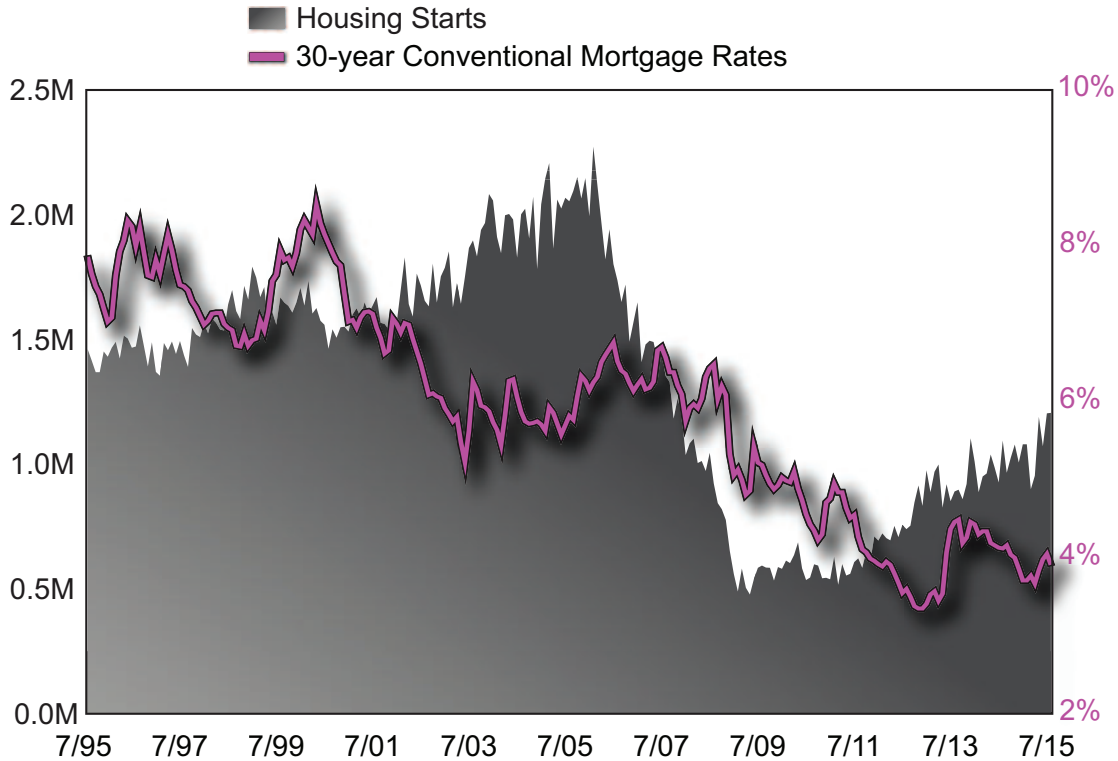


An Update On The Housing Sector & Homebuilders

Housing Starts vs. Mortgage Rates (30-Year)



View from the Observation Deck

1. Today's post shows that the housing sector still has further to go in its post-recession recovery, in our opinion.
2. Housing starts stood at an annualized pace of 1.21 million units in July 2015, below the 20-year average of 1.34 million (annualized) units and well below the 20-year high of 2.27 million (annualized) units set in January 2006.
3. What we find encouraging about the chart is the rise in housing starts from July 1995 through July 2005 despite 30-year mortgage rates exceeding the 6.00% level for most of the decade. Today, 30-year mortgage rates are closer to 4.00%.
4. On 9/16/15, the S&P Homebuilding Select Industry Index, which includes builders and companies that sell building and other home-related products, stood 32.30% below its all-time high (7/20/05), according to Bloomberg.
5. Bloomberg's consensus earnings growth rate estimates for the S&P Homebuilding Select Industry Index for 2015 and 2016 were 13.16% and 20.41%, respectively, as of 9/16/15.
6. Those growth rates greatly exceed the estimates for the broader market. Bloomberg's consensus earnings growth rate estimates for the S&P 500 Index for 2015 and 2016 were 4.48% and 10.31%, respectively, as of 9/16/15.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The S&P Homebuilding Select Industry Index provides investors with an equity benchmark for U.S. traded Homebuilding-related securities. The S&P 500 Index is a capitalization-weighted index comprised of 500 stocks used to measure large-cap U.S. stock market performance.