

DAILY GLOBAL
COMMENTARY

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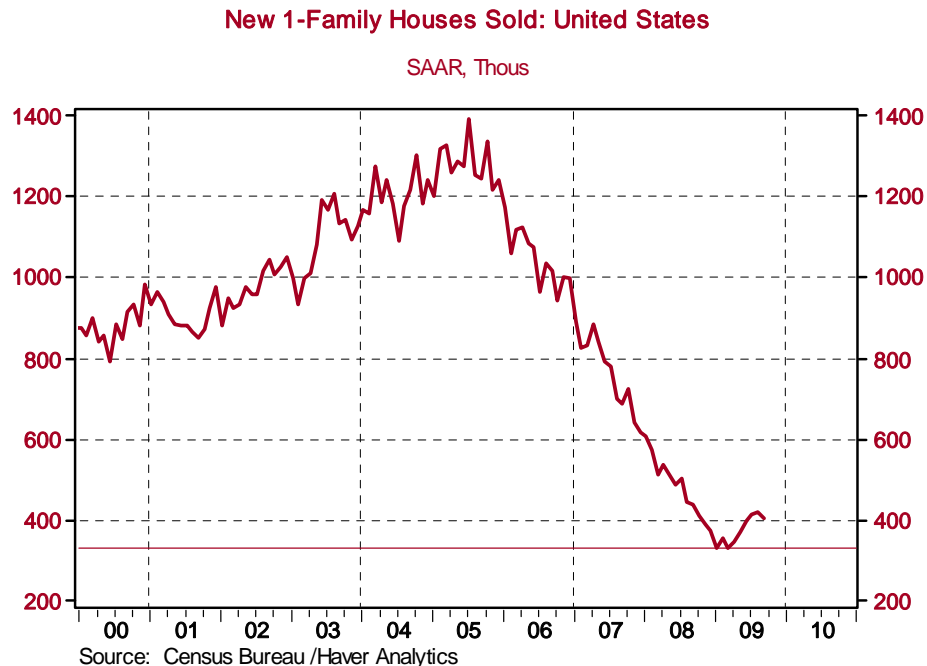
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Sales of New Homes Decline, but Inventories and Prices remain Favorable

October 28, 2009

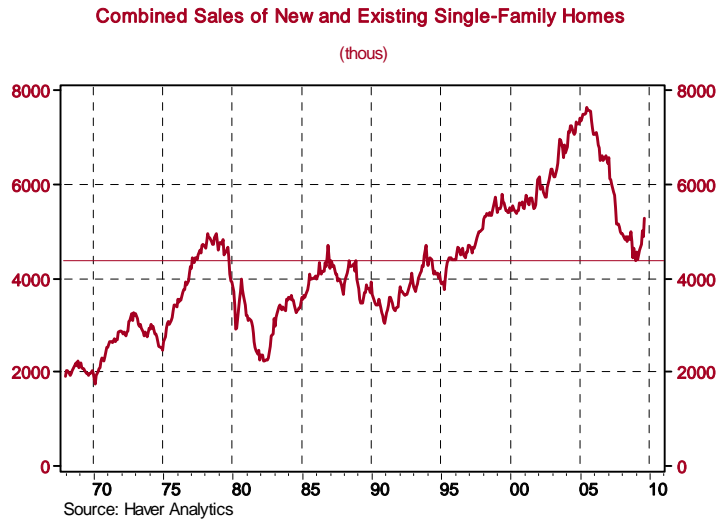
Sales of new single-family homes fell 3.6% to an annual rate of 402,000 in September after a downwardly revised gain in August. Sales of new homes dropped in the South (-10%) and West (-10.6%) which more than offset the 34% gain in the Midwest. Sales of new homes held steady in the Northeast. Sales of new single-family have moved up 22% from the cycle low reading of 329,000 in January 2009.

