



Weekly Observatory

June 1, 2009

Week Ahead

Personal Income and Outlays (April, Monday 8:30 ET)

F: -0.2, -0.1

C: -0.2%, -0.2%

P: -0.3, -0.2

Weak economic activity is expected to push personal income and outlays further down in April. Personal income is forecasted to drop for the third month in a row as the economic downturn drives more companies to layoff workers, cut hours, require unpaid furloughs and change salary structures. In response to the changes in the labor market, personal consumption expenditures are expected to fall for the second consecutive month, which is further supported by April's decrease in retail sales.

ISM Manufacturing Index (May, Monday 10:00 ET)

F: 41.5

C: 42

P: 40.1

The ISM Manufacturing index is expected to follow in the footsteps of the Empire State and Philadelphia Fed regional manufacturing indices by rising for the third month in a row to indicate easing in the contraction of the manufacturing industry. Nevertheless, the index, which is also a reliable indicator of economic activity, is expected to remain below its benchmark of 50 for the 15th month in a row, implying that the economy is continuing to contract, albeit at a slower pace.

Auto Sales (May, Tuesday TBA)

F: 9.30

C: 9.50

P: 9.26

Auto sales are expected to remain relatively stable in May as deep dealer discounts counteract the effects of the weak economy to entice buyers. Auto sales have declined 42% since the recession began in December 2007, but have shown some stabilization in the first four months of 2009. Nevertheless, sales are expected to remain weak at levels well below those of last year.

Non-Farm Payroll and Unemployment Rate (May, Friday 8:30 ET)

F: -530K, 9.1%

C: -530K, 9.2%

P: -539K, 8.9%

The economy is expected to continue to shed jobs at a high rate as businesses respond to ongoing feeble demand with additional layoffs. In addition, continuing jobless claims are setting new records each week, which illustrates that low job creation is only deepening the weakness in the labor market because people are spending prolonged periods out of work. As a result, the unemployment rate is expected to creep up further. Even though consumer confidence is increasing, the deteriorating job market could limit the recovery of the consumption component of GDP as consumers tighten their wallets and increase their savings rate.

Consumer Credit (April, Friday 15:00 ET)

F: -\$5.3B

C: -\$6.0B

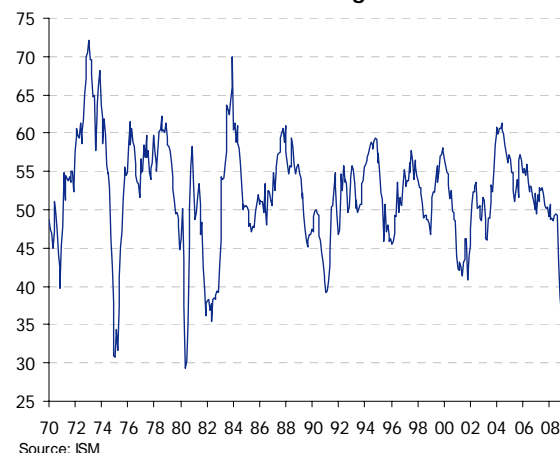
P: -\$11.1B

Consumer credit is expected to contract for the third consecutive month in April. Even though there are some signs that credit conditions could ease in the second quarter, such as a decline in risk aversion and an improvement in the Senior Loan Officer Opinion Survey, access to credit is still constrained. In addition, the increasing number of people out of work and the shift in consumer attitudes from spending to saving are limiting demand. As a result, credit outstanding is anticipated to decline further but at a slower rate.

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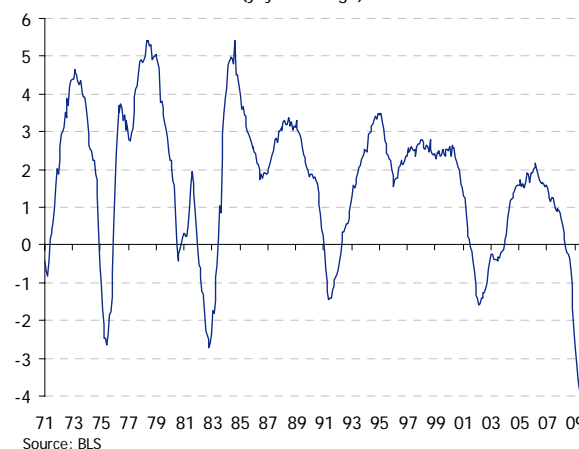
ISM Manufacturing Index



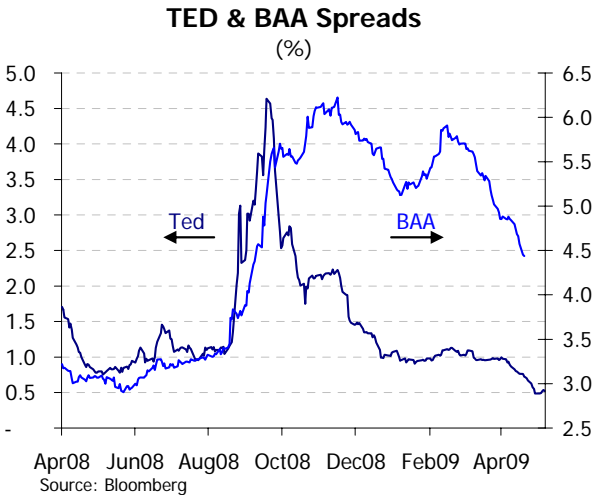
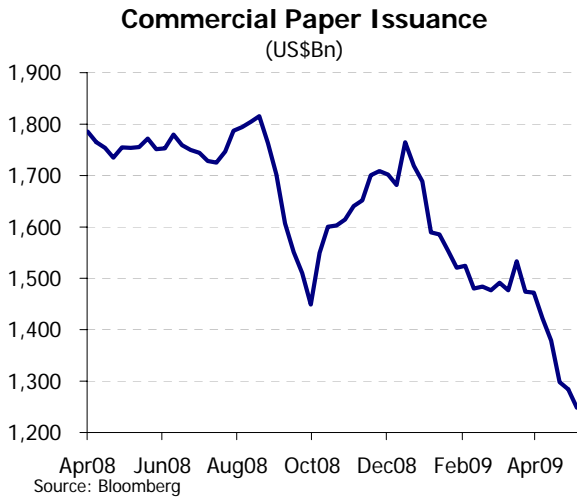
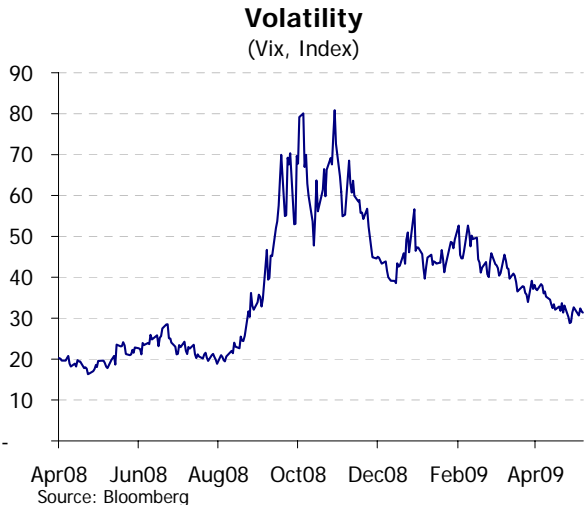
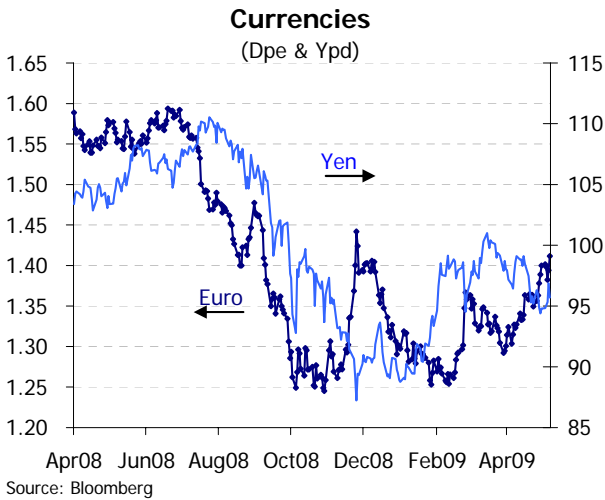
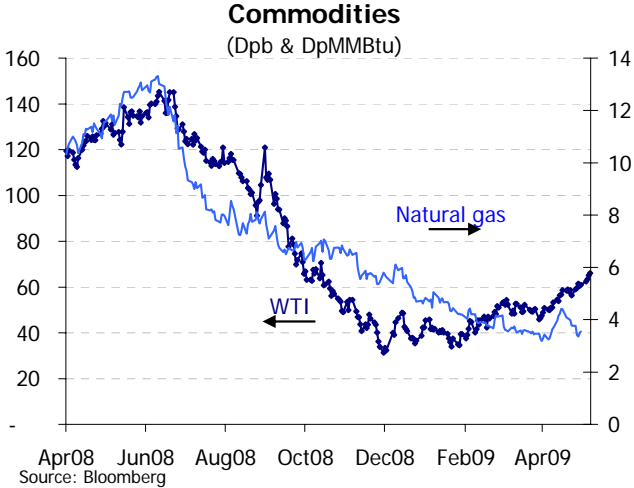
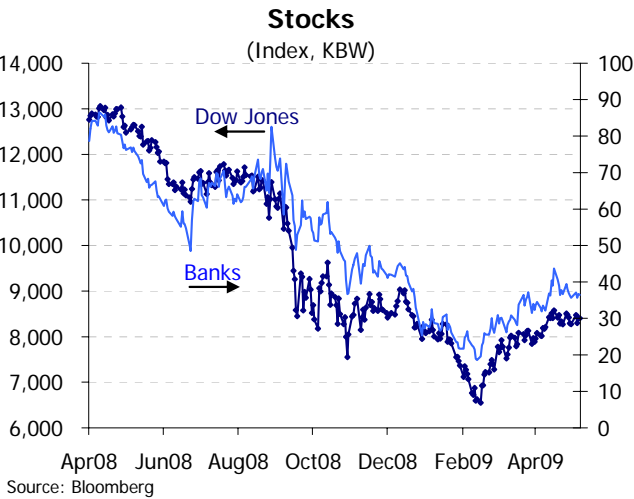
Consumer Credit (yoy % change)



Nonfarm Payroll (yoy % change)

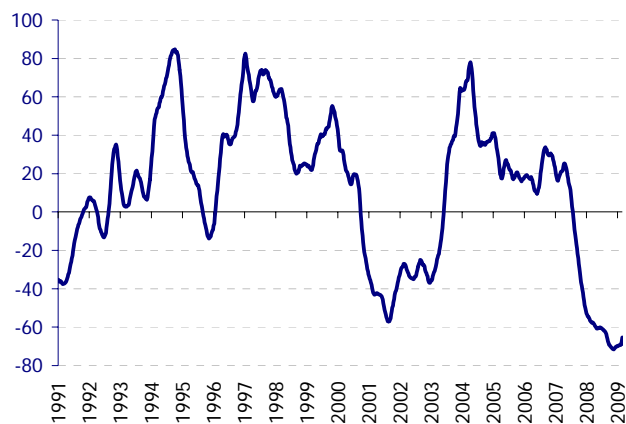


Financial Markets



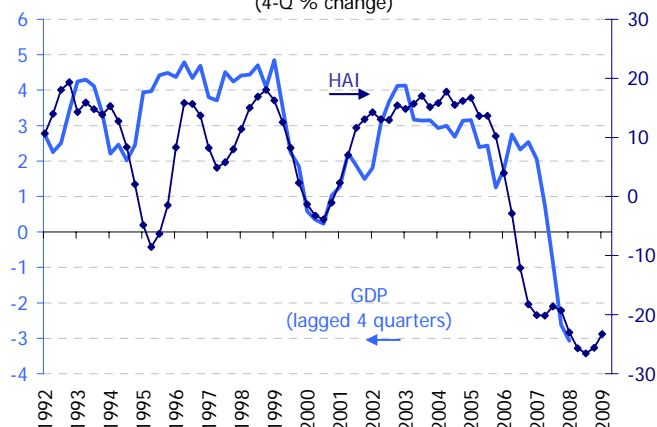
Economic Trends

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)



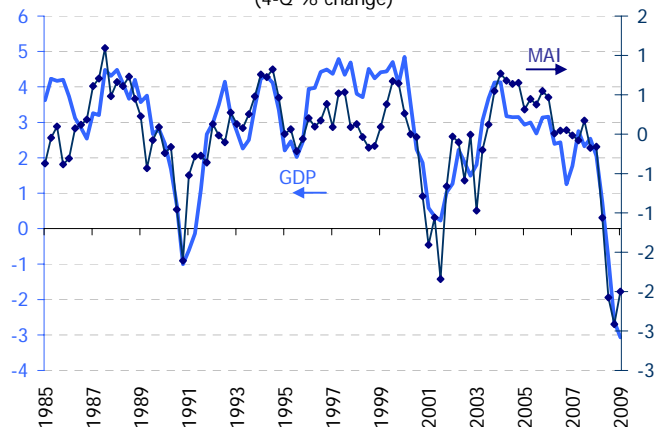
Source: BBVA ERD

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



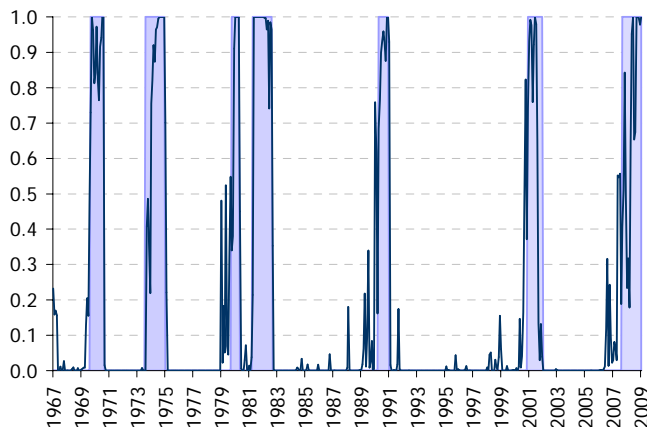
Source: BBVA ERD

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



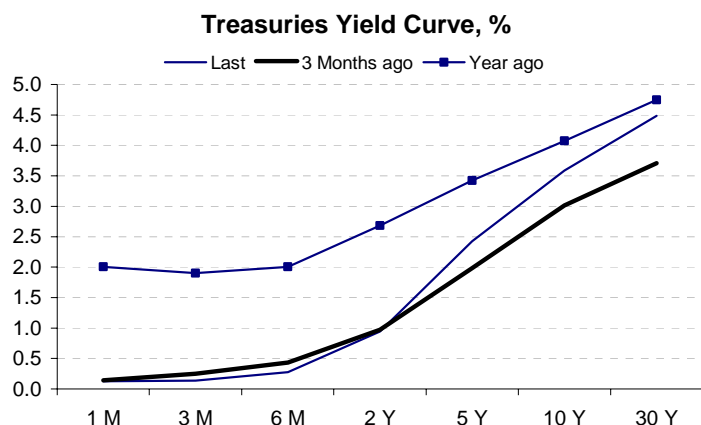
Source: BBVA ERD & BEA

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	5.00
Credit Card (variable)	10.78	10.76	10.75	11.78
New Auto (36-months)	7.39	7.38	7.17	6.79
Heloc Loan 30K	5.26	5.28	5.14	4.95
30-year Fixed Mortgage *	4.91	4.82	6.37	6.71
Money Market	1.34	1.33	1.34	2.40
2-year CD	2.16	2.19	2.19	3.21
5-year CD	2.78	2.79	2.76	3.65

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

FDIC President Sheila Bair, Remarks on the Quarterly Banking Profile
May 27, 2009

"The first quarter results are telling us that the banking industry still faces tremendous challenges, and that going forward, asset quality remains a major concern," said FDIC Chairman Sheila C. Bair. "Banks are making good efforts to deal with the challenges they're facing, but today's report says that we're not out of the woods yet." She added, "As I see it, we're now in the cleanup phase for the banking industry. It will take some more time. But in the end, we'll have a stronger banking industry that's better able to meet the demand for credit as the economy recovers."

Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
1-Jun	Personal Income	APR	-0.20%	-0.20%	-0.30%
1-Jun	Personal Spending	APR	-0.10%	-0.20%	-0.20%
1-Jun	PCE Core (MoM)	APR	0.20%	0.20%	0.20%
1-Jun	ISM Manufacturing	MAY	41.5	42	40.1
1-Jun	ISM Prices Paid	MAY	33.1	35.5	32
1-Jun	Construction Spending MoM	APR	-0.90%	-1.80%	0.30%
2-Jun	Pending Home Sales MoM	APR	0.70%	0.30%	3.20%
2-Jun	ABC Consumer Confidence	31-May	--	--	-47
2-Jun	Total Vehicle Sales	MAY	9.3M	9.5M	9.3M
2-Jun	Domestic Vehicle Sales	MAY	6.8M	7.0M	7.0M
3-Jun	MBA Mortgage Applications	29-May	--	--	-14.20%
3-Jun	ADP Employment Change	MAY	-515K	-530K	-491K
3-Jun	ISM Non-Manf. Composite	MAY	44.1	45	43.7
3-Jun	Factory Orders	APR	0.50%	0.50%	-0.90%
4-Jun	Nonfarm Productivity	1Q F	0.80%	1.20%	0.80%
4-Jun	Unit Labor Costs	1Q F	3.30%	2.90%	3.30%
4-Jun	Initial Jobless Claims	30-May	615K	--	623K
4-Jun	Continuing Claims	23-May	6878K	--	6788K
5-Jun	Change in Nonfarm Payrolls	MAY	-530K	-530K	-539K
5-Jun	Unemployment Rate	MAY	9.10%	9.20%	8.90%
5-Jun	Change in Manuf. Payrolls	MAY	-141	-150K	-149K
5-Jun	Average Hourly Earnings MoM	MAY	0.10%	0.20%	0.10%
5-Jun	Average Weekly Hours	MAY	33.2	33.2	33.2
5-Jun	Consumer Credit	APR	-\$5.3B	-\$6.0B	-\$11.1B