HaMMR Digest

Stay current with economic and mortgage market trends.

October 20, 2025

Parker Ross — Global Chief Economist
pross@archgroup.com | 914 216 7270 | @econ_parker on X and Threads

Leonidas Mourelatos — Assistant Vice President, Global Real Estate Economics
lmourelatos@archgroup.com | 631 521 9048

Handle with Care

- **Key Takeaway:** Scant incoming data suggests economy remains on a soft trajectory with minimal signals hinting that much has changed recently.
- **Macro Implications:** Data void is firming the Fed's risk management stance on the economy, suggesting an October cut with December in play as well.
- **Housing Implications:** Fed signaling an earlier-than-expected end to quantitative tightening is unlikely to be a catalyst for lower mortgage rates.

Macro: Jigsaw

- Fragile US-China détente hardening into a standoff amplifies macro unease.
- Fed business surveys signal weaker labor demand and rising costs.
- Homebuilders' optimism climbed on hopes Fed rate cuts revive demand.

Rates: Flash in the Pan

- 10y yield briefly dipped below 4% before ending the week at 4.06%.
- Yield curve steepened as the 2yr yield fell to a 52-week low.
- Oct. rate cut odds rise to 100% with similar odds of another cut in Dec.

Housing: Settling In

- Mortgage apps cooled even as mortgage rates stabilizing in low-6% range.
- Momentum in pending sales and new listings has similarly eased of late.
- Markets nonetheless tightened from last quarter, supporting price growth.

Alt Retail Sales: Mixed Bag

- Leading CARTS data suggests real retail sales cooled slightly in September.
- Often volatile Bloomberg card data points to sharper contraction.
- Buoyant airport traffic getting a boost from peak business travel.

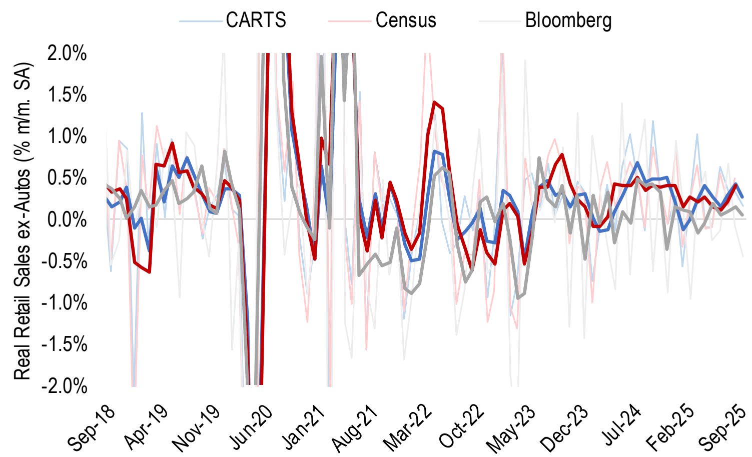
Small Business Optimism: Not Out of the Woods Yet

- NFIB Optimism index fell to lowest level since June.
- Share of firms raising and planning to raise prices rose in September.
- Hiring plans up despite more firms worried about "poor sales."

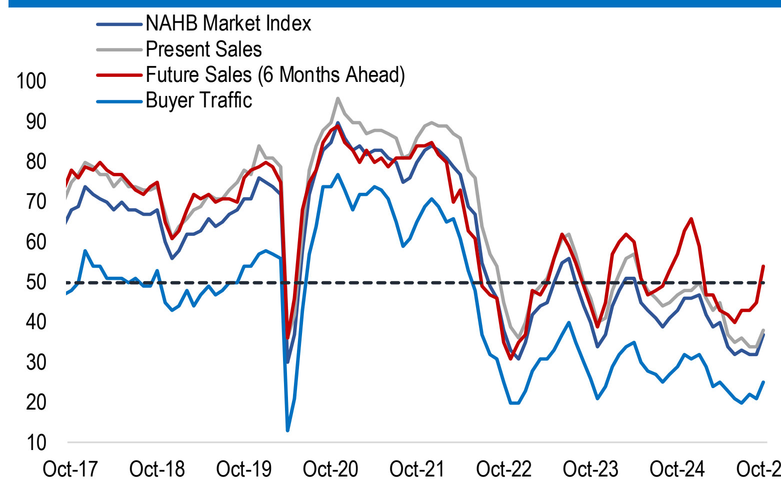
Consumer Credit: Caution Holding Back Borrowing

- Consumer credit growth flatlined in Aug., falling below income growth.
- Revolving credit growth has averaged 0.1% m/m in '25, fell -0.5% in Aug.
- Consumer debt burden remains low despite pockets of stress.

Alt Retail Sales Data Suggests a Modest Step Down for September Consumer Spending Growth

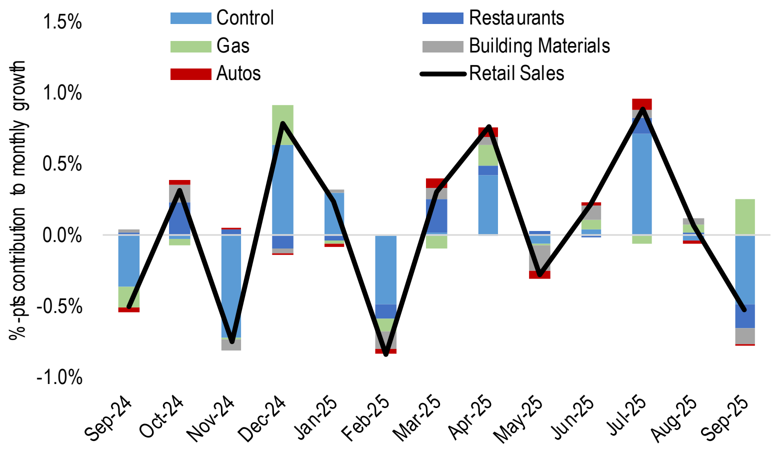


Homebuilder Sentiment Hit a Multi-Month High in Oct. on Hopes Easing Fed Policy Will Boost Demand

