

CORPORATION FOR

INTEREST RATE MANAGEMENT

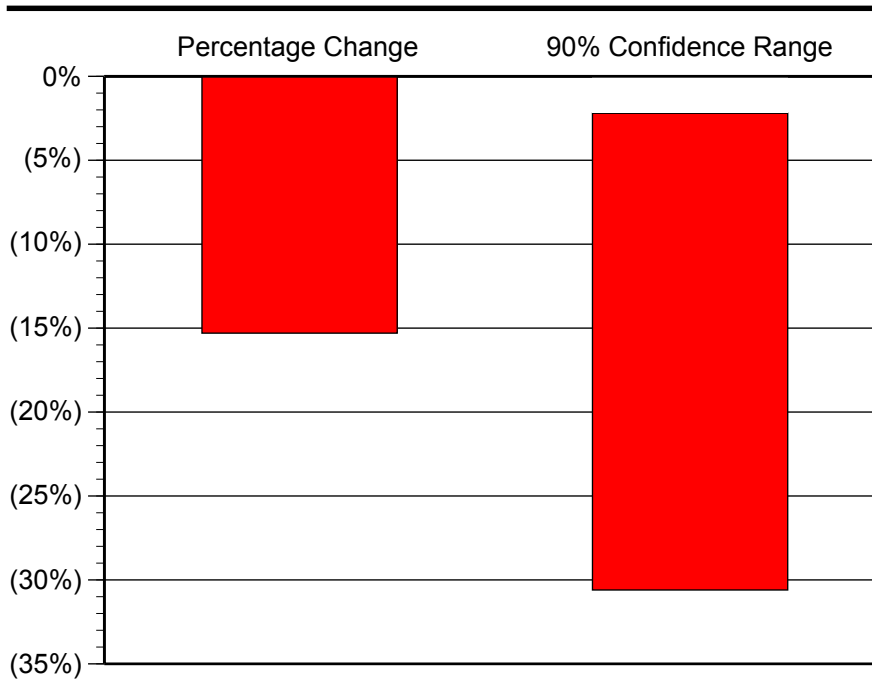
January 23, 2007

Statistics...darn statistics...mathematically beautiful...yet when reported by the government, for the most part, meaningless. This Friday, January 26th, brings the release of New Home Sales for the month of December. This is an eagerly awaited statistic by the market to see if "New Home Sales" are bottoming out.

The bar chart below outlines the percentage change in new homes sold from November 2005 to November 2006. Also reported is the 90% confidence for the figure.

New Home Sales

Nov 2005 – Nov 2006: Percentage Change



Well, that's not much confidence!

One of the outstanding features of the Census Bureau's New Home Sales is the methodology it uses to handle cancelled sales contracts. It doesn't.

The Survey of Construction is used by the Census Bureau to collect data on starts, completions and sales. If reported sold, it never follows up to see if the sale was cancelled. If eventually a subsequent buyer does in fact purchase a new home after it has been cancelled, that also does not appear in New Home Sales. How in the world does anyone know what's going on in the market anyway? Well, the Census Bureau says, "in the long run, cancellations do not cause the survey to overestimate or underestimate sales."

The long run? Well that's not a defined term. Perhaps it's one whole business cycle. That's really helpful!