

U.S.

Fed Watch

March 24, 2011

Economic Analysis

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LSAP Scorecard: Week 19

Retracing of shocks, inflation expectations tick upwards

- Recent data shows a reversal of March's sharp increase in the VIX, although risk appetite is only partially restored as witnessed in less domestic equity flows and limited flows to foreign equities.
- Both commodities and 12 month forward Fed futures retraced their steps following Japan's earthquake. Commodities have yet to return to their February peak.
- Inflation expectations have increased relative to the pre-QE2 era, with higher implicit 10yr inflation expectations and upward-trending core and trimmed CPI.
- Labor market indicators confirm Fed's sense of a "firmer footing," although indicators like the unemployment rate remain consistent with considerable resource slack.

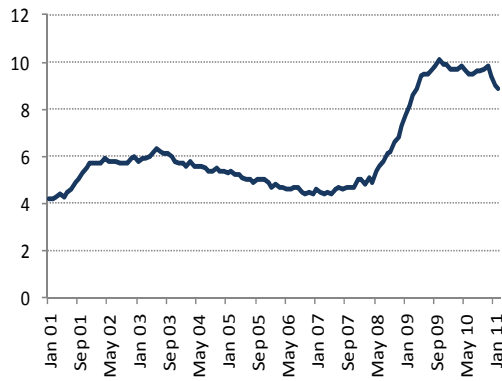
Table 1

Large Scale Asset Purchases (LSAP) Scorecard

	Latest available	Post QE2 11/3/10-present	Recovery- preQE2 7/09-10/10	Crisis 12/07-6/09	Pre-Crisis 3/03-11/07
10yr Treasury (%)	3.36	3.09	3.34	3.49	4.41
3mo Treasury (%)	0.09	0.14	0.13	1.06	3.02
Slope (bp)	327	295	321	243	139
10yr Inflation Indexed (%)	0.98	0.91	1.34	1.77	2.06
Implicit 10yr Inflation exp. (%)	2.38	2.18	2.00	1.72	2.35
5yr Breakeven inflation expectations (%)	2.60	2.62	2.38	2.15	2.41
VIX (Index)	19.2	19.4	23.7	33.6	15.8
S&P500 (Index)*	1310	1236	1093	1109	1462
Real effective exchange rate (\$, Index)	97.0	99.2	102.3	102.9	111.2
Corporate Spreads (BAA bp)	263	287	287	409	201
30yr Mortgage sprd (bp)	32	25	57	155	115
3M Libor-Treasury (bp)	22	16	22	128	36
Monetary aggregate M2 (yoy %)	4.5	3.8	3.8	7.8	5.4
Mutual Fund Flows Domestic (\$M)	-1307	-25	-1884	-	-
Mutual Fund Flows Foreign (\$M)	1889	1700	919	-	-
Mutual Fund Flows Taxable (\$M)	3493	2022	6393	-	-
Mutual Fund Flows Muni (\$M)	-618	-1989	1105	-	-
Commercial Paper issuance (\$bn)	77.8	78.8	88.3	134.2	173.8
Initial Claims (4wk avg)	406	429	492	478	341
Unemployment rate (%)	8.9	9.4	9.7	6.8	5.2
Private Payrolls (K monthly)	222	146	-14	-396	119
Consumer confidence (Index)*	70	61	53	53	98
Retail sales ex bldg, autos & gas (yoy %)	5.1	5.6	2.1	-0.1	5.3
Industrial production (yoy %)	5.5	5.8	1.2	-6.1	2.3
Capacity Utilization (%)	76	76	73	75	79
ISM Survey (Index)	61.4	59.2	55.7	44.0	54.0
Consumer Prices (12m %)*	2.1	1.5	1.0	2.2	2.9
Core Consumer Prices (12m %)*	1.1	0.8	1.2	2.1	2.0
Bank Mortgage loans (\$bn)*	2082	2108	2106	2060	2013
Bank CRE loans (\$bn)*	1477	1495	1611	1676	1574
Bank C&I loans (\$bn)*	1234	1223	1269	1522	1418
Bank Consumer loans (\$bn)*	1075	1099	990	837	786

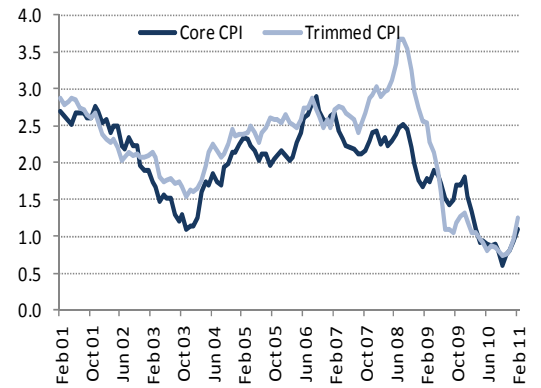
Source: BBVA Research & Haver Analytics. * Pre-Crisis = Nov 2007

Chart 1
Unemployment rate, %



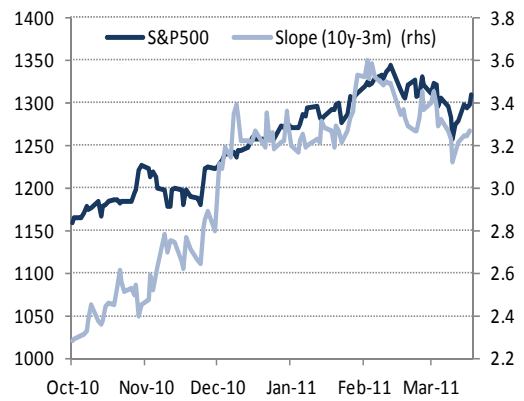
Source: Haver Analytics & BBVA Research

Chart 2
Inflation, 12m % change



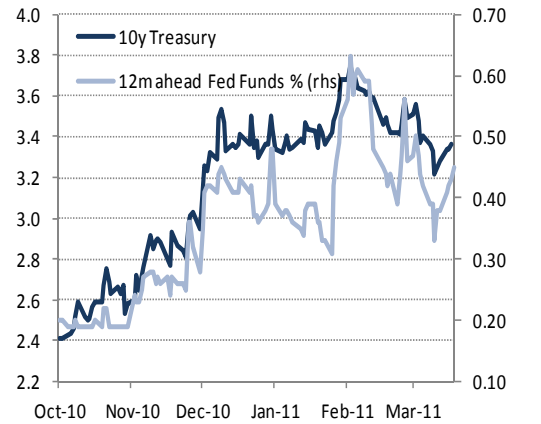
Source: Haver Analytics & BBVA Research

Chart 3
S&P500 & Yield curve slope, (index & %)



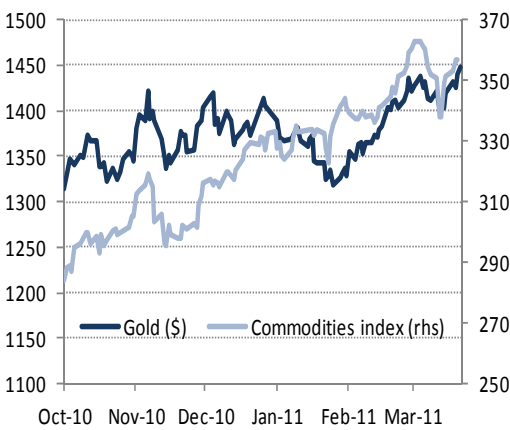
Source: Haver Analytics & BBVA Research

Chart 4
10 year Treasury & Fed funds futures, %



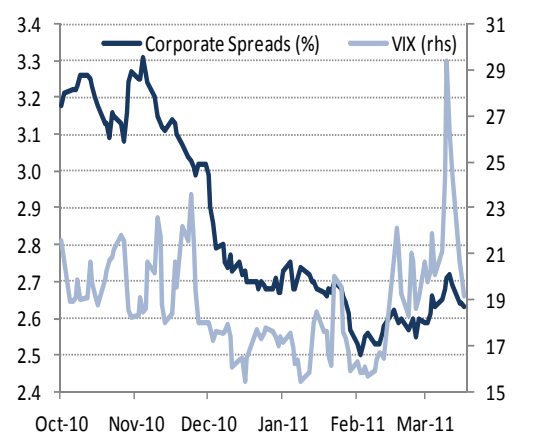
Source: Haver Analytics & BBVA Research

Chart 5
Gold & Commodities



Source: Haver Analytics & BBVA Research

Chart 6
BAA spread & Implied volatility



Source: Haver Analytics & BBVA Research

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