



ECONOMIC
INDICATOR SERVICES

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real estate and commodity cycles

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The Real-Estate Bust of 2010

The plan for today:

1. Intro and overview
1. Real estate history
2. Why the forecast will likely prove correct
3. The link to commodities
4. The link to the share market



Note the following series of years:

2001/2		1991	1982	1974
1961	(1955)	1949	1937	1932
1921	(1913)	1907	1897	1893
1884		1873	1866	1857
1847		1836/7	1825	1819



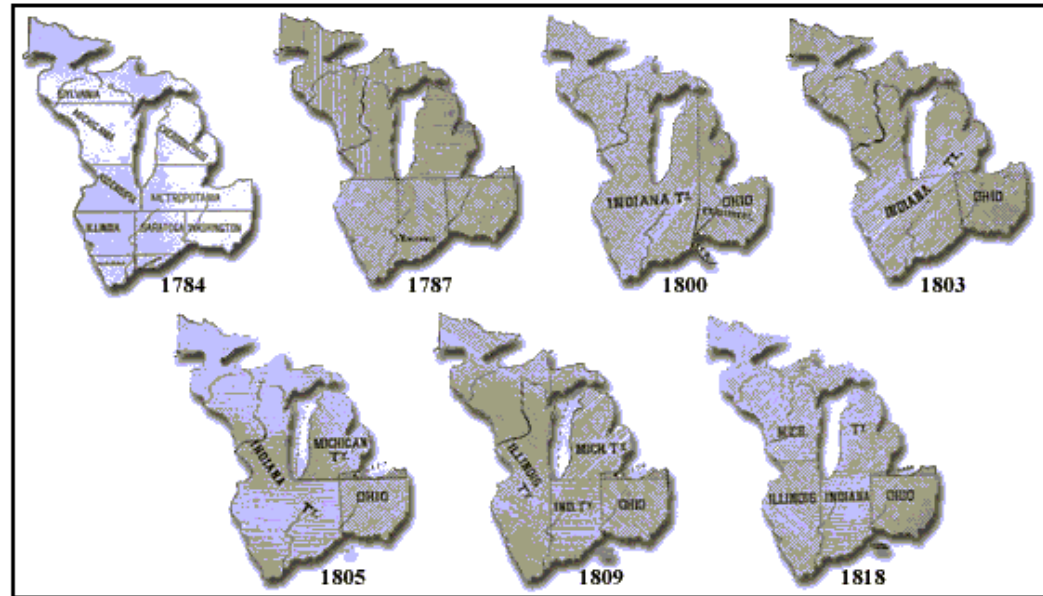
- Real estate: The US movement inwards



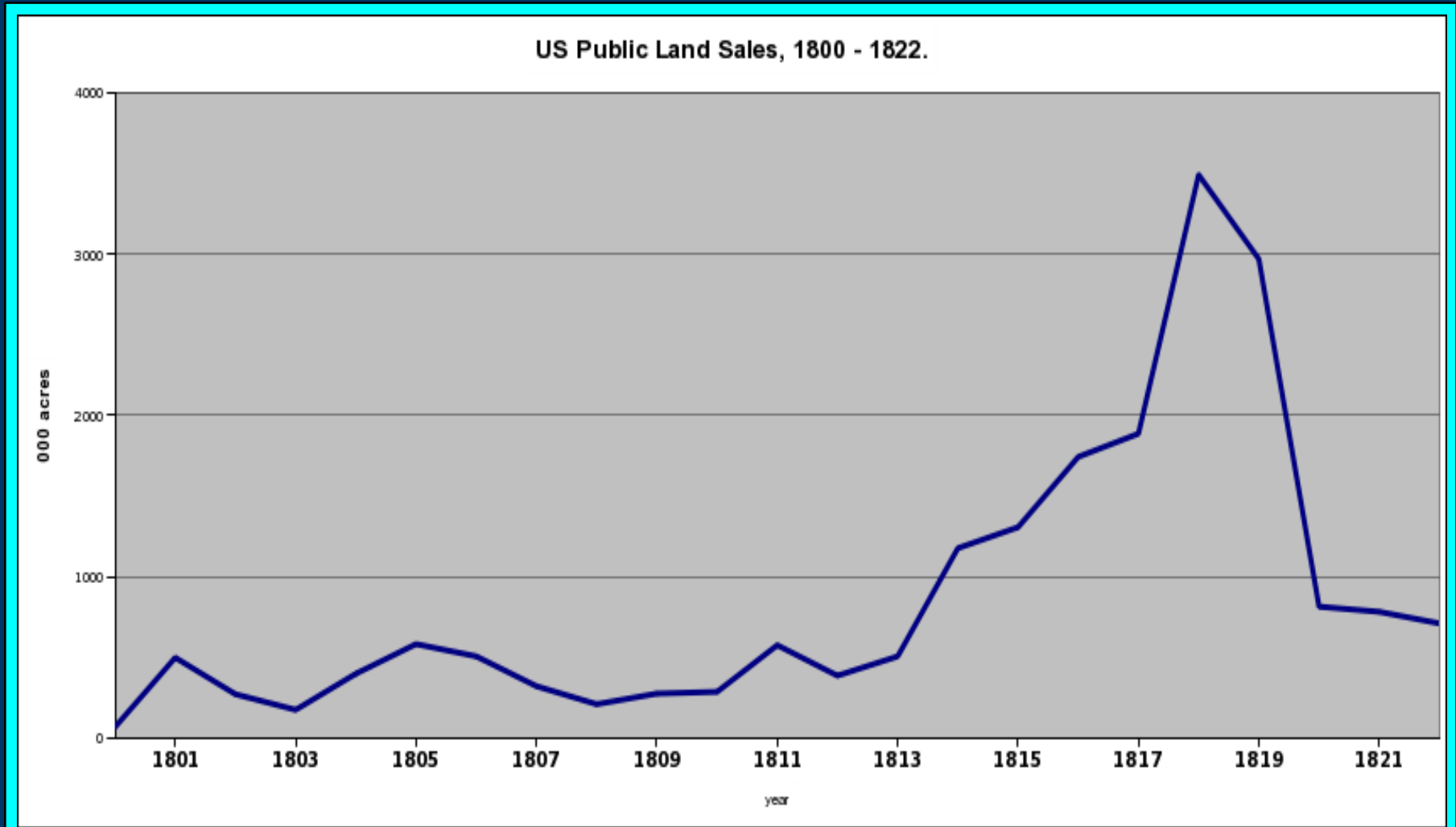
How the public domain took shape.

