



HaMMR Digest

Stay current with economic and mortgage market trends.

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Take a Hint

- **Key Takeaway:** Unemployment rate continued to grind higher as labor demand cooled further — inflection point could be closer than hoped.
- **Macro Implications:** Smooth labor market rebalancing to-date should not give the Fed a false of security that they can be patient.
- **Housing Implications:** Mortgage rates are past their peak for the cycle but unlikely to move materially lower until the Fed cuts rates.

Macro: All Signs Point to Further Growth Moderation

- Breadth of data suggests ongoing moderation, not collapse, in activity.
- Business sentiment eased in June, particularly for the services sector.
- Fed minutes showed policymakers growing cognizant of growth risks.

Jobs Report: Duration of Unemployment Rising

- Unemployment rose to 4.05% in June primarily due to rise in job seekers.
- Private-sector job growth cooled to 136k in June from 193k in May.
- Typical service-sector wage growth slowed to below pre-pandemic pace.

Labor Market Turnover: Labor Demand Keeps Dwindling

- Job growth driven by cooler pace of separations, not increased hiring.
- Quits pace stuck at ~2% as breadth of layoffs steadied across sectors.
- May job openings rose but sector breadth remained very narrow.

Rates: Cooling Labor Market in Focus

- 10-yr UST fell 12bps w/w to 4.27% amid softening macro data.
- Bond market taking signal from rising unemployment rate.
- Market solidifying around two Fed rate cuts this year: Sept. and Dec.

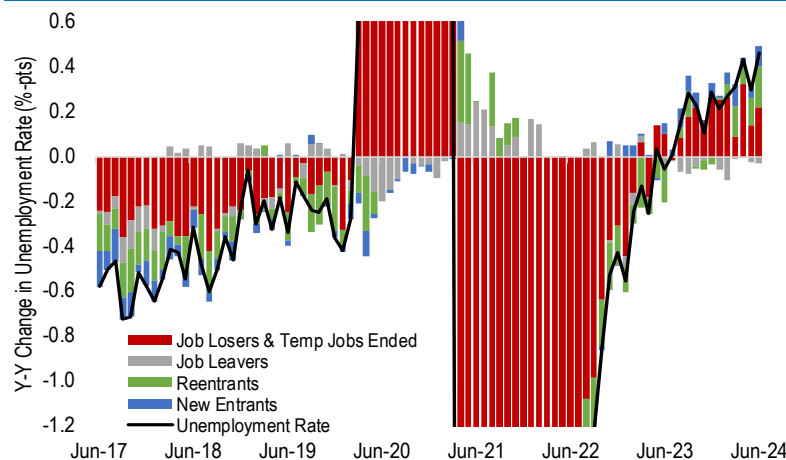
Housing: Buyer Scarcity

- Mortgage rates choppy again but continued to hover around 7%.
- Purchase applications remained depressed with limited upside ahead.
- Pending home sales fell again by -2.1% m/m to a record low in May.

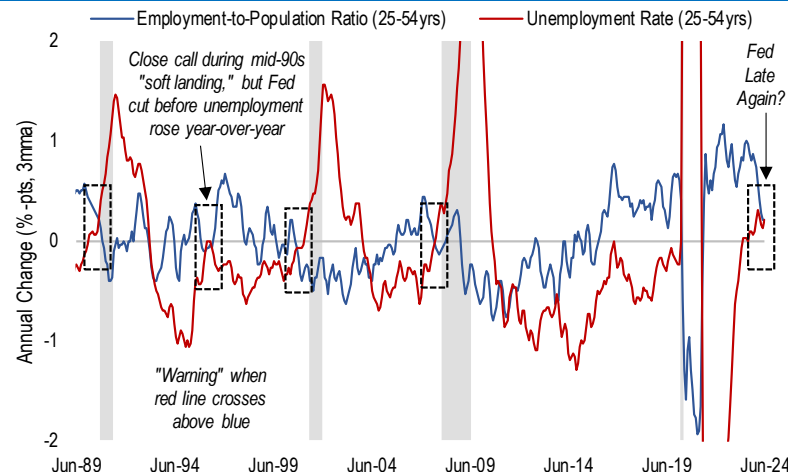
New Home Sales: Hitting a Wall

- New home sales fell -11.3% in May and -16.7% y/y.
- Builders focused on incentives and smaller homes to coax sales.
- Completed homes sold after only two months (sa), fastest since '22.

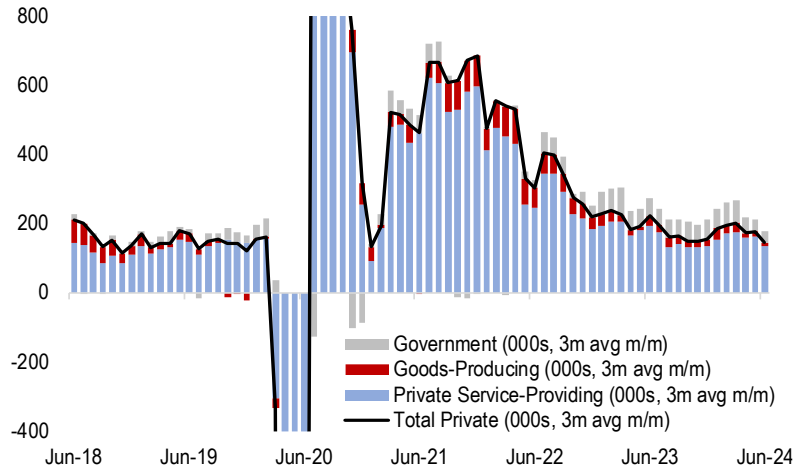
Annual Increase in Unemployment Rose Due to Pickup in Number of Job Seekers and Permanent Job Losers



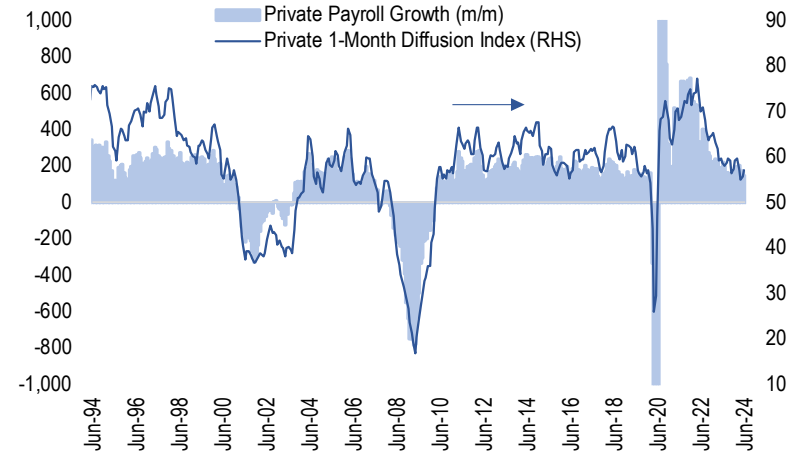
Labor Market Nearing Warning Threshold as Prime Age (25–54 yrs.) Unemployment and Employment Rates Cross



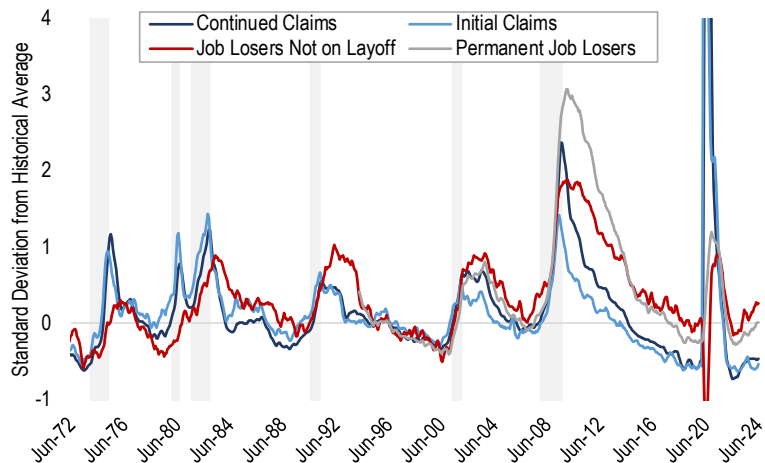
Private-Sector Job Growth Has Taken a Step Lower in Recent Months



