



Weekly Observatory

January 25, 2010

Week Ahead

Existing Home Sales (December, Monday 10:00 ET)

Forecast: 5.75M Consensus: 5.90M Previous: 6.54M

Existing home sales are expected to drop in December, as indicated by the 16% decline in pending home sales. The strong growth in home sales in the previous three months was inflated by buyers rushing to close the deals before the original November 31 expiration date of the home buyers' tax credit. December's decline will represent a downward adjustment due to the absence of this effect. Nevertheless, market conditions continue to favor the buyer as home prices and mortgage rates are low and affordability levels are high. These conditions will help to support home sales moving forward.

Consumer Confidence (January, Tuesday 10:00 ET)

Forecast: 54.0 Consensus: 53.5 Previous: 52.9

Consumer confidence is expected to rise for the third consecutive month, which will help to sustain the recent pick-up in consumer spending. Some positive signs from the labor market, such as the slow in job losses and the addition of jobs to select services sectors, will boost confidence. Nevertheless, the Beige Book reported that businesses intend to remain conservative in their hiring practices, indicating that confidence will rise at a slow pace moving forward.

FOMC Statement (Wednesday 2:00 ET)

Forecast: 0%-0.25% Consensus: 0%-0.25% Previous: 0%-0.25%

The FOMC is not expected to make any significant changes to their statement. Given that economic slack is still prevalent and inflationary pressures remain balanced, the committee will hold the target interest rate at 0%-0.25%.

Durable Goods Orders (December, Thursday 8:30 ET)

Forecast: 2.0% Consensus: 2.0% Previous: 0.2%

Durable goods orders are expected to rise for the second month in a row in December, further supporting the expansion of the manufacturing industry and industrial production. Moreover, orders of capital goods excluding aircraft and parts are expected to increase, supporting our forecast of a second quarterly rise in non-residential investment in equipment & software.

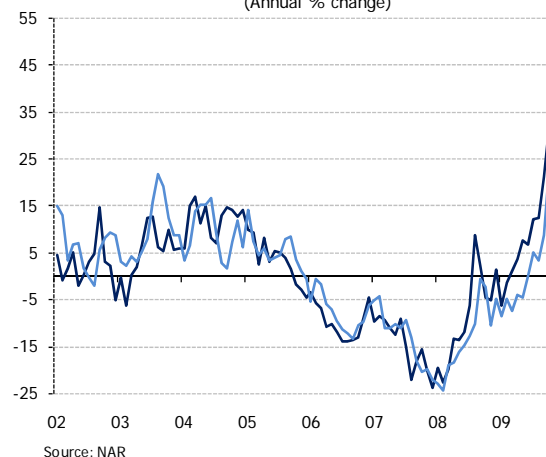
Gross Domestic Product (Advanced) (4Q09, Friday 8:30 ET)

Forecast: 4.2% Consensus: 4.6% Previous: 2.2%

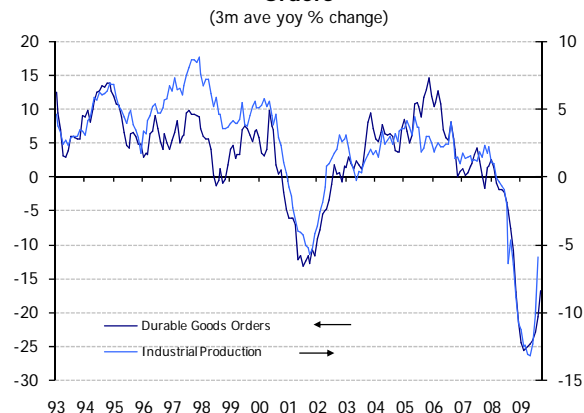
The economy is expected to expand at a faster pace in 4Q09 than in 3Q09. GDP will receive a significant boost from inventories as businesses began to restock after six quarters of steep declines. Furthermore, consumption will contribute to growth, but it will expand at a slower pace than in the previous quarter. The decline in non-residential investment will slow further as investment in equipment and software offsets the slowing expenditures on structures. On the other hand, after rising in 3Q09, residential investment will decline as indicated by a slow in housing starts and construction spending. Lastly, the expansion of imports is outpacing that of exports, which will result in a negative contribution to GDP.

