

DAILY GLOBAL COMMENTARY

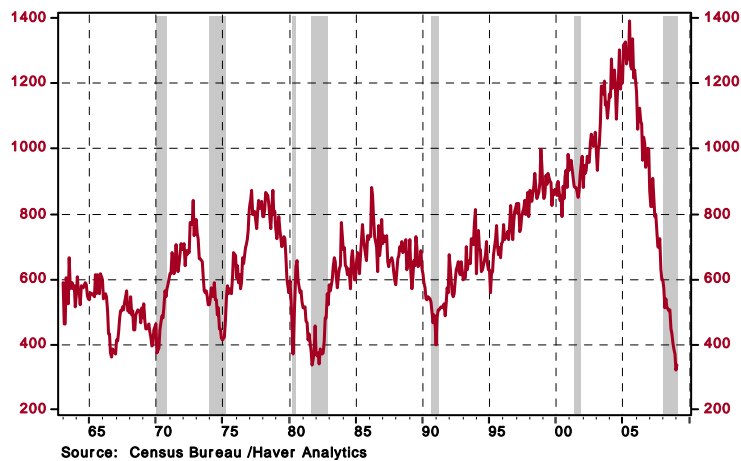
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**New Home Sales – Notable Pickup in Sales, but More is Necessary**  
*March 25, 2009*

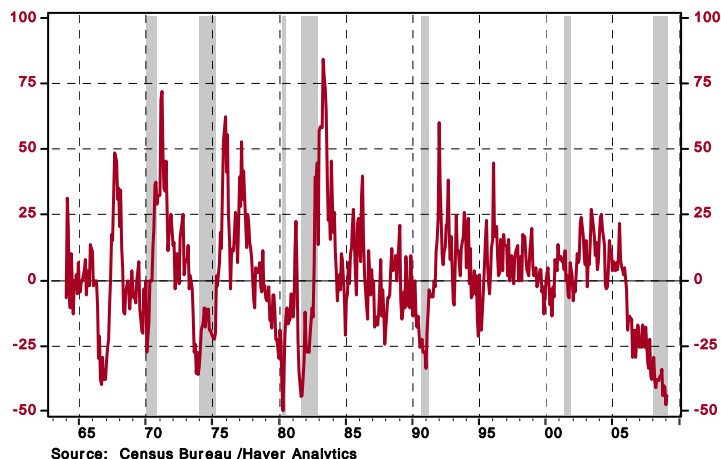
Sales of new homes rose 4.7% to an annual rate of 337,000, following an upward revision of sales in January and December. On a regional basis, sales of new homes increased in the South (+9.7%) and West (+6.6%) but fell in the Northeast (-3.3%) and Midwest (-9.1%). The fact that sales advanced in February is noteworthy but additional monthly gains will be necessary to reduce the inventory of unsold new homes and bring about stability in this sector.

Chart 1  
New 1-Family Houses Sold: United States  
SAAR, Thous



Sales of new single-family homes are down 43.8% in February from a year ago, after a 47.7% plunge in January. Sales of new homes have dropped 75.7% from the peak in July 2005. The trough for new home sales appears to be January 2009 (see table 1), for now.

Chart 2  
New 1-Family Houses Sold: United States  
% Change - Year to Year NSA, Thous



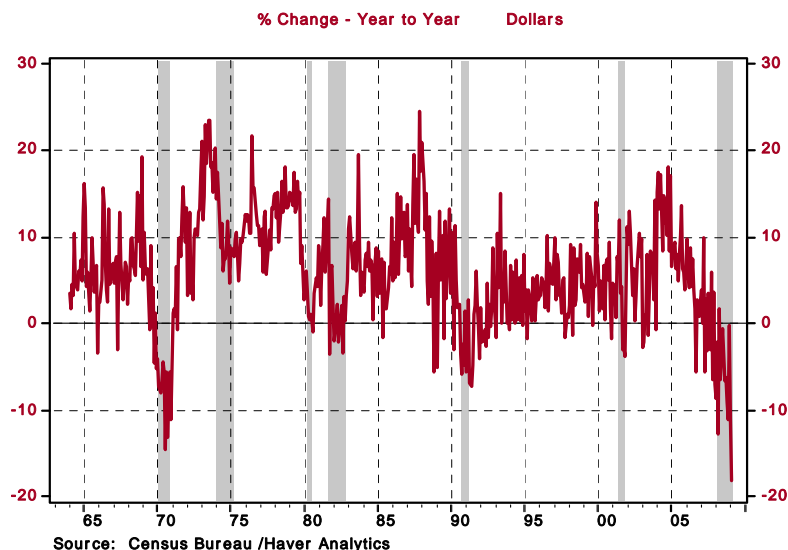
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**Table 1 Sales of New Homes across Business Cycles**

Recession - Economy	Peak of Sales		Trough of Sales		Peak-to-trough change (percent)
	New Single-Family Homes Date	000s units	New Single-Family Homes Date	000s units	
Dec. 69-Nov.70	Feb-69	524	Feb-70	373	-28.82%
Nov. 73-Mar.75	Oct-72	843	Jan-75	416	-50.65%
Jan.80-Jul. 80	Oct-78	872	Apr-80	370	-57.57%
Jul.81-Nov. 82	Aug-80	659	Apr-82	339	-48.56%
Jul. 90-Mar.91	Jul-89	731	Jan-91	401	-45.14%
Mar. 01-Nov. 01	Dec-00	983	Sep-01	853	-13.22%
Current cycle	Jul-05	1389	Jan-09	322	-76.82%
			Feb-09	337	-75.74%

The median price of a new single-family home declined 18.1% from a year ago in February, the largest year-to-year drop on record (see chart 3). The median price of a new single-family home has fallen 23.5% from the peak in March 2007, also the largest peak-to-trough decline on record (see table 2).

**Chart 3**  
**New 1-Family Houses: Median Sales Price**



Source: Census Bureau /Haver Analytics

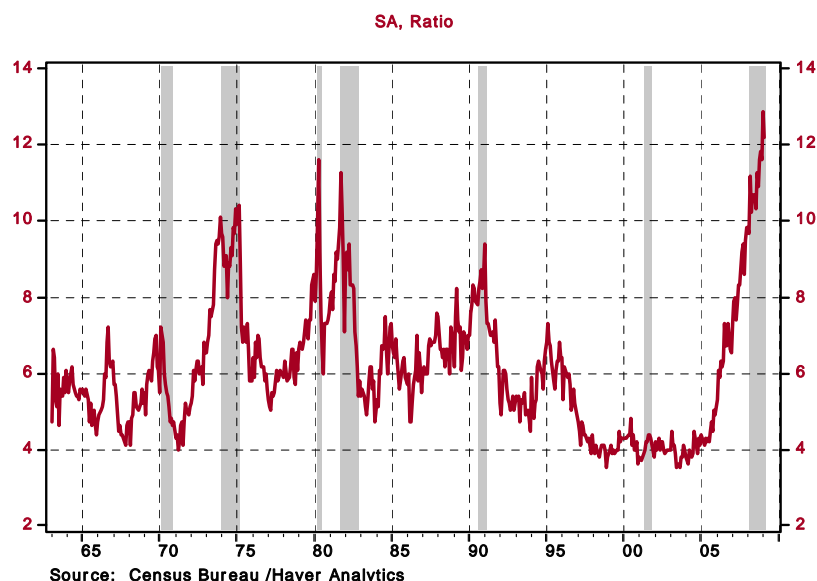
**Table 2 Median Price of a New Single-Family Home across Business Cycles**

Recession - Economy	Peak of Median Price		Trough of Median Price		Peak-to-trough change (percent)
	Single-Family New Home Date	\$	Single-Family New Home Date	\$	
Dec. 69-Nov.70	May-69	26,900	Oct-70	22,100	-17.84%
Nov. 73-Mar.75	Dec-73	35,700	Jan-74	34,200	-4.20%
Jan.80-Jul. 80	Sep-79	66,000	Dec-79	61,500	-6.82%
Jul.81-Nov. 82	Aug-81	72,600	Feb-82	65,700	-9.50%
Jul. 90-Mar.91	Apr-90	130,000	May-92	113,000	-13.08%
Mar. 01-Nov. 01	Dec-01	180,200	Sep-01	166,400	-7.66%
Current cycle	Mar-07	262,600	Feb-09	200,900	-23.50%

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Additional declines in prices of new homes are nearly certain given the large inventory of unsold new homes (see chart 4). The good news is that the inventory unsold homes fell slightly to a 12.2-month mark from the record high of 12.9 months in January.

Chart 4  
New 1-Family Houses For Sale: Months Supply



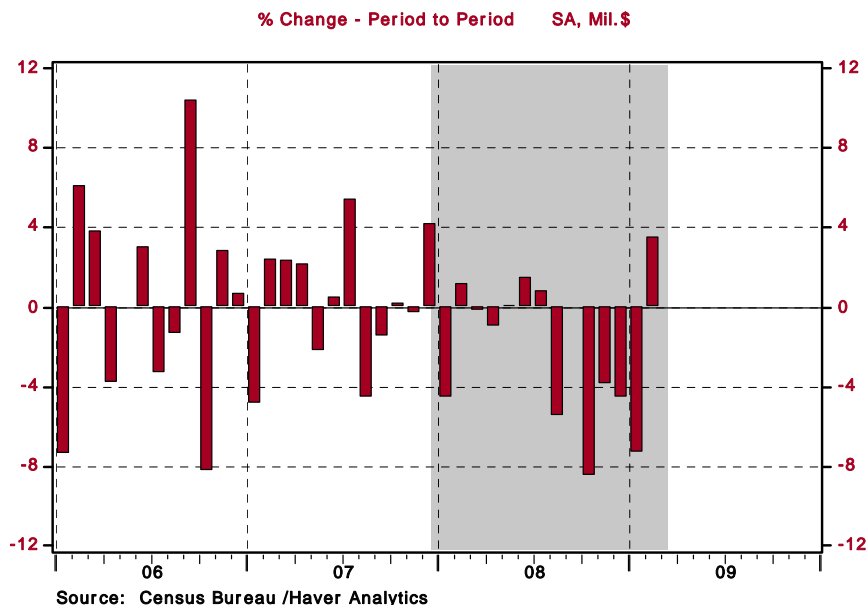
### Durable Goods Orders – Glimmer of Strength Emerges but it is Tentative

Orders of durable goods increased 3.4% in February after a downwardly revised drop in January of 7.3% (originally estimated as a 4.5% decline). The 35.3% increase in orders of defense items and the 6.6% jump in bookings of non-defense capital goods excluding aircraft stand out in the report. Orders of aircraft (-28.9%) and autos (-0.6%) dropped but that of machinery (+13.5%), computers (+5.6%), and appliances rose (+1.6%) during February. The main message is that the pickup in orders of durables is significant but consistent monthly gains will be necessary to declare that the factory sector has pulled out of the current doldrums.

DATE	TOTAL	DEFENSE	NON-DEFENSE CAPITAL GOODS	NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT	COMPUTERS AND ELECTRONIC PRODUCTS
Sep-08	0.0	23.3	-1.1	-3.4	-2.5
Oct-08	-8.5	-35.4	-6.5	-6.7	-4.9
Nov-08	-4.0	8.6	-5.3	1.1	4.0
Dec-08	-4.6	45.6	-10.3	-5.9	-6.8
Jan-09	-7.3	-40.6	-8.9	-11.3	-7.6
Feb-09	3.4	35.3	7.4	6.6	5.6

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Chart 5  
Manufacturers' New Orders: Durable Goods



Shipments of all durable goods fell 0.5% in February, while shipments of non-defense capital goods increased 0.6%. However, shipments of non-defense capital goods were weaker in February compared with January on a year-to-year basis (see chart 6). After adjusting for inflation, the January-February average of shipments of non-defense capital goods excluding aircraft, the input for equipment and software spending in the GDP report, was significantly weaker compared with the fourth quarter of 2008. This suggests that capital spending in the first quarter could show a larger decline than the 28.8% annualized drop posted in the fourth quarter of 2008, unless there is a large offset in shipments during March.

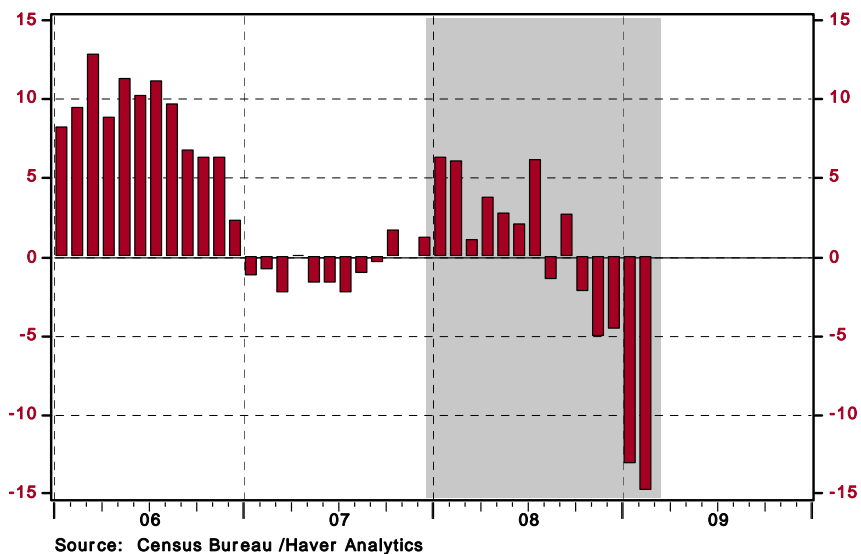
<b>Table 4    DURABLE GOODS SHIPMENTS- % CHANGE M-M</b>				
<u>DATE</u>	<u>TOTAL</u>	<u>NON-DEFENSE CAPITAL CAPITAL GOODS</u>	<u>NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT</u>	<u>COMPUTERS AND ELECTRONIC PRODUCTS</u>
<b>Sep-08</b>	0.0	1.1	1.7	-2.3
<b>Oct-08</b>	-3.4	-4.5	-3.7	2.2
<b>Nov-08</b>	-4.2	-2.0	-1.3	-5.0
<b>Dec-08</b>	-1.5	2.6	0.1	0.7
<b>Jan-09</b>	-5.2	-6.1	-8.9	-4.7
<b>Feb-09</b>	-0.5	-2.5	0.6	-2.0

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Chart 6

Mfrs' Shipments: Nondefense Capital Goods ex Aircraft

% Change - Year to Year NSA, Mil. \$



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