

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.

July 29, 2024

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A Plague on Both Houses

- **Key Takeaway:** Economic data holding firm, lending support to business cycle resiliency while consumer price inflation continues to cool.
- **Macro Implications:** Beyond headline numbers, there are pockets of economic “worries” that should prompt the Fed to signal looser policy is coming.
- **Housing Implications:** Housing remains a key area of economic weakness, which is spreading more broadly across the new home segment.

Macro: Don't Put All Your Eggs in One Basket

- Solid 2Q24 RGDP growth but consumption ex-health care still a bit soft.
- Consumers remain fit to spend; dependent on labor market health.
- Housing weakness bears watching given strong link to business cycle.

Rates: Front-End in the Driver's Seat

- 10-yr UST down 4bps w/w and 20bps on the month to 4.19%.
- 2s10s yield curve steepened ~30bps m/m as rate cut expectations rise.
- Market back to pricing three 25bps Fed rate cuts this year (Sept., Nov., Dec.)

Housing: Homebuyers Waiting for Rate Cuts?

- Mortgage rates down ~50bps since late-April without uptick in sales.
- Purchase applications remained depressed with limited upside ahead.
- Population adjusted single-family sales near lowest level since 1982.

New Home Sales: Slower ...

- New home sales cooled -0.6% in June and -4% annualized in 2Q24.
- Completed inventory keeps rising, with months' supply at 4.1.
- Builders remain focused on managing affordability with incentives.

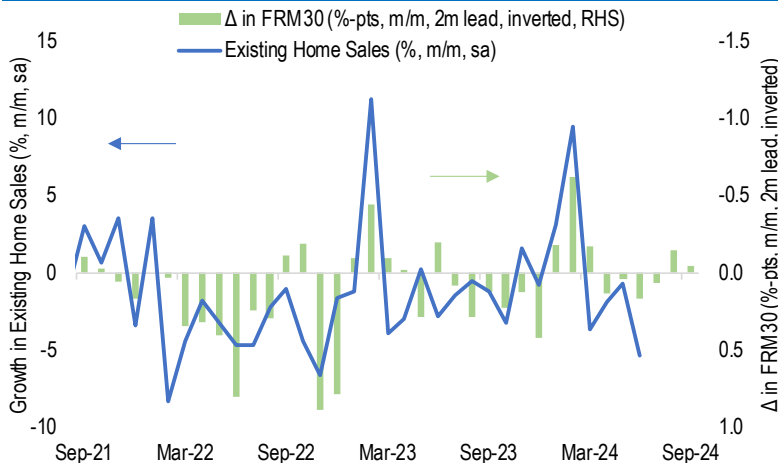
Existing Home Sales: ... And Slower

- Sales fell -5.4% m/m in June and -14% annualized in 2Q24.
- Inventory declined for the third straight month, by -0.8% in June.
- Months' supply up 30% y/y to just 3.8 (sa), par with 2019.

Personal Income: Cooling Income Growth as Spending Firmed

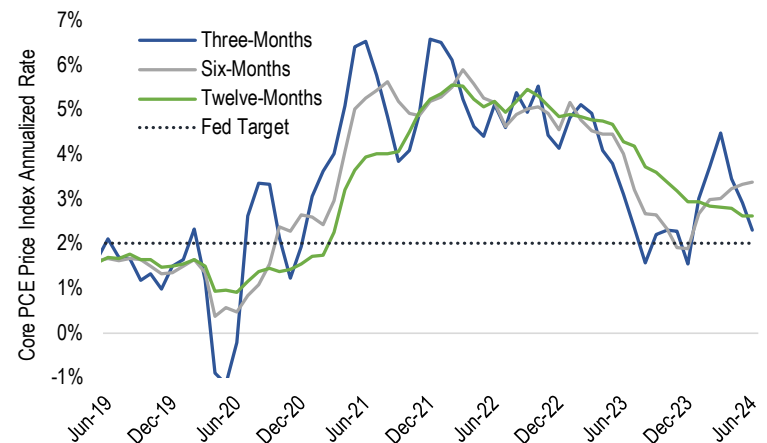
- Real disposable income rose 0.1% in June, up just 1.0% y/y.
- Real spending rose 0.2% amid a pickup in non-durables.
- June core PCE inflation rose 0.2% with notable slowdown in housing.

Existing Home Sales Have Been Weaker Than Expected Relative to Recent Decline in Mortgage Rates



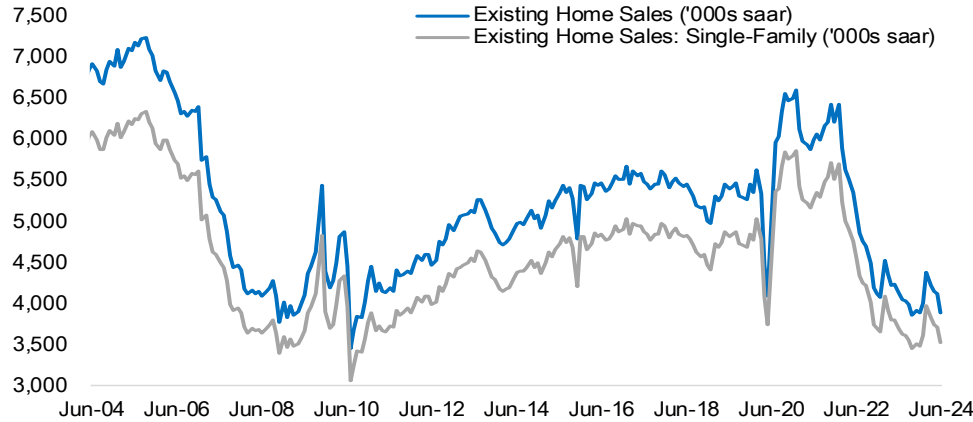
Sources: National Association of Realtors (NAR) Freddie Mac, BEA, Arch Global Economics

2Q24 Core PCE Inflation Details Exactly What the Fed Wants to See, so Why Wait Longer to Cut?

