



# Weekly Observatory

September 7, 2009

## Week Ahead

### Consumer Credit (July, Tuesday 15:00 ET)

F: -\$6.5B      C: -\$4.0B      P: -\$10.3B

Consumer credit in July is expected to drop for the tenth time since July 2008 as this market faces challenges from both supply and demand. Consumers continue to reign in spending, pay off credit cards and increase savings in the face of ongoing job losses. Furthermore, the Senior Loan Officer Survey indicated that banks have further increased their credit standards, limiting consumer access. The decline in credit outstanding could slow the recovery of consumption as the use of credit magnifies consumers' purchasing power.

### International Trade Balance (July, Thursday 8:30 ET)

F: -\$27.1B      C: -\$27.0B      P: -\$27.0B

Both exports and imports are expected to show further signs of stabilization in July, although they will remain weak. Exports are of particular interest as there are signs that they could be beginning to rise on a monthly basis. For example, both the ISM manufacturing and non-manufacturing indices reported growth in orders for exports. Furthermore, the expansion in the economies of some of our trading partners, China in particular, has helped to fuel export growth in the previous two months.

### U. of Mich. Consumer Sentiment Index (September, Friday 9:55 ET)

F: 66.5      C: 67.3      P: 65.7

The University of Michigan Consumer Sentiment Index is expected to post a small increase in September as economic indicators point to signs that contraction is easing and job destruction is slowing. Nevertheless, consumer sentiment remains low and the ongoing weakness in the labor market will limit a strong increase. As a result, the consumer outlook could provide an additional barrier to the recovery of the consumption component of GDP.

### Wholesales Inventories (July, Friday 10:00 ET)

F: -1.3%      C: -1.0%      P: -1.7%

Wholesalers are expected to continue to shed inventories for the eleventh consecutive month in response to the decline in demand. However, the inventory to sales ratio has begun to adjust downward thanks to a pick-up in sales over the past three months. The declining level of inventories could actually have a positive effect on economic output in the near future as industrial production will increase once stock levels reach the point at which they need to be replenished.

### Treasury Budget (August, Friday 14:00 ET)

F: -\$168.2B      C: -\$174.0B      P: -\$111.9B

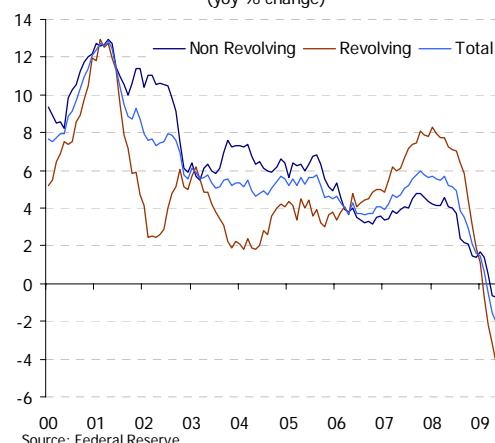
The federal deficit will continue to expand in August as the government ramps up spending for the fiscal stimulus package and revenues continue to decline. In total, the deficit for first seven months of 2009 is \$934.5B, more than three times that for the same period in 2008.

Kristin Lomicka

kristin.lomicka@bbvacompass.com

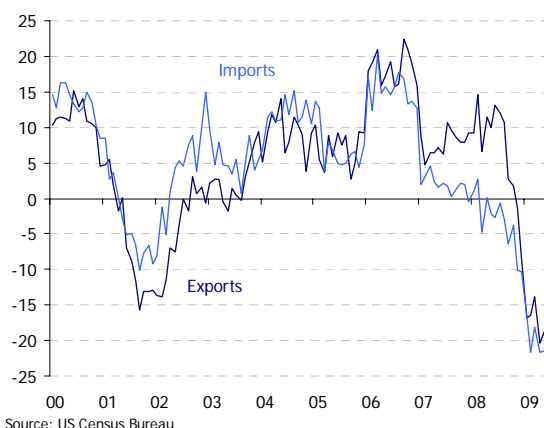
### Consumer Credit Outstanding

(yoy % change)



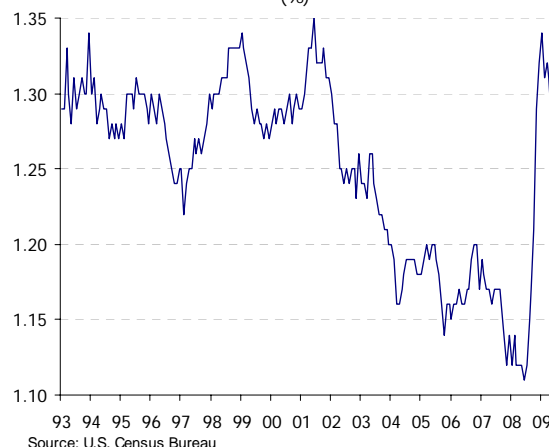
### Real Exports & Imports of Goods

(annual % change)

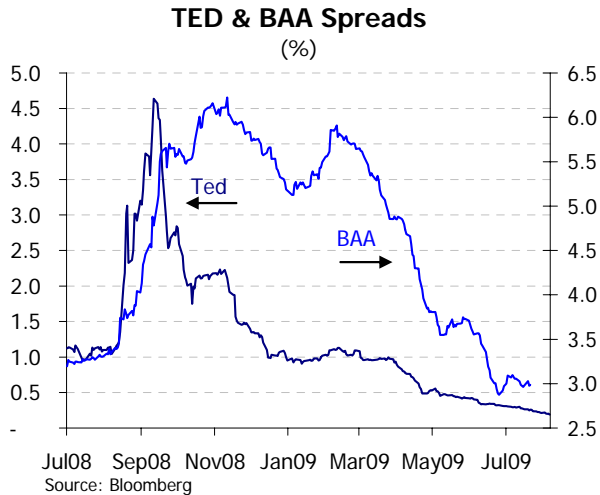
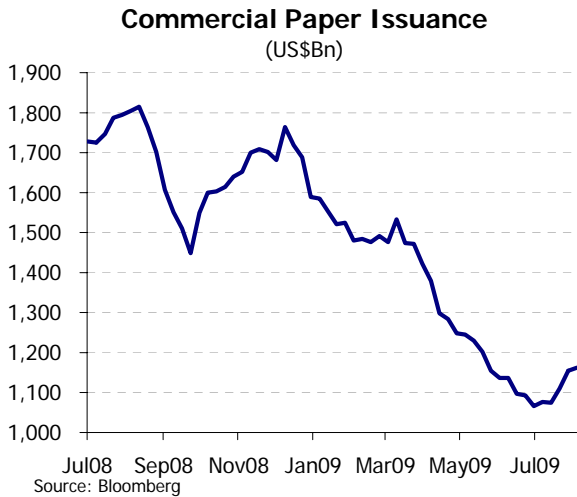
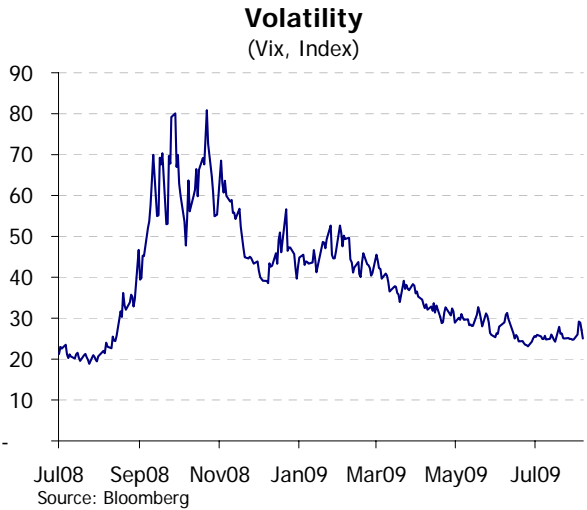
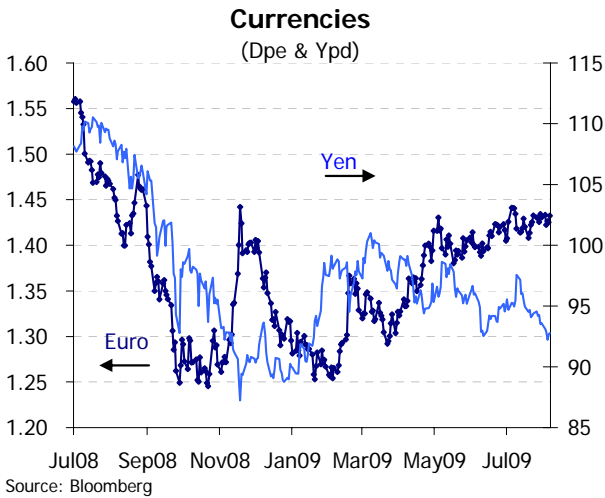
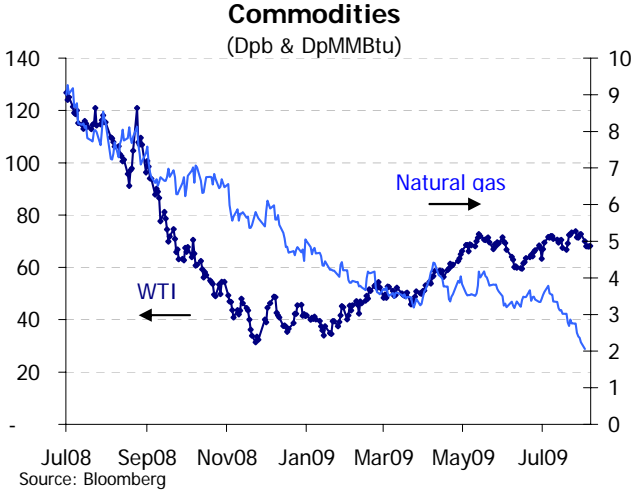
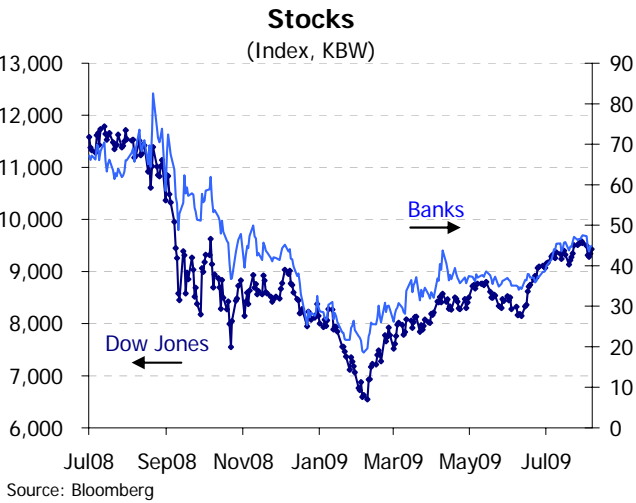


### Wholesale Inventory to Sales Ratio

(%)



Financial Markets



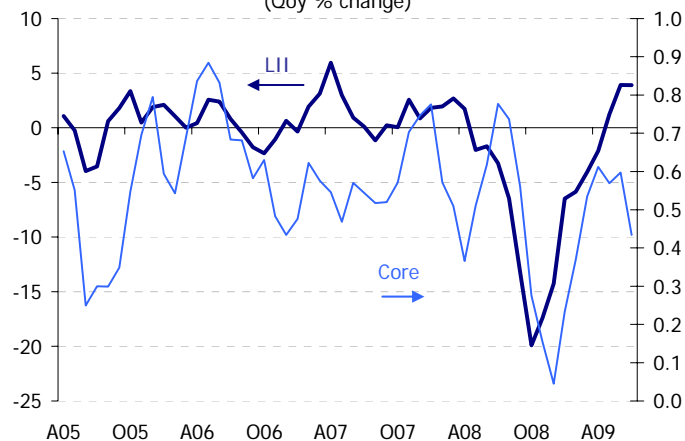
## Economic Trends

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



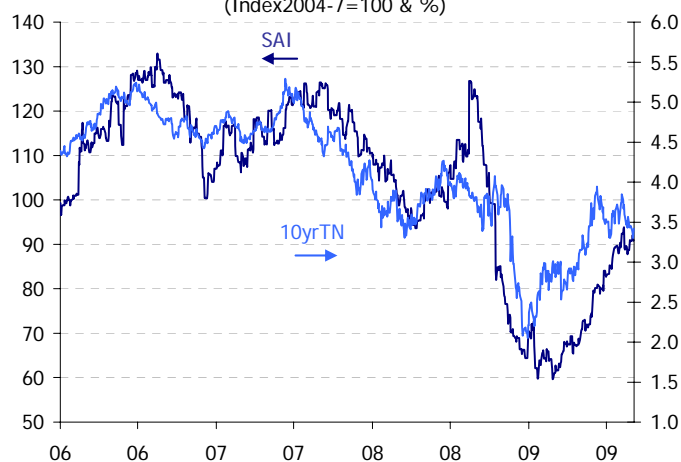
Source: BBVA ERD

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



Source: BBVA ERD

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



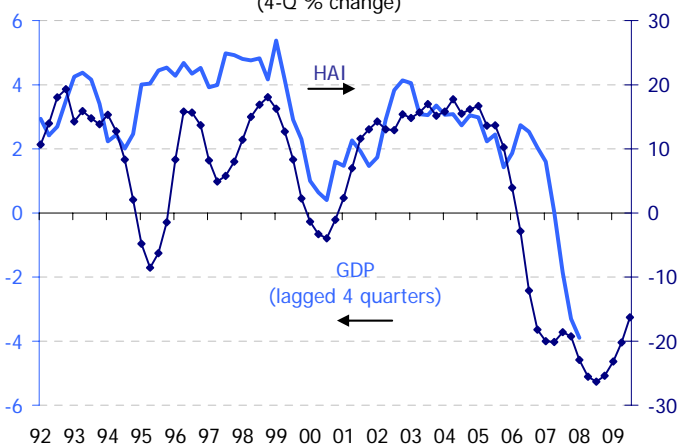
Source: BBVA ERD

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



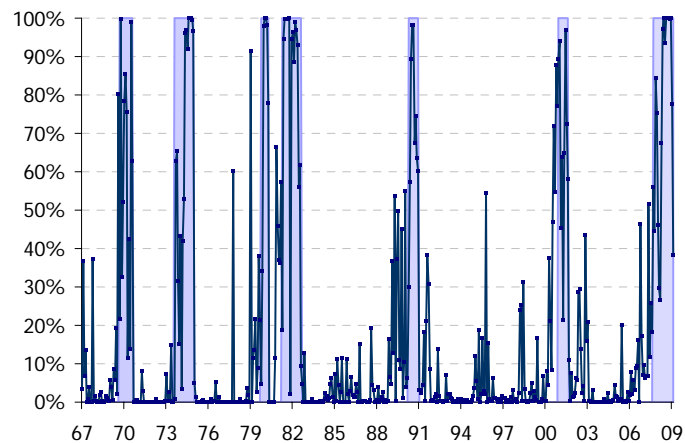
Source: BBVA ERD

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



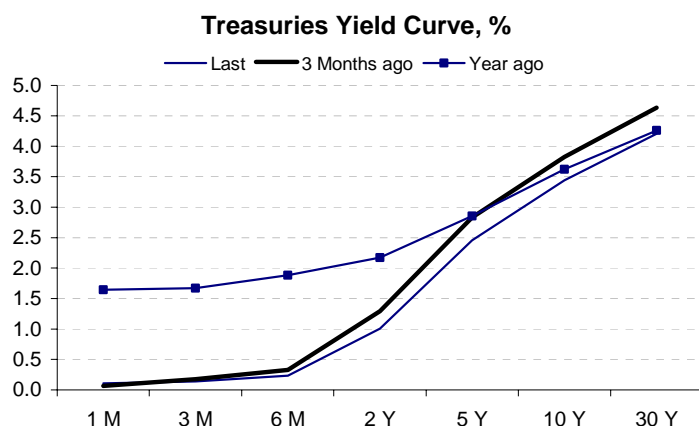
Source: BBVA ERD &amp; BEA

**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)	11.41	11.16	11.16	11.57
New Auto (36-months)	7.21	7.23	7.06	6.72
Heloc Loan 30K	5.81	5.80	5.79	5.54
30-year Fixed Mortgage *	5.08	5.14	6.37	6.71
Money Market	1.16	1.17	1.20	2.47
2-year CD	1.91	1.91	1.95	3.89
5-year CD	2.66	2.65	2.66	4.23

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

IMF Managing Director Dominique Strauss-Kahn: *Beyond the Crisis: Sustainable Growth and a Stable International Monetary Policy*  
Berlin, September 4, 2009

*"While global growth appears to have turned the corner, we should not forget that so far, this has been mainly due to massive policy support. And while it is right—and in fact policy makers' responsibility—to start formulating exit policies now, they should by no means be implemented until there are clear signs that the recovery is firmly underway. In particular, given the high and lasting cost of unemployment, policy makers should err on the side of caution rather than jeopardize the recovery."*

## Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
8-Sep	Consumer Credit	JUL	-\$6.5B	-\$4.0B	-\$10.3B
8-Sep	ABC Consumer Confidence	6-Sep	--	--	-45
9-Sep	MBA Mortgage Applications	4-Sep	--	--	-2.20%
9-Sep	Fed's Beige Book	3-Sep			
10-Sep	Trade Balance	JUL	-\$27.1B	-\$27.0B	-\$27.0B
10-Sep	Initial Jobless Claims	5-Sep	560K	552K	570K
10-Sep	Continuing Claims	29-Aug	6210K	--	6234K
11-Sep	Import Price Index (MoM)	AUG	0.40%	1.00%	-0.70%
11-Sep	Import Price Index (YoY)	AUG	-16.50%	-16.10%	-19.30%
11-Sep	Wholesale Inventories	JUL	-1.30%	-1.00%	-1.70%
11-Sep	U. of Michigan Confidence	SEP P	66.5	67.3	65.7
11-Sep	Monthly Budget Statement	AUG	-\$168.2	-\$174.0B	-\$111.9B