

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.

December 4, 2023

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Lumps of Coal or Gelt in the Stocking?

- **Key Takeaway:** Recent data suggests economy slowing after strong Q3, paving the way for the Fed to begin signaling an easing cycle is near.
- **Macro Implications:** Markets have already pulled Fed rate cuts forward to March 2024, but we see the Fed on hold into 2Q24.
- **Housing Implications:** Lower rates will rekindle some demand, but new homes will continue to outperform until mortgage rates are much lower.

Macro: Q4 Slowdown Taking Shape

- Data show downshift from hot Q3 on weaker consumer demand.
- Goods sectors dragging even as home construction resilient.
- Key area to watch will be the evolution of the labor market.

Rates: 10-year U.S. Treasury Yields Roundtripping

- Soft data and cooling inflation pulled 10y yields down to ~4.2%.
- Easing financial conditions improved market sentiment.
- Market pricing pulled forward rate cuts to as early as March.

Housing: Mortgage Rates Keep Falling

- Mortgage rates have declined for five straight weeks to ~7.2%.
- Mortgage applications have rebounded four weeks in a row.
- Positive impact from falling rates on home sales will take time.

New Home Sales: Uptrend Intact

- New home sales fell -5.6% in Oct. but remained up 18% y/y.
- Homes selling quickly after builders deliver completed product.
- Low resale inventory & builder incentives keep outlook positive.

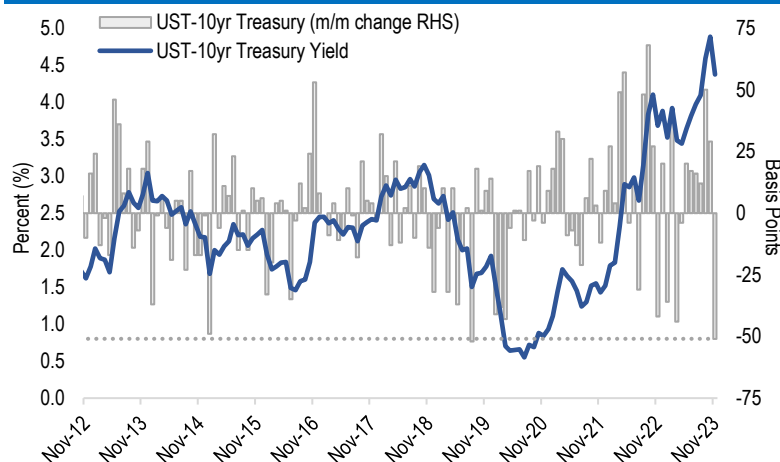
Existing Home Sales: Sales Step Lower in October

- Sales fell 4.3% m/m, the largest drop since Nov. '22.
- Inventory rose for the fourth month but remained relatively low.
- Months' supply inched higher to 3.3 months, up 10% y/y.

Personal Income: Spending Cools Largely Due to Autos

- Real disposable income rose 0.3% m/m in Oct. and 3.9% y/y.
- Real spending slowed 10bps to 0.2% m/m with ex-autos up 2.1%.
- Consumer PCE inflation was flat m/m and cooled to 3.0% y/y.

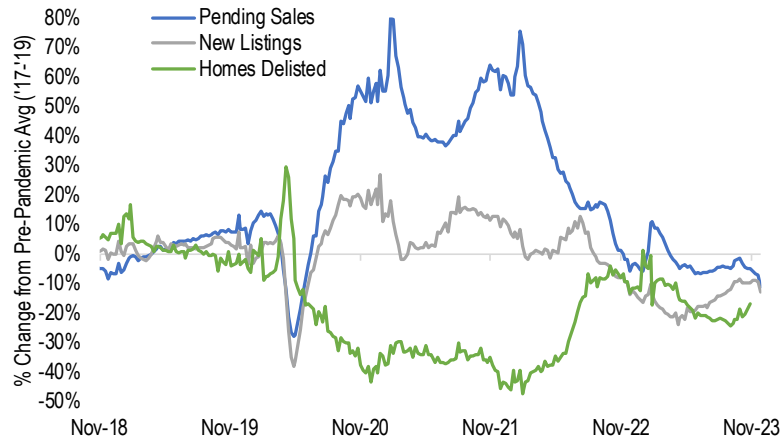
10-year U.S. Treasury Yield's November Decline Steepest Since Aug. '19 on Hopes of Earlier Rate Cuts



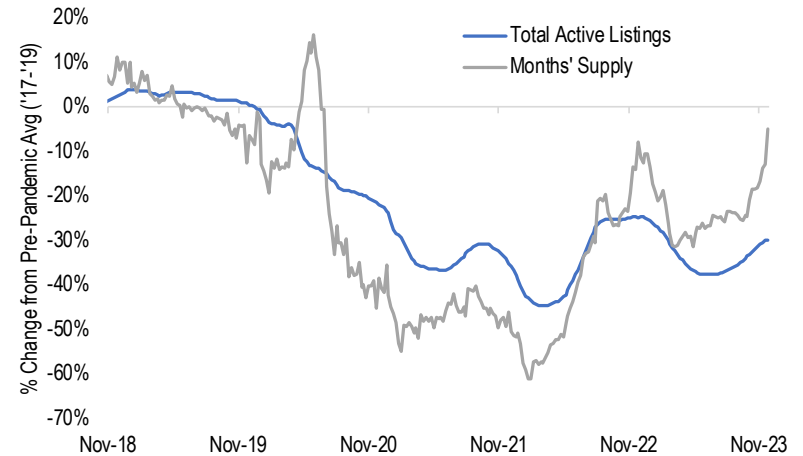
Builder Incentives Have Supported New Home Sales Even as Existing Home Sales Keep Finding New Multi-Decade Lows



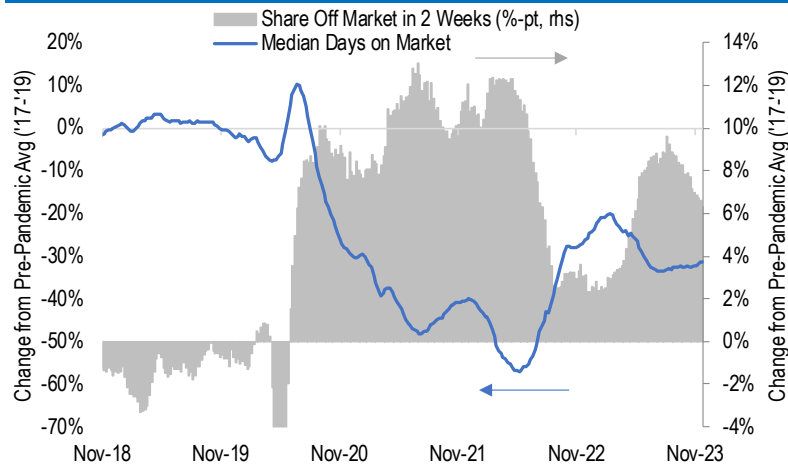
Pending Sales Still in Cooldown Mode as Pace of New Listings Has Climbed