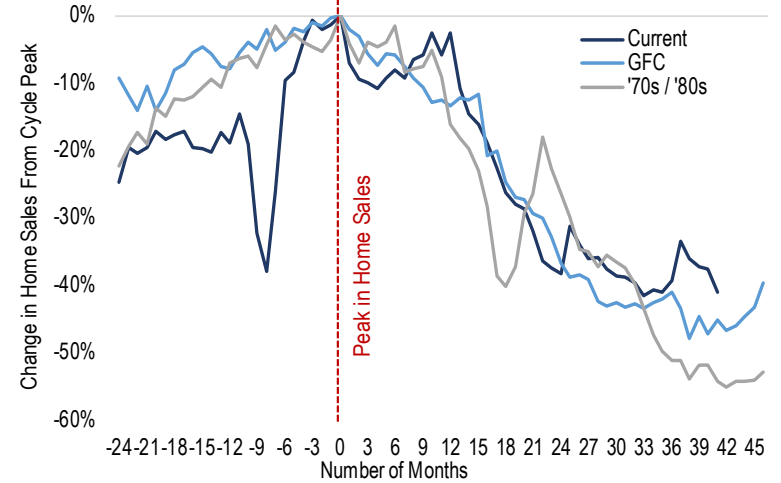


Core PCE = Personal Consumption Expenditure Price Index Excluding Food & Energy Prices

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



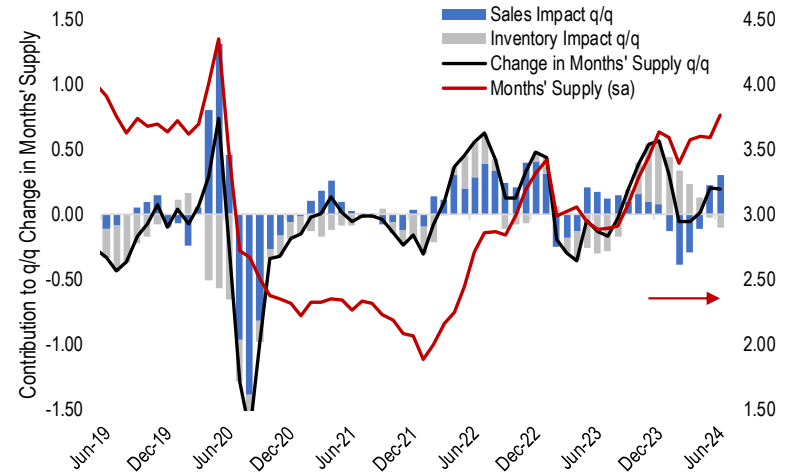
Existing Home Sales Double-Dipped Lower as More Buyers Sit on the Sidelines



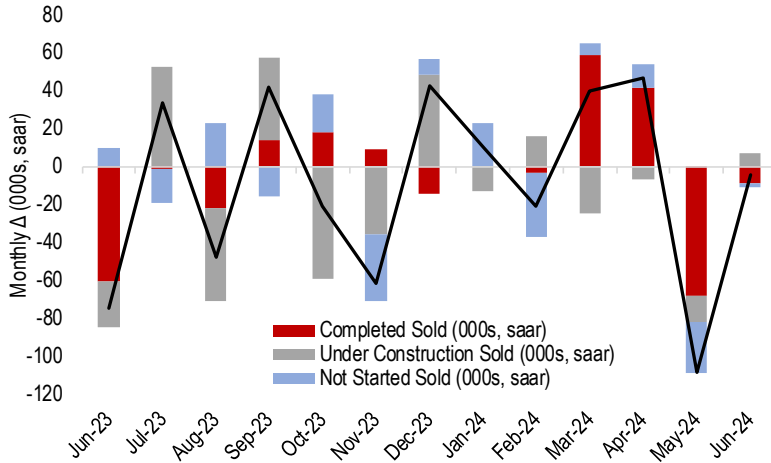
Inventory Increased 23% y/y, the Fastest Annual Pace Since '06; However, Market Remains Relatively Tight



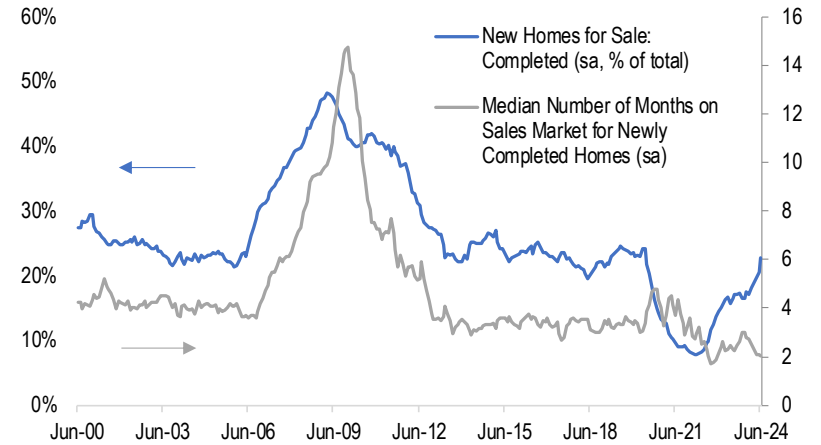
Quarterly Inventory Build Has Lost Momentum, but Decline in Sales Pace Lifting Months' Supply



