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Case Shiller: Green shoots?

The January Case-Shiller house price index meets expectations, showing a year-to-year decline of 3.8% (Consensus: -3.8%; Decision Economics: -3.9%). This actually represented a quicker-than-expected slowdown from the December decline, which now shows at 4.1%, instead of the original 4.0%.

Seasonally adjusted data showed a sharp arrest in downward motion on a month-to-month basis--with January prices flat at the December level, following on declines of 0.5% in that month and 0.7% in each of the three before that.

Obviously, there is hope that a bottom has been found--and with some justification in the fact that January existing-home sales jumped 5.7% from December, and 6.0% from the fourth-quarter average. February sales slipped only 0.9% from there.

But, the favorable demand/supply balance in January remains tenuous for the immediate future, with the inventory of homes for sale--visible and latent--still potentially quite flexible (the visible inventory grew 4.3% in February, despite the high level of sales), and mortgage rates subject to more upward variability than downward.

Still, the pricing situation seems more solidly stable in some markets than in others, and the likely trend is for a gradual spreading-out of that situation as long as rates do not rise too steeply and employment continues to firm.

Fed debate will not shift on these results--with doves sure to think that the green shoots here remain unacceptably fragile, and hawks certainly not backing down.

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