John Williams'
Shadow Government Statistics
Analysis Behind and Beyond Government Economic Reporting

COMMENTARY NUMBER 649
July 2014 Retail Sales, Consumer Liquidity

August 13, 2014

Headline July Retail Sales Were Boosted to "Unchanged,"
Thanks to Downside Prior-Period Revisions

Net of Inflation, Real July Sales Likely Fell for Second Month

Real July Sales Were Below Second-Quarter Average

Consumer Liquidity Remains Structurally Impaired

PLEASE NOTE: The next regular Commentary *is scheduled for Monday, August 18th, covering July industrial production and the producer price index (PPI), followed by one on August 19th, covering the July consumer price index (CPI) and housing starts.*

Best wishes to all — John Williams

OPENING COMMENTS AND EXECUTIVE SUMMARY

Economic Weakness Should Continue to Surface in Downside Second-Quarter Revisions and in Early Third-Quarter Economic Reporting. Broadly confirming a weakening economy, today's (August 13th) report of nominal July retail sales—before adjustment for the still-to-be-published headline government estimate of July consumer inflation—came in at "unchanged," below market expectations, and in the context of downside revisions to monthly activity in May and June 2014. Net of a likely small gain in the July CPI-U inflation measure, real July retail sales probably declined month-to-month, down for the second straight month, with the July level of activity—the first reporting month of third-quarter

2014—below the level of the monthly average activity in second-quarter 2014 (a likely developing quarter-to-quarter contraction).

Downside revisions to second-quarter retail sales in today's reporting suggested only a minor downside revision to the recent "advance" headline 3.95% second-quarter GDP growth guesstimate (see *Commentary No. 646*). Significant other pending downside revisions to GDP growth, however, should become evident in reporting of the next week or two.

Headline reporting for most of the remaining, major July economic series—initial indicators of third-quarter 2014 economic activity—will be published in the next week (see *Week Ahead* section). As with today's retail sales reporting, those other widely-followed series generally should disappoint market expectations, confirming a continuing decline in broad headline economic activity that took hold in first-quarter 2014. In turn, general market expectations should move increasingly towards renewed economic contraction. A summary of initial July economic reporting is planned for *Commentary No. 651* on August 19th.

The balance of today's brief missive concentrates on the details of the July retail sales data and the consumer liquidity circumstance that continues to impair retail sales activity.

Retail Sales—July 2014—Net of Inflation Effects, Headline Retail Sales Fell for Second Month. July 2014 nominal retail sales growth came in at a statistically-insignificant headline "unchanged" (a gain of 0.04% at the second decimal point), below market expectations of a 0.2%-to-0.3% headline monthly gain, and in the context of downside revisions to monthly activity in May and June 2014.

The headline July reporting also likely reflected the second straight monthly decline in the real or inflation-adjusted series, net of pending headline July CPI-U inflation. The July level of inflation-adjusted activity—the first reporting month of third-quarter 2014—should be below the level of monthly-average real activity in second-quarter 2014, suggestive of a developing quarter-to-quarter contraction.

Nominal (Not-Adjusted-for-Inflation) Retail Sales—July 2014. The latest headline retail sales detail was in the context of downside revisions to sales activity in May and June 2014. Not adjusted for consumer inflation, change in July 2014 retail sales activity was a statistically-insignificant, seasonally-adjusted, headline "unchanged." At the second decimal point, that was a gain of 0.04%, and a monthly contraction of 0.02% (-0.02%) before prior-period revisions. The July "unchanged" reading, followed a revised, marginally statistically-significant month-to-month gain of 0.24% for June 2014. The downside revision to headline June growth was on top of a downside revision to the headline May level.

Year-to-year growth in July 2014 retail sales slowed sharply to a statistically-significant 3.68%, versus an unrevised 4.26% gain in June. The June annual change reflected a downside revision to the prior-year level of activity as well as the downside revision to June 2014.

Real (Inflation-Adjusted) Retail Sales—July 2014. Again, the headline "unchanged" July 2014 retail sales was before accounting for inflation. Real retail sales for July (adjusted for inflation), will be reported along with the headline estimate of consumer inflation, the July 2014 CPI-U, in the August 19th

Commentary No. 651. July headline inflation should be at least 0.1%, enough to take the monthly headline change in real July retail sales into negative territory (see the *Week Ahead* section).

Structural Constraints on Consumer Liquidity Prevent Any Rebound. The primary structural issue impeding domestic U.S. economic growth remains impaired consumer liquidity. Although discussed frequently in these *Commentaries*, the story is repeated here, updated for the latest available detail, with graphs reflecting the most-recent reporting of consumer credit outstanding, real median household income and the consumer-confidence and sentiment measures.

