

**Value Increasing Highlights Much Needing To Be Done And Being Done.
More Homes Is A Major Part And Doing Needs Much More Oil & Nat. Gas.**

Figure 1

Range for the NASDAQ Composite Stock Index
(Src: NASDAQ via finance.yahoo.com)

Index



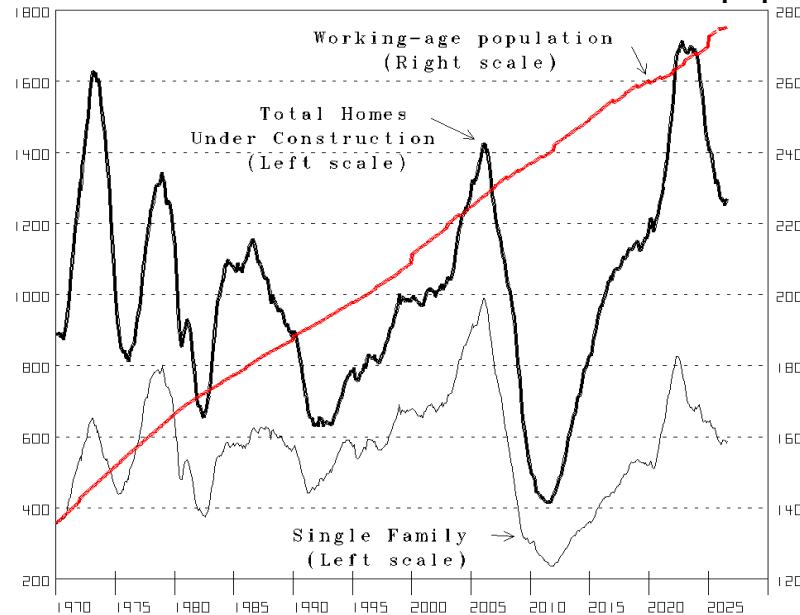
The NASDAQ setting another new record high Tuesday highlights much needing to be done being done and increasing value. The NASDAQ stock index closed at 27,244.28 Tuesday (Figure 1, bold line), another new record high. That is 157.47 (+0.6%) above the prior 27,086.81 record high set June 1st and 6,141.40 (29.5%) above the March drop to 20,794.64 on the 30th. A notable buy-low opportunity.

Figure 2

US, New Privately-Owned Housing Units Under Construction Monthly, Seasonally Adjusted vs US, Non-Institutional Population
(Src: Dept. of Commerce (DOC) data)

Thousands of Units

Millions of people



New stock prices highs reflect Free Markets working, doing what needs to be done. Affordability a major concern, includes the cost of housing. The notable decline in housing units under construction highlights the challenge and opportunity: more supply needed. Recessions are all about people losing jobs—activity declining. The number of homes under construction highlight activity declining with the U.S. recessions since 1970 (Figure 2). The housing boom from the trough of Crash 2008 peaked in 2022 (bold line) with the jump in oil prices and inflation. It is similar to the drop that occurred with the jump in oil prices in 2008. The decline now, inflation a problem and interest rates high are encouraging recession fears. That despite the number of homes under construction still high and high prices signaling more needed.

Figure 3
Private New Housing Starts & Permits in Permit-Issuing Places
Not Seasonally Adjusted, 12-months moving averages
vs US, Non-Institutional Population
 (Src: Calculated from Department of Commerce data)
 Thousands of Units

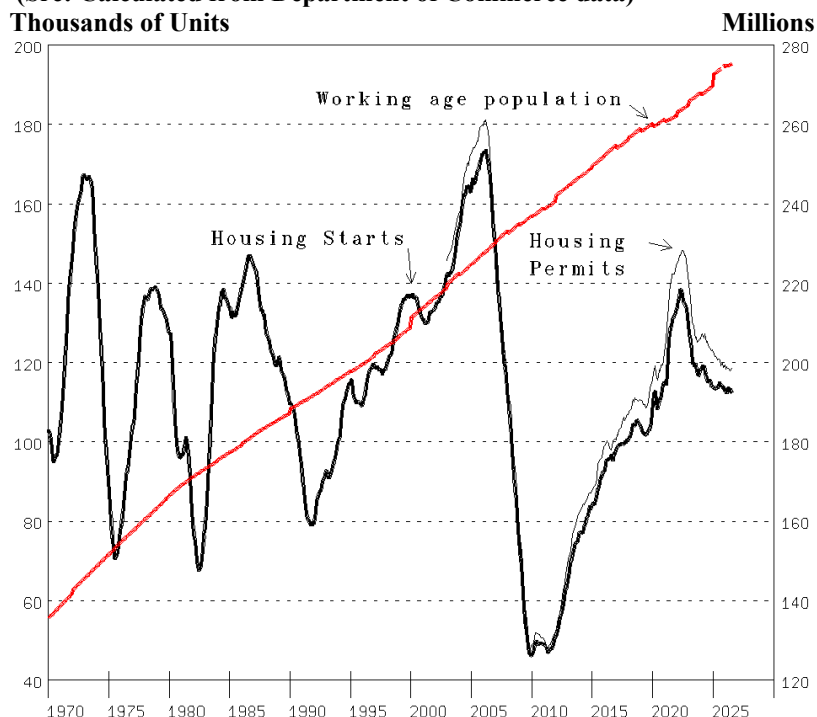


Figure 4
30- and 15-Year Mortgage Rates
 (Src: Freddie Mac via Wall Street Journal)
 Historical mortgage rate trends

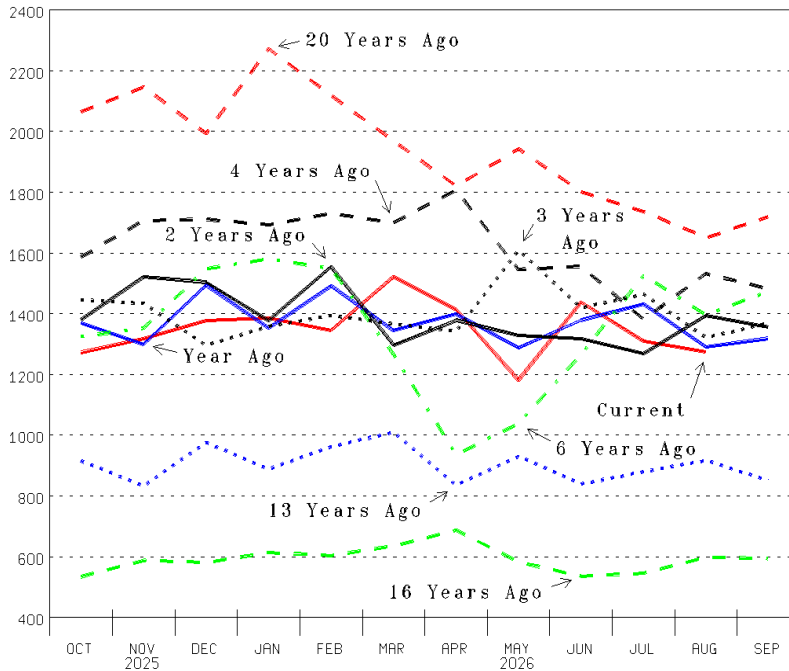


Although the number of homes under construction has/is dropping, recognition of more needed and effort to provide it is evident in permits and starts.

Housing starts declining is another recession indicator (Figure 3, bold line). However, the 12 months average of the actual number of starts per month dropping from up near 140,000 in 2022, to 113,925 at the end of 2024 is down only to 112,242 in August. Only 1,683 (-1.5%) less. The average of permits the last 12 months at 118,675 per month is 6,433 (5.7%) more than starts. It indicates employers see need and opportunity to supply more.

While the effort to finally end the 40+ years of war by those who have been ruling Iran has inflation, cost of living and rising interest rates fear high, mortgage rates are still less than year 2024 highs. According to Bankrate, today's 30-year fixed rate mortgage (Figure 4, blue line) is up at 7.45% and the 15-year rate (brown line) at 6.54%. Both are notably higher than early in the year lows. Nevertheless, these increases are notably smaller than the 2023 to 2024 increases. Plus, the 30-year rate at 7.45% now is notably less than the early 2024 peak up near 7.75%. And the 15-year rate at 6.54% is notably less than early 2024 at 7%. **We wonder what mortgage rates would be if Federal Government debt was \$5 or \$10 Trillion less—all those funds back in the hands of lenders. A goal to achieve.**

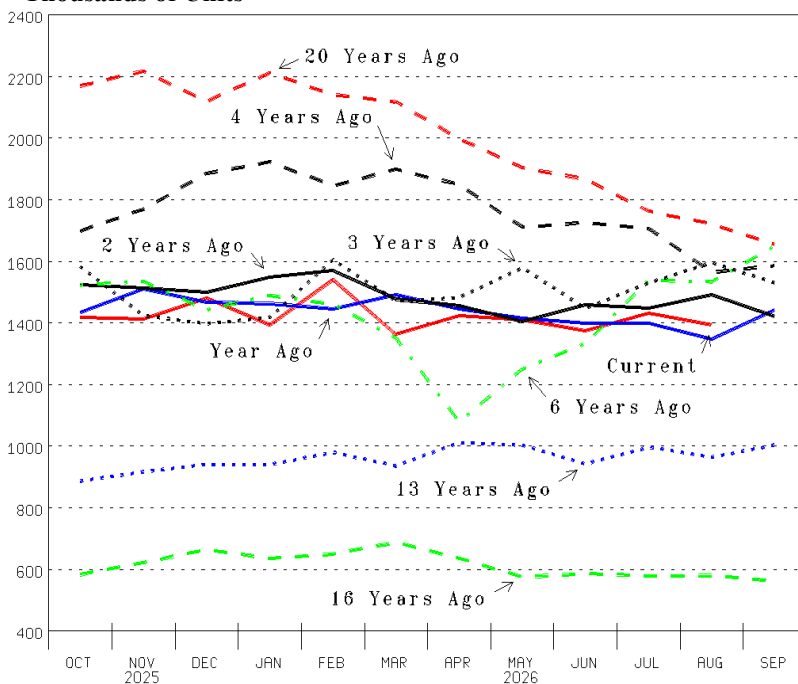
Figure 5
Private New Housing Starts in Permit-Issuing Places – United States
Monthly, Seasonally Adjusted
 (Src: Dept. of Commerce (DOC) and calculated from DOC data)
Thousands of Units



Need for more housing to be supplied and that recognized is evident in seasonally adjusted housing starts about the same as last year. Not further decline.

Housing activity a good measure of economic activity is evident in the seasonally-adjusted annual rate of housing starts dropping from above 2.200 million units in January of 2006 (Figure 5, red line) to down near 500,000 in June of 2010 (green dash). However, 1,275,000 in August (red line) is only 16,000 fewer than last year (blue line). Decline is over?

Figure 6
US, New Privately-Owned Housing Units authorized by Building Permits; Monthly, Seasonally Adjusted
 (Src: Dept of Commerce (DOC) data)
Thousands of Units



Need for more is especially evident in permits. The latest month 3.5% more than last year. Plus 1.400 million the seasonally adjusted average the last three months 59,000 (4.4%) more than starts the last three months at 1.341 million. New housing permits authorized are at a 1.394 million seasonally adjusted annual rate in August (Figure 6, red line). That is 47,000 (3.5%) more than last year (blue line) and 119,000 (9.3%) more than starts (Figure 5). 1.400 million, the average the last three months is 59,000 (4.4%) more than starts at 1.275 million the last three months. **Both measures leveling off and permits nicely above starts support our prediction: consensus-beating growth is the direction we head.**

Figure 7
US Monthly, New Privately-Owned Housing Completions versus
Under Construction versus Permits; Seasonally Adjusted annual rate
 (Src: Department of Commerce (DOC) data)
Thousands of Units

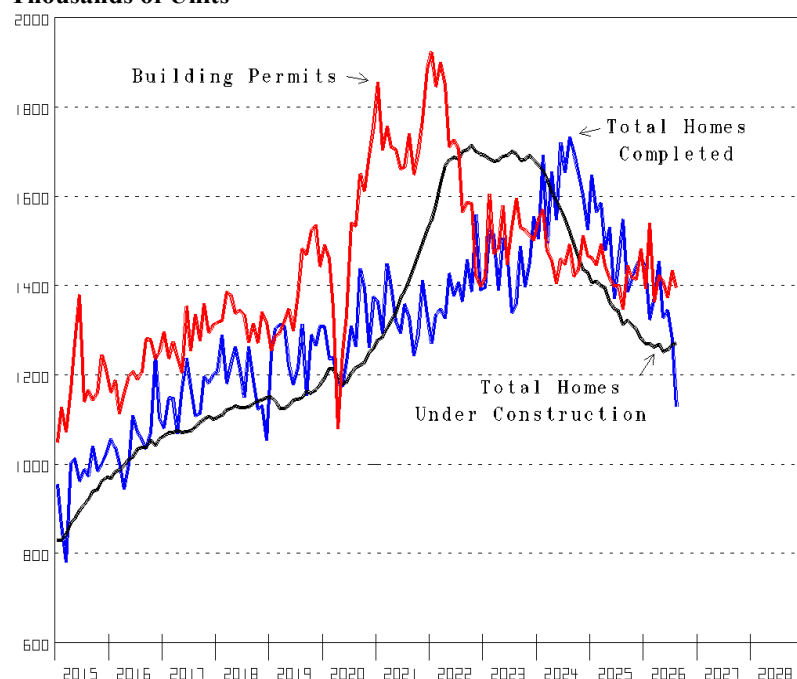
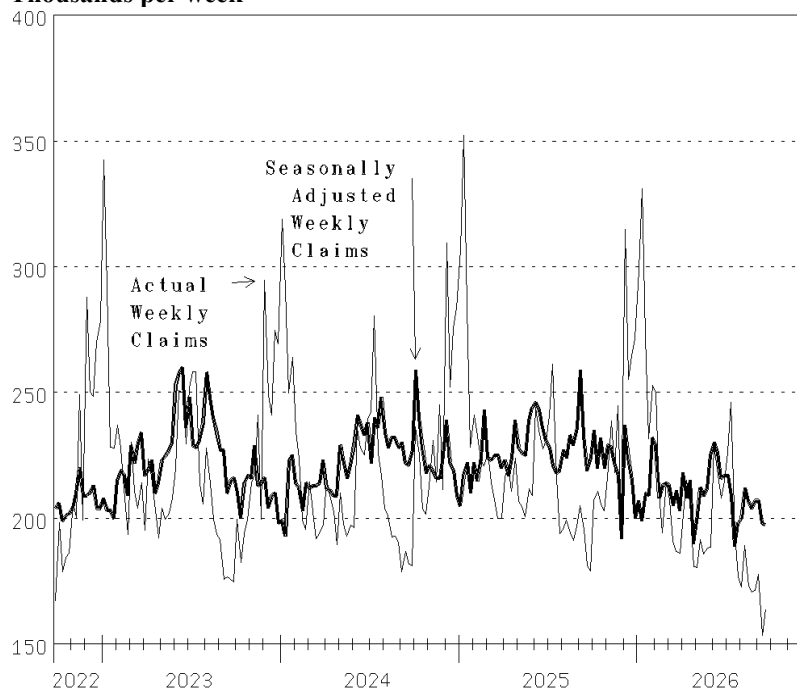


Figure 8
Initial Unemployment Insurance Claims – United States
Seasonally Adjusted Data
 (Src: Calculated from U.S. Dept of Labor Statistics)
Thousands per week



More housing needed, having growth the direction we head, is evident in the drop in the rate new homes are being completed needing to be reversed. Pent-up demand created with the Coronavirus Recession dictated in 2020, dropping activity, is evident in building permits dropping from a seasonally adjusted annual rate above 1.5 million to fewer than 1.1 in 2020 (Figure 7, red line). Pent up demand increasing during that recession jumped building permits above 1.8 million (red line) and increased the number being completed from 1.2 million in 2020 to more than 1.7 million from 2022 to 2024. We credit mortgage rates rising (Figure 4) for permits dropping in 2022. That and completions increasing for the number under construction (bold line) dropping. Also, credit pressures and uncertainty for the completion rate dropping from 1.454 million in April to 1.128 in August. However, that has increased the number under construction from 1.252 million in May to 1.271 million in August.

Employers recognizing opportunities, from more needing to be done, is also evident in unemployment claims declining too notably low. Weekly unemployment claims are another indicator of economic growth happening. It is evident, from 2023 through 2025, by the seasonally adjusted weekly number averaging down around 225,000 (Figure 8, bold line). In a range from just under 200,000 to 260,000. However, the last three weeks, averaging 200,667, is very low for September. 2024 averaged 225,000 and 2025, 234,750. That and stock prices up in record high territory (Figure 1) support our conclusion: employers recognizing much needing to be done, working at it, need employees.

Figure 9
United States Weekly Retail Gasoline Prices
 (Src: U.S. Department of Energy)
 Dollars per gallon

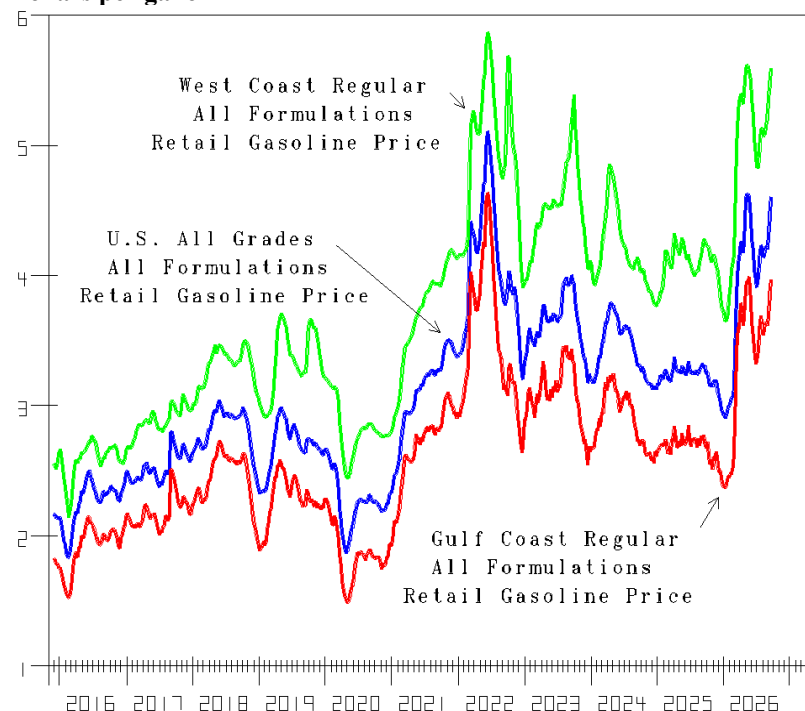
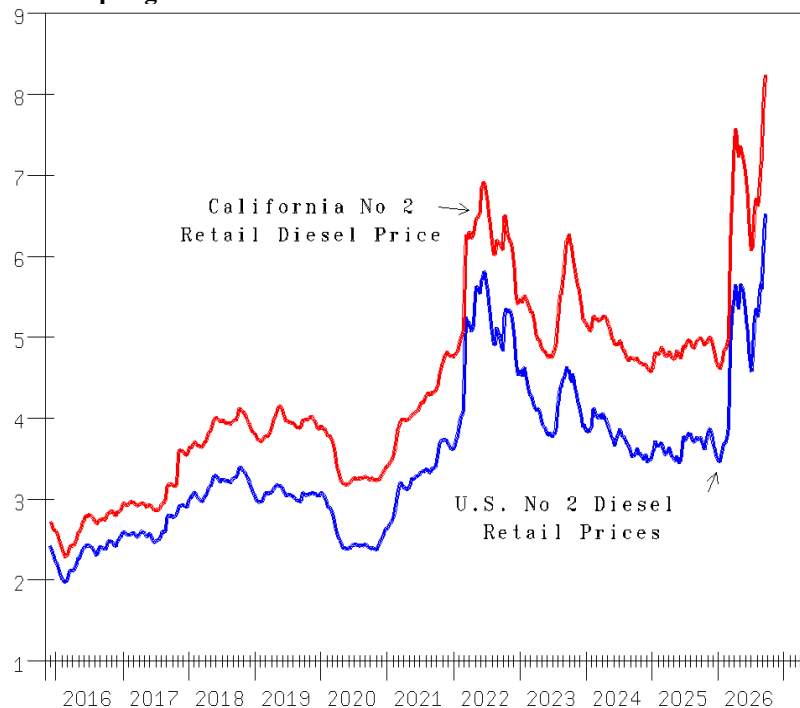


Figure 10
United States Weekly Retail Diesel Prices
 (Src: U.S. Department of Energy)
 Dollars per gallon



Affordability, a big concern highlighting more supply needed is very evident in retail gasoline prices. The Coronavirus Recession dictated in 2020 dropped the average retail price of gasoline from up near \$3 per gallon preparing for Summer 2019 to below \$2 with Winter's end in 2020 (Figure 9, blue line). Recovery from that trough had it up around \$2.50 when oil supply disrupted by Russia invading Ukraine jumped it to a high above \$5. Markets working restoring supply then reduced it to last Winter's activity season low of \$2.907. Operation Epic Fury's effort to finally end the 40+ year War by those Ruling Iran then jumped it from \$3.072 to a \$4.628, preparing for Summer high. Efforts to restore oil flows reduced it to \$3.911 the beginning of July. However, more battling including Iranian allies of late restricting oil flows from the Red Sea have it up to \$4.610 now.

Supply needing to increase is especially evident in the U.S. average retail price of diesel fuel up to \$6.529 and California

\$8.246. Affordability, a major concern is most evident in new retail diesel fuel highs (Figure 10). While \$5.643 per gallon was the Operation Epic Fury national average high (blue line), that was 16.7 cents less than the \$5.810 Russia invasion high in 2022. \$6.529 now is a notably greater burden. However, \$7.567 the California Epic Fury high exceeded its \$6.915 Russia invasion high (red line). Plus, \$8.246 now is an even greater living cost burden. Rules/regulations and dictates have California's price \$1.717 per gallon (26.3%) more than the national average. An average made higher by California and other West Coast states extra requirements. The huge California premium is a good example of the lack of understanding there of how and why things work. Especially what powers/fuels its people.

Figure 11

U.S. Distillate & Kerosene Production—4-weeks moving average and the most recent weekly quantity

(Src: Calculated from Department of Energy data)

Million barrels per day

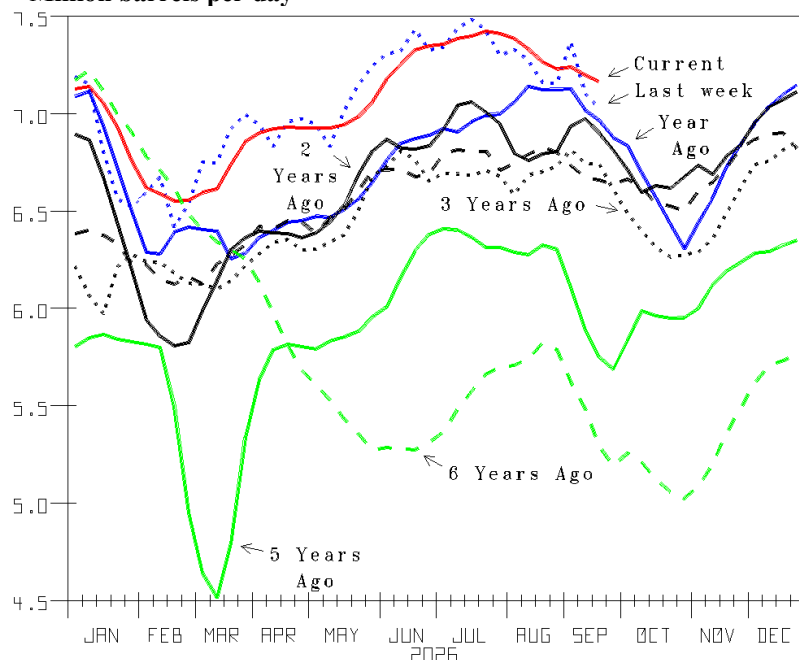
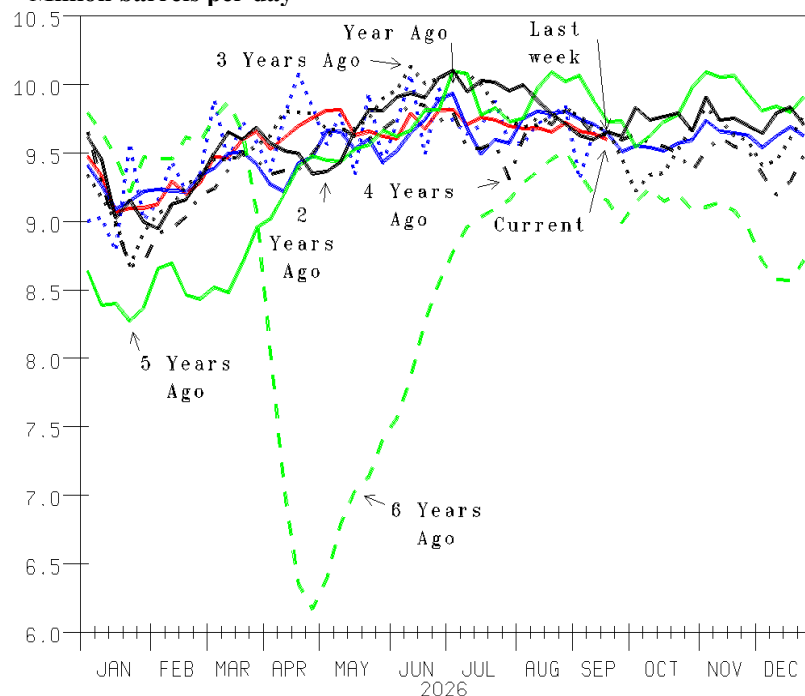


Figure 12

U.S. Gasoline Production—Four-week moving average and the most recent weekly quantity

(Src: Calculated from Department of Energy data)

Million barrels per day



Employers/Investors free to see what needs to be done, able to and doing it is evident in U.S. production of distillate oil and kerosene setting new highs.

5.5% more than last year since the end of March. Oil demand and what it fuels increasing had U.S. production of distillate oil (diesel and heating) and kerosene set a 4-weeks average record high of 7.362 million barrels per day (mmbd) in January of 2019. 7.424 the average at the end of July (Figure 11, red line) is 0.062 (0.8%) greater. Plus, 7.171 the average since the end of March is 0.376 (5.5%) more than last year (blue line).

The Gulf Cost spot market price of heating oil \$4.70 per gallon now and jet kerosene \$4.397 is encouraging production of the two more than gasoline at \$3.78.

Distillate oil the major petroleum fueling the rest of the world and, Middle East + Russia supply battle curtailed has its production being maximized. U.S. gasoline production has averaged 9.690 mmbd since the end of March (Figure 12, red line), only 0.079 (0.8%) more than last year (blue line). Although socialism (freedom greatly reduced) has become popular here, we see achieving success here keeping socialism minimized here. **Much of late minimizing, infrastructure trends, AI activity increasing, Over There growing too with work to end/restore war destruction, conventional energy expectations low, + much poorly understood has conventional-energy-Bullish happening. We rate nat gas, crude oil, oil-focused E&P and Drilling & Oil Service Overweight Strong Buy; and Oil-Refining BUY.**