

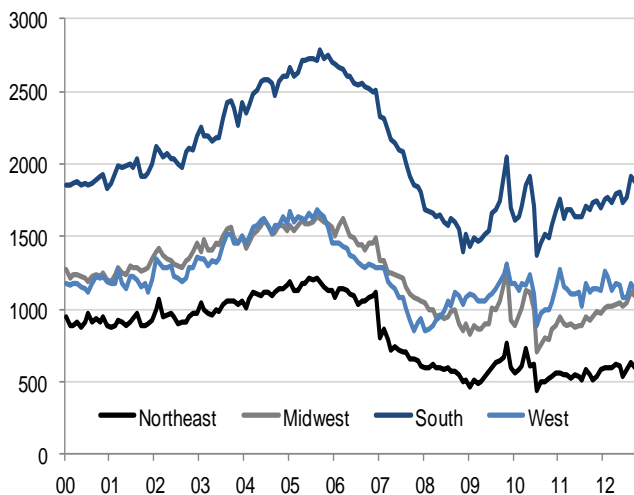
US Weekly Flash

Highlights

- **Strong Housing Indicators Dominate an Otherwise Quiet Holiday Week**

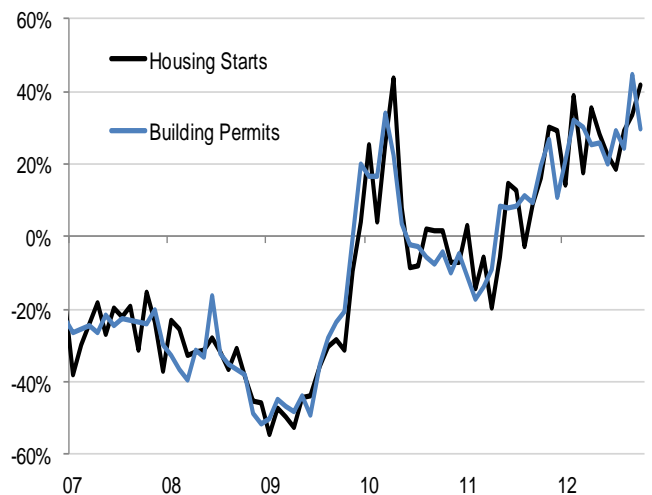
- Existing home sales have mostly maintained an upward trend throughout the past year, but monthly volatility in the data is still common. In October, existing sales increased 2.1% to 4.79M, just slightly below the two-year high of 4.83M reached in August. Most of the strength was centered in the West and South regions, which increased 4.4% and 2.1%, respectively. Not surprisingly, sales in the Northeast declined 1.7% reflecting a likely impact from Hurricane Sandy at the end of the month.
- Constrained supply is limiting immediate sales, with the supply of existing homes on the market down to 5.4 months in October. The median sales price did increase slightly, but not enough to offset the declines seen in the previous three months. Housing affordability is close to where it was this time last year.
- In other positive housing news, the Housing Market Index jumped from 41 in October to 46 in November, reflecting continued gains in homebuilder confidence. The index is now at its highest level since May 2006. Homebuilders' views on current sales led the components, with the six-month outlook also showing added optimism. However, the index on traffic of prospective buyers did not change between October and November. All in all, the rising confidence suggests that data on new home sales and construction should continue on a relatively healthy trend throughout the coming months.
- Housing starts have shown significant strength throughout the past few months, rising 3.6% in October following September's 15.1% leap. The multifamily component jumped 26.4% in September and 11.9% in October, dominating the construction market. On the other hand, building permits, which are usually volatile month-to-month, declined 2.7% after a large gain in the previous month. Even still, permits are just slightly below the highest level of the recovery thus far.
- In general, we expect that the momentum gained in the housing market will carry over into 2013, particularly with extremely low mortgage rates keeping affordability high. In November, we may see some additional impact in the Northeast region from Hurricane Sandy, but we don't expect that it will weigh too heavily on the national figures. If anything, homes that were destroyed by the storm and need to be completely rebuilt will add positively to upcoming housing starts.

