

An aerial photograph of a suburban neighborhood with several houses, green lawns, and trees. A blue diagonal banner is overlaid on the left side of the image, containing the title and contact information.

HaMMR Digest

Stay current with economic and mortgage market trends.

November 20, 2023

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Perfectly Plated

- **Key Takeaway:** Inflationary pressures surprised to the downside in October, removing some pressure from both the Fed and consumers.
- **Macro Implications:** Impetus for yields is now lower as softening economic data and cooling inflation align with our expectation for a slowdown.
- **Housing Implications:** Relief is underway as mortgage rates trend lower, allowing some sidelined buyers to dip their toes back into the market.

Macro: Steam Coming Out from Hot Q3

- Softer Q4 data reflects a slowdown — not a recession, for now.
- Cumulative impact of higher rates will turn more restrictive.
- Key will be how labor market evolves in coming months.

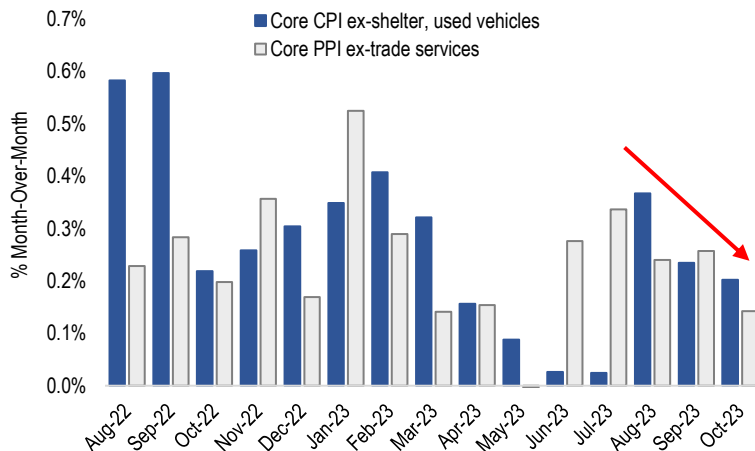
Rates: 10-year U.S. Treasury Yields Falling Back to Reality

- Soft data and cooling inflation pulled yields down to ~4.50%.
- Financial stress muted and funding markets remain open.
- Market focus shifting from Fed rate hikes to timing of rate cuts.

Inflation: Back on Track to Disinflation Town

- Consumer CPI inflation flat in October with core up just 0.2%.
- Producer PPI inflation was equally soft with core up just 0.1%.
- Prior rebound proved ephemeral with downtrend firmly in place.

Inflation Trending Lower Again — Further Progress Is Expected Toward Fed's 2% Inflation Target



Sources: Bureau of Labor Statistics, U.S. Census Bureau, Arch Global Economics

Retail Sales: Households Pulled Back in October

- Retail sales fell -0.1% in Oct. but remained up 2.5% y/y.
- Real control group sales up seven months in a row and 1.9% y/y.
- Consumer credit still healthy but pockets of stress building.

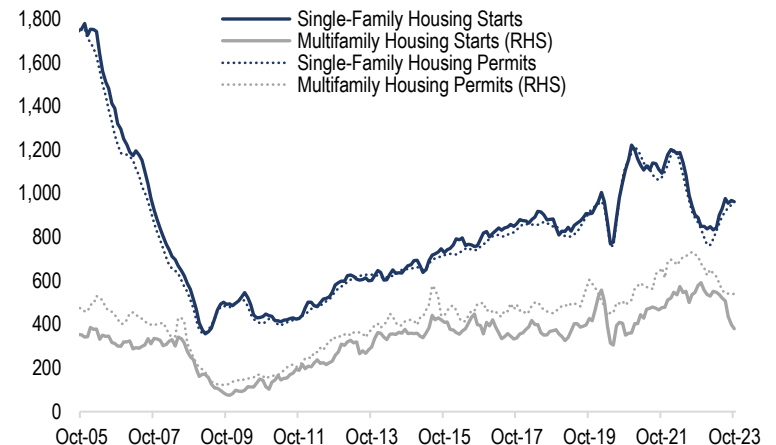
Housing: Additional Mortgage Rate Relief Ahead?

- Mortgage rates fell ~70bps from Oct. 19 to 7.36% on Nov. 16.
- Mortgage applications rebounded two weeks in a row.
- Early read on Nov. resale market hints at weaker home sales.

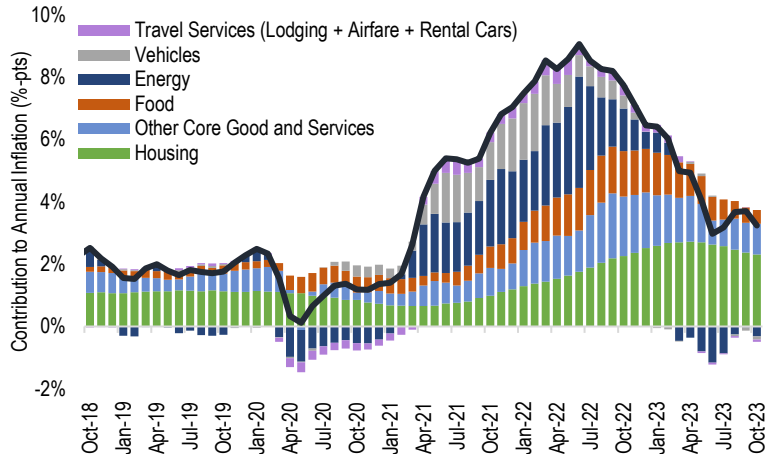
Construction: Builder Incentives Prop Up Buyer Demand

- Single-family starts up 0.2% m/m and 13.1% y/y in Oct.
- Single-family permits up nine months in a row and 14% y/y.
- Multifamily backlog still elevated but has finally rolled over.

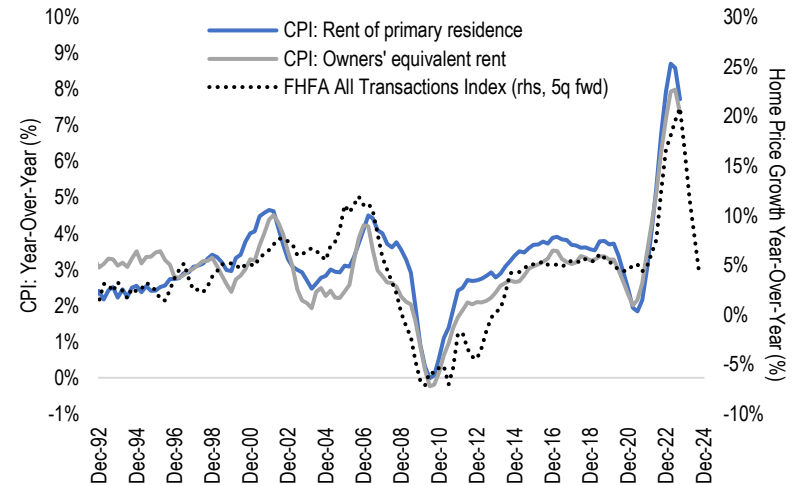
Single-Family Construction Settling into New Normal While Multifamily Builders Focus on Elevated Backlog