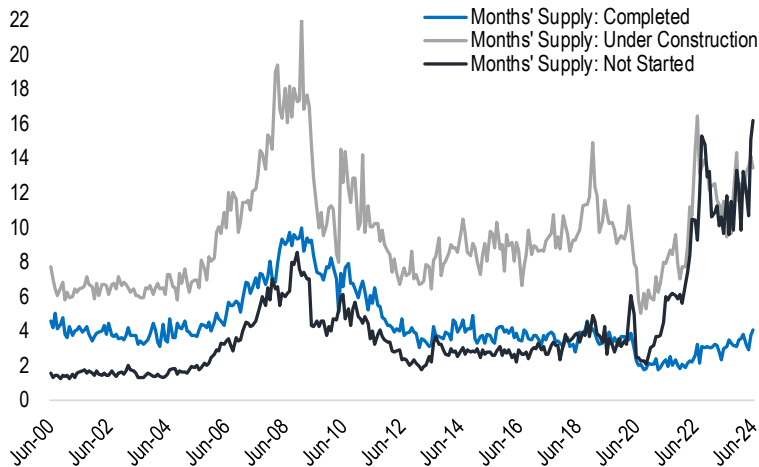
New Home Sales Fell in June, Mostly Due to Another Pullback in Sales of "Completed" Units



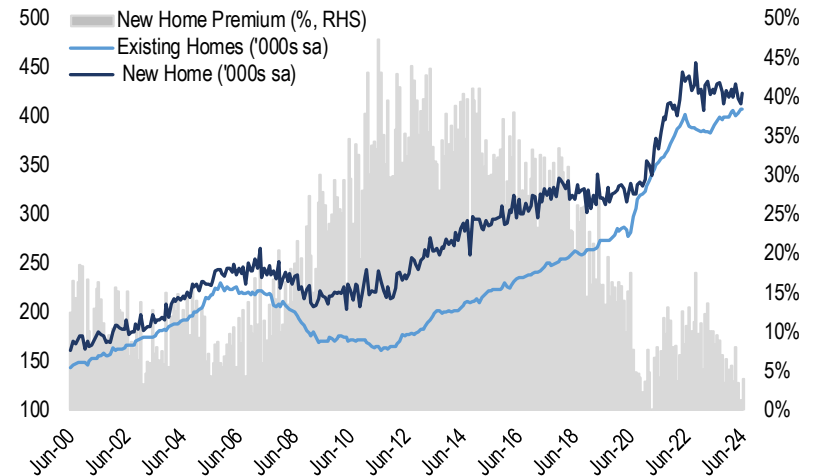
Completed Homes Rising as Share of New Homes for Sale, but Still Selling Quickly Once Completed



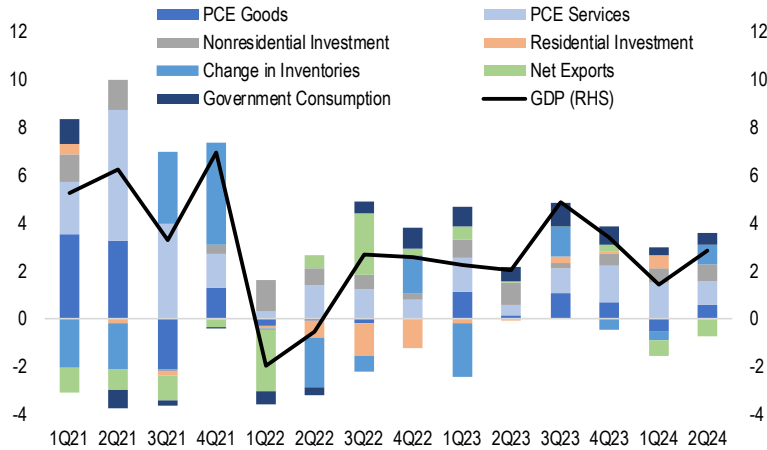
Months' Supply Fell Only for "Under Construction" Segment as Builders Focus on Completions



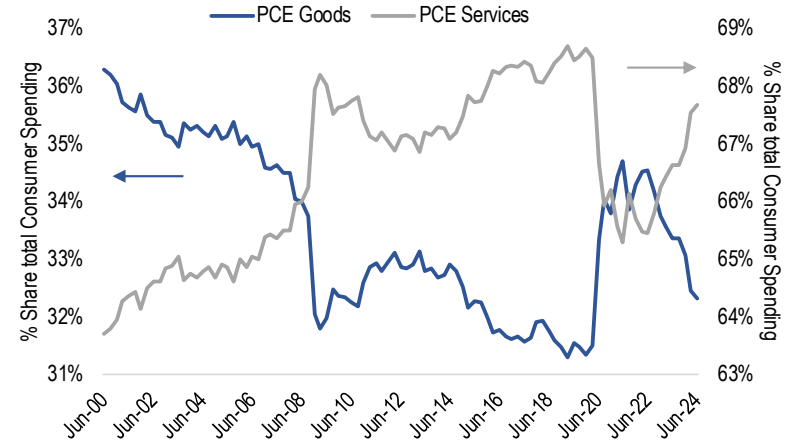
National New Home Premium Still under 5% in June amid Builder Incentives and Shrinking New Home Size



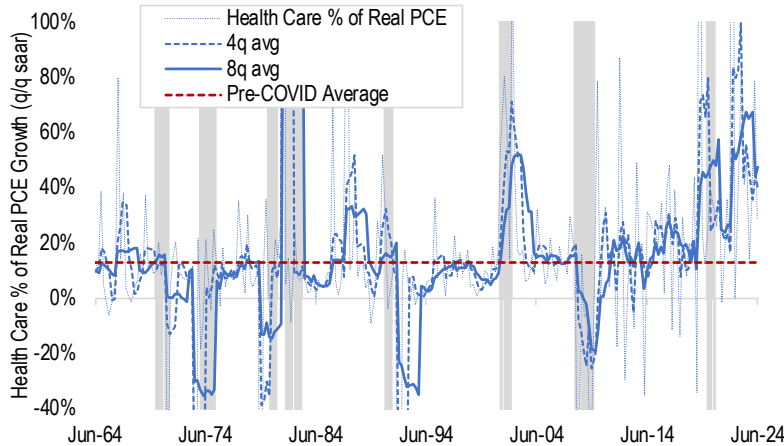
Growth Rebounded in Q2 on Business Inventory Rebuild and Renewed Consumer Spending on Goods



