

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.

October 7, 2024

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Don't Lose the Forest for the Trees

- **Key Takeaway:** September job growth of 254k was much stronger than expected and reinvigorated a plausible path to a soft landing.
- **Macro Implications:** Slowdown concerns have been quelled, bringing market pricing into alignment with our expectation for a 25bps rate cut in Nov.
- **Housing Implications:** Jobs report caught markets offside, which will lift rate volatility and limit further near-term mortgage rate declines.

Macro: Back on Track?

- Solid labor income growth with strong productivity limits inflationary risk.
- Real construction spending in Aug. slowed, aside from private housing reno.
- Upbeat Sept. services sentiment surveys matched the sectors' jobs rebound.

Jobs Report: Trend Breaker

- Unemployment ticked lower for second straight month to 4.05% in Sept.
- Private-sector job growth rose 223k in Sept., strongest growth since March.
- 60% of total job growth driven by two sectors: healthcare and leisure.

Labor Market Turnover: Cooler Hiring Offset by Job Hoarding

- Pace of hiring cooled again as breadth sank to a multi-month low.
- Quits pace plunged further and will be a drag on future wage growth.
- Turnover driven by info, finance, and professional and business services.

Rates: Back to the Future

- 10-yr UST rose ~22bps w/w to 3.98%, up 13bps alone on jobs report.
- Bond/credit markets reprice economic risks lower.
- Market now pricing 50bps of cuts in '24, down from 75bps last week.

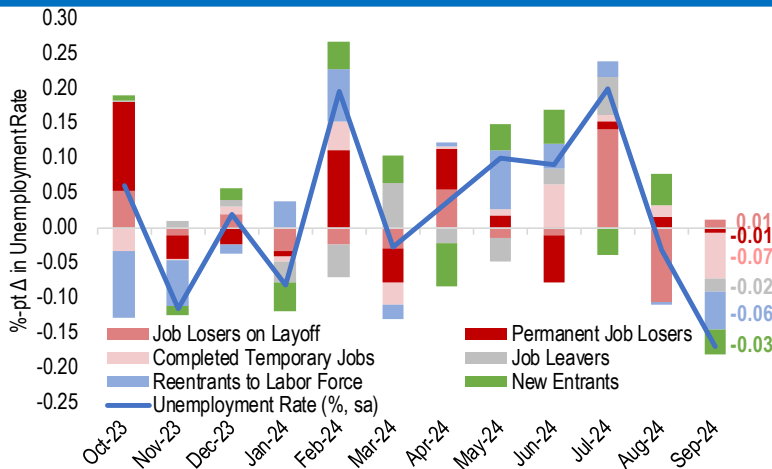
Housing: Mortgage Rates Reverse Months of Progress

- Mortgage rates jump 30bps+ back into mid-6% range last week.
- Purchase apps continued to grind higher in week before rates surged.
- Housing activity remains modest with skew toward refinancing.

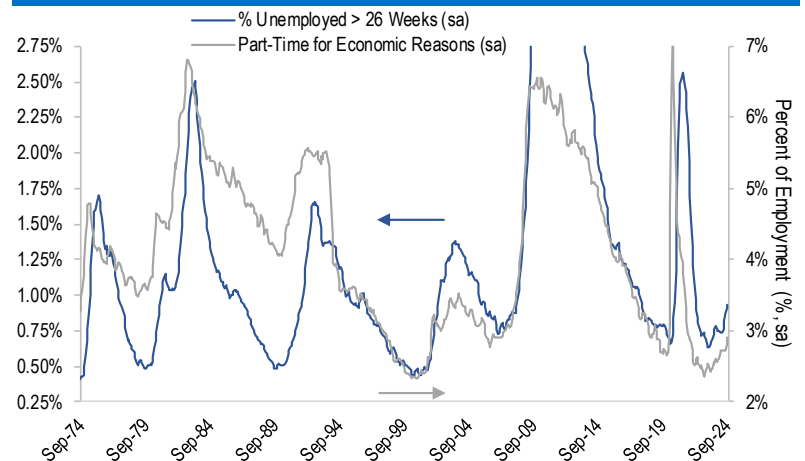
Purchasing Manger Indexes: Services Activity Recovers

- Services PMI rebounded in September as business output climbed.
- Manufacturing PMI remained weak across the board.
- Outlook restrained by election and geopolitical uncertainty.

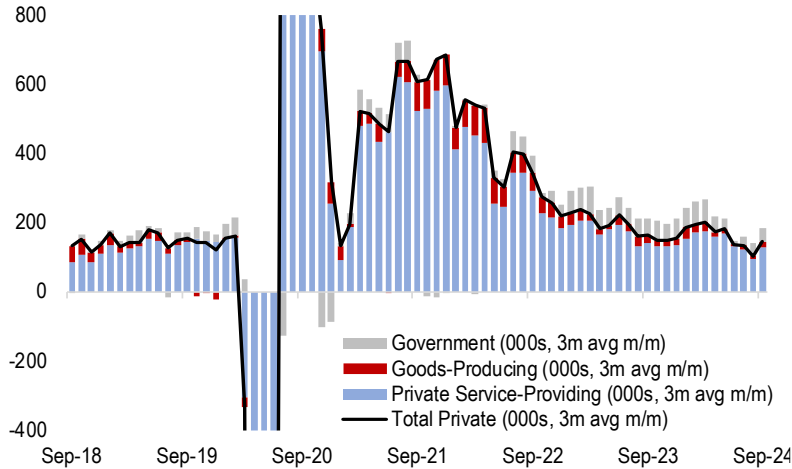
Upward Momentum in Unemployment Rate Vanished over Past Two Months ...



