

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 12, 2024

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Impatiently Waiting

- **Key Takeaway:** Light data week put emphasis on bank credit data, which showed banks were still cautious on CRE and consumer credit.
- **Macro Implications:** Drag from still-tight bank credit is fading but conditions overall remain restrictive as consumer delinquencies tick higher.
- **Housing Implications:** Banks modestly eased credit conditions for residential mortgages, but demand was still softer than April.

Macro: Inflation Pulse Check but Retail Sales Key This Week

- July unemployment surge not due to hurricane per our analysis of CPS data.
- Banks still tightening credit through July, remained restrictive historically.
- Initial jobless claims fell, providing some relief after poor July jobs report.

Rates: Take a Breath

- 10-yr UST yield rose ~10bps w/w to 3.94% amid better macro data.
- Credit market volatility eased but could prove short-lived.
- Market expecting 4 rate cuts in '24 (50bps in Sept.), down from 5 a week ago.

Housing: Mortgage Rates Remain Around 6.5%

- Mortgage rates remained close to 6.5% as Treasury yields rebounded.
- Purchase applications remained depressed with limited upside ahead.
- Fannie Mae survey shows homebuying sentiment remained in downtrend.

Consumer Credit: Households Hitting Interest Cost Fatigue

- Total consumer credit was up 0.2% m/m in Jun. and up 1.8% y/y.
- Revolving credit fell again with 2H24 pace less than half of 2H23.
- Rising debt service costs hitting lower income groups the hardest.

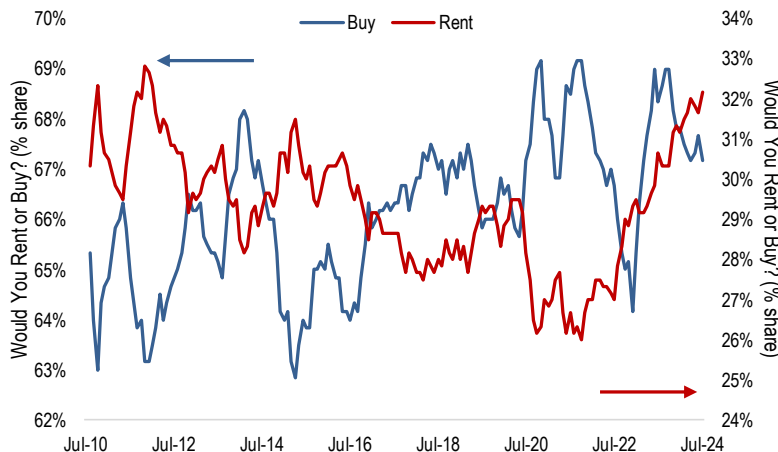
Banking & Credit: Bank Credit Standards Marginally Improved

- Lending standards tightened at a moderating intensity in July.
- Banks tightening credit most for CRE loans and consumer credit.
- Consumer loan demand remained weak across categories.

Purchasing Manager Indexes: Services Activity Recovers

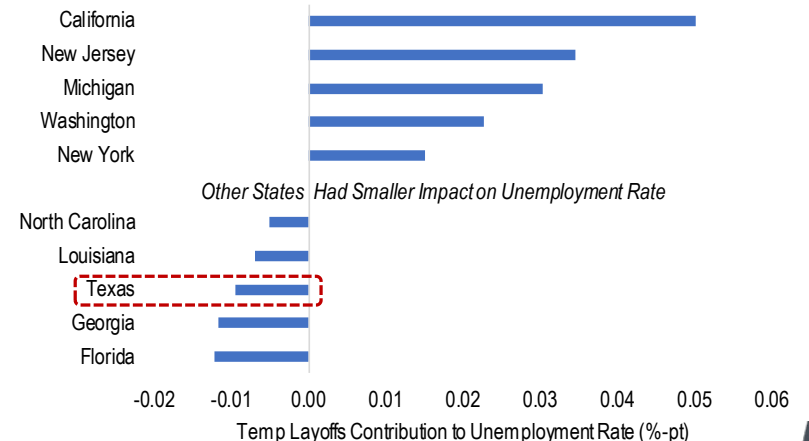
- Services PMI rebounded in July as business output climbed.
- Manufacturing PMI continued to be weak across the board.
- Outlook components less positive compared to three months ago.

Share of Households Choosing to Rent at Highest Level Since 2011 per Fannie Mae's Housing Survey



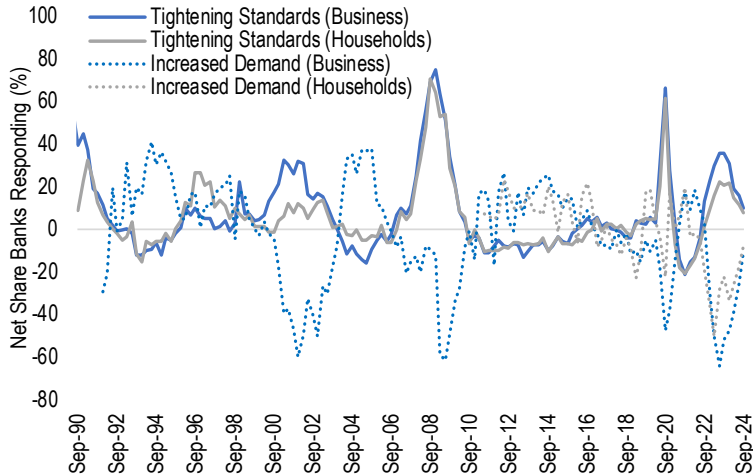
Sources: Federal Reserve Board (FRB), Bloomberg, Fannie Mae, Current Population Survey (CPS) Microdata, Arch Global Economics

Temporary Layoffs Added 14bps to July Unemployment Rate, but Surge Not Driven by Hurricane Beryl in Texas

