



Weekly Observatory

April 20th, 2009

Week Ahead

Leading Indicators (March, Monday 10:00 ET)

F: -0.3% C: -0.2% P: -0.4%

March's leading indicators index is expected to decrease further, indicating that the economy continues to be weak. The index is expected to be pulled down by the increase in average initial jobless claims, the decrease in average weekly hours, the fall in building permits and the expected decline in durable goods orders. However, the rise in the S&P500 and the small increase in consumer confidence are expected to have a positive effect on the index.

Initial and Continuing Jobless Claims (Apr 17, Thursday 8:30 ET)

F: 623K, 6180K C: 633K, 6135K P: 610K, 6022K

Initial jobless claims are expected to remain high as mass layoffs continue. Over the past eleven weeks, initial claims have fluctuated between 610K and 674K, indicating that there has been some stabilization in layoffs, albeit at a very high number. In addition, continuing jobless claims will continue to rise as the number of unemployed increases and the limited job market causes people to spend more time out of work. The sustained high number of layoffs could continue to put downward pressure on consumption and consumer confidence.

Existing Home Sales (March, Thursday 10:00 ET)

F: 4.68M C: 4.65M P: 4.72M

After rising in February, March's existing home sales are expected to fall slightly, however they could show some stabilization on a year-over-year basis. Favorable mortgage rates, declining home prices and the first-time buyer tax credit are expected to continue to attract people to the market. However, the market is still weak and there is excess supply as foreclosures continue, so home prices could continue to fall further.

Durable Goods Orders (March, Friday 8:30 ET)

F: -1.3% C: -1.5% P: 3.5%

New orders of durable goods are expected to fall in March after rising by 3.4% in February. The ongoing economic weakness and tight credit markets are continuing to negatively impact demand. Additionally, orders of non-defense capital goods excluding aircraft and parts have been decreasing sharply on a year-over-year basis for the past four months due to the recession at home and abroad. This component is expected to decline further until demand is renewed, which is in line with our forecast of a negative contribution of non-residential investment to GDP in 2009.

New Home Sales (March, Friday 10:00 ET)

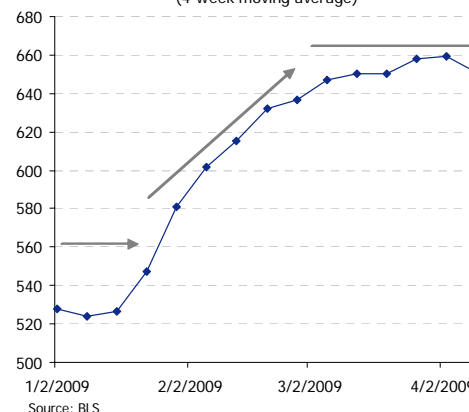
F: 330K C: 340K P: 337K

Similar to existing home sales, new home sales are expected to show some stabilization on a year-over-year basis. This market is also benefiting from declining home prices, favorable mortgage rates and the new tax credit for first-time buyers. However, levels have been more than 35% below those of a year ago for the past twelve months and inventories remain high, so we expect the market to remain weak in the upcoming months.

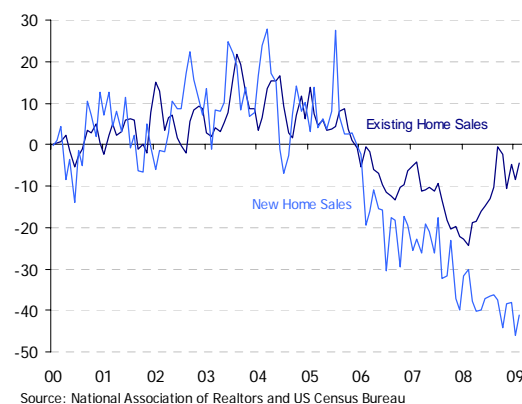
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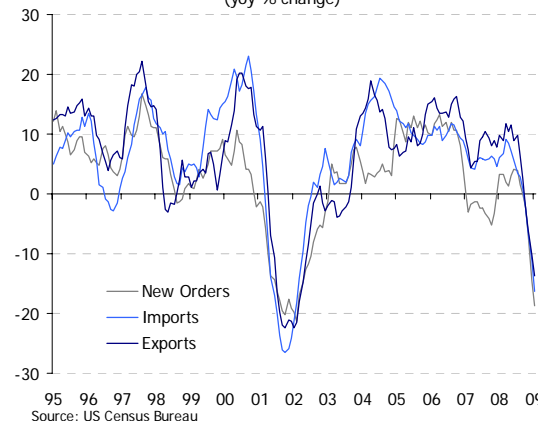
Initial Jobless Claims
(4-week moving average)



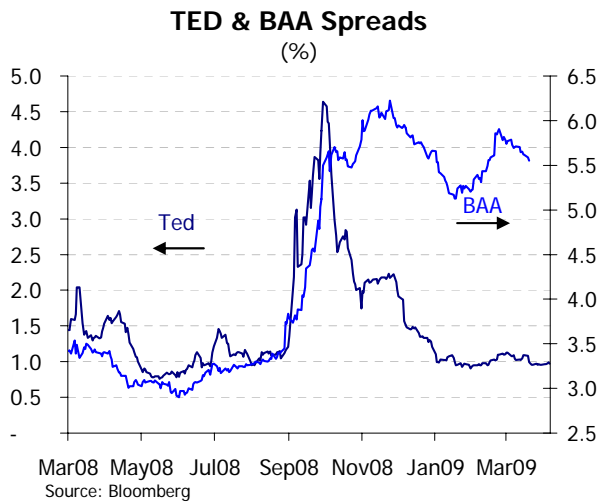
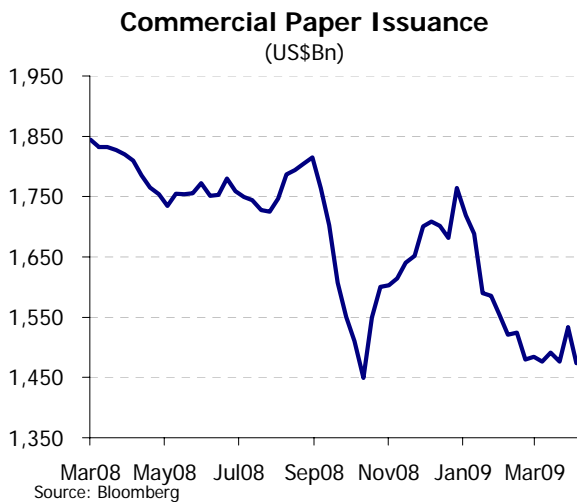
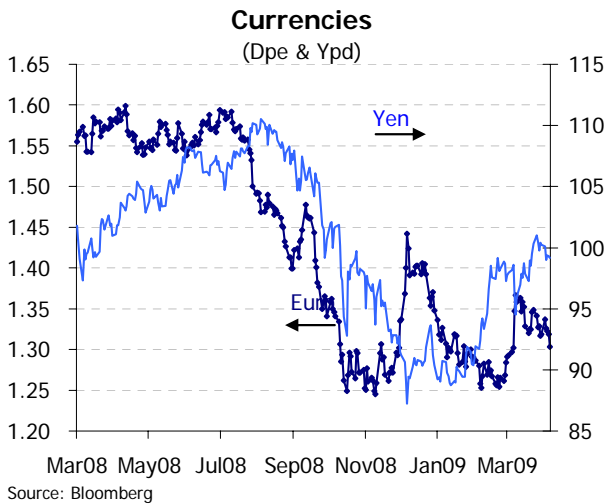
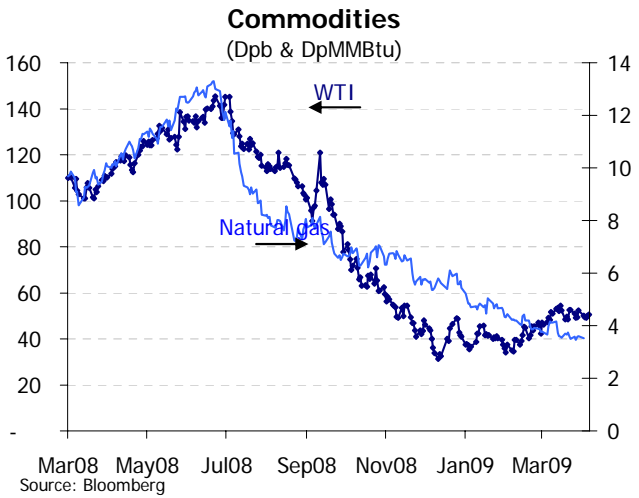
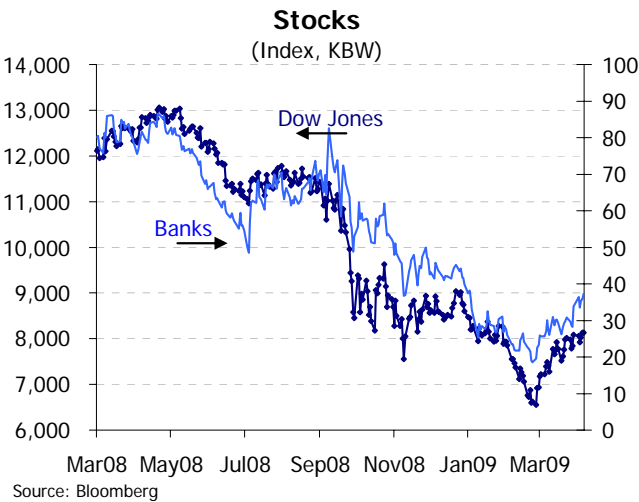
New and Existing Home Sales
(yoy % change)



Capital Goods: Imports, Exports and Orders excl. Aircraft and Parts
(yoy % change)

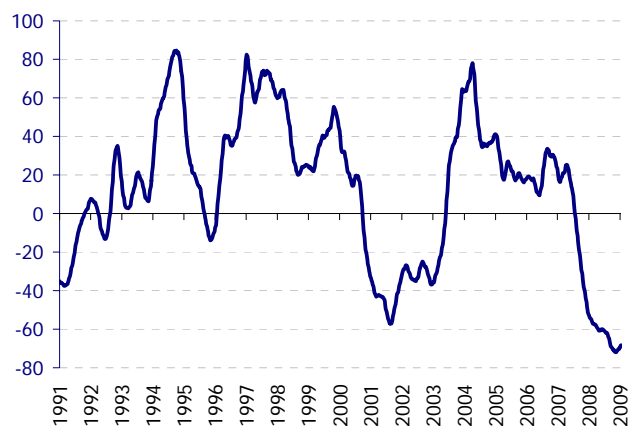


Financial Markets



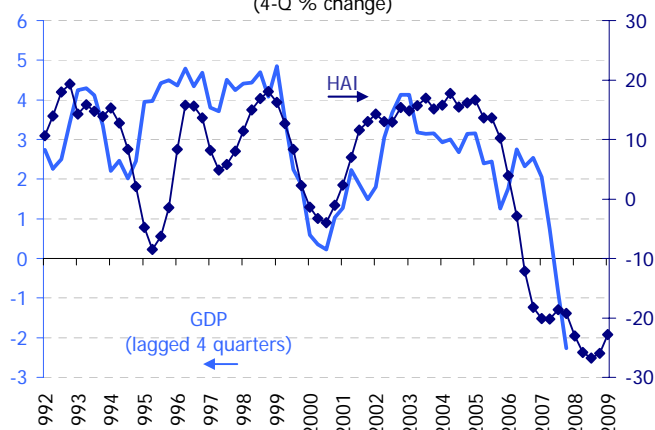
Economic Trends

BBVA US Weekly Activity Index
(Yoy % change)



Source: BBVA ERD

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



Source: BBVA ERD & BEA

BBVA US Surprise Activity Index
(Index2004-7=100)



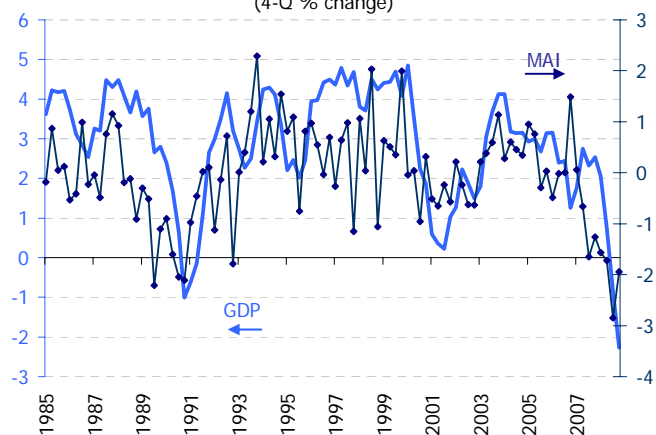
Source: BBVA ERD

BBVA US Surprise Inflation Index
(Index2004-7=100)



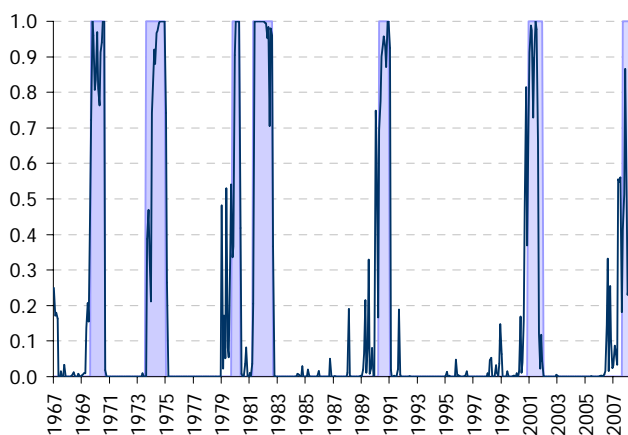
Source: BBVA ERD

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



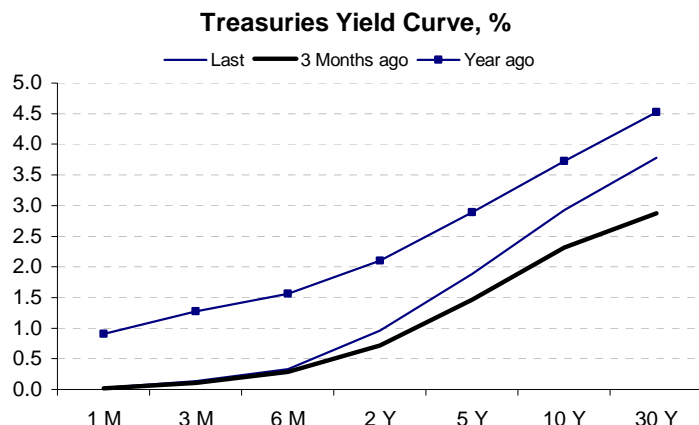
Source: BBVA ERD & BEA

BBVA US Recession Probability Model
(Recession episodes in shaded areas, %)



Source: BBVA ERD

Yield Curve and Interest Rates



Key Interest Rates

	Last	Week ago	4-Weeks ago	Year ago
Prime Rate	3.25	3.25	3.25	5.25
Credit Card (variable)	10.73	10.73	10.75	12.52
New Auto (36-months)	7.33	7.21	6.89	6.64
Heloc Loan 30K	5.10	5.09	5.16	4.85
30-year Fixed Mortgage *	4.82	4.87	6.37	6.71
Money Market	1.32	1.31	1.39	2.29
2-year CD	2.17	2.16	2.20	2.94
5-year CD	2.70	2.66	2.68	3.31

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Chairman Ben Bernanke: *Financial Innovation and Consumer Protection*
 Federal Reserve System's Sixth Biennial Community Affairs Research Conference
 Washington, DC, April 17, 2009

That said, the recent experience has shown some ways in which financial innovation can misfire. Regulation should not prevent innovation, rather it should ensure that innovations are sufficiently transparent and understandable to allow consumer choice to drive good market outcomes. We should be wary of complexity whose principal effect is to make the product or service more difficult to understand by its intended audience. Other questions about proposed innovations should be raised: For instance, how will the innovative product or practice perform under stressed financial conditions? What effects will the innovation have on the ability and willingness of the lender to make loans that are well underwritten and serve the needs of the borrower? These questions about innovation are relevant for safety-and-soundness supervision as well as for consumer protection.

Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
20-Apr	Leading Indicators	MAR	-0.30%	-0.20%	-0.40%
21-Apr	ABC Consumer Confidence	19-Apr	- -	- -	-51
22-Apr	MBA Mortgage Applications	17-Apr	- -	- -	-11.00%
23-Apr	Initial Jobless Claims	18-Apr	623K	633K	610K
23-Apr	Continuing Claims	11-Apr	6180K	6135K	6022K
23-Apr	Existing Home Sales	MAR	4.68M	4.65M	4.72M
24-Apr	Durable Goods Orders	MAR	-1.30%	-1.50%	3.40%
24-Apr	Durables Ex Transportation	MAR	-0.90%	-1.20%	3.90%
24-Apr	New Home Sales	MAR	330K	340K	337K
27-Apr	Dallas Fed Manf. Activity	APR	- -	- -	-49.00%