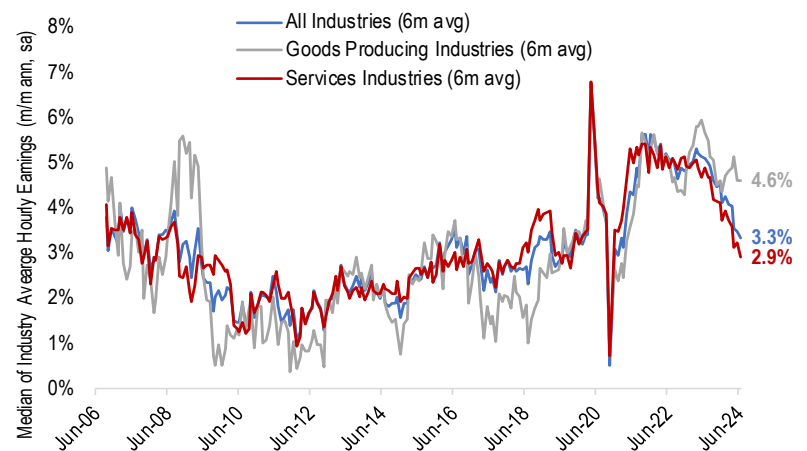
As Has the Breadth of Job Growth across Private-Sector Industries



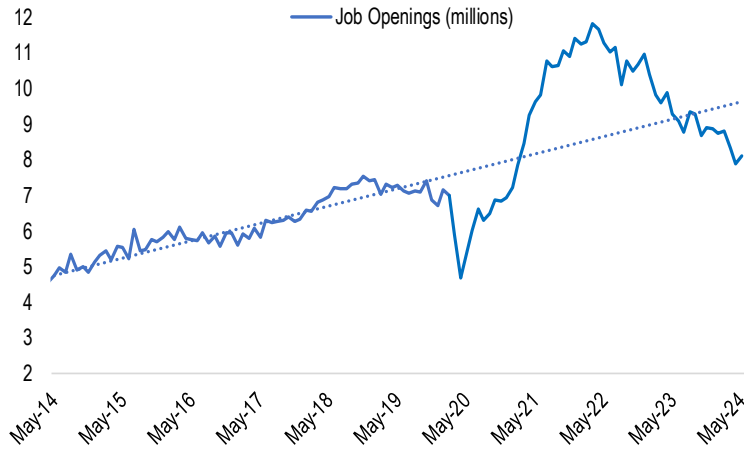
Measures of Job Loss Continued to Trend Higher at the Same Time as Duration of Unemployment Is Rising



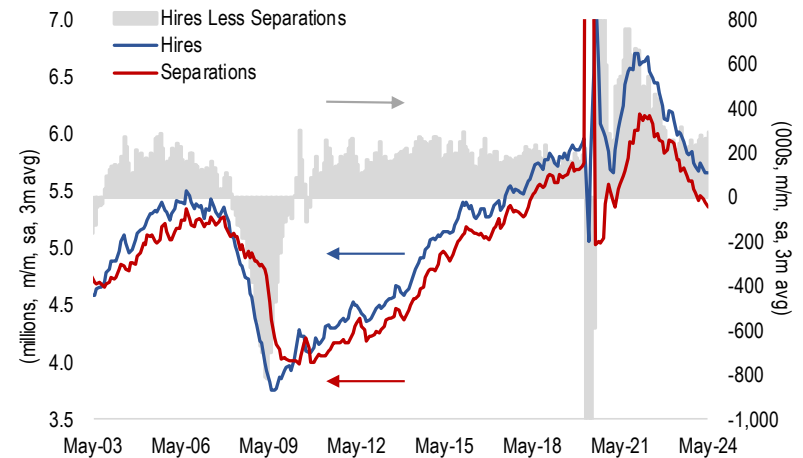
Typical Hourly Wage Growth Has Slowed to Below Pre-Pandemic Norm for Services Industries



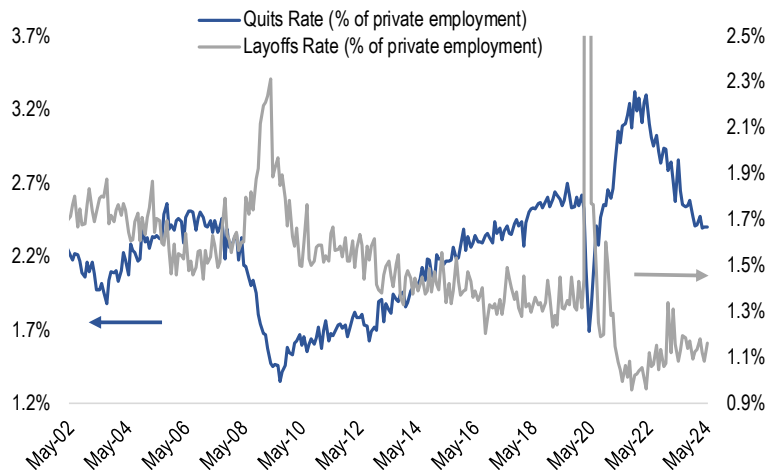
Total Job Openings Were Down -13% y/y in May and Have Fallen Well below the Pre-Pandemic Trend



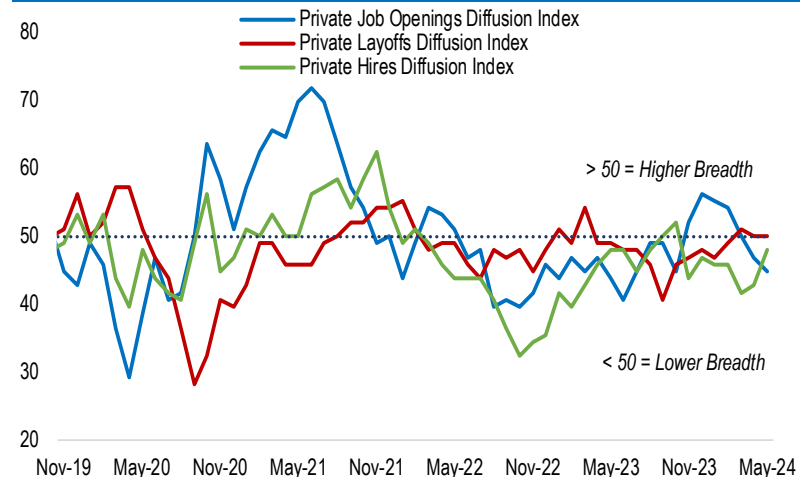
Hiring Pace Remained above Separations (e.g. Quits/Layoffs), Enabling Continued Job Growth



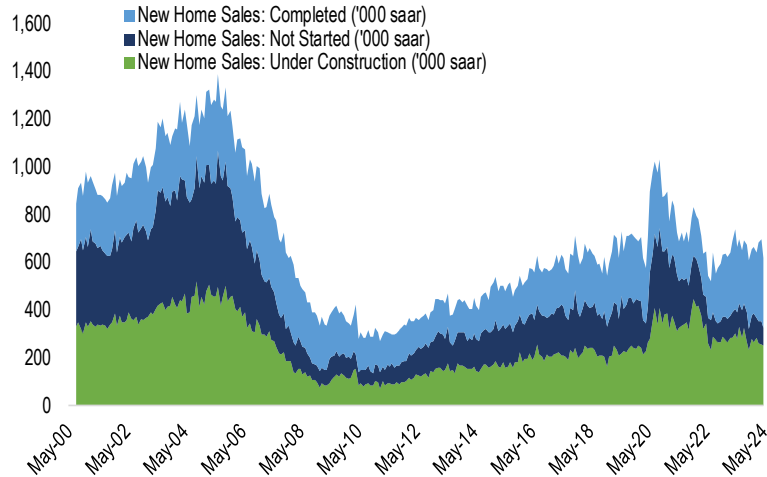
Quits Rate Has Stabilized around 2.2% While the Layoffs Rate Has Been Stuck Close to 1.0%



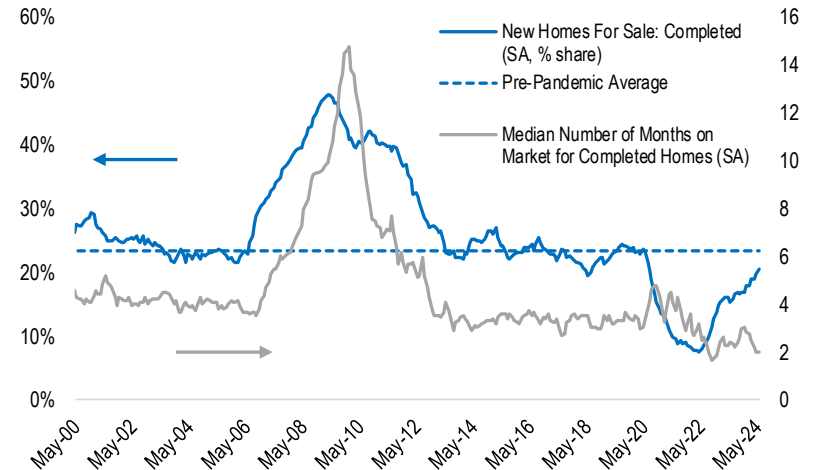
Breadth of Industries Adding Staff Increased in May While Breadth of Layoffs Moved Sideways



