

DAILY GLOBAL  
COMMENTARY

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

Paul L. Kasriel  
[plk1@ntrs.com](mailto:plk1@ntrs.com)

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

## What's the Difference between Maddoff and U.S. Social Security?

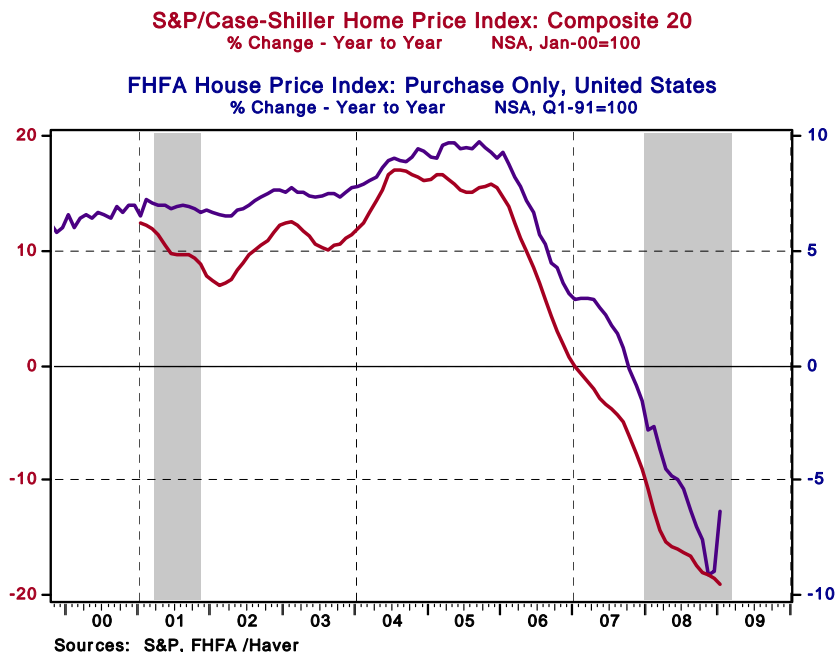
March 31, 2009

Coercion. Both depend, or in the case of Maddoff, depended, on being able to get new contributors into the scheme in order to pay off the previous contributors. The Social Security Administration has the power of the law to force new contributors into its scheme. Maddoff did not have the power of the law to force new contributors into his scheme, therefore, he has been accused of breaking the law. Just another example of it's good to be the king.

## Case-Shiller Home Price Index Declined Again in January

The Case-Shiller Home Price Index dropped 2.2% on a monthly basis in January and plunged 19% from a year ago following an 18.6% year-to-year decline in December. By contrast, the FHFA House Price Index rose in January (+1.7%) but dropped 6.3% from a year ago, representing a moderation compared with the 8.9% year-to-year decline in December. The FHFA House Price Index is computed from the universe of homes made up of conforming and conventional Fannie Mae and Freddie Mac loans. The Case-Shiller Home Price Index is constructed from price records at the county assessor's office. The elevated level of unsold homes and the information from the existing home sales report suggests that the FHFA data for January may be a fluke.

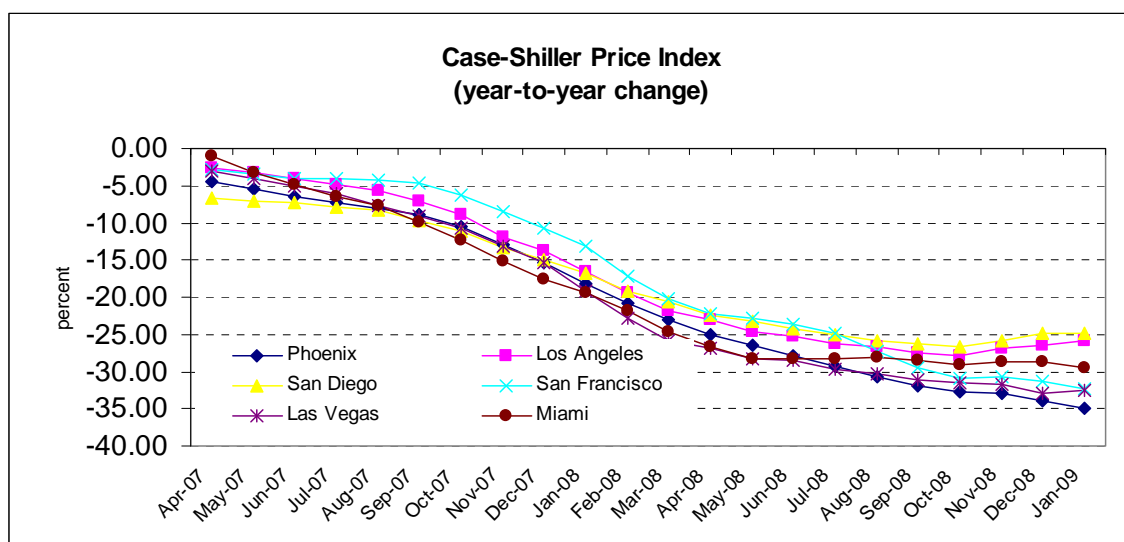
Chart 1



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.

Phoenix, Las Vegas, San Francisco, Miami, Los Angeles and San Diego (in descending order) are six out of twenty metro areas in the Case-Shiller Price Index showing the large year-to-year declines. Within this group, house prices in Los Angeles, Las Vegas, and San Diego show a small amount of moderation in the pace of declines in January, while house prices in Miami, Phoenix and San Francisco continue to fall at an accelerating pace.

Chart 2



The stress test for financial institutions assumes a 14% drop of the 10-city Case-Shiller Home Price Index in the fourth quarter of 2009 (Q4-to-Q4 basis). The level of the index in January (159.09 SA, 158.04 NSA) suggests that this baseline scenario will occur at the end of 2009 only if house prices show a significant moderation in the pace of declines or recover sharply if there are large declines in the early part of the year. The 10-city Case-Shiller Home Price Index fell 19.4% on a year-to-year basis in January. Once again, the inventory level of unsold homes and the significantly weak employment situation suggest that the baseline scenario may have to be revised. The alternative adverse case assumes a 22% drop of the house price index. Although it is premature to identify the baseline scenario as too optimistic, it is useful to place these numbers in the context of assumptions in the stress test.

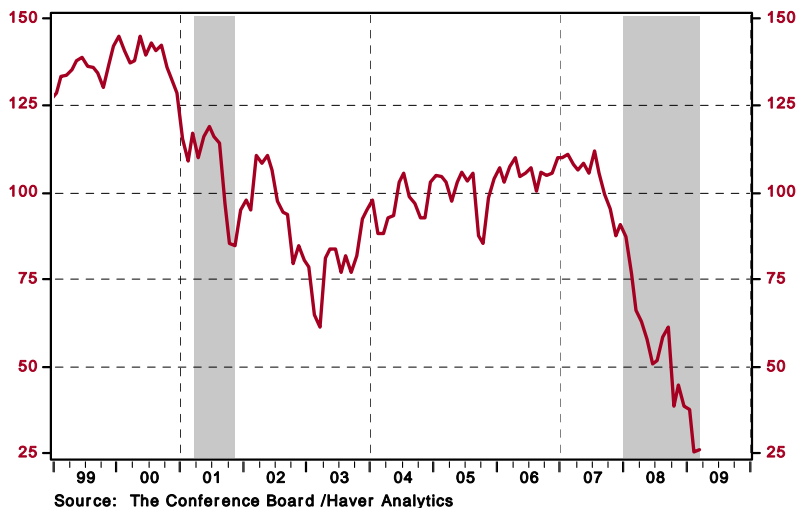
### Consumer Confidence Retraces a Small Part of Loss

The Conference Board's Consumer Confidence Index rose slightly to 26 in March from a record low of 25.3 in February. The strength was entirely from the Expectation Index (28.9 vs. 27.3 in February) as the Present Situation Index (21.5 from 22.3 in February) dropped in March.

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.

Chart 3  
Consumer Confidence

SA, 1985=100

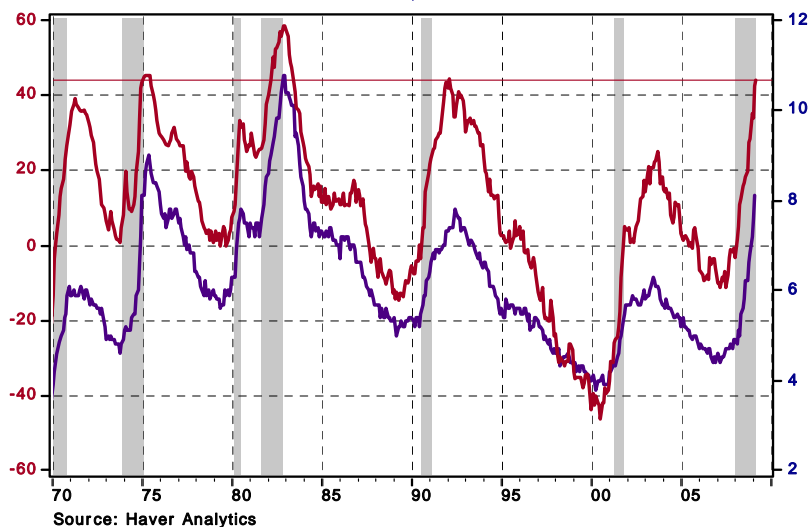


The highest reading since February of 1992 for “jobs hard to get” was reported for March (48.7%). The Jobs-Plentiful Index held steady in March. The net of these two indexes has a strong positive correlation with the unemployment rate (87%). Responses about the labor market pertaining to availability of jobs suggest a higher unemployment rate in March from the 8.1% reading of February (see chart 4).

Chart 4

Jobs-Hard-Get Minus Jobs-Plentiful

Civilian Unemployment Rate: 16 yr +  
SA, %



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.