

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 19, 2024

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Parting Clouds or Calm before the Storm?

- **Key Takeaway:** Slowdown fears were pushed back as retail sales firmed in July while jobless claims inched lower for a second straight week.
- **Macro Implications:** Economy is by no means out of the woods, but Fed will feel no need to “panic” with a 50bps Sept. rate cut given data in hand.
- **Housing Implications:** Mortgage rates remained in mid-6% range but no discernible positive impact on pending or new home sales, at least not yet.

Macro: Enough to be Concerned, Not Scared

- Housing construction and durables goods output remained weak.
- Small business optimism rose to an 18-month high.
- Consumer confidence rose in preliminary August UMich report.

Rates: Increased Sensitivity to Economic Data Releases

- 10-year UST fell 5bps w/w to 3.89% despite rising 10bps after retail sales.
- Markets pulling back on 50bps cut in Sept. and 100bps through Dec. '24.
- Fed’s preferred measure of inflation (PCE) released later this month.

Housing: Mortgage Rates Settling in around 6.5%

- Mortgage rates remained range-bound after weeks of trending lower.
- Refi applications spike and purchase applications also show signs of life.
- Potential homebuyers seemingly waiting for next phase of the cycle.

Consumer Inflation: Cooling Trend Remains

- Headline CPI inflation rebounded in July after a very weak June.
- Core inflation rose 0.2% largely due to shelter (i.e. housing) inflation.
- Core services inflation, excluding rents, flat for third straight month.

Construction: Single-Family Weakness Persists

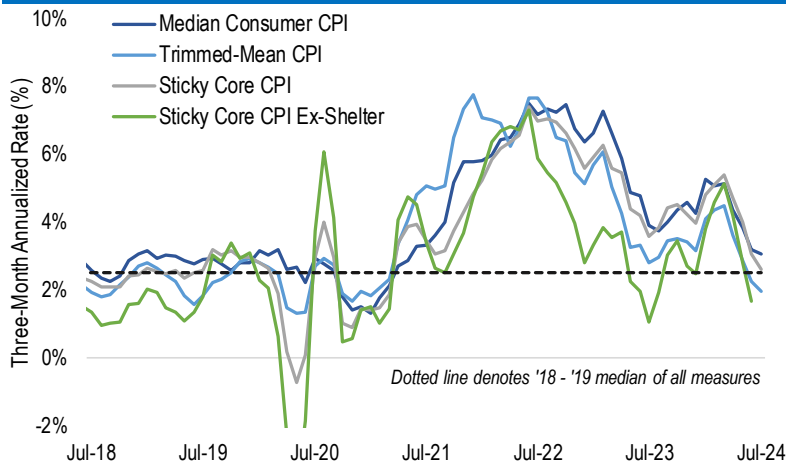
- Single-family starts down -14% m/m (sa), now below pre-pandemic pace.
- Single-family permits down for sixth straight month, by -0.1% m/m (sa).
- Focus from builders is on completions, not starting new homes.

Retail Sales: Consumers Step It up in July

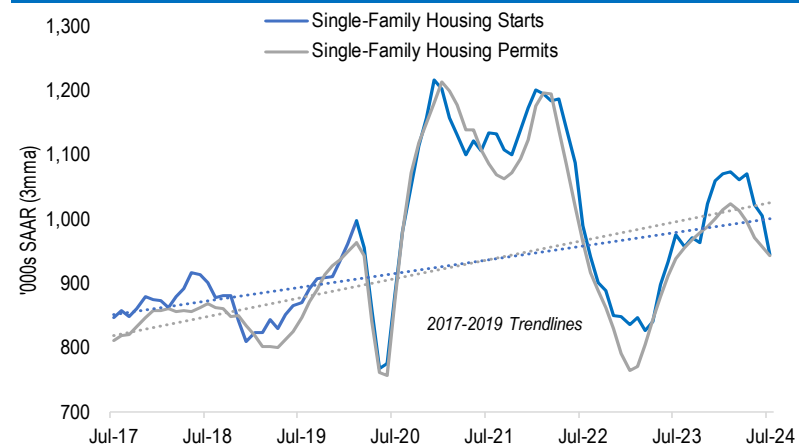
- Retail sales surprised to the upside with a 1% monthly gain in July.
- Real control group sales rebounded to 2H23 pace after 1Q24 lull.
- Details point to a measured cooling in spending growth ahead.

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

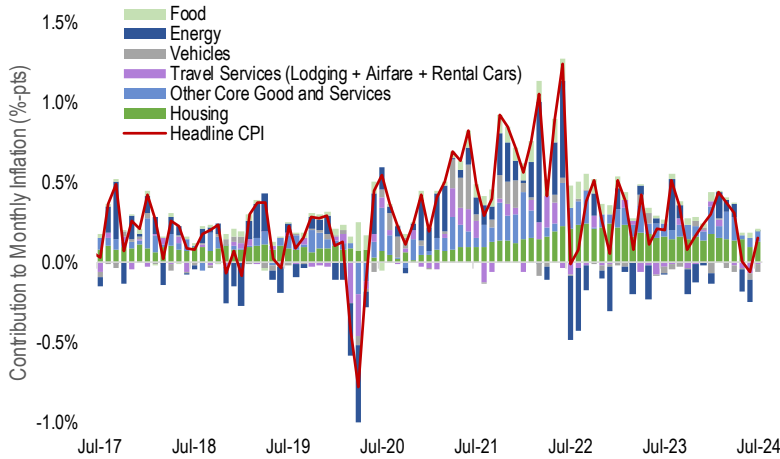
Central Tendency Measures of Inflation Indicate Disinflation Is Firmly in Place



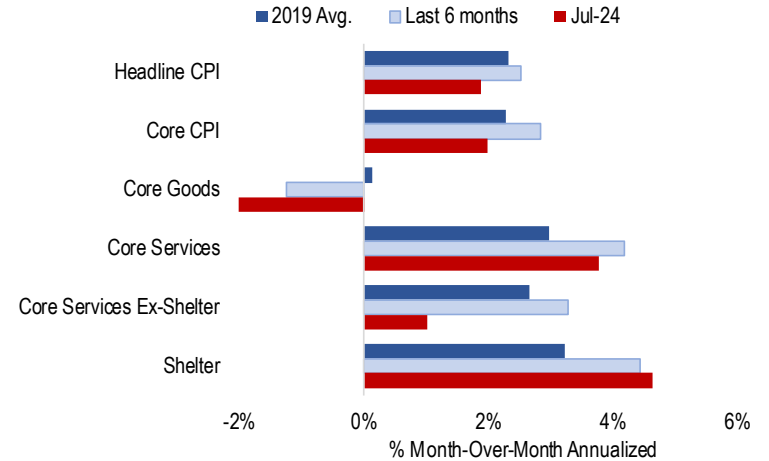
Weather Likely Impacted July Construction Activity but Trend Has Been Weak for Most of 2024



