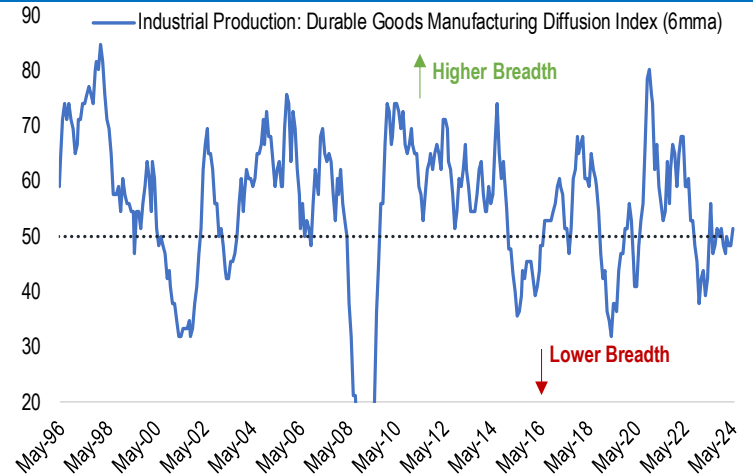
**Manufacturing Ex-Autos Production Was Strong in May but Unclear if Momentum Will Stick**



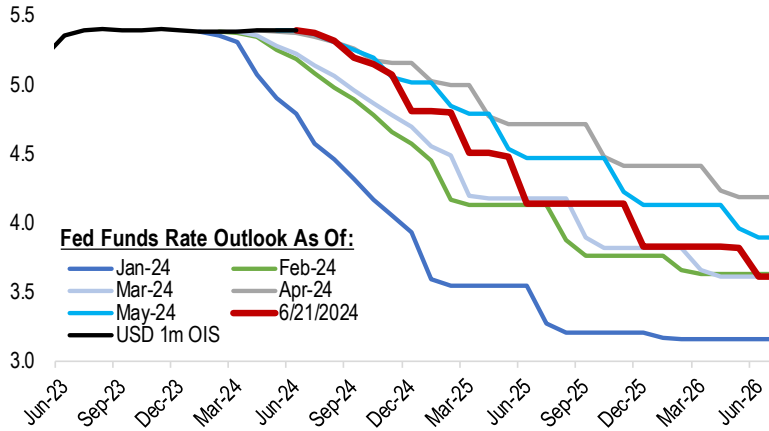
**Durable Consumer Goods Production Is Slowing, Matching the Pullback in Consumer Spending on Goods**



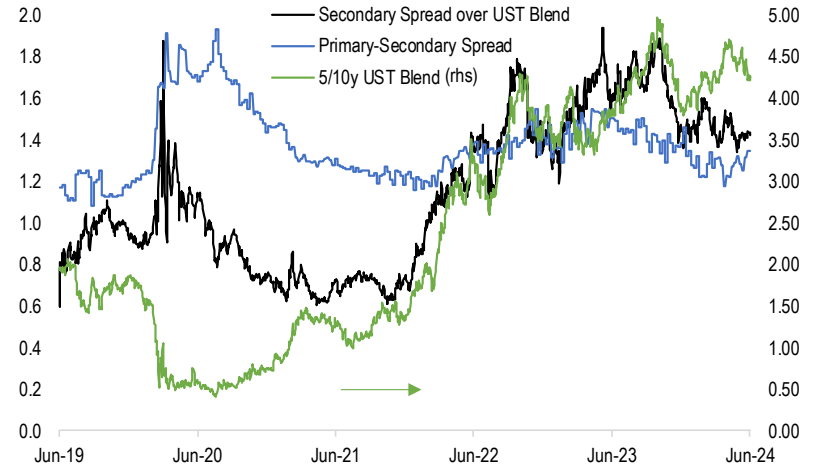
**Durable Goods Sectors Showing Broad Strength Led by Wood Products, Electrical Equipment and Machinery**