Ongoing structural and fundamental consumer liquidity problems impair and severely constrain real, or inflation-adjusted, expansion of retail sales, personal consumption and housing activity. Without real growth in income, and without the ability and/or willingness to offset declining purchasing power with debt expansion, the consumer lacks the ability to fuel traditional, consumption-based growth or recovery in U.S. economic activity.

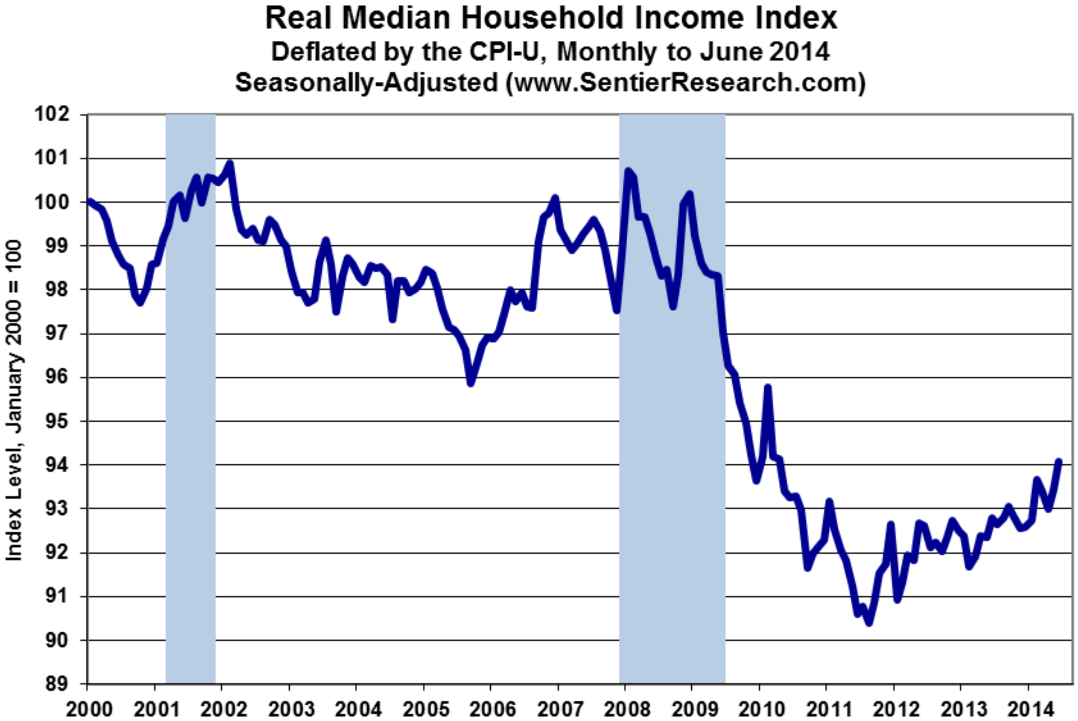
The personal consumption expenditure (PCE) account in gross domestic product (GDP) represents 68.8% of total GDP activity. The portion of GDP driven directly by consumer liquidity jumps to 71.8%, when the residential investment account (real estate) is included. Those numbers are in nominal terms (before inflation adjustment), reflective of the July 30th GDP benchmark revision.

The first two graphs following show real median household income through June 2014, based on numbers provided by www.SentierResearch.com, and consumer credit outstanding, as updated by the Federal Reserve for June 2014.

Real median household income showed continued income stagnation in June 2014, notching higher for a second month. The gain was not statistically significant, however, and the overall level remained near the cycle-low for the series. As the GDP purportedly started its solid economic recovery in mid-2009, household income plunged to new lows. Deflated by headline CPI-U, the same series, published by the Census Bureau on an annual basis, showed further that annual real median household income in 2012 was at levels seen in the late-1960s and early-1970s (see the *2014 Hyperinflation Report—Great Economic Tumble – Second Installment).*

Growth in consumer credit, post-2008 Panic, has continued to be dominated by growth in federally-held student loans, not in bank loans to consumers that otherwise might help to fuel broad consumption growth.

The third and fourth graphs following reflect the final July 2014 reporting of the ever-volatile consumer confidence (Conference Board) and consumer sentiment (University of Michigan) indices. Current levels for both series remain deep in traditional-recession territory, despite a one-month spike in the confidence measure, and despite the latest sentiment number moving in the opposite direction. The patterns with these series, as with household income, have been of collapse and stagnation, since 2007, as opposed to the pattern of economic collapse and recovery indicated in the heavily-distorted GDP series, as seen at least through its fourth-quarter 2013 reporting.


