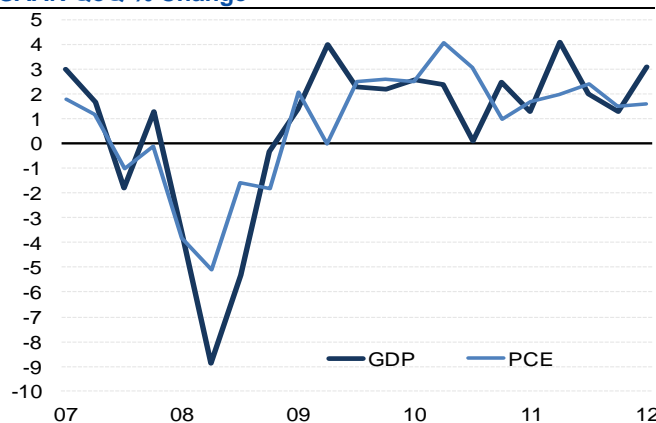


US Weekly Flash

Highlights

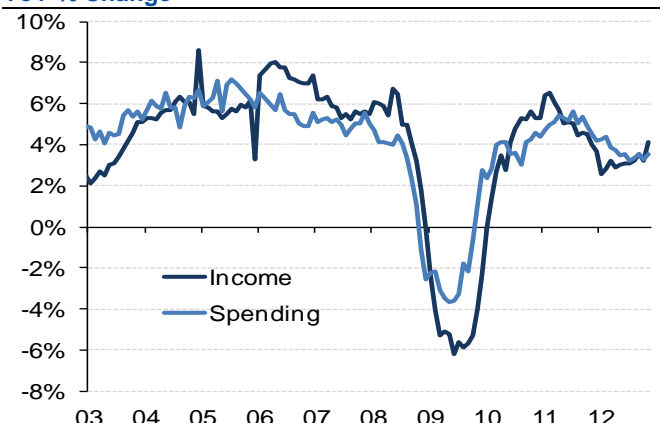
- Final 3Q12 GDP revised upward to 3.1% on higher consumption and narrow trade gap**
 - The 3Q12 GDP final report yet again surprised to the upside as GDP was revised up to 3.1% after already gaining 0.7% from advanced to preliminary reports. Sales of domestic products rose 2.4% in 3Q12, up from 1.7% in 2Q12. Growth in personal consumption expenditures (PCE) also added to the momentum, primarily in the form of durable goods which rose 8.9% QoQ. Although private investment shrank slightly from the preliminary estimate, quarterly growth remained intense at 6.6%, lead by residential investment which grew by 13.5%. State and local governments also showed significant growth from the preliminary figure, rising from -0.4% to 0.3% on increased spending and infrastructure investment.
 - The trade gap also shrank as consumers chose to seek products from the domestic market rather than abroad, driving import growth down to -0.6%, revised from the preliminary estimate of 0.1%. Exports also showed strong signs of growth as they rose 0.8% compared to the preliminary estimate, resulting in a 3Q12 figure of 1.9% QoQ. The overall contribution of net exports to GDP increased from 0.14pp to 0.38pp in the final figure. Given this significant revision to 3Q12 GDP growth and recent economic data, we have low expectations for GDP in the fourth quarter as indicators stress fiscal uncertainty and a lack of investment from businesses that are skeptical about tax issues.
- Personal income and spending rebound as Hurricane Sandy's impact dissipates**
 - Personal consumption expenditures (PCE) rose 0.4%, on par with our estimate, as the holiday season kicks off and retail sales show signs of increasing purchases due to the year-end sales. Up from a 0.2% decline in October, spending was driven primarily by a 2.7% increase in durable goods and a 0.5% increase in services. Nondurable goods outlays fell by 1.0% following a smaller decline in October.
 - The jump in spending was also helped by a 0.6% rise in personal income, doubling Bloomberg's consensus estimate from a survey of economists. Lead by a 0.6% rise in wages and salaries, the highest since February, the figures likely reflect the fact that businesses affected by Hurricane Sandy, partially to blame for October's weak report, have come back online. Wages and salaries in the private industry grew noticeably, up 0.7% while the government equivalent rose by a meager 0.1%. The service industry topped the private arena, growing 0.8% after falling in the previous month while goods-producing firms also grew. For December, we expect the personal income and spending figures to reflect the increase in spending from the holiday season and some increase in the income category as the areas affected by Sandy fully return to business, although most likely at a repressed rate due to fiscal uncertainty.