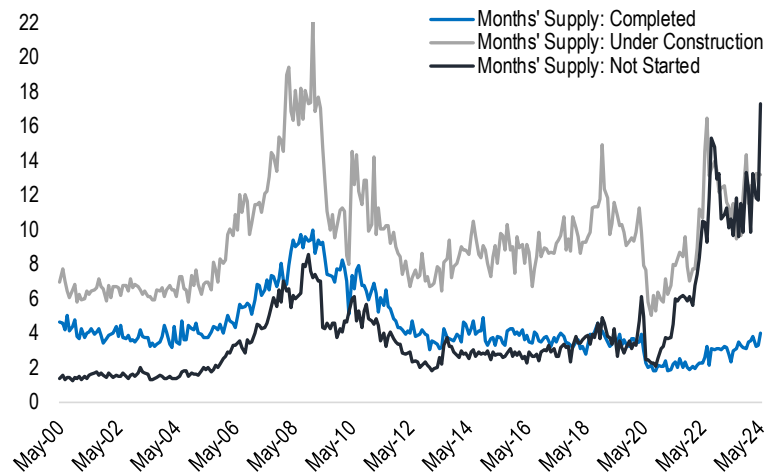
New Home Sales Fell in May Mostly Due to -27% Pullback in Sales of “Not Started” Units



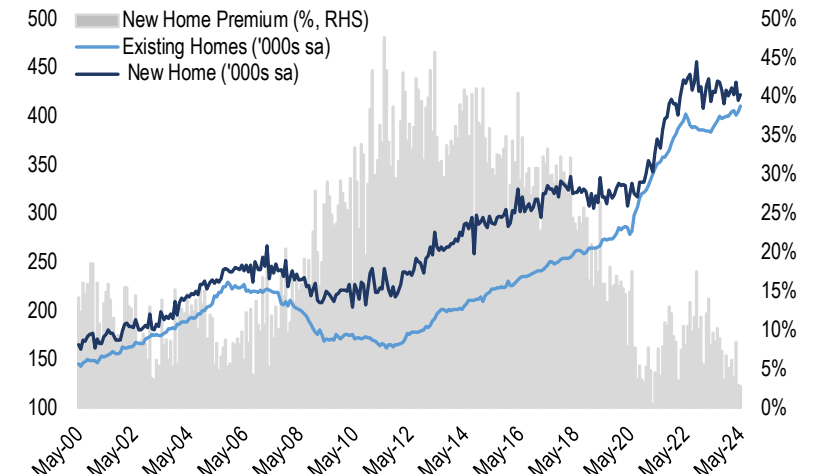
Share of Completed Homes for Sale Still Normalizing but Demand Remains Firm



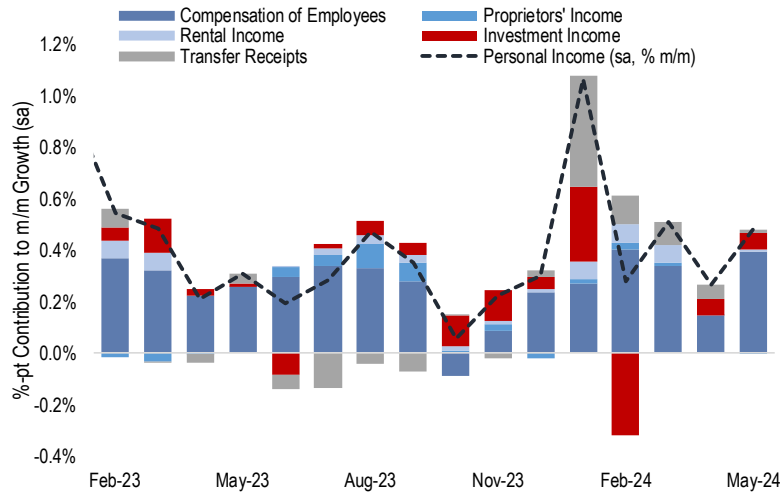
Months' Supply Increased across the Board but Mostly in the “Not Started” Category



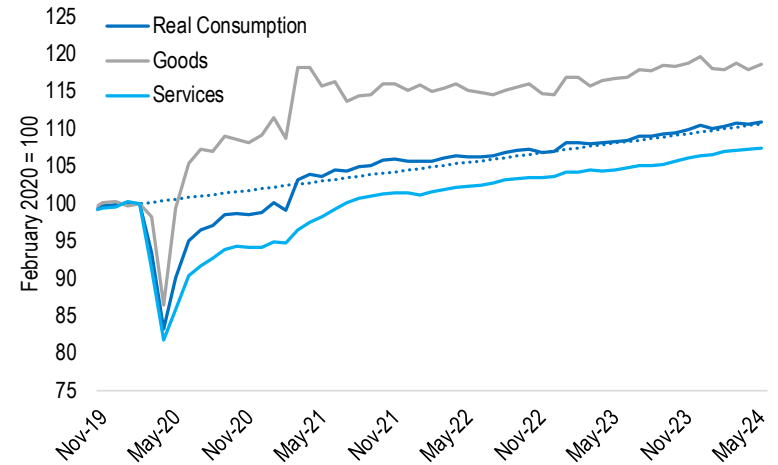
National New Home Premium Shrank in May amid Increase in Builder Incentives



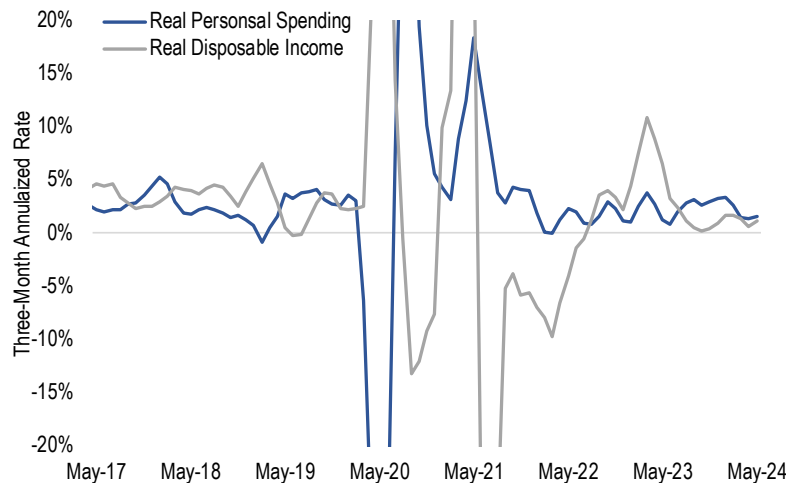
Compensation Growth Rebounded in May amid the Largest Monthly Increase in Private Wages Since Jan '23



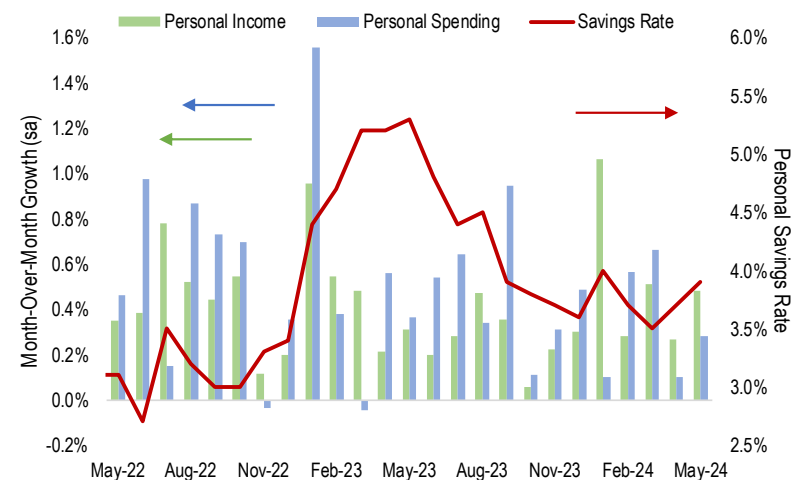
Household Spending Has Started to Moderate across the Board but More so for Goods Than Services



