



Weekly Observatory

November 23, 2009

Week Ahead

Corporate Profits (3Q09, Tuesday 8:30 ET)

Forecast: 6.2%

Consensus: n.a.

Previous: 0.9%

The pick-up in demand in 3Q09, coupled with businesses' cost cutting measures, will pull companies further out of the red in 4Q09. After-tax corporate profits with inventory valuation are expected to rise for the third consecutive quarter. Nevertheless, profits will remain at levels well below those of the previous year. While the increase in profits could indicate that companies may begin to open their purse strings, business spending will remain minimal as companies recover from previous losses, demand continues to be weak and credit markets remain tight.

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

Forecast: -9.2% yoy

Consensus: -9.1% yoy

Previous: -11.3% yoy

Home prices are expected to rise for the fourth month in a row, illustrating that the drastic decline in prices has ended. Stabilization in home prices is an essential first step for the recovery of the housing market. Prices are now both low and stable, amounting to an attractive environment for potential home buyers. Favorable prices, along with the added incentive from the extension of the tax credit for home buyers, will stimulate more demand for homes. As a result, we expect to see further improvement in the housing market in 4Q09.

Consumer Confidence (November, Tuesday 10:00 ET)

Forecast: 47.0

Consensus: 47.5

Previous: 47.7

Consumer confidence is expected to remain fairly stable. Even though the economy is beginning to recover, the high unemployment rate and weak job market is weighing on consumers' outlook. Once the employment situation begins to show sustained improvement, consumer confidence will pick up. As a result, personal spending is expected to remain low. Furthermore, consumers' flat outlook ties into our scenario of a slow recovery for consumption throughout 2010.

Personal Income and Outlays (October, Wednesday 8:30 ET)

Forecast: 0.1%, 0.4%

Consensus: 0.5%, 0.5%

Previous: 0.0%, -0.5%

After adjusting down in September due to the end of the Cash for Clunkers program, personal consumption expenditures (PCE) are expected to rebound in October due to higher than expected auto sales. Furthermore, strength in retail sales excluding autos indicates that demand is picking-up modestly outside of that sector as well. If auto sales remain fairly stable in the fourth quarter, consumption could increase at a small rate. Lastly, personal income is expected to post a small increase, but it will remain at levels well below that of last year. Low income growth will play a role in the slow recovery of PCE.

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

Forecast: 0.8%

Consensus: 0.5%

Previous: 1.4%

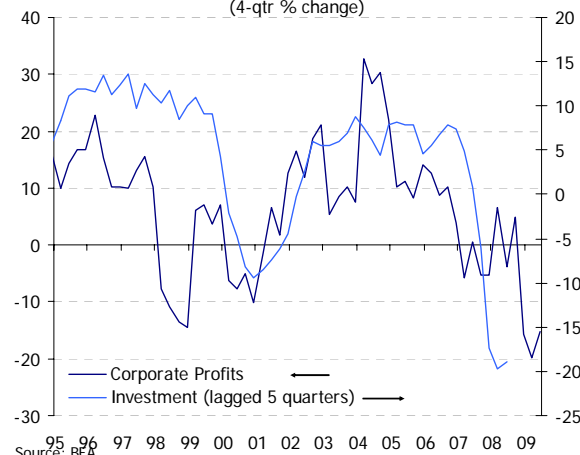
Orders for durable goods are expected to rise in October for the second month in a row, prompted by an increase in economic activity and the need to replenish low levels of inventories. The increase could indicate that manufacturing activity and industrial production will expand further in 4Q09. Furthermore, the anticipated rise in orders of capital goods excluding aircraft and parts could be a sign that the equipment and software component of non-residential investment will post another gain in the current quarter.

