

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 21, 2024

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

Leonidas Mourelatos — Director of Real Estate Economics
lmourelatos@archgroup.com | 631 521 9048

Unfettered

- **Key Takeaway:** September retail sales capped a very strong Q3 for consumer spending, including a rebound in restaurant outlays.
- **Macro Implications:** The Fed is likely to keep normalization process underway, looking through the noise created by hurricanes and labor strikes.
- **Housing Implications:** Another round of mortgage rate whiplash produced a stark collapse in mortgage applications last week.

Macro: Bring on the Distortions

- Homebuilder sentiment steadily improving as Fed rate path crystallizes.
- Broad-based retail spending growth beat expectations in September.
- Manufacturing remains weakest leg on the macro “stool.”

Rates: High Tide

- 10-year UST roughly unchanged on the week at 4.09%.
- Higher neutral rate and inflation expectations keeping 10y yield above 4%.
- Market sees 25bps Nov. cut as a lock, but Dec. only slightly better than 50%.

Mortgage Market: Whiplash

- Mortgage rates continued rising and hit highest level since July.
- Spread normalization primary pathway for renewed near-term decline.
- Refi applications plunged in response while purchase applications leveled off.

Home Construction: Single-Family Finding its Stride ... Slowly

- Single-family starts rose 2.7% m/m in September and were up 5.5% y/y.
- Single-family permits rose for third straight month, by 0.3% m/m (sa).
- Outlook for housing construction remains positive as rates decrease.

Retail Sales: Murky ...

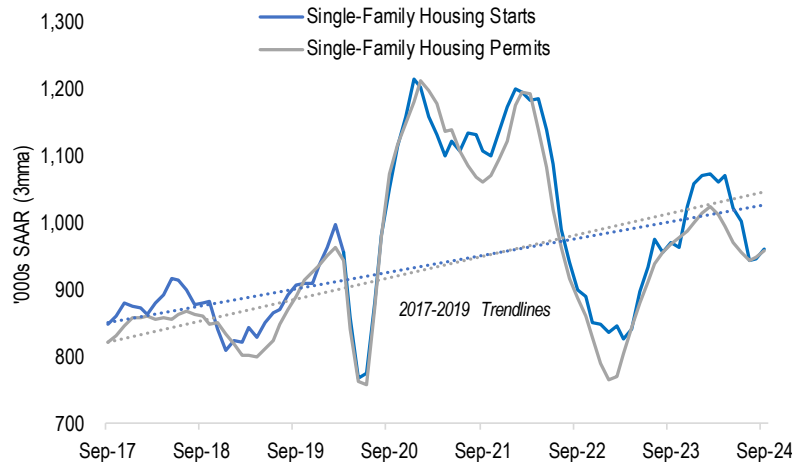
- Retail sales came in strong with a 0.4% gain in September.
- Real control group sales surged 6% annualized in 3Q from 1.1% in 2Q.
- Strong sales should not be fully discounted despite weather impacts.

Industrial Production: ... Waters

- Industrial output fell -0.3% in Sept., reversing the 0.3% gain in Aug.
- Q3 manufacturing down -1.4% annualized, second straight q/q drop.
- Weather and Boeing strike impact Sept. data but trend remains.

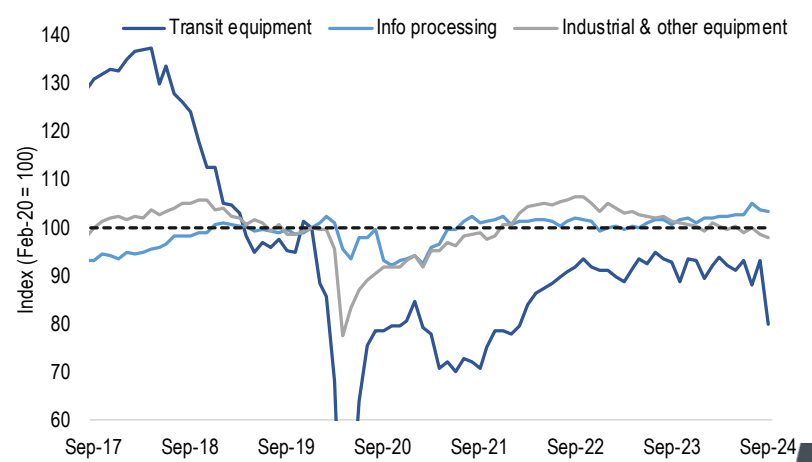
Note: “Control Group” = Retail sales excludes autos, gas, building materials and restaurants

After a Brief Lull, Single-Family Housing Activity Is Staging a Rebound with More Room to Run

