

U.S.

Fed Watch

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Economic Analysis

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LSAP Scorecard: Week 21

Keeping an eye on labor, but paying more attention to inflation

- While volatility as measured by the VIX continues to settle downwards, flows to domestic equity are registering sharp decreases and foreign mutual funds are showing moderate positive flows, suggesting a mixed risk appetite at the moment.
- Credit growth data features YoY declines, thereby allaying concerns of excessive credit growth at the present time. Banks continue to hold high excess reserves.
- Nearly two months ago not enough employment data existed to pass judgment on LSAP, but now the focus is on inflation as labor markets are on a firmer footing.
- Next week's inflation data will be instructive to understanding the evolving pass-through of oil prices to inflation indices and the role of LSAP overall.

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 (%)	3.45	3.08	3.34	3.49	4.41
3mo Treasury (%)	0.06	0.14	0.13	1.06	3.02
Slope (bp)	339	295	321	243	139
10yr Inflation Indexed (%)	0.91	0.92	1.34	1.77	2.06
Implicit 10yr Inflation exp. (%)	2.54	2.17	2.00	1.72	2.35
5yr Breakeven inflation expectations (%)	2.79	2.59	2.38	2.15	2.41
VIX (Index)	17.5	19.5	23.7	33.6	15.8
S&P500 (Index)*	1333	1232	1093	1109	1462
Real effective exchange rate (\$, Index)	96.3	99.1	102.3	102.9	111.2
Corporate Spreads (BAA bp)	258	286	287	409	201
30yr Mortgage sprd (bp)	35	26	57	155	115
3M Libor-Treasury (bp)	23	16	22	128	36
Monetary aggregate M2 (yoy %)	4.5	3.8	3.8	7.8	5.4
Mutual Fund Flows Domestic (\$M)	-2508	-288	-1884	-	-
Mutual Fund Flows Foreign (\$M)	1093	1625	919	-	-
Mutual Fund Flows Taxable (\$M)	2922	2186	6393	-	-
Mutual Fund Flows Muni (\$M)	-569	-1806	1105	-	-
Commercial Paper issuance (\$bn)	75.6	78.7	88.3	134.2	173.8
Initial Claims (4wk avg)	392	418	494	479	341
Unemployment rate (%)	8.8	9.2	9.7	6.8	5.2
Private Payrolls (K monthly)	230	172	-14	-396	119
Consumer confidence (Index)*	63	64	53	53	98
Retail sales ex bldg, autos & gas (yoy %)	5.1	5.6	2.1	-0.1	5.3
Industrial production (yoy %)	5.8	6.2	0.2	-7.0	2.3
Capacity Utilization (%)	77	77	72	75	79
ISM Survey (Index)	61.2	60.0	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)*	2071	2104	2106	2060	2013
Bank CRE loans (\$bn)*	1468	1493	1611	1676	1574
Bank C&I loans (\$bn)*	1241	1225	1269	1522	1418
Bank Consumer loans (\$bn)*	1076	1097	990	837	786

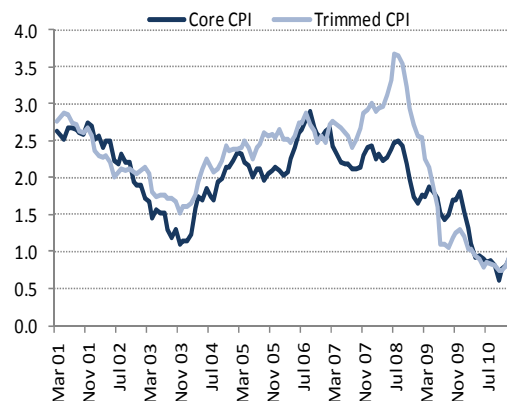
Source: BBVA Research & Haver Analytics. * Pre-Crisis = Nov 2007

Chart 1
Unemployment rate, %



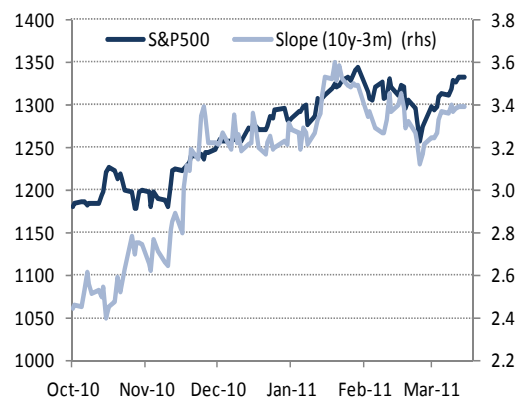
Source: Haver Analytics & BBVA Research

Chart 2
Inflation, 12m % change



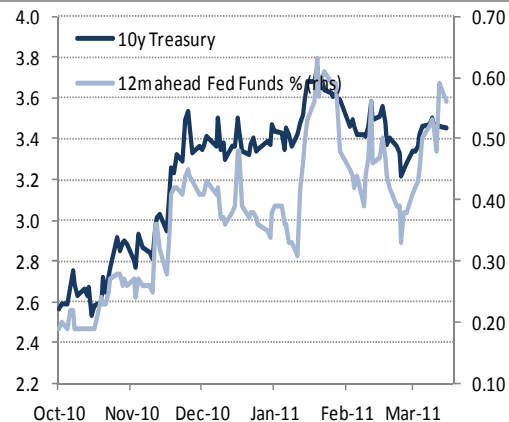
Source: Haver Analytics & BBVA Research

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



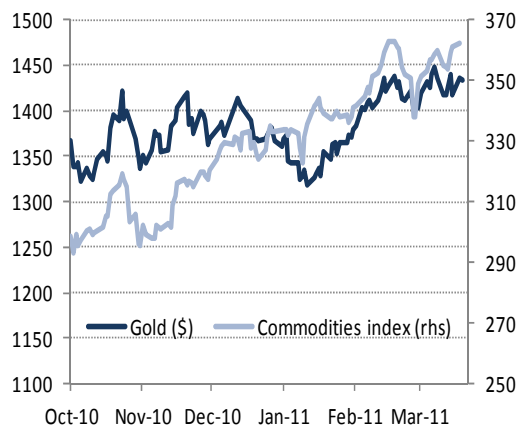
Source: Haver Analytics & BBVA Research

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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