

# U.S. Weekly Watch

June 7, 2010

## The Week Ahead

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### International Trade Balance (April, Thursday 8:30 ET)

Forecast: -\$42.1B Consensus: -\$41.0B Previous: -\$40.42B

Both imports and exports are expected to improve in April, pointing to strengthening of demand both at home and abroad. Nevertheless, import growth will continue to outpace that of exports, which would be in line with our expectation that net exports will subtract from GDP growth in 2Q10. The import data could be of particular importance because it reflects domestic demand. Import growth in consumer goods, capital goods or industrial supplies could give insight into points of recovery in the economy.

### Retail Sales, Excluding Autos (May, Friday 8:30 ET)

Forecast: 0.4%, 0.3% Consensus: 0.2%, 0.1% Previous: 0.4%, 0.4%

The fundamentals for consumer spending are beginning to solidify; the job market is improving, as are consumer confidence and personal income from wages and salaries. As a result, retail sales are expected to grow in May, which would support our expectation of consumption growth in 2Q10. However, the employment situation still remains weak and the unemployment rate remains high. This scenario could limit the pace of consumption growth in 2010.

### University of Michigan Consumer Sentiment (June Preliminary, Friday 9:55 ET)

Forecast: 74.1 Consensus: 74.6 Previous: 73.6

Consumer sentiment has been following an upward trend since the beginning of 2009 and it is expected to continue given the recent improvement in the labor market. However May's disappointing pace of private sector hiring highlighted that the ongoing weakness in the labor market, which could slow the improvement in consumer sentiment. An increase in June would indicate that consumers are beginning to feel more secure with the economic situation and support our expectation that personal consumption will expand further in 2Q10.

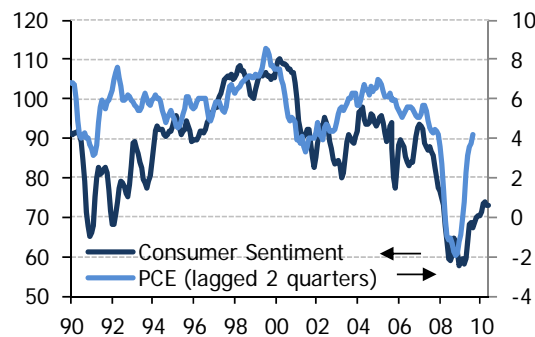
### Business Inventories (April, Friday 10:00 ET)

Forecast: 0.5% Consensus: 0.5% Previous: 0.4%

Businesses are beginning to rebuild inventories in response to renewed demand. As a result, inventories are expected to rise 0.5% in April, pointing to another positive contribution to GDP from the inventory adjustment in 2Q10. However, even as companies restock, the inventory to sales ratio has remained at some of the lowest levels in the history of the data, which indicates that companies will continue to maintain a lean stock.

Graph 1

### University of Michigan Consumer Sentiment & PCE (3mma of index, 3mma of yoy % change)



Source: University of Michigan & BEA

Graph 2

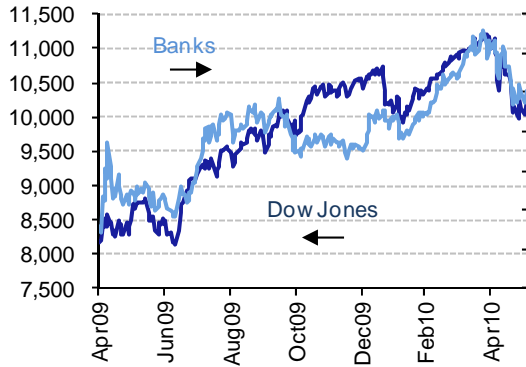
### Inventory to Sales Ratio



Source: US Census Bureau

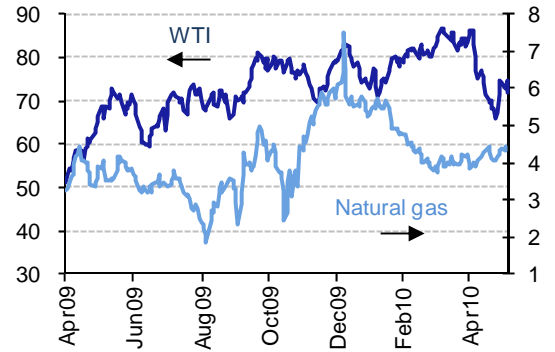
## Financial Markets

Graph 3  
Stocks (Index, KBW)



