

# Green Shoots Everywhere (Except They're Actually Weeds)

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The media has been working overtime to convince everyone that things are great and there are green shoots everywhere. From a half backed GDP report, which revised 1Q09 down by .9% which you then add in inflated government spending and you magically have good news, to a fully backed jobs report they have managed to turn one bear, Roubini, into a green shoot advocate.

In other news, mortgage applications plunged again this month thanks to higher interest rates, not sure what to really think about a 5.38% mortgage rate being "high," but somehow this was spun as sales contract numbers rose, slightly. Contracts really mean nothing as they have a high, relatively high, cancellation rate and I have never based any decisions about the market over this type of data point, it is really a nothing in the big scheme of things. Now if we were talking sales then that is a different story as sales mean something. Regardless, mortgage applications dropped which should make yesterdays CNBC story about optimism in the housing market obsolete and defunct as the story was obviously spun to make things look better.

With Roubini now in the camp of the recession will end by December 3<sup>rd</sup>, 2009 the bulls have declared victory and are dancing in the streets. They even got him to say that asset prices should go higher and the risk of a double dip recession is low, all of which is nonsense. After being misquoted a few times and constantly bashed by most people on CNBC it is clear that he has had enough and decided to side with the path of least resistance.

However, I have to disagree with him on equity prices. As I see it, the S&P 500 have priced in perfection and has set itself up for a big fall. However, even I admit that the inflation of the money supply is making things unpredictable as much of that money ended up in equities. Even so, I think we are in for a wild ride in the near future.

With mortgage applications down and mortgage rates up I think it is safe to assume that the residential housing market will continue to languish in the near future. That is until the Fed magically lowers rates again through quantitative easing, monetizing our debt, but I am fairly convinced that will not do much to spur sales. People are funny, when they see prices continuing to fall they tend to stop buying and wait for a bottom which creates a paradox for the real estate market as they need buyers to stop prices from falling.

In a nutshell, things are tough and I am willing to bet we are in for much lower equity prices in the near future. While Roubini has been tamed and the media works on spinning the mortgage application data and claim that new contracts are indicative of potential sales, which they are not, to declare the real estate market "stabilized" I will continue with my bearish outlook until things fundamentally change. So far, I have seen the fundamentals weaken, not strengthen and there is simply no compelling reason to buy equities at these prices.

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