



Weekly Observatory

July 27, 2009

Week Ahead

New Home Sales (June, Monday 10:00 ET)

F: 344K C: 355K P: 342K

June's new home sales data is expected to show increased stabilization in the housing market as the decline in sales eases. Nevertheless, sales will remain weak as the market faces competition from existing homes, which are currently selling at deep discounts. As a result, in order for demand for new homes to strengthen, and hence for new residential construction to pick-up, the price of existing homes will need to stabilize and inventory levels will have to come in closer to the historical average.

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

F: -17.9% yoy C: -17.9% yoy P: -18.1% yoy

Home prices are expected to fall for the 33rd month in a row, but at a slower pace. The year-over-year rate of decline reached a low of 19% in January 2009, but eased in the following months. The pick-up in existing home sales due to greater affordability has helped to slow the drop in prices, but ongoing foreclosures and limited access to credit will put further downward pressure on prices in the third quarter.

Consumer Confidence (July, Tuesday 10:00 ET)

F: 50.2 C: 49.0 P: 49.3

Consumer confidence is expected to remain relatively stable in July as economic indicators present signs that the contraction is easing. Nevertheless, due to the ongoing weakness in economic activity and the job market, the level of the index will remain low compared to the historical average of 96.3. As a result, consumer spending could continue to be weak in the third quarter of 2009.

Durable Goods Orders (June, Wednesday 8:30 ET)

F: -1.7% C: -0.5% P: 1.8%

After rising in the previous two months, durable goods orders are expected to drop in June. Businesses continue to be challenged by feeble demand in light of the economic downturn and the process of inventory reduction is ongoing. Although orders appear to have reached a bottom in March 2009, levels will remain well below those of last year, which will keep industrial production and non-residential investment at low levels in the third quarter of 2009.

Advanced GDP (2Q09, Friday 8:30 ET)

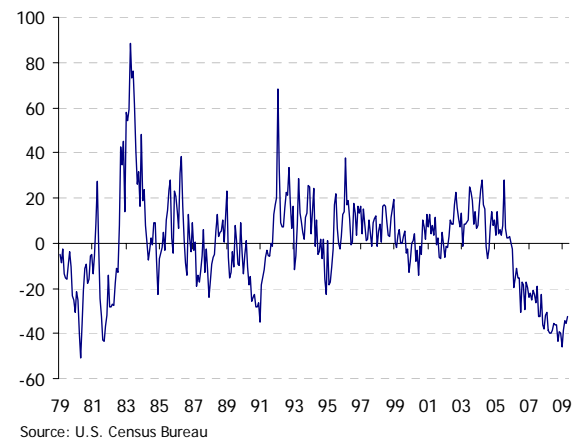
F: -1.8% C: -1.5% P: -5.5%

The economy is expected to contract for the third quarter in a row in 2Q09, but at a slower pace than in 1Q09. On the upside, consumers experienced greater confidence and a boost to personal income from the tax rebates, which could result in the second consecutive increase in PCE. Nevertheless, although the housing market has shown some stabilization in the second quarter, residential investment remains weak and is expected to continue its sharp downward trend. Moreover, businesses are still suffering from declining demand, which will cause non-residential investment to adjust further downward. Lastly, international trade has continued to decline in the face of the global recession, while spending on the fiscal stimulus package is anticipated to increase the government spending component of GDP.

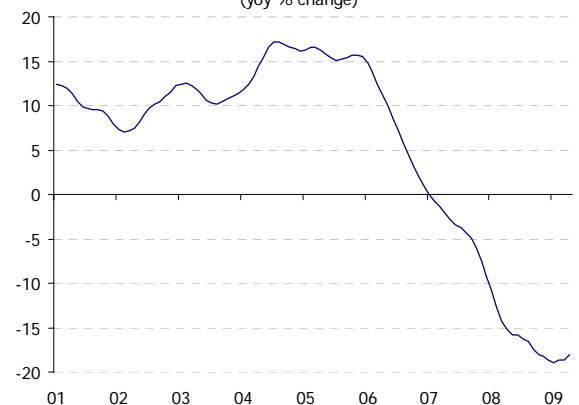
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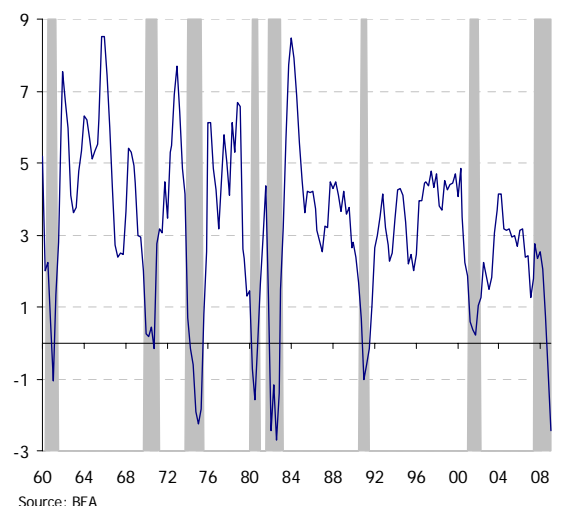
New Home Sales
(yoy % change)



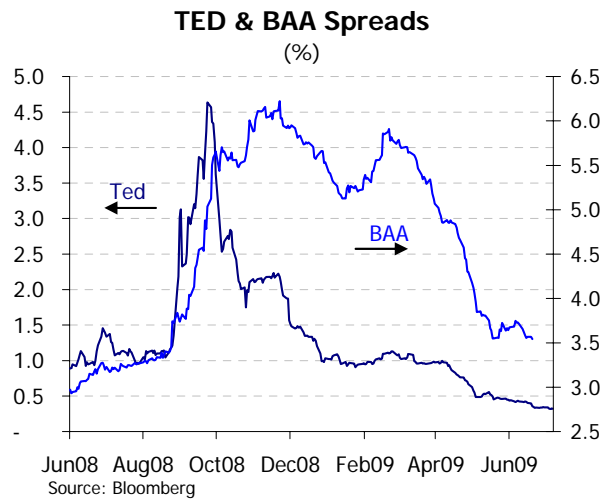
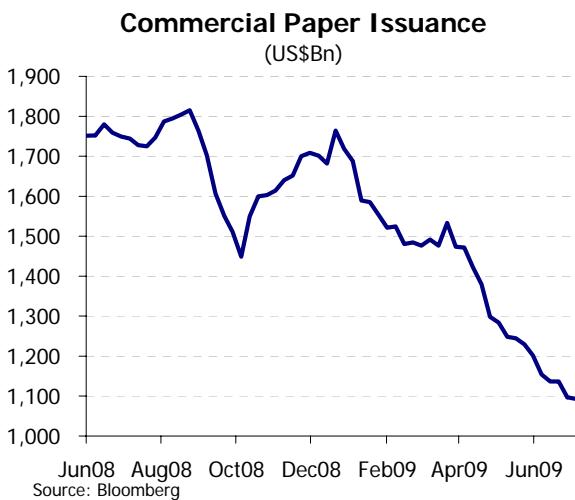
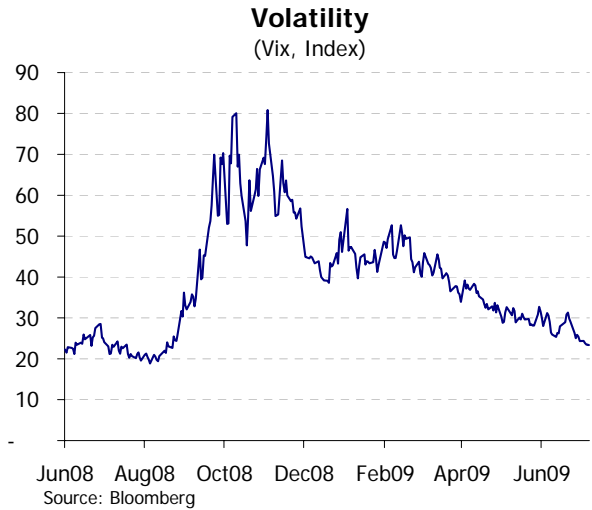
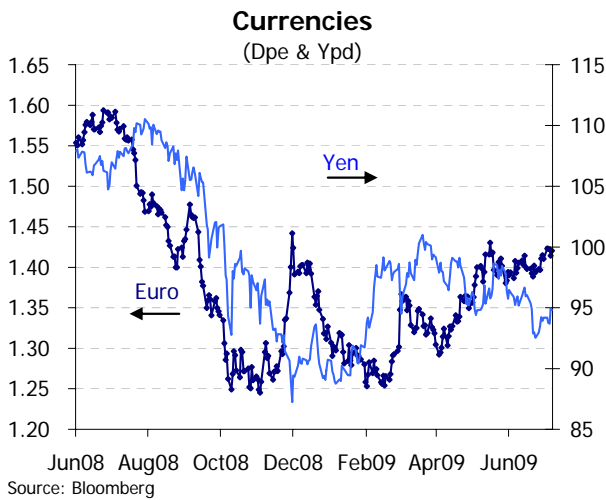
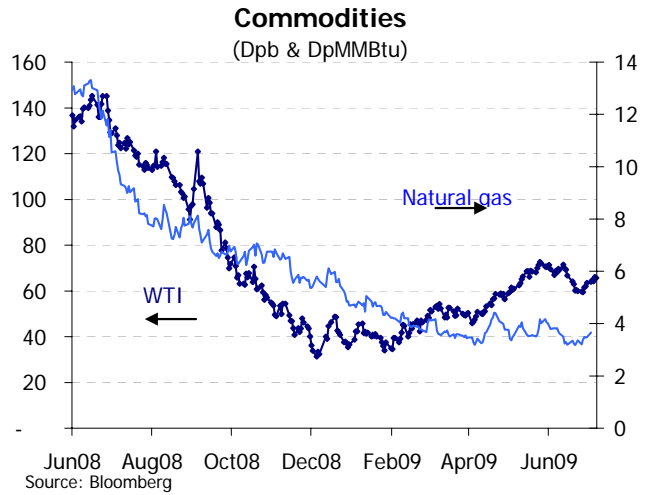
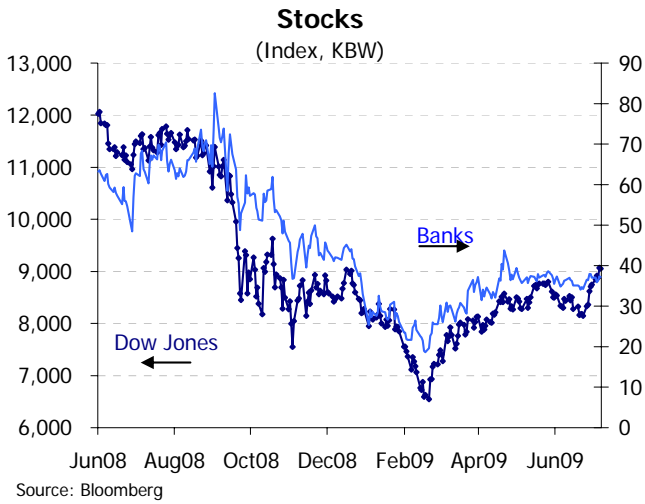
S&P Case-Shiller 20 Cities Home Price Index
(yoy % change)



GDP
(yoy % change)



Financial Markets



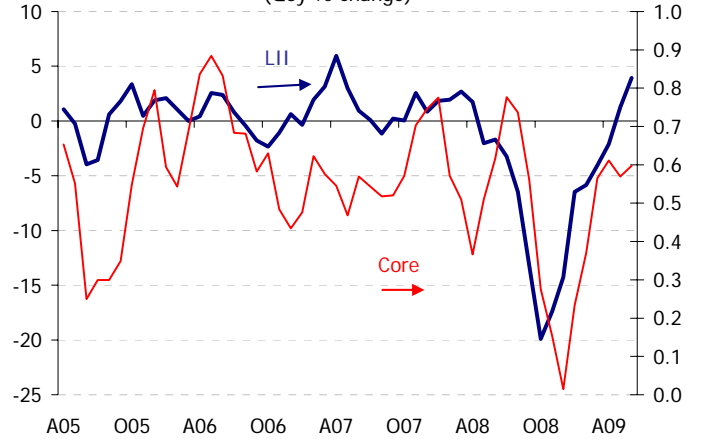
Economic Trends

BBVA US Weekly Activity Index
(Yoy % change)



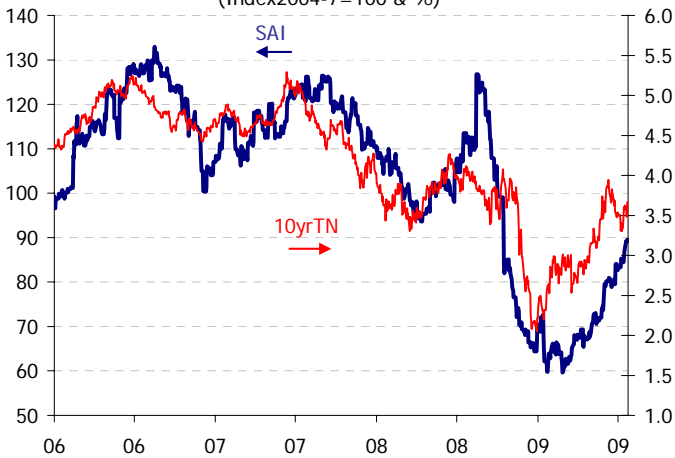
Source: BBVA ERD

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



Source: BBVA ERD

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



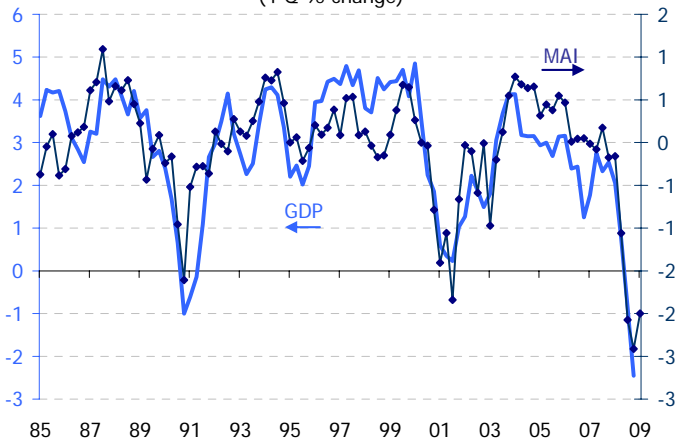
Source: BBVA ERD

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



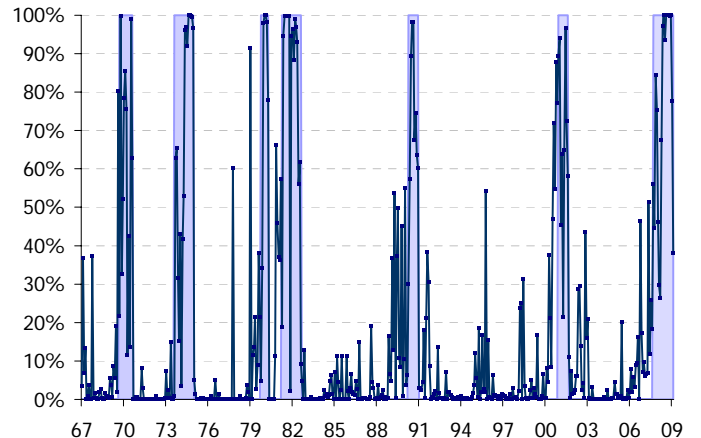
Source: BBVA ERD

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



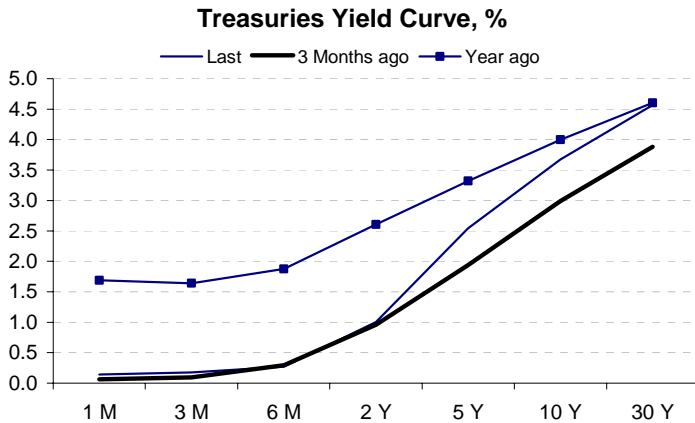
Source: BBVA ERD & BEA

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)	11.08	11.08	10.80	11.59
New Auto (36-months)	7.10	7.08	7.15	6.82
Heloc Loan 30K	5.74	5.76	5.24	5.53
30-year Fixed Mortgage *	5.20	5.14	6.37	6.71
Money Market	1.22	1.23	1.29	2.44
2-year CD	1.92	1.96	2.04	3.76
5-year CD	2.59	2.61	2.65	4.13

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Treasury Secretary Timothy F. Geithner: Testimony before the House Financial Services Committee
July 24, 2009

"We cannot afford a situation where we leave in place vulnerabilities that will sow the seeds for future crises, and prevent our financial system from functioning properly."

Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
27-Jul	New Home Sales	JUN	344K	355K	342K
27-Jul	New Home Sales MoM	JUN		3.80%	-0.60%
28-Jul	S&P/CaseShiller Home Price Ind	MAY	-0.60%	--	139.18
28-Jul	S&P/CS Composite-20 YoY	MAY	-17.90%	-17.90%	-18.12%
28-Jul	Consumer Confidence	JUL	50.2	49	49.3
28-Jul	ABC Consumer Confidence	26-Jul	--	--	-50
29-Jul	MBA Mortgage Applications	24-Jul	--	--	2.80%
29-Jul	Durable Goods Orders	JUN	-1.70%	-0.50%	1.80%
29-Jul	Durables Ex Transportation	JUN	0.40%	-0.20%	1.10%
29-Jul	Fed's Beige Book	23-Jul			
30-Jul	Initial Jobless Claims	25-Jul	539K	580K	554K
30-Jul	Continuing Claims	18-Jul	6285K	6300K	6225K
31-Jul	GDP QoQ (Annualized)	2Q A	-1.80%	-1.50%	-5.50%
31-Jul	Personal Consumption	2Q	0.70%	-0.50%	1.40%
31-Jul	GDP Price Index	2Q	1.90%	1.00%	2.80%
31-Jul	Employment Cost Index	2Q	0.30%	0.30%	0.30%
31-Jul	Chicago Purchasing Manager	JUL	40	43	39.9