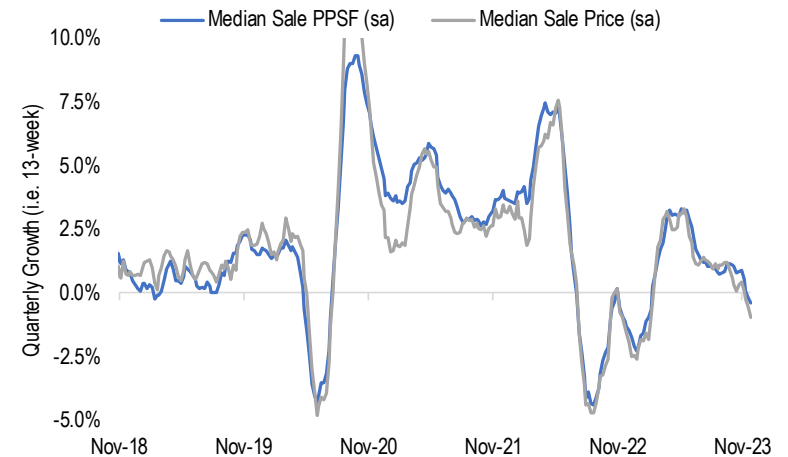
Causing National Housing Market to Rapidly Soften in Q4 as Mortgage Rates Surged Toward 8%



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



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

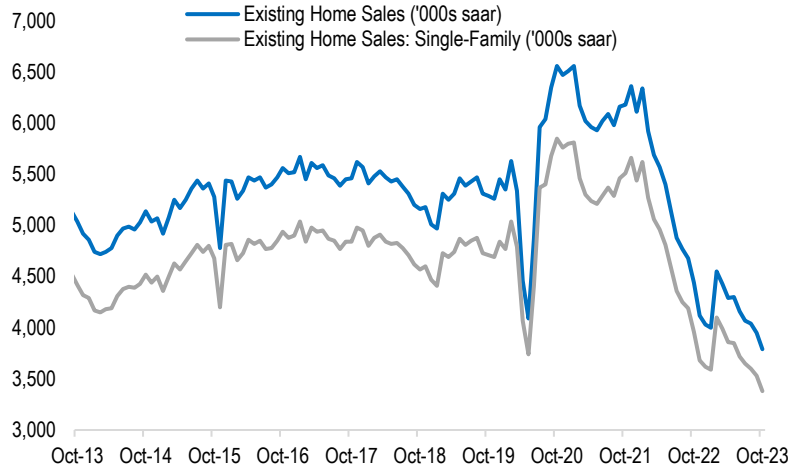


Western Markets Generally Softest — We Expect National Home Price Growth to Cool into Year-End

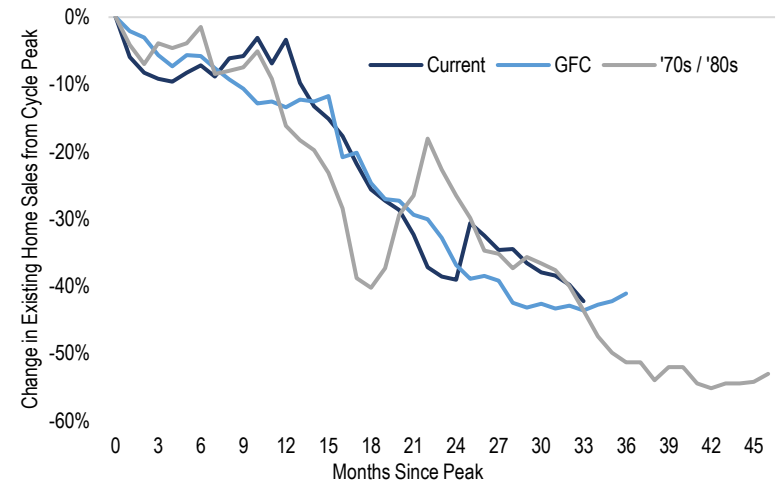
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	4.7%	4.3%	5.7%	0.3%	27%	1.6%	99%	0.4%	-7%	-15.7	-13.2	-5%	-8%
Atlanta	4.3%	7.5%	5.7%	0.0%	24%	1.1%	99%	0.5%	-29%	-4.7	-3.9	-7%	12%
Austin	-7.7%	-3.6%	7.1%	-1.1%	12%	-0.8%	97%	0.5%	-5%	23.7	16.7	84%	88%
Baltimore	6.3%	4.7%	6.5%	0.3%	41%	7.3%	101%	0.3%	-10%	-18.3	-14.5	-28%	-29%
Boston	7.9%	1.7%	5.0%	-0.1%	53%	9.7%	102%	1.4%	-16%	0.5	3.3	-6%	0%
Chicago	9.3%	3.0%	3.3%	0.3%	34%	6.4%	99%	1.0%	-22%	7.3	16.2	-15%	0%
Dallas	1.8%	8.7%	7.3%	-0.4%	17%	-4.1%	98%	-0.2%	-4%	-6.8	-8.6	8%	9%
Denver	-1.3%	2.4%	7.9%	-1.2%	23%	3.9%	99%	0.2%	-5%	4.9	3.8	41%	34%
Houston	0.9%	9.2%	7.1%	0.3%	15%	-0.7%	98%	0.1%	2%	-16.3	-18.3	9%	4%
Los Angeles	5.8%	1.6%	3.8%	-0.3%	46%	11.1%	101%	1.7%	-21%	-6.3	2.1	3%	27%
Miami	7.6%	13.1%	3.9%	0.8%	15%	-0.1%	96%	0.4%	-7%	-18.6	-13.5	-8%	-22%
Minneapolis	4.1%	4.1%	6.6%	0.9%	33%	2.0%	100%	0.3%	-3%	-5.8	-5.3	17%	12%
Nashville	0.2%	9.6%	5.0%	-0.2%	15%	-0.2%	98%	0.2%	-4%	-1.4	-3.7	20%	14%
New York	4.1%	3.3%	3.5%	-0.8%	31%	6.0%	100%	0.6%	-14%	-23.3	-29.1	-6%	-18%
Phoenix	3.7%	1.2%	7.3%	-1.4%	17%	3.9%	98%	1.0%	-26%	-1.3	11.2	33%	73%
Portland	1.9%	3.9%	5.9%	-0.4%	27%	1.7%	99%	0.2%	-7%	1.5	-2.8	48%	21%
Riverside	5.5%	2.8%	4.9%	-0.6%	37%	7.8%	99%	0.7%	-23%	-15.2	-6.9	-5%	22%
San Diego	12.1%	2.7%	5.1%	-0.7%	42%	13.9%	100%	1.3%	-25%	-11.7	1.1	-14%	4%
Seattle	8.3%	-2.6%	5.8%	-1.4%	29%	10.2%	100%	1.7%	-28%	-4.2	4.8	12%	34%
Tampa	3.2%	10.7%	9.2%	-0.8%	13%	-2.2%	98%	0.0%	4%	-9.0	-8.2	23%	23%
Washington DC	4.9%	3.7%	4.9%	0.0%	36%	8.7%	100%	0.6%	-20%	-3.9	4.3	-2%	6%

Data as of Nov. 26, 2023 and reflects four-week averages.

