aberration.

Economic Indicator	Release Date and Time	Consensus Estimate	Analysis
Pending Home Sales (September)	Mon, Nov. 2, 10:00 am, et	1.8% (Increase)	Important. The data are expected to support the recent rise in existing home sales.
Construction Spending (September)	Mon, Nov. 2, 10:00 am, et	0.3% (Decrease)	Important. A pullback in residential spending is expected after August's strong gain.
Factory Orders (September)	Tues, Nov. 3, 10:00 am, et	1.0% Increase	Moderately Important. Manufacturing has been erratic, but remains in an up trend.
Mortgage Applications	Wed, Nov. 4, 7:00 am, et	None	Important. Higher rates and the impending homebuyer's credit expiration have slowed activity.
Federal Reserve FOMC Meeting	Wed, Nov. 4, 2:15 pm, et	0% to 0.25% Federal Funds Rate	Very Important. Some pundits are expecting Fed language to foreshadow an increase in the fed funds rate.
Productivity and Costs (3rd Quarter 2009)	Thurs, Nov. 5, 8:30 am, et	Productivity: 5.5% (Increase) Costs: No Change	Important. Employers continue to do more with less.
Employment Situation (October)	Fri, Nov. 6, 8:30 am, et	Unemployment Rate: 9.9% Hourly Wages: 0.1% (Increase)	Very Important. Markets are seeking signs employment will improve heading into 2010.
Wholesale Trade (September)	Fri, Nov. 6, 10:00 am, et	No Change	Moderately Important. Businesses remain skittish over economic and political uncertainty.
Consumer Credit (September)	Fri, Nov. 6, 3:00 pm, et	Fri, Nov. 6, 3:00 pm, et	Moderately Important. Tighter lending standards continue to crimp credit use.

Possibly Overstated, But That's Okay

Many kudos have been given to the federal homebuyer's credit for revitalizing the housing market. To be sure, the credit has moved people into the market who wouldn't have been there otherwise. However, are we overstating the impact? The question is worth asking, considering a recent analysis of the cash-for-clunkers program by Edmunds.com, which found the overwhelming majority of auto sales during the program would have occurred anyway. In other words, sales were simply moved up a little because of the credit.

Perhaps the same situation has occurred in the housing market. Perhaps too many of us are giving too much credit to the homebuyer’s credit while giving short shrift to important economic variables. After all, low home prices and low mortgage rates should be expected to lift the market. That said, no one could say which had the bigger impact, so it is understandable the industry is playing it safe and lobbying for the credit extension. Nevertheless, should its efforts fail (and don't get us wrong, we'd like to see the credit extended), it's worth noting that most decisions are based on economic reasons, not tax reasons.

And the economic reasons still suggest now is the time to buy: Home prices remain attractive, though we think they will become less attractive given the recent drop in inventory. Mortgage rates remain low, and we doubt they will remain low as well, especially when considering that gross domestic product posted a better-than-expected 3.5% annualized gain for the third quarter and that more market watchers are expecting the Federal Reserve to raise the federal funds rate in the near future.

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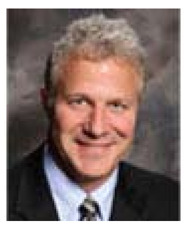

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