

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.

August 6, 2024

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Rock You like a Hurricane

- **Key Takeaway:** Shocking jobs report caps a week of data that looked increasingly soft, suggesting moderating activity after a solid 2Q24.
- **Macro Implications:** Even looking through potential weather impacts, the totality of economic data suggests the Fed is well behind the curve.
- **Housing Implications:** Mortgage rates are benefiting from the decline in Treasury yields but will be offset somewhat by growing labor market anxiety.

Macro: Ugly Week

- Real construction spending slowed further aside from private housing reno.
- Manufacturing sentiment surveys point to renewed weakness in output.
- Multiple measures of wage growth suggest inflation impulse has faded.

Jobs Report: Sudden Stop? Muted Layoffs Suggest Otherwise

- Unemployment rose to 4.25% in July but largely due to temporary layoffs.
- Private-sector job growth cooled to 97k in July from 136k in June.
- Unemployment duration rose; hours worked fell; wage growth slowed.

Labor Market Turnover: Lowest Hiring Rate Since 2013*

- Pullback in pace of hiring is driving slowdown in job growth, not layoffs.
- Quits pace dropped further and implies slower wage growth ahead.
- Labor market anxiety is evident for both employers and employees.

Rates: “Bad News” Is Indeed “Bad News”

- 10-yr UST fell ~40bps w/w to 3.79% amid softening macro data.
- Bond/credit markets taking signal from rising unemployment rate.
- Market pricing in 5 rate cuts in '24 (50bps in Sept.), up from 3 a week ago.

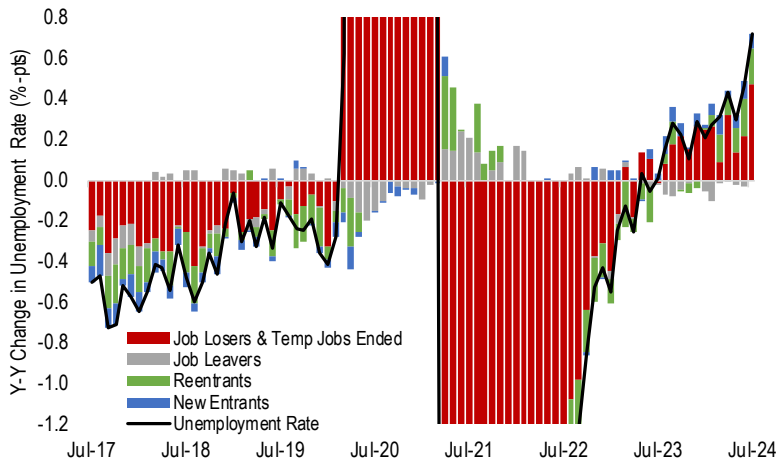
Housing: Cooler Labor Market to Offset Benefit of Lower Rates

- Mortgage rates fell back below 6.5% as Treasury yields plunged.
- Purchase applications remained depressed with limited upside ahead.
- Pending home sales remained weak, falling -7.8% in June.

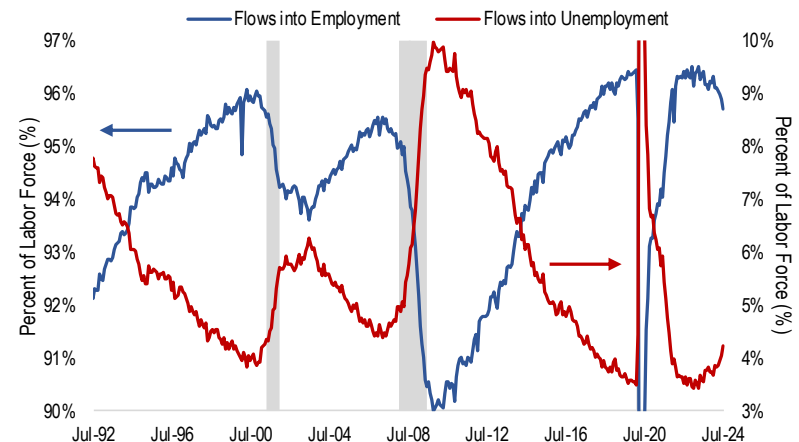
Consumer Sentiment: Summer Blues

- UMich Sentiment Index is down -19pts year-to-date through July.
- Conference Board Index equally showing weakness in recent months.
- Perceptions of job market/personal financial health have weakened.

Annual Increase in Unemployment Surged Due to Job Losers and New Workers Not Securing Employment

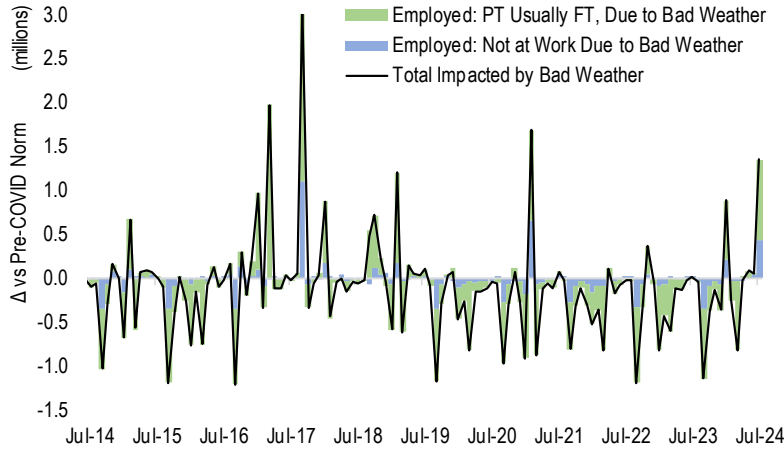


Potential Weather Impacts aside, Labor Market Is Building Slack at an Uncomfortable Pace