Graph 1
**U.S. Real GDP and Personal Consumption Expenditures
SAAR QoQ % Change**



Source: Bureau of Economic Analysis & BBVA Research

Graph 2
**Personal Income and Spending
YoY % Change**



Source: Bureau of Economic Analysis & BBVA Research

Week Ahead

S&P Case-Shiller HPI (October, Wednesday 9:00 ET)

Forecast: 3.4%

Consensus: 4.0%

Previous: 3.0%

The S&P Case-Shiller Home Price Index for October is expected to accelerate on a YoY basis for the fifth consecutive month. Constrained supply of new homes and a declining share of distressed sales have helped put upward pressure on home prices in the past few months. Despite the slight declines in median prices for both new and existing homes sold in October, other home price indices have noted increases for the month. Both the FHFA and the Core Logic indicators rose slightly for the month on a seasonally-adjusted basis, and we expect the Case-Shiller to follow suit. Given the latest strength in the housing recovery, we continue to expect positive growth in home prices for the coming months, as long as we don't see the worst possible impact from the fiscal cliff.

Initial Jobless Claims (Week of December 22nd, Thursday 8:30 ET)

Forecast: 355K

Consensus: 365K

Previous: 361K

In the wake of Hurricane Sandy and the ever present aura of uncertainty, the weekly jobless claims report is being taken less seriously as a useful measure of the state of employment as exogenous factors reign influential. After a volatile few months, dropping below 350K in early October and then shooting back up to 451K in the weeks following the storm, the data do not point to a clear improvement in job growth for the end of 2012. However, the 4-week moving average has reversed its upward trend from earlier in the fourth quarter and is now back to pre-Sandy levels. For the upcoming measure for the week ending on the 22nd, we expect initial jobless claims to decline slightly as fewer people file for unemployment benefits due to retail employment and better than expected production figures for December, in addition to the usual holiday lull.

New Home Sales (November, Thursday 10:00 ET)

Forecast: 378K

Consensus: 380K

Previous: 368K

November's new home sales figures are expected to grow at a moderate pace after a slight fall in October. Down only 1k from September, the figures suggest a possible impact from Hurricane Sandy that would have halted any home sales in the Northeast, at least until later in the year. Housing starts for October showed some encouraging figures, climbing 3.6% and remaining strong as the data reach mid-2008 levels. With the month's supply of new homes still tracking at below 5 months, the expected upward trend in prices has signaled to home buyers that now may be a good time to buy. Unfortunately, the past 2 months have shown that there might be some hesitation in new home purchases as the market is still saturated with existing homes at lower prices. Furthermore, housing data for November thus far have shown some additional impact from the storm. Therefore, we expect only a moderate increase in new homes sales as the recent hurricane will most likely weigh in along with some early fiscal worries that are more present as we come closer to year end.

Consumer Confidence (December, Thursday 10:00 ET)

Forecast: 74.0

Consensus: 70.0

Previous: 73.7

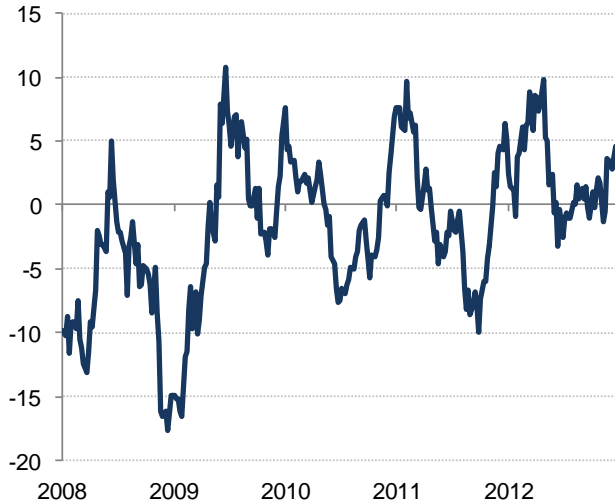
The Conference Board's Consumer Confidence survey is expected to show slight gains for December as optimism remains unabated, despite the fiscal cliff issues, as more people are coming to realize the distinct consequences of the government's actions or indeed, inaction. Historically a positive month, December's confidence reading is likely to convey consumers' apprehension about the fiscal cliff but also their optimism during the holiday season. November's results pointed to a growing optimism for the 6 month outlook period in terms of large ticket purchases like major appliances and homes. Expectations also were emboldened by the fact that business conditions, employment and income were all expected to be better in 6 months. Ultimately, we expect that the latest positive news from the labor market will be reflected in the final consumer confidence report for 2012.

Market Impact:

As far as impacts go, next week will be quiet due to the holidays. Housing data will permeate most of the releases as new and pending home sales are released later in the week, with both expected to rise as the tide of housing sales continues to strengthen. Consumer confidence is also an important indicator – as the fiscal cliff gets closer we expect there to be some hesitation, although the indicator itself has been susceptible to market emotions. Overall, the quiet week will give the market some time to ponder about how important the fiscal cliff actually is and whether hiring and production will be impacted as drastically as the market expects.

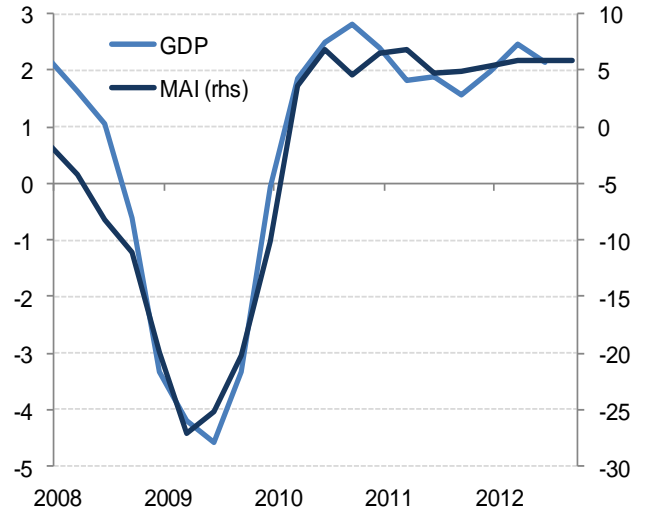
Economic Trends

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



Source: BBVA Research

