



HaMMR Digest

Stay current with economic and mortgage market trends.

July 22, 2024

Parker Ross — Global Chief Economist
pross@archgroup.com | 914 216 7270

Leonidas Mourelatos — Director of Real Estate Economics
lmourelatos@archgroup.com | 631 521 9048

ARCH MORTGAGE INSURANCE COMPANY® | 230 NORTH ELM STREET GREENSBORO NC 27401 | [ARCHMI.COM](https://www.archmi.com)

© 2024 Arch Mortgage Insurance Company. All Rights Reserved. Arch MI is a marketing term for Arch Mortgage Insurance Company and United Guaranty Residential Insurance Company. Arch Mortgage Insurance Company is a registered mark of Arch Capital Group (U.S.) Inc. or its affiliates. HaMMR is a service mark of Arch Capital Group (U.S.) Inc. or its affiliates. MCUS-B1633B-0124

Q2 Economic Report Card

- **Key Takeaway:** June data generally trending better than recent months, generating optimism for the preliminary release of 2Q24 real GDP growth.
- **Macro Implications:** We expect real GDP growth rebounded modestly to ~2% in Q2 on inventory building and stronger consumption.
- **Housing Implications:** Uncertainty over building economic slack remains, which will partly offset lower mortgage rates as the Fed eases policy.

Macro: Good ... Not Great

- Single-family construction continues to lose steam, despite incentives.
- Consumer spending trend still healthy, albeit at moderating pace.
- Beige Book cited slower business activity and looser labor markets in Q2.

Rates: Steady as She Goes

- 10-yr UST yields climbed 6bps on stronger-than-expected economic data.
- Market close to pricing three 25bps Fed rate cuts this year (Sept., Nov., Dec.).
- Risks for rates remain skewed to the downside as growth cools.

Housing: Buyers Still Waiting for Lower Mortgage Rates

- Mortgage rates continued to hover around 7%.
- Purchase applications have failed to respond to modestly lower rates.
- Further progress on rates needed to jolt housing market activity higher.

Construction: Single-Family Weakness Persists

- Single-family starts declined -2.2% m/m (sa) to a nine-month low.
- Single-family permits fell for fifth straight month, by -2.3% m/m (sa).
- Focus from builders is on completions, not new activity.

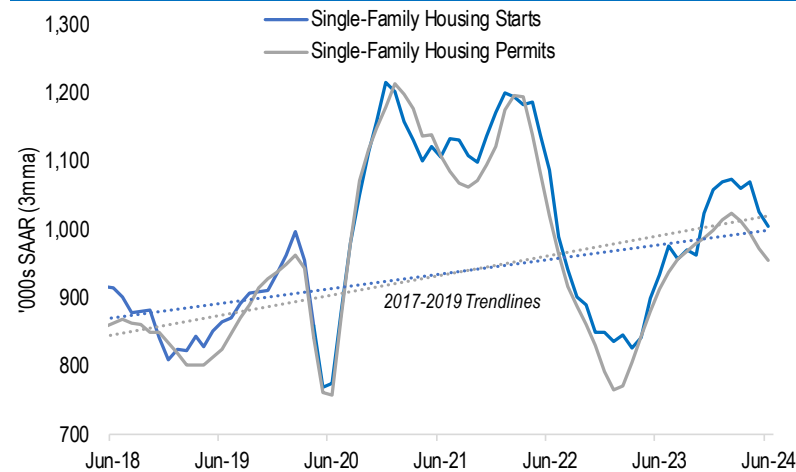
Retail Sales: Caution Hiding within the Details

- Retail sales were flat in June with prior data upwardly revised.
- Real spending has declined y/y in five of the last six months.
- Details suggest subdued spending, not outright capitulation.

Industrial Production: Revival or Head Fake?

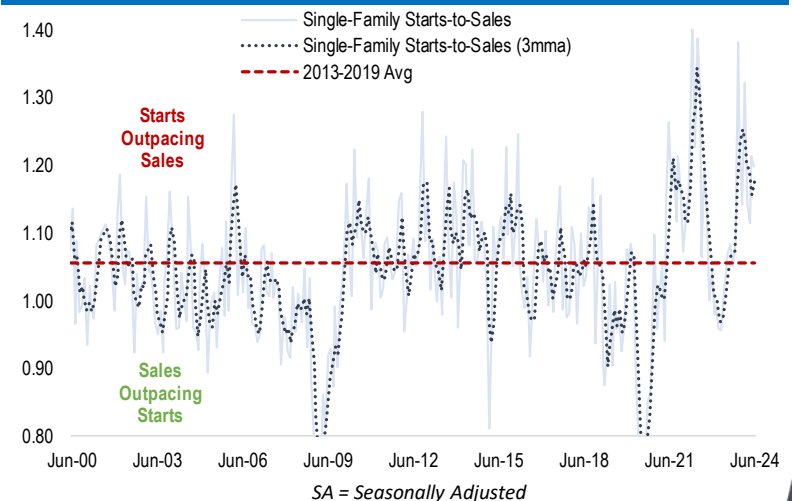
- Industrial production rose 0.6% in June after a 0.9% lift in May.
- Q2 manufacturing rose at 4.2% annualized pace, fastest since 4Q21.
- Sustained increase unlikely until rates ease and global demand firms.

