



# Weekly Observatory

August 24, 2009

## Week Ahead

### Consumer Confidence (August, Tuesday 10:00 ET)

F: 49.0 C: 47.6 P: 46.6

Amid additional signs of stabilization in the economy and the better than expected non-farm payroll and unemployment results, consumer confidence is expected to rise in August after dropping in the two previous months. Nevertheless, it will remain at a low level because consumers continue to suffer from a weak labor market and tight credit markets. As a result, consumption is expected to remain weak in the third quarter.

### Durable Goods Orders, Excl. Transportation (July, Wednesday 8:30 ET)

F: 2.2%, 0.6% C: 3.0%, 0.8% P: -2.5%, 1.6%

Durable goods orders are expected to rise in July after falling 2.5% in June. The transportation component may experience a boost from the Cash for Clunkers program as auto dealers need to replenish inventories. In addition, the various manufacturing indices have indicated that manufacturing activity is picking up, which could be another indication that new orders could rise. Although orders are expected to remain weak, an increase in this component could signal that the decline in industrial production could ease in the third quarter.

### New Home Sales (July, Wednesday 10:00 ET)

F: 410K C: 390K P: 384K

New home sales are expected to increase for the fourth month in a row amid greater affordability. Although levels remain extremely low compared to those of last year, the rate of decline is easing, which is an indication of stabilization in the market. Nevertheless, the greatly discounted prices of existing homes could present a risk to the recovery of the new homes market because buyers are seeking the best deal.

### Corporate Profits (2Q09, Thursday 8:30 ET)

F: 2.9% C: n.a. P: 1.4%

In response to weak demand, businesses have cut expenses through measures such as layoffs and inventory reductions, which are expected to result in an increase in corporate profits for the second quarter in a row. Nevertheless, profits will remain weak at levels below those of last year. As a result, businesses could continue to reign in spending, which will cause non-residential investment to decline further in the third quarter.

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

F: -0.1%, 0.2% C: 0.1%, 0.2% P: -1.3%, 0.4%

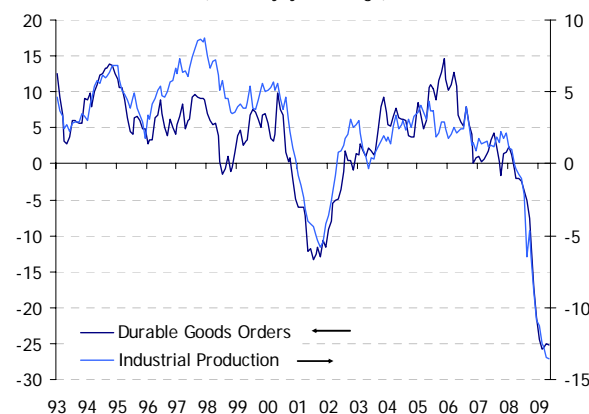
Personal income is expected to decline for the second month in a row, following two monthly increases that were prompted by one-time government transfers. Ongoing instability in the labor market will put downward pressure on wages and compensation, while continued weakness in financial markets will prompt personal income receipts on assets to fall further. On the other hand, personal consumption is expected to rise for the third month in a row. Consumption of durable goods could receive a boost from high number of auto sales prompted by the Cash for Clunkers program.

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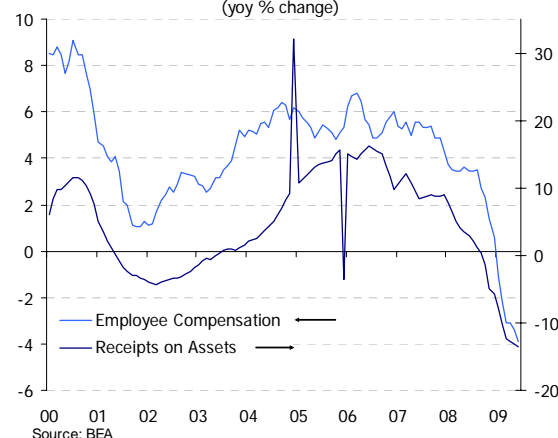
### Durable Goods Orders

(3m ave yoy % change)



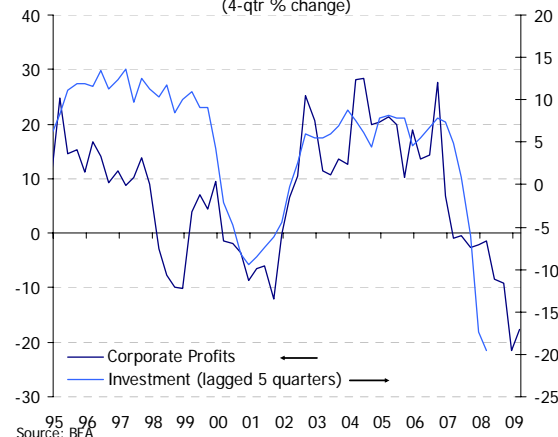
### Employee Compensation & Personal Income Receipts on Assets

(yoy % change)

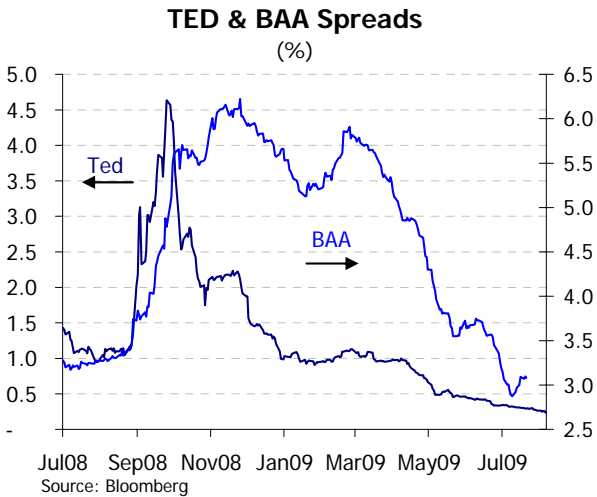
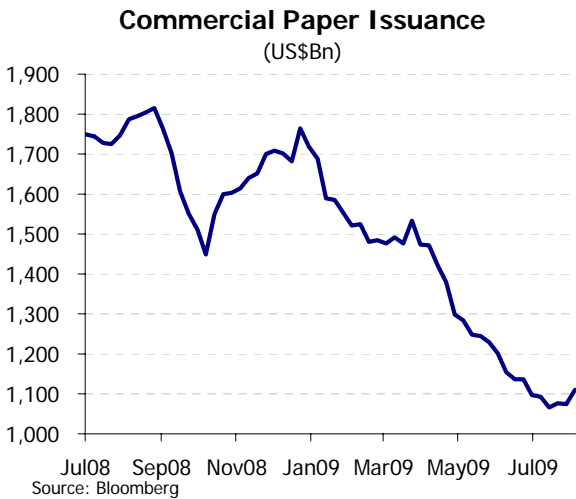
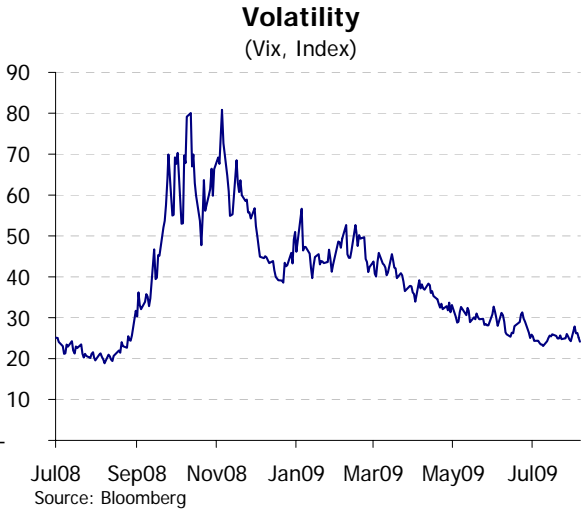
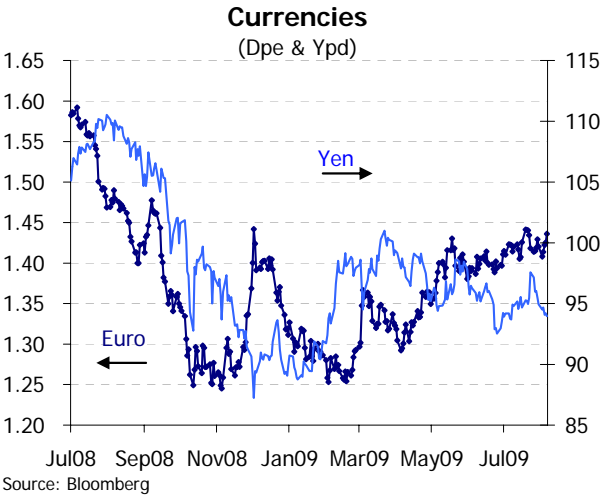
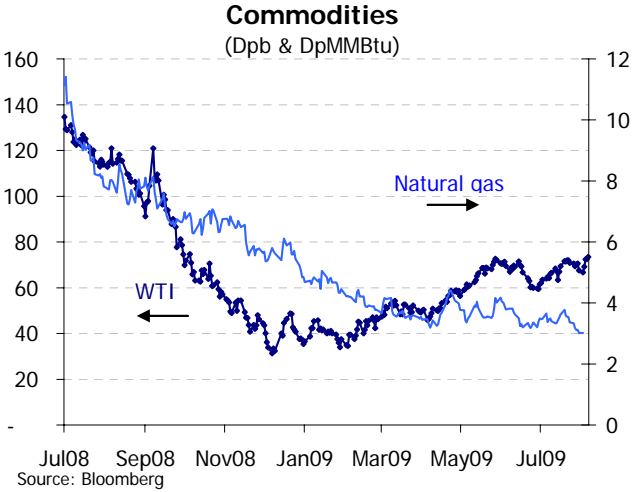
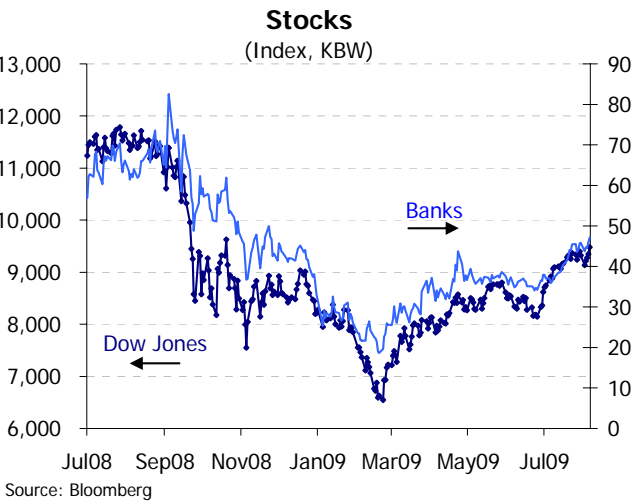


### Corporate Profits & Non-Residential Investment

(4-qr % change)



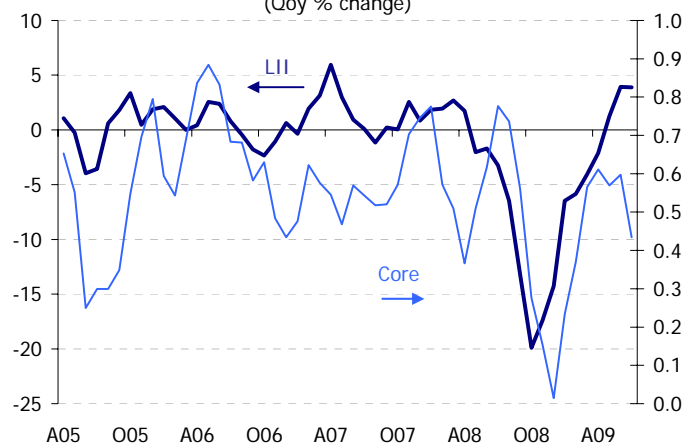
Financial Markets



## Economic Trends

**BBVA US Weekly Activity Index**  
(Yoy % change)

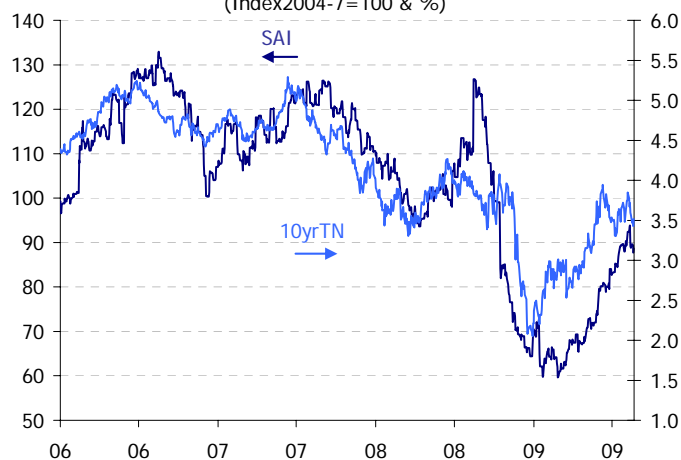

Source: BBVA ERD

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


Source: BBVA ERD

**BBVA US Surprise Activity Index & 10-yr Treasury**

(Index2004-7=100 &amp; %)



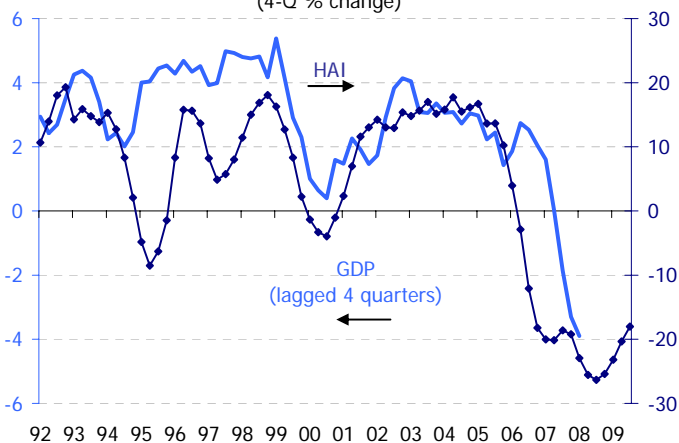
Source: BBVA ERD

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


Source: BBVA ERD

**BBVA Housing Activity Index & Real Gross Domestic Product**

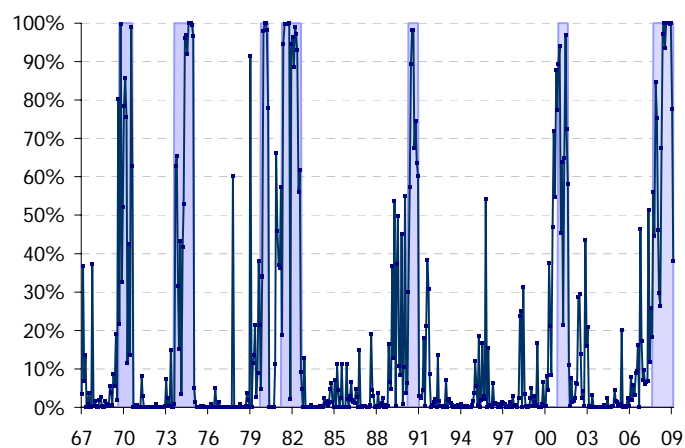
(4-Q % change)



Source: BBVA ERD &amp; BEA

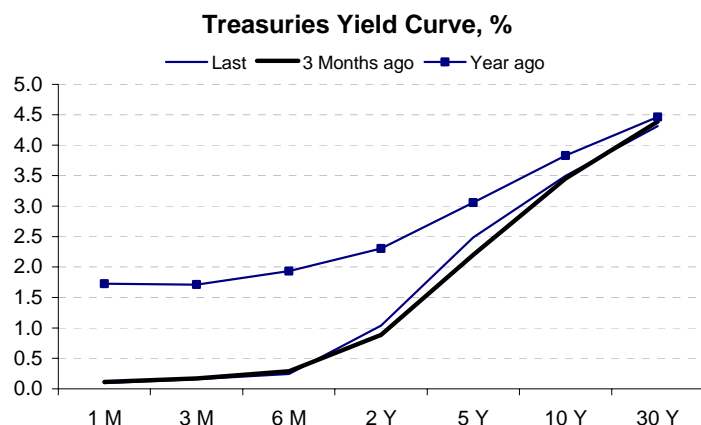
**BBVA US Recession Probability Model**

(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)	11.16	11.16	11.08	11.57
New Auto (36-months)	7.11	7.13	7.10	6.73
Heloc Loan 30K	5.82	5.77	5.76	5.57
30-year Fixed Mortgage *	5.12	5.29	6.37	6.71
Money Market	1.17	1.17	1.20	2.53
2-year CD	1.91	1.91	1.91	3.83
5-year CD	2.65	2.64	2.59	4.23

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

Chairman Ben Bernanke: *Reflections on a Year of Crisis*  
 Federal Reserve Bank of Kansas City's Annual Economic Symposium, Jackson Hole, WY  
 August 21, 2009

*"After contracting sharply over the past year, economic activity appears to be leveling out, both in the United States and abroad, and the prospects for a return to growth in the near term appear good. Notwithstanding this noteworthy progress, critical challenges remain: Strains persist in many financial markets across the globe, financial institutions face significant additional losses, and many businesses and households continue to experience considerable difficulty gaining access to credit. Because of these and other factors, the economic recovery is likely to be relatively slow at first, with unemployment declining only gradually from high levels."*

## Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
25-Aug	S&P/CS Composite-20 YoY	JUN	-16.90%	-16.40%	-17.06%
25-Aug	Consumer Confidence	AUG	49	47.6	46.6
25-Aug	ABC Consumer Confidence	23-Aug	--	--	-46
26-Aug	MBA Mortgage Applications	21-Aug	--	--	5.60%
26-Aug	Durable Goods Orders	JUL	2.20%	3.00%	-2.50%
26-Aug	Durables Ex Transportation	JUL	0.60%	0.80%	1.10%
26-Aug	New Home Sales	JUL	410K	390K	384K
27-Aug	GDP QoQ (Annualized)	2Q P	-1.00%	-1.40%	-1.00%
27-Aug	Personal Consumption	2Q	-1.20%	-1.30%	-1.20%
27-Aug	GDP Price Index	2Q	0.20%	0.20%	0.20%
27-Aug	Core PCE QoQ	2Q	2.00%	2.00%	2.00%
27-Aug	Initial Jobless Claims	22-Aug	560K	565K	576K
27-Aug	Continuing Claims	15-Aug	6230K	6230K	6241K
28-Aug	Personal Income	JUL	-0.10%	0.10%	-1.30%
28-Aug	Personal Spending	JUL	0.20%	0.20%	0.40%
28-Aug	PCE Core (MoM)	JUL	0.10%	0.10%	0.20%
28-Aug	PCE Core (YoY)	JUL	1.30%	1.30%	1.50%
28-Aug	U. of Michigan Confidence	AUG F	63.2	64.3	63.2