



# Weekly Observatory

April 19, 2010

## Week Ahead

### Leading Economic Index (LEI) (March, Monday 10:00 ET)

Forecast: 0.8%      Consensus: 1.0%      Previous: 0.1%

The LEI, which compiles various leading indicators into a single index, is expected to rise at one of the fastest paces in the past three months amid strong economic data in March. The increase will be led by initial jobless claims, which slowed significantly. Furthermore, a pick-up in building permits, a rally in the S&P500 and an improvement in consumer expectations will help to support the index. The index's results will support our expectation that economic activity will continue to expand in the second quarter.

### Producer Price Index (March, Thursday 8:30 ET)

Forecast: 0.3%      Consensus: 0.5%      Previous: -0.6%

Producer prices are expected to rise 0.3% in March, pushing producer price inflation to over 5.0% on a year-over-year basis. While producer prices are rising, they are not expected to be transferred to the consumer. Data on productivity and costs illustrate that producers' labor cost per unit is declining at a faster rate than prices, while their profit per unit is rising. As a result, producers have room to accommodate higher input prices while still maintaining a profit.

### Existing Home Sales (March, Thursday 10:00 ET)

Forecast: 5.12M      Consensus: 5.30M      Previous: 5.02M

Following three months of sluggish sales, existing home sales are expected to improve in March. February's 8.2% increase in pending home sales, a leading indicator for existing sales, supports this scenario. While March sales could benefit from buyers closing sales prior to the expiration of the home buyers' tax credit on April 31, 2010, they could also receive a boost from more foot traffic due to an improvement in the weather. While demand is expected to firm, albeit slowly, in the upcoming months as low, stable prices and favorable mortgage rates attract buyers to the market.

### Durable Goods Orders (March, Friday 8:30 ET)

Forecast: 0.2%      Consensus: 0.2%      Previous: 0.5%

Durable goods orders are expected to rise for the fourth consecutive month in March, pointing to the firming of private demand. After contributing negatively in the last two months, motor vehicles and parts orders could have a positive contribution if the surge in auto sales depleted inventories. Furthermore, orders across other components have been strengthening. An increase in orders would point to further improvement in industrial production and non-residential investment in 2Q10.

### New Home Sales (March, Friday 10:00 ET)

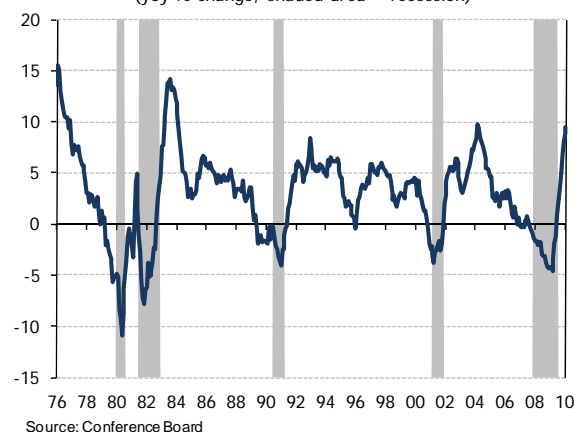
Forecast: 312K      Consensus: 324K      Previous: 308K

New home sales, which hit one of the lowest levels in the history of the data in February, are expected to improve in March. Nevertheless, they will remain weak at a level below that of the previous year. Like existing home sales, new home sales could benefit from the upcoming expiration of the home buyers tax credit and an improvement in weather conditions. Nevertheless, sales of new homes will remain at low levels due to diminishing inventories and competition from the excess supply of existing homes.