Housing Construction Has Taken a Turn Lower, Implying Potential Drag on 2Q24 Real GDP Growth



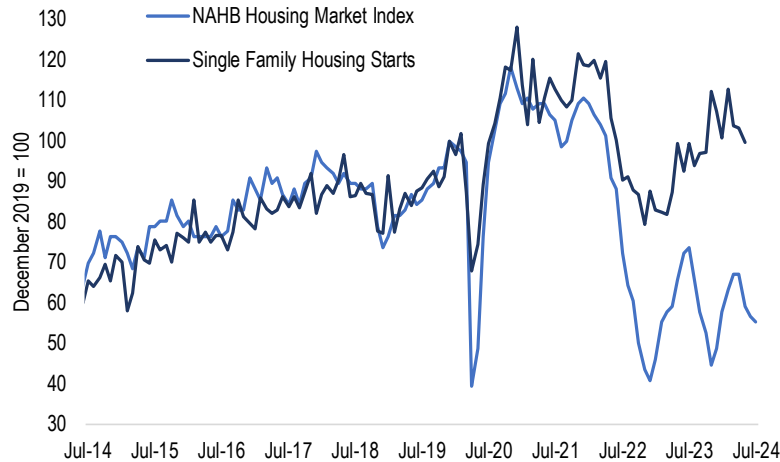
Sources: National Association of Realtors, Freddie Mac, U.S. Census Bureau, Arch Global Economics

Ratio of Housing Starts to New Home Sales Suggests Focus Will Remain on Completions vs. More Starts

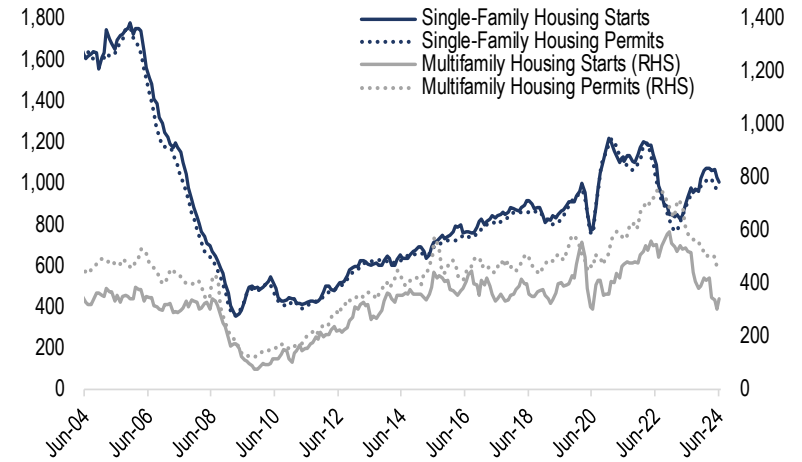


SA = Seasonally Adjusted

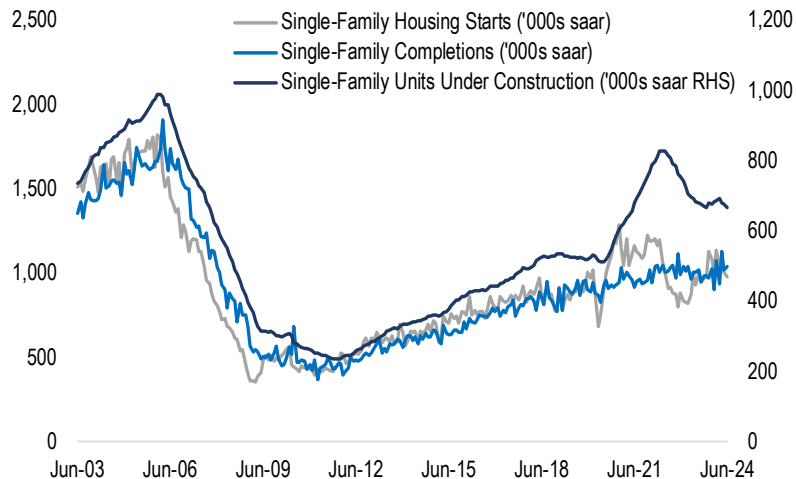
Builder Optimism Fell to Lowest Level Since Dec. '23 with an Increased Reliance on Incentives to Drive Sales



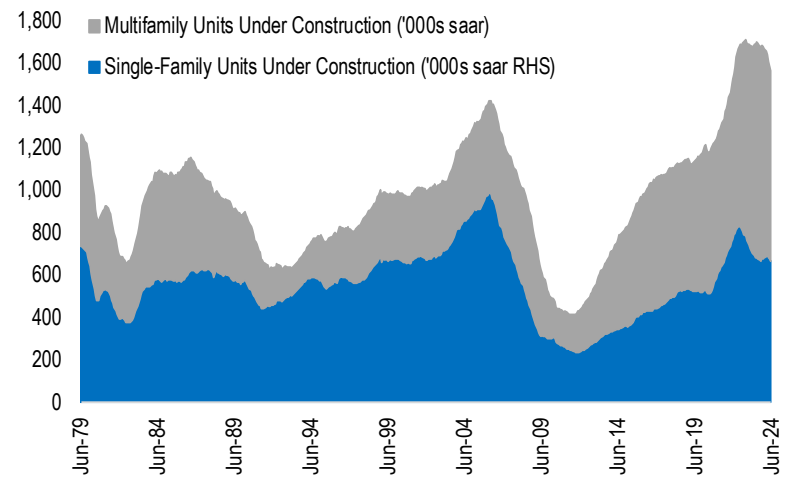
Single-Family Permitting Has Cooled in Recent Months While Multifamily Remained in a Broader Downtrend



