

**HOLD ON, THERE ! THE SHOW MAY NOT YET HAVE STARTED !**

As with Wall Street's hi-tech rally of a couple of years ago, the seemingly insatiable appetite in the US for houses will wane — and, as with all such fast-rising markets, the housing bubble will burst, also.

Low mortgage rates in the US and strong house-price appreciation are driving the current demand for housing in the world's largest, single economy.

The rate for a 30-year fixed mortgage is at an historic low of about 7 percent.

Strong house-price appreciation is allowing many families the opportunities to upgrade accommodation by taking advantage of equity gains in existing homes.

According to **TOLFIN** (**TARGET's** Computerised Online Information Service), the median price of new houses has risen by about 10 percent, compared with just one year ago.

But house prices cannot continue to rise, forever, and the day of reckoning will come, to be sure.

The mild January weather has enabled builders to catch the fast-moving, housing '*bus*'; they have responded with gusto.

Single-family Housing Starts have climbed every month since last October, according to TOLFIN's records, at an annualised rate of about 1.35 units.

And this February's figure is about 10 percent higher than the average January figure.

There are indications that the strong house sales will persist for another month or so, but, then, that may be all that she wrote, as the saying goes.

At the beginning of January, the Mortgage Bankers Association of the US reported that the weekly index of mortgage applications for the purchase of houses hit a record high.

This would appear to indicate an annualised rate of more than 6 million units.

There is every possibility that the fires, lit under the US housing market, may well fizzle out by April or May, at the latest.

There are just too many factors, all negative, about the US economy, that decry the possibility of a continuation of the present housing boom.

**Jobless Losses Continue**

As at February 23, 2002, initial claims for unemployment insurance were about 378,000 claims, seasonally adjusted.

That was an increase of about 17,000 claims, compared with the week, ended February 16, 2002.

It was the first week in the previous month that there had not been a drop in the number of initial claims for unemployment insurance.

While the 4-week moving average moved down a notch, to 373,250 claims, down from 376,000 for the previous fortnight's unchanged figures, it was noted by TARGET's economists that there had been little change in continuing claims, which stood at about 3.49 million unemployed.

Also, TARGET notes that the 4-week moving average for continuing claims actually rose to about 4,000 claims for the week, ended February 16, compared with the previous week.

The insured rate of unemployment in the US, therefore, continues at the rate of about 2.70 million.

That level of unemployment has hardly changed for the past 2 months.

While it is true that, of late, there has been a slowdown in the pace of unemployment in The Land of The Free and The Home of The Brave, it is, also, true that labour conditions remain very weak.

The fact that continuing claims are not moving down must mean that the pace of job creation is slow.

Further, it must mean that those workers, who were sacked in the early part of last year and earlier this year, are still searching for employment.

It is law in the US that unemployment insurance may only be claimed for a period of 6 months (26 weeks) and, unless the Federal Government legislates to increase this period, the number of continuing claims must fall within the next few weeks.

While there may be some flickering of fires, indicating that the US economy may, well, be coming out of a recession, it may still be too early to state that the worst is over with regard to the most important single economy of the world, today.

Somebody has to pay for the new housing starts, at the end of the day, and that means that somebody has to earn money in order to afford to put a roof over the family's head.

Speculation is essential for any market if it is to be viable, but when the merry-go-round comes to a stop, those still seated on the wooden horses, will have to pay for the ride.

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