

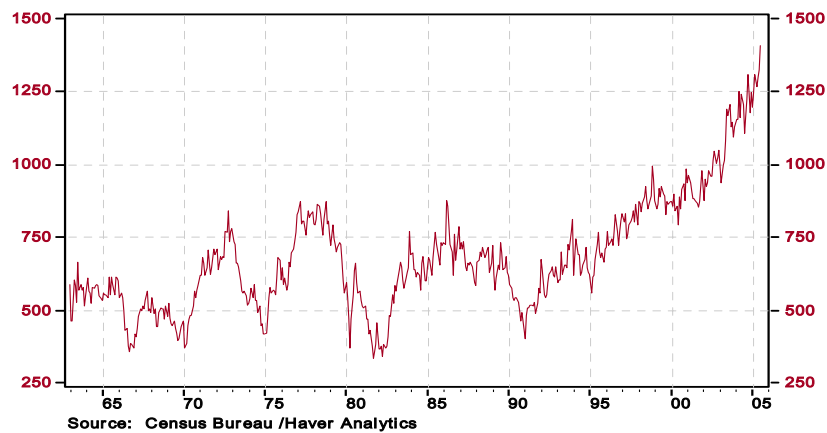


August 24, 2005

New Home Sales Post A New Record in July, But Median Price Declined

Sales of new homes rose 6.5% to an annual rate of 1.410 million units – a new record. Purchases of new homes have advanced in five out of the first seven months of the year. In July, sales of new homes increased in the Northeast (+10.9%) and West (+36.0%) but dropped in the Midwest (-13.5%) and South (-3.5%).

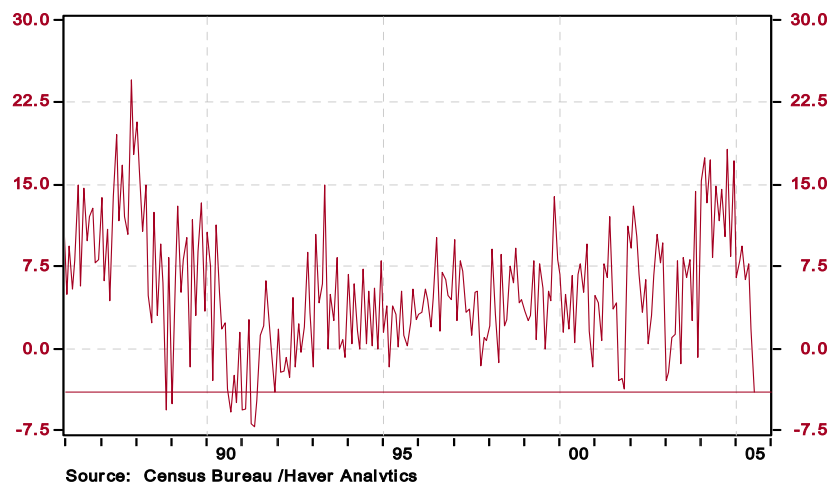
New 1-Family Houses Sold: United States
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Source: Census Bureau /Haver Analytics

Although new homes sales are soaring, prices of new homes show a distinct downward trend. On a month-to-month basis, prices of new homes have dropped in five out of the seven months of 2005. On a year-to-year basis, the median price of a single family home at 203,800 is down 4.1% from a year ago. This is the largest monthly decline since early 1991.

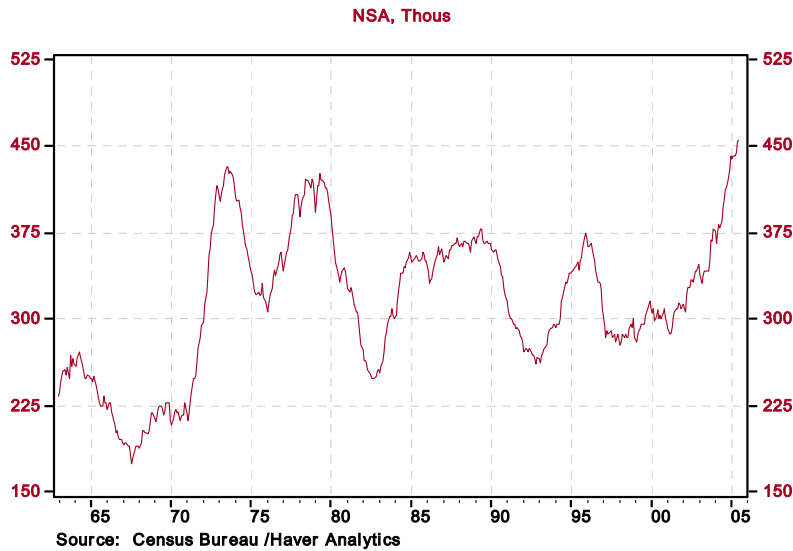
New 1-Family Houses: Median Sales Price
% Change - Year to Year Dollars



Source: Census Bureau /Haver Analytics

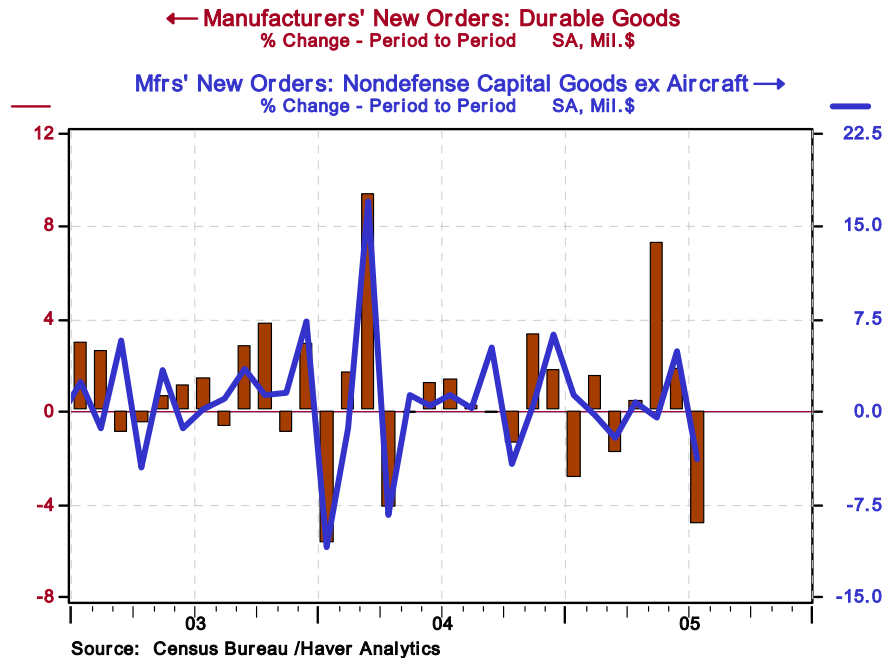
There was a 4.0-month inventory of unsold new homes in the market during July, down from a 4.1-month mark in June. However, the number of houses for sale continues to advance (see chart below). This implies that inventories, measured in terms of the month's supply at current sales rate, will shoot up if sales of new homes decline.

New 1-Family Houses For Sale: United States



Widespread Weakness In Orders of Durables

Orders of durable goods dropped 4.9% in July after a revised 1.9% increase June. The report shows widespread weakness in addition to the typical wide swings of defense and aircraft orders. The fact inventories need to be built, after the sharp drop in the second quarter, raises expectations of a possible rebound in bookings of durable goods. However, the downward trend of factory output on a year-to-year basis is consistent with the weakness depicted in this report.



The information herein is based on sources which The Northern Trust Company believes to be reliable, but we cannot warrant its accuracy or completeness. Such information is subject to change and is not intended to influence your investment decisions.

