

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.

September 16, 2024

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Moment of Truth

- **Key Takeaway:** Key inflation measures suggest cost pressures can take a backseat to the labor market as Fed policymakers lay out easing cycle.
- **Macro Implications:** Fed is likely to choose a 25bps rate cut this week and tee up a data-dependent path at subsequent meetings.
- **Housing Implications:** Mortgage rates hit a 19-month low last week but there have been minimal signs of a sales rebound yet.

Macro: Risks Firmly Centered on Labor Market Health

- Breadth of consumer/producer inflation has narrowed sufficiently.
- Credit-card usage supported robust July household spending.
- Consumer confidence rose in preliminary Sept. UMich survey.

Rates: Fed Guidance Will Be Pivotal

- 10-year UST fell ~7bps w/w to 3.66% after reaching a new 52-week low.
- Fed will release new economic and monetary policy projections this week.
- Market pricing in 125bps of cuts in '24, not unreasonable expectations.

Housing: Mortgage Rates Keep Tumbling

- Mortgage rates found renewed momentum to the downside.
- Purchase apps muddling at low levels but have seemingly bottomed.
- Fannie Mae survey shows largest net share expecting lower rates.

Consumer Inflation: Look Beyond the Volatility

- Headline CPI inflation held steady at 0.2% growth in August.
- Core inflation rose 0.3% largely due to shelter (i.e., housing) inflation.
- Housing contributed over 70% of both headline and core inflation.

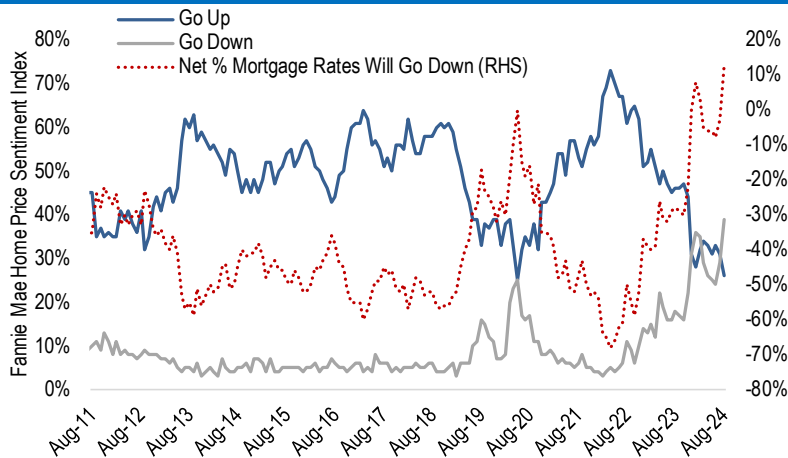
Consumer Credit: Households Tapping Credit to Spend

- Total consumer credit was up 0.5% m/m in July and up 1.9% y/y.
- Revolving credit rose 0.8%, well ahead of prior 12-month average.
- Recent pickup in revolving credit unlikely to be start of new trend.

Small Business Sentiment: Uncertainty Abounds

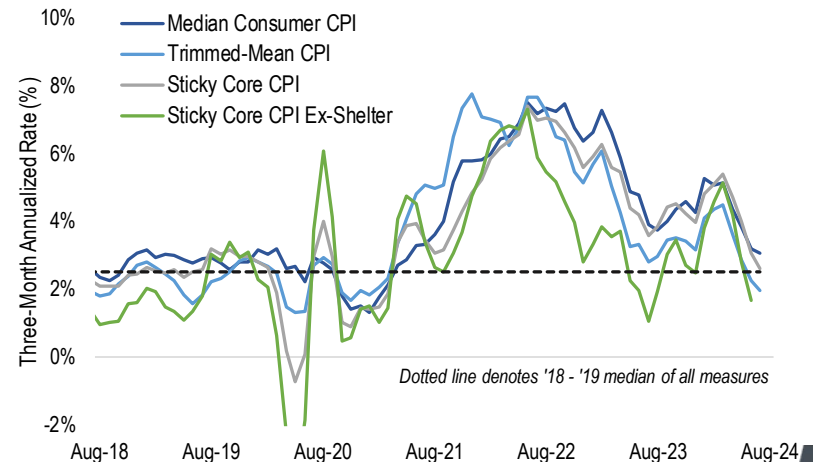
- NFIB Optimism Index declined most in 2+ years on surging uncertainty.
- Details suggest cost and wage pressures are moderating.
- Credit conditions remain a concern and have deteriorated.

Vast Majority of Consumers Expect Mortgage Rates to Decline ... How Many on the Sidelines, Waiting to Buy?

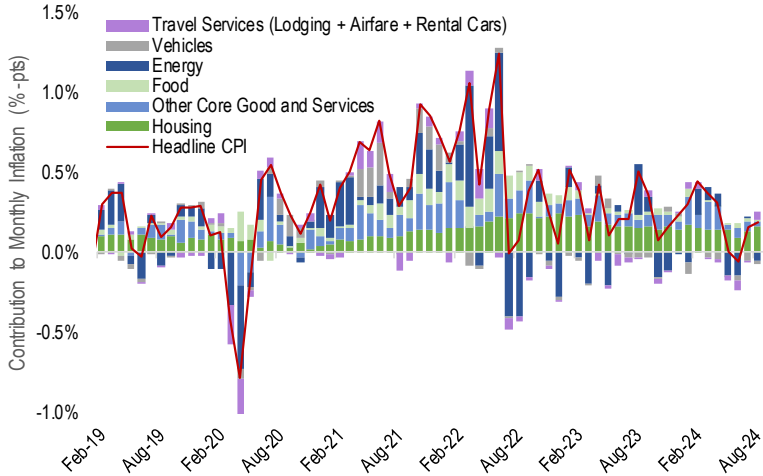


Sources: U.S. Bureau of Labor Statistics (BLS), Federal Reserve Bank of Cleveland, Federal Reserve Bank of Atlanta, Fannie Mae, Arch Global Economics

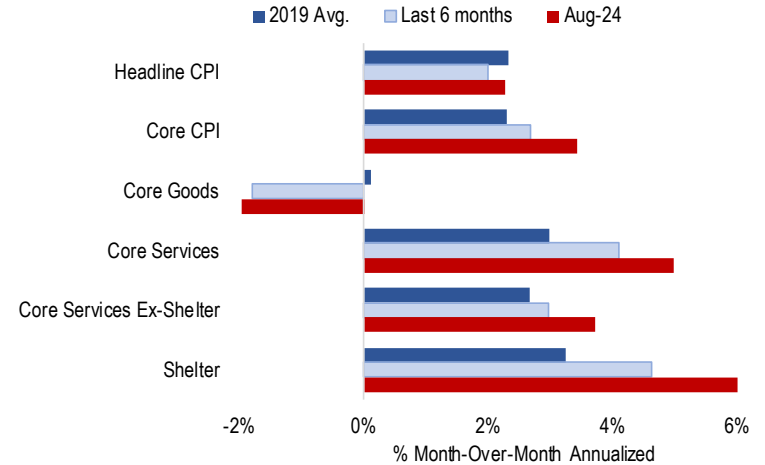
Central Tendency Measures of Inflation Indicate Disinflation Is Firmly in Place



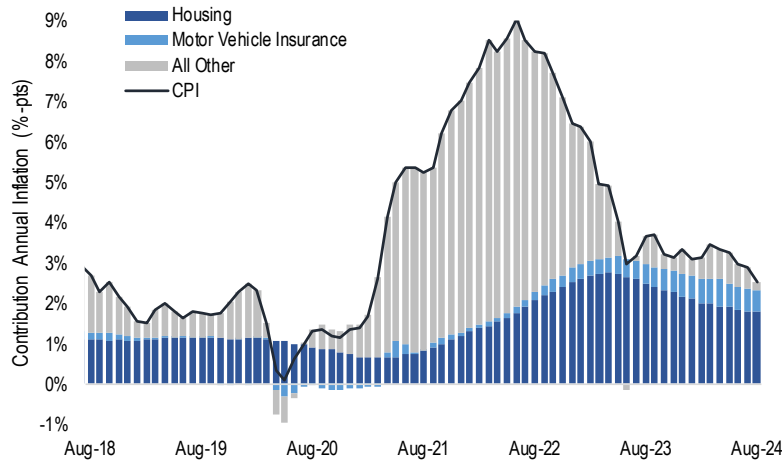
August Consumer Price Inflation Inched Higher but Remained Mostly in Line with Prior Month



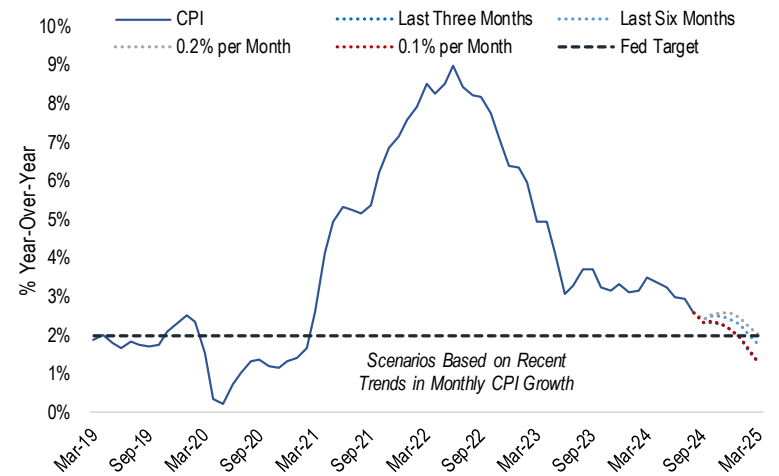
Core Inflation Accelerated in August Largely on the Back of Shelter and Volatile Airfares



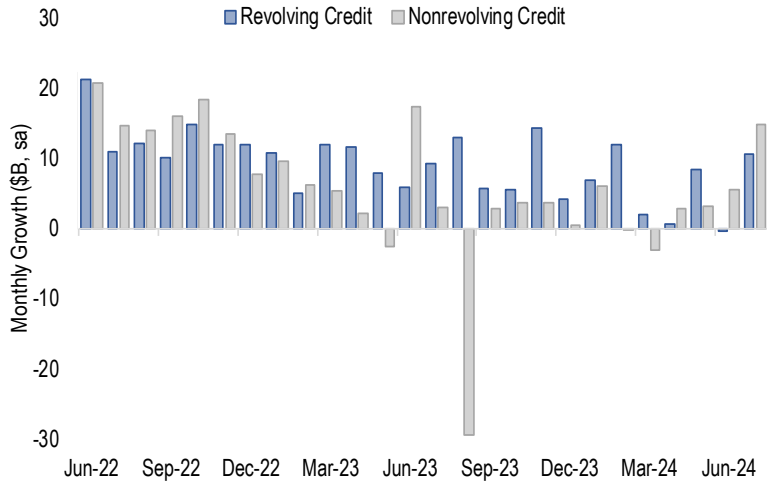
Annual Headline CPI Inflation Is Mostly a Housing and Auto Insurance Story



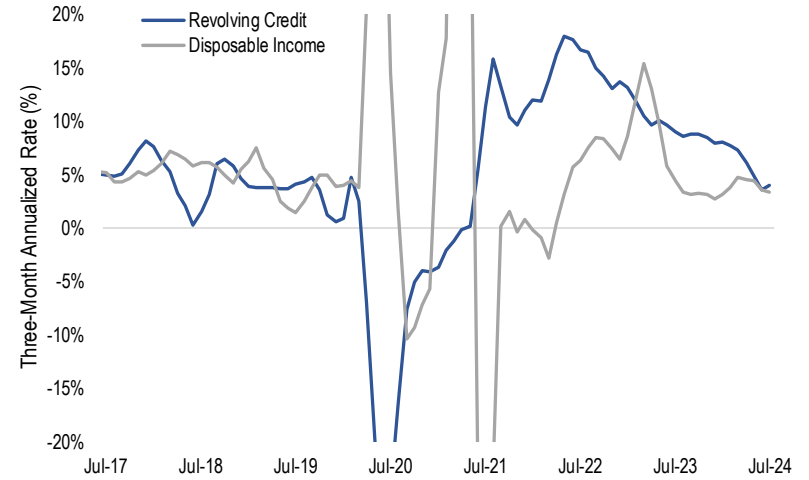
Sustained Reacceleration in Annual Headline Inflation Would Require Another "Shock" to the System



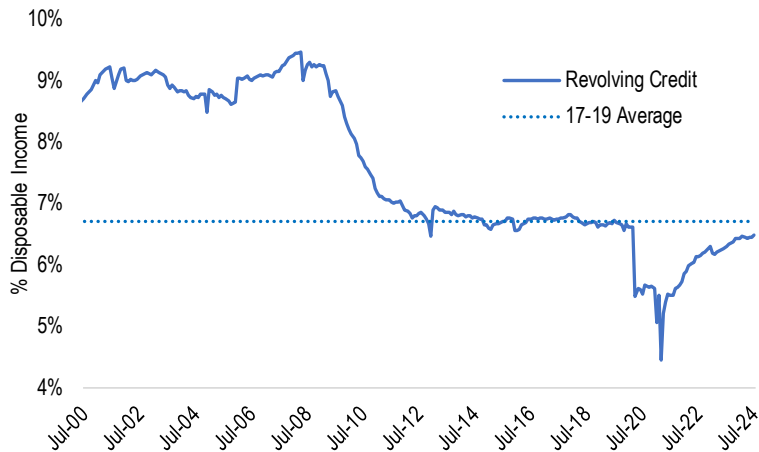
Total Consumer Credit Rose in July with Help from a Strong Rebound in Revolving Credit



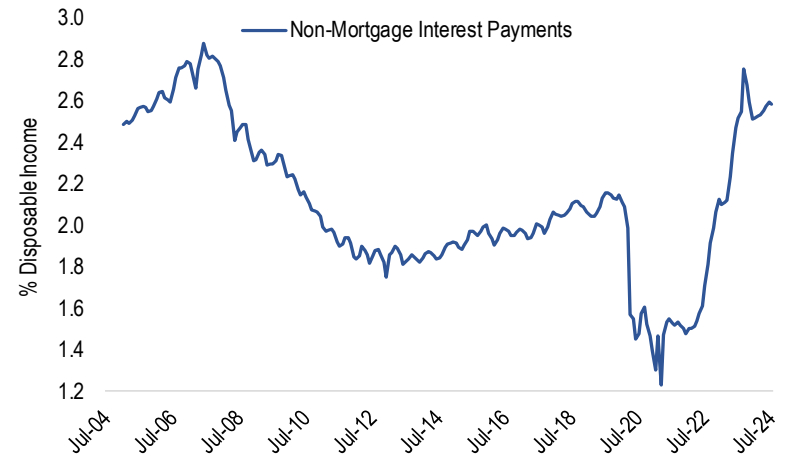
Revolving Credit Stemmed Its Descent, Suggesting Credit Card Debt Supported July Consumption



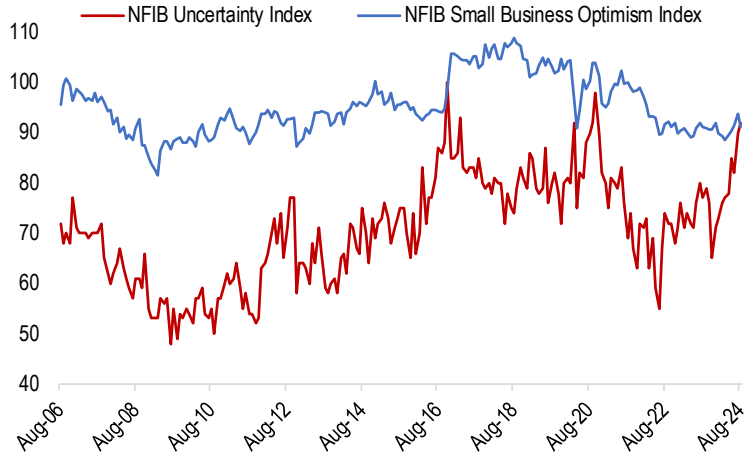
As a Share of Income, Revolving Credit Remained below the Pre-Pandemic Norm



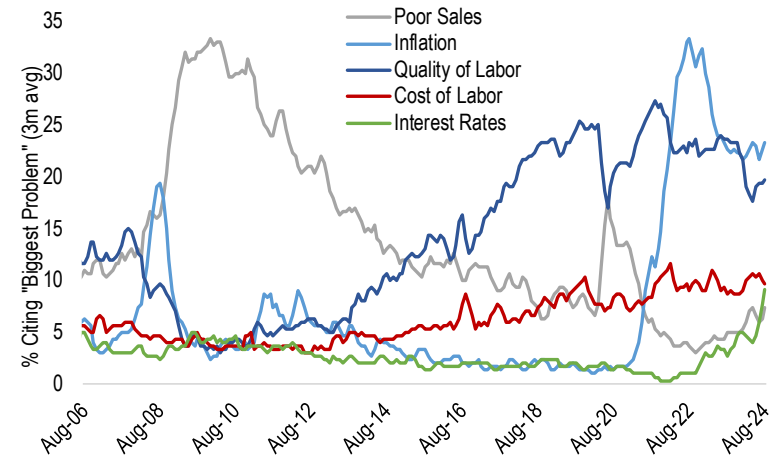
High Cost of New Consumer Loans Has Driven Non-Mortgage Interest Payments Sharply Higher



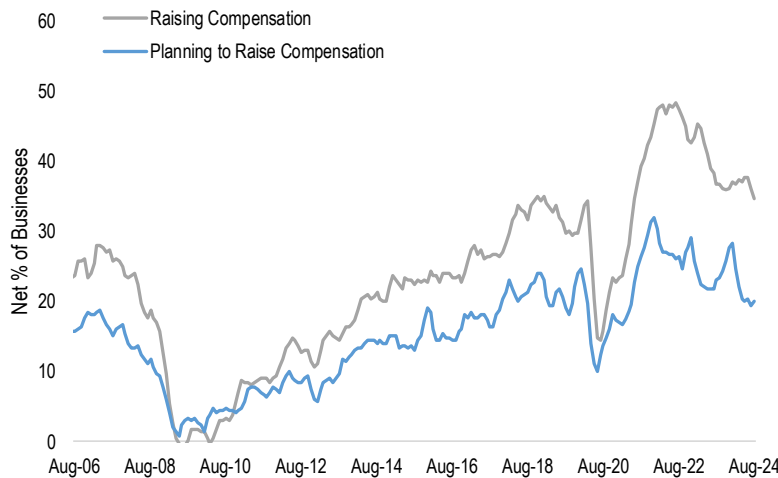
Small Business Optimism Suffered Largest Drop in 2+ Years as Uncertainty Surged to Highest Since Pandemic



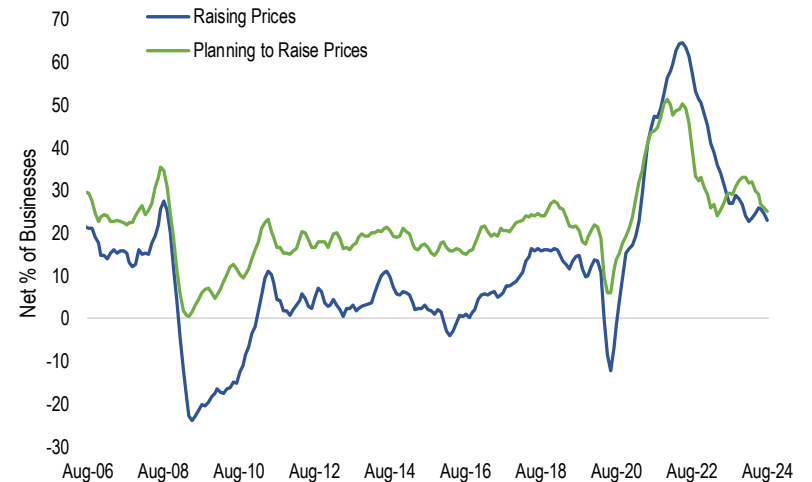
"Inflation" Remained Top Concern for Small Firms but "Interest Rates" Continued Its Ascent



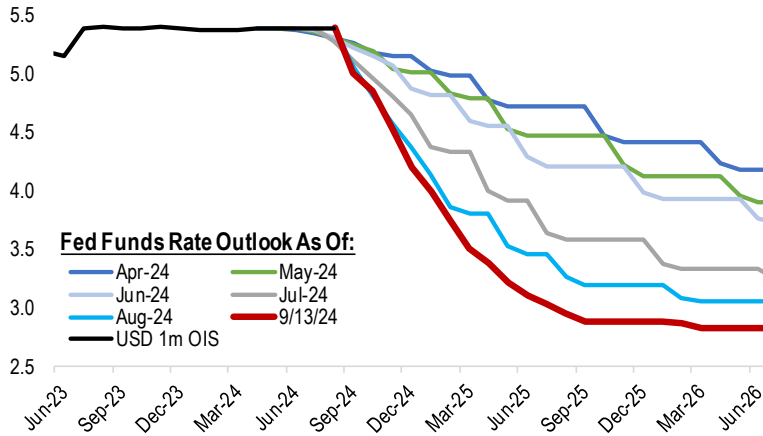
Wage Pressures Gleaned from Firms Raising/Planning to Raise Wages Back Near Pre-Pandemic Levels



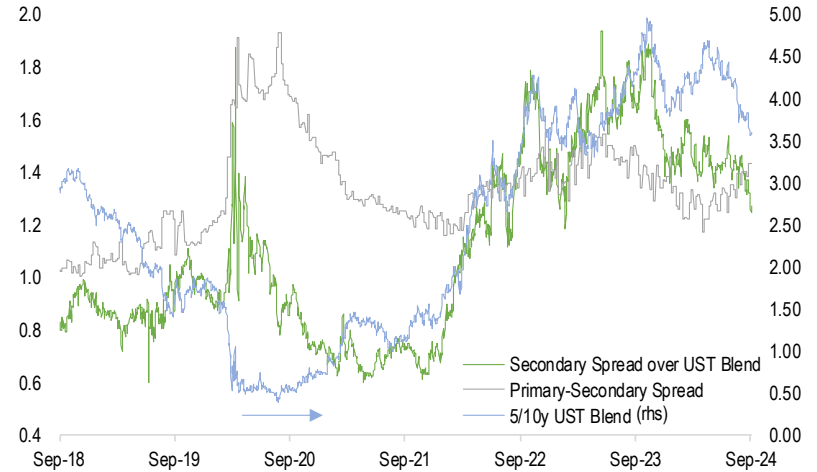
Fewer Firms Actually Raising Prices as Share of Those Planning to Raise Prices Remained in Downtrend



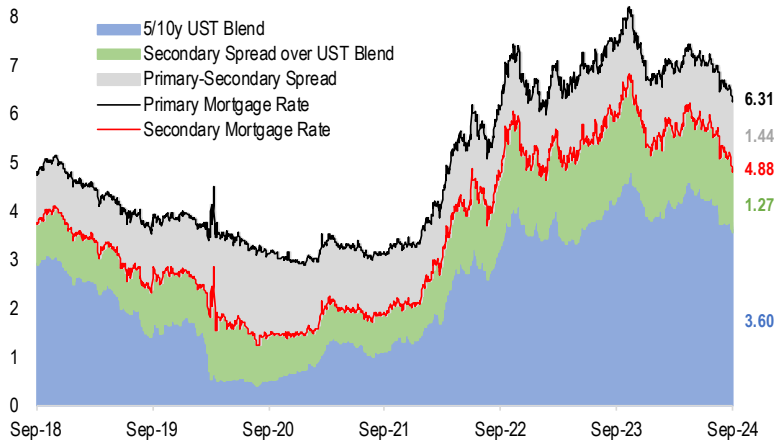
Market Now Sees 50%+ Odds of 50bps Rate Cut on Wednesday despite Hotter-Than-Expected Inflation



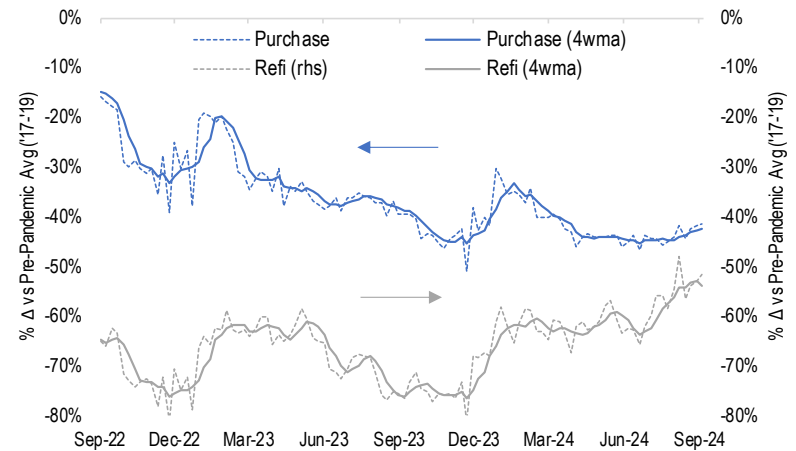
U.S. Treasury Yields down Another 6bps Last Week While Combined Mortgage Spreads Narrowed 5bps ...



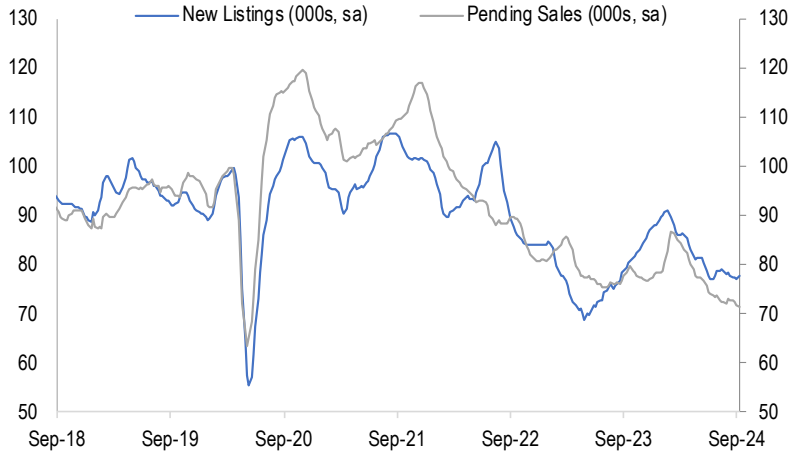
... Which Pulled Mortgage Rates Even Closer to 6%



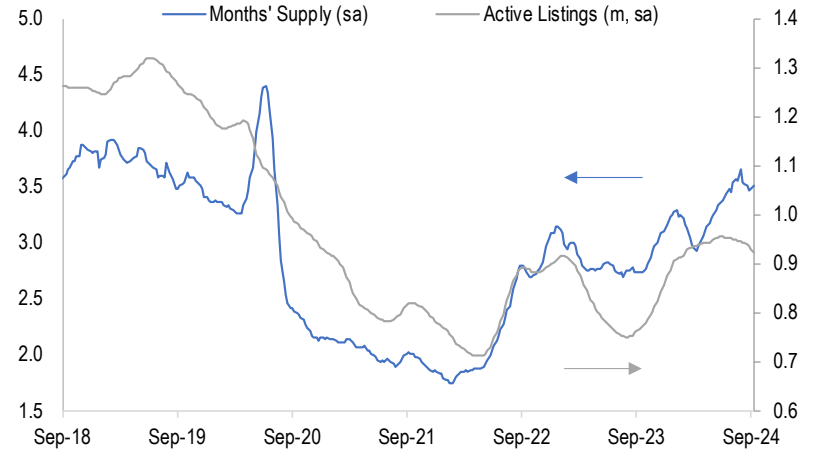
Mortgage Purchase Applications Starting to Turn Higher in Response to Lower Mortgage Rates



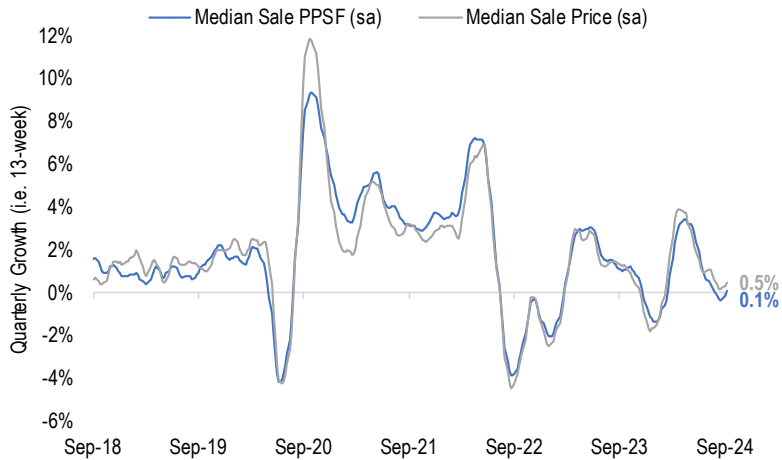
Pending Home Sales Back in a Downtrend as New Listings Rebounded ...



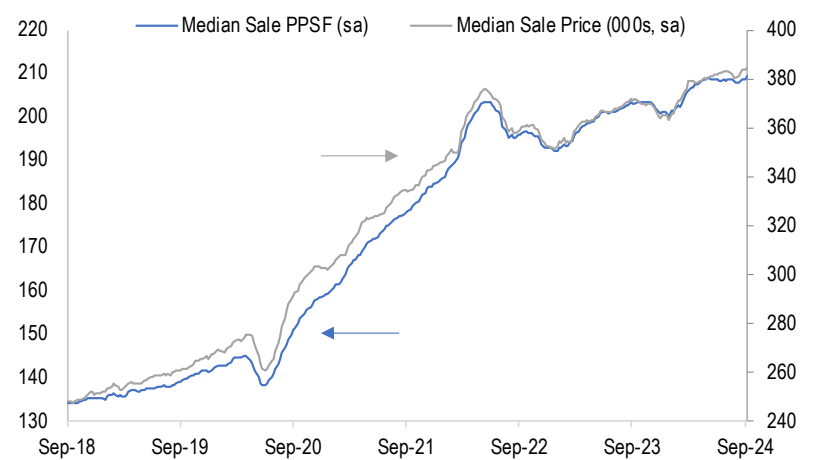
... Which Lifted up Months' Supply after a Month of Declines Even as Inventory Turned Lower



Prior Pause in Softening Market Conditions Provided Reprieve for Softer Home-Price Growth (SA) ...



... and the Seasonally Adjusted National Median Sales Price/SF Has Turned Higher Again after Lull

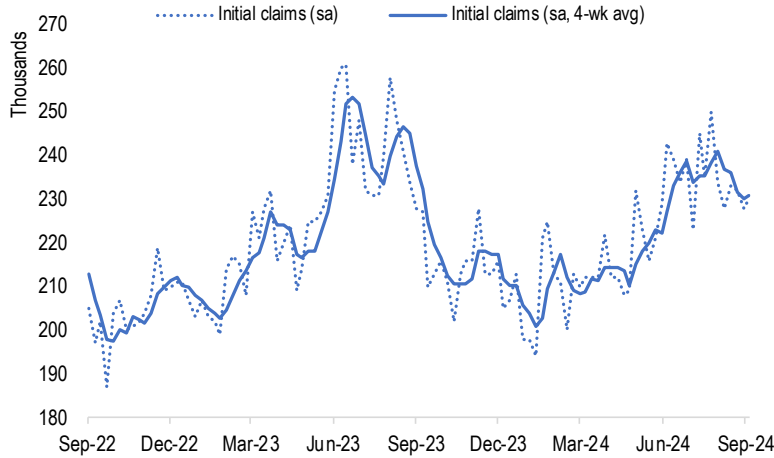


With National Market Near Pre-COVID-19 Balance, Some Markets Are Becoming Increasingly Oversupplied

