

Changing Global Economics - a Good Thing for the USA

09/02/12014 Penns Park, PA - Summer is over and prospects for America's housing market looks no better than it did earlier this year. Actually we see a tapering off of sales and starts in the fourth quarter.

The price of oil drives all economies and we are in for a roller coaster ride with the eventual end point being oil at prices significantly lower than we have seen in years. Any of the current generation that have not lived through the oil embargo of the 1970's and endless creep in prices are going to see first-hand a demonstration of supply and demand economics. The U.S. is producing product like never before and that in hand with shrinking demand is going to be a key topic this year. Last December we predicted oil prices would go below \$90 per barrel when everyone else was thinking in the opposite direction. We continue with that line of thought, only more strongly, with a year-end target below \$60 which will cause global turmoil placing numerous oil exporters into default.

This will result in the equivalent of one phenomenal stimulus package for American households with each seeing a free gift of \$1,000 - \$1,500 as a result of lower energy costs. For the average wage earner that's a 2 - 2.5% increase in income without raising the minimum wage or enacting any government give-aways.

On the housing side we see a variety of negatives that will continue impact 2015 sales. First and foremost is financing. People young and old continue to have difficulty getting a mortgage and the question of when the current housing bubble will burst keeps those that can get financed out of the market not wanting to buy high. If that "high" wasn't problematic enough we see a lot of suppliers that have bought into "the economy is better" story and are announcing price increases only making new housing that much less attainable for most. As a result of this rear-ended thinking we are now seeing suppliers announce price increases due to transportation costs while that aspect of their business will see lower costs moving forward. Fat chance those increases will be reversed when fuel costs decline.

For almost four decades we have watched the process of developing land for housing become more difficult. Just visit states that have bought into "no more urban sprawl" thinking and you will see locations where the price for a developable patch of land creates a home that few can afford. At some point in time government and municipal leaders will see that their communities are dependent upon a vibrant builder market with reasonably priced homes. Until then, major builders will continue to see the pace of sales slow down as a result of the 1%'ers having done their thing and the rest of the market frozen out of the game. New home sales will be another year of tough-sledding.

Unemployment is now being reported as below 6%. It is unfortunate that that number has been cooked to the point of being meaningless in terms of how many people are not employed in full-time decent paying jobs. I won't even talk about the millions of long-term unemployed that have given up but the number of people actually out there working 40, 50 and 60 hours a week and not being paid enough to make headway or grow a nest-egg is staggering.

There is a very strong possibility that after the holiday spending results show less than expected sales that changing economics, exporter nation defaults and a muckier level of global stagnation will kick many nations back into a recession. In the meantime don't buy any gold because it is not going up.

Watch the Federal Reserve do nothing as far as rate increases. We predict a wait and see posture through the first half of 2015 with quantitative easing ending before year-end.

Charlie Kamps Non-Executive Chairman - AmeriSus