

DAILY GLOBAL COMMENTARY

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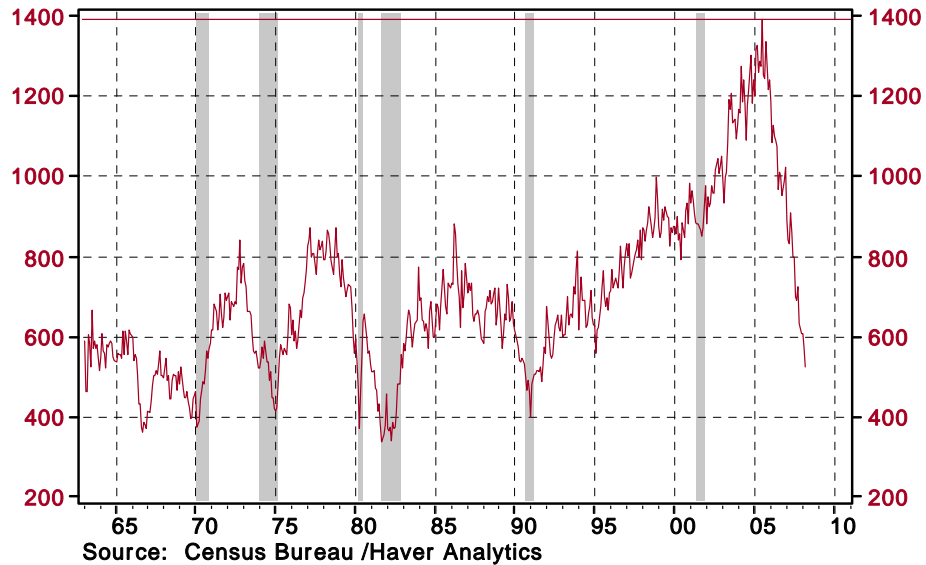
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**New Home Sales – Turnaround Not Here Yet**

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Sales of new single-family homes fell 8.5% to an annual rate of 526,000 in March, after a 5.3% decline in February. On a regional basis, sales of new single-family homes fell in all four regions of the economy, with the Northeast recording a 19.4% drop, followed by 12.9% in the West, 12.5% in the Midwest, and 4.6% in the South.

Chart 1  
**New 1-Family Houses Sold: United States**  
SAAR, Thous



From the peak of new homes sales in July 2005 (1.389 million units) unit sales of new single-family homes are down 63.1% in March, the largest peak-to-trough drop in sales of new homes since 1963 (see table 1). The median decline in home sales in recessions since 1969 is 46.9%.

