

DAILY GLOBAL COMMENTARY

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Housing Market Update

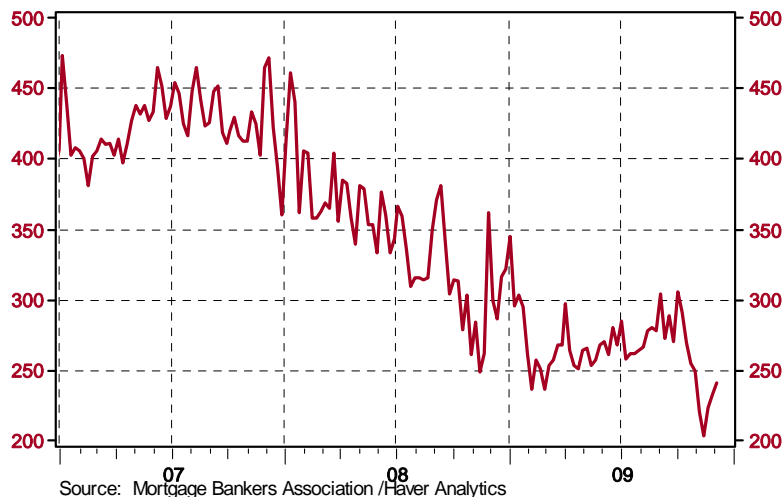
December 9, 2009

The Mortgage Purchase Index of the Mortgage Bankers Association rose nearly 4.0% to 241.5 during the first week of December, marking the third consecutive weekly gain. The Mortgage Purchase Index fell for six straight weeks prior to the recent weekly increases. The November 30 expiration of the \$8000 first-time home buyer tax credit program appears to have played a role in bringing down the index in November as home buyers probably pushed forward purchases of homes in October to meet the deadline of the tax credit program. The tax credit program has now been extended to purchases of homes before April 30, 2010 and the impact of this change is visible in the recent data. The Mortgage Refinance Index has rose 11.2% to 3185.9 and has maintained an upward trend since August 2009. The Pending Home Sales Index of the National Association of Realtors points to continued growth of home sales in November. The November tally of home sales for existing and new homes will be on published on December 22 and December 23, respectively.

Chart 1

MBA: Volume Index: Mortgage Loan Applications for Purchase

SA, Mar-16-90=100



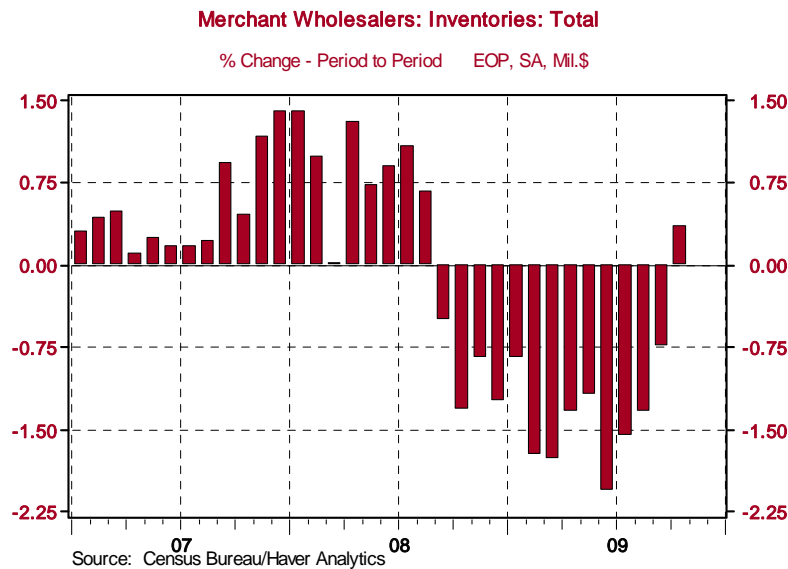
Wholesales Inventories climb after an Extended Period of Declines

Wholesale inventories moved up 0.3% in October, after thirteen consecutive monthly declines. Inventories of durables fell 0.4% despite gains from the auto sector (+1.7%) and computers and computer peripheral equipment (1.3%). The 1.5% jump in inventories of non-durables reflects a

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sharp increase in food and energy components. The increase in the petroleum component is mostly a price-related jump. The autos and petroleum components could be largely imports.

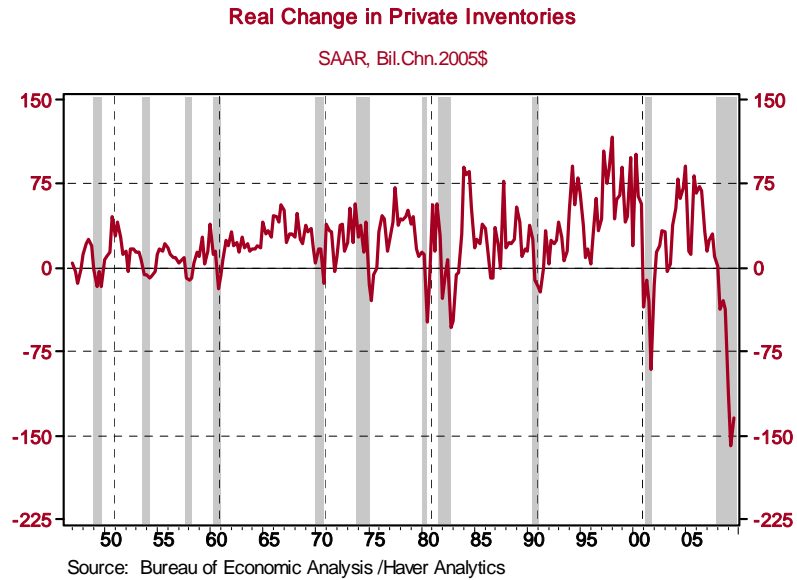
Chart 2



Sales also advanced in the wholesale sector (+1.2%). The inventory-to-sales ratio dropped to 1.16 in October from a peak of 1.34 in January 2009. Inventories have posted the largest reduction in the post-war period (see chart 3). As a result of the sharp decline in inventories, a recovery in demand will have to be met with a sharp reversal in inventory accumulation. Therefore, it should not be surprising if one of the quarters ahead will be marked with a large contribution from inventories to real GDP growth.

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Chart 3



Note: The title of December 8, 2009 daily commentary was incorrect. We apologize for the mistake. The title should read "Labor Force Growth and Employment" instead of "Consumer Labor Force Growth and Employment."

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