

Economic Analysis

Weekly Focus: Super Tuesday and Employment

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Super Tuesday Battle Looms Ahead

March 1st marks Super Tuesday, a pivotal date in the primary election calendar with more delegates up for grabs than on any other single day. In what has been dubbed the “SEC Primary,” 13 states—many of which are in the South—are set to hold either or both their Republican and Democratic primaries/caucuses, including Alabama, Arizona, Colorado and Texas. Ted Cruz recently called Texas the “crown jewel” of Super Tuesday, which is a fairly accurate description; the state has 155 Republican and 251 Democratic delegates to offer, second only to California. In the polls, Cruz is favored to win Texas with a 7.2 point lead (RCP poll average), but will have to win by a landslide in order to get a chance at the nomination. For the Democrats, Clinton has a wide margin of 28.5 in Texas. Nationally, in the race for delegates, Trump is leading the Republicans with 81, and Clinton is ahead of Sanders with 503 delegates. The prediction markets favor Trump and Clinton for their respective party nominations, while our economic-based model still predicts a Democratic win come November.

Job Growth in February Expected to Keep Unemployment Rate Safe at 4.9%

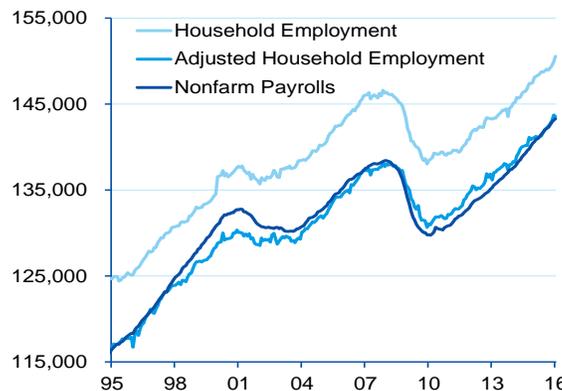
February’s employment report (Friday) will be another major focus on the calendar this week, with the hopes that payroll growth will bounce back from the sub-200K figure seen in January. Another weaker-than-expected report will no doubt cause a negative financial market reaction, even though the unemployment rate would be considered “safe” at nonfarm payroll growth as low as 75K (all else equal). It is also interesting to note the discrepancies between the payroll and household employment numbers, with the latter factoring directly into the unemployment rate calculation. The two series are not always consistent, and the household survey often shows much more volatile swings on a month to month basis. In January, household employment increased 615K, but after adjusting to be more in line with the nonfarm payroll report, employment actually declined 190K (compared to the 151K payroll addition). According to the BLS, statistically significant movements are approximately +/-500K for the household survey and +/-114K for nonfarm payrolls.

Graph 1
Available Delegates by Primary Date



Source: Bloomberg & BBVA Research

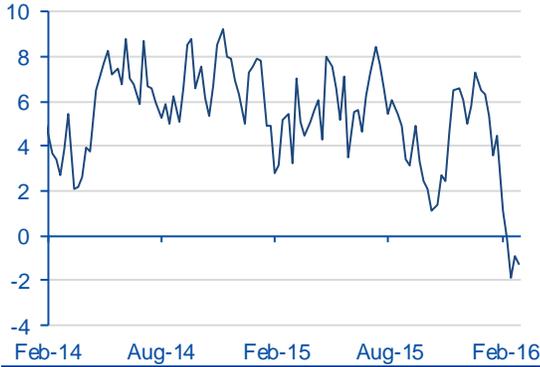
Graph 2
Household and Payroll Employment (Thousands)



Source: BLS & 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
29-Feb	MNI Chicago Business Barometer (sa)	FEB	53.10	52.50	55.60
29-Feb	US Pending Home Sales Index MoM SA	JAN	-0.20	0.50	0.09
29-Feb	Dallas Fed Manufacturing Outlook Level Of General Business Activity	FEB	-17.70	-30.00	-34.60
1-Mar	US Auto Sales Total Annualized SAAR	FEB	17.70	17.70	17.46
1-Mar	Census Bureau US Construction Spending MoM SA	JAN	-0.30	0.40	0.10
1-Mar	ISM Manufacturing PMI SA	FEB	48.00	48.50	48.20
2-Mar	ADP National Employment Report SA Private Nonfarm Level Change	FEB	197.00	185.00	205.30
2-Mar	New York Purchasing Managers Current Business Conditions SA	FEB	53.40	0.00	54.60
3-Mar	US Initial Jobless Claims SA	FEB 27	270.00	270.00	272.00
3-Mar	US Continuing Jobless Claims SA	FEB 20	2255.00	2235.00	2253.00
3-Mar	US Output Per Hour Nonfarm Business Sector QoQ SA	4Q F	-3.30	-3.20	-3.00
3-Mar	US Unit Labor Costs Nonfarm Business Sector QoQ % SAAR	4Q F	4.10	4.70	4.50
3-Mar	ISM Non-Manufacturing NMI	FEB	53.10	53.00	53.50
3-Mar	US Manufacturers New Orders Total MoM SA	JAN	1.10	2.05	-2.90
4-Mar	US Trade Balance of Goods and Services SA	JAN	-43.50	-43.70	-43.36
4-Mar	US Employees on Nonfarm Payrolls Total MoM Net Change SA	FEB	201.00	192.50	151.00
4-Mar	US Employees on Nonfarm Payrolls Total Private MoM Net Change SA	FEB	195.00	185.00	158.00
4-Mar	US Employees on Nonfarm Payrolls Manufacturing Industry Monthly Net Change SA	FEB	5.00	0.00	29.00
4-Mar	US Average Hourly Earnings All Employees Total Private Monthly Percentage Change	FEB	0.20	0.20	0.50
4-Mar	US Average Weekly Hours All Employees Total Private SA	FEB	34.60	34.60	34.60
4-Mar	Unemployment Rate	FEB	4.90	4.90	4.90

Economic Outlook

	2015		2016		2014	2015	2016	2017
	3Q	4Q	1Q	2Q				
Real GDP (% SAAR)	2.0	0.7	2.8	3.3	2.4	2.4	2.5	2.4
CPI (YoY %)	0.1	0.5	1.1	1.1	1.6	0.1	1.3	2.0
CPI Core (YoY %)	1.8	2.0	2.1	2.1	1.7	1.8	2.0	2.0
Unemployment Rate (%)	5.2	5.0	5.0	4.9	6.2	5.3	4.8	4.6
Fed Target Rate (eop, %)	0.25	0.50	0.50	0.75	0.25	0.50	1.00	2.00
10Yr Treasury (eop, % Yield)	2.17	2.24	2.09	2.17	2.21	2.24	2.32	2.88
US Dollar/ Euro (eop)	1.12	1.09	1.05	1.06	1.23	1.09	1.11	1.16
Core Logic Home Prices (YoY %)	4.86	5.51	5.86	5.86	7.69	4.99	5.37	2.45

Fun Fact

According to the Census Bureau, the average American commute clocks in at 26 minutes—the longest since the Bureau started keeping track in 1980. (FiveThirtyEight, February 2016)

Recent Publications

[4Q15 GDP Unexpectedly Revised Upward to 1.0%](#) (February 26, 2016)

[Auto Dealerships: Destined for Disruption](#) (February 24, 2016)

[U.S. Auto Industry Chartbook](#) (February 22, 2016)

[U.S. Economic Outlook: 1Q16](#) (February 19, 2016)

[Core Inflation Hits Four-Year High in January](#) (February 19, 2016)

[Recession Looming for Texas Economy](#) (February 18, 2016)

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