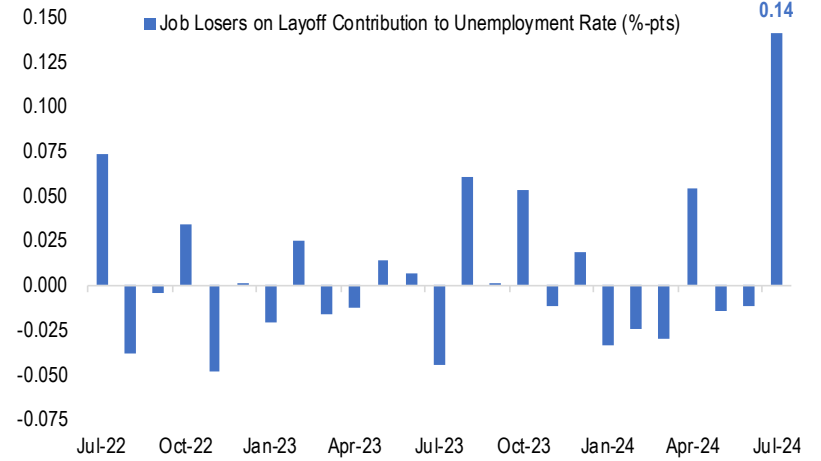


Note: (*) excludes pandemic. Sources: U.S. Bureau of Labor Statistics (BLS), National Bureau of Economic Research (NBER), Arch Global Economics

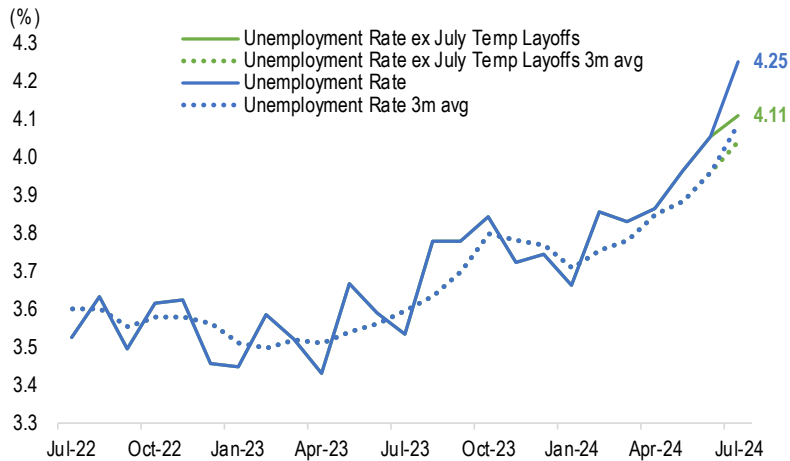
Bad Weather Impacted 1.4m Workers' Hours or Ability to Work in July, but All Counted as Employed by BLS



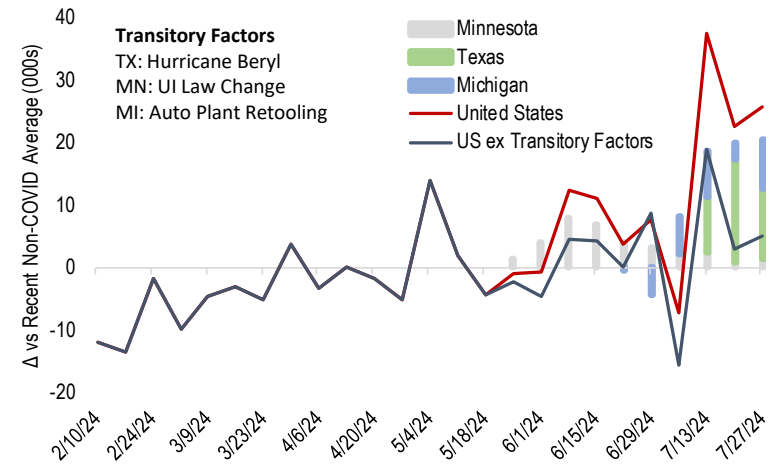
Temp Layoffs Drove 0.14%-pt Jump in Unemployment Rate but BLS Says No Evidence of Hurricane Impact



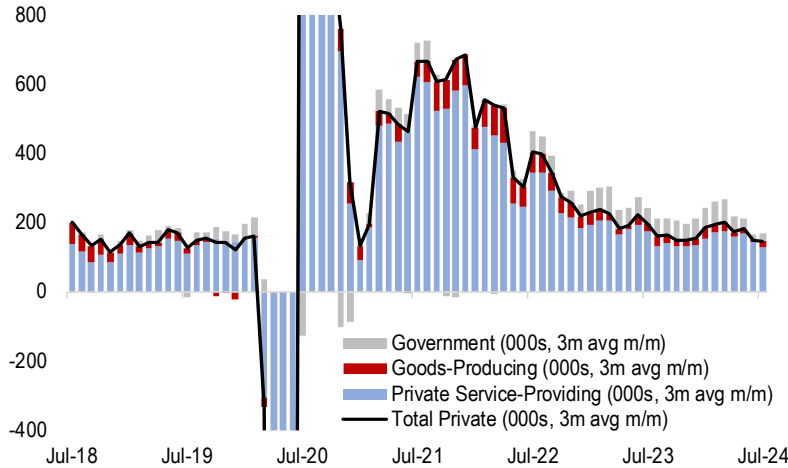
Uptrend in Unemployment Rate Remains Worrying, Even When Excluding July Surge in Temp Layoffs



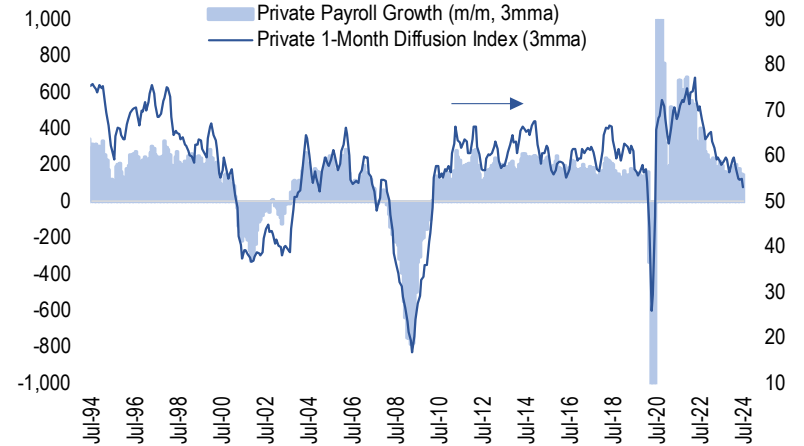
Ex-Impact of Hurricane and Other Transitory Factors, Uptrend in Jobless Claims More in Line with Trend



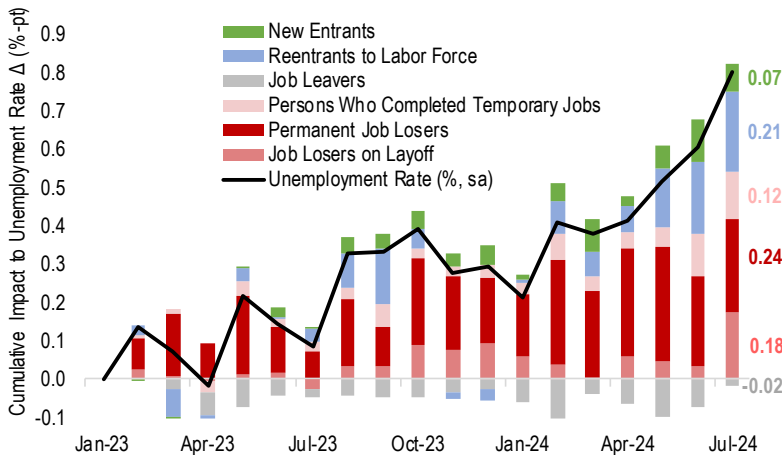
Private-Sector Job Growth Has Taken a Step Lower in Recent Months ...