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



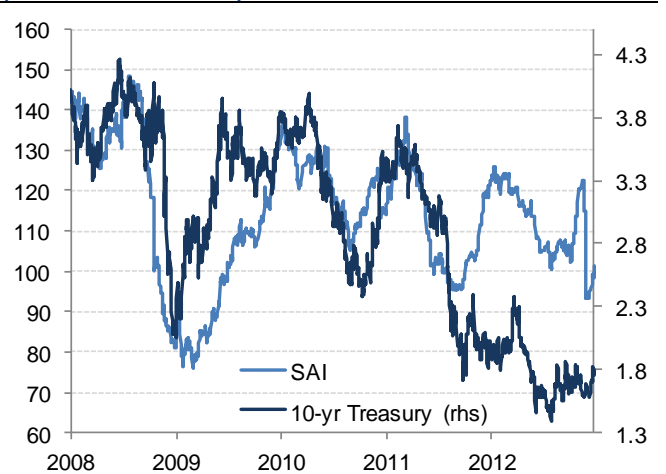
Source: BBVA Research & BEA

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



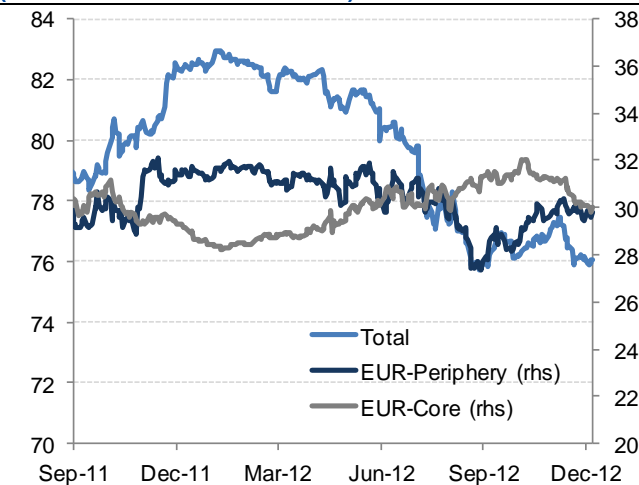
Source: BBVA Research

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



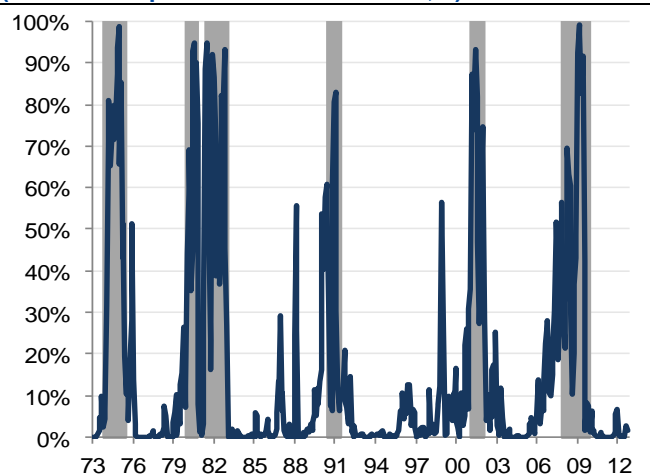
Source: Bloomberg & BBVA Research

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



Source: BBVA Research

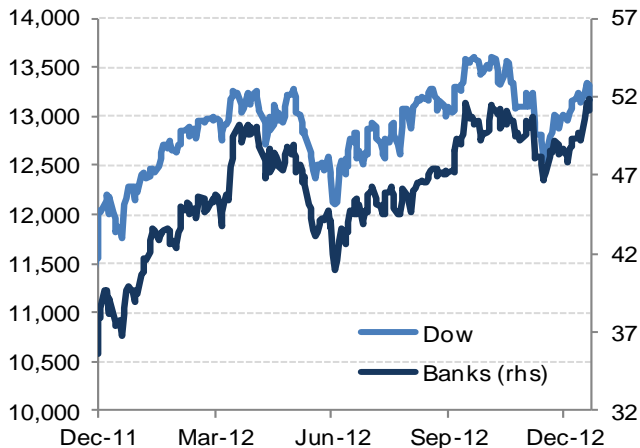
Graph 8
BBVA US Recession Probability Model
 (Recession episodes in shaded areas, %)



Source: BBVA Research

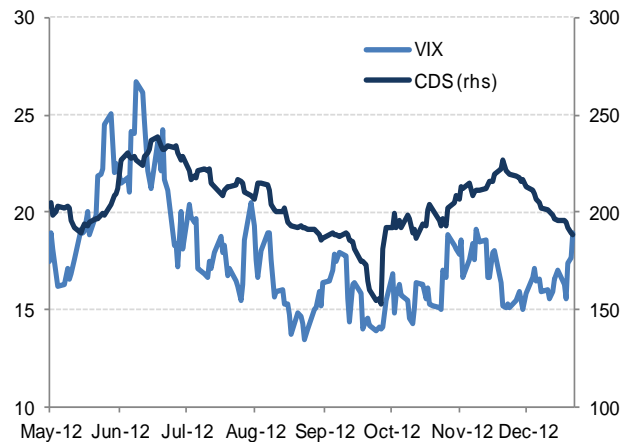
Financial Markets

Graph 9
Stocks
(Index, KBW)



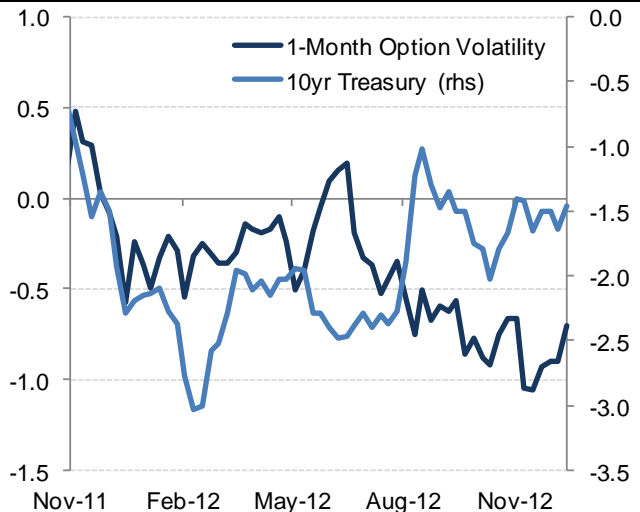
Source: Bloomberg & BBVA Research

Graph 10
Volatility & High-Volatility CDS
(Indices)



