

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 23, 2024

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The First Cut Is the Deepest?

- **Key Takeaway:** Strong message by the Fed with 50bps cut, more than we expected, to preserve health of the economy and extend the cycle.
- **Macro Implications:** A Fed clearly keen on not falling behind the curve should provide broad economic support, albeit with a lag.
- **Housing Implications:** Mortgage rates have already repriced to a 24-month low, but existing home sales unlikely to climb meaningfully until next year.

Macro: Let the Chips Fall Where They May

- Economy remains on solid footing but expect momentum to slow.
- Household spending growth will be determined by labor market health.
- Removal of weather drags lifted construction/industrial output in Aug.

Rates: Threading the Needle

- Markets digested the 50bps cut well, still not pricing in a recession.
- 10-year UST rose ~8bps w/w to 3.73% after a 52-week low the prior week.
- Another 75bps of cuts are priced in for the two remaining meetings in '24.

Housing: Have We Found a Near-Term Floor?

- Mortgage rates stemmed declines, settling in around the low-6% range.
- A further decline will need to come from normalizing spreads.
- Purchase apps seemingly bottomed, suggesting modest sales upside in Q4.

Existing Home Sales: Hoping and Wishing

- Existing home sales down -2.5% m/m in August and -4.2% annually.
- Inventory rose for first time in five months and by 1.9% (sa) in Aug.
- Months' supply up 28% y/y to 3.7 (sa), par with 2019.

Construction: Single-Family Rebounds, but Don't Get Excited

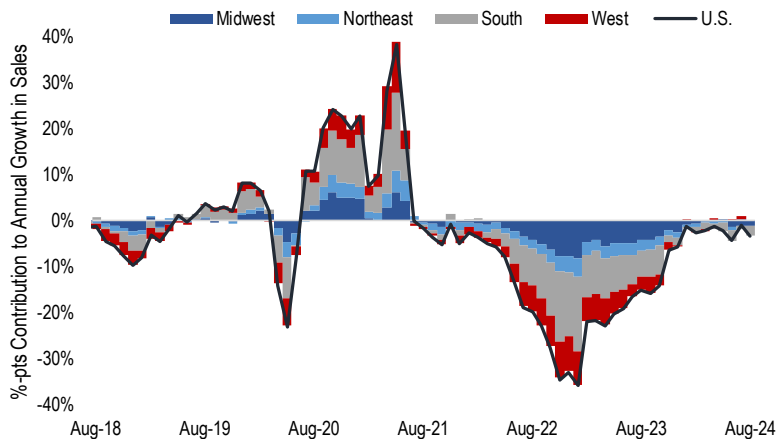
- Single-family starts rose 16% m/m, shaking off weather drags from July.
- Single-family permits rose for second straight month, by 2.8% m/m (sa).
- Builders remain focused on completions, not starting new homes.

Retail Sales: Trend Remains Firm despite Narrow Breadth

- Retail sales surprised to the upside with a 0.1% monthly gain in Aug.
- Real control group sales growing at steady 3-4% y/y since last summer.
- Details point to consumers being more judicious, but still spending.

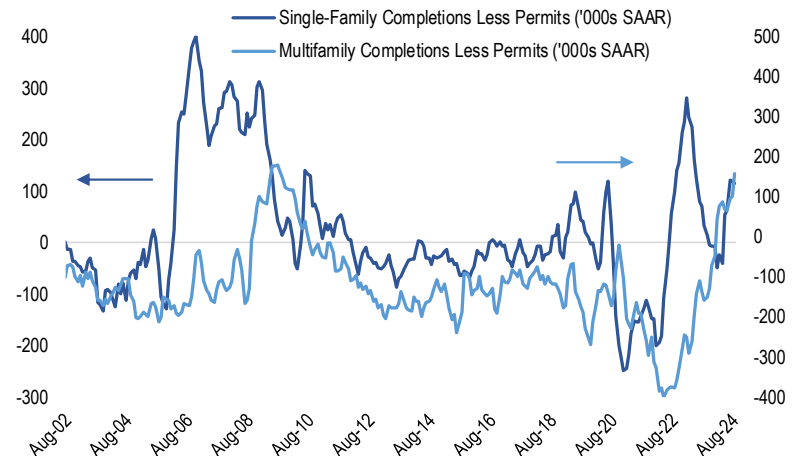
Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants

Annual Existing Home Sales Growth Negative for More Than Two Years; Poised to Finally Turn Positive?

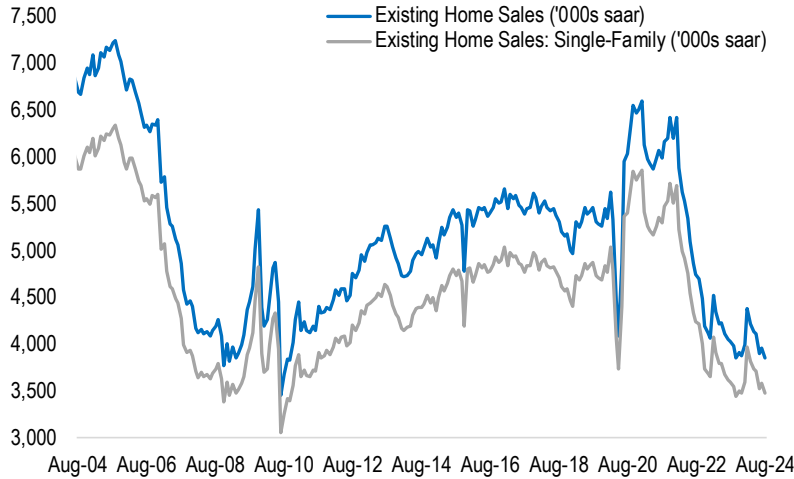


Sources: National Association of REALTORS® (NAR), U.S. Census Bureau, Arch Global Economics

