

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.

November 4, 2024

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Decision Day

- **Key Takeaway:** Rising unemployment duration, uptick in layoffs and slowing labor supply cannot be entirely explained by weather or strikes.
- **Macro Implications:** Labor market is clearly not re-heating, leaving us comfortable with our call for the Fed to cut 25bps this week.
- **Housing Implications:** With rates unlikely to move meaningfully lower in the near-term, sales likely to remain choppy around a historically slow pace.

Macro: Not So Bad

- Q3 real GDP rose 2.8% SAAR, led by a 3.7% surge in consumer spending.
- Consumer confidence rose to a multi-month high in October.
- Real construction spending rose in Sept., led by private housing renovations.

Jobs Report: Trend Re-Setter

- Unemployment ticked higher to 4.15% in Oct. after consecutive declines.
- Private sector job growth declined -28k, but expect a rebound next month.
- 41% of unemployed without a job for > 15 weeks, highest share since '22.

Labor Market Turnover: Hiring Shows Signs of Stabilization

- Pace of hiring firmed in Sept. and breadth rose to a multi-month high.
- Quits pace plunged further and will be a drag on future wage growth.
- Manufacturing, info and professional and business services drove layoff rise.

Rates: How Much Further to Run?

- 10-yr UST rose ~17bps w/w to 4.38%, reversing post-jobs report drop.
- Rates unlikely to move meaningfully lower in the near term.
- Nov. Fed cut a done deal; odds closer to 80% for another 25bps cut in Dec.

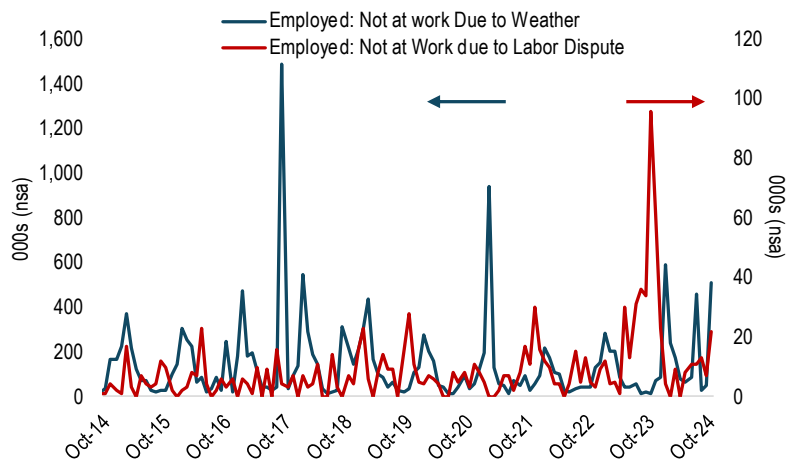
Housing: Mortgage Rates up ~80bps in a Month

- Mortgage rates remain elevated around 7%.
- Pending sales up 7% m/m in Sept., implying some near-term sales upside.
- Limited upside for purchase apps, which remain -42% below '16-19 avg.

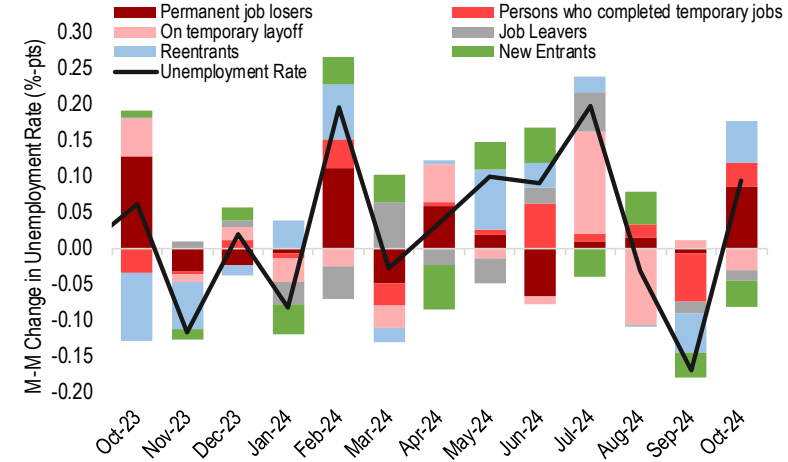
Personal Income: Consumer Spending Surged in Q3

- Real disposable income rose 0.1% in September, up 3.1% y/y.
- Real spending rose 3.7% annualized in Q3, strongest quarter since '21.
- Spending momentum will not sustain given cooling income growth.

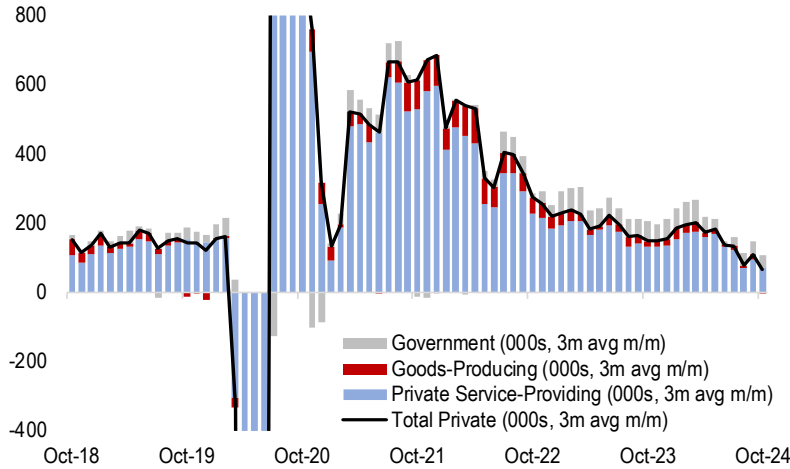
Weather and Strikes Limited a “Clean” Read of October Jobs Report ...



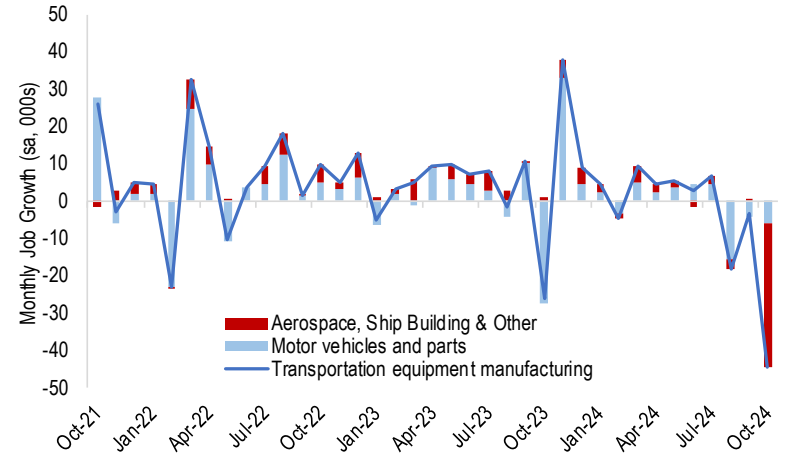
... but Cannot Hide Continued Labor Market Softening, Which Will Remain Choppy and Gradual