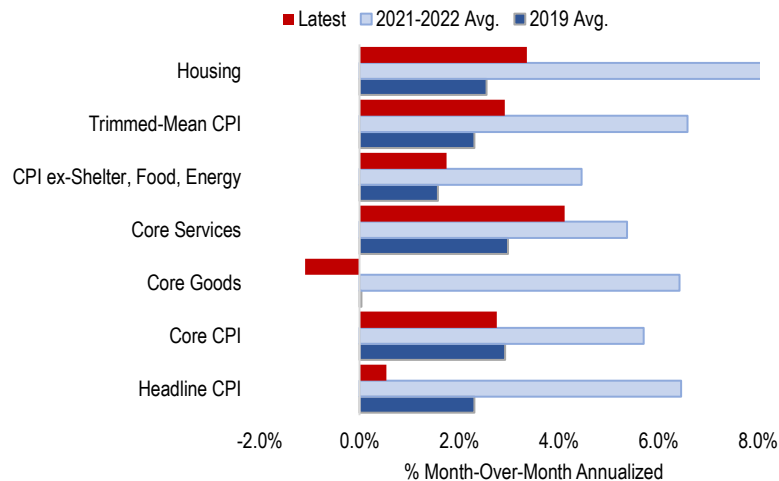
Annual Inflation Set to Keep Cooling as Housing Flips from a Tailwind to a Headwind



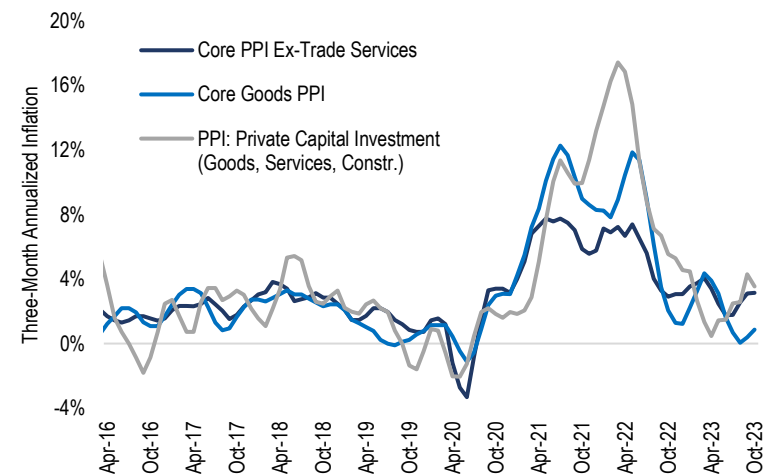
Price Pressures from Housing Market Destined to Be a Key Drag on Inflation



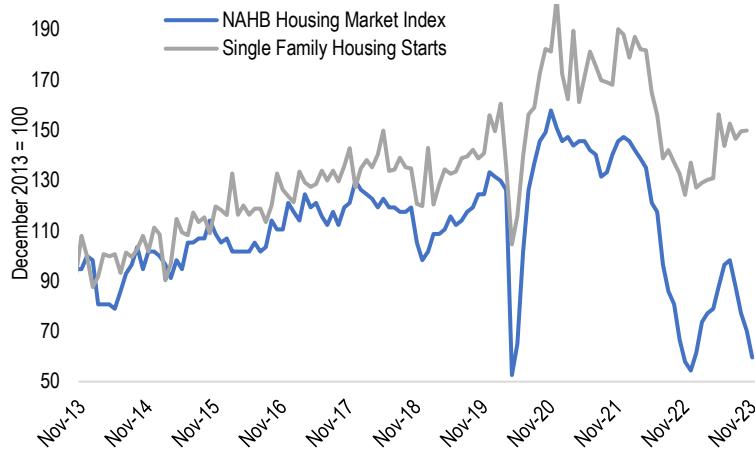
Monthly Inflation Inching Closer to 2019 Average Across Key Groupings



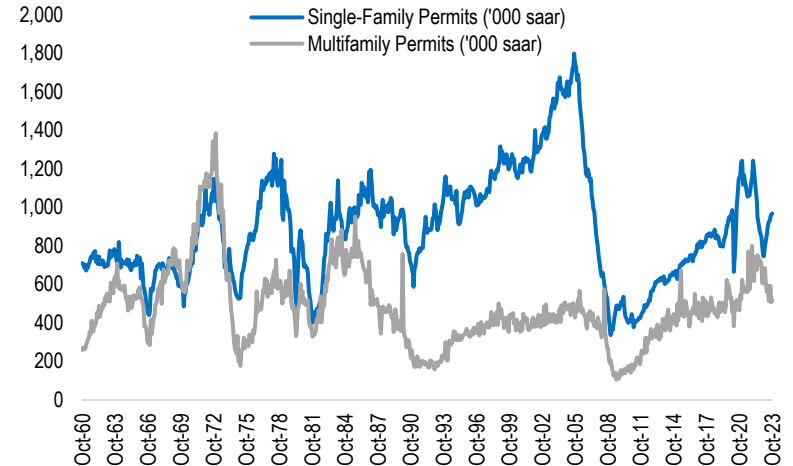
Wholesale Prices Remained Tame as Supply Chains Have Mended & Demand Has Generally Normalized



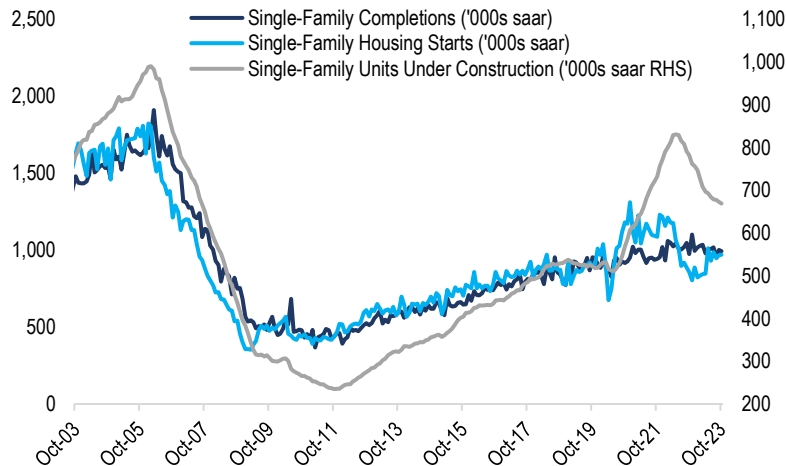
Builders Do Not Seem Optimistic but They Keep Putting Shovels in the Ground