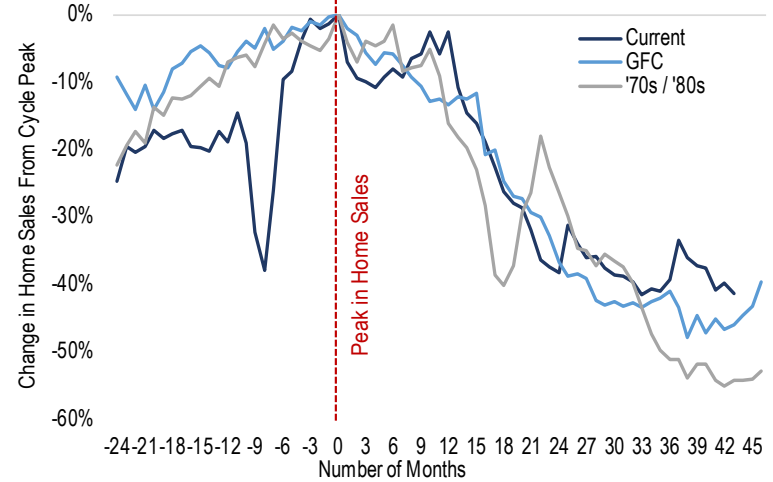
Despite August Rebound in Housing Starts, Builders Still Putting More of Their Energy into Completions



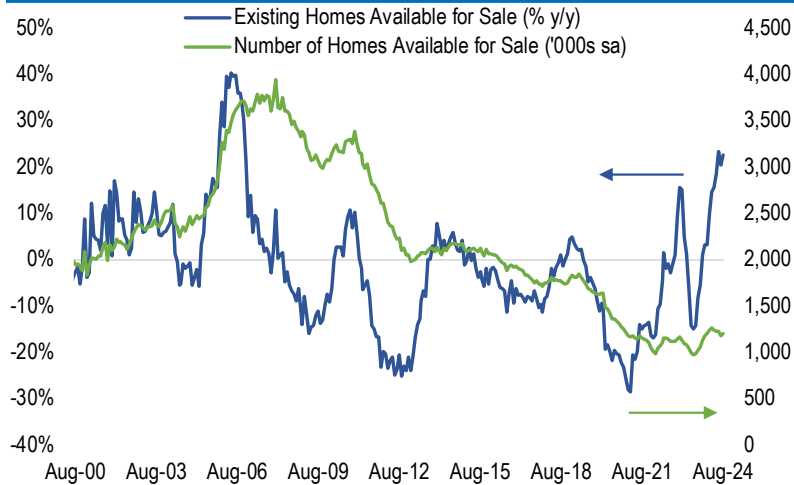
Existing Home Sales Muddling along at Below-Trend Pace with Only Modest Upside Near-Term



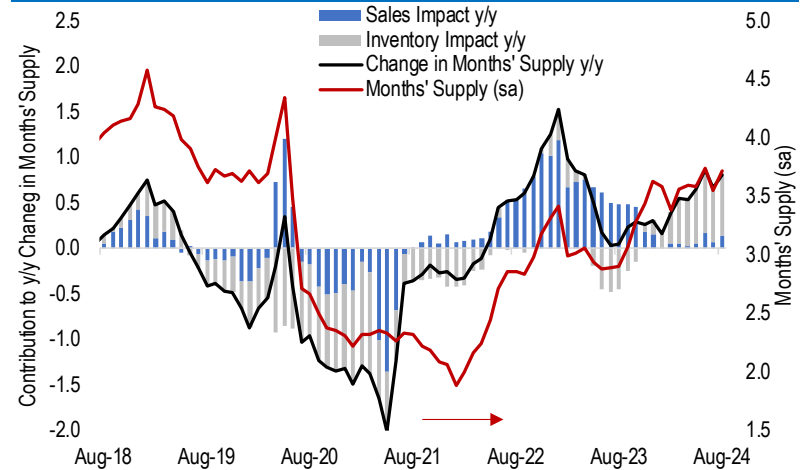
Existing Home Sales Double-Dipped Lower (Again) as Buyers Still Sitting on the Sidelines



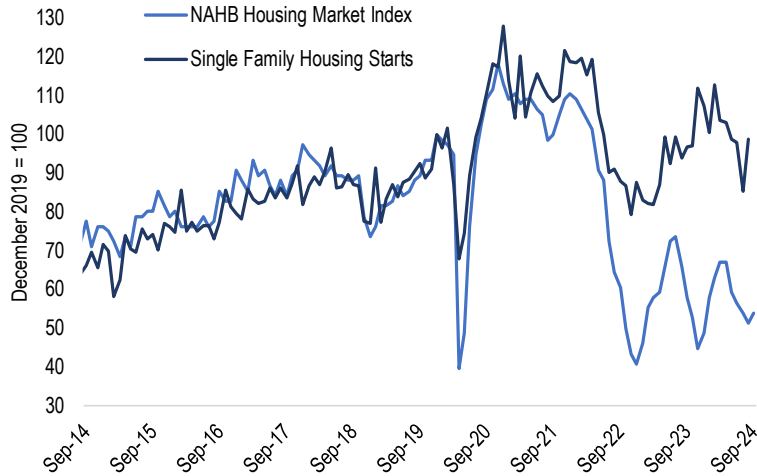
Inventory Inched Higher in August but Absolute Level Remained Historically Low



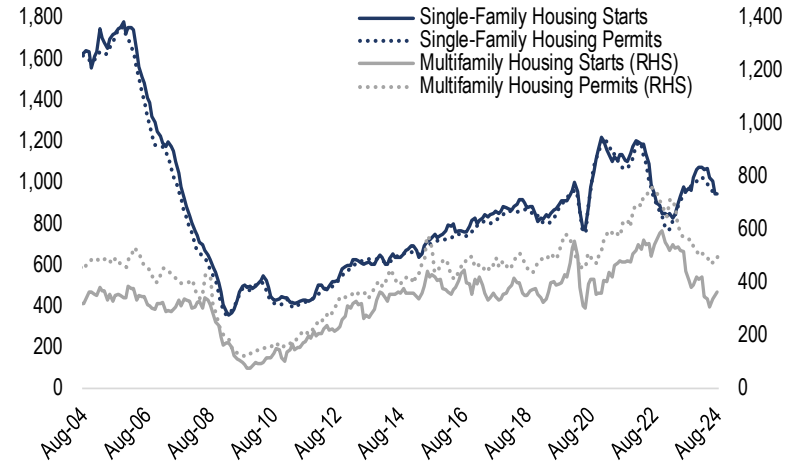
Inventory Has Been the Biggest Annual Contributor to the Rise in Months' Supply amid Rising Days on Market