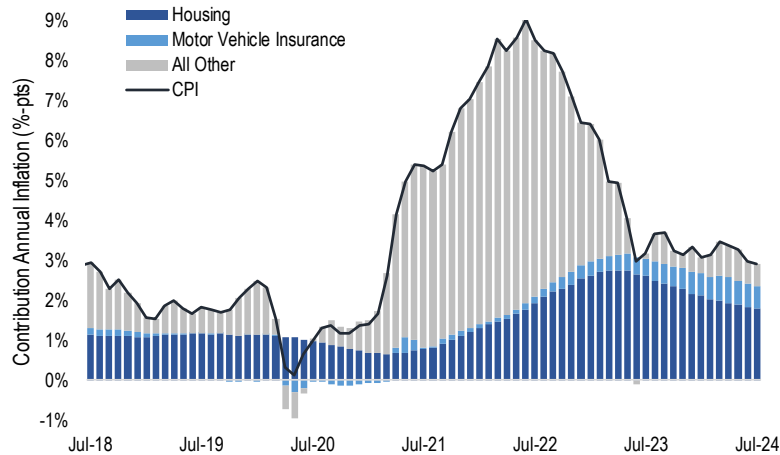
July Consumer Prices Posted a Modest Rebound Largely on Account of a Bounceback in Housing/Shelter



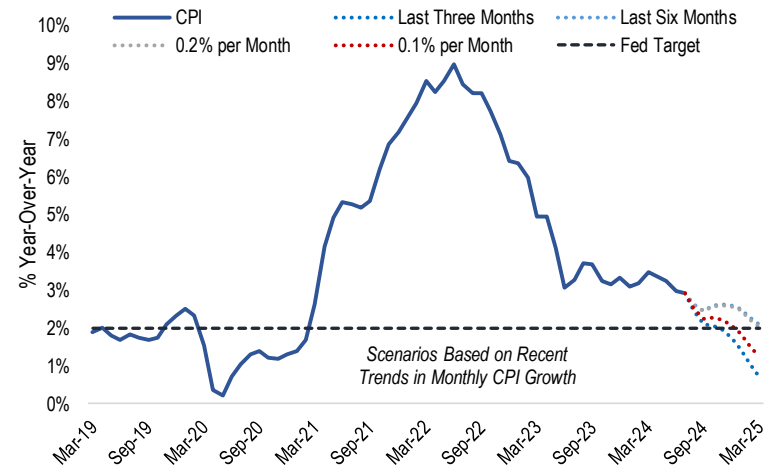
July Inflation Generally Weak across the Board Compared with Historical Trends aside from Shelter



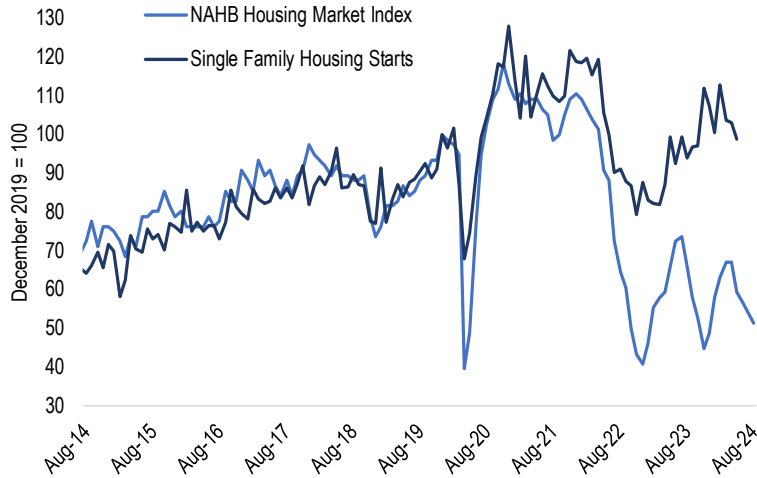
Annual Headline CPI Inflation is Mostly a Housing and Auto Insurance Story



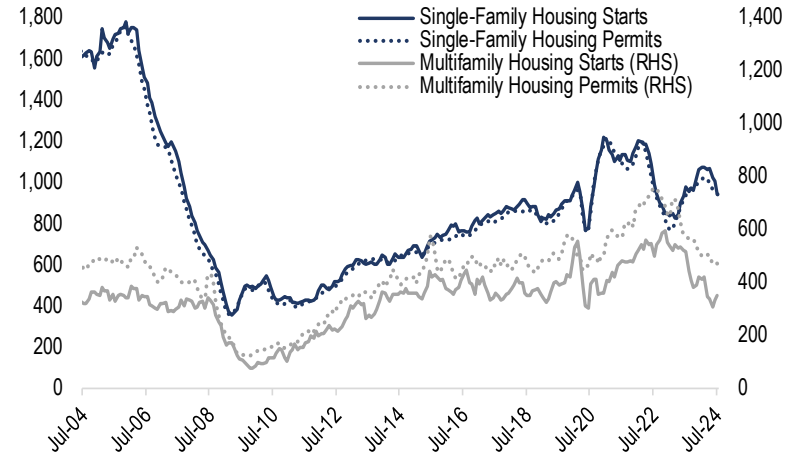
Reacceleration in Annual Headline Inflation Would Require Another "Shock" to the System



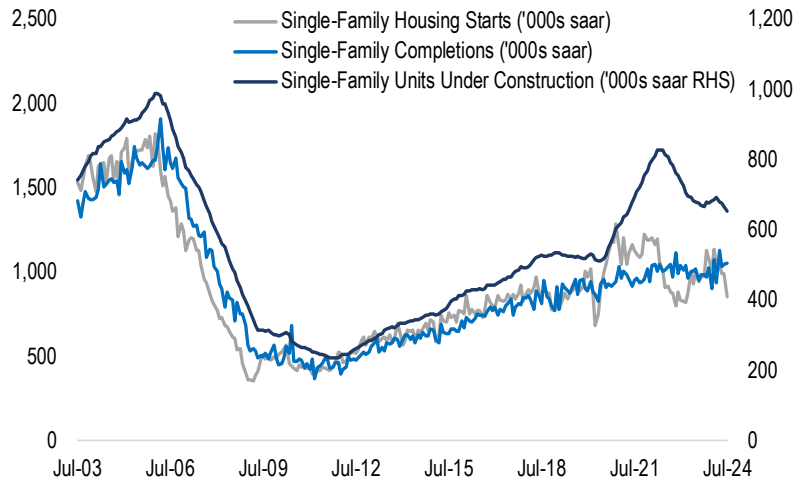
Builder Optimism Hits Multi-Month Low; Share of Builders Using Sales Incentives at Highest Since 2019