map available at

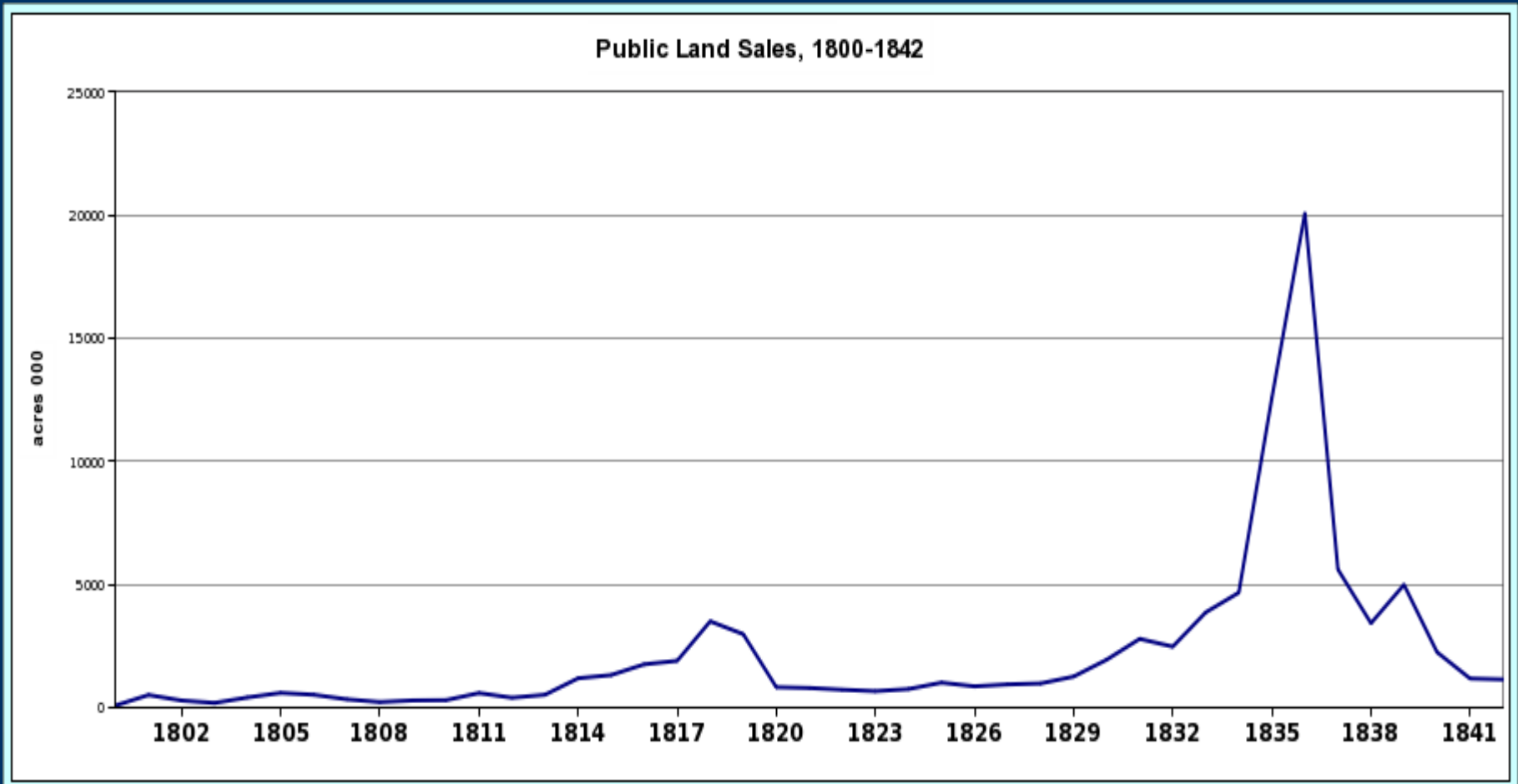
<http://memory.loc.gov/ammem/unhtml/unessay5.html>



- Real estate: 1810's land speculation, then downturn



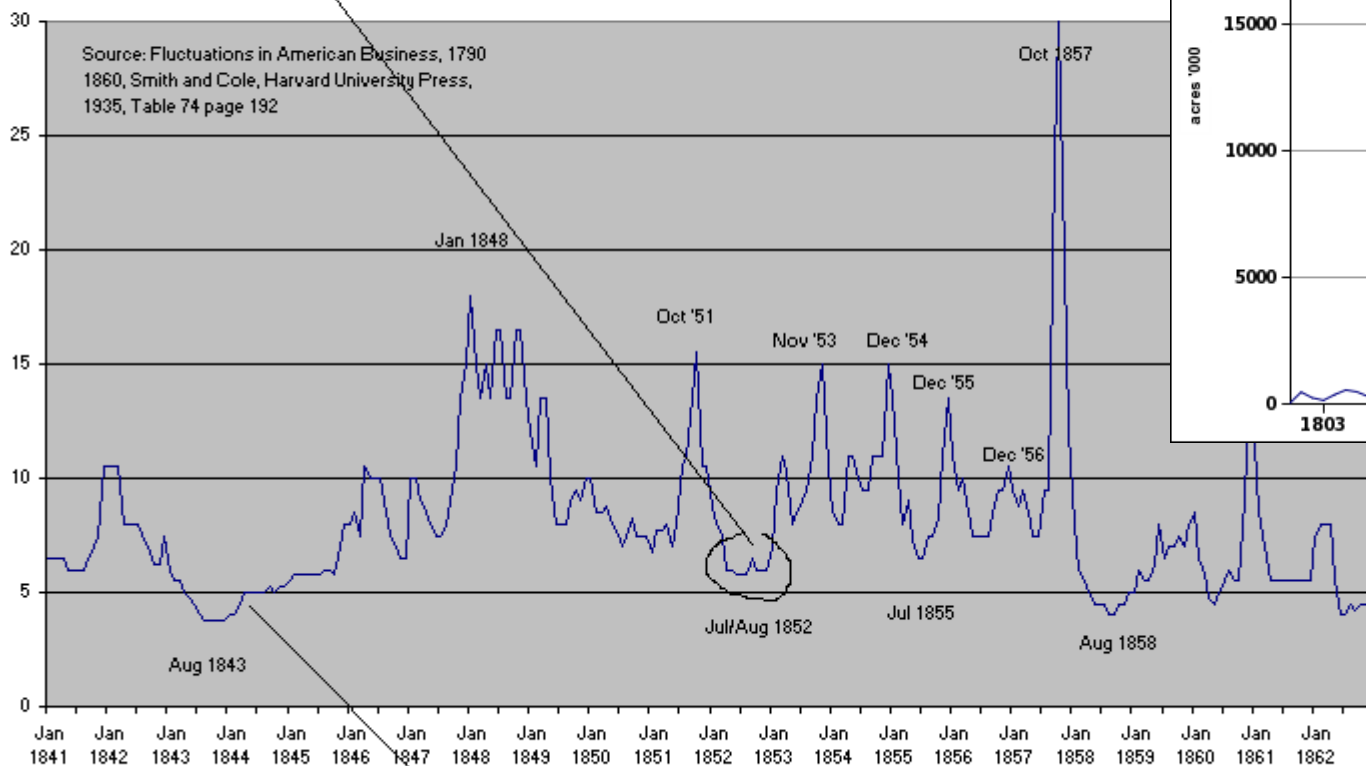
- Real estate: 1830's land speculation, then downturn



- Real estate: 1850's land speculation, then downturn

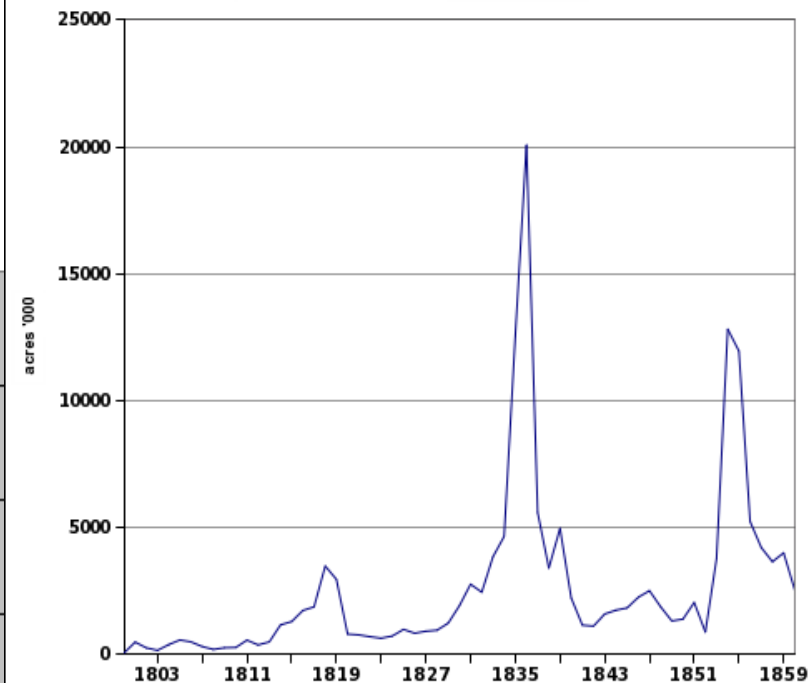
Very low interest rates, brought about by the California gold strike that vastly expanded the banks supply of specie, enabled the banks to expand their loans, their credit base, and hence their profitability, at least in the short run. Leads to an explosion in land speculation.