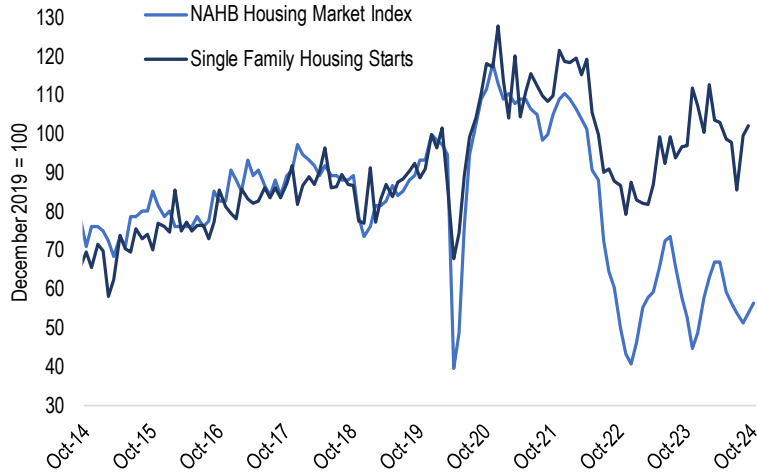


Sources: U.S. Census Bureau, Federal Reserve Board, Arch Global Economics

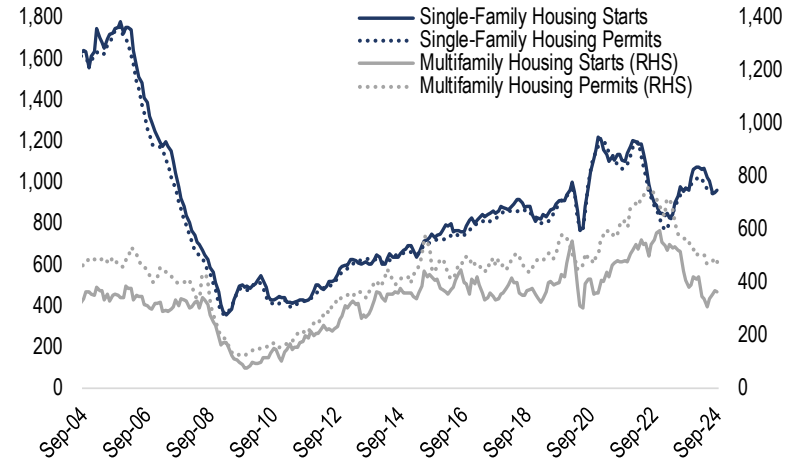
Boeing Strike Leads to Largest Monthly Drop in Transit Equipment Production Outside a Recession



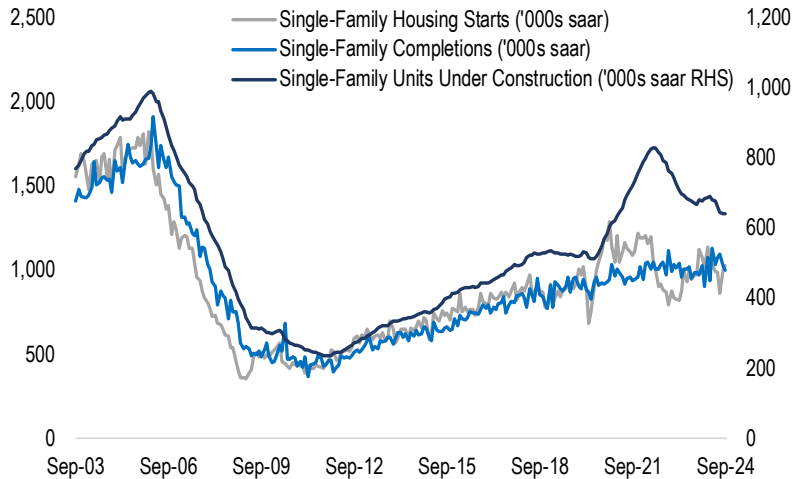
Builder Optimism Rose for Second Straight Month with a Notable Increase in Future Expected Sales



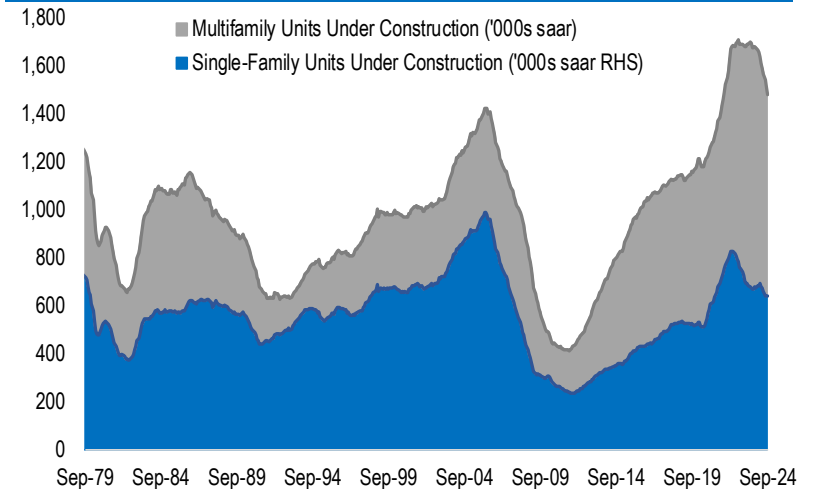
After Months in a Downtrend, Single-Family Activity Has Turned the Corner with Further Improvement Expected



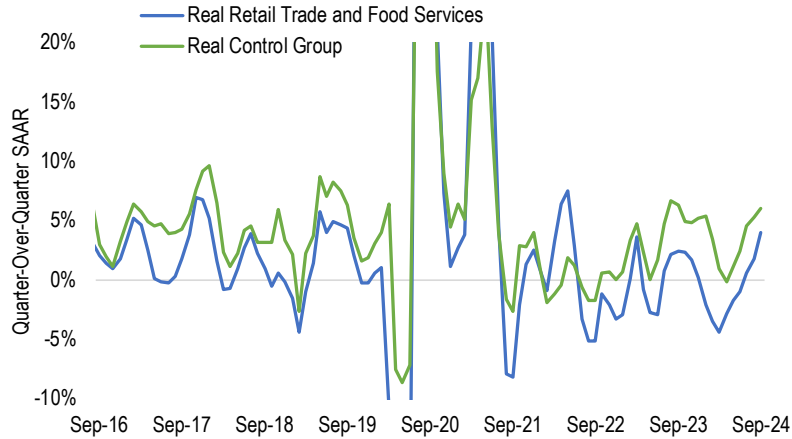
Single-Family Completions Fell Again in September as Units under Construction Pivoted Sideways



