

An aerial photograph of a suburban neighborhood with several houses, green lawns, and trees. A blue semi-transparent 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 11, 2023

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Naughty or Nice?

- **Key Takeaway:** Labor market data was better than expected in November while other data point to modest economic activity in the same month.
- **Macro Implications:** Dynamic for the Fed does not change but will allow policymakers to monitor inflation with more patience.
- **Housing Implications:** The rapid decline in rates is likely become more of a choppy downtrend, but home sales and prices to stabilize after weak Q4.

Macro: 2023 Recession Concerns Put to Bed

- Labor market normalizing at moderate pace.
- Activity continues to expand with minimal near-term risks.
- Private credit growth continued to slow in Nov.

Jobs Report: Lower Unemployment & Solid Job Growth in Nov

- Excluding the giveback from strikes ending, labor looked solid.
- Payrolls and hours worked suggest aggregate demand is healthy.
- Labor income rebounded in Nov., positive for consumption.

Job Openings: Back to Trend

- Oct. job openings fell for second month and lowest since Mar. '21.
- Layoffs remained historically low but pace of hiring cooling.
- Hiring and quits rate suggest labor market churn is slowing.

ISM PMIs: Business Activity Holding Steady

- Manufacturing output slowed in Nov. despite rise in new orders.
- Services sector expansion occurring at slower pace from 1H23.
- Overall, firms not throwing in the towel on the expansion.

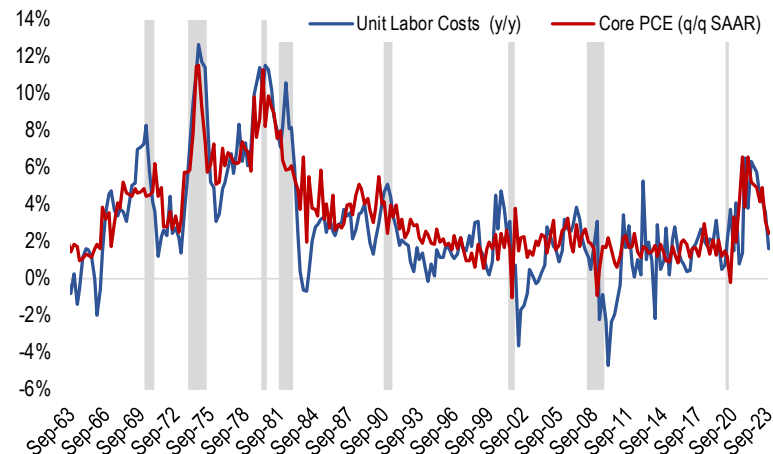
Rates: 10-year U.S. Treasury Yields Jumped on Payrolls

- Solid payrolls report jolted 10-year yields 7bps higher to 4.25%.
- Market odds for first rate cut teetering around 50-50 for March.
- Fed has room to be patient on inflation after Nov jobs report.

Housing: Mortgage Rates Lowest Since August

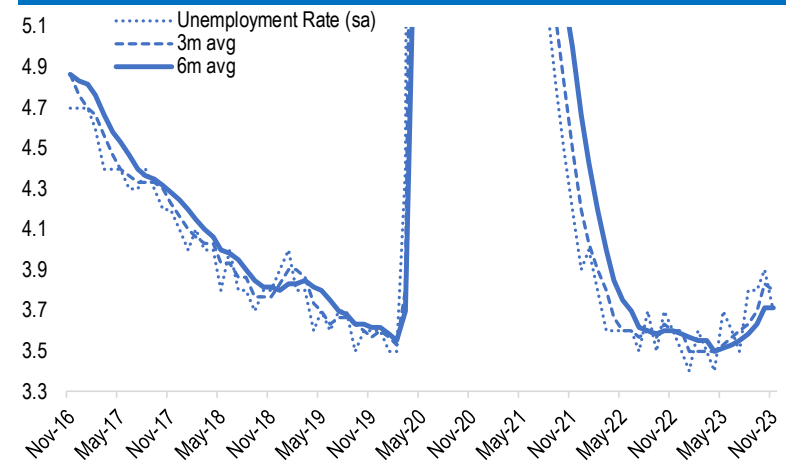
- Mortgage rates have declined for 6 straight weeks to ~7.0%.
- Purchase applications rose in Nov., first monthly gain since Apr.
- Stabilization in housing market expected after a weak Q4.

Labor Costs Pressures are Easing Alongside Cooling Consumer Inflation

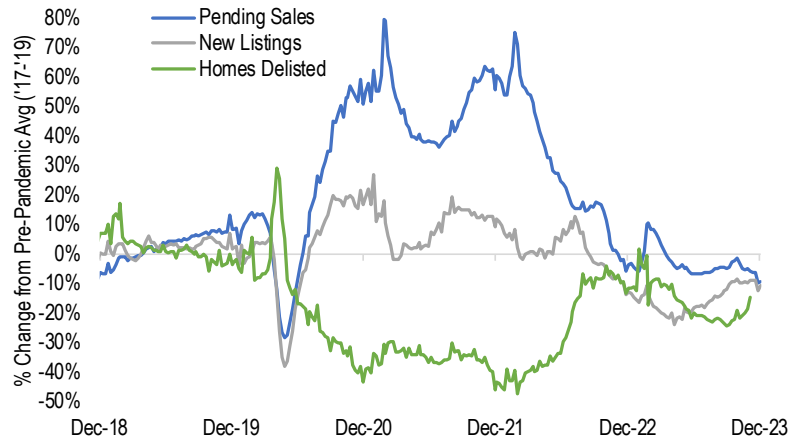


Sources: Federal Reserve Economic Data, U.S. Bureau of Labor Statistic, Arch Global Economics

