



# Weekly Observatory

March 29, 2010

## Week Ahead

### Personal Income and Outlays (February, Monday 8:30 ET)

Forecast: 0.1%, 0.5%    Consensus: 0.1%, 0.3%    Previous: 0.1%, 0.5%

Personal income is expected to rise for the sixth consecutive month as wages stabilize; a trend that will help support consumer spending. In addition, strong retail sales in February point to an increase in PCE. Consumer demand has picked up in the first quarter of 2010, even though weakness remains in the labor market. This trend supports our expectation that consumer spending will contribute to GDP growth in 1Q10.

### S&P Case-Shiller 20 Home Price Index (January, Tuesday 10:00 ET)

Forecast: -0.5%    Consensus: -0.6%    Previous: -3.1%

Weak housing demand will keep home prices subdued in January. Home prices have waned in recent months, but they are expected to firm once the weather improves. On a positive note, home prices are exhibiting an upward trend on a year-over-year basis, which indicates that they are on the path to recovery. Low prices, coupled with attractive mortgage rates, are expected to draw buyers to the market in the upcoming months.

### Consumer Confidence (March, Tuesday 10:00 ET)

Forecast: 51    Consensus: 50    Previous: 46

Consumer confidence is expected to rebound to 51 in March after plunging 10.5 points in February. Overall, the index has been maintaining a flat trend, which could reflect consumers' concerns regarding the ongoing weakness in the labor market and uncertainty about the pace of the recovery. While consumer confidence is not expected to trend down, it will not likely increase until the labor market begins to add jobs.

### ISM Manufacturing Index (March, Thursday 10:00 ET)

Forecast: 57.5    Consensus: 57.0    Previous: 56.5

February's increase in durable goods orders, which was widespread across most components, could translate into greater manufacturing activity and an increase in the ISM. The manufacturing sector has been leading the economic recovery and the resumption in industrial production. A higher ISM in March would support our expectation of an increase in industrial production, as well as in manufacturing employment in Friday's non-farm payrolls report.

### Non-Farm Payrolls (March, Friday 8:30 ET)

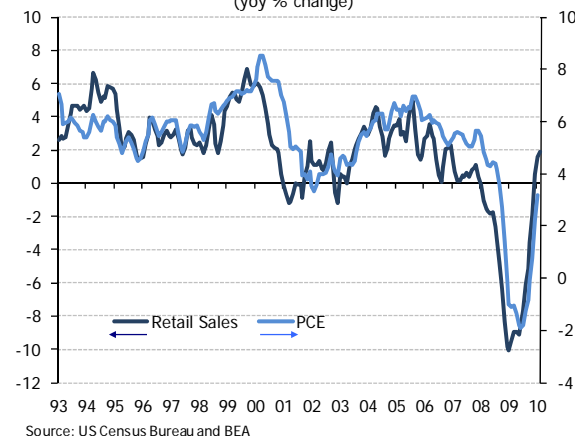
Forecast: 150K    Consensus: 190K    Previous: -36K

March's non-farm payrolls will receive a boost from the hiring of temporary census workers, resulting in a net gain of 150K jobs. The census is expected to add jobs from March through May, which will be evidenced in the government services component. Apart from the census, the employment situation is expected to improve in March. Temporary help services will continue to lead the recovery and the manufacturing sector will add jobs for the third consecutive month in order to satisfy the increase in demand.

