Economic Analysis

Weekly Focus: Politics and Retail Sales

Kim Chase / Amanda Augustine

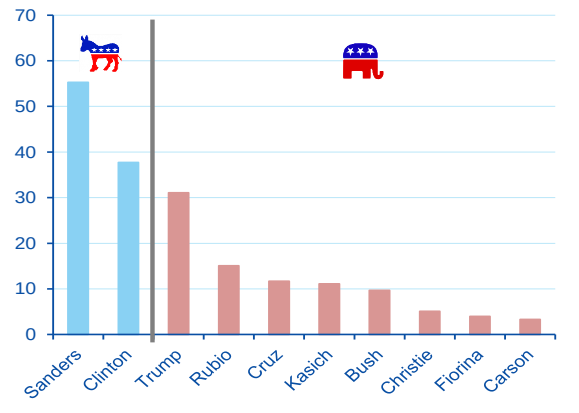
Trump and Sanders Projected to Win New Hampshire's Presidential Primary

After a Democratic stalemate and a Republican upset in the Iowa caucus, all eyes are on **New Hampshire's primary (Tuesday)**. The polls show Trump with a 16 point lead (Real Clear Politics poll average), with Rubio surging from behind to overtake Cruz for the runner-up spot. Although Trump remains the favorite to win New Hampshire, history shows that all this could change if he falls victim to a Howard Dean-esque moment on the stump. Rubio's performance was better than expected in Iowa, helping him pick up nine more Congressional endorsements to pass Bush in the race. This momentum increases the likelihood that Rubio's Republican rivals will target him heavily in their attempts to woo New Hampshire's voters. On the other side of the aisle, Bernie Sanders' surprisingly strong performance in Iowa demonstrates his wide appeal, and the polls show that the Senator will win next week's primary with a 17.6 lead; however, Clinton still has a confident hold on the national primary polls. The Sanders campaign actually raised more money than Clinton last month, pulling in more than $20 million versus Clinton's $15 million. Both Romney and Obama won the New Hampshire primary in 2012, so the importance of these early primaries shouldn't be understated; however, there is still a long way to go until November and the results of Super Tuesday (March 1st) might be more telling.

Rebound in Auto Demand Will Boost Total Retail Sales to Start 2016

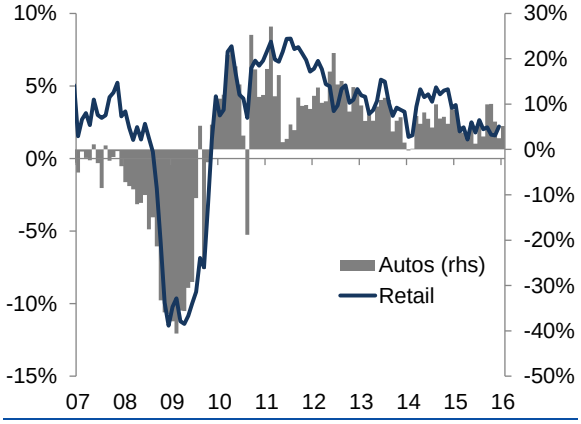
The economic calendar is light leading up to **January's retail sales report (Friday)**, which is expected to show a modest improvement after failing to live up to the usual holiday surge at the end of 2015. Both headline and core retail sales declined 0.1% in December, a big disappointment given the fact that U.S. growth is relying heavily on domestic consumption to carry it through the coming months. Sales continue to be dragged down by falling gas prices, as real retail sales were actually unchanged for the month. Furthermore, figures were held back by a brief slowdown in auto demand at the end of the year. Fortunately, unit auto sales rebounded in January and should help lift real retail sales for the month, even if the nominal figures remain subdued.

