



# Rockyfield Newsletter

## US Economy & Housing Market

Imagine if a country keeps incurring large trade deficit month after month. Its currency would plummet to the bottom, the debt rating would become "Junk", and no one would sell products to that country. But America is running huge trade deficit every month without causing any financial calamity. Trade surpluses by other countries are coming back to the US as investments in the US Treasuries. In fact, the US trade deficit is financing the government deficit. As the US is the largest economy and the largest trade partner for many countries, they are locked in the world of the US dollar. If the US should default on its debt by an economic reason (not by political reason), many other countries would go bankrupt before the US does. No any other currency is capable of replacing the US dollar.

The US Treasuries (bills, notes and bonds) are not simply debt; they are essential financial instruments, working as lubricant for many financial transactions, serving as foreign reserves of most governments, and a temporary cash place for financial institutions, and setting benchmarks for interest rates for many financial transactions. In short, the world is inescapably dependent on the US economic hegemony. The US deficit is part of such international strategy.

Usually sovereign, even state or municipal debts are considered less riskier than private debts because of their taxation power. Regardless of actually exhorting to more taxing or not, it is unwise to voluntarily declare abandonment of such power. Yes, the current US debt is growing too fast and too large. The high leverage means more volatility in the economic cycles with excess liquidity, creating inflationary environment. However, the deficit must be dealt through the budget process, and must be separated from the debt ceiling issue. The deficit can be reduced only through a combination of restraints on spending and revenue increase. Spending

## *So, Does Downgrade Matter? Not At All*

control must not be done overnight, as it will create more trouble than solution. In fact, a revenue increase plays a larger role in deficit reduction. Under today's economy, people think revenue increase is equal to tax hikes; it is not necessarily so. Growth in economy will naturally boost revenue as we saw in the late 1990s. A wise tax system which reduces tax burdens in recessions and increases revenue during growth is desirable though such system tends to be more complex. Economic efficiency, including infrastructures and simple tax systems, is also important for long-term prosperity.

As we repeated many times in the past, there is no universal or magical economic policy that works for all circumstances. Ideologically locked-in policy may work under a certain economic situation but it could be disastrous under different condition.

Recovery in the housing market heavily depends on a better prospect for future employment. As there is less concerns over inflation right now, large investment today in infrastructures and education will create employment in the short term and socio-economic efficiency in the long run. Basic R&D which may not produce immediate benefit will create foundation for innovations and inventions. Growth first, then we can deal with the deficit more effectively.

Optimism, which is the backbone of the American culture, seems to have been overshadowed by pessimism. We need to switch our mood to OPTIMISM to regain our economic power.

## Palos Verdes Housing Market

It seems that the listing rush which began in February may be finally subsiding. The number of new listings in PV (single-family residences) were: 83 in Feb, 112 in Mar, 92 in Apr, 97 in May, 106 in Jun, 91 in Jul, 86 in Aug. (gross) And it started decelerating in last two weeks of August. We may say, "The peak is over." Sales, on the other hand, are still keeping its high pace. The market inventory, which exceeded well over 280 in early August, has rapidly come down: now close to 260, while the number of listings in escrow is growing. We have repeated that prices would start recovering when the new listings slow. As price movements lag 3-4 weeks behind the supply-demand condition, we may see modest price increases in late September, though the market tends to shrink in September. The bleak unemployment figure may discourage buyers. So we still have to closely watch the next few weeks.

The usual seasonal patterns do not apply this year. The same goes for areas within PV. During summer, normally fast moving areas like Los Verdes and Peninsula Center (north) performed very poorly. These two are finally coming back now and the price range just above \$1,000,000 (the main market for PV) has been recovering. We consider they are good signs for the Palos Verdes housing market.

Closed sales of single-family residences in August was 58, remarkably a good number for August, comparing with 57 in August 2007 before the meltdown. Because the July prices were distorted to be very low due to the sales mix that skewed to low-end properties, the August price was up but just recovered to the June level, and still lower than last year.

The townhome market continues to be strong since last year, but repeating the same pattern: when townhome prices start going up, they also start competing with single family residences; then their prices are capped or pressed lower. The condo market which has been suffering from foreclosures and short sales started moving.

## Home Vegetable Garden

As we have featured home vegetable garden twice, it has been gaining popularity in recent years. Given the dire economic situation, some people may have time to grow their own foods for financial reasons; others may be doing for food safety reason. Most vegetables in grocery stores are factory processed, and we are concerned about pesticides and often alerted by e-coli or salmonella contamination. However, we think, the main stream of the new boom is based on taste and nutrient benefit. Fruits and vegetables from farmer's markets taste better than those from grocery stores; the same goes for home grown vegetable. In a sense, good taste also means good nutritious value. In Palos Verdes, we have seen a few vineyards on the slopes of residential properties.

While it is still debated if organic vegetables contain more nutrients than non-organic ones, it is true that tree-ripened fruits and vegetables, if consumed immediately, are much more nutritious than those in grocery stores that have been harvested unripe and transported for weeks. If you eat fruits and vegetables from home garden, you may not need to take vitamins and other supplements.

When you compare the cost of home grown vegetables with those bought from stores, you need to take taste and nutrient benefit into consideration; at least you should compare yours with prices of organic produce in stores.

You may spend too much money on non-essential stuff. But if you can enjoy growing your own foods, with better taste and nutrients, it makes good sense.

## Free Notary Service

We offer free notary public service to the readers on our mailing list. Customers who buy or sell their homes with Rockyfield will have free notary service for 5 years. (Direct service only, excl. loan documents; additional charge for a trip to your place.)

Please make an appointment with Catarina at 310-544-0857 ext. 2#



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Search properties for sale on the MLS.

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## Great for Home Office Spacious Airy Home with 6 Bedrooms!

4630 Browndeer, RPV, Listed by Rockyfield

- ✓ Very popular Peninsula Center north
- ✓ Low traffic street
- ✓ Airy floor plan with 6 bedrooms and 3 full baths
- ✓ Remodeled kitchen with granite counter tops, center island, bamboo floor
- ✓ City view from living room and two bedrooms
- ✓ Large family room & spacious master bedroom
- ✓ 2,711sf on 12,000 lot; additional parking space



## SELECTED LISTING SAMPLES

Please Contact

Rockyfield

For listing information

A: Active S: Sold B: Backup P: Pending  
Prices in '000s. Source: MLS (as of 09/08/11)