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Housing Starts: Builder Confidence

September housing starts are unexpectedly strong, jumping 15.0% from a prior-month level revised up by 1.1%. That revision put the August increase at 4.1%.

Crucially, single-family starts jumped 11.0%, following on a 7.3% August gain (revised from 5.5%).

That is a clear signal of builder optimism about future sales--perhaps prompted partly by the mid-month QE3 decision, but surely based in a more general growth of confidence in the outlook. Builders are not unaware of local mortgage-availability conditions, and may have sensed some loosening of the flow.

Multi-family starts were a big part of the September strength too, jumping 25.1% from an unrevised August level. The latest figure is at the top end of the recent range--probably indicating that there will be a decline next month. But, the picture is clearly healthy.

Fed observers, across the board, will welcome the reflected strength in interest-rate sensitive demand, and even hard-core doves may conclude--for the moment--that no QE3 step-up is required. However, existing-home demand is critically important too, and a continuing absence of new strength in pending home sales will be read as suggesting that stimulus is insufficient.

Hawks, meanwhile, will start their internal countdowns to exit-time--but this would not be the first false start for them.

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