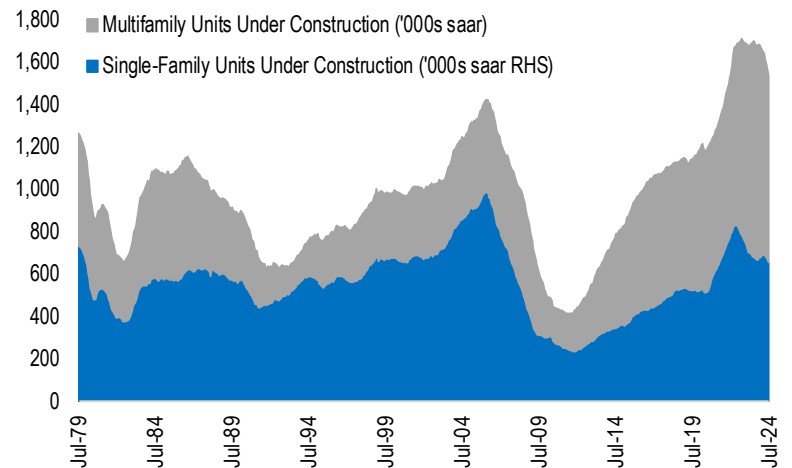
Single-Family Permitting Has Cooled in 2024 While Multifamily Remained in a Broader Downtrend



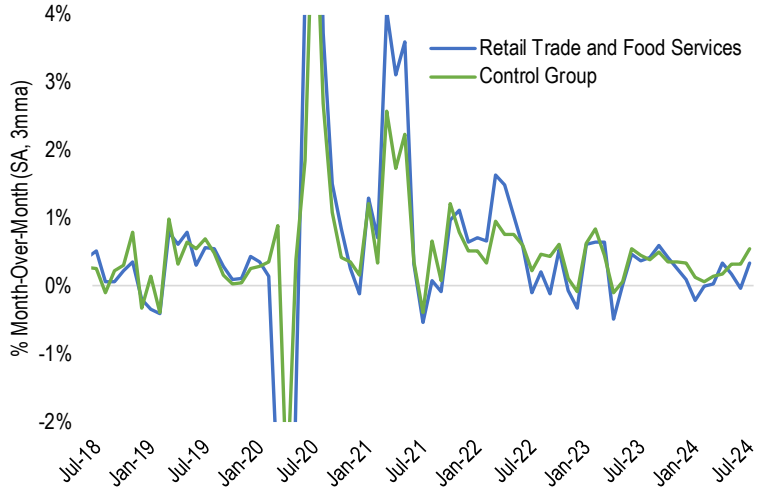
Single-Family Completions Rose in July as the Pace of Starts Declined to a Multi-Month Low



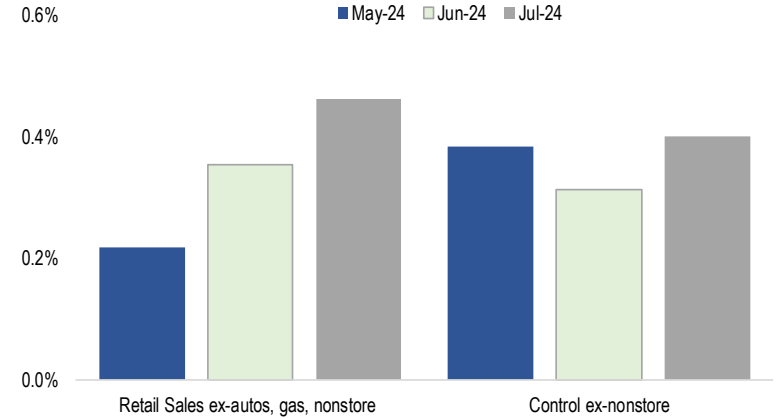
Units under Construction Continued to Decline with Single-Family Segment Down -21% from 2022 Peak



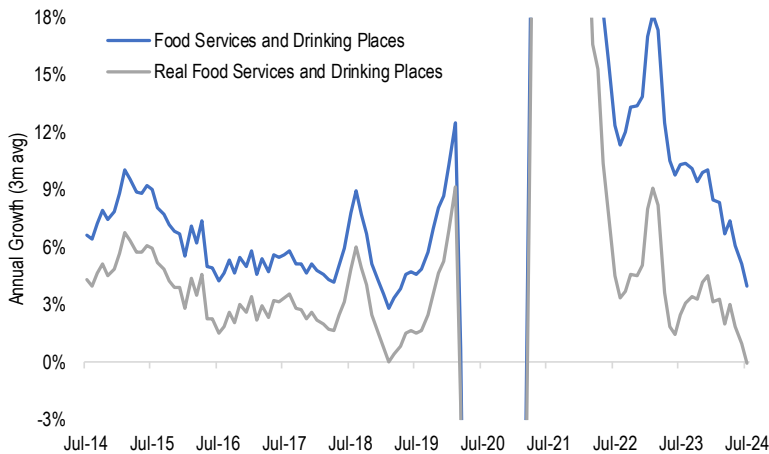
July Retail Sales Growth Surprised to the Upside with Broad-Based Gains



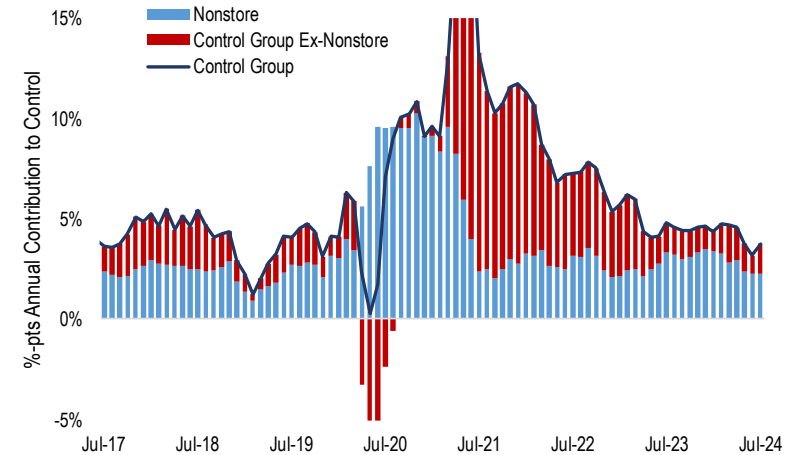
Even Accounting for the Strong Rebound in Autos and Amazon Prime Day (Nonstore), Sales Growth Was Solid



