

Datanote: US New Home Sales, February

In one line: Probably a blip in the uptrend

- New home sales fell trivially in February, to 662K from an upwardly-revised 664K, below the consensus, 675K

The marginal decline in new home sales is a bit disappointing, coming after two straight monthly increases

and the surge in existing home sales in February, although it is in keeping with the stalling of the recovery in mortgage demand over the past month or two.

Also remember that the new home sales numbers are subject to huge margins of error, with the 0.3% decline reported for February subject to a 90% confidence interval of $\pm 16.2\%$. As a result, a single month's number tells us very little.

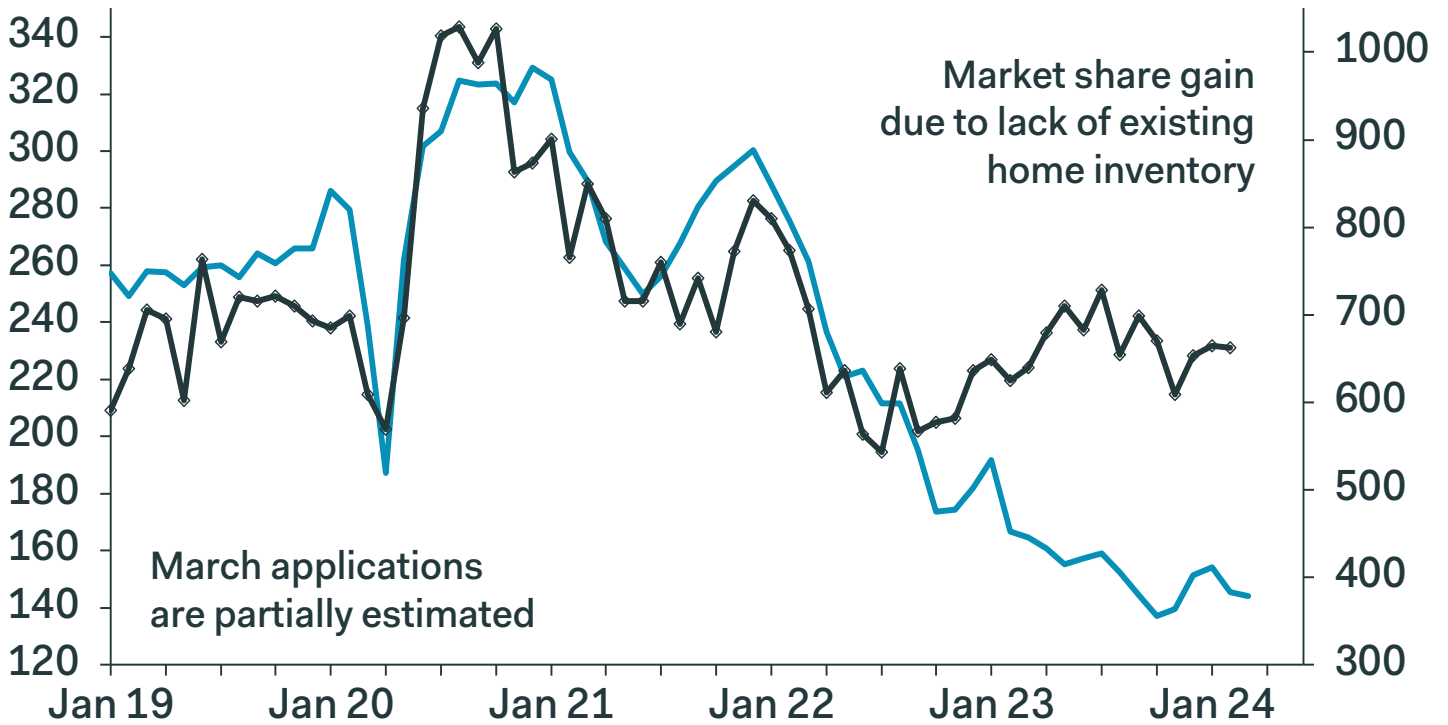
The underlying trend is what matters and we think the recovery in sales that

began in January has further to run. We expect significant declines in mortgage rates over the rest of this year to lead eventually to a revival in mortgage demand. Homebuilders, meanwhile, are very upbeat about the near-term outlook, probably because the chronic shortage of existing homes for sale is continuing to push many more buyers than usual into the new home segment of the market. The stock of new homes on the market rose marginally to 8.4 months of sales in February, compared to just 3.1 months

of sales for existing homes. That said, the ample supply of new homes continues to put downward pressure on prices, even as volumes trend upwards. The published median new home prices numbers are volatile and not seasonally adjusted. But a seasonally adjusted three-month average continues to fall, as our chart shows.

— MBA purchase index, re-adjusted by PM, adv. one month (Left)

◆ New home sales, thousands annualized (Right)



— NAHB survey, headline index (Left)

◆ New home sales, thousands annualized (Right)



