

Fed Watch

US

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 Economic Analysis

US

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LSAP Scorecard: Week 25

Taking Stock Closer to the End of the Program

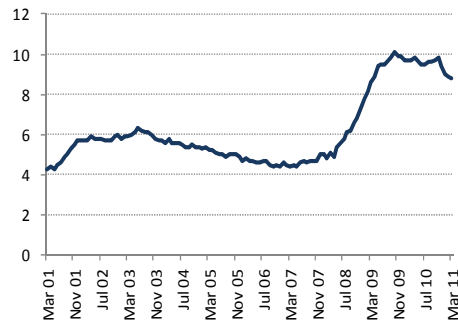
- **Inflation expectations measured via 5yr breakevens and implicit 10yr are noticeably higher than both post-QE2 and recovery-pre-QE2 periods**, but measures of underlying inflation remain subdued.
- **10yr Treasury yields are lower than the pre-QE2 era**, but the current steepness in the slope relates partially to extremely low 3m yields resulting from the end of the Supplementary Finance Program.
- **Volatility and corporate spreads have improved relative to the recovery era**, in tandem with improvements in consumer confidence and the stock market.
- **The labor market remains the key element to the story and is tepid**, but given traditional lag effects forthcoming data will be extremely instructive.

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 (%)	3.25	3.11	3.34	3.49	4.41
3mo Treasury (%)	0.03	0.13	0.13	1.06	3.02
Slope (bp)	322	298	321	243	139
10yr Inflation Indexed (%)	0.70	0.91	1.34	1.77	2.06
Implicit 10yr Inflation exp. (%)	2.55	2.20	2.00	1.72	2.35
5yr Breakeven inflation expectations (%)	2.69	2.60	2.38	2.15	2.41
VIX (Index)	17.1	19.4	23.7	33.6	15.8
S&P500 (Index)*	1347	1239	1093	1109	1462
Real effective exchange rate (\$, Index)	94.1	99.0	102.5	102.9	111.2
Corporate Spreads (BAA bp)	257	283	287	409	201
30yr Mortgage sprd (bp)	36	27	57	155	115
3M Libor-Treasury (bp)	24	17	22	128	36
Monetary aggregate M2 (yoy %)	5.1	4.0	3.8	7.8	5.4
Mutual Fund Flows Domestic (\$M)	-726	-76	-1884	-	-
Mutual Fund Flows Foreign (\$M)	-180	1543	919	-	-
Mutual Fund Flows Taxable (\$M)	3618	2441	6393	-	-
Mutual Fund Flows Muni (\$M)	-605	-1715	1105	-	-
Commercial Paper issuance (\$bn)	84.5	78.3	88.3	134.2	173.8
Initial Claims (4wk avg)	405	416	494	479	341
Unemployment rate (%)	8.8	9.3	9.7	6.8	5.2
Private Payrolls (K monthly)	230	167	-14	-396	119
Consumer confidence (Index)*	65	65	53	53	98
Retail sales ex bldg, autos & gas (yoy %)	4.9	5.6	1.6	-0.6	5.3
Industrial production (yoy %)	5.9	6.0	0.2	-7.0	2.3
Capacity Utilization (%)	77	77	72	75	79
ISM Survey (Index)	60.4	60.1	55.7	44.0	54.0
Consumer Prices (12m %)*	2.7	1.7	1.0	2.2	2.9
Core Consumer Prices (12m %)*	1.2	0.9	1.2	2.1	2.0
Bank Mortgage loans (\$bn)*	2049	2096	2106	2060	2013
Bank CRE loans (\$bn)*	1458	1488	1611	1676	1574
Bank C&I loans (\$bn)*	1249	1228	1269	1522	1418
Bank Consumer loans (\$bn)*	1079	1094	990	837	786

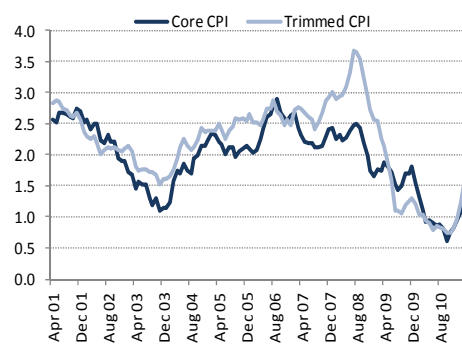
* Pre-Crisis = Nov 2007
 BBVA Research & Haver Analytics.

Chart 1
Unemployment rate, %



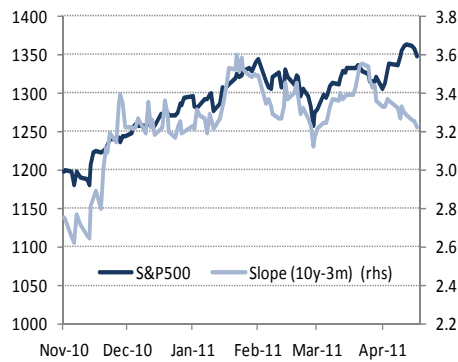
Source: Haver Analytics & BBVA Research

Chart 2
Inflation, 12m % change



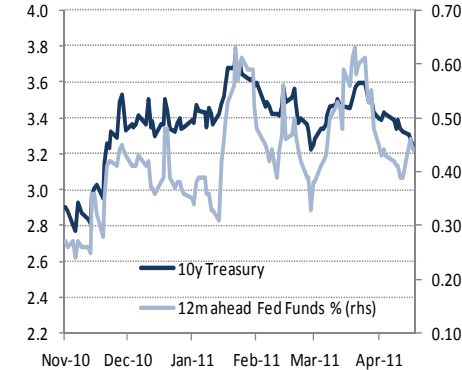
Source: Haver Analytics & BBVA Research

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



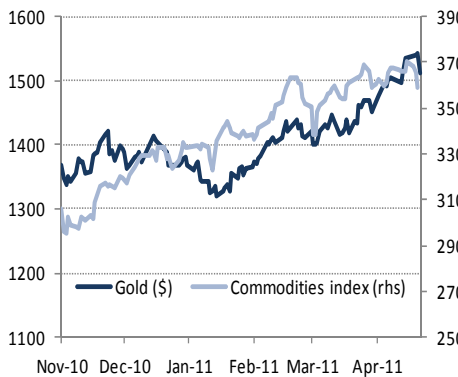
Source: Haver Analytics & BBVA Research

Chart 4
10 year Treasury & Fed Funds futures, %



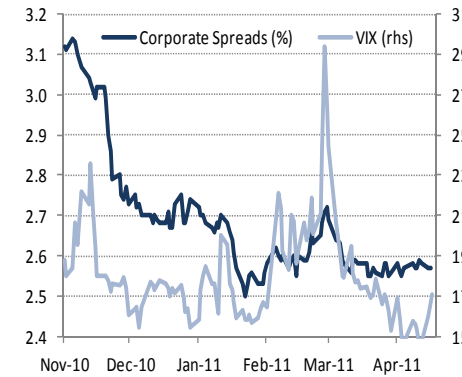
Source: Haver Analytics & BBVA Research

Chart 5
Gold & Commodities



Source: Haver Analytics & BBVA Research

Chart 6
BAA spread & Implied volatility



Source: Haver Analytics & BBVA Research

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