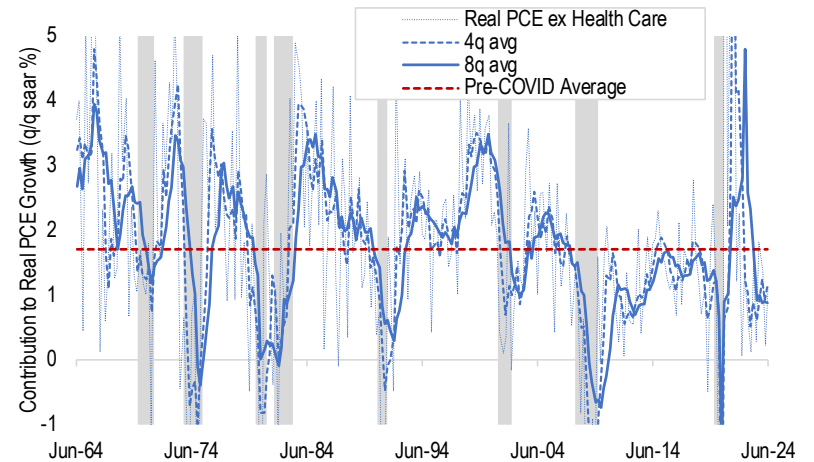
Despite Q2 Uptick, Consumer Spending Continued Shifting Back toward Services over Goods



Surge in Health Care Services Spending Accounted for Half of Real Consumption Growth over Past Two Years



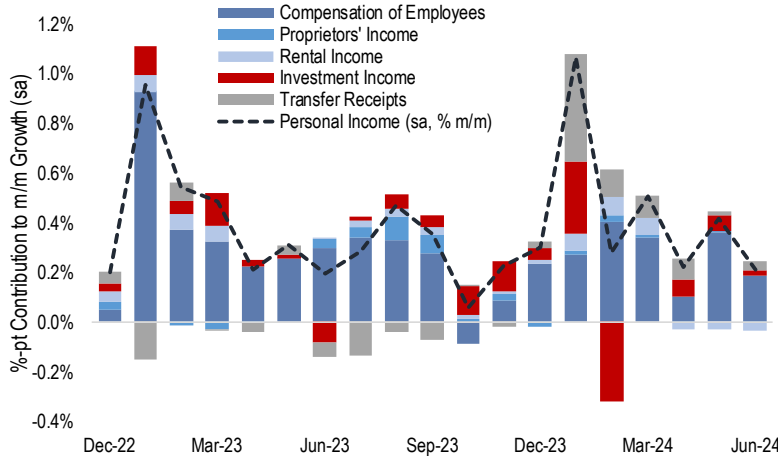
Real Consumption Growth Excluding Health Care Remained Well below Pre-Pandemic Norm



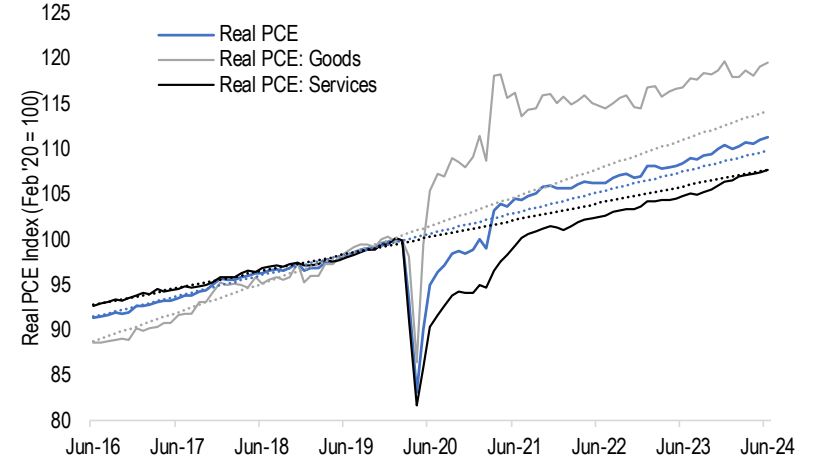
SAAR = Seasonally Adjusted Annual Rate

Sources: U.S. Bureau of Economic Analysis (BEA), Arch Global Economics

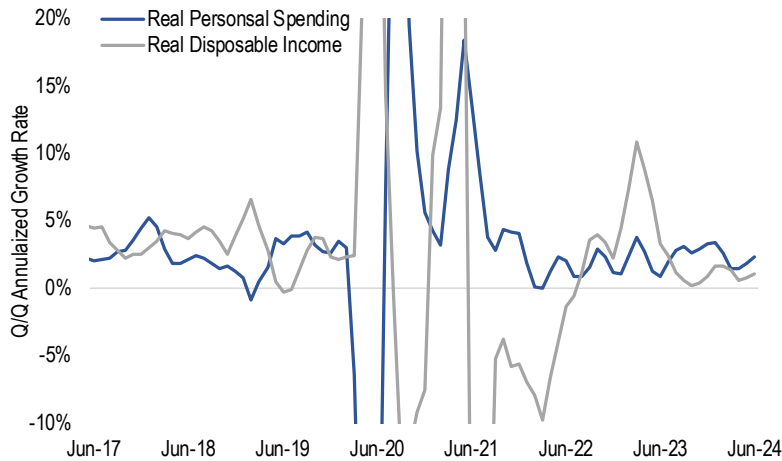
Income Growth Slowed in Q2 Due to Moderation in Government Transfers, Investment and Rental Income



