



What's New?

Feddern Financial Consulting Group Newsletter

November 3, 2009

KEYS TO THE BEGINNING OF A RECOVERY:

- 1. The Real Estate market must stabilize. If not reversing, at least not continuing to fall. *NEW HOUSING STARTS UP this past Spring and Summer because of seasonal factors but inventory still huge! The Nationwide COMMERCIAL COLLAPSE IS JUST BEGINNING!***
- 2. Unemployment must stabilize. If not reversing, at least not continuing to rise. Last report was lower! *IT'S ACTUALLY WORSE as a "%," Back to near 10% - BUT IT CONTINUES TO MOUNT @ OVER 500,000+ weekly.***
- 3. Corporate Earnings (profits) must stabilize. If not reversing, at least not continuing to fall. *SOME POSITIVE SIGNS but mainly in TECHNOLOGY.***
- 4. Banks must begin to make loans again (especially to small businesses and potential home owners...albeit under ancient premises of buyers being qualified and of all things, a down-payment! Lots of "hoopla" from the mega banks, but it appears that there's no real progress. They're "hoarding" any cash they can get their hands on. And now here comes the Regional problems compounded by PRIME loan and Alt-A resets!**
- 5. The DOLLAR has to decline. *It's started for REAL!***
- 6. Auto sales must stabilize at some NEW level. *Maybe started!***
- 7. The consumer must get "back in the game of consumin'" *NO WAY!***

ANALYSIS OF THE ABOVE: No Real Hope YET! -11/3/2009

Is the So-Called Housing Recovery on Hiatus?

Real estate announcements dominated recent macroeconomic reports with what appeared to be disappointing housing starts and soaring existing home sales. After several months of steady increases, housing prices showed a modest 0.3% decline during September.

While we're really not calling for the roof to cave in, we do expect housing statistics to be a bit sluggish over the next several months, driven by normal seasonality and the potential expiration of the housing credit. With housing starts holding at 20% or so off the bottom, residential construction will no longer be a drag on employment or GDP. As we see it, retail spending over the next few months will carry considerably more weight than small undulations in the housing numbers--that is, unless the housing market goes into another free-fall, which isn't in my crystal ball.

Housing starts had that not-so-fresh feeling, notching a lackluster 0.5% increase. This was uninspiring, especially given that the preceding month's starts were revised sharply downward. Morningstar housing analyst Eric Landry surmised that the upcoming expiration of the first-time home buyers credit caused some of the weakness. If a buyer broke ground on a new home today, it probably wouldn't be move-in ready by the December deadline the credit requires. Right now, a first-time buyer would be better off purchasing an existing home to qualify for the credit. Sure enough, Friday's figures showed that existing new home sales spiked 9.4%. The buyers' credit, as well as processing delays that moved some sales from last month to this month, were responsible for some of the improvement.

Despite seasonal adjustments, housing prices are usually stronger during the spring and early summer, and weaker during the fall and winter months. After posting three consecutive months of improvement, home prices slipped 0.3% in August according to the Federal Housing Finance Agency. Prices were down 3.6% over the past 12 months, and off 10.7% from the 2007 highs. Price movements are more restrained in this index than some of the other indexes. The FHFA index includes only home mortgages sold or guaranteed by Freddie Mac FRE or Fannie Mae FNM.

The regional data showed that markets hit the hardest this recession, the West and the Pacific West, both managed to show increases for August. Meanwhile, New England and the Mid-Atlantic regions demonstrated some weakness after exhibiting relative strength throughout most of the recession.

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All of our past Newsletters are available on our Website at:
www.fedderngroup.com

We continue to receive more and more inquiries about our Down-side Risk Management disciplines along with our group of recommended money managers. We appreciate your "referrals." It's the main way we continue to build our business.

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