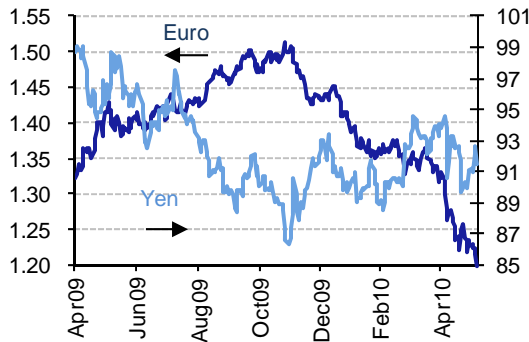
Source: Bloomberg & BBVA Research

Graph 4  
Commodities (Dpb & DpMMBtu)



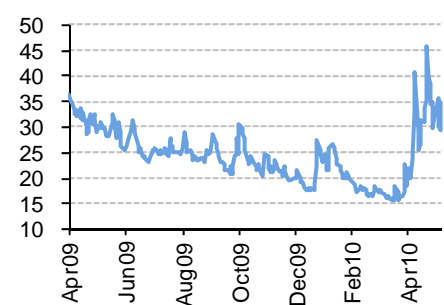
Source: Bloomberg & BBVA Research

Graph 5  
Currencies (Dpe & Ypd)



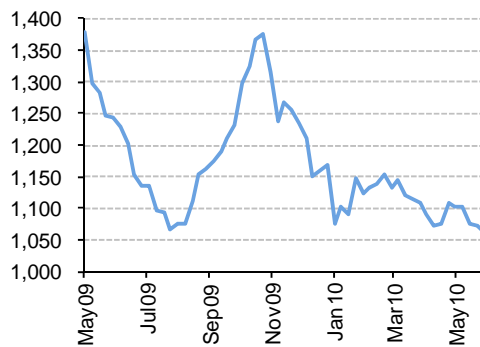
Source: Bloomberg & BBVA Research

Graph 6  
Volatility (Vix, Index)



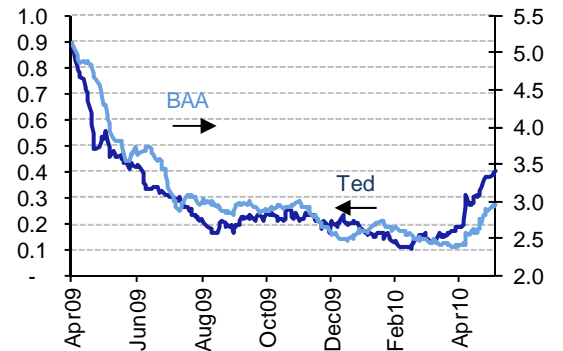
Source: Bloomberg & BBVA Research

Graph 7  
Commercial Paper Issuance (US\$Bn)



Source: Bloomberg & BBVA Research

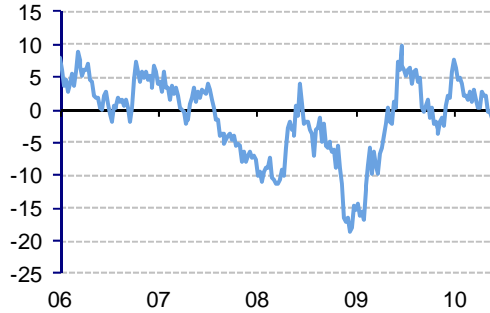
Graph 8  
TED & BAA Spreads (%)



Source: Bloomberg & BBVA Research

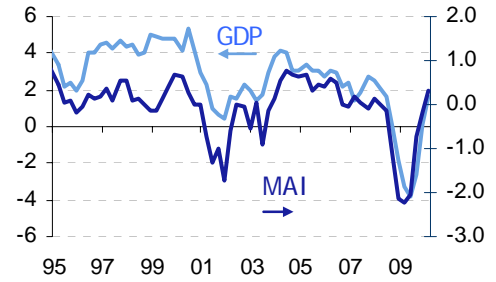
## Economic Trends

Graph 9  
**BBVA US Weekly Activity Index  
 (3 month % change)**



Source: BBVA Research

Graph 10  
**BBVA US Monthly Activity Index & Real  
 Gross Domestic Product  
 (4Q % change)**



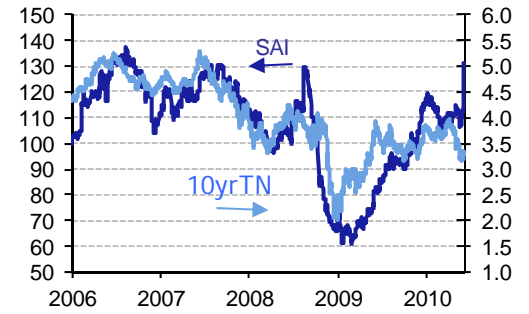
Source: BBVA Research & BEA

Graph 11  
**BBVA US Surprise Inflation Index  
 (Index 2004-09=100)**



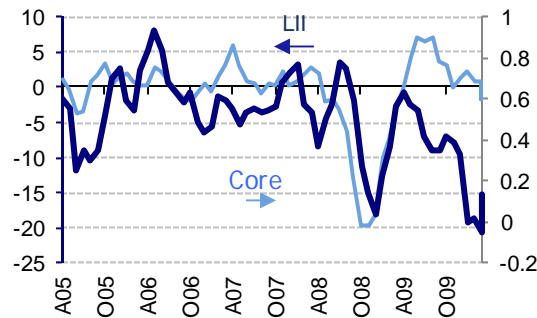
Source: BBVA Research

Graph 12  
**BBVA US Surprise Activity Index & 10-yr  
 Treasury (Index 2004-09=100 & %)**



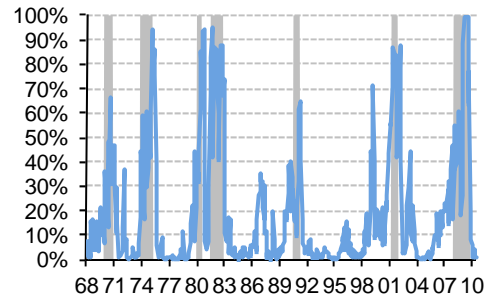
Source: Bloomberg & BBVA Research

Graph 13  
**BBVA US Leading Inflation Index & Core  
 Inflation (Qoq % change)**



Source: BLS & BBVA Research

Graph 14  
**BBVA US Recession Probability Model  
 (Recession episodes in shaded areas, %)**



Source: BBVA Research

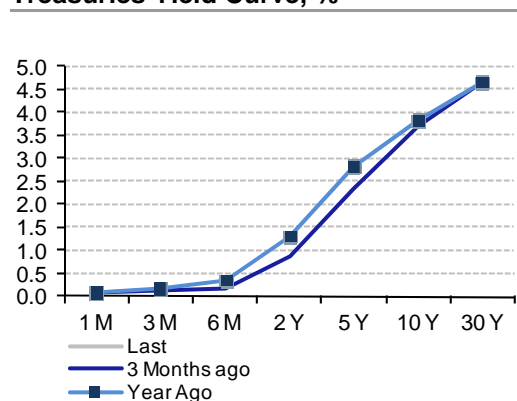
## Yield Curve and Interest Rates

Table 1  
Key Interest Rates, %

	Last	Week ago	4-Weeks ago	Year ago
Prime Rate	3.25	3.25	3.25	3.25
Credit Card (variable)	13.44	13.15	13.00	10.78
New Auto (36-months)	6.35	6.30	6.46	7.33
Heloc Loan 30K	5.56	5.53	5.61	5.27
30-year Fixed Mortgage *	4.79	4.78	5.00	5.29
Money Market	0.78	0.79	0.76	1.34
2-year CD	1.60	1.65	1.63	2.02
5-year CD	2.58	2.59	2.64	2.66

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US  
Source: Bloomberg and BBVA Research

Graph 15  
Treasury's Yield Curve, %



Source: Bloomberg

## Quote of the Week

Treasury Secretary Timothy Geithner  
Comments in a private letter to G20 finance ministers as quoted by the Wall Street Journal  
June 4, 2010

***"The necessary shift toward higher savings in the United States needs to be complemented by stronger domestic demand growth in Japan and in the European surplus countries, and sustained growth in private demand, together with a more flexible exchange rate policy, in China."***

## Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
7-Jun	Consumer Credit	APR	-\$0.5B	-\$2.0B	\$2.0B
8-Jun	ABC Consumer Confidence	6-Jun	--	--	-44
9-Jun	MBA Mortgage Applications	4-Jun	--	--	0.90%
9-Jun	Wholesale Inventories	APR	0.40%	0.50%	0.40%
9-Jun	Fed's Beige Book	9-Jun			
10-Jun	Trade Balance	APR	-\$42.1B	-\$41.0B	-\$40.4B
10-Jun	Initial Jobless Claims	5-Jun	443K	448K	453K
10-Jun	Continuing Claims	29-May	4686K	4640K	4666K
10-Jun	Monthly Budget Statement	MAY	-\$155.3B	-\$142.5B	--
11-Jun	Advance Retail Sales	MAY	0.40%	0.20%	0.40%
11-Jun	Retail Sales Less Autos	MAY	0.30%	0.10%	0.40%
11-Jun	U. of Michigan Confidence	JUN P	74.1	74.5	73.6
11-Jun	Business Inventories	APR	0.50%	0.50%	0.40%

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