

HE WHO SUPS AT MY TABLE, EATS MY FOOD

It should be apparent to everybody by now that lower interest rates are failing to attract buyers to the marketplace.

While this is only too clear in the US, it is, also, true that this situation exists in Asia, Japan especially, where interest rates are down to zero and where the level of non-performing loans is too massive to calculate.

Lower interest rates, also, are failing to seduce prospective homeowners to make fresh financial commitments, whether or not they have the ability to meet down-payment requirements, and whether or not annual incomes are sufficient to meet new financial commitments.

The reason is only too simple: The future is, just, too uncertain.

Charlie Smith and Mary Blonks may have been in their present job positions for the past decade, but there is, definitely, no guarantee that they will not be given their pink slips by their respective bosses in the next month or so.

And both Charlie Smith and Mary Blonks have seen such things happen to many of their friends.

Late last week, 2 important statistical releases were made public in the US by Government Authorities.

The figures for existing home sales in the US for the month of August were very telling.

According to the National Association of Realtors – which gets its data from the US Government – there was an 11.73-percent drop in existing home sales in August, Month-on-Month: From 5.54 million units to 4.89 million units, the seasonally adjusted annualised rate.

It could have been worse.

It, probably, will be worse when the October statistics are compiled and analysed.

Concurrent with the historic levels in the fall in existing home sales in the US, housing inventory levels are on the rise, too.

This is to be expected, of course, as inventory levels reach for 5.40 months, up from 4.80 months, one month earlier.

All this tends to press heavily on the market value of homes since developers have to move stock because, to sit on large inventories, it means to pay interest to banks.

Median home prices in the US fell by about 3.60 percent, on average, in the month of August. A total of 148,100 units were moved in that month.

The problem of home sales is quite simple, actually: People will only buy homes, or upgrade their present living accommodations, when they feel secure that they have the continuing ability to be able to afford the purchases.

For the average wage earner in the US, there are grave doubts about his/her immediate future.

Under such conditions, he/she zippers up the purse, and keeps it shut, tightly.

This fact was hammered home, also, last week when the US Commerce Department announced that, for the week, ended October 20, initial unemployment insurance claims climbed to 504,000 claims, seasonally adjusted.

It is generally accepted that the US economy is in recession so that the latest statistics, with regard to unemployment in the US, will, most likely, have little impact on financial markets.

Not since about 1991 has there been a rate of initial unemployment in the US, which is greater than 500,000 claims, in terms of 4-week moving averages.

And the 4-week moving average, today, is about 505,000 claims.

The jobless claims mirror the weakness of the US economy; and, this is felt, pointedly, in the primary and secondary housing markets, especially.

The backbone of any economy is the market value of its real estate – and real-estate prices are dropping, quickly, in the US, today.

The statistic for continuing claims, often overlooked, indicates that, for the week of October 20, they rose about 1.56 percent over the previous week, to about 3.64 million claims.

Continuing claims from the unemployed mean that it is becoming increasingly difficult for them to find new employment, naturally.

The figures for continuing claims and initial unemployment claims will, surely, rise much higher before the end of the year in view of the admissions of many US companies that are sacking workers in order to maintain solvency.

There is a great deal of talk that the US economy will turn round in the first quarter of 2002.

If that be true – and TARGET, by no means, endorses this suggestion – then that eventuality will be reflected, firstly, in a drop in initial claims from the unemployed.

This will have to be followed by falls in continuing claims of the unemployed.

But there will be a lag-time of, perhaps, one month in the actual turnabout and when it is reflected in the US Government's statistics.

The following table tells the tale, pictorially, and requires no comment from this economist:

U.S. UNEMPLOYMENT STATISTICS, SEASONALLY ADJUSTED

	October 20	October 13	October 6	September 29	September 22	September 15	September 8	September 1
Initial Claims	504,000	496,000	485,000	535,000	456,000	393,000	436,000	410,000
4-Week Moving Average	505,000	493,000	467,000	455,000	424,000	411,000	412,000	400,000
Continuing Claims	3.65 million	3.60 million	3.50 million	3.37 million	3.28 million	3.23 million	3.33 million	3.19 million
4-Week Moving Average	3.53 million	3.44 million	3.35 million	3.30 million	3.26 million	3.23 million	3.21 million	3.14 million

As TARGET has mentioned, over the months, what affects the US, affects Asia in spades.

Until there is a definite indication of an economic turnabout in the US, there is little hope for the economies of Asia: The Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC); the PRC, proper; Japan; and all the other Asian '*tigers*' that eat out of the American '*plate*'.

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