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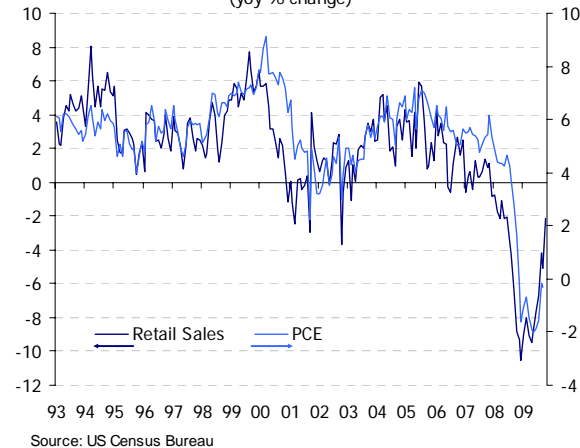
Corporate Profits & Non-Residential Investment

(4-qtr % change)



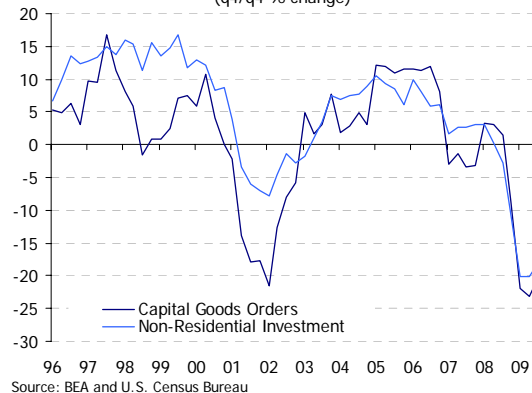
Real Retail Sales & PCE

(yoy % change)

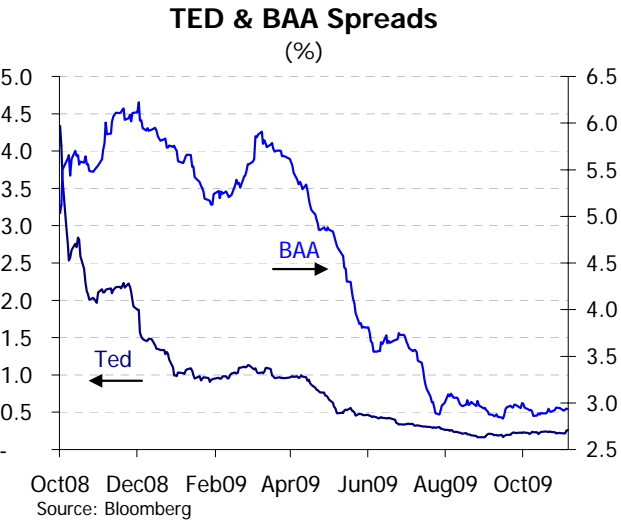
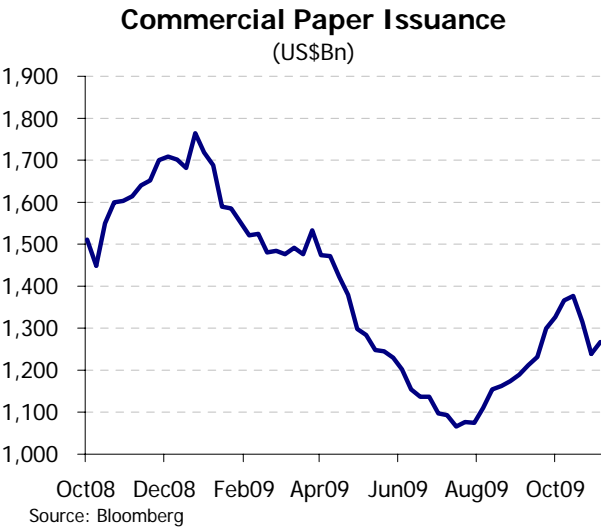
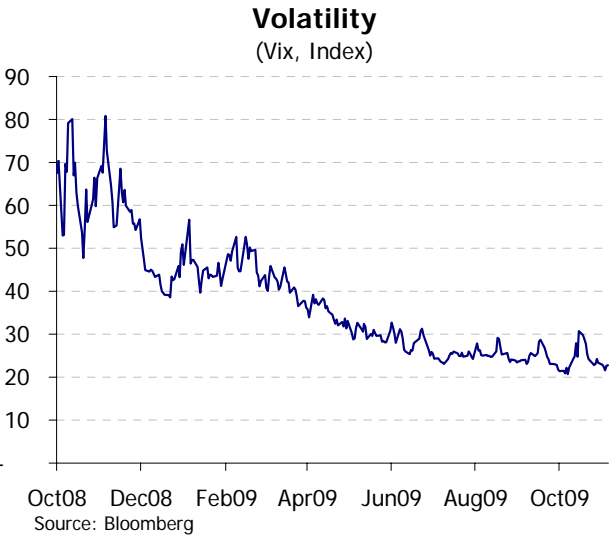
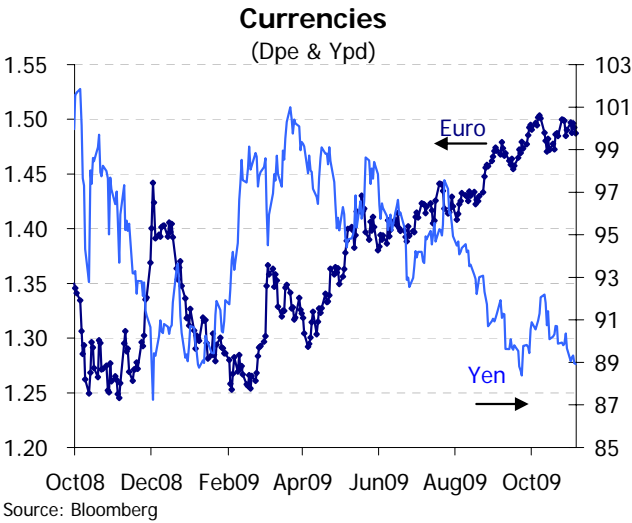
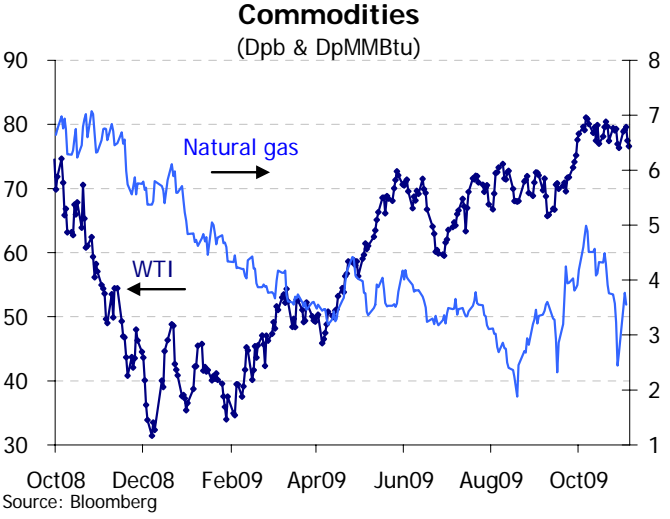
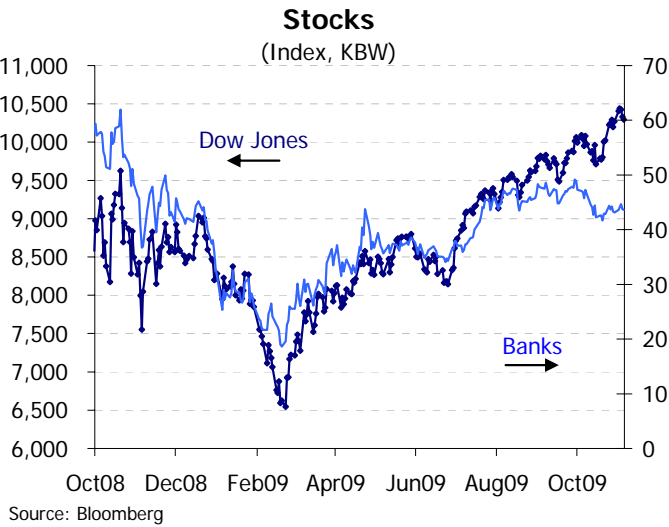


Orders of Capital Goods Excluding Aircraft and Parts & Non-Residential Investment in Equipment and Software

(q4/q4 % change)



Financial Markets



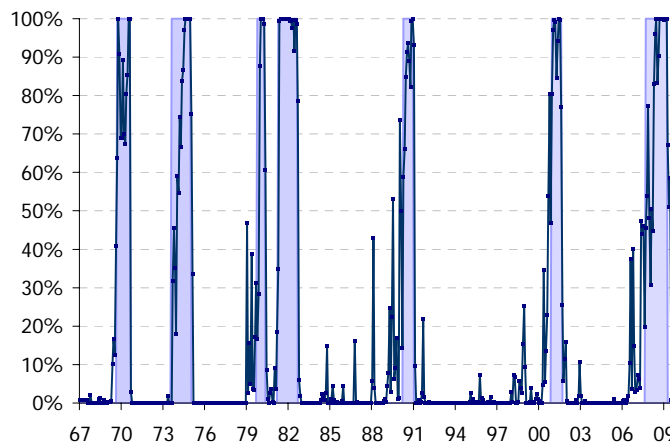
Economic Trends

BBVA US Weekly Activity Index
(3 month % change)



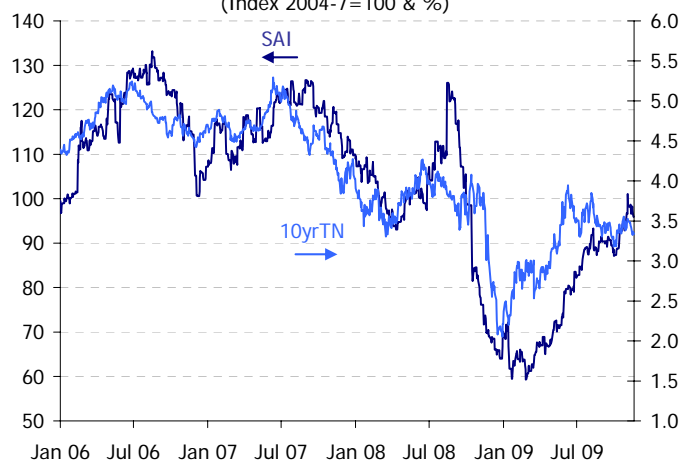
Source: BBVA ERD

BBVA US Recession Probability Model
(Recession episodes in shaded areas, %)



Source: BBVA ERD

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



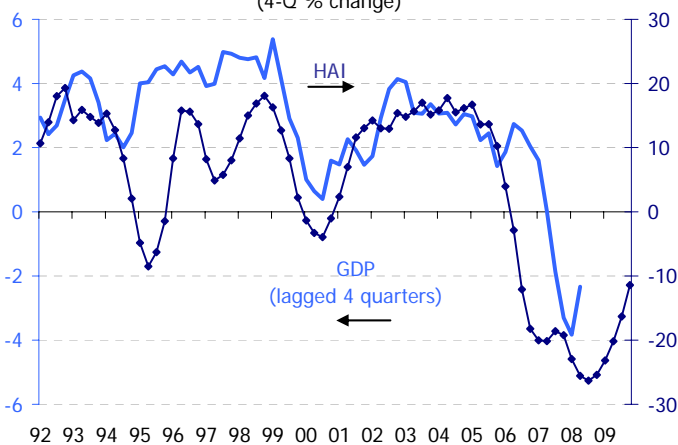
Source: BBVA FRD

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



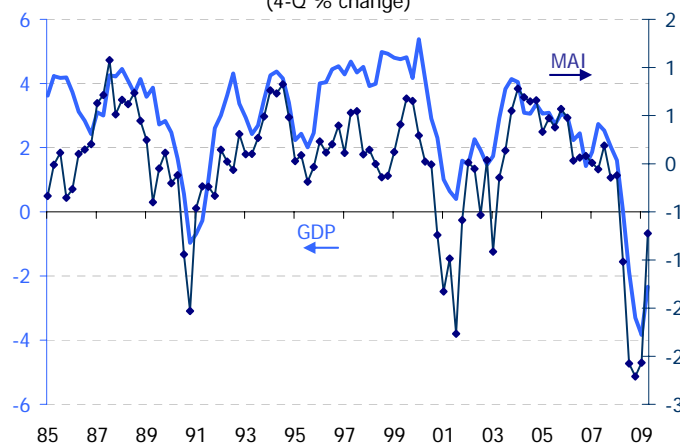
Source: BBVA ERD

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



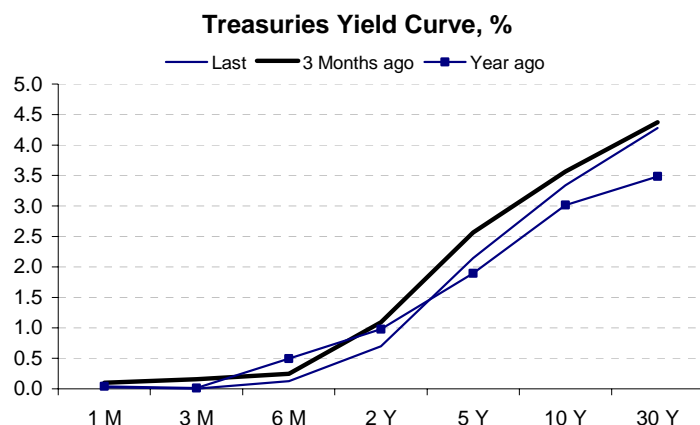
Source: BBVA ERD & BEA

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 | 4.00 |
| Credit Card (variable) | 11.48 | 11.48 | 11.48 | 11.50 |
| New Auto (36-months) | 6.67 | 6.45 | 7.08 | 6.81 |
| Heloc Loan 30K | 5.63 | 5.74 | 5.76 | 5.00 |
| 30-year Fixed Mortgage * | 4.83 | 4.91 | 6.37 | 6.71 |
| Money Market | 1.04 | 1.05 | 1.07 | 2.41 |
| 2-year CD | 1.92 | 1.92 | 1.95 | 3.52 |
| 5-year CD | 2.65 | 2.64 | 2.70 | 3.92 |

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Federal Reserve President Ben Bernanke: On the Outlook for the Economy and Policy
Economic Club of New York, NY, NY
November 16, 2009

We are attentive to the implications of changes in the value of the dollar and will continue to formulate policy to guard against risks to our dual mandate to foster both maximum employment and price stability. Our commitment to our dual objectives, together with the underlying strengths of the U.S. economy, will help ensure that the dollar is strong and a source of global financial stability.

Economic Calendar

| Date | Indicator | Period | Forecast | Consensus | Previous |
|--------|--------------------------------|--------|----------|-----------|----------|
| 23-Nov | Chicago Fed Nat Activity Index | OCT | | -- | -0.81 |
| 23-Nov | Existing Home Sales | OCT | 5.65M | 5.70M | 5.57M |
| 24-Nov | GDP QoQ (Annualized) | 3Q S | 3.50% | 2.90% | 3.50% |
| 24-Nov | Personal Consumption | 3Q S | 3.40% | 3.20% | 3.40% |
| 24-Nov | GDP Price Index | 3Q S | 0.80% | 0.80% | 0.80% |
| 24-Nov | Core PCE QoQ | 3Q S | 1.40% | 1.40% | 1.40% |
| 24-Nov | S&P/CS Composite-20 YoY | SEP | -9.20% | -9.05% | -11.32% |
| 24-Nov | Consumer Confidence | NOV | 47 | 47.5 | 47.7 |
| 24-Nov | Minutes of Nov. 4 FOMC Meeting | 25-Nov | | | |
| 24-Nov | ABC Consumer Confidence | 22-Nov | -- | -- | -45 |
| 25-Nov | MBA Mortgage Applications | 20-Nov | -- | -- | -2.50% |
| 25-Nov | Personal Income | OCT | 0.10% | 0.20% | 0.00% |
| 25-Nov | Personal Spending | OCT | 0.40% | 0.50% | -0.50% |
| 25-Nov | PCE Deflator (YoY) | OCT | 0.10% | 0.10% | -0.50% |
| 25-Nov | Durable Goods Orders | OCT | 0.80% | 0.50% | 1.00% |
| 25-Nov | Durables Ex Transportation | OCT | 0.70% | 0.60% | 0.90% |
| 25-Nov | Initial Jobless Claims | 21-Nov | 502K | 500K | 505K |
| 25-Nov | Continuing Claims | 14-Nov | 5566K | 5565K | 5611K |
| 25-Nov | U. of Michigan Confidence | NOV F | 66 | 67 | 66 |
| 25-Nov | New Home Sales | OCT | 420K | 405K | 402K |