

Economic Analysis

# Weekly Focus: Greece/China & the U.S. Calendar

Kim Chase

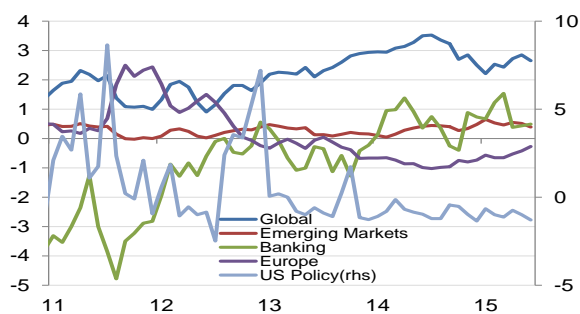
## Increased Focus on Global Uncertainties Could Rebalance Views on Rate Hike

U.S. economic news are taking a backseat to international developments, particularly in China and Greece, with uncertainties rising on whether or not these risks will spill over into our economy. Things appear to have calmed down after the collapse of the Chinese stock market, but there are still many uncertainties on how global markets will react once trading resumes. Tensions in Greece also seem to have tempered as Prime Minister Tsipras battles to save his place in the Eurozone, and we should expect to hear from the creditors this week on whether or not they will accept Greece's new proposal. Implications for the Fed will be the most interesting takeaway from all of this, and it is still up in the air as to whether these global concerns will force the FOMC to delay the first federal funds rate hike. Chair Yellen is set to give her semi-annual monetary report to Congress, and her recent comments suggest "that it will be appropriate at some point later this year to take the first step" toward normalization. Whether that means September or December depends on how global uncertainties influence the dovish FOMC members.

## Domestic Data Not to be Outdone as CPI & Retail Sales Lead the U.S. Calendar

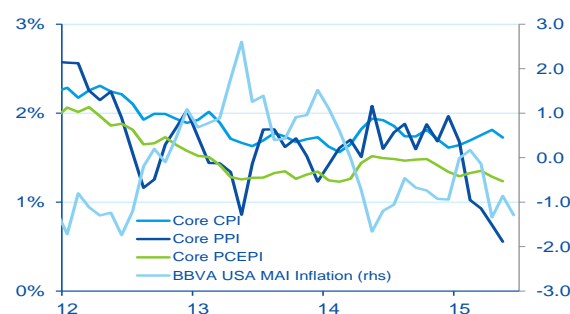
Even with global economic news at center stage, this week's calendar holds important details on inflation, manufacturing, consumption, and housing that may highlight ongoing economic improvement. **June's CPI (Friday)** holds the most weight this week as we get closer and closer to the Fed's first rate hike. Expectations are set for another month of subdued inflation, supporting the FOMC doves when it comes to liftoff timing. Additional dovish support comes from the manufacturing sector, which has been hit hard by weak global demand and the strong USD. **Industrial production for June (Wednesday)** is expected to be modestly positive, but only because output has either declined or remained flat throughout the past six months. Another few months of disappointing data will be leverage for the Fed to delay the rate hike, particularly if global conditions deteriorate further and add to the uncertainties in the manufacturing sector. External demand has been limited, but internal demand appears to be strengthening, and we expect to see another positive month for **retail sales in June (Tuesday)**. The bright spot this spring has been housing, where new home construction, sales, and homebuilder confidence have all exceeded expectations. **Housing starts and building permits for June (Friday)** should close out the week on a positive note as we move into the busy summer buying season.

Graph 1  
BBVA Research USA Risk Index Components



Source: BBVA Research

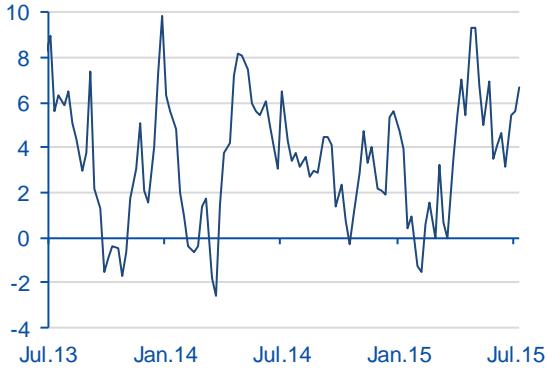
Graph 2  
Core Inflation Indicators (YoY % Change & Index)



