



# Weekly Observatory

June 22, 2009

## Week Ahead

### Existing Home Sales (May, Tuesday 10:00 ET)

F: 4.83M      C: 4.80M      P: 4.68M

Existing home sales are expected to increase for the second month in a row to 4.83M from 4.68M due to falling prices, favorable mortgage rates and the new tax credit for first time buyers. In fact, pending home sales, a leading indicator for existing home sales, has increased for the past three months. Nevertheless, foreclosures are still occurring and the inventory to sales ratio is remains high, so prices could decrease further, albeit at a slower pace.

### Durable Goods Orders (May, Wednesday 8:30 ET)

F: -0.6%      C: -0.8%      P: 1.9%

Durable goods orders are expected to fall in May after increasing 1.7% in April. Having fallen sharply since September, the pace of decline of new orders has stabilized over the past three months, which could be due to increasing business confidence as represented by the Conference Board survey and the ISM Manufacturing Index. On the other hand, the decline in industrial production is still accelerating, which indicates that orders could remain weak. Overall, the results would tie into our expectation that non-residential investment will fall further in 2Q09.

### Initial Unemployment Insurance Claims (June 19th, Thursday 8:30 ET)

F: 601K      C: 602K      P: 608K

This week's initial jobless claims data is expected to show that claims are stabilizing in the low 600Ks. Over the past eleven weeks, claims have come down significantly from their peak in April, which suggests that the worst labor market adjustments may have passed. Nevertheless, claims are still high, reflecting the ongoing weakness in the labor market. As a result, we can expect layoffs to continue in the upcoming months, albeit at a slower pace.

### Personal Income and Spending (May, Friday 8:30 ET)

F: 0.3%, 0.1%      C: 0.3%, 0.3%      P: 0.5%, -0.1%

Personal income is expected to increase further in May as additional benefits from the fiscal stimulus package trickle into the hands of the people. Even though consumers are saving much of the additional income, as indicated by the increasing savings rate, May's increase in retail and auto sales indicates that PCE could also rise. In this case, consumption expenditures could have a positive impact on GDP in 2Q09.

### FOMC Meeting Announcement (Wednesday 14:15 ET)

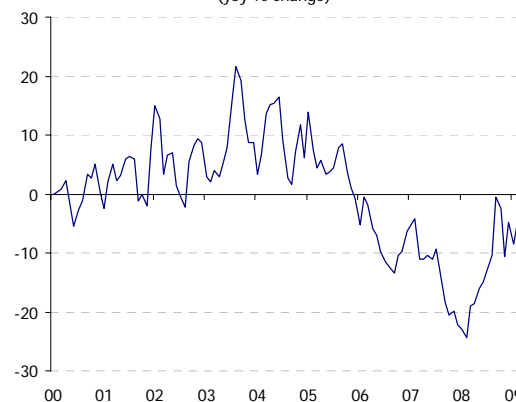
F: 0-0.25%      C: 0-0.25%      P: 0-0.25%

Even though many short term indicators showed additional signs of stabilization during the intermeeting period, levels are still extremely weak, indicating that economic slack is prevalent. However, rising inflation expectations, anticipated increases in government spending, the Fed's expansionary monetary policy and increasing labor costs are expected to keep inflation positive. Therefore, we expect the interest rate to remain low for a prolonged period of time.

Kristin Lomicka

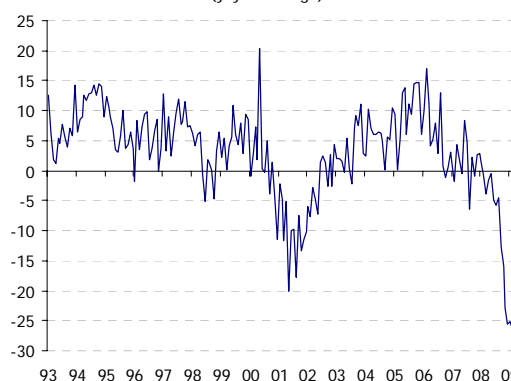
[kristin.lomicka@bbvacompass.com](mailto:kristin.lomicka@bbvacompass.com)

**Existing Home Sales**  
(yoy % change)



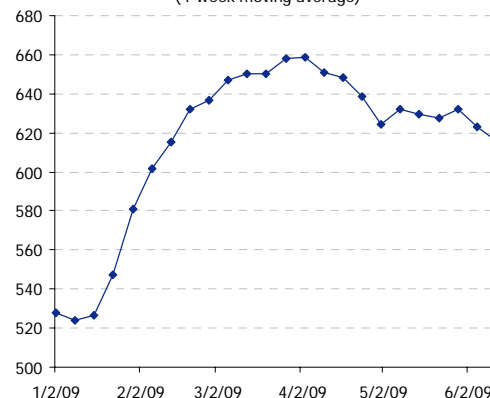
Source: National Association of Realtors

**Durable Goods Orders**  
(yoy % change)



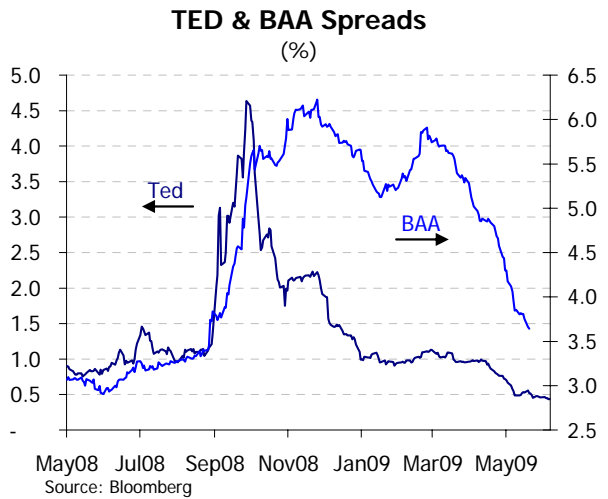
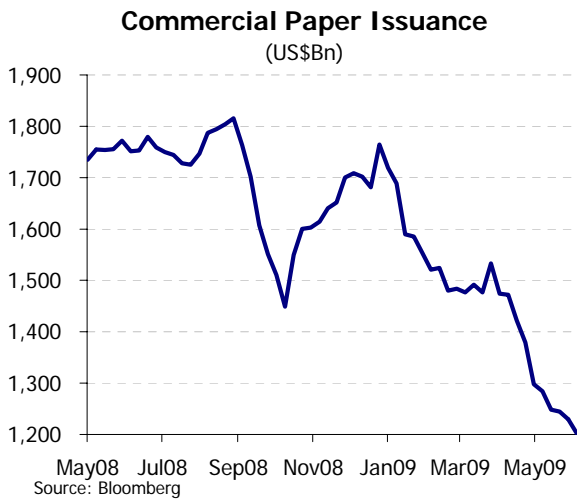
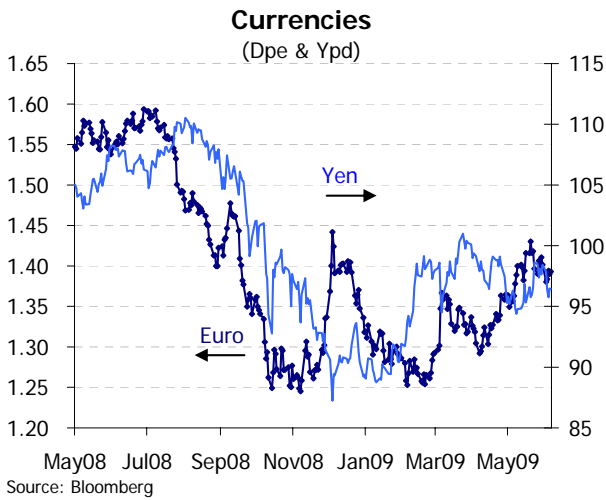
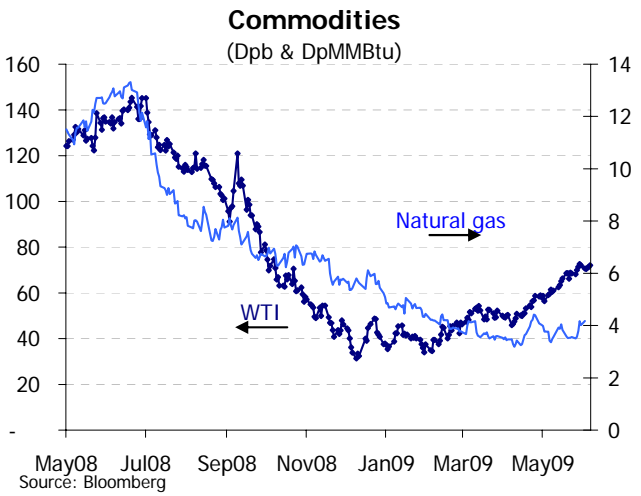
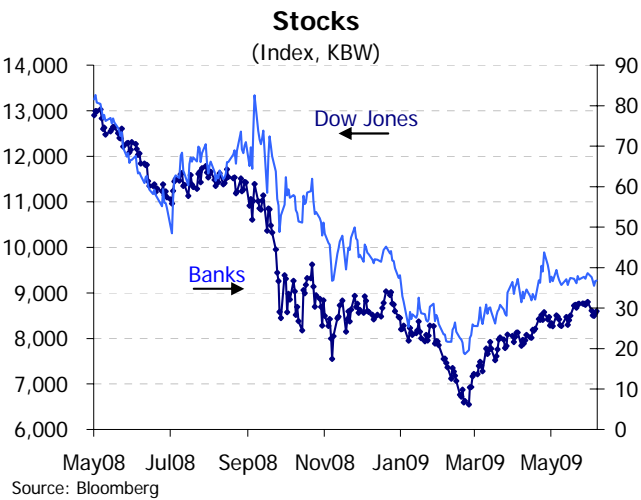
Source: US Census Bureau

**Initial Jobless Claims**  
(4-week moving average)



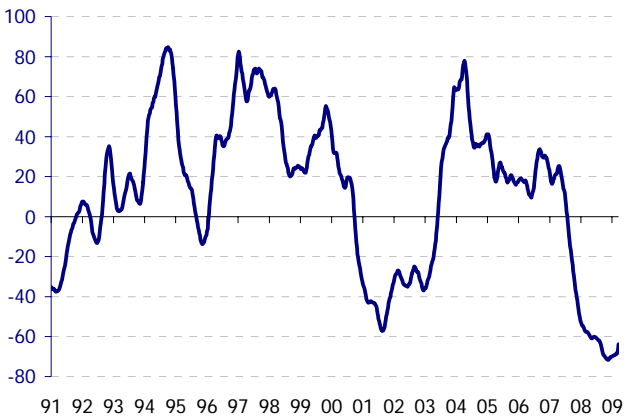
Source: BLS

Financial Markets



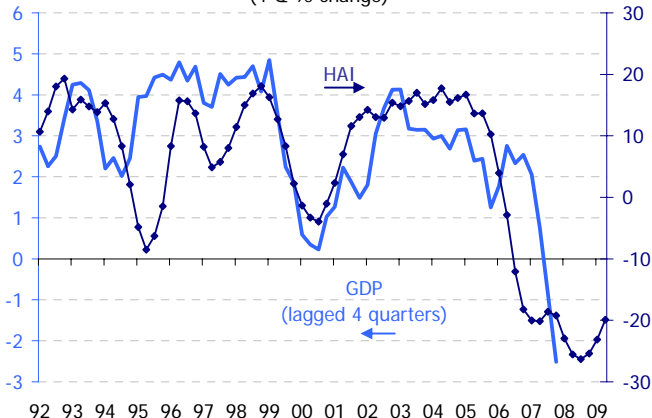
Economic Trends

BBVA US Weekly Activity Index  
(Yoy % change)



Source: BBVA ERD

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



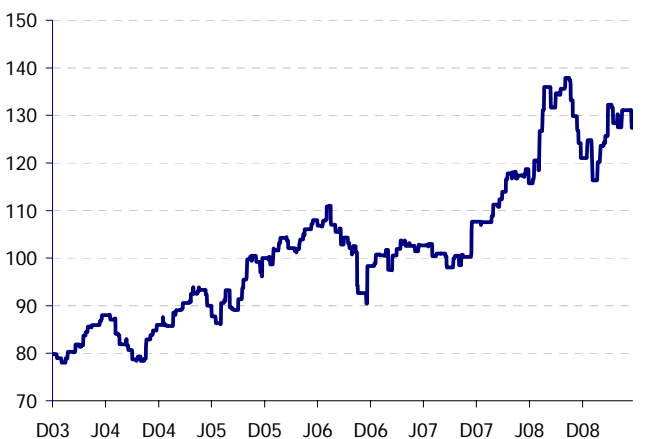
Source: BBVA ERD & BEA

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



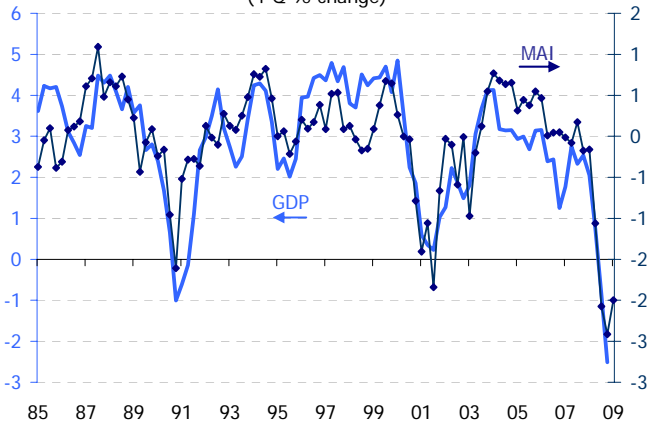
Source: BBVA ERD

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



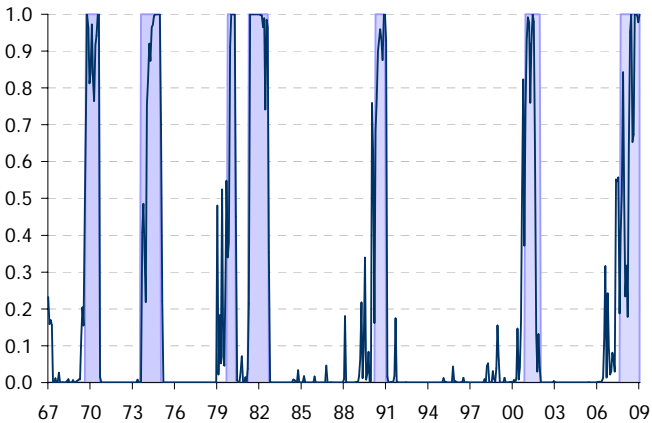
Source: BBVA ERD

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



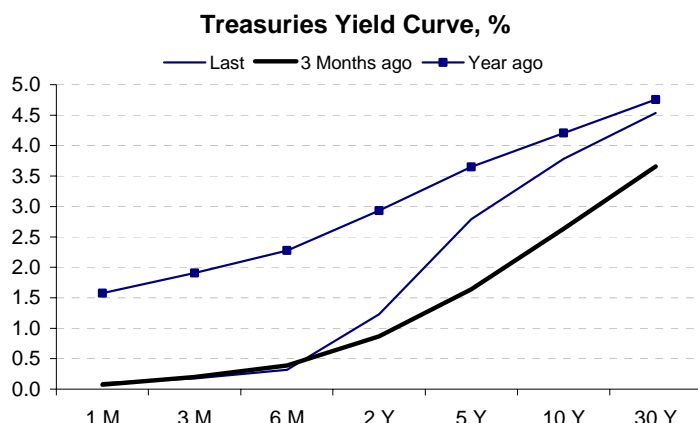
Source: BBVA ERD & BEA

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)	10.80	10.78	10.76	11.76
New Auto (36-months)	7.22	7.26	7.38	6.82
Heloc Loan 30K	5.30	5.29	5.28	4.97
30-year Fixed Mortgage *	5.38	5.59	6.37	6.71
Money Market	1.31	1.31	1.33	2.41
2-year CD	1.98	1.99	2.19	3.40
5-year CD	2.62	2.61	2.79	3.84

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

FDIC Chairman Sheila Bair: *Comments on the Obama Administration's Regulatory Reform Plan*  
June 17, 2009

*"Of primary importance is addressing too big to fail. Market participants should understand that large institutions can and will fail and that an effective resolution mechanism will be uniformly applied to institutions in a fair, transparent and consistent manner."*

## Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
23-Jun	Existing Home Sales	MAY	4.83M	4.80M	4.68M
23-Jun	ABC Consumer Confidence	21-Jun	- -	- -	-49
24-Jun	MBA Mortgage Applications	19-Jun	- -	- -	-15.80%
24-Jun	Durable Goods Orders	MAY	-0.60%	-0.80%	1.90%
24-Jun	Durables Ex Transportation	MAY	-0.40%	-0.50%	0.80%
24-Jun	New Home Sales	MAY	360K	360K	352K
24-Jun	FOMC Rate Decision	24-Jun	0.25%	0.25%	0.25%
25-Jun	GDP QoQ (Annualized)	1Q F	-5.70%	-5.70%	-5.70%
25-Jun	Personal Consumption	1Q	1.50%	1.50%	1.50%
25-Jun	GDP Price Index	1Q	2.80%	2.80%	2.80%
25-Jun	Core PCE QoQ	1Q	1.50%	1.50%	1.50%
25-Jun	Initial Jobless Claims	20-Jun	601K	602K	608K
25-Jun	Continuing Claims	13-Jun	6723K	6730K	6687K
26-Jun	Personal Income	MAY	0.30%	0.30%	0.50%
26-Jun	Personal Spending	MAY	0.10%	0.30%	-0.10%
26-Jun	U. of Michigan Confidence	JUN F	69	69	69