

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

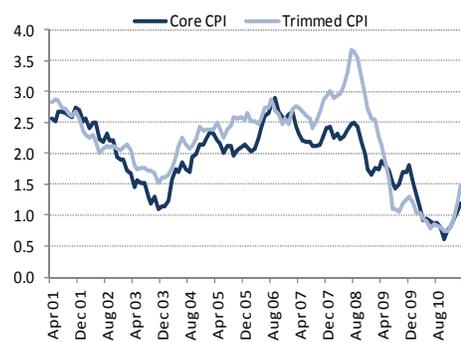
\* Pre-Crisis = Nov 2007  
 BBVA Research & Haver Analytics.

Chart 1  
**Unemployment rate, %**



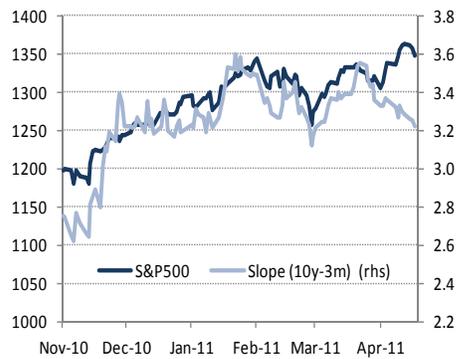
Source: Haver Analytics & BBVA Research

Chart 2  
**Inflation, 12m % change**



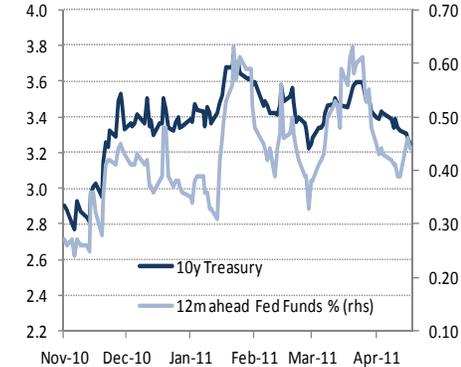
Source: Haver Analytics & BBVA Research

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



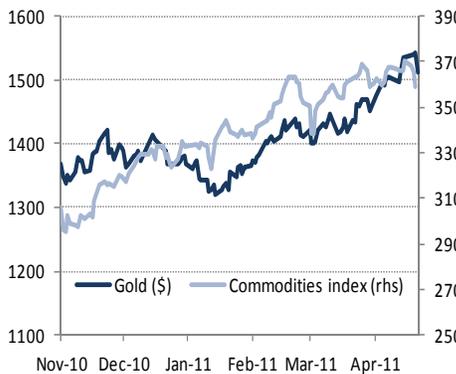
Source: Haver Analytics & BBVA Research

Chart 4  
**10 year Treasury & Fed Funds futures, %**



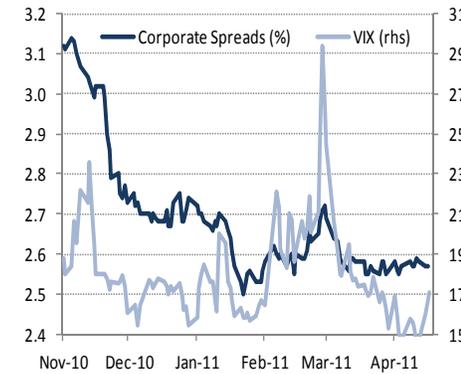
Source: Haver Analytics & BBVA Research

Chart 5  
**Gold & Commodities**



Source: Haver Analytics & BBVA Research

Chart 6  
**BAA spread & Implied volatility**



Source: Haver Analytics & BBVA Research

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