

June 24, 2009

## KEY INDICATORS

Gold \$922.80/ounce [down]  
Crude Oil (Brent) \$67.50/brl [down]  
U.S. Dollar to...  
Euro .7099 [down]  
Japanese Yen 95.13 [down]  
6-mo Treasury Bill Yield 0.34%  
10-yr Treasury Note Yield 3.65%  
[6-mo up 5 bps, 10-yr down 3 bps]  
11<sup>th</sup> Dist Cost of Funds: 1.380%[-]  
30-yr Fixed-rate Mortgage 5.80%  
15-yr Fixed-rate Mortgage 5.22%  
1-yr ARM 5.09%  
[HSH averages rates: 30-yr down 12 bps, 15-yr down 21 bps; 1-yr ARM down 24 bps]

## Mortgage Bankers Association Mortgage Applications Index week ending 6/12

Overall  
514.4 (down 15.8%; down 7.2%  
the week prior)  
Purchase Money Loans  
261.2 (down 3.5%; up 1.1%  
the week prior)  
Refinancing Loans  
1998.1 (down 23.3%; down  
11.8% the week prior)

## Jobless Claims 6/13

608,000 – prior week 601,000  
(as predicted) – continuing claims  
declined to 6.687 million

## Consumer Price Index (CPI) May

Up 0.1%, but down 1% from prior  
year – core up 0.1%; annual core  
inflation is 1.8%

## Conference Board Leading Indicators May

Up a strong 1.2%

## Weekly Commentary

**Thumbnail Sketch: *Moody's Economy.com* has decided that housing sales have bottomed. This means, of course, that these economists believe that the number of home sales each month has stopped declining and will edge up gradually from here.**

Michael Zoller of *Moody's Economy.com* cites three reasons to expect home sales volume to slowly turn around now, "According to the Census Bureau, in May new residential construction unexpectedly leapt 17% on a month-ago basis, suggesting a rebound in new-home sales is forthcoming. Meanwhile, consumer sentiment, according to the Michigan Consumer Sentiment survey, is rising. Finally, the main constraint on demand (job losses) is abating. These will all further support improvements in the housing market."

He also cautions that "though sales are rising, the effects on prices will be slower. House prices are forecast to fall until early 2010." Remarkably, this forecast closely resembles that of the famously pessimistic Nouriel Roubini, whom many call Dr. Doom (though he has been "Dr. Right" in most of his calls for the past several years). *This lends even greater credence to the forecast.*

The anchor for the forecast is the latest data on **existing home sales**. Completed home sales rose by 2.4% in May, while inventory fell to 9.6 months of homes, if sales were to continue at their present pace. Prices are still falling at a rapid pace, though—16.8% year-over-year. (*We can probably attribute the end of the moratorium on foreclosures, in part, for the larger decline in home prices.*)

Curiously, mortgage applications are very weak as of the week ending June 12. Refis continue on their downward path, despite an easing of mortgage rates. Purchase money loans, though the trend is toward higher numbers, declined in the same week. ***The National Association of Realtors® predicts higher sales volume—and thus, surely, more mortgage applications—as first-time buyers rush to take advantage of the \$8,000 tax credit, which requires that home purchases be completed by December 1.*** In a logical world, this would certainly be true. But few of us look into the markets and find much evidence of logic these days.

Mortgage rates, in any case, are easing noticeably, and the spread between the 30-year fixed-rate mortgage and the 10-Year Treasury note stands at a solid 2.15. Even employment numbers are "less-worse." ***Perhaps we will indeed see a summer sales spike.***