

DAILY GLOBAL COMMENTARY

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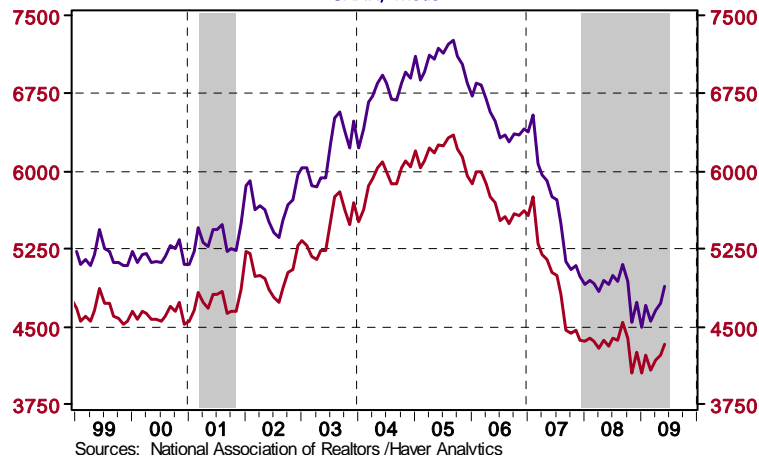
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June Existing Home Sales Report – Sales, Inventories, and Prices Moving in the Desired Direction

July 23, 2009

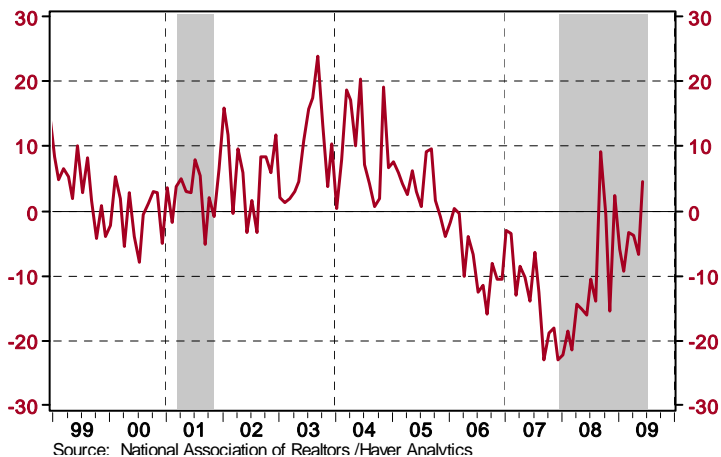
Sales of all existing homes rose 3.6% to an annual rate of 4.89 million in June, the third consecutive monthly gain. Sales of single-family existing homes increased 2.4% to an annual rate of 4.32 million in June, also the third monthly increase. The small and sustained increase in sales of existing homes is noteworthy.

Chart 1
Existing 1-Family Home Sales: United States
SAAR, Thous
NAR Total Existing Home Sales, United States
SAAR, Thous



Sales of existing homes rose in the South (+3.1%) and the West (+4.95%) but held steady in the Northeast and the Midwest. On a year-to-year basis, sales of existing single-family homes rose 4.5% in June. Additional gains of this sort will be necessary to declare that sales of existing homes are on a firm footing.

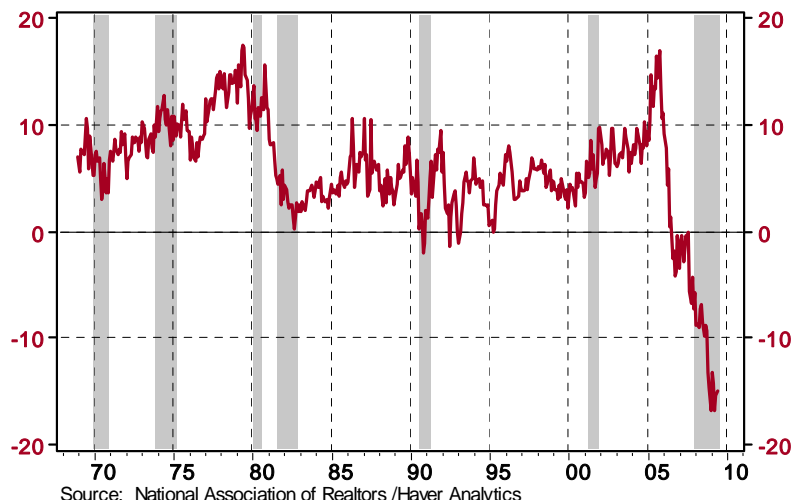
Chart 2
Existing 1-Family Home Sales: United States
% Change - Year to Year NSA, Thous



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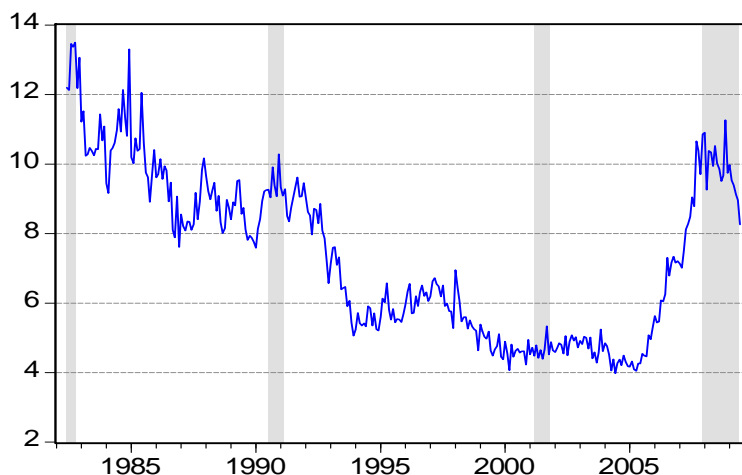
The median price of an existing single-family home at \$181,800 during June is down 14.98% from a year ago. The largest year-to-year drop was recorded in April (-16.8%). The moderation in the pace of price declines is significant.

Chart 3
NAR Median Sales Price: Existing 1-Family Homes, United States
 % Change - Year to Year \$



The seasonally unadjusted inventory of all existing homes declined to a 9.4-month supply from a 9.8-month supply. For purpose of comparison, there was an 11.0-month supply of unsold existing homes in June 2008. The seasonally adjusted inventory-sales ratio of new single-family homes dropped to an 8.3-month supply, down from a peak of an 11.3-month supply in November. The median inventory-supply ratio is a 7.1-month supply for the period June 1982 to June 2009. In sum, sales are moving up and inventories are declining, but still at an elevated level. The pace of price declines will slow further only after inventories fall to historical norms.

Chart 4
Existing Single-Family Homes - Inventories/Sales Ratio
 Months' Supply

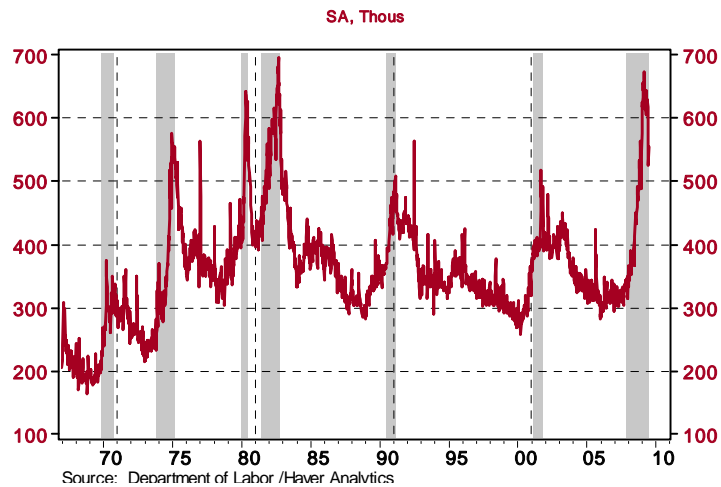


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Initial Jobless Claims Increase, Decline in Continuing Claims is Misleading

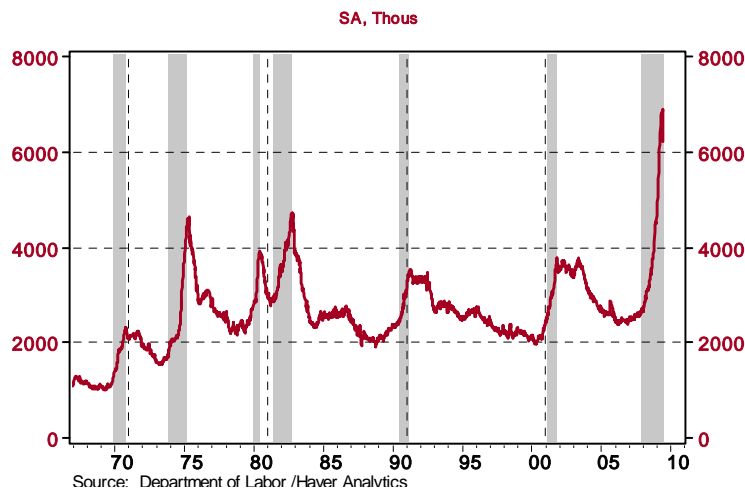
Initial jobless claims increased 30,000 to 554,000 during the week ended July 18, after three consecutive weekly gains. Distortions from seasonal factors based on prior history of auto industry layoffs have played a major role in the seasonally adjusted tally of the past few weeks. It is important to note that auto industry layoffs occurred sooner than expected and that the underlying trend of initial jobless claims is pointing south.

Chart 5
Unemployment Insurance: Initial Claims, State Programs



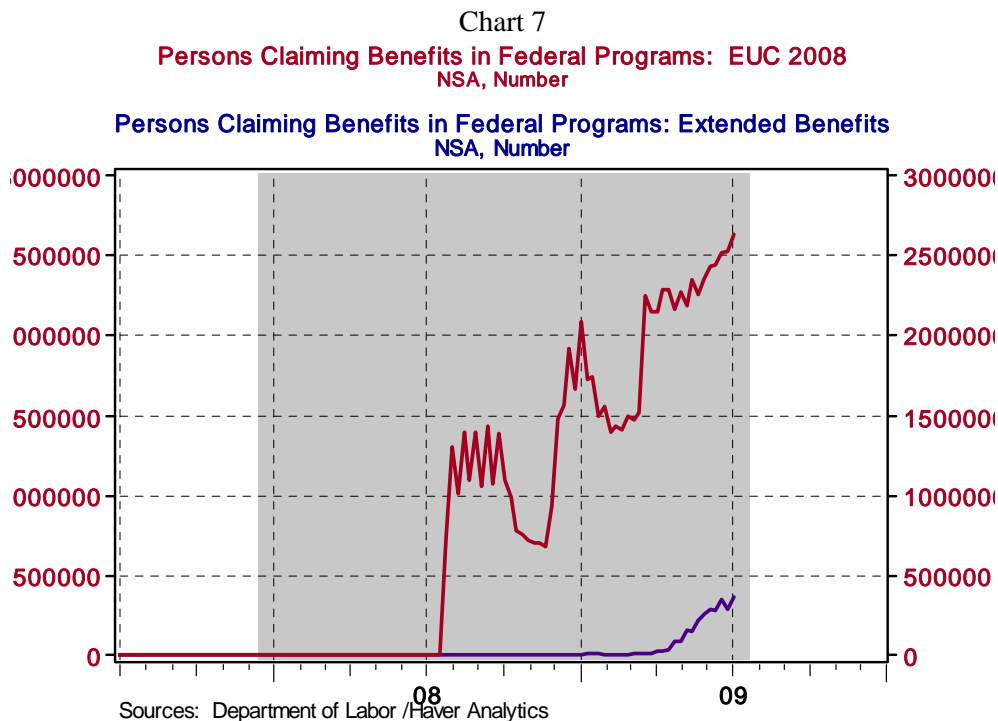
However, continuing claims, which lag initial claims by one week, fell 88,000 to 6.225 million after a drop of 591,000 in the prior week. The insured unemployment held steady at 4.7%. But these readings are misleading because unemployed individuals qualify for the Emergency Unemployment Compensation (EUC) Program and Extended Benefit Program after availing of 26 weeks of unemployment compensation in the regular state program, and continuing claims data do not reflect these recipients.

Chart 6
Insured Unemployment, State Programs



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As shown in Chart 7, recipients under the Emergency Unemployment Compensation Program and Extended Benefit Program have increased. These data series lag initial jobless claims by two weeks.



The main conclusion is that the rate of firing, as reflected in the initial jobless claims data, has slowed but the line for unemployment insurance continues to advance. The downward trend of initial jobless claims, a leading indicator, is the important aspect of the report.

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