

Realigning the Line

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The weather excuse is no longer viable, and at least for the housing/construction industry (once said to be the driving force of the economy), the economy is following the course projected by anyone with any sense -- when the Fed eases up on the pedal, the economy slows down. Existing home sales, new home sales and mortgage applications fell 7.5%, 14.5% and 19% respectively. Increase in the average home price fell to 6.9%. The 1% increase in the average mortgage rate was enough to discourage individual buyers, and the slowdown in the increase of housing value threw a wet blanket on speculator enthusiasm.

As is typical in the miss-reporting of financial information, the process from start to finish, from all that is required for the sale of useful goods and services, is broken up so that the many steps along the way can be touted as positives. For example, if mortgage applications, building permits, housing starts and housing completions are all up, they are promoted as good news, but if prompt and profitable housing sales are not also up, then they are transformed into bad news.

The expert prediction for new April jobs is 215,000, 23,000 more than last month. Perhaps this reflects the beginning of Spring and the expectation that more people will be out and about to celebrate the end of the harsh experiences of Winter. Maybe more restaurants opened or were expanded, more people hired to serve the increase in customers. But if service industry sales do not increase to make the increased investment profitable, then the 'good' becomes a bad thing. S&P average sales growth went negative during the worst of the depression. Gradually becoming positive again and topping out at above 10% the middle of 2011. Then annual growth began dropping. For the last 5 quarters (all 2013 and first quarter 2014) it's averaged about 3%. Not a sign of economic health.

Nor are the reports of the all-important auto industry. GM first quarter profits only \$115 million - down from about \$875 million a year ago. Ford profits down 39%. This week's unemployment report was 329,000, about 29,000 more than last week and 14,000 more than expert prediction. Amazon made a measly \$108 million profit on about \$20 billion of revenue. Japan's trade deficit for the first quarter was 4 times greater than the same quarter last year. But the inflation rate jumped to 2.9% -- it's amazing what can be done when you print money like crazy and ramp up the sales tax by 3%. The French unemployment rate hit a new high. That's 32 out of the last 34 months of jobless growth.

Next big report is the initial estimate of first quarter growth. Goldmans dropped its guess from 3% to 1%. Seems they are trying to maneuver the actual report into something positive. Personal spending may have grown to 2.3% mainly due to increased spending on utilities. From that you don't really get the sense of something positive. It's like an increase in revenue because fines for misdemeanor offenses have been doubled.