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Case-Shiller: Have prices stabilized?

February Case-Shiller house price index results met expectations showing a year-to-year decline of 3.5% (Consensus and Decision Economics:-3.4%). This deceleration in the year-to-year trend suggests that home prices may be stabilizing.

Seasonally adjusted data were strong, with the 20-city index gaining 0.2% m/m-the first increase since April 2011. January prices were flat in month-on-month terms, after four previous months in declines.

Different housing markets are showing diverging price trends. In year-over-year terms, sixteen of twenty cities showed improvements led by San Diego home prices gaining 3.3% y/y. However, Atlanta home prices declined 17.2% y/y, accelerating from -14.8% y/y in January.

The seasonally adjusted monthly change is a positive sign for prices, especially as existing home sales in February were nearly flat after an incredibly strong January. The seasonally adjusted data will be watched closely in the next few months for signs that this positive trend is becoming ingrained. For now, homebuilder expectations for future sales have deteriorated and housing starts have declined in both February and March. While mortgage rates continue to remain low, sustained job growth will be needed to work through the shadow inventory.

Fed debate will not shift on these results particularly in light of the "false start" shown in early-2011 home price data.

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