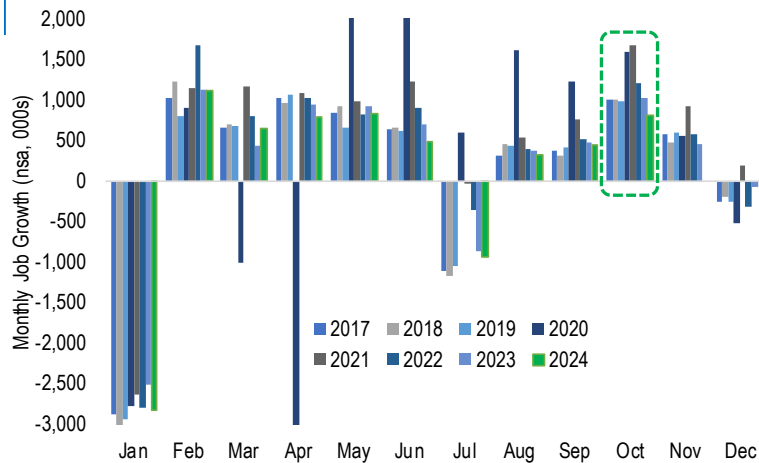
Private-Sector Job Growth Distorted by Boeing Strikes and Hurricanes, but Cooling Trend Remains



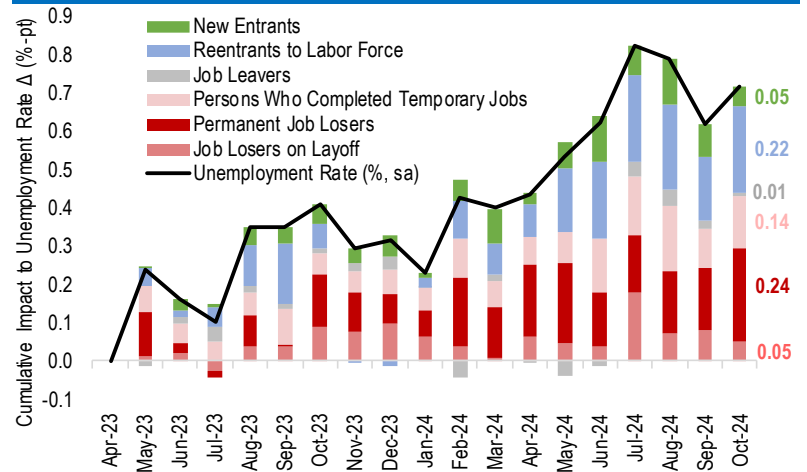
Boeing Strike and Related Furloughs Resulted in a Clear Drag of ~40k on October Job Growth



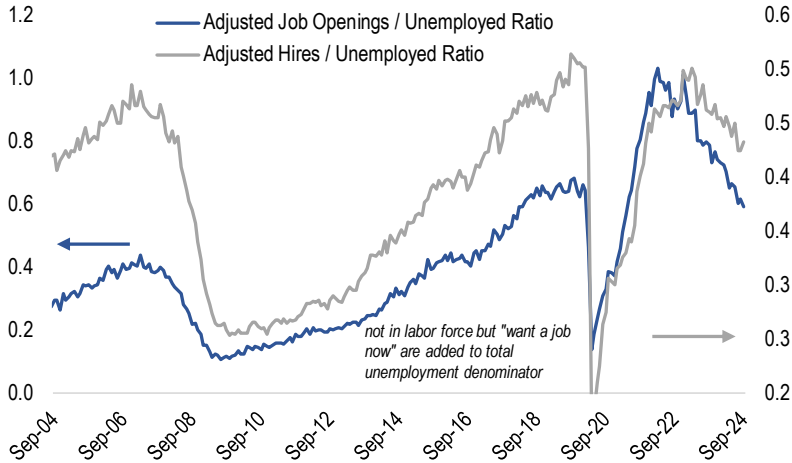
Regardless of Transitory Distortions, Non-Seasonally Adjusted Pace of Job Growth Has Cooled vs. Recent



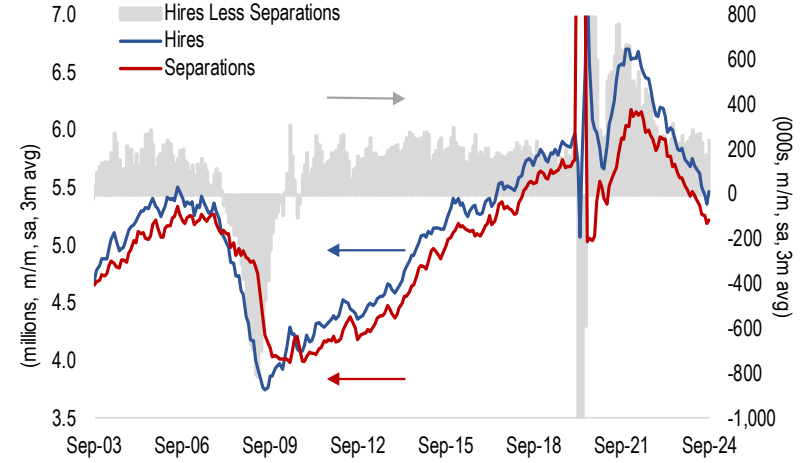
Renewed Rise in Unemployment Rate Not Related to Hurricane or Strike as Permanent Layoffs Surged



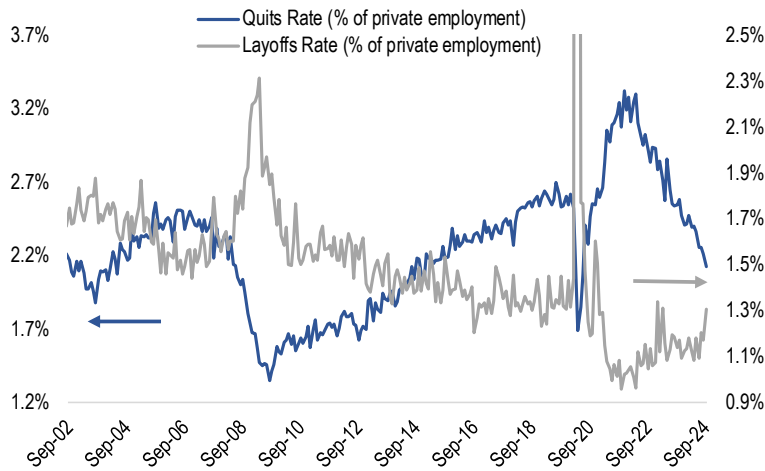
Job Market Clearly Showing More Signs of Slack Compared to Pre-Pandemic



