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Case-Shiller: Dwindled Supply?

The April Case-Shiller House Price index is down a less-than-expected 1.9% year-on-year (Consensus: -2.7%; Decision Economics: -2.8%), following on an unrevised -2.6% March figure.

Most strikingly, the seasonally adjusted price index rose 0.7% in April from March, following on a March increase revised to +0.7% from +0.1%. Those are clearly encouraging results--though the fact that the big March revision occurred despite the not-seasonally adjusted index being revised only minutely suggests that the seasonal adjustment in not stable enough to be trusted entirely.

Still, there is substantial reason to believe that supply and demand balance has been attained in a great number of the 20 cities in the Case-Shiller pool. Notably, the economist from the realtors association attributed the relatively soft April existing home sales results to a lack of available supply.

The new issue is whether the improving price situation will bring more supply out of the woodwork in coming months--it is not clear what the volume of latent supply, being held off the market by cagey sellers, amounts to nowadays.

Of course a genuine stabilization and firming in house prices would a great stabilizing influence on consumer balance sheets--particularly in cases where net worth in the house is the preponderant part of total net worth.

All FOMC players will welcome these results to some degree--though all will maintain high skepticism for many months.

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