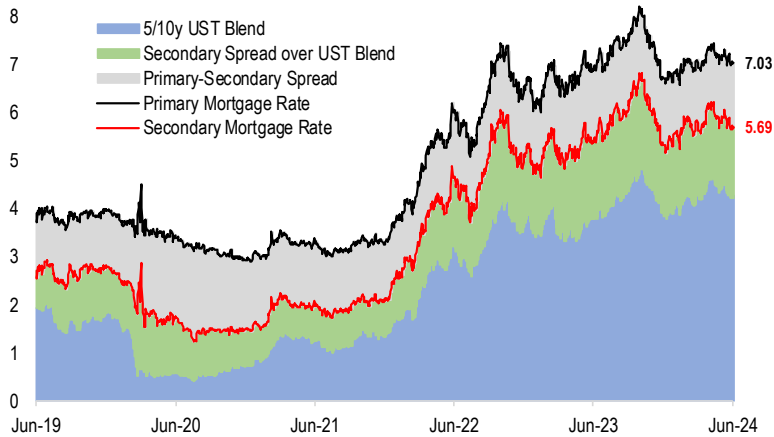
Market Still Pricing in Two Fed Rate Cuts in 2024 (Sept. & Dec.) as Inflation Outlook Unmoved by Last Week's Data



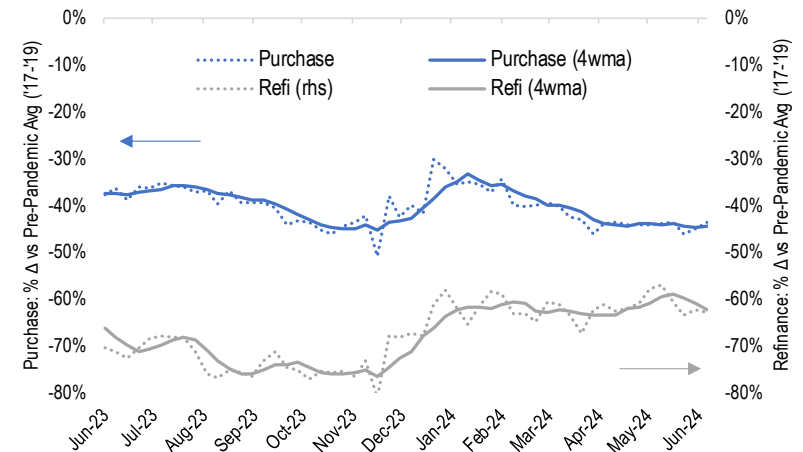
U.S. Treasury Yields Inched Higher by 3bps Last Week and Mortgage Spreads Were Modestly Lower ...



... Which Kept Mortgage Rates Hovering around 7% For Another Week



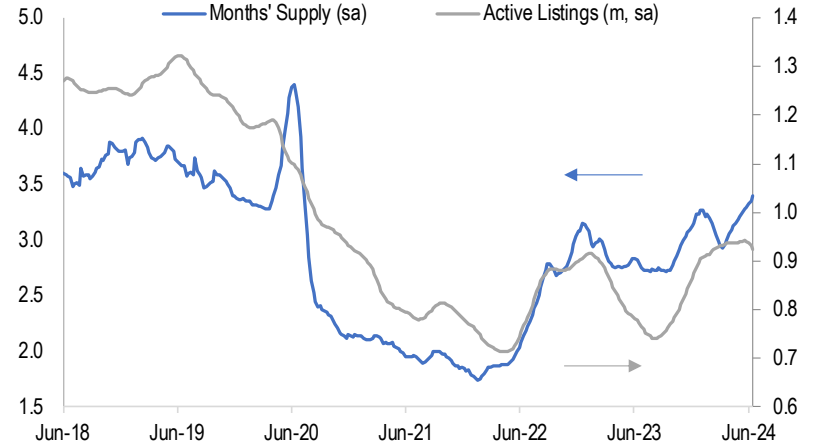
Mortgage Purchase Applications Have Not Yet Responded Meaningfully to the Recent Decline in Rates



