



Weekly Observatory

March 2nd, 2008

Week Ahead

Manufacturing ISM (Feb, Monday 10:00 ET)

F: 33.3 C: 34.0 P: 35.6

Negative readings in new durable goods orders for the second month in a row show that manufacturing activity remains weak. This trend is largely influenced by a hold on production in the auto sector, whereby weak demand has driven manufacturers to reduce activity and close plants. We expect the ISM Manufacturing Productivity Index to remain low at 33.3, well below its break even point at 50, indicating further contraction in non-residential investment and manufacturing activity.

Personal Income & Outlays (Jan, Monday 8:30 ET)

F: -0.2%, 0.3% C: -0.3%, 0.3% P: -0.2%, -1.0%

Due to weakness in the labor market and the increasing number of continuing job claims, overall wages and fringe benefits have decreased. As a result, we expect personal income to further decline by -0.2% in January. In addition, we expect personal consumption to increase by 0.3%, driven by the rise in January retail sales that was stimulated by the huge discounts offered to consumers. Looking forward, however, we expect real personal consumption to remain weak for several more months. Finally, we expect the core PCE to increase by 0.1%, after not changing since November. However, these positive results are only transitory due to an increase in the price of shelter and automobiles in January.

Non-Manufacturing ISM (Feb, Wednesday 10:00 ET)

F: 42.4 C: 41.3 P: 42.9

The fact that companies are continuing to lay-off employees and people are spending more time out of work indicates economic activity across most industries remains weak. As a result, we expect the Non-Manufacturing ISM to remain at a low level of 42.4 for the month of February. This will be the fifth month in a row that the index will stand below its benchmark of 50, indicating a widespread economic contraction.

Nonfarm Payroll & Unemployment Rate (Feb, Friday, 08:30 ET)

F: -607K, 7.9% C: -618K, 7.9% P: -598K, 7.6%

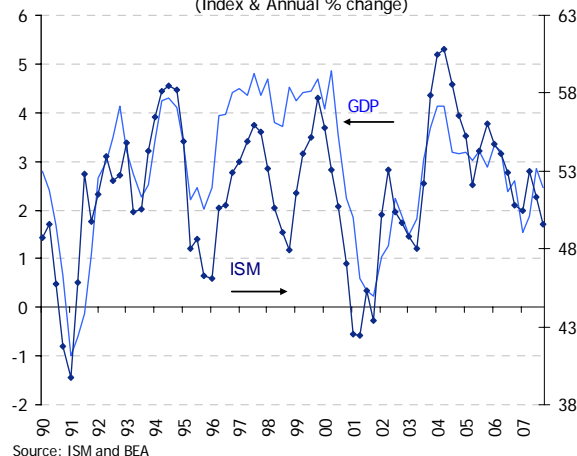
We expect job losses to continue as consumer confidence decreases and demand weakens, indicating that the decline in the labor market has not yet bottomed out. Initial jobless claims came in at 667K for the week ending February 27th and the four week moving average is at 639K, the highest since October 1982.

In addition, the number of continuing claims rose to 5112K, the highest since the index was established in 1967, which signifies that there is no new job creation. As a result, we expect non-farm payrolls to decrease by 607K, which will be the 13th monthly decline in a row. In addition, we expect the unemployment rate to rise to 7.9% in February from 7.6% in January. This is again due to the fact that mass layoffs continue and it is becoming more difficult to find a new job.