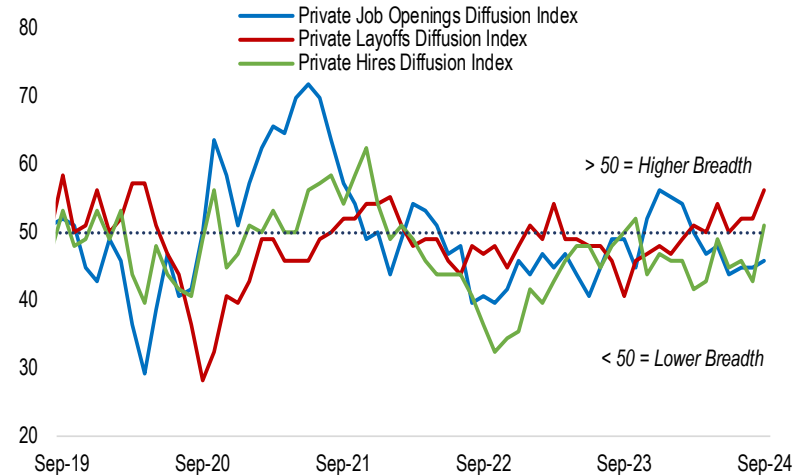
Net Job Growth Remains Positive as Separations Continue to Trend Below Hires



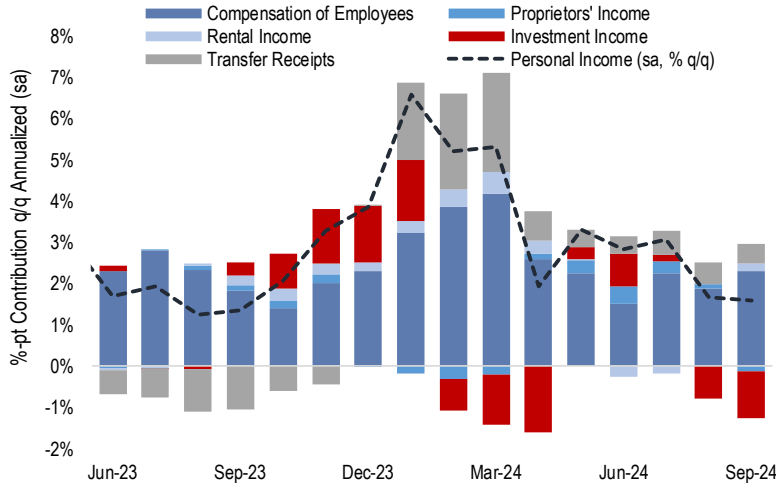
Layoffs Rate Reached Highest Level Since 2021 While Quits Rate Continued Its Unrelenting Descent



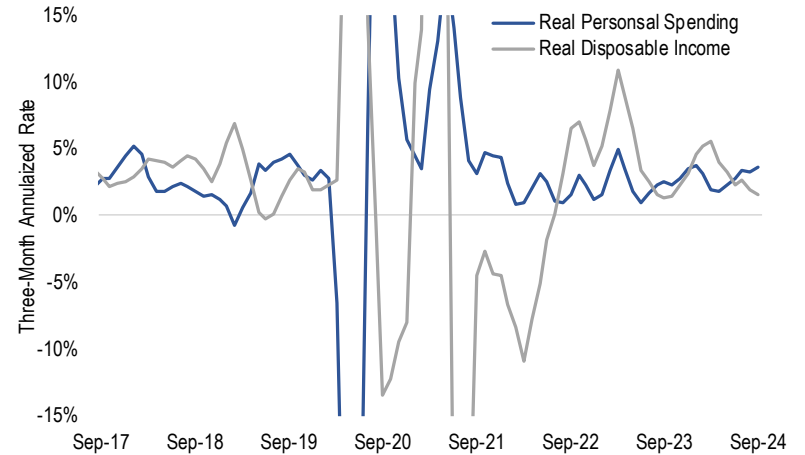
Hiring Breadth Encouragingly Rebounded, Only to Be Overshadowed by Uptick in Layoffs' Breadth



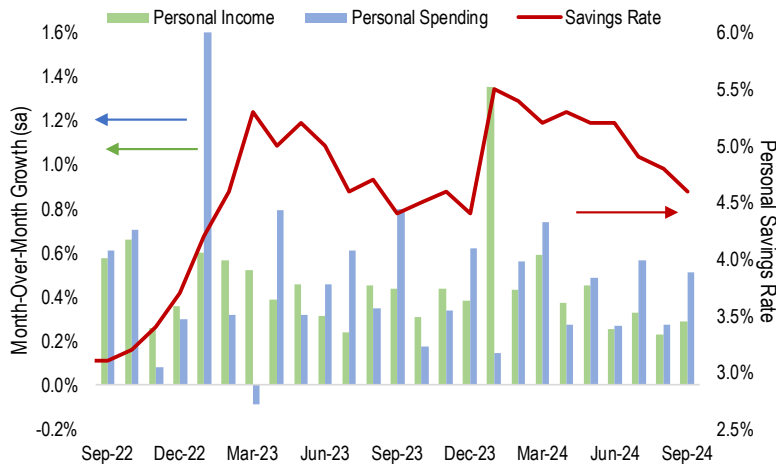
Real Income Growth Held Steady in Q3 Despite Notable Drag from Investment Income



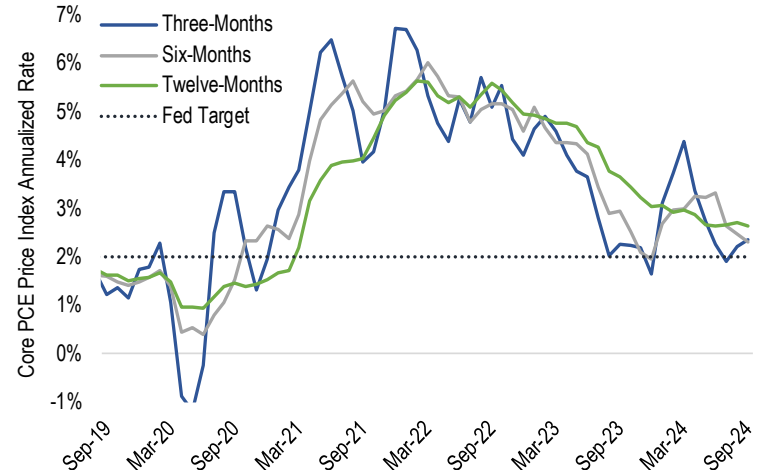
Real Disposable Income Growth Remained Modest, Trailing the Pace of Spending



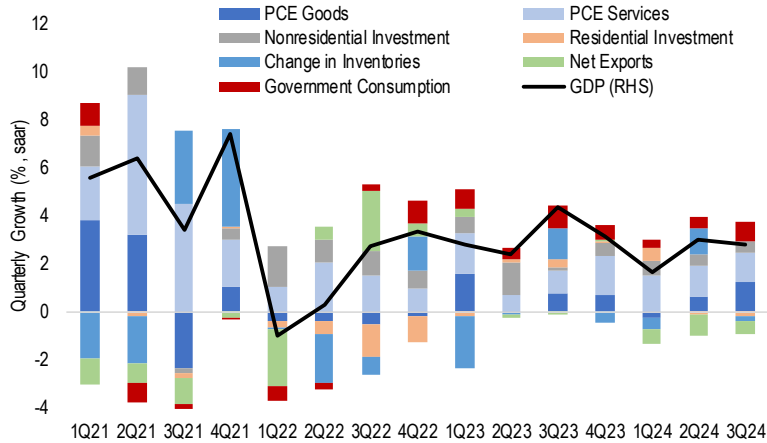
Savings Rate Declined for Third Straight Month as Spending Continued to Outpace Income Growth



