

The Housing Earthquake and Economic Tsunami

Waves

IV

- **Retirees squeezed**
 - Property tax revolts
 - Grassroots/lawsuits
- **Chinese exporters cut prices**
 - Demand for raw materials declines
 - Oil demand & prices fall
 - Transport/construction down
- **Federal government spending cut**
- **U.S. households sell liquid assets**
 - Stocks/bonds
- **State & local government squeeze**
- **Health care squeeze**
- **Federal tax increase**
- **U.S. second home market weakens**

III

- **U.S. Economy weakens**
 - Layoffs lead to house sales
 - Recession
 - Middle class slide
 - Stock market hit
- **Fed funds rates decline**
- **Dollar weakens**
 - Gold prices up
- **Chinese manufacturers hit by reduced demand**
- **European economies weaken**
- **High-end pullback**

II

- **Discretionary Spending down**
 - Home furnishing
 - Remodeling
 - Vacations
 - Restaurants
 - Generics benefit
 - Low-end retail
- **Financial Transactions Hurt**
 - Banks with mortgage business hurt
 - Securitized mortgage market hurt
- **Non-housing related job cuts**
- **GDP hit**
- **Flattening Business Spending**
 - Business protects earnings
 - Business protects productivity
 - Layoffs (?)

I

- **Housing related companies hurt**
 - Homebuilders
 - Mortgage cos
 - Brokers
 - Building supplies
- **Rental properties benefit**
- **Stock market volatility increases**
- **Fed interest rate increases stop**
- **Foreclosures up**
 - Lawyers benefit
- **Delinquencies up**
- **Housing Related Job Cuts**
- **Home lending standards tighten**

“You can’t predict earthquakes, but you can predict tsunamis.”
-Samith Dhammasaroj, Thailand’s Head Seismologist