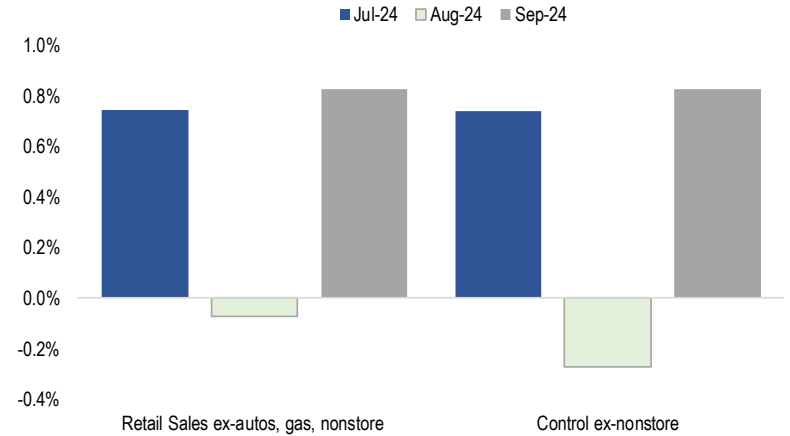
Multifamily Units under Construction Continued Sharp Decline as Single-Family Segment Levelled Off



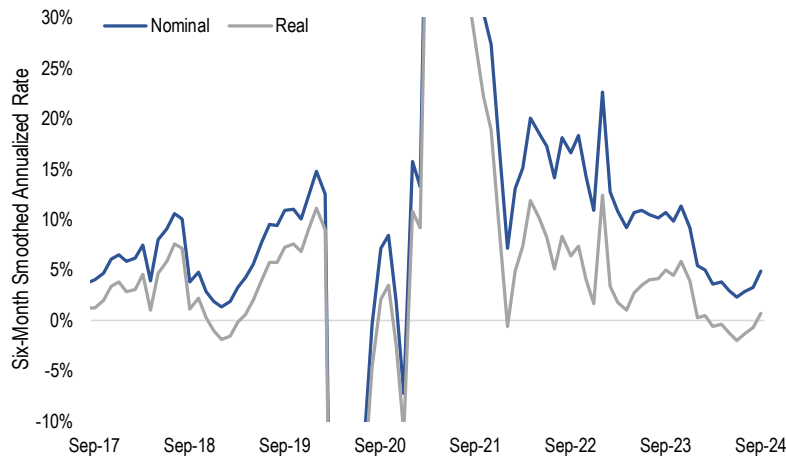
September Retail Sales Strong to Cap off a Solid Quarter for Consumer Spending



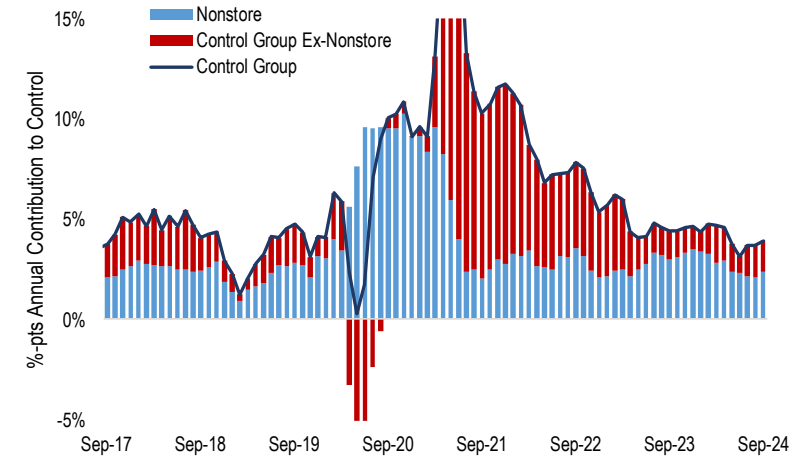
Retail Sales Growth Broad-Based in September, with Weather Impacts Accounting for Part of the Strength



Upward Revisions Show Restaurant Sales Not as Weak as Previously Thought, with Trend Firming

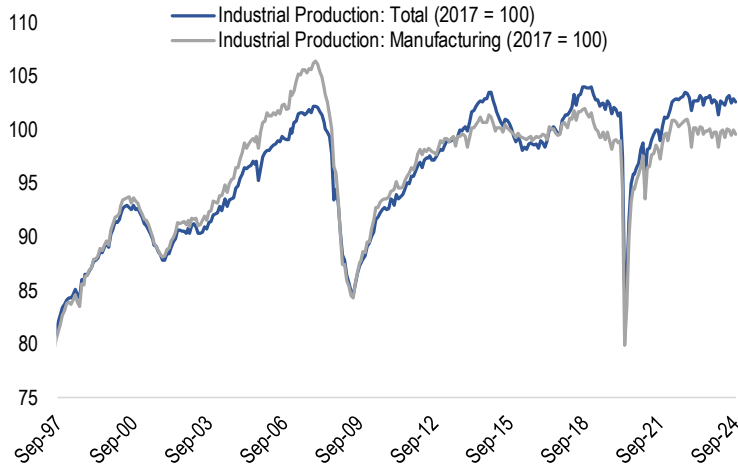


Online Sales (i.e. Nonstore), a Key Support to Control Group Sales, Have Ticked Higher Recently