Real Median Household Income Index
Deflated by the CPI-U, Monthly to June 2014
Seasonally-Adjusted (www.SentierResearch.com)
Index Level, January 2000 = 100
102
101
100
99
98
97
96
95
94
93
92
91
90
89
2000
2001
2002
2003
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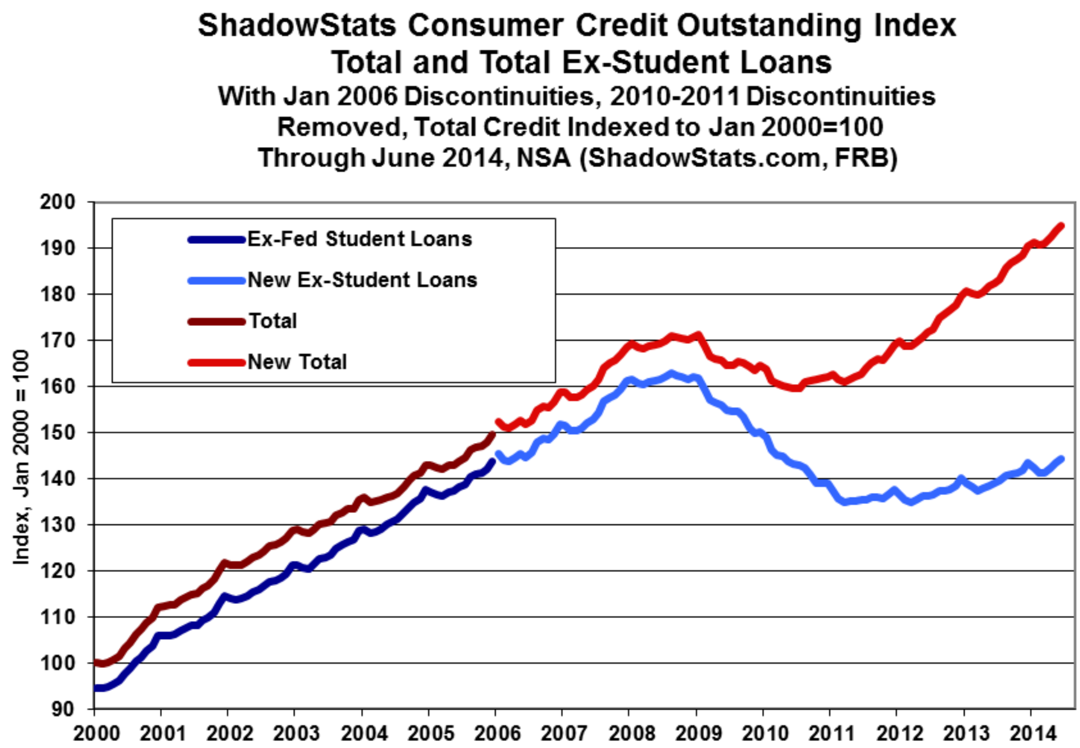
2014


