

Fed Watch

US

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Economic Analysis

US

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LSAP Scorecard: Week 32

So long, goodbye, and thanks for all the liquidity

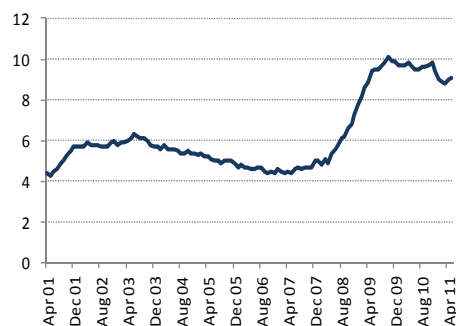
- If investors fear deflation, LSAP is a triumph, but if they fear unemployment, LSAP is a failure: core and headline inflation are farther from zero, but labor market indicators remain distressed
- From the Fed's perspective LSAP was a success as it diverted the economy away from deflation and the irrelevance of interest rates
- Confidence has increased in the form of growing retail sales, lower volatility and ameliorated corporate spreads
- Labor market indicators - initial claims, unemployment, payrolls - show only a tinge of improvement and are far from indicating rapid hiring by private firms

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 (%)	3.01	3.09	3.34	3.49	4.41
3mo Treasury (%)	0.02	0.12	0.13	1.06	3.02
Slope (bp)	299	297	321	243	139
10yr Inflation Indexed (%)	0.82	0.90	1.34	1.77	2.06
Implicit 10yr Inflation exp. (%)	2.19	2.19	2.00	1.72	2.35
5yr Breakeven inflation expectations (%)	2.48	2.56	2.38	2.15	2.41
VIX (Index)	19.3	19.4	23.7	33.6	15.8
S&P500 (Index)*	1284	1243	1093	1109	1462
Real effective exchange rate (\$, Index)	95.7	98.7	102.5	102.9	111.2
Corporate Spreads (BAA bp)	274	281	287	409	201
30yr Mortgage sprd (bp)	29	28	57	155	115
3M Libor-Treasury (bp)	23	18	22	128	36
Monetary aggregate M2 (yoy %)	5.4	4.3	3.8	7.8	5.4
Mutual Fund Flows Domestic (\$M)	-6862	-726	-1884	-	-
Mutual Fund Flows Foreign (\$M)	-463	1274	919	-	-
Mutual Fund Flows Taxable (\$M)	2410	2869	6393	-	-
Mutual Fund Flows Muni (\$M)	75	-1345	1105	-	-
Commercial Paper issuance (\$bn)	81.0	79.7	88.3	134.2	173.8
Initial Claims (4wk avg)	436	423	494	479	341
Unemployment rate (%)	9.1	9.2	9.7	6.8	5.2
Private Payrolls (K monthly)	83	168	-14	-396	119
Consumer confidence (Index)*	61	62	53	53	98
Retail sales ex bldg, autos & gas (yoy %)	6.2	5.6	1.6	-0.6	5.3
Industrial production (yoy %)	3.4	5.4	0.2	-7.0	2.3
Capacity Utilization (%)	77	76	72	75	79
ISM Survey (Index)	53.5	58.9	55.7	44.0	54.0
Consumer Prices (12m %)*	3.6	2.1	1.0	2.2	2.9
Core Consumer Prices (12m %)*	1.5	1.0	1.2	2.1	2.0
Bank Mortgage loans (\$bn)*	2036	2084	2106	2060	2013
Bank CRE loans (\$bn)*	1451	1480	1611	1676	1574
Bank C&I loans (\$bn)*	1268	1235	1269	1522	1418
Bank Consumer loans (\$bn)*	1081	1090	990	837	786

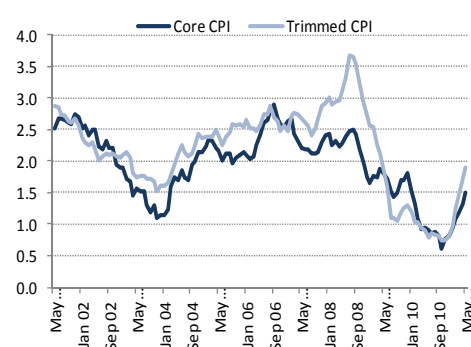
* Pre-Crisis = Nov 2007
BBVA Research & Haver Analytics.

Chart 1
Unemployment rate, %



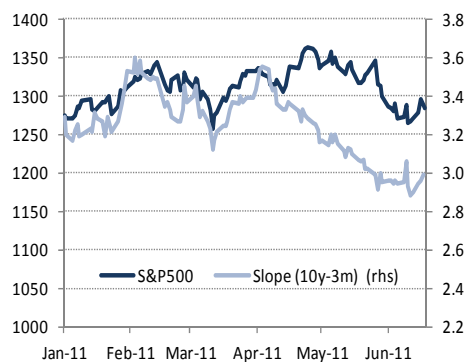
Source: Haver Analytics & BBVA Research

Chart 2
Inflation, 12m % change



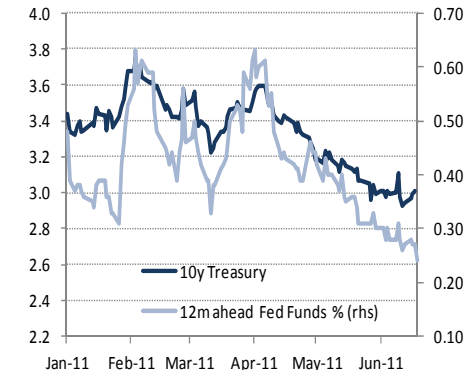
Source: Haver Analytics & BBVA Research

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



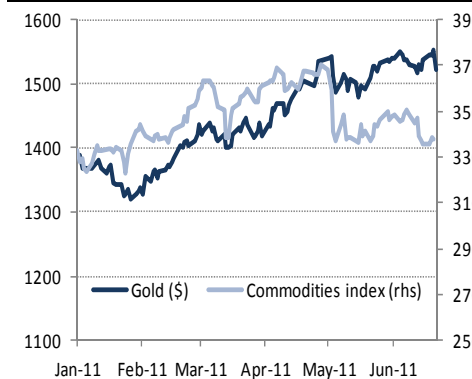
Source: Haver Analytics & BBVA Research

Chart 4
10 year Treasury & Fed Funds futures, %



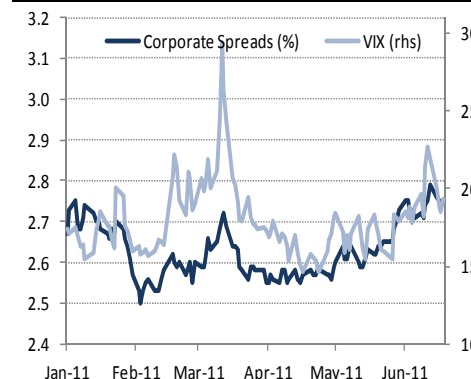
Source: Haver Analytics & BBVA Research

Chart 5
Gold & Commodities



Source: Haver Analytics & BBVA Research

Chart 6
BAA spread & Implied volatility



Source: Haver Analytics & BBVA Research

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