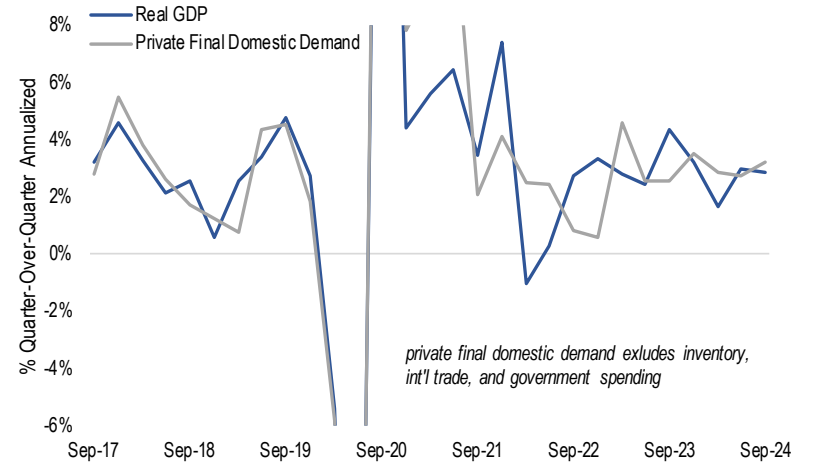
Fed Will Look Past Recent Firming in Preferred Inflation Measure as Underlying Trend Continued to Cool



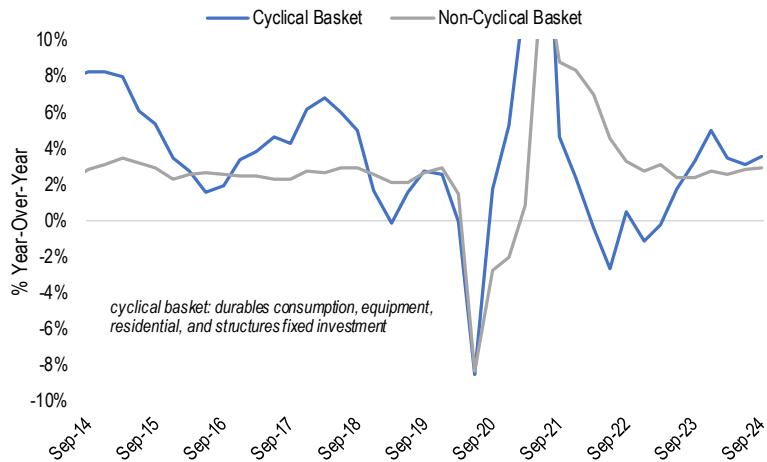
Growth Remained Firm in Q3 as Consumer Spending Continued to Rebound



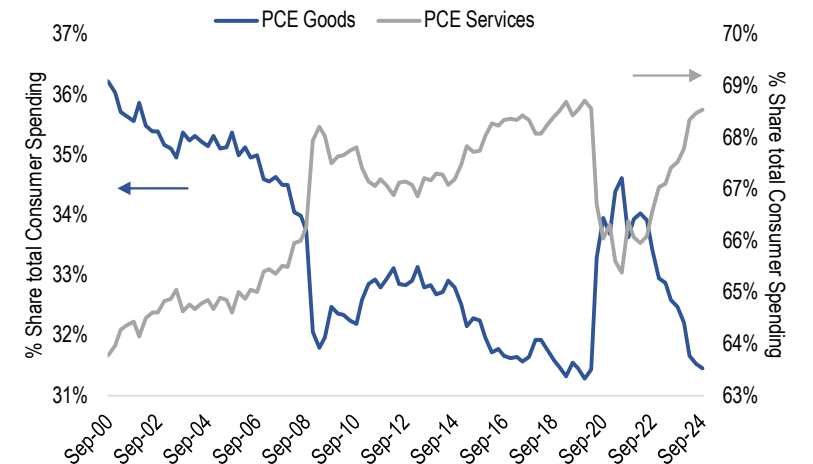
Private Final Domestic Demand, Key Gauge of Underlying Momentum, Saw Growth Inch Higher



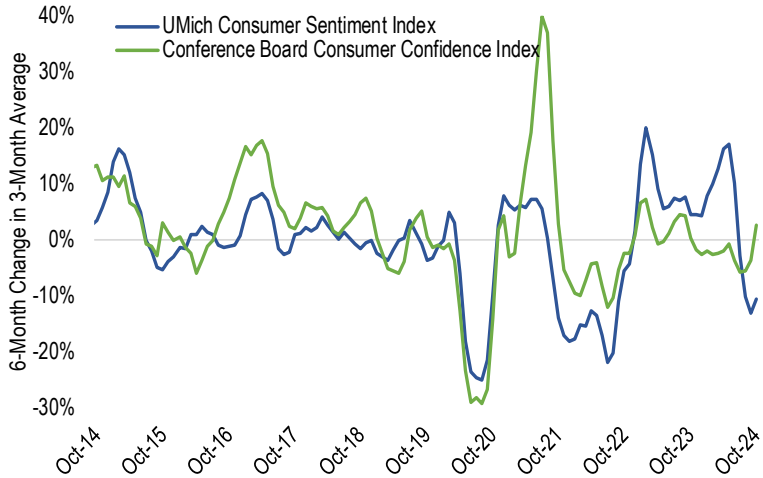
Cyclically-Sensitive Economic Output, Which Tends to Slow When Rates Rise, Has Proven Resilient This Cycle



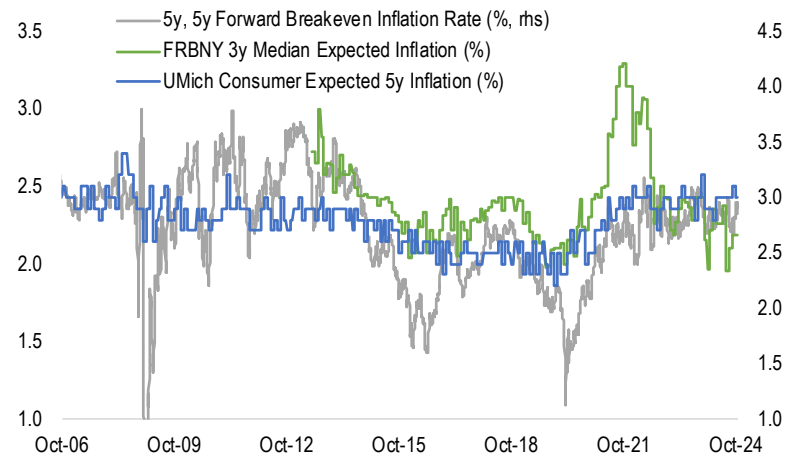
Spending Rotation Slowing as Mix of Goods and Services Consumption Approaches Pre-Pandemic Norm



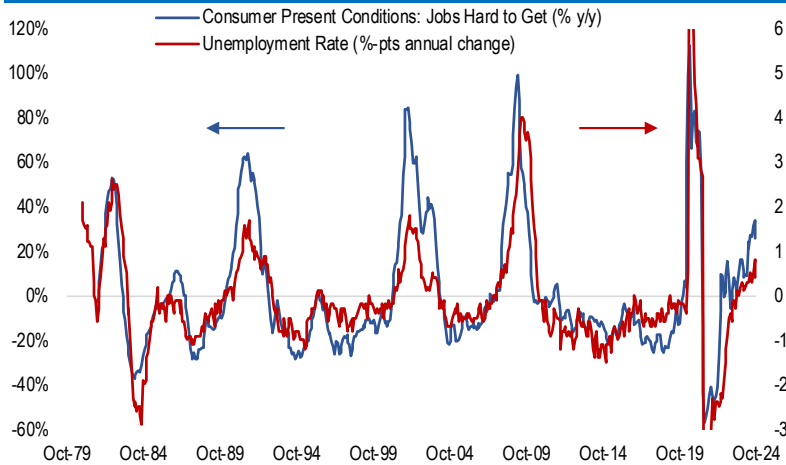
Consumer Confidence Surged to Highest Level Since Jan '24 as UMich Seemingly Turned the Corner



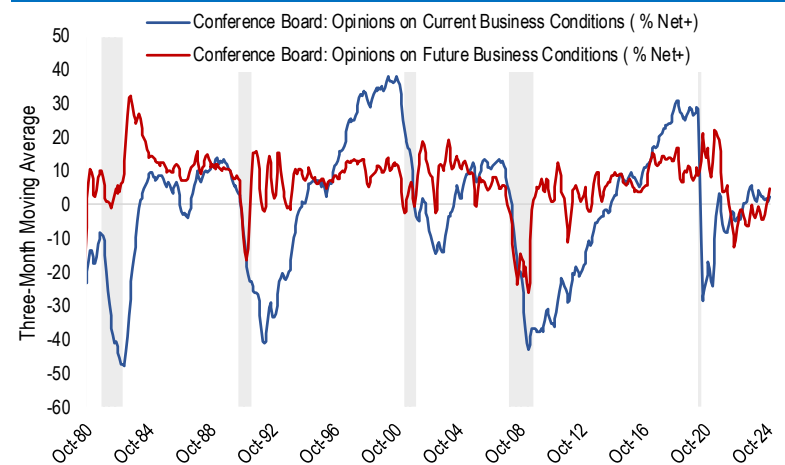
Measures of Medium-Term Inflation Expectations Continued to Hover Around Pre-COVID Norms



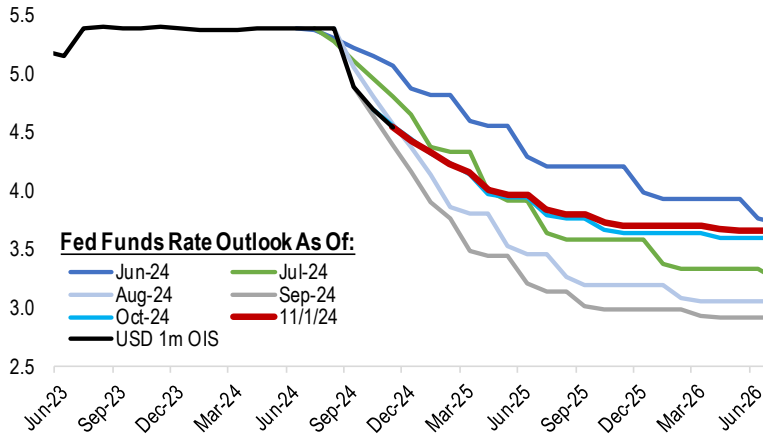
Conference Board Measure of Job Market Health Suggests Less Upward Pressure on Unemployment



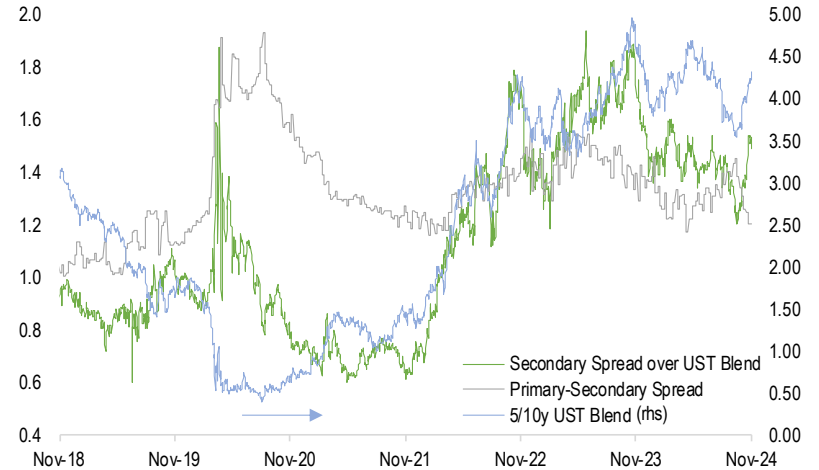
Households' Perceptions of Current Business Conditions Remains Low as Future Conditions Hits Multi-Year High



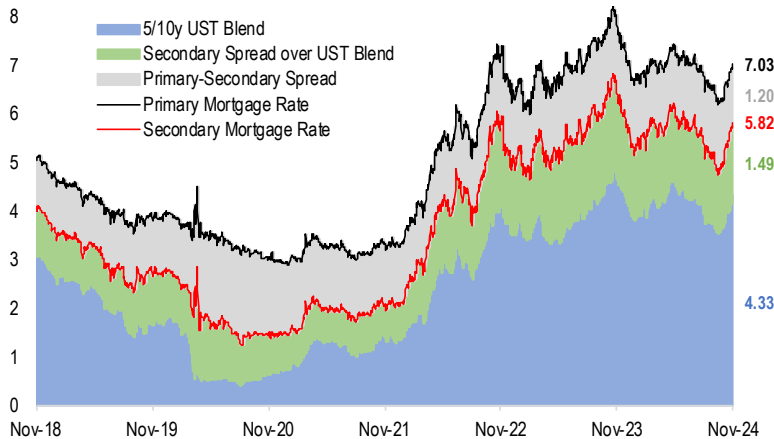
Market Still Sees 25bps Cut as a Lock This Week, but ~80% Odds of Another 25bps Cut in Dec.



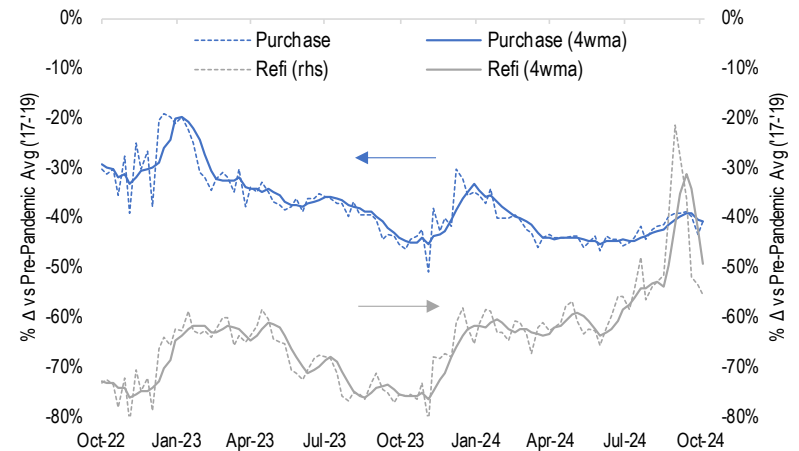
UST Yields Jumped Another 15bps While Mortgage Spreads Narrowed 5bps ...



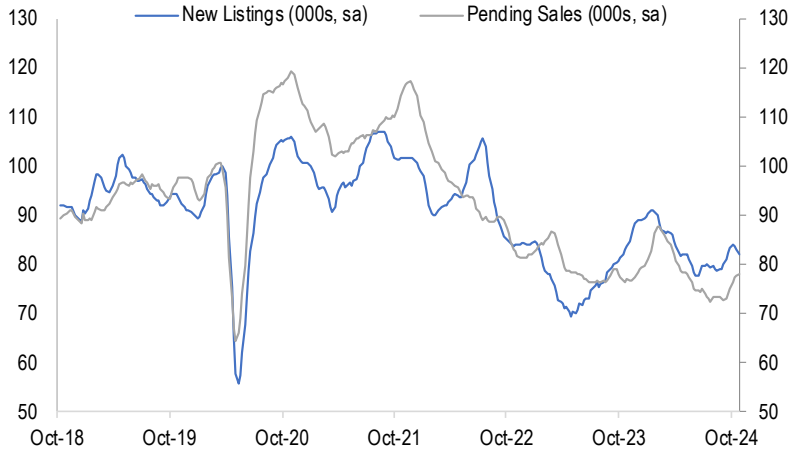
... Which Lifted Implied Mortgage Rates by Another ~10bps and ~80bps Over the Past Two Months



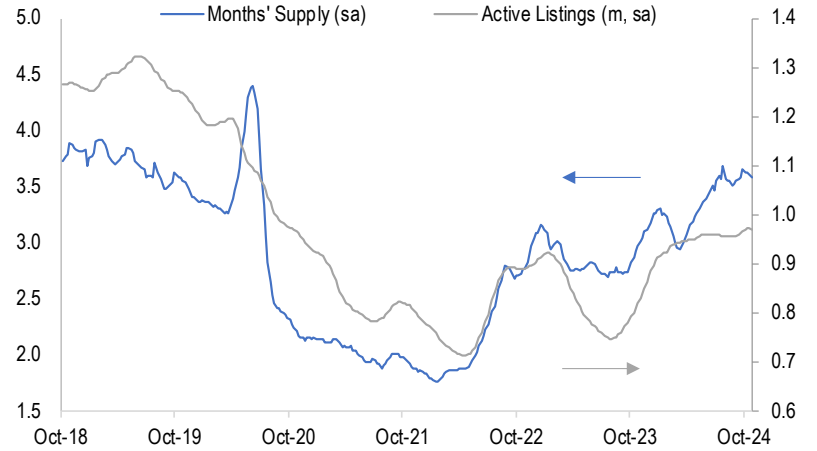
Mortgage Purchase Apps Still in a Downtrend Along with Refi Apps, Which Collapsed After Brief Spike



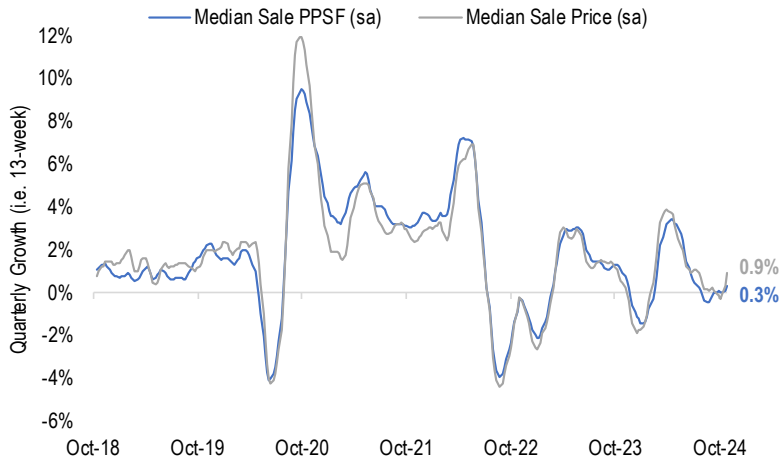
Pending Home Sales Inched Higher Again as New Listings Turned Lower ...



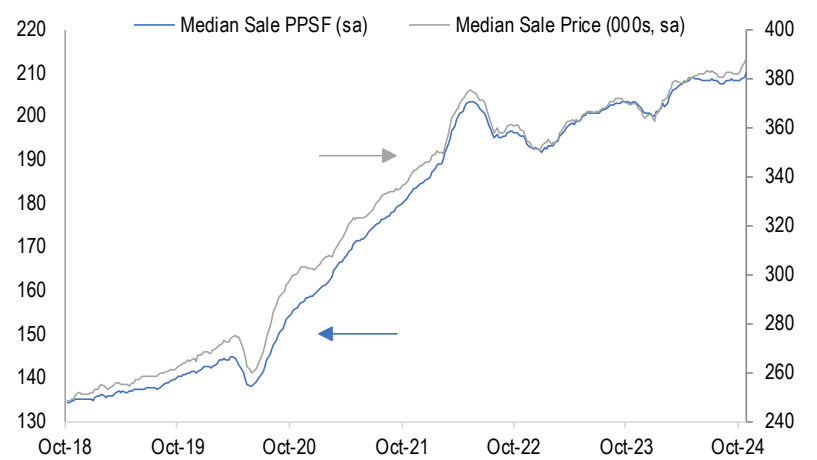
... Which Brought Months' Supply Lower Again as Inventory Also Inched Lower



Improvement in Market Conditions Has Started to Lift Seasonally Adjusted Home-Price Growth ...



... and the Seasonally Adjusted National Median Sales Price/SF Has Perked Up as Well

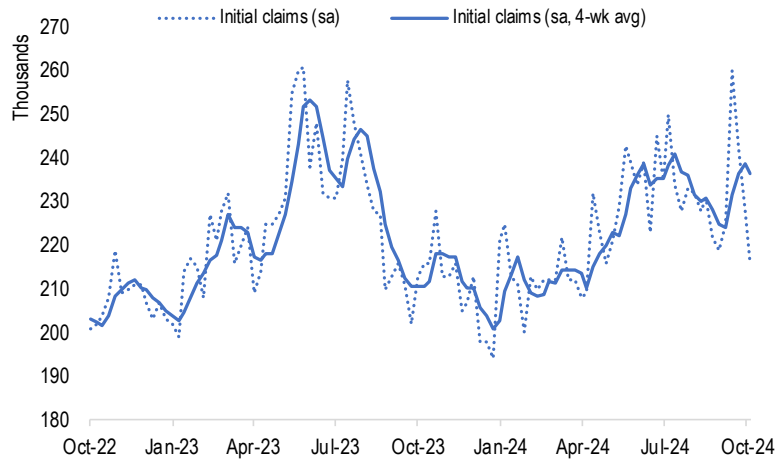


With National Market Near Pre-COVID Balance, Some Markets Are Becoming Increasingly Oversupplied

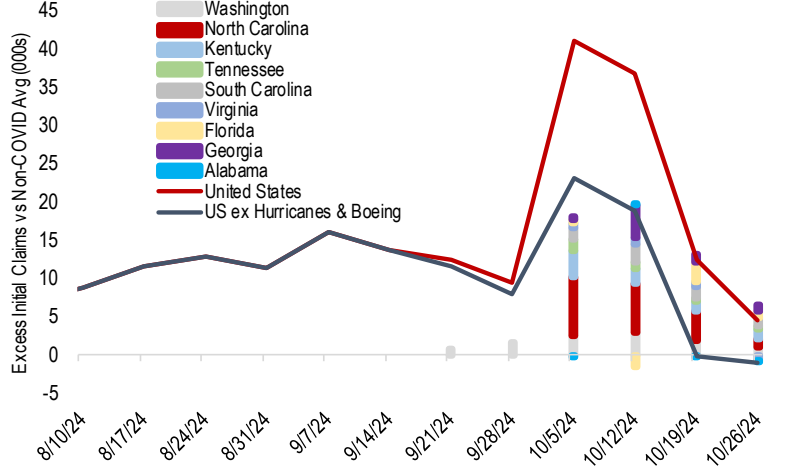
Metro	Median Sale Price Per Square Foot (y/y)		Median List Price Per Square Foot (y/y)		Active Listings with Price Drops		Average Sale-to-List Ratio		Median Days on Market vs Pre-COVID		Total Active Listings (y/y)	Months' Supply vs Pre-COVID	
	Current	(Δ q/q, ppt)	Current	(Δ q/q, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	Year Ago		Current	Year Ago
All Redfin Metros	3.5%	0.0%	5.3%	1.2%	6.5%	0.5%	98.7%	-0.3%	-10.1	-16.8	15%	-6%	-16%
Atlanta	1.8%	0.6%	2.4%	1.1%	7.1%	1.1%	98.0%	-0.6%	12.4	-5.5	0%	-11%	-8%
Austin	-1.5%	1.7%	0.6%	4.6%	8.4%	-0.3%	97.2%	-0.1%	33.9	24.8	6%	60%	48%
Baltimore	4.7%	0.8%	5.4%	1.4%	7.4%	0.5%	100.5%	-0.5%	-10.5	-20.2	15%	-34%	-37%
Boston	3.4%	-1.4%	6.2%	1.9%	6.1%	0.2%	101.3%	-0.7%	1.8	0.3	14%	-19%	-19%
Chicago	5.9%	-1.5%	5.9%	1.0%	4.4%	1.3%	99.2%	-0.3%	11.6	9.5	-5%	-25%	-20%
Dallas	-0.4%	-0.8%	2.7%	1.6%	8.7%	0.8%	97.5%	-0.6%	7.0	-5.2	28%	16%	-2%
Denver	0.5%	1.2%	1.6%	0.5%	9.7%	0.0%	98.7%	-0.3%	12.0	2.0	33%	48%	27%
Houston	1.0%	-0.7%	4.1%	1.7%	8.0%	1.5%	97.0%	-0.5%	-4.1	-13.8	12%	1%	-3%
Los Angeles	2.5%	-3.8%	3.2%	-0.2%	4.7%	1.0%	100.3%	-0.5%	0.0	-7.8	22%	11%	0%
Miami	2.7%	-2.6%	10.1%	9.1%	4.2%	0.6%	95.8%	-1.0%	7.3	-7.8	31%	20%	-28%
Minneapolis	2.0%	-0.1%	2.7%	0.4%	8.0%	0.9%	99.4%	-0.5%	-1.7	-6.0	9%	-2%	-6%
Nashville	1.1%	-1.5%	4.0%	3.2%	5.8%	1.0%	98.1%	0.1%	8.3	4.0	18%	17%	1%
New York	7.0%	-0.3%	14.3%	6.7%	4.0%	0.3%	100.0%	0.4%	-35.5	-12.5	-8%	-24%	-24%
Phoenix	0.1%	-1.4%	3.6%	1.8%	7.4%	-0.5%	98.2%	-0.3%	13.7	-0.8	33%	37%	19%
Portland	-0.2%	-1.4%	1.7%	-0.4%	8.1%	1.2%	99.6%	0.2%	5.6	0.3	10%	9%	17%
Riverside	5.2%	-0.5%	4.7%	-0.7%	5.4%	0.6%	99.3%	-0.3%	-9.1	-15.6	22%	8%	-6%
San Diego	4.7%	-0.2%	3.0%	-0.3%	6.7%	1.6%	99.3%	-0.6%	0.4	-11.6	41%	2%	-22%
Seattle	3.4%	-4.7%	7.9%	6.0%	7.6%	0.3%	100.0%	0.0%	-2.9	-5.4	25%	-5%	-6%
Tampa	-3.3%	-2.9%	-0.1%	-0.6%	6.5%	-3.1%	97.1%	-0.7%	8.4	-12.2	25%	127%	3%
Washington DC	5.8%	-1.0%	5.0%	1.9%	5.7%	0.3%	100.2%	0.1%	0.8	-2.1	10%	-13%	-11%

Data as of Oct. 27, 2024, and reflects 4-week averages.

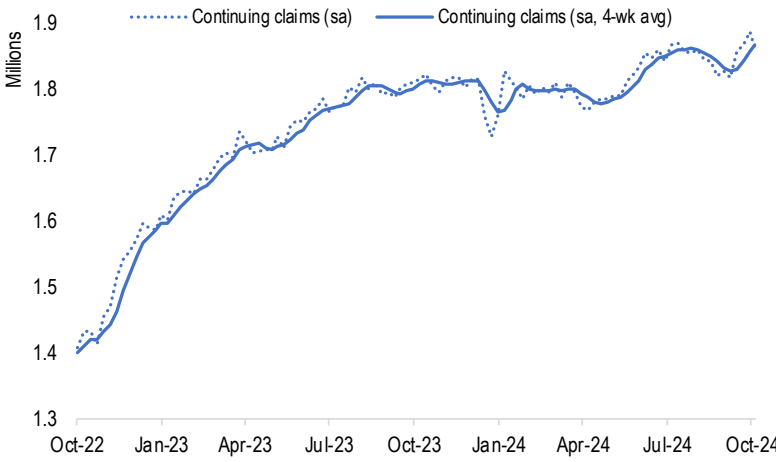
Initial Claims Plunged Again as Hurricane And Strike Effects Fade



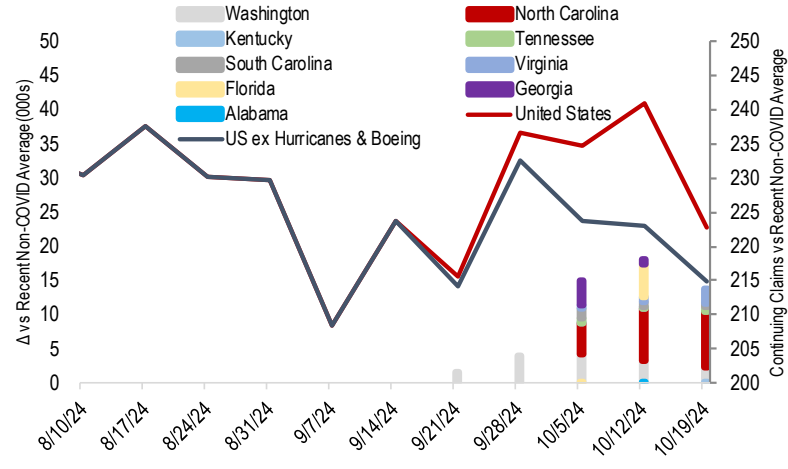
Excluding Transitory Effects, Initial Claims Declined to One of Best Weeks of the Year vs. Non-COVID Norm



Fading Hurricane and Strike Effects Cooled Continuing Claims as well, Still Elevated vs. Early September ...



... But Continuing Claims Excluding Hurricane and Strike Effects Remained in a Sustained Downtrend



UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Time	Indicator	Period	Actual	Consensus	Revised	Prior	Note
11/4/24	10:00 AM	Durable Goods Orders m/m	Sep F	--	-0.8	--	-0.8	%, sa
11/4/24	10:00 AM	Cap Goods Orders Nondef Ex Air m/m	Sep F	--	--	--	0.5	%, sa
11/4/24	10:00 AM	Cap Goods Ship Nondef Ex Air m/m	Sep F	--	--	--	-0.3	%, sa
11/5/24	10:00 AM	ISM Services Index	Oct	--	53.8	--	54.9	index, nsa
11/6/24	7:00 AM	MBA Mortgage Applications w/w	Nov 1	--	--	--	-0.1	%, sa
11/6/24	9:45 AM	S&P Global US Services PMI	Oct F	--	55.3	--	55.3	index, sa
11/6/24	9:45 AM	S&P Global US Composite PMI	Oct F	--	--	--	54.3	index, sa
11/7/24	8:30 AM	Nonfarm Productivity q/q	3Q P	--	2.5	--	2.5	%, saar
11/7/24	8:30 AM	Unit Labor Costs q/q	3Q P	--	1.0	--	0.4	%, saar
11/7/24	8:30 AM	Initial Jobless Claims	Nov 2	--	222	--	216	k, sa
11/7/24	8:30 AM	Continuing Claims	Oct 26	--	1,870	--	1,862	k, sa
11/7/24	2:00 PM	FOMC Rate Decision (Upper Bound)	Nov 7	--	4.75	--	5.00	%
11/7/24	3:00 PM	Consumer Credit m/m	Sep	--	12.2	--	8.9	\$B, sa
11/8/24	10:00 AM	U. of Mich. Sentiment	Nov P	--	71.0	--	70.5	index, nsa
11/8/24	10:00 AM	U. of Mich. 1 Yr Inflation	Nov P	--	2.7	--	2.7	nsa
11/8/24	10:00 AM	U. of Mich. 5-10 Yr Inflation	Nov P	--	3.0	--	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
10/29/24	9:00 AM	FHFA House Price Index m/m	Aug	0.3	0.1	0.2	0.1	%, sa
10/29/24	9:00 AM	S&P CoreLogic CS 20-City m/m SA	Aug	0.35	0.20	0.25	0.27	%, sa
10/29/24	9:00 AM	S&P CoreLogic CS 20-City y/y NSA	Aug	5.2	5.1	5.9	5.9	%, nsa
10/29/24	10:00 AM	JOLTS Job Openings	Sep	7,443	8,000	7,861	8,040	k, sa
10/29/24	10:00 AM	Conf. Board Consumer Confidence	Oct	108.7	99.5	99.2	98.7	index, sa
10/30/24	7:00 AM	MBA Mortgage Applications w/w	Oct 25	-0.1	--	--	-6.7	%, sa
10/30/24	8:15 AM	ADP Employment m/m	Oct	233	111	159	143	k, sa
10/30/24	8:30 AM	GDP Annualized q/q	3Q A	2.8	2.9	--	3.0	%, saar
10/30/24	8:30 AM	Personal Consumption q/q	3Q A	3.7	3.3	--	2.8	%, saar
10/30/24	8:30 AM	Core PCE Deflator q/q	3Q A	2.2	2.1	--	2.8	%, saar
10/30/24	10:00 AM	Pending Home Sales m/m	Sep	7.4	1.9	--	0.6	%, sa
10/31/24	8:30 AM	Employment Cost Index q/q	3Q	0.8	0.9	--	0.9	%, sa
10/31/24	8:30 AM	Personal Income m/m	Sep	0.3	0.3	--	0.2	%, sa
10/31/24	8:30 AM	Personal Spending m/m	Sep	0.5	0.4	0.3	0.2	%, sa
10/31/24	8:30 AM	Real Personal Spending m/m	Sep	0.4	0.3	0.2	0.1	%, sa
10/31/24	8:30 AM	PCE Inflation m/m	Sep	0.2	0.2	--	0.1	%, sa
10/31/24	8:30 AM	PCE Inflation y/y	Sep	2.1	2.1	2.3	2.2	%, nsa
10/31/24	8:30 AM	PCE Core Inflation (ex Food and Energy) m/m	Sep	0.3	0.3	0.2	0.1	%, sa
10/31/24	8:30 AM	PCE Core Inflation (ex Food and Energy) y/y	Sep	2.7	2.6	--	2.7	%, nsa
10/31/24	8:30 AM	Initial Jobless Claims	Oct 26	216	230	228	227	k, sa
10/31/24	8:30 AM	Continuing Claims	Oct 19	1,862	1,880	1,888	1,897	k, sa
11/1/24	11:00 AM	Wards Total Vehicle Sales	Oct	16.0	15.8	--	15.8	m, saar
11/1/24	8:30 AM	Nonfarm Payrolls m/m	Oct	12	100	223	254	k, sa
11/1/24	8:30 AM	Private Payrolls m/m	Oct	-28	70	192	223	k, sa
11/1/24	8:30 AM	Unemployment Rate	Oct	4.1	4.1	--	4.1	%, sa
11/1/24	8:30 AM	Average Hourly Earnings m/m	Oct	0.4	0.3	0.3	0.4	%, sa
11/1/24	8:30 AM	Average Hourly Earnings y/y	Oct	4.0	4.0	3.9	4.0	%, nsa
11/1/24	8:30 AM	Average Weekly Hours All Employees	Oct	34.3	34.2	34.3	34.2	sa
11/1/24	8:30 AM	Labor Force Participation Rate	Oct	62.6	62.7	--	62.7	%, sa
11/1/24	9:45 AM	S&P Global US Manufacturing PMI	Oct F	48.5	47.8	--	47.8	index, sa
11/1/24	10:00 AM	ISM Manufacturing	Oct	46.5	47.6	--	47.2	index, 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)