

U.S. Data Review

- Existing home sales: a surge in February

Michael Moran

Daiwa Capital Markets America
 212-612-6392
michael.moran@us.daiwacm.com

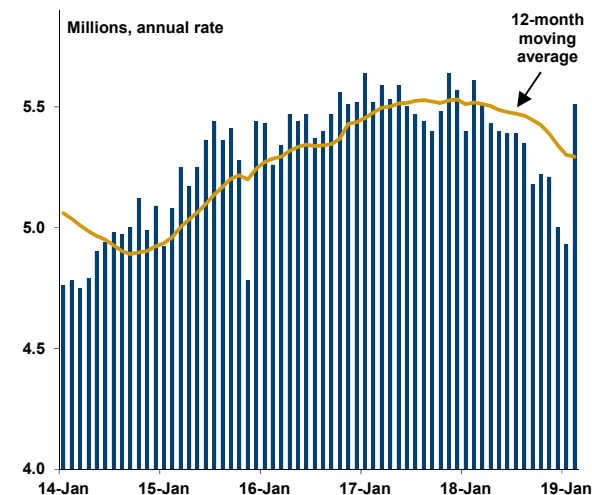
Existing Home Sales

Sales of existing homes jumped 11.8 percent in February, easily beating the expected increase of 3.2 percent. Home sales had slid badly in the past year or so, registering only one small monthly increase from March 2018 to January of this year. The latest surge, however, reversed most of that deterioration (chart, left). The advance, undoubtedly, was stirred by the drop of approximately one-half percentage point in mortgage interest rates since November. The lag in response to the drop in rates is not especially surprising, as existing sales are based on closings rather than contracts signed, and there is always a lag between a contract and a closing.

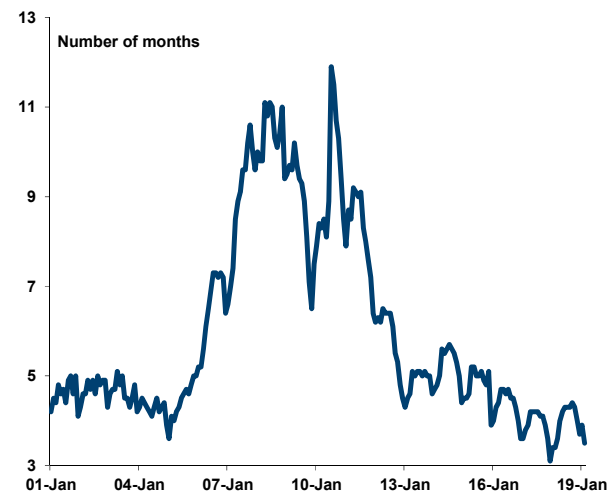
The increase was broad-based geographically. Sales in the Northeast were flat, but the other three regions posted sharp advances (ranging from 9.5 percent to 16.0 percent). Activity in the Northeast will perhaps catch up next month. For the other areas, we wonder about sustainability. The surges could represent flurries of activity as buyers jump to take advantage of lower rates after missing the previous low. We suspect that activity will cool next month.

The number of homes for sale rose 2.5 percent in February, a less than striking increase. This series is not seasonally adjusted, and listings usually begin to increase sizably in February (the average increase in the prior 10 Februaries totaled 4.1 percent). The gain in inventory was well shy of the jump in sales, and thus the months' supply of homes on the market (inventories relative to sales) eased from 3.9 to 3.5 months, a reading in the lower portion of the recent and historical ranges (chart, right).

Existing Home Sales



Months' Supply of Unsold Homes



This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.