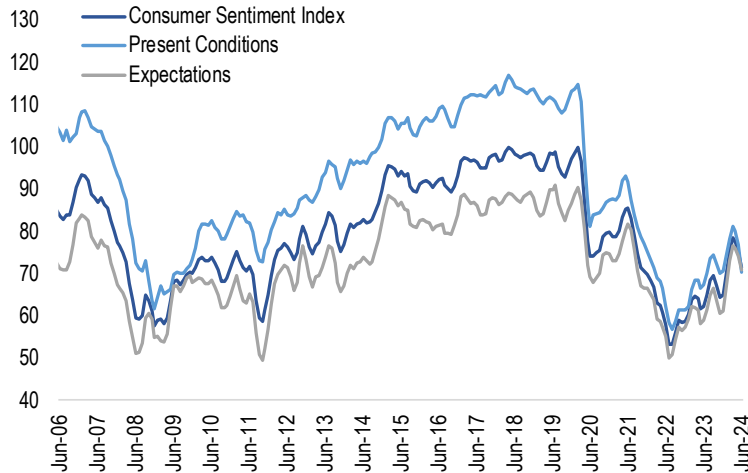
Real Disposable Income Growth Still Modest, but Rebound in May Helped Close Gap with Spending



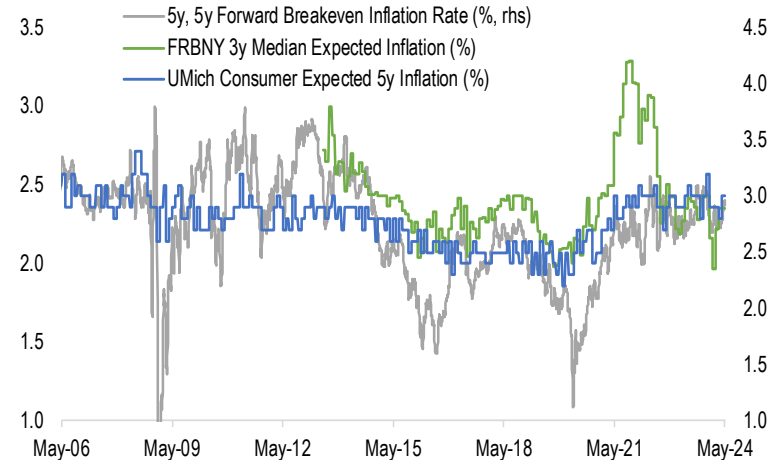
With Income Outpacing Spending, the Savings Rate Rose to 3.9%



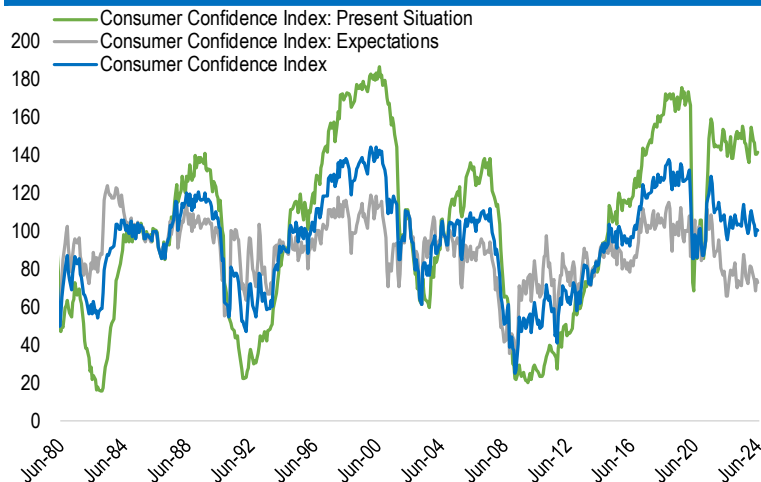
UMich Consumer Sentiment Has Turned Lower as Concerns over Personal Finances Rose



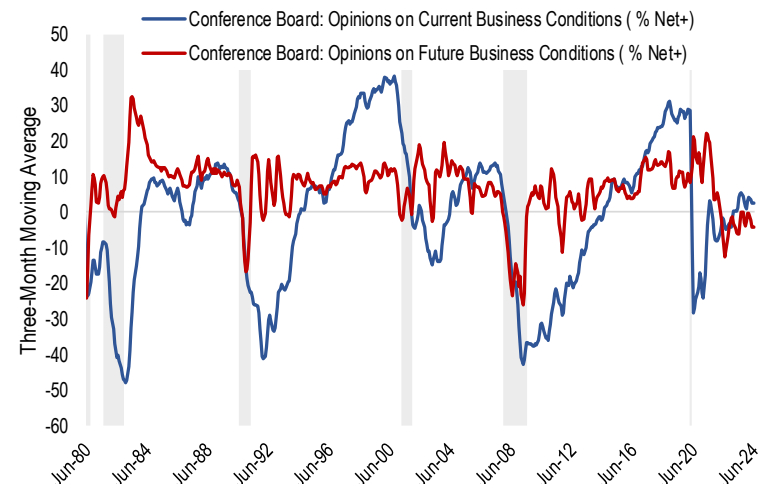
Measures of Medium-Term Inflation Expectations Continued to Hover around Pre-COVID-19 Norms



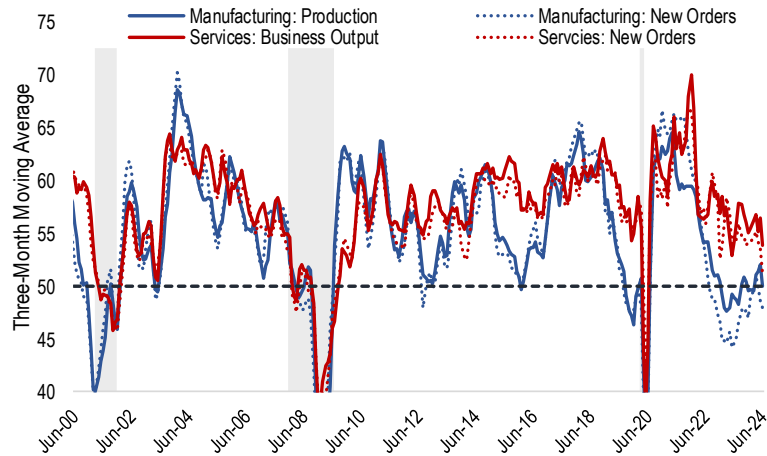
Conference Board's Consumer Confidence Index Has Been Trending Sideways since 2022 ...



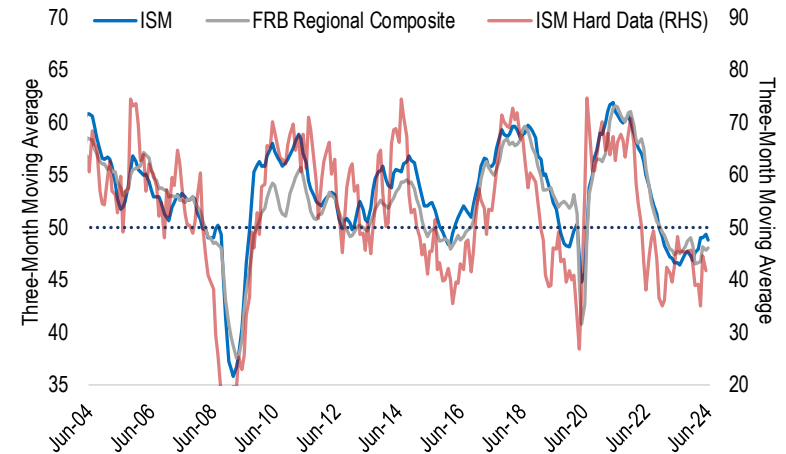
... as Households Remained Tentative about Future Business Conditions



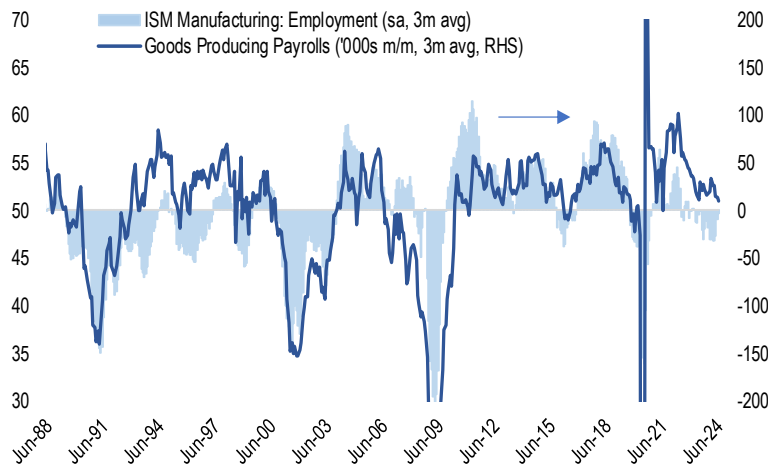
Services Sector PMI Showed Pronounced Drop in Both New Orders and Business Output Index Components



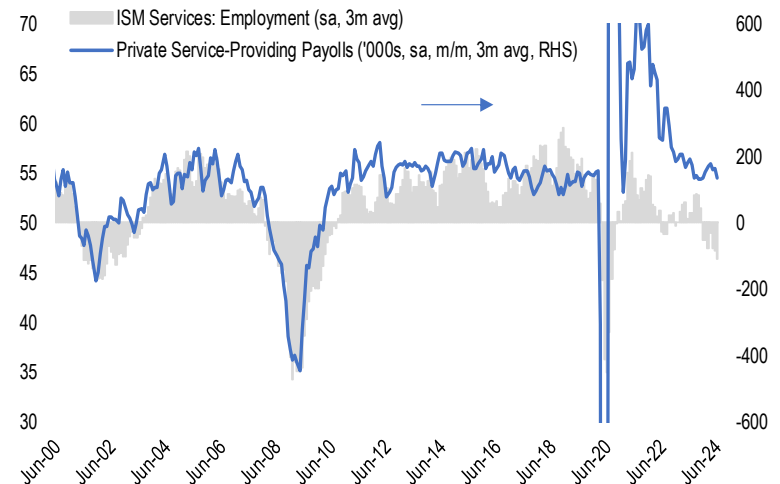
ISM “Hard Data” Pulled Back in May with All Components aside From Inventory Showing Weakness



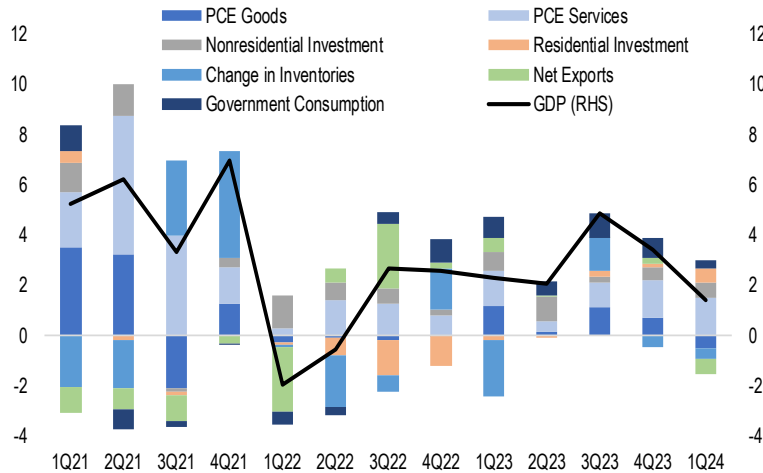
Goods-Producing Employment Momentum Has Slowed Largely Due to Weakness in Durable Goods Sector



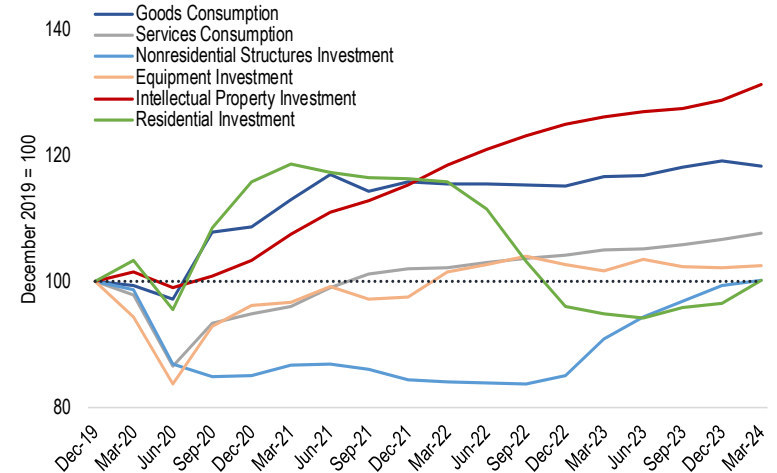
Weak Services PMI Employment Index More Related to Reduced Hiring Pace Than Layoffs



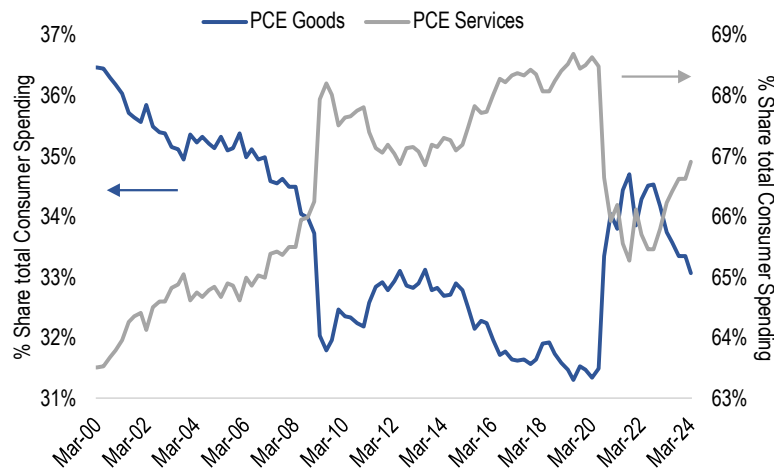
Growth Cooled in Q1 Largely Due to Slowdown in Consumer Spending



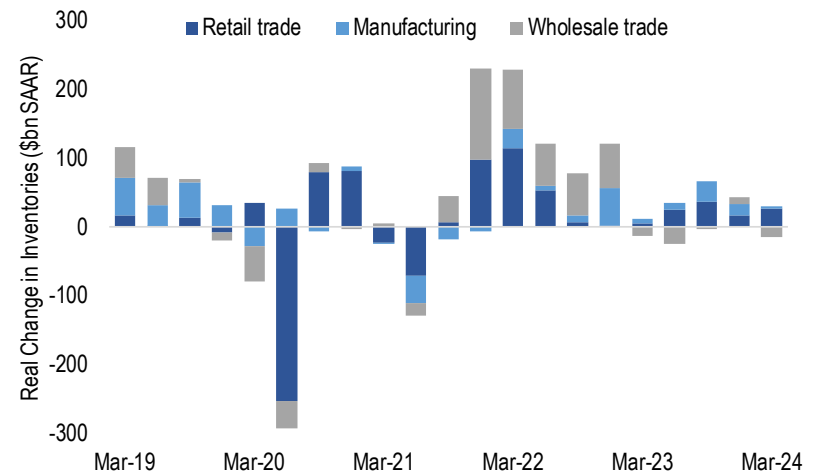
Residential Investment Rebound Led Private Investment Higher in 1Q24



Consumer Spending on Goods Downshifted Meaningfully in the First Quarter



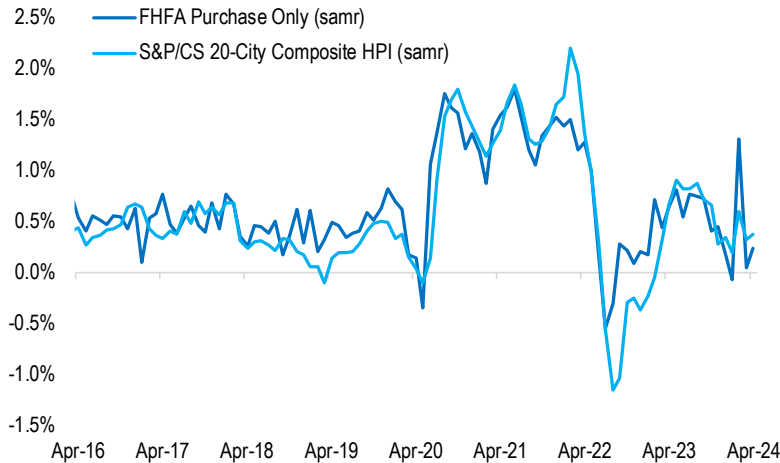
Inventory Accumulation Was Weak in Q1 aside from Retail Due to Restocking in Auto Sector