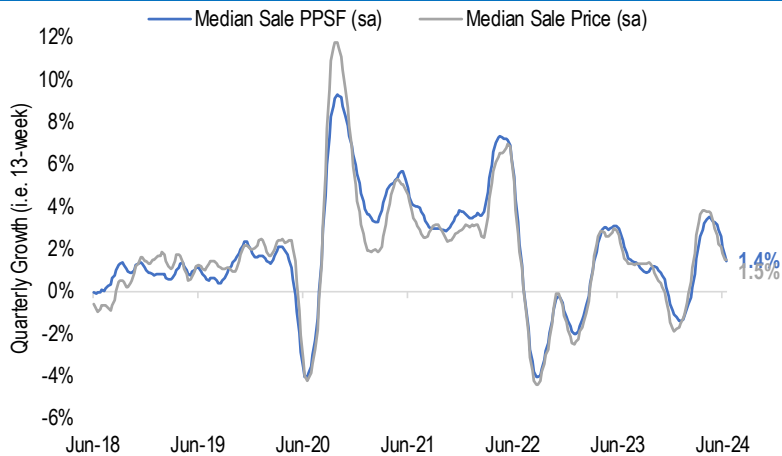
**Pending Home Sales Continued to Cool, but New Supply Is Also Slowing Rapidly**



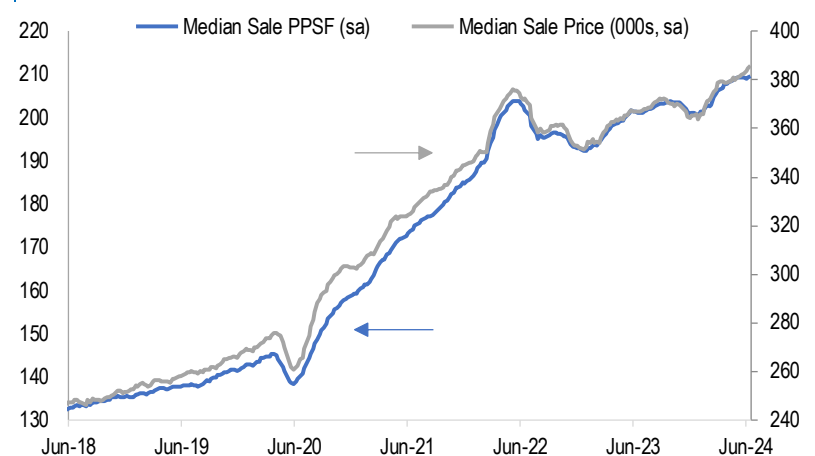
**Months' Supply Inched Higher to a New Post-Pandemic Peak, in Line with Early 2020 Level**