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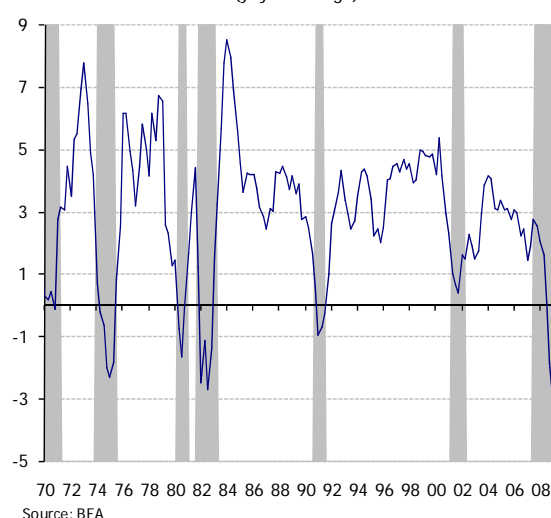
Pending Home Sales
(Annual % change)



Industrial Production & Durable Goods Orders
(3m ave yoy % change)



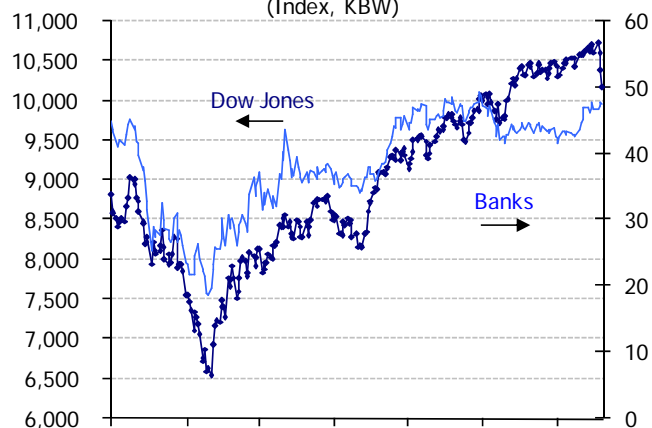
GDP
(yoy % change)



Financial Markets

Stocks

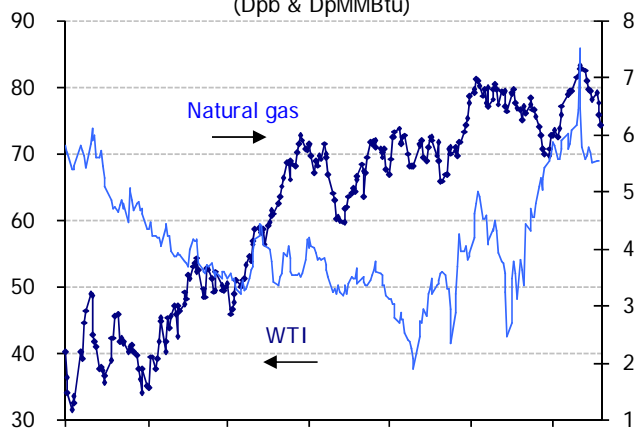
(Index, KBW)



Dec08 Feb09 Apr09 Jun09 Aug09 Oct09 Dec09
Source: Bloomberg

Commodities

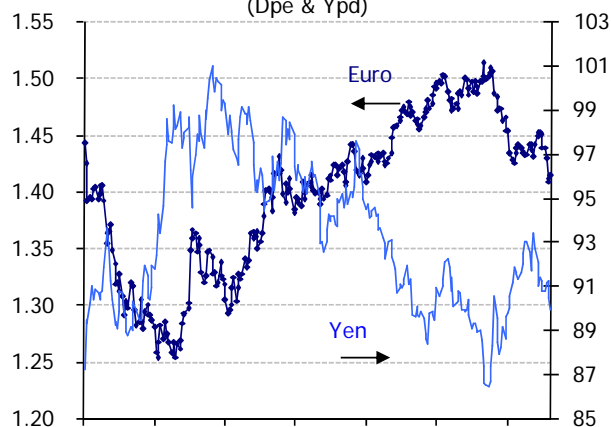
(Dpb & DpMMBtu)



Dec08 Feb09 Apr09 Jun09 Aug09 Oct09 Dec09
Source: Bloomberg

Currencies

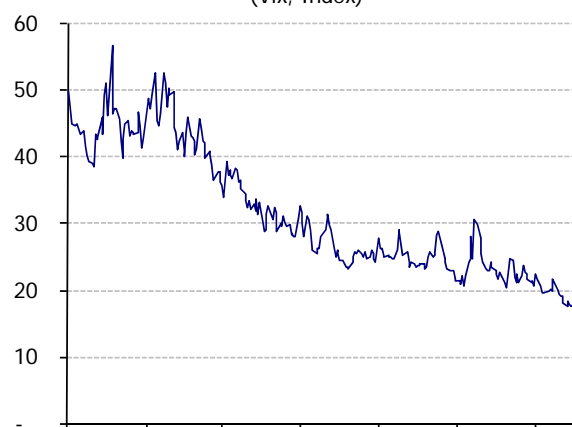
(Dpe & Ypd)



Dec08 Feb09 Apr09 Jun09 Aug09 Oct09 Dec09
Source: Bloomberg

Volatility

(Vix, Index)



Dec08 Feb09 Apr09 Jun09 Aug09 Oct09 Dec09
Source: Bloomberg

Commercial Paper Issuance

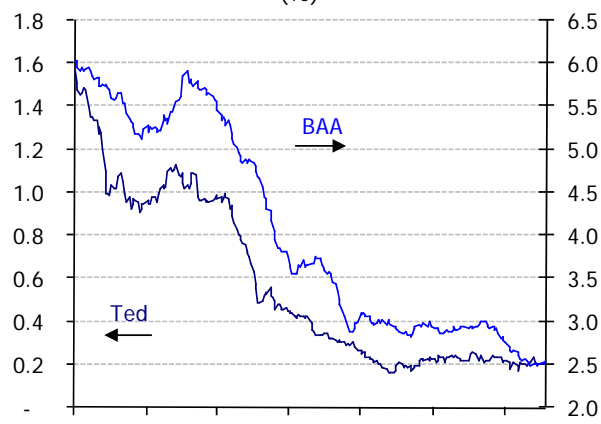
(US\$Bn)



Dec08 Feb09 Apr09 Jun09 Aug09 Oct09 Dec09
Source: Bloomberg

TED & BAA Spreads

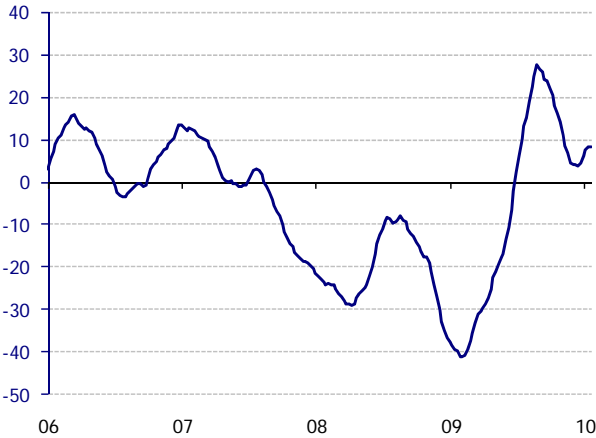
(%)



Dec08 Feb09 Apr09 Jun09 Aug09 Oct09 Dec09
Source: Bloomberg

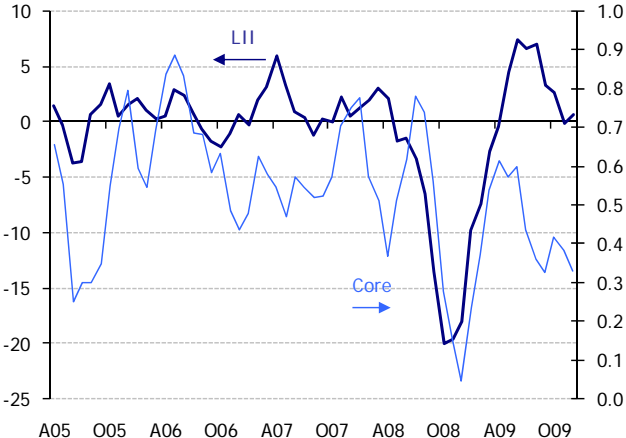
Economic Trends

BBVA US Weekly Activity Index
(3 month % change)



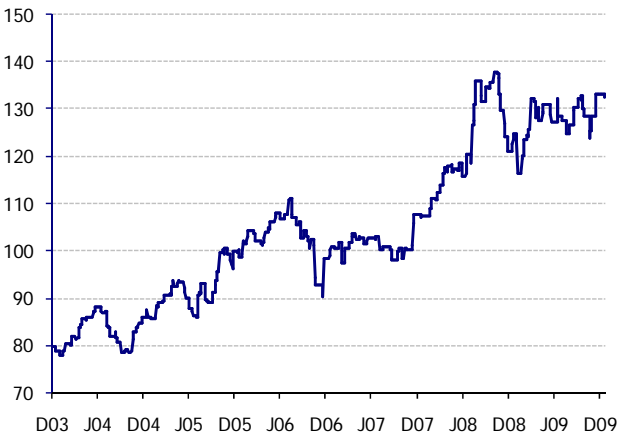
Source: BBVA ERD

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



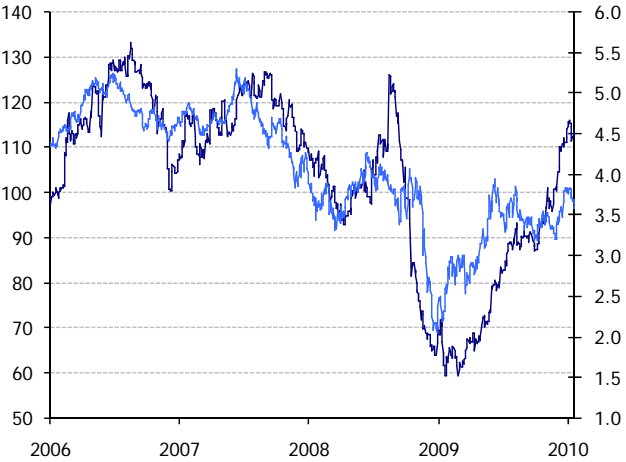
Source: BBVA ERD

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



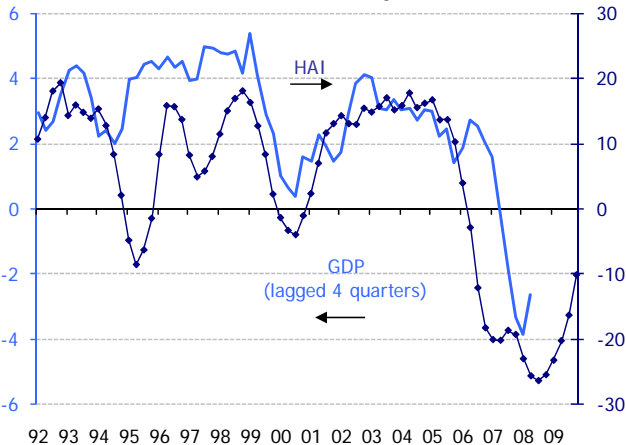
Source: BBVA ERD

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



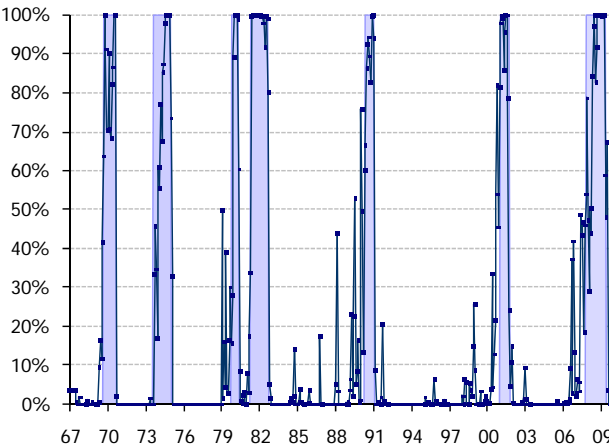
Source: BBVA ERD

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



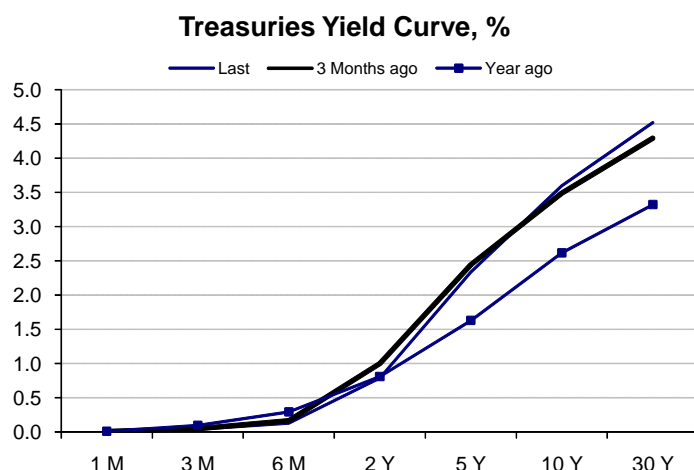
Source: BBVA ERD & BEA

BBVA US 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	3.25
Credit Card (variable)	11.74	11.54	11.48	10.98
New Auto (36-months)	6.43	6.49	6.70	7.00
Heloc Loan 30K	5.70	5.66	5.65	4.97
30-year Fixed Mortgage *	4.99	5.06	6.37	5.12
Money Market	0.89	0.90	0.90	1.88
2-year CD	1.79	1.79	1.81	2.47
5-year CD	2.70	2.69	2.59	2.85

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Senate Banking Chairman Chris Dodd on Healthcare
As quoted by the Wall Street Journal
January 22, 2010

“We have to find this way forward, and we’re probably better going to do that in a calmer environment than deciding to either jam something down people’s throats, which the public would react negatively to, or throwing up our hands and just deciding that we’re not going to do anything.”

Economic Calendar

Date Time	Event	Period	Forecast	Survey	Previous
25-Jan	Existing Home Sales	DEC	5.75M	5.90M	6.54M
26-Jan	S&P/CS Composite-20 YoY	NOV	-5.10%	-5.00%	-7.28%
26-Jan	S&P/CS 20 City MoM% SA	NOV	-0.80%	0.30%	0.37%
26-Jan	Consumer Confidence	JAN	54	53.5	52.9
27-Jan	MBA Mortgage Applications	22-Jan	- -	- -	9.10%
27-Jan	New Home Sales	DEC	347K	370K	355K
27-Jan	FOMC Rate Decision	27-Jan	0.25%	0.25%	0.25%
28-Jan	Durable Goods Orders	DEC	2.00%	2.00%	0.20%
28-Jan	Durables Ex Transportation	DEC	0.20%	0.50%	2.00%
28-Jan	Initial Jobless Claims	23-Jan	464K	450K	482K
28-Jan	Continuing Claims	16-Jan	4560K	4600K	4599K
29-Jan	GDP QoQ (Annualized)	4Q A	4.20%	4.60%	2.20%
29-Jan	Personal Consumption	4Q A	1.80%	1.80%	2.80%
29-Jan	Core PCE QoQ	4Q A	1.30%	1.30%	1.20%
29-Jan	Employment Cost Index	4Q	0.40%	0.40%	0.40%
29-Jan	Chicago Purchasing Manager	JAN	59.3	57.4	60
29-Jan	U. of Michigan Confidence	JAN F	72.8	73	72.8