



MERRY CHRISTMAS, THE RECOVERY IS UNDERWAY, SO CHEER UP by Mark Schniepp

I know you don't feel it, but we're now in the 4th or 5th month of economic recovery and the economy is improving. Like you, the greater population of the U.S. is not convinced that improvement is underway and the economy is recovering.

As reported in the Wall Street Journal today, of the 8,200 adults surveyed during November, 59% rated the economy as poor, with 49% saying conditions were getting worse.¹ Moreover, 75 percent of respondents said the economy is "still in recession."

But the facts keep piling up that the economy is growing again. There are fewer layoffs, a bit more consumer spending, much more manufacturing, and the housing sector is rebounding with more sales and stable or rising home prices.

Admittedly, many of the positive movements are subtle but they are nevertheless positive. Furthermore, other than consumer sentiment, there are few indicators that continue to contract. Here's a quick list of the recent evidence:

- Employers in the U.S. during November announced the fewest number of job cuts since the recession began two years as the economic recovery encouraged companies to retain workers.

- Demand has yet to accelerate enough for companies to add workers, and the unemployment rate will remain above 10 percent into the first half of next year. So don't evaluate the economic recovery by the unemployment rate.

- Black Friday sales rose 0.5 percent from last year. More people are shopping—195 million shoppers hit stores or Web sites over the Thanksgiving weekend, way up from 172 million last year. But they spent less.

- The "buying climate" component of the ABC News Consumer Comfort Index edged up to its best level in more than a year and a half this week, holding out a glimmer of hope for holiday retailers.²

- Vehicle sales increased in October and November, and overall retail sales jumped in October, rising 1.4 percent over September.

- The stock market continues to rise. It's now at a 14 month high.

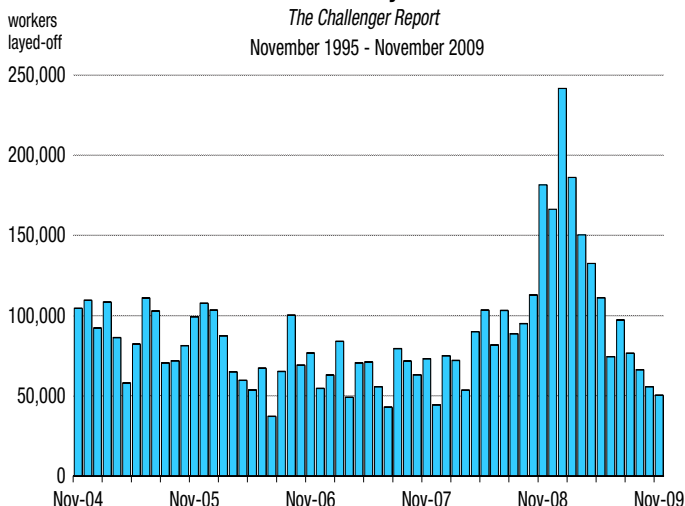
- Mortgage rates remain near record lows, averaging under 5 percent for a fixed 30 year conventional loan.

- Home sales jumped sharply in October, rising 10 %.

Announced Layoffs / U.S.

The Challenger Report

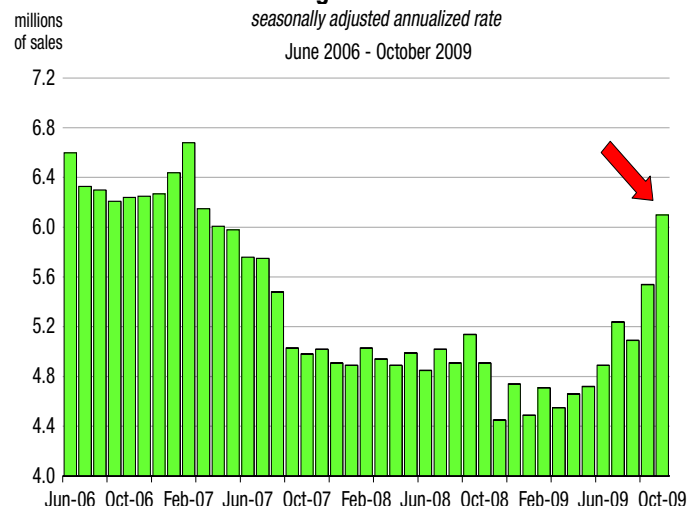
November 1995 - November 2009



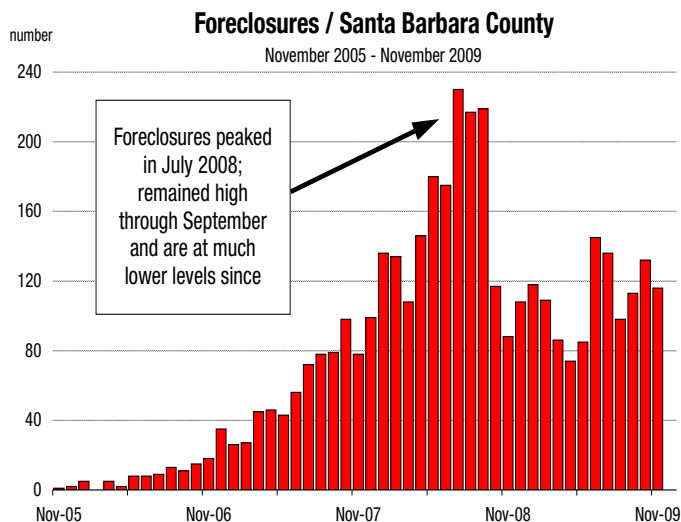
Existing Home Sales / U.S.

seasonally adjusted annualized rate

June 2006 - October 2009



- Three Southern California counties reported year over year employment increases in September and October.
- Exports from California's ports are rising again as the world economy recovers and demand increases.
- Home sales in California rose again in October. The median selling value during the month was \$297,500, or 21 percent higher than the lowpoint recorded last February.
- Foreclosures have not increased much in coastal California for all of calendar 2009. The peak occurred in August of 2008 and monthly foreclosures have been declining or moving lateral since.



Labor Markets are not yet Participating

Unemployed workers cannot obtain a job yet. Virtually no one is hiring. This condition dominates the sentiment of the population, regionally and nationwide. Until the labor markets show more encouraging signs of hiring, there is likely to be little improvement in consumer ratings about the economy, the current recovery, or the prospects for recovery in 2010.

Consequently, we expect you to remain gloomy this month which will probably translate into lower spending during the holidays.

However, in January, sentiment will change and you will begin to cheer up. A much better 2010 is forecast and you will notice it as momentum builds. But if possible, don't wait that long.

As we said in last month's newsletter, now is the time to buy the stuff you've been postponing for the last 2 years because it's cheapest now: homes, cars, refrigerators, a bathroom remodel, or that office building. Recessions bring opportunities. This may be your last chance because the recovery is here.

¹ <http://online.wsj.com/article/BT-CO-20091202-700011.html>

² <http://abcnews.go.com/PollingUnit/abc-news-poll-consumer-confidence/story?id=9216893>

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California Economic Forecast Upcoming Conferences

Ventura County
February 4, 2010
Hyatt Westlake

Santa Barbara County
February 2010
TBD

Northern Los Angeles County
(Santa Clarita Valley)
April 22, 2009
Hyatt Valencia