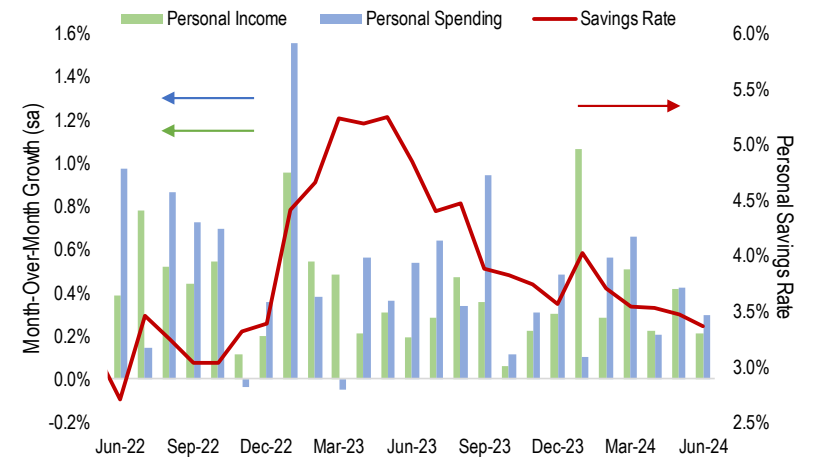
Household Spending Perked up after a Lull in Q1 Driven by a Rebound in Goods Outlays



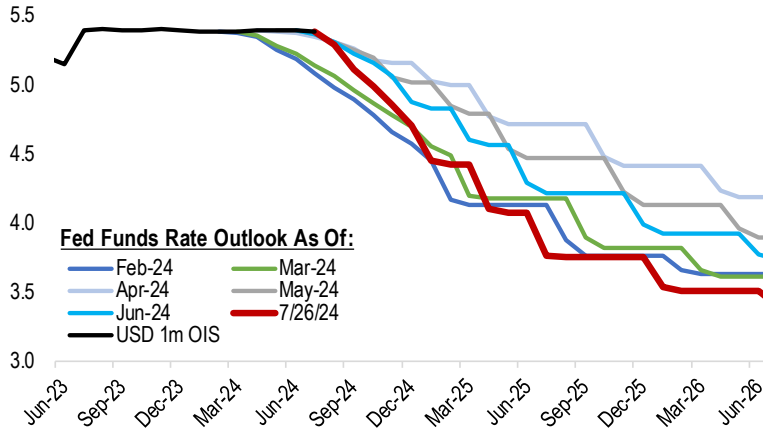
Real Disposable Income Growth Still Modest and Still Trailing Pace of Spending



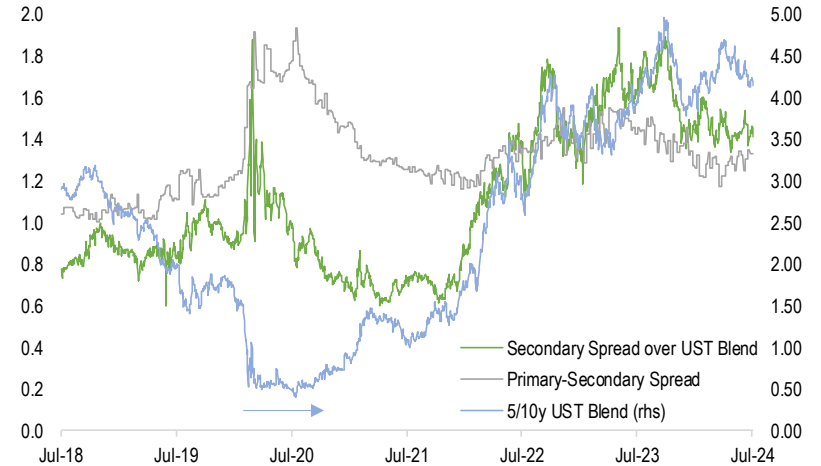
With Spending Growth Continuing to Outpace Income Growth, the Savings Rate Fell to 3.4%



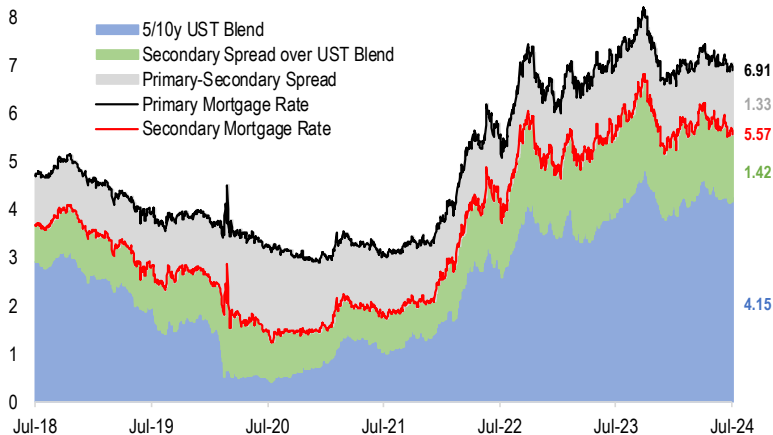
Market Is Back to Pricing in Three Fed Rate Cuts in '24 after Last Week's Data Releases