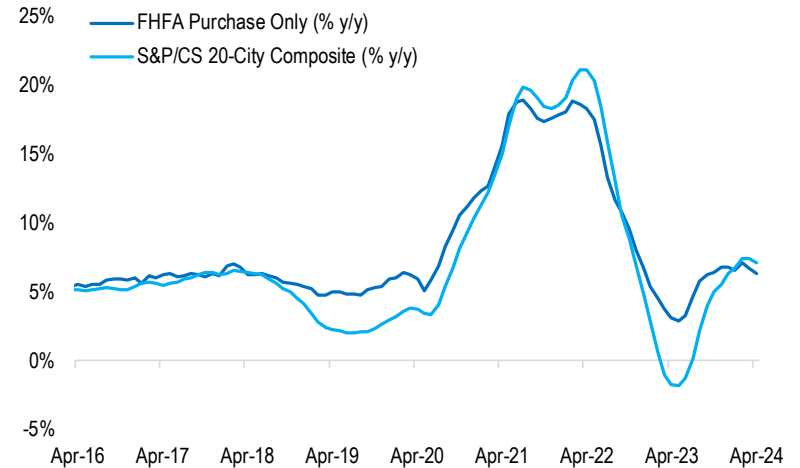
SAAR = Seasonally Adjusted Annual Rate

Sources: BEA, Arch Global Economics

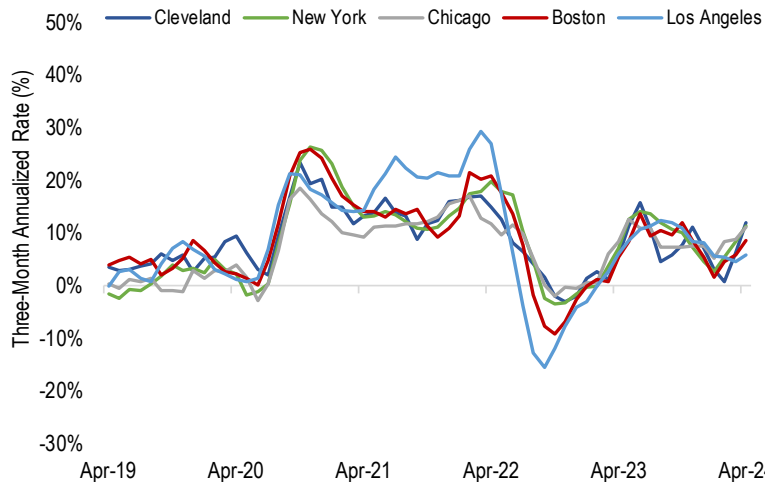
Home Price Growth Rebounded in April, Led by the East South Central and New England Regions



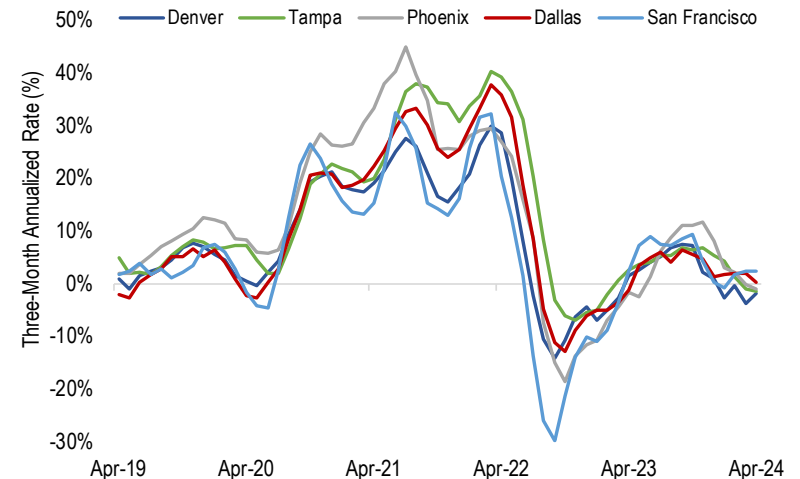
Annual Home-Price Growth Cooled Modestly and Should Slow Further in Coming Months



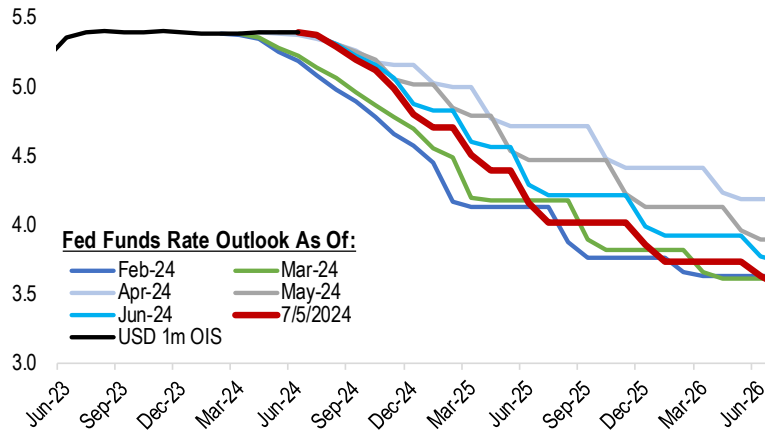
Top States for Home Price Momentum Show Regional Diversity



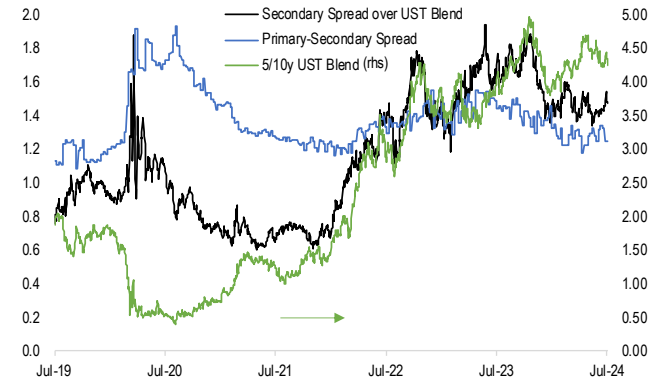
Significant Loss of Home-Price Momentum in Tampa and Phoenix with Denver Still in Negative Territory



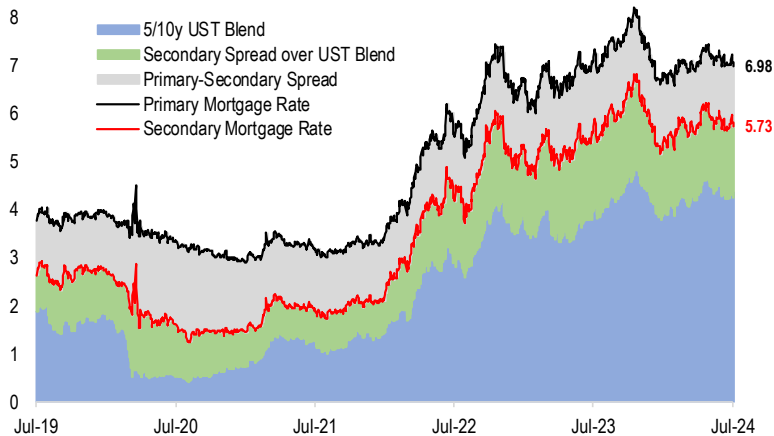
Two Fed Rate Cuts in '24 Seen as a Lock after Last Week's Data Brought Employment Mandate into Focus



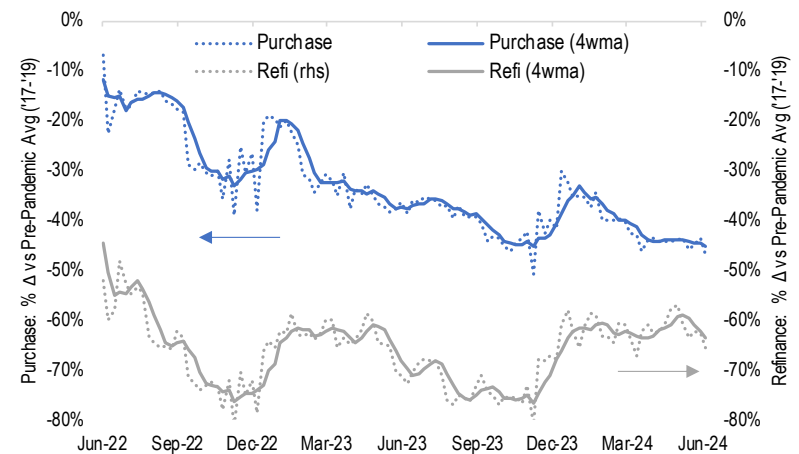
U.S. Treasury Yields Declined 13bps Last Week and the Combined Mortgage Spread Narrowed Modestly...