Restaurant Sales Growth Continued to Cool, Even When Accounting for Weaker Inflation

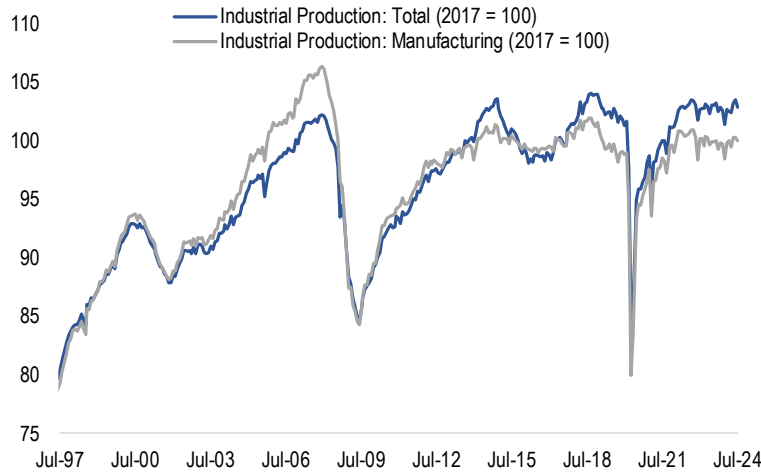


Online Sales (i.e. Nonstore) Have Been a Key Support to Control Group Sales but Have Cooled in 2024



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

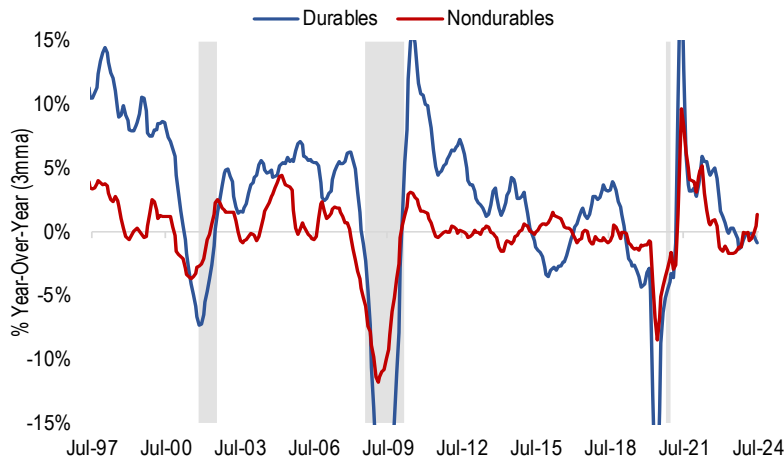
Total Industrial Production Took a Step Back amid Weakness in Utilities and Autos Output



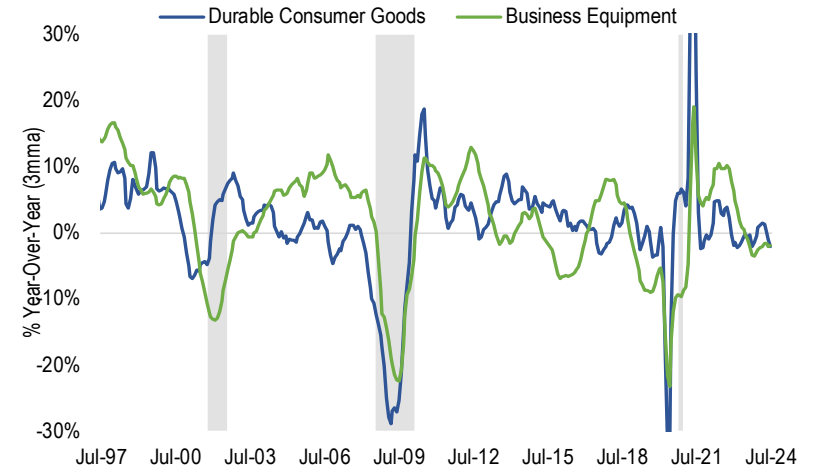
Manufacturing Ex-Autos Retained its Uptrend in Contrast with Still-Soft Survey Data



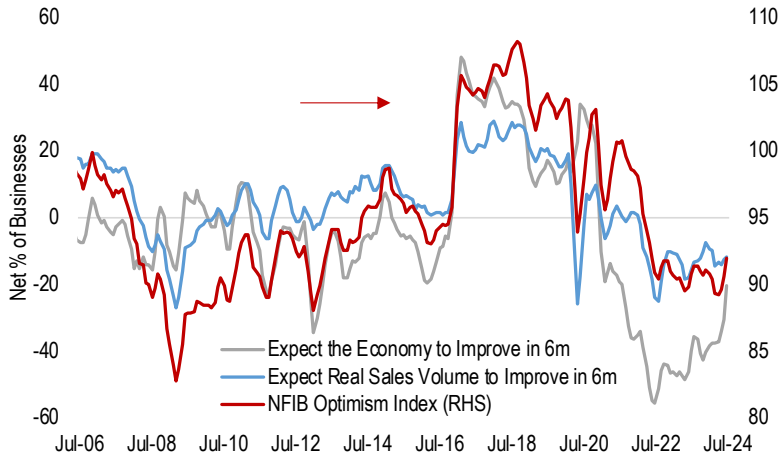
However, the Bulk of the Rebound in Manufacturing Production Has Come from Nondurables



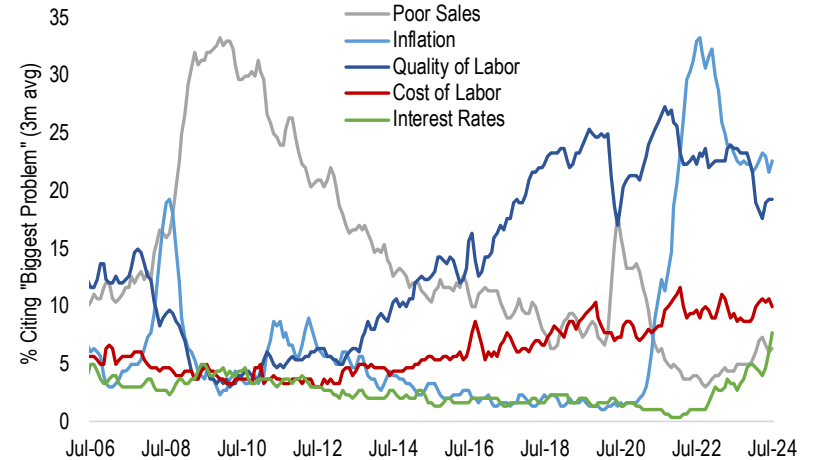
Durable Consumer Goods Production Is Slowing amid Choppy Consumer Spending and Rising Autos Inventory



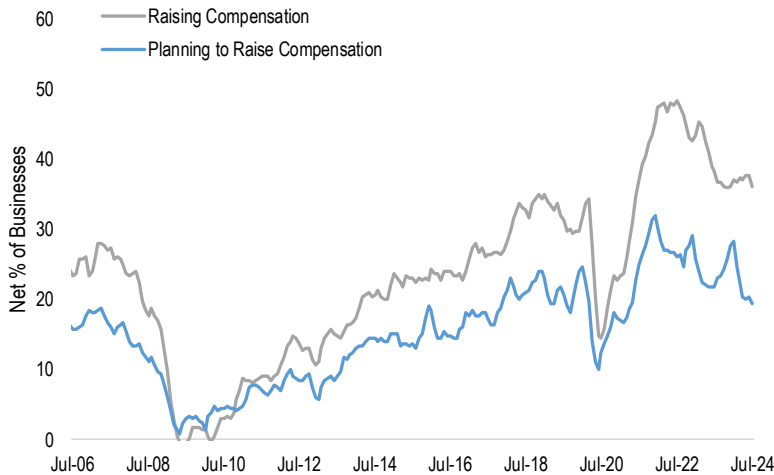
Small Business Optimism Rose in June with a Steady Improvement in Economic Expectations



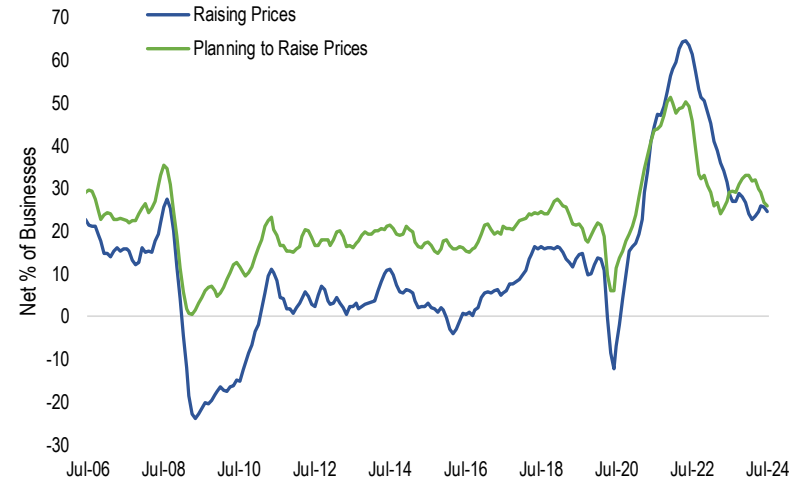
"Inflation" Remained Top Concern for Small Firms but "Interest Rates" Rising as "Poor Sales" Ticked Lower



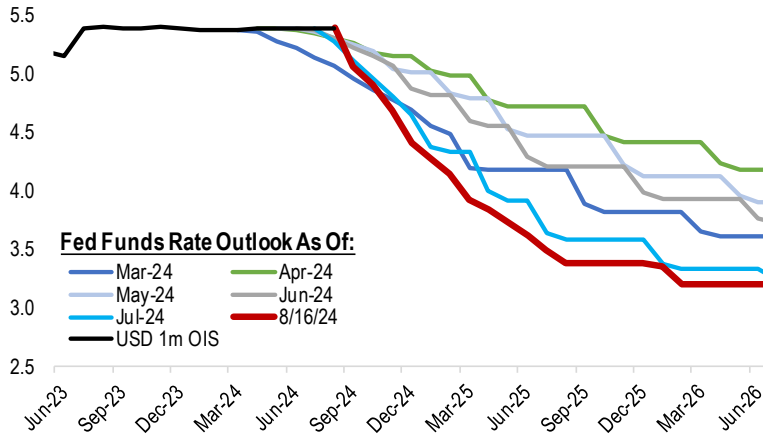
Wage Pressures Easing as Share of Firms Raising and Planning to Raise Compensation Turned Lower



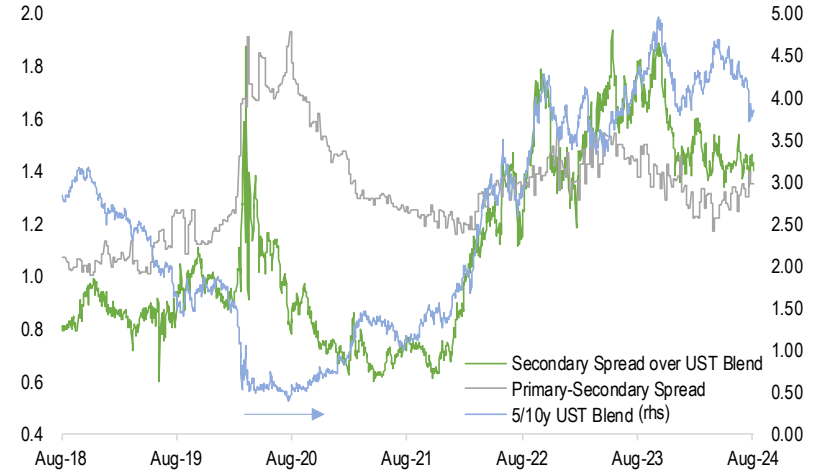
Fewer Firms Reported Plans to Raise Prices, Suggesting Less Price Pressure Ahead



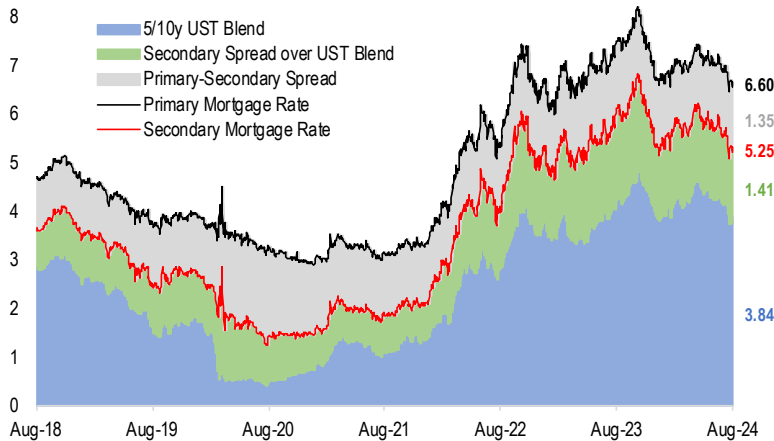
Stronger Macro Data Cooled Rate Cut Expectations, Odds of a 50bps Rate Cut in September down to 30%