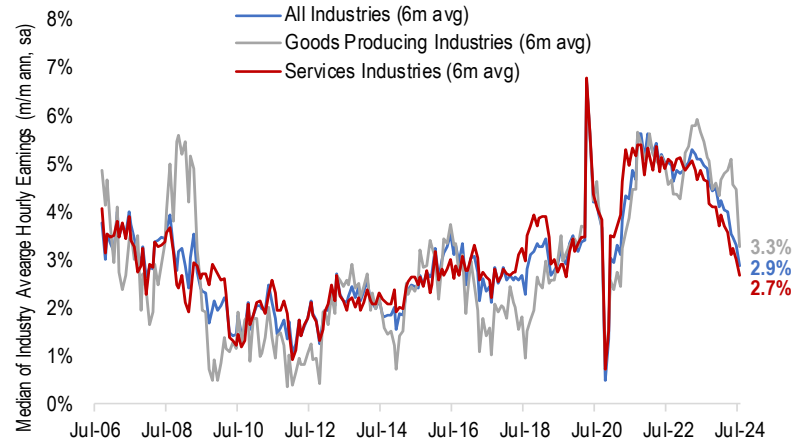
... as Has the Breadth of Job Growth across Private-Sector Industries



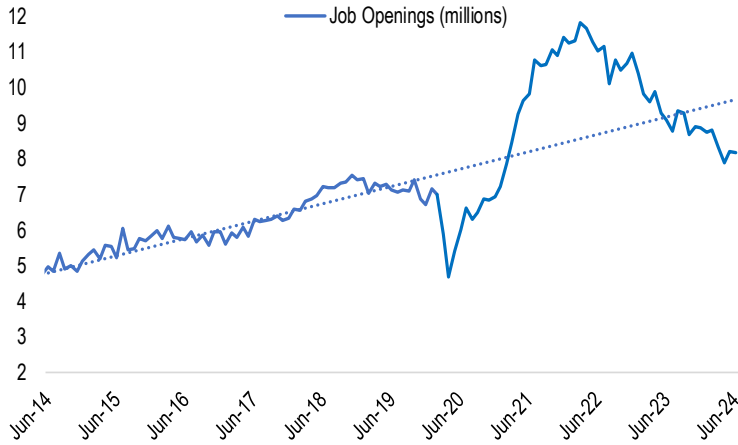
Recent Months' Rise in Unemployment Driven by New Workers but Job Losers Still Account for Largest Share



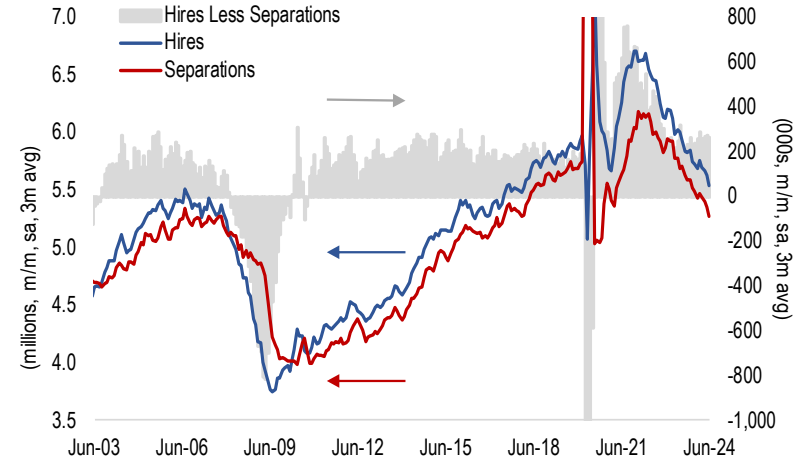
Typical Hourly Wage Growth Has Slowed Sharply to below Pace That Prevailed at Onset of Pandemic



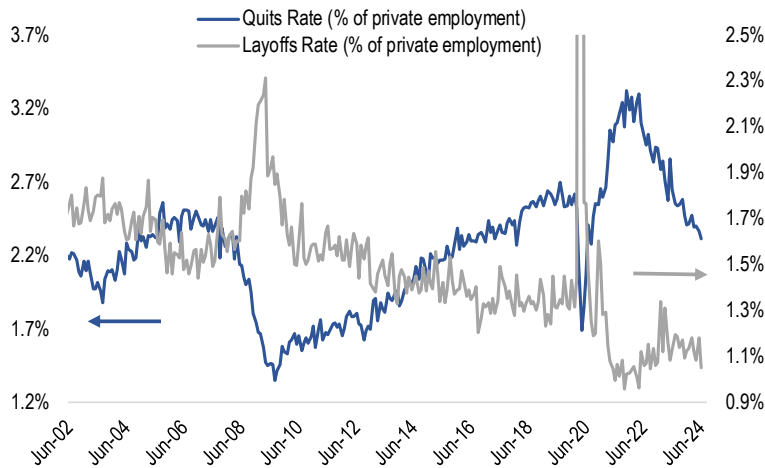
Total Job Openings Were Down -10% y/y in June and Have Fallen Well below the Pre-Pandemic Trend



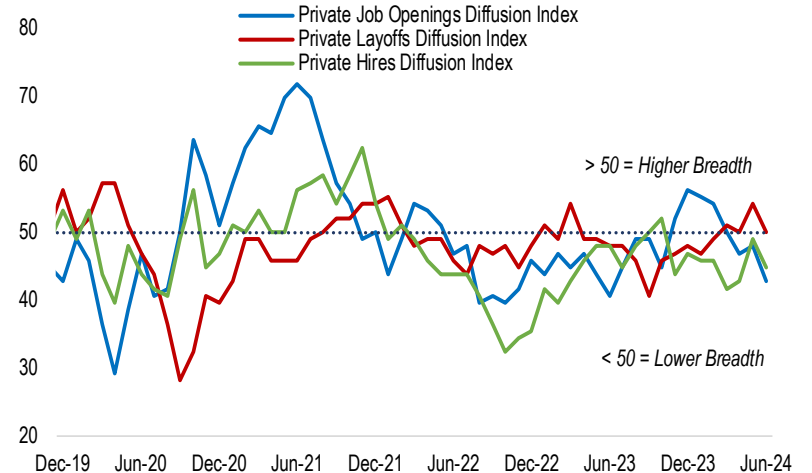
Net Job Growth Dragged Down by Slower Hiring Pace, Not an Increase in Layoffs



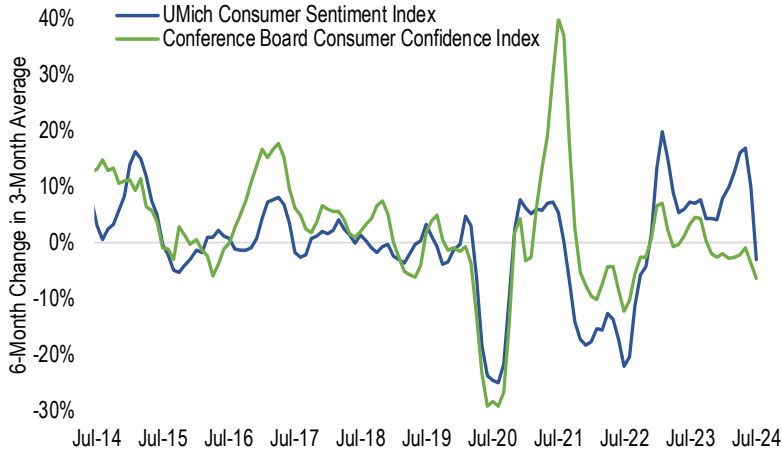
Quits Rate Fell to 2.1%, the Lowest Since 2018 (ex-Pandemic) and Implies Softer Wage Growth Ahead



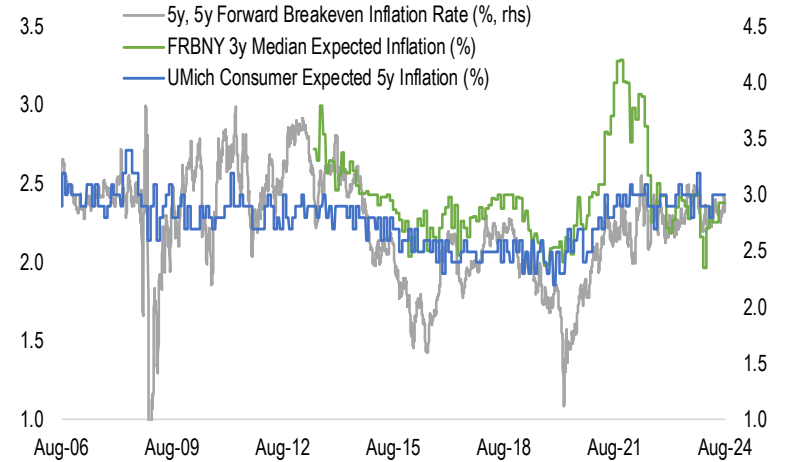
Job Opening and Hiring Breadth Has Declined Notably across Industries Since the Start of 2024



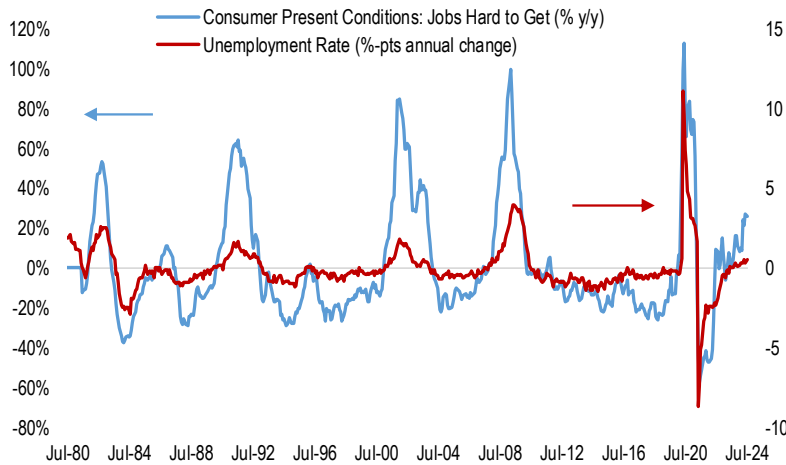
Consumer Confidence Has Declined Meaningfully in Recent Months per UMich and Conference Board



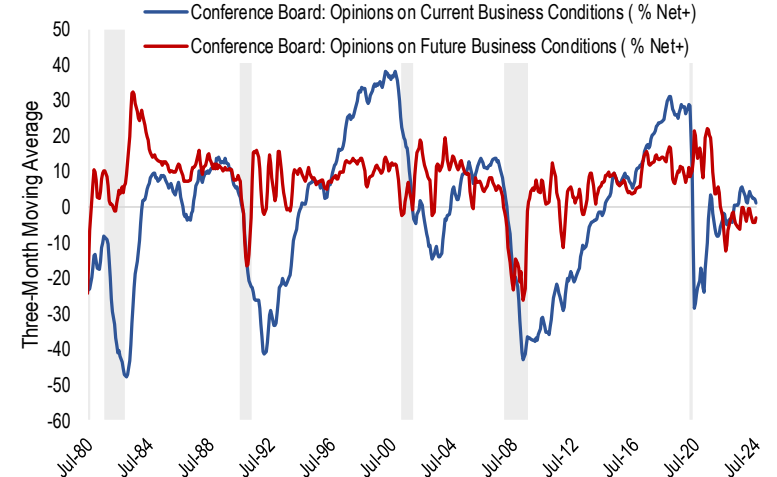
Measures of Medium-Term Inflation Expectations Continued to Hover around Pre-COVID-19 Norms



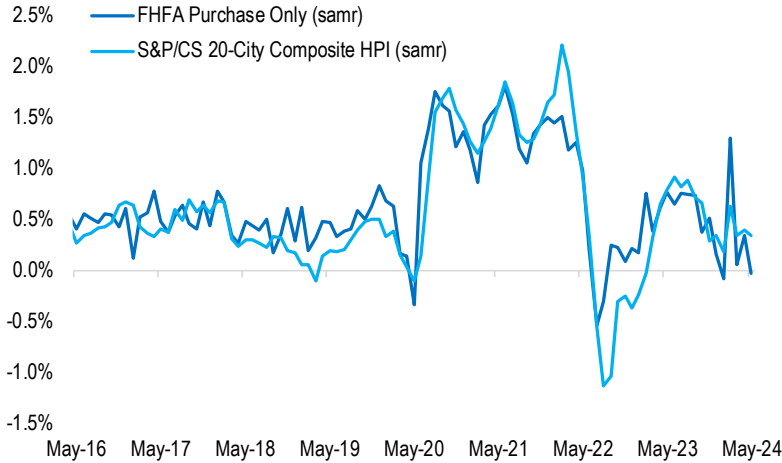
Conference Board Measure of Current Job Market Health Deteriorating alongside Rise in Unemployment



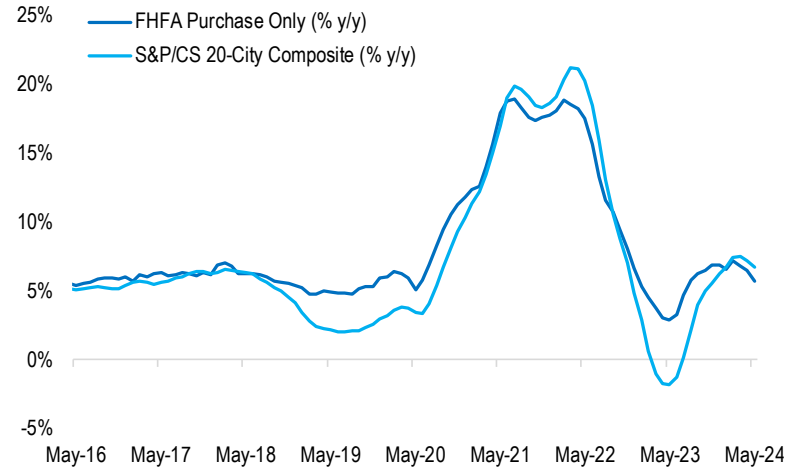
Households' Perceptions of Present Business Conditions Continued to Worsen



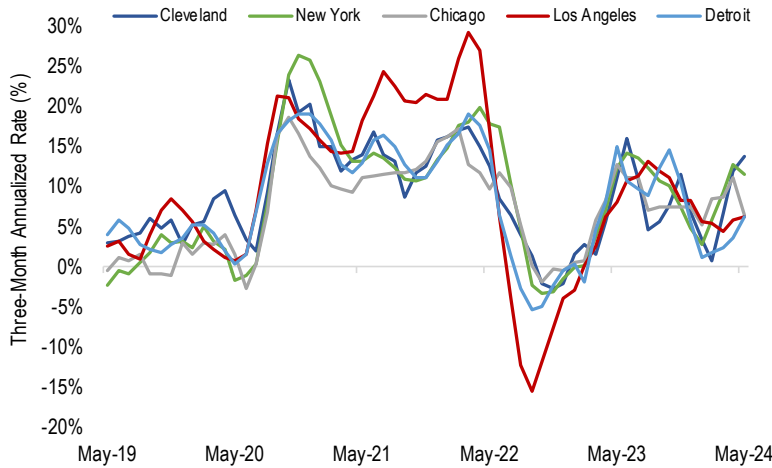
Home Price Growth Slowed in May, Led by the Pacific and South Central Regions



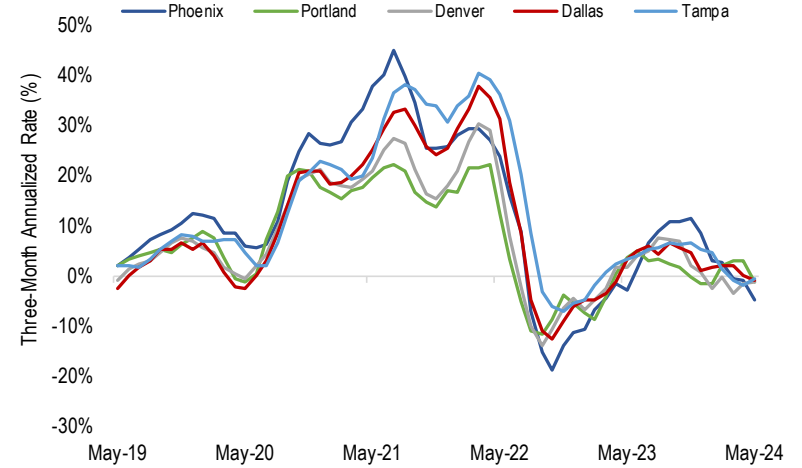
Annual Home Price Growth also Cooled and Should Slow Further in Coming Months



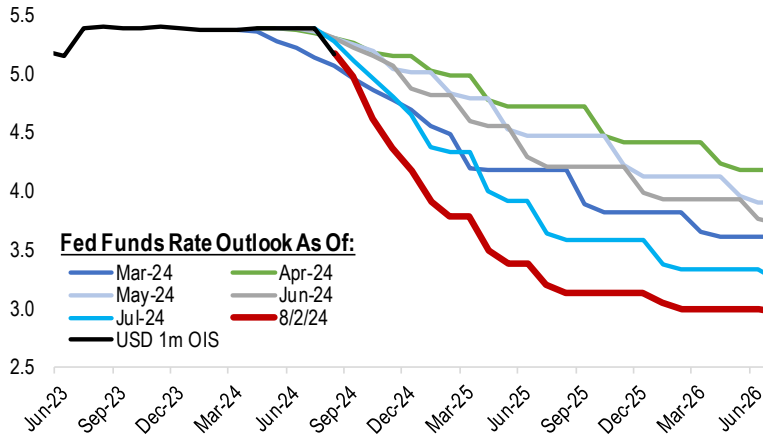
Top States for Home Price Momentum Excludes South Region



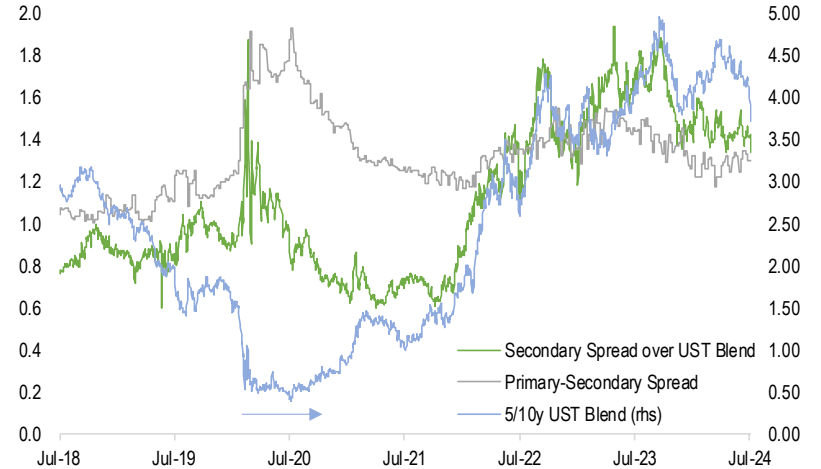
Significant Loss of Home-Price Momentum in Tampa and Phoenix, with Denver Showing Some Stabilization



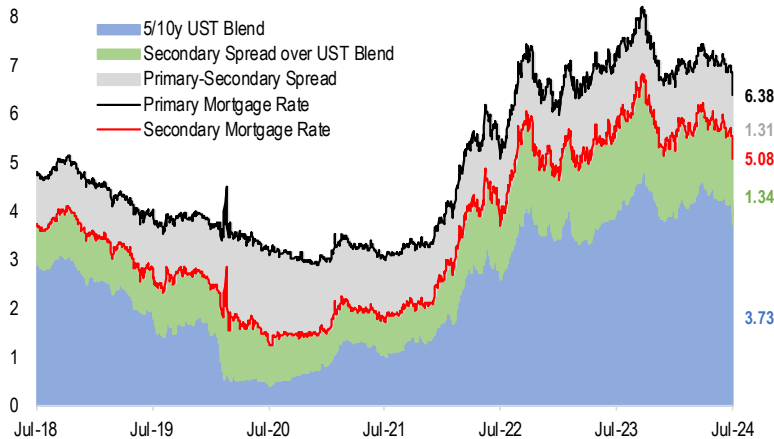
Market Jumps to Pricing in 5 Fed Rate Cuts in '24 vs. 3 a Week Ago after Weaker-Than-Expected Jobs Report



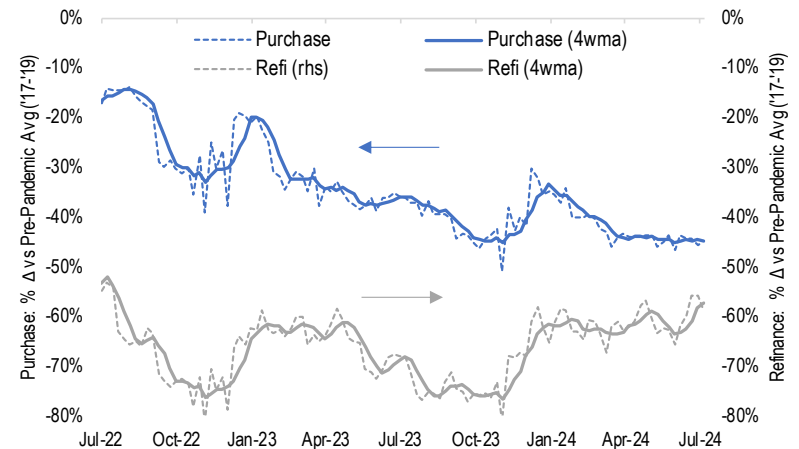
U.S. Treasury Yields Plunged 42bps Last Week While Combined Mortgage Spreads Narrowed 7bps ...



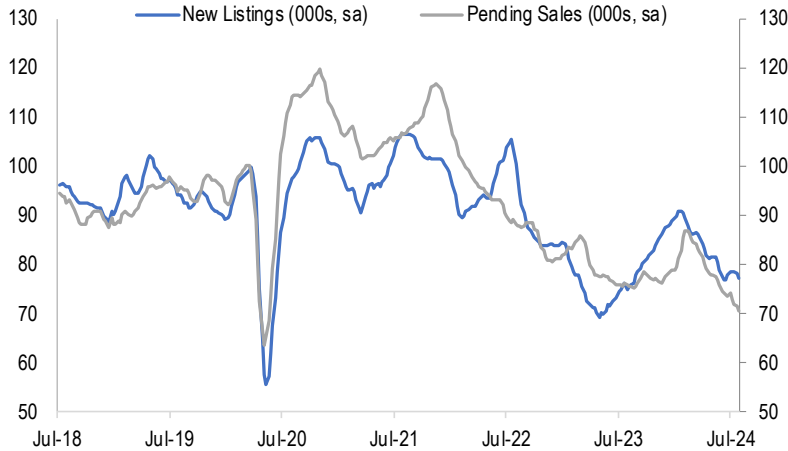
... Which Pulled Mortgage Rates below 6.50% for the First Time Since April '23



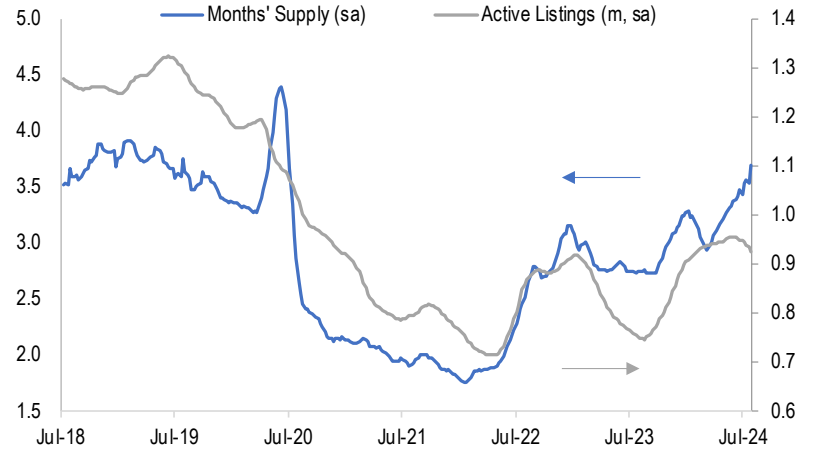
Mortgage Purchase Applications Still Flatlining in Week before Mortgage Rates Plunged



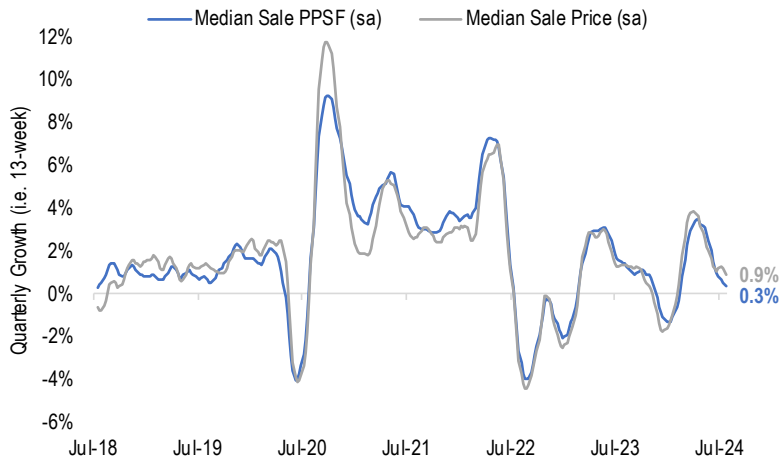
Pending Home Sales Continued to Cool Faster Than Retrenchment in New Listings



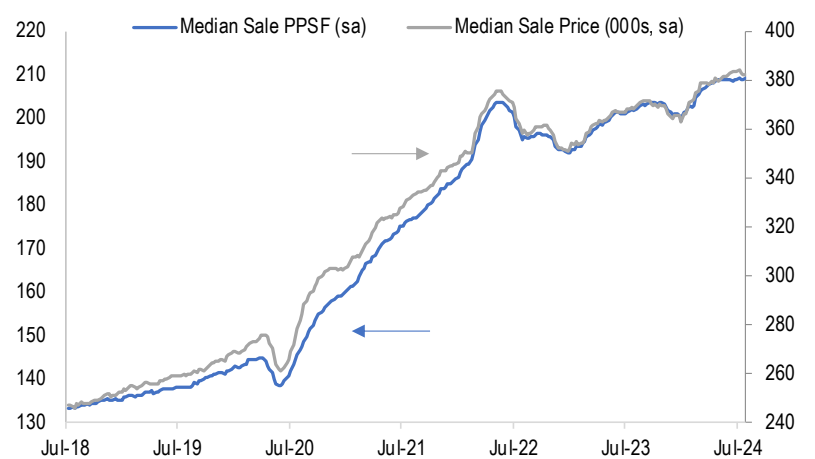
Months' Supply Climbed to Another Post-Pandemic Peak, a Level Not Seen Since Mid-2019



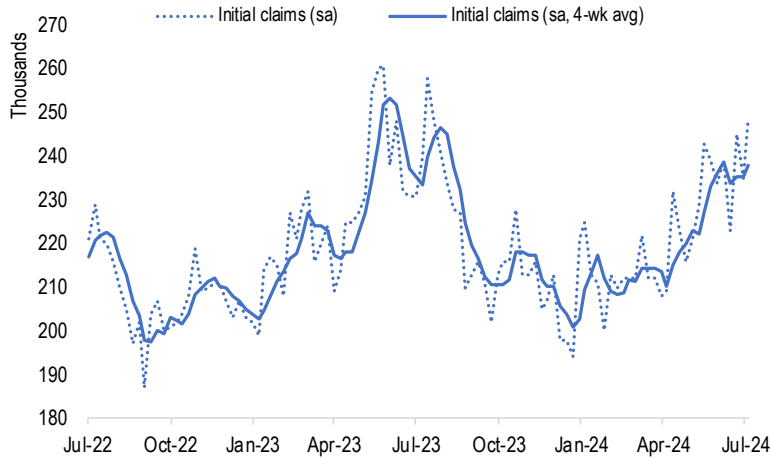
Softening Market Conditions Have Rapidly Pulled Down Seasonally Adjusted Home-Price Growth ...



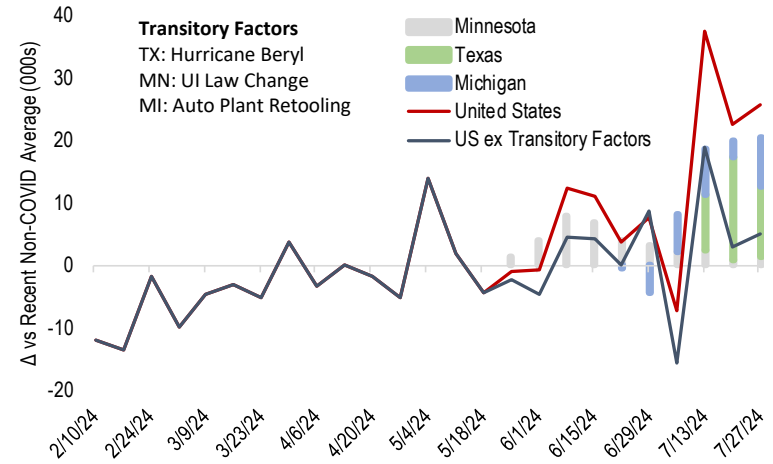
... and the Seasonally Adjusted National Median Sales Price Has Turned Modestly Lower Since Early July



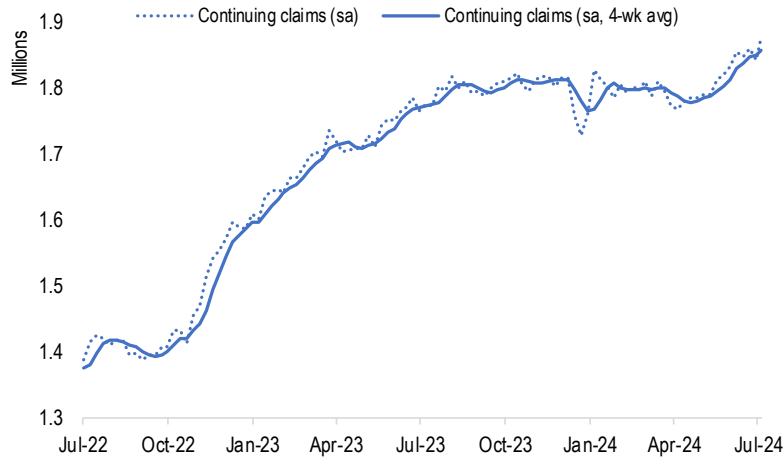
**Initial Claims (SA) Moved Higher Again
Mostly Due to Transitory Factors in a Few Key States**