**Table 1 Sales of New Single-Family Homes**

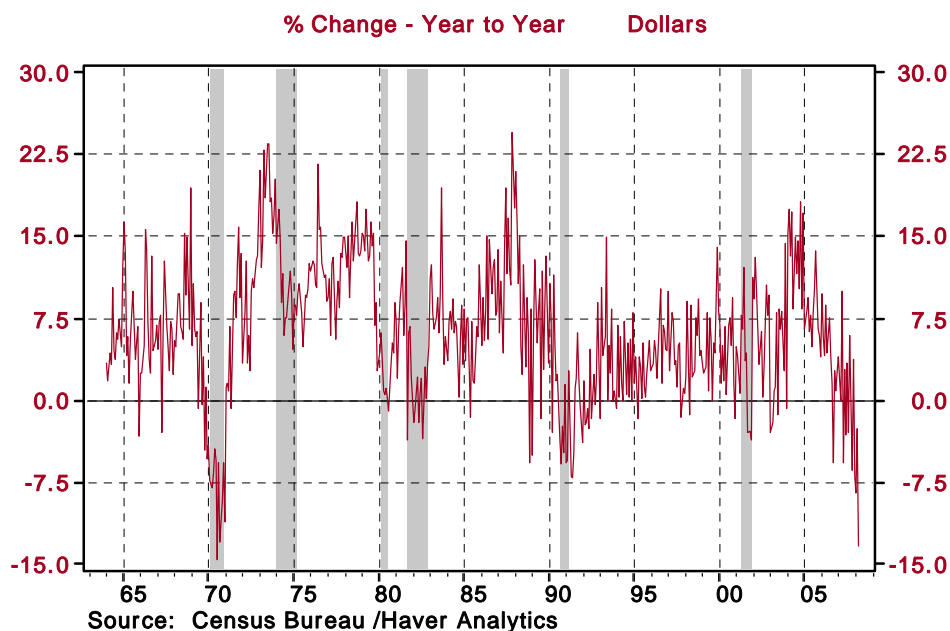
Recession - Economy	Peak of Sales		Trough of Sales		Peak-to-trough change (percent)
	New Single-Family Homes Date	000s units	New Single-Family Homes Date	000s units	
Dec. 69-Nov.70	Feb-69	524	Feb-70	373	-28.82%
Nov. 73-Mar.75	Oct-72	843	Jan-75	416	-50.65%
Jan.80-Jul. 80	Oct-78	872	Apr-80	370	-57.57%
Jul.81-Nov. 82	Aug-80	659	Apr-82	339	-48.56%
Jul. 90-Mar.91	Jul-89	731	Jan-91	401	-45.14%
Mar. 01-Nov. 01	Dec-00	983	Sep-01	853	-13.22%
<b>Current cycle</b>	Jul-05	1389	Mar-08	526	-62.13%

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The median price of a new single-family home declined to \$227,600 in March from \$244,200 in February. On a year-to-year basis, the median price of a new single-family home is down 13.3%. Comparing the decline in the median price from peak-to-trough across business cycles since 1969, the 13.3% (see table 2) is the second largest drop in new single-family homes. The median decline in the price of a new single-family home across business cycles is 8.6%.

Chart 2

**New 1-Family Houses: Median Sales Price**



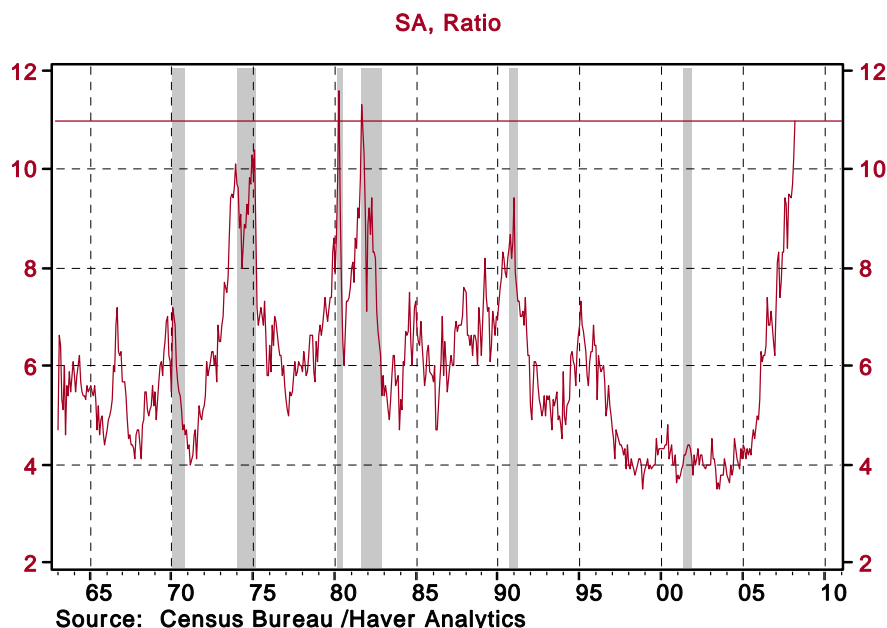
**Table 2 Median Price of New Single-Family Homes**

Recession - Economy	Peak of Median Price Single-Family New Home		Trough of Median Price Single-Family New Home		Peak-to-trough change (percent)
	Date	\$	Date	\$	
Dec. 69-Nov.70	May-69	26,900	Oct-70	22,100	-17.84%
Nov. 73-Mar.75	Dec-73	35,700	Jan-74	34,200	-4.20%
Jan.80-Jul. 80	Sep-79	66,000	Dec-79	61,500	-6.82%
Jul.81-Nov. 82	Aug-81	72,600	Feb-82	65,700	-9.50%
Jul. 90-Mar.91	Apr-90	130,000	May-92	113,000	-13.08%
Mar. 01-Nov. 01	Dec-01	180,200	Sep-01	166,400	-7.66%
<b>Current cycle</b>	Mar-07	262,600	Mar-08	227,600	-13.33%

Given the 11-month inventory of unsold new homes in the market during March, up from 10.2 months in February, additional price declines should not be surprising.

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Chart 3  
**New 1-Family Houses For Sale: Months Supply**



### Capital Spending Unlikely to Make a Significant Contribution to Q1 GDP

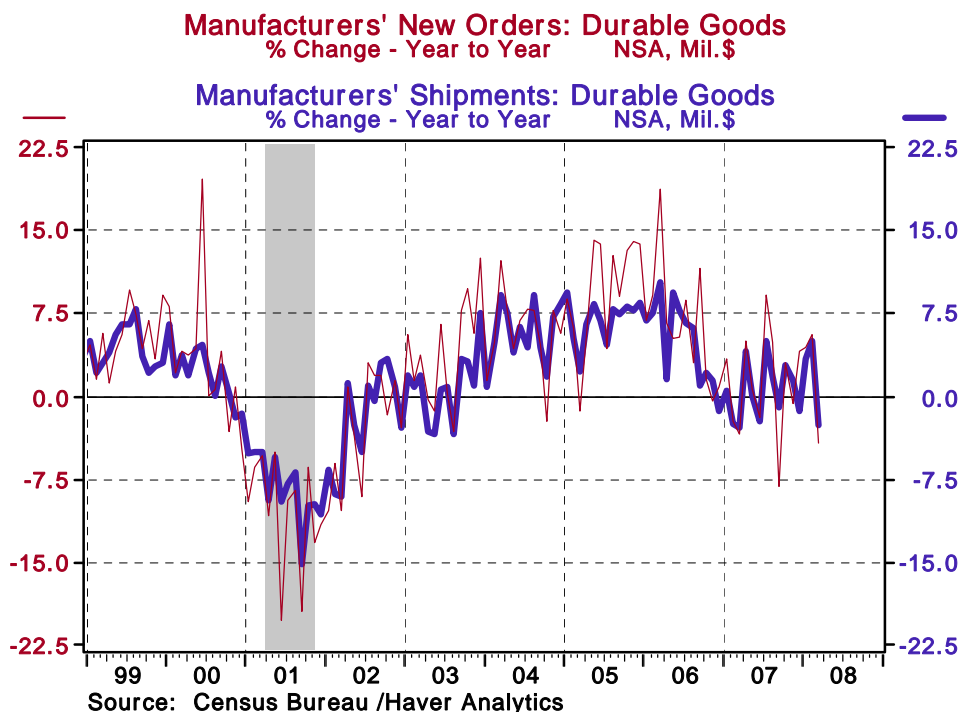
Durable goods orders declined 0.3% in March after a revised 0.9% drop in February. Orders of durable goods have declined in each of the first three months of the year. Bookings of defense items fell 19.8%, but the 5.5% increase in orders of aircraft and the 1.9% gain in orders of computers and electronic products provided a partial offset.

<b>DURABLE GOODS ORDERS - % CHANGE M-M</b>					
<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>
<b>Oct-07</b>	-0.5	5.9	-2.6	-3.0	-8.2
<b>Nov-07</b>	0.5	-25.2	5.4	-0.1	-0.2
<b>Dec-07</b>	4.4	83.1	5.4	5.2	3.7
<b>Jan-08</b>	-4.4	-15.2	-7.7	-1.0	-2.7
<b>Feb-08</b>	-0.9	-0.9	-0.3	-2.0	1.8
<b>Mar-08</b>	-0.3	-19.8	1.5	0.0	1.9

On a year-to-year basis, orders and shipments of durable goods declined 4.5% and 2.3%, respectively, in March.

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Chart 4



Shipments of durable goods dropped 0.4% in March after a 2.6% drop in February. Shipments of non-defense capital goods excluding aircraft, the proxy for equipment and software spending in the GDP report, rose 1.2% following two consecutive monthly declines. On a quarterly basis, inflation adjusted shipments of non-defense capital goods excluding aircraft declined at an annual rate of 3.2% in the first quarter compared with a 3.6% increase in fourth quarter of 2007. This suggests that capital spending is unlikely to make a significant contribution to the first quarter GDP.

**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>
Oct-07	0.5	-0.6	-1.2	2.2
Nov-07	-0.4	-0.5	0.1	-0.1
Dec-07	-0.3	1.4	1.6	0.8
Jan-08	2.3	1.6	-0.4	8.4
Feb-08	-2.6	-3.9	-1.6	-10.4
Mar-08	-0.4	0.8	1.2	-1.1

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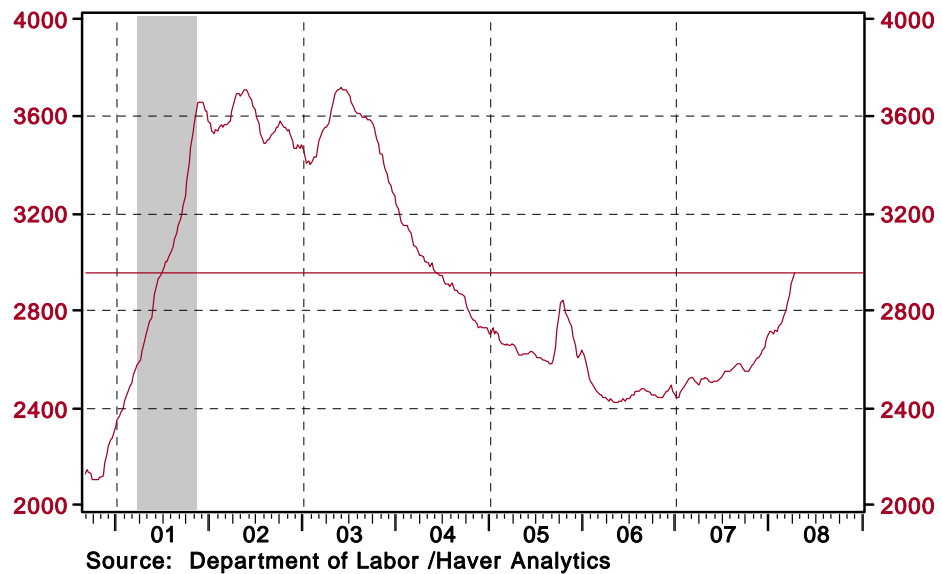
## Labor Market – Firms Remain Reluctant to Hire

Initial jobless claims dropped to 345,000 during the week ended April 19 from 375,000 in the prior week. The 4-week moving average of initial jobless claims (369,500) remains at an elevated level. Continuing jobless claims, which lag initial jobless claims by one week, declined 65,000 to 2.934 million. The 4-week moving average of continuing claims (2.959 million) is the highest since May 2004 (see chart 5). The insured unemployment rate held steady at 2.2%. The marked upward trend of continuing claims indicates that firms are reluctant to expand payrolls.

Chart 5

### Continuing Jobless Claims: 4-Week Moving Average

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