

DAILY GLOBAL
COMMENTARY

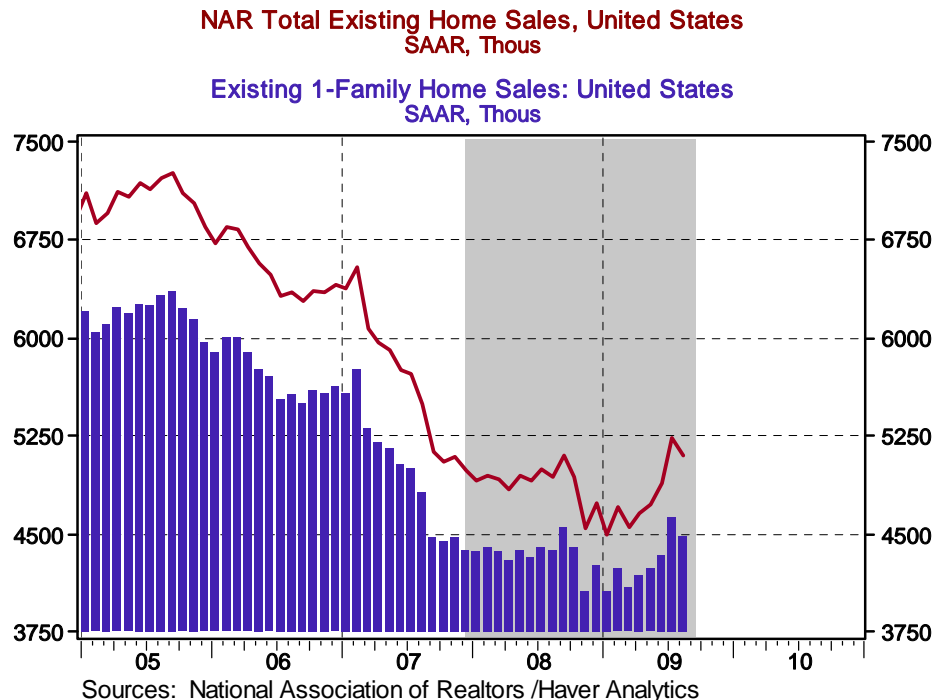
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Sales of Existing Homes are Stabilizing, although Headline Reading Fell in August September 24, 2009

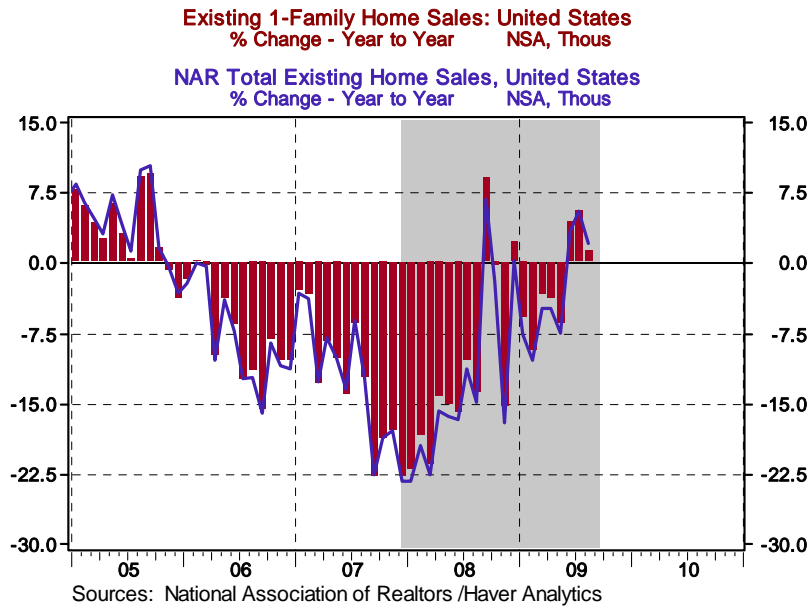
Sales of all existing homes fell 2.7% to an annual rate of 5.1 million units during August, following a string of four monthly gains. Sales of new single-family homes fell 2.8% to an annual rate of 4.48 million units. The sales level of single-family existing homes is now up 10% from the record low of 4.050 million units in January. On a regional basis, sales of existing homes fell in the Northeast (-4.4%), Midwest (-7.1%), and South (-2.8%) but rose in the West (+2.9%). In the course of the economic recovery, all economic indicators inclusive of housing measures are likely to show small setbacks than post a straight upward trend.

Chart 1



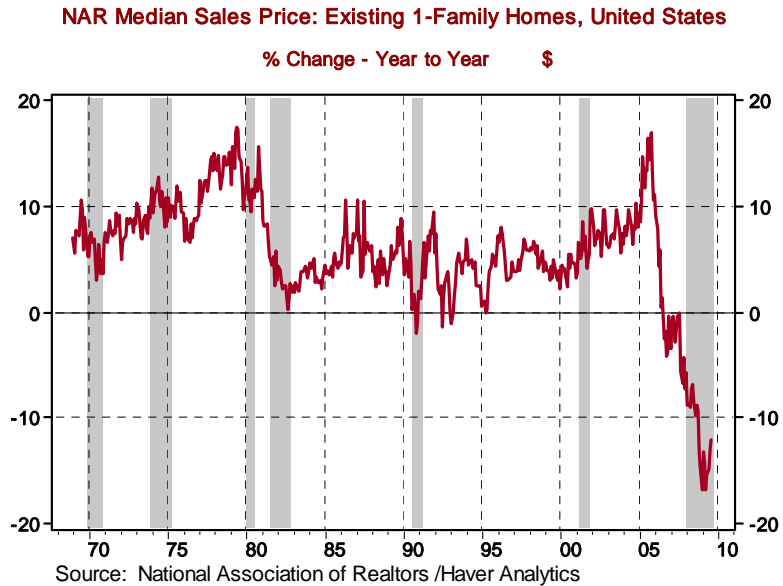
It is noteworthy that on a year-to-year basis, sales of all existing homes and single-family homes have risen for three straight months (see chart 2). The Fed's policy statement on September 23 also pointed to improving conditions in the housing sector. The \$8,000 first-time home buyer credit appears to have played a role in bringing about stability in the housing market. The new home sales report for August will be published on September 25.

Chart 2



The median price of a single-family existing home fell 12.1% from a year ago to \$177,500. The largest historical year-to-year drop of the median price of an existing single-family home was recorded in January 2009 (-17.5%)

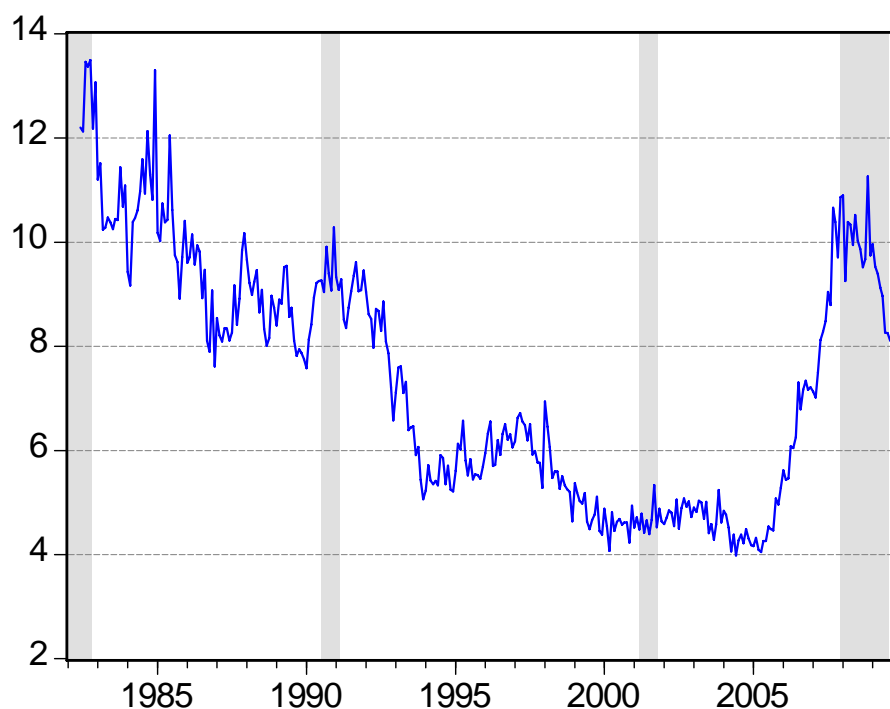
Chart 3



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The seasonally adjusted inventory-sales ratio of existing single-family homes was an 8.1-month supply in August vs. 8.24-month supply in July. The cycle high reading occurred in November 2008 (11.3-month supply).

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



Initial Jobless Claims Decline, But Tally of Unemployment Insurance Recipients Advances

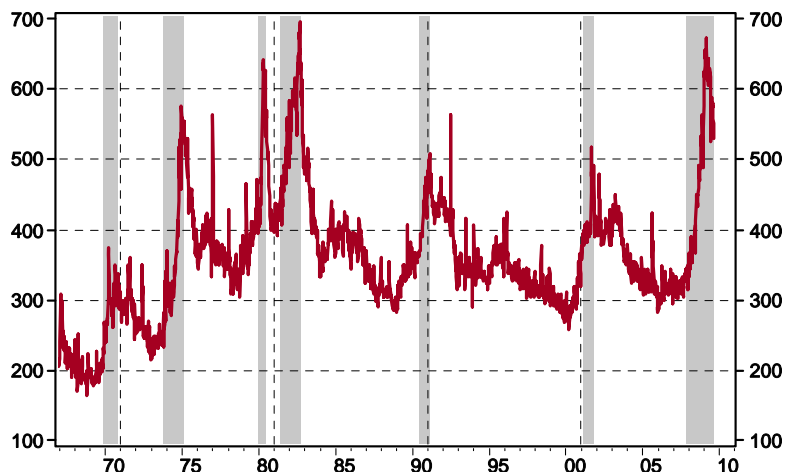
Initial jobless claims fell 21,000 to 530,000 during the week ended September 19. On a year-to-year basis, seasonally unadjusted initial jobless claims rose 9.1% from a year ago, a second weekly reading that is in single-digits (albeit a larger increase than the 7.9% gain registered during the previous week). Continuing claims, which lag initial jobless claims by one week, fell 123,000 to 6.138 million and the insured unemployment rate was down one notch to 4.6%. These numbers paint an incomplete picture of the labor market. The initial jobless claims indicate that firms are firing fewer people compared with a few months ago, which points to turnaround in hiring conditions.

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Chart 5

Unemployment Insurance: Initial Claims, State Programs

SA, Thous



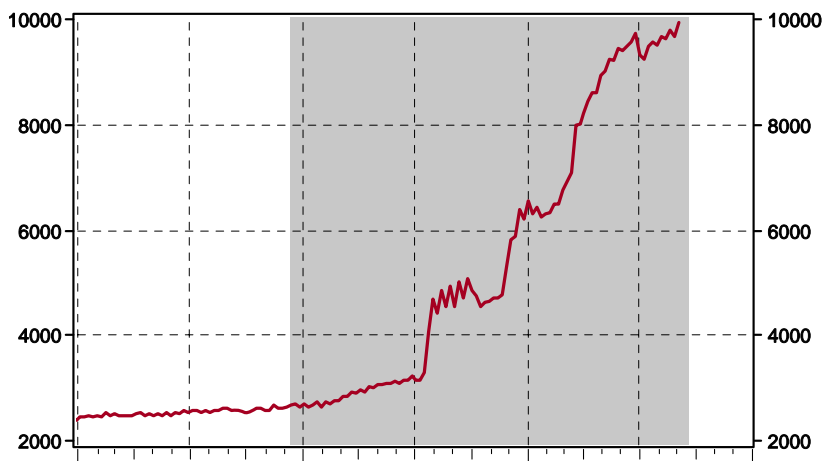
Source: Department of Labor /Haver Analytics

However, the numbers of unemployment insurance claimants under the Extended Benefits and Emergency Unemployment Compensation programs increased 243,888 taking the total number of people receiving unemployment insurance to 9.922 million during the week ended September 5 vs. 9.679 million in the prior week.

Chart 6

Total Continuing Claims including Special Programs

Regular Claims, SA ; Special Programs, NSA (thous)



Source: Haver Analytics

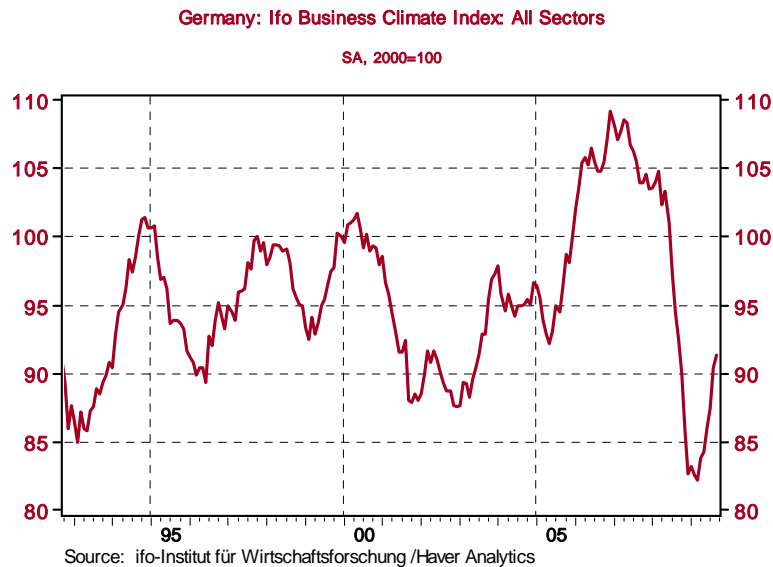
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Surveys Point To Subdued Euro-zone Recovery

With monetary authorities in wait-and-see mode and some macroeconomic indicators starting to show improvement, analysts are trying to get a sense of where the Euro-zone is headed – continued slow improvement, clear and robust recovery, or renewed weakness? Two key indicators released over the past 24 hours suggest the answer is continued slow improvement.

The September Ifo business sentiment survey for Germany was released this morning. Having hit a record low of 82.2 in March, the headline business climate index – based on a monthly survey of some 7,000 firms – edged upward for the sixth consecutive month, from 90.5 in August to 91.3 in September. The current conditions sub-index improved from 86.2 to a still-gloomy 87.0, while the expectations sub-index, which looks about six months out, went from 95.0 to 95.7. Of the various component indices, only construction saw a further deterioration over the past month. The remaining sectors – trade, manufacturing, wholesaling, and retailing – all improved by around two points. The services survey revealed a three-point improvement in expectations, from 7.0 in August to 12.0 this month, pushing the overall services survey up from 1.4 to 3.8.

Chart 7



The markets were disappointed that the Ifo did not point to a more robust recovery. Clearly, the Euro-zone's largest economy is out of recession, but the recovery is likely to be a drawn-out affair. On the plus side, recent data have revealed that exports rose for a third straight month in July and manufacturing orders are starting to pick up. However, unemployment continues to rise, which will restrain private consumption heading into 2010.

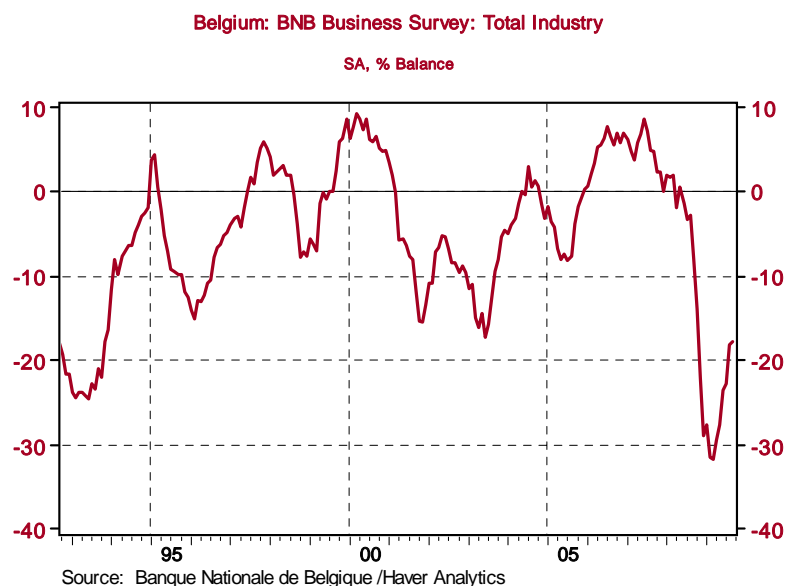
The outlook for Germany will also hinge on the results of this weekend's general election. Chancellor Merkel is hoping to win enough seats for her Christian Democrats (CDU, along with the sister-party Christian Social Union) to form a coalition with the smaller business-friendly Free

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Democrats (FDP). A center-right coalition would cheer the markets, with Merkel vowing to pursue tax cuts to nurture the economic recovery. In contrast, the center-left Social Democrats (SPD) have argued for tough spending cuts to rein in the budget deficit, and have all-but admitted that their only hope of attaining office will be in a renewed Grand Coalition with Merkel and the CDU. The final opinion polls released this week gave the CDU a nine-point margin over the SPD, all-but ensuring that Merkel will return as Chancellor – and probably as head of a CDU-FDP coalition but only by a wafer-thin margin. A clear center-right victory would give a boost to business and consumer sentiment; an inconclusive result that leads to weeks of negotiations and culminates in a renewed CDU-SPD Grand Coalition would have the opposite effect.

Which takes us to our favorite leading indicator for the Euro-zone as a whole, the Belgian National Bank's (BNB) business confidence indicator. Thanks to Belgium's strong trade ties with its neighbors (about 80% of Belgium's manufacturing output is sold abroad, mostly to fellow EU members), the BNB's business confidence index is a reliable leading indicator – about six months out – for GDP growth in the Euro-zone as a whole.

Chart 8



The September indicator mirrored the Ifo in many ways. Having hit a record low of -31.8 in March, the overall index rose for the sixth consecutive month, from -18.2 in August to -17.8. However, only the services sub-index actually improved, climbing from -20.0 to -12.3. Manufacturing, trade, and construction – which had seen improvement in previous months – all deteriorated by one to two points.

Taken together, the two surveys point to weak growth in the Euro-zone as a whole in the second half of this year, rather than the beginnings of a robust recovery.

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