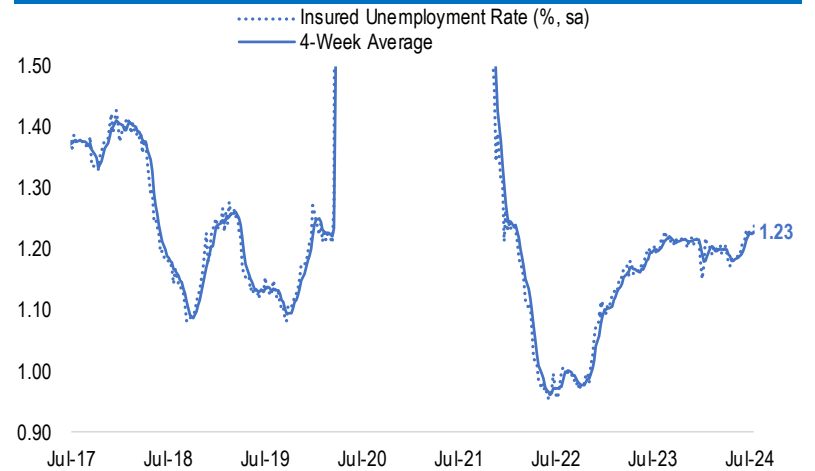
**Excluding Transitory Factors, Uptrend in Jobless Claims
Looks More Consistent with Recent Trend**



**Continuing Claims Remained in a Multi-Month Uptrend,
also Boosted by Transitory Factors**



**Insured Unemployment Rate (% of Eligible Workers
Claiming Benefits) Has Pivoted Higher as Well**



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
8/5/24	9:45 AM	S&P Global US Services PMI	Jul F	55.0	56.0	--	56.0	index, sa
8/5/24	9:45 AM	S&P Global US Composite PMI	Jul F	54.3	--	--	55.0	index, sa
8/5/24	10:00 AM	ISM Services Index	Jul	51.4	51.0	--	48.8	index, nsa
8/5/24	2:00 PM	Senior Loan Officer Opinion Survey (SLOOS)	Jul	--	--	--	--	
8/7/24	7:00 AM	MBA Mortgage Applications w/w	Aug 2	--	--	--	-4	%, sa
8/7/24	3:00 PM	Consumer Credit m/m	Jun	--	10.00	--	11.35	\$B, sa
8/8/24	8:30 AM	Initial Jobless Claims	Aug 3	--	240	--	249	k, sa
8/8/24	8:30 AM	Continuing Claims	Jul 27	--	1,871	--	1,877	k, sa
8/8/24	10:00 AM	Wholesale Trade Sales m/m	Jun	--	0.3	--	0.4	%, sa
8/8/24	10:00 AM	Wholesale Inventories m/m	Jun F	--	0.2	--	0.2	%, 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
7/30/24	9:00 AM	FHFA House Price Index m/m	May	0.0	0.2	0.3	0.2	%, sa
7/30/24	9:00 AM	S&P CoreLogic CS 20-City m/m SA	May	0.3	0.3	0.4	0.4	%, sa
7/30/24	9:00 AM	S&P CoreLogic CS 20-City y/y NSA	May	6.8	6.6	7.3	7.2	%, nsa
7/30/24	10:00 AM	JOLTS Job Openings	Jun	8,184	8,000	8,230	8,140	k, sa
7/30/24	10:00 AM	Conf. Board Consumer Confidence	Jul	100.3	99.7	97.8	100.4	index, sa
7/31/24	7:00 AM	MBA Mortgage Applications w/w	Jul 26	-3.9	--	--	-2.2	%, sa
7/31/24	8:15 AM	ADP Employment m/m	Jul	122	150	155	150	k, sa
7/31/24	8:30 AM	Employment Cost Index q/q	2Q	0.9	1.0	--	1.2	%, sa
7/31/24	10:00 AM	Pending Home Sales m/m	Jun	4.8	1.5	-1.9	-2.1	%, sa
7/31/24	10:00 AM	Pending Home Sales y/y	Jun	-7.8	-7.4	-6.5	-6.6	%, nsa
7/31/24	2:00 PM	FOMC Rate Decision (Upper Bound)	Jul 31	5.50	5.50	--	5.50	
8/1/24	11:00 AM	Wards Total Vehicle Sales	Jul	15.8	16.2	--	15.3	m, saar
8/1/24	8:30 AM	Nonfarm Productivity q/q	2Q P	2.3	1.8	0.4	0.2	%, saar
8/1/24	8:30 AM	Unit Labor Costs q/q	2Q P	0.9	1.7	3.8	4.0	%, saar
8/1/24	8:30 AM	Initial Jobless Claims	Jul 27	249	236	--	235	k, sa
8/1/24	8:30 AM	Continuing Claims	Jul 20	1,877	1,855	1,844	1,851	k, sa
8/1/24	9:45 AM	S&P Global US Manufacturing PMI	Jul F	49.6	49.6	--	49.5	index, sa
8/1/24	10:00 AM	ISM Manufacturing	Jul	46.8	48.8	--	48.5	index, sa
8/1/24	10:00 AM	ISM Prices Paid	Jul	52.9	51.8	--	52.1	index, nsa
8/2/24	8:30 AM	Nonfarm Payrolls m/m	Jul	114	175	179	206	k, sa
8/2/24	8:30 AM	Private Payrolls m/m	Jul	97	140	--	136	k, sa
8/2/24	8:30 AM	Unemployment Rate	Jul	4.3	4.1	--	4.1	sa
8/2/24	8:30 AM	Average Hourly Earnings m/m	Jul	0.2	0.3	--	0.3	%, sa
8/2/24	8:30 AM	Average Hourly Earnings y/y	Jul	3.6	3.7	3.8	3.9	%, nsa
8/2/24	8:30 AM	Average Weekly Hours All Employees	Jul	34.2	34.3	--	34.3	sa
8/2/24	8:30 AM	Labor Force Participation Rate	Jul	62.7	62.6	--	62.6	sa
8/2/24	10:00 AM	Durable Goods Orders m/m	Jun F	-6.7	-6.6	--	-6.6	%, sa
8/2/24	10:00 AM	Cap Goods Orders Nondef Ex Air m/m	Jun F	0.9	1.0	--	1.0	%, 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)