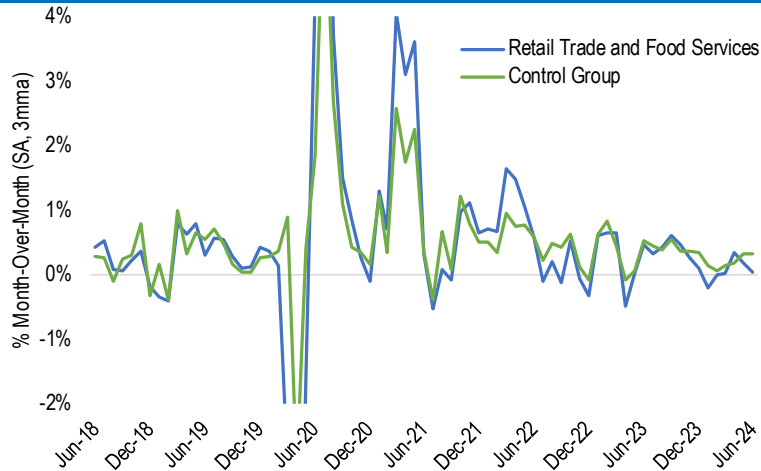
Single-Family Completions Rose in June as the Pace of Starts Declined to a Multi-Month Low



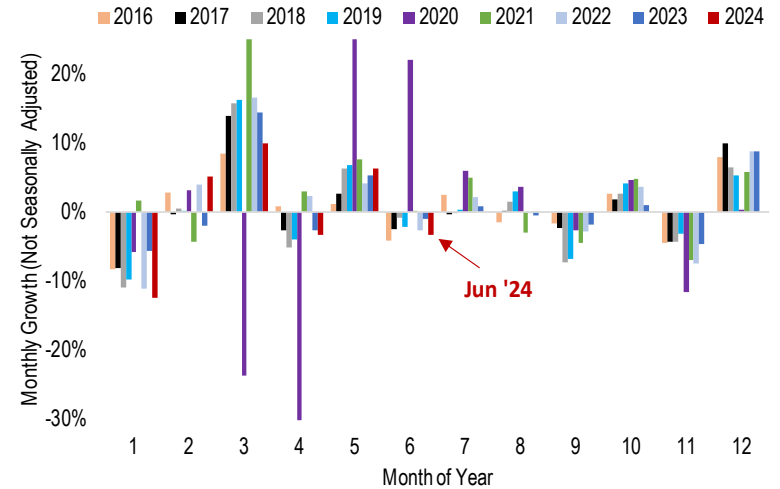
Units under Construction Continued to Decline with Single-Family Segment Down -20% from 2022 Peak



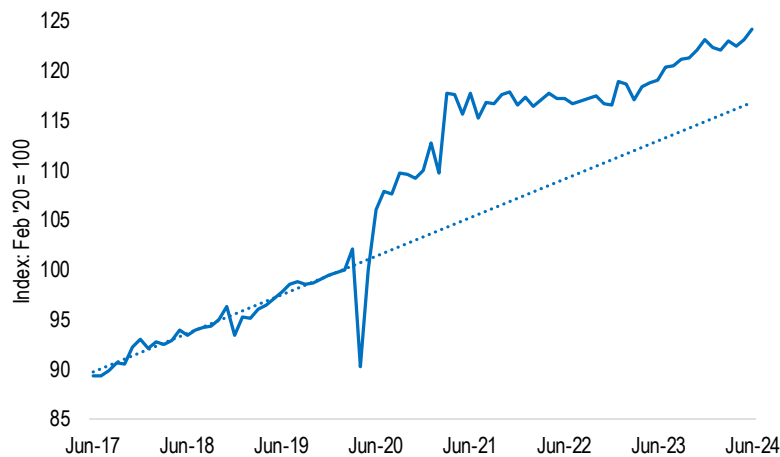
June Retail Sales Growth Surprised to the Upside with Upward Revisions to Prior Months