Graph 1
New Hampshire Primary, Projected Poll Average



Source: Real Clear Politics & BBVA Research

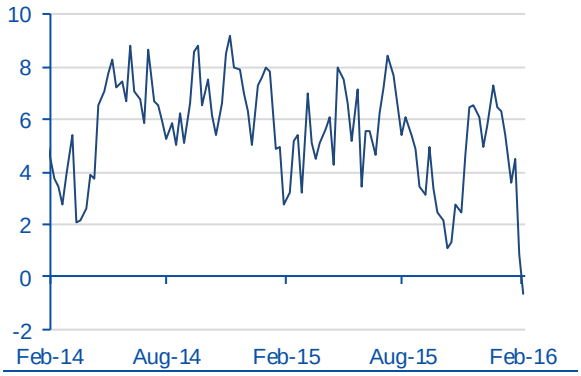
Graph 2
Retail & Auto Sales (YoY % Change)



Source: Autodata, Census, & BBVA Research

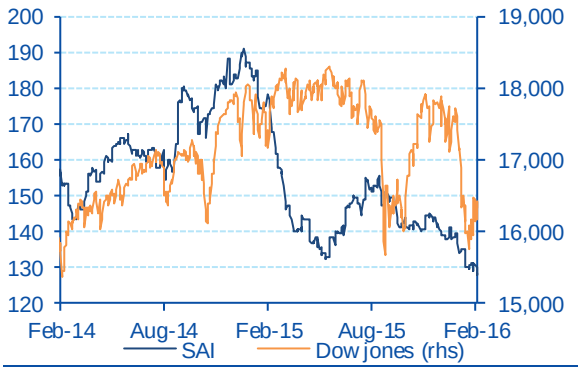
Economic Trends

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



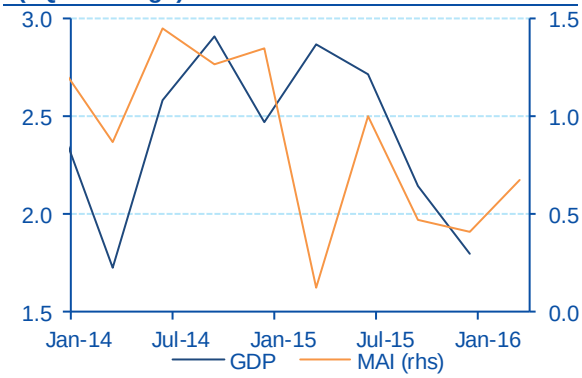
Source: BBVA Research

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



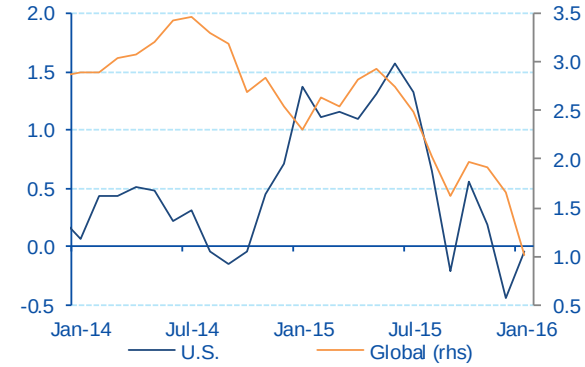
Source: Bloomberg & BBVA Research

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



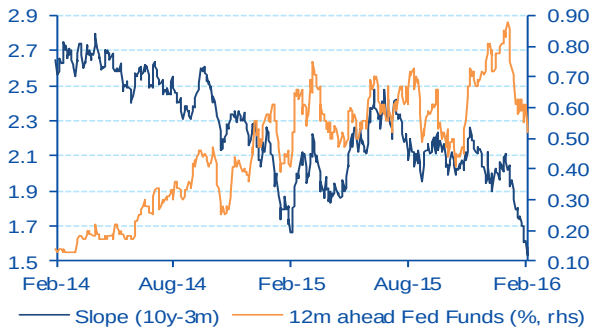
Source: BBVA Research & BEA

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



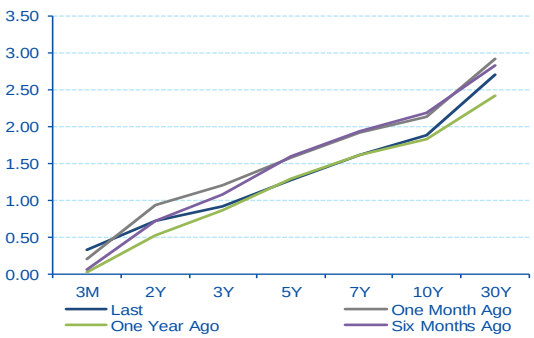
Source: BBVA Research

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
9-Feb	NFIB Small Business Optimism Index	JAN	94.10	94.50	95.20
9-Feb	US Job Openings By Industry Total SA	DEC	5465.00	5350.00	5431.00
9-Feb	Merchant Wholesalers Inventories Total Monthly % Change	DEC	-0.10	-0.10	-0.30
11-Feb	US Initial Jobless Claims SA	FEB 6	281.00	280.00	285.00
11-Feb	US Continuing Jobless Claims SA	JAN 30	2240.00	2250.00	2255.00
12-Feb	US Import Price Index by End Use All MoM NSA	JAN	-1.50	-1.50	-1.20
12-Feb	Adjusted Retail & Food Services Sales SA Total Monthly % Change	JAN	0.30	0.10	-0.10
12-Feb	Adjusted Retail Sales Less Autos and Gas Stations SA MoM Percent Change	JAN	0.20	0.30	0.00
12-Feb	University of Michigan Consumer Sentiment Index	FEB P	91.50	92.50	92.00
12-Feb	US Manufacturing & Trade Inventories Total MoM SA	DEC	-0.10	0.10	-0.20

Economic Outlook (revisions pending)

	2015			2016	2014	2015	2016	2017
	2Q	3Q	4Q	1Q				
Real GDP (% SAAR)	3.9	2.0	0.7	**2.8**	2.4	2.4	**2.5**	**2.4**
CPI (YoY %)	0.0	0.1	0.5	**1.1**	1.6	0.1	**1.3**	**2.0**
CPI Core (YoY %)	1.8	1.8	2.0	**2.1**	1.7	1.8	**2.0**	**2.0**
Unemployment Rate (%)	5.4	5.2	5.0	**5.0**	6.2	5.3	**4.9**	**4.6**