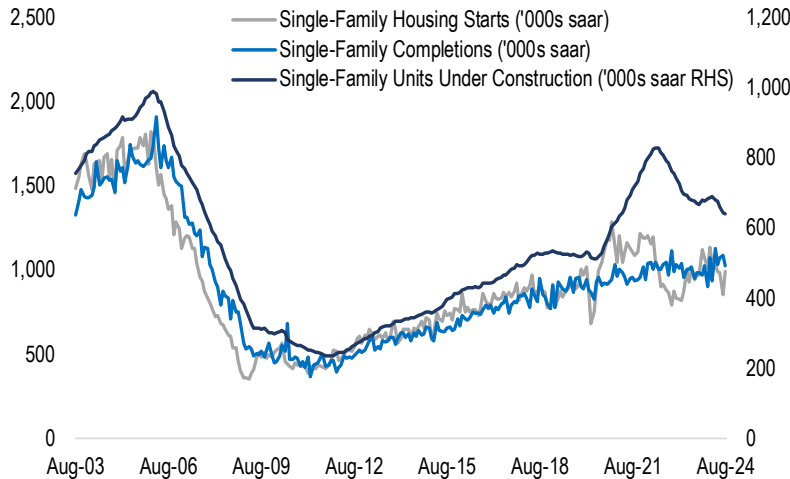
Builder Optimism Rose for First Time in Seven Months as Use of Incentives Fell



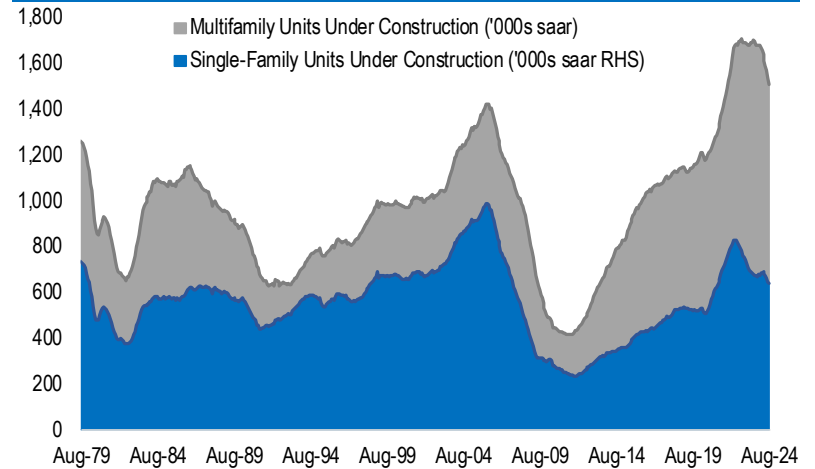
Single-Family Permitting Has Cooled in 2024 While Multifamily Remained in a Broader Downtrend



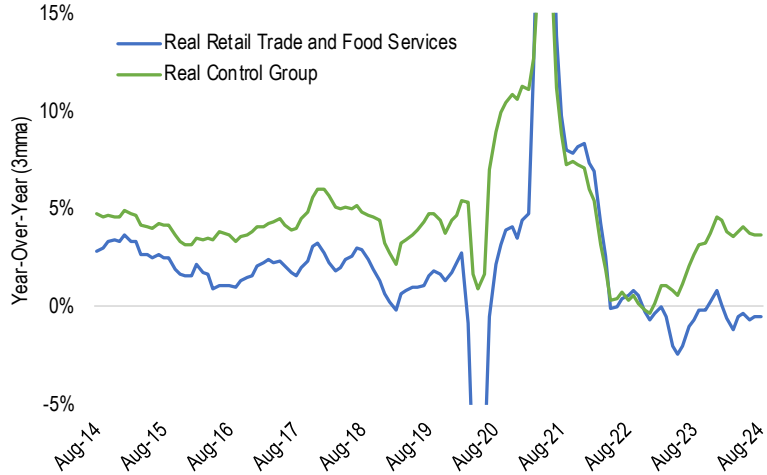
Single-Family Completions Fell in August but Are Still Outpacing Starts



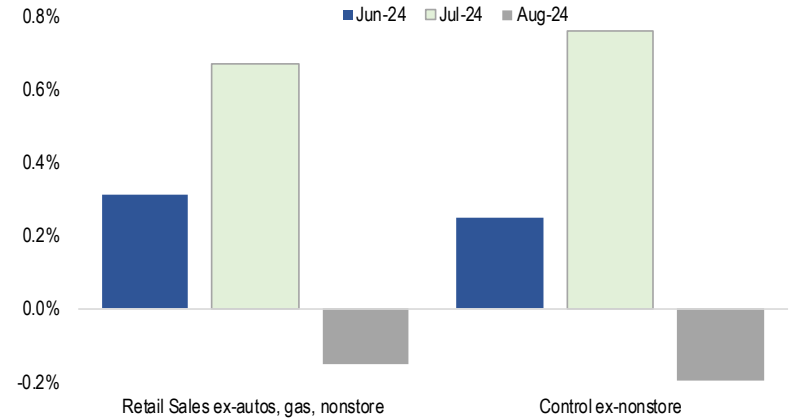
Units under Construction Continued to Decline with Single-Family Segment down -23% from 2022 Peak



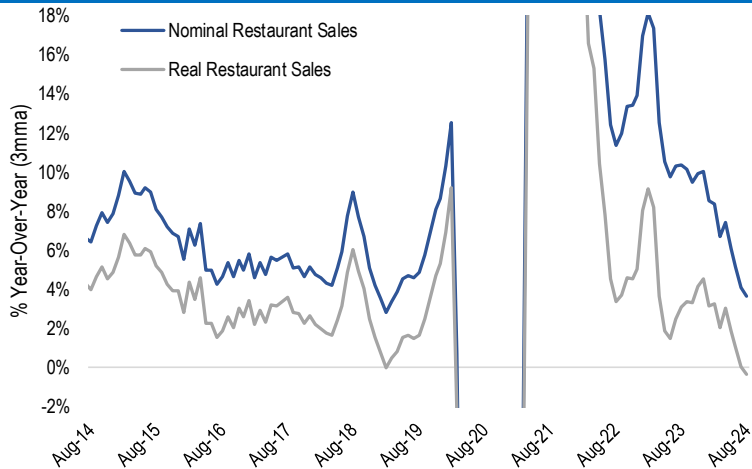
August Retail Sales Growth Surprised to Upside with Underlying Momentum Remaining Firm in Q3



