

US Weekly Flash

Highlights

Advance GDP Estimate Confirms Deceleration in 1Q14

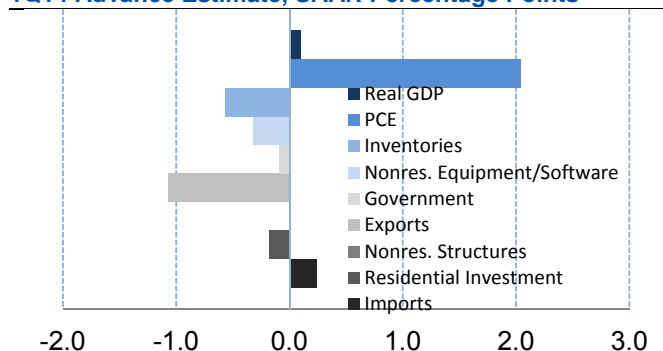
- The BEA's advance estimate of 1Q14 real GDP confirmed our expectations that economic growth decelerated from 4Q13. According to the report, GDP nearly stalled, expanding at a rate of only 0.1% SAAR over the first quarter of the year. The drop was led by a significant dip in gross private domestic investment, which fell 6.1% SAAR, the biggest drop since 1Q11, and reflected declines in both the residential and nonresidential components. Another negative driver was net exports, as export growth dropped 7.6% SAAR, the biggest decline since the recession, which is a concern with regards to international demand for U.S. goods. On a brighter note, consumer spending was up 3.0%, just about on pace with the 4Q13 rate (3.3%); however, spending on goods plunged to its lowest level since 2Q11.
- Overall, the slower-than-expected GDP estimate is slightly discouraging, but there is no need to worry about an impending slowdown. Business activity and consumption data have been starkly stronger in March, so it is likely that growth will be revised upward once all the data are accounted for in the quarter. Furthermore, according to the BEA, the change in estimate between the advance report and final has averaged 0.6 percentage points historically. For this reason, we cannot make a definitive judgment regarding the health of the economy on the advance estimate, and we expect that when the data is complete, GDP growth for 1Q14 will be revised upward. As such, we maintain our expectations for 2.5% growth in 2014.

Nonfarm Payroll Additions Surge in April

- The report released by the Bureau of Labor Statistics on Friday showed that the U.S. economy added 288K jobs in April, the biggest monthly gain for nonfarm payrolls since January 2012. Furthermore, revisions for February and March indicated that job growth was higher than preliminary estimates, as February's estimate was revised up from 197K to 222K and March's figure was changed from 197K to 203K. Another standout of the report was the unemployment rate, which fell to 6.3% from 6.7% in March. However, the labor force participation rate dropped significantly from 63.2% to 62.8%, negating the gains seen thus far in 2014, as the number of civilians in the labor force dropped 806K. In effect, the low unemployment rate is partially misleading, and as workers currently not in the labor force seek employment, the unemployment rate should rise.
- Overall, the jobs data for April combined with the significant upward revisions to initial estimates for the two previous months are positive signs for the economy. On the heels of a lower-than-expected 1Q14 GDP estimate, the robust improvement in the labor market assures us that business activity is indeed accelerating, which perhaps will be reflected in the 2Q14 GDP figure. Although the unemployment rate alone may be somewhat misleading, nonfarm payroll additions show that the labor market is unquestionably gaining strength. Looking ahead, as the job outlook improves, discouraged workers should re-enter the labor force and place upward pressure on the unemployment rate. Thus, despite the steep drop in the unemployment rate for the month, we expect it should still hover above 6.0% heading into early 2015.

Graph 1

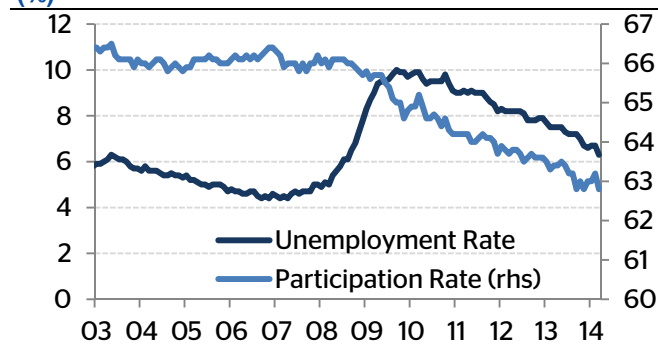
Contributions to Real GDP Growth
1Q14 Advance Estimate, SAAR Percentage Points



Source: Bureau of Labor Statistics & BBVA Research

Graph 2

Unemployment and Participation Rates
(%)



Source: Conference Board & BBVA Research

Week Ahead

ISM Non-Manufacturing Index (April, Monday 10:00 ET)

Forecast: 53.8

Consensus: 54.0

Previous: 53.1

The ISM non-manufacturing index is expected to show expansion in services activity for April. With the employment report for the month pointing to a surge in hiring, we can expect this component to help push the services index upward. General consensus among survey respondents in the last survey regarding business activity were positive, and Federal Reserve data also indicate that business activity is picking up. Furthermore, respondents felt that consumer spending was rising after a slow start to the year, so the release of pent-up demand should be felt in the coming months. Thus, we predict the index to rise for April and continue trending upward through 2Q14.

International Trade Balance (March, Tuesday 8:30 ET)

Forecast: \$-40.80B

Consensus: \$-40.15B

Previous: \$-42.30B

The international trade balance has widened for three consecutive months, but now that economic data has shown considerable improvements from the beginning of the year, we look for the gap to shrink in March. The latest deficit increases were likely attributed to the global slowdown, as exports declined significantly in December and February. Imports, however, have increased throughout the past few months despite the fact that economic data mostly decelerated at the beginning of the year. For March, Federal Reserve surveys and ISM data have shown rejuvenation in the business sector, so we expect this to boost export activity for the month. Looking at the bigger picture, the largest threat to the trade balance continues to be further slowdown abroad. Overall, we expect that the trade balance will close out 1Q14 on a positive note and make way for further improvements as 2Q14 gets underway, thus providing upward pressure on GDP growth in future quarters.

Consumer Credit (March, Wednesday 15:00 ET)

Forecast: \$16.20B

Consensus: \$16.10B

Previous: \$16.49B

We look for consumer credit to slightly pull back in March following a surge in the month prior. Personal income has risen by 0.4%, 0.4%, and 0.5% MoM through the first three months of the year, and higher income growth should also support additional credit card spending. Consumption expenditures were strong for 1Q14, and we expect the momentum to carry over into the second quarter, which should fuel revolving credit. On the other hand, we expect the non-revolving component to continue trending upward, led by student loans. Looking ahead to the rest of 2014, consumers will likely become more comfortable with economic conditions, and thus will be more confident in taking on new debt.

JOLTS Job Openings (March, Friday 10:00 ET)

Forecast: 4150K

Consensus: --

Previous: 4173K

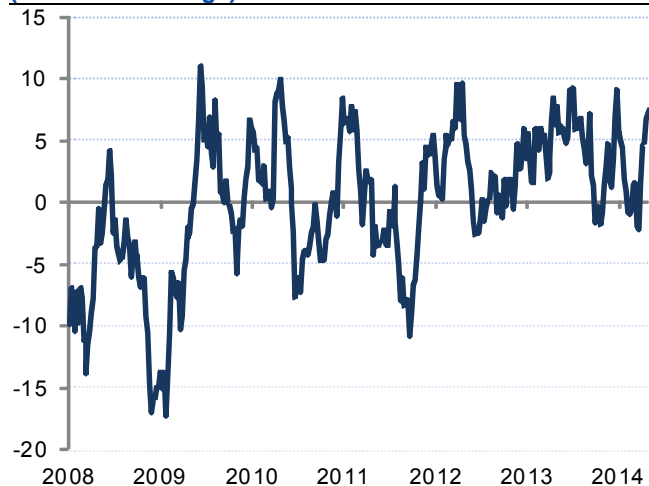
After an exceptionally strong surge in February, we expect job openings to hold mostly steady in March. The strong gains in the previous report saw about two-thirds of the jobs added by the professional and business services sector, as the total number of job openings reached its highest level in over six years. However, hiring growth has not kept up with job openings and is up only 0.8% on a YoY basis. Thus, it is likely the case that employers are not finding the most qualified workers to fill their vacancies, hinting at underlying structural unemployment issues in the economy. Though we do not expect to see a major increase in openings for March, we should continue to see a gradual upward trend in the labor market through this year as the economy continues to expand.

Market Impact

Following the release of 1Q14 GDP and the April jobs report, markets will not be faced with any significant economic indicators. Investors will continue to pay attention to company earnings to gauge business activity and will keep the situation in Ukraine in their peripherals.

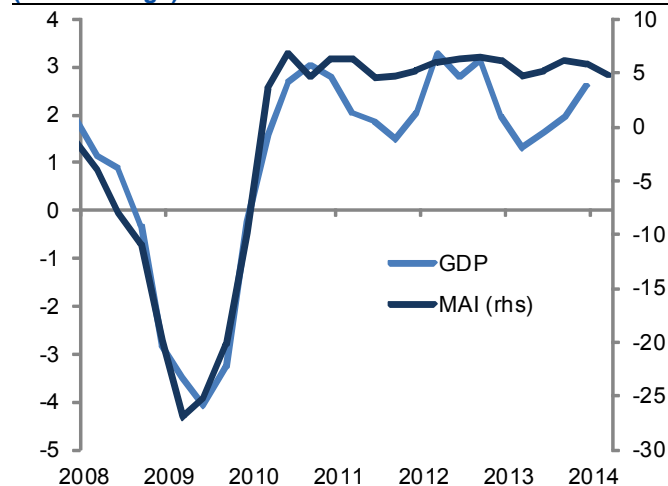
Economic Trends

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



Source: BBVA Research

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



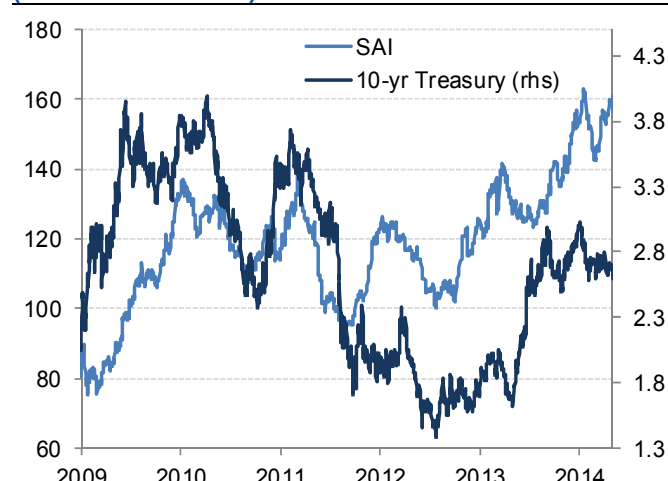
Source: BBVA Research & BEA

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



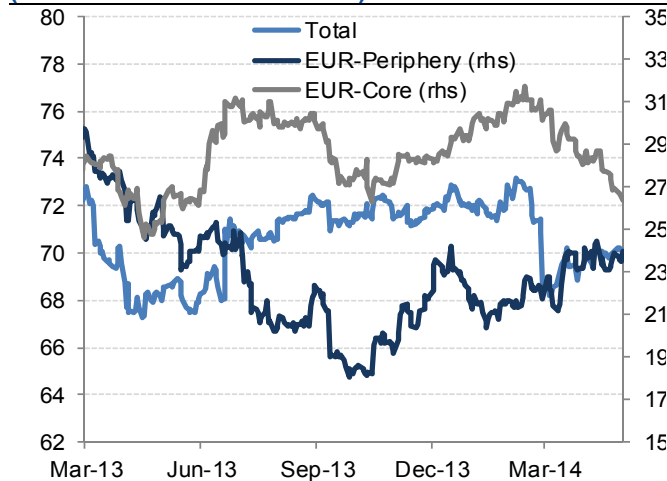
Source: BBVA Research

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



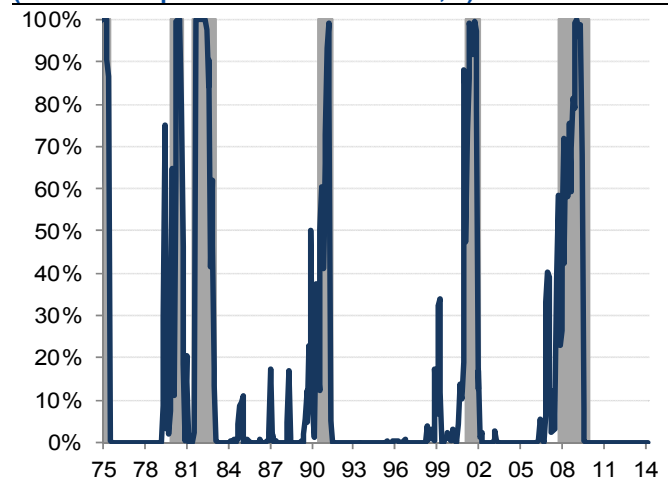
Source: Bloomberg & BBVA Research

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



Source: BBVA Research

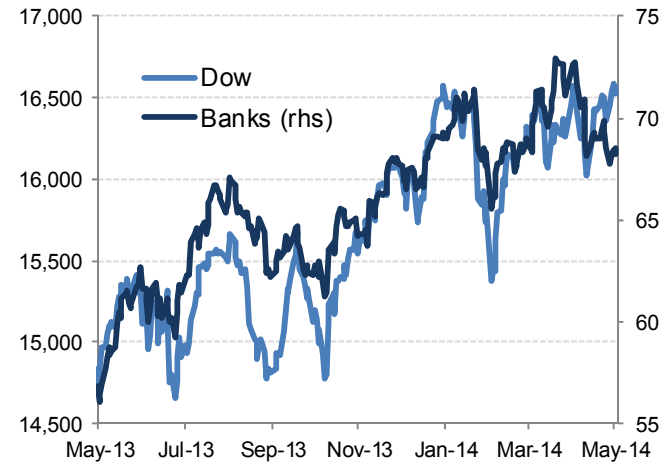
Graph 8
**BBVA US Recession Probability Model
(Recession episodes in shaded areas, %)**



Source: BBVA Research

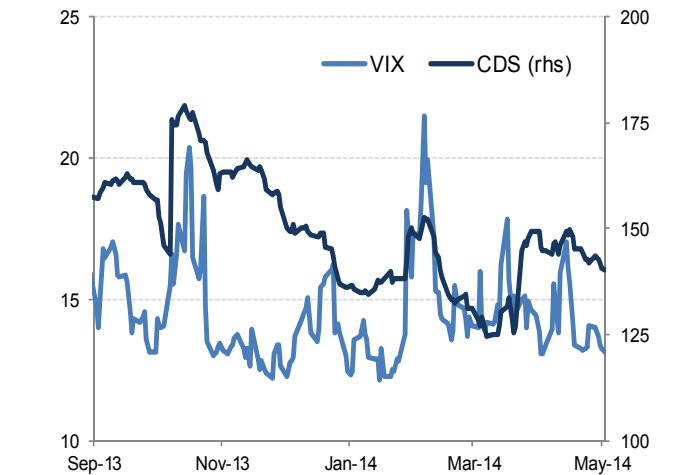
Financial Markets

Graph 9
Stocks
(Index, KBW)



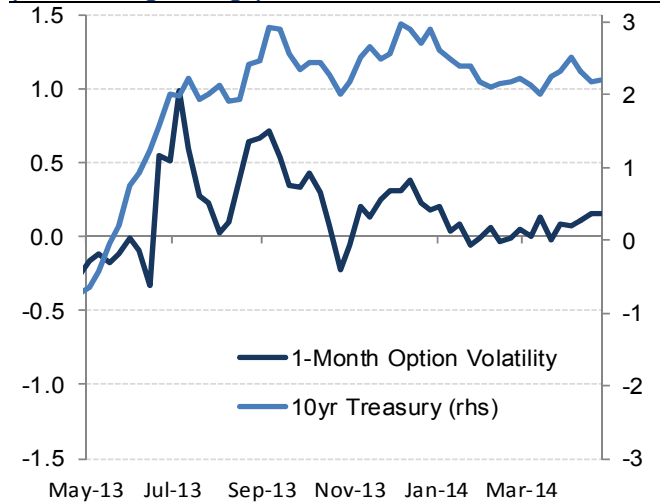
Source: Bloomberg & BBVA Research

Graph 10
Volatility & High-Volatility CDS
(Indices)



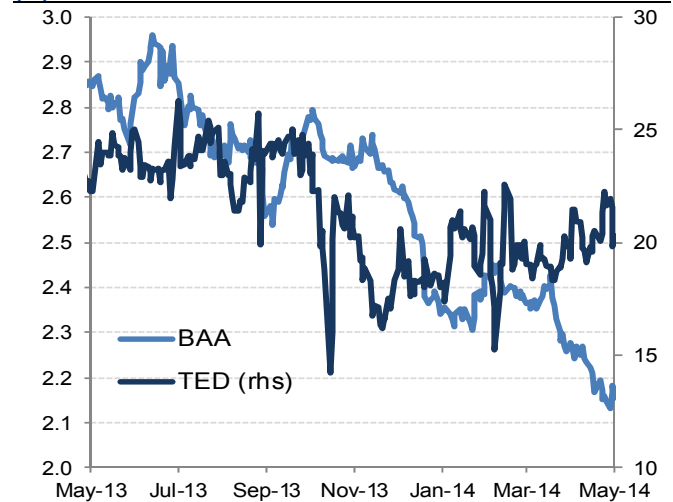
Source: Bloomberg & BBVA Research

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



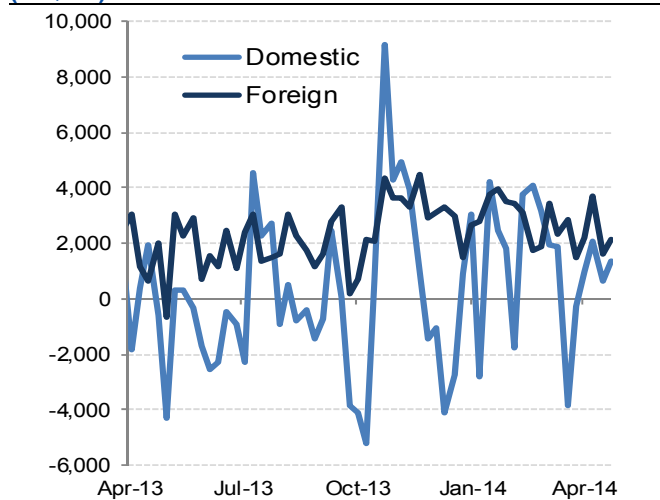
Source: Haver Analytics & BBVA Research

Graph 12
TED & BAA Spreads
(%)



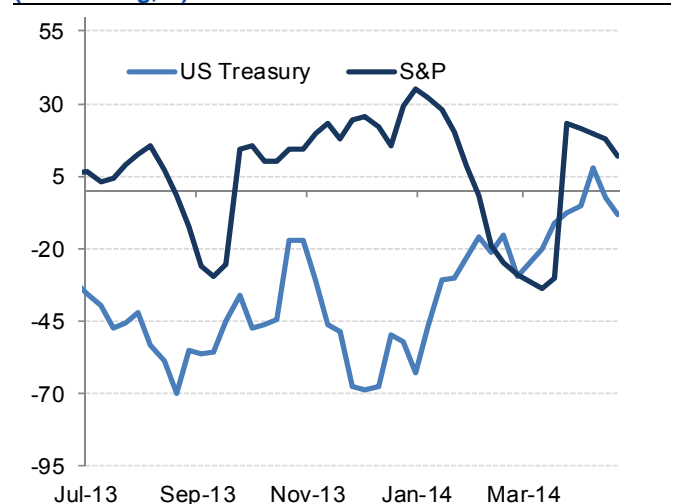
Source: Bloomberg & BBVA Research

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



Source: Haver Analytics & BBVA Research

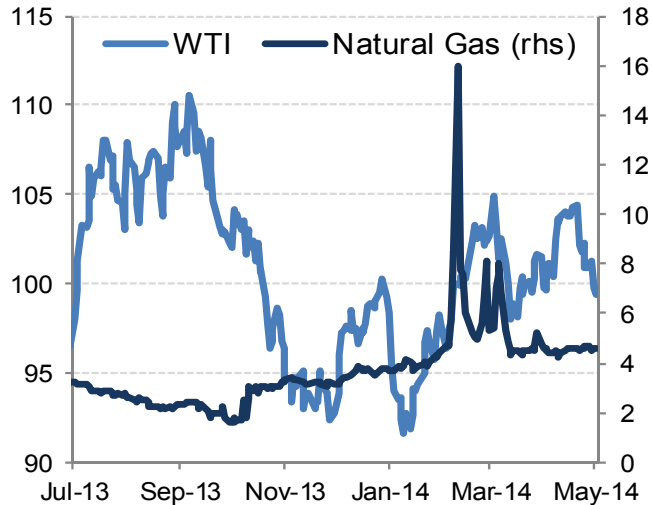
Graph 14
Total Reportable Short & Long Positions
(Short-Long, K)



Source: Haver Analytics & BBVA Research

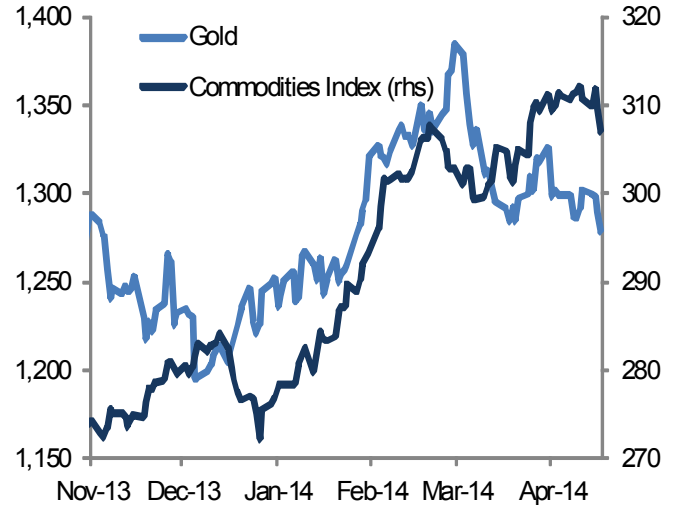
Financial Markets

Graph 15
Commodities
(Dpb & DpMMBtu)



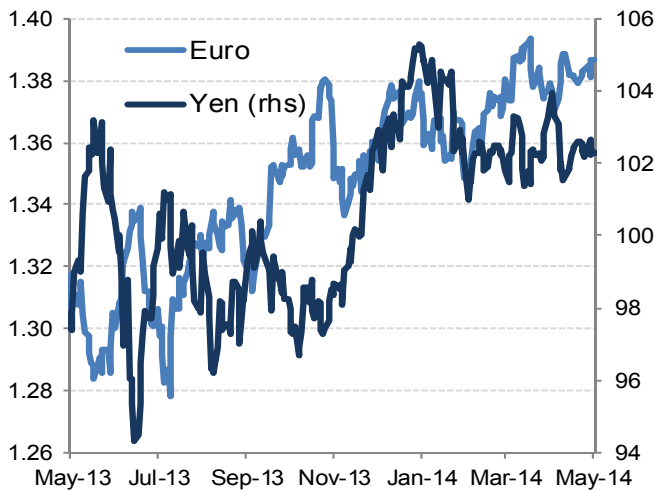
Source: Bloomberg & BBVA Research

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



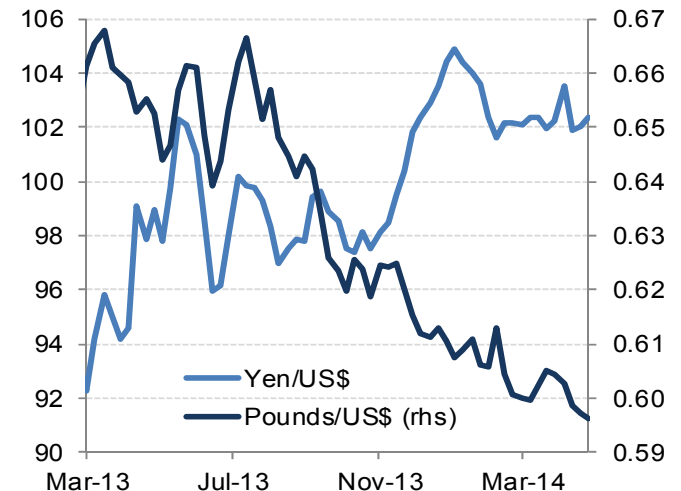
Source: Haver Analytics & BBVA Research

Graph 17
Currencies
(Dpe & Ypd)



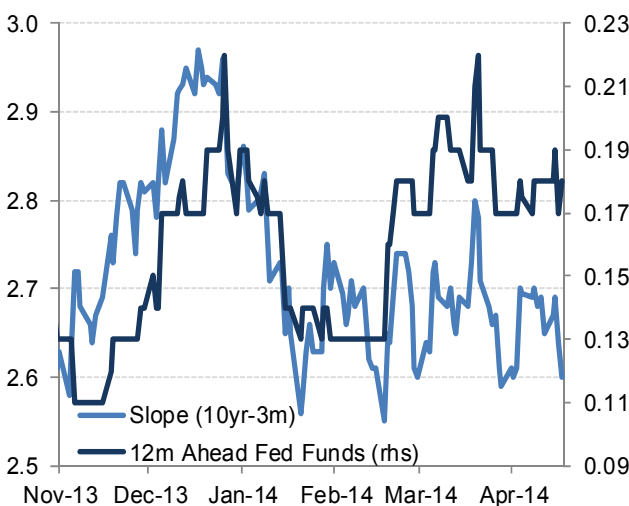
Source: Bloomberg & BBVA Research

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



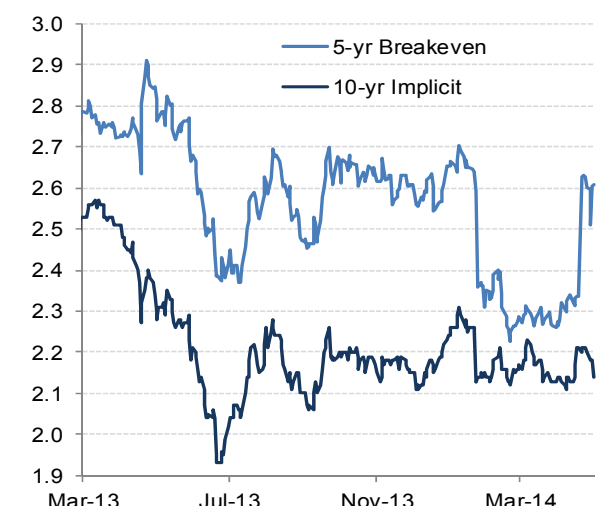
Source: Haver Analytics & BBVA Research

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)	14.82	14.82	14.72	14.10
New Auto (36-months)	2.57	2.56	2.51	2.30
Heloc Loan 30K	5.13	5.16	5.24	5.22
5/1 ARM*	3.05	3.03	3.12	2.90
15-year Fixed Mortgage*	3.38	3.39	3.47	3.23
30-year Fixed Mortgage*	4.29	4.33	4.41	3.99
Money Market	0.40	0.41	0.41	0.47
2-year CD	0.79	0.79	0.78	0.65

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

Table 2

Key Interest Rates (%)

	Last	Week ago	4-Weeks ago	Year ago
1M Fed	0.09	0.09	0.08	0.14
3M Libor	0.22	0.23	0.23	0.28
6M Libor	0.32	0.32	0.33	0.43
12M Libor	0.55	0.55	0.56	0.70
2yr Swap	0.56	0.54	0.54	0.36
5yr Swap	1.76	1.80	1.79	0.91
10Yr Swap	2.70	2.77	2.83	1.96
30yr Swap	3.36	3.44	3.57	2.93
30day CP	0.12	0.12	0.11	0.13
60day CP	0.11	0.11	0.11	0.15
90day CP	0.11	0.13	0.13	0.16

Source: Bloomberg & BBVA Research

Quote of the Week

Janet Yellen, Chair of the Federal Reserve
Independent Community Bankers of America 2014 Washington Policy Summit
1 May 2014

"Because of their important role, I am pleased that the condition of many community banks has been improving. Although there is still considerable revenue pressure from low margins, earnings for most community banks have rebounded since the financial crisis. Asset quality and capital ratios continue to improve, and the number of problem banks continues to decline. Notably, after several years of reduced lending following the recession, we are starting to see slow but steady loan growth at community banks. While this expansion in lending must be prudent, on balance I consider this growth an encouraging sign of an improving economy."

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
5-May	ISM Non-Manufacturing NMI NSA	APR	53.8	54.0	53.1
6-May	US Trade Balance Balance Of Payments SA	MAR	-40.80	-40.15	-42.30
7-May	Federal Reserve Consumer Credit Total Net Change SA	MAR	16.20	16.10	16.49
8-May	US Initial Jobless Claims SA	MAY 3	335	325	344
8-May	US Continuing Jobless Claims SA	APR 26	2750	2755	2771
9-May	US Job Openings By Industry Total SA	MAR	4150	--	4173
9-May	Merchant Wholesalers Inventories Total Monthly % Change	MAR	0.4	0.5	0.5

Forecasts

	2011	2012	2013	2014	2015	2016
Real GDP (% SAAR)	1.8	2.8	1.9	2.5	2.5	2.8
CPI (YoY %)	3.1	2.1	1.5	2.3	2.4	2.4
CPI Core (YoY %)	1.7	2.1	1.8	2.3	2.4	2.3
Unemployment Rate (%)	8.9	8.1	7.4	6.7	6.2	5.7
Fed Target Rate (eop, %)	0.25	0.25	0.25	0.25	0.50	1.50
10Yr Treasury (eop, % Yield)	1.98	1.72	3.03	3.41	3.80	4.10
US Dollar/ Euro (eop)	1.31	1.31	1.37	1.35	1.32	1.37

Note: Non-bold numbers reflect actual data. Forecast revisions pending.

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document is based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.