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Existing Home Sales

May existing home sales fall a slightly less than expected 3.8% (Consensus: -5.0%; Decision Economics: -7.0%0 though from a prior-month level revised down by 1.0%.

The inventory of homes for sale, meanwhile, shrank by 1.0%, reversing only a bit of the 6.8% growth seen last month, and allowing the months supply to rise to 9.3 from 9.0.

The good news is that the sales decline was smaller than might have been expected, given the 11.6% drop in April pending home sales. The immediate suggestion is that financing was completed for a relatively large share of the transactions that actually were initiated in April.

That is obviously not a negative development, but with the positive implications limited by the fact that the Realtors group attributed the pending-sales decline to high gasoline prices and severe weather--factors hat might have worked to dissuade more-marginal borrowers from house-buying in the first place.

Erring on the side of optimism, any easing up in credit stringency would be a helpful factor for sales. Apart from that, the fundamental backdrop appears stagnant at best, with the employment outlook under doubt, affordability improving a bit more--but having already been attractive for many months--and the price outlook very cloudy.

Still, the realtors are comparatively optimistic, and some pickup in pending sales seems very likely. If financing has, in fact, eased a bit, better actual sales would then be posted.

The Fed, of course, will wait for actual results--and, in any case, lots of time will pass before housing activity trends contribute to any argument for removing accommodation.

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