



# Weekly Observatory

September 28, 2009

## Week Ahead

**Consumer Confidence** (September, Tuesday 10:00 ET)  
 F: 57.9 C: 57.0 P: 54.1

Due to recent improvements in economic indicators, strength in the stock market and positive messages that the economy is beginning to recover, consumer confidence is expected to rise in September. The greater confidence could help consumer spending stabilize further, but households still remain constrained by ongoing job losses, low income growth and tight credit markets, which will limit growth in consumption.

**Auto Sales** (September, Thursday, time n.a.)  
 F: 9.9M C: 9.9M P: 14.0M

Auto sales are expected to fall back to their pre-Cash for Clunkers trend in September. While the program helped to boost sales during its tenure from July 27 to August 26, it was not expected to result in sustained growth for the industry. Given that the heightened auto sales provided a significant boost to retail sales, we also anticipate that indicator to adjust downward in September. Nevertheless, the overall impact of auto sales on consumption for 3Q09 is expected to be positive.

**Personal Income and Outlays** (August, Thursday 8:30 ET)  
 F: -0.1%, 0.7% C: 0.1%, 1.1% P: 0.0%, 0.2%

Personal outlays in August is expected to receive a boost from the Cash for Clunkers program, which will increase the durable goods component of consumption. Personal income, on the other hand, is forecasted to fall, contributing to the seven month declining trend, as the drop in demand continues to put pressure on businesses to reduce expenditures such as wages and salaries. While personal outlays are expected to rise in 3Q09, the declining trend in personal income will challenge consumption's expansion going forward.

**ISM Manufacturing Index** (September, Thursday 10:00 ET)  
 F: 55.7 C: 54.0 P: 52.9

Increases in regional manufacturing indices have indicated that the ISM manufacturing index will rise to a value above the benchmark of fifty for the second month in a row, signifying additional activity in that sector. In addition, the index will indicate economic expansion for the fourth consecutive month, which is in line with our baseline scenario of growth in 3Q09. The additional increase in manufacturing activity could point to a further rise in industrial production in September.

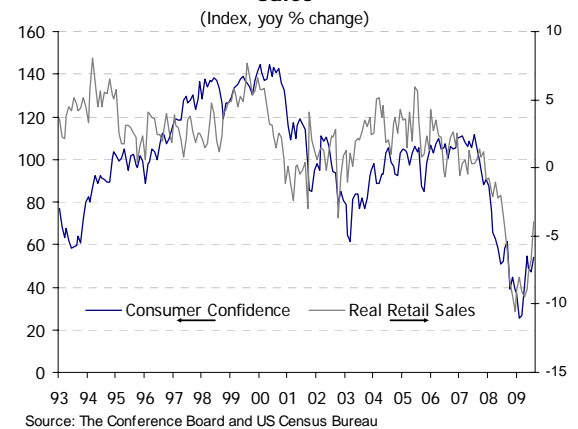
**Non-Farm Payrolls & Unemployment Rate** (September, Friday 8:30 ET)  
 F: -190K, 9.8% C: -187K, 9.8% P: -216K, 9.7%

Job destruction will continue in September, albeit at a slower pace, as businesses are still facing challenges due to weak demand. As a result, the unemployment rate is forecasted to rise to 9.8%. Weakness in the labor market is expected to be one of the primary challenges to the growth of consumption as job creation is will remain low even as the economy begins to recover.

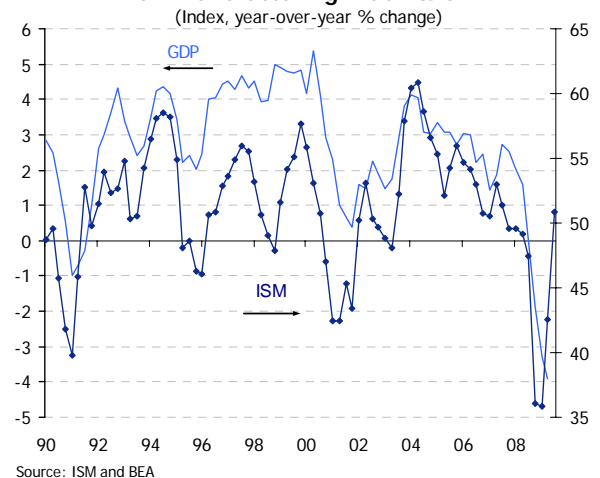
**Kristin Lomicka**

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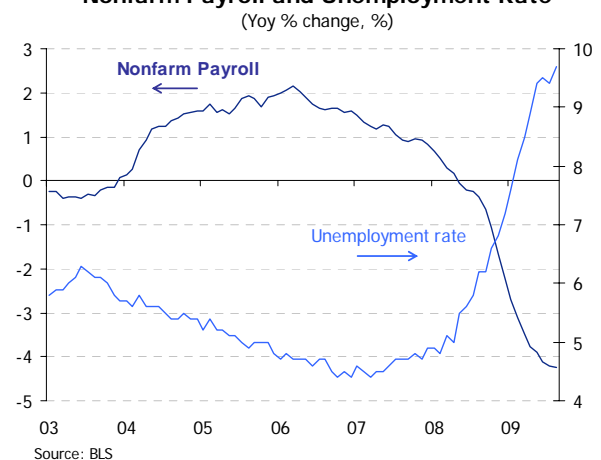
### Consumer Confidence and Real Retail Sales



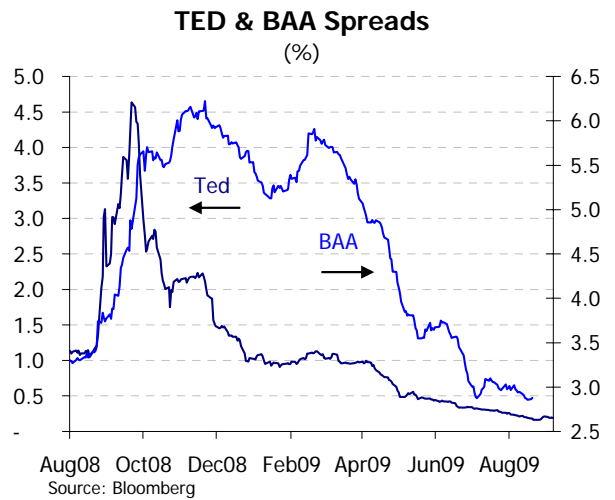
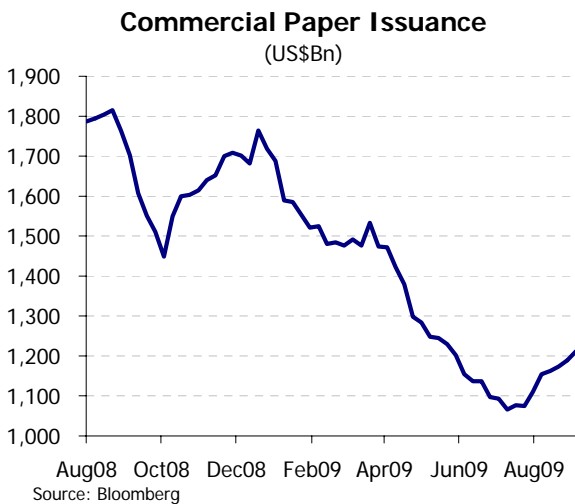
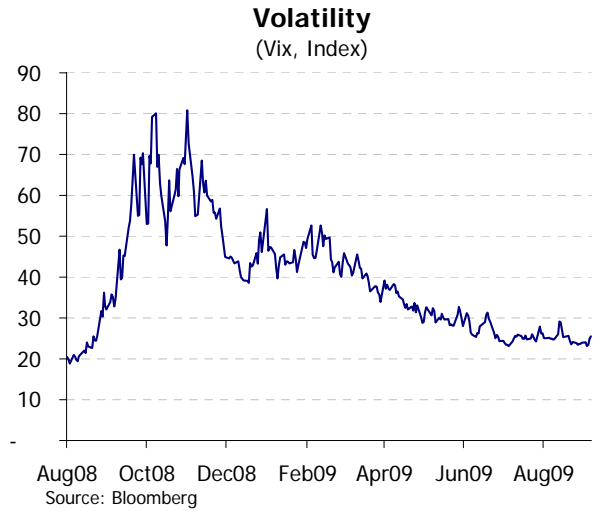
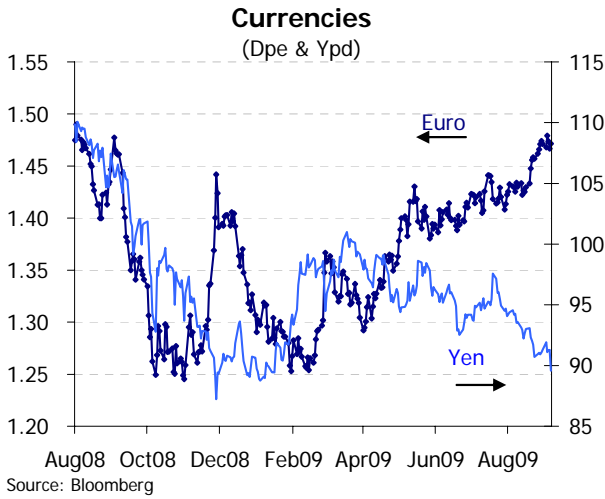
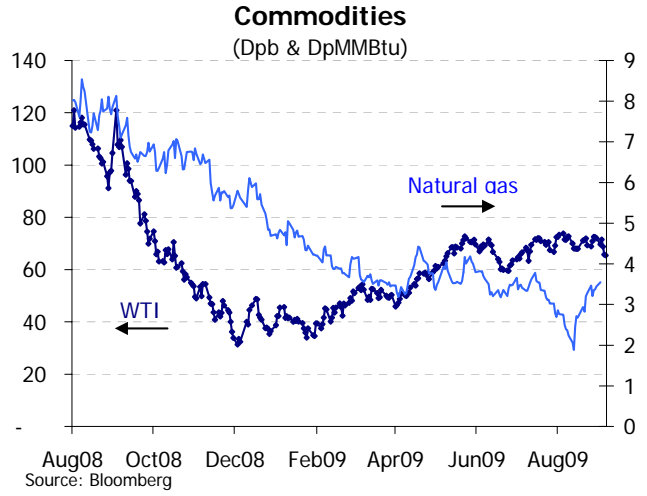
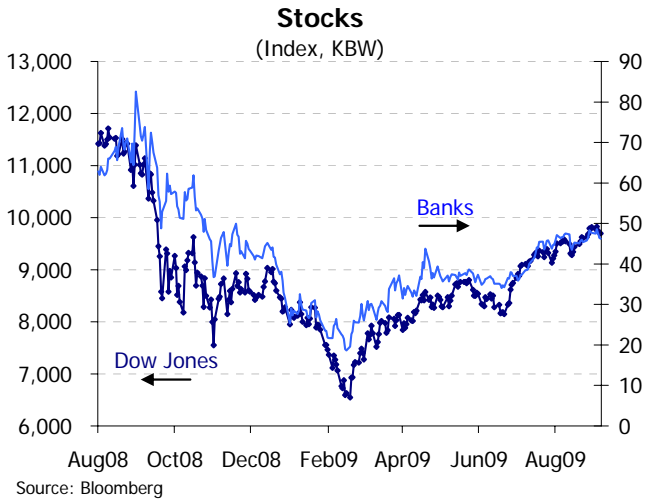
### ISM Manufacturing Index & GDP



### Nonfarm Payroll and Unemployment Rate



Financial Markets



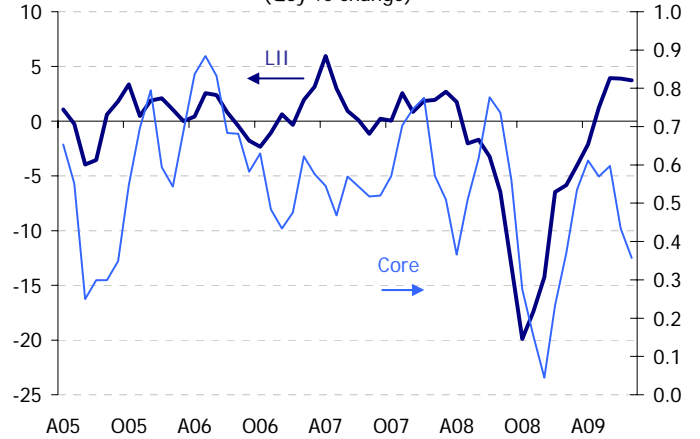
Economic Trends

**BBVA US Weekly Activity Index**  
(3 month % change)



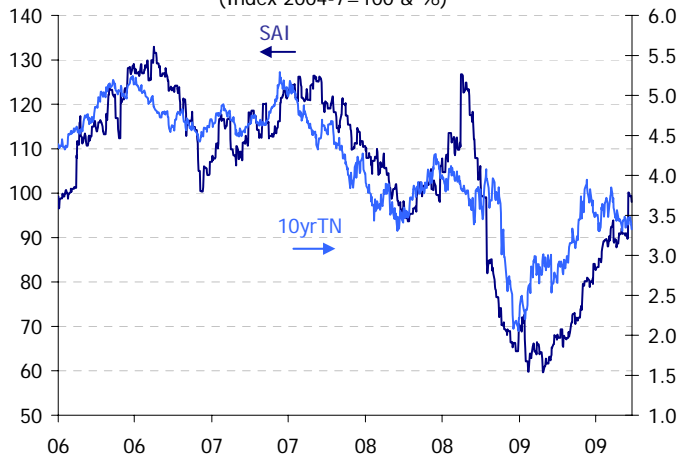
Source: BBVA ERD

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



Source: BBVA ERD

**BBVA US Surprise Activity Index & 10-yr Treasury**  
(Index 2004-7=100 & %)



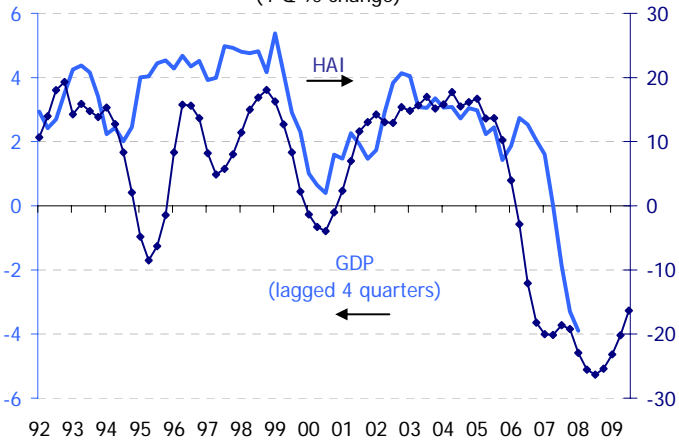
Source: BBVA ERD

**BBVA US Surprise Inflation Index**  
(Index 2004-7=100)



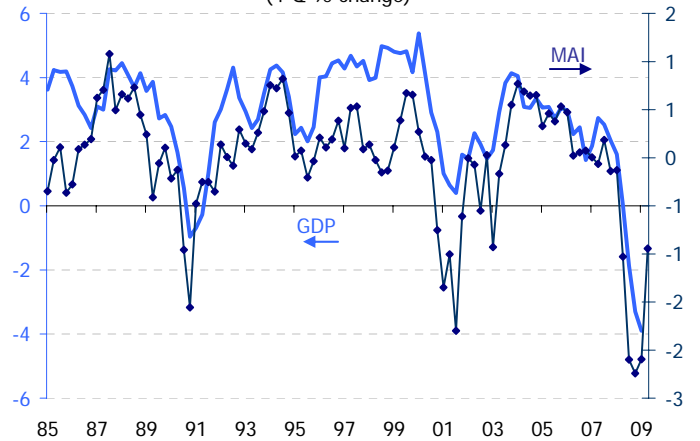
Source: BBVA ERD

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



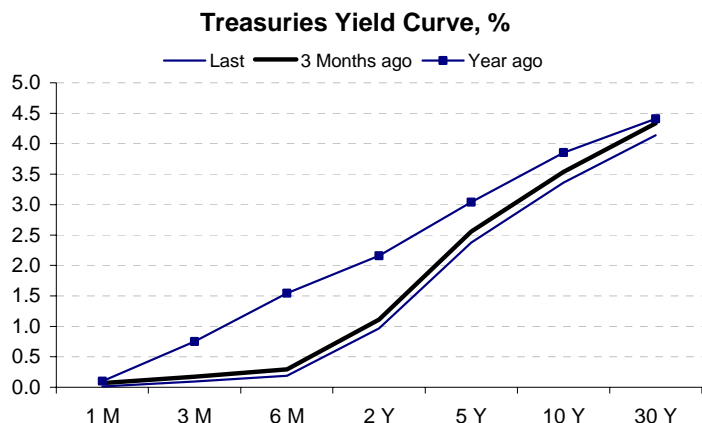
Source: BBVA ERD & BEA

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



Source: BBVA ERD & BEA

## 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	11.41	11.28	11.57
New Auto (36-months)	7.21	7.22	7.23	6.80
Heloc Loan 30K	5.86	5.84	5.80	5.51
30-year Fixed Mortgage *	5.04	5.04	6.37	6.71
Money Market	1.10	1.15	1.17	2.45
2-year CD	1.94	1.95	1.91	3.89
5-year CD	2.68	2.70	2.65	4.23

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

Federal Reserve Bank of Chicago President Charles Evans: *The International Financial Crisis: Asset Price Exuberance and Macprudential Regulation*. September 24, 2009

*In my view, redesigning regulations and improving market infrastructure offer more promising paths to increased financial stability. This is the "prevention" that forms the first line of defense in our efforts to never be in this position again.*

## Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
29-Sep	S&P/CS Composite-20 YoY	JUL	-13.80%	-14.20%	-15.44%
29-Sep	Consumer Confidence	SEP	57.9	57	54.1
30-Sep	ADP Employment Change	SEP	-234K	-195K	-298K
30-Sep	GDP QoQ (Annualized)	2Q T	-1.00%	-1.20%	-1.00%
30-Sep	Personal Consumption	2Q	-1.00%	-0.90%	-1.00%
30-Sep	GDP Price Index	2Q	0.00%	0.00%	0.00%
30-Sep	Core PCE QoQ	2Q	2.00%	2.00%	2.00%
30-Sep	Chicago Purchasing Manager	SEP	52.6	52	50
1-Oct	Personal Income	AUG	-0.10%	0.10%	0.00%
1-Oct	Personal Spending	AUG	0.70%	1.10%	0.20%
1-Oct	PCE Core (MoM)	AUG	0.10%	0.10%	0.10%
1-Oct	Initial Jobless Claims	26-Sep	519K	535K	530K
1-Oct	Continuing Claims	19-Sep	6182K	6181K	6138K
1-Oct	ISM Manufacturing	SEP	55.7	54	52.9
1-Oct	ISM Prices Paid	SEP	70.1	67	65
1-Oct	Construction Spending MoM	AUG	-0.20%	-0.20%	-0.20%
1-Oct	Pending Home Sales MoM	AUG	0.50%	1.00%	3.20%
1-Oct	Total Vehicle Sales	SEP	9.9M	9.90M	14.09M
2-Oct	Change in Nonfarm Payrolls	SEP	-190K	-187K	-216K
2-Oct	Unemployment Rate	SEP	9.80%	9.80%	9.70%
2-Oct	Change in Manufact. Payrolls	SEP	-35K	-55K	-63K
2-Oct	Average Hourly Earnings MoM	SEP	0.00%	0.20%	0.30%
2-Oct	Average Weekly Hours	SEP	33.1	33.1	33.1
2-Oct	Factory Orders	AUG	1.20%	1.00%	1.30%