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Existing Home Sales: Better

October existing home sales rise unexpectedly, gaining 1.4% from a September level revised down by 0.2%.

The result is stronger than might have been expected, given recent weakness in the pending home sales index--a circumstance that ultra-optimists would interpret as suggesting that fewer transactions are breaking down, perhaps because lenders are untightening conditions modestly.

Pessimists would see the result as a less-than-complete rebound from the 3.2% September drop, with the Midwest (+2.8%) and Southern (+2.1%) regions exactly offsetting declines suffered that month, the Western region (+4.4%) regaining only about half the ground it lost, and the Northeast (-5.1%) falling about twice as much as it rose back then.

In any case, there was doubly good news in a 2.2% decline in the number of houses for sale, from a September level revised down by 2.1% (making the decline in that month 4.1% instead of 2.0%). The months supply fell to 8.0 from 8.3 (revised from 8.5).

That inventory level is still high historically, but might be improved enough to sustain the apparent stabilization in seasonally adjusted Case-Shiller house prices--which, through the August results currently available, had occurred at months-supply readings varying between 8.4 and 9.5.

All of this amounts to just a bit more than preservation of a slightly encouraging status quo--but, of course, the expectation was for some worsening. World views will not change, but downside risk perceptions will ease back modestly.

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