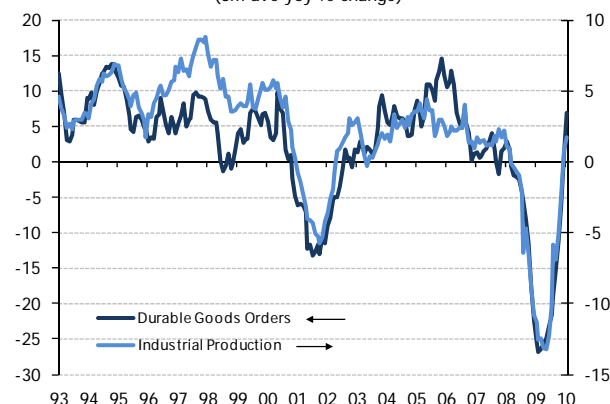
Kristin Lomicka

Kristin.Lomicka@bbvacompass.com

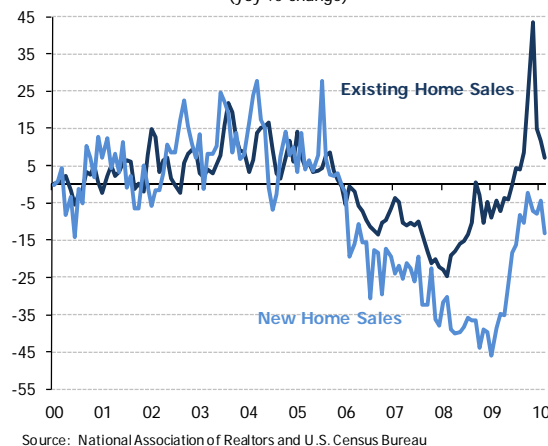
### Leading Indicators Index (yoy % change, shaded area = recession)



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



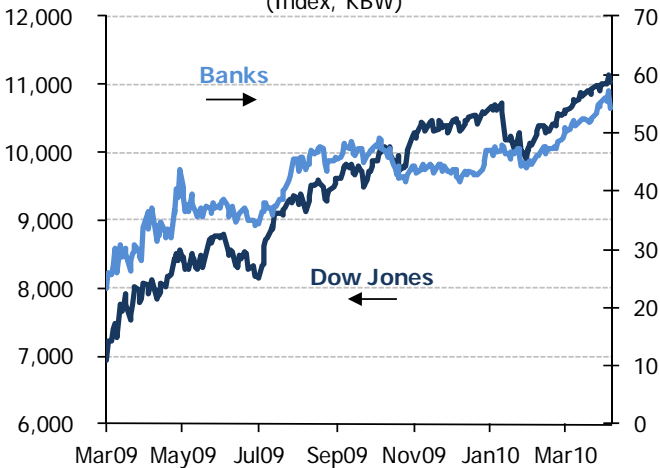
### New and Existing Home Sales (yoy % change)



Financial Markets

Stocks

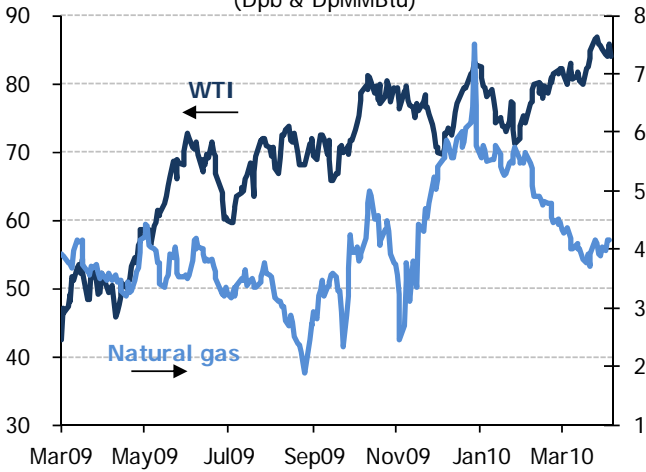
(Index, KBW)



Source: Bloomberg

Commodities

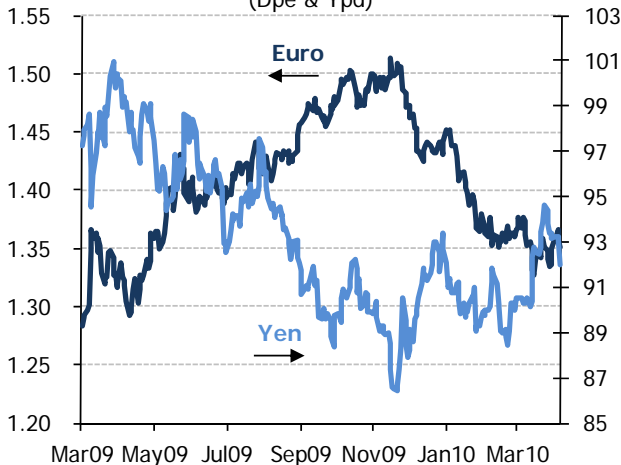
(Dpb & DpMMBtu)



Source: Bloomberg

Currencies

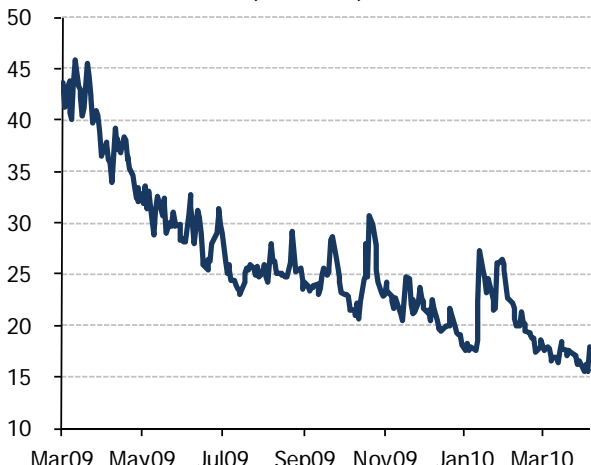
(Dpe & Ypd)



Source: Bloomberg

Volatility

(Vix, Index)



Source: Bloomberg

Commercial Paper Issuance

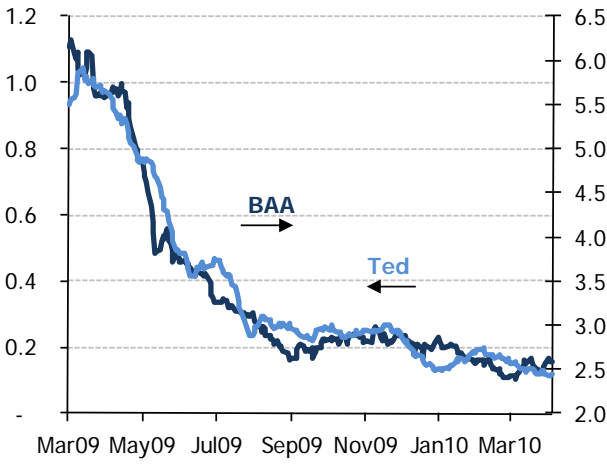
(US\$Bn)



Source: Bloomberg

TED & BAA Spreads

(%)



Source: Bloomberg

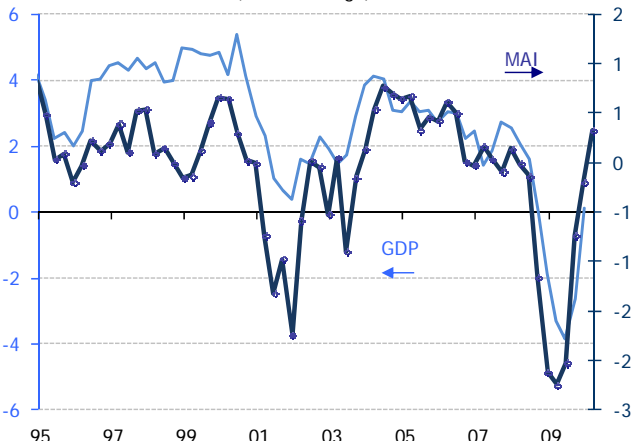
Economic Trends

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  
(Index 2004-7=100)



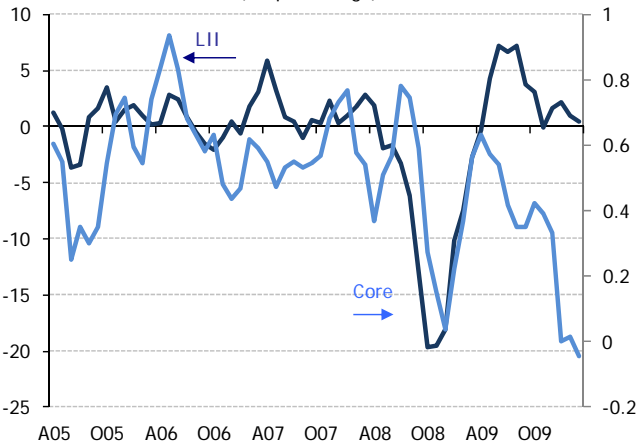
Source: BBVA ERD

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



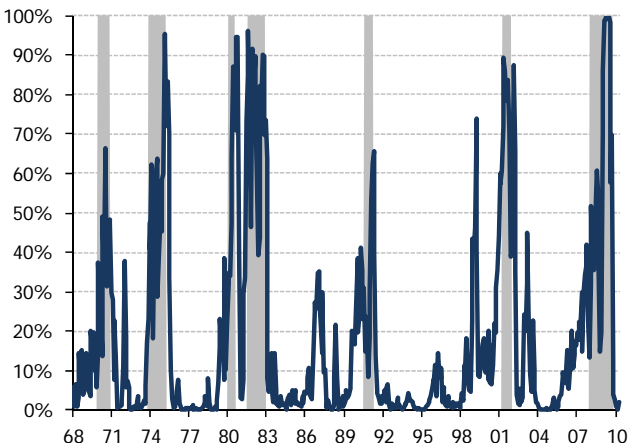
Source: BBVA ERD

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



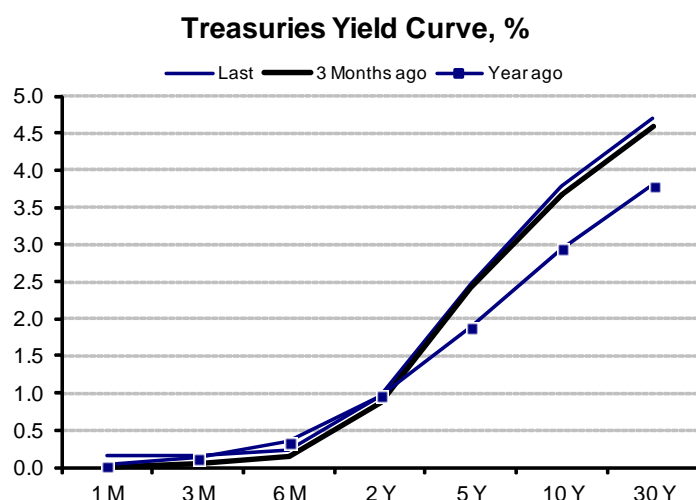
Source: BBVA ERD

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)	13.00	12.79	12.99	10.73
New Auto (36-months)	6.50	6.50	6.40	7.23
Heloc Loan 30K	5.61	5.66	5.70	5.10
30-year Fixed Mortgage *	5.07	5.21	6.37	4.82
Money Market	0.79	0.79	0.82	1.32
2-year CD	1.63	1.63	1.65	2.17
5-year CD	2.59	2.58	2.60	2.66

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

President Barak Obama on Financial Reform  
*As quoted by the Wall Street Journal*  
 April 16, 2010

"I will veto legislation that does not bring the derivatives market under control and some kind of regulatory framework assures that we don't have the same sort of crisis we have seen in the past."

## Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
19-Apr	Leading Indicators	MAR	0.80%	1.00%	0.10%
22-Apr	Producer Price Index (MoM)	MAR	0.30%	0.50%	-0.60%
22-Apr	PPI Ex Food & Energy (MoM)	MAR	0.10%	0.10%	0.10%
22-Apr	Producer Price Index (YoY)	MAR	5.60%	6.00%	4.40%
22-Apr	PPI Ex Food & Energy (YoY)	MAR	0.90%	0.90%	1.00%
22-Apr	Initial Jobless Claims	17-Apr	467K	460K	484K
22-Apr	Continuing Claims	10-Apr	4597K	-	4639K
22-Apr	Existing Home Sales	MAR	5.12M	5.30M	5.02M
22-Apr	Existing Home Sales MoM	MAR	2.00%	5.60%	-0.60%
23-Apr	Durable Goods Orders	MAR	0.20%	0.20%	0.50%
23-Apr	Durables Ex Transportation	MAR	0.50%	0.70%	0.90%
23-Apr	New Home Sales	MAR	312K	324K	308K