



# NEWS BULLETIN 2010

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## MONDAY, August 2<sup>nd</sup>

■The ISM manufacturing index fell to 55.5% in July from a level of 56.2% in June. The level of the index suggests slightly slower but still expanding activity in the manufacturing sector based on a downshift in production and new orders. Employment and inventories were higher though, which bodes well not only for the sector but the broader economy as well.

■Construction spending rose 0.1% in June, better than an expected decline of 0.5%. Residential construction spending fell 0.8% on the month but is up 11.8% from June 2009. The severity of the weakness in the nonresidential sector appears to be abating somewhat. Nonresidential construction spending fell 0.5% in June and is down 8.1% over the past three months compared to a 24.1% decline in the last year. Public construction expenditures gained 1.5% in June but are still 4.1% below their year ago level. Given state and local budget constraints, the outlook is for increasing weakness in the public sector going forward. Total construction spending remains near its weakest levels on record with only spotty signs of very modest improvement.

## TUESDAY, August 3<sup>rd</sup>

▼The pending home sales index fell 2.6% to a record low level of 75.7% in June from 77.7% in May as the downturn from the homebuyer tax credit expiration works its way through the market. Pending home sales are counted when sales contracts are signed and are viewed a leading indicator of existing home sales. The decline in the index suggests existing home sales will continue to tumble in July and August until demand fundamentals of job and income growth return to support housing market activity.

■Personal income was unchanged in June compared to market expectations for a 0.2% increase. Though weaker than expected in June, income growth has accelerated modestly the first half of this year based on modest wage and salary improvement. Consumer spending was also unchanged in June and despite modest income growth, has retreated since the first of the year. Instead, consumers are saving at a 6.4% rate in June.

## WEDNESDAY, August 4<sup>th</sup>

■The MBA mortgage applications index increased 1.3% to 730.2% for the week ending July 30. The purchase index rose 1.5% last week but is 33.9% below its year ago level and off 40.0% since the end of April. Purchase activity remains near one of its lowest points in the past 14 years. The refinance index gained 1.3% on the week, is up 98.8% over the past year and 87.5% since the end of April. Stunningly low rates are creating more refinance opportunities; refinancing accounted for nearly 80% of total new mortgage activity.

## THURSDAY, August 5<sup>th</sup>

▼Jobless claims rose 19k to 479k for the week ending July 31. The rise in initial unemployment claims suggests renewed weakness in labor market conditions with increased layoffs and limited hiring. With the most recent emergency extension of unemployment benefits claims levels are expected to remain elevated in the months ahead.

## FRIDAY, August 6<sup>th</sup>

▼Payroll employment fell by a larger-than-expected 131,000 in July compared to market expectation for a net decline of 60,000 jobs. The government shed 202k jobs last month while the private sector added 71k. Revisions to June payrolls resulted in a net loss of 221k as opposed to the 125k originally reported. The large swings both up and down in the number of jobs created rests mainly with temporary public sector hiring. After declining for almost two years, private sector employment has increased in 8 of the last 9 months albeit at a very modest pace. Even at a greatly increased rate it will take a long time to recover all of the lost jobs.