

The importance of housing for recovery of the economy and financials markets was evident in the reactions to reports on sales of existing and newly built homes in June. Disappointing news on existing home sales sent markets tumbling on Thursday. A modest improvement in the market for newly built homes on Friday produced a better tone in markets.

Judging by the pace of home sales, housing activity made modest progress again in June. Sales of existing homes fell 2.6%, as single-family home sales decreased by 3.2% and condominium sales increased by 1.7%. The inventory of existing homes for sale was little changed at 4.49 million units, which translates into 11.1 months at the June pace of sales. The supply of unsold homes has been near the June mark for the past year.

The market for newly constructed homes showed some improvement in June. Sales edged down by 0.6%, but sales during March through May were revised higher by an average of 17,000 units per month. Sales in the Midwest increased by 5.6% on a 3-month moving average basis – the third consecutive monthly gain. More importantly, the supply of newly built unsold homes decreased for the fourteenth straight month by the largest amount in any one of those months. The inventory of unsold new homes represented a 10-month supply at the June pace of sales, down from a peak for this cycle of 11.2 months in March.

A week ago, the Commerce Department reported that housing starts jumped 9.1% in June to 1.1 million units at a seasonally adjusted annual rate and permits rose 11.6%. A change in the building code in New York City appears to have accounted for both of the increases by boosting construction of multi-family units. Outside of the Northeast region, total starts fell 4.0% and permits increased just 0.7%. The best gauge of activity during the month is that single-family starts fell 5.3% and permits fell 3.5%.

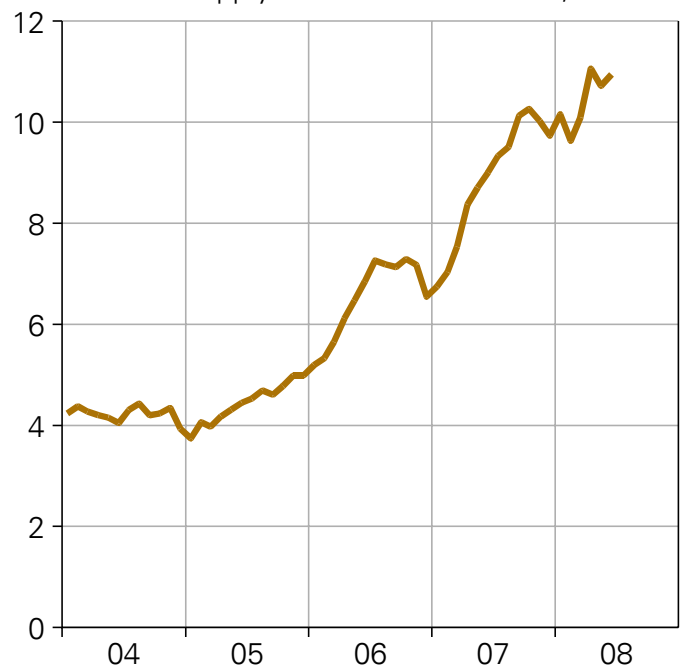
Weekly reports from the Mortgage Bankers Association on mortgage applications indicate continued weak demand for houses. The index of purchase mortgage applications fell back to near its low for the year in the latest week. The 4-week moving average remained well below its level during the first quarter of the year.

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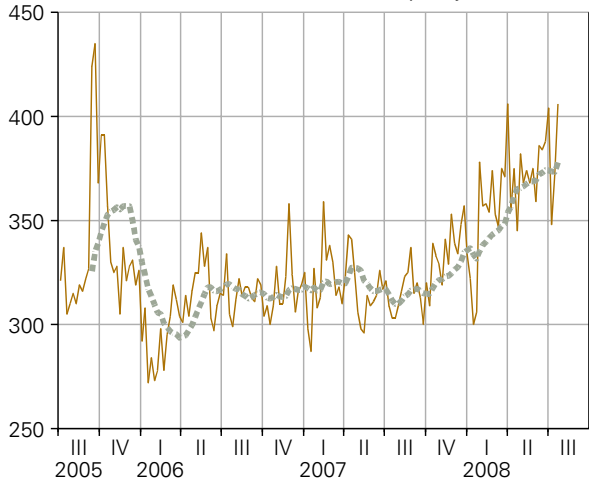
Initial claims for unemployment compensation jumped back above 400,000 in the most recent week, lifting the 13-week moving average to 378,000 claims – the highest since the recovery from the 2001 recession took hold in late 2003. Continuing claims edged down on the week, but the 13-week average reached a similar high. Apparently labor markets struggled again last month, and payrolls are likely to have declined for a seventh straight month. The Employment Situation Report for June will be released next Friday, August 1.

Jim Coons

New and Existing Houses For Sale
Months' Supply at Current Sales Rate, SAAR



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate
FRB Major Currency Index, 1973 = 100



Price of Oil
West Texas Int, \$/bbl



Price of Gold
London PM Fixing, \$/oz



S&P 500 Stock Prices
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations
MBA Purchase Index 3/16/90=100 SA