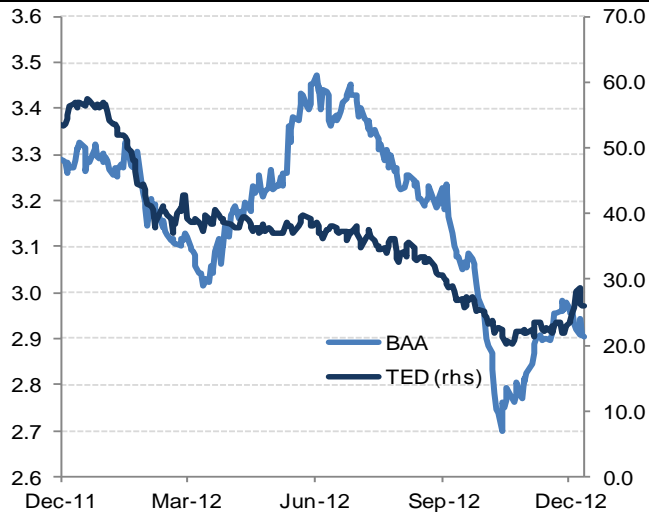
Source: Bloomberg & BBVA Research

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



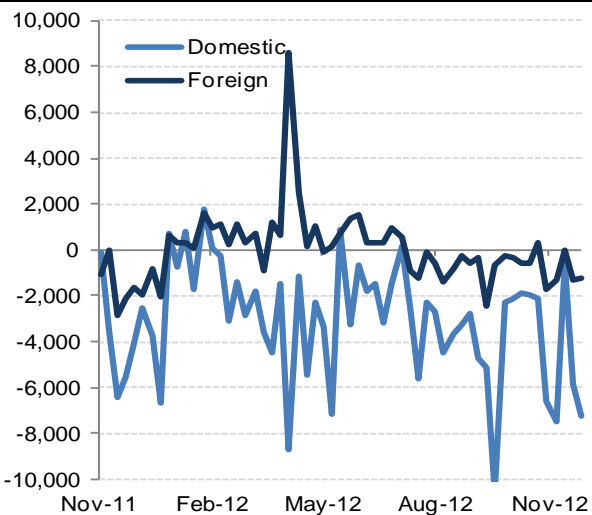
Source: Haver Analytics & BBVA Research

Graph 12
TED & BAA Spreads
(%)



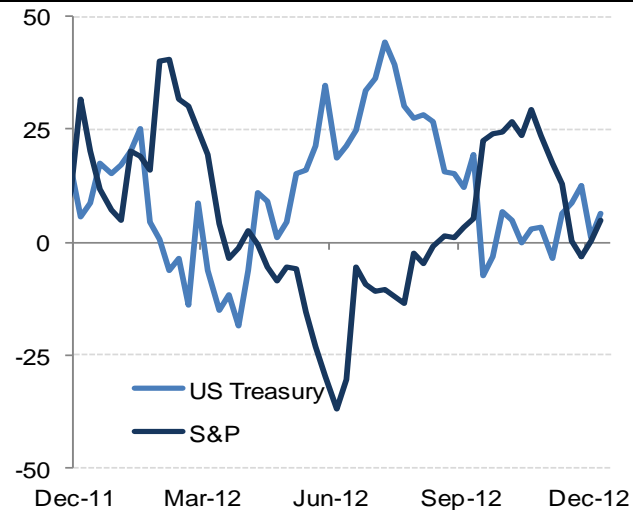
Source: Bloomberg & BBVA Research

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



Source: Haver Analytics & BBVA Research

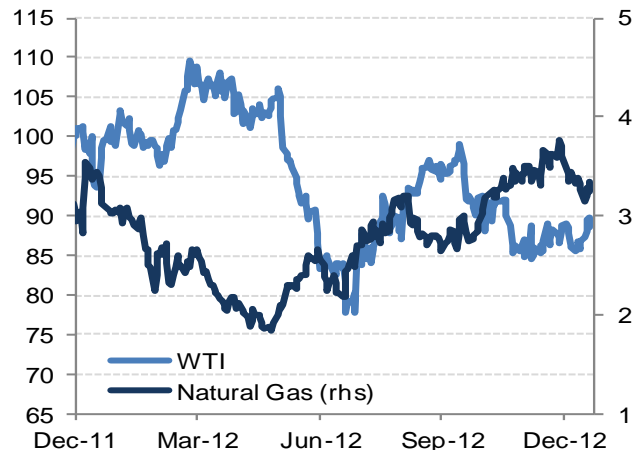
Graph 14
Total Reportable Short & Long Positions
(Short-Long, K)