Kristin Lomicka

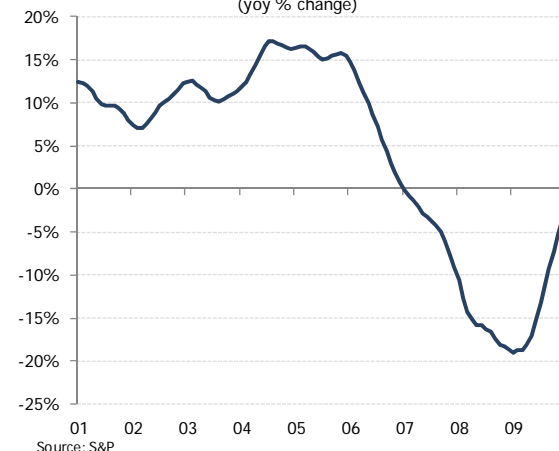
Kristin.Lomicka@bbvacompass.com

**Real Retail Sales & PCE**  
(yoy % change)



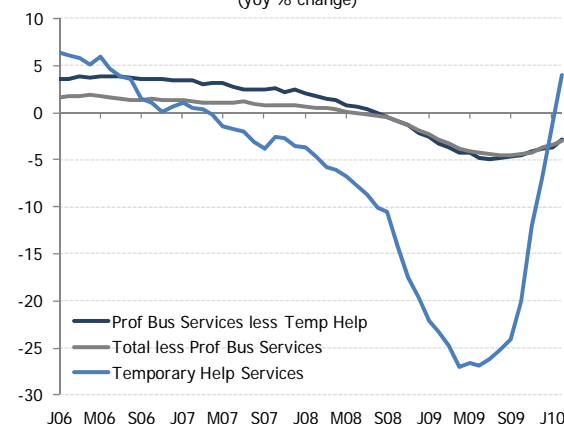
Source: US Census Bureau and BEA

**S&P Case-Shiller Home Price Index**  
(yoy % change)



Source: S&amp;P

**Non-Farm Payrolls**  
(yoy % change)

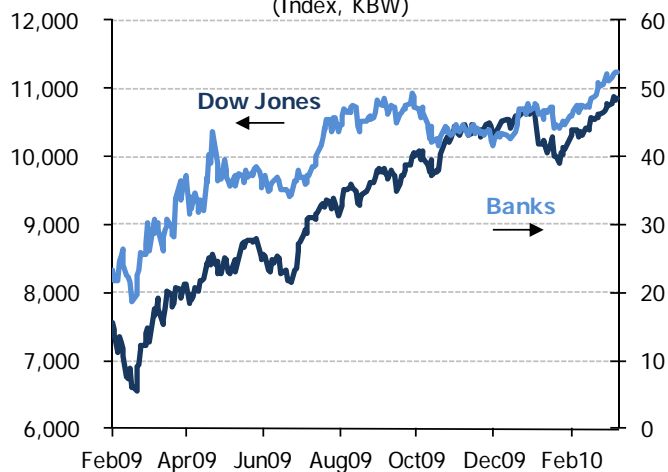


Source: BLS

## Financial Markets

## Stocks

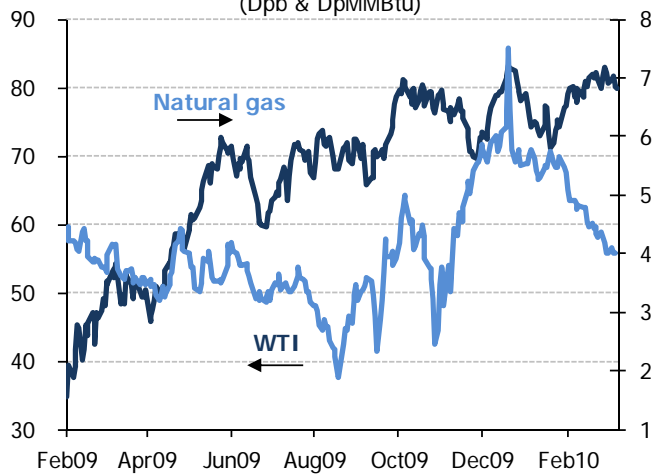
(Index, KBW)



Source: Bloomberg

## Commodities

(Dpb &amp; DpMMBtu)



Source: Bloomberg

## Currencies

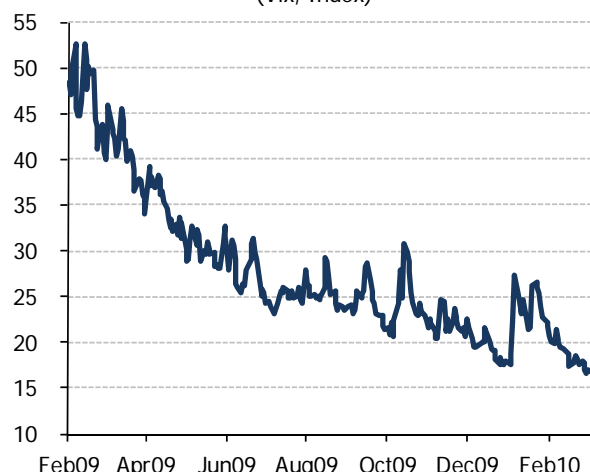
(Dpe &amp; Ypd)