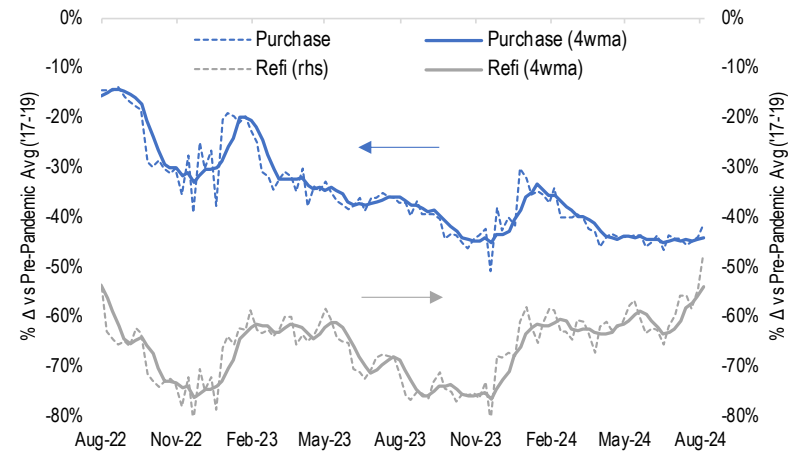
U.S. Treasury Yields Inched down 5bps Last Week While Combined Mortgage Spreads Narrowed 4bps ...



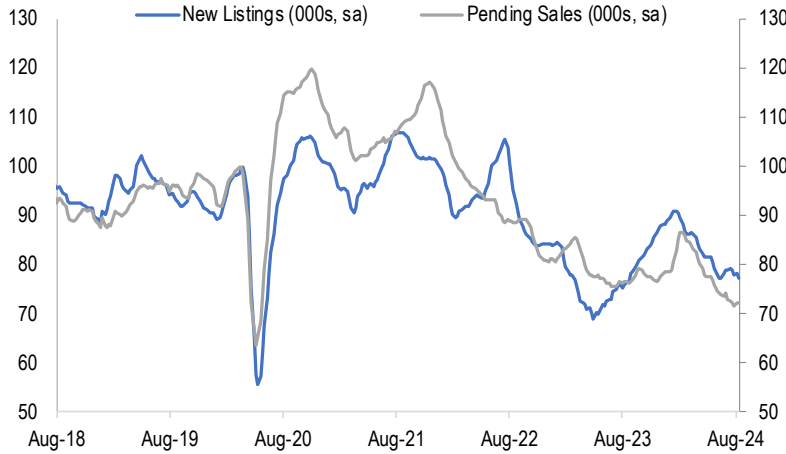
... Which Pulled Mortgage Rates Closer Back Toward 6.50%



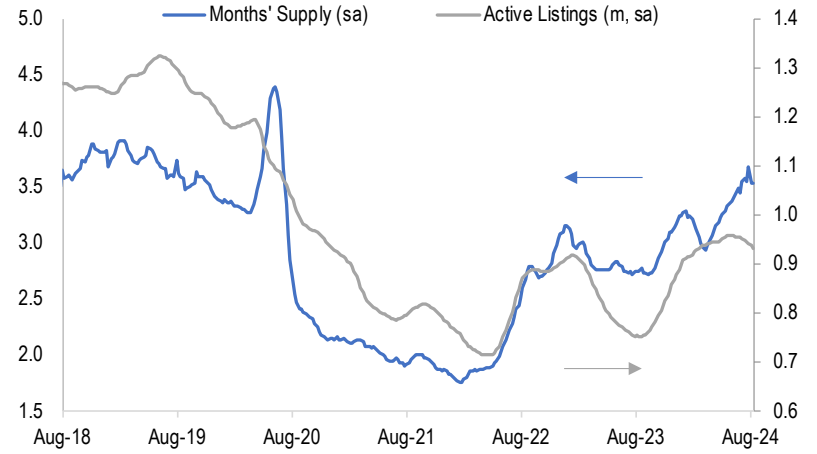
Mortgage Purchase Applications Started to Perk up as Refi Applications Surged



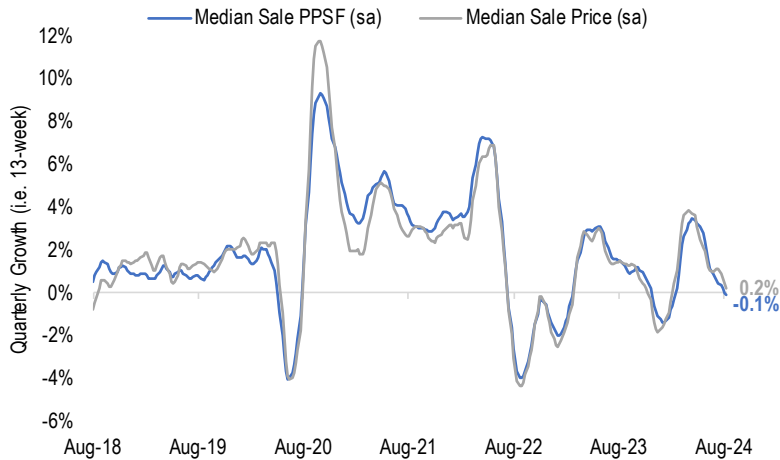
Pending Home Sales Tentatively Started to Level off as New Listings Renewed Decline ...



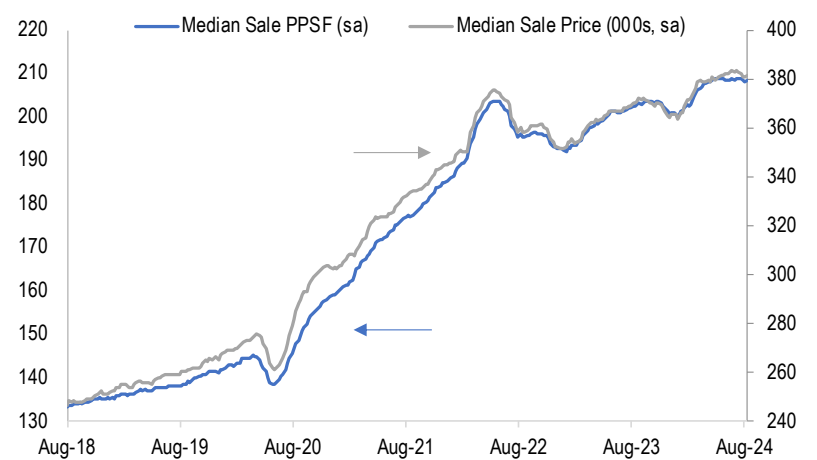
... Which Pulled Months' Supply Down From Post-Pandemic Peak, in Line with Mid-2019 Market Balance



