

Datanote: Pending Home Sales, January

In one line: Backup in rates and high snow cover hurt sales last month

- January Pending home sale fell 4.9%, below the consensus forecast, +1.5%.

The consensus forecast for a 1.5% increase in January always looked far too optimistic, given the spike in December - which was revised down to

5.7% from 8.3% - and the much higher than usual level of snow cover across the US last month. Monthly noise and weather effects aside, pending home sales track mortgage demand with a short lag, so it would be reasonable to expect a further drop in February, as our chart shows. The back-up in rates in recent weeks has dampened demand, but we expect a gradual recovery to begin in the spring. Rates likely will drop back as the current revival of inflation fears fades, and the pool of potential first-time buyers

has increased substantially in recent months on the back of continued robust job growth. But the near-term outlook for pending home sales - and subsequently existing home sales, which lag by a month or so - is for weakness.

