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New Home Sales

March new single-family home sales rise an as-expected 11.1% (Consensus and Decision Economics: +12.0%), but with the level getting an additional boost from an 8.0% upward revision to the prior-month level--and with a 3.7% upward revision for the month before that further boosting the cumulative uptake of houses by buyers.

Only the southern region (-0.6%) saw a sales decline in the month, the others experienced double-digit jumps (from very low numerical bases).

The inventory of houses for sale, meanwhile slipped 1.1% from an unrevised prior-month level--putting the months supply at 7.3. That reading is in the middle of the range seen over the last few years, and despite being much higher than the figures seen in most months from 1990 to 2006, is probably the practical minimum, given the small absolute size of the total.

Thus, the current level of single-family housing starts appears to be sustainable--but, any increase will require a serious further pickup in sales.

Effectively, the downside risk to the overall economy from the single-family sector alone has been reduced to inconsequence. There is little or no GDP risk from a further decline in production activity there, and new home prices have only minute impact on the house-price level in most localities now.

The real issue is activity in the existing-home market--in terms of setting the house price level, and the level and liquidity of consumer net worth. Nothing would put the Fed more at ease with the concept of normalizing policy than a healthy rebound in sales of those houses. Any serious new faltering would make doves dig in their heels.

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