Discount Rate, New York City, monthly average 1841-1862

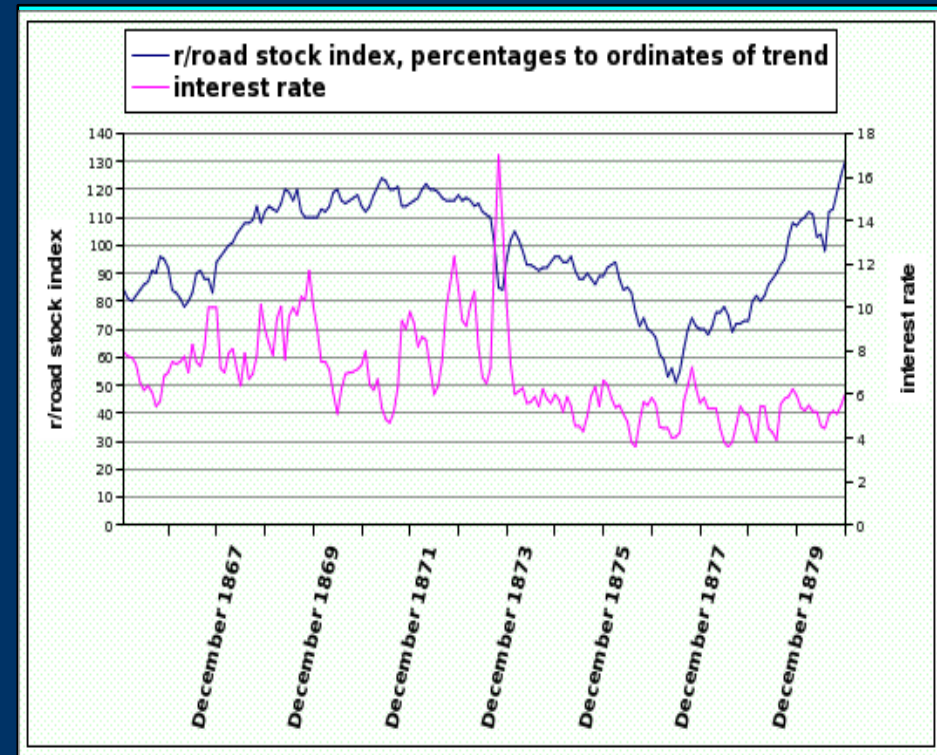
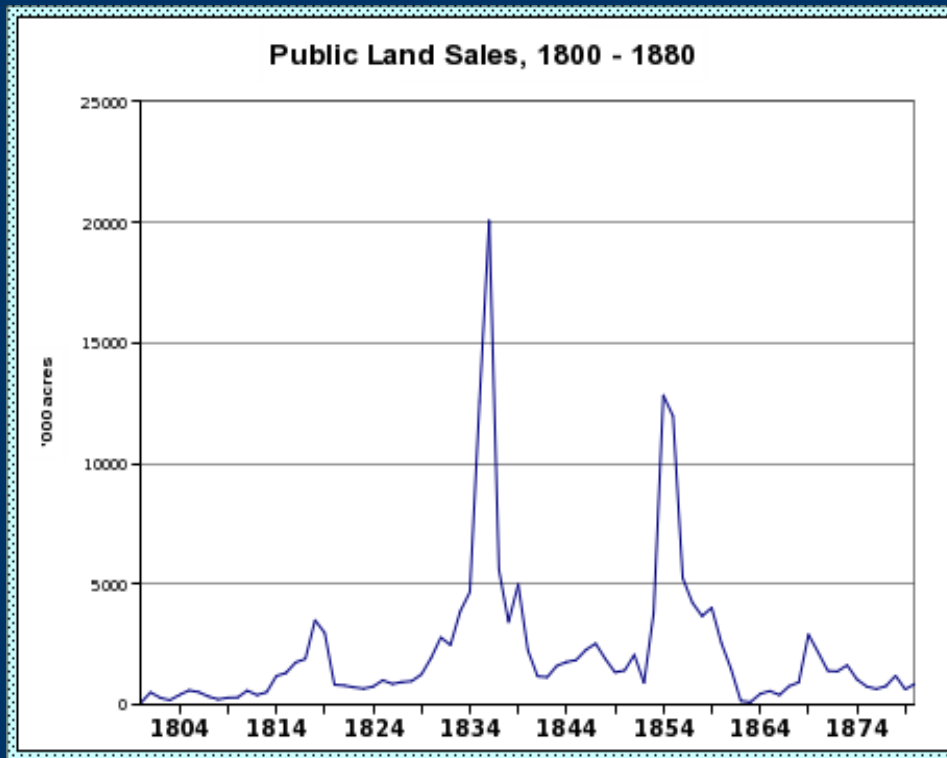


Low rates here helped fuel the rapid rise in rail stock prices in this year and the next.

