

DAILY GLOBAL COMMENTARY

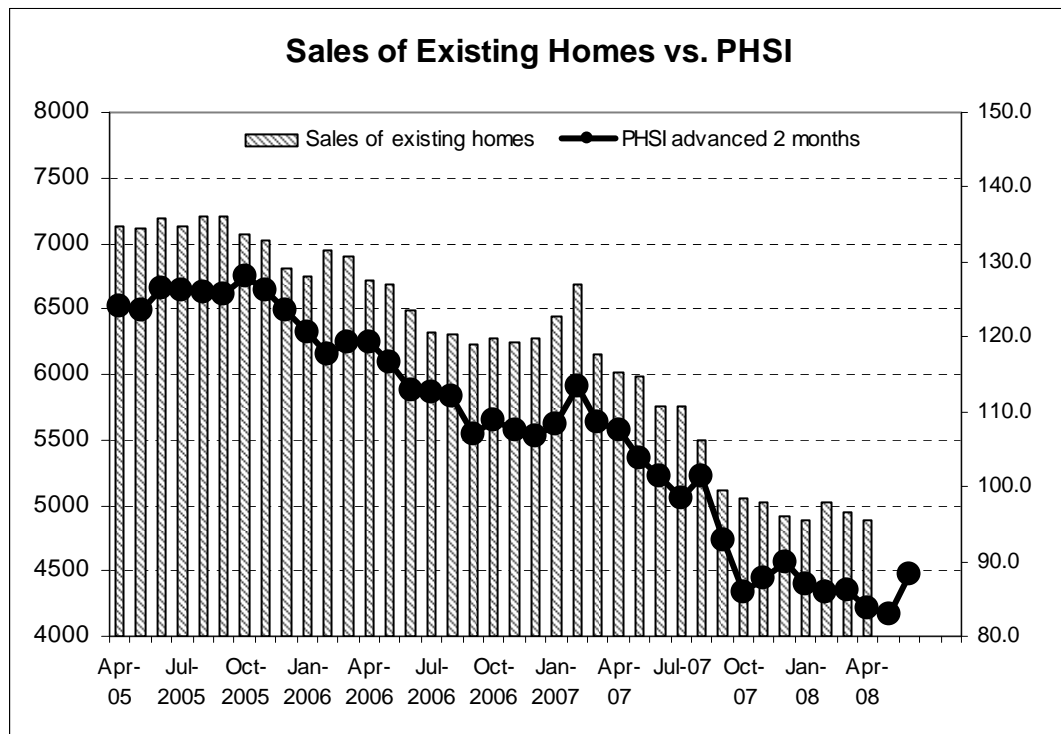
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Additional Evidence Necessary to Call Bottom of Housing Market June 9, 2008

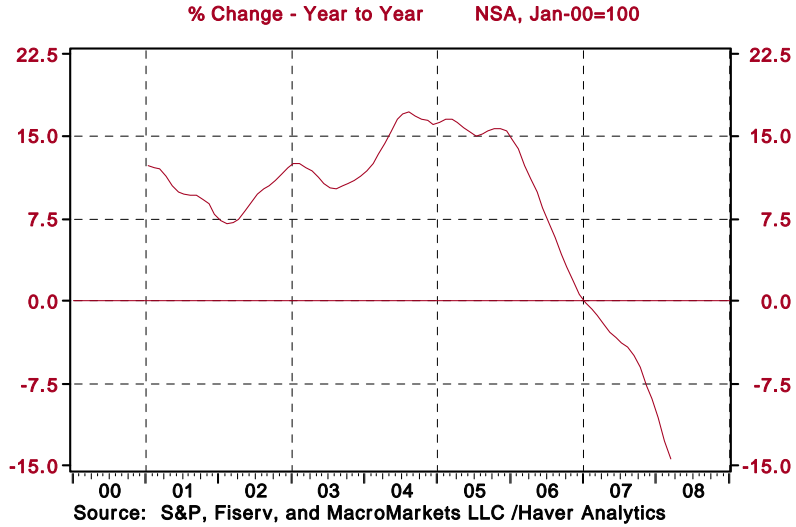
The 6.3% increase in the Pending Home Sales Index (PHSI) of the National Association of Realtors to 88.2 in April, is impressive after the downward trend that has been in place for several months. The PHSI increased in the Midwest (+13.0%), West (+8.3%) and South (+4.3%) but fell 1.9% in the Northeast. It is too early to attribute a single-month's gain to a major improvement of conditions in the housing market. The April reading of the PHSI points to sales of existing homes in the May-June period. Sales of new and existing homes in May will be published on June 25 and June 26, respectively.

Chart 1



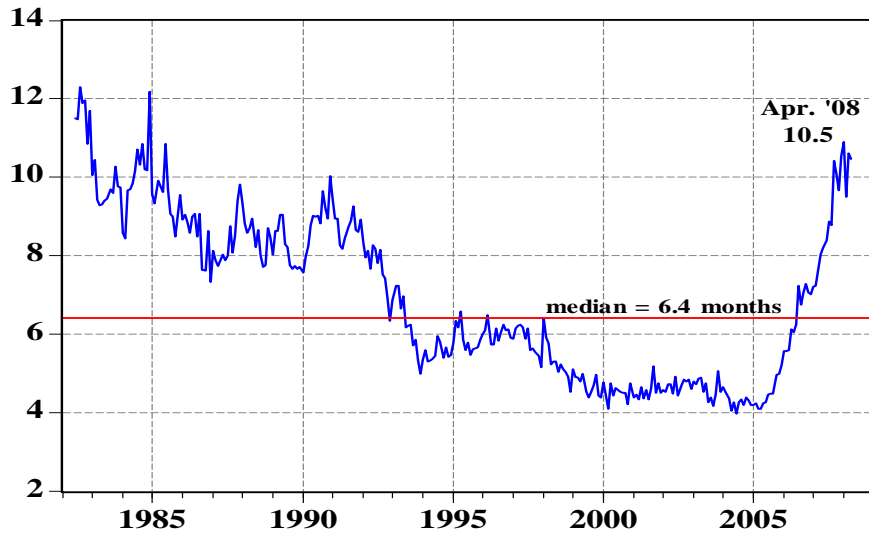
Prices of homes and the inventory of homes unsold will have to stabilize before one can say that the housing market has turned a corner. The Case-Shiller Home Price Index fell 14.35% on a year-to-year basis in March (see chart 2).

Chart 2
S&P/Case-Shiller Home Price Index: Composite 20



The large inventory of unsold homes (See chart 3, Paul Kasriel is the author of this chart.) is exerting pressure on prices of homes. If there is a meaningful pickup in home sales, the impact will be visible in charts 2 and 3. That said, the increase in the PHSI for April is a signal of improving conditions but we need to see data for sales, prices, and inventories for a few consecutive months to call a firm bottom of the housing market.

Chart 3
Total Single-Family Homes*: Inventory/Sales Ratio
months' supply



***Combined new and existing**

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