Fed Target Rate (eop, %)	0.25	0.25	0.50	**0.50**	0.25	0.50	**1.00**	**2.00**
10Yr Treasury (eop, % Yield)	2.36	2.17	2.24	**2.15**	2.21	2.24	**2.32**	**2.88**
US Dollar/ Euro (eop)	1.12	1.12	1.09	**1.05**	1.23	1.09	**1.11**	**1.16**
Core Logic Home Prices (YoY %)	4.89	4.86	**5.99**	**5.86**	7.69	**5.11**	**5.26**	**2.45**

Fun Fact

For the Super Bowl, the two teams are supplied with a total of 216 footballs (54 each for both practice and game day), requiring a total of 22 cowhides to produce. (Wilson Football, February 2016)

Recent Publications

Payrolls Soft but UR at Record Low in January (February 5, 2016)
Senior Loan Officer Survey, January 2016 (February 2, 2016)
4Q15's 0.7% Pace Closes out 2015 at 2.4% (January 29, 2016)
FOMC Statement: January 26-27th Meeting (January 27, 2016)
U.S. Real GDP Growth Nowcast: 1.96% for 4Q15 (January 26, 2016)
BBVA Research Oil Price Outlook (January 26, 2016)
Energy and Food Prices Drag Down Headline CPI (January 20, 2016)
Obama's Call for Social and Political Unity in Final SOTU (January 13, 2016)
Resilient 4Q Job Growth Despite Subdued Wages (January 8, 2016)

DISCLAIMER

This document was prepared by Banco Bilbao Vizcaya Argentaria's (BBVA) BBVA Research U.S. on behalf of itself and its affiliated companies (each BBVA Group Company) for distribution in the United States and the rest of the world and is provided for information purposes only. Within the US, BBVA operates primarily through its subsidiary Compass Bank. The information, opinions, estimates and forecasts contained herein refer to the specific date and are subject to changes without notice due to market fluctuations. The information, opinions, estimates and forecasts contained in this document have been gathered or obtained from public sources, believed to be correct by the Company concerning their accuracy, completeness, and/or correctness. This document is not an offer to sell or a solicitation to acquire or dispose of an interest in securities.