Weekly Market Review

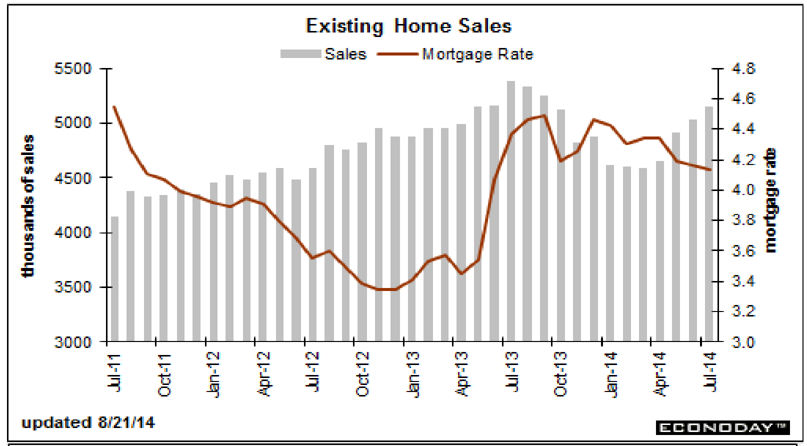
August 18, 2014 — August 22, 2014

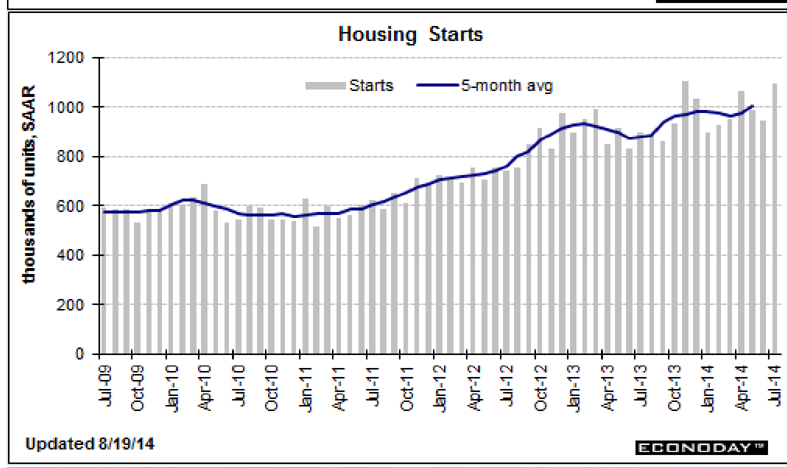
"I believe the demand for housing is sufficiently robust to continue improving despite a small rise in mortgage rates. The economy is improving. An acceleration of income growth that will result will likely buttress a recovery in housing and compensate for the loss of momentum during the winter freeze" - Richard Fisher—CEO Fed Reserve Bank of Dallas

Housing This Week.

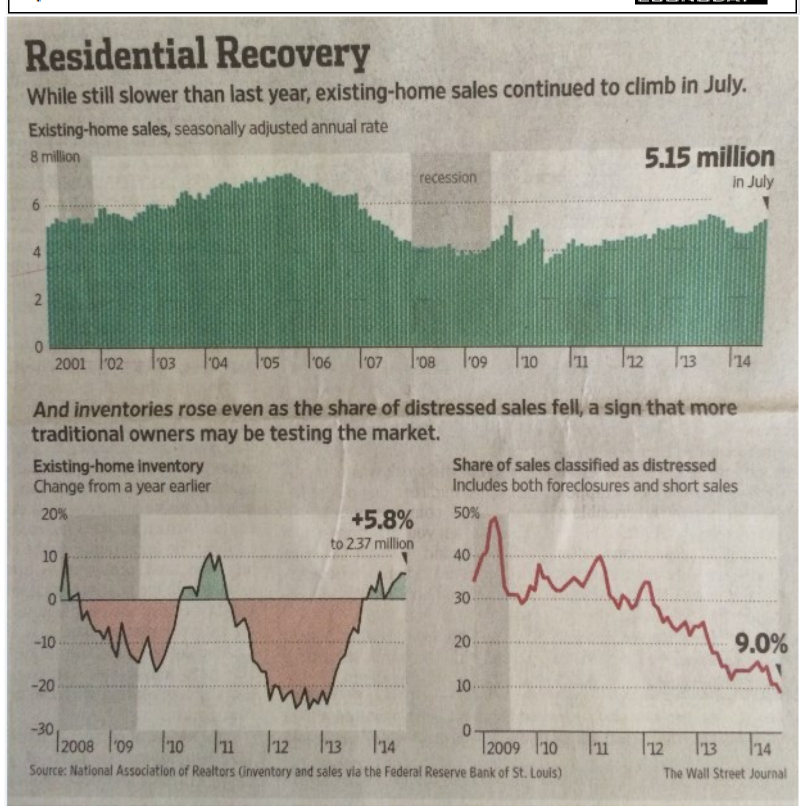
A series of data came in this week suggesting a strengthening housing market. Monday we received the Housing Market Index compiled by the National Association of Homebuilders which showed its best reading since December 2013. The market was led by the Midwest and pulled down slightly by the Northeast.

On Tuesday we got Housing Starts Survey which came in at 1.093M starts up from .893 and above consensus suggesting housing may be making a comeback. While the strength in this survey was led by the multifamily component, the residential recovery is improving as can be seen through the Existing Home Sales survey that was released Thursday. 5.15M sales closed during the month of July which represents a 2.4% advance. What is most notable is that supply rose as well as price showing resilient demand.





Underneath the numbers are some positive housing trends that continue to suggest strength in what was formally considered a depressed housing market. New home construction is leveling off in terms of square feet built. This downward pressure on home size is correlated with the introduction of more first time home buyers who seek smaller homes according to the chief economist at The Home Builders Group. Construction activity is picking up in the commercial sectors as the Architecture Billings Index hit its highest level since 2008. The index results suggest demand is rising as customers are beginning to feel more comfortable about making long term capital decisions. Corporate profits, most notably those of Home Depot, are up on signs of housing strength.



Lastly, there was a strong reduction in the amount of transactions that came from short sales of underwater homes and foreclosures. This group represented 9% of sales which is the lowest since the financial crisis. The FOMC is certainly looking hard at these numbers and if the trend continues, we may see rising interest to tackle rate hikes earlier than latter.