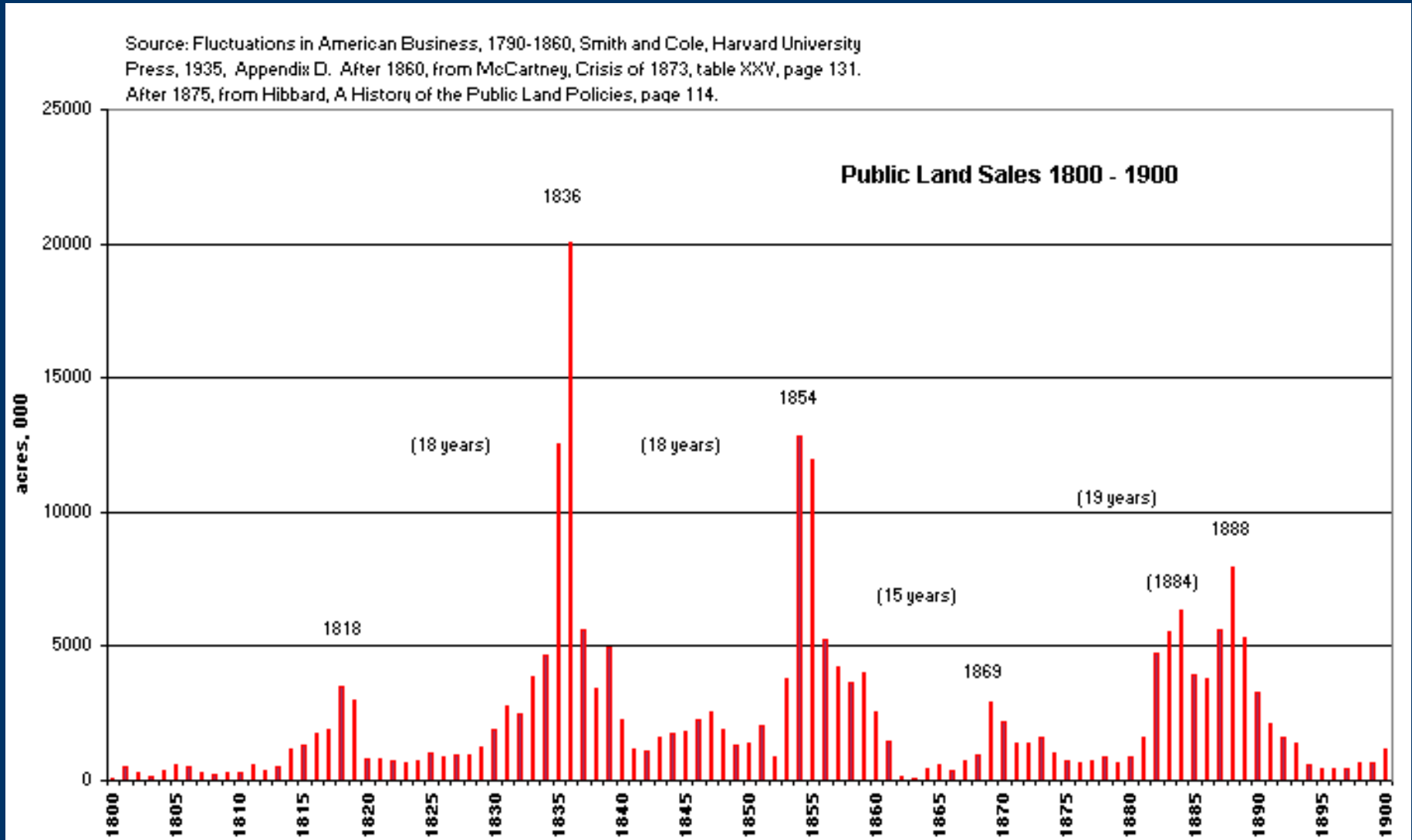
Public Land Sales 1800 - 1860



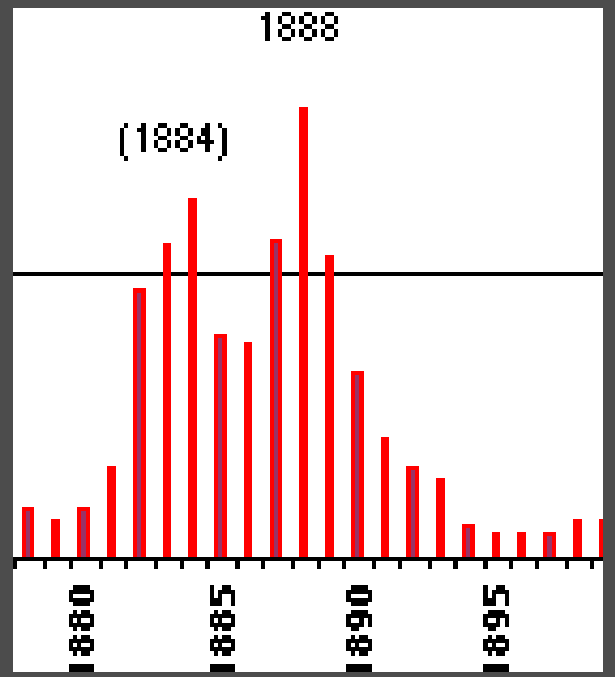
- Real estate speculation into the 1873 downturn