ShadowStats Consumer Credit Outstanding Index
Total and Total Ex-Student Loans
With Jan 2006 Discontinuities, 2010-2011 Discontinuities
Removed, Total Credit Indexed to Jan 2000=100
Through June 2014, NSA (ShadowStats.com, FRB)
Ex-Fed Student Loans
New Ex-Student Loans
Total
New Total
Index, Jan 2000 = 100
200
190
180
170
160
150
140
130
120
110
100
90
2000
2001
2002
2003
2004
2005
2006
2007
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2010
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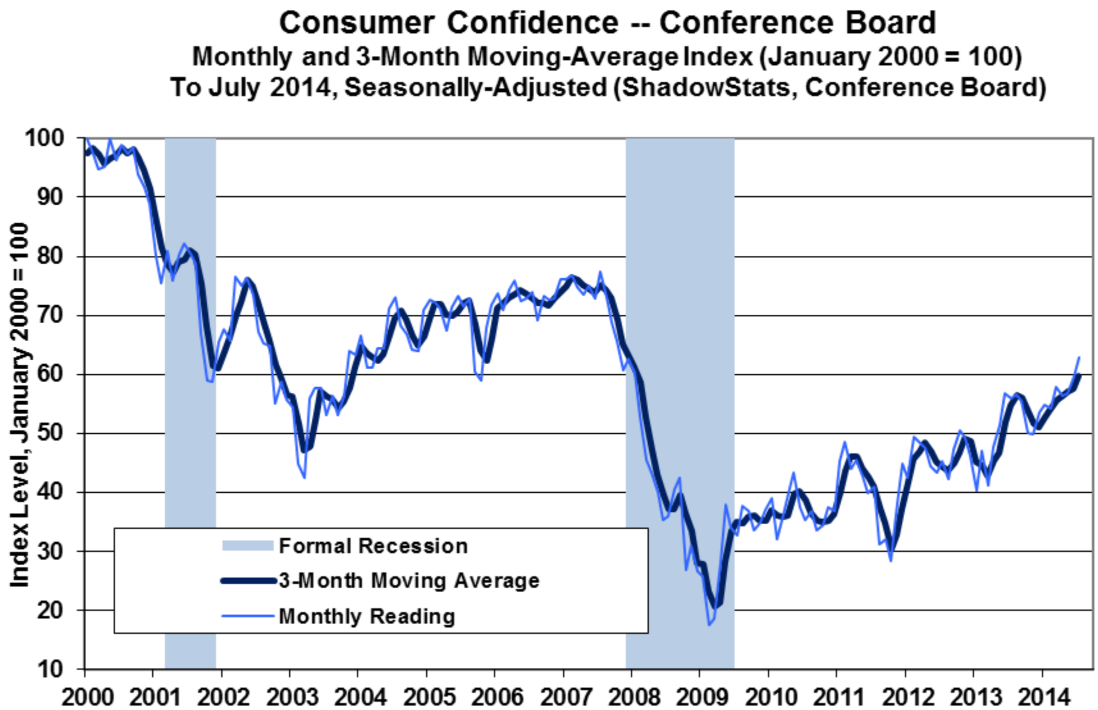

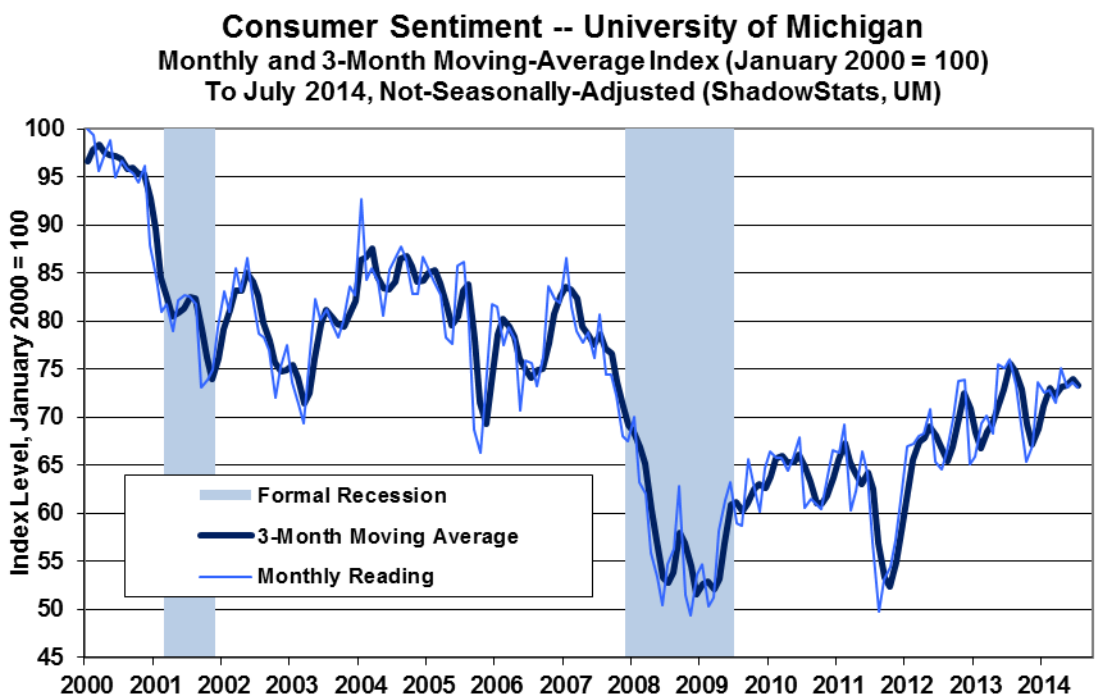

[For further detail on the July retail sales, see the **Reporting Detail** *section, and ShadowStats-affiliate* **www.ExpliStats.com**.*]*

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HYPERINFLATION WATCH

Hyperinflation Outlook Summary. *[UNREVISED in substance from* Commentary No. 648*, but there have been minor language improvements (not highlighted).]* The long-standing hyperinflation and economic outlooks were updated with the publication of *2014 Hyperinflation Report—The End Game Begins – First Installment Revised*, on April 2nd, and publication of *2014 Hyperinflation Report—Great Economic Tumble – Second Installment*, on April 8th, along with ongoing updates in the regular *Commentaries*, including a review in *Commentary No. 639*.