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

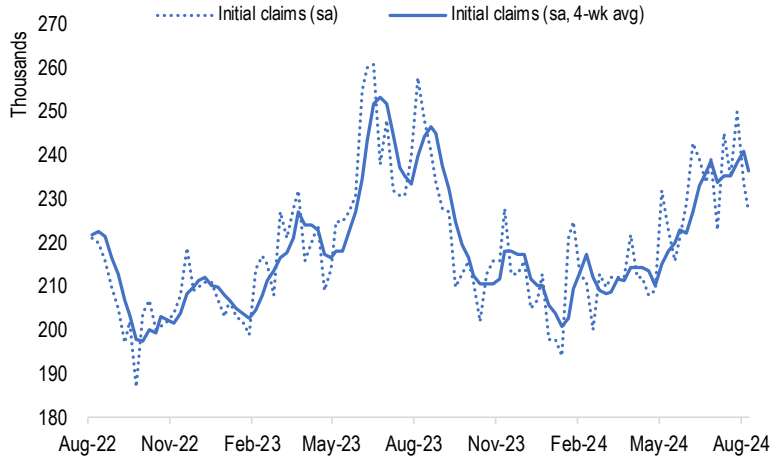


National Home Price Growth Has Cooled to 3% y/y, with Some Markets Still Declining Outright

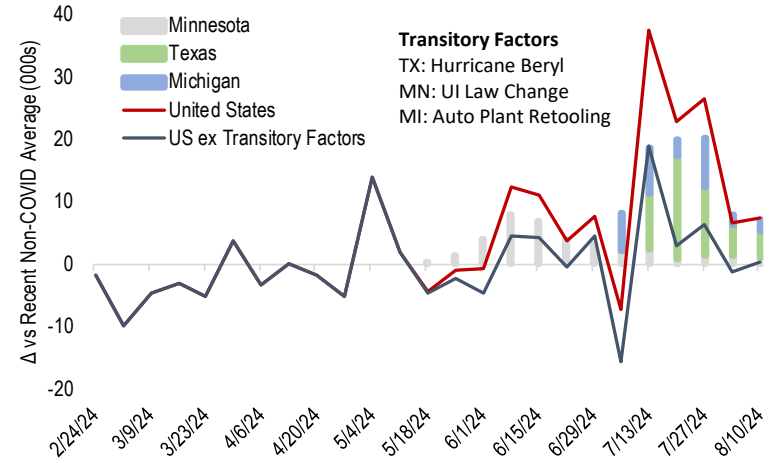
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.1%	-1.0%	5.9%	1.0%	7.0%	1.8%	99.3%	-0.5%	-9.6	-15.3	19%	-3%	-23%
Atlanta	1.9%	-3.1%	4.4%	2.3%	8.1%	2.7%	98.4%	-0.8%	6.7	-5.0	1%	-8%	-14%
Austin	-3.1%	-0.9%	-0.9%	1.5%	9.4%	0.9%	97.6%	-0.1%	33.7	25.5	17%	108%	54%
Baltimore	4.3%	-0.2%	5.3%	1.2%	7.0%	1.7%	101.0%	-0.4%	-9.3	-12.8	17%	-29%	-40%
Boston	3.5%	-2.3%	5.3%	1.3%	5.1%	1.2%	102.3%	-0.7%	7.2	6.4	14%	-8%	-16%
Chicago	6.8%	-3.1%	8.2%	2.4%	3.8%	1.1%	100.4%	0.0%	18.0	18.0	-8%	-18%	-14%
Dallas	0.6%	-1.3%	3.3%	1.2%	10.0%	2.3%	98.1%	-0.8%	6.7	-3.5	35%	30%	-8%
Denver	-0.3%	-2.4%	3.1%	2.1%	10.8%	1.2%	99.0%	-0.7%	8.7	0.4	41%	63%	4%
Houston	1.2%	-1.9%	3.4%	0.7%	8.2%	2.1%	97.5%	-0.7%	0.8	-7.7	19%	8%	-18%
Los Angeles	5.2%	-3.4%	6.0%	-1.5%	4.7%	1.5%	100.8%	-1.1%	-3.0	-8.2	21%	11%	-10%
Miami	5.4%	-2.3%	4.6%	-2.7%	4.4%	1.8%	96.3%	-0.7%	5.3	-7.3	35%	10%	-33%
Minneapolis	2.0%	0.1%	3.6%	1.3%	7.4%	1.9%	100.1%	-1.2%	-1.3	-6.1	7%	3%	-11%
Nashville	2.4%	-1.0%	2.9%	0.2%	6.6%	2.0%	98.4%	-0.2%	1.3	-3.6	14%	20%	0%
New York	6.2%	-1.5%	9.3%	0.1%	3.7%	0.5%	100.7%	0.4%	-37.5	-31.3	-7%	-21%	-26%
Phoenix	-0.3%	-4.9%	2.8%	0.6%	7.2%	1.6%	98.4%	-0.3%	12.0	-1.5	36%	46%	4%
Portland	0.6%	-1.6%	2.6%	1.9%	9.0%	2.1%	99.5%	-0.5%	5.0	-0.2	12%	24%	-1%
Riverside	5.2%	-1.4%	6.1%	0.5%	5.7%	1.5%	99.7%	-0.3%	-12.1	-15.1	18%	3%	-14%
San Diego	5.1%	-4.5%	4.1%	-1.0%	7.2%	2.5%	99.9%	-1.1%	-1.5	-8.5	49%	3%	-34%
Seattle	6.6%	-2.6%	5.1%	-0.8%	7.6%	1.2%	100.5%	-0.3%	-1.6	-2.6	29%	21%	-10%
Tampa	-0.4%	-1.4%	3.7%	1.1%	10.2%	1.8%	97.4%	-0.7%	6.3	-10.0	61%	48%	-15%
Washington DC	5.2%	0.5%	6.3%	0.7%	5.5%	1.4%	100.4%	-0.1%	7.7	4.7	11%	0%	-15%

Data as of August 11, 2024, and reflects 4-week averages.