• US Real estate speculation into the 1893 downturn

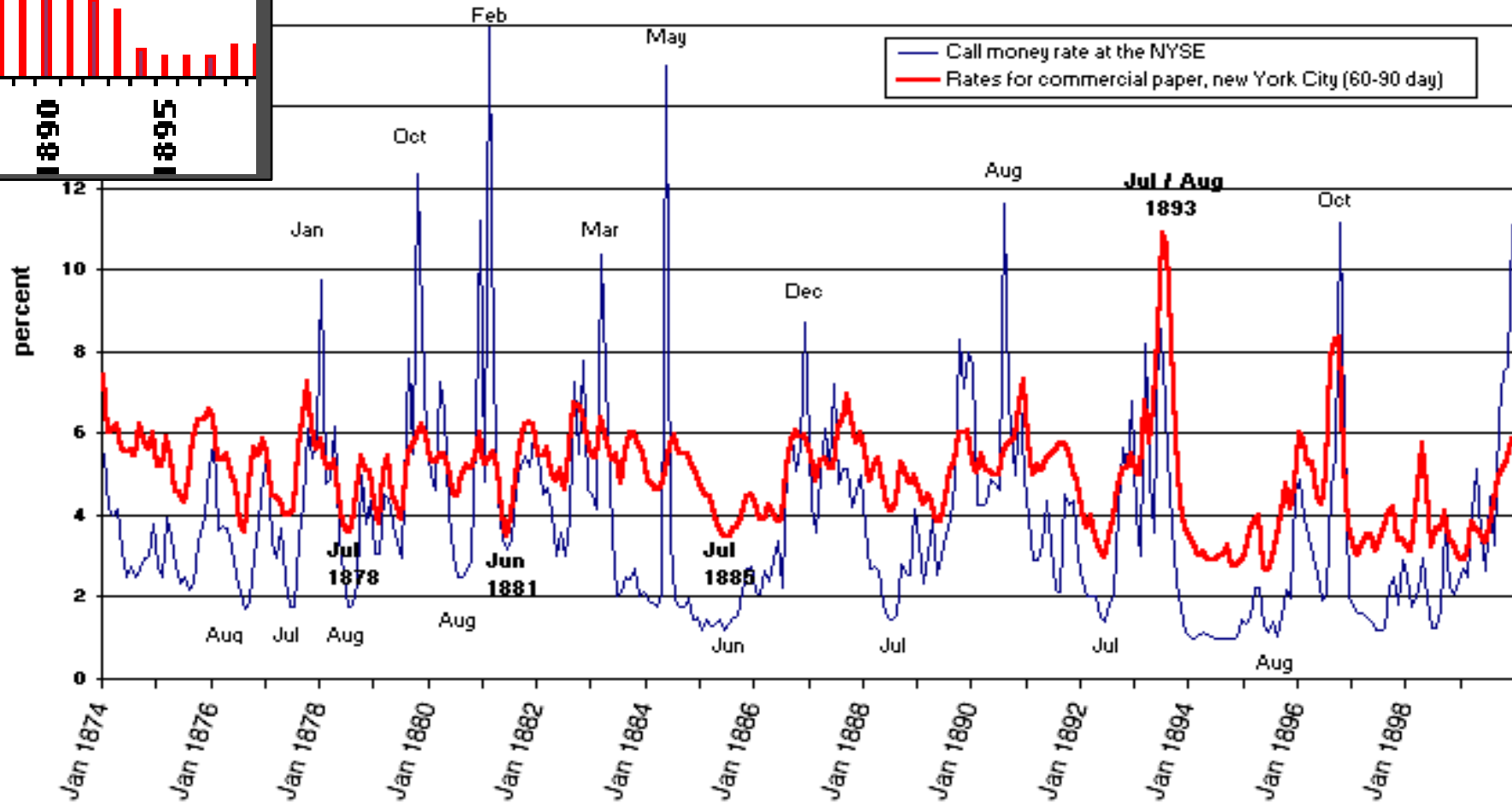


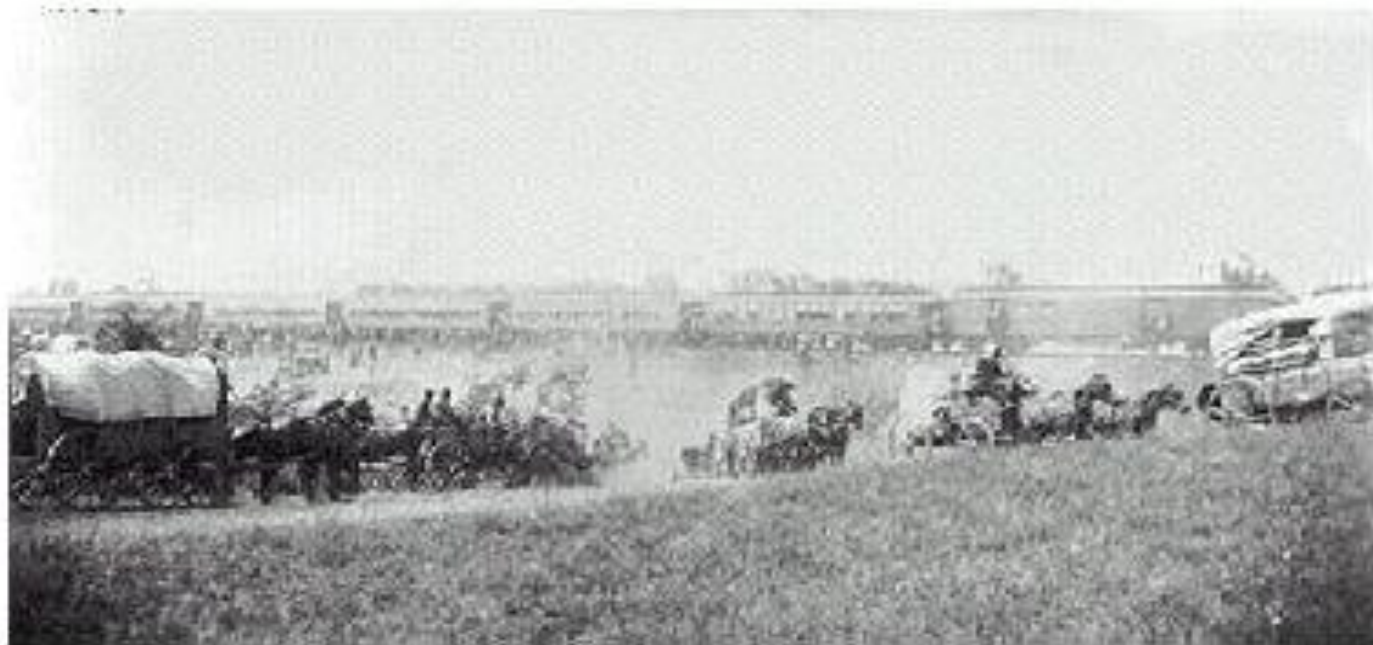
1893 continued



Rates, 1874 - 1900

Source: Macauley, Frederick R, Some Theoretical Problems Suggested by the Movements of Interest Rates, Bond Yields and Stock Prices in the United States Since 1856, NBER Inc., no. 33, 1938.

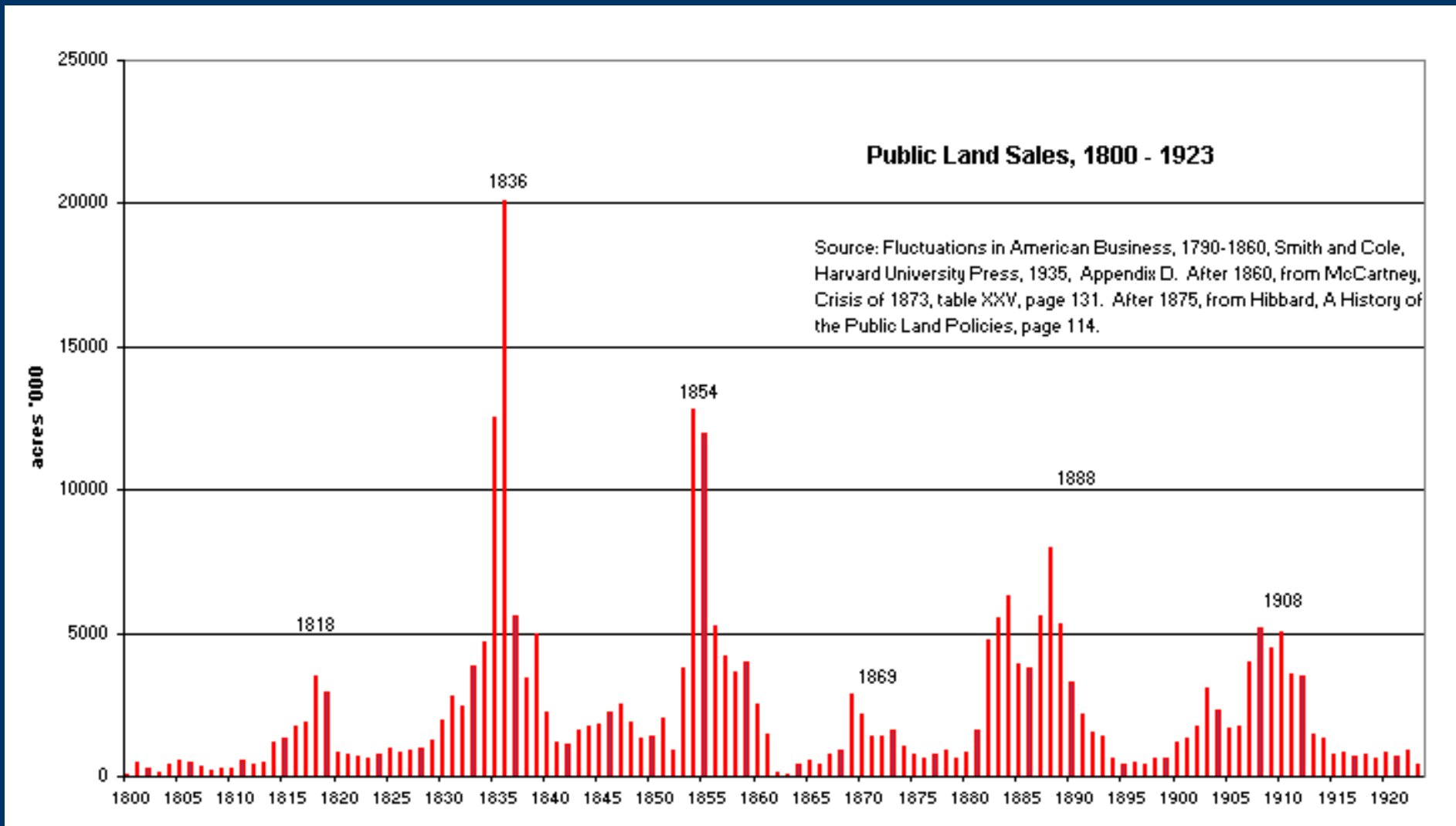




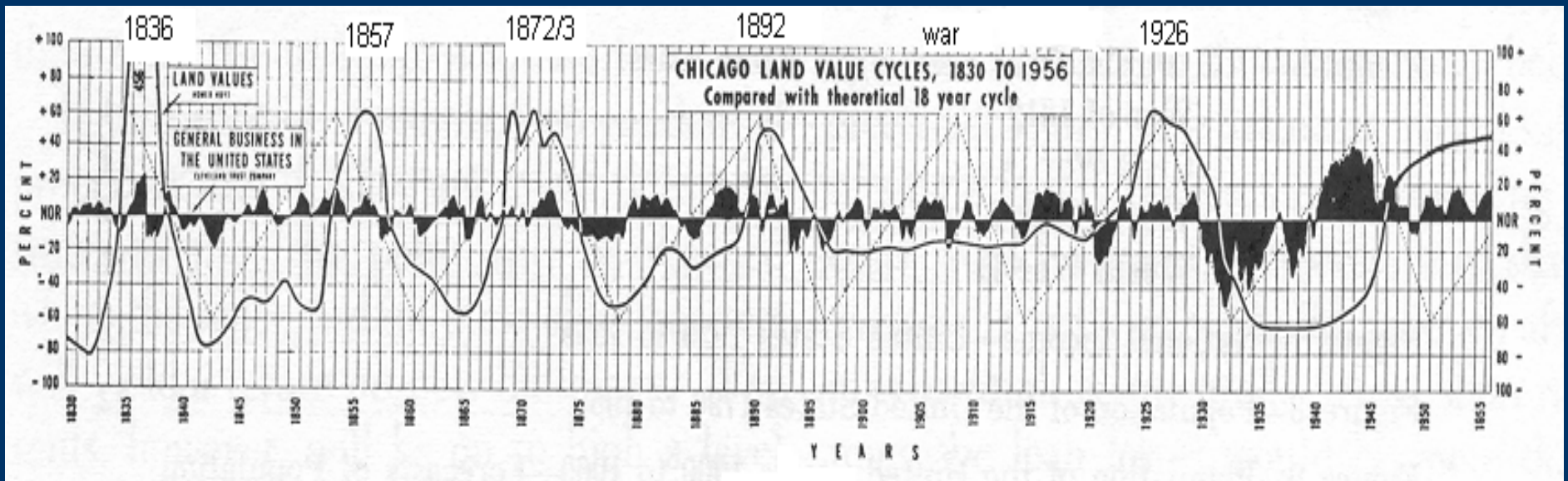
THE 1889 LAND RUN
(Opening of the Unassigned Lands)