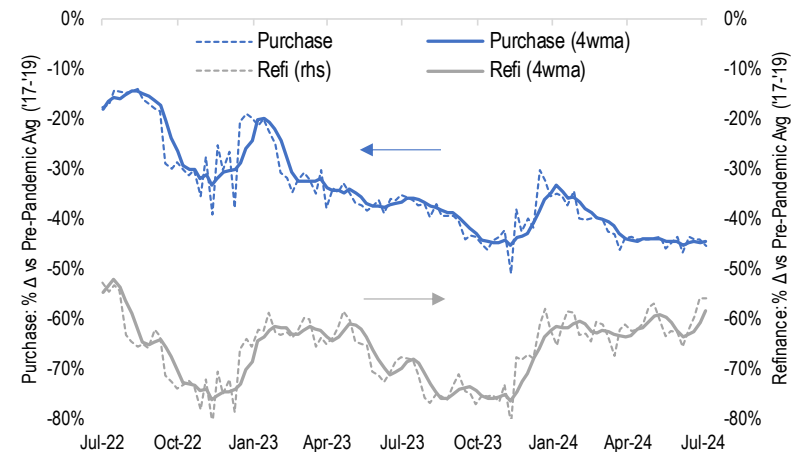
U.S. Treasury Yields Declined 6bps Last Week While Combined Mortgage Spreads Narrowed 3bps ...



... Which Pulled Mortgage Rates below 7% again, Roughly Where They Have Hovered Since Feb.



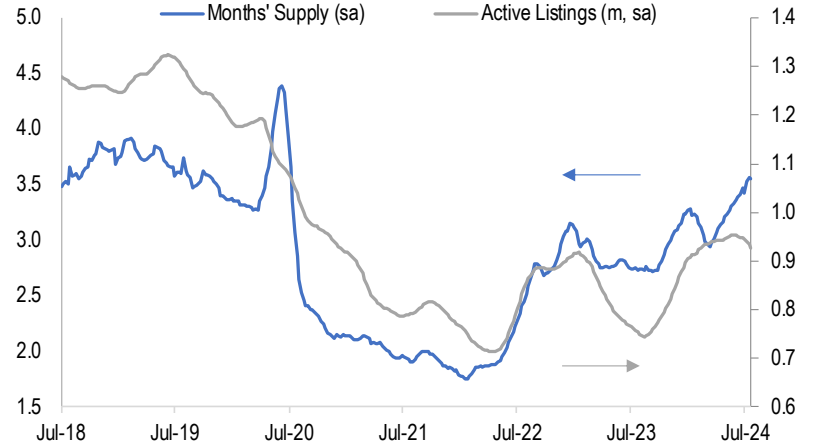
Mortgage Purchase Applications Still Flatlining, but Refi Applications Have Perked up



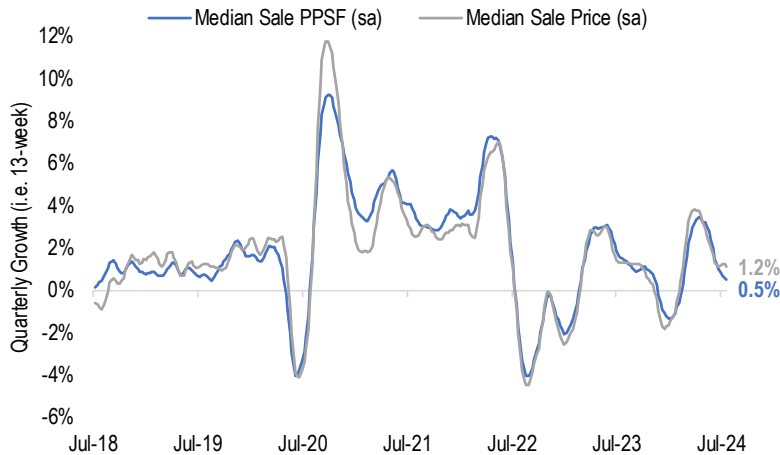
Pending Home Sales Continued to Cool Faster Than Retrenchment in New Listings



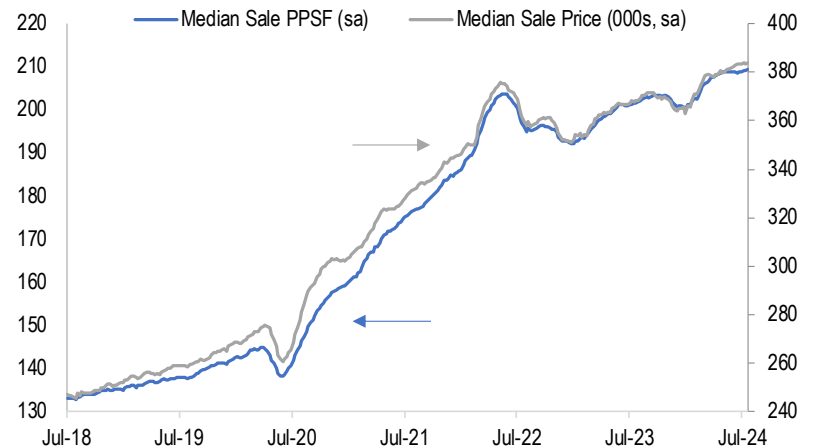
Months' Supply Climbed to Another Post-Pandemic Peak, a Level Not Seen Since Late 2019



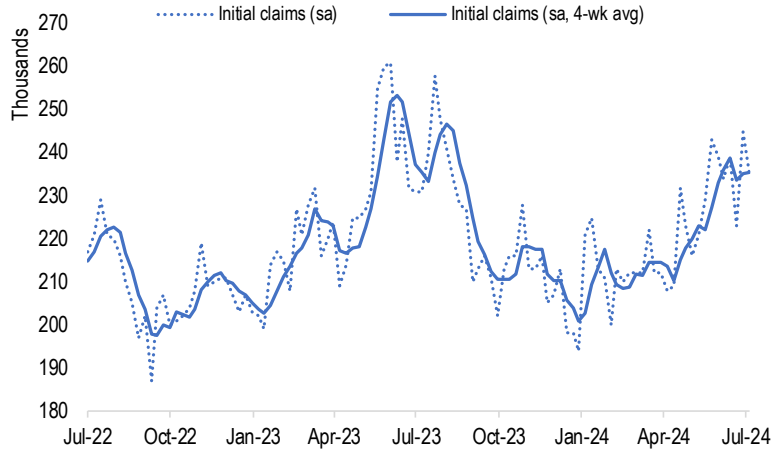
Softening Market Conditions Have Rapidly Pulled Down Seasonally Adjusted Home-Price Growth ...



