March 20, 2007: Treasury Market Up In Early Trading On Mixed Housing Data
(Portions from Bloomberg)

The yield on the 2-year is down this morning, after four consecutive days in which the yield has risen a total of 12 basis points. The buying may be a result of this morning’s data, but more likely a result of higher yields after the four day sell-off. Here are the details on this morning’s reports:

- Housing Starts increased from an annual rate of 1.399 million units last month to 1.525 million, well above expectations of 1.45 million. Much of the volatility in starts can be attributed to weather, in addition to the current state of the housing industry.
- Building Permits fell from an annual rate of 1.571 million last month to 1.532 million, below estimates of 1.55 million. Permits are considered a forecast of future housing activity. The chart above displays results for the past 7 years.
- Yesterday, the National Association of Home Builders released its Housing Market Index, which fell for the first time since September 2006. The index stands at 36, down from a recent high of 72 in June 2005 and under expectations of 38 this month. A reading under 50 indicates that more participants see poor economic conditions than good. The index looks at present sales, 6 month sales expectations and traffic of prospective buyers.

Toll Brothers Chief Executive Officer Robert Toll last week said the start of the spring selling season was “pretty much a bust” and he cannot predict when the market will rebound.