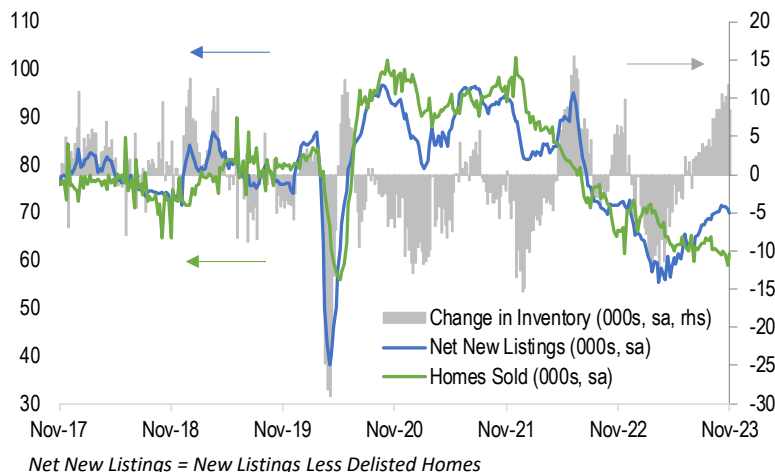
Existing Home Sales Fell Further, Down -17% from February Peak and ~30% Below Pre-Pandemic Pace



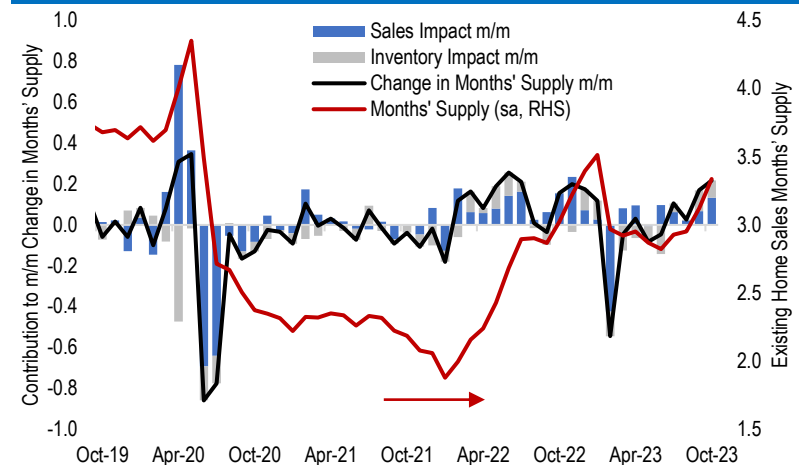
Downturn in Existing Home Sales Has Followed the '70s/'80s Cycle, a Similar High Inflation Period



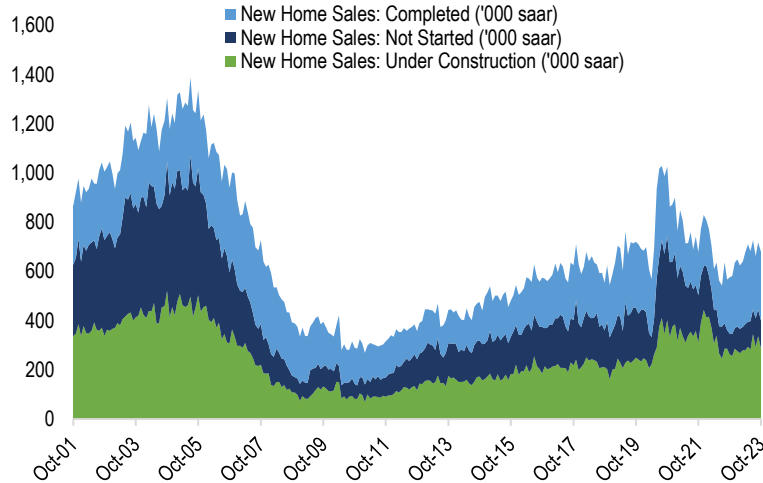
Rising Pace of New Listings and Cooling Sales Pace Leading to More Existing Home Inventory



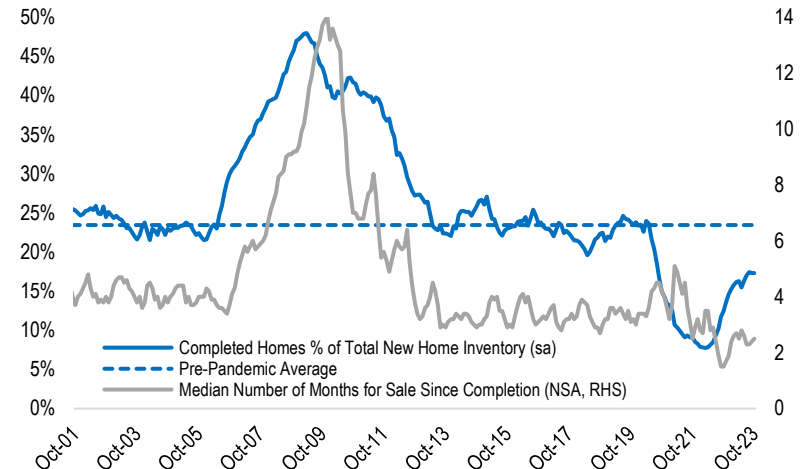
Slower Sales Pace and Swelling Inventory Has Pushed up Months' Supply — Likely to Continue into Year-End