... Which Brought Mortgage Rates Back below 7% Again



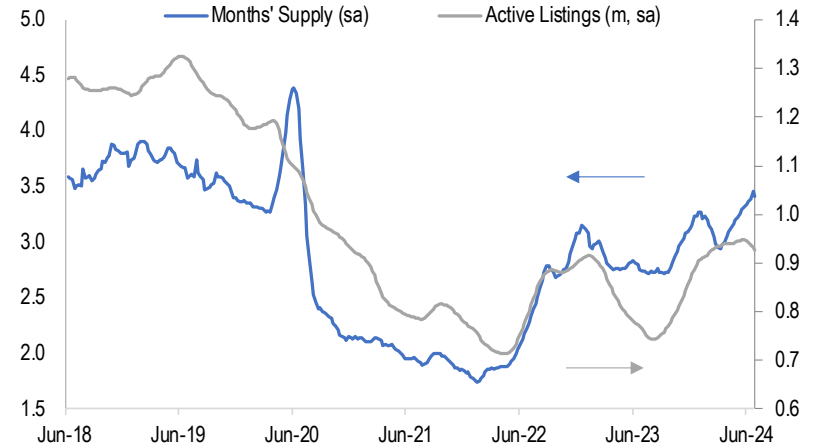
Mortgage Purchase Applications Still in a Holding Pattern even after Recent Modest Decline in Rates



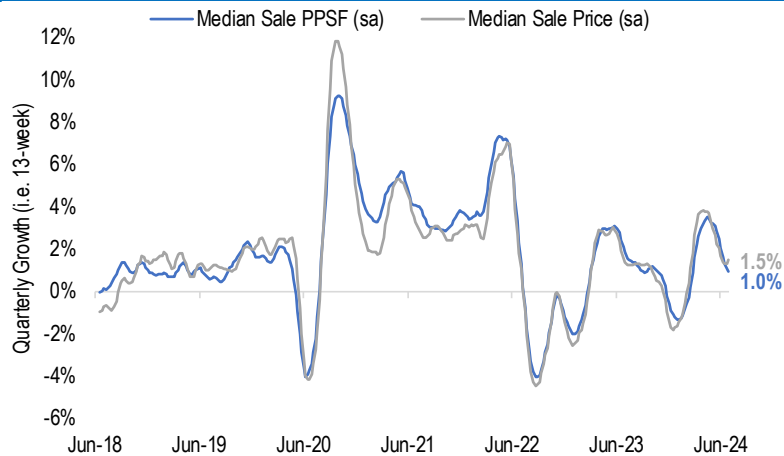
Pending Home Sales Continued to Cool, but New Listings Appear to Have Turned a Corner



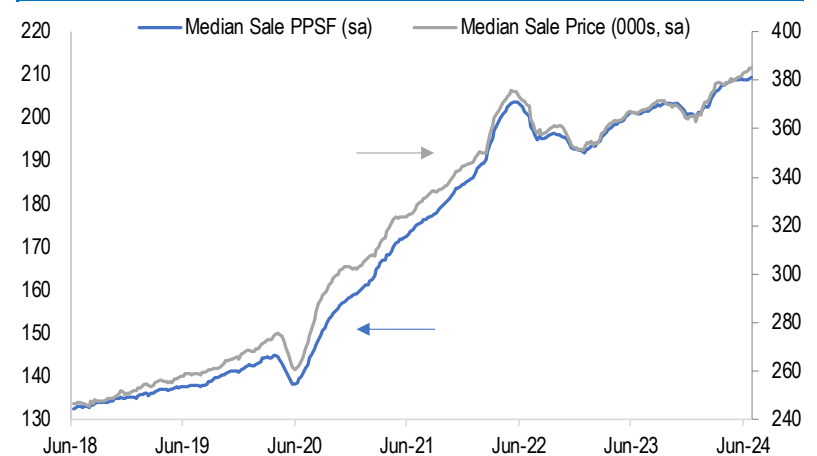
Months' Supply Remained Near Its Post-Pandemic Peak, in Line with Early-2020 Level



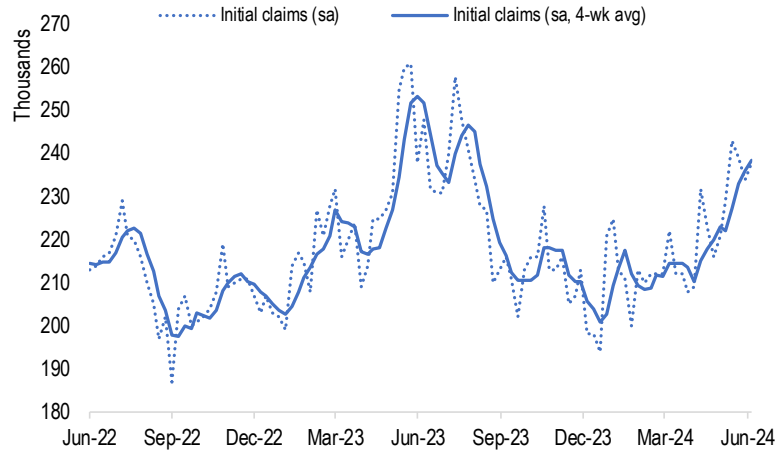
Softening Market Conditions Have Rapidly Pulled Down Seasonally Adjusted Home-Price Growth ...



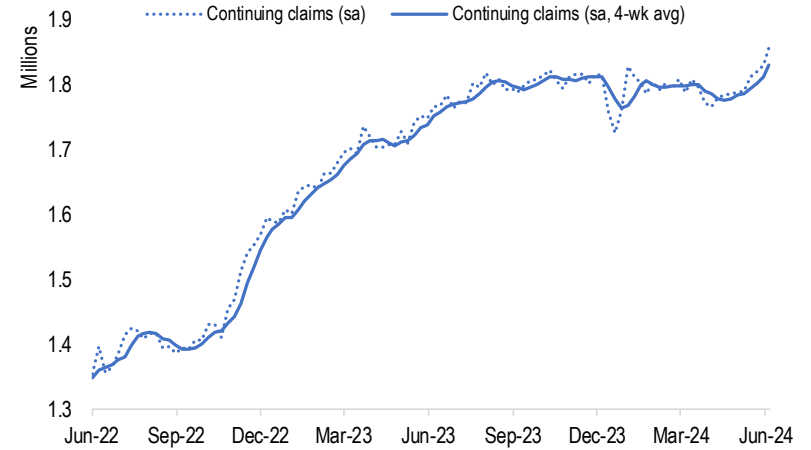
... as the National Median Sales Price Continued to Climb Further above Mid-2022 Peak



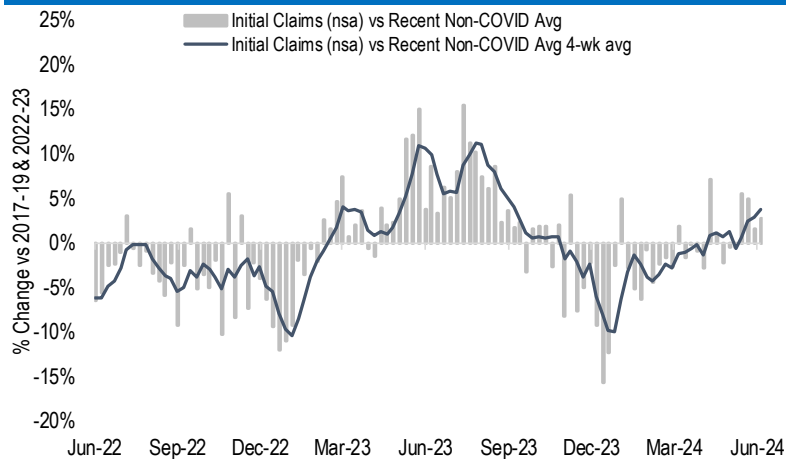
Initial Claims (SA) Trend Has Turned Notably Higher in Recent Weeks ...



