

## DAILY GLOBAL COMMENTARY

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### Home Construction is Recovering, Albeit At A Slow Pace

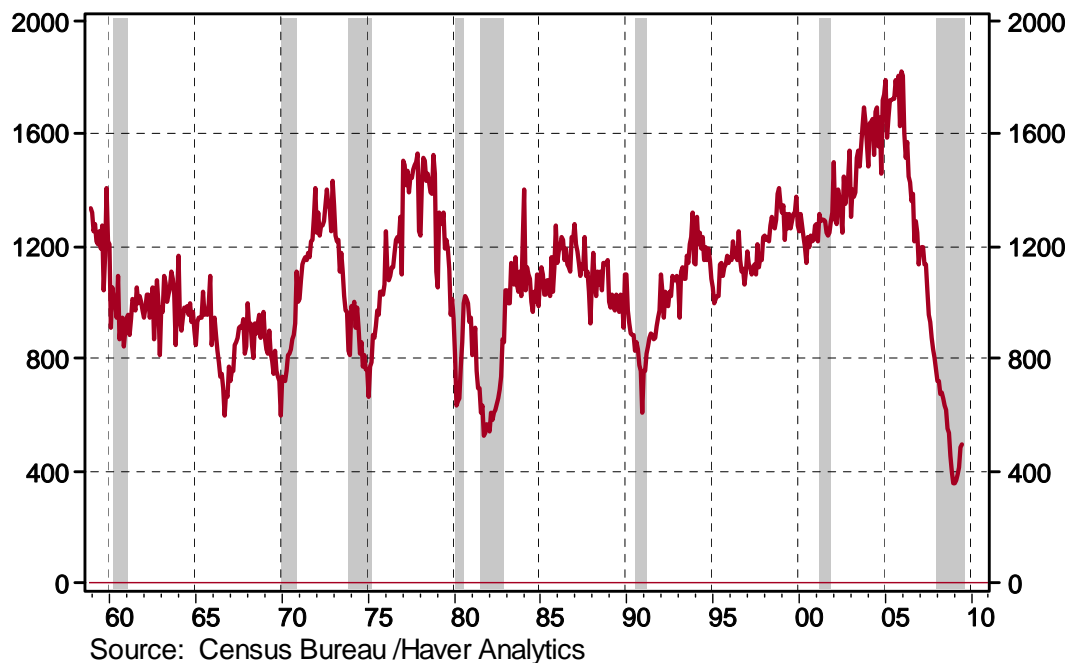
August 18, 2009

Starts of new single-family homes increased 1.7% in July to an annual rate of 490,000, the fifth consecutive monthly gain. The cycle low was 357,000, the lowest on record for the data series which goes back to January 1959. Regionally, starts were strong in the Midwest (+12.9%) but fell in the Northeast (-16.3%), South (-1.4%) and West (-1.6%). Multi-family starts dropped 13.3% in July.

Chart 1

#### Housing Starts: 1 Unit

SAAR, Thous.Units

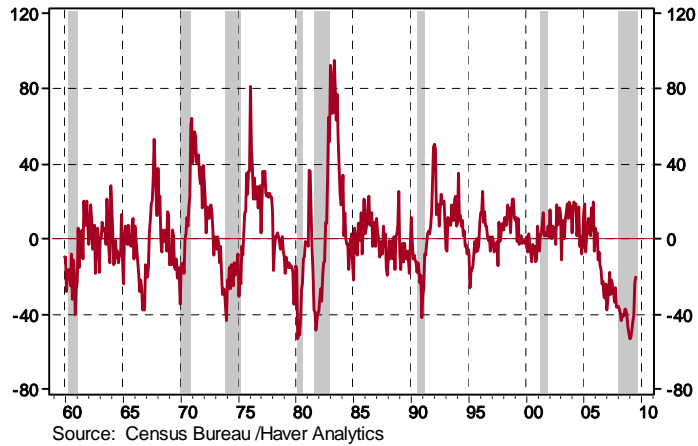


On a year-to-year basis, starts of new single-family homes fell 20.4% in July, the smallest drop since April 2007.

Chart 2

Housing Starts: 1 Unit

% Change - Year to Year NSA, Thous.Units



The level of housing starts and the year-to-year trend indicate that the construction of new homes has posted a bottom. A robust recovery is several months ahead.

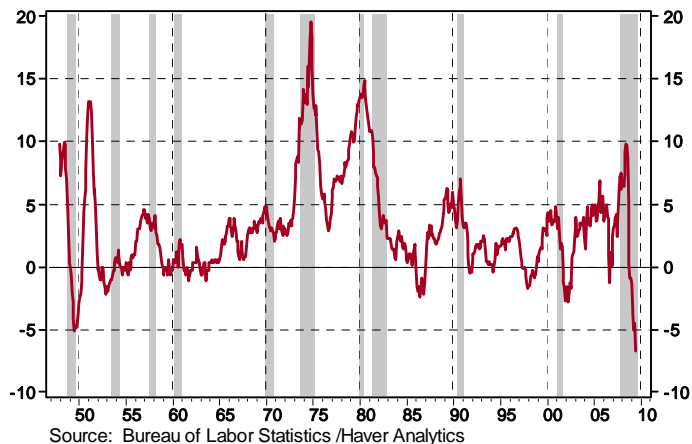
### Wholesale Prices of Food, Energy, and Core Items Fall in July

The Producer Price Index (PPI) for Finished Goods fell 0.9% in July, reflecting lower prices for a large number of categories. The energy price index fell 2.4% in July, with a partial reversal most likely in August. The food price index declined 1.5% in July vs. a 1.1% increase in June. On a year-to-year basis, the PPI was down 6.8% in July, the largest drop on record. The price index for intermediate goods decreased 15.1% and the crude goods prices dropped 44.8%, both of which are also record 12-month declines

Chart 3

PPI: Finished Goods [Including Foods & Fuel]

% Change - Year to Year NSA, 1982=100



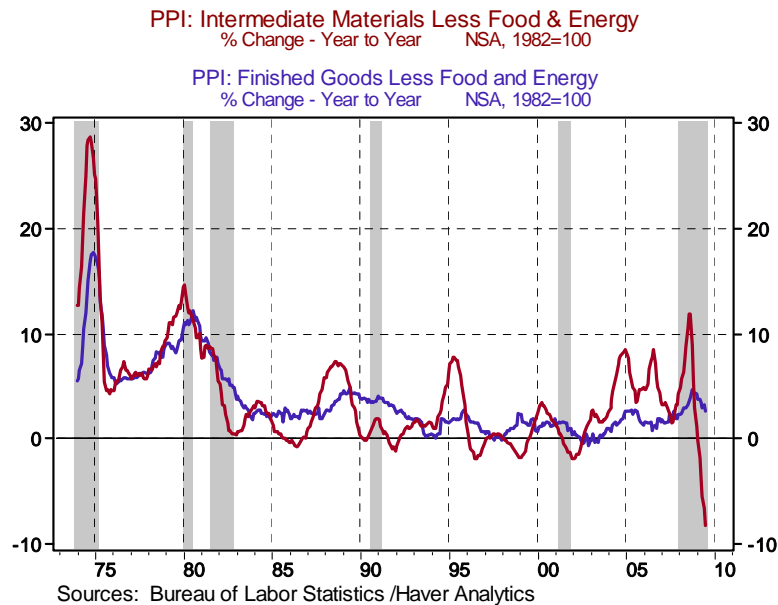
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## Producer Price Index – July 2009

	% change	annualized % change			% change		
	prior month	year-to-date	3 mo. ago	6 mo. ago	July-09 yoy	July-08 yoy	Dec-08 yoy
<b>PPI - FINISHED GOODS</b>							
ALL ITEMS	-0.9	2.4	4.6	0.6	-6.8	9.9	-0.9
CORE - ALL ITEMS LESS FOOD & ENERGY	-0.1	1.8	1.4	1.3	2.6	3.3	4.5
FOOD	-1.5	-5.3	-7.7	-5.5	-4.2	8.8	3.2
ENERGY	-2.4	13.2	31.7	4.5	-29.7	28.6	-20.3
CAPITAL EQUIPMENT	-0.2	0.4	0.8	0.1	1.8	2.8	4.3
<b>PPI - INTERMEDIATE GOODS</b>							
ALL ITEMS	-0.2	-2.1	8.1	-1.6	-15.1	17.0	-2.3
CORE	0.2	-4.4	1.4	-2.8	-8.2	10.6	3.3
<b>PPI - CRUDE GOODS</b>							
ALL ITEMS	-4.5	-4.0	14.8	-0.9	-44.8	49.0	-24.6
CORE	2.9	24.5	61.3	21.2	-35.9	36.0	-24.1

The core PPI of finished goods, which excludes food and energy, edged down 0.1%, putting the year-to-year gain at 2.6%. The highlights of price declines of core items includes lower prices for cars and light trucks. The intermediate and crude goods prices fell 0.2% and 4.5%, respectively, in July. The core intermediate and crude goods prices moved up in July. The main take away from this report is that the threat of deflation at the wholesale level is valid.

Chart 4



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