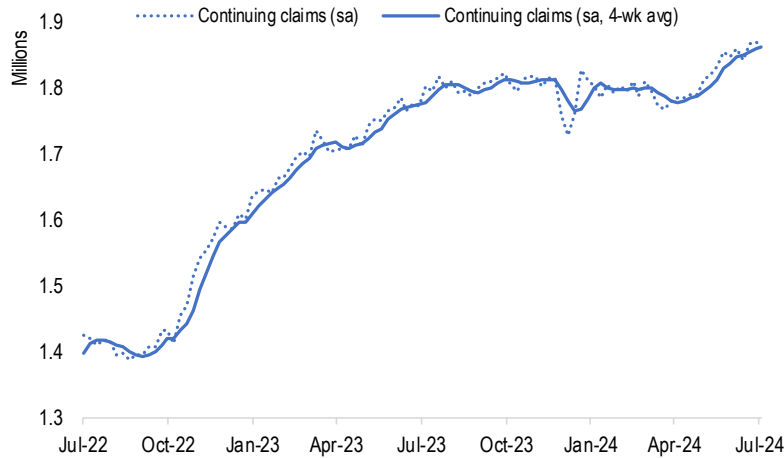
Initial Claims (SA) Declined as Transitory Factors Have Mostly Faded, Notably in Michigan



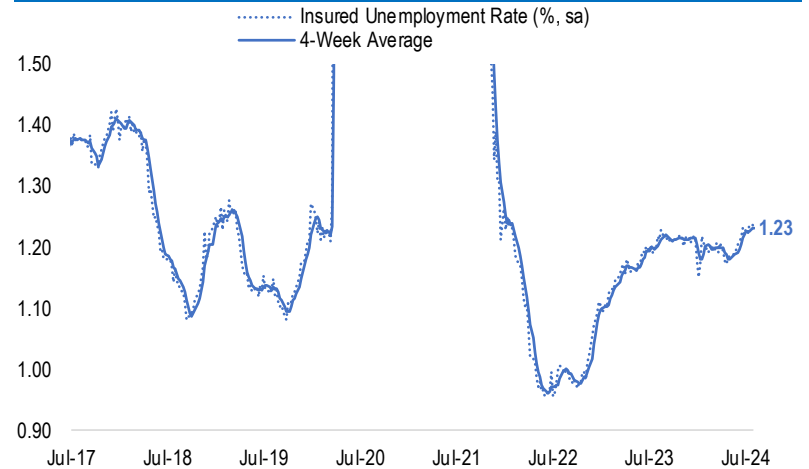
Excluding Transitory Factors, Jobless Claims Have Not Changed Much Since March



Continuing Claims Remained in a Multi-Month Uptrend, Boosted Only Modestly 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
8/19/24	10:00 AM	Conference Board Leading Index m/m	Jul	--	-0.4	--	-0.2	%, sa
8/21/24	7:00 AM	MBA Mortgage Applications w/w	Aug 16	--	--	--	16.8	%, sa
8/21/24	2:00 PM	FOMC Meeting Minutes	Jul 31	--	--	--	--	
8/22/24	8:30 AM	Chicago Fed Nat Activity Index	Jul	--	--	--	0.1	index, nsa
8/22/24	8:30 AM	Initial Jobless Claims	Aug 17	--	231	--	227	k, sa
8/22/24	8:30 AM	Continuing Claims	Aug 10	--	1,860	--	1,864	k, sa
8/22/24	9:45 AM	S&P Global US Manufacturing PMI	Aug P	--	49.8	--	49.6	index, sa
8/22/24	9:45 AM	S&P Global US Services PMI	Aug P	--	54.0	--	55.0	index, sa
8/22/24	9:45 AM	S&P Global US Composite PMI	Aug P	--	53.3	--	54.3	index, sa
8/22/24	10:00 AM	Existing Home Sales	Jul	--	3.9	--	3.9	m, saar
8/22/24	10:00 AM	Existing Home Sales m/m	Jul	--	1.0	--	-5.4	%, sa
8/23/24	10:00 AM	New Home Sales	Jul	--	624	--	617	k, saar
8/23/24	10:00 AM	New Home Sales m/m	Jul	--	1.1	--	-0.6	%, 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
8/12/24	11:00 AM	NY Fed 1-Yr Inflation Expectations	Jul	2.97	--	--	3.02	%
8/13/24	6:00 AM	NFIB Small Business Optimism	Jul	93.7	91.5	--	91.5	index, sa
8/13/24	8:30 AM	PPI Final Demand m/m	Jul	0.1	0.2	--	0.2	%, sa
8/13/24	8:30 AM	PPI Core (ex Food and Energy) m/m	Jul	0.0	0.2	0.3	0.4	%, sa
8/13/24	8:30 AM	PPI Final Demand y/y	Jul	2.2	2.3	2.7	2.6	%, nsa
8/13/24	8:30 AM	PPI Core (ex Food and Energy) y/y	Jul	2.4	2.6	--	3.0	%, nsa
8/14/24	7:00 AM	MBA Mortgage Applications w/w	Aug 9	16.8	--	--	6.9	%, sa
8/14/24	8:30 AM	CPI m/m	Jul	0.2	0.2	--	-0.1	%, sa
8/14/24	8:30 AM	CPI Core (ex Food and Energy) m/m	Jul	0.2	0.2	--	0.1	%, sa
8/14/24	8:30 AM	CPI y/y	Jul	2.9	3.0	--	3.0	%, nsa
8/14/24	8:30 AM	CPI Core (ex Food and Energy) y/y	Jul	3.2	3.2	--	3.3	%, nsa
8/15/24	8:30 AM	Advance Retail Sales m/m	Jul	1.0	0.4	-0.2	0.0	%, sa
8/15/24	8:30 AM	Retail Sales Control Group m/m	Jul	0.3	0.1	--	0.9	%, sa
8/15/24	8:30 AM	Initial Jobless Claims	Aug 10	227	235	234	233	k, sa
8/15/24	8:30 AM	Continuing Claims	Aug 3	1,864	1,870	1,871	1,875	k, sa
8/15/24	8:30 AM	Import Price Index m/m	Jul	0.1	-0.1	--	0.0	%, nsa
8/15/24	8:30 AM	Import Price Index y/y	Jul	1.6	1.5	1.5	1.6	%, nsa
8/15/24	9:15 AM	Capacity Utilization	Jul	77.8	78.5	78.4	78.8	sa
8/15/24	10:00 AM	Business Inventories m/m	Jun	0.3	0.3	--	0.5	%, sa
8/15/24	10:00 AM	NAHB Housing Market Index	Aug	39	43	41	42	index, sa
8/16/24	8:30 AM	Housing Starts	Jul	1,238	1,333	1,329	1,353	k, saar
8/16/24	8:30 AM	Building Permits	Jul	1,396	1,425	1,454	1,446	k, saar
8/16/24	8:30 AM	Housing Starts m/m	Jul	-6.8	-1.5	1.1	3.0	%, sa
8/16/24	8:30 AM	Building Permits m/m	Jul	-4	-2.0	3.9	3.4	%, sa
8/16/24	10:00 AM	U. of Mich. Sentiment	Aug P	67.8	66.9	--	66.4	index, nsa
8/16/24	10:00 AM	U. of Mich. 1 Yr Inflation	Aug P	2.9	2.9	--	2.9	nsa
8/16/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Aug P	3.0	2.9	--	3.0	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)