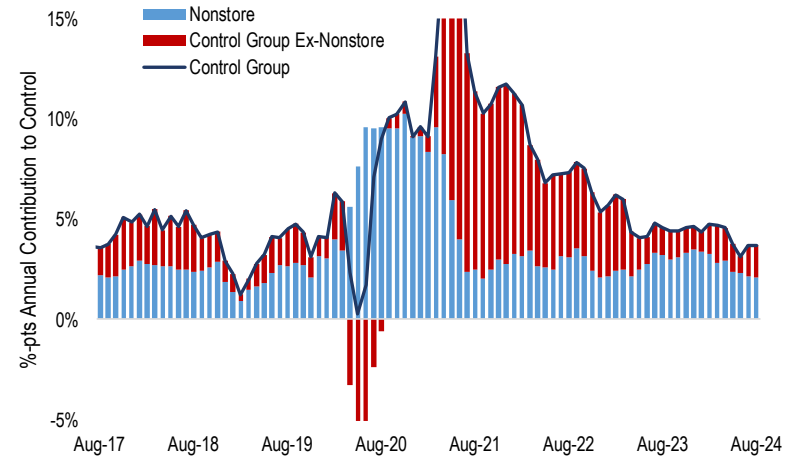
However, the Outsized gain in August Was Largely Attributed to Online (i.e., Nonstore) Sales



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

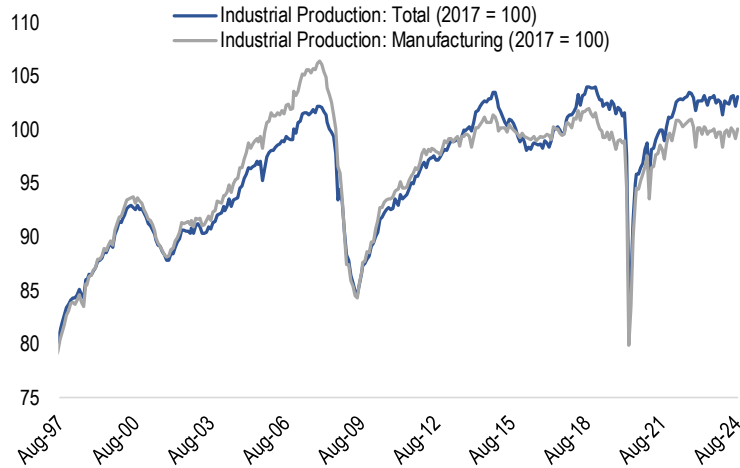


Online Sales (i.e., Nonstore) Have Been a Key Support to Control Group Sales but Have Cooled in 2024

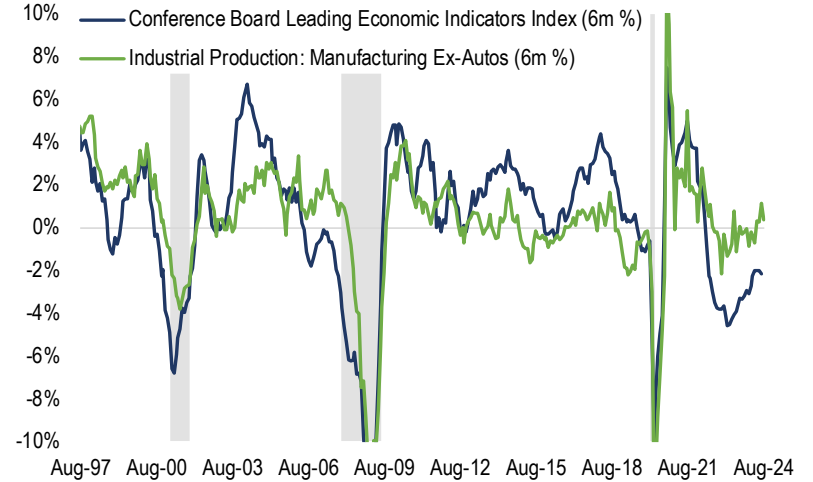


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

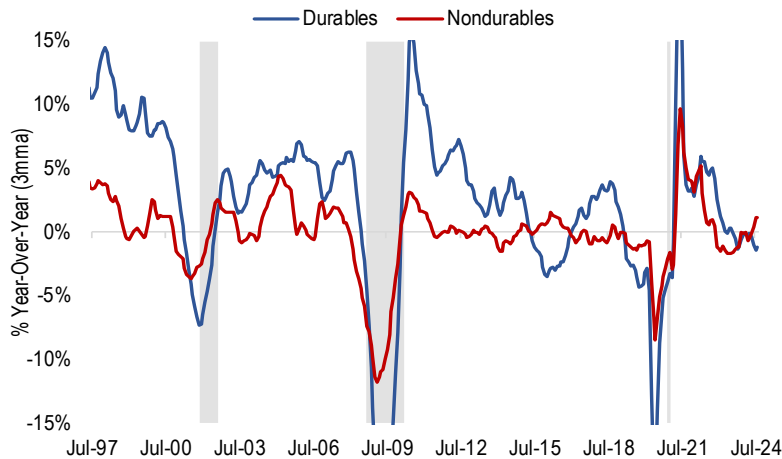
Total Industrial Production Surged in August, Helped by Autos and Removal of Weather Impacts from July



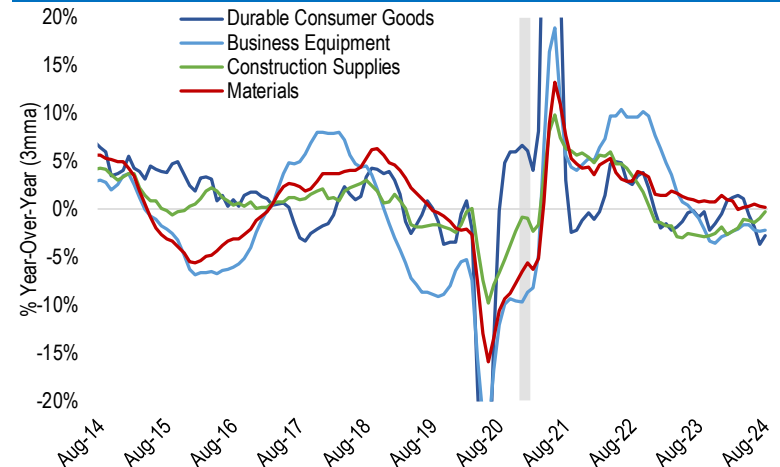
Manufacturing Ex-Autos Retained Uptrend in Contrast with Still-Soft Survey Data



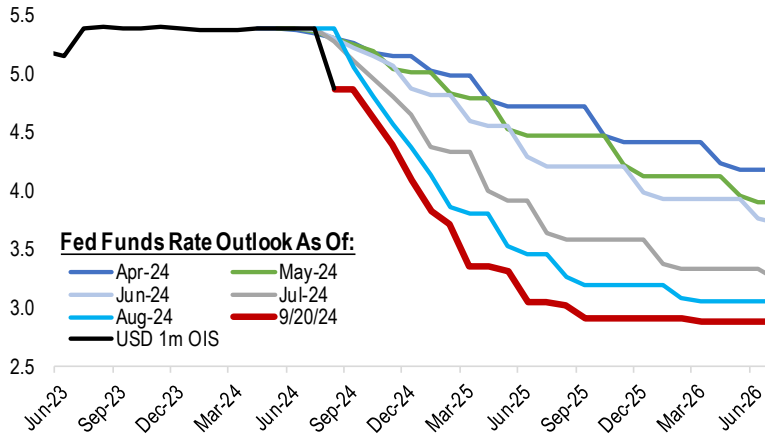
However, the Bulk of the Rebound in Manufacturing Production Has Come from Nondurables



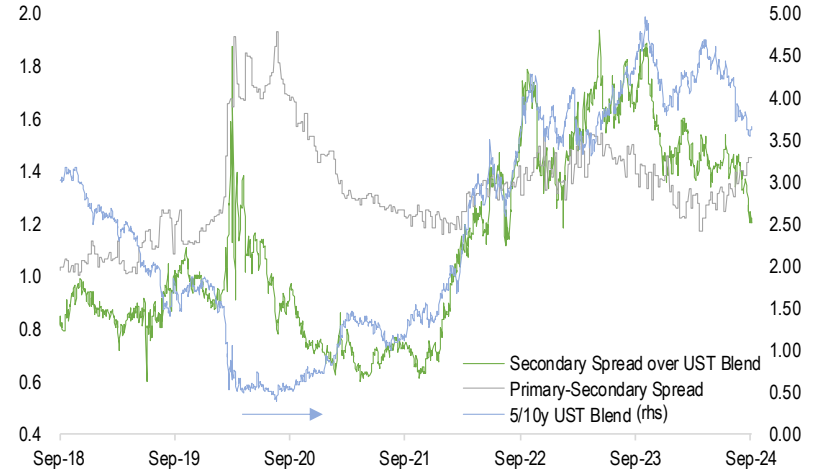
Production of Construction Supplies Encouragingly Has Shown an Uptick in Momentum Recently



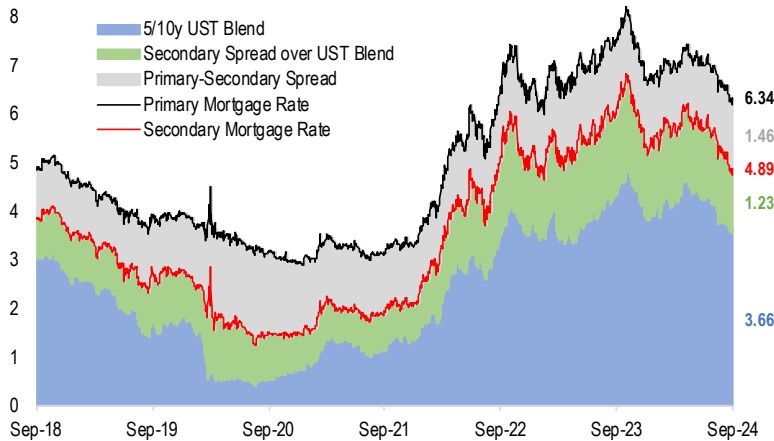
Market Sees Another 75bps of Cuts by Year-End after Fed Delivered Larger-Than-Expected 50bps Cut in Sept.



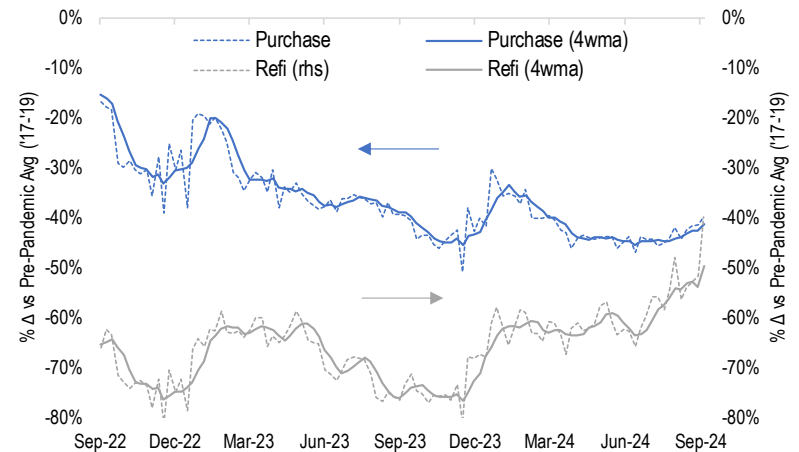
UST Yields up 6bps Last Week despite Rate Cut, While Combined Mortgage Spreads Were down 2bps ...



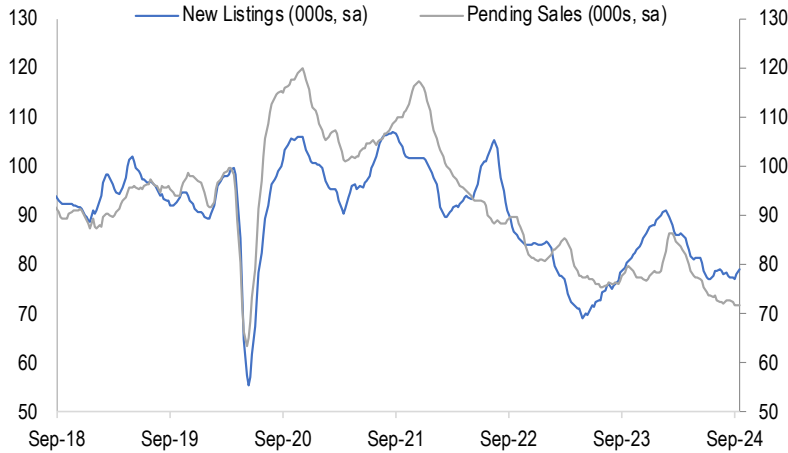
... Which Lifted Mortgage Rates by 4bps from Prior Week's Two-Year Low



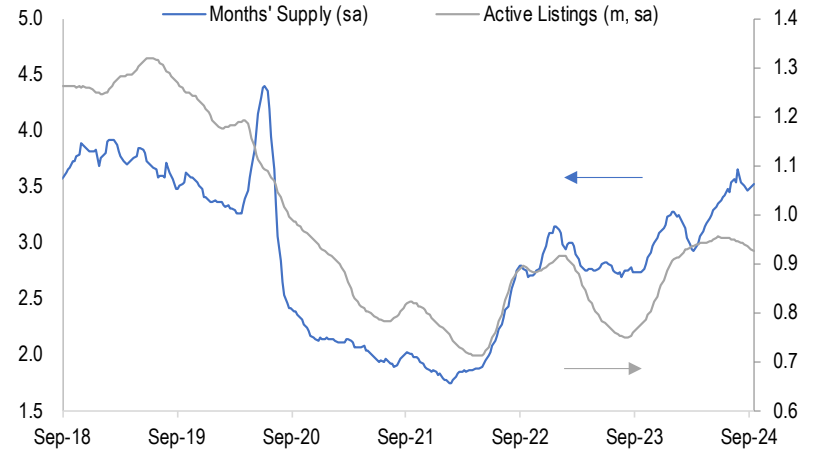
Mortgage Purchase Apps Continued Modest Recovery, While Refi Apps Have Moved up Meaningfully



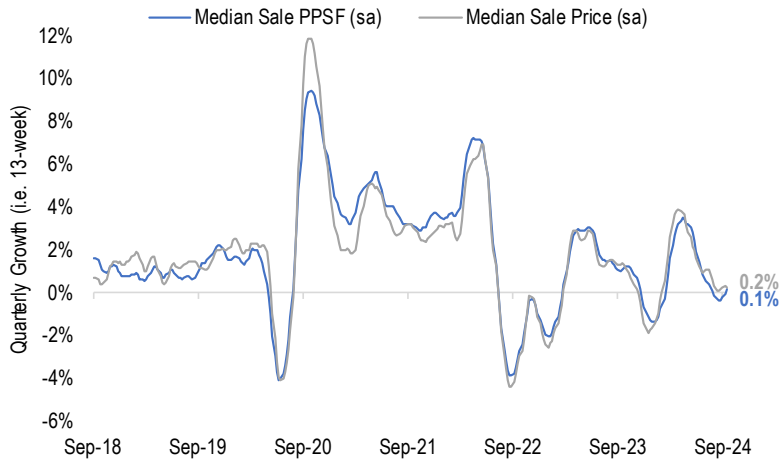
Pending Home Sales Back in a Downtrend as New Listings Rebounded ...



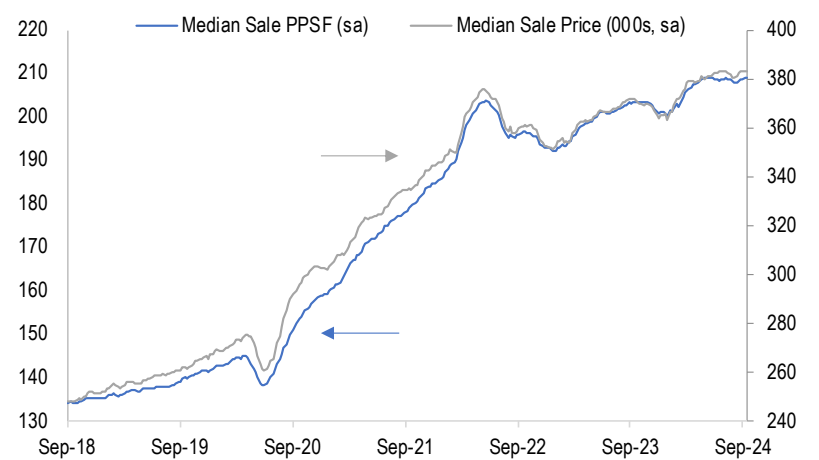
... Which Lifted Months' Supply Again Even as Inventory Continued to Shrink



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



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

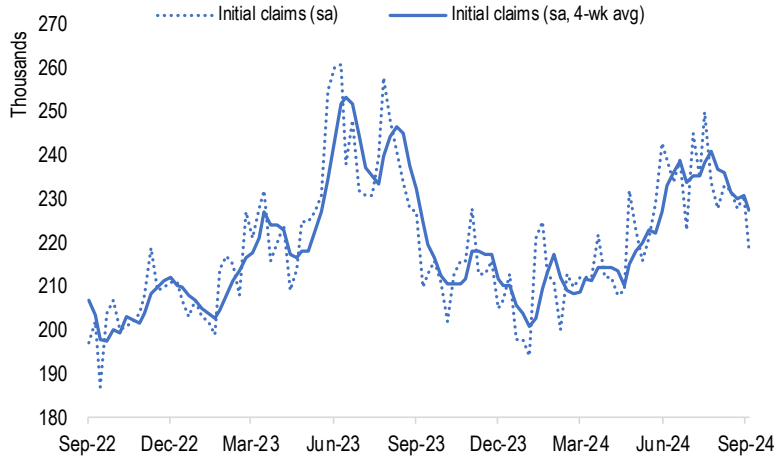


With National Market Near Pre-COVID-19 Balance, Some Markets Are Becoming Increasingly Oversupplied

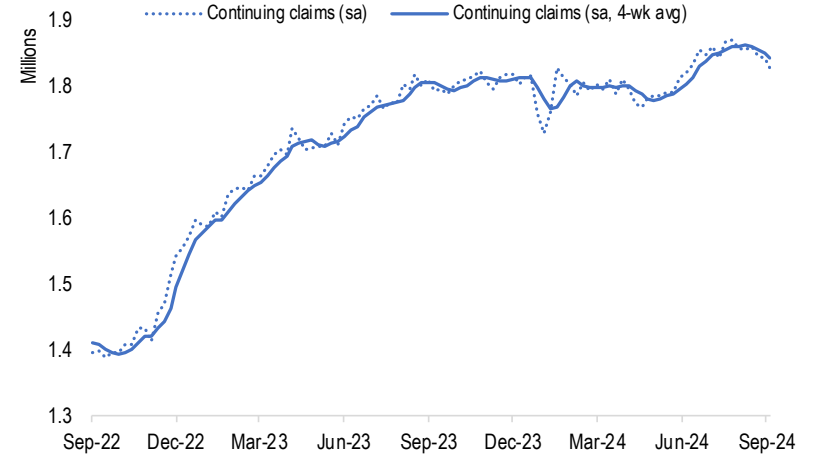
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	2.9%	-0.6%	5.9%	1.4%	6.5%	0.9%	99.0%	-0.5%	-9.2	-15.4	16%	-4%	-25%
Atlanta	1.6%	-0.5%	5.2%	3.4%	7.4%	1.8%	98.2%	-0.6%	8.1	-6.8	-2%	-5%	-17%
Austin	-4.6%	-2.7%	1.1%	3.6%	7.8%	-0.5%	97.2%	-0.3%	38.7	26.3	8%	94%	53%
Baltimore	4.4%	0.9%	5.8%	3.6%	6.7%	1.0%	100.9%	-0.2%	-8.0	-12.3	15%	-27%	-44%
Boston	3.6%	-2.4%	4.4%	-0.3%	5.0%	0.8%	101.3%	-1.1%	2.7	1.7	11%	-13%	-25%
Chicago	6.6%	-0.2%	8.6%	2.6%	4.0%	1.1%	99.6%	-0.4%	16.1	14.6	-7%	-21%	-23%
Dallas	-1.8%	-2.9%	2.6%	2.1%	8.7%	1.1%	97.8%	-0.6%	9.2	-3.6	29%	24%	-8%
Denver	-1.2%	-0.6%	2.2%	1.5%	9.3%	-0.1%	98.9%	-0.5%	11.2	0.2	34%	66%	14%
Houston	-0.4%	-1.7%	2.9%	0.9%	7.9%	1.4%	97.0%	-0.9%	4.8	-9.4	14%	-10%	-31%
Los Angeles	2.7%	-3.7%	3.9%	-0.4%	4.4%	1.1%	100.4%	-0.9%	-2.3	-6.8	22%	10%	-6%
Miami	0.5%	-3.6%	7.4%	-0.1%	4.4%	1.6%	96.2%	-0.5%	2.5	-10.9	34%	-30%	-59%
Minneapolis	1.4%	0.1%	5.0%	2.7%	7.3%	1.2%	99.9%	-0.7%	-0.1	-5.6	6%	3%	-18%
Nashville	1.1%	-3.1%	4.2%	3.6%	5.8%	1.0%	98.3%	0.0%	6.2	0.1	14%	28%	1%
New York	4.1%	-5.7%	13.1%	4.4%	3.7%	0.7%	100.4%	0.2%	-35.3	-32.4	-10%	-26%	-25%
Phoenix	0.7%	-3.4%	4.1%	2.8%	6.8%	0.2%	98.3%	-0.3%	13.3	-1.1	33%	48%	2%
Portland	1.0%	-0.1%	2.9%	1.7%	7.6%	1.2%	99.1%	-0.6%	6.5	-1.3	9%	22%	6%
Riverside	1.8%	-2.1%	4.0%	-1.0%	5.2%	1.0%	99.5%	-0.3%	-7.8	-17.3	18%	-2%	-12%
San Diego	4.0%	-2.5%	5.6%	-2.5%	6.4%	1.6%	99.4%	-1.3%	1.5	-8.8	47%	-1%	-31%
Seattle	2.4%	-4.8%	5.3%	0.7%	6.5%	0.0%	100.1%	-0.2%	-1.2	-4.8	28%	10%	-15%
Tampa	-3.1%	-3.3%	3.1%	0.8%	9.2%	1.7%	97.4%	-0.6%	4.1	-9.8	52%	32%	-24%
Washington DC	1.8%	-1.8%	4.6%	0.3%	5.2%	0.7%	100.1%	-0.3%	6.7	2.7	10%	-5%	-18%

Data as of Sept. 15, 2024, and reflects 4-week averages.

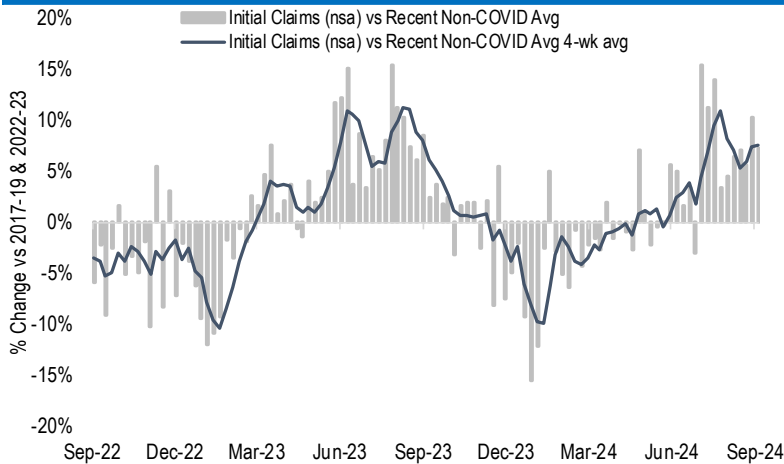
Initial Claims (SA) Moved down More Than Expected, Potentially Reversing 2024 Uptrend