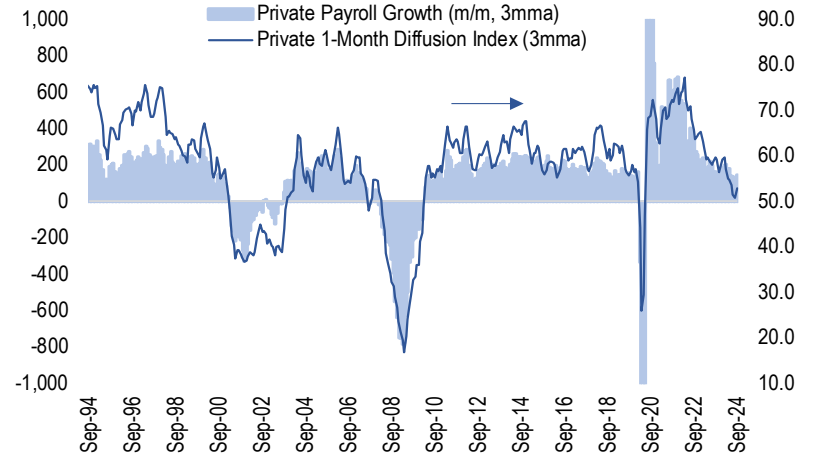
... But Labor Slack Still Building as Part-Time for Economic Reasons and Duration of Unemployment Rise



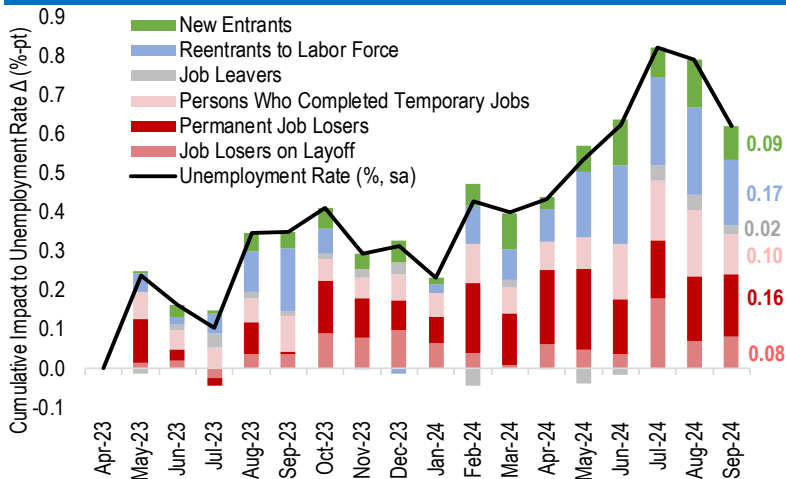
Private-Sector Job Growth Shifted Higher in September after Half a Year of Cooling



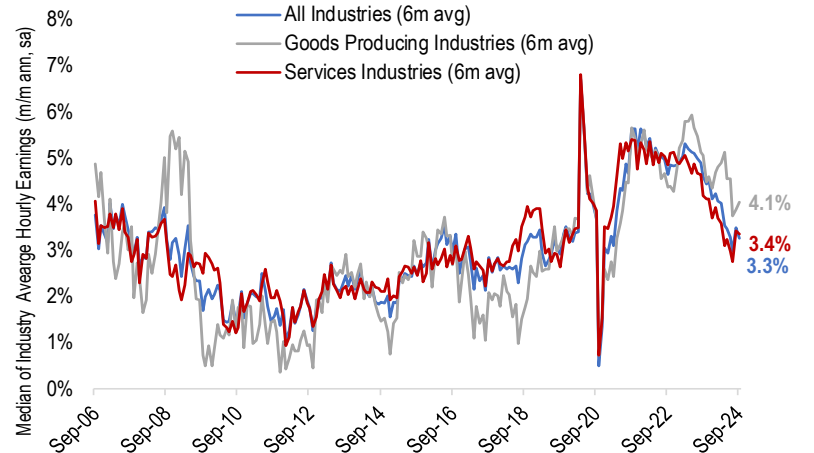
Breadth of Job Growth Across Private-Sector Industries Also Sharply Reversed a Multi-Month Downtrend



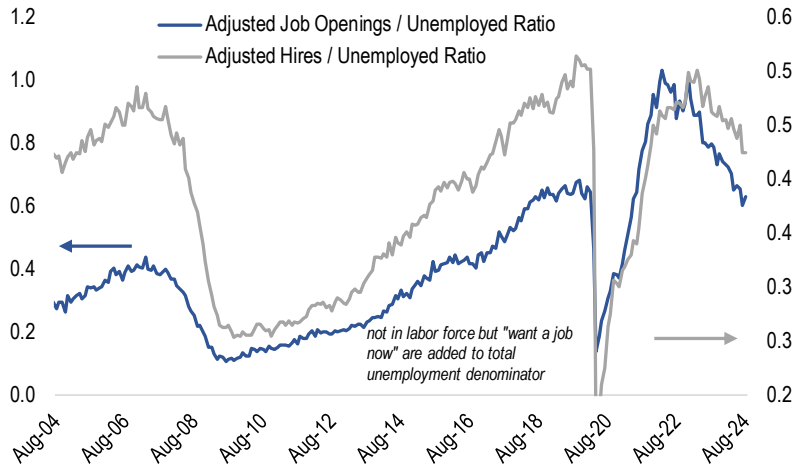
Recent Drop in the Unemployment Has Been Driven by Persons Completing Temp Jobs and Fewer Temp Layoffs



