

DAILY GLOBAL
COMMENTARY

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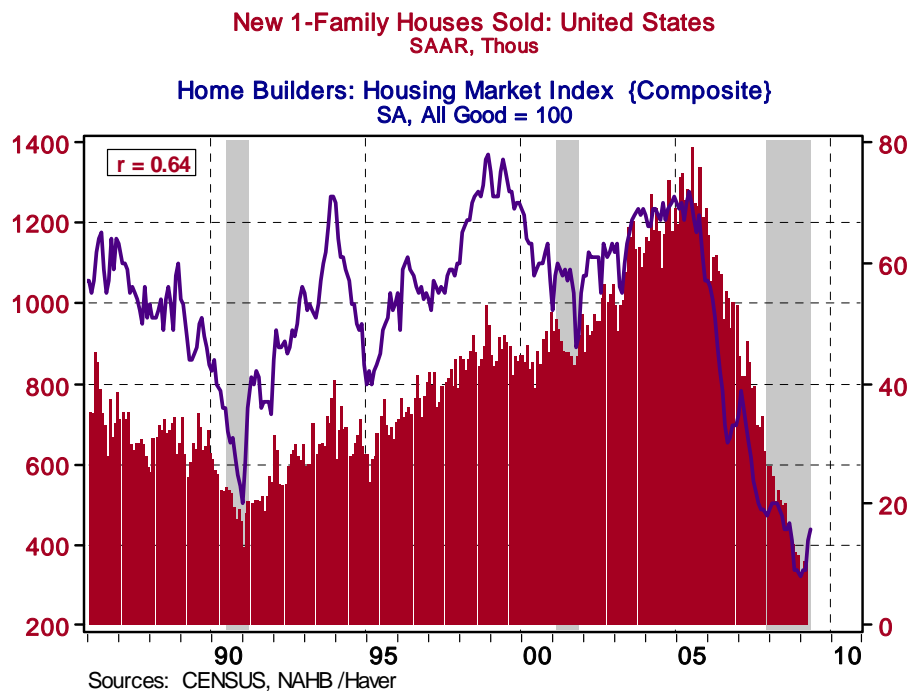
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Homebuilders Survey Records Improvement, Will New Home Sales Follow?

May 18, 2009

The Housing Market Index (HMI) of the National Association of Home Builders rose to 16 in May from 14 in April. The HMI has advanced in three out of the four months ended May. Sales of new single-family homes rose 8.2% in February and edged down 0.6% in March. The sales tally for new single-family homes during April will be published on May 28. There is a strong positive correlation with the HMI and actual sales of new homes (see chart 1).

Chart 1



The indexes tracking current sales (14 vs. 12 in April) and future sales (27 vs. 24 in April) moved up in May, while the index measuring traffic of prospective buyers held steady at 13. The April housing starts report will be published on May 19.

Discount Window Borrowing Continues to Trend Down

Borrowing at the discount window is down nearly 65% from the peak registered during the week of October 29, 2008 (see chart 2). This is another indication that the financial system is mending gradually. Spreads in money and credit markets have narrowed noticeably (see chart 3). These improvements are important indicators of evolving stability in financial markets.

Chart 2

Reserve Bank Credit: Primary Credit to Depository Institutions

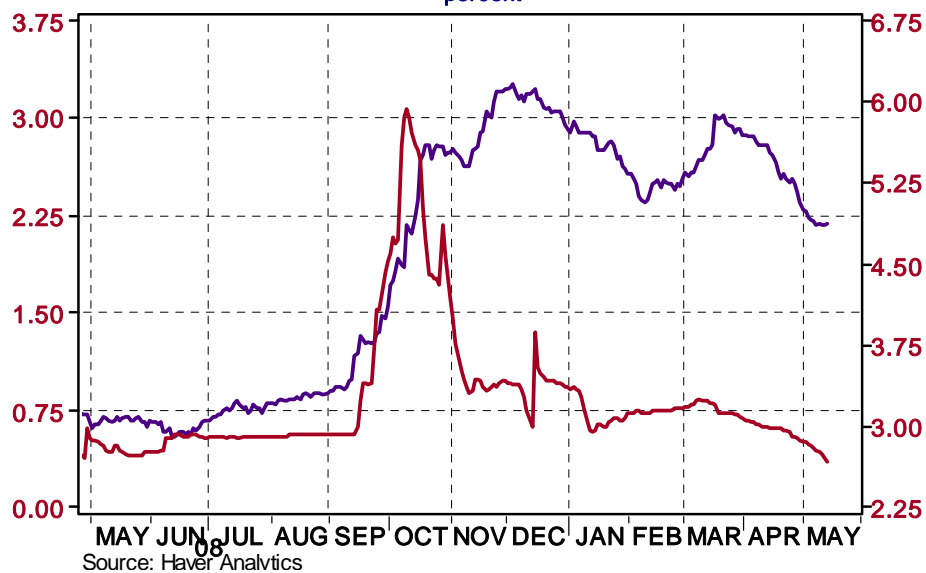
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Chart 3

3-Month Libor less Discount Rate
percent

Moodys Baa less 10-year Treasury Note Yield
percent



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