

New home sales upside surprise: +7.6% to 369K

DE assessment: The Chicago PMI finally fell off its super strong 60 plus perch, falling 6 points to 56.2. DE assessment: In pleasant surprise, new home sales jumped 7.6% to 369K, the highest pace in just over two years. Strong gains in the Northeast and the South lead the jump. Both DE and the consensus had been looking for small smaller increases. The 12-month average has now risen 10% to 329K, an decent move. This has meant that the months supply of new homes has fallen to a historically low 4.7 months (compared to a 6.2 month long-term average). With inventories this low, homebuilders are poised for a huge gain in earnings if housing demand ever returns to even a sub-par 600K sales pace. Given the large hidden supply of foreclosures, a return to "normal" will take a long time.