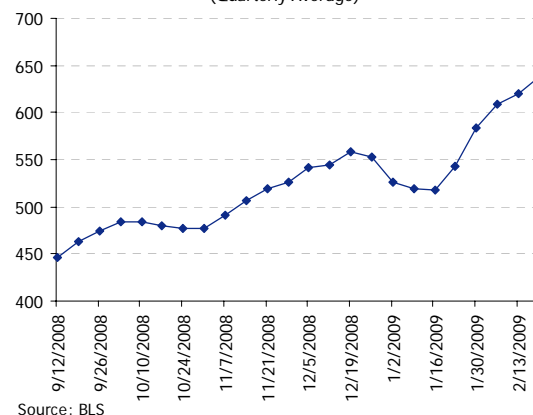
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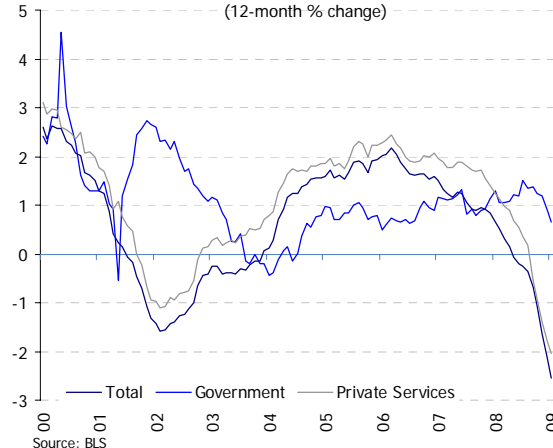
Manufacturing ISM & GDP
(Index & Annual % change)



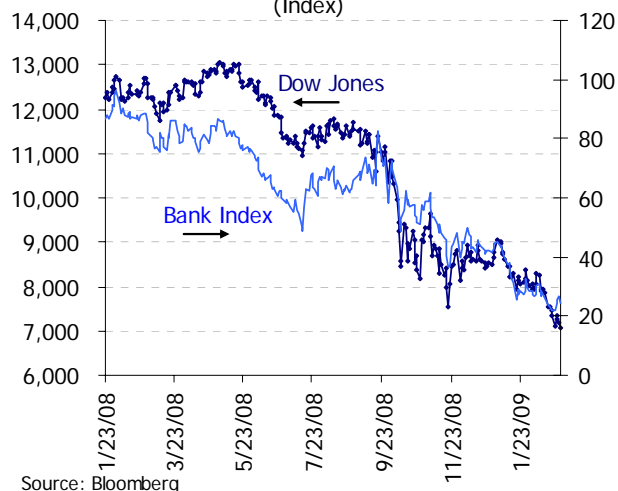
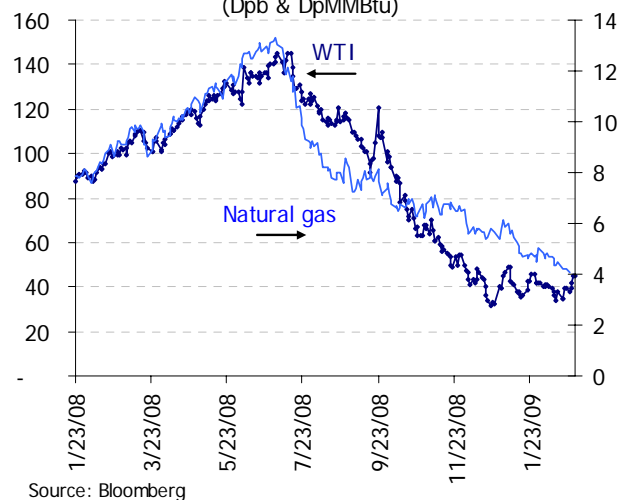
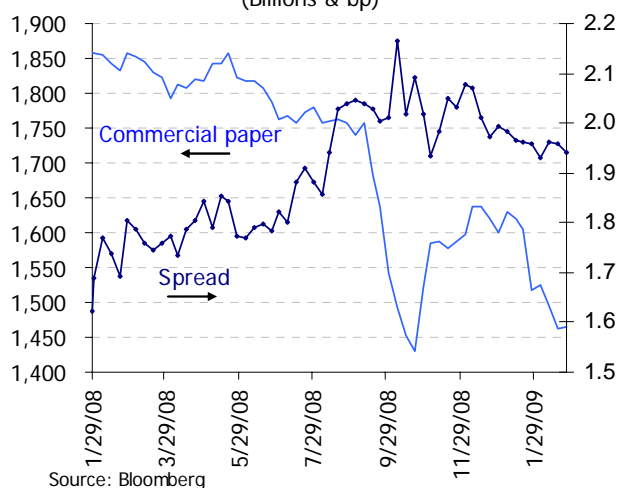
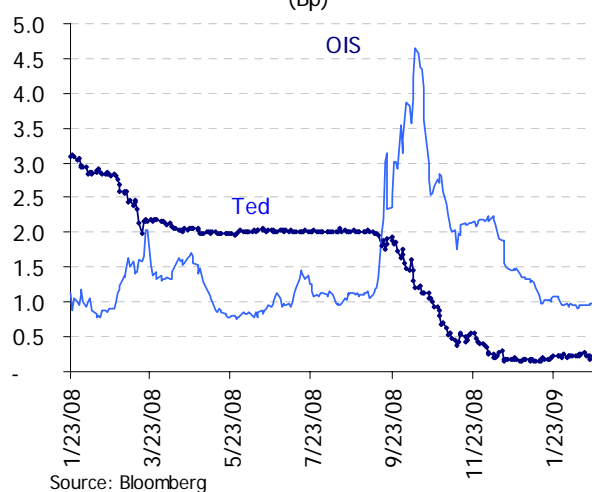
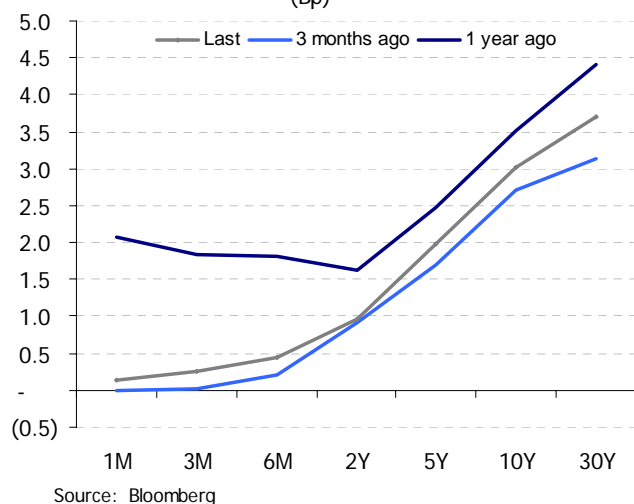
Weekly Initial Jobless Claims
(Quarterly Average)