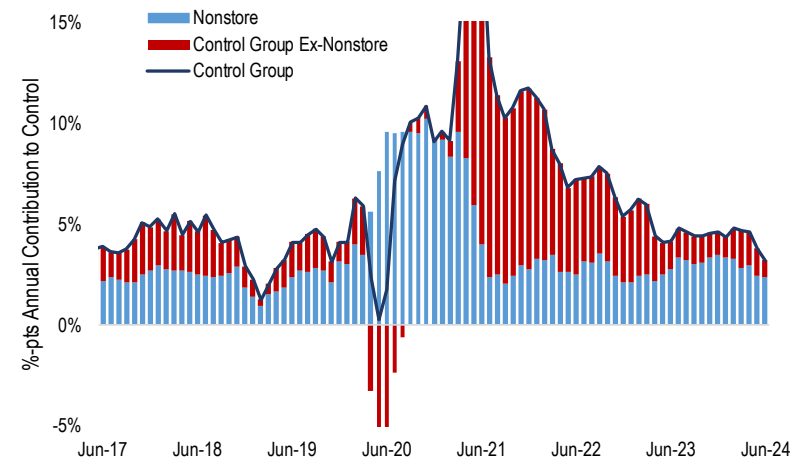
Restaurant Sales, Key Component for Discretionary Spending, Have Been Weaker Than Seasonal Norms



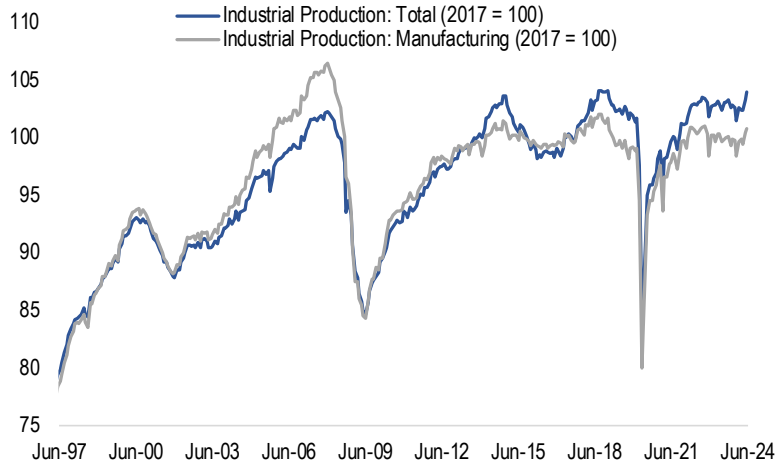
Real (Inflation Adjusted) Control Group Sales Remained Well above Pre-Pandemic Trend



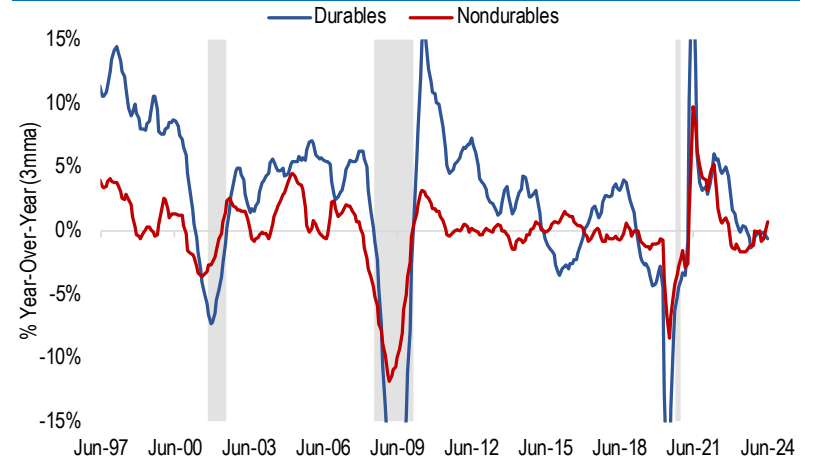
Online Sales (i.e., Nonstore) Have Been a Key Support to Sales but Even Here, Momentum Is Waning



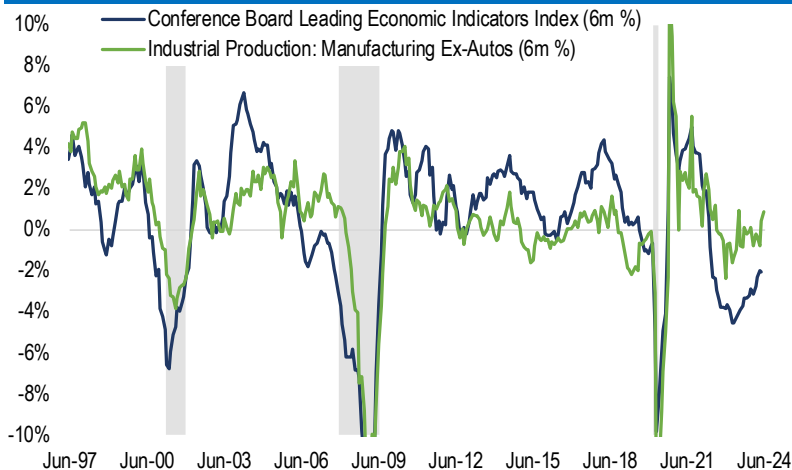
Total Industrial Production Rebounded Strongly in May with Output at Highest Level Since Oct '22