Chart 1



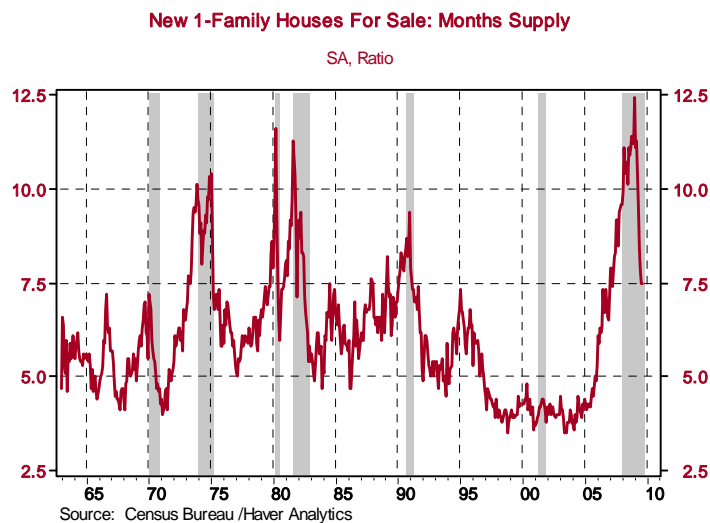
It appears that existing homes inclusive of distressed properties were more attractive for new homeowners compared with new single-family homes in September. Sales of existing homes increased 9.4% in September. The combined sales of new and existing single-family homes have risen in six out of the last nine months and are about 21% above the cycle low seen in January 2009.

Chart 2



Inventories of unsold new single-family homes have declined from a peak of 12.4-month supply in January 2009 to 7.5-months in the August-September period. The inventory-sales ratio was unchanged at the 7.5-month mark in September. The historical median of inventory of unsold new single-family homes is a 6 month supply.

Chart 3



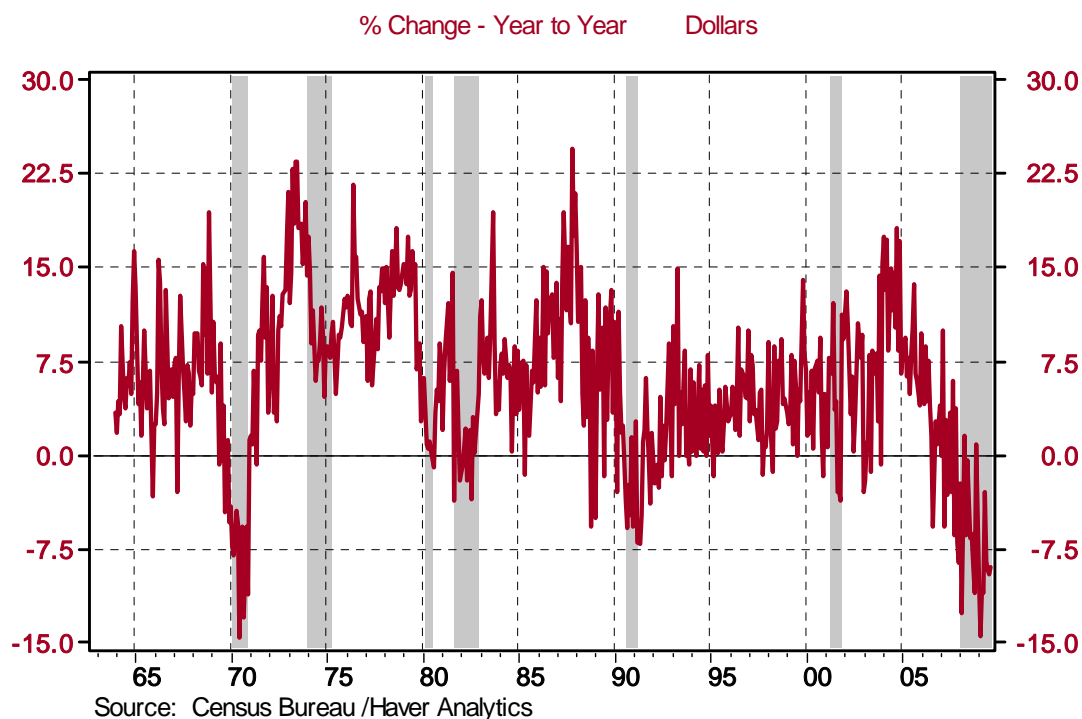
The median price of a new single-family home fell 9.1% from a year ago to \$204,800 in September, representing a noticeable deceleration in the pace of price declines. Additional

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reductions in price, but at a slower pace are likely, given the large number of homes that are unsold. There will be setbacks and gains in the housing sector but the net result should be positive in the months ahead.

Chart 4

New 1-Family Houses: Median Sales Price



Durable Goods Orders – Mixed Performance in Third Quarter

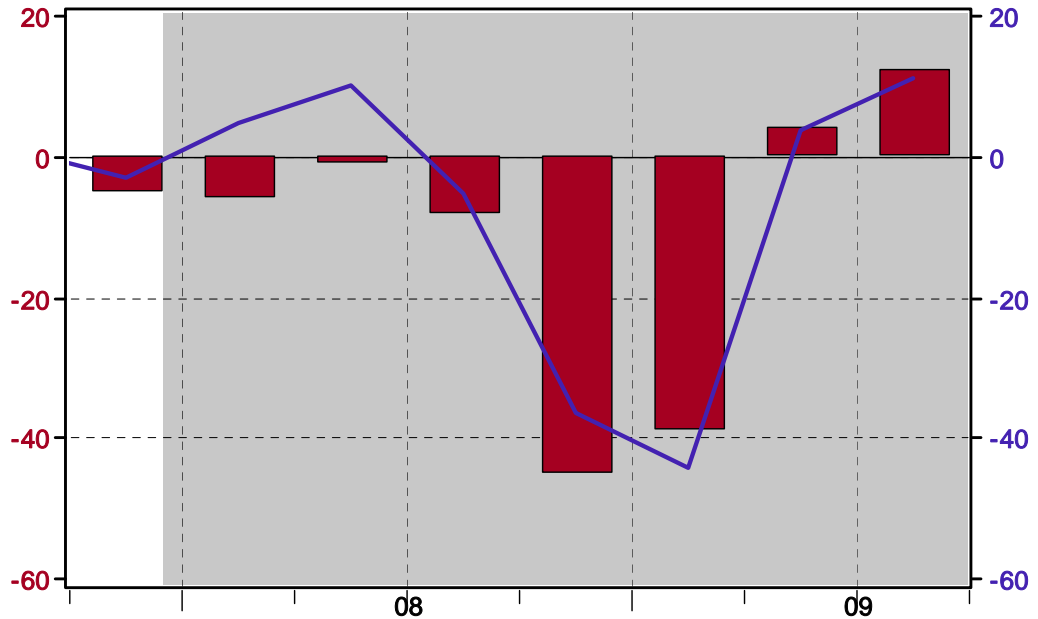
Orders of durable goods rose 1.0% in September after a 2.6% drop in August. In the third quarter, overall orders of durable goods rose at an annual rate of 12.3%, after a 4.00% gain in the second quarter following substantial declines in the fourth quarter of 2008 and the first quarter of 2009. A similar picture of recovery is applicable to orders of non-defense capital orders excluding aircraft (see chart 5).

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Chart 5

Manufacturers' New Orders: Durable Goods
 % Change - Annual Rate SA, Mil.\$

Mfrs' New Orders: Nondefense Capital Goods ex Aircraft
 % Change - Annual Rate SA, Mil.\$



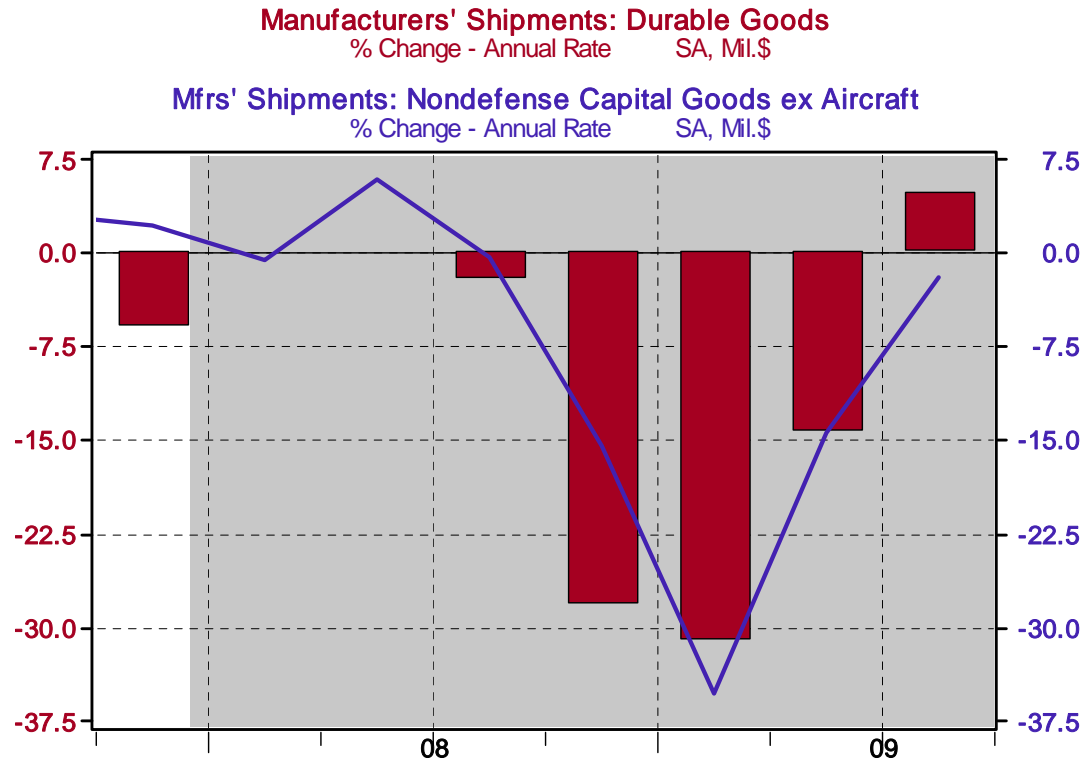
Sources: Census Bureau /Haver Analytics

DURABLE GOODS ORDERS - % CHANGE M-M					
<u>DATE</u>	<u>TOTAL</u>	<u>DEFENSE</u>	<u>NON-DEFENSE CAPITAL</u>	<u>NON-DEFENSE CAPITAL</u>	<u>COMPUTERS AND</u>
			<u>GOODS</u>	<u>GOODS EX-AIRCRAFT</u>	<u>ELECTRONIC PRODUCTS</u>
Mar-09	-2.2	-11.1	-1.0	-1.4	1.5
Apr-09	1.4	28.8	-3.5	-3.5	-3.5
May-09	1.3	7.1	9.1	4.3	2.4
Jun-09	-1.1	-29.5	-0.2	3.8	1.5
Jul-09	4.8	15.9	7.0	-1.3	1.6
Aug-09	-2.6	0.7	-7.7	-0.8	-1.3
Sep-09	1.0	10.0	2.5	2.0	-0.2

Shipments of durable goods rose at an annual rate of 4.8% in the third quarter, reflecting a 0.8% increase in September. Total shipments have advanced for the first time since the third quarter of 2008. However, shipments of non-defense capital goods excluding aircraft, the proxy for capital spending in the GDP report were down at an annual rate of 1.9% in the third quarter (inclusive of 0.2% drop in September). The GDP report for the third quarter will be published on October 29 which will offer more insights.

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Chart 6



Sources: Census Bureau /Haver Analytics

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>
Mar-09	-1.9	-0.9	-1.7	-1.0
Apr-09	-0.7	-2.8	-2.9	3.0
May-09	-2.7	-1.0	-0.4	-2.6
Jun-09	0.8	1.1	1.4	0.6
Jul-09	2.3	0.6	0.3	7.9
Aug-09	-1.4	-2.6	-2.2	-2.8
Sep-09	0.8	2.2	-0.2	-3.6

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