

DAILY GLOBAL  
COMMENTARY

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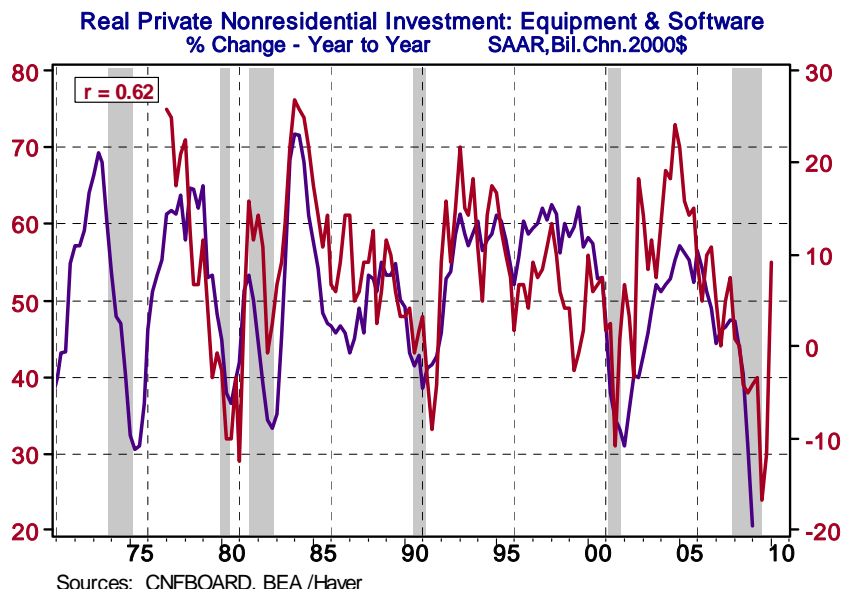
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## CEO Business Confidence Moves Up in the Second Quarter

July 8, 2009

The Conference Board's CEO Business Confidence Survey increased to 55 in the second quarter from 30 in the first quarter. The cycle low for the index is 24. The CEO Confidence Index advanced three quarters has a strong positive correlation (0.62) with the year-to-year change in equipment and software spending (see chart 1). Based on this historical evidence, capital spending most likely posted its worst performance in the first quarter of 2009.

Chart 1  
CEO Business Confidence Survey: Business Executive Confidence [-3]  
50+=Positive



## Mortgage Purchase Index Suggests an Increase in Home Sales during June and Possibly July

The Mortgage Purchase Index of Mortgage Bankers Association increased 6.7% to 285.6 during the week ended July 3. The important news is that this index has risen in seven of the last ten weeks. The Pending Home Sales Index (PHSI) has risen in each of the four months ended May. The upshot is that it should not be surprising to see an increase in home sales in June when the sales reports are published later in the month. Chart 3 indicates the positive relationship between home sales and the purchase index. The PHSI points to a likely increase in home sales in July; the purchase index of the next few weeks should help to confirm this forecast.

Multiple applications for the same property and a reduction in the number of mortgage bankers distorted the purchase index in 2007. The Mortgage Refinance Index also advanced 15.2% in the latest weekly tally.

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Chart 2  
**MBA: Volume Index: Mortgage Loan Applications for Purchase**  
 SA, Mar-16-90=100

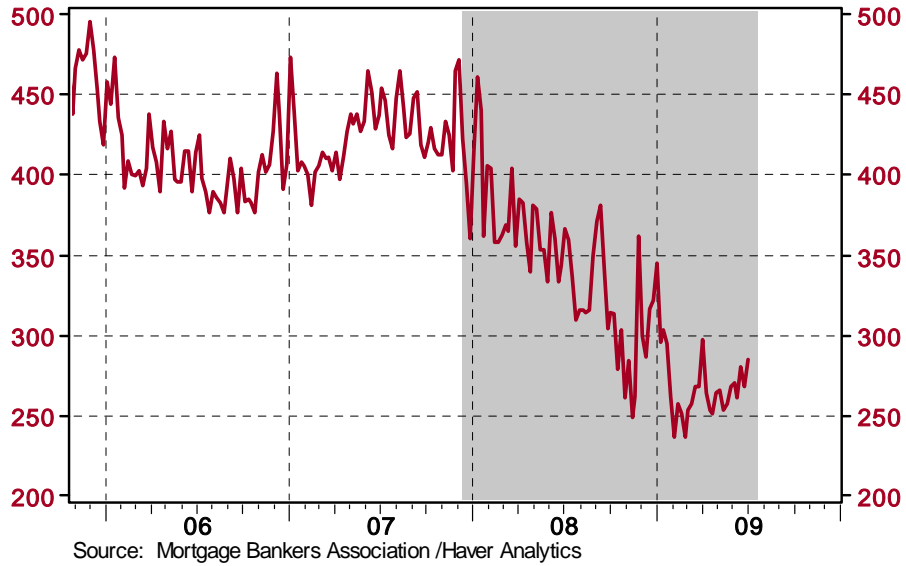
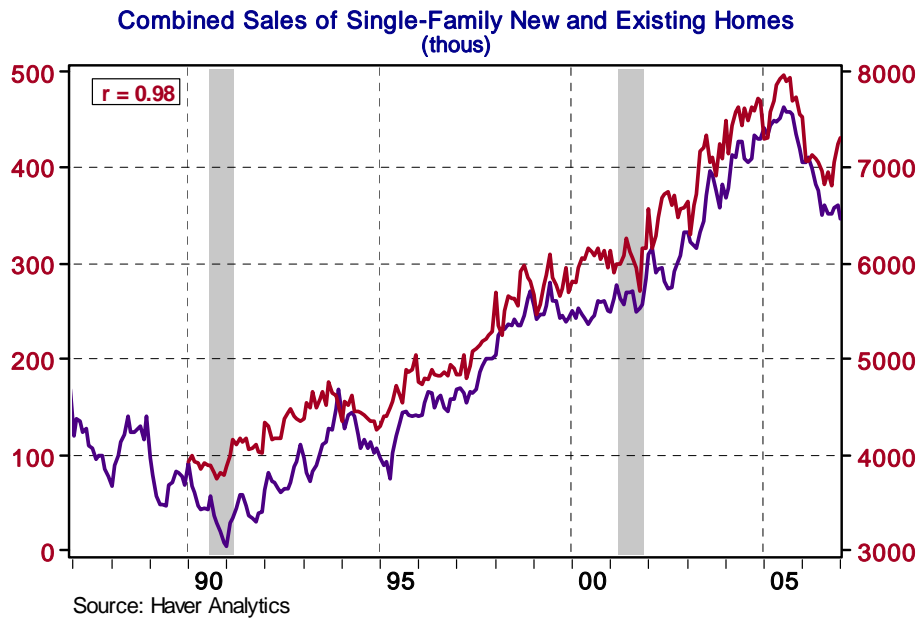
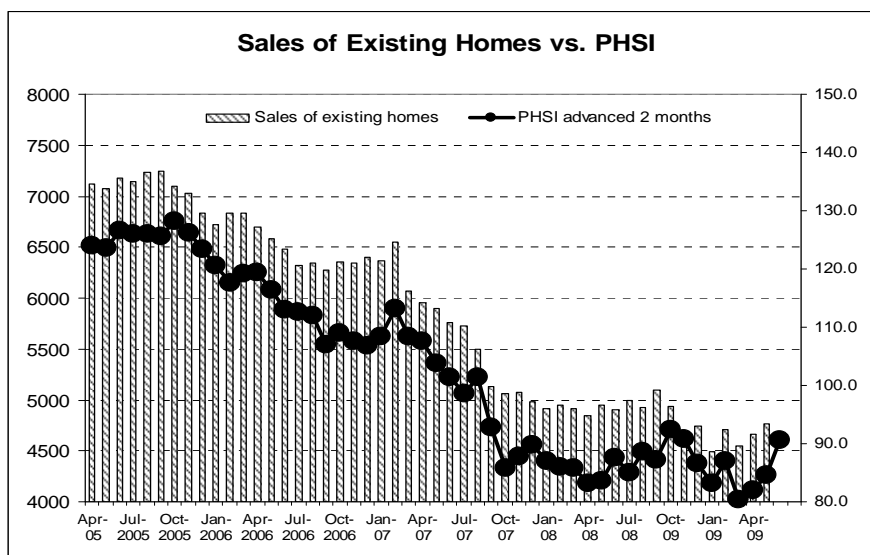


Chart 3  
**MBA: Volume Index: Mortgage Loan Applications for Purchase**  
 SA, Mar-16-90=100



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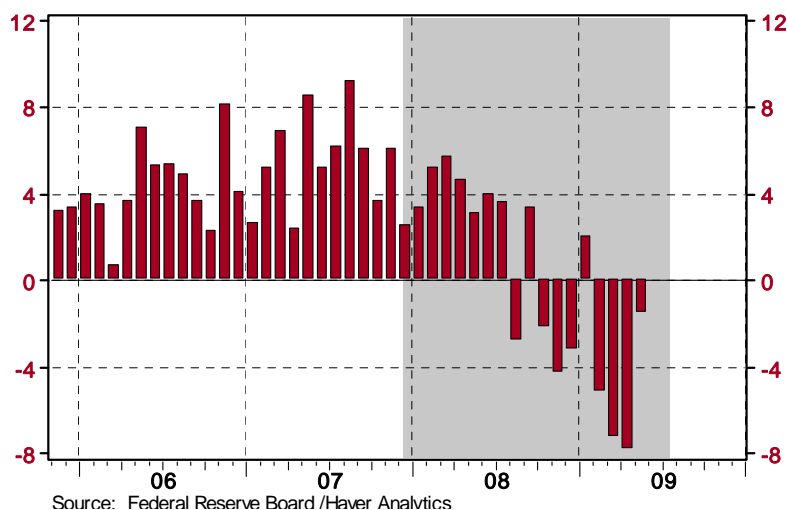
Chart 4



**Consumers Continue to Borrow Less but Pace of Decline is Notable**

Consumer credit declined at an annual rate of 1.5% in May, after a 7.8% plunge in April and a 7.3% drop in March. The consumer deleveraging trend commenced in August 2008 (see chart 5). The small decline in borrowing after a larger drop in prior months suggests that household balance sheets are mending which is a big plus for consumer spending, albeit not immediately. The important point is that the preferred trend in consumer borrowing is emerging.

Chart 5  
Consumer Credit  
EOP, SAAR, %Chg



Source: Federal Reserve Board /Haver Analytics  
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