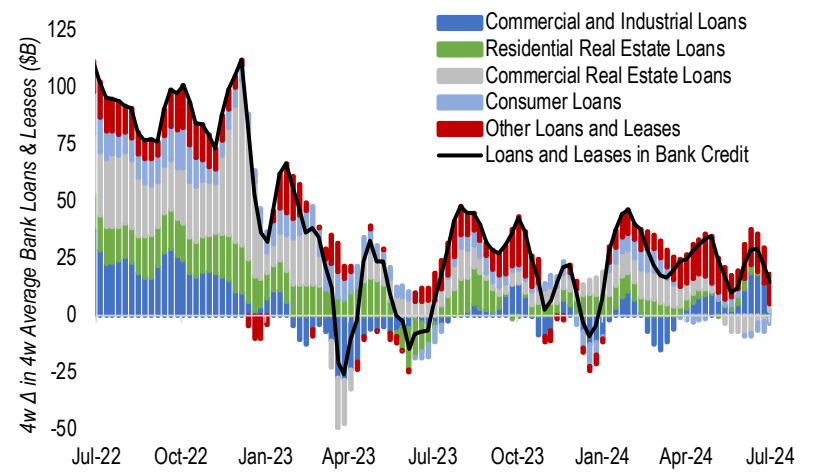


CRE = Commercial Real Estate

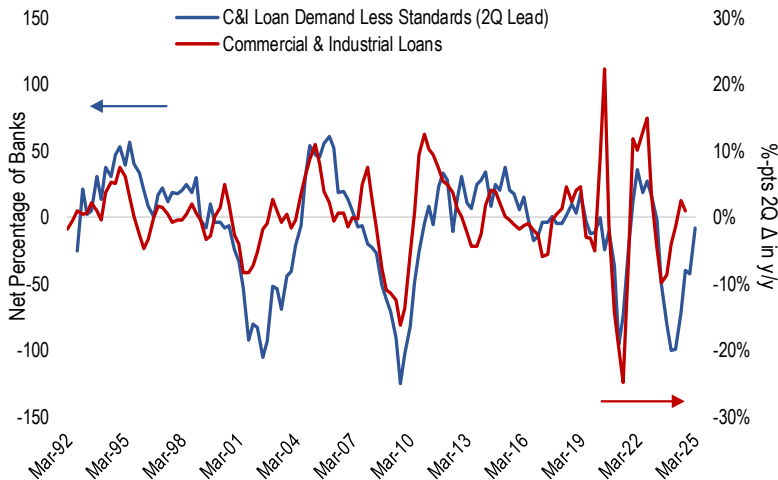
Slight Decline in Net Share of Banks Tightening Credit Standards as Demand for Credit Declined Less Quickly



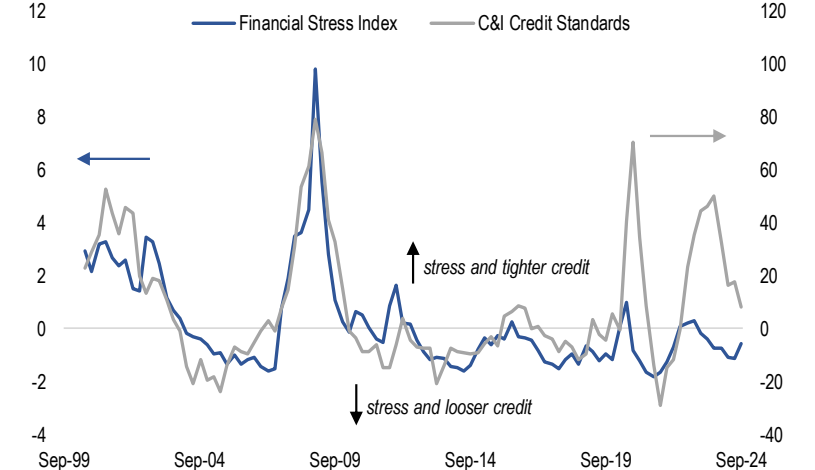
Bank Credit Impulse Remained Weak as Business and Consumer Loan Growth Still Soft



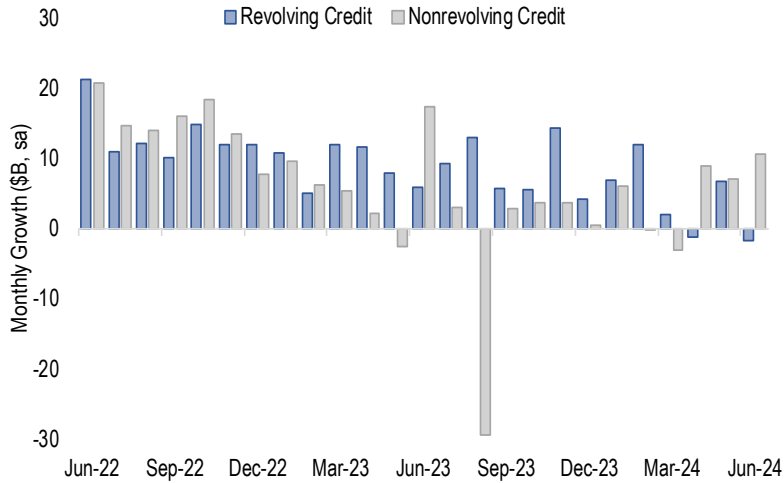
Banks Becoming Slightly Less Risk Averse, Suggesting Business Loan Growth Should Recover



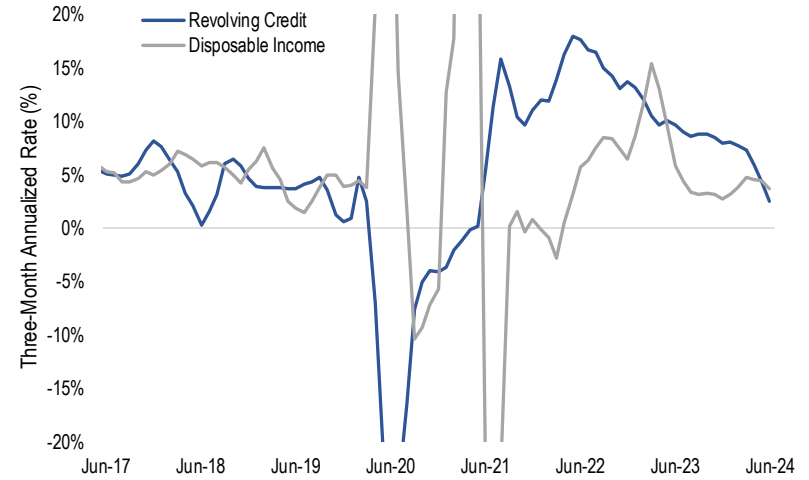
Despite Fewer Banks Tightening Credit, Market Volatility Has Modestly Increased Financial Stress



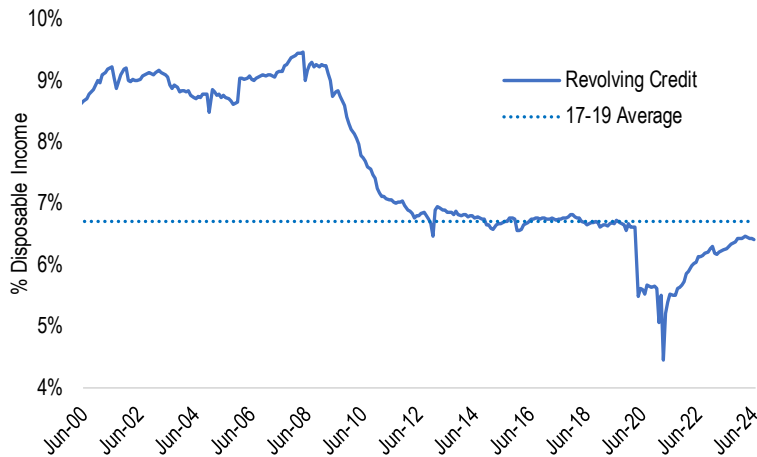
Total Consumer Credit Rose in June but Revolving Credit Has Downshifted Meaningfully



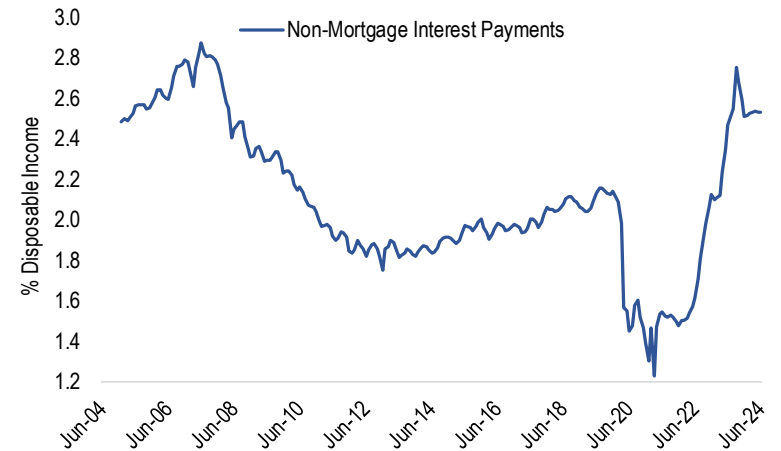
Pullback in Use of Revolving Credit Means Households Increasingly Reliant on Income to Drive Consumption



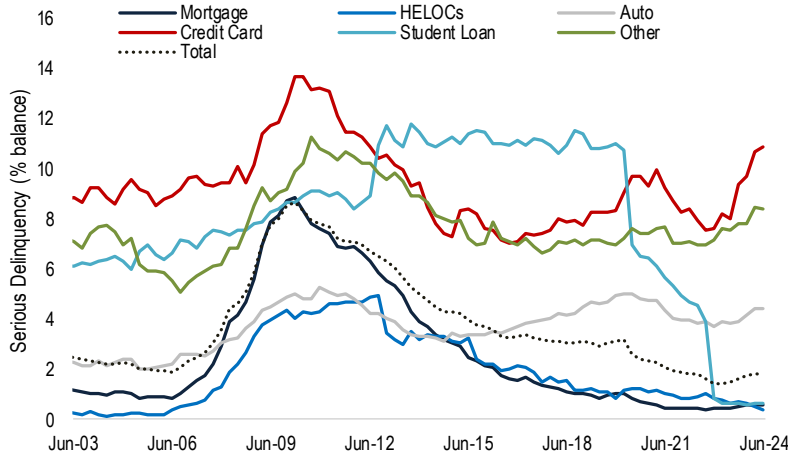
Revolving Credit Declining Relative to Income over Last Few Months



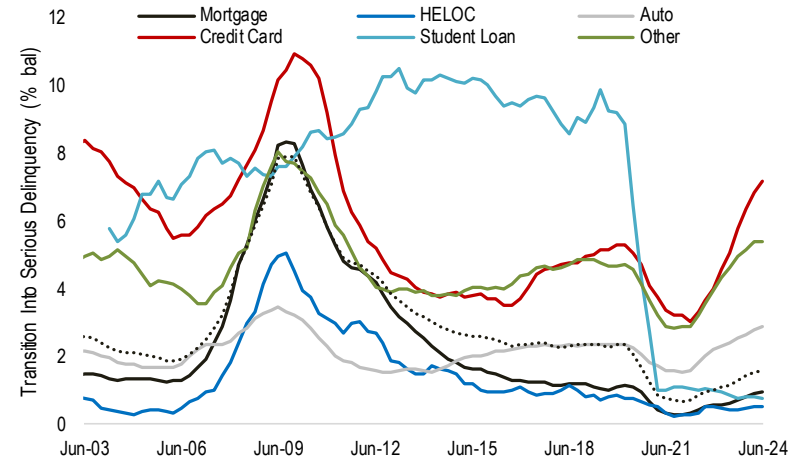
High Cost of New Consumer Loans Has Driven Non-Mortgage Interest Payments Sharply Higher