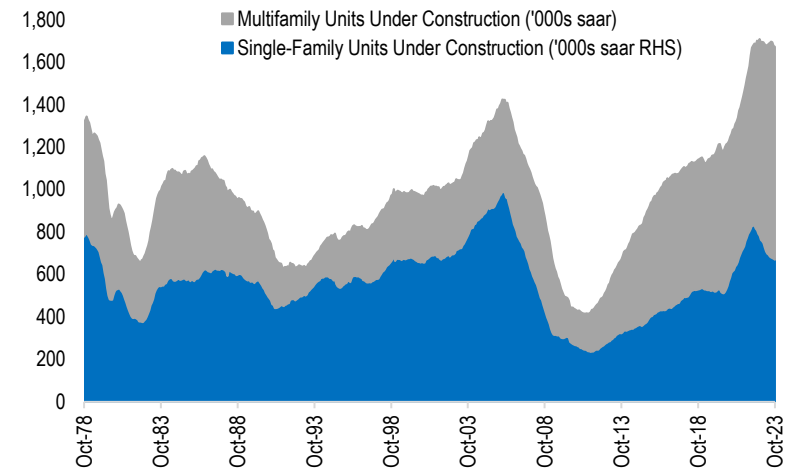
Single-Family Permits in Firm Uptrend, Positive for Future Supply



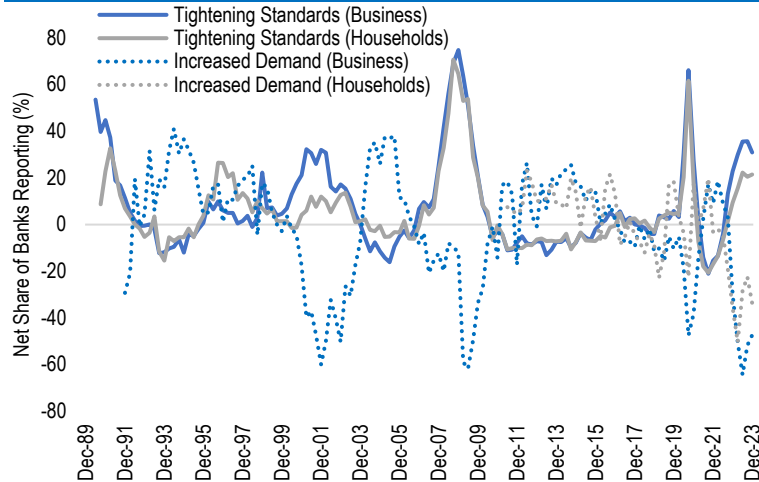
Builders Managing Pipeline Well: Starts and Completions Trending Together Again



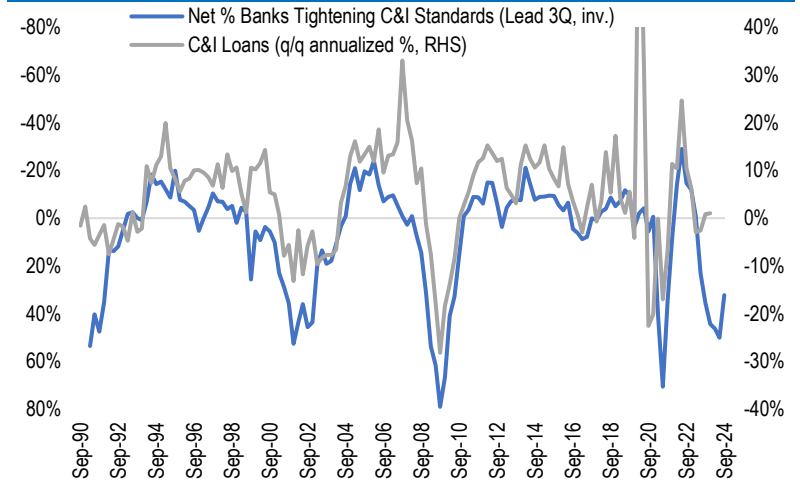
Outlook for Multifamily Starts Remains Negative Given Bloated Backlog & Softening Rental Market



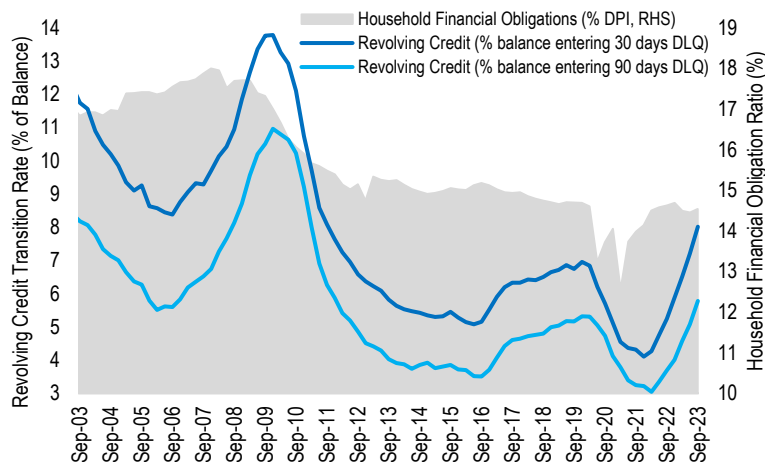
Bank Credit Standards Remained Tight as Household Demand Weakened



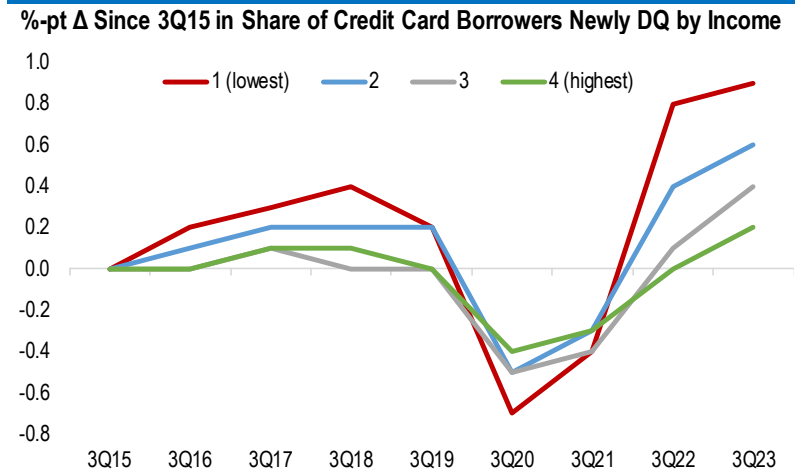
Business Loan Growth Holding Steady for Now, Despite Significant Tightening of Lending Standards