Graph 1
Existing Home Sales by Region
SAAR, Thousands



Source: NAR & BBVA Research

Graph 2
Housing Starts and Building Permits
YoY % Change



Source: U.S. Census Bureau & BBVA Research

Week Ahead

Durable Goods Orders, Ex Transportation (October, Tuesday 8:30 ET)

Forecast: -0.3%, -0.2%

Consensus: -0.7%, -0.5%

Previous: 9.8%, 2.0%

Durable goods orders have been extremely volatile in recent months, reflecting a mix of uncertain data from the manufacturing sector. New orders dropped nearly 13% in August but then rebounded close to 10% in September, in both cases driven mostly by aircraft and parts. Given that manufacturing activity continues to lag somewhat, we do not expect much positive momentum to carry over into October. In general, we expect to see a very modest decline in durable goods orders for the month but much less extreme than in the past.

S&P Case-Shiller Home Price Index (September, Tuesday 9:00 ET)

Forecast: 3.00%

Consensus: 2.95%

Previous: 2.03%

The S&P Case-Shiller Home Price Index is expected to accelerate in September on a YoY basis as the housing recovery gains momentum. In August, the index approached one of the highest levels of the recovery but remains nearly 30% lower than the pre-recession peak. Throughout September, housing data were mostly positive but we did see a slight decline in the median price of both new and existing homes sold. Other house price indices suggested mixed results for the month. Thus, we expect that prices will increase only slightly on a MoM basis and at a much slower pace compared to the previous few months.

GDP, Preliminary (3Q12, Thursday 8:30 ET)

Forecast: 2.4%

Consensus: 2.8%

Previous: 2.0%

The preliminary estimate for 3Q12 GDP growth is expected to be revised up from the advance figure as the final economic indicators for September have been released and show stronger-than-expected growth in many areas. In particular, the international trade balance improved significantly, closing out the third quarter with the smallest deficit in almost two years. Export growth rebounded in September after two months of declines, while imports increased for the first time in six months to reflect stronger confidence and demand from businesses. September's data also showed stronger consumer data, including a modest upward revision to retail sales and an improvement in job growth. Revisions to construction spending noted a softer decline in August followed by a gain in September, mostly led by the private side. On the other hand, we expect that these gains were partially offset by a downward revision to industrial production in September, from 0.4% to 0.2%, reflecting a slower-than-expected increase in manufacturing output. In general, though, we expect the revised second estimate to be fueled by the narrowing trade balance and growth in consumer spending along with better employment data and the pace of the housing recovery.

Personal Income and Outlays (October, Friday 8:30 ET)

Forecast: 0.1%, 0.0%

Consensus: 0.2%, 0.0%

Previous: 0.4%, 0.8%

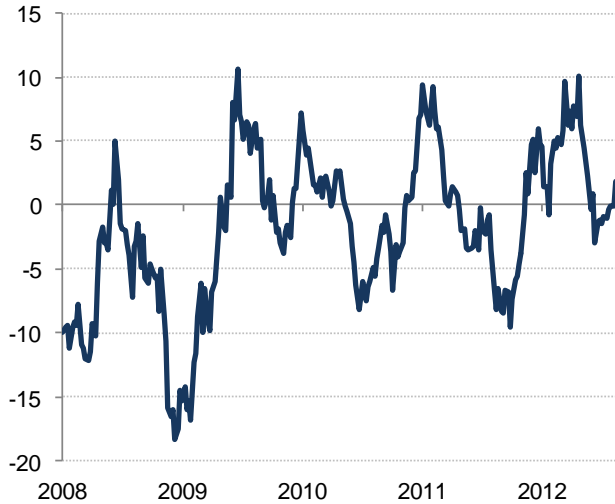
Personal income and spending are expected to be relatively muted for October due to mixed reports on key indicators. Average hourly earnings declined slightly in October after an increase in September, which could drag on personal income for the month, but we do not expect that nominal figures will revert to negative growth. The soft increase in inflation for October should help keep real income from decelerating significantly. On the spending side, we expect that personal outlays will reflect a slowdown in consumer activity that has already been seen in October's data, including the slight decline in retail sales in part due to the effects of Hurricane Sandy along the East Coast. Coupled with a dim demand for autos and a drop in actual sales for light vehicles, spending does not seem to show signs of growth in October.

Market Impact

This week there is the potential for markets to be much more optimistic, coming off the Thanksgiving holiday with an optimistic outlook for upcoming housing data and a revised GDP estimate for 3Q12. On the other hand, consumer data could be weak to start the fourth quarter, with personal income and consumption looking a bit thin for October. Various manufacturing surveys could add some tension to the markets as well, with several regional Federal Reserve reports to be released as well as the Beige Book for November.

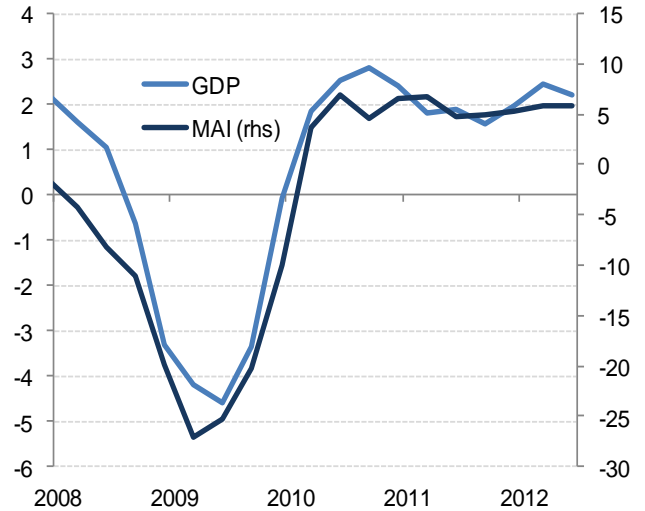
Economic Trends

Graph 3
BBVA US Weekly Activity Index
 (3 month % change)



Source: BBVA Research

Graph 4
BBVA US Monthly Activity Index & Real GDP
 (4Q % change)



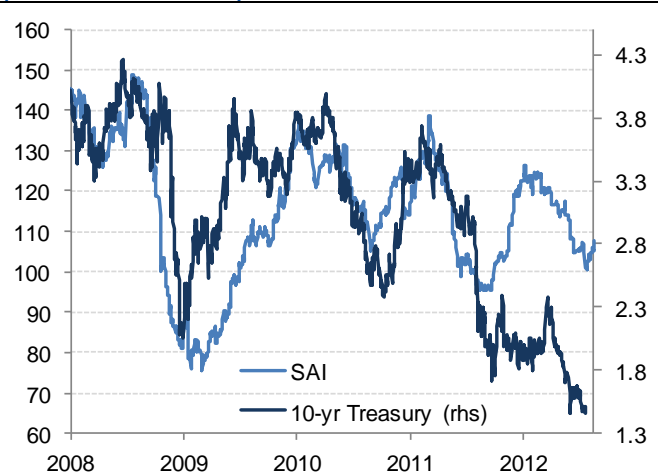
Source: BBVA Research & BEA

Graph 5
BBVA US Surprise Inflation Index
 (Index 2009=100)



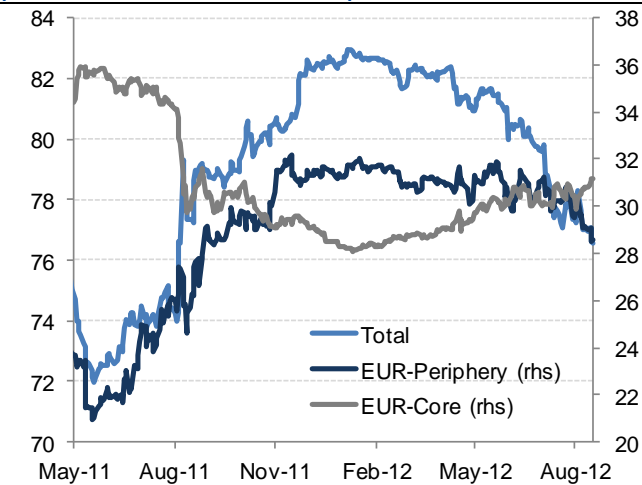
Source: BBVA Research

Graph 6
BBVA US Surprise Activity Index & 10-yr Treasury
 (Index 2009=100 & %)



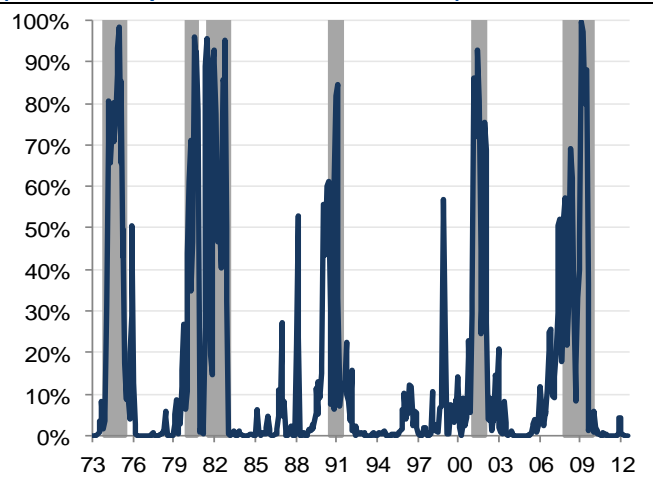
Source: Bloomberg & BBVA Research

Graph 7
Equity Spillover Impact on US
 (% Real Return Co-Movements)



Source: BBVA Research

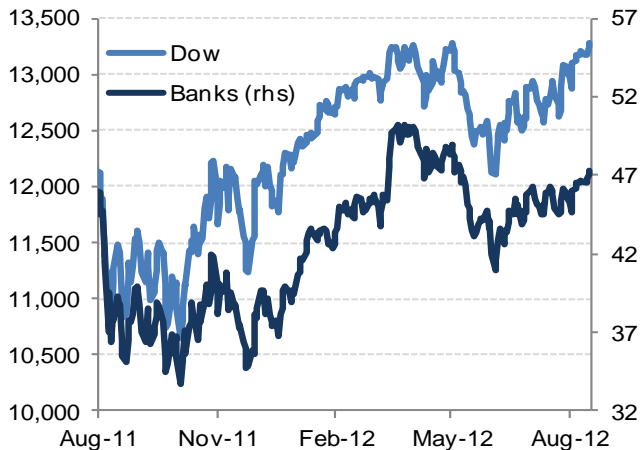
Graph 8
BBVA US Recession Probability Model
 (Recession episodes in shaded areas, %)



Source: BBVA Research

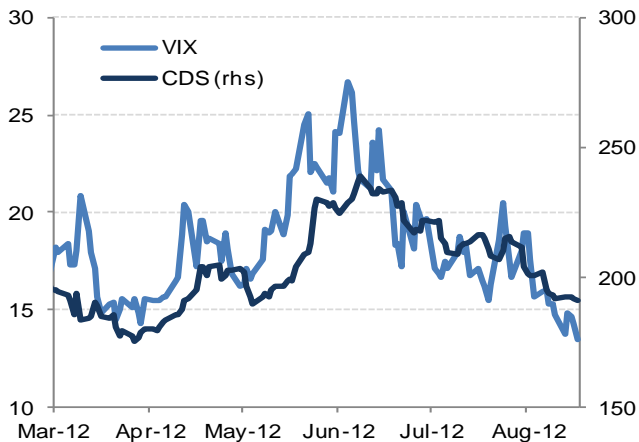
Financial Markets

Graph 9
Stocks
(Index, KBW)



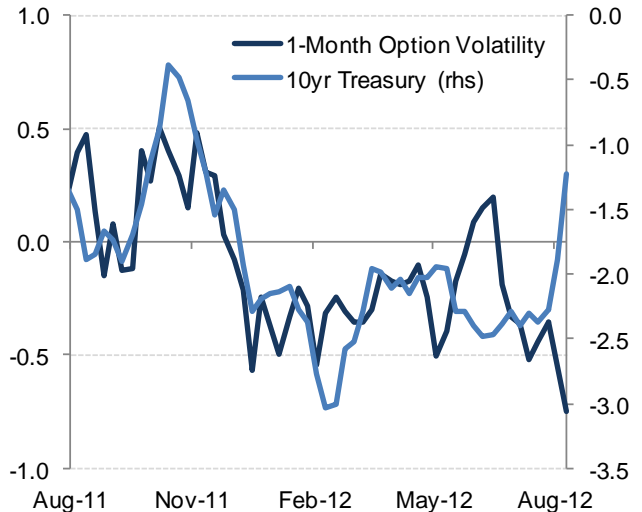
Source: Bloomberg & BBVA Research

Graph 10
Volatility & High-Volatility CDS
(Indices)



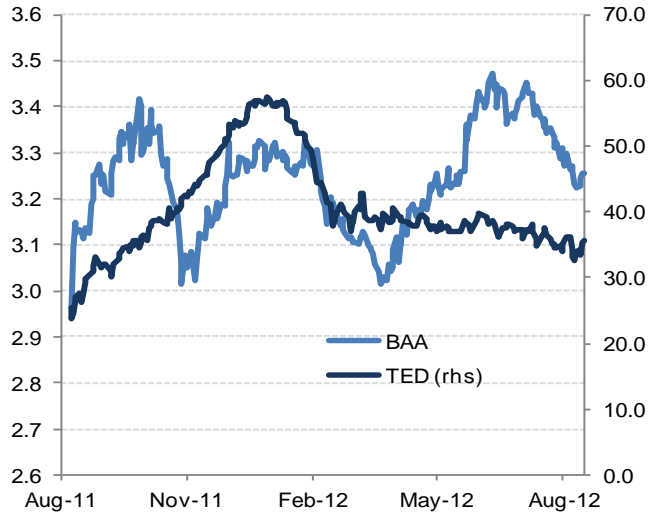
Source: Bloomberg & BBVA Research

Graph 11
Option Volatility & Real Treasury
(52-week avg. change)



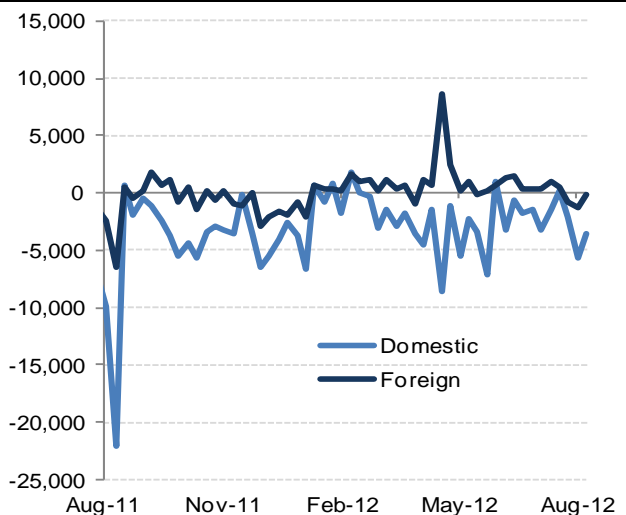
Source: Haver Analytics & BBVA Research

Graph 12
TED & BAA Spreads
(%)



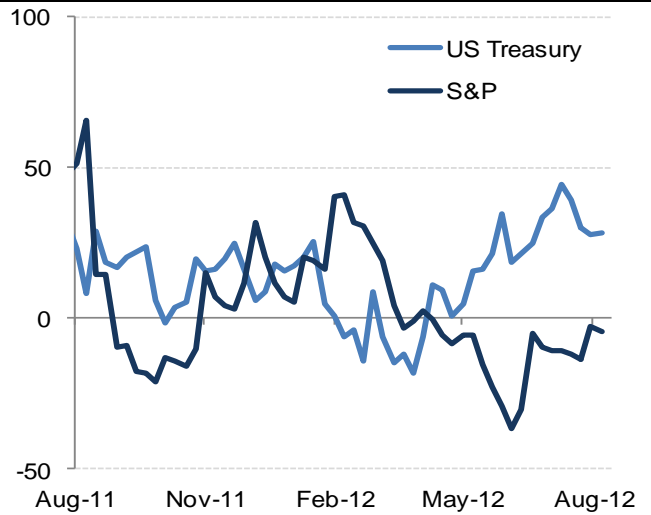
Source: Bloomberg & BBVA Research

Graph 13
Long-Term Mutual Fund Flows
(US\$Mn)



Source: Haver Analytics & BBVA Research

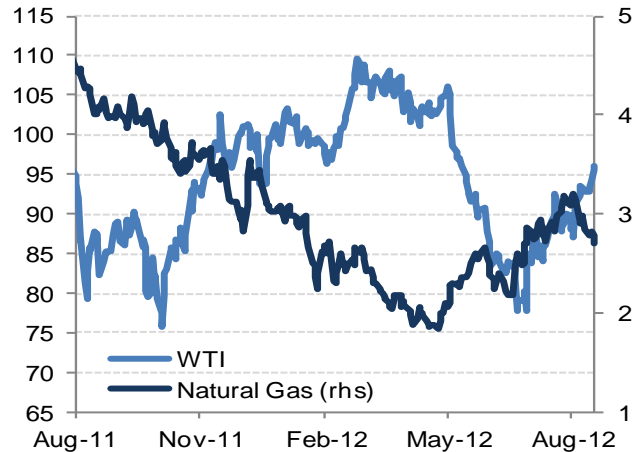
Graph 14
Total Reportable Short & Long Positions
(Short-Long, K)



Source: Haver Analytics & BBVA Research

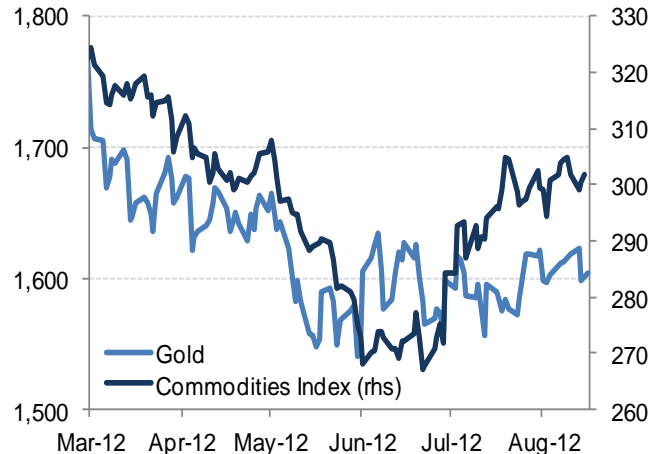
Financial Markets

Graph 15
Commodities
(Dpb & DpMMBtu)



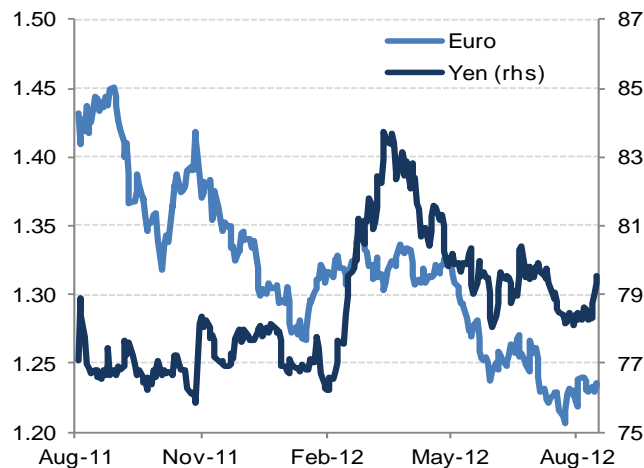
Source: Bloomberg & BBVA Research

Graph 16
Gold & Commodities
(US\$ & Index)



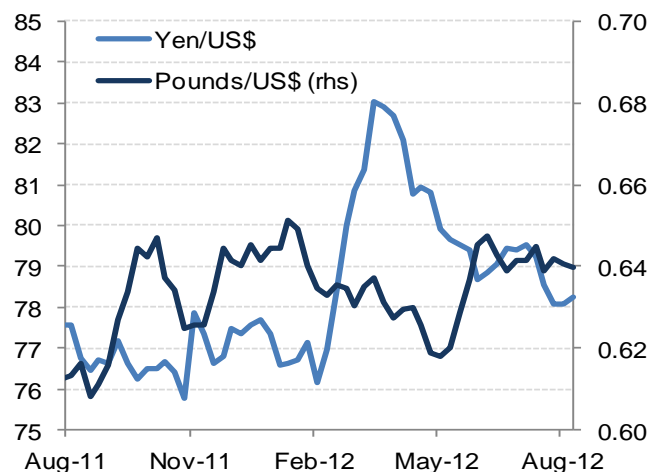
Source: Haver Analytics & BBVA Research

Graph 17
Currencies
(Dpe & Ypd)



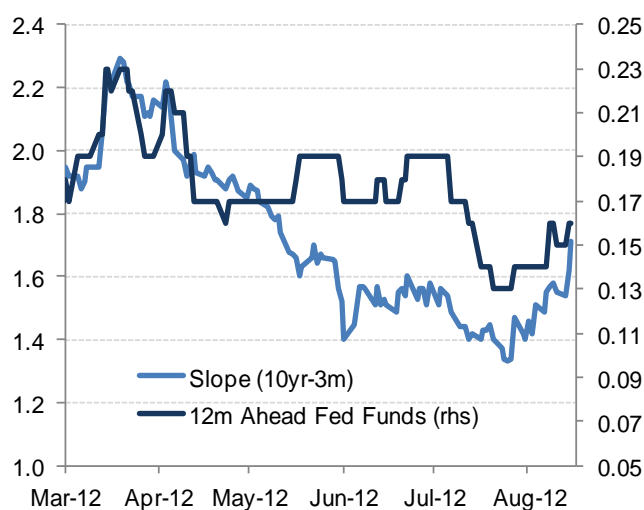
Source: Bloomberg & BBVA Research

Graph 18
6-Month Forward Exchange Rates
(Yen & Pound / US\$)



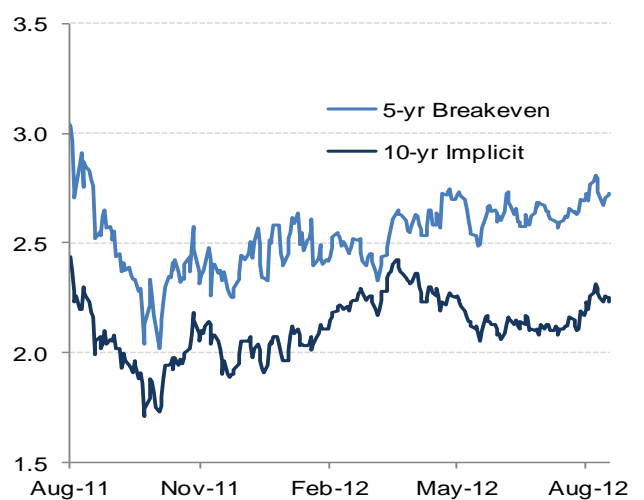
Source: Haver Analytics & BBVA Research

Graph 19
Fed Futures & Yield Curve Slope
(% & 10year-3month)



Source: Haver Analytics & BBVA Research

Graph 20
Inflation Expectations
(%)



Source: Bloomberg & BBVA Research

Interest Rates

Table 1
Key Interest Rates (%)

	Last	Week ago	4-Weeks ago	Year ago
Prime Rate	3.25	3.25	3.25	3.25
Credit Card (variable)	14.10	14.10	14.10	13.73
New Auto (36-months)	2.93	2.93	3.01	4.23
Heloc Loan 30K	5.46	5.49	5.44	5.52
5/1 ARM*	2.76	2.77	2.69	3.08
15-year Fixed Mortgage*	2.88	2.84	2.83	3.36
30-year Fixed Mortgage*	3.62	3.59	3.53	4.15
Money Market	0.52	0.52	0.51	0.57
2-year CD	0.86	0.86	0.85	1.00

*Freddie Mac National Mortgage Homeowner Commitment US
Source: Bloomberg & BBVA Research

Table 1
Key Interest Rates (%)

	Last	Week ago	4-Weeks ago	Year ago
1M Fed	0.13	0.13	0.13	0.09
3M Libor	0.43	0.44	0.45	0.30
6M Libor	0.72	0.72	0.73	0.46
12M Libor	1.04	1.05	1.06	0.78
2yr Sw ap	0.50	0.47	0.44	0.48
5yr Sw ap	1.01	0.91	0.81	1.18
10Yr Sw ap	1.93	1.77	1.59	2.20
30yr Sw ap	2.71	2.53	2.32	3.04
7day CP	0.20	0.23	0.45	0.32
30day CP	0.24	0.30	0.41	0.28
60day CP	0.26	0.34	0.40	0.24
90day CP	0.32	0.36	0.43	0.27

Source: Bloomberg & BBVA Research

Quote of the Week

Ben Bernanke, Chairman of the Federal Reserve
The Economic Recovery and Economic Policy
20 November 2012

"We will want to be sure that the recovery is established before we begin to normalize policy. We hope that such assurances will reduce uncertainty and increase confidence among households and businesses, thereby providing additional support for economic growth and job creation."

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
26-Nov	Chicago Fed National Activity Index	OCT	-0.30	--	0.00
26-Nov	Dallas Fed Manufacturing Survey	NOV	2.00	2.50	1.80
27-Nov	Durable Goods Orders	OCT	-0.3%	-0.7%	9.8%
27-Nov	Durable Goods Orders Ex Transportation	OCT	-0.2%	-0.5%	2.0%
27-Nov	S&P Case-Shiller HPI (YoY)	SEPT	3.00%	2.95%	2.03%
27-Nov	Consumer Confidence	NOV	73.8	73.0	72.2
28-Nov	New Home Sales	OCT	385K	390K	389K
28-Nov	New Home Sales (MoM)	OCT	-1.03%	0.30%	5.70%
29-Nov	GDP QoQ Annualized	3Q12 P	2.4%	2.8%	2.0%
29-Nov	Personal Consumption	3Q12 P	1.9%	1.9%	2.0%
29-Nov	GDP Price Index	3Q12 P	2.8%	2.8%	2.8%
29-Nov	Core PCE QoQ	3Q12 P	1.3%	1.3%	1.3%
29-Nov	Initial Jobless Claims	24-Nov	400K	390K	410K
29-Nov	Continuing Claims	17-Nov	3320K	3333K	3337K
29-Nov	Pending Home Sales (MoM)	OCT	0.6%	1.0%	0.3%
30-Nov	Personal Income (MoM)	OCT	0.1%	0.2%	0.4%
30-Nov	Personal Spending (MoM)	OCT	0.0%	0.0%	0.8%
30-Nov	Chicago PMI	NOV	50.7	50.5	49.9

Forecasts

	2011	2012	2013	2014
Real GDP (% SAAR)	1.8	2.1	1.8	2.3
CPI (YoY %)	3.2	2.0	2.1	2.4
CPI Core (YoY %)	1.7	2.1	1.9	2.0
Unemployment Rate (%)	9.0	8.1	8.0	7.6
Fed Target Rate (eop, %)	0.25	0.25	0.25	0.25
10Yr Treasury (eop, % Yield)	2.0	1.7	2.4	2.7
US Dollar/ Euro (eop)	1.32	1.25	1.31	1.31

Note: Bold numbers reflect actual data

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