

DAILY GLOBAL
COMMENTARY

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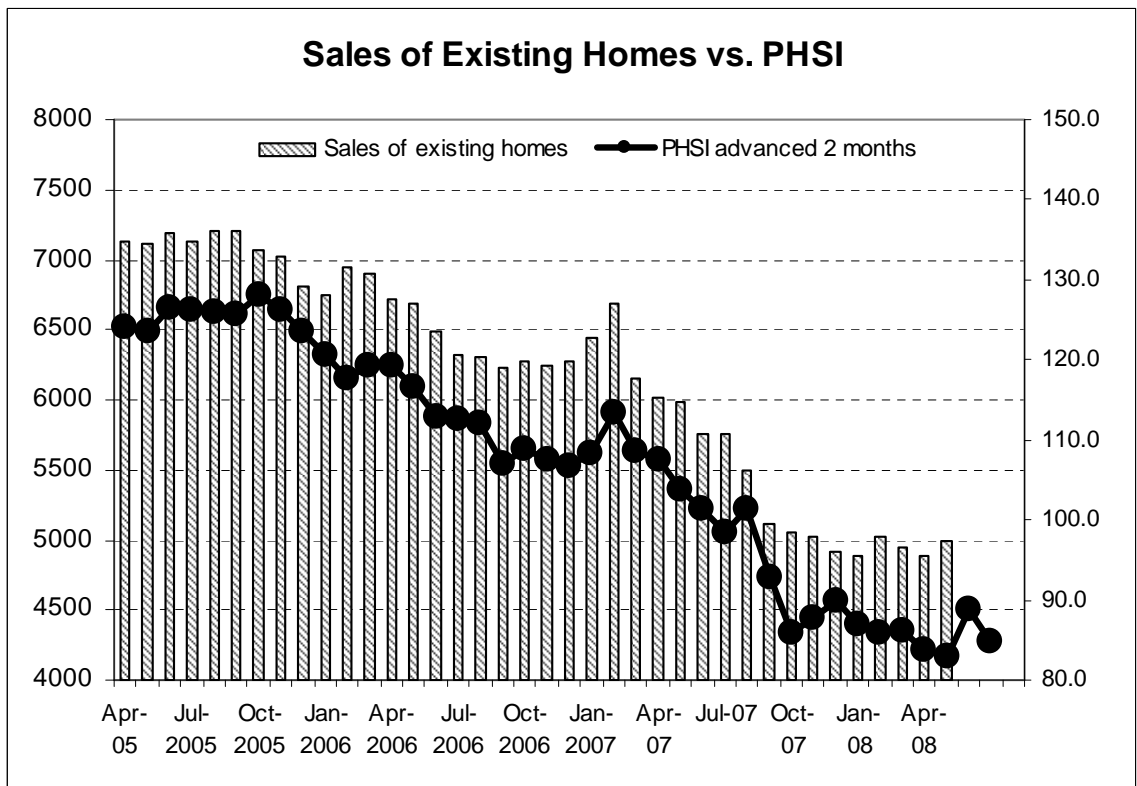
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Bearish Economic News from Housing and Small Business Sectors

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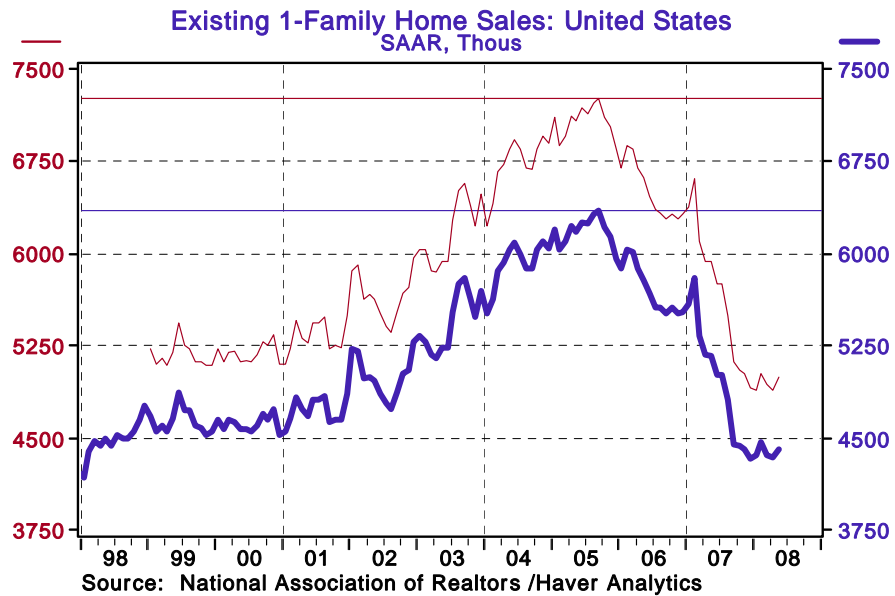
The Pending Home Sales Index (PHSI) of the National Association of Realtors for May fell to 84.7 in May from 88.9 in April. An 83.0 reading in March was the lowest in the short history of the index which begins in 2005. The decline in the PHSI in May suggests that sales of existing homes are likely to show a decline in the June/July period. The small increase in the PHSI in April was indicative of the 2.0% increase in sales of existing homes in May.

Chart 1



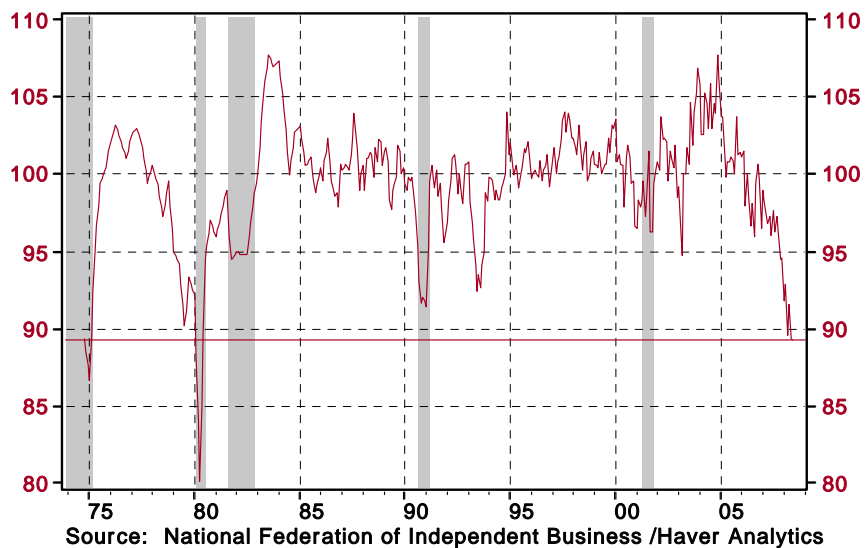
The main message is that the bottom of home sales is not here after sales of existing homes peaked in September 2005 (see chart 2). The fact that there is a large inventory of unsold homes in the marketplace suggests that additional declines of home prices should follow. The weak labor market is indicative of prolonged adjustments in the housing market before a recovery will emerge.

Chart 2
NAR Total Existing Home Sales, United States
 SAAR, Thous



In other news, the National Federation of Independent Business (NFIB) survey for June showed an optimism index (89.2) at the lowest level since April 1980 (see chart 3).

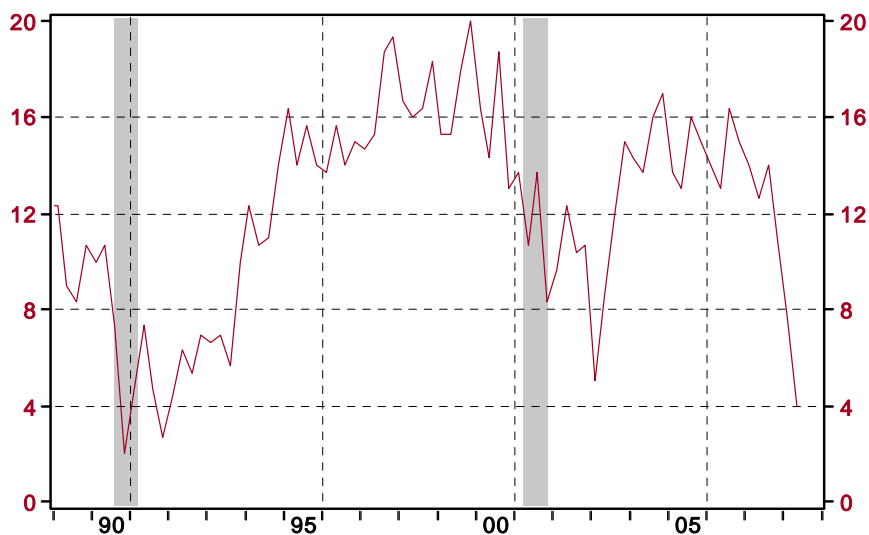
Chart 3
NFIB: Small Business Optimism Index
 SA, 1986=100 (I)



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On a monthly basis, only 5% of firms indicated plans to increase payrolls during June, following a cycle low of 2% in May. On a quarterly basis, only 4% of firms planned on expanding payrolls in the second quarter, the lowest count since the first quarter of 1991 (see chart 4). Indexes tracking the number of firms planning to raise capital expenditure and plans to expand business were the lowest since the 1982 recession. The overall message from the survey is that business conditions remain problematic for small businesses.

Chart 4
NFIB: Percent Planning to Increase Employment, Net
 SA, %



Source: National Federation of Independent Business /Haver Analytics

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