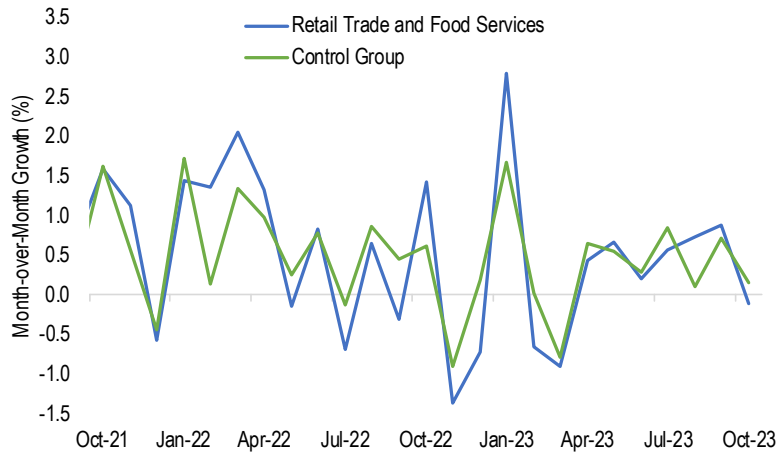
Overall Household Debt Service Remains Low Relative to Incomes, but Delinquencies Rising for Credit Cards



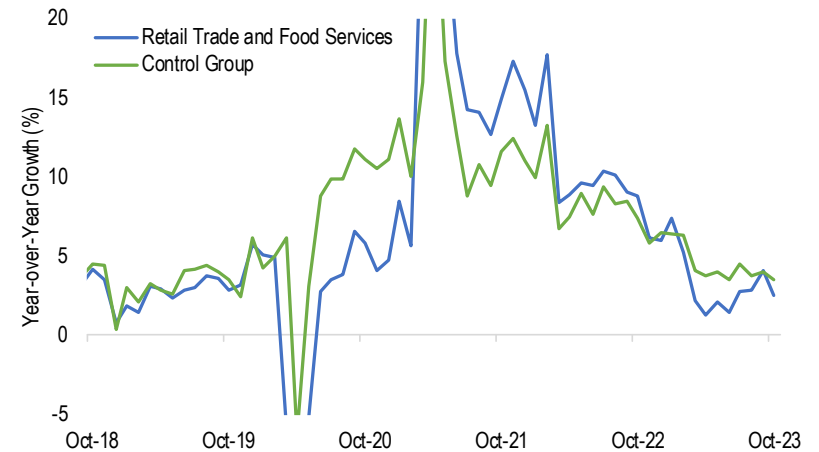
Credit Card Payment Stress Concentrated in Younger and Lower-Income Households



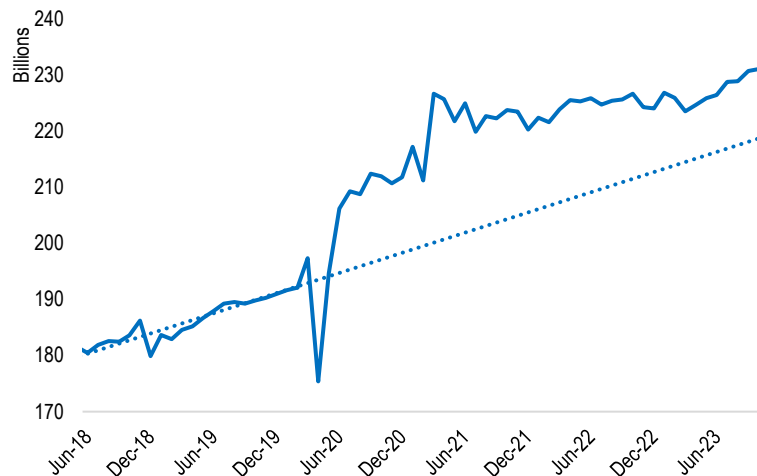
Monthly Growth in Retail Sales Trending Lower After a Solid Q3



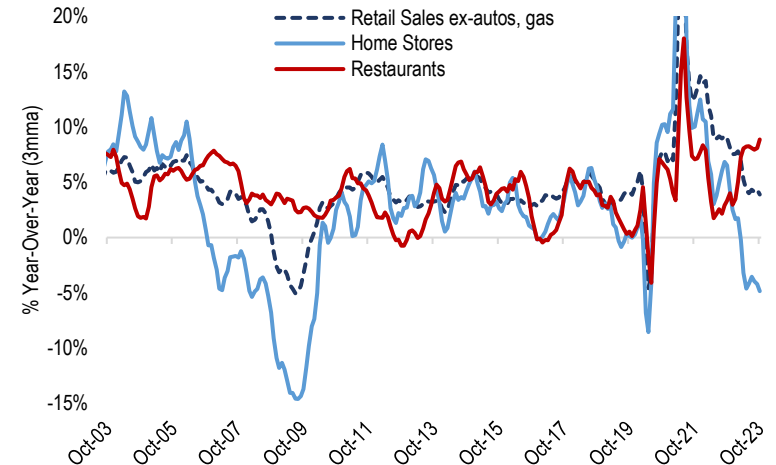
Annual Growth Has Returned to Pre-Pandemic Trend



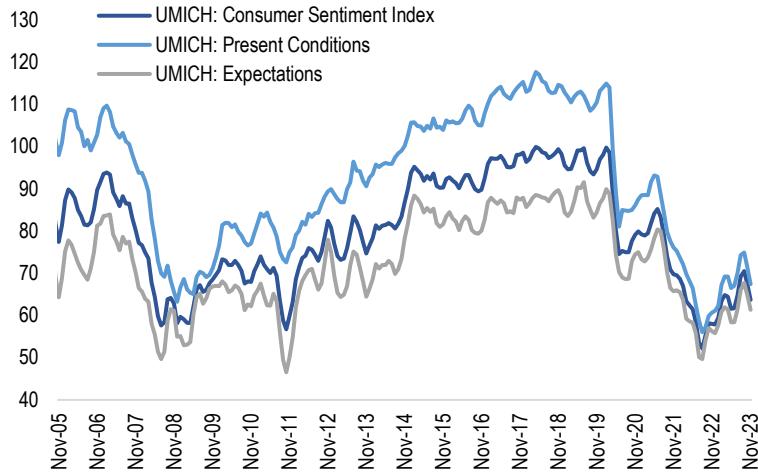
Real (Inflation Adjusted) Control Group Sales Remain Well Above Pre-Pandemic Trend



