



Weekly Observatory

December 28, 2009

Week Ahead

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

Forecast: 0.7% Consensus: 0.2% Previous: 0.3%

The S&P Case-Shiller 20 Home Price Index is expected to show that home prices rose for the sixth consecutive month in October. Although prices still remain below those of last year, they have stabilized from their dramatic thirty-three month decline. In total, they dropped 32.6% from peak to trough. Looking forward, prices are expected to continue to rise, but at a slow pace. Demand for homes is strengthening and inventories are shrinking. Low, stable home prices, favorable mortgage rates, increasing affordability levels and the tax credit for home buyers will continue to support demand and prices.

Consumer Confidence (December, Tuesday 10:00 ET)

Forecast: 51.7 Consensus: 53.0 Previous: 49.5

Consumer confidence is expected to rise in December for the second month in a row as a slow-down in job losses and an improvement in personal income help to boost consumer's outlook. While the trend in consumer confidence has remained flat over the past seven months, reflecting households' uncertainty about the path of recovery, confidence should begin to rise in the next several months, albeit at a slow pace. The worst of the recession appears to be over for the consumer. While job losses continue, they have slowed significantly. Furthermore, personal income is on the verge of recovery and should return to a positive year-over-year rate in the next few months. While these signs are expected to result in an increase in PCE in 4Q09 and 2010, the slow recovery of the job market could limit the pace of expansion.

Chicago PMI (December, Wednesday 9:45 ET)

Forecast: 55.8 Consensus: 55.1 Previous: 56.1

The Chicago Purchasing Managers' Index is expected to indicate that overall business activity rose in December as it comes in above the benchmark of fifty for the third consecutive month. The Chicago PMI is unique from other regional indices because it measures both manufacturing and non-manufacturing sectors. For that reason, its results would indicate an overall expansion in economic activity, which is in line with our baseline scenario of GDP growth in 4Q09.

Initial and Continuing Jobless Claims (w/e 12/18, Thurs 8:30 ET)

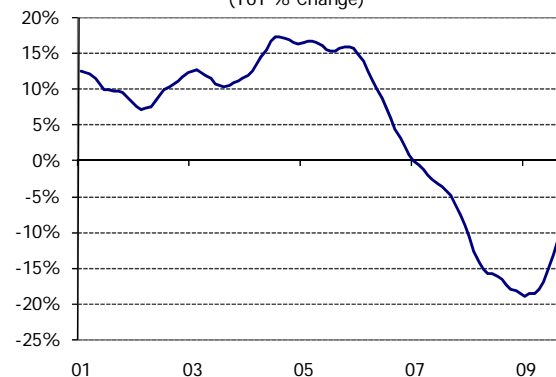
Forecast: 469K Consensus: 463K Previous: n.a.

Initial unemployment insurance claims are expected to decline further, reflecting modest improvement in the labor market. While claims have been declining steadily since the beginning of 2H09, they remain well above the levels of December 2007, which is when the recession officially began. These results are consistent with our baseline scenario of a gradual recovery in labor markets.

Kristin Lomicka

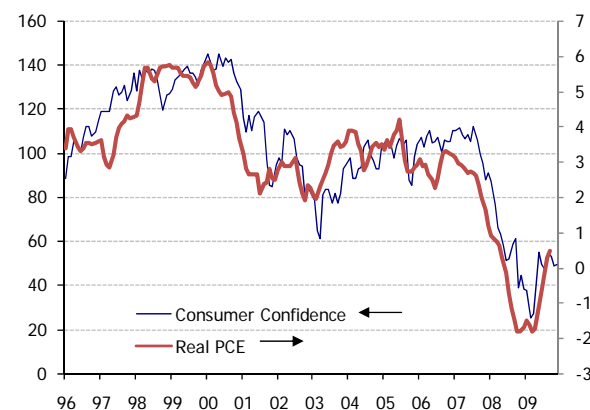
Kristin.Lomicka@bbvacompass.com

S&P Housing Prices Index
(YoY % Change)



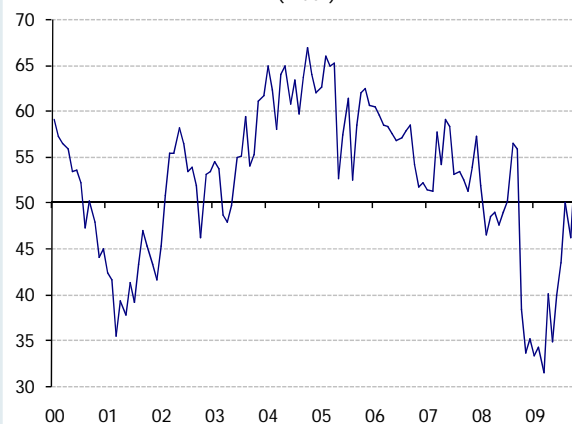
Source: S&P

Consumer Confidence and Real PCE
(Index, 3mma yoy % change)



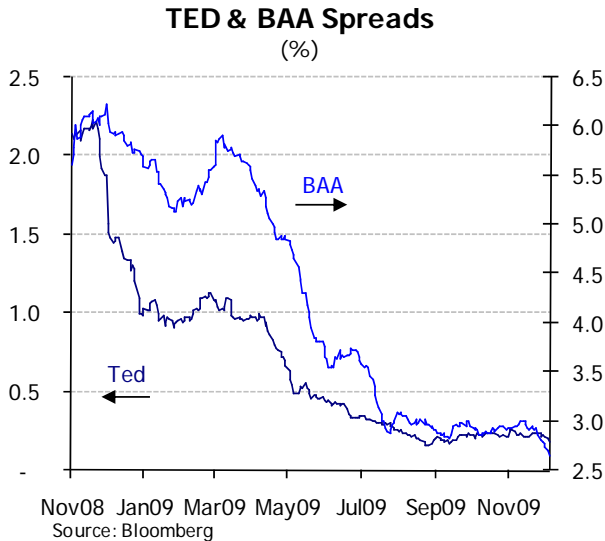
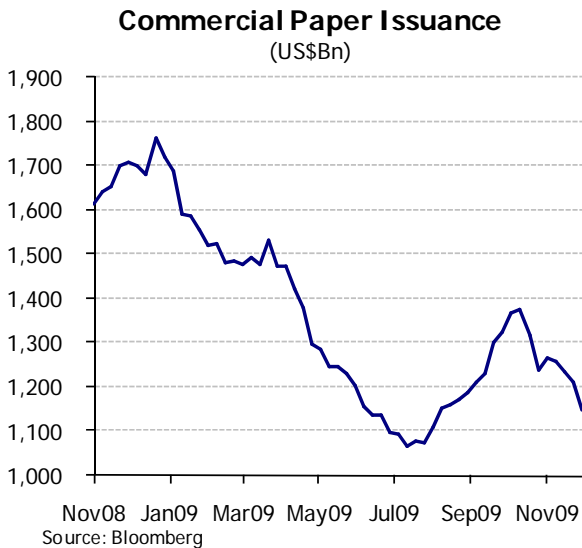
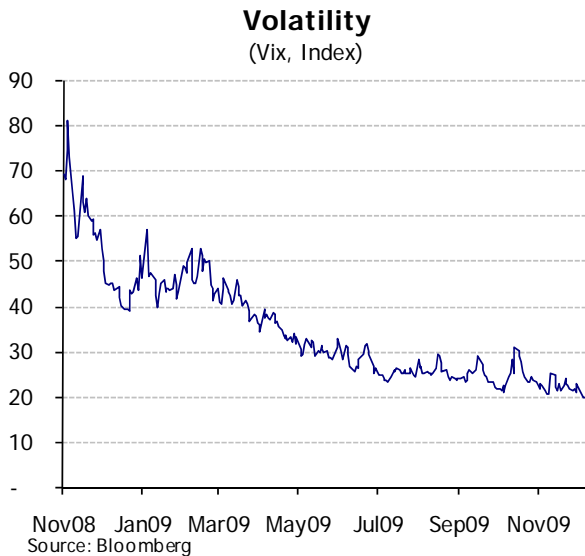
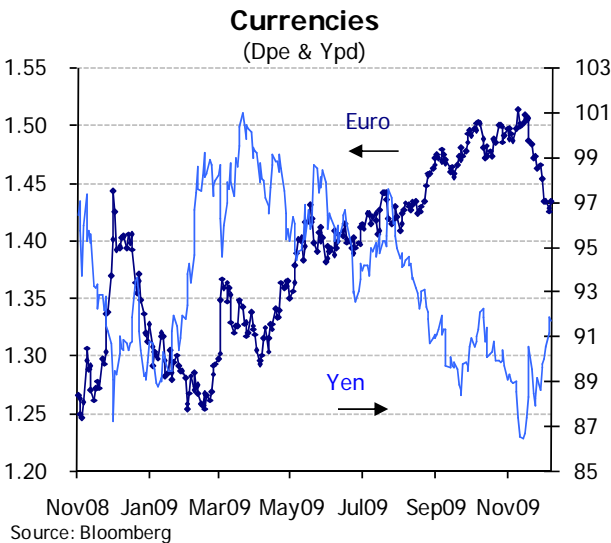
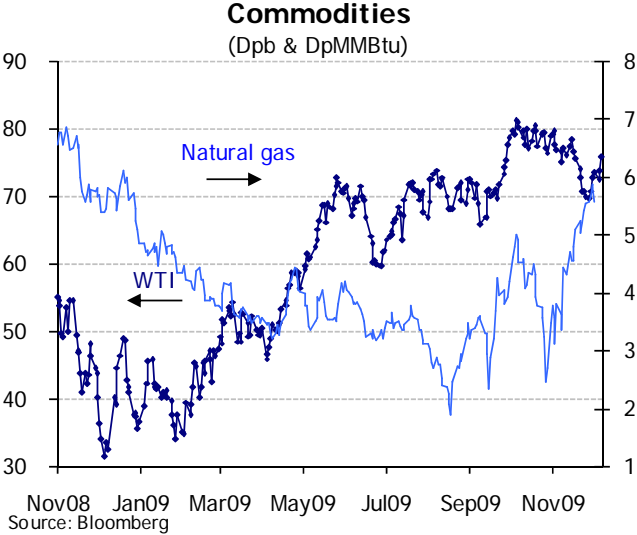
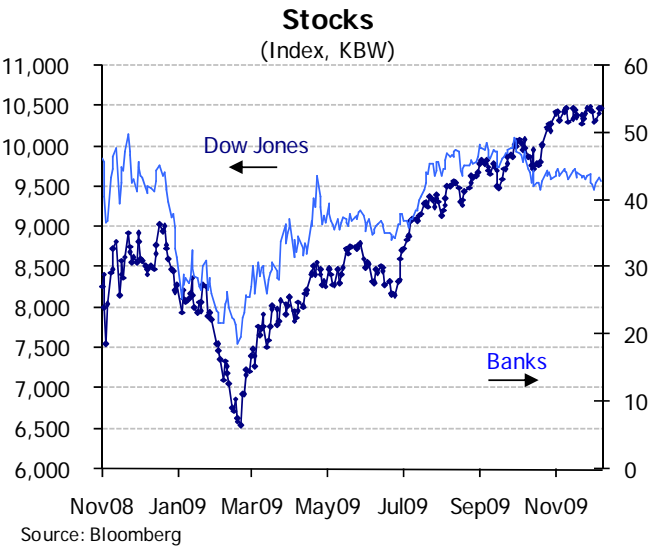
Source: The Conference Board and BEA

Chicago PMI
(Index)



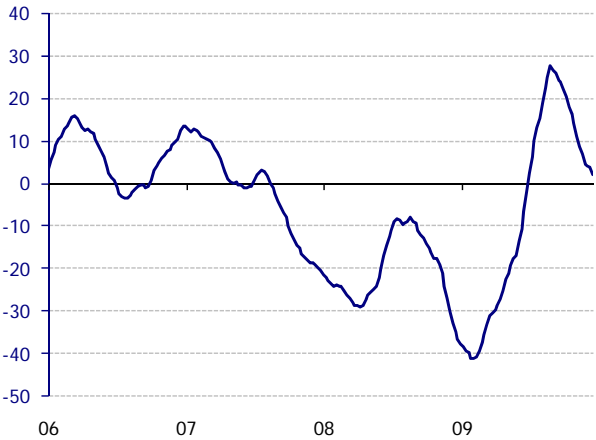
Source: ISM

Financial Markets



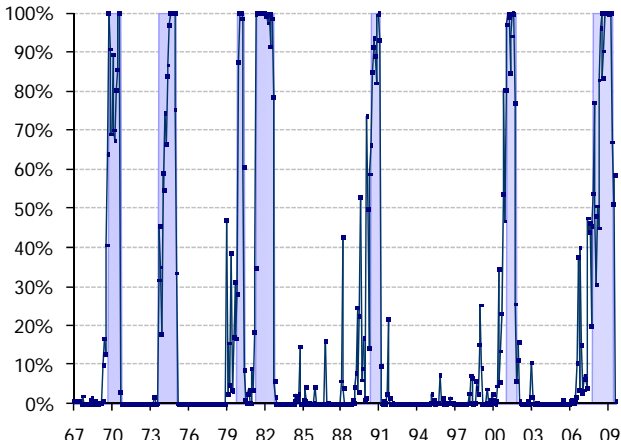
Economic Trends

BBVA US Weekly Activity Index
(3 month % change)



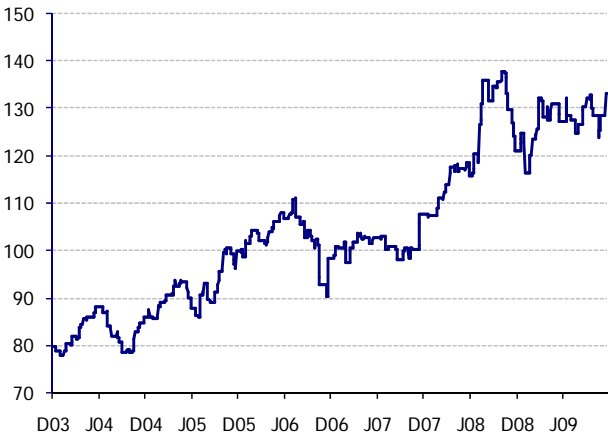
Source: BBVA ERD

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



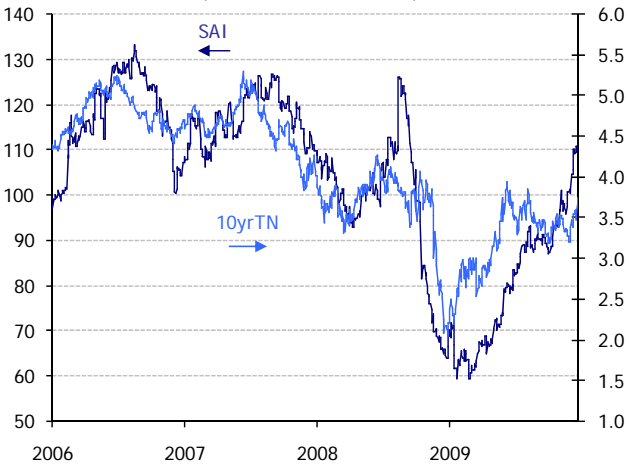
Source: BBVA ERD

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



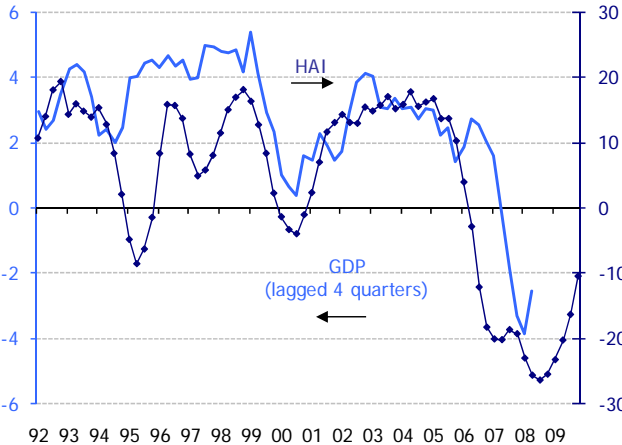
Source: BBVA ERD

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



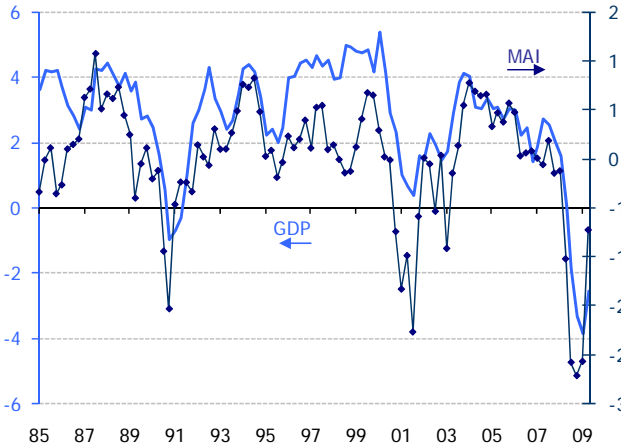
Source: BBVA ERD

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



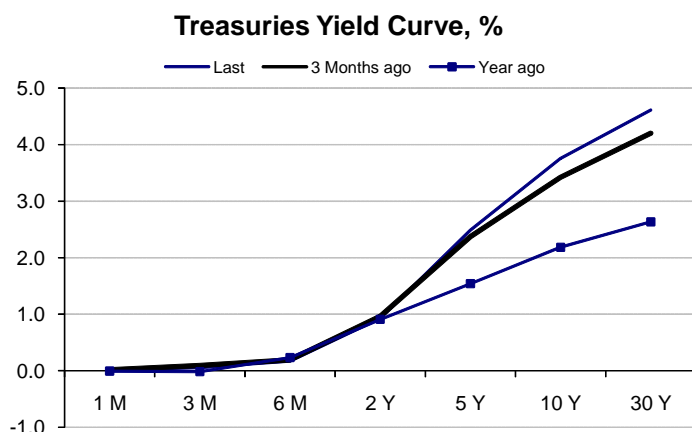
Source: BBVA ERD & BEA

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	3.25
Credit Card (variable)	11.48	11.48	11.48	10.96
New Auto (36-months)	6.71	6.70	6.67	6.70
Heloc Loan 30K	5.65	5.67	5.64	4.97
30-year Fixed Mortgage *	n.a.	4.94	6.37	6.71
Money Market	0.87	0.87	1.02	2.22
2-year CD	1.81	1.81	1.92	3.05
5-year CD	2.59	2.57	2.64	3.40

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Senate Finance Committee Chairman Max Baucus
As quoted by the Wall Street Journal on Dec 23, 2009

"The finish line is in sight," said Senate Finance Committee Chairman Max Baucus, the Montana Democrat who is a chief architect of the Senate bill. "Now we know with certainty that we have the will to cross it."

Economic Calendar

Date Time	Event	Period	Forecast	Survey	Previous
28-Dec	Dallas Fed Manf. Activity	DEC	--	--	0.30%
29-Dec	S&P/CaseShiller Home Price Ind	OCT	147.5	146.8	146.51
29-Dec	S&P/CS Composite-20 YoY	OCT	-6.70%	-7.25%	-9.36%
29-Dec	Consumer Confidence	DEC	51.7	52.9	49.5
29-Dec	ABC Consumer Confidence	27-Dec	--	--	-42
30-Dec	Chicago Purchasing Manager	DEC	55.8	55.3	56.1
31-Dec	Initial Jobless Claims	26-Dec	469K	--	--
31-Dec	Continuing Claims	19-Dec	5140K	--	--
31-Dec	NAPM-Milwaukee	DEC	--	--	57
31-Dec	Bloomberg FCI Monthly	DEC	--	--	--