Primary Summary. The primary and basic summary of the broad outlook and the story of how and why this crisis has unfolded and developed over the years—particularly in the last decade—is found in the *Opening Comments* and *Overview and Executive Summary* of that *First Installment Revised* (linked above). The following section summarizes the underlying current circumstance.

Consistent with the above *Special Commentaries*, the unfolding economic circumstance, in confluence with other fundamental issues, should place mounting and massive selling pressure on the U.S. dollar, as well as potentially resurrect elements of the 2008-Panic. Physical gold and silver, and holding assets outside the U.S. dollar, remain the primary hedges against the pending total loss of U.S. dollar purchasing power.

Current Economic Issues versus Underlying U.S. Dollar Fundamentals. U.S. economic activity has turned down anew, with headline first-quarter 2014 GDP having contracted at an annualized real pace of 2.11% (-2.11%), following 3.50% fourth-quarter 2013 growth, per the July 30th GDP benchmark revisions. Although the initial headline second-quarter 2014 GDP growth came in at 3.95%, such was overstated heavily and subject to major downside revisions. By the time the now-unfolding headline third-quarter 2014 GDP growth is reported in contraction, the second-quarter GDP growth estimate should have revised to close to flat, if not worse. Consensus expectations still face downside shocks in the months ahead, moving the popular outlook towards a "new recession," with the shifts in the consensus likely to disrupt stability in the financial markets.

As financial-market expectations increasingly shift towards renewed or deepening recession, that circumstance, in confluence with other fundamental issues, should place mounting and massive selling pressures on the U.S. dollar, as well as potentially resurrect elements of the 2008-Panic.

Unexpected economic weakness intensifies the known stresses on an already-impaired banking system, hence a perceived need for expanded, not reduced, quantitative easing. The highly touted "tapering" by the FOMC is pre-conditioned by a continued flow of "happy" economic news. Banking-system and other systemic (*i.e.* U.S. Treasury) liquidity needs likely still will be provided, as needed, by the Fed, under the ongoing political cover of a weakening economy—a renewed, deepening contraction in business activity.

Unexpected economic weakness also savages projections of headline, cash-based, federal-budget deficits (particularly the 10-year versions) as well as projected funding needs for the U.S. Treasury. Current fiscal "good news" is from cash-based, not GAAP-based accounting projections, and comparative year-ago cash numbers are distorted against U.S. Treasury and government activity operating *sub rosa*, in order to avoid the limits of a constraining debt ceiling.

All these crises will combine against the U.S. dollar, likely in the very-near future.

In general, summary, the fundamental issues threatening the U.S. dollar could not be worse. They include, but are not limited to:

- A severely damaged U.S. economy, which never recovered post-2008 and is turning down anew. The circumstance includes a sharply widening trade deficit, as reflected in headline first- and second-quarter reporting, as well as ongoing severe, structural-liquidity constraints on the consumer, which are preventing a normal economic rebound in the traditional, personal-consumption-driven U.S. economy.

- U.S. government unwillingness to address its long-term solvency issues. Those controlling the U.S. government have demonstrated not only a lack of will to address long-term U.S. solvency issues, but also the current political impossibility of doing so. Any current fiscal "good news" comes from cash-based, not GAAP-based accounting projections. The GAAP-based version continues to run in the $6-trillion-plus range for annual shortfall, while those in Washington continue to increase spending and to take on new, unfunded liabilities.

- Monetary malfeasance by the Federal Reserve, as seen in central bank efforts to provide liquidity to a troubled banking system, and also to the U.S. Treasury. The current pace of the Fed's monetization is at 73.4% of effective net issuance of the federal debt to be held by the public in calendar-year 2014 (through August 6th), 70.7% since the January 2013 expansion of QE3.

- Mounting domestic and global crises of confidence in a dysfunctional U.S. government, where the relative positive rating by the public of the U.S. President tends to have a meaningful correlation with the foreign-exchange-rate strength of the U.S. dollar. Positive ratings for both the President and Congress are pushing, if not at, historic lows.

- Mounting global political pressures contrary to U.S. interests. Downside pressures on the U.S. currency generally are increasing, in the context of global political and military developments that have been contrary to U.S. strategic, financial and economic interests.

- Spreading global efforts to dislodge the U.S. dollar from its primary reserve-currency status.

Renewed and intensifying weakness in the U.S. dollar will place upside pressure on oil prices and other commodities, boosting domestic inflation and inflation fears. Domestic willingness to hold U.S. dollars will tend to move in parallel with global willingness, or lack of willingness, to do the same. Both dollar weakness and the resulting higher inflation should boost the prices of gold and silver, where physical holding of those key precious metals remains the ultimate hedge against the pending inflation and financial crises.

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REPORTING DETAIL

RETAIL SALES (July 2014)

Net of Inflation Effects, Headline July Retail Sales Likely Contracted for a Second Month. Published before the government's headline estimate of July consumer inflation CPI-U—July 2014 nominal retail sales growth came in at a statistically-insignificant headline "unchanged" (a gain of 0.04% at the second decimal point), below market expectations of a 0.2%-to-0.3% headline monthly gain, and in the context of downside revisions to monthly activity in May and June 2014.

The headline July reporting also likely reflected the second straight monthly decline in the real or inflation-adjusted series, net of headline CPI-U inflation. The July level of inflation-adjusted activity—the first reporting month of third-quarter 2014—should come in below the level of the monthly-average real activity in second-quarter 2014, suggestive of a developing quarter-to-quarter contraction.

The formal estimate of real, or inflation-adjusted, July retail sales will be published on August 19th and reviewed in *Commentary No. 651* of that date, along with an overview of early economic reporting of third-quarter economic activity.

Nominal (Not-Adjusted-for-Inflation) Retail Sales—July 2014. The latest headline retail sales detail was in the context of downside revisions to sales activity in May and June 2014. Not adjusted for consumer inflation, today's (August 13th) report on July 2014 retail sales—issued by the Census Bureau—indicated a statistically-insignificant, seasonally-adjusted, headline monthly change in activity of "unchanged." At the second decimal point, that was a gain of 0.04% +/- 0.58% (all confidence intervals are at the 95% level), and a monthly contraction of 0.02% (-0.02%) before prior-period revisions. The July "unchanged" reading, followed a revised, marginally statistically-significant month-to-month gain of 0.24% (previously 0.25%) +/- 0.23% for June 2014. The downside revision to headline June growth was on top of a downside revision to the headline May level.

Year-to-year growth in July 2014 retail sales slowed sharply to a statistically-significant 3.68% +/- 0.82%, versus an unrevised 4.26% gain in June. The June annual change reflected a downside revision to the prior-year level of activity as well as the downside revision to June 2014.

July Core Retail Sales—About the Same as the Headline Number, Again. In an environment of rising food prices, and with an unadjusted 0.21% decline in monthly gasoline prices, seasonally-adjusted monthly grocery-store sales rose by 0.24% in July, with gasoline-station sales rising by 0.11%. Under normal conditions, the bulk of non-seasonal variability in food and gasoline sales is in pricing, instead of demand. "Core" retail sales—consistent with the Federal Reserve's preference for ignoring food and energy prices when "core" inflation is lower than full inflation—are estimated using two approaches:

Version I: July 2014 versus June 2014 seasonally-adjusted retail sales series—net of total grocery store and gasoline station revenues—was unchanged at the second decimal point, versus the official 0.04% gain at the second decimal point.

Version II: July 2014 versus June 2014 seasonally-adjusted retail sales series—net of the monthly change in revenues for grocery stores and gas stations—also was unchanged at the second decimal point, versus the official 0.04% gain at the second decimal point.

Real (Inflation-Adjusted) Retail Sales—July 2014. Again, the headline "unchanged" July 2014 retail sales was before accounting for inflation. Real retail sales for July (adjusted for inflation), will be reported along with the headline estimate of consumer inflation, the July 2014 CPI-U, in the August 19th *Commentary No. 651*. July headline inflation should be at least 0.1%, enough to take the monthly headline change in real July retail sales into negative territory (see the *Week Ahead* section).

Reporting Instabilities and Distortions. The usual seasonal factor distortions were at play in July reporting, where the headline data reflected concurrent seasonal adjustments. Given Census Bureau reporting procedures, the headline detail is not comparable with earlier reporting. Accordingly, current data can reflect growth shifts from earlier periods, without the specifics being published or otherwise mentioned to the public.