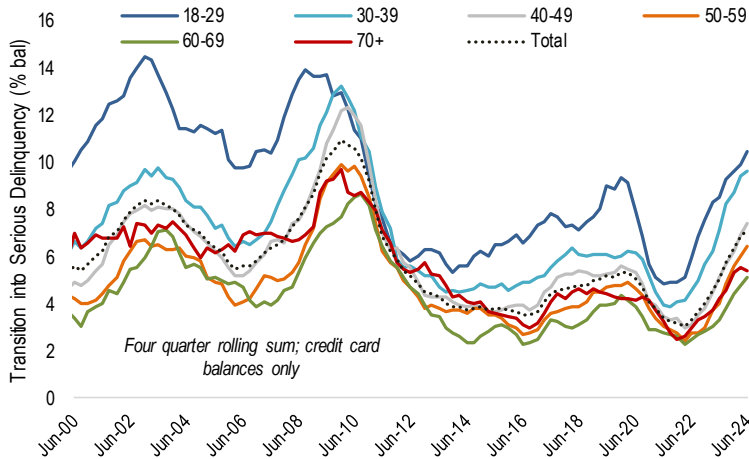
Seriously Delinquent (90+ days) Balances Slowly Rising with Credit Card Debt Leading



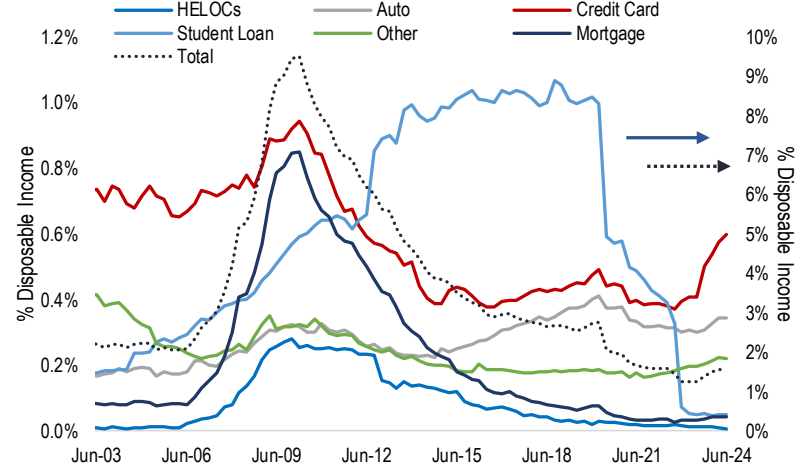
Transition Rates into Serious Delinquency Continued to Rise at Rapid Pace for Credit Card Debt



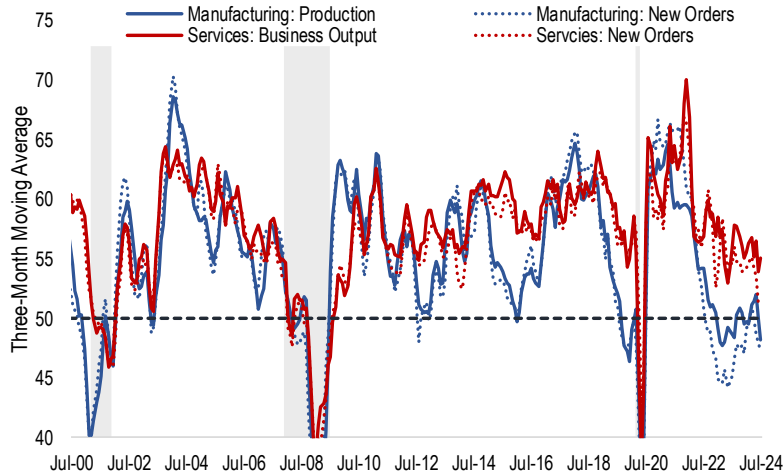
Credit Card Seriously Delinquent Transition Rates Remained Highest for Youngest Cohorts



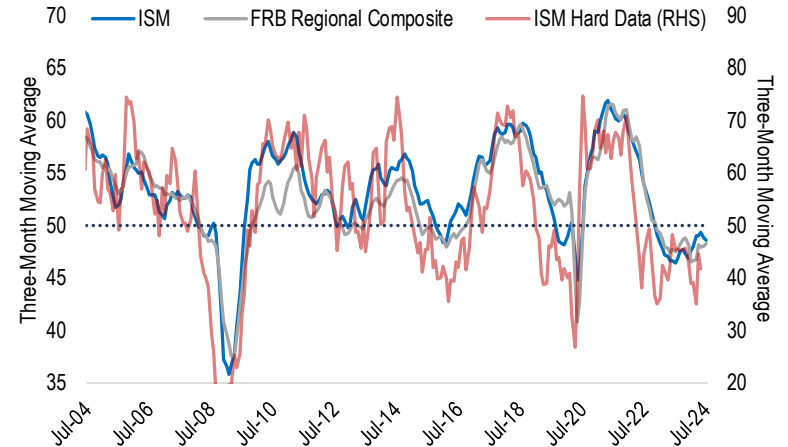
Total Delinquent Consumer and Mortgage Debt Remained Small Share of Income



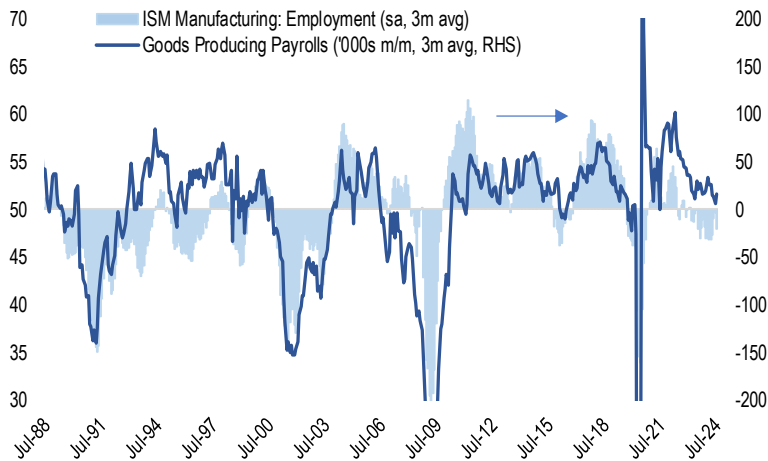
Services Sector PMI Rebounded in July but Underlying Trends in New Orders Remain Tepid at Best



