

# Fed Watch

US

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Economic Analysis

US

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## QE Dashboard

Lengthened low rates pledge added onto maturity extension program

- The maturity extension program moderately flattened the yield curve and lowered key mortgage spreads since its inception, but little movement in real estate credit outstanding as a result. The Fed continues to focus on housing.
- The new pledge and the continuation of the maturity extension program will further lower interest rate volatility, with uncertain effects on housing
- Reenacted liquidity swap programs eased short-term interbank credit conditions and foreign capital outflows slowed as Europe deleverages
- Labor markets conditions eased as unemployment dropped to 8.5%, but the FOMC remains unconvinced of the sustainability of current labor market indicators, the behavior of which may reflect factors outside of monetary policy

Table 1  
Large Scale Asset Purchases (LSAP) Scorecard

	Latest available	Operation Twist 10/11-present	Post QE2 11/10-10/11	Recovery-preQE2 7/09-10/10	Crisis 12/07-6/09	Pre-Crisis 3/03-11/07
10yr Treasury (%)	1.96	2.03	2.94	3.34	3.49	4.41
3mo Treasury (%)	0.05	0.02	0.10	0.13	1.06	3.02
Slope (bp)	191	202	284	321	243	139
10yr Inflation Indexed (%)	-0.16	0.04	0.80	1.34	1.77	2.06
Implicit 10yr Inflation exp. (%)	2.12	1.99	2.15	2.00	1.72	2.35
5yr Breakeven inflation expectations (%)	2.38	2.30	2.51	2.38	2.15	2.41
VIX (Index)	18.3	30.4	22.3	23.7	33.6	15.8
S&P500 (Index)*	1318	1222	1226	1093	1109	1462
Real effective exchange rate (\$, Index)	99.6	98.9	98.3	102.3	102.9	111.2
Corporate Spreads (BAA bp)	331	323	288	287	409	201
30yr Mortgage sprd (bp)	88	95	39	57	155	115
3M Libor-Treasury (bp)	52	44	22	22	128	36
Monetary aggregate M2 (yoy %)	10.0	9.6	5.8	3.8	7.8	5.5
Mutual Fund Flows Domestic (\$M)	-804	-3744	-2213	-8171	-	-
Mutual Fund Flows Foreign (\$M)	320	-902	727	3954	-	-
Mutual Fund Flows Taxable (\$M)	3813	2868	2259	27889	-	-
Mutual Fund Flows Muni (\$M)	1743	849	-901	4849	-	-
Commercial Paper issuance (\$bn)	93.5	96.9	86.3	88.3	134.2	173.8
Initial Claims (4wk avg)	378	393	413	494	479	341
Unemployment rate (%)	8.5	8.8	9.1	9.7	6.8	5.2
Private Payrolls (K monthly)	212	172	160	-14	-396	119
Consumer confidence (Index)*	65	52	58	53	53	98
Retail sales ex bldg, autos & gas (yoy %)	5.5	5.9	5.8	1.6	-0.6	5.3
Industrial production (yoy %)	2.9	3.7	4.6	0.2	-7.0	2.3
Capacity Utilization (%)	78	78	77	72	75	79
ISM Survey (Index)	53.9	52.3	55.9	55.7	44.0	54.0
Consumer Prices (12m %)*	3.0	3.4	3.0	1.0	2.2	2.9
Core Consumer Prices (12m %)*	2.2	2.1	1.5	1.2	2.1	2.0
Bank Mortgage loans (\$bn)*	2081	2067	2072	2106	2058	2005
Bank CRE loans (\$bn)*	1411	1416	1463	1609	1673	1571
Bank C&I loans (\$bn)*	1354	1326	1251	1264	1512	1414
Bank Consumer loans (\$bn)*	1096	1092	1088	990	840	789

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

Chart 1  
**Treasury Yield Curve Slope & Secondary Mortgage Market Spread(% , bp)**

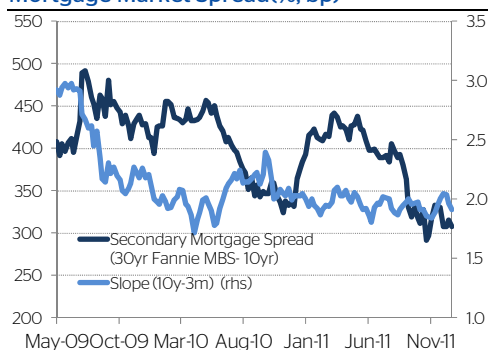


Chart 2  
**30yr Mortgage Spread & Fed MBS Net Purchases (bp & \$bn)**

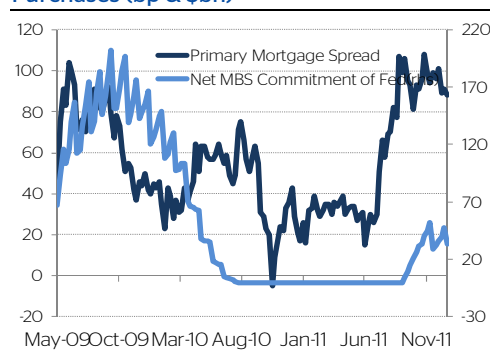


Chart 3  
**Implied Volatility & Corporate Spreads (index & %)**

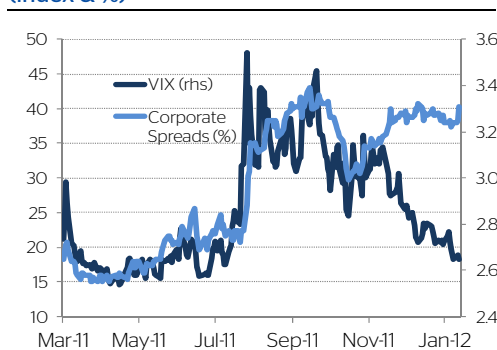


Chart 4  
**10 year Treasury & Fed Funds futures, %**

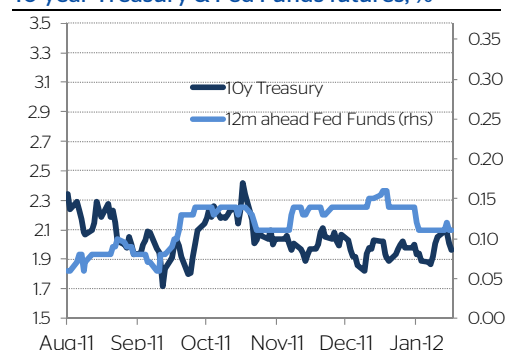


Chart 5  
**Gold & Commodities**

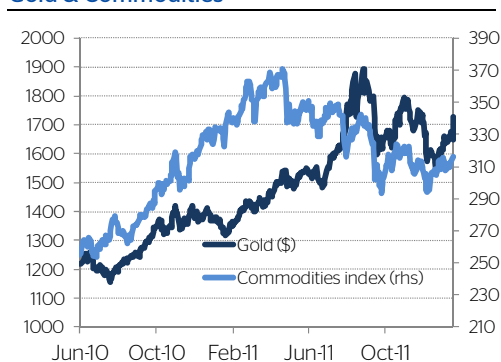
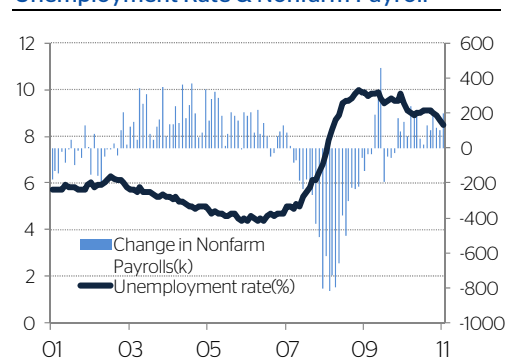


Chart 6  
**Unemployment Rate & Nonfarm Payroll**



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