Source: Bloomberg

## Volatility

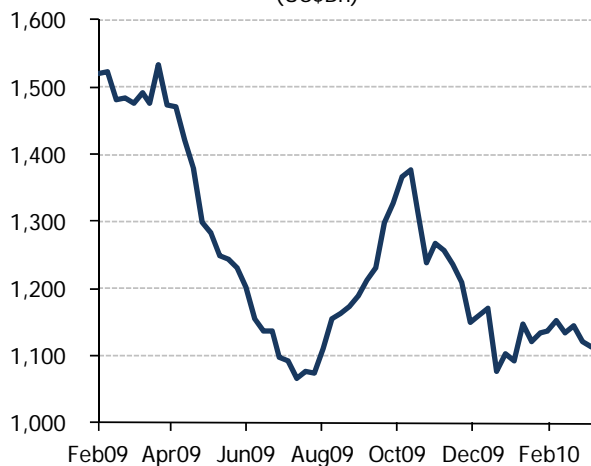
(Vix, Index)



Source: Bloomberg

## Commercial Paper Issuance

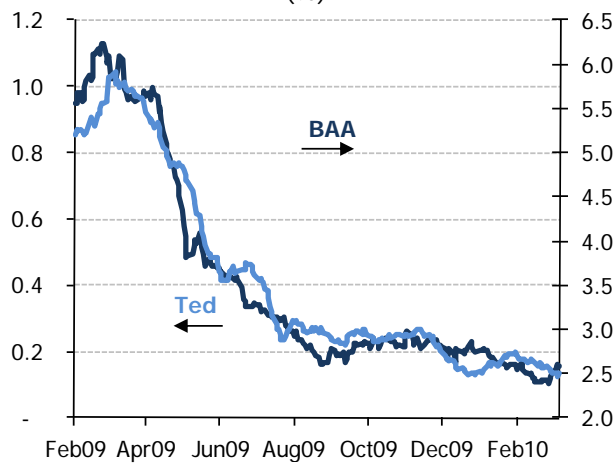
(US\$Bn)



Source: Bloomberg

## TED &amp; BAA Spreads

(%)



Source: Bloomberg

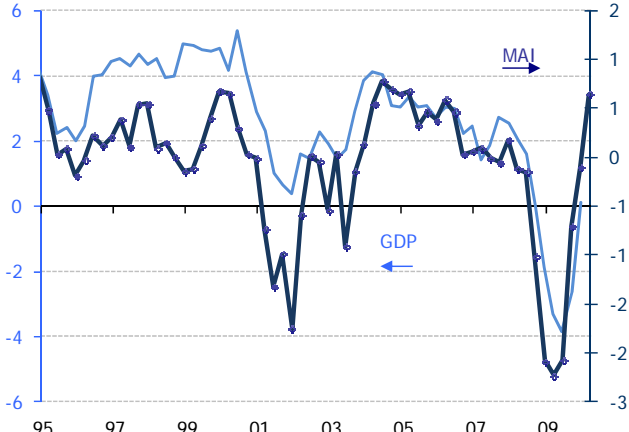
Economic Trends

BBVA US Weekly Activity Index  
(3 month % change)



Source: BBVA ERD

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



Source: BBVA ERD & BEA

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



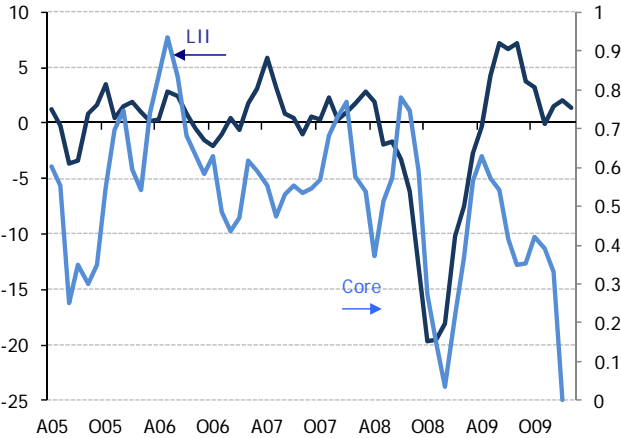
Source: BBVA ERD

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



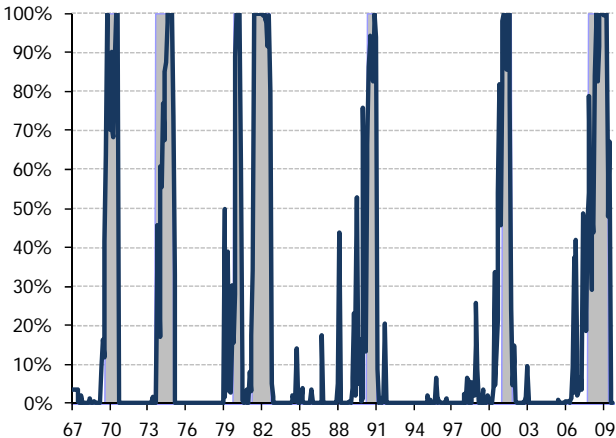
Source: BBVA ERD

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



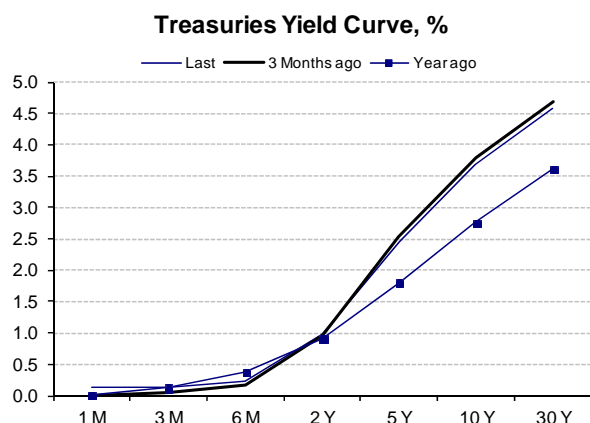
Source: BBVA ERD

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)	12.79	12.55	12.45	10.73
New Auto (36-months)	6.40	6.40	6.28	6.84
Heloc Loan 30K	5.71	5.70	5.71	5.11
30-year Fixed Mortgage *	4.99	4.96	6.37	4.85
Money Market	0.79	0.82	0.84	1.37
2-year CD	1.64	1.65	1.73	2.16
5-year CD	2.60	2.60	2.65	2.65

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

Federal Reserve Chairman Ben Bernanke  
*Federal Reserve's Exit Strategy*  
 March 25, 2010

The economy continues to require the support of accommodative monetary policies. However, we have been working to ensure that we have the tools to reverse, at the appropriate time, the currently very high degree of monetary stimulus. We have full confidence that, when the time comes, we will be ready to do so.

## Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
29-Mar	Personal Income	FEB	0.10%	0.10%	0.10%
29-Mar	Personal Spending	FEB	0.50%	0.30%	0.50%
29-Mar	PCE Core (MoM)	FEB	0.10%	0.10%	0.00%
30-Mar	S&P/CS Composite-20 YoY	JAN	-0.50%	-0.60%	-3.10%
30-Mar	S&P/CS 20 City MoM% SA	JAN	-0.80%	-0.20%	0.32%
30-Mar	Consumer Confidence	MAR	51	50	46
31-Mar	ADP Employment Change	MAR	20	40K	-20K
31-Mar	Chicago Purchasing Manager	MAR	63.5	61	62.6
31-Mar	Factory Orders	FEB	0.90%	0.50%	1.70%
1-Apr	Initial Jobless Claims	27-Mar	431K	440K	442K
1-Apr	Continuing Claims	20-Mar	4620K	4600K	4648K
1-Apr	ISM Manufacturing	MAR	57.5	57	56.5
1-Apr	ISM Prices Paid	MAR	68.5	67	67
1-Apr	Construction Spending MoM	FEB	-0.80%	-1.00%	-0.60%
1-Apr	Domestic Vehicle Sales	MAR	9.3M	9.00M	7.91M
1-Apr	Total Vehicle Sales	MAR	11.9M	12.00M	10.36M
2-Apr	Change in Nonfarm Payrolls	MAR	150K	190K	-36K
2-Apr	Change in Manufact. Payrolls	MAR	10K	13K	1K
2-Apr	Avg Hourly Earning MOM All Emp	MAR	0.20%	0.20%	0.10%
2-Apr	Avg Weekly Hours All Employees	MAR	33.9	33.9	33.8
2-Apr	Unemployment Rate	MAR	9.70%	9.70%	9.70%

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