

DAILY GLOBAL
COMMENTARY

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Sales of New Homes Advanced, Prices Continue to Fall, Inventories are Shrinking

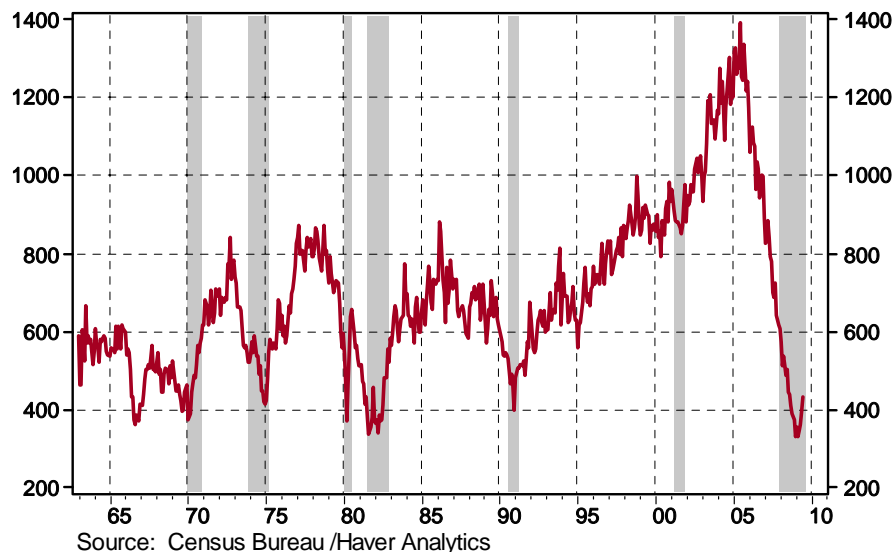
August 26, 2009

Sales of new single-family homes rose 9.6% in July, after upward revisions for May and June. Purchases of new homes have risen in five of the first seven months of the year. Sales of new single-family homes are now up roughly 32% from a record low reading of 329,000 units registered in January 2009. On a regional basis, sales of new homes rose in the Northeast (+32.4%) and South (+16.2%), fell in Midwest (-7.6%) and was nearly steady in the West (+1.0%). The \$8000 credit for home buyers appears to have raised sales of new and existing single-family homes. Breakdowns of new home sales based on price ranges show a small increase in purchases of homes prices upwards of \$400,000 and below \$750,000.

Chart 1

New 1-Family Houses Sold: United States

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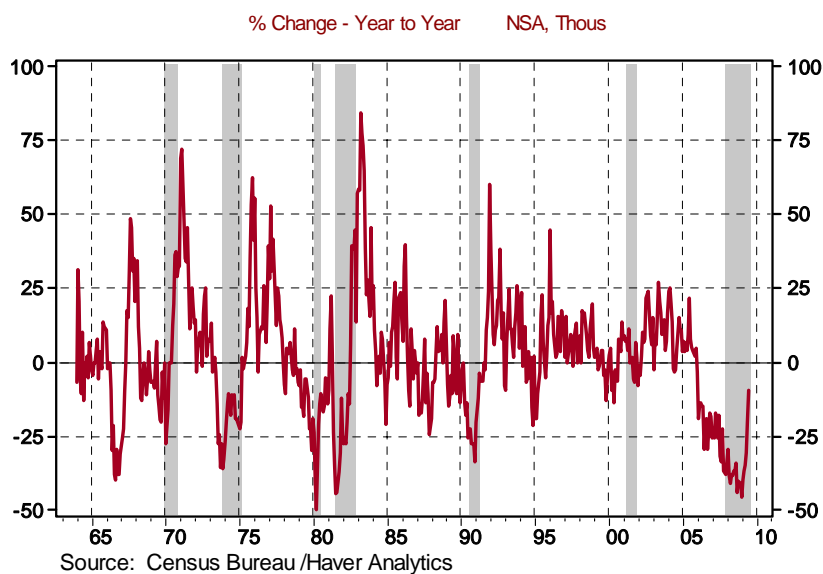


Source: Census Bureau /Haver Analytics

From a year ago, sales of new single-family homes are down only 9.3%; it is a significant improvement compared with double digit declines seen in recent months. The largest drop in the median price of a new single-family home for the cycle was in January 2009 (-45.5%).

Chart 2

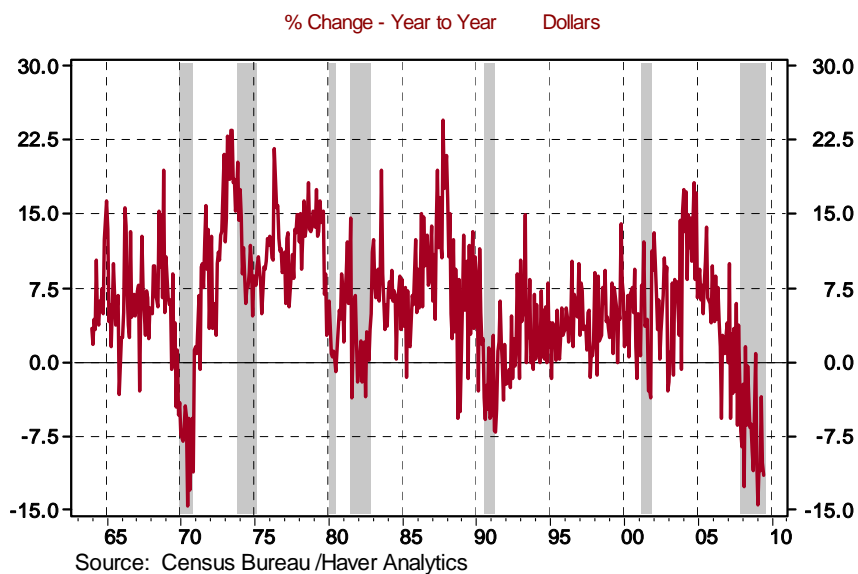
New 1-Family Houses Sold: United States



The median price of a new single-family home was \$210,100 in July, down 0.1% from prior month and off by 11.5% from a year ago.

Chart 3

New 1-Family Houses: Median Sales Price

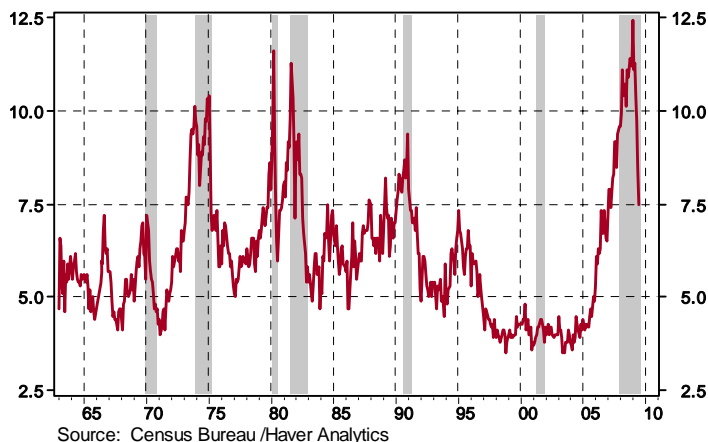


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The inventories-sales ratio is encouraging because it declined to a 7.5-month mark, down from a cycle high of 12.4-months in January 2009 (see chart 4). The median of this ratio during 1963-2000 is 6-month supply.

Chart 4

New 1-Family Houses For Sale: Months Supply
SA, Ratio

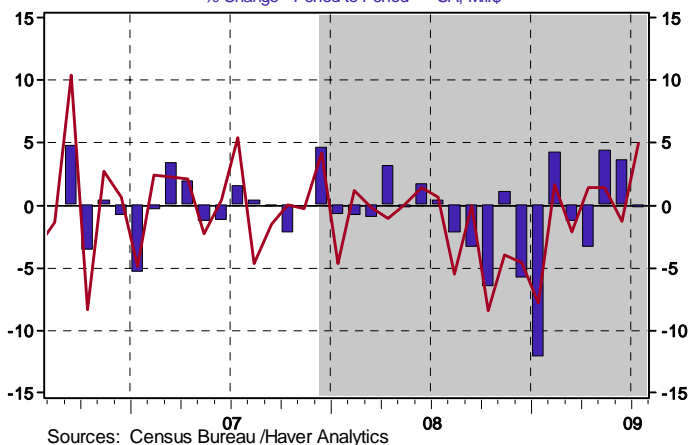


Defense and Aircraft Orders Lift Orders of Durable Goods in July

Orders of civilian aircraft (+107%) and defense items (+14.8%) led to the 4.9% jump of bookings of durable goods during July. Excluding aircraft and defense, orders of durable capital goods fell 0.3% in July after a 3.6% increase in June and a 4.3% gain in May.

Chart 5

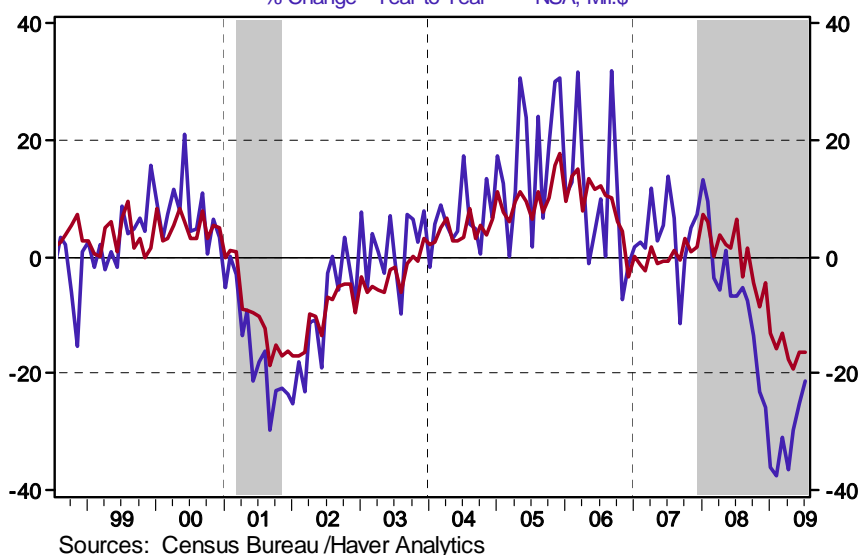
Manufacturers' New Orders: Durable Goods
% Change - Period to Period SA, Mil.\$
Mfrs' New Orders: Nondefense Capital Goods ex Aircraft
% Change - Period to Period SA, Mil.\$



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Shipments of durable goods moved up 2.0% in July, while shipments of non-defense capital goods excluding aircraft rose 0.5%. From a year ago, orders and shipments of non-defense capital goods, including and excluding aircraft, fell in July but at a significantly slower pace than in the recent months (see chart 6). The main message from the ISM manufacturing survey, industrial production report, and orders of durable goods is that the factory sector is moving toward a complete recovery.

Chart 6
Manufacturers' Shipments: Nondefense Capital Goods
 % Change - Year to Year NSA, Mil.\$
Manufacturers' New Orders: Nondefense Capital Goods
 % Change - Year to Year NSA, Mil.\$



DURABLE GOODS ORDERS - % CHANGE M-M						
<u>DATE</u>	<u>TOTAL</u>	<u>DEFENSE</u>	<u>NON-DEFENSE CAPITAL GOODS</u>	<u>NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT</u>	<u>COMPUTERS AND ELECTRONIC PRODUCTS</u>	
Mar-09	-2.2	-11.1	-1.0	-1.4	1.5	
Apr-09	1.4	28.8	-3.5	-3.5	-3.5	
May-09	1.3	7.1	9.1	4.3	2.4	
Jun-09	-1.3	-29.2	-0.4	3.6	1.2	
Jul-09	4.9	14.8	8.6	-0.3	1.6	

DURABLE GOODS SHIPMENTS- % CHANGE M-M					
<u>DATE</u>	<u>TOTAL</u>	<u>NON-DEFENSE CAPITAL CAPITAL GOODS</u>	<u>NON-DEFENSE CAPITAL GOODS EX-AIRCRAFT</u>	<u>COMPUTERS AND ELECTRONIC PRODUCTS</u>	
Mar-09	-1.9	-0.9	-1.7	-1.0	
Apr-09	-0.7	-2.8	-2.9	3.0	
May-09	-2.7	-1.0	-0.4	-2.6	
Jun-09	0.7	1.0	1.3	0.2	
Jul-09	2.0	0.8	0.5	7.4	

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