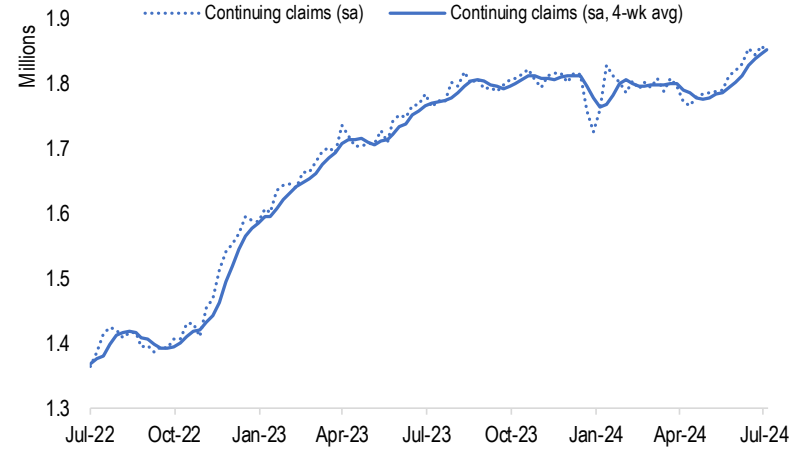
... as the National Median Sales Price Continued to Inch Further above Mid-2022 Peak



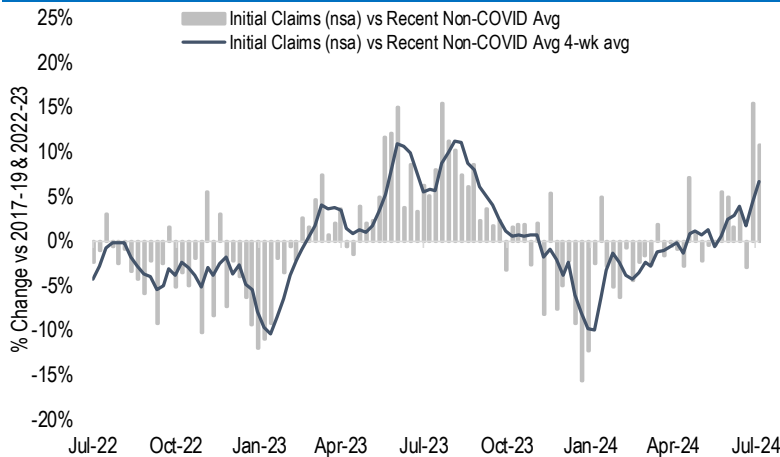
Initial Claims (SA) Moved Lower Last Week, Likely Due to Fading Distortions from Holiday and Hurricane Beryl



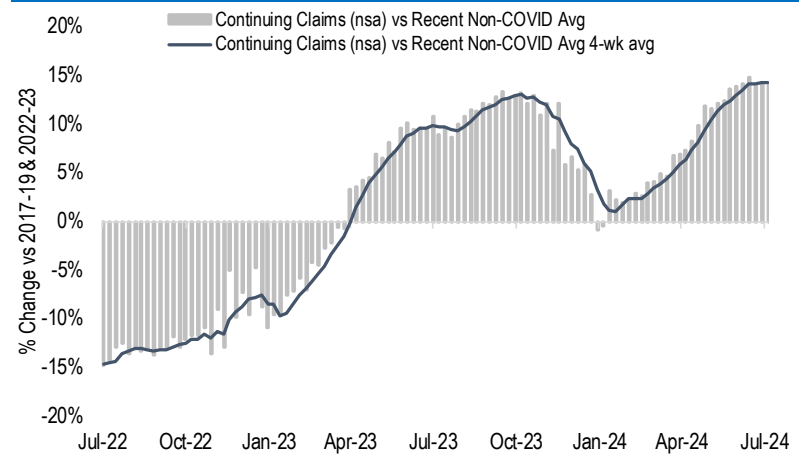
Uptrend in Continuing Claims (SA) Cooled Slightly after Uptick in Prior Week



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



... and Unadjusted Continuing Claims Remained Steady, 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
7/30/24	9:00 AM	FHFA House Price Index m/m	May	--	0.25	--	0.2	%, sa
7/30/24	9:00 AM	S&P CoreLogic CS 20-City y/y NSA	May	--	6.5	--	7.2	%, nsa
7/30/24	10:00 AM	JOLTS Job Openings	Jun	--	8,055	--	8,140	k, sa
7/30/24	10:00 AM	Conf. Board Consumer Confidence	Jul	--	99.5	--	100.4	index, sa
7/31/24	7:00 AM	MBA Mortgage Applications w/w	Jul 26	--	--	--	-2.2	%, sa
7/31/24	8:15 AM	ADP Employment m/m	Jul	--	150	--	150	k, sa
7/31/24	8:30 AM	Employment Cost Index q/q	2Q	--	1.0	--	1.2	%, sa
7/31/24	10:00 AM	Pending Home Sales m/m	Jun	--	1.1	--	-2.1	%, sa
7/31/24	10:00 AM	Pending Home Sales y/y	Jun	--	--	--	-6.6	%, nsa
7/31/24	2:00 PM	FOMC Rate Decision (Upper Bound)	Jul 31	--	5.50	--	5.50	%
8/1/24	11:00 AM	Wards Total Vehicle Sales	Jul	--	16.20	--	15.29	m, saar
8/1/24	8:30 AM	Nonfarm Productivity q/q	2Q P	--	1.8	--	0.2	%, saar
8/1/24	8:30 AM	Unit Labor Costs q/q	2Q P	--	1.8	--	4.0	%, saar
8/1/24	8:30 AM	Initial Jobless Claims	Jul 27	--	236	--	235	k, sa
8/1/24	8:30 AM	Continuing Claims	Jul 20	--	1,855	--	1,851	k, sa
8/1/24	10:00 AM	ISM Manufacturing	Jul	--	48.8	--	48.5	index, sa
8/1/24	10:00 AM	ISM Prices Paid	Jul	--	--	--	52.1	index, nsa
8/2/24	8:30 AM	Nonfarm Payrolls m/m	Jul	--	175	--	206	k, sa
8/2/24	8:30 AM	Private Payrolls m/m	Jul	--	150	--	136	k, sa
8/2/24	8:30 AM	Unemployment Rate	Jul	--	4.1	--	4.1	%, sa
8/2/24	8:30 AM	Average Hourly Earnings m/m	Jul	--	0.3	--	0.3	%, sa
8/2/24	8:30 AM	Average Hourly Earnings y/y	Jul	--	3.7	--	3.9	%, nsa
8/2/24	8:30 AM	Average Weekly Hours All Employees	Jul	--	34.3	--	34.3	sa
8/2/24	8:30 AM	Labor Force Participation Rate	Jul	--	62.6	--	62.6	%, sa
8/2/24	10:00 AM	Durable Goods Orders m/m	Jun F	--	-6.6	--	-6.6	%, sa
8/2/24	10:00 AM	Cap Goods Orders Nondef Ex Air m/m	Jun F	--	--	--	1.0	%, sa

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
7/22/24	8:30 AM	Chicago Fed Nat Activity Index	Jun	0.1	-0.1	0.2	0.2	index, nsa
7/23/24	10:00 AM	Richmond Fed Manuf. Index	Jul	-17.0	-7.0	--	-10.0	index, sa
7/23/24	10:00 AM	Existing Home Sales	Jun	3.89	3.98	--	4.11	m, saar
7/23/24	10:00 AM	Existing Home Sales m/m	Jun	-5.4	-3.2	--	-0.7	%, sa
7/24/24	7:00 AM	MBA Mortgage Applications w/w	Jul 19	-2.2	--	--	3.9	%, sa
7/24/24	8:30 AM	Wholesale Inventories m/m	Jun P	0.2	0.5	--	0.6	%, sa
7/24/24	8:30 AM	Retail Inventories m/m	Jun	0.7	0.5	0.6	0.7	%, sa
7/24/24	9:45 AM	S&P Global US Manufacturing PMI	Jul P	49.5	51.6	--	51.6	index, sa
7/24/24	9:45 AM	S&P Global US Services PMI	Jul P	56.0	54.9	--	55.3	index, sa
7/24/24	9:45 AM	S&P Global US Composite PMI	Jul P	55.0	54.2	--	54.8	index, sa
7/24/24	10:00 AM	New Home Sales	Jun	617	640	621	619	k, saar
7/24/24	10:00 AM	New Home Sales m/m	Jun	-0.6	3.4	-14.9	-11.3	%, sa
7/25/24	8:30 AM	GDP Annualized q/q	2Q A	2.8	2.0	--	1.4	%, saar
7/25/24	8:30 AM	Personal Consumption q/q	2Q A	2.3	2.0	--	1.5	%, saar
7/25/24	8:30 AM	Core PCE Deflator q/q	2Q A	2.9	2.7	--	3.7	%, saar
7/25/24	8:30 AM	Initial Jobless Claims	Jul 20	235	238	245	243	k, sa
7/25/24	8:30 AM	Continuing Claims	Jul 13	1,851	1,868	1,860	1,867	k, sa
7/25/24	8:30 AM	Durable Goods Orders m/m	Jun P	-6.6	0.3	--	0.1	%, sa
7/25/24	8:30 AM	Cap Goods Orders Nondef Ex Air m/m	Jun P	1.0	0.2	-0.9	-0.6	%, sa
7/25/24	11:00 AM	Kansas City Fed Manf. Activity	Jul	-13.0	-5.0	--	-8.0	sa, index
7/26/24	8:30 AM	Personal Income m/m	Jun	0.2	0.4	0.4	0.5	%, sa
7/26/24	8:30 AM	Personal Spending m/m	Jun	0.3	0.3	0.4	0.2	%, sa
7/26/24	8:30 AM	Real Personal Spending m/m	Jun	0.2	0.3	0.4	0.3	%, sa
7/26/24	8:30 AM	PCE Inflation m/m	Jun	0.1	0.1	--	0.0	%, sa
7/26/24	8:30 AM	PCE Inflation y/y	Jun	2.5	2.5	--	2.6	%, nsa
7/26/24	8:30 AM	PCE Core Inflation (ex Food and Energy) m/m	Jun	0.2	0.2	--	0.1	%, sa
7/26/24	8:30 AM	PCE Core Inflation (ex Food and Energy) y/y	Jun	2.6	2.5	--	2.6	%, nsa
7/26/24	10:00 AM	U. of Mich. Sentiment	Jul F	66.4	66.5	--	66.0	index, nsa
7/26/24	10:00 AM	U. of Mich. 1 Yr Inflation	Jul F	2.9	2.9	--	2.9	nsa
7/26/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Jul F	3.0	2.9	--	2.9	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)