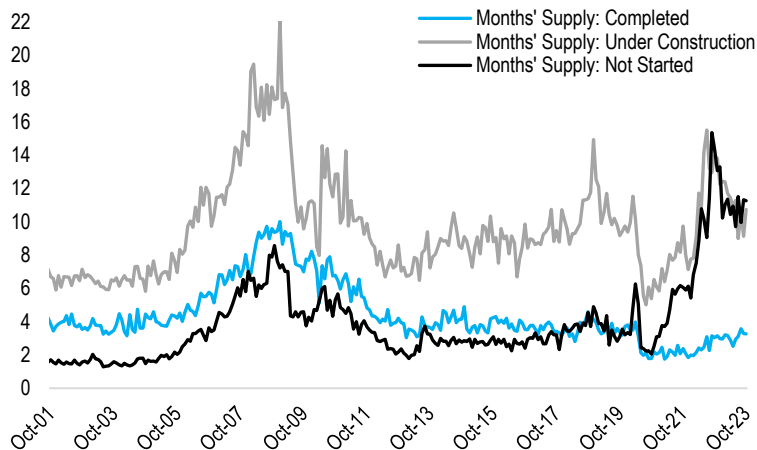
New Home Sales Fell in October but Sales of Completed Homes Rose for Second Straight Month



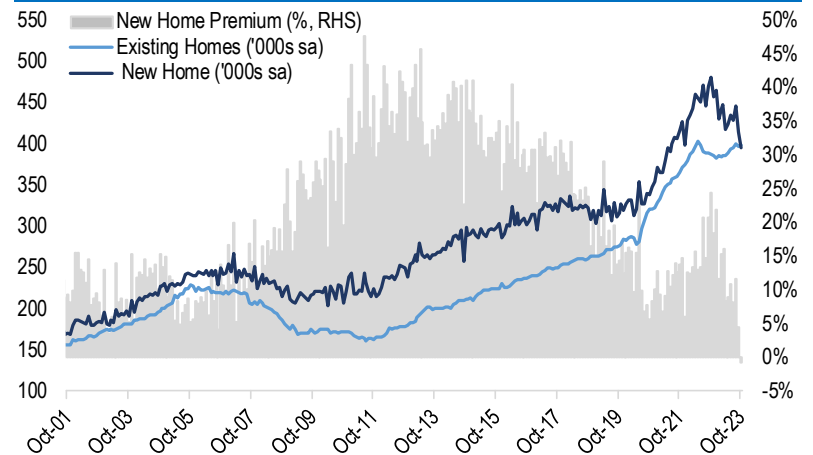
Demand Remained Ample for Completed New Homes as Time on Market Remained Low



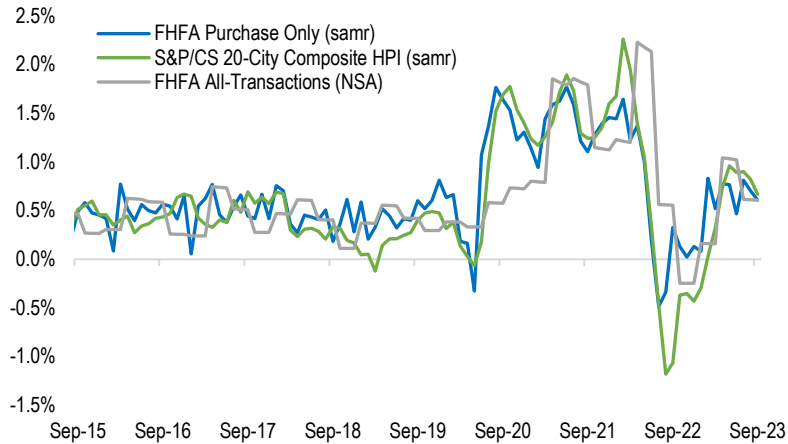
Months' Supply Close to Pre-Pandemic Levels; "Not Started" Segment the Key Exception



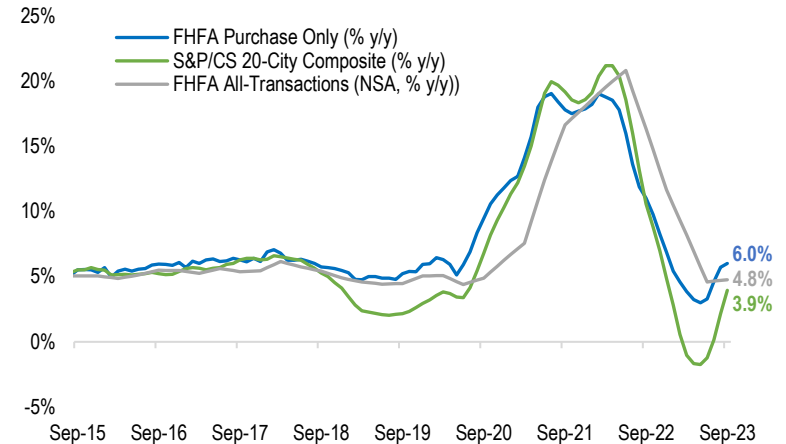
Typical New Home Now Cheaper than Existing; Builder Rate Buydowns & Price Cuts Moving Product



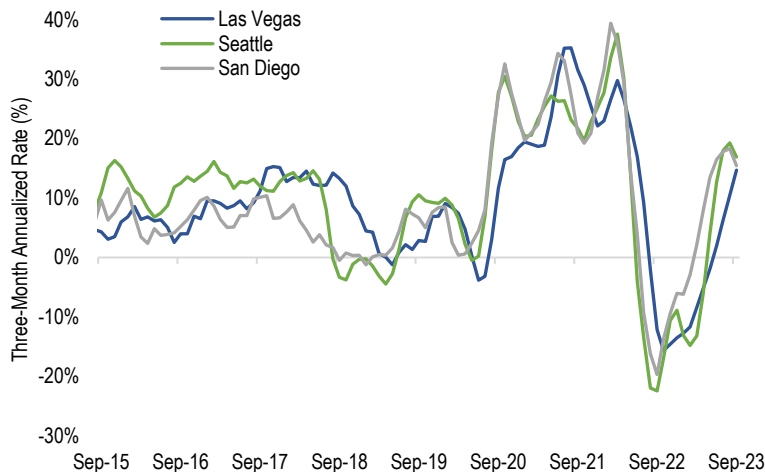
Monthly Home Price Growth Cooled After Early '23 Rebound; Further Slowing Ahead on Higher Rates



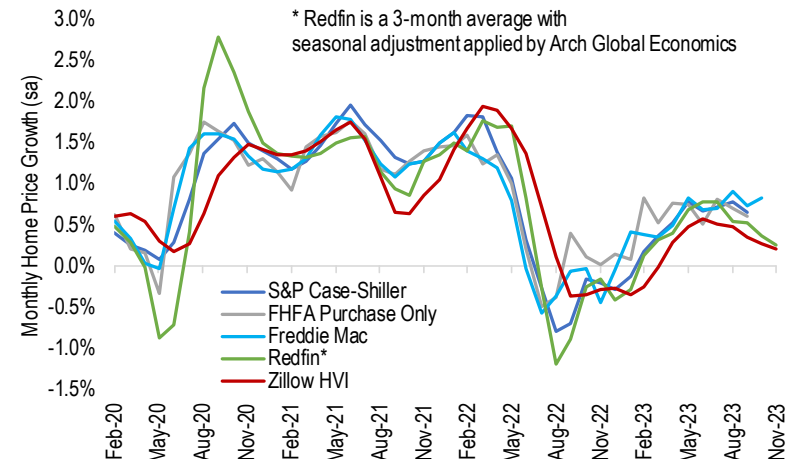
Annual Home Price Growth to Continue Rising into Year-End but at Decelerating Pace



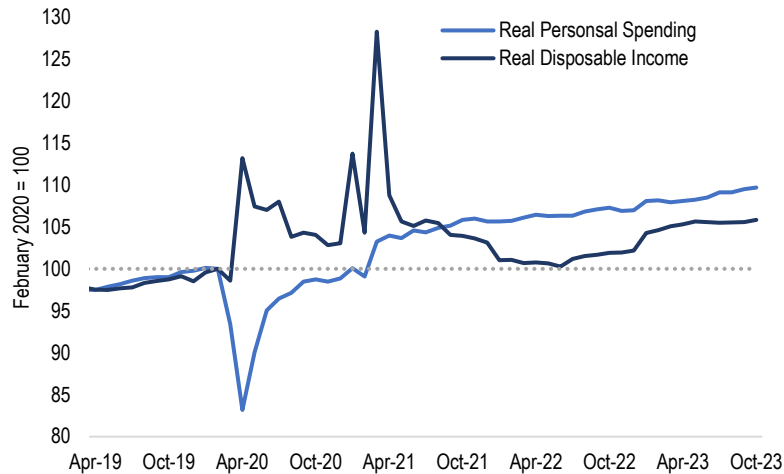
Metros with Strongest Home Price Growth Are Rebounding from Sharp Declines in Late '22



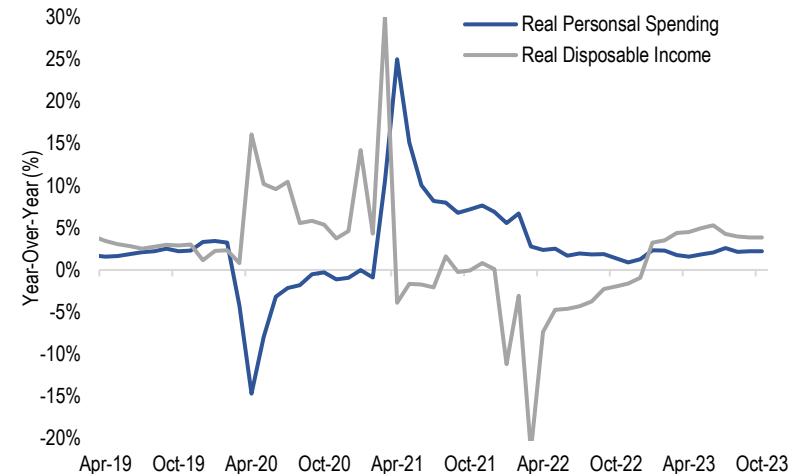
More "Real-Time" Measures of Home Price Growth Reflect Slowdown Ahead



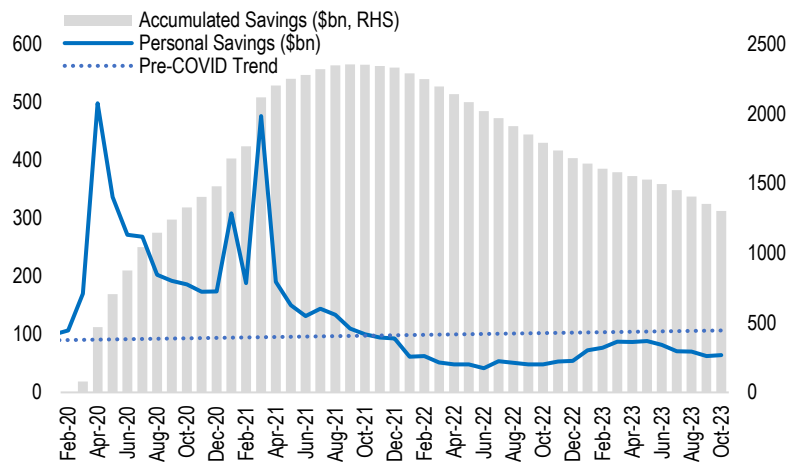
Real Spending Remained Steady as Real Disposable Income Continued to Play Catch-up



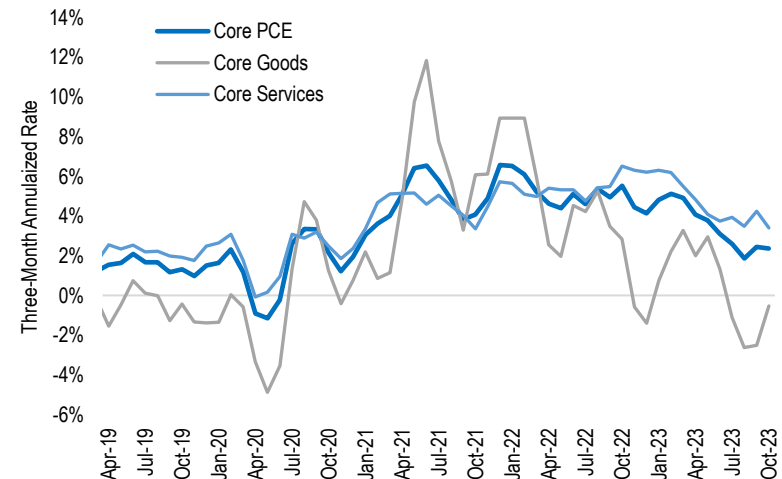
On an Annual Basis, Real Income Growth Has Outpaced Real Spending Growth in 2023



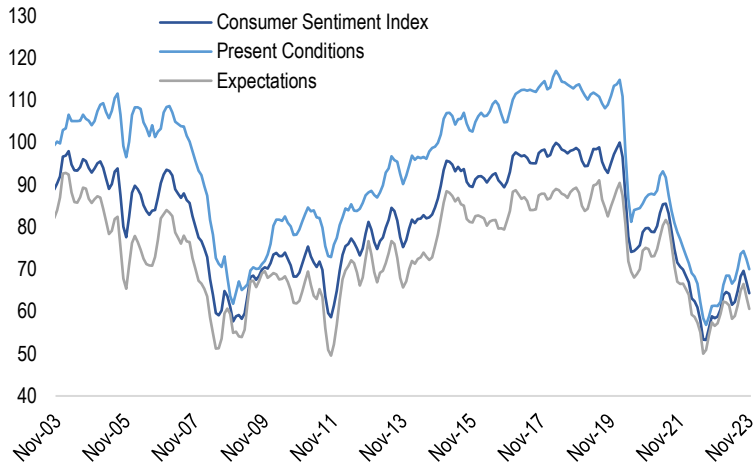
Accumulated Savings Remain Elevated in Aggregate, Supporting a Lower Savings Rate (3.8%)



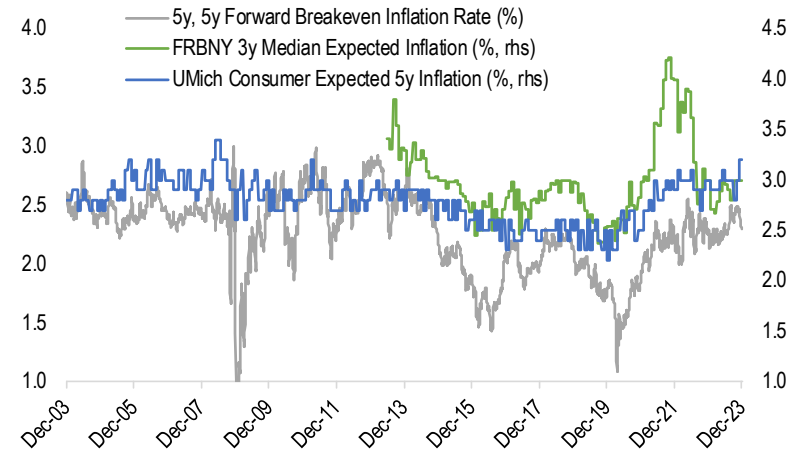
Fed's Preferred Gauge of Inflation (Core PCE) Heading in Right Direction, Keeping Further Hikes off the Table



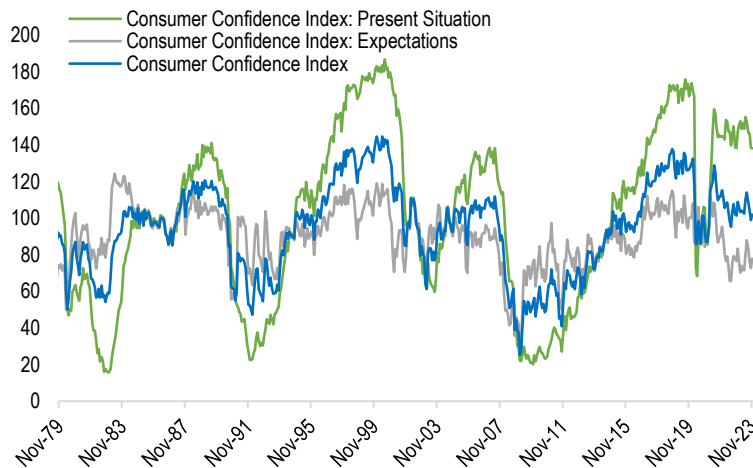
University of Michigan Consumer Sentiment Has Moved Lower Since August 2023



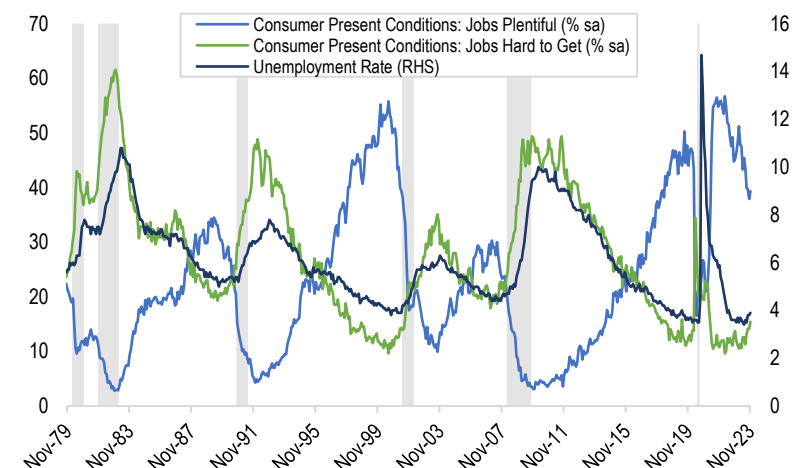
University of Michigan Inflation Expectations Up Recently While Other Measures Remain Well-Anchored



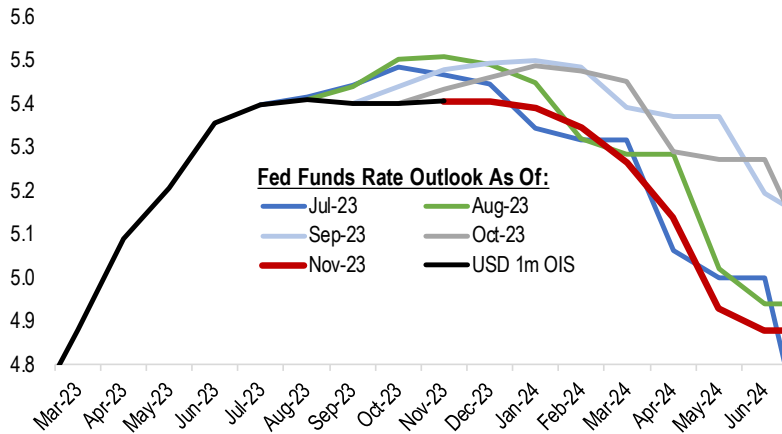
Conference Board's Consumer Confidence also Reflects Something Amiss



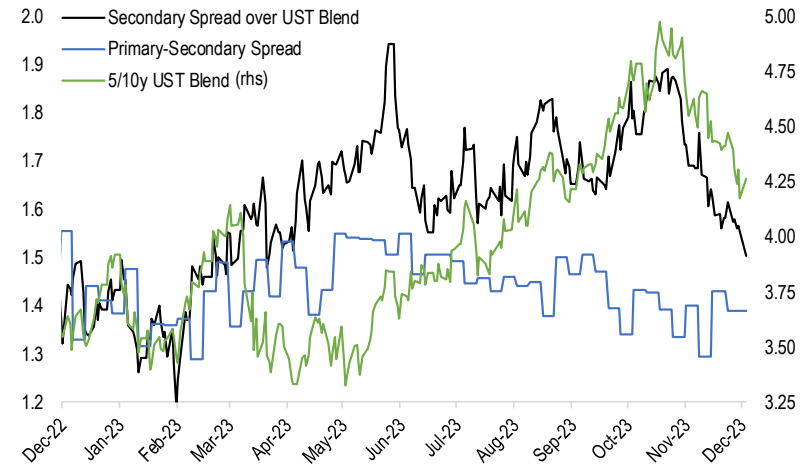
Households' Perceptions of Jobs Reflect a Labor Market in Transition



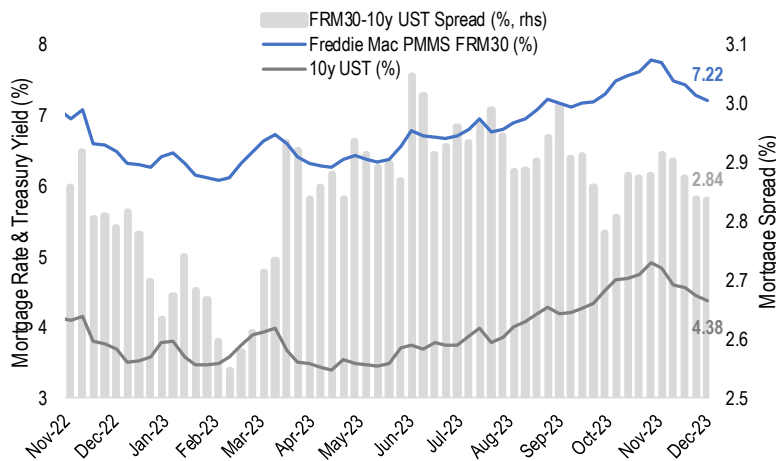
Market Now Expects First Rate Cut in March '24, Pulled Forward from May/June Previously



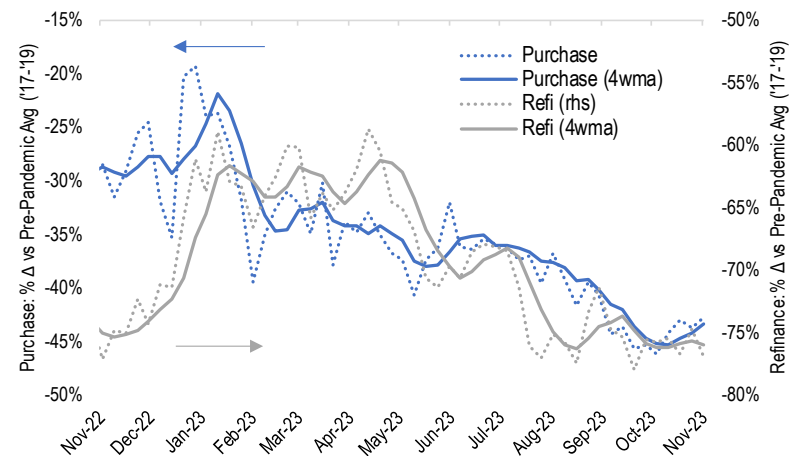
Mortgage Spreads Have Narrowed Sharply as the Timing of Rate Cuts Were Pulled Forward ...



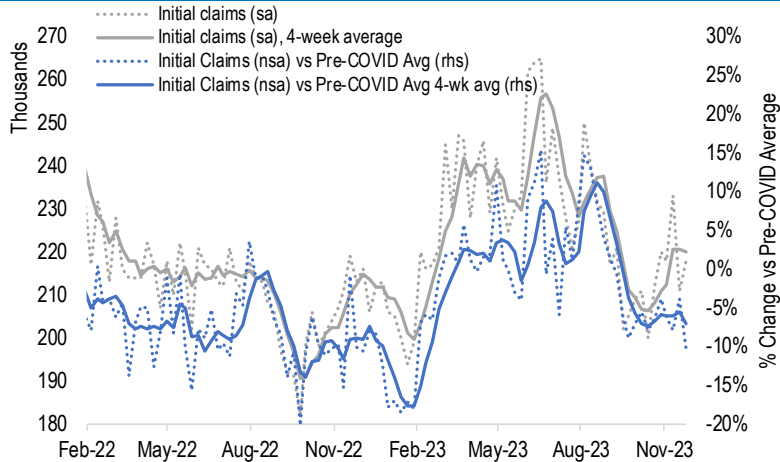
Leading to a ~60bps Drop in Mortgage Rates over the Past Month from ~7.8% to ~7.2%



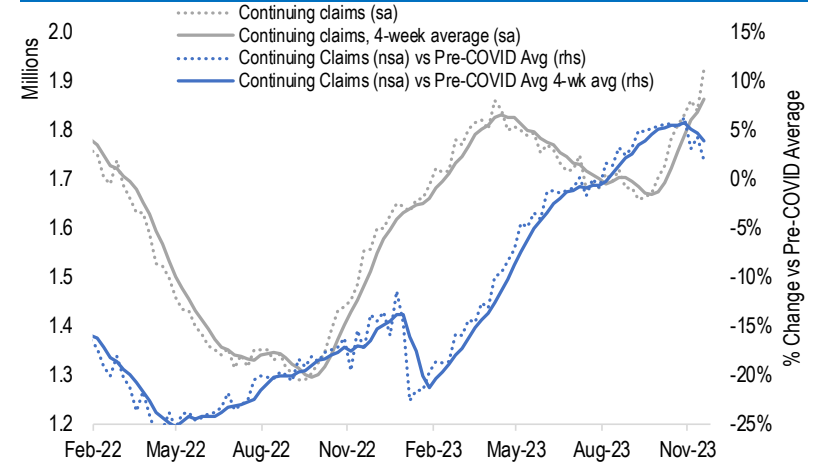
... and Spurred a Modest Increase in Mortgage Purchase & Refinancing Applications



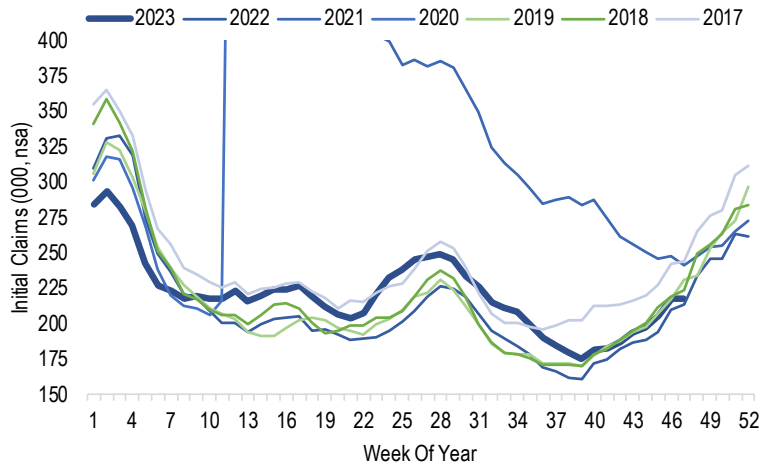
Seasonally Adjusted Initial Claims up Modestly but Unadjusted Claims Steady vs Pre-Pandemic Norm



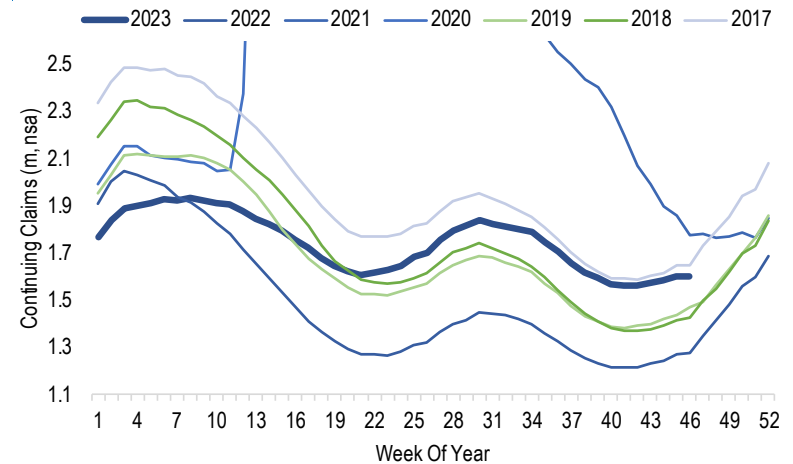
Seasonally Adjusted Continuing Claims Rising Rapidly as Unadjusted Claims Easing vs. Pre-Pandemic Norm



Little Concern as Initial Claims Following Typical Pre-Pandemic Path into Year-End



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



Recent Data Releases

Key economic and housing data releases over the prior week:

Date	Indicator	Period	Actual	Consensus	Revised	Prior	Note
11/27/23	New Home Sales	Oct	679	721	719	759	k, saar
11/27/23	New Home Sales m/m	Oct	-5.6%	-5.1%	8.6%	12.3%	sa
11/28/23	FHFA House Price Index	Sep	0.6%	0.5%	0.7%	0.6%	m/m, sa
11/28/23	S&P CoreLogic CS 20-City m/m SA	Sep	0.7%	0.8%	0.8%	1.0%	sa
11/28/23	S&P CoreLogic CS 20-City y/y NSA	Sep	3.9%	3.9%	2.1%	2.2%	nsa
11/28/23	Conf. Board Consumer Confidence	Nov	102.0	101.0	99.1	102.6	index, sa
11/28/23	Richmond Fed Manufact. Index	Nov	-5.0	1.0	--	3.0	index, sa
11/29/23	MBA Mortgage Applications	11/24/23	0.3%	--	--	3.0%	w/w, sa
11/29/23	Wholesale Inventories	Oct P	-0.2%	0.2%	0.1%	0.2%	m/m, sa
11/29/23	Retail Inventories m/m	Oct	0.0%	0.6%	0.4%	0.9%	sa
11/29/23	GDP Annualized q/q	3Q S	5.2%	5.0%	--	4.9%	saar
11/29/23	Personal Consumption q/q	3Q S	3.6%	4.0%	--	4.0%	saar
11/29/23	Core PCE Deflator q/q	3Q S	2.3%	2.4%	--	2.4%	saar
11/30/23	Initial Jobless Claims	11/25/23	218	218	211	209	k, sa
11/30/23	Continuing Claims	11/18/23	1,927	1,865	1,841	1,840	k, sa
11/30/23	Personal Income	Oct	0.2%	0.2%	0.4%	0.3%	m/m, sa
11/30/23	Personal Spending	Oct	0.2%	0.2%	--	0.7%	m/m, sa
11/30/23	Real Personal Spending	Oct	0.2%	0.1%	0.3%	0.4%	m/m, sa
11/30/23	PCE Inflation m/m	Oct	0.0%	0.1%	--	0.4%	sa
11/30/23	PCE Inflation y/y	Oct	3.0%	3.1%	--	3.4%	nsa
11/30/23	PCE Core Inflation (ex Food and Energy) m/m	Oct	0.2%	0.2%	--	0.3%	sa
11/30/23	PCE Core Inflation (ex Food and Energy) y/y	Oct	3.5%	3.5%	--	3.7%	nsa
11/30/23	Pending Home Sales m/m	Oct	-1.5%	-2.0%	1.0%	1.1%	sa
11/30/23	Pending Home Sales y/y	Oct	-6.6%	-8.8%	-13.3%	-13.1%	nsa
12/1/23	S&P Global US Manufacturing PMI	Nov F	49.4	49.5	--	49.4	index, sa
12/1/23	ISM Manufacturing	Nov	46.7	47.8	--	46.7	index, sa
12/1/23	ISM Prices Paid	Nov	49.9	46.0	--	45.1	index, nsa
12/1/23	Wards Total Vehicle Sales	Nov	15.3	15.5	--	15.5	m, saar

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	Consensus	Prior	Note
12/4/23	Durable Goods Orders	Oct F	-5.4%	-5.4%	m/m, sa
12/4/23	Cap Goods Orders Nondef Ex Air	Oct F	--	-0.1%	m/m, sa
12/5/23	S&P Global US Services PMI	Nov F	50.8	50.8	index, sa
12/5/23	S&P Global US Composite PMI	Nov F	--	50.7	index, sa
12/5/23	JOLTS Job Openings	Oct	9.30	9.55	m, sa
12/5/23	ISM Services Index	Nov	52.3	51.8	index, nsa
12/6/23	MBA Mortgage Applications	12/1/23	--	0.3%	w/w, sa
12/6/23	ADP Employment	Nov	125	113	k, m/m, sa
12/6/23	Nonfarm Productivity	3Q F	4.9%	4.7%	q/q, saar
12/6/23	Unit Labor Costs	3Q F	-0.9%	-0.8%	q/q, saar
12/7/23	Initial Jobless Claims	12/2/23	222	218	k, sa
12/7/23	Continuing Claims	11/25/23	1,910	1,927	k, sa
12/7/23	Wholesale Trade Sales	Oct	--	2.2%	m/m, sa
12/7/23	Wholesale Inventories	Oct F	-0.2%	-0.2%	m/m, sa
12/7/23	Consumer Credit	Oct	8.50	9.06	\$B, m/m, sa
12/8/23	Nonfarm Payrolls	Nov	180	150	k, m/m, sa
12/8/23	Private Payrolls	Nov	158	99	k, m/m, sa
12/8/23	Unemployment Rate	Nov	3.9%	3.9%	sa
12/8/23	Average Hourly Earnings m/m	Nov	0.3%	0.2%	sa
12/8/23	Average Hourly Earnings y/y	Nov	4.0%	4.1%	nsa
12/8/23	Average Weekly Hours All Employees	Nov	34.3	34.3	sa
12/8/23	Labor Force Participation Rate	Nov	62.7%	62.7%	sa
12/8/23	U. of Mich. Sentiment	Dec P	62.0	61.3	index, nsa
12/8/23	U. of Mich. 1 Yr Inflation	Dec P	4.3%	4.5%	nsa
12/8/23	U. of Mich. 5-10 Yr Inflation	Dec P	3.1%	3.2%	nsa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics