

# U.S. home sales climb at fastest pace in 10 months

*By Lucia Mutikani Lucia Mutikani*

**WASHINGTON (Reuters) – New orders for long-lasting U.S. made goods rose in February for the first time in seven months and new home sales rebounded, government reports showed on Wednesday, suggesting the economic downturn might be easing a bit.**

The Commerce Department said durable goods orders rose 3.4 percent to \$165.6 billion in February, the biggest gain since December 2007, after a 7.3 percent plunge the prior month.

**In another report, the department said sales of newly built U.S. single-family homes rose at their fastest pace in 10 months in February.**

**The data are the latest in a series of recent economic reports indicating the downturn in the economy, after a brutal fourth quarter, may be moderating.**

"This is consistent with the data that we've seen for January and February, reflecting the fact that the pace of the decline in the U.S. economy has stabilized somewhat from the significant decline seen in November and December," said Michael Woolfolk, senior currency strategist at the Bank of New York Mellon, in New York.

U.S. equity indexes extended gains after the new home sales data, while U.S. Treasury debt prices fell and the U.S. dollar was lower against the euro.

## SLOW DOWN IN PACE OF DETERIORATION

Recent data, including retail sales and housing, have pointed to some signs of a slowdown in the pace of the economy's downturn. The U.S. economy slipped into recession in December 2007.

New durable goods orders excluding transportation rose 3.9 percent in February, the largest gain since August 2005, the Commerce Department said. Orders for machinery soared 13.5 percent in February, the biggest increase since March 2004.

One of the few weak spots in the report was civilian aircraft and parts, which dropped 28.9 percent after Boeing reported only four new aircraft orders in the month after 18 orders in January. Motor vehicle and parts eased 0.6 percent after a 7.6 percent tumble in January.

Non-defense capital goods orders excluding aircraft, a closely watched proxy for business spending, expanded 6.6 percent in February. The prior month was revised to an 11.3 percent drop, previously reported as a 5.7 percent decline.

Inventories of manufactured durable goods fell for a second consecutive month in February, easing 0.9 percent to \$336.8 billion, after dropping 1.1 percent in January.

A separate report from the Commerce Department showed sales of newly built U.S. homes rose 4.7 percent to a 337,000 annual pace, the fastest increase since April last year, from 322,000 in January.

Despite the increase, February sales were the second lowest ever after the drop in January to the slowest pace in records going back to 1963, the department said.

Economists, who forecast another decline in sales, are still encouraged.

"The tone of the data is starting to look a little better. We might just be bouncing along a floor. Certainly the momentum is improving but there are still a lot of headwinds for the economy," said Carl Lantz, an interest rate strategist at Credit Suisse in New York.

The collapse of the U.S. housing market was the main trigger for the current economic slump. Stability in the housing market is seen as a key ingredient for the economy's recovery.

**The median sales price in February fell a record 18.1 percent to \$200,900 from a year earlier, the department said. The median marks the half-way point, with half of all houses sold above that level and half below.**

**The inventory of homes available for sale in February was at 330,000, the smallest since June 2002. The February sales pace left the supply of homes available for sale at 12.2 month's worth.**

**In other good news for the housing market and the economy. The Mortgage Bankers Association said applications for home loans jumped last week as interest rates hit record lows after the Federal Reserve announced it would buy longer-term U.S. government debt.**

The MBA's index of mortgage applications, which includes both purchase and refinance loans, increased 32.2 percent to 1,159.4 for the week ended March 20. Refinancing accounted for 78.5 percent of all applications.

Borrowing costs on 30-year fixed-rate mortgages, excluding fees, fell 0.26 percentage point to an average 4.63 percent, the lowest since MBA began its weekly survey in 1990.

**Courtesy of JB Goodwin**