Source: Haver Analytics & BBVA Research

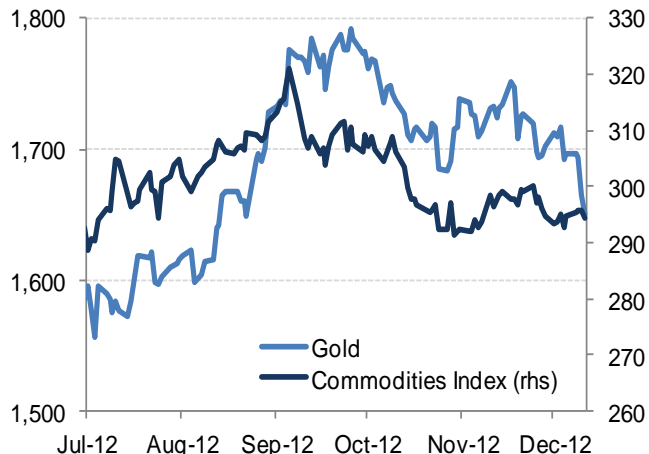
Financial Markets

Graph 15
Commodities
(Dpb & DpMMBtu)



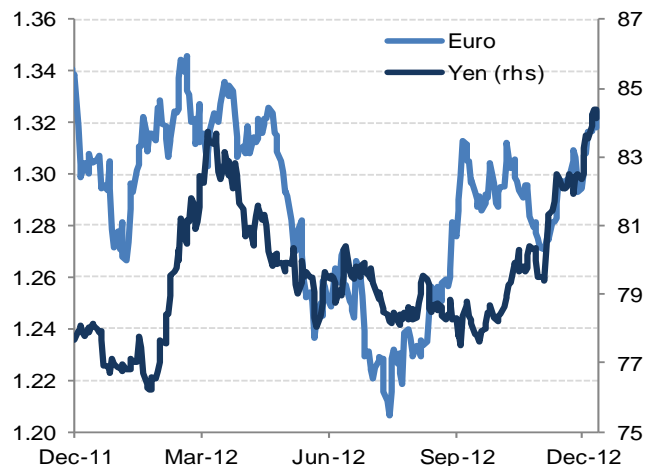
Source: Bloomberg & BBVA Research

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



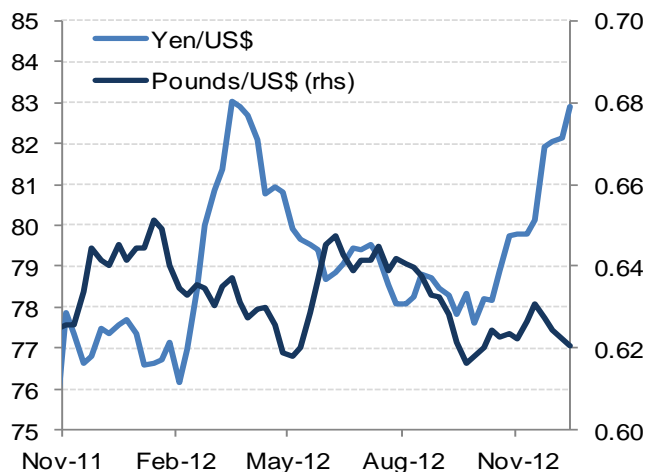
Source: Haver Analytics & BBVA Research

Graph 17
Currencies
(Dpe & Ypd)



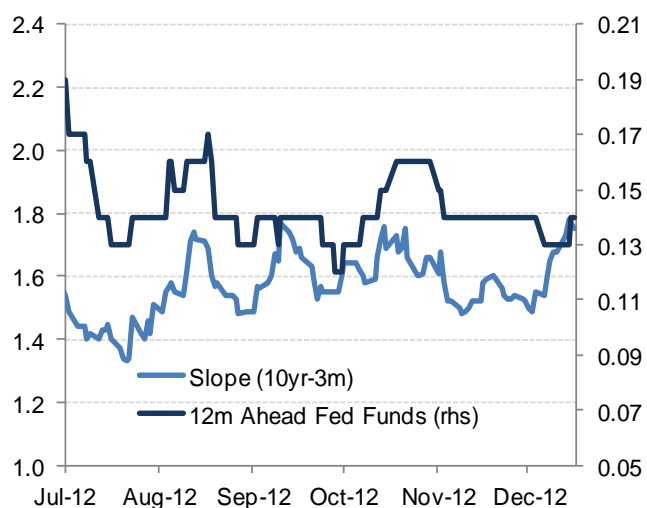
Source: Bloomberg & BBVA Research

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



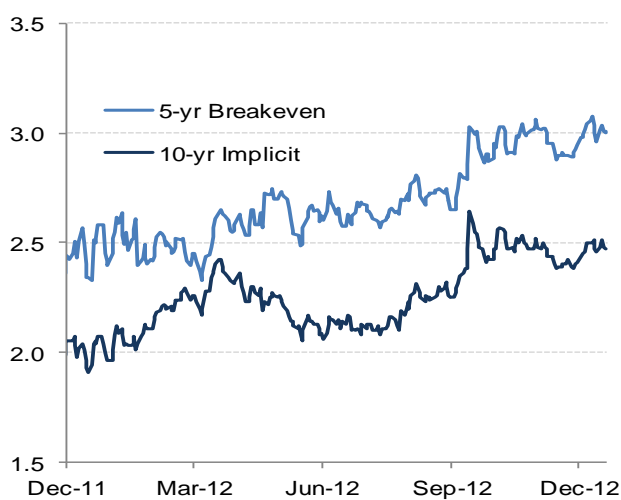
Source: Haver Analytics & BBVA Research

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)	13.98	13.98	13.98	13.94
New Auto (36-months)	2.76	2.77	2.77	3.75
Heloc Loan 30K	5.40	5.41	5.40	5.55
5/1 ARM*	2.71	2.70	2.74	2.85
15-year Fixed Mortgage*	2.65	2.66	2.63	3.21
30-year Fixed Mortgage*	3.37	3.32	3.31	3.91
Money Market	0.51	0.51	0.51	0.49
2-year CD	0.83	0.84	0.87	0.94

*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	0.17	0.17	0.16	0.08
3M Libor	0.31	0.31	0.31	0.57
6M Libor	0.51	0.51	0.53	0.80
12M Libor	0.84	0.85	0.86	1.12
2yr Sw ap	0.40	0.36	0.40	0.79
5yr Sw ap	0.86	0.82	0.82	1.37
10Yr Sw ap	1.81	1.75	1.73	2.19
30yr Sw ap	2.73	2.65	2.59	2.77
7day CP	0.17	0.32	0.16	0.83
30day CP	0.17	0.17	0.16	0.68
60day CP	0.17	0.17	0.18	0.54
90day CP	0.20	0.19	0.22	0.52

Source: Bloomberg & BBVA Research

Quote of the Week

Richmond Federal Reserve Bank President Jeffrey Lacker
Charlotte, N.C. Chamber of Commerce Annual Economic Outlook Conference
17 December 2012

"The Fed is straining to provide as much stimulus as possible without endangering our price-stability credibility. My worry and the reason I dissented ... is that we seem to be willing to test the limits of that credibility."

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
26-Dec	S&P Case-Shiller HPI (YoY)	OCT	3.40%	4.00%	3.00%
27-Dec	Initial Jobless Claims	22-Dec	355K	365K	361K
27-Dec	Continued Claims	15-Dec	3115K	3220K	3125K
27-Dec	New Home Sales	NOV	378K	380K	368K
27-Dec	New Home Sales (MoM)	NOV	2.72%	3.10%	-0.30%
27-Dec	Consumer Confidence	DEC	74	70	73.7
28-Dec	Chicago PMI	DEC	51.5	51.0	50.4
28-Dec	Pending Home Sales (MoM)	NOV	2.1%	1.0%	5.2%

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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