Source: BLS, BEA, & BBVA Research

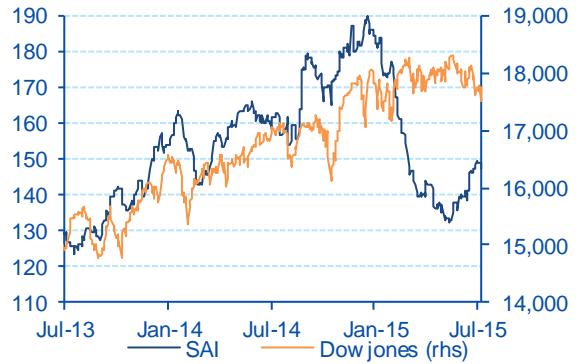
### Economic Trends

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



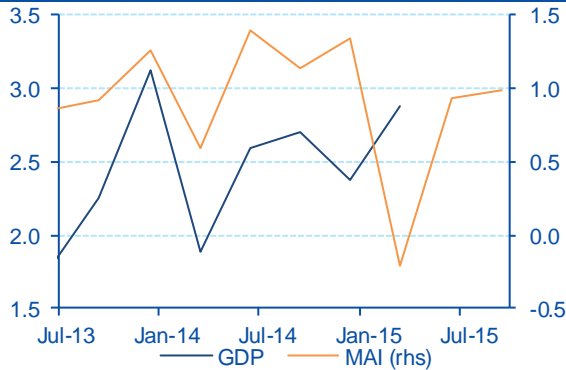
Source: BBVA Research

Graph 4  
BBVA USA Surprise Activity Index & Dow Jones  
(Index 2009=100 & eop)



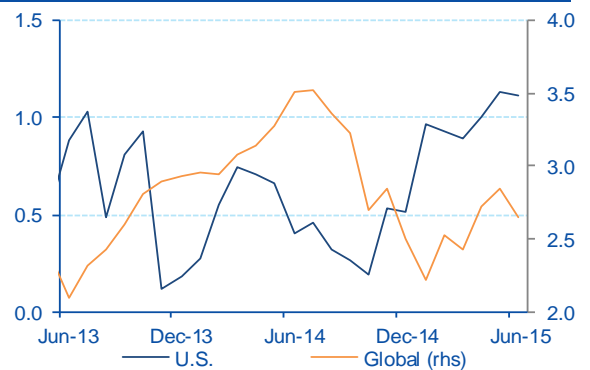
Source: Bloomberg & BBVA Research

Graph 5  
BBVA USA Monthly Activity Index & Real GDP  
(4Q % change)



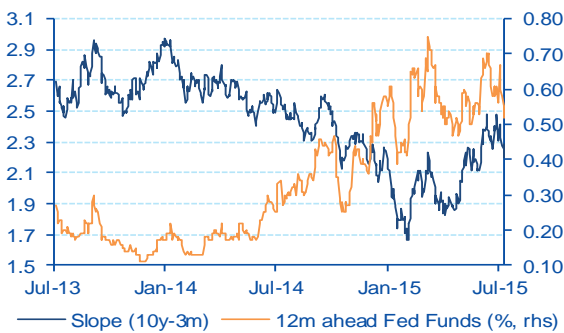
Source: BBVA Research & BEA

Graph 6  
BBVA USA Risk Index  
(> 0 = increasing risk)



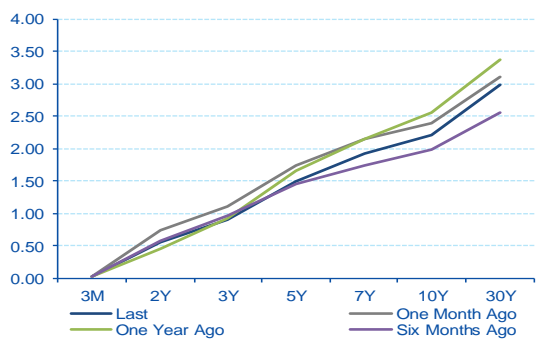
Source: BBVA Research

Graph 7  
Fed Futures & Yield Curve Slope  
(% & 10year-3month)



Source: Haver Analytics & BBVA Research

Graph 8  
U.S. Treasury Yield Curve  
(% p.a.)



