



## >: Market Wrap Up April 21, 2008

Monday, April 21, 2008 / Chris Rowe

Did you see Chris Rowe's most recent market wrap up?

Every Monday and Thursday afternoon at 5:30pm EST. he's posting a SUPER FAST market wrap-up for those of you who want to take a quick peak at the market, and go back to enjoying your life!

Check out what moved the market, one topic or event affecting the value of your portfolio, and find out where the current bull market can be found - Because "there's always a bull market somewhere" [CLICK HERE TO VIEW THE VIDEO!](#)

Let's grow our wealth together folks - Intelligently!

?Profit from the Trend?

A handwritten signature in black ink that reads 'Chris Rowe'.

Chris Rowe

Chief Investment Officer

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## Economic Calendar for the Week of April 21 - April 25

### Thursday, April 24

#### 8:30AM - Durable Goods Orders

##### Release Details

- Importance (A-F): This release merits a B.
- Source: The Census Bureau of the Department of Commerce.
- Release Time: 8:30 ET around the 26th of the month (data for month prior).
- Raw Data Available At: <http://www.census.gov/ftp/pub/indicator/www/m3/index.htm>.

The durable orders release measures the dollar volume of orders, shipments, and unfilled orders of durable goods (defined as goods whose intended lifespan is three years or more). Orders are considered a leading indicator of manufacturing activity, and the market often moves on this report despite the volatility and large revisions that make it a less than perfect indicator. These problems can be minimized by looking at the breakdown of orders. The total number is often skewed by huge increases in aircraft and defense orders. An increase based solely on strength in one sector tends to be discounted, while the market is more impressed with broadbased increases in orders.

Also notable in this report is the narrow category of nondefense capital goods. These goods mirror the GDP

category producers' durable equipment (PDE) -- the largest component of business investment. Shipments of nondefense capital goods are a good proxy for PDE in the current quarter, while nondefense capital goods orders provide an indication of PDE growth in the quarters ahead.

## Highlights

- Raw Data Available At: <http://www.census.gov/ftp/pub/indicator/www/m3/index.htm>

## 8:30AM - Initial Claims

### Release Details

- Importance (A-F): This release merits a C .
- Source: The Employment and Training Administration of the Department of Labor.
- Release Time: 8:30 ET each Thursday (data for week ended prior Saturday).
- Raw Data Available At: <http://www.dol.gov/opa/media/press/eta/main.htm>.

Initial jobless claims measure the number of filings for state jobless benefits. This report provides a timely, but often misleading, indicator of the direction of the economy, with increases (decreases) in claims potential signalling slowing (accelerating) job growth. On a week-to-week basis, claims are quite volatile, and many analysts therefore track a four week moving average to get a better sense of the underlying trend. It typically takes a sustained move of at least 30K in claims to signal a meaningful change in job growth.

There are two other statistics in this report -- the number of people receiving state benefits and the insured unemployment rate; neither is watched closely by the market. Some analysts track the number of people receiving state benefits from month to month as a guide for job growth, though this series has a poor track record in predicting the monthly employment report. The insured unemployment rate changes little on a weekly basis and is never a factor for the market.

## Highlights

- Initial claims rose 17K to 372K in the week of April 12.
- Continued claims rose 26K to 2.984 mln in the week of April 5.

## Key Factors

- Leaves a slightly lower 4-week average of 376K.
- The 4-week average of continued claims has now surpassed the Hurricane Katrina effects and well above level at the start of last two recessions.

## Big Picture

The early January lows near 300K compared to the 400K level in late March as the labor market is clearly weakening and is reflected by the string of declines in payroll growth. The current 376K 4-week average is above the averages at the start of the last two recessions. Continued claims (a better read on hiring declines)

also reached the highest level in 3 1/2 years as the 4-week average stands well above the levels at the start of the last two recessions. Claims provide a nearly real time read on layoffs and the labor market as the employment report reflects the broader combined read of layoffs and hiring.

### 10:00AM - New Home Sales

#### Release Details

- Importance (A-F): This release merits a C .
- Source: The Census Bureau of the Department of Commerce.
- Release Time: 10:00 ET around the last business day of the month (data for month prior).
- Raw Data Available At: <http://www.census.gov/const/newressales.pdf> .

The report indicates the level of new privately owned one-family houses sold and for sale. New home sales usually have a lagged reaction to changing mortgage rates. They also tend to be stronger early in the business cycle when pent-up demand is strong, and they fade later in the cycle as the demand for housing is sated. In addition to home sales, the market monitors the number of homes for sale relative to the current sales pace. As this inventory measure falls (rises), housing starts tend to rise (fall). Finally, the median home price provides an indication of inflation in the housing sector, though only year/year changes provide any meaningful information.

The home sales report is quite volatile and subject to huge revisions, making any one month's reading very unreliable. The report rarely prompts a market reaction. The market prefers the existing home sales report, which has a sample data pool four times as large and is released earlier in the month.

#### Highlights

- Briefing.com Forecast: 585K
- Market Consensus: 585K

#### Key Factors

- Another modest decline leaves a new 13 year low as the level has fallen near -60% since the peak.
- Inventories could edge above the multi-decade high of 9.8 months seen over the prior two months as foreclosures add to the count.
- Median prices are expected to return to a stronger decline after the lift to just a -3% annual decline in February. -7% from March 2007 peak.
- The drop in prices provide an incentive to hold off purchases as foreclosures add to the downward price pressures.

#### Big Picture

New home sales are at a 13 year low with no sign of stabilization. Unsold inventories reached a high of 9.8 months -- a multi-decade high. Prices are down just -7% from the March 2007 high. Foreclosures add to the risk for continued price declines as they add to severely bloated inventories. Then in turn, lower prices can

leave mortgage loans to value above 100% and spur more foreclosures. Buyers will wait for the price declines to near their bottom before stepping in as credit needs to free up to worthy borrowers and help to clear away inventory and get the sector back on its feet.

## **Friday, April 25**

### 10:00AM - University of Michigan Consumer Sentiment Index

#### Release Details

- Importance (A-F): This release merits a B-.
- Source: The University of Michigan.
- Release Time: Preliminary: 10:00 ET on the second Friday of the month (data for current month);  
Final: 10:00 ET on the fourth Friday of the month (data for current month).

The Michigan index is almost identical to the Conference Board Consumer Confidence index, though there are two monthly releases, a preliminary and final reading. Like the Conference Board index, it has two subindexes - expectations and current conditions. The expectations index is a component of the Conference Board's Leading Indicators index.