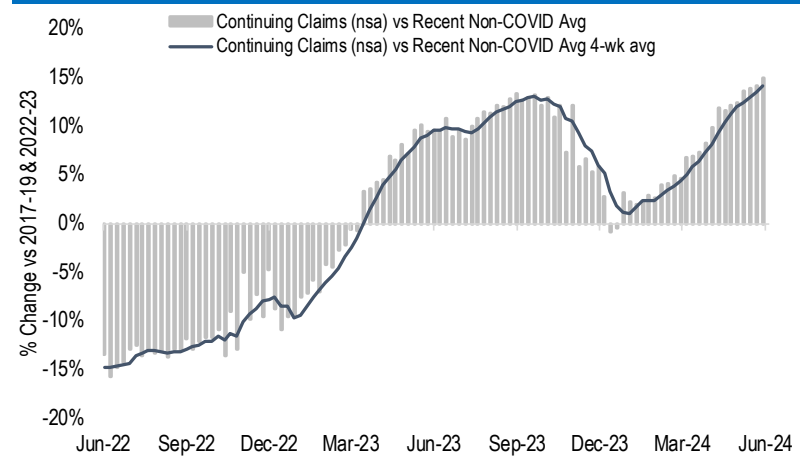
... and Continuing Claims (SA) Have Also Started to Turn Sharply Higher



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



... and Unadjusted Continuing Claims Now up 14% Relative to Recent Non-COVID-19 Years



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
7/8/24	Consumer Credit	May	--	9.0	--	6.4	\$B, m/m, sa
7/9/24	NFIB Small Business Optimism	Jun	--	90.2	--	90.5	index, sa
7/10/24	MBA Mortgage Applications	7/5/24	--	--	--	-2.6%	w/w, sa
7/10/24	Wholesale Trade Sales	May	--	--	--	0.1%	m/m, sa
7/10/24	Wholesale Inventories	May F	--	0.6%	--	0.6%	m/m, sa
7/11/24	CPI m/m	Jun	--	0.1%	--	0.0%	sa
7/11/24	CPI Core (ex Food and Energy) m/m	Jun	--	0.2%	--	0.2%	sa
7/11/24	CPI y/y	Jun	--	3.1%	--	3.3%	nsa
7/11/24	CPI Core (ex Food and Energy) y/y	Jun	--	3.4%	--	3.4%	nsa
7/11/24	Initial Jobless Claims	7/6/24	--	239	--	238	k, sa
7/11/24	Continuing Claims	6/29/24	--	1,855	--	1,858	k, sa
7/12/24	PPI Final Demand m/m	Jun	--	0.1%	--	-0.2%	sa
7/12/24	PPI Core (ex Food and Energy) m/m	Jun	--	0.2%	--	0.0%	sa
7/12/24	PPI Final Demand y/y	Jun	--	2.3%	--	2.2%	nsa
7/12/24	PPI Core (ex Food and Energy) y/y	Jun	--	2.5%	--	2.3%	nsa
7/12/24	U. of Mich. Sentiment	Jul P	--	68.2	--	68.2	index, nsa
7/12/24	U. of Mich. 1 Yr Inflation	Jul P	--	3.0%	--	3.0%	nsa
7/12/24	U. of Mich. 5-10 Yr Inflation	Jul P	--	--	--	3.0%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
7/1/24	S&P Global US Manufacturing PMI	Jun F	51.6	51.7	--	51.7	index, sa
7/1/24	ISM Manufacturing	Jun	48.5	49.1	--	48.7	index, sa
7/1/24	ISM Prices Paid	Jun	52.1	55.9	--	57.0	index, nsa
7/2/24	JOLTS Job Openings	May	8.1	7.95	7.92	8.06	m, sa
7/2/24	Wards Total Vehicle Sales	Jun	15.3	15.80	--	15.90	m, saar
7/3/24	MBA Mortgage Applications	6/28/24	-2.6%	--	--	0.8%	w/w, sa
7/3/24	ADP Employment	Jun	150	165	157	152	k, m/m, sa
7/3/24	Initial Jobless Claims	6/29/24	238	235	234	233	k, sa
7/3/24	Continuing Claims	6/22/24	1,858	1,840	1,832	1,839	k, sa
7/3/24	S&P Global US Services PMI	Jun F	55.3	55.1	--	55.1	index, sa
7/3/24	S&P Global US Composite PMI	Jun F	54.8	--	--	54.6	index, sa
7/3/24	ISM Services Index	Jun	48.8	52.7	--	53.8	index, nsa
7/3/24	Durable Goods Orders	May F	0.1%	0.1%	--	0.1%	m/m, sa
7/3/24	Cap Goods Orders Nondef Ex Air	May F	-0.6%	-0.6%	--	-0.6%	m/m, sa
7/3/24	FOMC Meeting Minutes	6/12/24	--	--	--	--	
7/5/24	Nonfarm Payrolls	Jun	206	190	218	272	k, m/m, sa
7/5/24	Private Payrolls	Jun	136	160	193	229	k, m/m, sa
7/5/24	Unemployment Rate	Jun	4.1%	4.0%	--	4.0%	sa
7/5/24	Average Hourly Earnings m/m	Jun	0.3%	0.3%	--	0.4%	sa
7/5/24	Average Hourly Earnings y/y	Jun	3.9%	3.9%	--	4.1%	nsa
7/5/24	Average Weekly Hours All Employees	Jun	34.3	34.3	--	34.3	sa
7/5/24	Labor Force Participation Rate	Jun	62.6%	62.6%	--	62.5%	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)

Recent Data Releases Continued

Key economic and housing data releases over the prior two weeks:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
6/25/24	Chicago Fed Nat Activity Index	May	0.18	-0.25	-0.26	-0.23	index, nsa
6/25/24	FHFA House Price Index	Apr	0.2%	0.3%	0.0%	0.1%	m/m, sa
6/25/24	S&P CoreLogic CS 20-City m/m SA	Apr	0.4%	0.3%	0.3%	0.3%	sa
6/25/24	S&P CoreLogic CS 20-City y/y NSA	Apr	7.2%	7.0%	7.5%	7.4%	nsa
6/25/24	Conf. Board Consumer Confidence	Jun	100.4	100.0	101.3	102.0	index, sa
6/26/24	MBA Mortgage Applications	6/21/24	0.8%	--	--	0.9%	w/w, sa
6/26/24	New Home Sales	May	619.0	633	698	634	k, saar
6/26/24	New Home Sales m/m	May	-11.3%	-0.2%	2.0%	-4.7%	sa
6/27/24	GDP Annualized q/q	1Q T	1.4%	1.4%	--	1.3%	saar
6/27/24	Personal Consumption q/q	1Q T	1.5%	2.0%	--	2.0%	saar
6/27/24	Core PCE Deflator q/q	1Q T	3.7%	3.6%	--	3.6%	saar
6/27/24	Initial Jobless Claims	6/22/24	233	235	239	238	k, sa
6/27/24	Continuing Claims	6/15/24	1,839	1,828	1,821	1,828	k, sa
6/27/24	Durable Goods Orders	May P	0.1%	-0.5%	0.2%	0.6%	m/m, sa
6/27/24	Cap Goods Orders Nondef Ex Air	May P	-0.6%	0.1%	0.3%	0.2%	m/m, sa
6/27/24	Pending Home Sales m/m	May	-2.1%	0.5%	--	-7.7%	sa
6/27/24	Pending Home Sales y/y	May	-6.6%	-4.6%	--	-0.8%	nsa
6/28/24	Personal Income	May	0.5%	0.4%	--	0.3%	m/m, sa
6/28/24	Personal Spending	May	0.2%	0.3%	0.1%	0.2%	m/m, sa
6/28/24	Real Personal Spending	May	0.3%	0.3%	--	-0.1%	m/m, sa
6/28/24	PCE Inflation m/m	May	0.0%	0.0%	--	0.3%	sa
6/28/24	PCE Inflation y/y	May	2.6%	2.6%	--	2.7%	nsa
6/28/24	PCE Core Inflation (ex Food and Energy) m/m	May	0.1%	0.1%	0.3%	0.2%	sa
6/28/24	PCE Core Inflation (ex Food and Energy) y/y	May	2.6%	2.6%	--	2.8%	nsa
6/28/24	U. of Mich. Sentiment	Jun F	68.2	66.0	--	65.6	index, nsa
6/28/24	U. of Mich. 1 Yr Inflation	Jun F	3.0%	3.2%	--	3.3%	nsa
6/28/24	U. of Mich. 5-10 Yr Inflation	Jun F	3.0%	3.1%	--	3.1%	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)