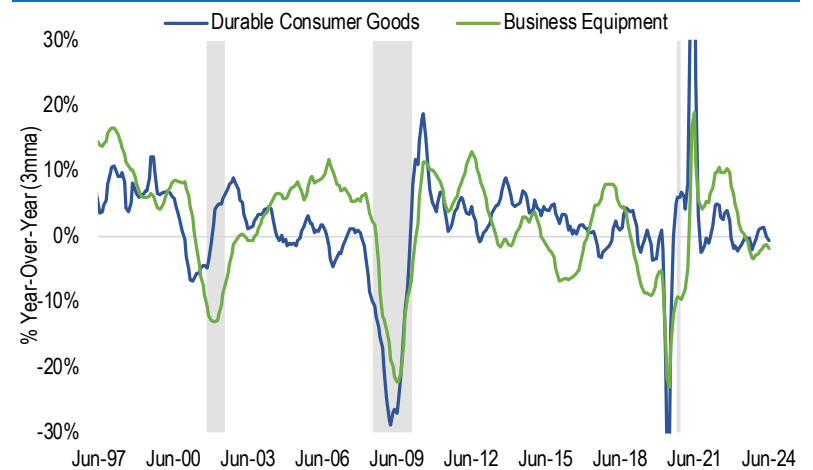
Rebound Driven by Nondurable Goods Production, While Annual Growth in Durables Remained Tepid



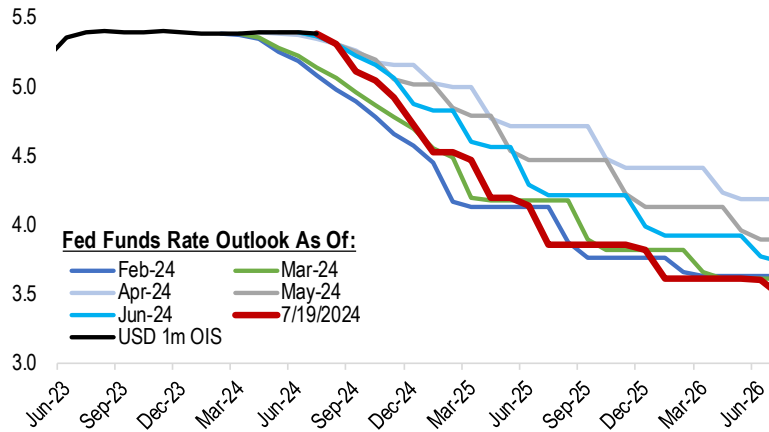
Manufacturing Ex-Autos Production Was Strong in May but Unclear If Momentum Will Stick



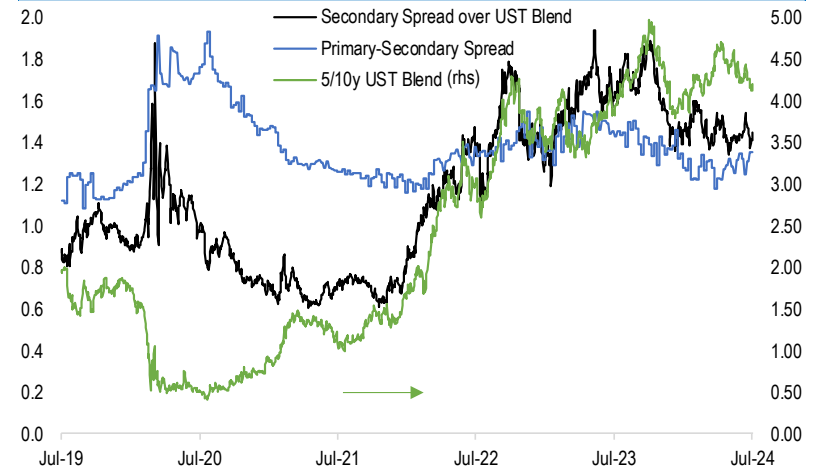
Durable Consumer Goods Production Is Slowing, Matching the Pullback in Consumer Spending on Goods



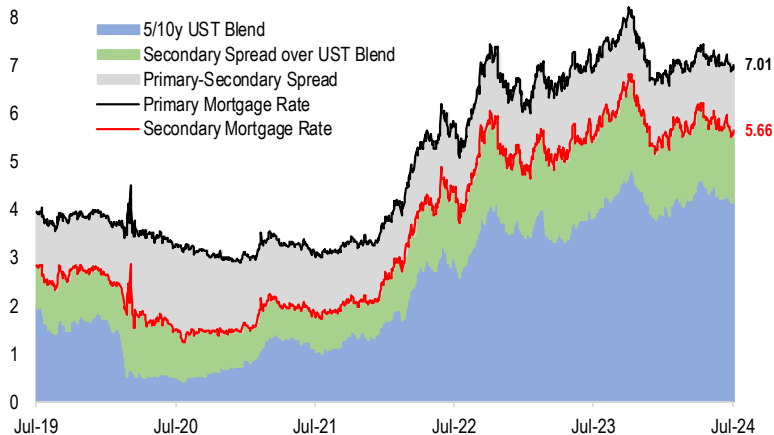
Three Fed Rate Cuts in '24 Now Just Below Even Odds after Last Week's Housing Construction & Retail Sales



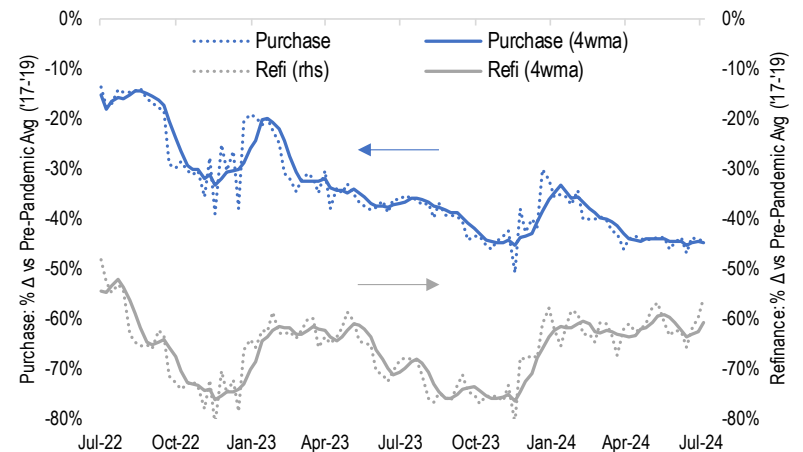
U.S. Treasury Yields Rose 6bps Last Week, Roughly Matching Widening of Combined Mortgage Spreads ...



... Which Pushed Mortgage Rates Back up Toward 7% Again, Roughly Where They Have Hovered Since Feb.



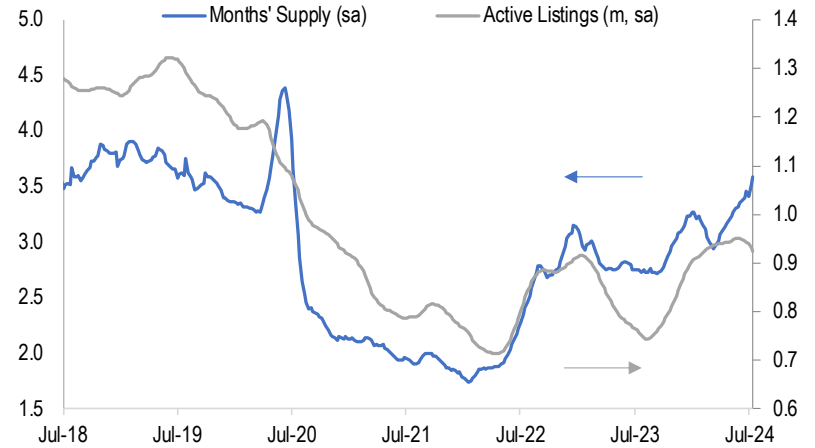
Mortgage Purchase Applications Still Flatlining but Refi Applications Have Perked up



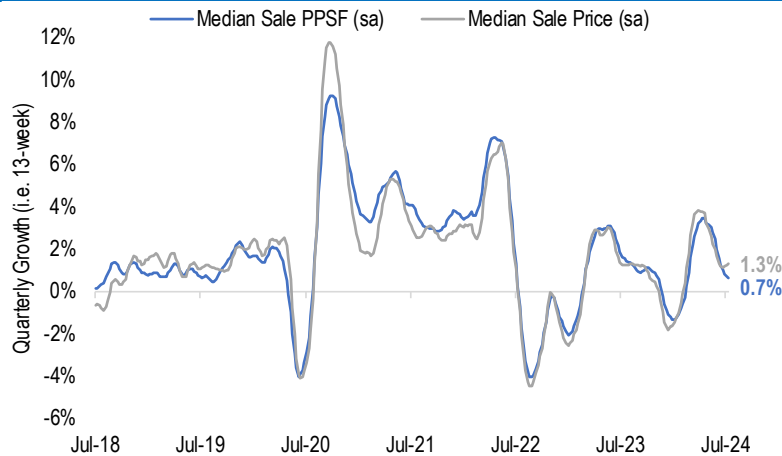
Pending Home Sales Continued to Cool Faster Than Retrenchment in New Listings



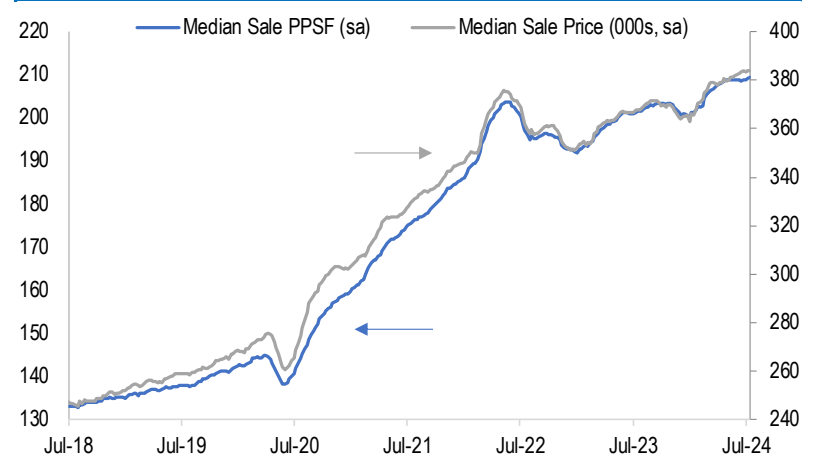
Months' Supply Climbed to Another Post-Pandemic Peak, A Level Not Seen Since Late 2019



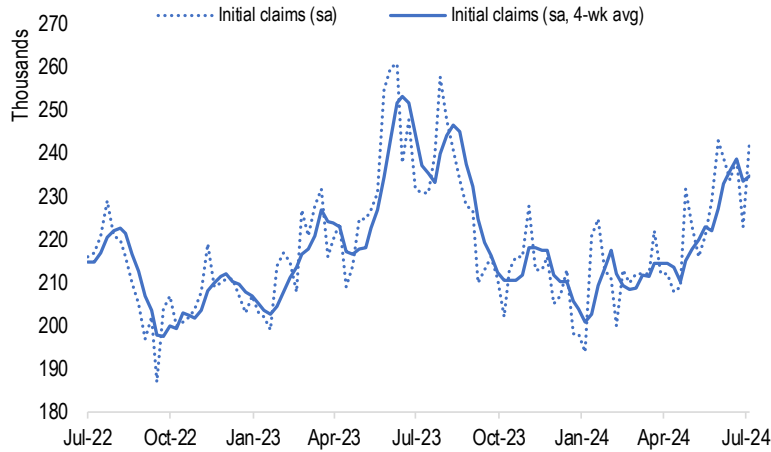
Softening Market Conditions Have Rapidly Pulled Down Seasonally Adjusted Home-Price Growth ...



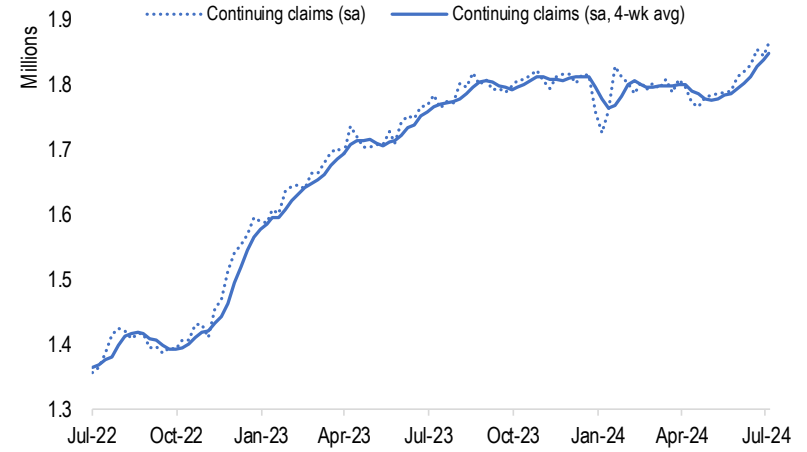
... as the National Median Sales Price Continued to Climb Further above Mid-2022 Peak



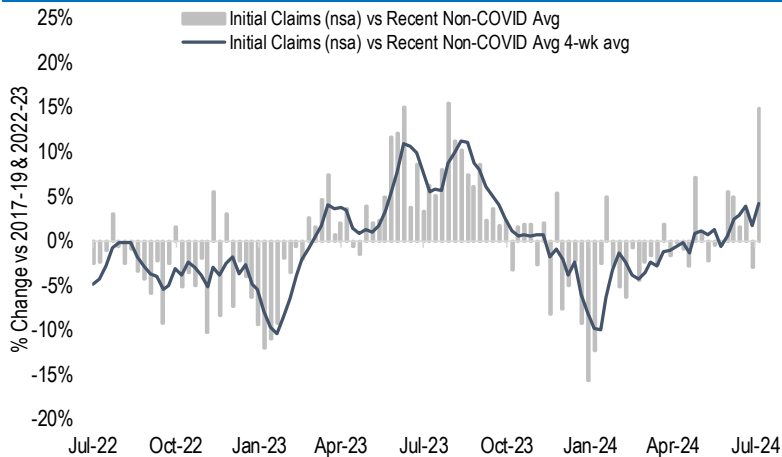
Initial Claims (SA) Moved Sharply Higher Last Week, Likely Due to Holiday Distortions and Hurricane Beryl



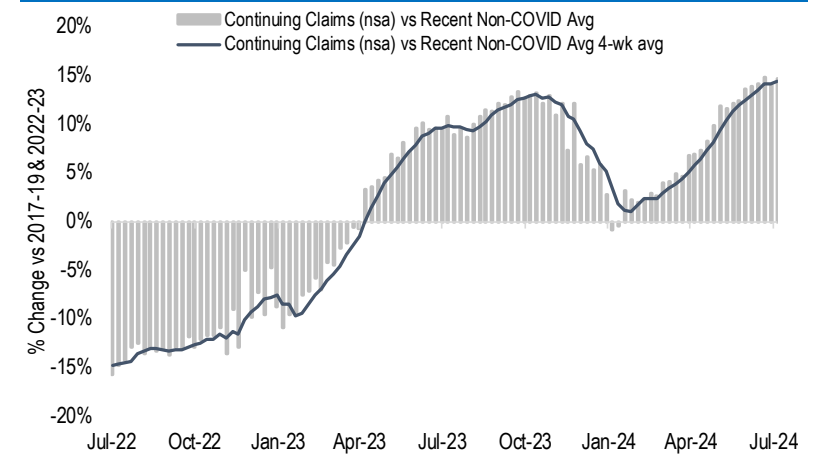
Uptrend in Continuing Claims (SA) Renewed After Dip During Prior Week



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



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



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
7/22/24	8:30 AM	Chicago Fed Nat Activity Index	Jun	--	-0.09	--	0.18	index, nsa
7/23/24	10:00 AM	Existing Home Sales	Jun	--	3.985	--	4.11	m, saar
7/23/24	10:00 AM	Existing Home Sales m/m	Jun	--	-3.0	--	-0.7	%, sa
7/24/24	7:00 AM	MBA Mortgage Applications w/w	Jul 19	--	--	--	3.9	%, sa
7/24/24	9:45 AM	S&P Global US Manufacturing PMI	Jul P	--	51.7	--	51.6	index, sa
7/24/24	9:45 AM	S&P Global US Services PMI	Jul P	--	54.8	--	55.3	index, sa
7/24/24	9:45 AM	S&P Global US Composite PMI	Jul P	--	--	--	54.8	index, sa
7/24/24	10:00 AM	New Home Sales	Jun	--	640	--	619	k, saar
7/24/24	10:00 AM	New Home Sales m/m	Jun	--	3.4	--	-11.3	%, sa
7/25/24	8:30 AM	GDP Annualized q/q	2Q A	--	1.9	--	1.4	%, saar
7/25/24	8:30 AM	Personal Consumption q/q	2Q A	--	1.8	--	1.5	%, saar
7/25/24	8:30 AM	Core PCE Deflator q/q	2Q A	--	2.7	--	3.7	%, saar
7/25/24	8:30 AM	Initial Jobless Claims	Jul 20	--	238	--	243	k, sa
7/25/24	8:30 AM	Continuing Claims	Jul 13	--	1861	--	1867	k, sa
7/25/24	8:30 AM	Durable Goods Orders m/m	Jun P	--	0.5	--	0.1	%, sa
7/25/24	8:30 AM	Cap Goods Orders Nondef Ex Air m/m	Jun P	--	0.2	--	-0.6	%, sa
7/26/24	8:30 AM	Personal Income m/m	Jun	--	0.4	--	0.5	%, sa
7/26/24	8:30 AM	Personal Spending m/m	Jun	--	0.3	--	0.2	%, sa
7/26/24	8:30 AM	Real Personal Spending m/m	Jun	--	0.3	--	0.3	%, sa
7/26/24	8:30 AM	PCE Inflation m/m	Jun	--	0.03	--	0	%, sa
7/26/24	8:30 AM	PCE Inflation y/y	Jun	--	2.4	--	2.6	%, nsa
7/26/24	8:30 AM	PCE Core Inflation (ex Food and Energy) m/m	Jun	--	0.13	--	0.1	%, sa
7/26/24	8:30 AM	PCE Core Inflation (ex Food and Energy) y/y	Jun	--	2.5	--	2.6	%, nsa
7/26/24	10:00 AM	U. of Mich. Sentiment	Jul F	--	66.4	--	66	index, nsa
7/26/24	10:00 AM	U. of Mich. 1 Yr Inflation	Jul F	--	--	--	2.9	nsa
7/26/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Jul F	--	--	--	2.9	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
7/15/24	8:30 AM	Empire Manufacturing	Jul	-6.6	-7.6	--	-6	index, sa
7/16/24	8:30 AM	Advance Retail Sales m/m	Jun	0	-0.3	0.3	0.1	%, sa
7/16/24	8:30 AM	Retail Sales Control Group m/m	Jun	0.9	0.2	--	0.4	%, sa
7/16/24	8:30 AM	Import Price Index m/m	Jun	0	-0.2	-0.2	-0.4	%, nsa
7/16/24	8:30 AM	Import Price Index y/y	Jun	1.6	1.0	1.4	1.1	%, nsa
7/16/24	10:00 AM	Business Inventories m/m	May	0.5	0.5	--	0.3	%, sa
7/16/24	10:00 AM	NAHB Housing Market Index	Jul	42	43	--	43	index, sa
7/17/24	7:00 AM	MBA Mortgage Applications w/w	Jul 12	3.9	--	--	-0.2	%, sa
7/17/24	8:30 AM	Housing Starts	Jun	1353	1300	1314	1277	k, saar
7/17/24	8:30 AM	Housing Starts m/m	Jun	3	1.8	-4.6	-5.5	%, sa
7/17/24	8:30 AM	Building Permits	Jun	1446	1400	1399	1386	k, saar
7/17/24	8:30 AM	Building Permits m/m	Jun	3.4	0.07	-2.8	-3.8	%, sa
7/17/24	9:15 AM	Capacity Utilization	Jun	78.8	78.4	78.3	78.7	sa
7/18/24	8:30 AM	Initial Jobless Claims	Jul 13	243	229	223	222	k, sa
7/18/24	8:30 AM	Continuing Claims	Jul 6	1867	1856	1847	1852	k, sa
7/18/24	8:30 AM	Philadelphia Fed Business Outlook	Jul	13.9	2.9	--	1.3	index, sa
7/18/24	10:00 AM	Conference Board Leading Index m/m	Jun	-0.2	-0.3	-0.4	-0.5	%, 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)