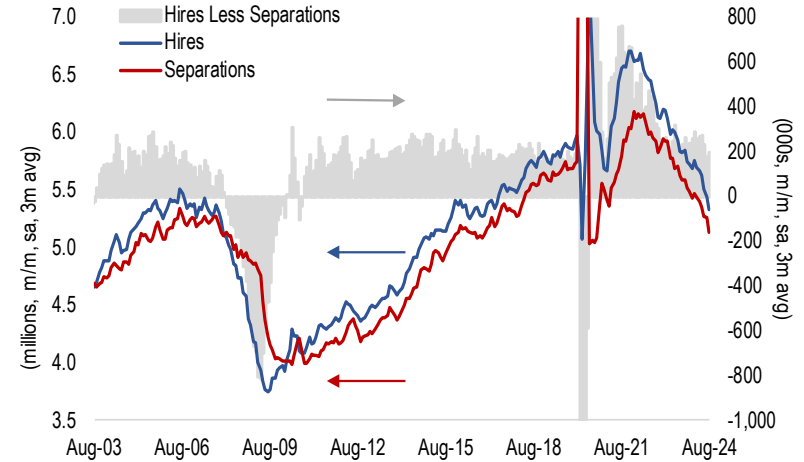
Typical Hourly Wage Growth Remained Near Pre-Pandemic Pace Aside from Goods-Producing Industries



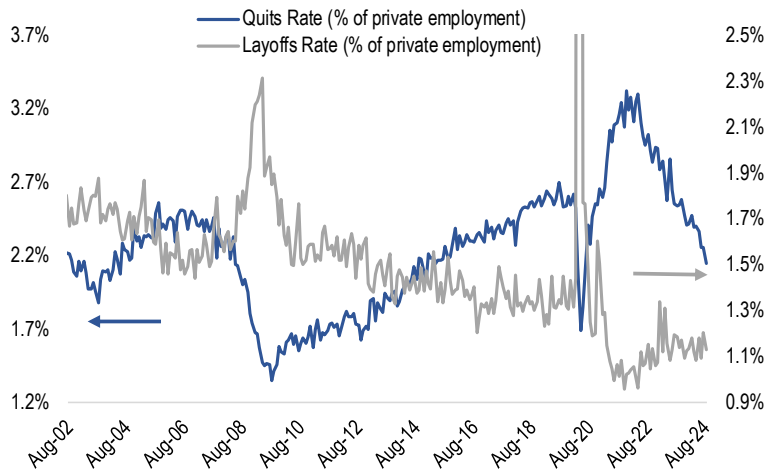
Job Market Clearly Showing More Signs of Slack Compared to Pre-Pandemic



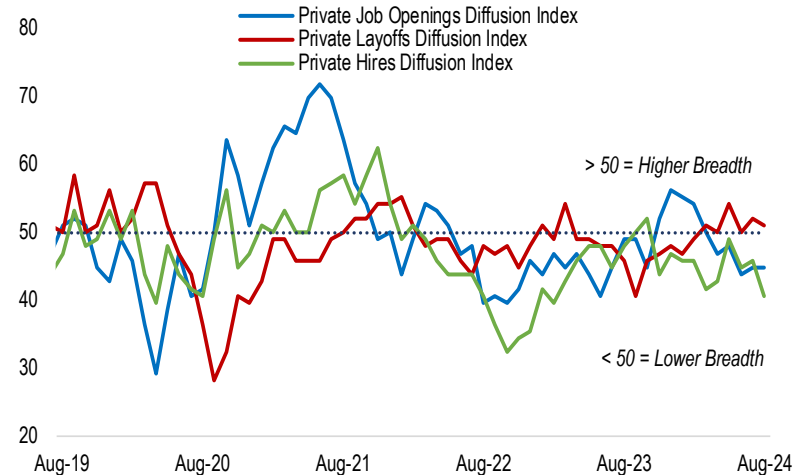
Net Job Growth Remains Positive as Separations Continue to Trend Below Hires



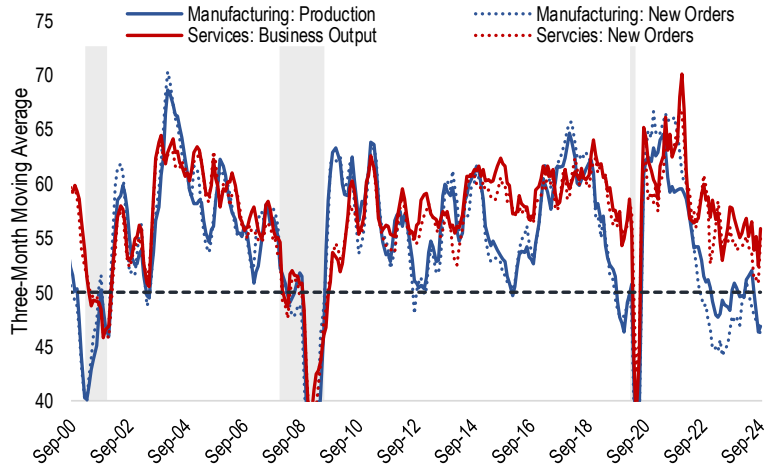
Quits Rate Reached Slowest Pace Since 2014 as Angst over Finding Alternative Work Remained Elevated



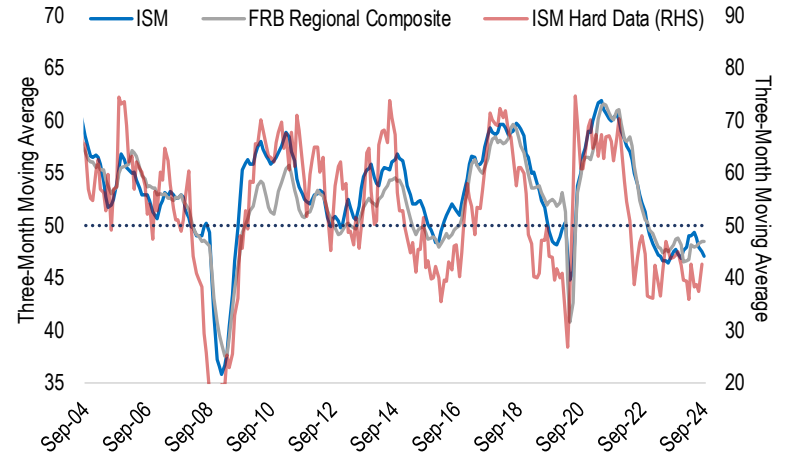
Hiring Breadth Dropped to Lowest Level Since Feb '23; Layoffs Breadth Remained Elevated



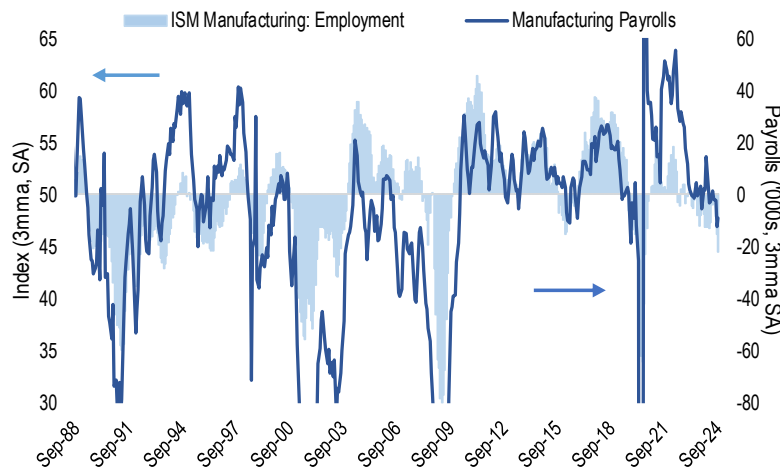
Services Sector PMI Rebounded in September Driven Higher by Gains in Output and New Orders



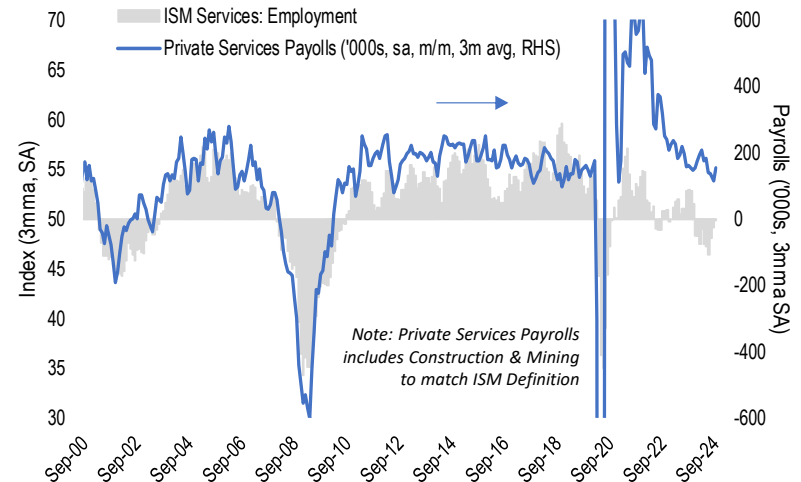
ISM "Hard Data" Pushed Higher amid Modest Rebounds in Production and Shipments



Manufacturing Employment Momentum Has Evaporated on Weakness in Durables Segment



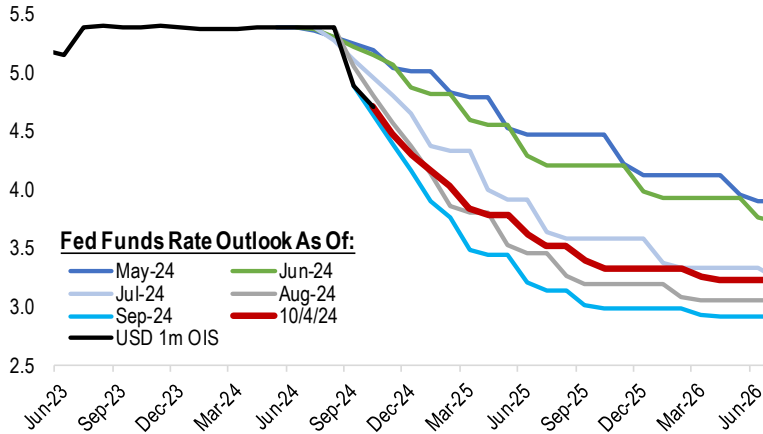
Weak Services PMI Employment Index Directionally Aligns with Cooler Services Payroll Gains



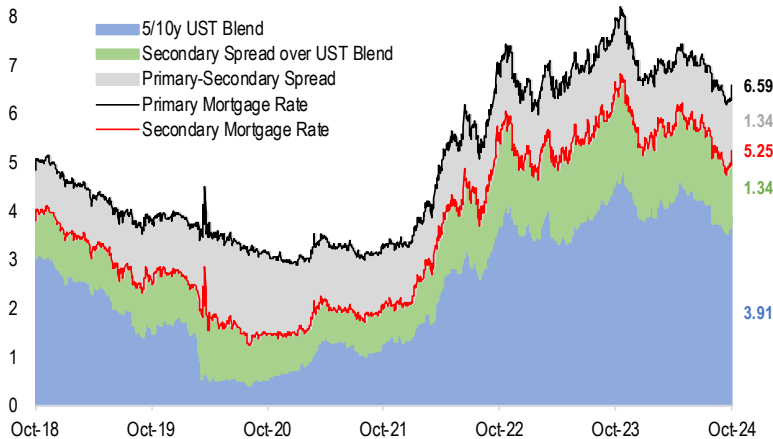
Sources: Institute for Supply Management, Federal Reserve Board (FRB), U.S. Census Bureau, BLS, Arch Global Economics

Note: Hard Data ISM only through August; Private Services Payrolls includes Construction & Mining to match ISM Definition

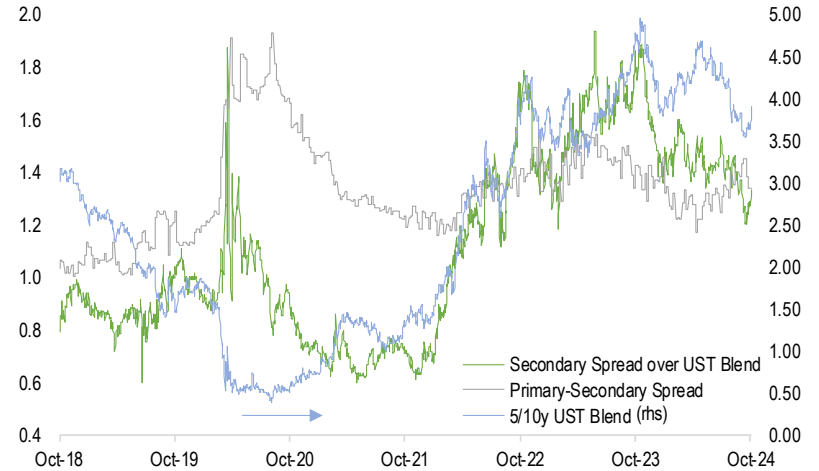
Market Now Sees 50bps of Cuts by Year-End after Solid Jobs Report (75bps of Cuts a Week ago)



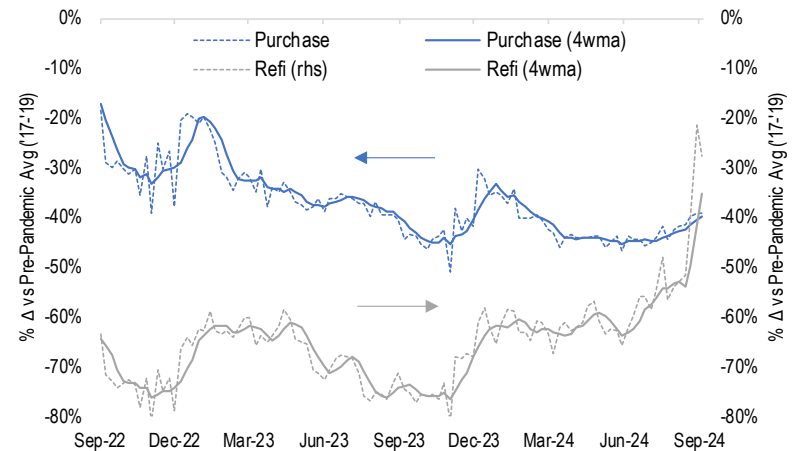
... Which Lifted Mortgage Rates by Another 30bps+ after Reaching a Two-Year Low Three Weeks ago



UST Yields Pop 24bps on Better-Than-Expected Data, While Combined Mortgage Spreads Were up 8bps ...



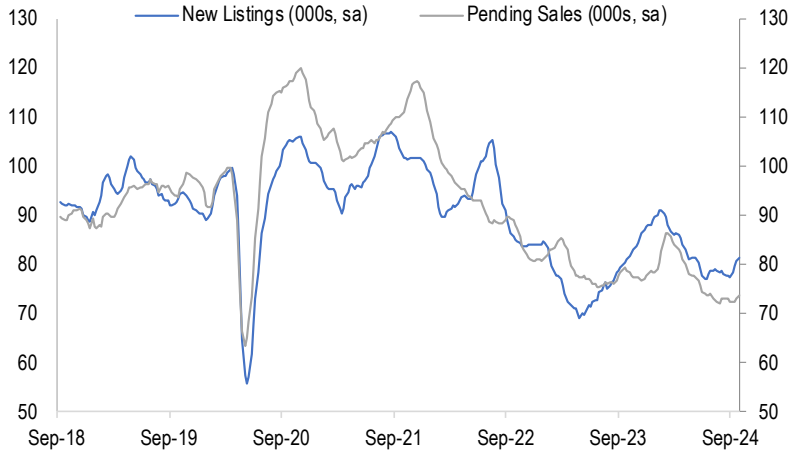
Mortgage Purchase Apps Continued Modest Recovery, While Refi Apps Cooled after Recent Spike



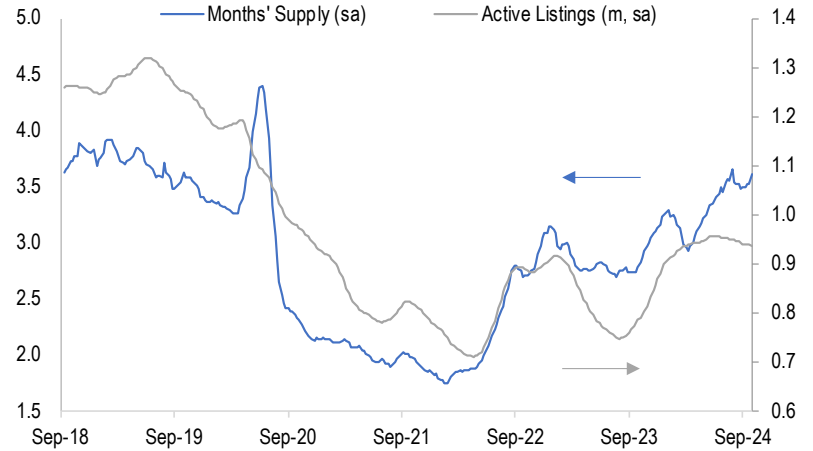
Sources: FRB, Mortgage Bankers Association, Bloomberg, Arch Global Economics

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

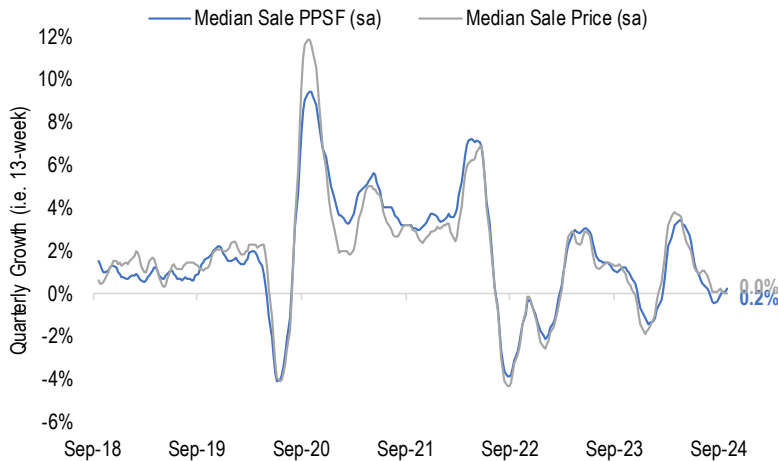
Pending Home Sales Inched Higher but New Listings Rebounded More Rapidly ...



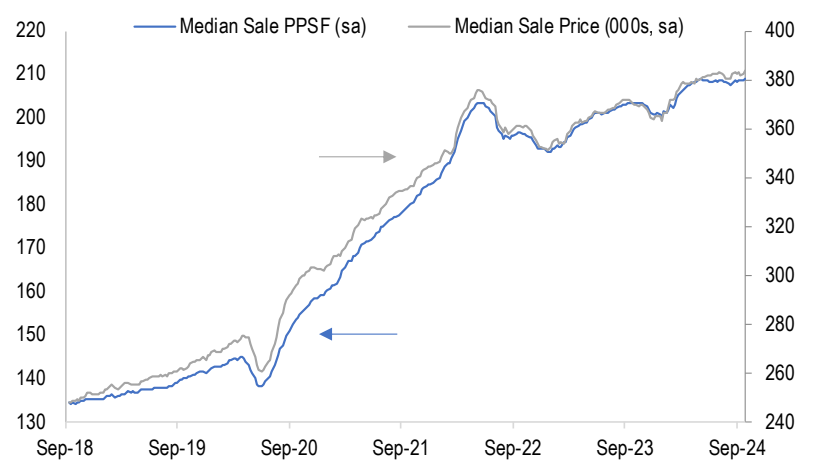
... Which Lifted Months' Supply Again Even as Inventory Continued to Shrink



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 Climbed Higher Again After Summer Lull

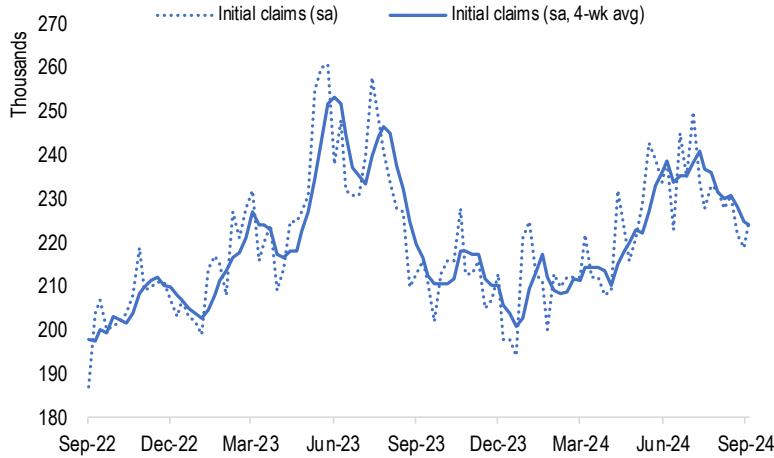


With National Market Near Pre-COVID-19 Balance, Some Markets Are Becoming Increasingly Oversupplied

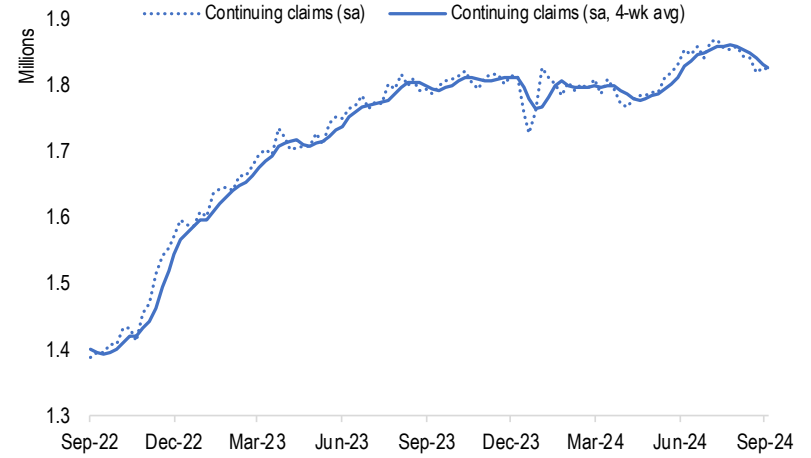
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	2.9%	-0.5%	5.8%	1.1%	6.6%	0.8%	98.9%	-0.4%	-9.3	-16.1	16%	-2%	-23%
Atlanta	1.6%	-1.4%	3.7%	1.3%	6.9%	1.2%	98.3%	-0.3%	8.1	-7.4	-1%	-3%	-16%
Austin	-4.6%	-1.7%	0.5%	4.2%	8.4%	-0.6%	97.2%	-0.1%	40.1	26.1	8%	93%	58%
Baltimore	3.9%	1.3%	5.9%	2.2%	7.1%	1.0%	100.8%	-0.4%	-7.8	-13.0	16%	-26%	-44%
Boston	2.7%	-1.9%	5.3%	0.6%	6.3%	1.1%	100.9%	-1.2%	2.4	0.7	15%	-10%	-24%
Chicago	8.5%	0.6%	8.6%	2.2%	4.3%	1.3%	99.5%	-0.3%	15.3	13.3	-8%	-20%	-24%
Dallas	-0.9%	-0.9%	3.7%	2.8%	8.4%	0.4%	97.8%	-0.4%	9.0	-3.8	30%	25%	-7%
Denver	-0.4%	0.4%	2.7%	-0.3%	10.1%	-0.7%	98.9%	-0.3%	11.8	0.3	35%	69%	16%
Houston	0.0%	-1.2%	4.1%	1.4%	7.5%	0.9%	97.1%	-0.6%	4.5	-8.0	13%	10%	-12%
Los Angeles	3.2%	-3.1%	3.8%	-1.2%	4.3%	0.8%	100.2%	-0.8%	-0.6	-7.1	12%	2%	-4%
Miami	3.1%	-1.6%	9.0%	6.2%	4.5%	1.4%	96.0%	-1.0%	0.5	-15.0	35%	-27%	-59%
Minneapolis	1.0%	0.1%	3.4%	-0.1%	7.7%	0.8%	99.8%	-0.6%	-1.9	-5.9	8%	4%	-16%
Nashville	2.1%	-1.5%	3.5%	1.6%	5.7%	0.9%	98.2%	-0.1%	6.8	0.6	15%	28%	-1%
New York	6.3%	-1.4%	13.0%	5.6%	4.4%	1.1%	100.0%	0.0%	-35.3	-32.3	-9%	-25%	-25%
Phoenix	-0.1%	-4.0%	4.6%	3.6%	7.1%	0.2%	98.3%	-0.3%	14.8	-1.6	35%	52%	3%
Portland	0.6%	0.9%	2.0%	0.2%	8.3%	1.4%	99.2%	-0.3%	7.9	-0.8	11%	27%	7%
Riverside	1.9%	-2.3%	3.1%	-1.5%	5.0%	0.6%	99.5%	-0.2%	-8.0	-17.0	14%	-2%	-12%
San Diego	4.0%	-2.0%	5.2%	-1.2%	6.5%	1.3%	99.4%	-1.0%	0.5	-9.4	38%	-2%	-26%
Seattle	2.7%	-2.2%	7.2%	1.9%	7.5%	0.4%	99.8%	-0.2%	0.5	-4.5	28%	14%	-15%
Tampa	-4.2%	-5.6%	0.2%	-0.9%	8.3%	-0.4%	97.3%	-0.5%	6.0	-9.5	45%	47%	-22%
Washington DC	2.9%	0.0%	5.7%	1.2%	5.4%	0.4%	100.0%	-0.2%	7.2	2.5	11%	-4%	-18%

Data as of Sept. 29, 2024, and reflects 4-week averages.

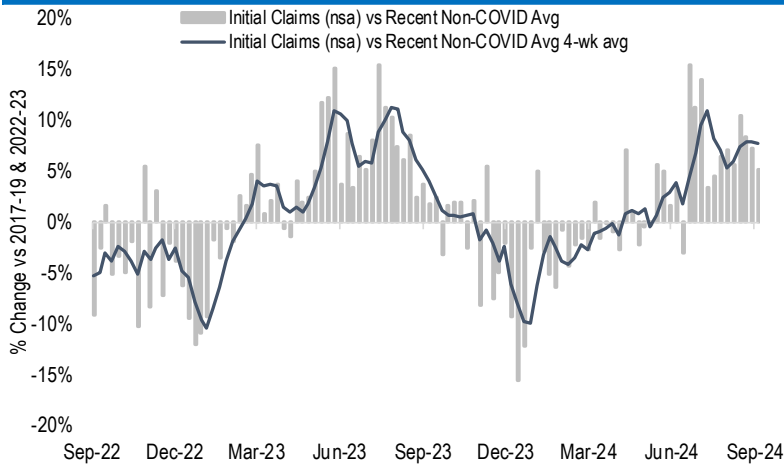
Seasonally Adjusted (SA) Initial Claims Moved Higher after Two Weeks of Declines



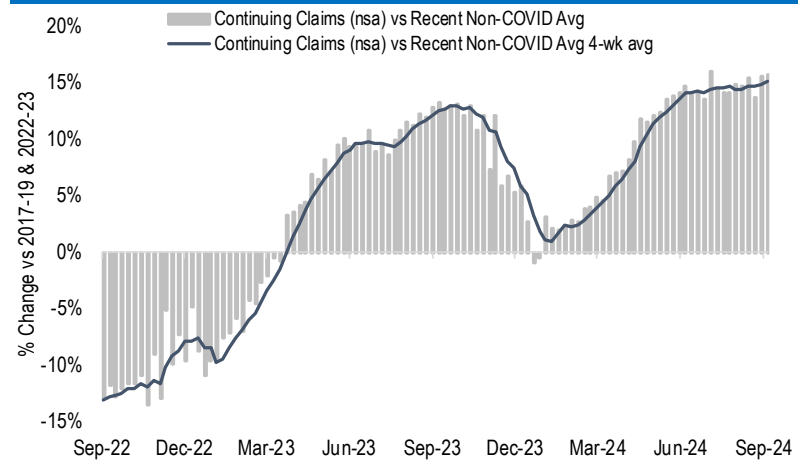
Continuing Claims (SA) Cooled Modestly, Continuing Recent Downtrend



NSA Initial Claims Trending Lower vs. Recent Norm but Likely to Shift Higher due to Hurricane Helene



NSA Continuing Claims Still Trending Modestly Higher vs. Recent Non-COVID Average in Recent Weeks



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
10/7/24	3:00 PM	Consumer Credit m/m	Aug	--	12.0	--	25.5	\$B, sa
10/8/24	6:00 AM	NFIB Small Business Optimism	Sep	--	92.0	--	91.2	index, sa
10/9/24	7:00 AM	MBA Mortgage Applications w/w	Oct 4	--	--	--	-1.3	%, sa
10/9/24	10:00 AM	Wholesale Inventories m/m	Aug F	--	0.2	--	0.2	%, sa
10/9/24	10:00 AM	Wholesale Trade Sales m/m	Aug	--	0.4	--	1.1	%, sa
10/9/24	2:00 PM	FOMC Meeting Minutes	Sep 18	--	--	--	--	
10/10/24	8:30 AM	CPI m/m	Sep	--	0.1	--	0.2	%, sa
10/10/24	8:30 AM	CPI Core (ex Food and Energy) m/m	Sep	--	0.2	--	0.3	%, sa
10/10/24	8:30 AM	CPI y/y	Sep	--	2.3	--	2.5	%, nsa
10/10/24	8:30 AM	CPI Core (ex Food and Energy) y/y	Sep	--	3.2	--	3.2	%, nsa
10/10/24	8:30 AM	Initial Jobless Claims	Oct 5	--	230	--	225	k, sa
10/10/24	8:30 AM	Continuing Claims	Sep 28	--	1,832	--	1,826	k, sa
10/11/24	8:30 AM	PPI Final Demand m/m	Sep	--	0.1	--	0.2	%, sa
10/11/24	8:30 AM	PPI Core (ex Food and Energy) m/m	Sep	--	0.2	--	0.3	%, sa
10/11/24	8:30 AM	PPI Final Demand y/y	Sep	--	1.6	--	1.7	%, nsa
10/11/24	8:30 AM	PPI Core (ex Food and Energy) y/y	Sep	--	2.7	--	2.4	%, nsa
10/11/24	10:00 AM	U. of Mich. Sentiment	Oct P	--	70.5	--	70.1	index, nsa
10/11/24	10:00 AM	U. of Mich. 1 Yr Inflation	Oct P	--	2.7	--	2.7	nsa
10/11/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Oct P	--	3.0	--	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
10/1/24	11:00 AM	Wards Total Vehicle Sales	Sep	15.8	15.7	--	15.1	m, saar
10/1/24	9:45 AM	S&P Global US Manufacturing PMI	Sep F	47.3	47.0	--	47.0	index, sa
10/1/24	10:00 AM	JOLTS Job Openings	Aug	8,040	7,693	7,711	7,673	k, sa
10/1/24	10:00 AM	ISM Manufacturing	Sep	47.2	47.5	--	47.2	index, sa
10/1/24	10:00 AM	ISM Prices Paid	Sep	48.3	53.5	--	54.0	index, nsa
10/2/24	7:00 AM	MBA Mortgage Applications w/w	Sep 27	-1.3	--	--	11.0	%, sa
10/2/24	8:15 AM	ADP Employment m/m	Sep	143	125	103	99	k, sa
10/3/24	8:30 AM	Initial Jobless Claims	Sep 28	225	221	219	218	k, sa
10/3/24	8:30 AM	Continuing Claims	Sep 21	1,826	1,830	1,827	1,834	k, sa
10/3/24	9:45 AM	S&P Global US Services PMI	Sep F	55.2	55.4	--	55.4	index, sa
10/3/24	9:45 AM	S&P Global US Composite PMI	Sep F	54.0	54.4	--	54.4	index, sa
10/3/24	10:00 AM	Durable Goods Orders m/m	Aug F	0.0	0.0	--	0.0	%, sa
10/3/24	10:00 AM	Cap Goods Orders Nondef Ex Air m/m	Aug F	0.3	0.2	--	0.2	%, sa
10/3/24	10:00 AM	Cap Goods Ship Nondef Ex Air m/m	Aug F	-0.1	--	--	0.1	%, sa
10/3/24	10:00 AM	ISM Services Index	Sep	54.9	51.7	--	51.5	index, nsa
10/4/24	8:30 AM	Nonfarm Payrolls m/m	Sep	254	150	159	142	k, sa
10/4/24	8:30 AM	Private Payrolls m/m	Sep	223	125	114	118	k, sa
10/4/24	8:30 AM	Unemployment Rate	Sep	4.1	4.2	--	4.2	%, sa
10/4/24	8:30 AM	Average Hourly Earnings m/m	Sep	0.4	0.3	0.5	0.4	%, sa
10/4/24	8:30 AM	Average Hourly Earnings y/y	Sep	4.0	3.8	3.9	3.8	%, nsa
10/4/24	8:30 AM	Average Weekly Hours All Employees	Sep	34.2	34.3	--	34.3	sa
10/4/24	8:30 AM	Labor Force Participation Rate	Sep	62.7	62.7	--	62.7	%, 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)