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

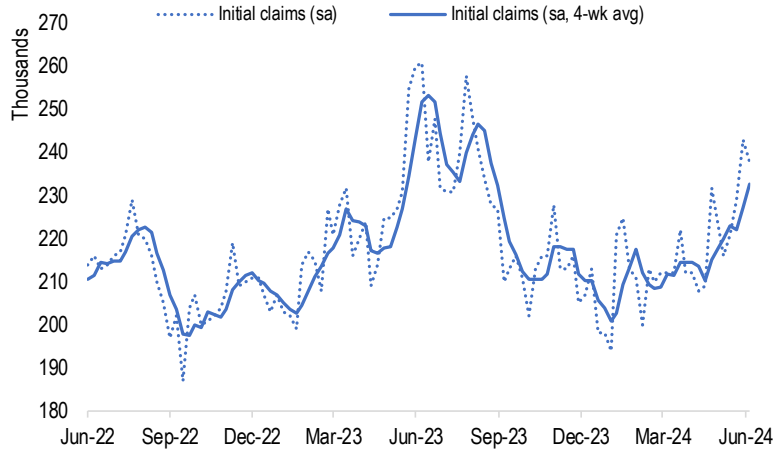


**... as the National Median Sales Price Continued to Climb Further above Mid-2022 Peak**

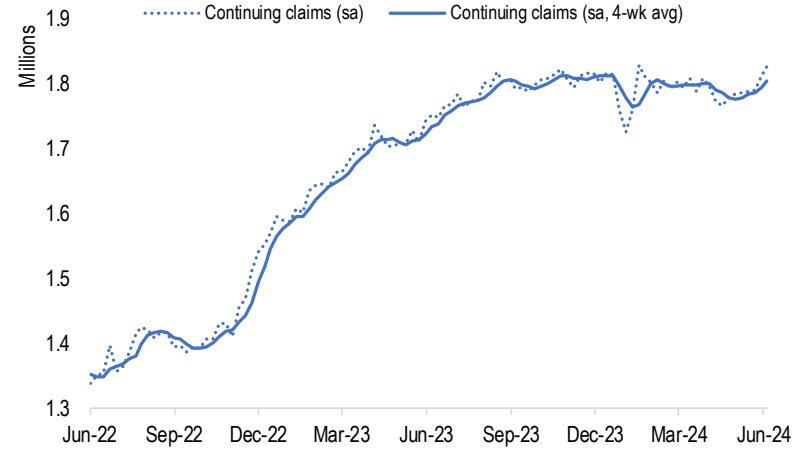




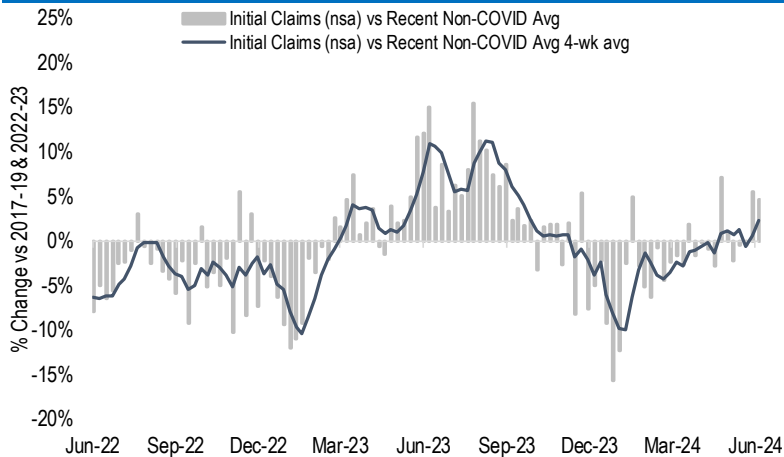
**Initial Claims (SA) Trend Has Turned Notably Higher in Recent Weeks ...**



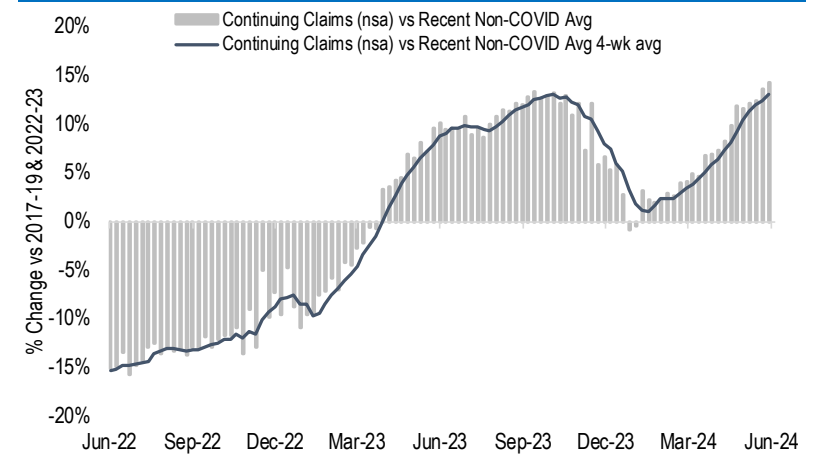
**... and Continuing Claims (SA) Have Also Started to Turn Higher**