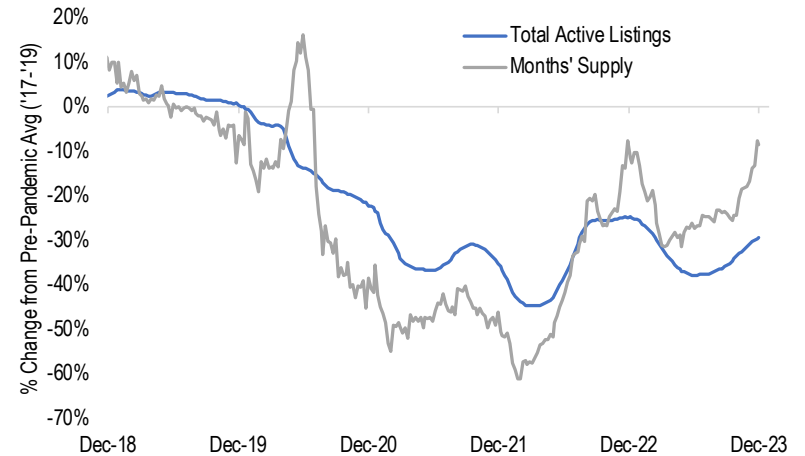
Sideways Pivot in Unemployment Rate Removes Some Pressure on Fed



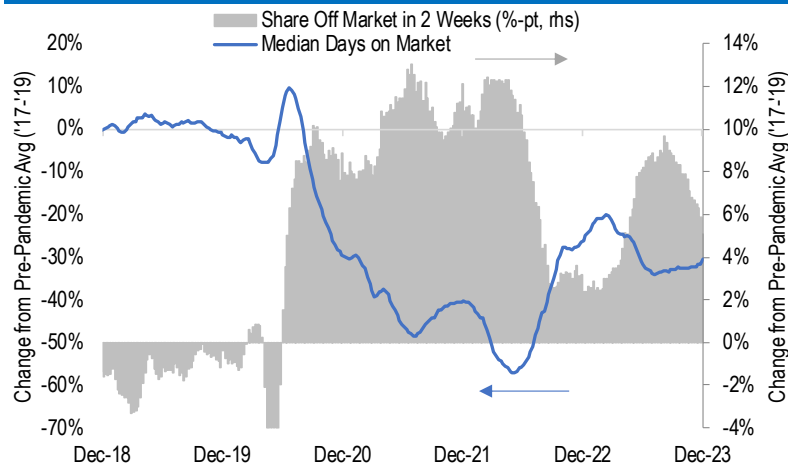
Pending Sales Still Slowing But Pace of New Listings Has Taken a Step Back Recently



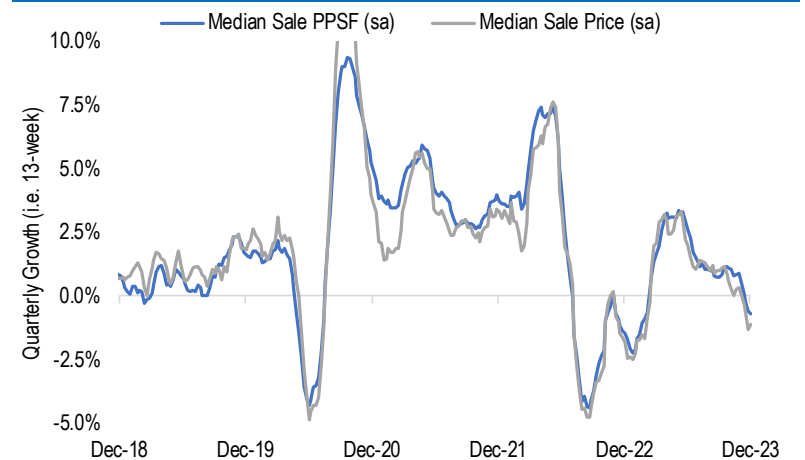
Causing a Tentative Pause in the Rapid Softening of the National Housing Market



Days on Market Continue to Trend Higher But Remained Below Pre-Pandemic Norm



Softening Market Conditions Have Pulled Down Seasonally Adjusted Home Prices Over the Past Quarter

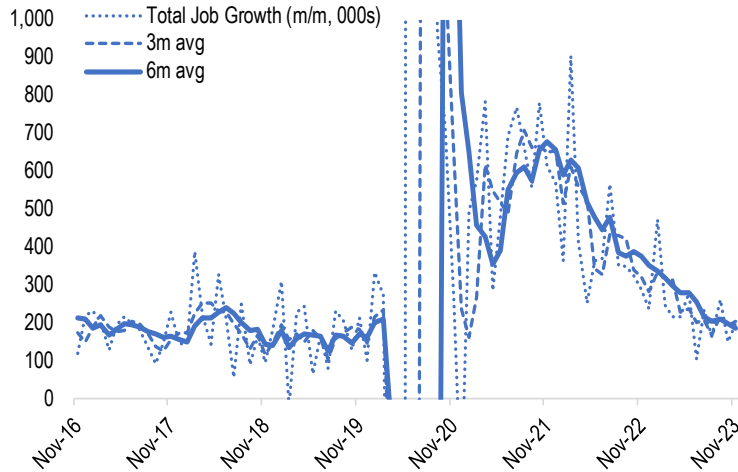


Western Markets Generally Softest With Some Pockets of Strength in Seattle and Southern California

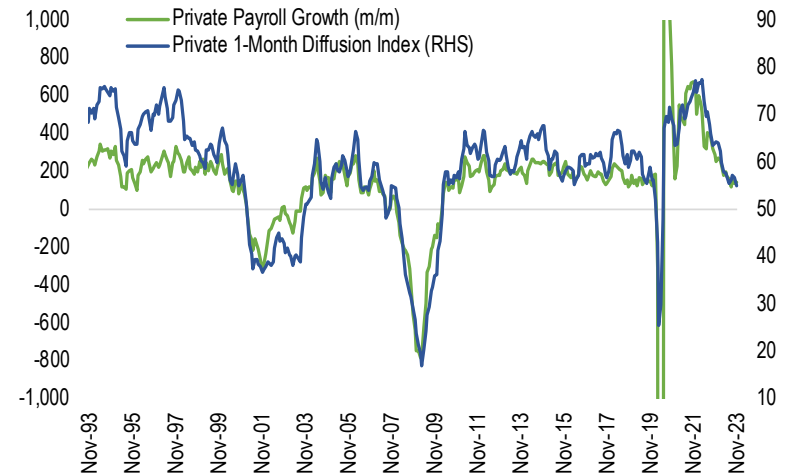
Metro	Median Sale Price Per Square Foot (y/y)		Active Listings with Price Drops		Share of Homes Sold Above List		Average Sale-to-List Ratio		Total Active Listings (y/y)	Median Days on Market vs Pre-COVID		Months' Supply vs Pre-COVID	
	Current	Year Ago	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)	Current	(Δ y/y, ppt)		Current	Year Ago	Current	Year Ago
All Redfin Metros	4.4%	4.3%	5.5%	0.4%	27%	1.6%	99%	0.4%	-6%	-15.5	-13.3	-8%	-11%
Atlanta	4.8%	7.4%	5.4%	-0.1%	24%	2.1%	99%	0.6%	-28%	-3.2	-3.2	-13%	5%
Austin	-7.8%	-4.7%	6.8%	-1.0%	11%	-1.0%	97%	0.6%	-5%	25.2	19.0	76%	81%
Baltimore	5.2%	5.6%	6.2%	0.3%	40%	6.3%	101%	0.0%	-9%	-17.3	-14.4	-33%	-32%
Boston	7.7%	2.7%	4.7%	0.0%	52%	9.4%	102%	1.3%	-17%	0.0	2.5	-12%	-6%
Chicago	9.1%	3.1%	3.2%	0.3%	33%	5.9%	99%	0.9%	-23%	6.3	14.8	-19%	-4%
Dallas	2.1%	7.6%	6.9%	-0.7%	16%	-3.7%	98%	-0.2%	-3%	-7.3	-7.8	4%	3%
Denver	-0.6%	0.9%	7.7%	-1.0%	22%	3.2%	99%	0.2%	-5%	6.4	5.5	37%	24%
Houston	0.7%	8.1%	6.8%	0.2%	14%	-1.2%	97%	0.1%	3%	-15.9	-15.8	4%	0%
Los Angeles	6.0%	1.2%	3.7%	-0.1%	46%	10.6%	101%	1.7%	-19%	-6.7	1.8	2%	21%
Miami	7.9%	11.3%	4.0%	0.8%	14%	-0.3%	96%	0.3%	-4%	-14.6	-9.3	-9%	-22%
Minneapolis	3.2%	4.0%	6.4%	1.0%	31%	1.7%	99%	0.2%	-2%	-5.5	-5.0	14%	8%
Nashville	1.0%	8.5%	4.9%	-0.2%	15%	-0.5%	98%	0.3%	-3%	0.8	-1.0	16%	8%
New York	5.5%	2.1%	3.6%	-0.8%	32%	7.0%	100%	0.8%	-15%	-24.5	-28.9	-13%	-20%
Phoenix	3.4%	0.3%	7.1%	-0.9%	17%	4.1%	98%	0.9%	-24%	0.7	12.9	31%	66%
Portland	2.5%	2.5%	5.7%	-0.4%	27%	2.5%	99%	0.2%	-6%	1.3	-3.6	43%	17%
Riverside	4.6%	2.8%	4.9%	0.0%	37%	7.5%	99%	0.9%	-23%	-15.4	-6.4	-2%	17%
San Diego	11.0%	3.2%	5.0%	-0.6%	39%	11.9%	100%	1.3%	-23%	-10.3	-0.3	-12%	-1%
Seattle	7.1%	-2.6%	5.6%	-0.9%	27%	8.2%	100%	1.6%	-26%	-4.4	3.5	12%	28%
Tampa	2.4%	10.1%	8.9%	-0.7%	13%	-2.0%	98%	0.1%	5%	-7.5	-7.4	23%	18%
Washington DC	5.7%	2.8%	4.7%	0.0%	34%	7.7%	100%	0.5%	-19%	-3.3	3.7	-6%	2%

Data as of December 3, 2023 and reflects 4-week averages.

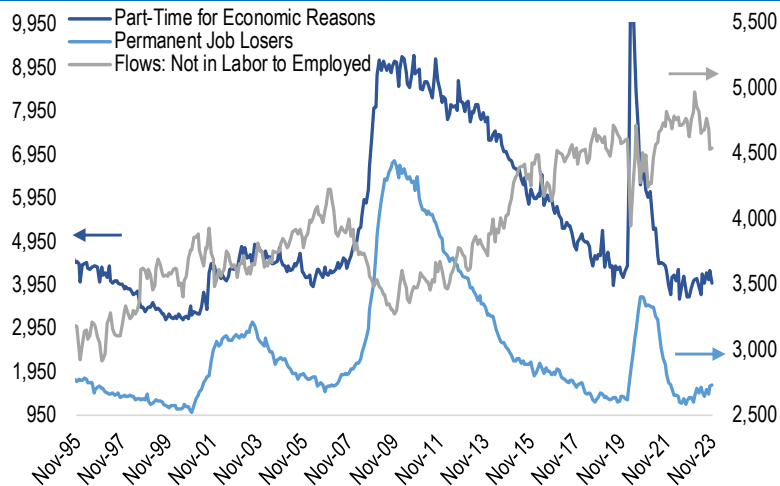
Total Payroll Gains Seemingly Moderating Toward Trend, Not Cooling Rapidly



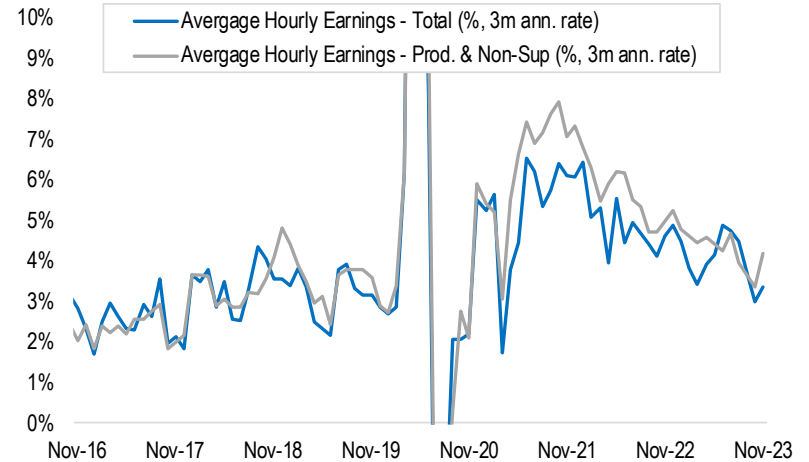
Private Payrolls and Breadth of Private Job Gains Remained Steady But on Modest Side



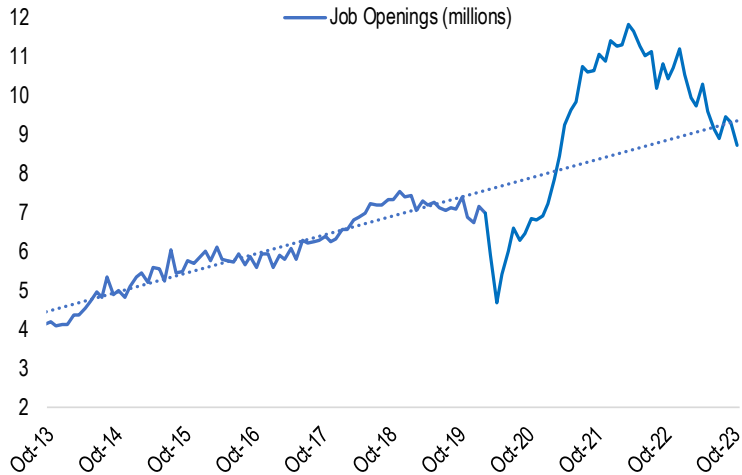
Measures of Labor Market Slack Building But Continue to Show Minimal Stress



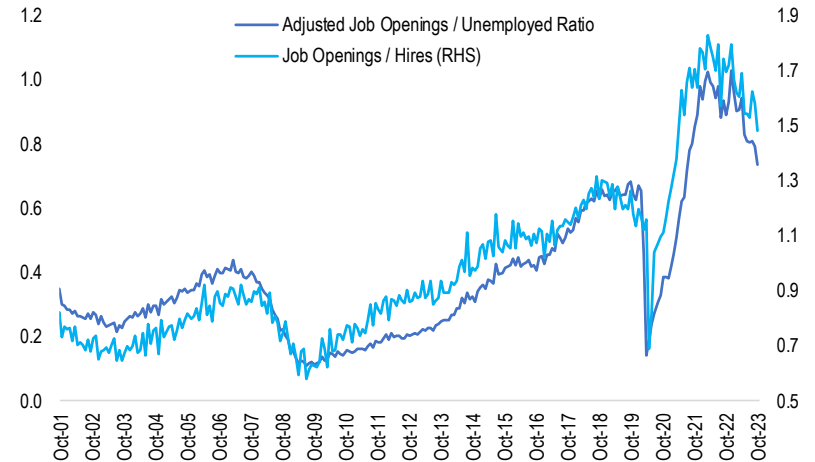
Average Hourly Earnings Growth Trending Toward Pace Conducive to Fed's 2% Inflation Target



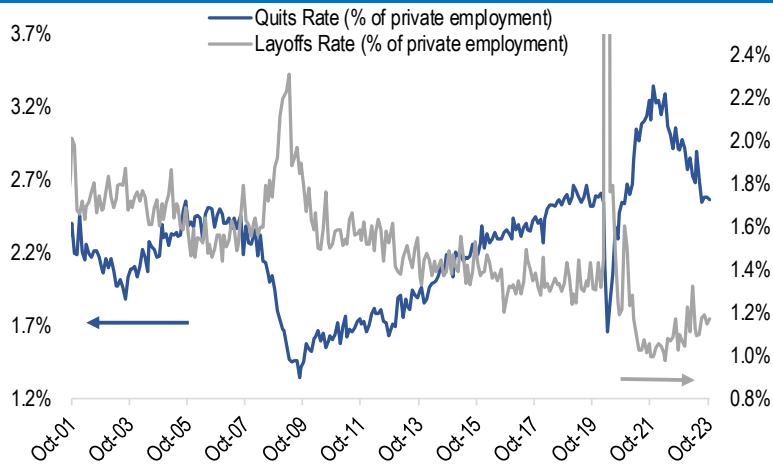
Total Job Openings Are Down -17% y/y And Have Fallen Below the Pre-Pandemic Trend



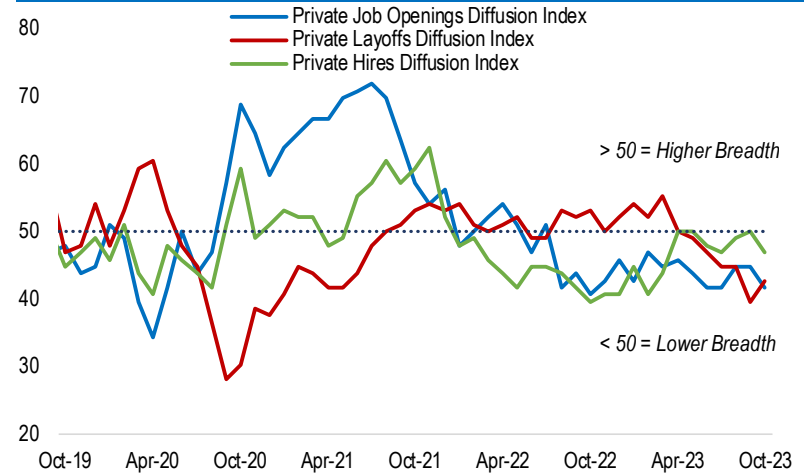
Fewer Jobs to Be Had: Number of Job Openings-to-Unemployed Hits a More than Two-Year Low



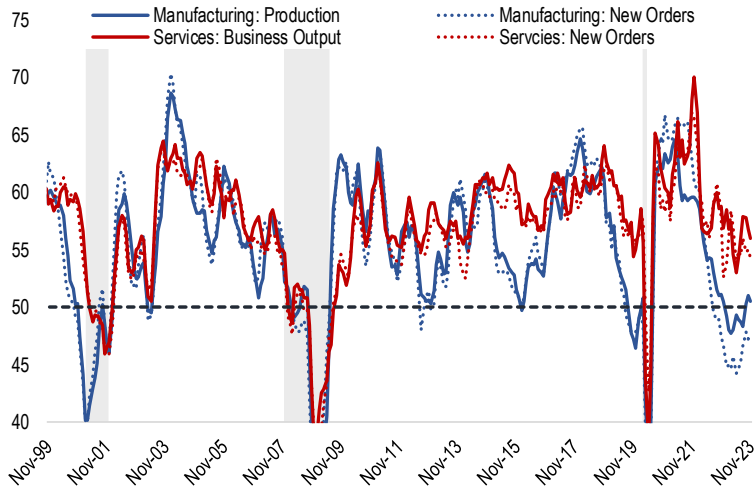
The “Jaws of Normalization” Still Point To Healthy Labor Market Turnover



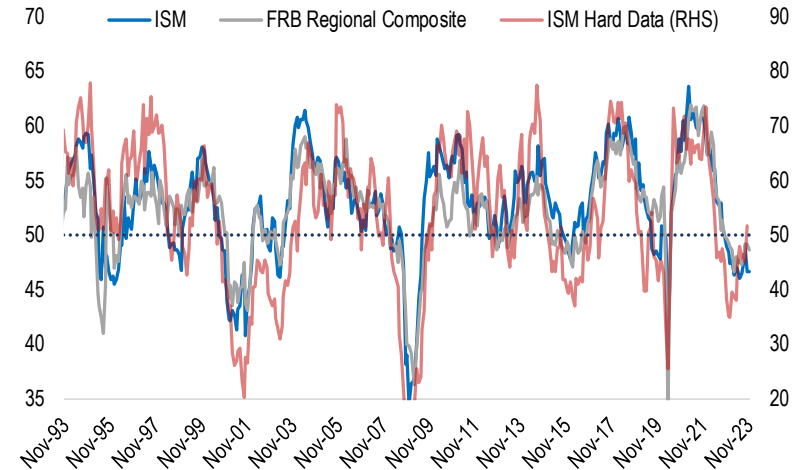
The 2022 Layoff Score has Receded While Breadth of Hiring has Narrowed Recently



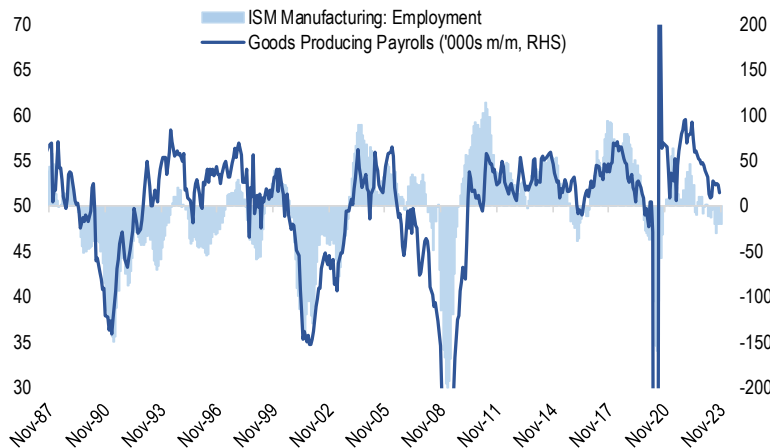
Business Output and New Orders Still Robust For Services; Manufacturing Rebounding



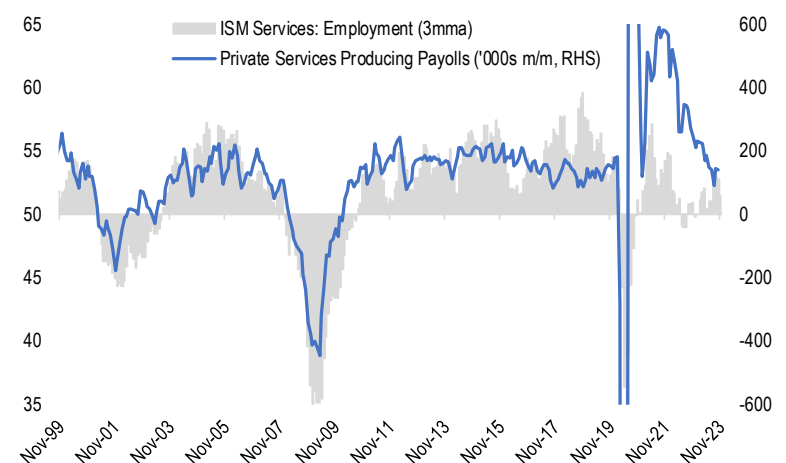
Sentiment Measures of Goods Output Have Been Weaker than Real Production



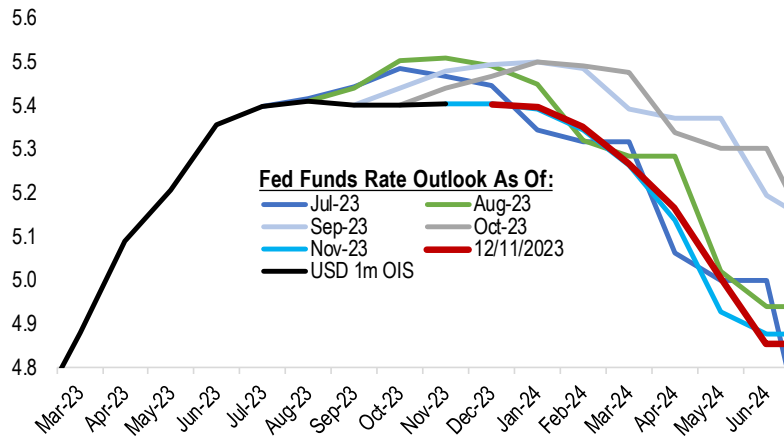
Manufacturing & Goods Producing Employment Has Been Remarkably Sticky This Rate Hiking Cycle



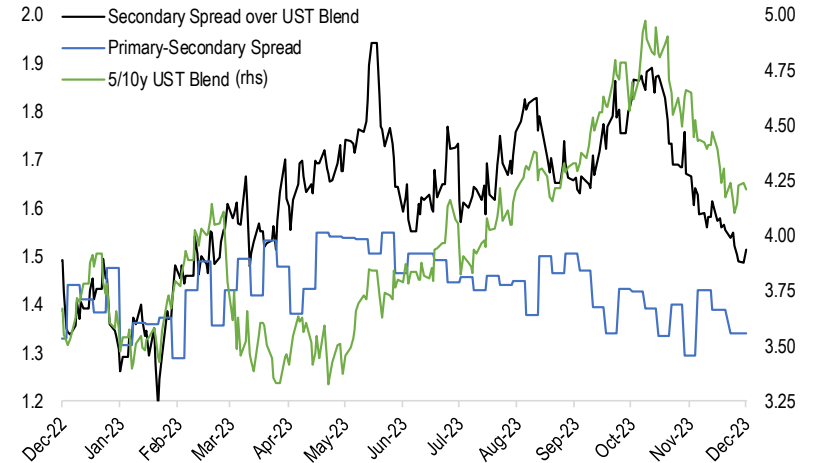
Services Employment Also Remains Resilient, For The Time Being



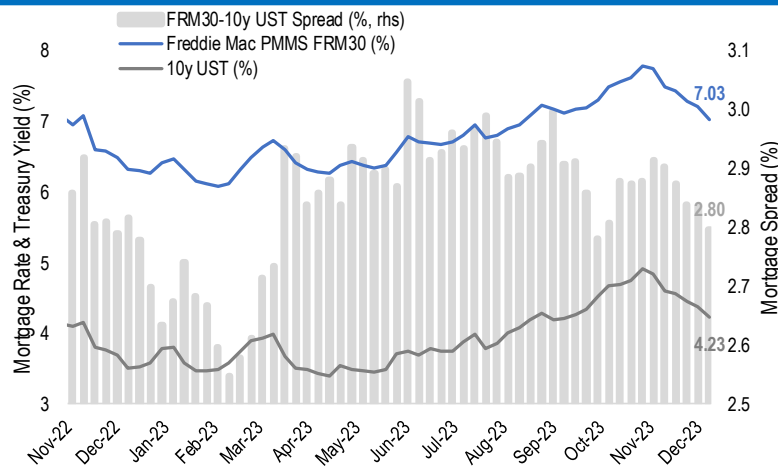
Market Now Expects First Rate Cut in March '24, Pulled Forward from May / June Just Weeks Ago



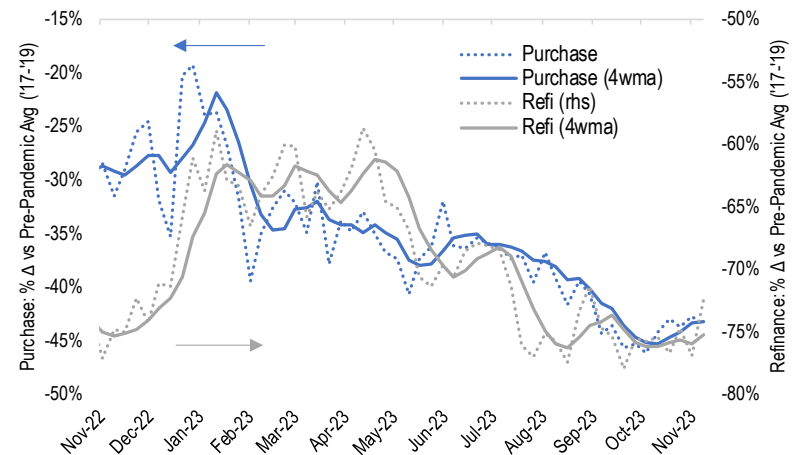
Mortgage Spreads Have Narrowed Sharply as the Timing of Rate Cuts Were Pulled Forward



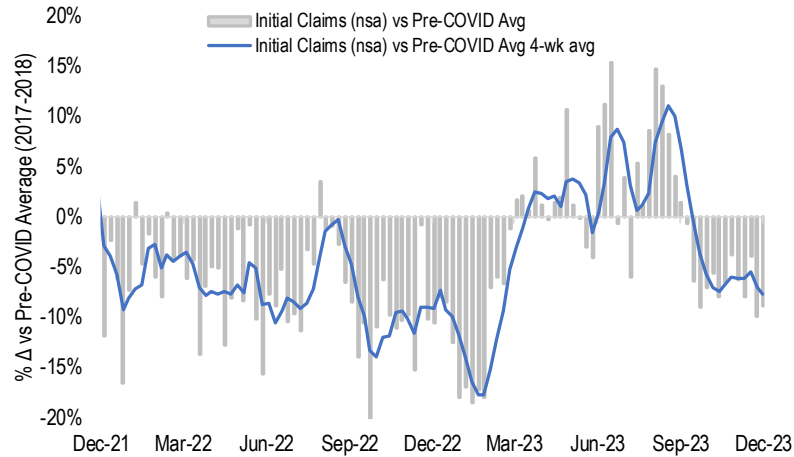
Leading to a ~80bps Drop in Mortgage Rates Over the Past 5 Weeks from ~7.8% to ~7%



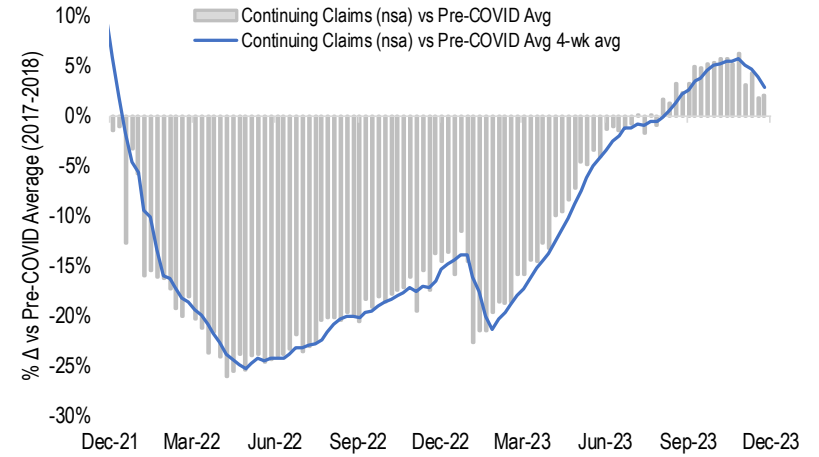
And Spurred a Modest Increase in Mortgage Purchase & Refinancing Applications



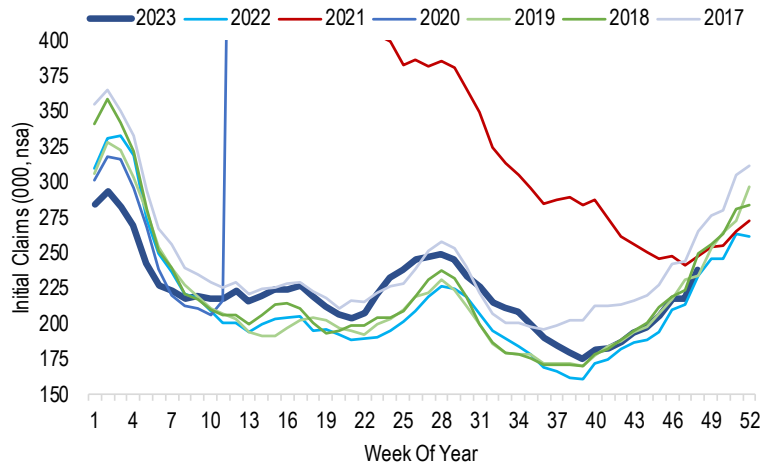
Initial Claims Have Remained Below Pre-Pandemic Norm Since Sept. and Moved Lower at End of Nov.



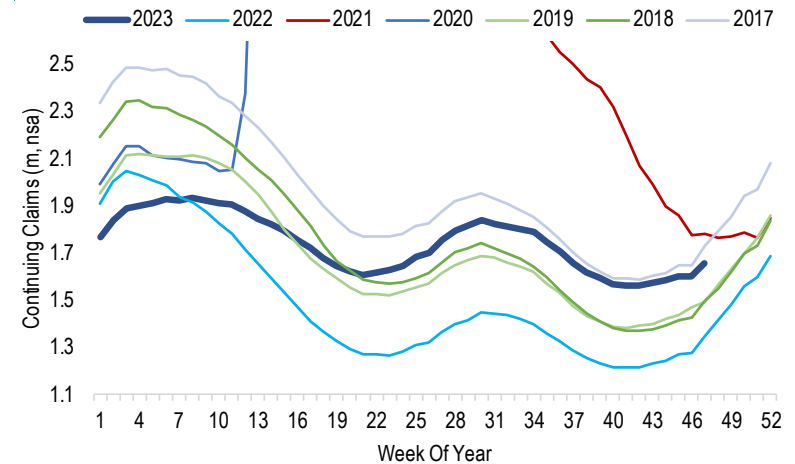
Continuing Claims Have Entered Downtrend vs Pre-Pandemic Norm Since Peaking in Late Oct.



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



Continuing Claims 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
12/4/23	Durable Goods Orders	Oct F	-5.4%	-5.4%	--	-5.4%	m/m, sa
12/4/23	Cap Goods Orders Nondef Ex Air	Oct F	-0.3%	--	--	-0.1%	m/m, sa
12/5/23	S&P Global US Services PMI	Nov F	50.8	50.8	--	50.8	index, sa
12/5/23	S&P Global US Composite PMI	Nov F	50.7	50.7	--	50.7	index, sa
12/5/23	JOLTS Job Openings	Oct	8.7	9.30	9.35	9.55	m, sa
12/5/23	ISM Services Index	Nov	52.7	52.3	--	51.8	index, nsa
12/6/23	MBA Mortgage Applications	12/1/23	2.8%	--	--	0.3%	w/w, sa
12/6/23	ADP Employment	Nov	103	130	106	113	k, m/m, sa
12/6/23	Nonfarm Productivity	3Q F	5.2%	4.9%	--	4.7%	q/q, saar
12/6/23	Unit Labor Costs	3Q F	-1.2%	-0.9%	--	-0.8%	q/q, saar
12/7/23	Initial Jobless Claims	12/2/23	220	220	219	218	k, sa
12/7/23	Continuing Claims	11/25/23	1,861	1,910	1,925	1,927	k, sa
12/7/23	Wholesale Trade Sales	Oct	-1.3%	1.0%	2.0%	2.2%	m/m, sa
12/7/23	Wholesale Inventories	Oct F	-0.4%	-0.2%	--	-0.2%	m/m, sa
12/7/23	Consumer Credit	Oct	5.1	8.50	12.23	9.06	\$B, m/m, sa
12/8/23	Nonfarm Payrolls	Nov	199	185	--	150	k, m/m, sa
12/8/23	Private Payrolls	Nov	150	159	85	99	k, m/m, sa
12/8/23	Unemployment Rate	Nov	3.7%	3.9%	--	3.9%	sa
12/8/23	Average Hourly Earnings m/m	Nov	0.4%	0.3%	--	0.2%	sa
12/8/23	Average Hourly Earnings y/y	Nov	4.0%	4.0%	4.0%	4.1%	nsa
12/8/23	Average Weekly Hours All Employees	Nov	34.4	34.3	--	34.3	sa
12/8/23	Labor Force Participation Rate	Nov	62.8%	62.7%	--	62.7%	sa
12/8/23	U. of Mich. Sentiment	Dec P	69.4	62.0	--	61.3	index, nsa
12/8/23	U. of Mich. 1 Yr Inflation	Dec P	3.1%	4.3%	--	4.5%	nsa
12/8/23	U. of Mich. 5-10 Yr Inflation	Dec P	2.8%	3.1%	--	3.2%	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)

UPCOMING DATA RELEASES

Key economic and housing data releases for the coming week:

Date	Indicator	Period	Consensus	Prior	Note
12/12/23	NFIB Small Business Optimism	Nov	90.7	90.7	index, sa
12/12/23	CPI m/m	Nov	0.0%	0.0%	sa
12/12/23	CPI Core (ex Food and Energy) m/m	Nov	0.3%	0.2%	sa
12/12/23	CPI y/y	Nov	3.1%	3.2%	nsa
12/12/23	CPI Core (ex Food and Energy) y/y	Nov	4.0%	4.0%	nsa
12/13/23	MBA Mortgage Applications	12/8/23	--	2.8%	w/w, sa
12/13/23	PPI Final Demand m/m	Nov	0.0%	-0.5%	sa
12/13/23	PPI Core (ex Food and Energy) m/m	Nov	0.2%	0.0%	sa
12/13/23	PPI Final Demand y/y	Nov	1.1%	1.3%	nsa
12/13/23	PPI Core (ex Food and Energy) y/y	Nov	2.2%	2.4%	nsa
12/13/23	FOMC Rate Decision (Upper Bound)	12/13/23	5.5%	5.5%	
12/14/23	Advance Retail Sales m/m	Nov	-0.1%	-0.1%	sa
12/14/23	Retail Sales Control Group m/m	Nov	0.2%	0.2%	sa
12/14/23	Initial Jobless Claims	12/9/23	221	220	k, sa
12/14/23	Continuing Claims	12/2/23	1,876	1,861	k, sa
12/14/23	Import Price Index m/m	Nov	-0.8%	-0.8%	nsa
12/14/23	Import Price Index y/y	Nov	-2.1%	-2.0%	nsa
12/14/23	Business Inventories m/m	Oct	0.0%	0.4%	sa
12/15/23	Empire Manufacturing	Dec	2.0	9.1	index, sa
12/15/23	Industrial Production	Nov	0.3%	-0.6%	m/m, sa
12/15/23	Capacity Utilization	Nov	79.1%	78.9%	sa
12/15/23	S&P Global US Manufacturing PMI	Dec P	49.3	49.4	index, sa
12/15/23	S&P Global US Services PMI	Dec P	50.7	50.8	index, sa
12/15/23	S&P Global US Composite PMI	Dec P	50.4	50.7	index, sa

Sources: Bloomberg Consensus Survey of Economists, Arch Global Economics