HaMMR Digest

Stay current with economic and mortgage market trends.

August 18, 2025

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Whipsawed

- **Key Takeaway:** Balance of inflation data show tariffs are still building in the system with most costs currently borne by importers and producers.
- **Macro Implications:** Bumpy, drawn-out pass-through to consumer prices will keep the Fed guarded on second-order impacts on services inflation.
- **Housing Implications:** Mortgage rates continue to hover in the high-6% range, which has not yet translated positively to sales momentum.

Macro: See You on the Other Side … Eventually

- Private sector behavior continues adjusting to federal policy implementation.
- Households and firms waiting for certainty before committing to big outlays.
- Prelim Aug. consumer sentiment shed light on how fragile “vibes” still are.

Rates: Markets Not Perturbed

- 10y yield up 4bps to 4.32% after early week compression reversed post-PPI.
- Yield curve remained flat at the front end in bear-steepening fashion.
- Sept. rate cut odds remain ~85%; markets on the fence about 3 cuts by Dec.

Housing: Falling Mortgage Rates Have Their Limit

- Window of opportunity opens with mortgage rates near multi-year low.
- Mortgage rates unlikely to move materially lower unless spreads compress.
- Inventory growth continued to cool as more sellers head for the sidelines.

Consumer Inflation: Incremental Pressure

- July CPI inflation moderated to 0.20% m/m amid weaker energy costs.
- Multi-year high in monthly core inflation driven by rebound in services.
- Tariff-hit goods saw slower price gains, but the trend remains upward.

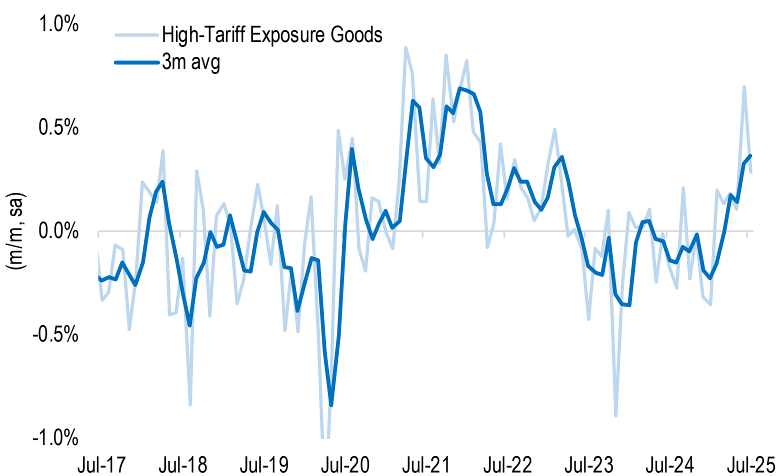
Retail Sales: Online Sales, Higher Prices Boost Nominal Spend

- Retail sales rose 0.5% m/m in July with a decent lift from prices alone.
- Real control group sales remained on a steady glidepath lower.
- Consumers to remain selective, reallocating budgets as costs rise.

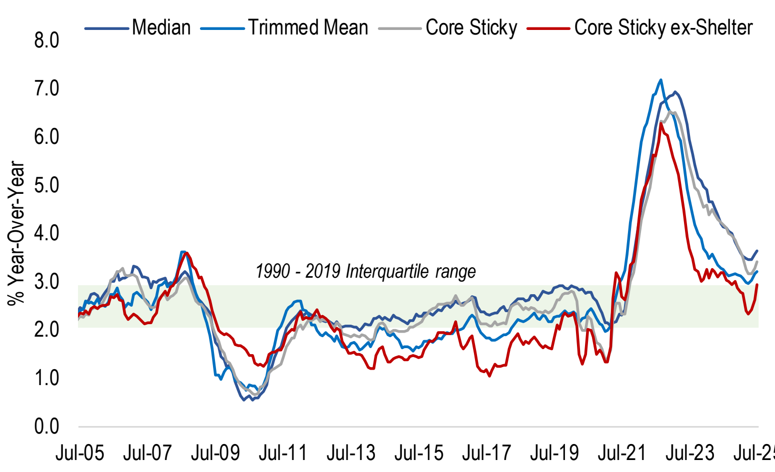
Small Business Optimism: Snap Back to Faux Reality

- NFIB Optimism index jumped to highest level since February.
- Share of firms raising and planning to raise prices continued to rise.
- “Poor sales” as the largest problem hit multi-month high.

Goods Most Exposed to Tariffs Saw Inflation Moderate in July, but New Trend Remained Sharply Higher



More Concerning: Underlying Inflation Pressures Skewed toward Services Complicate Fed Outlook



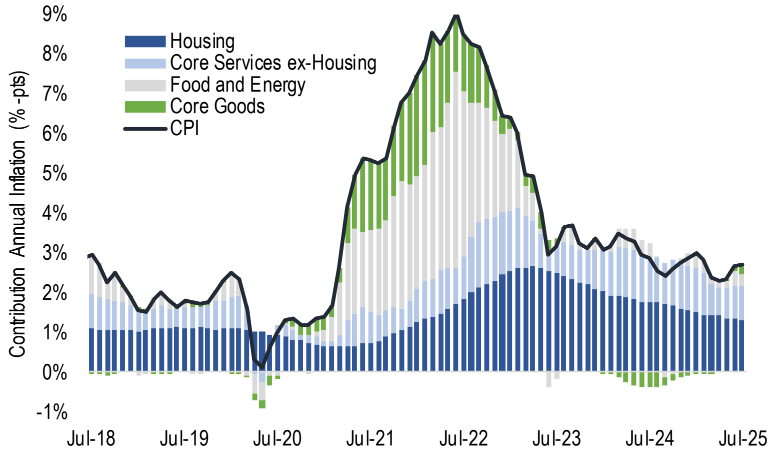
Sources: Bureau of Labor Statistics, Census Bureau, Arch Global Economics

Note: **“Control Group”** = Retail sales excludes autos, gas, building materials and restaurants.

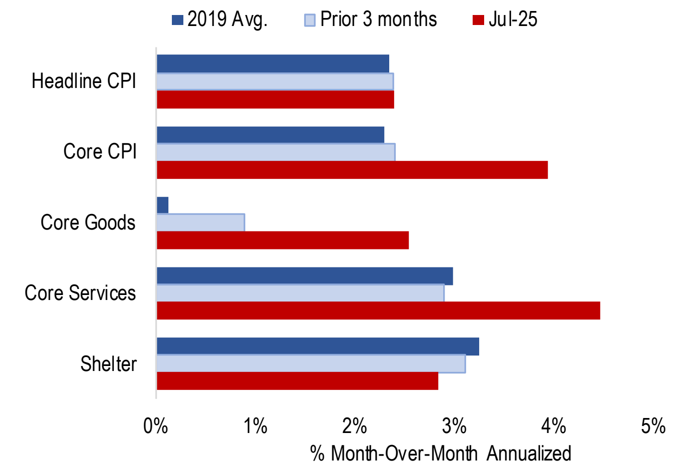
Last Week's Data in Charts

Consumer Price Inflation

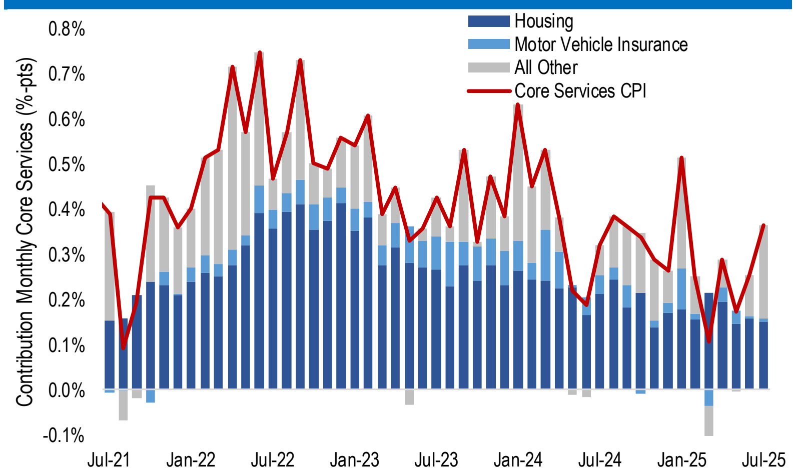
Annual Consumer Inflation Moved Sideways in July as Weak Energy, Food Costs Offset by Firmer Services



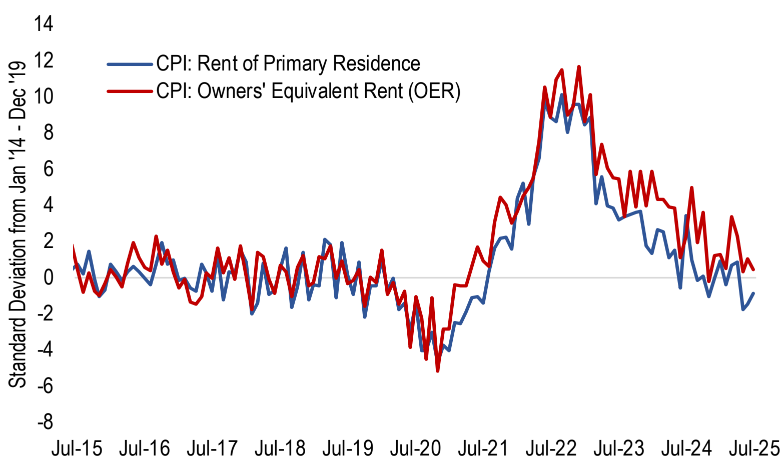
Core Goods Prices for July Showed Clear Signs That Tariffs Are Still Trickling through to Consumers



Core Services Inflation Rebounded Sharply, Mostly Due to a Spike in Airfare and Dental Services Prices …



… Despite Housing Inflation Back within Pre-Pandemic Range

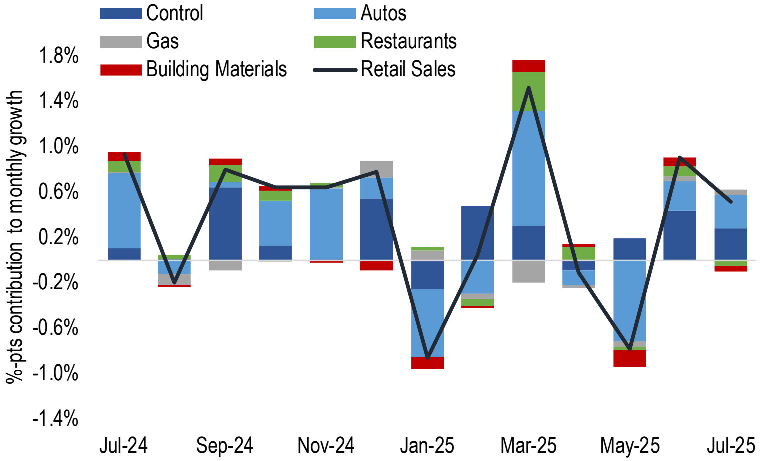


Sources: Bureau of Labor Statistics, Arch Global Economics

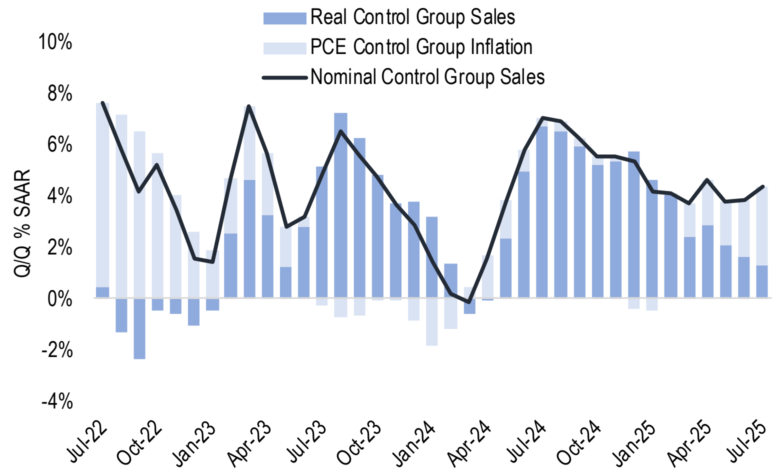
Last Week's Data in Charts

Retail Sales

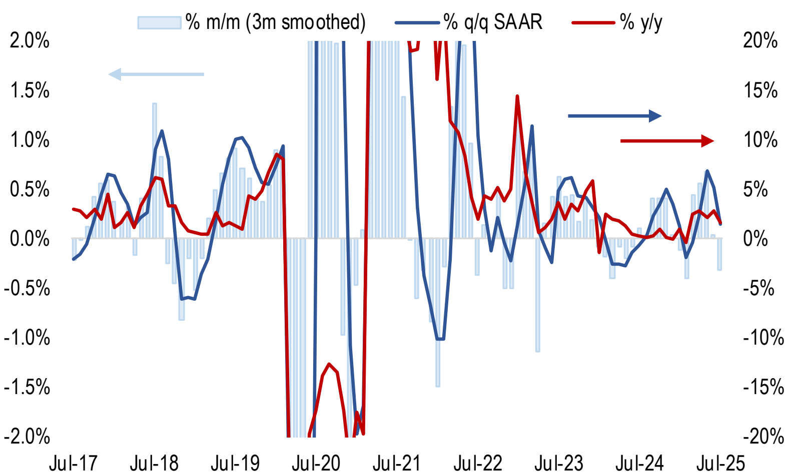
Nominal Retail Sales Slowed in July; Looks Worse on the Surface Given June Was Revised Higher



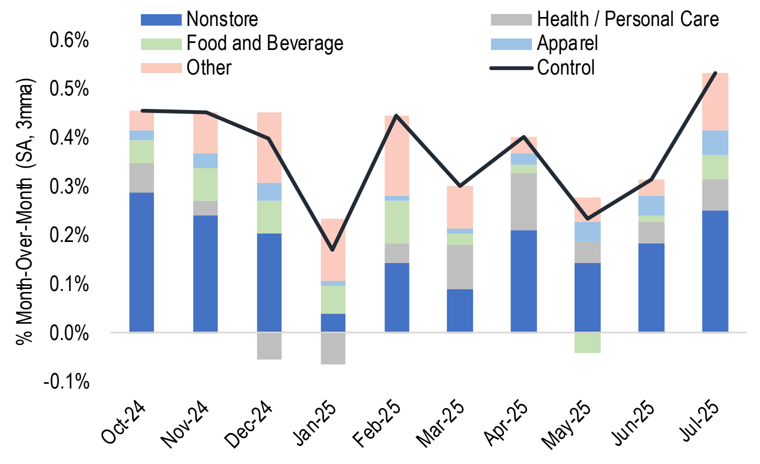
Real (Inflation-Adjusted) Control Group Sales Growth Continued to Cool to a 12-Month Low



Real Restaurant Sales Took a Step Back in July as Households Reallocated Spending toward Other Items



Control Group Rebound Lifted by Non-Store Sales Getting Boost from Online Retailers' July Discounting

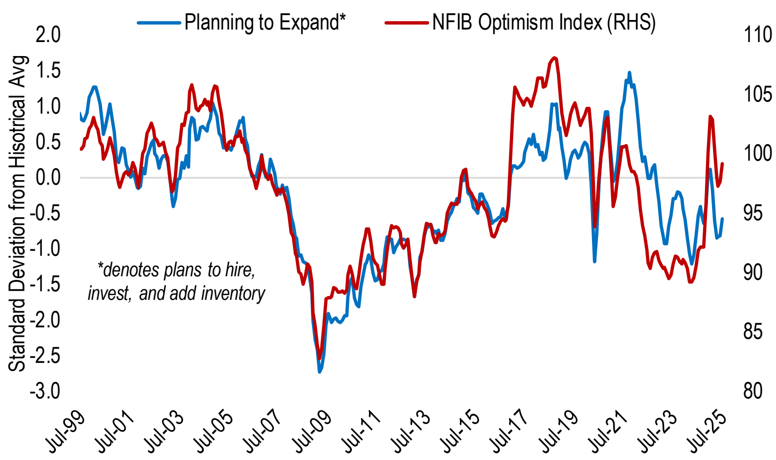


Note: **"Control Group"** = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

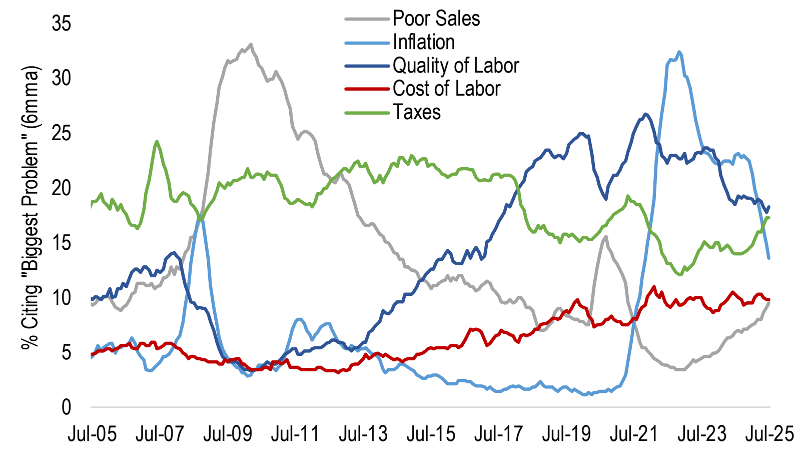
Last Week's Data in Charts

Small Business Sentiment

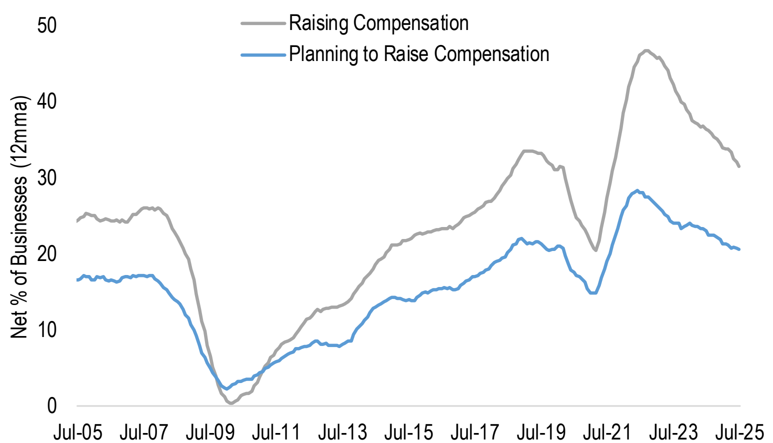
Small Business Plans to Expand Remain Weak and Suggests Strong Rebound in Activity Unlikely



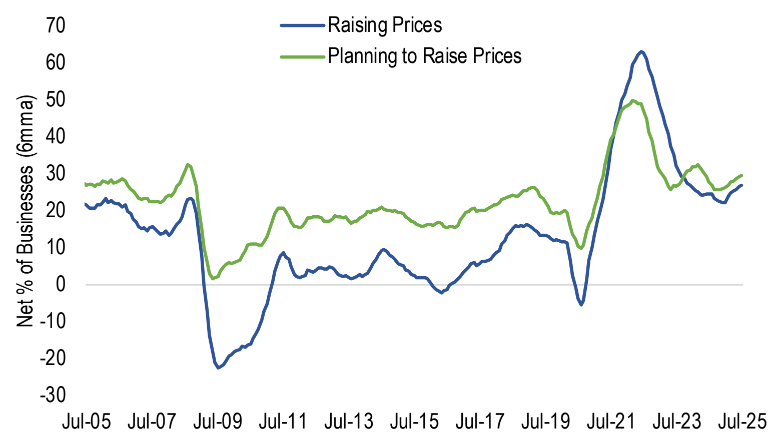
"Poor Sales" Cited as "Biggest Problem" by More Businesses, Overtaking "Cost of Labor"



Pay Increases Have Pivoted Lower with Future Wage Growth Plans at Pre-Pandemic Levels



Share of Firms Planning to Raise Prices Continued to Trend Higher

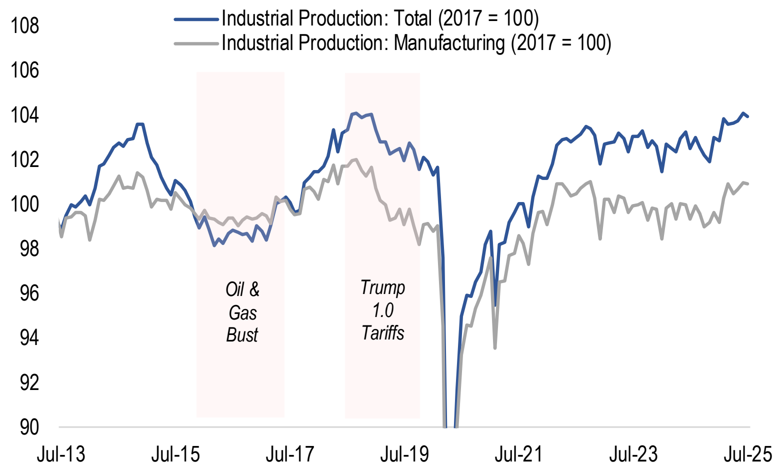


Sources: NFIB, Arch Global Economics

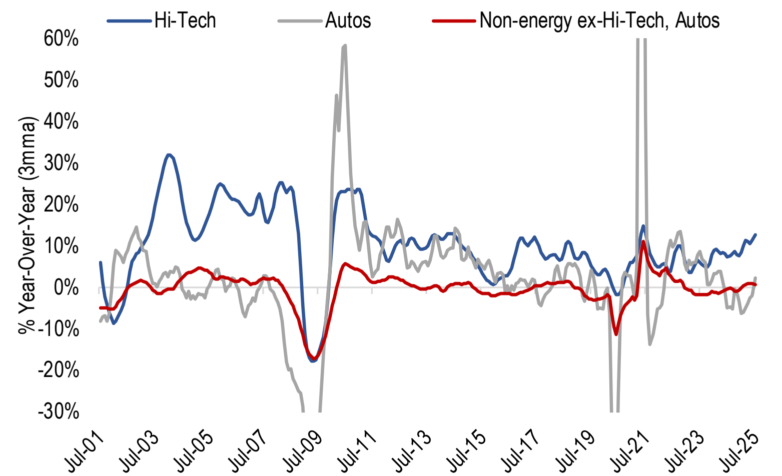
Last Week's Data in Charts

Industrial Production

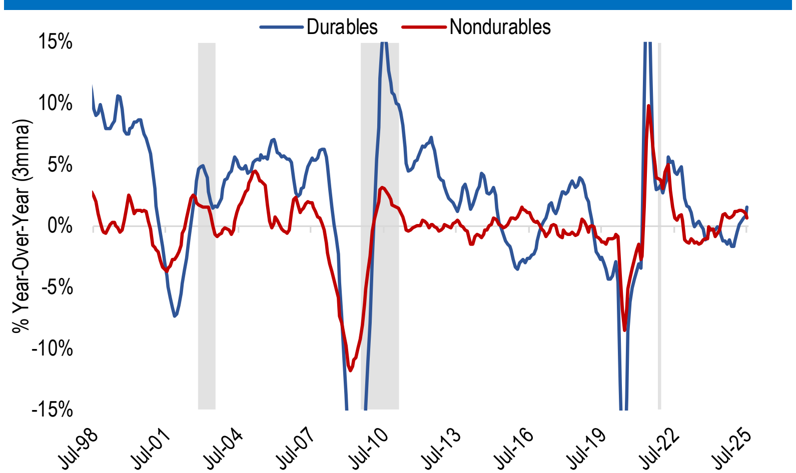
July Industrial Output Cooled Mostly Due to Mining, but Manufacturing Still above Pre-Tariff Levels



Production Related to Tech and Information Processing Continued to Gain Momentum

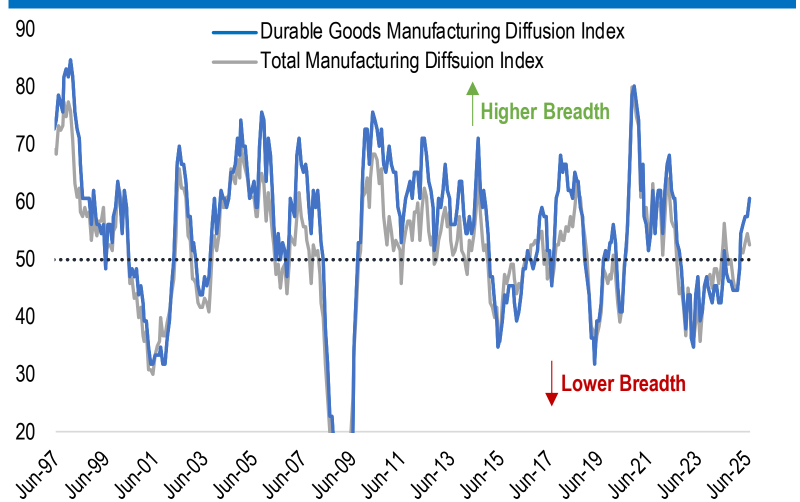


Durable Goods Production Still Strong, Carried by Robust Business Equipment Output



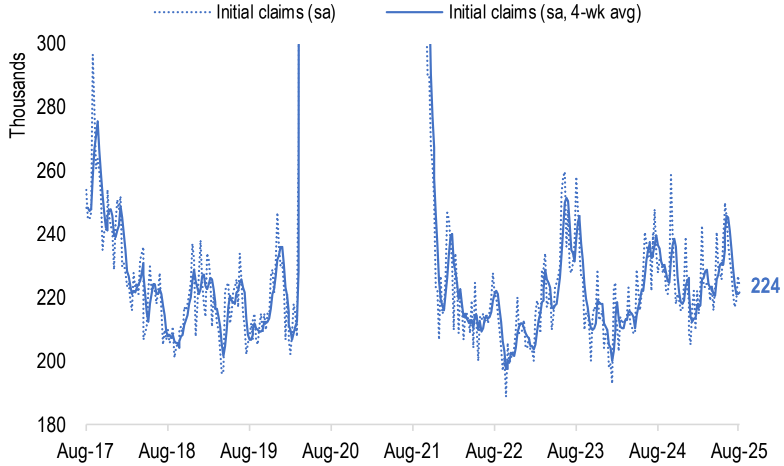
Durable goods are products that can be inventoried and have an average life of at least 3 years.

Durable Goods Breadth Held Firm with Notable Strength in Aerospace and Electrical Components

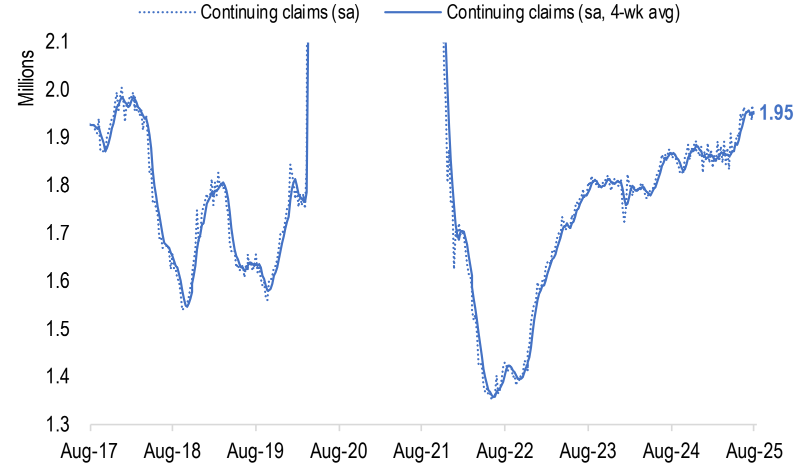


Sources: Federal Reserve Board (FRB), Conference Board, Arch Global Economics

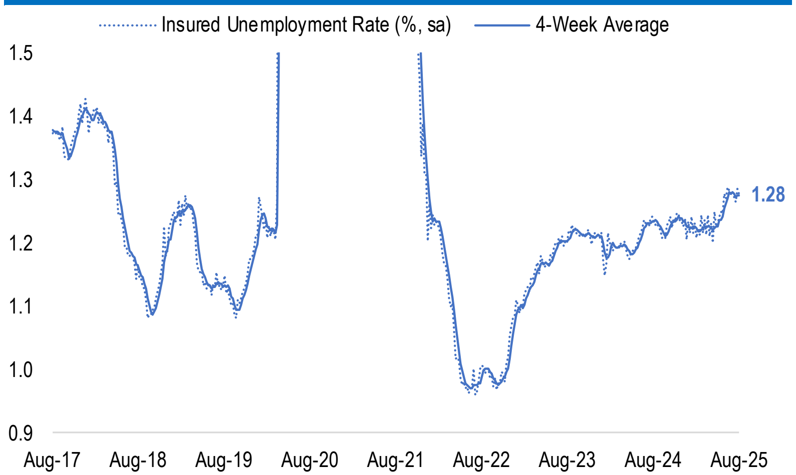
Initial Claims Inched Down to 224k (SA) in Week Ending Aug. 9, Still in Line with Post-Pandemic Average



Continuing Claims Ticked Down to 1,953k SA during Week Ending Aug. 2, Just below Prior Cycle High …

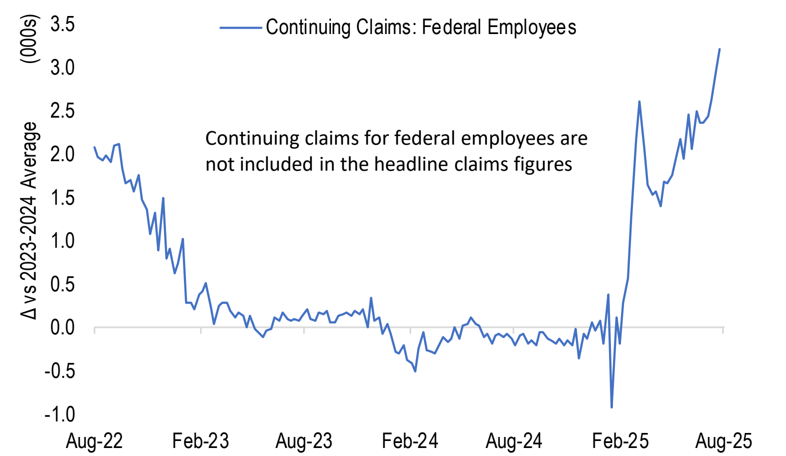


… Which Brought Insured Unemployment Down from New Post-Pandemic High As Well



$$\text{Insured Unemployment} = \frac{\text{Continuing Claims}}{\text{Employed Population Eligible for Unemployment Insurance}}$$

Continuing Claims for Federal Employees Surged to a New Multi-Year High during Week Ending Aug 2



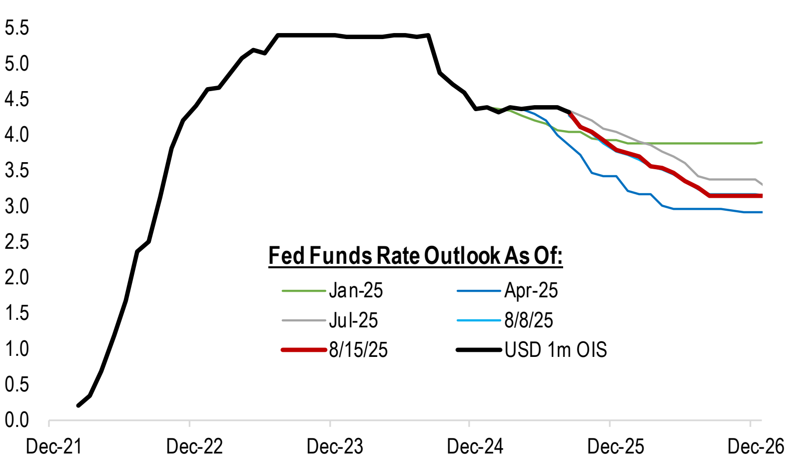
Sources: U.S. Department of Labor, Arch Global Economics

SA = Seasonally Adjusted

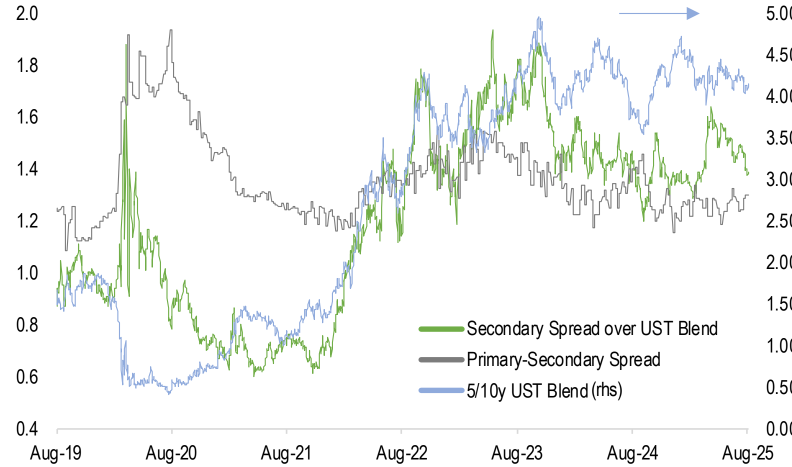
Last Week's Data in Charts

Interest Rates and Mortgage Market

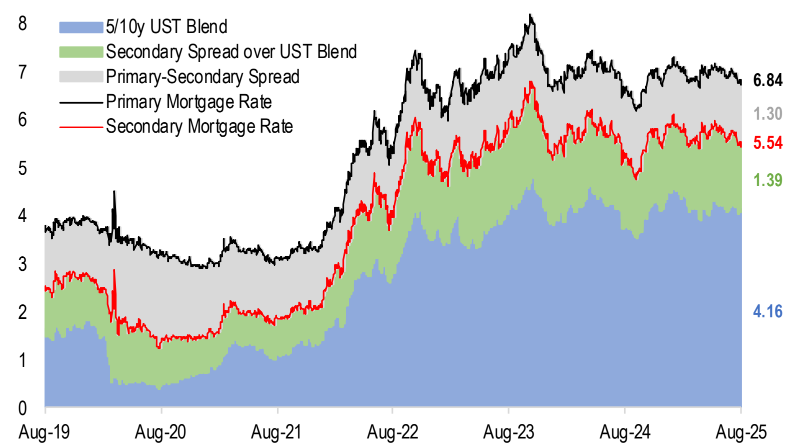
Little Change on the Week with Two Rate Cuts Priced in for '25, Followed by Three More in '26



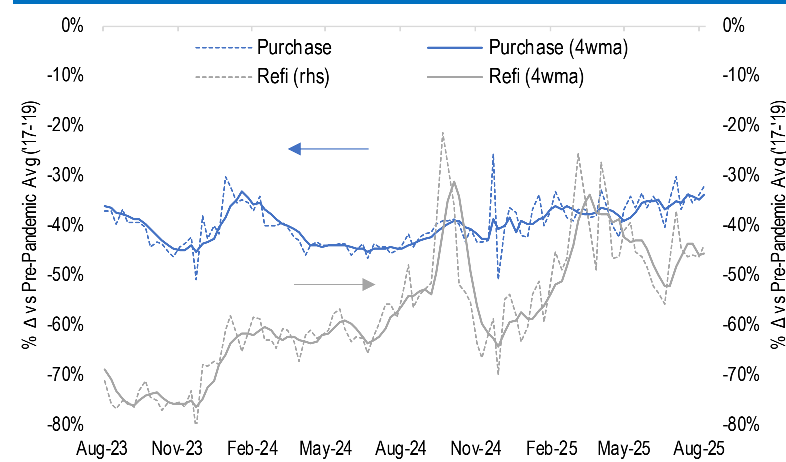
U.S. Treasury Yields Rose 2bps Last Week, but Mortgage Spreads Narrowed 2bps…



… Which Left Mortgage Rates Relatively Unchanged, Just Below the Average Level for 2025 (~7%)



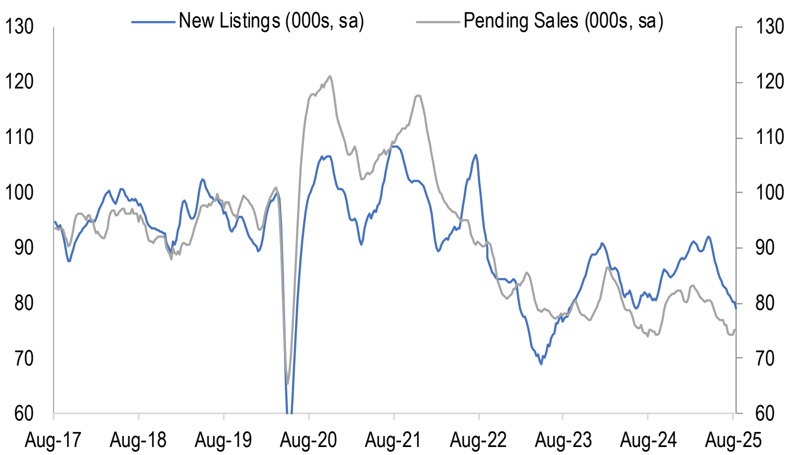
Mortgage Purchase and Refi Applications Inched Higher as Rates Remained Below 7%



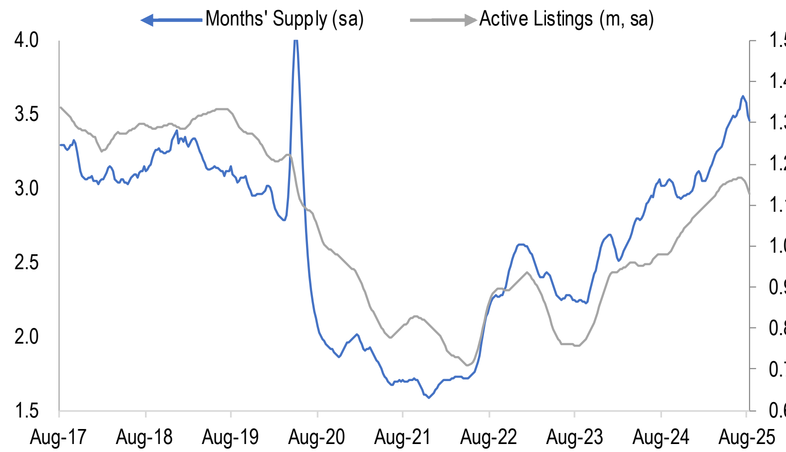
Sources: Bloomberg, FRB, Mortgage Bankers Association, Arch Global Economics

Secondary Spread: Current Coupon Option Adjusted Spread over 5/10y UST Blend
Primary-Secondary Spread: Primary Mortgage Rate – Secondary Mortgage Rate

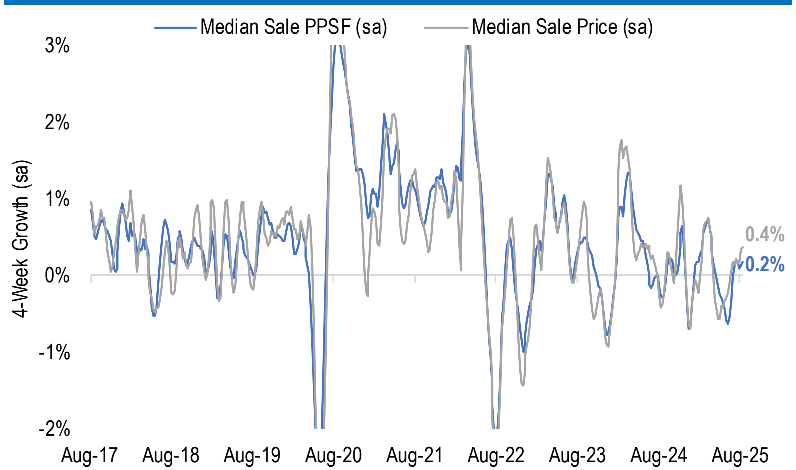
New Listings Have Cooled but Still Outpacing Pending Sales, Which Have Shown Initial Signs of Stabilizing …



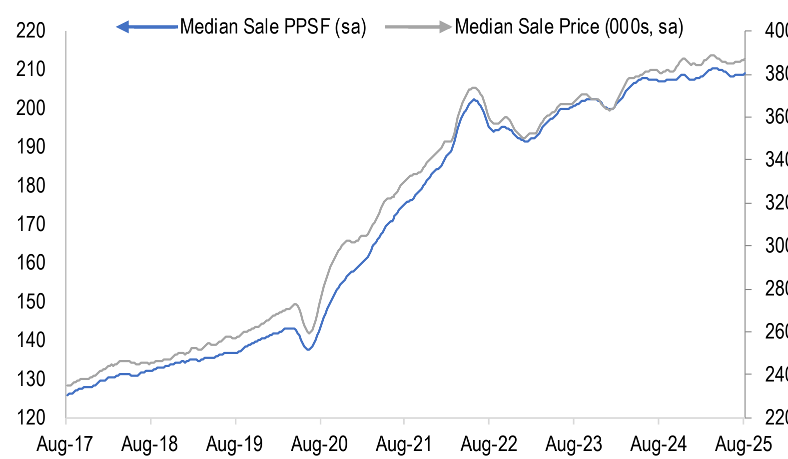
… Which Tentatively Reversed the Prior Rise in Months' Supply as Inventory Growth Turned Negative



Pace of Seasonally Adjusted Home-Price Growth Rebounded Modestly to Start August



Home Prices Have Started to Inch Higher Again after Modest Declines in Q2



Sources: Redfin, Arch Global Economics

SA = Seasonally Adjusted
PPSF = Price Per Square Foot

Data as of Aug. 10, 2025, and reflects 4-week averages.

Annual Home-Price Declines Becoming More Widespread as Most Markets Have Softened

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	1.4%	0.6%	3.0%	0.6%	7.0%	1.2%	98.8%	-0.5%	-3.9	-10.4	11%	13%	-3%
Atlanta	-1.4%	-0.8%	1.9%	1.4%	8.2%	2.2%	98.1%	-0.3%	20.9	6.9	11%	23%	-2%
Austin	-3.2%	1.1%	3.1%	4.8%	9.7%	1.1%	97.1%	-0.4%	45.3	31.2	16%	144%	95%
Baltimore	2.7%	1.2%	2.8%	-2.2%	7.3%	1.3%	100.5%	-0.6%	0.4	-8.9	18%	-8%	-29%
Boston	2.7%	-1.8%	4.0%	-2.1%	6.0%	1.4%	101.3%	-1.0%	8.0	7.0	17%	13%	-7%
Chicago	4.4%	0.2%	5.2%	1.0%	4.4%	1.6%	100.2%	-0.2%	6.6	5.4	-2%	-17%	-18%
Dallas	-3.6%	-0.3%	-0.5%	1.7%	9.8%	1.2%	97.5%	-0.5%	20.3	5.8	24%	65%	31%
Denver	-2.1%	0.6%	0.9%	0.8%	10.8%	1.1%	98.7%	-0.4%	21.4	8.2	22%	111%	67%
Houston	-1.1%	0.4%	2.2%	1.4%	8.7%	2.4%	96.8%	-0.6%	16.1	0.6	8%	23%	8%
Los Angeles	0.5%	-0.4%	2.3%	2.0%	5.5%	1.8%	99.5%	-1.2%	11.8	-2.8	17%	48%	21%
Miami	-1.7%	-3.3%	0.5%	0.3%	4.4%	1.0%	95.4%	-0.8%	23.8	5.5	18%	50%	1%
Minneapolis	0.2%	-1.9%	3.7%	3.1%	8.2%	2.5%	100.2%	0.1%	1.7	-1.2	3%	12%	6%
Nashville	1.1%	1.7%	5.8%	4.5%	6.0%	1.2%	97.9%	-0.5%	12.2	0.8	16%	46%	23%
New York	2.9%	-2.9%	6.9%	1.0%	3.7%	0.4%	100.7%	0.2%	-32.2	-37.6	9%	-18%	-25%
Phoenix	-1.1%	1.8%	0.7%	1.8%	7.3%	0.8%	97.9%	-0.4%	26.2	12.1	22%	87%	53%
Portland	-0.9%	-0.8%	2.0%	1.0%	8.6%	0.7%	99.2%	-0.3%	12.0	5.3	2%	37%	34%
Riverside	-0.8%	-1.4%	0.9%	-0.2%	6.0%	1.6%	98.8%	-0.8%	9.5	-12.3	17%	34%	12%
San Diego	-2.8%	-0.4%	0.2%	-0.7%	7.4%	2.2%	98.8%	-1.0%	13.0	-1.6	19%	34%	8%
Seattle	-0.2%	0.6%	2.7%	-0.8%	8.1%	1.6%	99.3%	-1.1%	7.1	-1.9	25%	56%	22%
Tampa	-2.5%	-0.3%	3.0%	5.2%	9.0%	0.0%	96.9%	-0.4%	16.3	5.0	7%	72%	47%
Washington DC	2.0%	0.4%	3.8%	1.4%	6.0%	1.4%	99.5%	-0.8%	17.1	7.3	25%	26%	-1%

Data as of Aug. 10, 2025, and reflects 4-week averages.

Sources: Redfin, Arch Global Economics

Upcoming Data Releases

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
8/18/25	10:00 AM	NAHB Housing Market Index	Aug	**32.0**	34	--	33	index, sa
8/19/25	8:30 AM	Housing Starts	Jul	**--**	1,297	--	1,321	k, saar
8/19/25	8:30 AM	Building Permits	Jul P	**--**	1,386	--	1,393	k, saar
8/19/25	8:30 AM	Housing Starts m/m	Jul	--	-1.8	--	4.6	%, sa
8/19/25	8:30 AM	Building Permits m/m	Jul P	--	-0.5	--	-0.1	%, sa
8/20/25	7:00 AM	MBA Mortgage Applications w/w	Aug 15	--	--	--	10.9	%, sa
8/20/25	2:00 PM	FOMC Meeting Minutes	Jul 30	--	--	--	--	
8/21/25	8:30 AM	Initial Jobless Claims	Aug 16	--	225	--	224	k, sa
8/21/25	8:30 AM	Continuing Claims	Aug 9	--	1,960	--	1,953	k, sa
8/21/25	8:30 AM	Philadelphia Fed Business Outlook	Aug	--	6.7	--	15.9	index, sa
8/21/25	9:45 AM	S&P Global US Manufacturing PMI	Aug P	--	49.7	--	49.8	index, sa
8/21/25	9:45 AM	S&P Global US Services PMI	Aug P	--	54.2	--	55.7	index, sa
8/21/25	9:45 AM	S&P Global US Composite PMI	Aug P	--	53.5	--	55.1	index, sa
8/21/25	10:00 AM	Conference Board Leading Index m/m	Jul	--	-0.1	--	-0.3	%, sa
8/21/25	10:00 AM	Existing Home Sales	Jul	--	3.9	--	3.9	m, saar
8/21/25	10:00 AM	Existing Home Sales m/m	Jul	--	-0.3	--	-2.7	%, sa
8/22/25	10:00 AM	Fed Chair Powell Speech @ Jackson Hole						

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
8/12/25	6:00 AM	NFIB Small Business Optimism	Jul	**100.3**	98.9	--	98.6	index, sa
8/12/25	8:30 AM	CPI m/m	Jul	**0.2**	0.2	--	0.3	%, sa
8/12/25	8:30 AM	CPI Core (ex Food and Energy) m/m	Jul	**0.3**	0.3	--	0.2	%, sa
8/12/25	8:30 AM	CPI y/y	Jul	**2.7**	2.8	--	2.7	%, nsa
8/12/25	8:30 AM	CPI Core (ex Food and Energy) y/y	Jul	**3.1**	3.0	--	2.9	%, nsa
8/13/25	7:00 AM	MBA Mortgage Applications w/w	Aug 8	**10.9**	--	--	3.1	%, sa
8/14/25	8:30 AM	PPI Final Demand m/m	Jul	**0.9**	0.2	--	0.0	%, sa
8/14/25	8:30 AM	PPI Core (ex Food and Energy) m/m	Jul	**0.9**	0.2	--	0.0	%, sa
8/14/25	8:30 AM	PPI Final Demand y/y	Jul	**3.3**	2.5	2.4	2.3	%, nsa
8/14/25	8:30 AM	PPI Core (ex Food and Energy) y/y	Jul	**3.7**	3.0	--	2.6	%, nsa
8/14/25	8:30 AM	Initial Jobless Claims	Aug 9	**224**	225	227	226	k, sa
8/14/25	8:30 AM	Continuing Claims	Aug 2	**1,953**	1,967	1,968	1,974	k, sa
8/15/25	8:30 AM	Empire Manufacturing	Aug	**11.9**	0.0	--	5.5	index, sa
8/15/25	8:30 AM	Advance Retail Sales m/m	Jul	**0.5**	0.6	0.9	0.6	%, sa
8/15/25	8:30 AM	Retail Sales Control Group m/m	Jul	**0.5**	0.4	0.8	0.5	%, sa
8/15/25	8:30 AM	Import Price Index m/m	Jul	**0.4**	0.1	-0.1	0.1	%, nsa
8/15/25	8:30 AM	Import Price Index y/y	Jul	**-0.2**	-0.2	-0.5	-0.2	%, nsa
8/15/25	9:15 AM	Industrial Production m/m	Jul	**-0.1**	0.0	0.4	0.3	%, sa
8/15/25	9:15 AM	Capacity Utilization	Jul	**77.5**	77.6	77.7	77.6	sa
8/15/25	10:00 AM	Business Inventories m/m	Jun	**0.2**	0.2	--	0.0	%, sa
8/15/25	10:00 AM	U. of Mich. Sentiment	Aug P	**58.6**	62.0	--	61.7	index, nsa
8/15/25	10:00 AM	U. of Mich. 1 Yr Inflation	Aug P	**4.9**	4.4	--	4.5	nsa
8/15/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	Aug P	**3.9**	3.4	--	3.4	nsa

Green = upside surprise; **Red** = downside surprise; (compared vs. prior if no consensus estimates available)

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics