

Economic Recap

December 2011 – Week 4

As of December 23, 2011

By DoubleLine Research



About this Economic Recap

This report is a simple recap of economic statistics and events that occurred over the past week. It is not intended to portray DoubleLine's opinion. If you are interested in DoubleLine's views, please review our commentary or listen to our webcasts. You can find the commentary at www.doubleline.com under "Documents & Commentary" and the most recent webcast replays at www.doublelinefunds.com under "Events".

Week 4 Recap

Data from the Commerce Department showed that Housing Starts in November grew by 9.3% compared to the month prior. While still below the ten year average of 1.35 million, the 685,000 new starts were the highest in the last 19 months. Building Permits also increased in November by 5.7%.

The good news for housing in November continued with Existing Home Sales increasing by 4.0% to 4.42 million, and New Home Sales increasing by 1.6% to 315,000. The southern region of the United States represented the largest percentage of each of these measures.

The Federal Housing Finance Authority's House Price Index showed home prices fell 0.2% in October. This data was quite dispersed geographically - with prices increasing by 2.0% in the region comprised of Kentucky, Tennessee, Mississippi, and Alabama, and prices decreasing by 1.0% in New England. In the last five years, this index implies that prices have fallen by 39% in the Pacific region, and increased by 2% in the region comprised of Oklahoma, Arkansas, Texas, and Louisiana.

Rounding out this week's housing related data was a 2.6% decline in the Mortgage Banking Association (MBA) Mortgage Applications Index for the week ending December 16th. The average 30-year fixed rate loan fell 4 basis points (bps) to 4.08% - a record low since the MBA started tracking the data. During the aforementioned week, refinancings were 80.7% of the applicants while the remainder represented new purchases.

Personal Income and Spending both grew at a 0.1% nominal rate in November. These small nominal increases incorporate November's Personal Consumption Expenditures (PCE) Price Index increase of 0.1%, 2.5% Year-over-Year (YoY). Removing food and energy from the calculation shows the PCE Core was 0.1%, 1.7% YoY during this period.

Durable Goods Orders grew in November at a 3.8% rate, after zero growth in October. Removing transportation from the calculation shows growth at a much slimmer 0.3% rate. Orders of Non-Defense Capital Goods, less aircraft and parts, contracted during the same period by 1.2%, and actual shipments fell by 1.0%. Both of these categories also had contractions in October.

The third estimate of Gross Domestic Product (GDP) was released on Thursday - showing growth of 1.8% in the third quarter. This shows much more tepid growth than the first and second estimates which showed growth of 2.5% and 2.0% respectively. Personal Consumption grew by 1.7% after the first two estimates showed growth of around 2.3%. This week's third estimate also showed the GDP Price Index was mostly in line with the prior estimates at 2.6% - as was the Core Price Index at 2.1%.

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Initial Jobless Claims fell for the week ending December 17th to 364,000 from a revised 368,000 in the week prior. Continuing Claims also fell in the week ending December 10th and now stand at 3.55 million. Emergency Unemployment Claims fell by 107,700 and Extended Employment Claims fell by 28,600 to now account for a combined 3.51 million people. The total number of individuals receiving some form of unemployment benefit now stands at 7.05 million.

The ECRI Weekly Leading Index Growth Rate was -7.70% for the week ending December 16. This is the 18th consecutive week in negative territory for the ECRI. The Conference Board's Leading Indicators appear to give a different picture of the economy with a 0.5% showing in November - the 7th consecutive month of implied growth.

Statistic	Value	Change
Real GDP	\$13,331.6	+0.5%
Real GDP QoQ % Change	1.8%	Last = 1.3%
Real GDP YoY % Change	1.5%	Last = 1.6%
Personal Savings as % of DPI	3.5%	Last = 3.6%
Personal Income Less Transfers YoY % Chg	2.2%	Last = 2.1%
Durable Goods	\$2,070 Bn	+3.8%
Durable Goods YoY % Change	12.2%	Last = 7.8%
Existing Home Sales	4.42 mm	+4.0%
Existing Home Sales YoY % Change	12.2%	Last = 13.6%
Existing Home Sales Months Supply	7 mos	-9.1%
Existing Home Inventory	2.58 mm	-5.8%
MBA Applications Index	659.3	-2.6%
MBA Purchase Applications Index	181.6	-4.9%
MBA Refinance Applications Index	3,516.8	-1.6%
MBA 15-Year FRM Contract Rate	3.39%	Last = 3.44%
MBA 30-Year FRM Contract Rate	4.08%	Last = 4.12%
Initial Jobless Claims	364k	-4k
Continuing Jobless Claims	3,546.0k	-79k
Extended Jobless Claims	564.5k	-28.6k
Emergency Unemployment Compensation	2,941.2k	-107.7k

Important Information Regarding This Report

DoubleLine has no obligation to provide revised assessments in the event of changed circumstances. While we have gathered this information from sources believed to be reliable, DoubleLine cannot guarantee the accuracy of the information provided. DoubleLine assumes no duty to update this information, which is not a complete discussion of all economic factors reviewed by DoubleLine. DoubleLine reserves the right to change its investment perspective and outlook without notice as market conditions dictate or as additional information becomes available.

Certain data discussed in this report is publicly available only on a time delayed basis. DoubleLine strives to analyze data as it becomes available, but makes no representation that all data is reviewed contemporaneously to its release.

Sources: Bloomberg Financial Services, Bloomberg News, Bureau of Labor Statistics, Conference Board, Department of Labor, Department of Commerce, Economic Cycle Research Institute, Federal Reserve Bank of St. Louis, Mortgage Bankers Association, National Association of Realtors, Redbook Research, U.S. Census Bureau, Bureau of Economic Analysis, Institute of Supply Management, Federal Reserve.

Terms:

ECRI = Economic Cycle Research Institute

CPI = Consumer Price Index

MBA = Mortgage Bankers Association

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