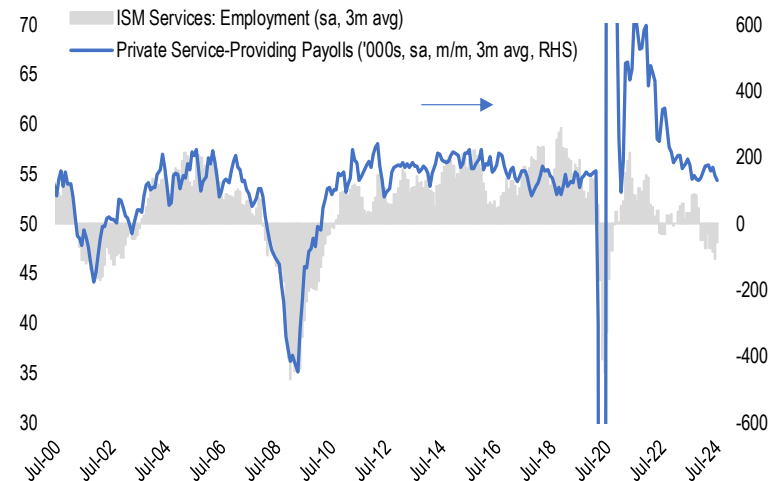
ISM "Hard Data" Pulled Back in June with All Components aside from Shipments Showing Weakness



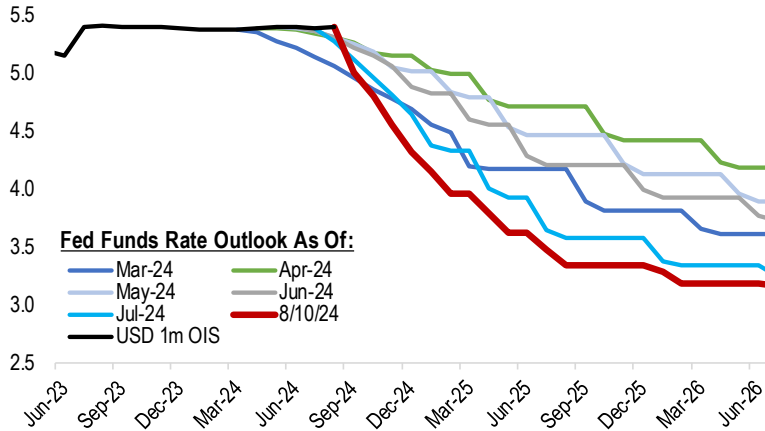
Goods-Producing Employment Momentum Has Slowed Largely Due to Weakness in Durable Goods Sector



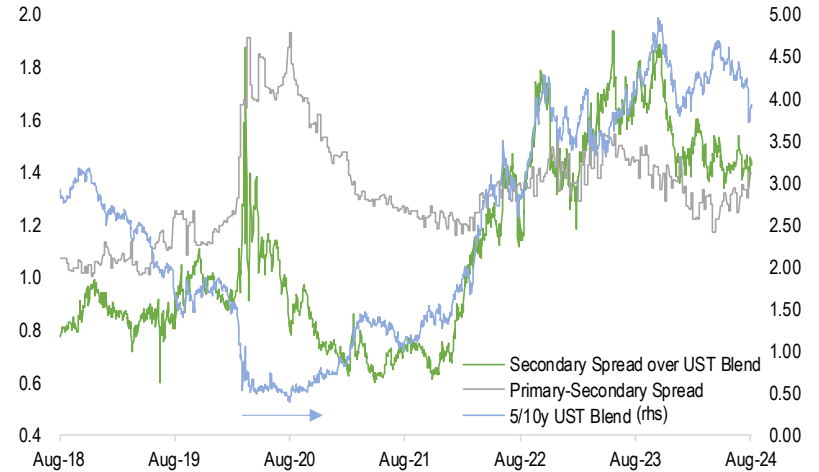
Weak Services PMI Employment Index More Related to Reduced Hiring Pace Than Layoffs



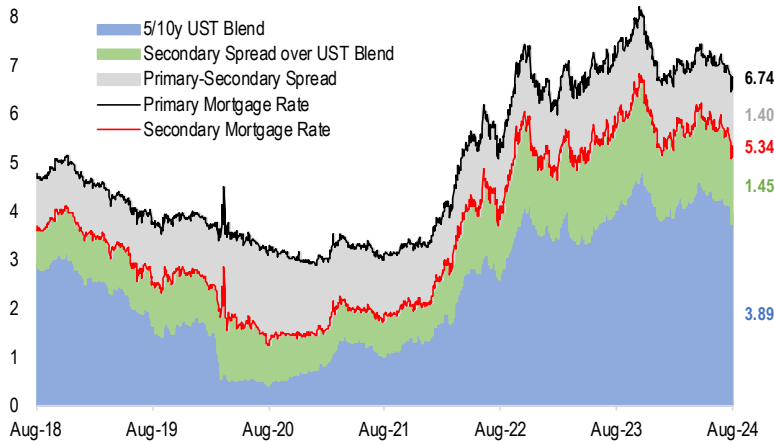
Market Pares One Cut From '24 Outlook vs. Five a Week Ago, with ~50% Odds of a 50bps Rate Cut in Sept.



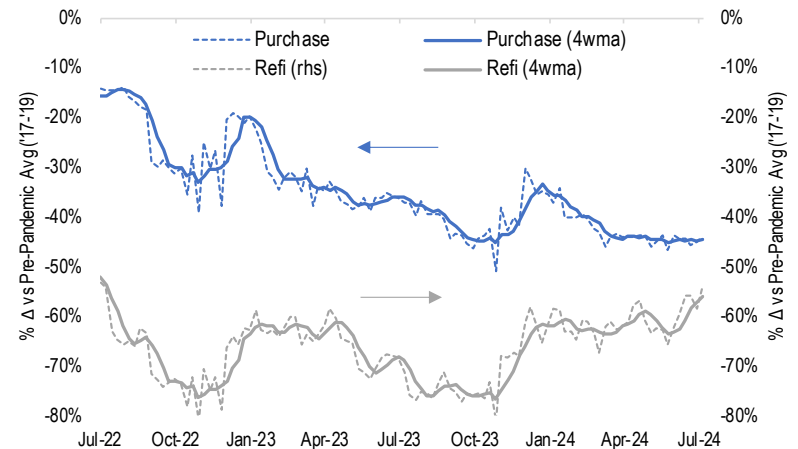
U.S. Treasury Yields Rebounded 16bps Last Week While Combined Mortgage Spreads Widened 10bps ...



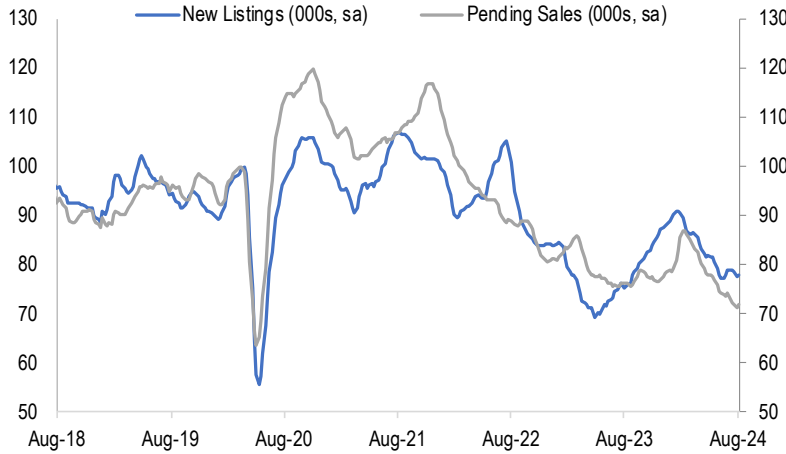
... Which Lifted Mortgage Rates Back above 6.50%



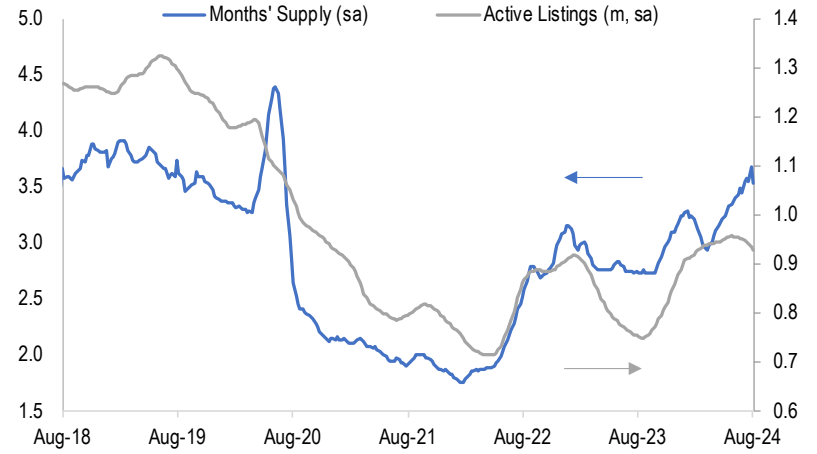
Mortgage Purchase Applications Still Flatlining Even after Mortgage Rates Plunged



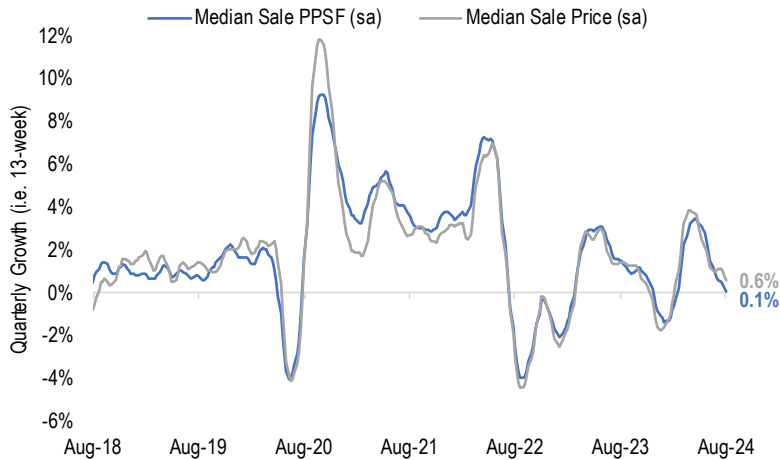
Pending Home Sales Continued to Cool Faster Than Retrenchment in New Listings



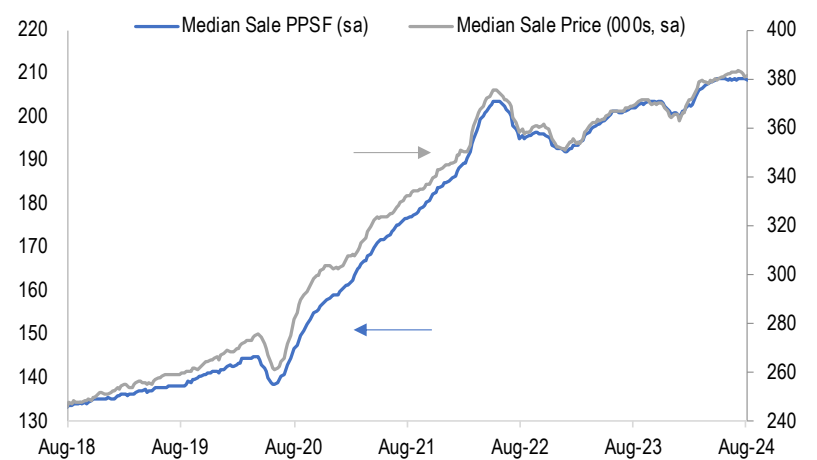
Months' Supply Remained Near Post-Pandemic Peak, in Line with Mid-2019 Market Balance