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



**... and Unadjusted Continuing Claims Now up More Than 14% 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
6/17/24	Empire Manufacturing	Jun	-6.0	-10.0	--	-15.6	index, sa
6/18/24	Advance Retail Sales m/m	May	0.1%	0.3%	-0.2%	0.0%	sa
6/18/24	Retail Sales Control Group m/m	May	0.4%	0.5%	-0.5%	-0.3%	sa
6/18/24	Industrial Production	May	0.9%	0.3%	--	0.0%	m/m, sa
6/18/24	Capacity Utilization	May	78.7%	78.6%	78.2%	78.4%	sa
6/18/24	Business Inventories m/m	Apr	0.3%	0.3%	--	-0.1%	sa
6/19/24	MBA Mortgage Applications	6/14/24	0.9%	--	--	15.6%	w/w, sa
6/19/24	NAHB Housing Market Index	Jun	43	46	--	45	index, sa
6/20/24	Initial Jobless Claims	6/15/24	238	235	243	242	k, sa
6/20/24	Continuing Claims	6/8/24	1,828	1,810	1,813	1,820	k, sa
6/20/24	Housing Starts	May	1,277	1,370	1,352	1,360	k, saar
6/20/24	Housing Starts m/m	May	-5.5%	0.7%	4.1%	5.7%	sa
6/20/24	Building Permits	May	1,386	1,450	--	1,440	k, saar
6/20/24	Building Permits m/m	May	-3.8%	0.7%	--	-3.0%	sa
6/20/24	Philadelphia Fed Business Outlook	Jun	1.3	5.0	--	4.5	index, sa
6/21/24	S&P Global US Manufacturing PMI	Jun P	51.7	51.0	--	51.3	index, sa
6/21/24	S&P Global US Services PMI	Jun P	55.1	54.0	--	54.8	index, sa
6/21/24	S&P Global US Composite PMI	Jun P	54.6	53.5	--	54.5	index, sa
6/21/24	Conference Board Leading Index	May	-0.5%	-0.3%	--	-0.6%	m/m, sa
6/21/24	Existing Home Sales	May	4,110	4,100	--	4,140	k, saar
6/21/24	Existing Home Sales m/m	May	-0.7%	-1.0%	--	-1.9%	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
6/25/24	Chicago Fed Nat Activity Index	May	--	-0.25	--	-0.23	index, nsa
6/25/24	FHFA House Price Index	Apr	--	0.3%	--	0.1%	m/m, sa
6/25/24	S&P CoreLogic CS 20-City m/m SA	Apr	--	0.3%	--	0.3%	sa
6/25/24	S&P CoreLogic CS 20-City y/y NSA	Apr	--	7.0%	--	7.4%	nsa
6/25/24	Conf. Board Consumer Confidence	Jun	--	100.0	--	102.0	index, sa
6/26/24	MBA Mortgage Applications	6/21/24	--	--	--	0.9%	w/w, sa
6/26/24	New Home Sales	May	--	635	--	634	k, saar
6/26/24	New Home Sales m/m	May	--	0.2%	--	-4.7%	sa
6/27/24	GDP Annualized q/q	1Q T	--	1.4%	--	1.3%	saar
6/27/24	Personal Consumption q/q	1Q T	--	2.0%	--	2.0%	saar
6/27/24	Core PCE Deflator q/q	1Q T	--	3.6%	--	3.6%	saar
6/27/24	Initial Jobless Claims	6/22/24	--	235	--	238	k, sa
6/27/24	Continuing Claims	6/15/24	--	1,828	--	1,828	k, sa
6/27/24	Durable Goods Orders	May P	--	-0.5%	--	0.6%	m/m, sa
6/27/24	Cap Goods Orders Nondef Ex Air	May P	--	0.1%	--	0.2%	m/m, sa
6/27/24	Pending Home Sales m/m	May	--	0.6%	--	-7.7%	sa
6/27/24	Pending Home Sales y/y	May	--	--	--	-0.8%	nsa
6/28/24	Personal Income	May	--	0.4%	--	0.3%	m/m, sa
6/28/24	Personal Spending	May	--	0.3%	--	0.2%	m/m, sa
6/28/24	Real Personal Spending	May	--	0.3%	--	-0.1%	m/m, sa
6/28/24	PCE Inflation m/m	May	--	0.0%	--	0.3%	sa
6/28/24	PCE Inflation y/y	May	--	2.6%	--	2.7%	nsa
6/28/24	PCE Core Inflation (ex Food and Energy) m/m	May	--	0.1%	--	0.2%	sa
6/28/24	PCE Core Inflation (ex Food and Energy) y/y	May	--	2.6%	--	2.8%	nsa
6/28/24	U. of Mich. Sentiment	Jun F	--	66.0	--	65.6	index, nsa
6/28/24	U. of Mich. 1 Yr Inflation	Jun F	--	3.2%	--	3.3%	nsa
6/28/24	U. of Mich. 5-10 Yr Inflation	Jun F	--	3.1%	--	3.1%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics