

DAILY GLOBAL
COMMENTARY

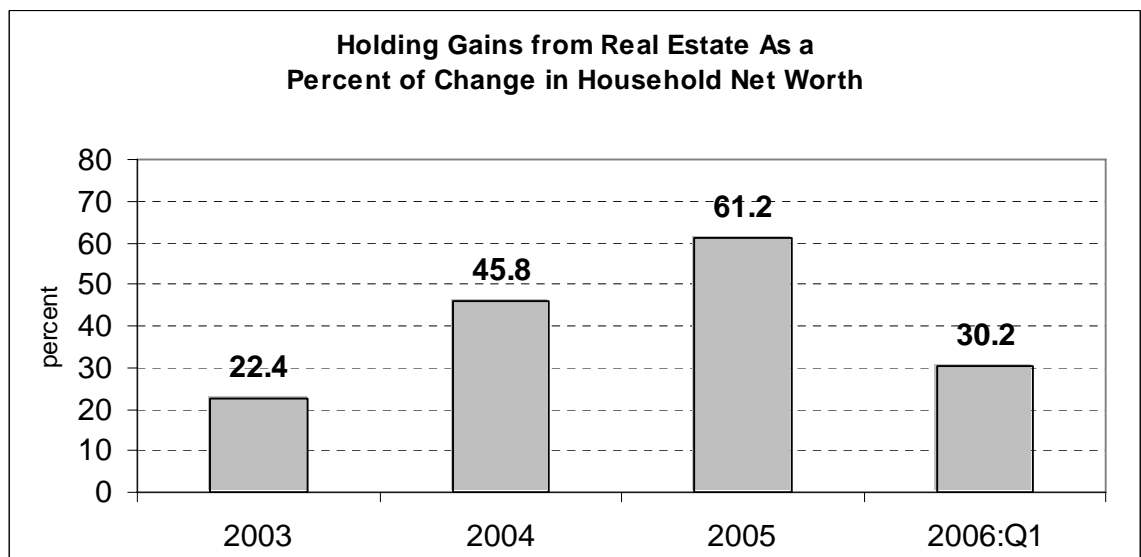
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Net worth of Households and Real Estate

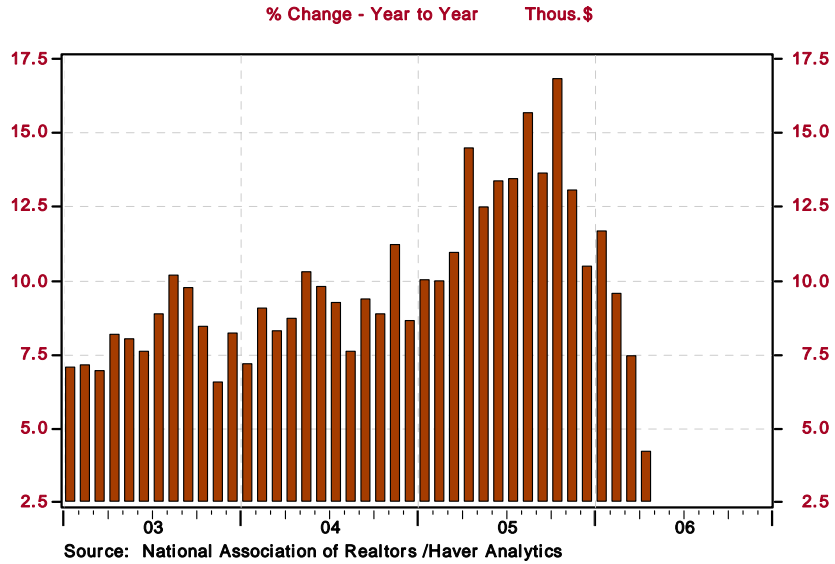
June 8, 2006

Net worth of households rose \$1.4 trillion in the first quarter of 2006 to \$52.4 trillion. Not surprisingly, holding gains of asset made up the bulk of the cause for a higher net worth. The good news was that holding gains made up 94.0% of the change in net worth of households vs. situations when it exceeded the change in net worth as in third quarter of 2005. During 2005, real estate holding gains accounted for 61.2% of holding gains, after a 45.8% share in 2004. The outlook for 2006 is that the contribution of real estate holding gains should be smaller than in the prior two years. In the first quarter of 2006, holding gains from real estate made up 30.2% of all holding gains. The housing market data indicate a significant moderation in home prices.



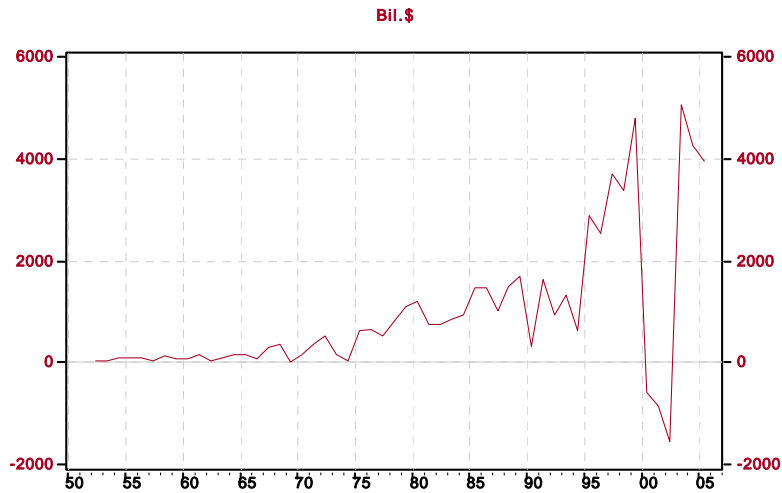
The median price of all existing homes rose only 4.2% from a year ago in April vs. 14.4% increase in April 2005 and a 12.9% increase in all of 2005. Given the rapid increase in the inventory of unsold homes in recent months, further gains in home prices are most likely to be modest. This scenario implies smaller increases in real estate holding gains and a smaller contribution to overall net worth of households.

NAR Median Sales Price: Total Existing Homes, United States



If other assets don't make up with offsetting sharp gains in 2006, the change in net worth of households in 2006 could be the third consecutive year when net worth rose but by a smaller amount than the prior year. May be this trend would eventually trigger households to save from their disposable income.

Households, Nonprofit Organizations: Change in Net Worth

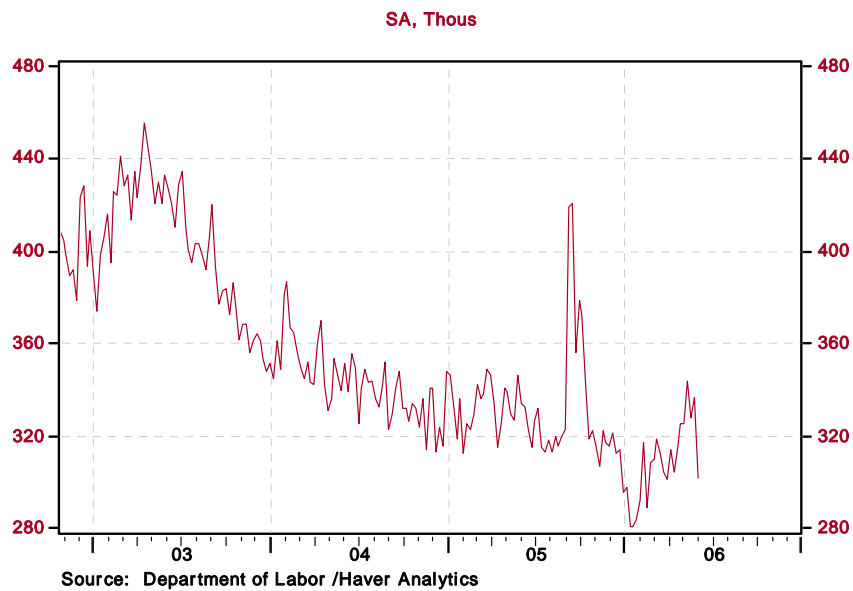


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Holiday Distorts Jobless Claims Tally

Initial jobless claims fell 35,000 to 302,000 during the week ended June 3. The Memorial Day holiday has distorted the tally on initial jobless claims. One week's reading is inadequate to get a handle on June employment numbers. Continuing claims, which lag initial claims by one week, declined 5,000 to 2.415 million, and the insured unemployment rate held steady at 1.9%.

Unemployment Insurance: Initial Claims, State Programs



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