Daiwa Capital Markets

U.S. Data Review

- Existing home sales: 10th consecutive decline; near pandemic low
- Consumer confidence: gain in December, led by positive assessment of labor market

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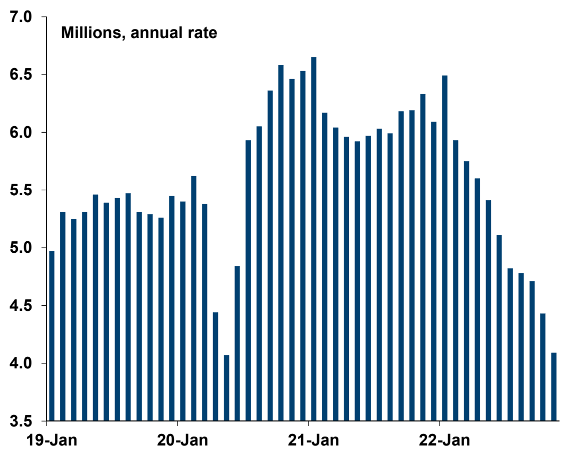
Existing Home Sales

- Sales of existing homes fell 7.7 percent in November, softer than the expected decline of 5.9 percent. The new level of 4.09 million units (annual rate) was only a shade above the low of 4.07 million in May 2020, when pandemic-related lockdowns constrained activity (chart, left). These soft readings are not record lows, but one has to go back to the financial crisis and its aftermath to find weaker results.

- Slow activity was broad-based geographically, with all four major regions posting sizeable declines (ranging from -5.6 percent to -12.5 percent). All four regions were close to or below the pandemic-related lows in 2020 (sales in the Midwest and West were below the 2020 lows).

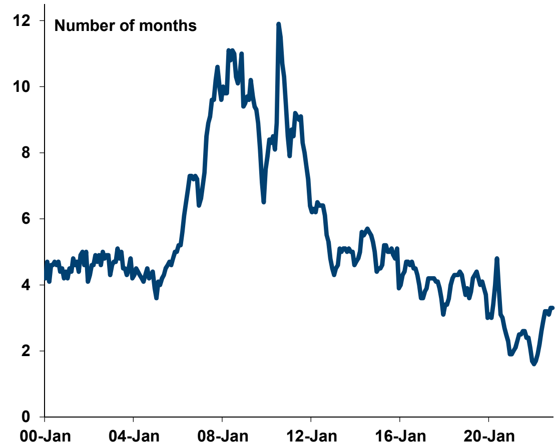
- The number of homes for sale fell 6.6 percent in November, about equal to the average change for November in the prior 10 years (this series is not seasonally adjusted). The declines in sales and inventories left the months' supply of homes for sale unchanged at 3.3 months. This supply figure is up from the record low of 1.6 months in January, but it is in the low end of the historical range (chart, right). Prospects for a meaningful pickup in inventory are not bright, as many homeowners will be reluctant to give up their low-rate mortgage.

Existing Home Sales



Source: National Association of Realtors via Haver Analytics

Months' Supply of Unsold Homes



Source: National Association of Realtors via Haver Analytics

Consumer Confidence

- The Conference Board's measure of consumer attitudes rose 6.8 percent (6.9 index points) in December to 108.3, firmer than the expected pickup of 0.8 percent (chart; next page, left). The latest reading occurred from an upward-revised level in the prior month (101.4 versus 100.2).

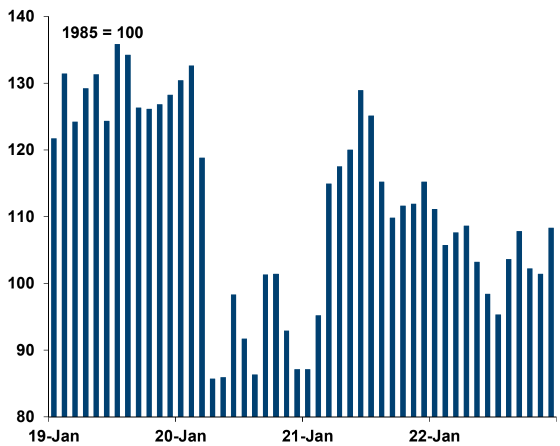
- The latest reading on consumer confidence is still well below the cyclical peak of 128.9 in June 2021, but it is improved from the recent low of 95.3 in July and suggests that confidence may have stabilized as gasoline prices have receded and the labor market appears to remain on solid footing.

- Both the current conditions and expectations components contributed to the increase in December. The expectations component registered the larger advance (up 7.4 percent to 82.4), reversing a portion of the downward trend of the past year and one-half. The gain in the current conditions index (up 6.4 percent to 108.3) retraced declines in the prior two months and moved the measure back to the upper portion of the recent range.

- With regard to inflation, the year-ahead measure published with the Conference Board report eased to 6.7 percent in December from 7.2 percent in November. These recent readings, which likely occurred in response to lower gasoline prices, are off from the cyclical high of 7.9 percent in March and June of this year.

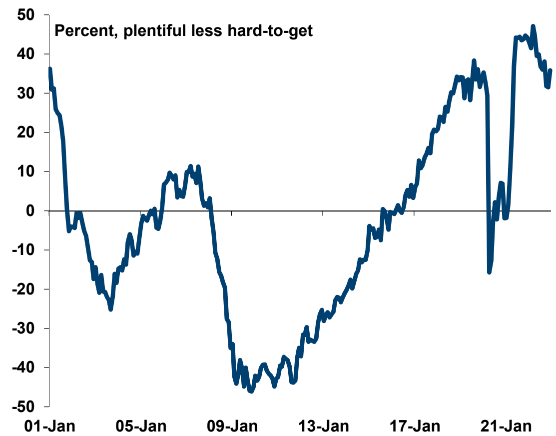
- Even with some slowing in job growth in recent months and an uptick in layoff announcements, views on the labor market remained favorable. The share of survey respondents indicating that jobs were plentiful increased 2.6 percentage points to 47.8 percent, below the record of 56.7 percent in March but elevated from a long-term view. The share reporting that jobs were hard to get dipped 1.7 percentage points to 12.0 percent. The net reading (plentiful less hard to get) of 35.8 was up 4.3 percentage points from the prior month's result and elevated from a long-term perspective (although below the record high of 47.1 in March; chart, right).

Consumer Confidence



Source: The Conference Board via Haver Analytics

Labor Market Assessment*



** The share of individuals reporting that jobs are plentiful less the share indicating that jobs are hard to get.*

Source: The Conference Board via Haver Analytics