<http://www.sandplum.com/guthrie/landrun.htm>

- US real estate into 1932

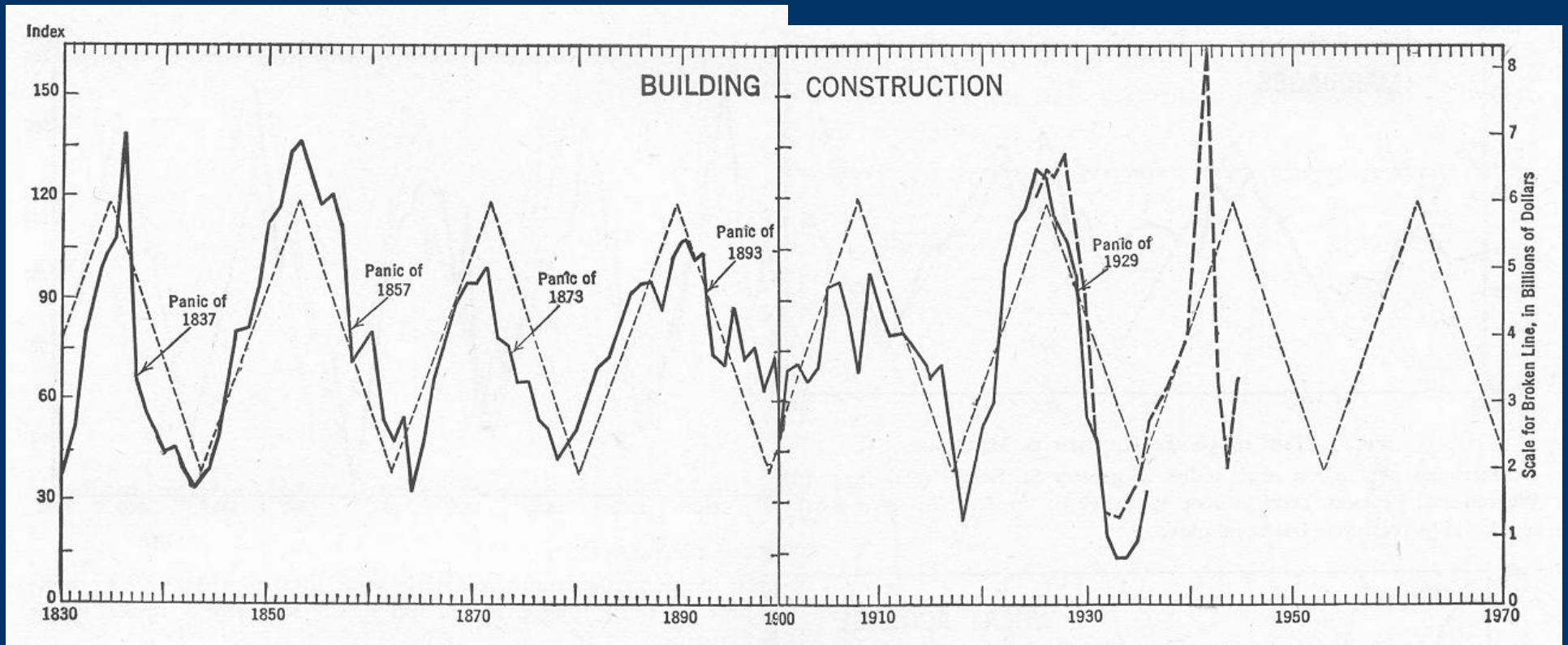


- 18 years has a good history: Chicago land value,



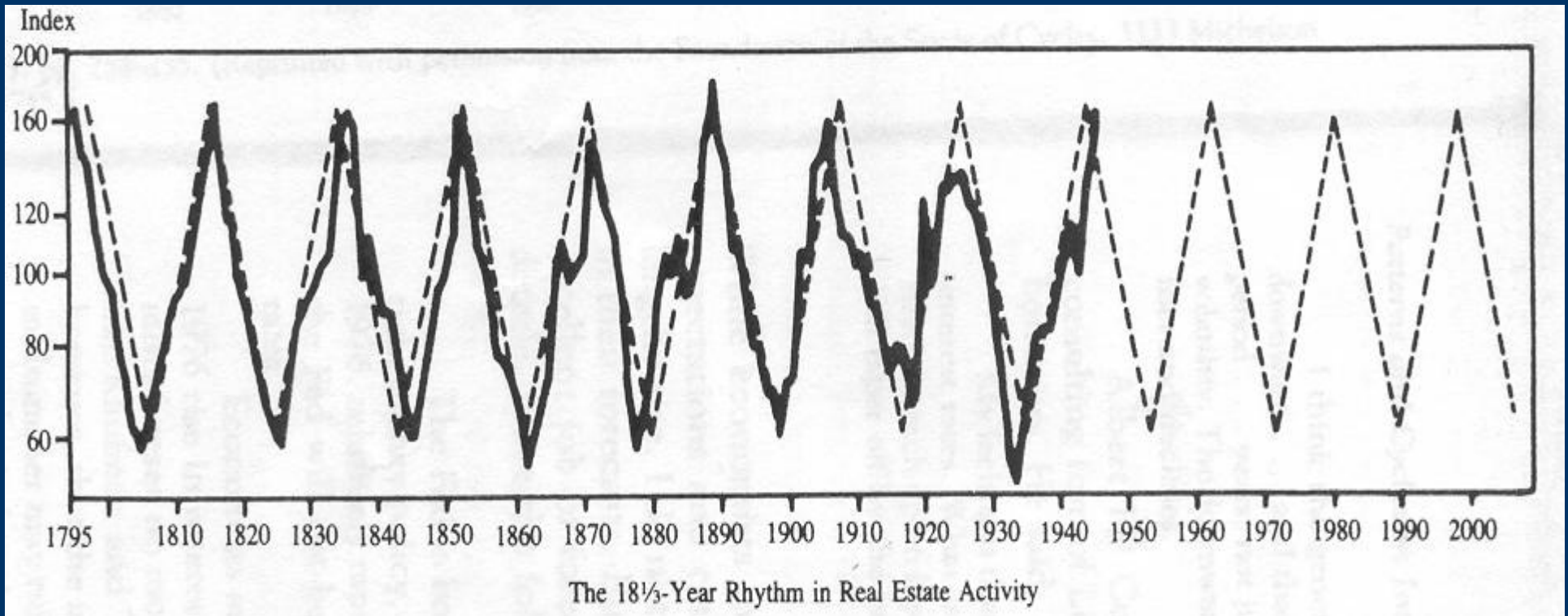
Source: According to Hoyt, 1966, page 538

- 18 years has a good history: US building construction,



Source: Cycles, 1947, page 118

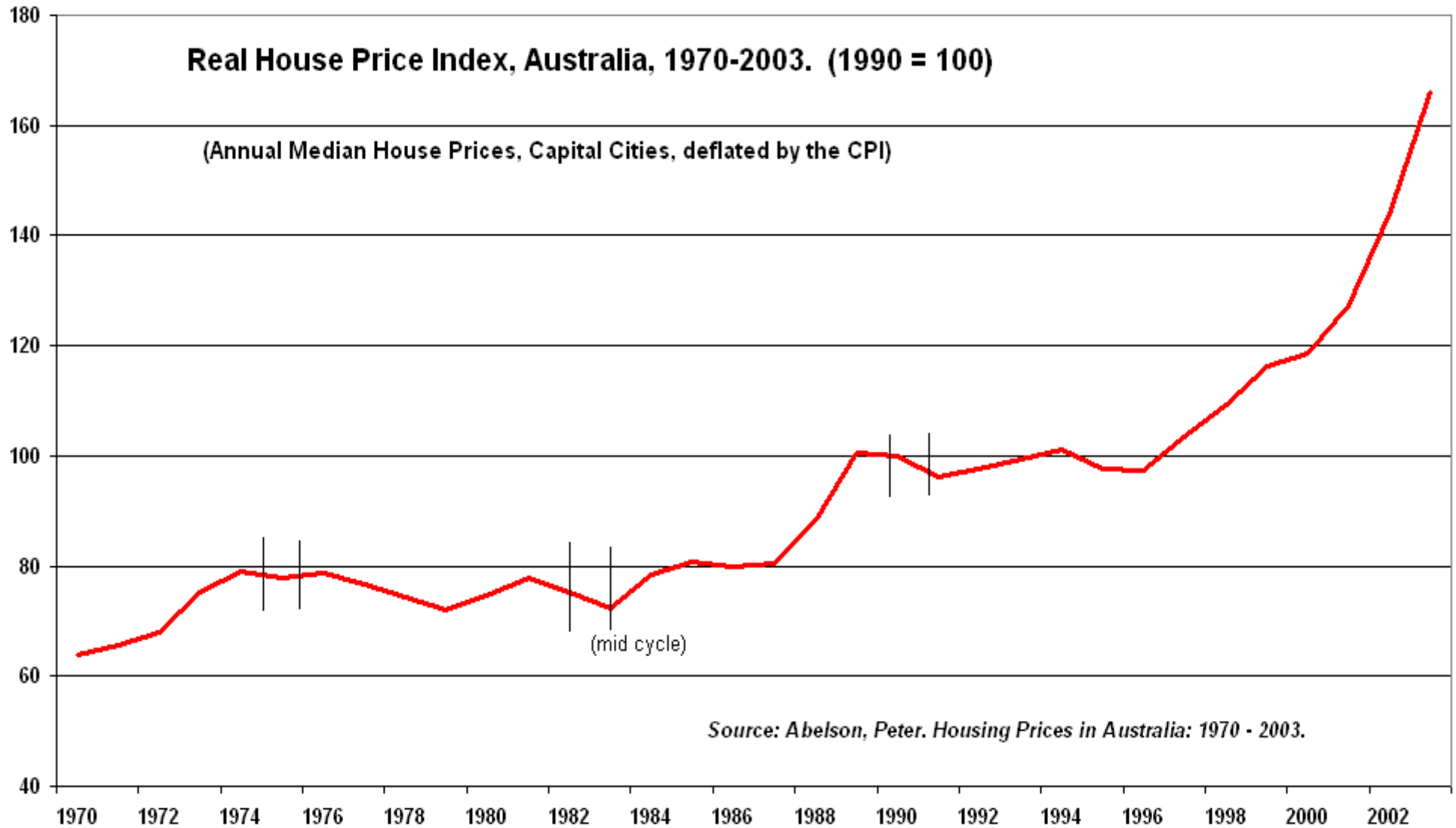
- 18 years has a good history: US real estate activity,



Source: Cycles, 1970, page 343

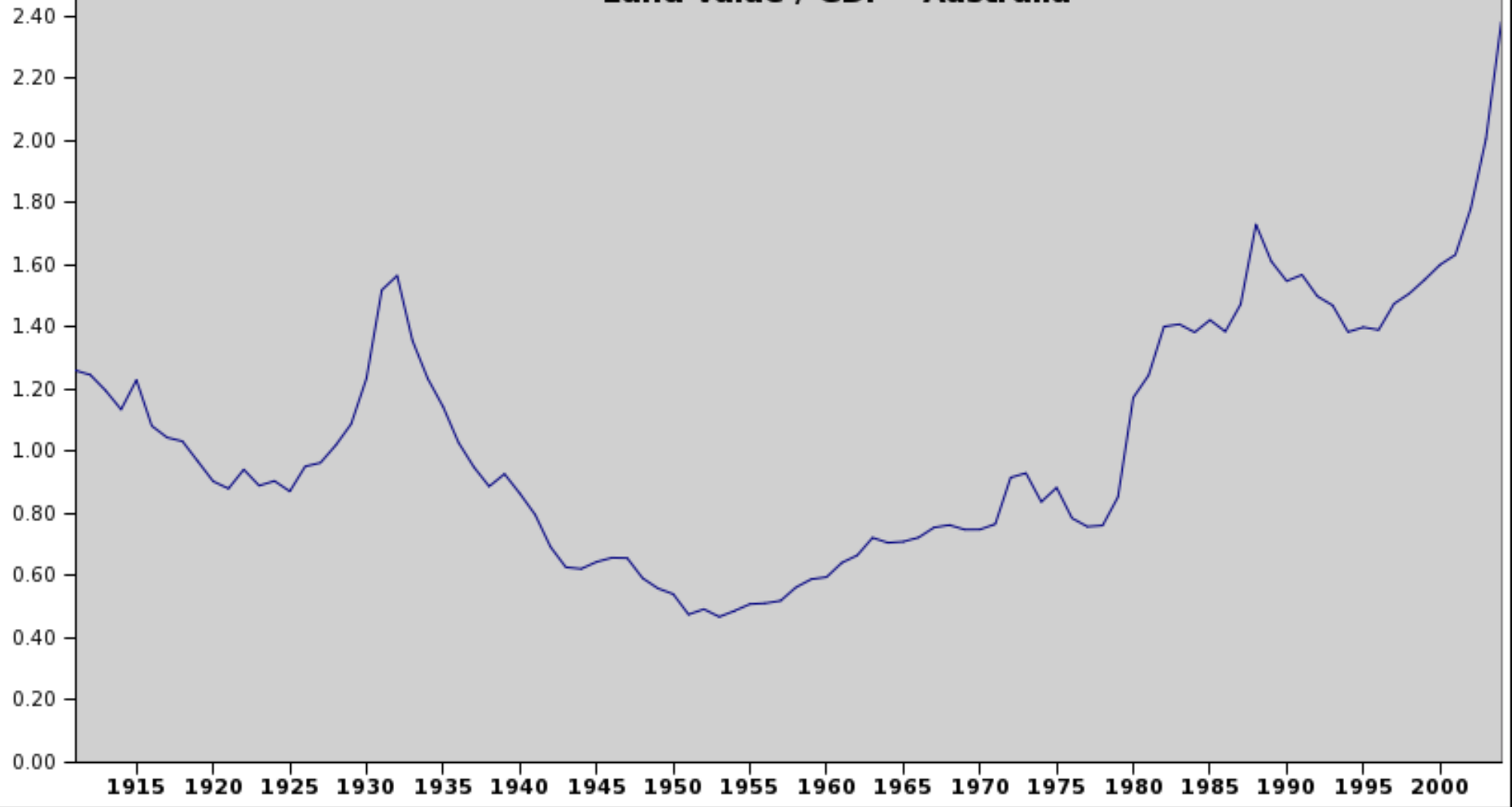
Real House Price Index, Australia, 1970-2003. (1990 = 100)

(Annual Median House Prices, Capital Cities, deflated by the CPI)



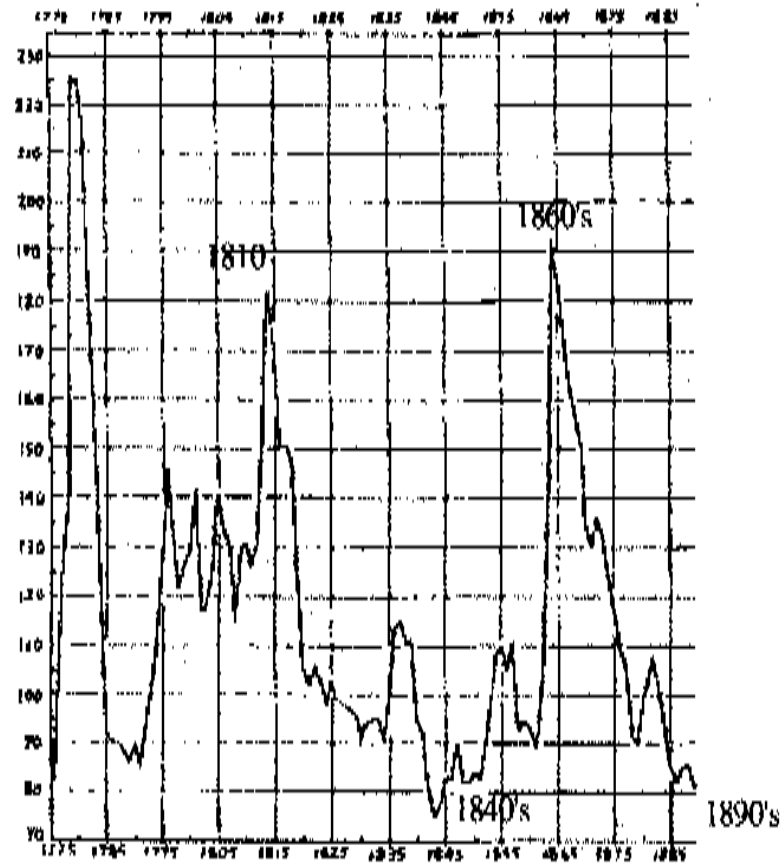
Source: Abelson, Peter. *Housing Prices in Australia: 1970 - 2003*.

Land value / GDP - Australia

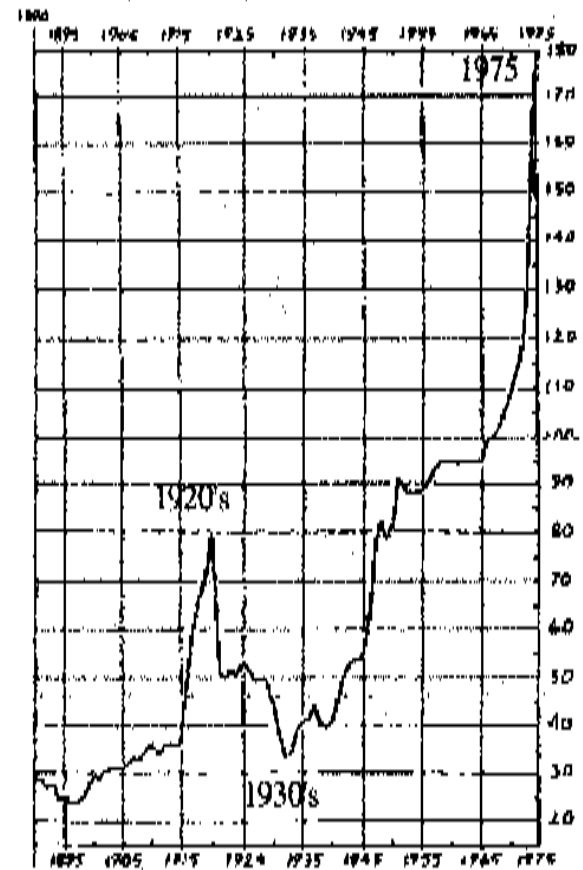


- Long term commodity waves: prices

Wurpin and Pearson wholesale price index
for all commodities (1910-1914 = 100)



Bureau of Labor Statistics wholesale price index
for all commodities (1907 = 100)



Source: Bureau of the Census, *Historical Statistics*, pp. 190-202.

The Indicators

Stock market

- Gann's time overbalance
- New highs / lows
- Rule of 20
- Gann's decadal cycle

Economic

- Fashion
- Bliss index
- Cantillon indicator (tall buildings)
- Money supply
- Yield curve
- Rent enclosures (land price, taxi plates)



Index

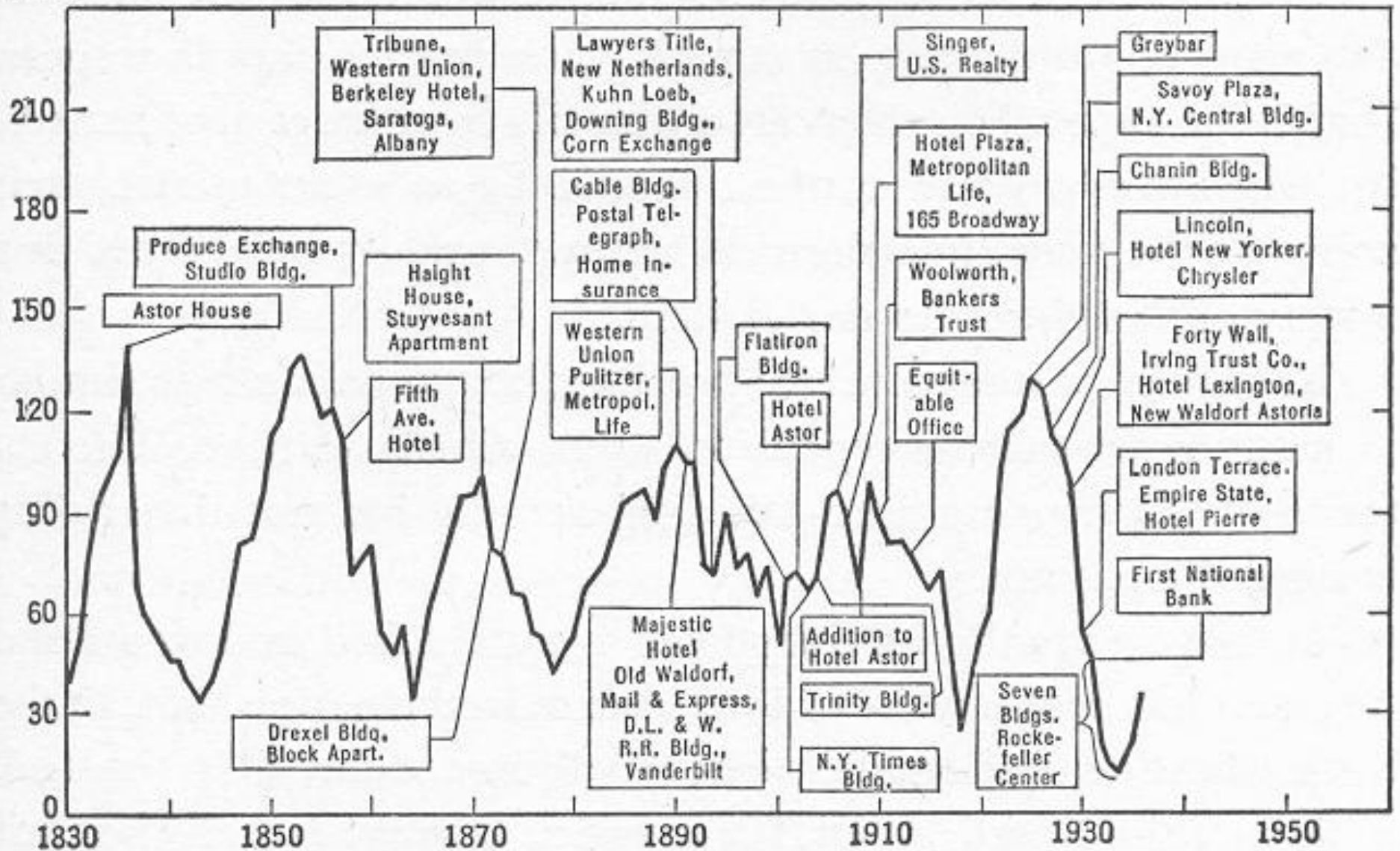


FIG. 7. NEW YORK SKYSCRAPERS

Our market is not at all excessively valued, just the opposite in fact, despite the move up into March 05. Still plenty of room for the market to go higher, which I expect it to do gradually in the next two years.

Rule of 20

