



Weekly Observatory

June 29, 2009

Week Ahead

S&P Case-Shiller 20 Home Price Index (April, Tuesday 9:00 ET)

F: -0.6% C: P: -2.2%

Home prices are expected to drop for the 33rd month in a row as foreclosures continue and inventories remain high, prompting deep discounts to attract buyers. Nevertheless, the market for existing homes has experienced renewed interest in recent months due to increasing affordability, which will help to slow the pace of price decline. Looking forward, the level of inventories could remain high for some time, which could put further downward pressure on home prices.

Consumer Confidence Index (June, Tuesday 10:00 ET)

F: 54.3 C: 55.1 P: 54.9

After posting large increases for the past two months, consumer confidence is expected to remain fairly steady in June. Overall, consumer confidence remains well below its historical average of 96.4, illustrating that consumers' economic outlook is weak. Nevertheless, the fact that consumer confidence is stabilizing at a higher level in 2Q09 than in the first quarter could indicate that we could see an additional increase in the consumption component of GDP.

ISM Manufacturing Index (June, Wednesday 10:00 ET)

F: 43.6 C: 44.0 P: 42.8

The ISM manufacturing index is expected to illustrate ongoing contraction in the manufacturing industry, but at a slower pace. The recent stabilization could indicate that we have reached a bottom in the industry's rapid contraction, but demand would need to be restored before we could see a recovery.

Pending Home Sales (May, Wednesday 10:00 ET)

F: 1.1% C: 1.1% P: 6.7%

Pending home sales are expected to signal further pick-up in the market for existing homes by rising for the fourth month in a row. The increasing affordability of houses due to deep price discounts, favorable mortgage rates and the tax credit for first time buyers are attracting new and experienced homebuyers alike. As a result we expect existing home sales to increase further in the months to come.

Non-Farm Payrolls (June, Thursday 8:30 ET)

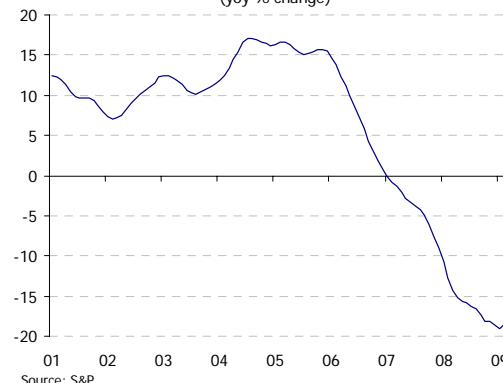
F: -385K C: -365K P: -345K

After falling significantly for the past two months, the change in non-farm payrolls is expected to rise slightly to -385K from -345K reflecting the ongoing weakness in the labor market. Although the number of job losses have just about halved since the peak in January, they still remain at a high level as businesses continue to cut their labor force in response to feeble demand. The weak labor market could hold growth in the consumption component of GDP to a slow pace.

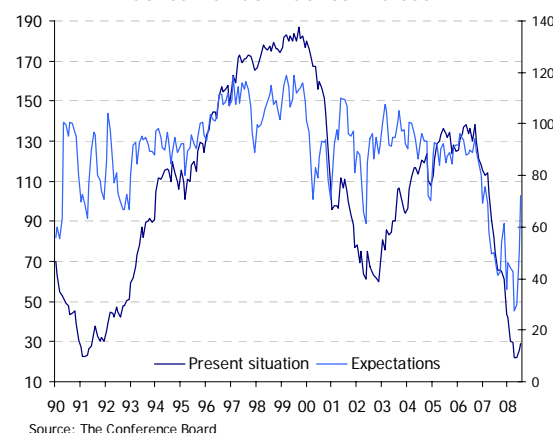
Kristin Lomicka

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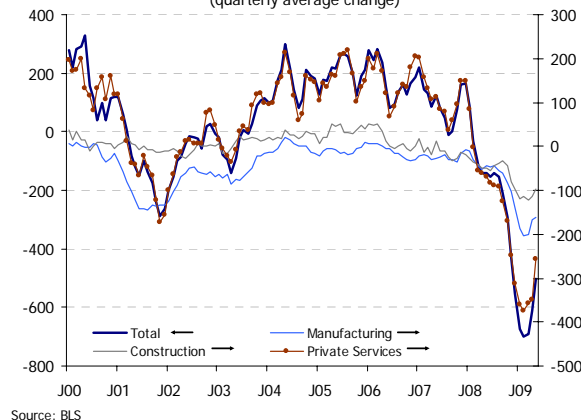
S&P Case-Shiller 20 Home Price Index
(yoy % change)



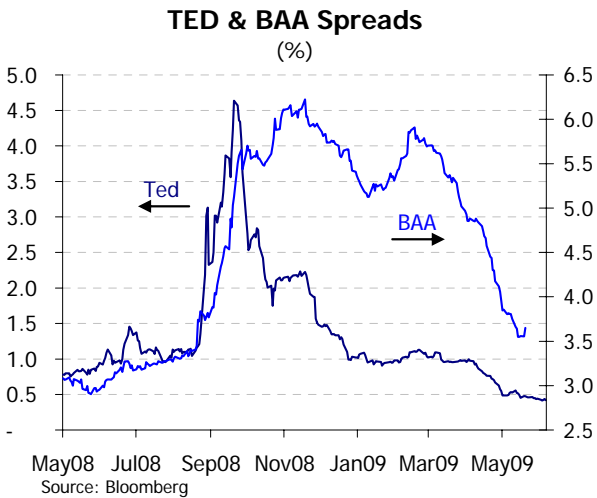
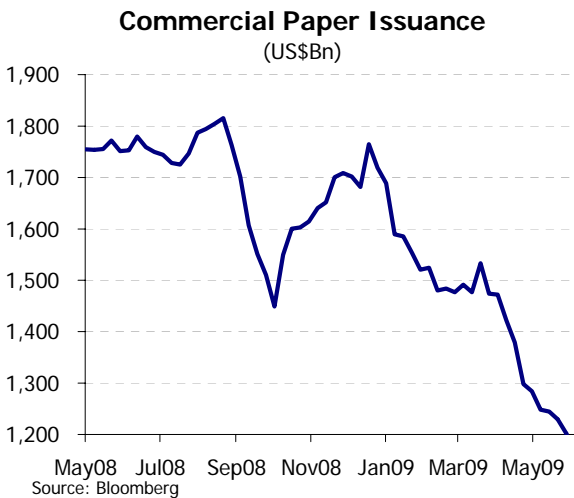
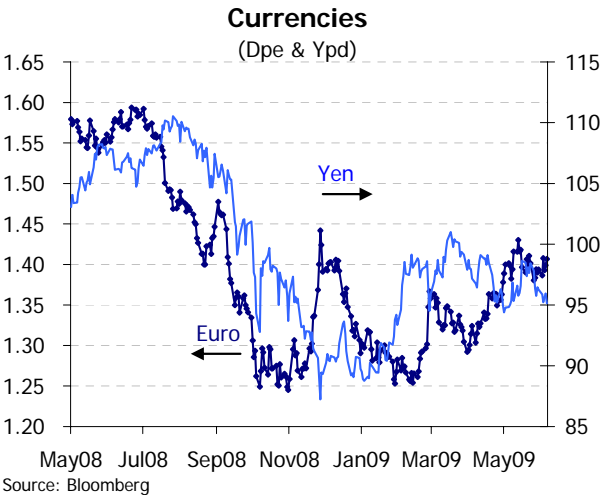
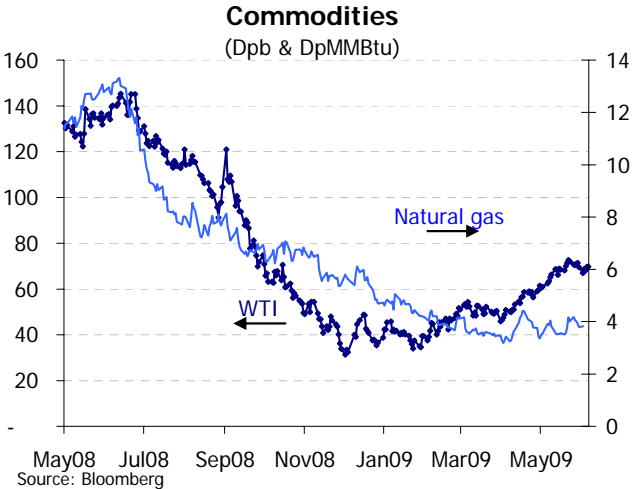
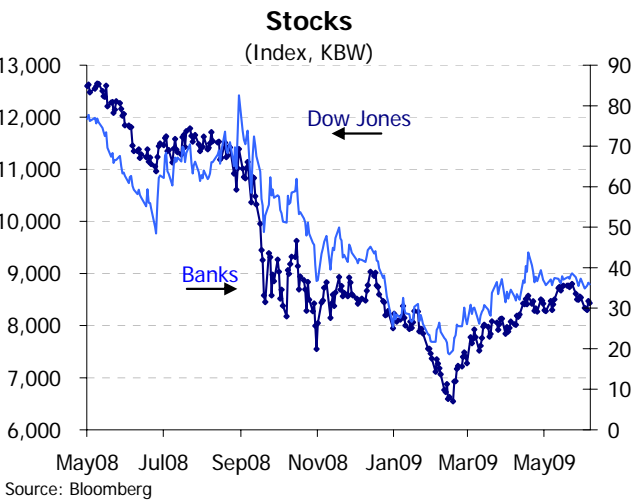
Consumer Confidence Indices



Nonfarm Payroll-Total
(quarterly average change)



Financial Markets



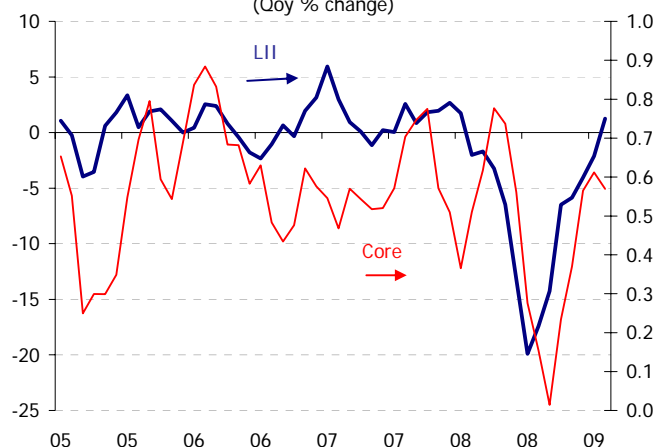
Economic Trends

BBVA US Weekly Activity Index
(Yoy % change)



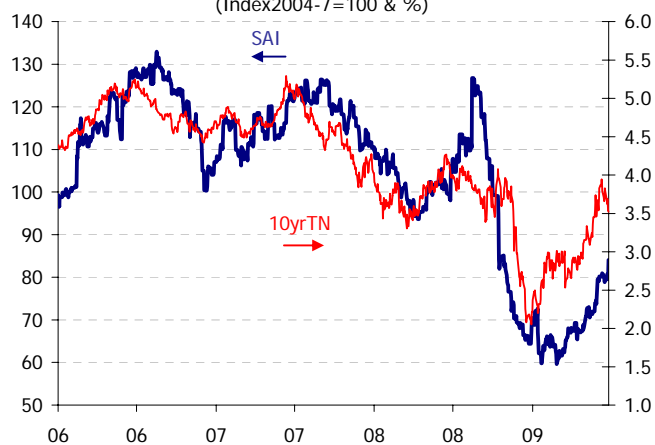
Source: BBVA ERD

BBVA US Leading Inflation Index & Core Inflation
(Qoy % change)



Source: BBVA ERD

BBVA US Surprise Activity Index & 10-yr Treasury
(Index2004-7=100 & %)



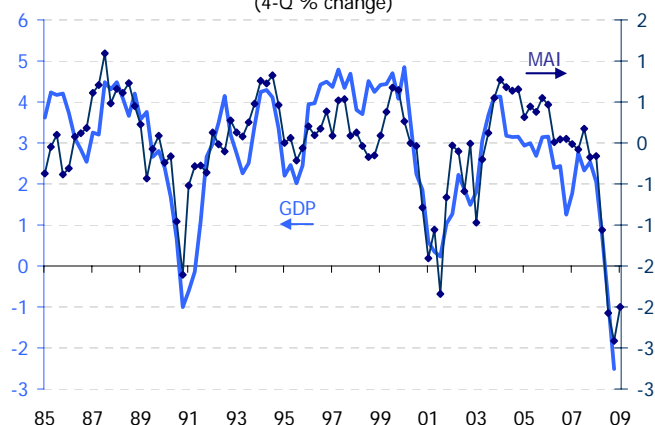
Source: BBVA ERD

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



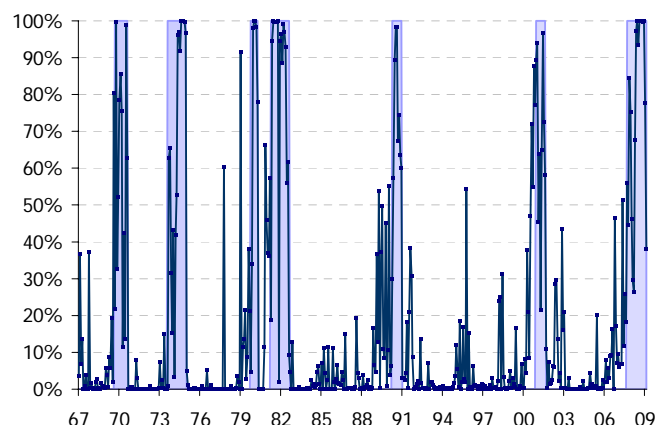
Source: BBVA ERD

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



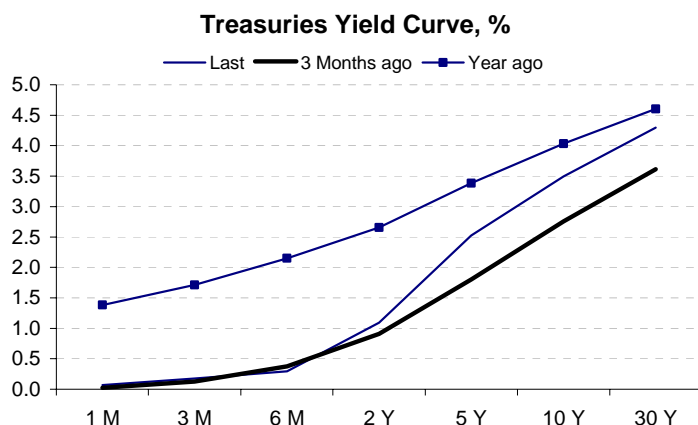
Source: BBVA ERD & BEA

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	10.80	10.78	11.68
New Auto (36-months)	7.15	7.21	7.38	6.79
Heloc Loan 30K	5.24	5.29	5.26	4.52
30-year Fixed Mortgage *	5.42	5.38	6.37	6.71
Money Market	1.29	1.30	1.35	2.41
2-year CD	2.03	1.98	2.13	3.49
5-year CD	2.65	2.62	2.78	3.94

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Patricia White, Associate Director, Division of Research and Statistics: *Over-The-Counter Derivatives*
 Before the Committee of Banking, Housing and Urban Affairs, U.S. Senate,
 Washington, D.C., June 22, 2009

"Despite the problems that have been associated with OTC derivatives during the financial crisis, these instruments remain integral to the smooth functioning of today's financial markets. Much work must be done to strengthen the market further. But with effective oversight by supervisors, prudent risk management by end users and dealers, and appropriate changes in the regulatory structure, the systemic risks stemming from OTC derivatives can be reduced, and derivatives can continue to provide significant benefits to the businesses and investors who use them to manage financial market risks."

Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
30-Jun	S&P/CS Composite-20 YoY	APR	-18.10%	-18.60%	-18.70%
30-Jun	Chicago Purchasing Manager	JUN	34.8	39	34.9
30-Jun	Consumer Confidence	JUN	54.3	55.1	54.9
1-Jul	MBA Mortgage Applications	26-Jun	-	-	6.60%
1-Jul	ADP Employment Change	JUN	-372K	-374K	-532K
1-Jul	ISM Manufacturing	JUN	43.6	44	42.8
1-Jul	ISM Prices Paid	JUN	46.4	47	43.5
1-Jul	Construction Spending MoM	MAY	0%	-0.50%	0.80%
1-Jul	Pending Home Sales MoM	MAY	1.10%	1.10%	6.70%
1-Jul	Total Vehicle Sales	JUN	9.6M	9.8M	9.9M
1-Jul	Domestic Vehicle Sales	JUN	7.1M	7.4M	7.4M
2-Jul	Change in Nonfarm Payrolls	JUN	-385K	-365K	-345K
2-Jul	Unemployment Rate	JUN	9.60%	9.60%	9.40%
2-Jul	Change in Manufact. Payrolls	JUN	-153K	-150K	-156K
2-Jul	Average Hourly Earnings MoM	JUN	0.10%	0.10%	0.10%
2-Jul	Average Weekly Hours	JUN	33.2	33.1	33.1
2-Jul	Initial Jobless Claims	27-Jun	610K	618K	627K
2-Jul	Continuing Claims	20-Jun	6761K	-	6738K
2-Jul	Factory Orders	MAY	0.20%	0.50%	0.70%