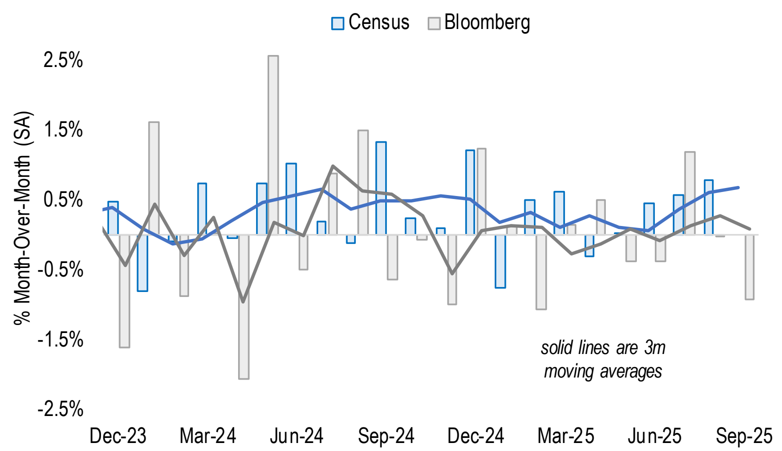


Sources: Bureau of Labor Statistics, Census Bureau, Federal Reserve Board, Bloomberg, NAHB, Arch Global Economics

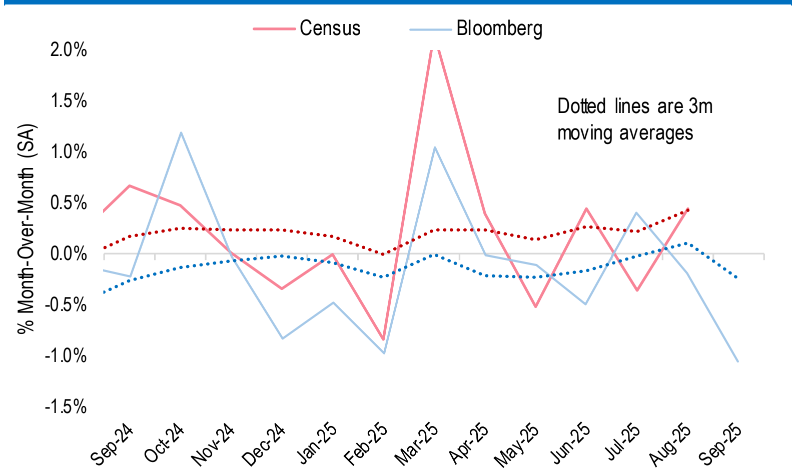
Bloomberg Measure of Nominal Retail Sales Slumped in September amid Broad-Based Pullback



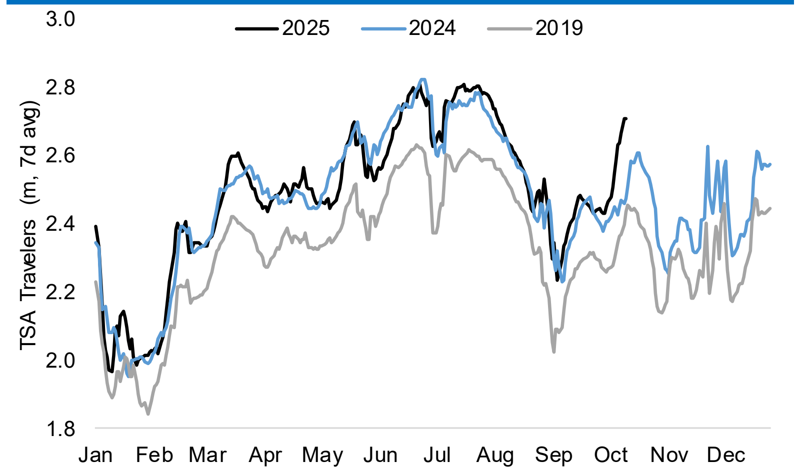
Real Control Group of Sales Took a Step Down in Sept., Reversing Prior Strength, According to Bloomberg Data



Real Restaurant Spending Was Weaker in Sept. Based on Bloomberg Spending Tracker



Despite Apparent Softness Elsewhere, Airport Traffic Is Holding Up Well



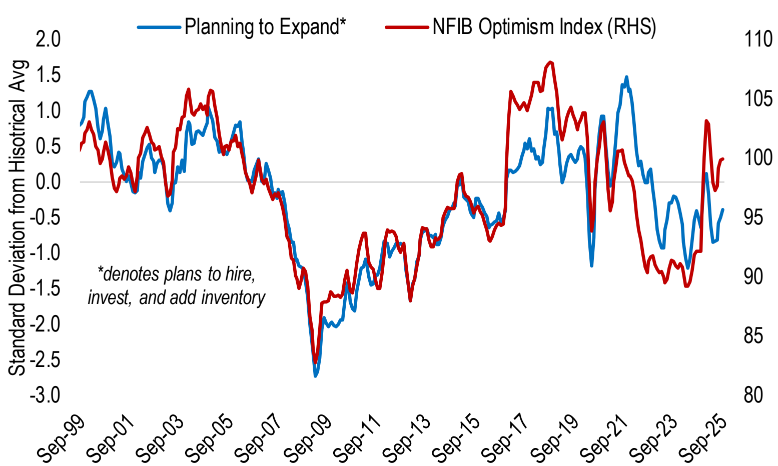
Note: **"Control Group"** = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted

Sources: Bloomberg Consumer Spending Data, U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), TSA, Arch Global Economics

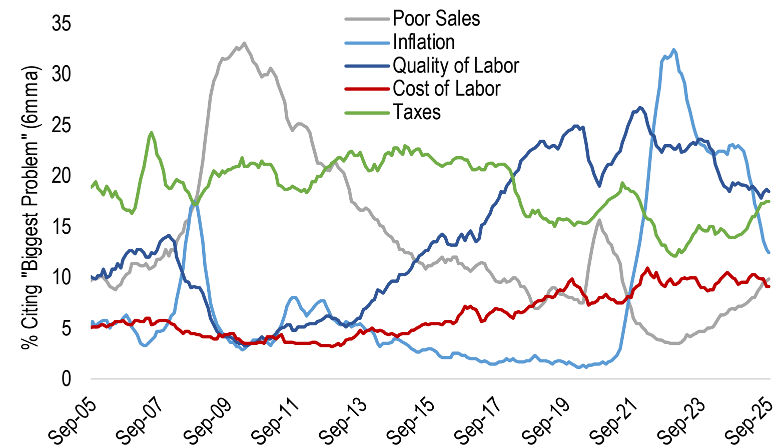
Last Week's Data in Charts

Small Business Sentiment

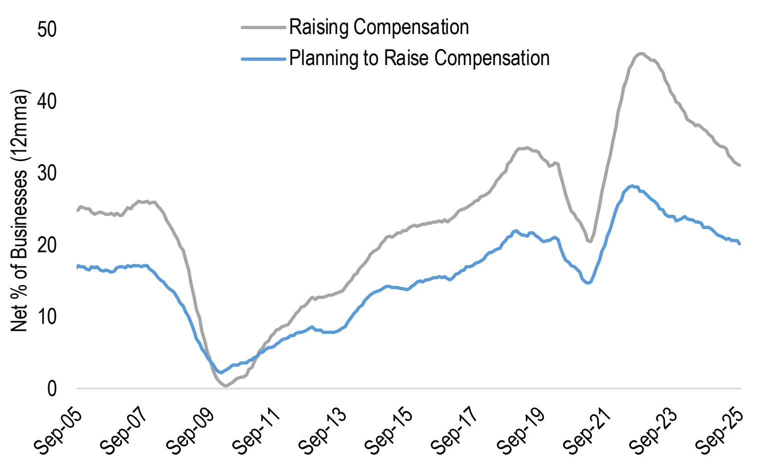
Small Business Plans to Expand Have Turned the Corner but Do Not Suggest a Strong Rebound in Activity



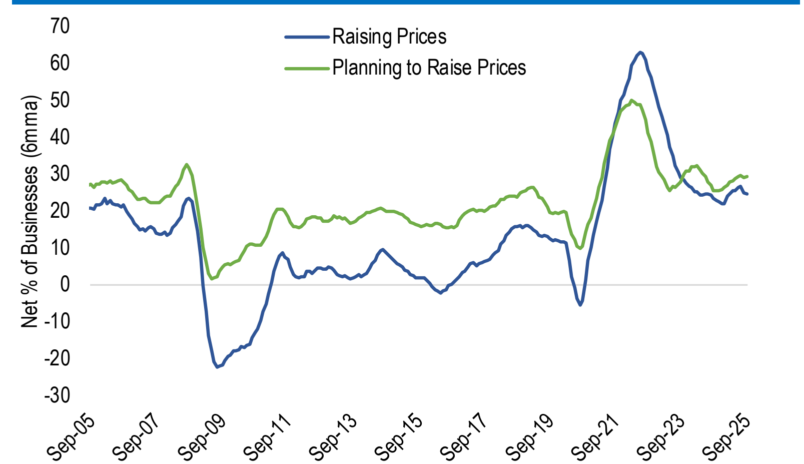
"Poor Sales" Cited as "Biggest Problem" by More Businesses, Overtaking "Cost of Labor"



Pay Raises Are Seemingly Nearing a Bottom While Future Wage Growth Plans Keep Trending Lower



Share of Firms Planning to Raise Prices Pivoted Lower Suggesting Inability or Reluctance to Pass Along Costs

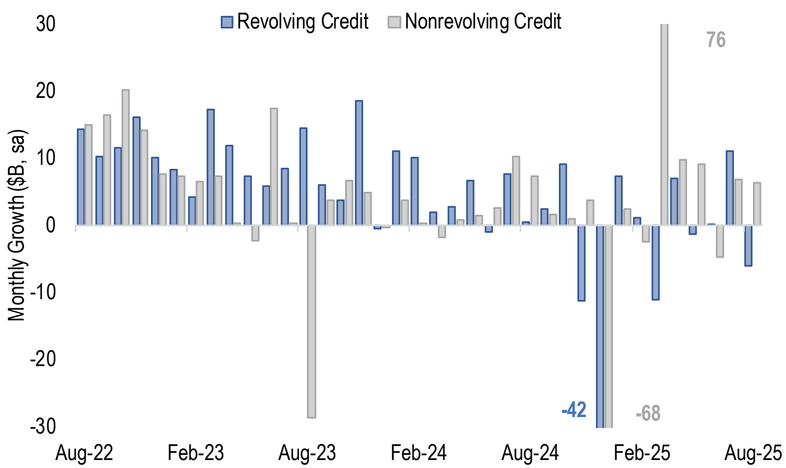


Sources: NFIB, Arch Global Economics

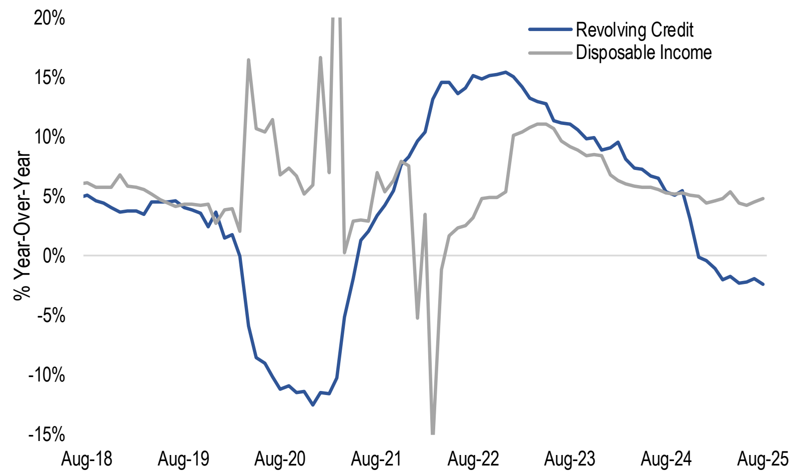
Last Week's Data in Charts

Consumer Credit

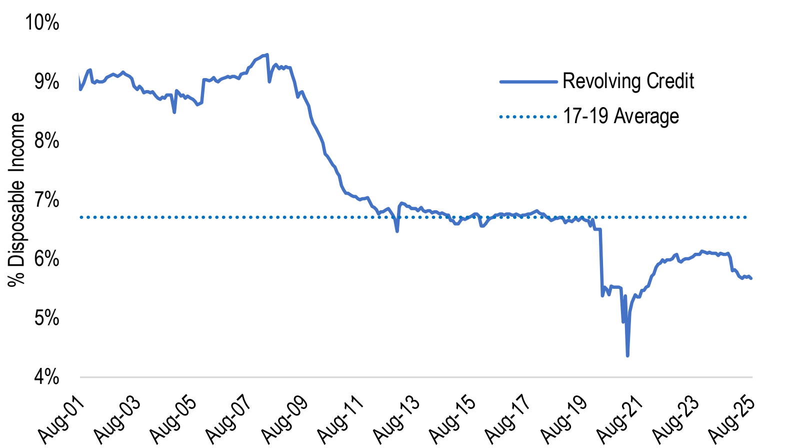
Revolving Credit Slumped in August, Realigning with Tepid Credit Card Usage Since Late Last Year



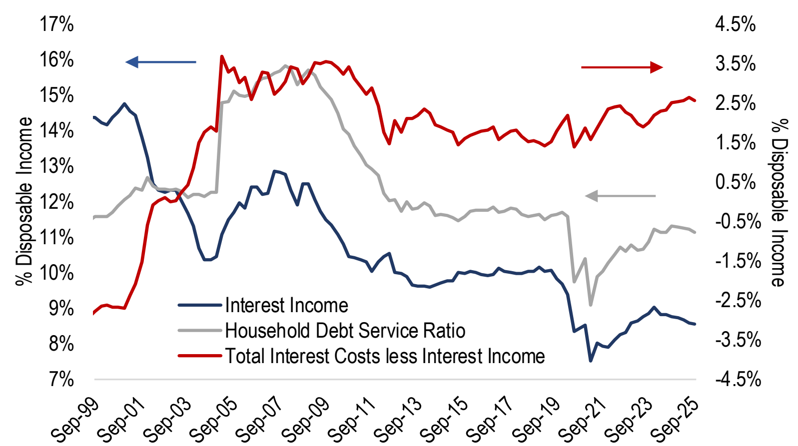
Longer-Term Downshift in Revolving Consumer Credit to Persist as Spending Growth Cools



Revolving Credit Relative to Disposable Income Stabilizing Well Below the Pre-Pandemic Norm

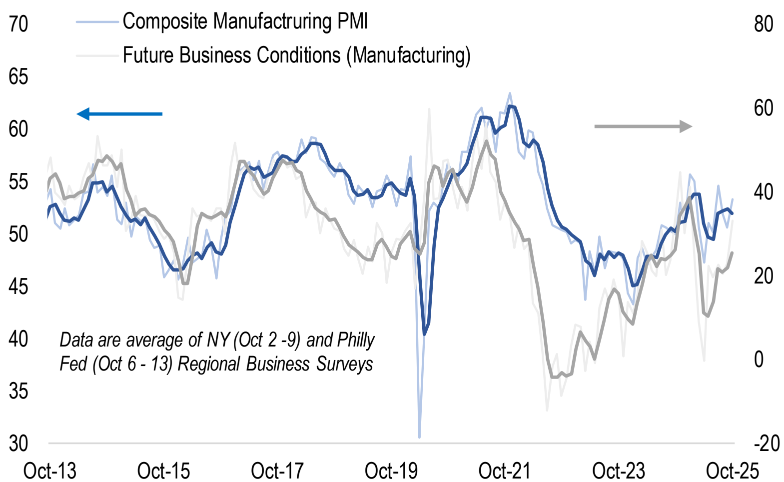


Household Interest Costs Rolling Over, Leading to Similar Dynamic in Debt Service Costs

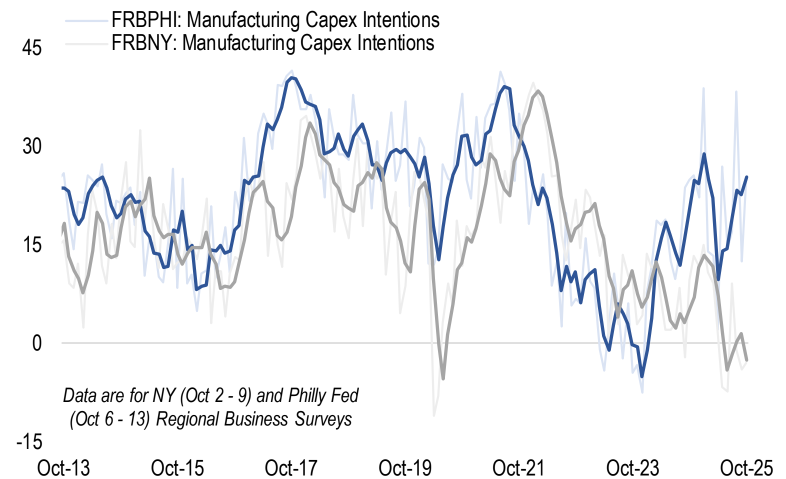


Sources: Federal Reserve Board, BEA, Arch Global Economics

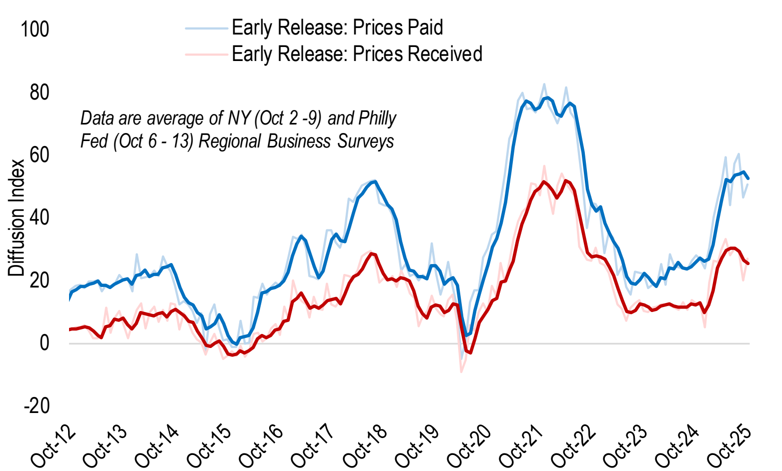
Early Release Regional Manufacturing Surveys Imply Stable Current Activity and Improved Expectations



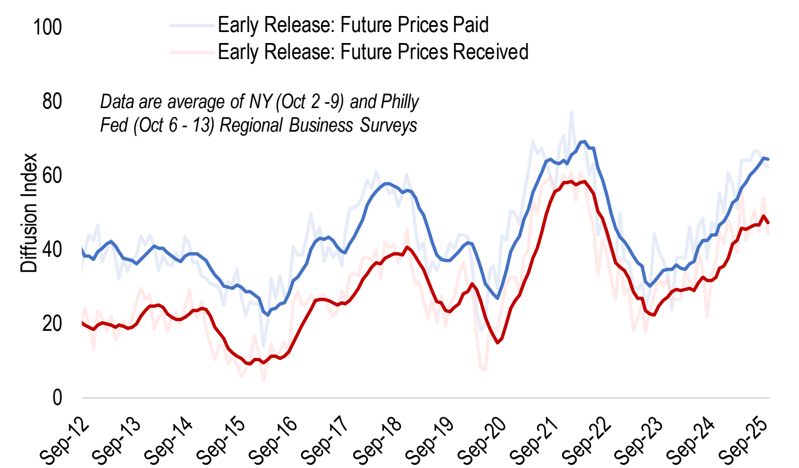
Capex Intentions Stronger in Philly Region Given Greater Exposure to AI-Related Investment



Prices Currently Being Paid for Inputs Stand Well Above Output/Selling Prices …



… With Expectations for the Trend to Carry Forward, Suggesting Firms Face a Growing Margin Squeeze

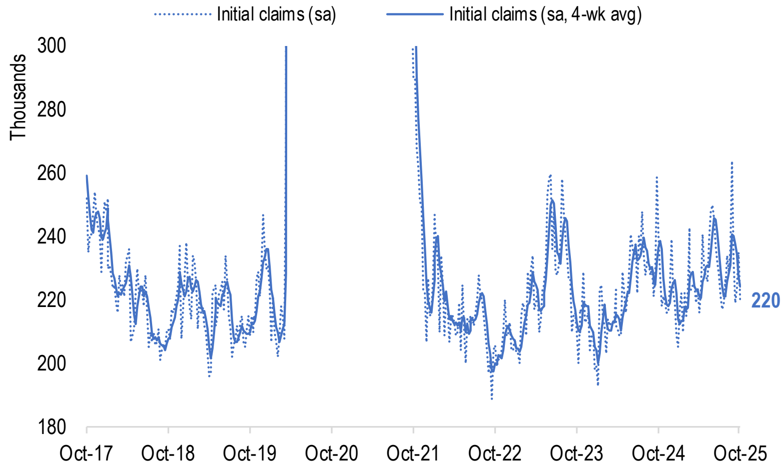


Sources: Federal Reserve Board, Arch Global Economics

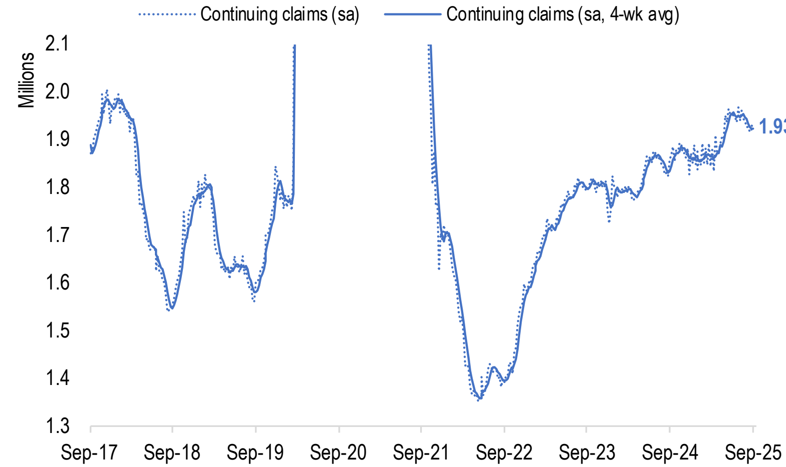
Last Week's Data in Charts

Jobless Claims

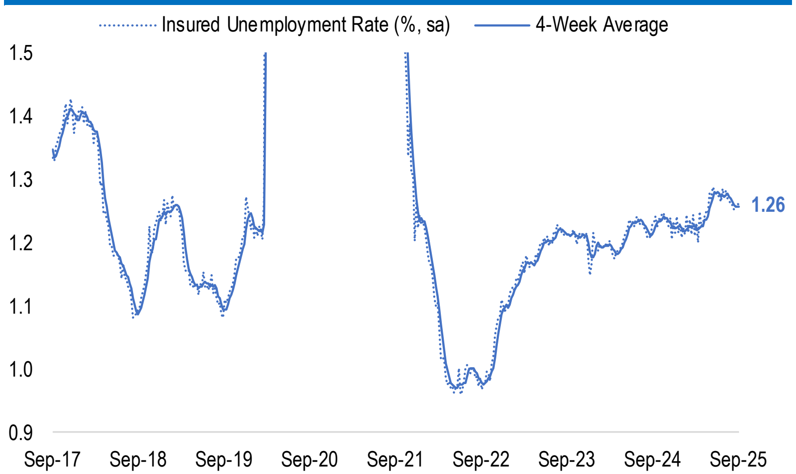
Initial Claims Eased Back to 220k (sa) in Week Ending Oct. 11, Still Near Multi-Year Lows



Continuing Claims Also Ticked Down to 1,928k (sa) during Week Ending Oct. 4, Just Below Cycle High

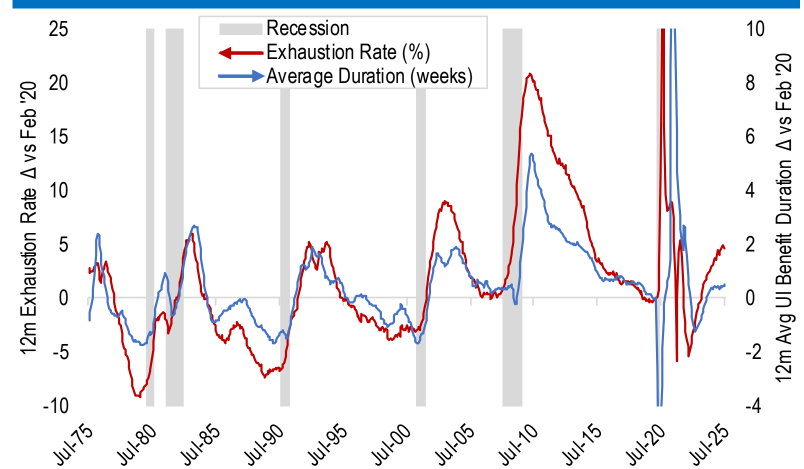


… Which Pulled Insured Unemployment Down a bit Further Below Recent Post-Pandemic High



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

Elevated Share of UI Recipients Exhausting Benefits Means Continuing Claims Worse Than They Appear



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

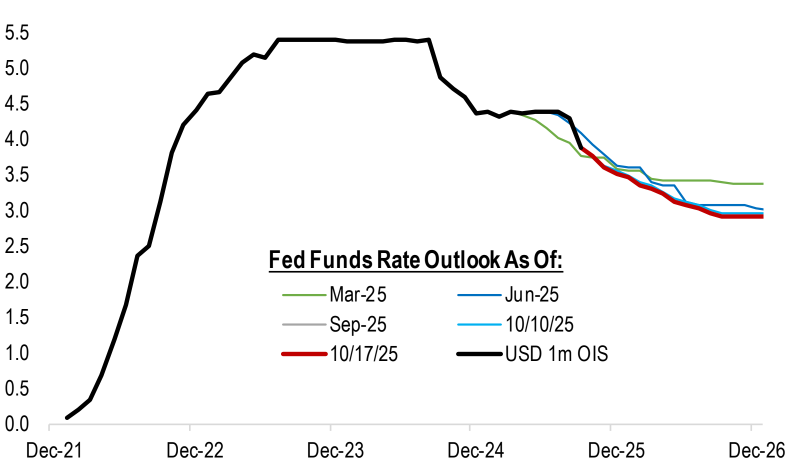
SA = Seasonally Adjusted

Note: Data based on Arch Global Economics' calculations given delayed DoL data.

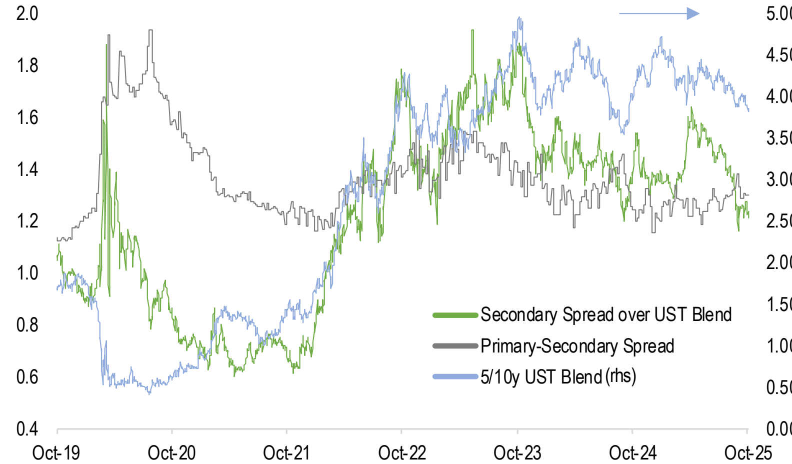
Last Week's Data in Charts

Interest Rates and Mortgage Market

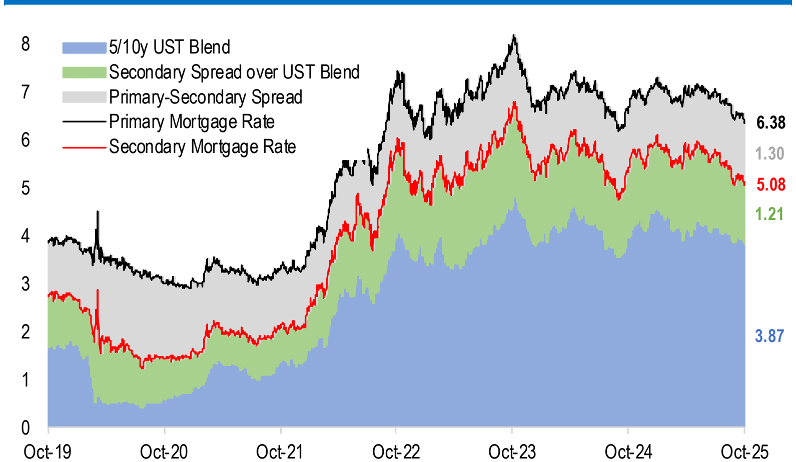
Market Odds of Two More 25bps Rate Cuts in '25 up to 100% from 60% a Few Weeks Ago



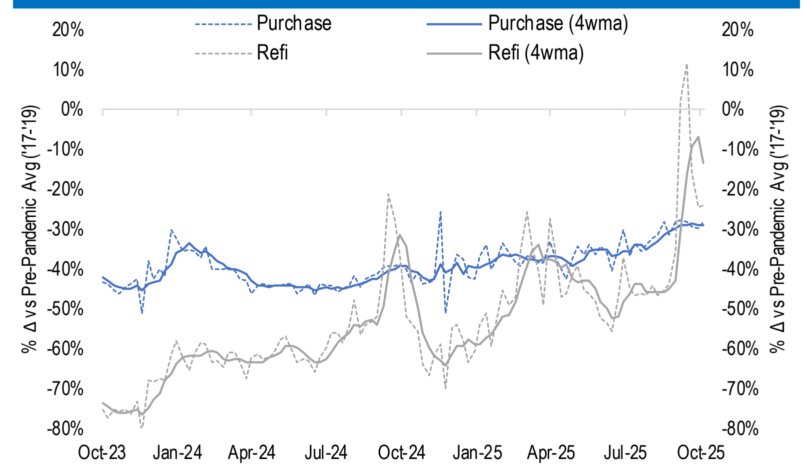
U.S. Treasury Yields Dipped -3bps Last Week and Mortgage Spreads Narrowed -7bps …



… Which Pulled Mortgage Rates Back Down to Their Lowest Level Since Last October



Mortgage Refi Apps Started to Fall Back to Reality through Early Oct., Back Well Below Pre-Pandemic Level

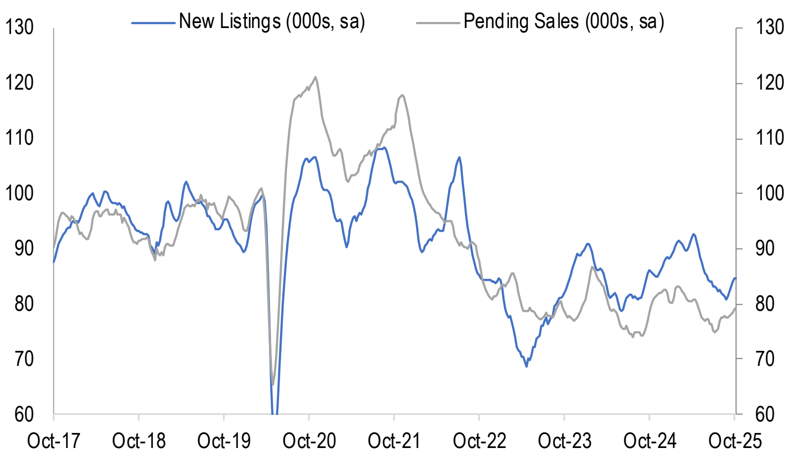


Sources: Bloomberg, FRB, Mortgage Bankers Association, Arch Global Economics

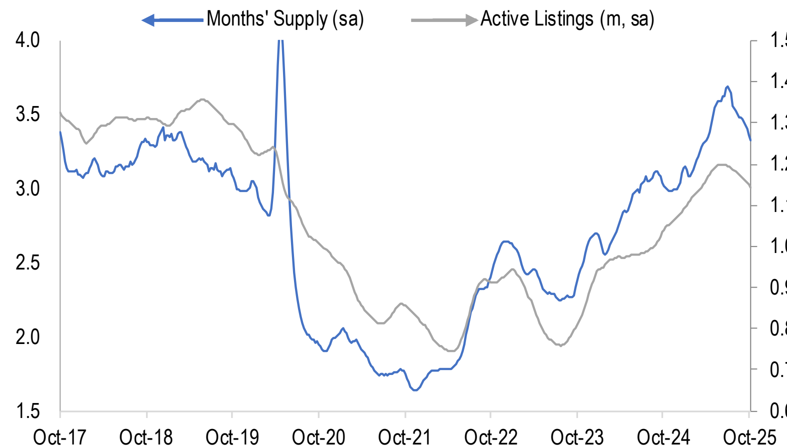
Secondary Spread: Current Coupon Option Adjusted Spread over 5/10y UST Blend
Primary-Secondary Spread: Primary Mortgage Rate - Secondary Mortgage Rate

Weekly Housing Market Monitor

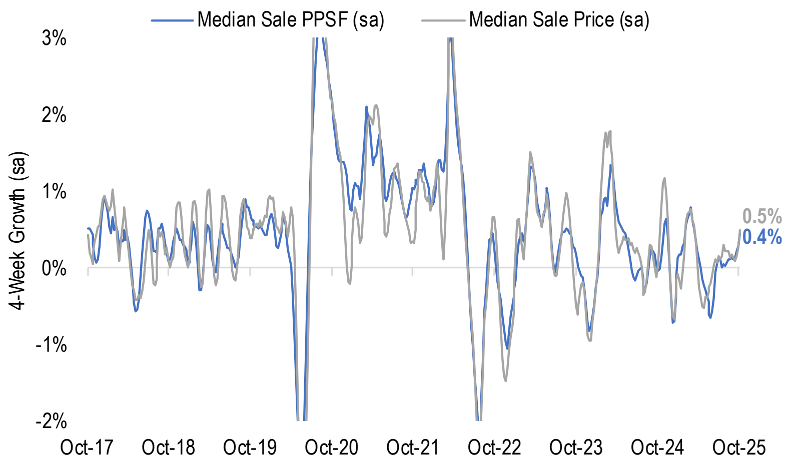
Pending Sales and New Listings Have Turned Higher Again over the Past Month, Reversing Prior Slide…



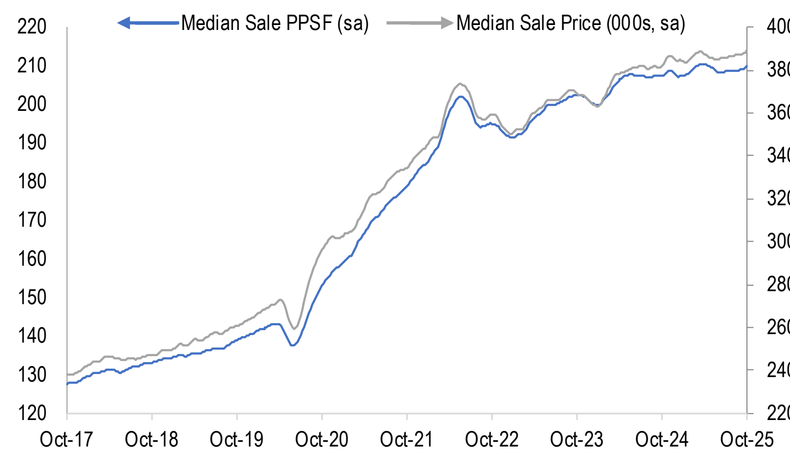
… Keeping Inventory in Check and Months' Supply Heading Lower



Pace of Seasonally Adjusted Home-Price Growth Continued to Accelerate through Early October



Home Prices Have Started to Inch Higher in Q3 and Early Q4 after Modest Decline in Q2



Sources: Redfin, Arch Global Economics

SA = Seasonally Adjusted
PPSF = Price Per Square Foot

Data as of Oct. 12, 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	1.6%	1.1%	3.4%	2.5%	6.9%	1.6%	98.3%	-0.4%	-4.2	-11.2	7%	5%	-3%
Atlanta	-3.2%	-1.8%	3.2%	4.1%	7.5%	2.4%	97.6%	-0.6%	23.8	10.3	5%	15%	2%
Austin	-3.9%	0.9%	1.6%	3.3%	8.9%	1.4%	96.9%	-0.3%	54.3	40.0	9%	95%	71%
Baltimore	1.2%	-2.3%	4.0%	2.2%	7.4%	0.9%	100.1%	-0.5%	-3.1	-9.8	20%	-14%	-32%
Boston	1.8%	-1.3%	4.0%	1.8%	7.1%	1.4%	100.0%	-1.1%	4.5	1.4	16%	3%	-16%
Chicago	2.9%	-2.2%	6.6%	3.1%	4.5%	1.4%	99.4%	0.1%	-11.8	-12.4	-5%	-31%	-28%
Dallas	-4.6%	-1.6%	-1.0%	1.9%	9.2%	2.2%	97.1%	-0.5%	26.0	11.5	12%	46%	27%
Denver	-3.3%	0.1%	0.7%	3.8%	10.2%	0.9%	98.3%	-0.4%	24.5	12.3	9%	75%	57%
Houston	0.6%	1.2%	1.0%	1.4%	8.2%	2.5%	96.3%	-0.6%	13.6	1.3	9%	1256%	3%
Los Angeles	-0.3%	0.4%	3.1%	2.9%	4.8%	1.1%	99.1%	-1.1%	10.2	0.2	7%	23%	19%
Miami	0.7%	0.6%	2.1%	-2.3%	4.2%	1.0%	95.1%	-0.7%	30.5	6.4	7%	32%	20%
Minneapolis	2.7%	1.3%	4.3%	3.9%	8.4%	2.2%	99.7%	0.2%	-1.0	-1.8	-2%	-1%	1%
Nashville	3.5%	1.6%	4.1%	2.1%	6.0%	2.0%	97.9%	-0.2%	14.9	5.5	11%	28%	9%
New York	3.8%	-4.1%	4.7%	-1.3%	4.0%	0.2%	99.8%	0.1%	-35.5	-44.3	7%	-21%	-32%
Phoenix	-2.1%	1.7%	1.6%	4.1%	7.5%	1.1%	97.9%	-0.3%	29.1	15.5	11%	56%	49%
Portland	-1.3%	-1.0%	3.4%	4.7%	8.6%	0.7%	99.2%	-0.3%	14.4	7.1	10%	33%	24%
Riverside	0.2%	0.4%	2.6%	3.1%	5.4%	1.2%	98.9%	-0.5%	6.9	-9.1	5%	16%	16%
San Diego	-1.9%	-0.3%	-2.1%	-1.0%	6.6%	1.6%	98.8%	-0.5%	10.8	1.1	8%	10%	9%
Seattle	1.0%	0.3%	1.1%	1.4%	7.9%	0.9%	99.2%	-0.7%	8.8	-1.4	17%	32%	8%
Tampa	0.4%	3.8%	8.4%	6.5%	8.6%	3.4%	96.7%	-0.4%	20.7	7.1	1%	57%	159%
Washington DC	0.5%	-2.2%	1.6%	-0.9%	6.5%	1.5%	99.4%	-0.7%	10.5	1.2	23%	15%	-12%

Data as of Oct. 12, 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
10/22/25	7:00 AM	MBA Mortgage Applications w/w	Oct 17	--	--	--	-1.8	%, sa
10/23/25	8:30 AM	Initial Jobless Claims	Oct 18	--	225	--	--	k, sa
10/23/25	8:30 AM	Continuing Claims	Oct 11	--	1,925	--	--	k, sa
10/23/25	10:00 AM	Existing Home Sales	Sep	--	4.1	--	4.0	m, saar
10/23/25	11:00 AM	Kansas City Fed Manf. Activity	Oct	--	--	--	4.0	sa, index
10/24/25	11:00 AM	Building Permits	Sep F	--	--	--	--	k, saar
10/24/25	11:00 AM	Building Permits m/m	Sep F	--	--	--	--	%, sa
10/24/25	8:30 AM	CPI m/m	Sep	--	0.4	--	0.4	%, sa
10/24/25	8:30 AM	CPI Core (ex Food and Energy) m/m	Sep	--	0.3	--	0.3	%, sa
10/24/25	8:30 AM	CPI y/y	Sep	--	3.1	--	2.9	%, nsa
10/24/25	8:30 AM	CPI Core (ex Food and Energy) y/y	Sep	--	3.1	--	3.1	%, nsa
10/24/25	9:45 AM	S&P Global US Manufacturing PMI	Oct P	--	51.9	--	52.0	index, sa
10/24/25	9:45 AM	S&P Global US Services PMI	Oct P	--	53.5	--	54.2	index, sa
10/24/25	9:45 AM	S&P Global US Composite PMI	Oct P	--	53.5	--	53.9	index, sa
10/24/25	10:00 AM	New Home Sales	Sep	--	709	--	800	k, saar
10/24/25	10:00 AM	New Home Sales m/m	Sep	--	-11.4	--	20.5	%, sa
10/24/25	10:00 AM	U. of Mich. Sentiment	Oct F	--	54.7	--	55.0	index, nsa
10/24/25	10:00 AM	U. of Mich. 1 Yr Inflation	Oct F	--	--	--	4.6	nsa
10/24/25	10:00 AM	U. of Mich. 5-10 Yr Inflation	Oct F	--	3.7	--	3.7	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
10/14/25	6:00 AM	NFIB Small Business Optimism	Sep	**98.8**	100.6	--	100.8	index, sa
10/15/25	7:00 AM	MBA Mortgage Applications w/w	Oct 10	**-1.8**	--	--	-4.7	%, sa
10/15/25	8:30 AM	Empire Manufacturing	Oct	**10.7**	-1.8	--	-8.7	index, sa
10/16/25	8:30 AM	Philadelphia Fed Business Outlook	Oct	**-12.8**	10.0	--	23.2	index, sa
10/16/25	10:00 AM	NAHB Housing Market Index	Oct	**37.0**	33.0	--	32.0	index, sa

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

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics