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Data suggests recession easing

By Martin Crutsinger
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WASHINGTON — Evidence that housing is poised to improve and optimism about the results of banking "stress tests" raised hopes Monday that the recession is easing and helped lift a key stock market measure into the black for the year.

Construction spending and pending home sales both fared better than expected in March, and private economists saw the reports as further evidence that the overall economy is stabilizing after its bleakest stretch in a half-century. If so, the economy might be able to mount a recovery in the second half of 2009.

Wall Street took the same view. All the major stock indexes jumped more than 2 percent. The Standard & Poor's 500 rose 3.39 percent, showing a gain for 2009.

"Investors believe the worst of the downturn is behind us," said Mark Zandi, chief economist at Moody's Economy.com. "The economy is still in a recession. But the rate of decline is moderating, and a bottom for the housing market and the overall economy are coming into view."

Bolstering that picture were rising expectations that the government-run stress tests, showing how the nation's 19 largest banks would fare in a severe recession, have found most of them in reasonably good shape. The test results are expected to be released Thursday after markets close.

Federal Reserve Chairman Ben Bernanke has said none of the 19 banks will be allowed to fail and that any institution that needs to raise more capital will be given six months to do so.

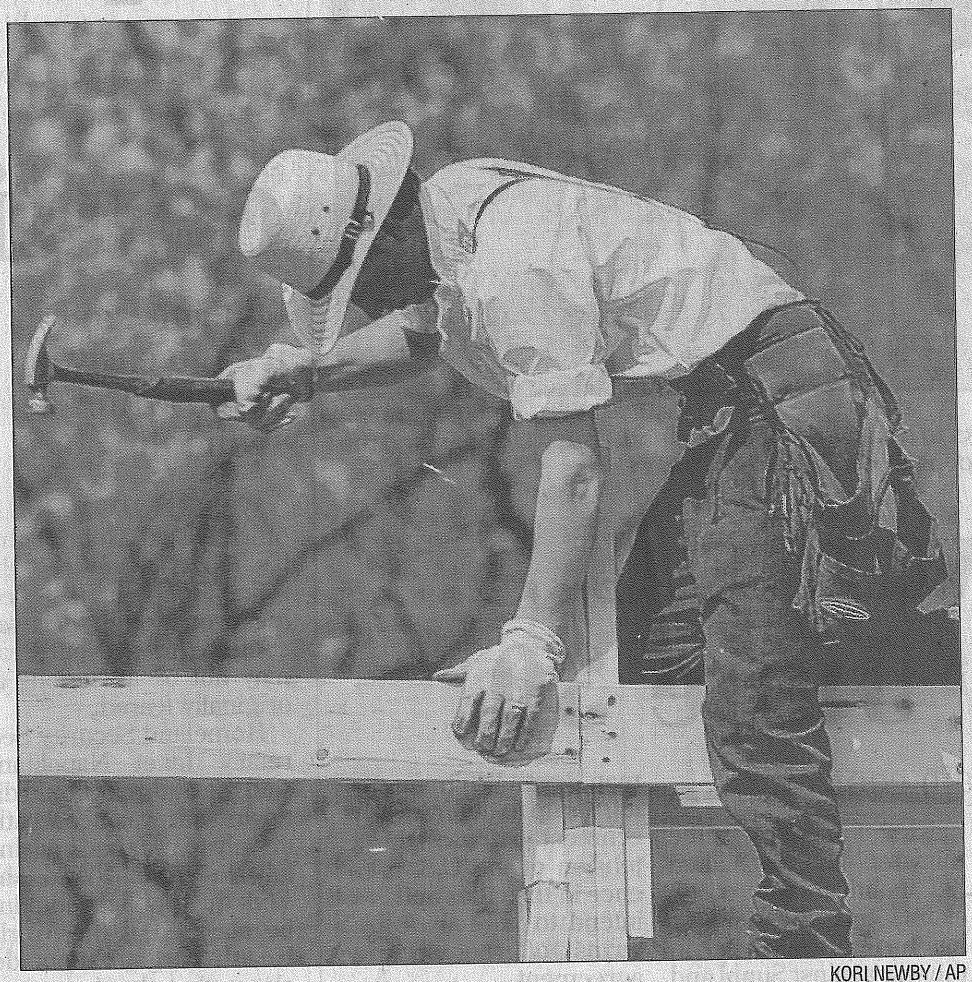
If the bank cannot raise the needed capital as a cushion against future loan losses, the government will supply the needed resources, Bernanke has said.

The Fed chairman is scheduled to testify to Congress on Tuesday about the state of the economy.

The Commerce Department reported that construction spending rose 0.3 percent in March. It was the first increase after five straight months of declines. And it was far better than the 1.5 percent drop analysts had expected.

Meanwhile, the National Association of Realtors said its index of pending home sales rose 3.2 percent to 84.6 in March. That was the second monthly increase after the index hit a record low in January. The pending sales index is now 1.1 percent above last year's levels. Typically, there's a one- to two-month lag between a contract being signed and a final deal being sealed. So the index is a good barometer for future home sales.

Housing sector brings good news



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Hopes that the recession is easing got a boost Monday from reports that construction spending and pending home sales both fared better than expected in March.