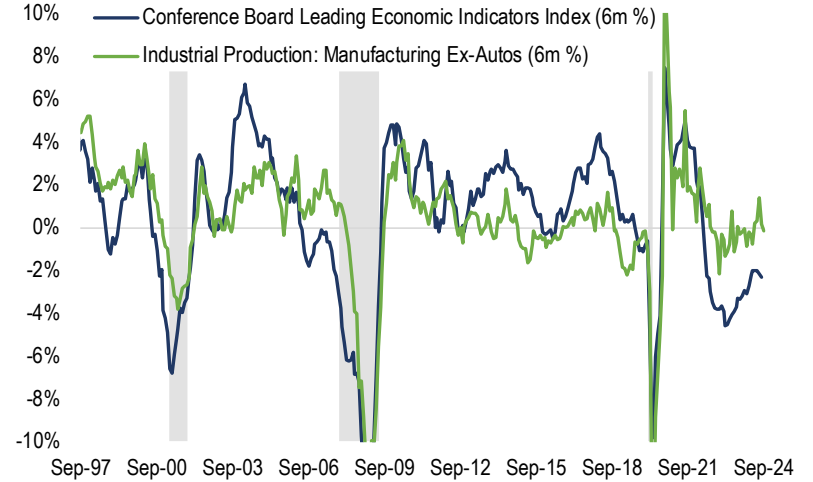


Note: "Control Group" = Retail sales excludes autos, gas, building materials and restaurants. SA = Seasonally Adjusted
Sources: U.S. Census Bureau, U.S. Bureau of Labor Statistics (BLS), Arch Global Economics

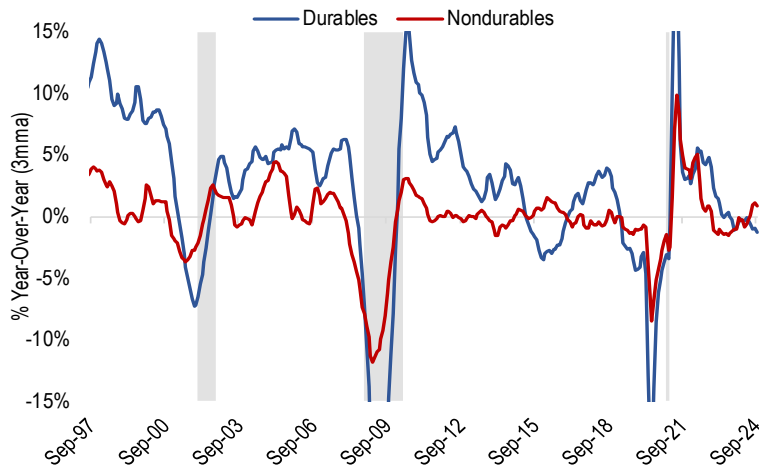
Total Industrial Production Reversed August Gains in September, Led by Drags in Manufacturing and Mining



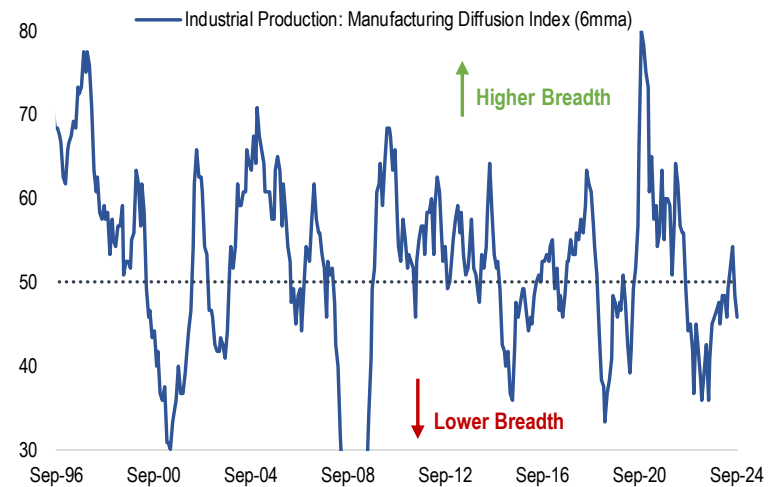
Manufacturing Ex-Autos Made a Dramatic Turn Lower, Primarily Due to an -8% Decline in Aerospace Output



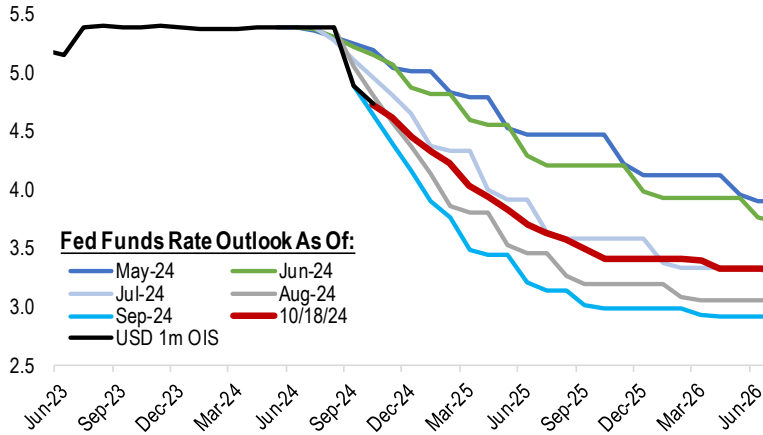
Nondurables Continued to Account for Rising Share of Manufacturing Production Activity



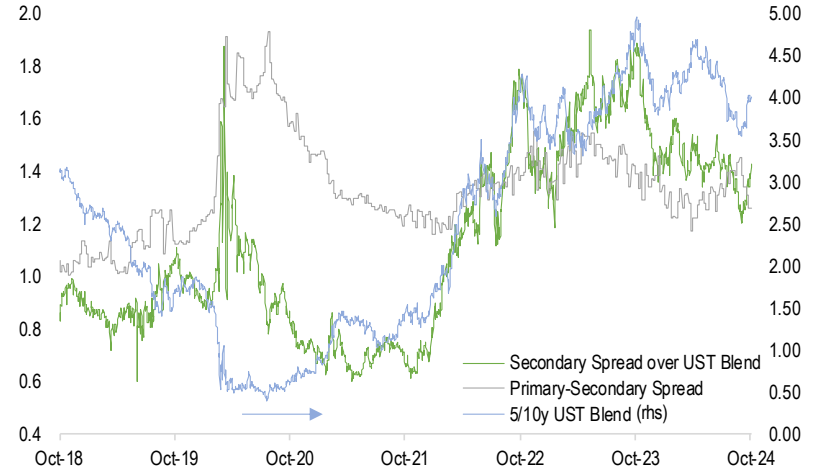
Weather, Boeing Strike/Furloughs Dragged the Manufacturing Diffusion Index to a Multi-Month Low



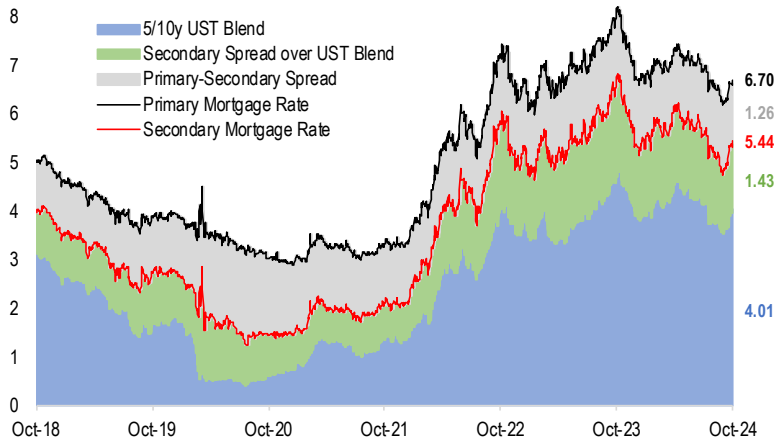
Market Still Sees 25bps Cut in Nov. as a Lock, but Only Slightly Better Than 50/50 Odds of Another Cut in Dec.



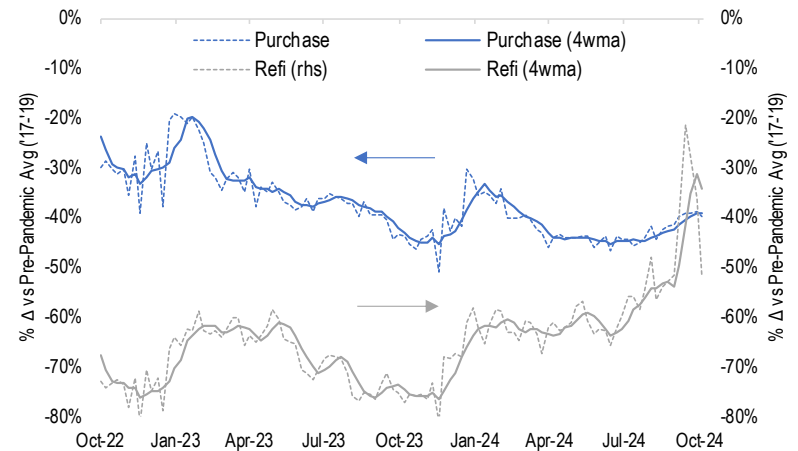
UST Yields Inched Down -2bps, While Combined Mortgage Spreads Widened 8bps ...



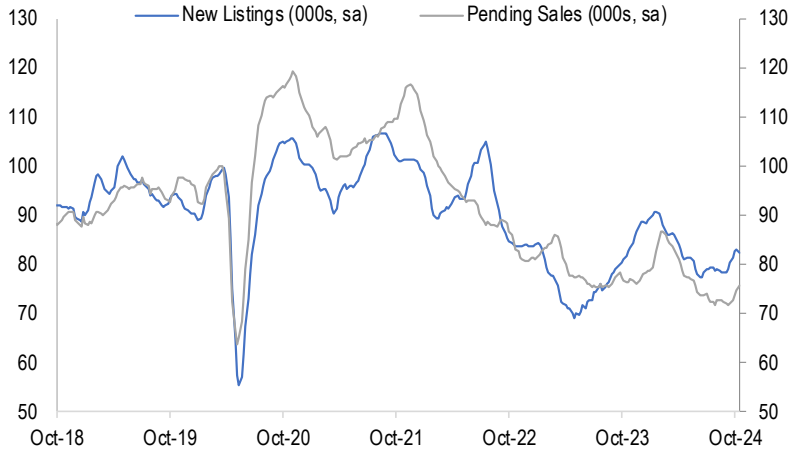
... Which Lifted Mortgage Rates by Another 6bps Just Five Weeks after Reaching a Two-Year Low



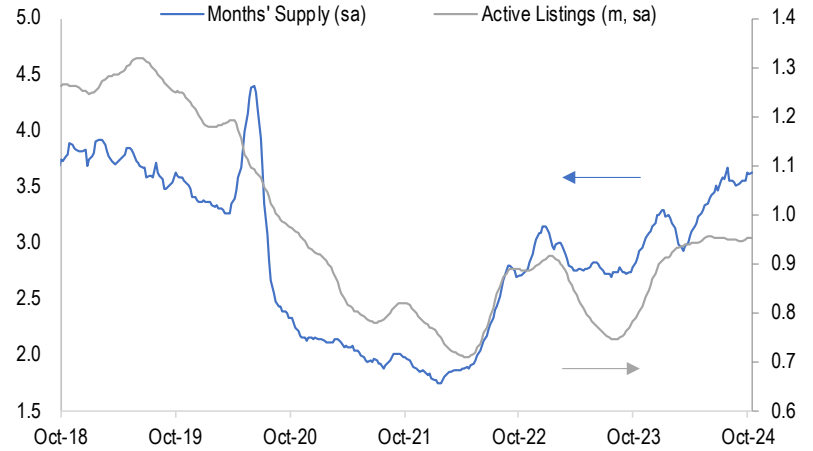
Mortgage Purchase Apps Have Levelled off, While Refi Apps Plunged Back to Level before Spike



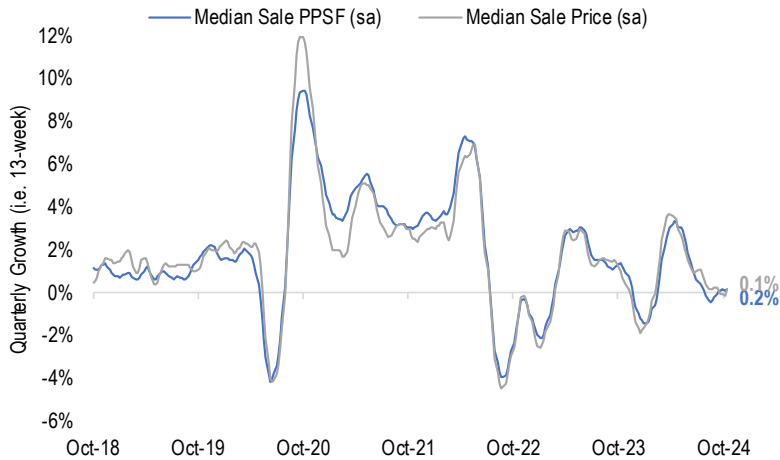
Pending Home Sales Inched Higher Again as New Listings Turned Lower ...



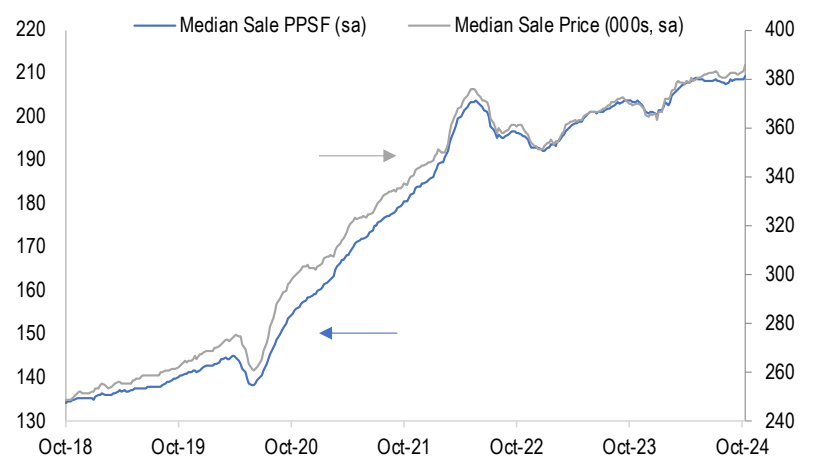
... Which Kept Months' Supply in Check as Inventory Moved Sideways



Softer Market Conditions Have Continued to Weigh on Seasonally Adjusted Quarterly Home-Price Growth ...



... and the Seasonally Adjusted National Median Sales Price/SF Has Mostly Moved Sideways Since Spring

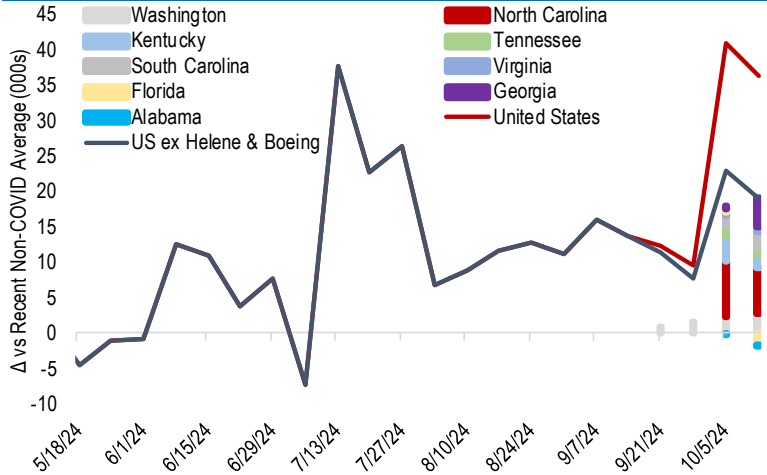


With National Market Near Pre-COVID-19 Balance, Some Markets Are Becoming Increasingly Oversupplied

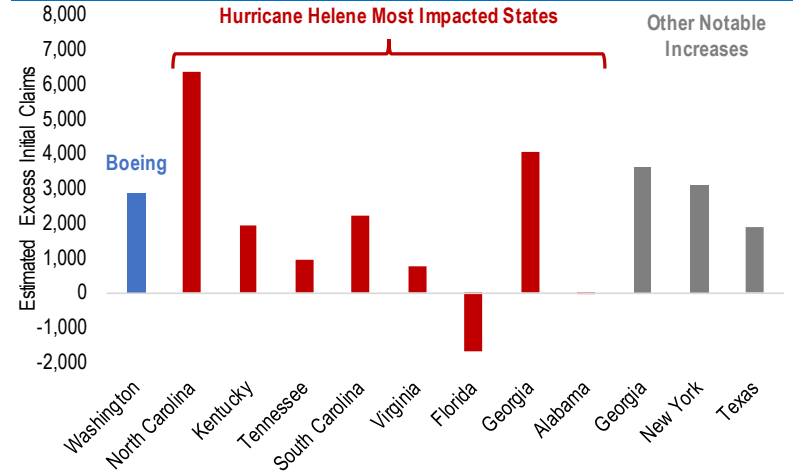
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	2.9%	-0.6%	5.6%	1.6%	6.6%	0.8%	98.8%	-0.3%	-10.2	-16.7	16%	-3%	-17%
Atlanta	2.4%	0.2%	2.6%	0.5%	7.0%	1.1%	98.3%	-0.4%	9.8	-6.7	-1%	-10%	-9%
Austin	-3.5%	0.1%	1.1%	5.3%	9.0%	-0.4%	97.2%	0.0%	33.2	24.9	6%	70%	55%
Baltimore	4.9%	1.4%	5.3%	0.3%	7.5%	1.1%	100.7%	-0.6%	-9.6	-17.5	17%	-30%	-39%
Boston	1.7%	-2.8%	6.8%	2.6%	6.3%	0.8%	101.1%	-0.8%	1.7	-0.1	15%	-15%	-18%
Chicago	7.3%	0.3%	6.8%	2.3%	4.4%	1.3%	99.3%	-0.3%	13.1	10.3	-6%	-23%	-20%
Dallas	-0.8%	-0.6%	3.1%	2.7%	8.9%	0.7%	97.6%	-0.6%	6.4	-4.6	29%	20%	0%
Denver	-0.3%	-0.3%	2.3%	-0.2%	10.6%	-0.2%	98.8%	-0.4%	11.5	0.0	34%	52%	23%
Houston	0.8%	-0.5%	4.5%	1.4%	7.8%	1.3%	96.9%	-0.6%	-1.5	-10.8	11%	-5%	-6%
Los Angeles	2.7%	-3.0%	1.5%	-2.9%	4.7%	1.1%	100.3%	-0.6%	-0.1	-8.4	24%	12%	1%
Miami	4.4%	0.8%	7.9%	7.6%	4.2%	0.8%	96.1%	-0.8%	5.4	-11.3	34%	38%	-29%
Minneapolis	0.8%	-1.1%	2.9%	-0.6%	8.1%	1.0%	99.5%	-0.6%	-1.9	-6.4	10%	4%	-7%
Nashville	0.2%	-2.0%	4.2%	2.9%	5.9%	1.2%	98.2%	0.0%	7.6	-0.3	18%	13%	1%
New York	5.8%	0.3%	9.1%	1.1%	4.3%	0.9%	99.9%	0.3%	-34.9	-19.4	-8%	-26%	-24%
Phoenix	-0.9%	-4.3%	3.5%	1.7%	7.3%	-0.1%	98.3%	-0.3%	14.0	-1.7	34%	37%	15%
Portland	0.9%	0.7%	0.4%	-1.4%	8.7%	1.6%	99.5%	0.2%	7.7	0.2	12%	16%	14%
Riverside	3.2%	0.0%	4.9%	0.0%	5.5%	0.5%	99.4%	-0.2%	-9.7	-16.0	23%	6%	-9%
San Diego	2.1%	-2.6%	5.7%	1.0%	6.8%	1.8%	99.4%	-0.6%	0.3	-11.5	46%	8%	-21%
Seattle	3.8%	-2.3%	7.1%	3.7%	7.8%	0.8%	100.0%	0.0%	-1.0	-5.8	28%	6%	-7%
Tampa	-5.5%	-6.3%	-4.3%	-2.7%	6.2%	-3.2%	97.1%	-0.7%	7.2	-11.1	33%	155%	1%
Washington DC	4.8%	0.2%	5.1%	2.7%	5.9%	0.7%	100.1%	-0.1%	2.8	-1.4	11%	-11%	-11%

Data as of Oct. 13, 2024, and reflects 4-week averages.

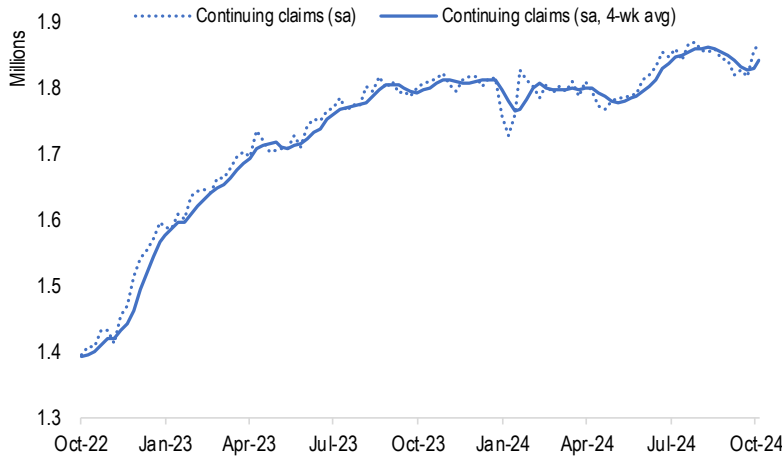
Initial Claims Remained Elevated Mostly Due to Hurricane Helene and Boeing Furloughs



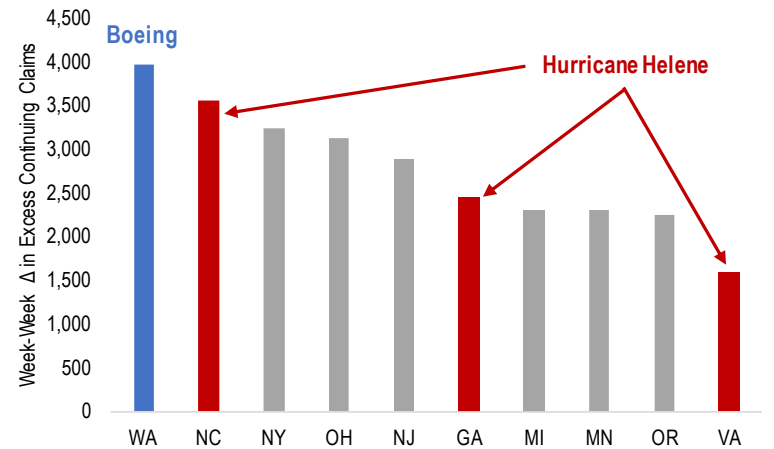
Accordingly, More Than Half of Weekly Increase Driven by Surge in States Not Impacted by Hurricane or Boeing



Continuing Claims Rose Again, Within Reach of Multi-Year High



Boeing Impact Dominated Continuing Claims Increase, While Full Force of Hurricane Helene Yet to Be Felt



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
10/21/24	10:00 AM	Conference Board Leading Index m/m	Sep	--	-0.3	--	-0.2	%, sa
10/22/24	10:00 AM	Richmond Fed Manufact. Index	Oct	--	-16.5	--	-21.0	index, sa
10/23/24	7:00 AM	MBA Mortgage Applications w/w	Oct 18	--	--	--	-17.0	%, sa
10/23/24	10:00 AM	Existing Home Sales	Sep	--	3.88	--	3.86	m, saar
10/23/24	10:00 AM	Existing Home Sales m/m	Sep	--	0.5	--	-2.5	%, sa
10/24/24	8:30 AM	Chicago Fed Nat Activity Index	Sep	--	--	--	0.1	index, nsa
10/24/24	8:30 AM	Initial Jobless Claims	Oct 19	--	240	--	241	k, sa
10/24/24	8:30 AM	Continuing Claims	Oct 12	--	1,876	--	1,867	k, sa
10/24/24	9:45 AM	S&P Global US Manufacturing PMI	Oct P	--	47.5	--	47.3	index, sa
10/24/24	9:45 AM	S&P Global US Services PMI	Oct P	--	55.0	--	55.2	index, sa
10/24/24	9:45 AM	S&P Global US Composite PMI	Oct P	--	--	--	54.0	index, sa
10/24/24	10:00 AM	New Home Sales	Sep	--	720	--	716	k, saar
10/24/24	10:00 AM	New Home Sales m/m	Sep	--	0.6	--	-4.7	%, sa
10/24/24	11:00 AM	Kansas City Fed Manf. Activity	Oct	--	--	--	-8.0	sa, index
10/25/24	8:30 AM	Durable Goods Orders m/m	Sep P	--	-1.0	--	--	%, sa
10/25/24	8:30 AM	Cap Goods Orders Nondef Ex Air m/m	Sep P	--	0.1	--	0.3	%, sa
10/25/24	8:30 AM	Cap Goods Ship Nondef Ex Air m/m	Sep P	--	--	--	-0.1	%, sa
10/25/24	10:00 AM	U. of Mich. Sentiment	Oct F	--	69.3	--	68.9	index, nsa
10/25/24	10:00 AM	U. of Mich. 1 Yr Inflation	Oct F	--	--	--	2.9	nsa
10/25/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Oct F	--	--	--	3.0	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
10/15/24	8:30 AM	Empire Manufacturing	Oct	-11.9	3.6	--	11.5	index, sa
10/15/24	11:00 AM	NY Fed 1-Yr Inflation Expectations	Sep	3.0	--	--	3.0	%
10/16/24	7:00 AM	MBA Mortgage Applications w/w	Oct 11	-17.0	--	--	-5.1	%, sa
10/16/24	8:30 AM	Import Price Index m/m	Sep	-0.4	-0.3	-0.2	-0.3	%, nsa
10/16/24	8:30 AM	Import Price Index y/y	Sep	-0.1	--	--	0.8	%, nsa
10/17/24	8:30 AM	Advance Retail Sales m/m	Sep	0.4	0.3	--	0.1	%, sa
10/17/24	8:30 AM	Retail Sales Control Group m/m	Sep	0.7	0.3	--	0.3	%, sa
10/17/24	8:30 AM	Philadelphia Fed Business Outlook	Oct	10.3	3.0	--	1.7	index, sa
10/17/24	8:30 AM	Initial Jobless Claims	Oct 12	241	259	260	258	k, sa
10/17/24	8:30 AM	Continuing Claims	Oct 5	1,867	1,865	1,858	1,861	k, sa
10/17/24	9:15 AM	Capacity Utilization	Sep	77.5	77.8	77.8	78.0	sa
10/17/24	10:00 AM	Business Inventories m/m	Aug	0.3	0.3	0.3	0.4	%, sa
10/17/24	10:00 AM	NAHB Housing Market Index	Oct	43	42	--	41	index, sa
10/18/24	8:30 AM	Housing Starts	Sep	1,354	1,350	1,361	1,356	k, saar
10/18/24	8:30 AM	Building Permits	Sep	1,428	1,460	1,470	1,475	k, saar
10/18/24	8:30 AM	Housing Starts m/m	Sep	-0.5	-0.4	7.8	9.6	%, sa
10/18/24	8:30 AM	Building Permits m/m	Sep	-2.9	-0.7	4.6	4.9	%, 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)