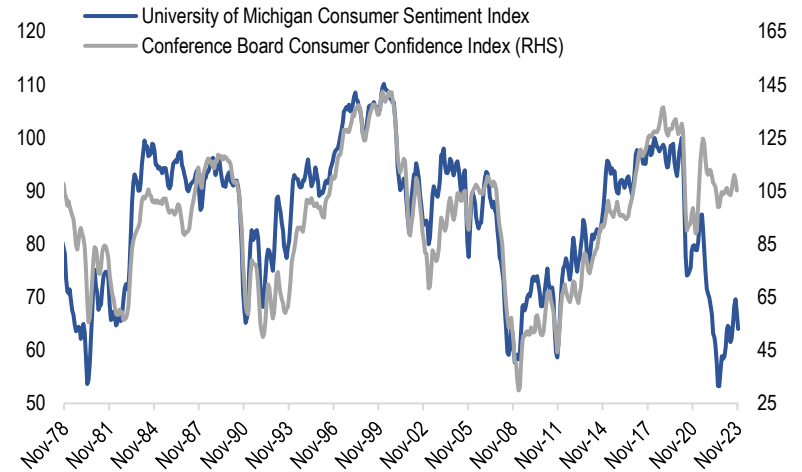
Consumers Have Shifted Focus to Spending on Services While Buying Fewer Goods for the Home



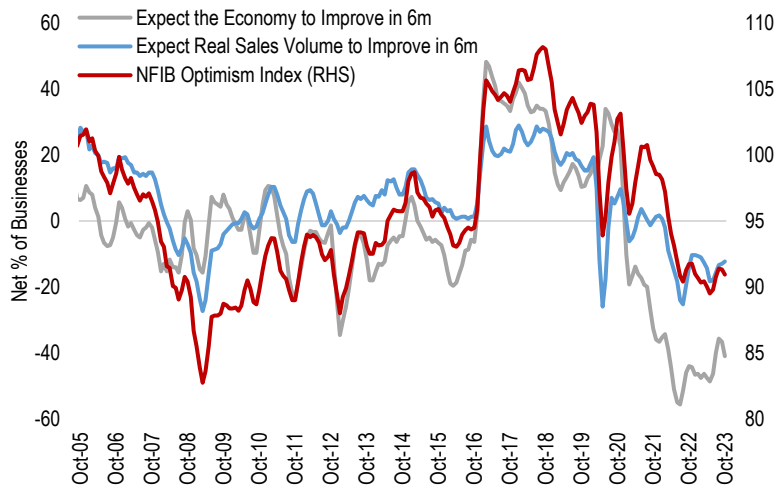
University of Michigan Consumer Sentiment Declining, Led by Poor Assessment of "Present Conditions"



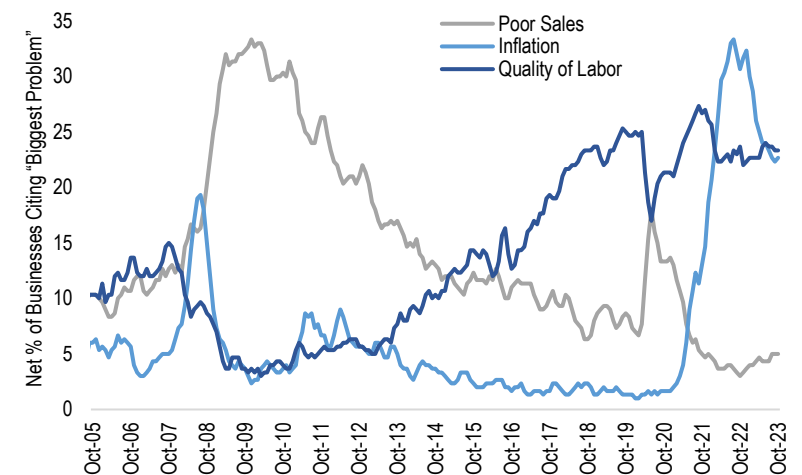
University of Michigan Dragged Lower vs. Conference Board Due to Rising Angst About Personal Finances



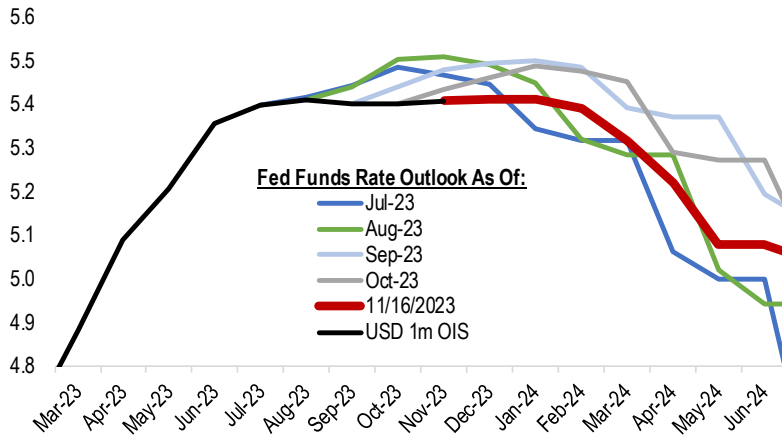
Small Businesses Remain Pessimistic Due to Worries About Economic & Sales Outlook



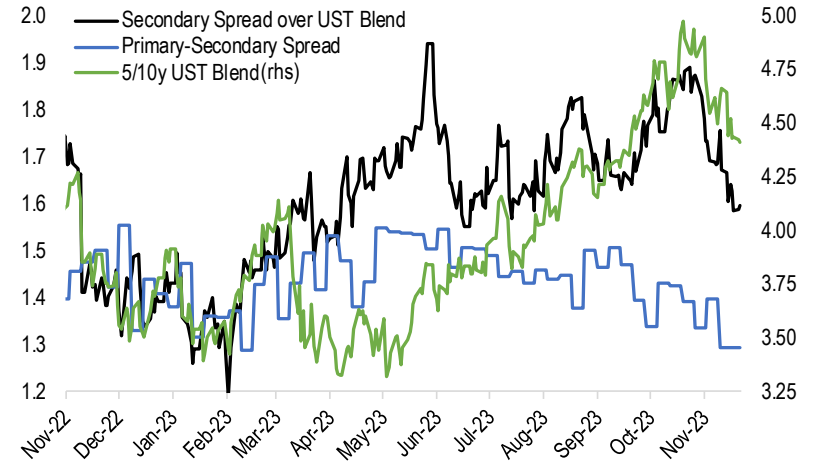
However, Poor Sales Weren't "Biggest Problem" Quality of Labor and Inflation Take Most of the Blame



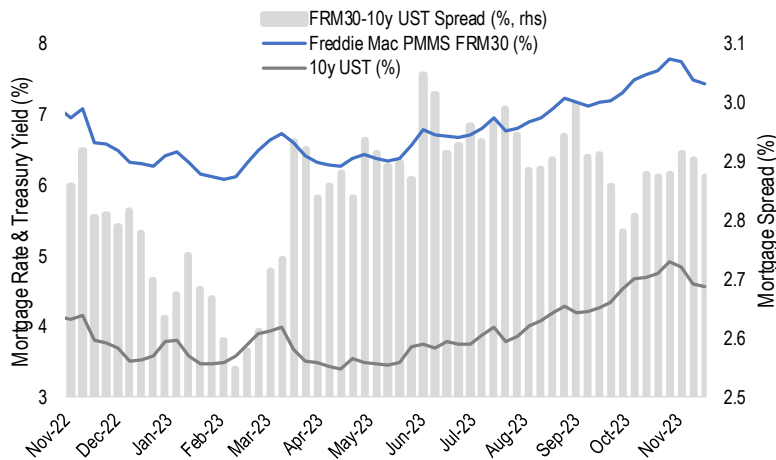
Market Now Expects Fed to Remain on Hold Until Rate Cuts Start in May '24