As has been the recent pattern, the year-ago number for June 2013 was revised lower, while July 2013 activity was revised higher, along with the publication of the July 2014 data and revised detail on May and June 2014. All other seasonally-adjusted historical numbers also were revised, but the details were not published. Only the new details for June and July 2013 were provided for the earlier data. Those revisions to one year ago do not reflect changes in actual sales activity, only in the continuing unstable monthly shifting of adjusted data, thanks to the concurrent-seasonal-adjustment process.

Concurrent seasonal adjustments are recalculated every month, but not reported on a consistent, historical basis. This allows for invisible shifts in seasonally-adjusted current activity that are not consistent with published historical reporting. Further, the stability of the seasonal-adjustment process (particularly the concurrent-seasonal-adjustment process used with retail sales) and sampling methods has been disrupted severely by the unprecedented depth and length of the current economic downturn in the post-World War II era (the period of modern economic reporting).

Retail sales reporting suffers the same inconsistency issues that are seen with other series, such as payroll employment, the unemployment rate, and durable goods orders. The highly variable and unstable seasonal factors here continued to cloud relative activity in the May 2014-to-July 2014, and in the June 2013-to-July 2013 periods, five months that are published on a non-comparable basis with all the other historical data. Consistent data are calculated and are available within the Census Bureau, but the Bureau chooses not to publish them.

Underlying Consumer Fundamentals Remain Bleak. As discussed in the *Consumer Liquidity* section in the *Opening Comments*, during the last six-plus years of economic collapse and stagnation, activity in consumer buying of goods and services has been constrained by the intense, structural-liquidity woes besetting the consumer. Without real, or inflation-adjusted, growth in income, and without the ability or willingness to take on meaningful new debt, the consumer simply does not have the ability to sustain real growth in retail sales or in the personal-consumption activity that dominates the headline change in GDP.

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WEEK AHEAD

Against Overly-Optimistic Expectations, Pending Economic Releases Should Be Much Weaker; Inflation Releases Should Be Increasingly Stronger. Although shifting to the downside, again, amidst wide fluctuations, market expectations for business activity generally remain overly optimistic, well above any potential, underlying economic reality. Market outlooks should be hammered, though, by ongoing, downside corrective revisions and by an accelerating pace of downturn in headline economic activity.

Longer-Range Reporting. The initial stages of the process shifting economic-growth expectations to the downside already have been seen in the recent headline reporting of many major economic series (see *2014 Hyperinflation Report—Great Economic Tumble – Second Installment*), including the sharp pace of economic decline seen in real first-quarter 2014 GDP, which largely survived the GDP benchmark revisions. The initial strong bounce-back guessed at by the Bureau of Economic Analysis (BEA), for headline second-quarter GDP, should prove to be fleeting, both with looming downside revisions, and with a likely GDP contraction in third-quarter 2014.

Indeed, weakening, underlying economic fundamentals indicate still further deterioration in business activity. Accordingly, weaker-than-consensus economic reporting should remain the general trend until the unfolding "new" recession receives broad recognition, which likely would follow the next reporting of a headline contraction in real GDP growth.

A generally stronger inflation trend remains likely to continue, as seen in recent months. Beyond the spread of earlier oil-based inflation pressures into the broad economy, upside pressure on oil-related prices should continue and be rekindled from the intensifying impact of global political instabilities and a likely near-term weakening of the U.S. dollar in the currency markets. Again, food inflation also is picking up, partially due to supply issues. The dollar faces pummeling from the weakening economy, continuing QE3, the ongoing U.S. fiscal-crisis debacle, and deteriorating U.S. and global political conditions (see *Hyperinflation 2014—The End Game Begins (Updated) – First Installment*). Particularly in tandem with a weakened dollar, reporting in the year ahead generally should reflect much higher-than-expected U.S. inflation in a broad range of areas.

A Note on Reporting-Quality Issues and Systemic-Reporting Biases. Significant reporting-quality problems remain with most major economic series. Ongoing headline reporting issues are tied largely to systemic distortions of seasonal adjustments. The data instabilities were induced by the still-evolving economic turmoil of the last eight years, which has been without precedent in the post-World War II era of modern economic reporting. These impaired reporting methodologies provide particularly unstable headline economic results, when concurrent seasonal adjustments are used (as with retail sales, durable goods orders, employment and unemployment data). These issues have thrown into question the statistical-significance of the headline month-to-month reporting for many popular economic series.

PENDING RELEASES:

Index of Industrial Production (July 2014). On Friday, August 15th, the July 2014 index of industrial production will be released by the Federal Reserve Board. July production is a good bet to come in below relatively modest market expectations for headline monthly growth of about 0.3%, to show an outright monthly contraction, due to underlying fundamental economic weakness and in line with weakening retail sales activity. Unusually-weak headline production reporting, and/or sharp downside revisions to prior reporting, would tend to confirm pending downside revisions to, or downside reporting of, purported surging inventory growth, the largest factor behind the recent overstatement of the "advance" estimate of second-quarter 2014 GDP growth.

As usual, this series is subject to large prior-period revisions, which indeed should to be to the downside. ShadowStats coverage of the new production data will follow in *Commentary No. 650* of August 18th.

Producer Price Index—PPI (July 2014). The July 2014 PPI also is scheduled for release on Friday, August 15th, by the Bureau of Labor Statistics (BLS), and related ShadowStats coverage will be seen in *Commentary No. 650* of August 18th. A month-to-month increase is a reasonable expectation, despite somewhat negative PPI seasonal-factor adjustments to oil-related inflation, and downside unadjusted movements in energy-related prices. Inflation in food, "core" goods (everything but food and energy), and the spreading inflationary impact from hard-goods into the soft-services sector, all are likely.

Depending on the oil contract followed, not-seasonally-adjusted, monthly-average oil prices were down by 1.9%-to-4.4% for the month of July, along with a 2.1% unadjusted monthly drop in average retail gasoline prices. Again, PPI seasonal adjustments for energy costs should be somewhat to the downside-side in July.

The wildcard in this revamped PPI remains the newly-added services sector, which largely is unpredictable, volatile and of limited meaning due to its inflation measurements having minimal relationship to real-world activity.

The new services series, in theory, is much-less dependent on the increasingly "antiquated" concepts of oil, food and "core" (ex-food and energy) inflation of the "hard" production-based economy.

Nonetheless, services costs increasingly have reflected spreading, general inflationary pressures—and shrinking profit margins—from rising prices in that hard economy. Accordingly, the aggregate headline July PPI inflation most likely still will show at least a minimal headline monthly increase.

Consumer Price Index—CPI (July 2014). The July 2014 CPI is scheduled for release on Tuesday, August 19th, by the Bureau of Labor Statistics (BLS). The headline CPI-U is a fair bet to show an inflation gain that would top market expectations for a minimal monthly headline gain of 0.1%, or so.

Average gasoline prices fell month-to-month in July 2014 by 2.1%, on a not-seasonally-adjusted basis, per the Department of Energy. Although BLS seasonal adjustments to gasoline prices should be positive in the July CPI, they will not be enough to turn gasoline prices into a positive contributor to the monthly headline July consumer inflation. In July 2013, an unadjusted monthly decline of 0.4% in gasoline prices was turned into a 0.8% gain, after the BLS seasonal adjustments. A similar treatment to the July 2014 numbers still would leave adjusted gasoline inflation as a net subtraction to the adjusted headline monthly CPI-U.

Higher food and "core" (net of food and energy) inflation, however, should more than offset the softer energy number, leading to a small headline gain in the CPI.

Year-to-year, CPI-U inflation would increase or decrease in July 2014 reporting, dependent on the seasonally-adjusted monthly change, versus an adjusted 0.17% gain in the monthly inflation reported for July 2013. The adjusted change is used here, since that is how consensus expectations are expressed. To approximate the year-to-year, or annual, unadjusted inflation rate for July 2014, the difference in July's headline monthly change (or forecast of same), versus the year-ago monthly change, should be added to or subtracted directly from the June 2014 annual inflation rate of 2.07%. If, for example, the headline July CPI-U gained by a near-consensus 0.1% month-to-month, then annual inflation would hold around 2.0%.

Residential Construction—Housing Starts (July 2014). Also on Tuesday, August 19th, the Census Bureau plans the release of July 2014 housing starts detail. Despite extreme monthly volatility seen regularly in the reporting of this series, and despite near-perpetual wishful upside market expectations for housing starts—also seen in the current circumstance—month-to-month change likely will continue a pattern of statistical-insignificance, with ongoing stagnation and renewed downturn and/or downside revisions. As usual, this series is subject to extremely-large prior-period revisions.

In the wake of a 75% collapse in aggregate activity from 2006 through 2008, and of an ensuing five-year pattern of housing starts stagnation at historically low levels, little has changed. Again, as was discussed in the updated *Consumer Liquidity* section in the *Opening Comments*, there remains no chance of a near-term, sustainable turnaround in the housing market, unless there is a fundamental upturn in consumer and banking-liquidity conditions. That has not happened and does not appear to be in the offing.