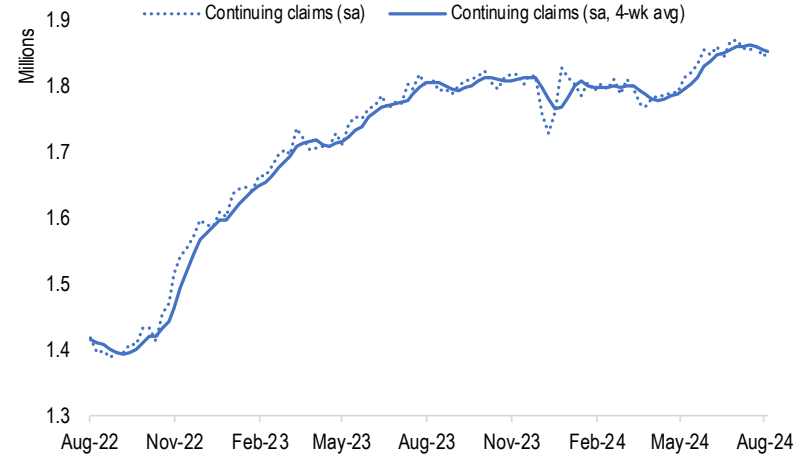
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.2%	-0.4%	5.9%	1.1%	6.6%	1.2%	99.0%	-0.5%	-9.3	-15.1	17%	-4%	-24%
Atlanta	1.0%	-0.9%	5.2%	3.3%	7.5%	1.9%	98.2%	-0.6%	7.7	-6.6	-1%	-5%	-18%
Austin	-4.0%	-3.1%	1.5%	3.6%	7.8%	-0.6%	97.2%	-0.3%	37.3	26.8	9%	87%	50%
Baltimore	2.4%	-2.1%	5.1%	2.2%	6.7%	1.1%	100.8%	-0.7%	-7.7	-12.4	15%	-26%	-43%
Boston	2.6%	-4.6%	6.0%	1.8%	4.9%	0.9%	101.4%	-1.0%	3.0	2.0	14%	-8%	-22%
Chicago	5.7%	-0.8%	7.4%	1.1%	3.8%	1.0%	99.8%	-0.3%	16.9	15.2	-8%	-22%	-22%
Dallas	-2.3%	-3.2%	2.3%	2.3%	8.7%	1.4%	97.8%	-0.7%	8.6	-3.4	30%	29%	-6%
Denver	-1.1%	-1.8%	2.0%	1.6%	9.2%	-0.1%	98.8%	-0.6%	13.0	0.1	34%	58%	11%
Houston	-0.2%	-1.6%	3.0%	1.1%	7.9%	1.7%	97.0%	-1.0%	4.9	-9.8	15%	-9%	-32%
Los Angeles	2.0%	-4.9%	3.8%	-1.6%	4.5%	1.2%	100.7%	-0.7%	-2.9	-6.6	23%	9%	-6%
Miami	-1.4%	-5.7%	5.4%	-1.7%	4.3%	1.6%	96.3%	-0.4%	2.9	-9.3	35%	-2%	-43%
Minneapolis	1.4%	-0.8%	4.7%	2.3%	7.4%	1.8%	99.9%	-0.9%	-0.3	-5.4	5%	0%	-19%
Nashville	0.8%	-3.3%	4.4%	3.9%	5.9%	1.2%	98.2%	-0.1%	5.1	-2.5	14%	25%	-2%
New York	3.7%	-4.5%	12.4%	3.7%	3.5%	0.5%	100.7%	0.4%	-34.5	-32.3	-11%	-26%	-26%
Phoenix	0.2%	-4.4%	3.8%	2.1%	6.7%	0.3%	98.3%	-0.2%	12.7	0.2	33%	44%	0%
Portland	1.1%	-0.2%	2.4%	1.1%	8.0%	1.5%	99.4%	-0.4%	6.1	-1.9	11%	21%	4%
Riverside	2.8%	-1.7%	5.1%	-1.1%	5.3%	1.0%	99.5%	-0.4%	-8.6	-17.3	19%	-2%	-13%
San Diego	4.9%	-2.0%	5.0%	-3.0%	6.4%	1.9%	99.6%	-1.2%	0.2	-9.4	49%	-1%	-32%
Seattle	2.8%	-4.7%	5.4%	0.0%	6.7%	0.4%	100.1%	-0.2%	-1.4	-4.6	28%	12%	-14%
Tampa	-2.4%	-2.3%	1.9%	0.2%	9.4%	1.7%	97.4%	-0.6%	6.3	-8.7	54%	38%	-18%
Washington DC	1.6%	-2.6%	3.9%	-0.2%	5.2%	0.9%	100.1%	-0.4%	7.0	2.5	10%	-6%	-17%

Data as of Sept. 8, 2024, and reflects 4-week averages.

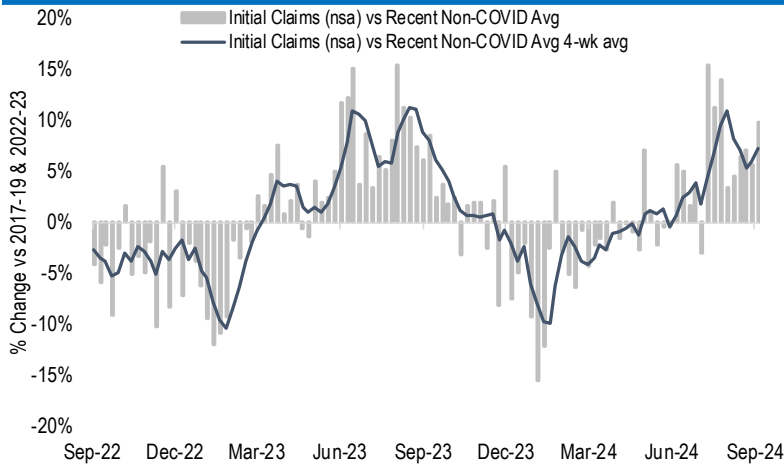
Initial Claims (SA) Moved up More Than Expected, Remained in Line with 2024 Uptrend



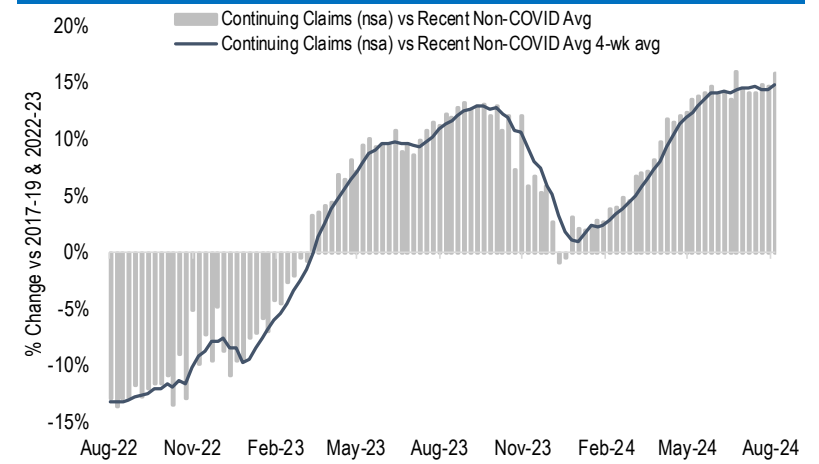
Upside Momentum in Continuing Claims (SA) Has Cooled after Moving Higher for Most of 2024 ...



Non-Seasonally Adjusted (NSA) Initial Claims Reflect Clearer Upward Pressure



... While NSA Continuing Claims Stepped Higher after More Than a Month of Stability



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
9/17/24	8:30 AM	Advance Retail Sales m/m	Aug	--	-0.2	--	1.0	%, sa
9/17/24	8:30 AM	Retail Sales Control Group m/m	Aug	--	0.3	--	0.3	%, sa
9/17/24	9:15 AM	Capacity Utilization	Aug	--	77.9	--	77.8	sa
9/17/24	10:00 AM	Business Inventories m/m	Jul	--	0.3	--	0.3	%, sa
9/17/24	10:00 AM	NAHB Housing Market Index	Sep	--	40.5	--	39.0	index, sa
9/18/24	7:00 AM	MBA Mortgage Applications w/w	Sep 13	--	--	--	1.4	%, sa
9/18/24	8:30 AM	Housing Starts	Aug	--	1,316	--	1,238	k, saar
9/18/24	8:30 AM	Building Permits	Aug	--	1,412	--	1,396	k, saar
9/18/24	8:30 AM	Housing Starts m/m	Aug	--	6.3	--	-6.8	%, sa
9/18/24	8:30 AM	Building Permits m/m	Aug	--	1.1	--	-4.0	%, sa
9/18/24	2:00 PM	FOMC Rate Decision (Upper Bound)	Sep 18	--	5.25	--	5.50	%
9/19/24	8:30 AM	Initial Jobless Claims	Sep 14	--	230	--	230	k, sa
9/19/24	8:30 AM	Continuing Claims	Sep 7	--	1,855	--	1,850	k, sa
9/19/24	10:00 AM	Conference Board Leading Index m/m	Aug	--	-0.3	--	-0.6	%, sa
9/19/24	10:00 AM	Existing Home Sales	Aug	--	3.90	--	3.95	m, saar
9/19/24	10:00 AM	Existing Home Sales m/m	Aug	--	-1.3	--	1.3	%, 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
9/9/24	10:00 AM	Wholesale Inventories m/m	Jul F	0.2	0.3	--	0.3	%, sa
9/9/24	10:00 AM	Wholesale Trade Sales m/m	Jul	1.1	0.3	-0.3	-0.6	%, sa
9/9/24	11:00 AM	NY Fed 1-Yr Inflation Expectations	Aug	3.0	--	--	3.0	%
9/9/24	3:00 PM	Consumer Credit m/m	Jul	25.5	10.4	5.2	8.9	\$B, sa
9/10/24	6:00 AM	NFIB Small Business Optimism	Aug	91.2	93.6	--	93.7	index, sa
9/11/24	7:00 AM	MBA Mortgage Applications w/w	Sep 6	1.4	--	--	1.6	%, sa
9/11/24	8:30 AM	CPI m/m	Aug	0.2	0.2	--	0.2	%, sa
9/11/24	8:30 AM	CPI Core (ex Food and Energy) m/m	Aug	0.3	0.2	--	0.2	%, sa
9/11/24	8:30 AM	CPI y/y	Aug	2.5	2.5	--	2.9	%, nsa
9/11/24	8:30 AM	CPI Core (ex Food and Energy) y/y	Aug	3.2	3.2	--	3.2	%, nsa
9/12/24	8:30 AM	PPI Final Demand m/m	Aug	0.2	0.1	0.0	0.1	%, sa
9/12/24	8:30 AM	PPI Core (ex Food and Energy) m/m	Aug	0.3	0.2	-0.2	0.0	%, sa
9/12/24	8:30 AM	PPI Final Demand y/y	Aug	1.7	1.7	2.1	2.2	%, nsa
9/12/24	8:30 AM	PPI Core (ex Food and Energy) y/y	Aug	2.4	2.4	2.3	2.4	%, nsa
9/12/24	8:30 AM	Initial Jobless Claims	Sep 7	230	226	228	227	k, sa
9/12/24	8:30 AM	Continuing Claims	Aug 31	1,850	1,850	1,845	1,838	k, sa
9/13/24	8:30 AM	Import Price Index m/m	Aug	-0.3	-0.2	--	0.1	%, nsa
9/13/24	8:30 AM	Import Price Index y/y	Aug	0.8	0.9	1.7	1.6	%, nsa
9/13/24	10:00 AM	U. of Mich. Sentiment	Sep P	69.0	68.5	--	67.9	index, nsa
9/13/24	10:00 AM	U. of Mich. 1 Yr Inflation	Sep P	2.7	2.8	--	2.8	nsa
9/13/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Sep P	3.1	3.0	--	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)