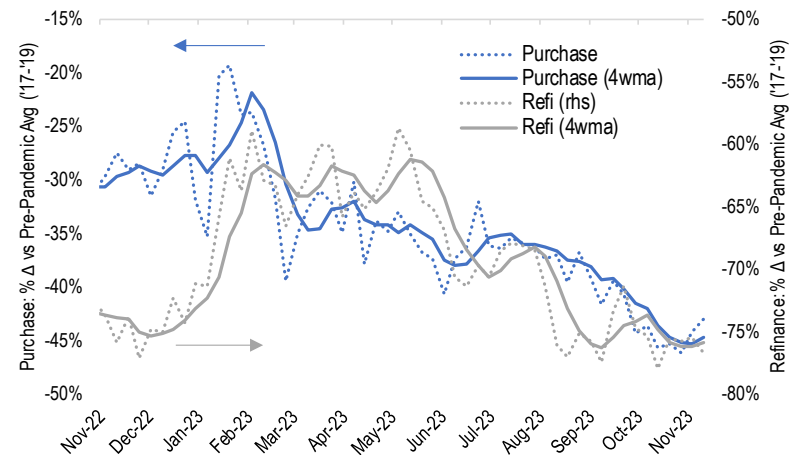
Mortgage Spreads Still Elevated but Have Narrowed as Treasury Yields & Fed Rate Outlook Declined



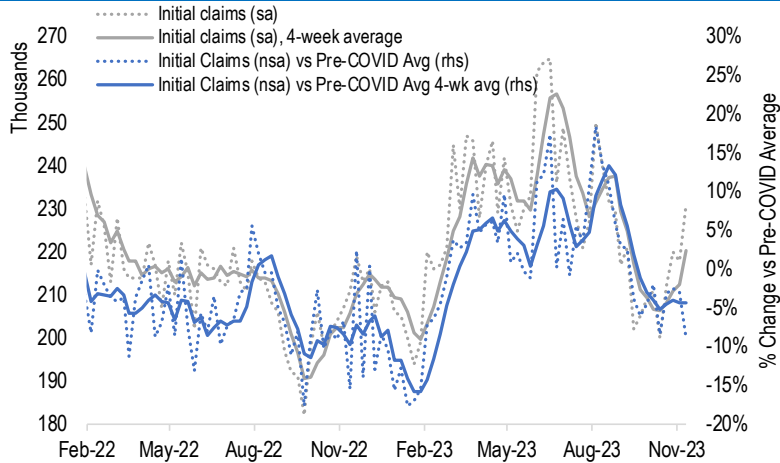
Leading Mortgage Rates to Decline Three Weeks in a Row



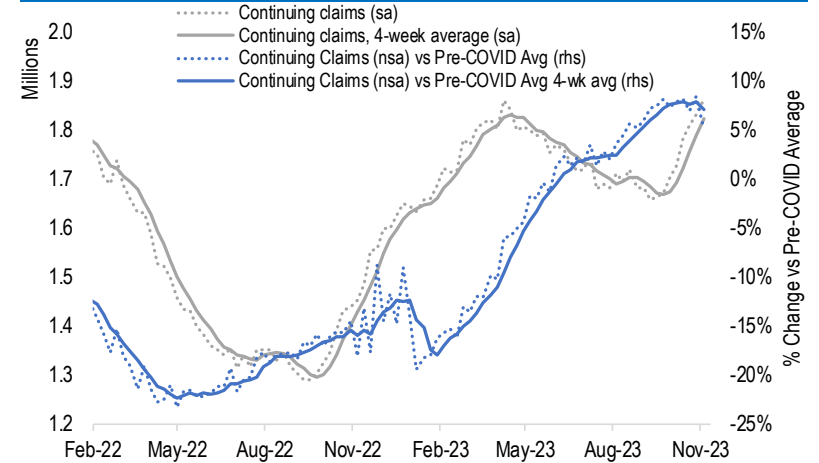
... and Spurred a Modest Increase in Mortgage Purchase & Refinancing Applications



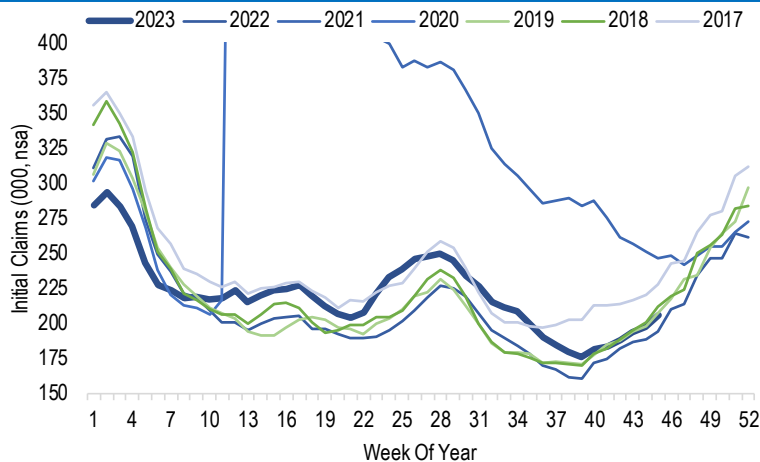
Seasonally Adjusted Initial Claims Surging Higher But Unadjusted Claims Steady vs. Pre-Pandemic Norm



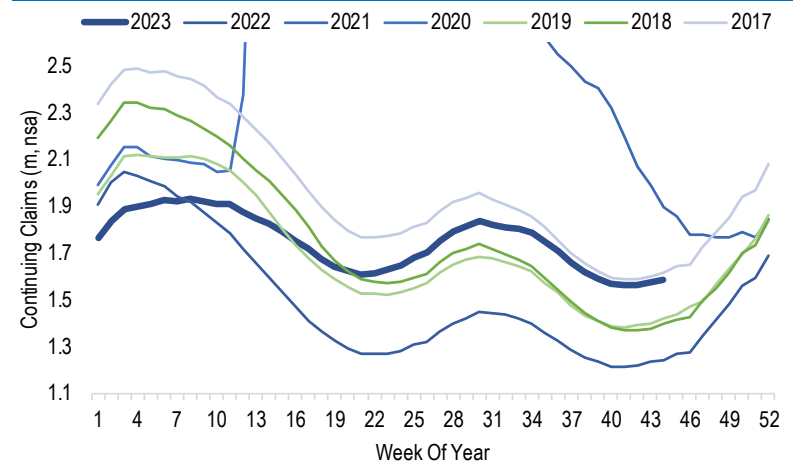
Seasonally Adjusted Continuing Claims Rising Rapidly as Unadjusted Claims Easing vs. Pre-Pandemic Norm



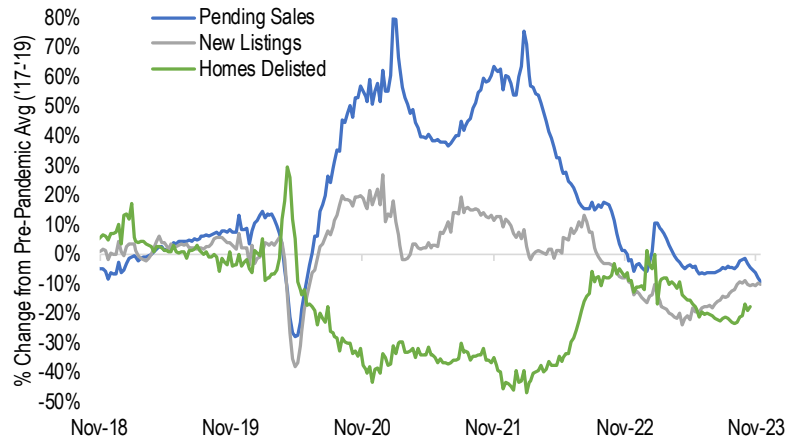
Initial Claims Following Typical Pre-Pandemic Path into Year-End



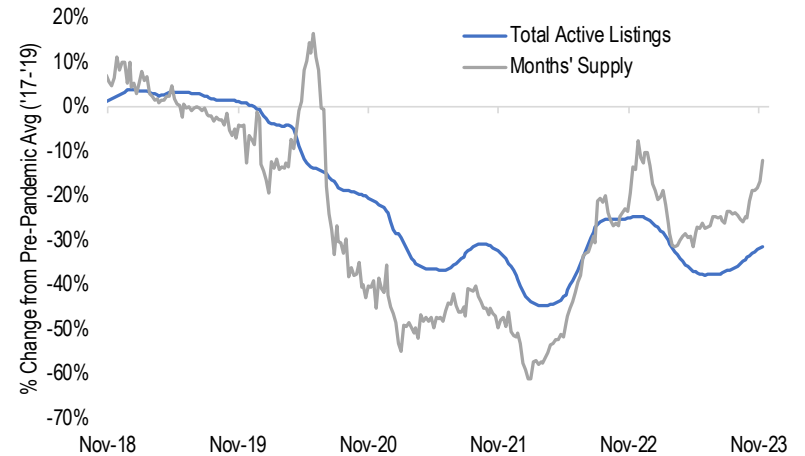
Continuing Claims No Longer Trending Higher vs. Pre-Pandemic Norm or Year-Ago Level



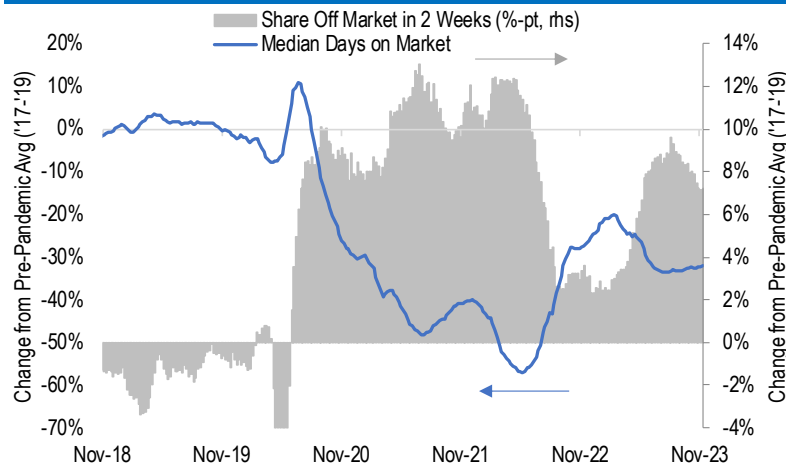
Pending Sales Still in Cooldown Mode While the Pace of New Listings Inched Higher...



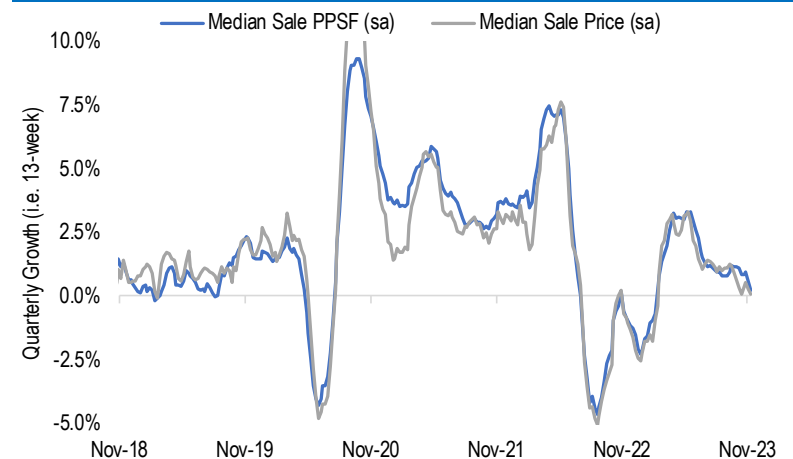
Causing National Housing Market to Rapidly Soften as Mortgage Rates Surged Toward 8%



Days on Market Remained Below Pre-Pandemic Norm but Pressure Easing as Fewer Homes Selling in 2 Weeks



Softening Market Conditions Have Weighed on Home Price Growth over the Past Quarter



Western Markets Generally Look the Softest — Further Home Price Weakness Expected

Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	4.8%	5.3%	6.7%	0.2%	29%	1.7%	99%	0.4%	-9%	-15.8	-13.6	-12%	-13%
Atlanta	4.9%	9.3%	6.8%	-0.3%	26%	2.0%	99%	0.5%	-30%	-6.4	-5.7	-16%	6%
Austin	-7.4%	-1.4%	9.0%	-1.6%	13%	-2.0%	97%	0.2%	-6%	22.0	12.4	67%	66%
Baltimore	6.0%	4.7%	7.7%	0.7%	42%	7.7%	101%	0.4%	-11%	-20.6	-14.5	-32%	-34%
Boston	7.4%	5.1%	6.2%	-0.5%	56%	10.1%	102%	1.4%	-18%	0.7	3.2	-15%	-11%
Chicago	8.2%	4.0%	3.7%	0.2%	36%	8.5%	99%	1.1%	-23%	9.3	17.8	-20%	-4%
Dallas	0.5%	10.2%	8.7%	-0.3%	17%	-4.2%	98%	-0.4%	-6%	-5.5	-10.6	-3%	1%
Denver	-0.6%	5.1%	9.6%	-2.0%	24%	2.5%	99%	0.2%	-7%	5.1	1.8	32%	31%
Houston	0.4%	10.7%	8.0%	0.0%	16%	-0.7%	98%	0.0%	0%	-16.2	-19.0	4%	-3%
Los Angeles	4.4%	2.0%	4.6%	-0.5%	48%	12.7%	101%	1.5%	-22%	-7.0	0.3	0%	20%
Miami	6.5%	14.9%	4.3%	0.8%	18%	1.6%	97%	0.6%	-11%	-15.2	-10.5	-20%	-27%
Minneapolis	4.0%	4.1%	8.2%	1.4%	35%	0.8%	100%	0.0%	-6%	-6.1	-5.1	3%	3%
Nashville	2.3%	11.8%	6.1%	-0.4%	17%	0.8%	98%	0.1%	-6%	3.0	-4.5	11%	9%
New York	3.7%	3.2%	3.8%	-0.4%	31%	6.1%	100%	0.9%	-11%	-20.3	-28.2	-8%	-22%
Phoenix	1.8%	3.4%	8.4%	-2.4%	18%	5.3%	98%	1.1%	-30%	-1.9	12.2	24%	65%
Portland	1.9%	4.7%	7.6%	-0.5%	29%	1.5%	99%	0.1%	-10%	-0.8	-0.8	19%	13%
Riverside	2.9%	4.6%	5.4%	-1.5%	39%	9.1%	99%	0.8%	-25%	-15.0	-7.5	-8%	19%
San Diego	8.9%	3.2%	6.2%	-0.8%	45%	14.9%	100%	1.6%	-28%	-12.3	2.0	-23%	2%
Seattle	6.0%	1.9%	7.5%	-1.7%	31%	10.7%	100%	1.5%	-27%	-3.9	3.4	3%	26%
Tampa	1.3%	13.5%	10.6%	-0.5%	14%	-1.2%	98%	0.1%	2%	-11.3	-10.5	11%	16%
Washington DC	7.2%	3.8%	6.0%	0.0%	37%	8.7%	100%	0.5%	-20%	-2.1	4.1	-9%	2%

Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
11/14/23	NFIB Small Business Optimism	Oct	90.7	90.5	--	90.8	index, sa
11/14/23	CPI m/m	Oct	0.0%	0.1%	--	0.4%	sa
11/14/23	CPI Core (ex Food and Energy) m/m	Oct	0.2%	0.3%	--	0.3%	sa
11/14/23	CPI y/y	Oct	3.2%	3.3%	--	3.7%	nsa
11/14/23	CPI Core (ex Food and Energy) y/y	Oct	4.0%	4.1%	--	4.1%	nsa
11/15/23	MBA Mortgage Applications	11/10/23	2.8%	--	--	2.5%	w/w, sa
11/15/23	Advance Retail Sales m/m	Oct	-0.1%	-0.3%	0.9%	0.7%	sa
11/15/23	Retail Sales Control Group m/m	Oct	0.2%	0.2%	0.7%	0.6%	sa
11/15/23	PPI Final Demand m/m	Oct	-0.5%	0.1%	0.4%	0.5%	sa
11/15/23	PPI Core (ex Food and Energy) m/m	Oct	0.0%	0.3%	0.2%	0.3%	sa
11/15/23	PPI Final Demand y/y	Oct	1.3%	1.9%	--	2.2%	nsa
11/15/23	PPI Core (ex Food and Energy) y/y	Oct	2.4%	2.7%	--	2.7%	nsa
11/15/23	Empire Manufacturing	Nov	9.1	-3.0	--	-4.6	index, sa
11/16/23	Import Price Index m/m	Oct	-0.8%	-0.3%	0.4%	0.1%	nsa
11/16/23	Import Price Index y/y	Oct	-2.0%	-1.8%	-1.5%	-1.7%	nsa
11/16/23	Initial Jobless Claims	11/11/23	231	220	218	217	k, sa
11/16/23	Continuing Claims	11/4/23	1,865	1,843	1,833	1,834	k, sa
11/16/23	Philadelphia Fed Business Outlook	Nov	-5.9	-8.0	--	-9.0	index, sa
11/16/23	Industrial Production	Oct	-0.6%	-0.4%	0.1%	0.3%	m/m, sa
11/16/23	Capacity Utilization	Oct	78.9%	79.4%	79.5%	79.7%	sa
11/16/23	NAHB Housing Market Index	Nov	34	40	--	40	index, sa
11/16/23	Kansas City Fed Manf. Activity	Nov	-2.0	-9.0	--	-8.0	sa, index
11/17/23	Building Permits	Oct	1,487	1,450	1,471	1,473	k, saar
11/17/23	Building Permits m/m	Oct	1.1%	-1.4%	-4.5%	-4.4%	sa
11/17/23	Housing Starts	Oct	1,372	1,350	1,346	1,358	k, saar
11/17/23	Housing Starts m/m	Oct	1.9%	-0.6%	3.1%	7.0%	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)

UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Actual	Consensus	Prior	Note
11/20/23	Conference Board Leading Index	Oct	-0.8%	-0.7%	-0.7%	m/m, sa
11/21/23	Chicago Fed Nat Activity Index	Oct	--	0.0%	2.0%	index, nsa
11/21/23	Existing Home Sales	Oct	--	3,900	3,960	k, saar
11/21/23	Existing Home Sales m/m	Oct	--	-1.5%	-2.0%	sa
11/21/23	FOMC Meeting Minutes	11/1/23	--	--	--	
11/22/23	MBA Mortgage Applications	11/17/23	--	--	2.8%	w/w, sa
11/22/23	Initial Jobless Claims	11/18/23	--	227	231	k, sa
11/22/23	Continuing Claims	11/11/23	--	1,875	1,865	k, sa
11/22/23	Durable Goods Orders	Oct P	--	-3.2%	4.6%	m/m, sa
11/22/23	Cap Goods Orders Nondef Ex Air	Oct P	--	0.1%	0.5%	m/m, sa
11/22/23	U. of Mich. Sentiment	Nov F	--	60.8	60.4	index, nsa
11/22/23	U. of Mich. 1 Yr Inflation	Nov F	--	4.4%	4.4%	nsa
11/22/23	U. of Mich. 5-10 Yr Inflation	Nov F	--	3.1%	3.2%	nsa
11/24/23	S&P Global US Manufacturing PMI	Nov P	--	49.9	50.0	index, sa
11/24/23	S&P Global US Services PMI	Nov P	--	50.4	50.6	index, sa
11/24/23	S&P Global US Composite PMI	Nov P	--	50.3	50.7	index, sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics