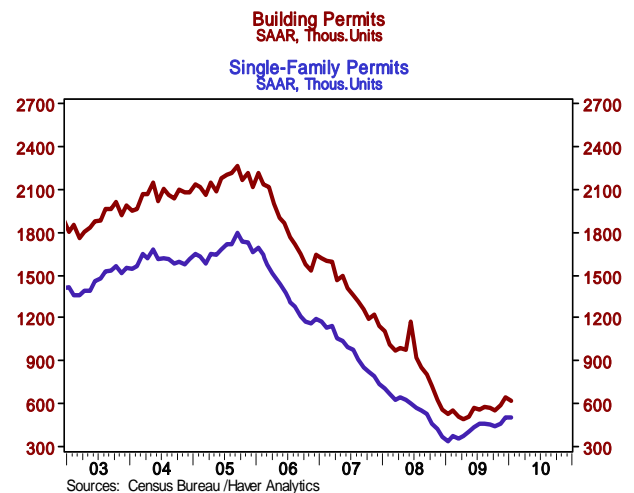
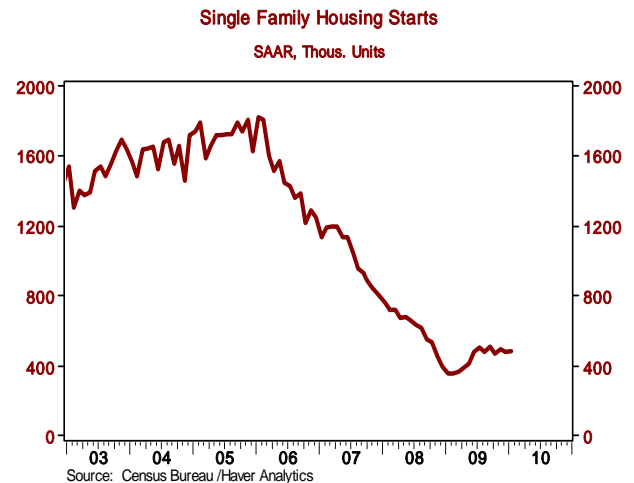


JANUARY HOUSING STARTS

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- Housing starts increased 2.8% in January to 591,000 units at an annual rate, beating the consensus expected 580,000 pace.
- Both single-family units and multi-units increased in January. Single-family starts are 35.6% above the low in January/February 2009. Multi-unit starts, which are extremely volatile, have bounced 101.9% from the cycle low in October.
- Starts increased in the Northeast, South, and West, but declined in the Midwest.
- New building permits declined 4.9% in January to a 621,000 annual rate, as the consensus expected. Permits for single-family units increased 0.4% and are up 48.2% versus the low in January 2009.

Implications: Housing starts increased more than the consensus expected in January and the underlying trend in building permits shows more improvement ahead. In states that require a permit to build, permits for single-family homes are running 7.4% higher than starts, well above the historical norm. Furthermore, all of the decline in permits in January were for multi-unit homes, which are extremely volatile from month to month. Although home building is in the early stages of a significant rebound, not every month's data will be strong. Given unusually heavy snowfall in February, we expect a temporary pull-back in next month's data before a building surge in the Spring. Although we still have an excess inventory of homes (mainly in California, Florida, Nevada, Arizona, and Michigan), the level of housing starts got so unsustainably slow by early 2009 that inventories can still be worked off even as home construction rebounds. In other news this morning, the inflation situation continues to get worse. Import prices increased 1.4% in January and are up 11.5% versus a year ago. With the exception of the huge oil price spike in late-2007/early-2008, that's the highest import inflation since the early 1980s. Excluding oil, import prices are up at a 5.9% annual rate in the past six months, much more than usual. Meanwhile, export prices are up 3.4% versus a year ago, and 3.3% excluding farm products. Expect more of the same in the year ahead: better economic news and higher inflation.



Housing Starts SAAR, thousands	Monthly % Ch.	Jan-10 Level	Dec-09 Level	Nov-09 Level	3-mth moving avg	6-mth moving avg	Yr to Yr % Change
Housing Starts	2.8%	591	575	579	582	573	21.1%
Northeast	10.0%	66	60	63	63	63	73.7%
Midwest	-3.2%	91	94	106	97	100	56.9%
South	1.0%	312	309	301	307	294	22.8%
West	8.9%	122	112	109	114	116	-11.6%
Single-Unit Starts	1.5%	484	477	492	484	486	35.6%
Multi-Unit Starts	9.2%	107	98	87	97	87	-18.3%
Building Permits	-4.9%	621	653	589	621	595	16.9%
Single-Unit Permits	0.4%	507	505	469	494	474	48.2%

Source: U.S. Census Bureau