

Datanote: US Pending Home Sales, February

In one line: Sales likely to remain in the doldrums.

- Pending home sales rose by 2.0% in February, a bit stronger than the consensus, 1.0%.

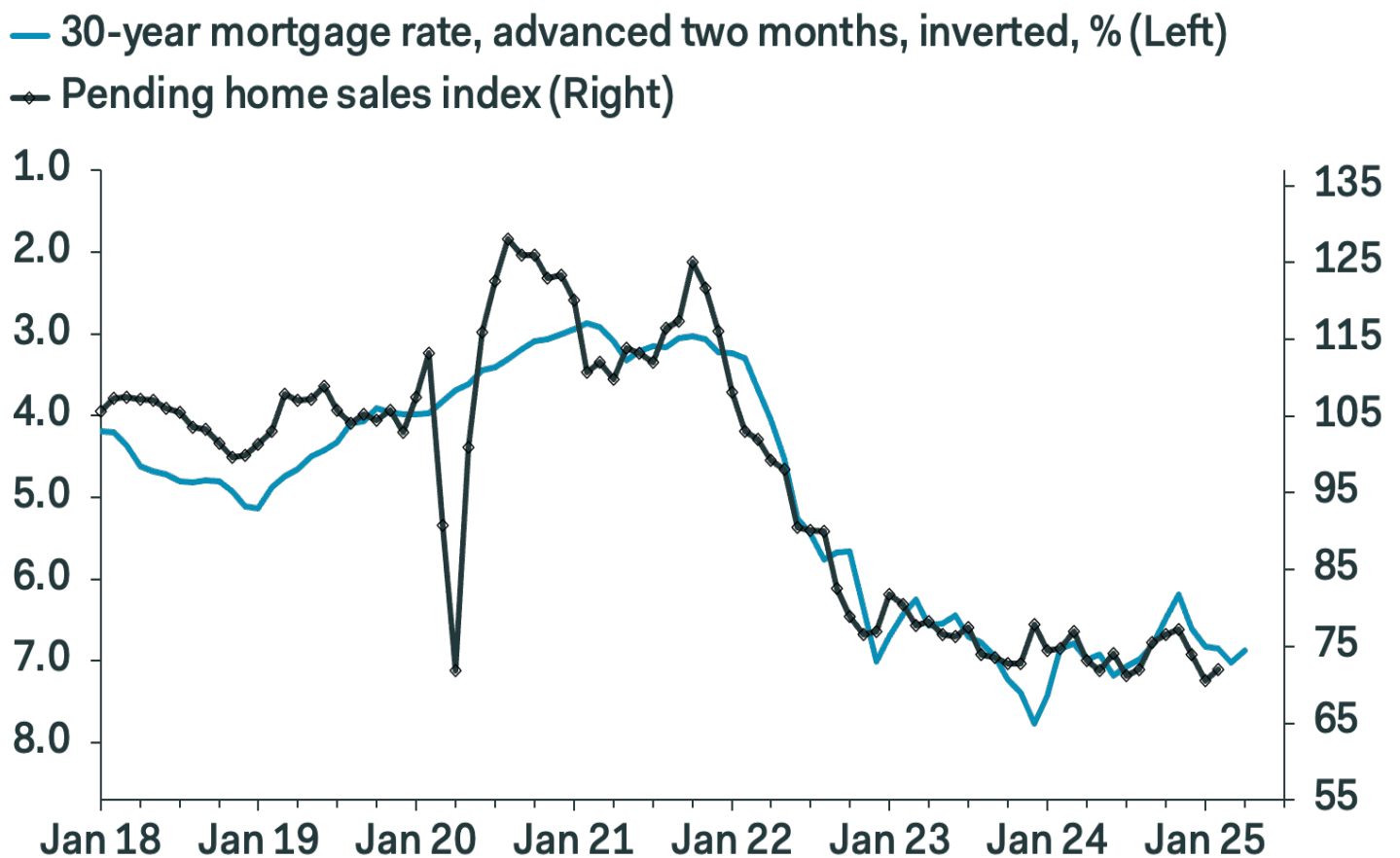
At least some of the month-on-month increase in pending home sales in February probably is weather-related. Very cold weather in January—the

coldest January since 1988—likely held back activity at the start of the year, pushing some sales into February, when temperatures were far closer to seasonal norms. The current level of mortgage rates suggests that pending sales will creep up slightly over the next month or two, but the big picture remains that sales are still only fractionally above January's record low, and a more meaningful recovery still is a long way off. The gulf between market rates on new mortgages—about 6.75% at present—and the average rate on existing mortgages—

just north of 4%—means that moving home still would mean a prohibitively big jump in monthly repayments for most current homeowners.

Pending home sales usually lead existing home sales by roughly a month, given the time that it takes for contracts to close, although existing sales jumped in February despite the pronounced weakness in pending sales in January. We therefore expect existing sales to drop back in March, so Q1 sales will be roughly unchanged on average compared to Q4. We think

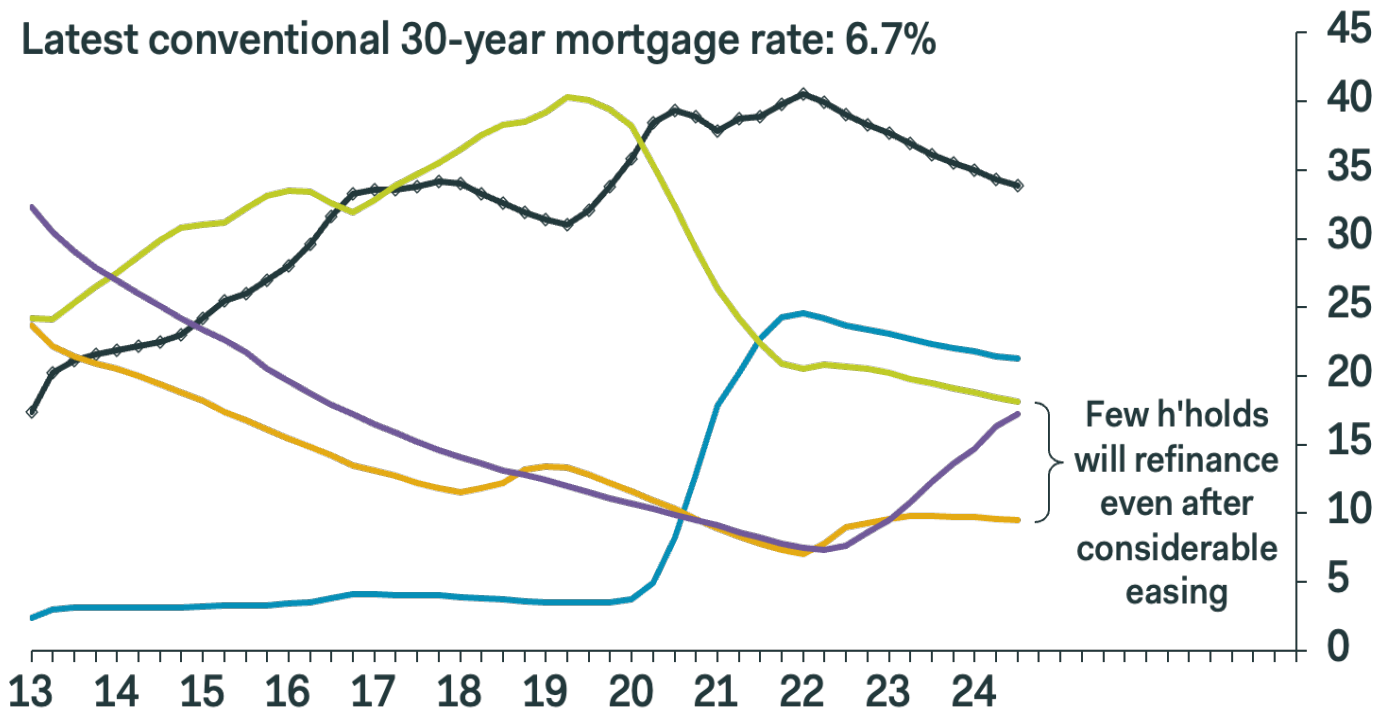
total home sales will remain around their current levels for the foreseeable future.



Distribution of stock of mortgages by interest rate, % of total

— Under 3% — 3-to-4% — 4-to-5% — 5-to-6% — Over 6%

Latest conventional 30-year mortgage rate: 6.7%



— Pending home sales index, advanced by one month (Left)

— Existing home sales, millions (Right)