Source: Haver Analytics & BBVA Research

## Week Ahead Economic Calendar

Date	Event	Period	BBVA	Consensus	Previous
14-Jul	Adjusted Retail & Food Services Sales SA Total Monthly % Change	JUN	0.30	0.30	1.20
14-Jul	Adjusted Retail Sales Less Autos and Gas Stations SA MoM Percent Change	JUN	0.40	0.50	0.70
14-Jul	US Import Price Index by End Use All MoM NSA	JUN	-0.30	0.20	1.30
14-Jul	NFIB Small Business Optimism Index	JUN	98.70	98.40	98.30
14-Jul	US Manufacturing & Trade Inventories Total MoM SA	MAY	0.30	0.20	0.40
15-Jul	US Empire State Manufacturing Survey General Business Conditions SA	JUL	1.90	3.50	-1.98
15-Jul	US PPI Final Demand MoM SA	JUN	-0.20	0.20	0.50
15-Jul	US PPI Final Demand Less Foods and Energy MoM SA	JUN	0.00	0.10	0.10
15-Jul	US Industrial Production MoM 2007=100 SA	JUN	0.20	0.20	-0.17
15-Jul	US Capacity Utilization % of Total Capacity SA	JUN	78.30	78.10	78.06
15-Jul	US Industrial Production Industry Groups Manufacturing MoM SA	JUN	0.10	0.10	-0.20
16-Jul	US Initial Jobless Claims SA	JUL 11	286.00	285.00	297.00
16-Jul	US Continuing Jobless Claims SA	JUL 4	2295.00	2300.00	2334.00
16-Jul	National Association of Home Builders Market Index SA	JUL	60.00	59.00	59.00
16-Jul	Philadelphia Fed Business Outlook Survey Diffusion Index General Conditions	JUL	10.30	12.00	15.20
17-Jul	US New Privately Owned Housing Units Started by Structure Total SAAR	JUN	1125.00	1110.00	1036.00
17-Jul	Private Housing Units Started by Structure Total Monthly % Change SA	JUN	8.59	7.14	-11.10
17-Jul	Private Housing Authorized by Bldg Permits by Type Total SAAR	JUN	1210.00	1150.00	1250.00
17-Jul	Private Total Housing Authorized by Building Permits MoM SA	JUN	-3.20	-8.00	9.60
17-Jul	US CPI Urban Consumers MoM SA	JUN	-0.10	0.30	0.44
17-Jul	US CPI Urban Consumers Less Food & Energy MoM SA	JUN	0.10	0.20	0.15
17-Jul	University of Michigan Consumer Sentiment Index	JUL P	96.70	96.00	96.10

## Economic Outlook (revisions pending)

	2014				2015				2014	2015	2016	2017
	4Q	1Q	2Q	3Q	2014	2015	2016	2017				
Real GDP (% SAAR)	2.2	-0.2	<b>2.5</b>	<b>4.7</b>	2.4	<b>2.5</b>	<b>2.8</b>	<b>2.8</b>				
CPI (YoY %)	1.2	-0.1	<b>0.0</b>	<b>0.7</b>	1.6	<b>0.5</b>	<b>1.9</b>	<b>2.2</b>				
CPI Core (YoY %)	1.7	1.7	<b>1.7</b>	<b>1.7</b>	1.7	<b>1.7</b>	<b>1.7</b>	<b>1.9</b>				
Unemployment Rate (%)	5.7	5.6	5.4	<b>5.2</b>	6.2	<b>5.3</b>	<b>4.9</b>	<b>4.6</b>				
Fed Target Rate (eop, %)	0.25	0.25	0.25	<b>0.50</b>	0.25	<b>0.50</b>	<b>1.50</b>	<b>2.50</b>				
10Yr Treasury (eop, % Yield)	2.21	2.04	2.36	<b>2.46</b>	2.21	<b>2.59</b>	<b>2.80</b>	<b>3.79</b>				
US Dollar/ Euro (eop)	1.23	1.08	1.12	<b>1.02</b>	1.23	<b>1.01</b>	<b>1.12</b>	<b>1.24</b>				
Core Logic Home Prices (YoY %)	5.07	5.00	<b>6.14</b>	<b>6.05</b>	7.48	<b>6.26</b>	<b>4.40</b>	<b>2.45</b>				

## Fun Fact

The U.S. has 41 million native Spanish speakers (plus 11.6 million bilinguals), making it the world's second largest Spanish-speaking country behind Mexico. (Instituto Cervantes, June 30<sup>th</sup> 2015)

## Recent Publications

[FOMC Minutes: Discussion Highlights Risks to Delaying Liftoff](#) (July 8, 2015)

[U.S. Real GDP Growth Nowcast: 2.15% for 2Q15](#) (July 7, 2015)

[U.S. and Cuban Embassy Openings Solidify Ties](#) (July 2, 2015)

[The Puerto Rican Debt Crisis](#) (July 2, 2015)

[Unemployment Hits 5.3% but Wages Hold Flat](#) (July 2, 2015)

[Greek Uncertainty and Risks to the U.S.](#) (July 1, 2015)

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