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

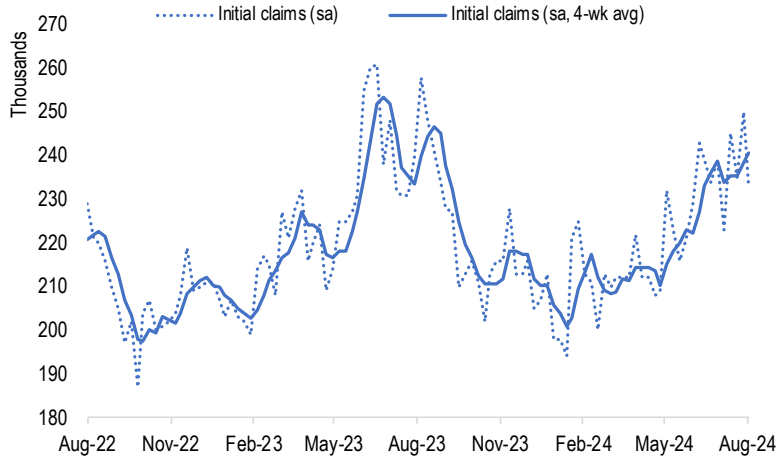


National Home Price Growth Has Cooled to 3% y/y, with Some Markets Still Declining Outright

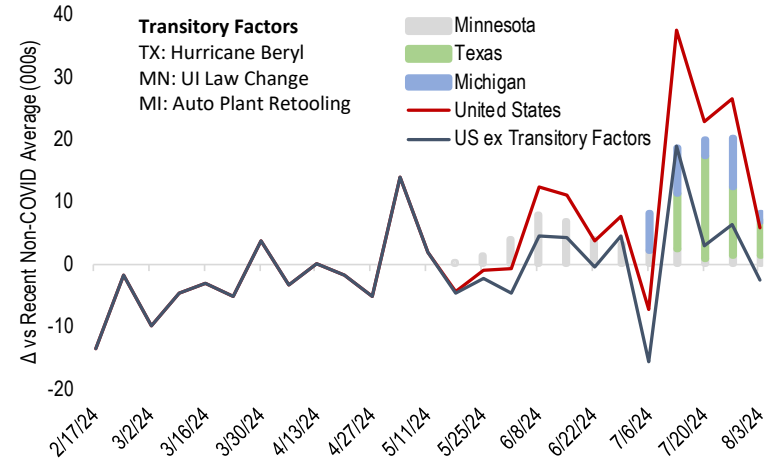
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.1%	-1.4%	6.5%	1.4%	7.2%	1.9%	99.4%	-0.5%	-9.4	-15.2	19%	-5%	-23%
Atlanta	1.7%	-4.0%	3.8%	2.1%	8.4%	3.0%	98.6%	-0.7%	4.9	-5.6	1%	-9%	-11%
Austin	-3.0%	-1.8%	-1.4%	1.3%	9.6%	1.0%	97.7%	-0.2%	32.1	24.3	18%	106%	50%
Baltimore	4.0%	-1.7%	5.6%	1.5%	7.2%	1.9%	101.3%	-0.5%	-9.8	-12.8	15%	-27%	-39%
Boston	3.8%	-3.1%	6.6%	1.3%	5.6%	1.6%	102.6%	-0.5%	7.9	7.2	15%	-9%	-20%
Chicago	6.5%	-2.8%	7.6%	1.2%	4.0%	1.3%	100.6%	0.1%	18.6	19.3	-9%	-18%	-12%
Dallas	0.5%	-1.6%	3.5%	1.5%	10.6%	2.8%	98.1%	-0.9%	5.5	-3.5	35%	31%	-9%
Denver	-0.4%	-2.6%	4.2%	3.0%	11.4%	1.7%	99.1%	-0.7%	7.9	0.4	42%	59%	6%
Houston	1.5%	-0.8%	3.8%	0.4%	7.7%	1.4%	97.6%	-0.7%	0.3	-7.5	18%	13%	-18%
Los Angeles	4.8%	-3.8%	6.3%	0.8%	4.9%	1.9%	101.0%	-0.8%	-3.1	-7.4	21%	9%	-9%
Miami	5.9%	-3.5%	3.8%	-2.6%	4.4%	1.8%	96.3%	-0.6%	4.0	-6.2	35%	8%	-33%
Minneapolis	1.8%	0.1%	3.7%	1.3%	7.6%	2.0%	100.3%	-1.1%	-1.5	-5.8	6%	0%	-10%
Nashville	2.5%	-0.9%	3.6%	1.2%	6.7%	2.0%	98.4%	-0.2%	0.7	-3.9	14%	17%	0%
New York	6.6%	-3.4%	9.9%	0.5%	4.1%	0.8%	100.8%	0.3%	-37.5	-32.0	-7%	-24%	-26%
Phoenix	0.2%	-5.3%	3.2%	0.2%	7.8%	2.2%	98.4%	-0.2%	10.8	-0.7	35%	38%	0%
Portland	1.7%	-0.5%	3.5%	1.1%	9.3%	2.3%	99.8%	-0.3%	4.2	-0.6	12%	19%	1%
Riverside	3.9%	-1.8%	5.7%	0.0%	5.8%	1.6%	99.6%	-0.4%	-10.6	-14.3	19%	1%	-13%
San Diego	4.2%	-6.5%	6.1%	0.3%	7.5%	2.8%	99.8%	-1.3%	-0.3	-8.1	48%	2%	-34%
Seattle	6.9%	-1.7%	4.8%	-1.7%	7.9%	1.6%	100.6%	-0.1%	-1.8	-2.0	28%	17%	-5%
Tampa	-0.3%	-2.4%	2.4%	-0.3%	10.7%	2.6%	97.5%	-0.7%	6.0	-10.5	62%	46%	-14%
Washington DC	5.3%	0.0%	5.6%	0.2%	5.7%	1.5%	100.5%	-0.2%	8.3	3.6	11%	0%	-11%

Data as of August 4, 2024, and reflects 4-week averages.

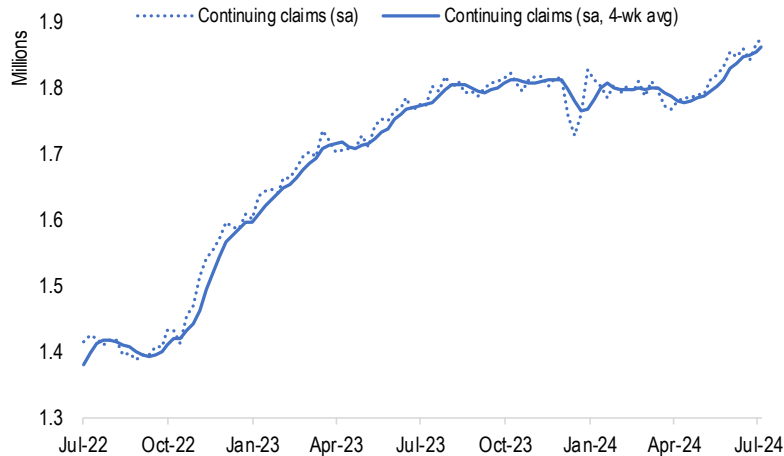
Initial Claims (SA) Declined as Transitory Factors Started to Fade, Most Notably in Michigan



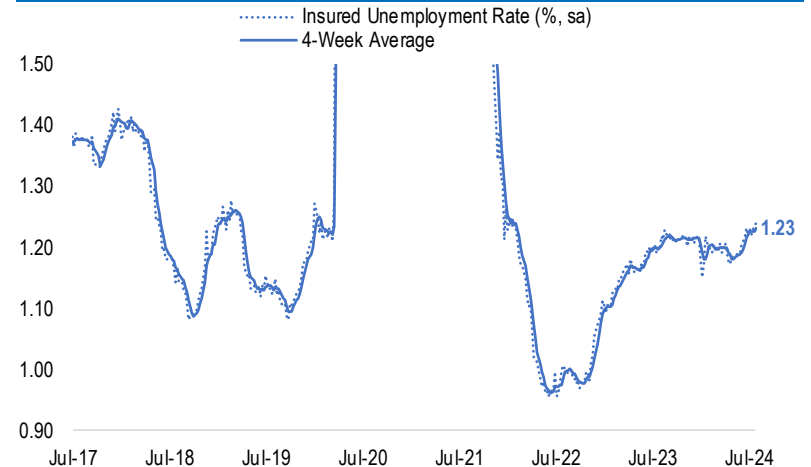
Excluding Transitory Factors, Jobless Claims Have Not Changed Much Since March



Continuing Claims Remained in a Multi-Month Uptrend, Also Boosted Somewhat 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
8/12/24	11:00 AM	NY Fed 1-Yr Inflation Expectations	Jul	3.0	--	--	3.0	%
8/13/24	6:00 AM	NFIB Small Business Optimism	Jul	--	91.5	--	91.5	index, sa
8/13/24	8:30 AM	PPI Final Demand m/m	Jul	--	0.2	--	0.2	%, sa
8/13/24	8:30 AM	PPI Core (ex Food and Energy) m/m	Jul	--	0.2	--	0.4	%, sa
8/13/24	8:30 AM	PPI Final Demand y/y	Jul	--	2.3	--	2.6	%, nsa
8/13/24	8:30 AM	PPI Core (ex Food and Energy) y/y	Jul	--	2.6	--	3.0	%, nsa
8/14/24	7:00 AM	MBA Mortgage Applications w/w	Aug 9	--	--	--	6.9	%, sa
8/14/24	8:30 AM	CPI m/m	Jul	--	0.2	--	-0.1	%, sa
8/14/24	8:30 AM	CPI Core (ex Food and Energy) m/m	Jul	--	0.2	--	0.1	%, sa
8/14/24	8:30 AM	CPI y/y	Jul	--	3.0	--	3.0	%, nsa
8/14/24	8:30 AM	CPI Core (ex Food and Energy) y/y	Jul	--	3.2	--	3.3	%, nsa
8/15/24	8:30 AM	Advance Retail Sales m/m	Jul	--	0.4	--	0.0	%, sa
8/15/24	8:30 AM	Retail Sales Control Group m/m	Jul	--	0.1	--	0.9	%, sa
8/15/24	8:30 AM	Initial Jobless Claims	Aug 10	--	235	--	233	k, sa
8/15/24	8:30 AM	Continuing Claims	Aug 3	--	1,870	--	1,875	k, sa
8/15/24	8:30 AM	Import Price Index m/m	Jul	--	-0.1	--	0.0	%, nsa
8/15/24	8:30 AM	Import Price Index y/y	Jul	--	1.6	--	1.6	%, nsa
8/15/24	9:15 AM	Capacity Utilization	Jul	--	78.5	--	78.8	sa
8/15/24	10:00 AM	Business Inventories m/m	Jun	--	0.3	--	0.5	%, sa
8/15/24	10:00 AM	NAHB Housing Market Index	Aug	--	43	--	42	index, sa
8/16/24	8:30 AM	Housing Starts	Jul	--	1,335	--	1,353	k, saar
8/16/24	8:30 AM	Building Permits	Jul	--	1,425	--	1,446	k, saar
8/16/24	8:30 AM	Housing Starts m/m	Jul	--	-1.3	--	3.0	%, sa
8/16/24	8:30 AM	Building Permits m/m	Jul	--	-1.5	--	3.4	%, sa
8/16/24	10:00 AM	U. of Mich. Sentiment	Aug P	--	66.9	--	66.4	index, nsa
8/16/24	10:00 AM	U. of Mich. 1 Yr Inflation	Aug P	--	2.9	--	2.9	nsa
8/16/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Aug P	--	2.9	--	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	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
8/7/24	7:00 AM	MBA Mortgage Applications w/w	Aug 2	6.9	--	--	-3.9	%, sa
8/7/24	3:00 PM	Consumer Credit m/m	Jun	8.93	10.0	13.9	11.4	\$B, sa
8/8/24	8:30 AM	Initial Jobless Claims	Aug 3	233	240	250	249	k, sa
8/8/24	8:30 AM	Continuing Claims	Jul 27	1,875	1,875	1,869	1,877	k, sa
8/8/24	10:00 AM	Wholesale Inventories m/m	Jun F	0.2	0.2	--	0.2	%, sa
8/8/24	10:00 AM	Wholesale Trade Sales m/m	Jun	-0.6	0.3	0.3	0.4	%, 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)