Total Nonfarm Payrolls
(12-month % change)



Financial Markets

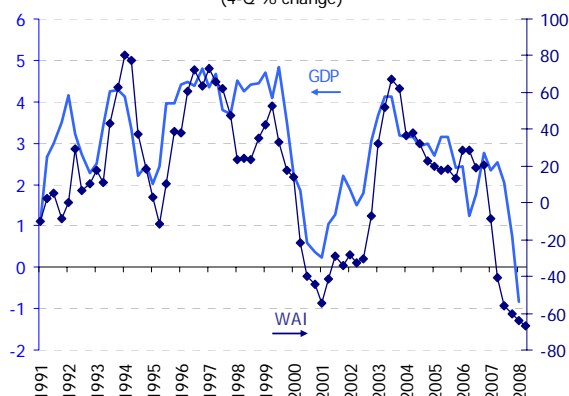
Stocks
(Index)

Commodities
(Dpb & DpMMBtu)

CP & Corporate spread
(Billions & bp)

OIS and TED Spread
(Bp)

Yield Curve
(Bp)

Key Interest Rates

	Last	Week ago	4-Weeks ago	Year ago
Prime Rate	3.25	3.25	3.25	6.00
Credit Card (variable)	10.84	10.84	10.87	13.06
New Auto (36-months)	6.92	6.89	6.97	6.86
Heloc Loan 30K	5.12	5.07	4.96	5.70
30-year Fixed Mortgage *	5.07	5.04	6.37	6.71
Money Market	1.50	1.57	1.77	2.77
2-year CD	2.29	2.32	2.43	3.12
5-year CD	2.72	2.75	2.85	3.45

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

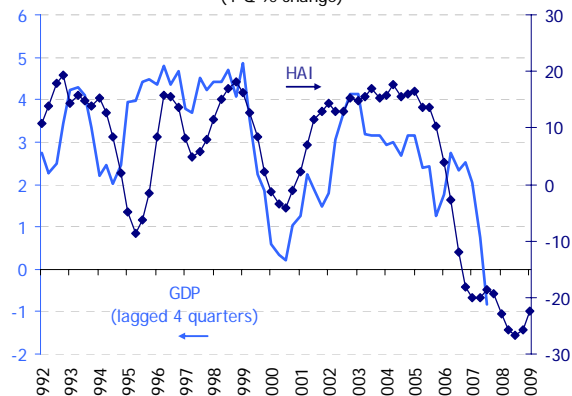
Economic Trends

BBVA Weekly Activity Index & Real Gross Domestic Product
(4-Q % change)



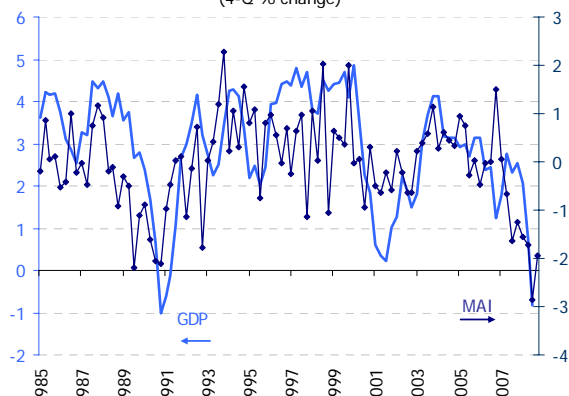
Source: BBVA ERD

BBVA Housing Activity Index & Real Gross Domestic Product
(4-Q % change)



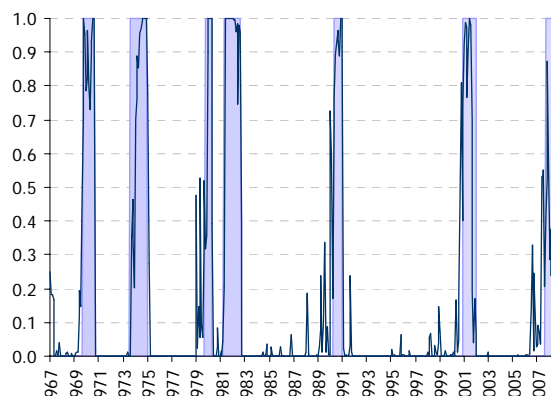
Source: BBVA ERD

BBVA Monthly Activity Index & Real Gross Domestic Product
(4-Q % change)



Source: BBVA ERD

Probability of Recession
(Recession episodes in shaded areas, %)



Source: BBVA ERD

Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
2-Mar	Personal Income	JAN	-0.2%	-0.2%	-0.2%
2-Mar	Personal Spending	JAN	0.3%	0.4%	-1.0%
2-Mar	PCE Core (MoM)	JAN	0.1%	0.1%	0.0%
02-06 Mar	Mortgage Delinquencies	4Q		-	7.0%
2-Mar	ISM Manufacturing	FEB	33.3	34	35.6
2-Mar	Construction Spending MoM	JAN	-2.0%	-1.5%	-1.4%
3-Mar	Pending Home Sales MoM	JAN	-2.0%	-3.0%	6.3%
3-Mar	ABC Consumer Confidence	1-Mar	-47	-47	-48
3-Mar	Total Vehicle Sales	FEB	9.2M	9.6M	9.6M
3-Mar	Domestic Vehicle Sales	FEB	6.6M	6.8M	6.9M
4-Mar	ADP Employment Change	FEB	-550	-630K	-522K
4-Mar	ISM Non-Manf. Composite	FEB	42.4	41	42.9
5-Mar	Initial Jobless Claims	28-Feb	670K	650K	667K
5-Mar	Continuing Claims	21-Feb	5220K	5170K	5112K
5-Mar	Factory Orders	JAN	-0.4%	-3.5%	-3.9%
6-Mar	Change in Nonfarm Payrolls	FEB	-607K	-645K	-598K
6-Mar	Unemployment Rate	FEB	7.9%	7.9%	7.6%
6-Mar	Average Hourly Earnings MoM	FEB	0.3%	0.2%	0.3%
6-Mar	Average Weekly Hours	FEB	33.3	33.3	33.3
6-Mar	Consumer Credit	JAN	-8.1B	-\$4.0B	-\$6.6B