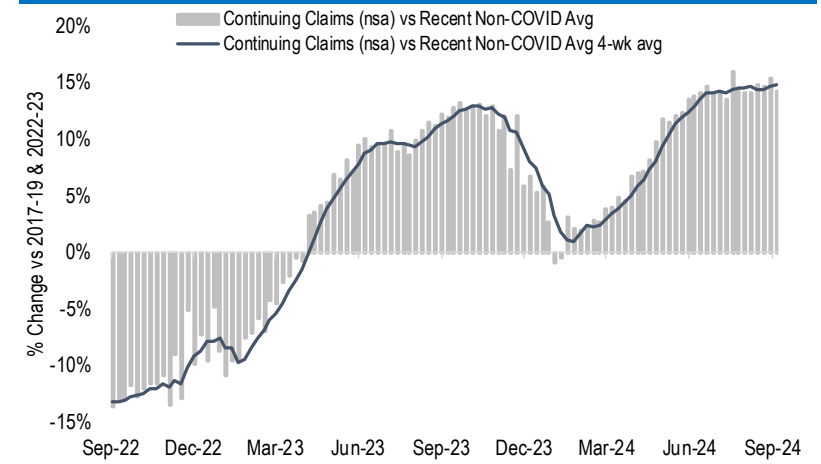
Upside Momentum in Continuing Claims (SA) Has Also Cooled after Moving Higher for Most of 2024



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



While NSA Continuing Claims Still Hovered Well above Recent Non-COVID-19 Level with More Modest Uptrend



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
9/23/24	9:45 AM	S&P Global US Manufacturing PMI	Sep P	--	48.6	--	47.9	index, sa
9/23/24	9:45 AM	S&P Global US Services PMI	Sep P	--	55.3	--	55.7	index, sa
9/23/24	9:45 AM	S&P Global US Composite PMI	Sep P	--	54.7	--	54.6	index, sa
9/24/24	9:00 AM	FHFA House Price Index m/m	Jul	--	0.2	--	-0.1	%, sa
9/24/24	9:00 AM	S&P CoreLogic CS 20-City m/m SA	Jul	--	0.4	--	0.4	%, sa
9/24/24	9:00 AM	S&P CoreLogic CS 20-City y/y NSA	Jul	--	6.1	--	6.5	%, nsa
9/24/24	10:00 AM	Conf. Board Consumer Confidence	Sep	--	103.0	--	103.3	index, sa
9/25/24	7:00 AM	MBA Mortgage Applications w/w	Sep 20	--	--	--	14.2	%, sa
9/25/24	10:00 AM	New Home Sales	Aug	--	695	--	739	k, saar
9/25/24	10:00 AM	New Home Sales m/m	Aug	--	-6.0	--	10.6	%, sa
9/26/24	8:30 AM	GDP Annualized q/q	2Q T	--	2.9	--	3.0	%, saar
9/26/24	8:30 AM	Personal Consumption q/q	2Q T	--	2.9	--	2.9	%, saar
9/26/24	8:30 AM	Core PCE Deflator q/q	2Q T	--	2.8	--	2.8	%, saar
9/26/24	8:30 AM	Durable Goods Orders m/m	Aug P	--	-2.7	--	9.8	%, sa
9/26/24	8:30 AM	Cap Goods Orders Nondef Ex Air m/m	Aug P	--	0.1	--	-0.1	%, sa
9/26/24	8:30 AM	Cap Goods Ship Nondef Ex Air m/m	Aug P	--	0.1	--	-0.3	%, sa
9/26/24	8:30 AM	Initial Jobless Claims	Sep 21	--	225	--	219	k, sa
9/26/24	8:30 AM	Continuing Claims	Sep 14	--	--	--	1,829	k, sa
9/26/24	10:00 AM	Pending Home Sales m/m	Aug	--	-0.8	--	-5.5	%, sa
9/26/24	10:00 AM	Pending Home Sales y/y	Aug	--	--	--	-4.6	%, nsa
9/27/24	8:30 AM	Personal Income m/m	Aug	--	0.4	--	0.3	%, sa
9/27/24	8:30 AM	Personal Spending m/m	Aug	--	0.3	--	0.5	%, sa
9/27/24	8:30 AM	Real Personal Spending m/m	Aug	--	0.1	--	0.4	%, sa
9/27/24	8:30 AM	PCE Inflation m/m	Aug	--	0.1	--	0.2	%, sa
9/27/24	8:30 AM	PCE Inflation y/y	Aug	--	2.3	--	2.5	%, nsa
9/27/24	8:30 AM	PCE Core Inflation (ex Food and Energy) m/m	Aug	--	0.2	--	0.2	%, sa
9/27/24	8:30 AM	PCE Core Inflation (ex Food and Energy) y/y	Aug	--	2.7	--	2.6	%, nsa
9/27/24	10:00 AM	U. of Mich. Sentiment	Sep F	--	69.3	--	69.0	index, nsa
9/27/24	10:00 AM	U. of Mich. 1 Yr Inflation	Sep F	--	--	--	2.7	nsa
9/27/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Sep F	--	--	--	3.1	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
9/17/24	8:30 AM	Advance Retail Sales m/m	Aug	0.1	-0.2	1.1	1.0	%, sa
9/17/24	8:30 AM	Retail Sales Control Group m/m	Aug	0.3	0.3	0.4	0.3	%, sa
9/17/24	9:15 AM	Capacity Utilization	Aug	78.0	77.9	77.4	77.8	sa
9/17/24	10:00 AM	Business Inventories m/m	Jul	0.4	0.3	--	0.3	%, sa
9/17/24	10:00 AM	NAHB Housing Market Index	Sep	41	41	--	39	index, sa
9/18/24	7:00 AM	MBA Mortgage Applications w/w	Sep 13	14.2	--	--	1.4	%, sa
9/18/24	8:30 AM	Housing Starts	Aug	1,356	1,318	1,237	1,238	k, saar
9/18/24	8:30 AM	Housing Starts m/m	Aug	9.6	6.5	-6.9	-6.8	%, sa
9/18/24	8:30 AM	Building Permits	Aug	1,475	1,410	1,406	1,396	k, saar
9/18/24	8:30 AM	Building Permits m/m	Aug	4.9	1.0	-3.3	-4.0	%, sa
9/18/24	2:00 PM	FOMC Rate Decision (Upper Bound)	Sep 18	5.0	5.3	--	5.5	%
9/19/24	8:30 AM	Initial Jobless Claims	Sep 14	219	230	231	230	k, sa
9/19/24	8:30 AM	Continuing Claims	Sep 7	1,829	1,850	1,843	1,850	k, sa
9/19/24	10:00 AM	Conference Board Leading Index m/m	Aug	-0.2	-0.3	--	-0.6	%, sa
9/19/24	10:00 AM	Existing Home Sales	Aug	3.86	3.90	3.96	3.95	m, saar
9/19/24	10:00 AM	Existing Home Sales m/m	Aug	-2.5	-1.3	1.5	1.3	%, 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)