Orders of defense goods dropped 16.6% in July, while that of non-defense capital goods excluding aircraft declined 3.7%. Bookings of computers and electronic products dropped 5.9% in July following two months of notable gains.

DURABLE GOODS ORDERS - % CHANGE M-M

DATE	TOTAL	NON-DEFENSE CAPITAL		NON-DEFENSE CAPITAL		COMPUTERS AND
		DEFENSE	GOODS	GOODS EX-AIRCRAFT	ELECTRONIC PRODUCTS	
Jan-05	-2.9	-2.3	-2.3	1.3		-0.7
Feb-05	1.6	11.6	2.5	-0.3		3.0
Mar-05	-1.9	1.1	-4.9	-2.1		4.4
Apr-05	0.5	-10.6	4.3	0.8		-8.3
May-05	7.3	7.2	18.7	-0.5		3.1
Jun-05	1.9	27.8	-2.2	4.8		7.2
Jul-05	-4.9	-16.6	-7.3	-3.7		-5.9

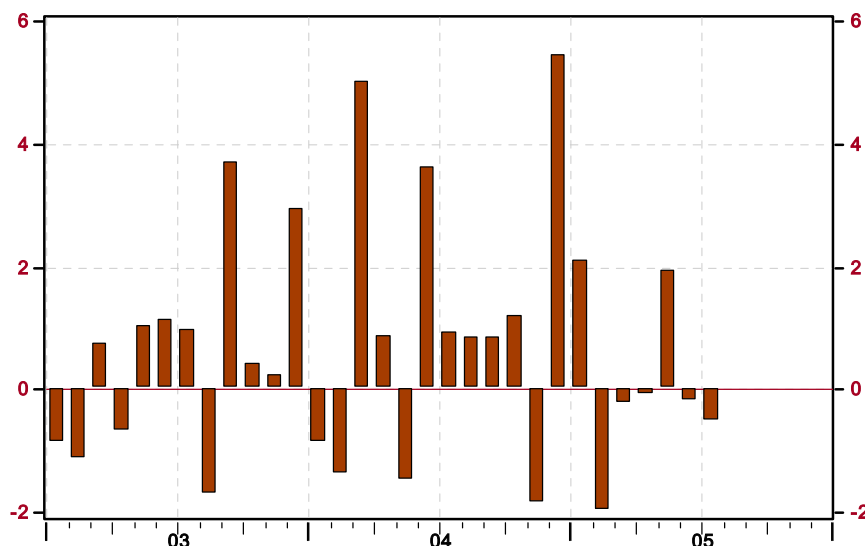
Shipments of durable goods edged down 0.1% in July, the first decline since February. Shipments of non-defense capital goods excluding aircraft, the input used to estimate capital spending in the GDP report, dropped 0.5% in July after a 0.2% decline in June. Inflation adjusted shipments of non-defense capital goods excluding aircraft in July are running below the second quarter average which bodes poorly for capital spending in the third quarter.

DURABLE GOODS SHIPMENTS- % CHANGE M-M

DATE	TOTAL	NON-DEFENSE CAPITAL		NON-DEFENSE CAPITAL		COMPUTERS AND
		CAPITAL GOODS	GOODS EX-AIRCRAFT	GOODS EX-AIRCRAFT	ELECTRONIC PRODUCTS	
Jan-05	-0.4	0.4	2.1		2.3	
Feb-05	-1.5	-1.6	-2.0		-1.5	
Mar-05	0.6	1.2	-0.2		1.3	
Apr-05	0.0	1.3	-0.1		-1.2	
May-05	0.8	0.7	1.9		1.9	
Jun-05	0.3	0.1	-0.2		-0.2	
Jul-05	-0.1	-0.7	-0.5		0.4	

Mfrs' Shipments: Nondefense Capital Goods ex Aircraft

% Change - Period to Period SA, Mil.\$



Source: Census Bureau /Haver Analytics

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