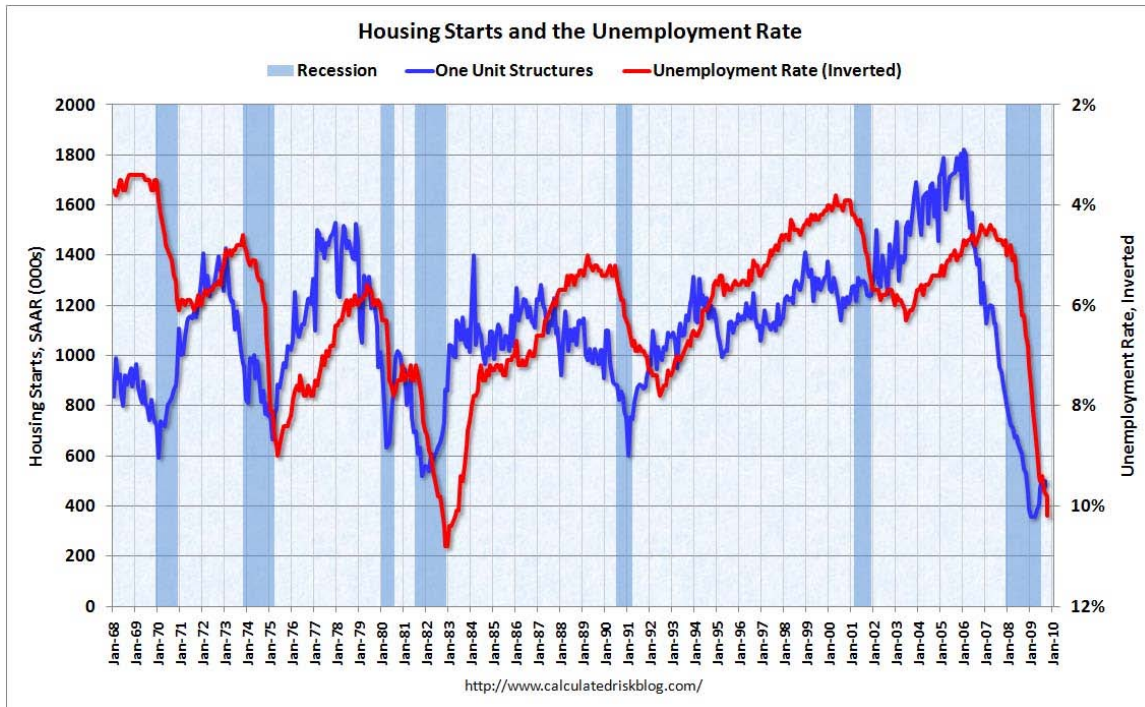


# A LOOK AT GREEN SHOOTS

## WEB BUZZ 2009.11.23

Several weeks ago we pointed out the sectors of the economy that normally lead us out of recession. One of those was housing starts, which, to date, have always been very sensitive to interest rates.



Adapted from CalculatedRiskBlog.com

Although this chart depicts the relationship to unemployment, please note the following:

1. Housing starts are at an all-time low in units, after having been at an all-time high in 2006.
2. Percentage increases from a recent low at approximately 400,000 starts to nearly 500,000 recently is a 25% increase. That's one heck of an increase, but even at that, it's the second lowest in at least 30 years. 25% is great; 500,000 units is awful. This is an example of the green shoots that have propelled the stock market since the March 9<sup>th</sup> low.

Speaking of the stock market, a recent study indicated that traders and mutual fund managers have been the major buyers during this great rally. Individuals remain on the sidelines.

On another matter, note that unemployment lags housing starts in every instance. It has yet to follow suit this time, but it is really too soon to tell. We will revisit this at a later date. There are some who believe that unemployment will be a leading indicator as opposed to lagging, which has been the case in all past recoveries. This is due to the fact that many jobs may be gone forever and a good recovery must have gains in employment to sustain the green shoots.