

## DAILY GLOBAL COMMENTARY

Northern Trust  
Global Economic Research  
50 South LaSalle  
Chicago, Illinois 60603  
northerntrust.com

Asha Bangalore  
[agb3@ntrs.com](mailto:agb3@ntrs.com)

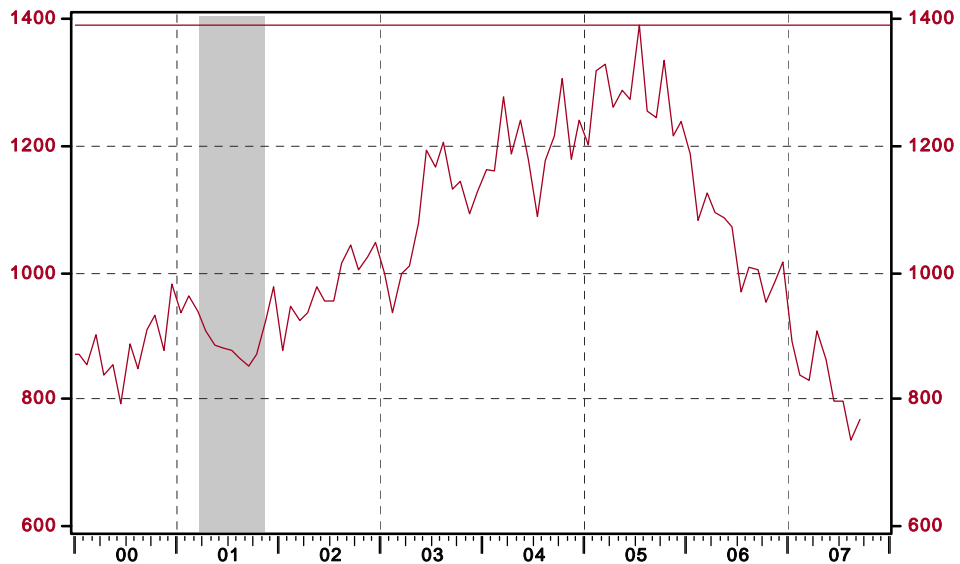
### September New Home Sales – Gain Is Suspect and Subject to Revision October 25, 2007

Sales of new single-family homes rose 4.8% to 770,000 in September, following major revisions to sales estimates in the June-August period which amounted to a net downward revision of 167,000. Although there was a small increase in purchases of new homes in September, the level of home sales in September is far below the earlier estimate of home sales in August (795,000 original estimate vs. current estimate of 735,000). On a year-to-year basis, sales of new single-family homes are down 25.0% from a year ago and 45% lower than the peak sales mark of 1.389 million in July 2005. The increase in home sales during September is suspect because major homebuilders such as Centex and Pulte and other minor builders announced losses this week, and reportedly wrote down billions of dollars pertaining to the value of land they own and slashed down prices of homes.

Chart 1

#### New 1-Family Houses Sold: United States

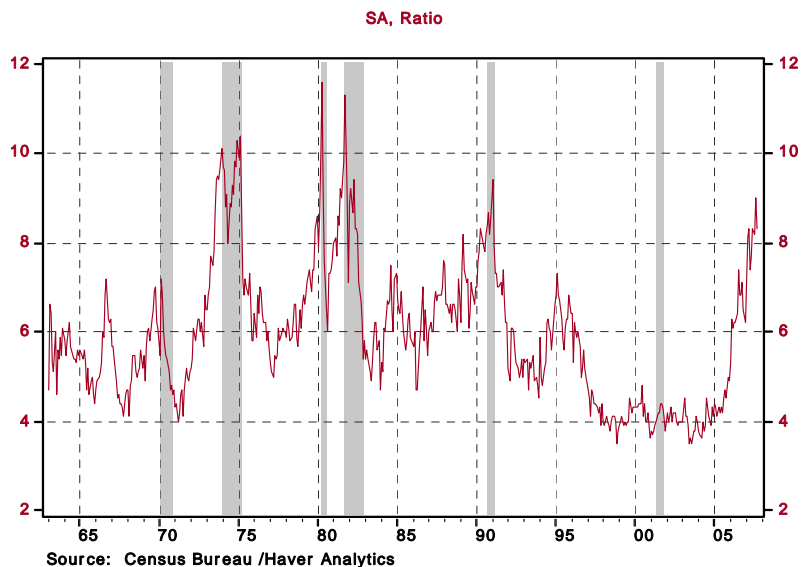
SAAR, Thous



Source: Census Bureau /Haver Analytics

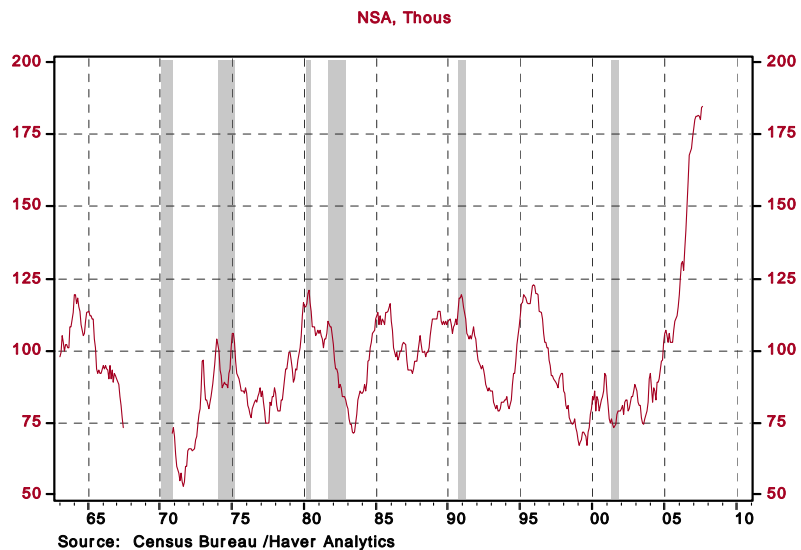
Inventories of unsold homes are holding at a high level of 8.3 months, but down slightly from the 9.0-month reading of August.

Chart 2  
New 1-Family Houses For Sale: Months Supply



The number of completed homes for sale moved up 16.4% from a year ago, representing a significant improvement from readings that were upwards of 50% in late-2006. The seasonally unadjusted level of completed homes for sale was at a record high mark (see chart 3)

Chart 3  
New 1-Family Houses For Sale: Completed Units

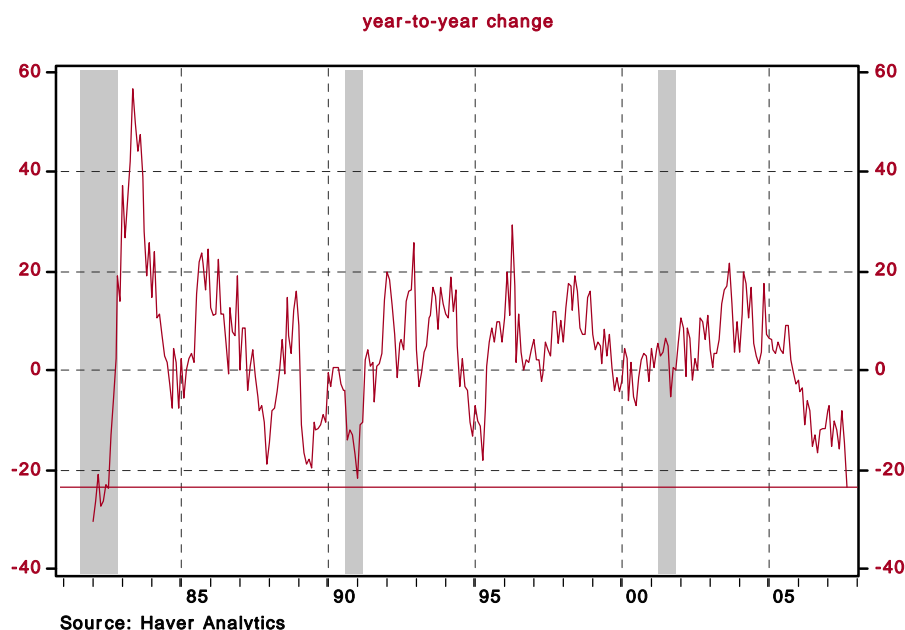


The median price of a new single-family home increased 5.0% on a year-to-year basis to \$238,000 in September. The gain could be reflecting the fact the homes sold were in the West (+37.7%) where prices are higher than other regions, while home sales dropped in the other regions of the nation.

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

Combined sales of new and existing single-family homes fell 23.5% in September, the largest drop since early-1982 (see chart 4). Sales of new and existing homes appeared to be stabilizing in the early months of 2007 with single-digit year-to-year declines but the situation in recent months has changed significantly.

Chart 4  
**Combined Sales of New and Existing Single-Family Homes**



Excess supply in the housing market continues to climb, which points to lower home prices in the near term. An unfortunate confluence of factors such as growing inventories of unsold homes, tightening mortgage standards, and weak employment conditions are working together to restrain home sales, with no improvement in sight.

### Wilting Durable Goods Orders - Precursor of More to Come?

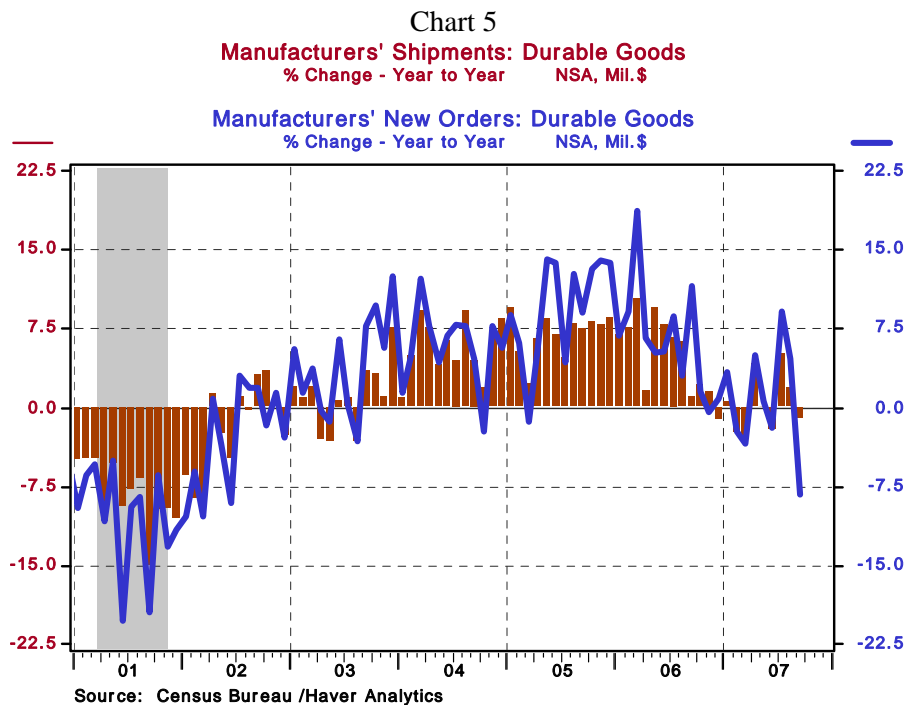
Durable goods orders fell 1.7% in September, following a 5.3% drop in the prior month. The 38.7% drop in orders of durable defense items was the major cause for the drop in durable goods orders. Excluding defense, bookings of durable goods increased only 0.7%. Orders of non-defense capital goods rose 4.4% in September after a 12.2% decline.

#### DURABLE GOODS ORDERS - % CHANGE M-M

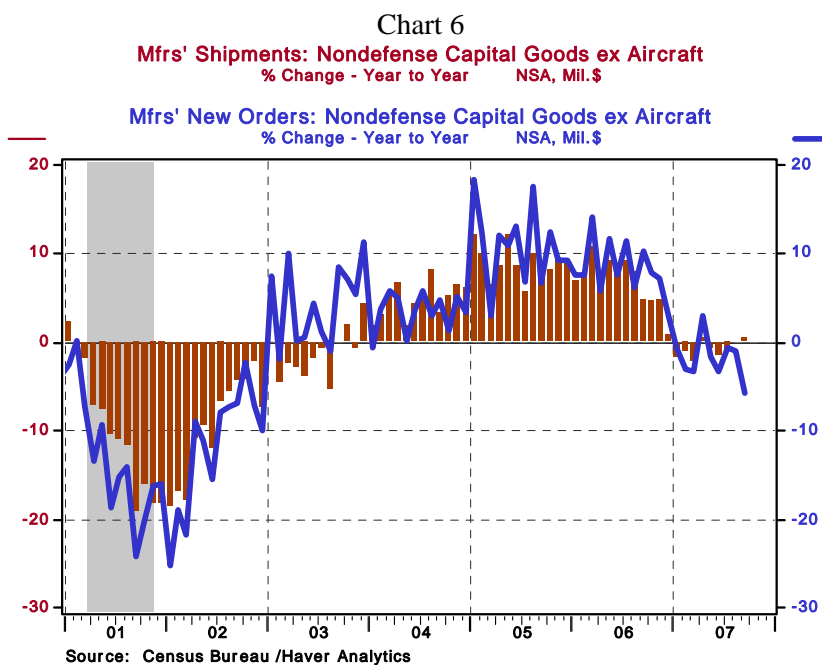
DATE	TOTAL	DEFENSE	NON-DEFENSE CAPITAL GOODS	NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT	COMPUTERS AND ELECTRONIC PRODUCTS
Apr-07	1.0	-0.2	-0.3	2.0	1.2
May-07	-2.4	7.2	-6.8	-1.5	5.3
Jun-07	1.8	-13.9	6.3	-0.2	-4.9
Jul-07	5.9	45.7	4.8	0.9	6.1
Aug-07	-5.3	4.7	-12.2	-0.1	-2.0
Sep-07	-1.7	-38.7	4.4	0.4	-1.4

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

The more troubling issue is the fact that both orders (-8.4%) and shipments (-1.1%) of durable goods are weak on a year-to-year basis (see chart 5).



Orders and shipments of non-defense capital goods excluding aircraft, the less volatile component of durable goods, also send a similar message (see chart 6)



The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.

**DURABLE GOODS SHIPMENTS- % CHANGE M-M**

<u>DATE</u>	<u>TOTAL</u>	<u>NON-DEFENSE CAPITAL CAPITAL GOODS</u>	<u>NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT</u>	<u>COMPUTERS AND ELECTRONIC PRODUCTS</u>
Apr-07	2.0	1.1	0.9	8.9
May-07	0.2	0.7	0.7	-2.4
Jun-07	-1.1	-0.5	-0.8	-4.1
Jul-07	4.0	1.0	0.0	2.6
Aug-07	-1.9	1.6	1.8	0.6
Sep-07	-2.0	0.2	1.0	-2.9

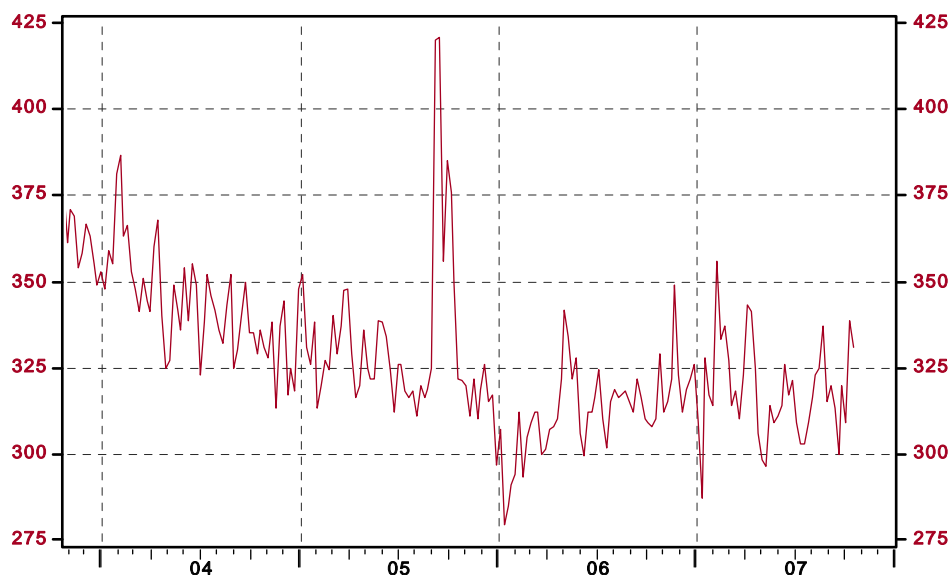
**Jobless Claims Remain on Weak Side**

Initial jobless claims fell 8,000 to 331,000 during the week ended October 20. Seasonally unadjusted initial jobless claims moved up 5.0% from a year ago, marking the seventh weekly reading that is positive in the past twelve weeks. Continuing claims, which lag initial claims by one week, rose 7,000 to 2.530 million and the insured unemployment rate held steady at 1.9%. The main message is that additional readings of initial jobless claims upwards of 320,000 should leave the markets and Fed more concerned about the already weak labor market.

Chart 7

**Unemployment Insurance: Initial Claims, State Programs**

SA, Thous



Source: Department of Labor /Haver Analytics

The opinions expressed herein are those of the author and do not necessarily represent the views of The Northern Trust Company. The Northern Trust Company does not warrant the accuracy or completeness of information contained herein, such information is subject to change and is not intended to influence your investment decisions.