

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 28, 2024

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**Trying Times**

- **Key Takeaway:** Light data week showcased growing divergence between existing and new home sales, with upside centered on new homes for now.
- **Macro Implications:** Depressed housing activity already near rock-bottom levels but drag on overall economy set to remain through Q4.
- **Housing Implications:** Continued surge in mortgage rates kept a damper on housing demand, with new home incentives the only source of relief.

**Macro: Get Ready to Fly Blind with Muddled Jobs Release Ahead**

- Upside for home sales still limited to new home segment until rates drop.
- Continuing claims kept inching higher as labor demand remained soft.
- Fed’s report on business activity suggests cooler growth through early Oct.

**Rates: Hitting a Ceiling?**

- 10-year UST yield rose 13bps on the week to 4.21%, highest level since July.
- Higher neutral rate and inflation expectations keeping 10y yield above 4%.
- Market sees a rate cut as a lock next week, but only ~75% odds of a cut in Dec.

**Mortgage Market: Here We Go Again**

- Mortgage rates continued ascent but will pivot lower by year-end.
- Purchase and refi applications have turned sharply lower recently.
- Buyers remain frustrated with affordability — relief set to materialize slowly.

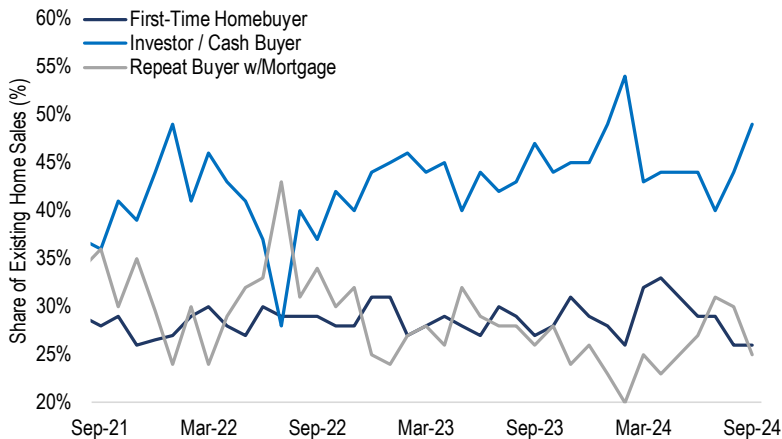
**Existing Home Sales: So Much for Rate Relief**

- Existing home sales down -1.0% m/m in September and -3.5% annually.
- Inventory rose 6% annualized in Q3 compared to the -15% drop in sales.
- Months’ supply up 28% y/y to 4.0 (sa), back above 2019 levels.

**New Home Sales: Only Game in Town**

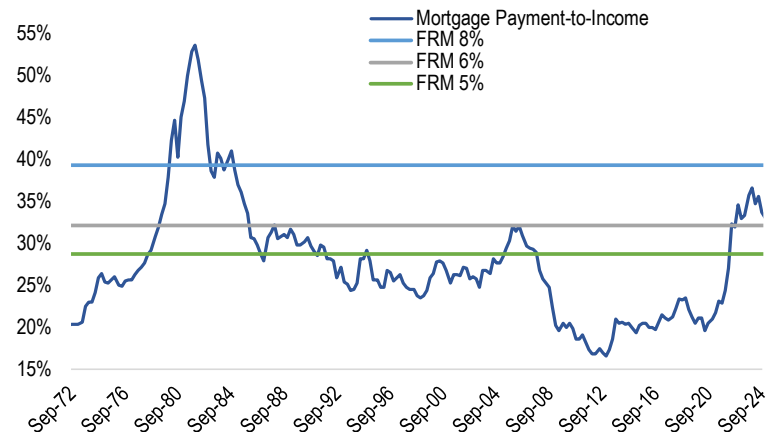
- Sept. new home sales rose 4.1% m/m and 6.3% y/y.
- Months’ supply of completed homes up to 3.8 months.
- Builders remain focused on managing affordability with incentives.

**Look No Further Than the Drop in First-Time and Repeat Buyer Shares of Home Sales to Gauge Lost Momentum**

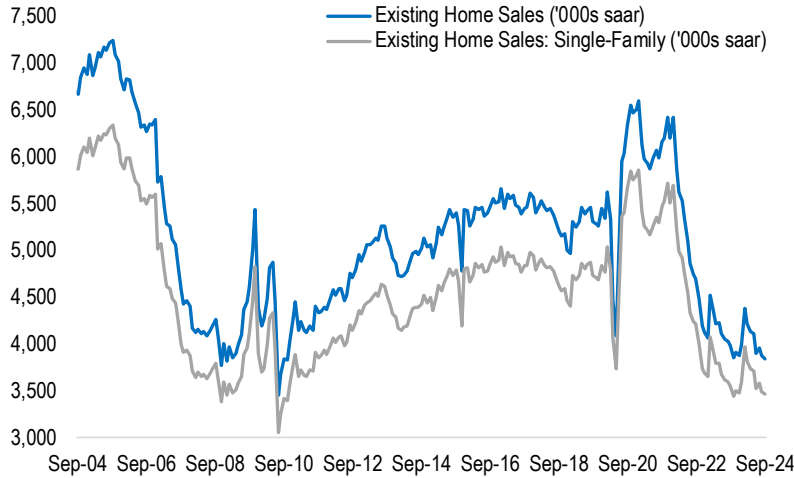


Sources: U.S. Census Bureau, National Association of REALTORS® (NAR), Arch Global Economics

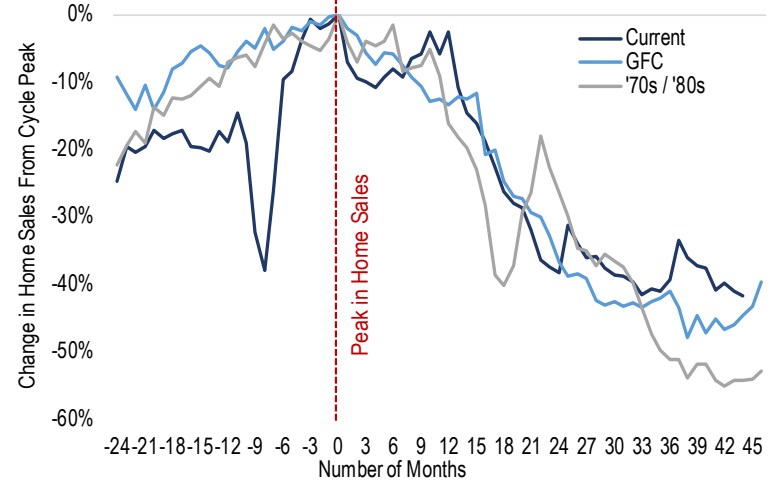
**For Housing Demand to Recover, Something Has to Give ... Will It Be Home Prices or Rates?**



**Existing Home Sales Muddling Along at Below-Trend Pace with only Modest Upside Near-Term**



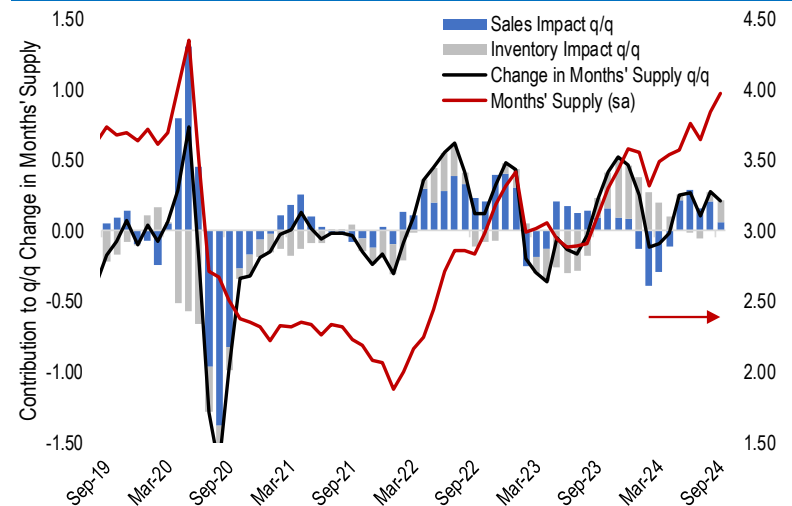
**Existing Home Sales Dipped Lower (Again) as Buyer Interest Remained Tepid**



**Inventory Inched Higher in September but Absolute Level Remained Historically Low**

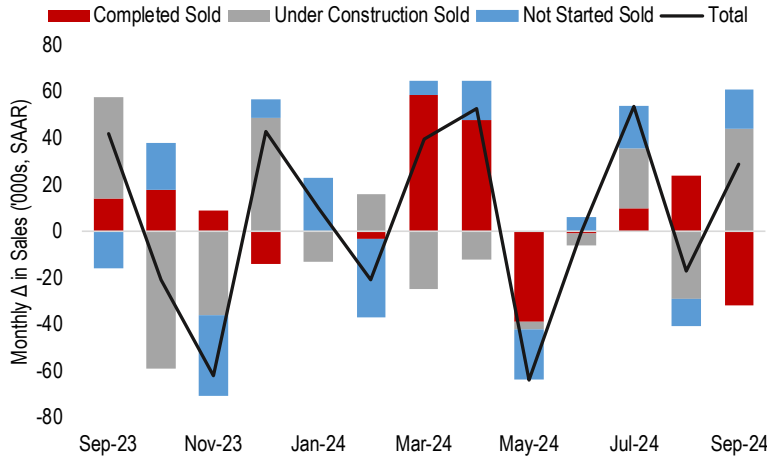


**Inventory was the Biggest Contributor to the Rise in Months' Supply in 3Q, Which Is Now above 2019 Level**

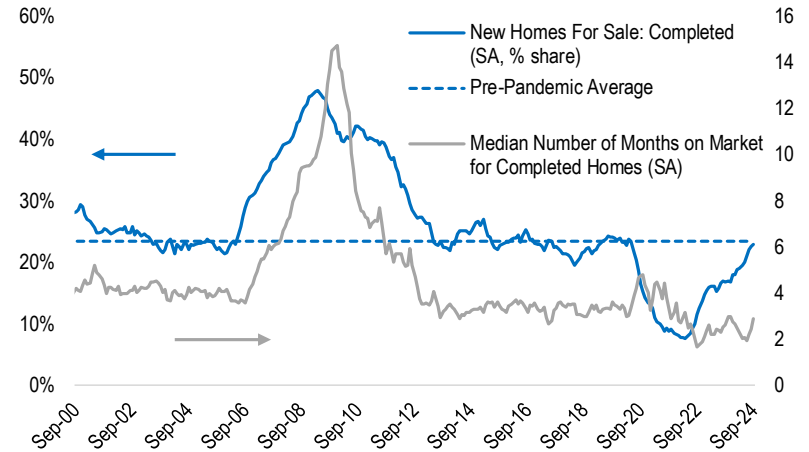


Sources: NAR, Arch Global Economics

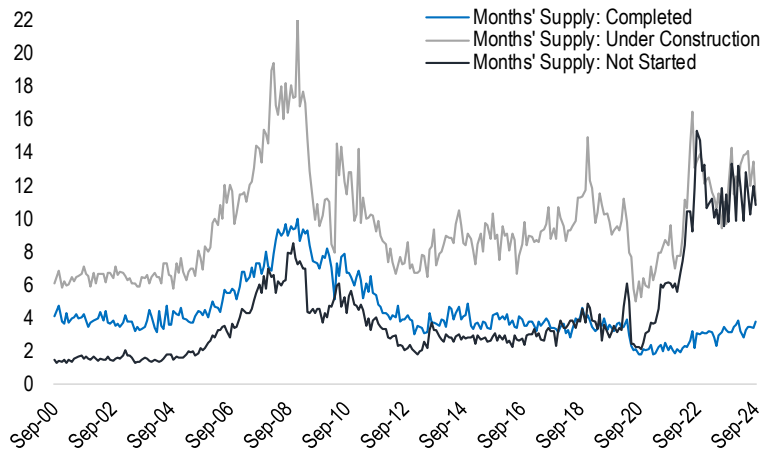
**New Home Sales Rose in September Despite a Drop in Sales of Completed Homes**



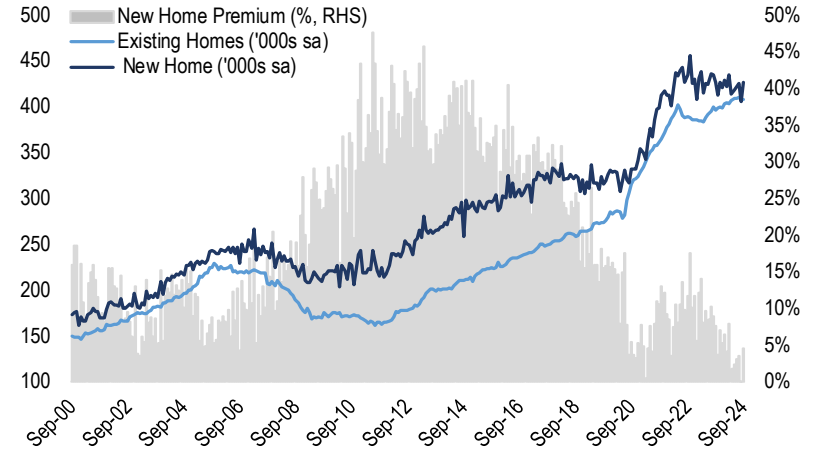
**Completed Homes Rising as Share of New Homes for Sale, but Still Selling Quickly Once Completed**



**Months' Supply Only Rose for Completed Segment as New Deliveries Outpaced Slower Sales**

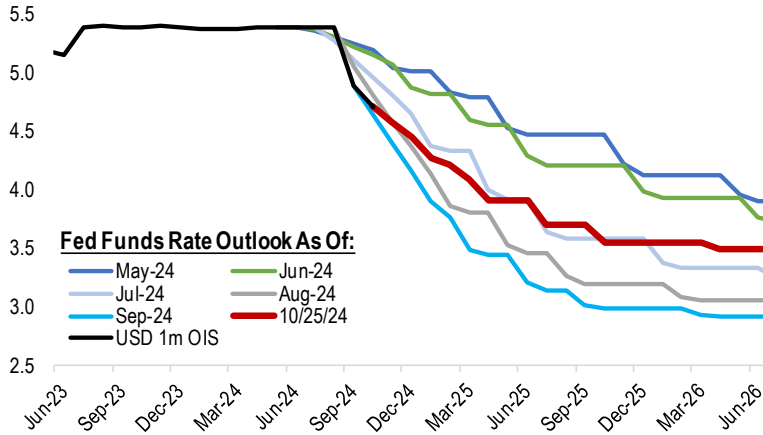


**National New Home Premium Still Under 5% in Sept. but Should Rise amid Slower Price Growth in Resale Market**

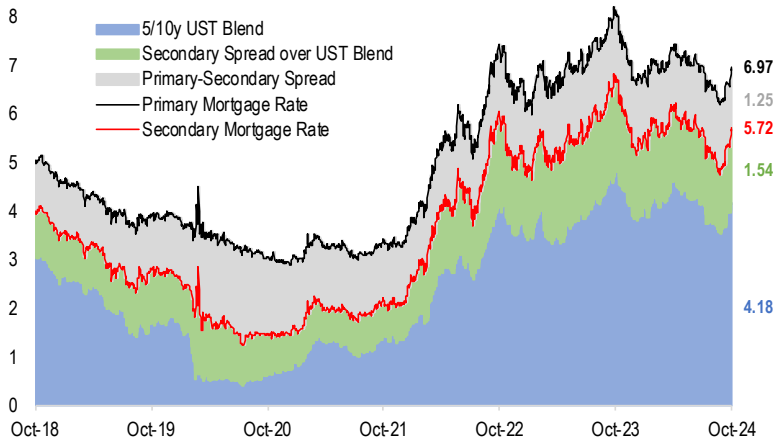


Sources: U.S. Census Bureau, Arch Global Economics

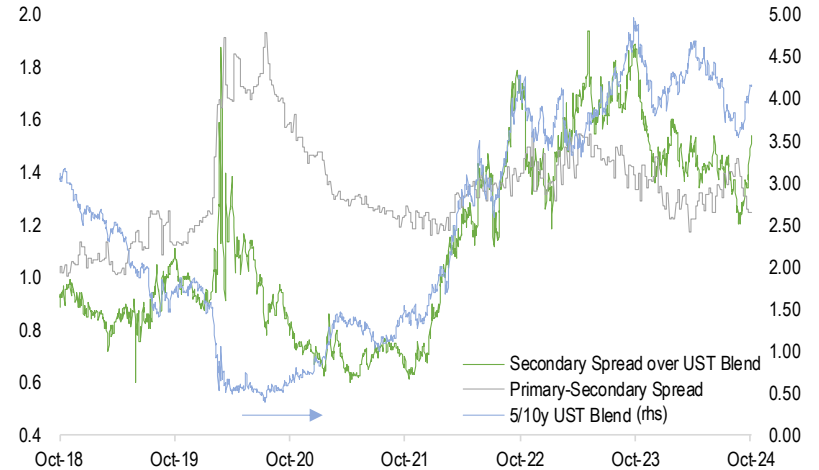
**Market Still Sees 25bps Cut Next Week as a Lock, but Just ~75% Odds of Another Cut in December**



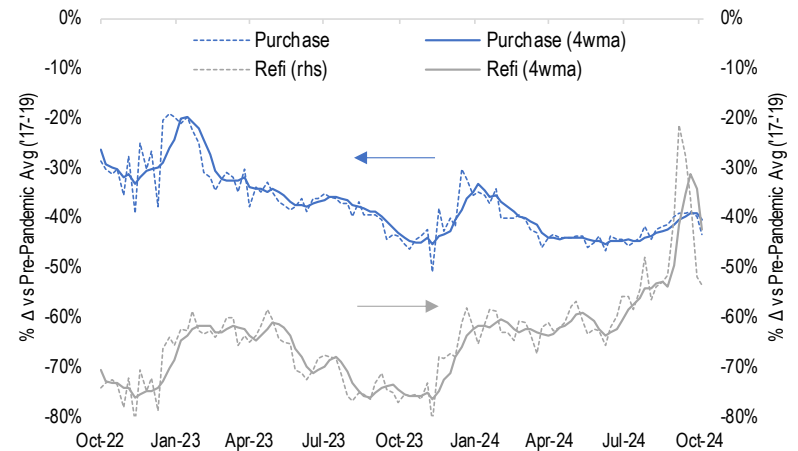
**... Which Lifted Implied Mortgage Rates by Another ~30bps Just Six Weeks after Reaching a Two-Year Low**



**UST Yields Jumped 17bps While Mortgage Spreads Widened 11bps ...**



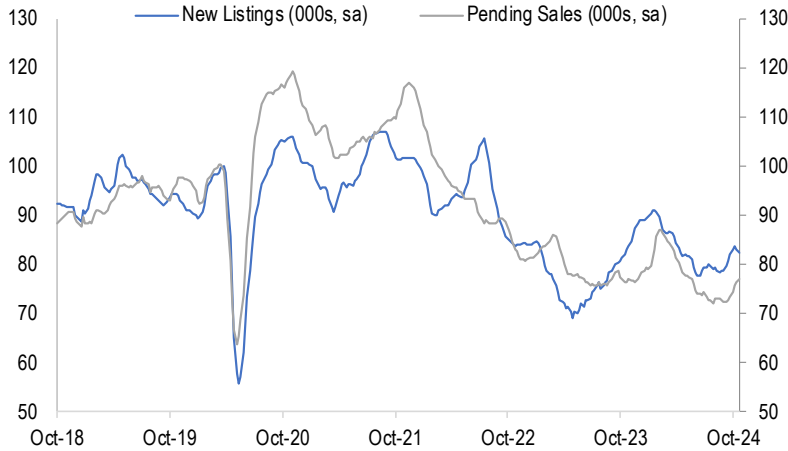
**Mortgage Purchase Apps Turned Lower Along with Refi Apps, Which Continued Recent Decline**



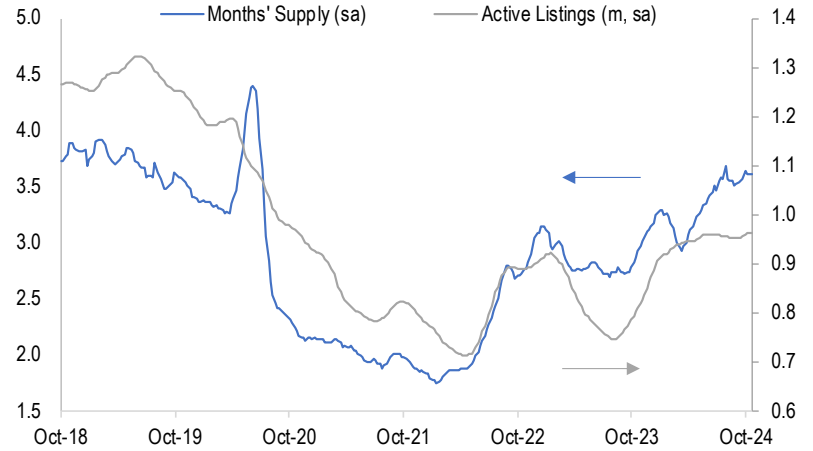
Sources: Federal Reserve Board, Mortgage Bankers Association (MBA), Bloomberg, Arch Global Economics

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

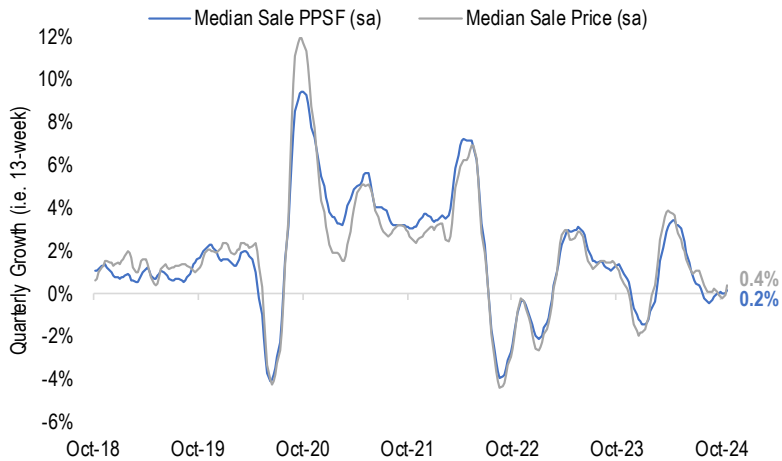
**Pending Home Sales Inched Higher Again as New Listings Turned Lower ...**



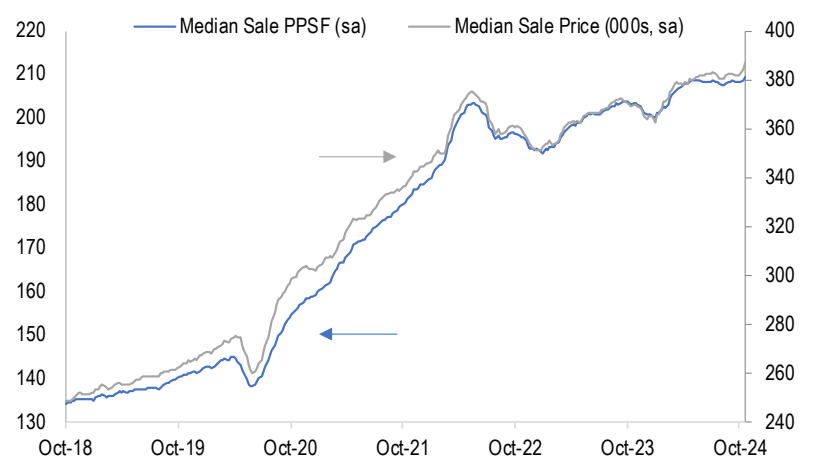
**... Which Kept Months' Supply in Check as Inventory Moved Sideways**



**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**

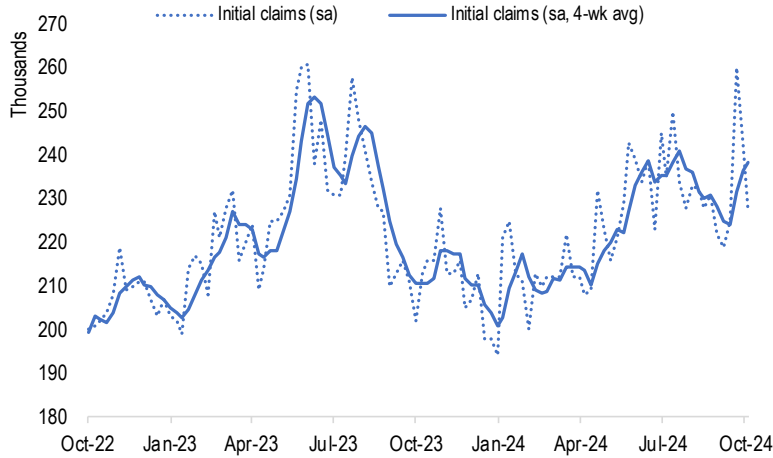


## With National Market Near Pre-COVID-19 Balance, Some Markets Are Becoming Increasingly Oversupplied

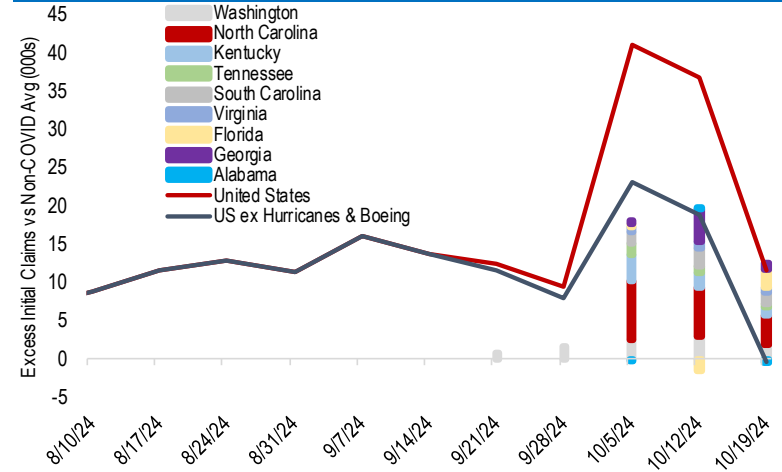
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.0%	-0.3%	5.3%	1.1%	6.5%	0.6%	98.8%	-0.3%	-10.1	-16.8	15%	-3%	-17%
Atlanta	1.9%	-0.1%	2.9%	1.1%	7.0%	0.9%	98.2%	-0.5%	10.9	-6.1	0%	-7%	-8%
Austin	-2.6%	1.7%	0.2%	3.7%	8.9%	-0.2%	97.2%	-0.1%	31.3	24.9	6%	67%	51%
Baltimore	4.5%	0.6%	5.2%	0.2%	7.6%	0.9%	100.5%	-0.5%	-10.3	-18.5	16%	-29%	-37%
Boston	3.2%	-1.8%	6.5%	0.9%	6.4%	0.6%	101.2%	-0.8%	1.8	-0.2	14%	-14%	-19%
Chicago	5.8%	-1.1%	6.3%	1.2%	4.5%	1.4%	99.2%	-0.4%	12.3	9.6	-6%	-23%	-22%
Dallas	-0.5%	-0.7%	3.0%	2.1%	8.9%	0.9%	97.6%	-0.5%	7.0	-4.8	28%	18%	-3%
Denver	0.8%	1.5%	1.3%	-0.7%	10.3%	0.1%	98.8%	-0.3%	12.6	0.7	33%	51%	24%
Houston	1.3%	-0.4%	4.5%	2.0%	8.1%	1.6%	97.0%	-0.6%	-3.0	-13.5	12%	1%	-5%
Los Angeles	3.3%	-1.8%	2.2%	-1.4%	4.8%	1.1%	100.2%	-0.4%	0.2	-7.8	23%	15%	0%
Miami	3.9%	-0.4%	9.1%	7.5%	4.2%	0.8%	95.9%	-0.8%	6.7	-7.8	32%	34%	-28%
Minneapolis	1.5%	-0.6%	3.0%	-0.2%	8.2%	1.1%	99.4%	-0.7%	-1.3	-6.5	9%	3%	-6%
Nashville	1.1%	-1.0%	3.3%	3.4%	5.9%	1.1%	98.2%	0.1%	7.6	2.1	18%	16%	0%
New York	6.0%	-0.9%	10.9%	3.4%	4.0%	0.4%	99.9%	0.3%	-34.3	-14.6	-9%	-24%	-23%
Phoenix	-0.3%	-2.9%	3.6%	2.1%	7.5%	-0.2%	98.3%	-0.2%	13.5	-1.3	34%	40%	20%
Portland	0.3%	0.2%	0.8%	-1.0%	8.4%	1.4%	99.6%	0.3%	7.6	-0.1	10%	15%	17%
Riverside	4.0%	-0.6%	4.9%	-0.6%	5.4%	0.5%	99.3%	-0.4%	-9.9	-17.4	22%	11%	-5%
San Diego	3.5%	-1.1%	4.6%	-0.2%	6.9%	2.0%	99.3%	-0.6%	0.3	-12.0	43%	6%	-22%
Seattle	3.7%	-4.1%	7.1%	3.6%	7.9%	0.6%	100.1%	0.1%	-1.6	-5.8	27%	1%	-7%
Tampa	-5.0%	-4.5%	-3.6%	-2.8%	5.8%	-3.8%	97.2%	-0.6%	6.8	-11.8	28%	150%	2%
Washington DC	5.4%	-0.4%	5.6%	2.0%	5.9%	0.6%	100.2%	0.1%	1.5	-1.9	10%	-10%	-12%

Data as of Oct. 20, 2024, and reflects 4-week averages.

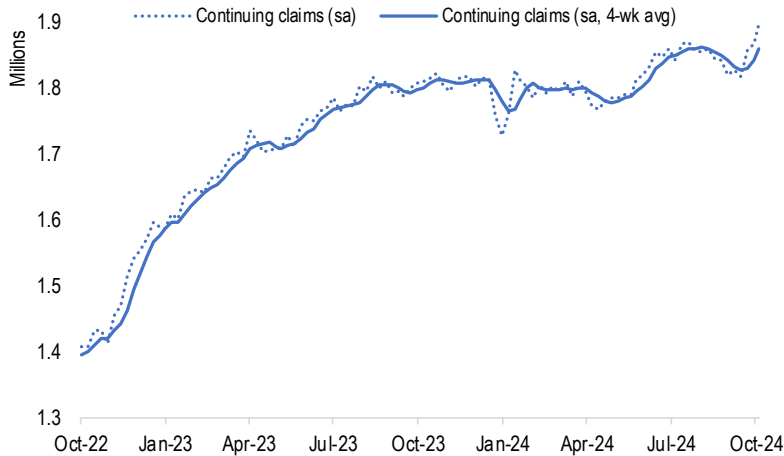
Initial Claims Plunged as Hurricane and Strike Effects Fade



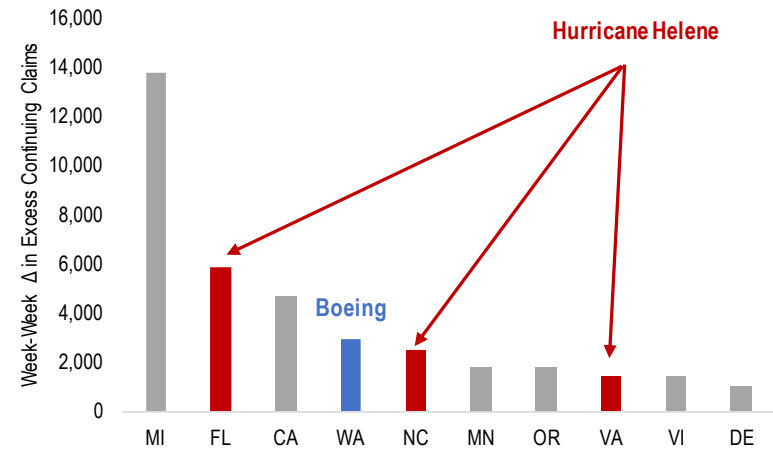
Excluding Transitory Effects, Initial Claims Declined to One of Best Weeks of the Year vs. Non-COVID-19 Norm



Hurricane and Strike Helped Push up Continuing Claims Again, Reaching New Multi-Year High ...



... But Michigan and Non-Hurricane States Continued to Dominate Upward Pressure on Continuing Claims





### UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
10/29/24	9:00 AM	FHFA House Price Index m/m	Aug	--	0.1	--	0.1	%, sa
10/29/24	9:00 AM	S&P CoreLogic CS 20-City m/m SA	Aug	--	0.2	--	0.3	%, sa
10/29/24	9:00 AM	S&P CoreLogic CS 20-City y/y NSA	Aug	--	5.1	--	5.9	%, nsa
10/29/24	10:00 AM	JOLTS Job Openings	Sep	--	8,000	--	8,040	k, sa
10/29/24	10:00 AM	Conf. Board Consumer Confidence	Oct	--	99.5	--	98.7	index, sa
10/30/24	7:00 AM	MBA Mortgage Applications w/w	Oct 25	--	--	--	-6.7	%, sa
10/30/24	8:15 AM	ADP Employment m/m	Oct	--	110	--	143	k, sa
10/30/24	8:30 AM	GDP Annualized q/q	3Q A	--	3.0	--	3.0	%, saar
10/30/24	8:30 AM	Personal Consumption q/q	3Q A	--	3.3	--	2.8	%, saar
10/30/24	8:30 AM	Core PCE Deflator q/q	3Q A	--	2.0	--	2.8	%, saar
10/30/24	10:00 AM	Pending Home Sales m/m	Sep	--	1.9	--	0.6	%, sa
10/31/24	8:30 AM	Employment Cost Index q/q	3Q	--	0.9	--	0.9	%, sa
10/31/24	8:30 AM	Personal Income m/m	Sep	--	0.3	--	0.2	%, sa
10/31/24	8:30 AM	Personal Spending m/m	Sep	--	0.4	--	0.2	%, sa
10/31/24	8:30 AM	Real Personal Spending m/m	Sep	--	0.3	--	0.1	%, sa
10/31/24	8:30 AM	PCE Inflation m/m	Sep	--	0.2	--	0.1	%, sa
10/31/24	8:30 AM	PCE Inflation y/y	Sep	--	2.1	--	2.2	%, nsa
10/31/24	8:30 AM	PCE Core Inflation (ex Food and Energy) m/m	Sep	--	0.3	--	0.1	%, sa
10/31/24	8:30 AM	PCE Core Inflation (ex Food and Energy) y/y	Sep	--	2.6	--	2.7	%, nsa
10/31/24	8:30 AM	Initial Jobless Claims	Oct 26	--	230	--	227	k, sa
10/31/24	8:30 AM	Continuing Claims	Oct 19	--	1,880	--	1,897	k, sa
11/1/24	11:00 AM	Wards Total Vehicle Sales	Oct	--	15.8	--	15.8	m, saar
11/1/24	8:30 AM	Nonfarm Payrolls m/m	Oct	--	110	--	254	k, sa
11/1/24	8:30 AM	Private Payrolls m/m	Oct	--	75	--	223	k, sa
11/1/24	8:30 AM	Unemployment Rate	Oct	--	4.1	--	4.1	%, sa
11/1/24	8:30 AM	Average Hourly Earnings m/m	Oct	--	0.3	--	0.4	%, sa
11/1/24	8:30 AM	Average Hourly Earnings y/y	Oct	--	4.0	--	4.0	%, nsa
11/1/24	8:30 AM	Average Weekly Hours All Employees	Oct	--	34.2	--	34.2	sa
11/1/24	8:30 AM	Labor Force Participation Rate	Oct	--	62.7	--	62.7	%, sa
11/1/24	9:45 AM	S&P Global US Manufacturing PMI	Oct F	--	47.8	--	47.8	index, sa
11/1/24	10:00 AM	ISM Manufacturing	Oct	--	47.6	--	47.2	index, 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
10/21/24	10:00 AM	Conference Board Leading Index m/m	Sep	-0.5	-0.3	-0.3	-0.2	%, sa
10/22/24	10:00 AM	Richmond Fed Manufact. Index	Oct	-14	-17	--	-21	index, sa
10/23/24	7:00 AM	MBA Mortgage Applications w/w	Oct 18	-6.7	--	--	-17.0	%, sa
10/23/24	10:00 AM	Existing Home Sales	Sep	3.8	3.9	3.9	3.9	m, saar
10/23/24	10:00 AM	Existing Home Sales m/m	Sep	-1.0	0.5	-2.0	-2.5	%, sa
10/24/24	8:30 AM	Chicago Fed Nat Activity Index	Sep	-0.28	0.50	-0.01	0.12	index, nsa
10/24/24	8:30 AM	Initial Jobless Claims	Oct 19	227	241.5	242.0	241.0	k, sa
10/24/24	8:30 AM	Continuing Claims	Oct 12	1,897	1,875	1,869	1,867	k, sa
10/24/24	9:45 AM	S&P Global US Manufacturing PMI	Oct P	47.8	47.5	--	47.3	index, sa
10/24/24	9:45 AM	S&P Global US Services PMI	Oct P	55.3	55.0	--	55.2	index, sa
10/24/24	9:45 AM	S&P Global US Composite PMI	Oct P	54.3	53.8	--	54.0	index, sa
10/24/24	10:00 AM	New Home Sales	Sep	738	720	709	716	k, saar
10/24/24	10:00 AM	New Home Sales m/m	Sep	4.1	0.6	-2.3	-4.7	%, sa
10/24/24	11:00 AM	Kansas City Fed Manf. Activity	Oct	-4.0	-7.0	--	-8.0	sa, index
10/25/24	8:30 AM	Durable Goods Orders m/m	Sep P	-0.8	-1.0	-0.8	--	%, sa
10/25/24	8:30 AM	Cap Goods Orders Nondef Ex Air m/m	Sep P	0.5	0.1	--	0.3	%, sa
10/25/24	10:00 AM	U. of Mich. Sentiment	Oct F	70.5	69.0	--	68.9	index, nsa
10/25/24	10:00 AM	U. of Mich. 1 Yr Inflation	Oct F	2.7	2.9	--	2.9	nsa
10/25/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Oct F	3.0	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)