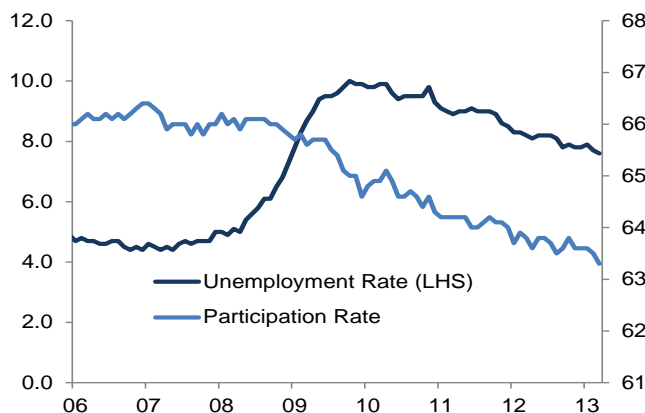


US Weekly Flash

Highlights

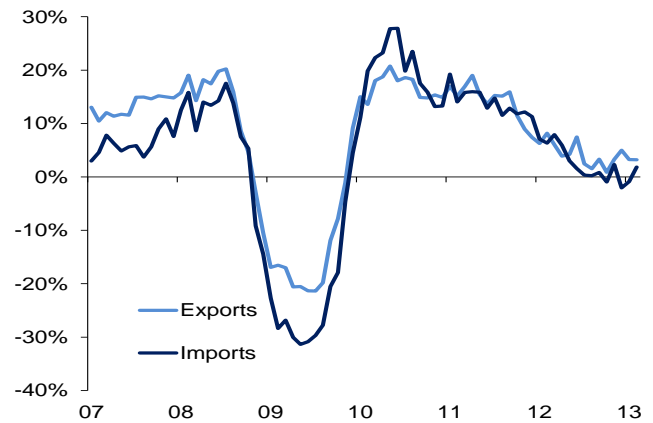
- Employment growth fumbles despite the upward revision as payrolls decline sharply**
 - Employment growth for March took a proverbial nose dive as the figure missed economists' estimates by more than half. Nonfarm payrolls, expected to be around the 190K mark, rose by only 88K as many of the components reported a loss in jobs after a prolific February report. Private payrolls gained a modest 95K, the slowest pace since June. Within the goods producing component, mining and construction continued their rise although at depressed rates in comparison to recent trends. However, manufacturing jobs took a tumble, falling by 3K due to nondurable goods manufacturing, after a gain of 19K the month prior. Overall the establishment survey points toward some slowing momentum in employment growth as both manufacturing and consumer driven hiring suffered the largest declines. Revisions to February's nonfarm payrolls must be taken into account, however, driving the month's total jobs added from the prior 238K to an even more astounding 268K.
 - At the employee level, the figures suggest that Americans worked longer workweeks in March but saw no rise in their average hourly earnings. In addition, the unemployment rate declined by one tenth to 7.6% for March which, taken out of context should have been cause for relief. The fall in the unemployment rate was due to a further decline in the labor force.
- International trade shrinks slightly on better petroleum balance**
 - The U.S. international trade balance improved in February to -\$43.0bn from January's -\$44.5bn. The latest decline in the trade deficit was lead primarily by growth in exports, which increased only a modest 0.85% but still enough to offset the flat reading for imports. Industrial supplies and materials were the driving force behind to rise in exports, rising by \$1.8bn. This gain was further aided by the other goods category and the recent revitalization of the American auto industry which has turned its focus toward affordable quality rather than volume, a notion that resonates with the global market. Imports remained relatively unchanged in nominal terms following a 1.8% jump in January. Food, capital goods, autos and consumer goods all rose but were combated by fervent declines in the import of industrial supplies and other goods.
 - Another key force behind the decline was the fall in the petroleum trade balance which fell to -\$21.2bn, a \$3.1bn improvement on account of fewer imports. Overall the report for February does point toward some global demand but the rise in exports needs to be sustained over 1Q13 to really suggest a stronger trading environment. If the trade balance does not widen significantly in March, we should see a more positive impact on 1Q13 GDP compared to 4Q12 figures.

Graph 1
Unemployment and Participation Rates
SA, %



Source: US Bureau of Labor Statistics & BBVA Research

Graph 2
U.S. Exports and Imports
YoY % Change



Source: US Census Bureau & BBVA Research

Week Ahead

Initial Jobless Claims (Week ending April 6th, Thursday 8:30ET)

Forecast: 370K

Consensus: 360K

Previous: 385K

March's employment report revealed that less than 100K jobs were created during the month, much in line with the recent rise in those filing for unemployment benefits. Aside from any government related cuts, the slowdown in manufacturing growth and production is likely taking its toll on the number of jobs that are created. The recent hiccup in construction activity is also reducing the component of employment growth that was seeing the most hiring. This is further evident in the 4-month moving average of initial jobless claims which has climbed over the last few months despite the better than expected payroll figures in February. As the second quarter begins, we expect initial claims to fall slightly but not really show a consistent downward trend until later in the year when we expect to see an acceleration in activity.

Producer Price Index, Core (March, Friday 8:30 ET)

Forecast: 0.1%, 0.3%

Consensus: -0.1%, 0.2%

Previous: 0.7%, 0.2

The producer price index is expected to increase in March as energy prices, primarily gasoline, continue to rise. Food inflation is also likely to put upward pressure on the headline figure; food prices which have shown some volatility but are expected to rise as many agricultural products see the looming effects from the drought. The pharmaceutical component which had a noticeable impact on February's figure will wane in effect as prices remain subdued for 1Q13 after large spikes at the end of 2012. Overall, we expect the finished and crude goods components to remain subdued in terms of overall core price movements, likely to rise but not as much as the intermediate goods portion which will be affected by the increase in some of the refined products and chemicals.

Retail Sales, Ex Auto & Gas (March, Friday 8:30 ET)

Forecast: 0.5%, 0.1%

Consensus: 0.1%, 0.3%

Previous: 1.1%, 0.4%

Retail sales for March are expected to grow for the fifth consecutive month as gas prices remain elevated and the consumer continues to spend despite the lagged effect of the payroll tax increase. At the headline level, energy prices are clearly leading nominal gains in retail sales, with spending at the pump most likely up even given March's adverse weather conditions. Auto sales for March were relatively unchanged compared to February, which could dampen the headline figure. The ISCS Goldman Sachs U.S. retail sales index shows growth over February's figures as does the Johnson Redbook Same Store sales survey. The fact that spring weather has not yet appeared throughout most of the U.S. could put downward pressure on core retail sales given that the change in seasons is usually a strong catalyst for shopping in both apparel and home décor purchases.

Consumer Sentiment (April-preliminary, Friday 9:5 ET)

Forecast: 79.0

Consensus: 78.3

Previous: 78.6

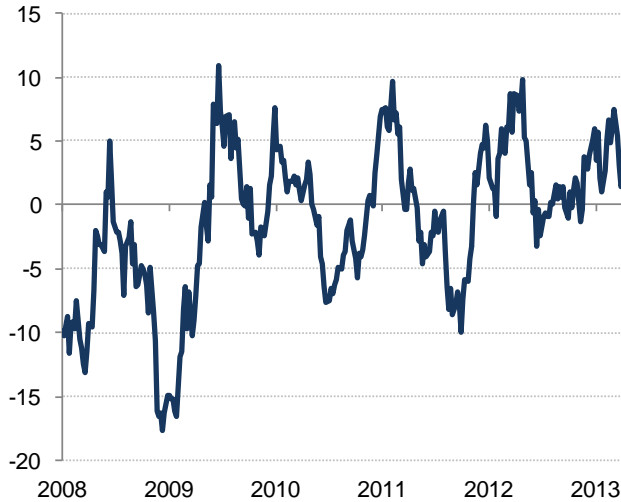
The preliminary read for consumer sentiment is expected to be higher in April as European fears retreat and little noise from Washington at the end of March means consumers can focus elsewhere. The impacts on consumer expectations due to the fiscal cliff and payroll tax increase have withered but stubbornly high gas prices are still putting unwanted pressure on the average consumer. However, as evidenced by the reasonable rise in retail sales for February, spending does not seem to be muted and the pervasive buzz of economic recovery still seems to be fervent. Both construction and manufacturing are gaining momentum as global demand rises and the housing market continues to add confidence in regards to the consumer wealth.

Market Impact

After the disappointing employment report for March, markets lost some steam that could carry some pessimism over into next week's light calendar. Next week's retail sales report will help shed some light on the outlook of consumer activity and retail employment which saw a decline in March. The FOMC minutes will also give us a better understanding of the Fed's decision to keep their large scale asset purchase program going and whether or not further discussion occurred on the exit strategy. More than usual emphasis will likely be placed on the jobless claims report as the economy looks to employment indicators for insight into the overall labor market. Overall however, this week is far less impactful in terms of current economic data that will move the market.

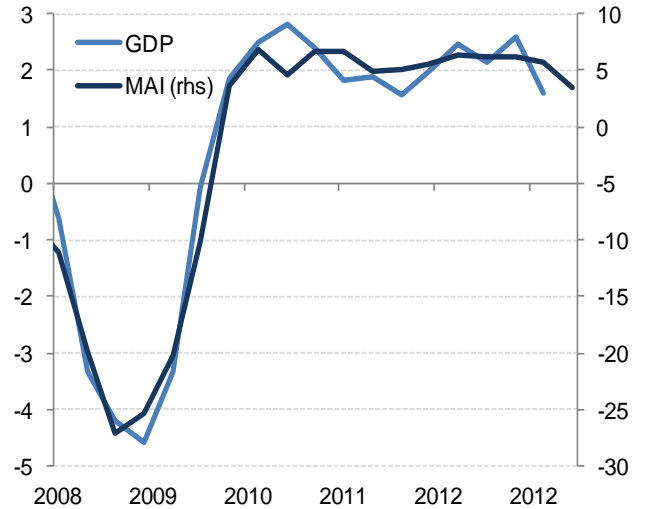
Economic Trends

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



Source: BBVA Research

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



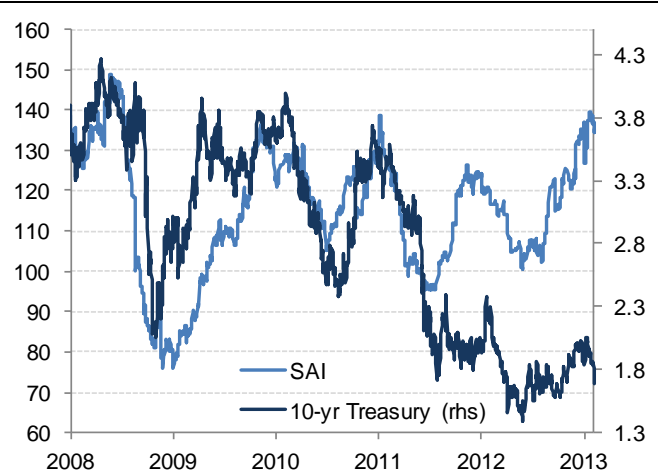
Source: BBVA Research & BEA

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



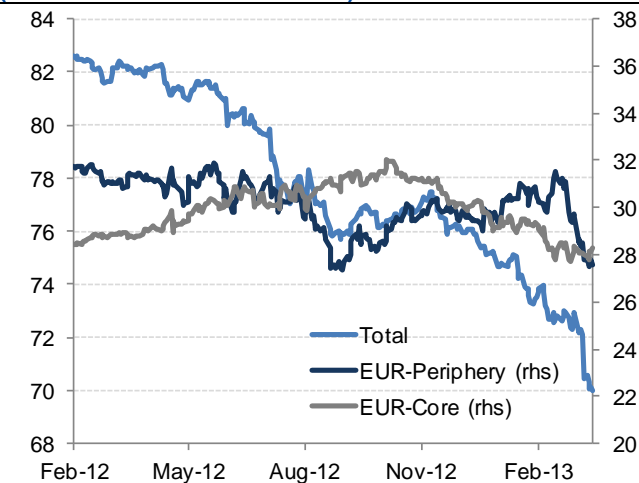
Source: BBVA Research

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



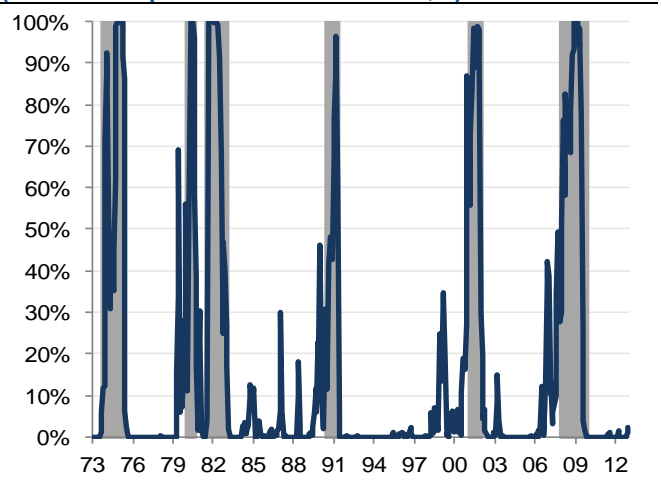
Source: Bloomberg & BBVA Research

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

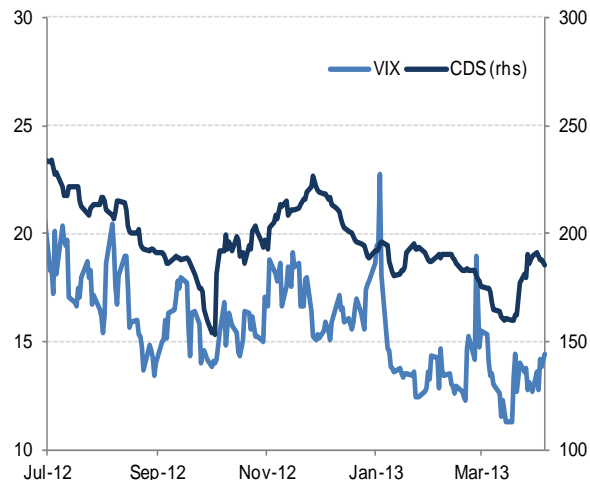
Financial Markets

Graph 9
Stocks
(Index, KBW)



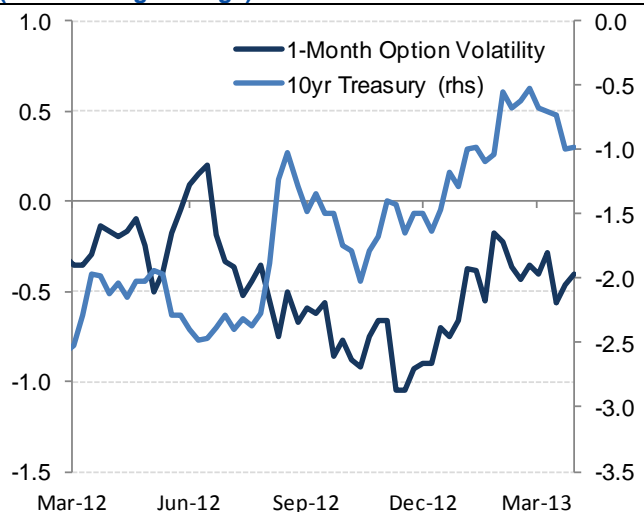
Source: Bloomberg & BBVA Research

Graph 10
Volatility & High-Volatility CDS
(Indices)



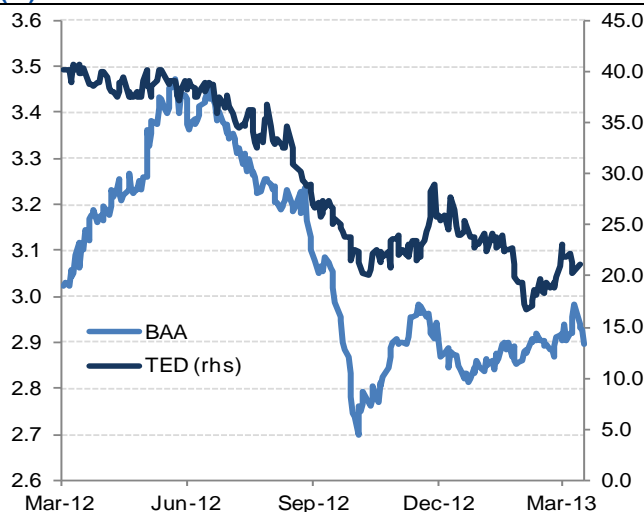
Source: Bloomberg & BBVA Research

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



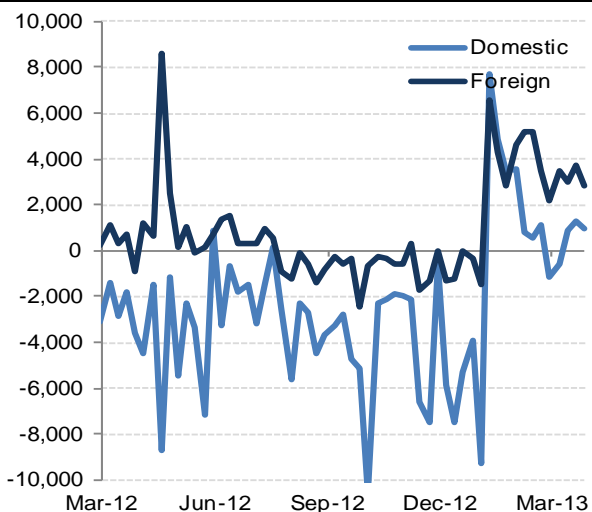
Source: Haver Analytics & BBVA Research

Graph 12
TED & BAA Spreads
(%)



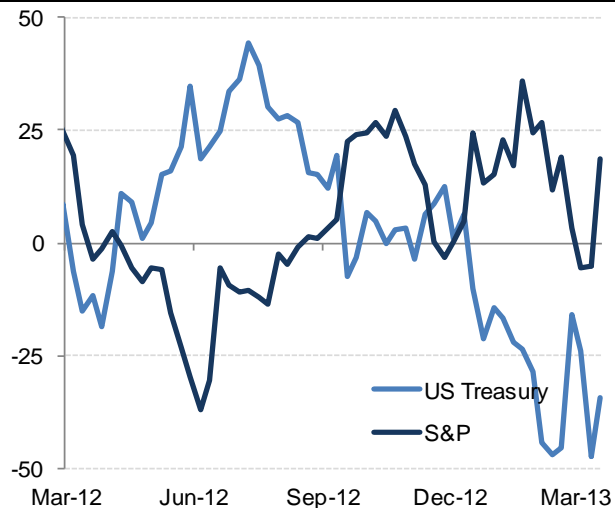
Source: Bloomberg & BBVA Research

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



Source: Haver Analytics & BBVA Research

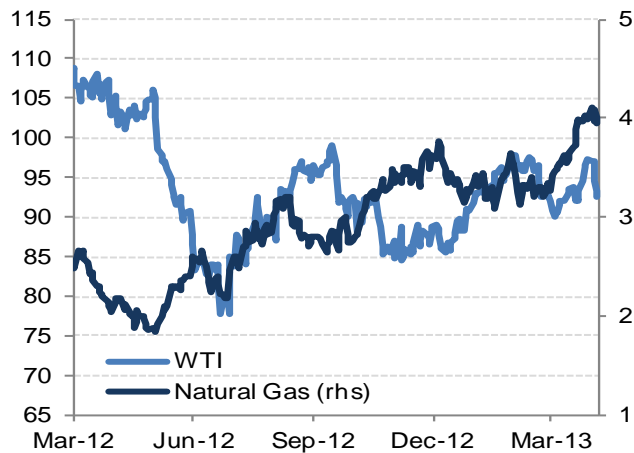
Graph 14
Total Reportable Short & Long Positions
(Short-Long, K)



Source: Haver Analytics & BBVA Research

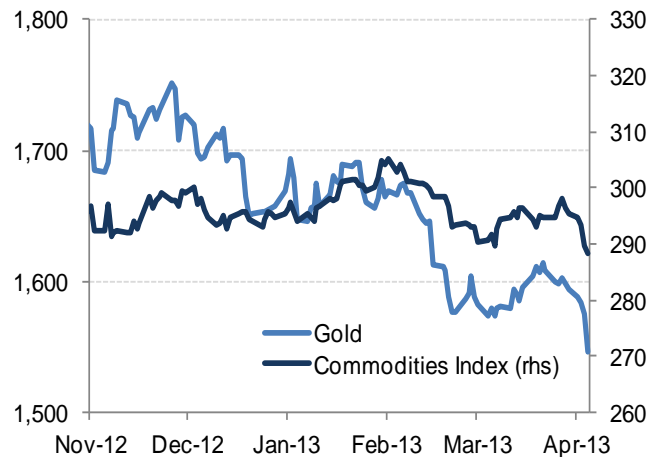
Financial Markets

Graph 15
Commodities
(Dpb & DpMMBtu)



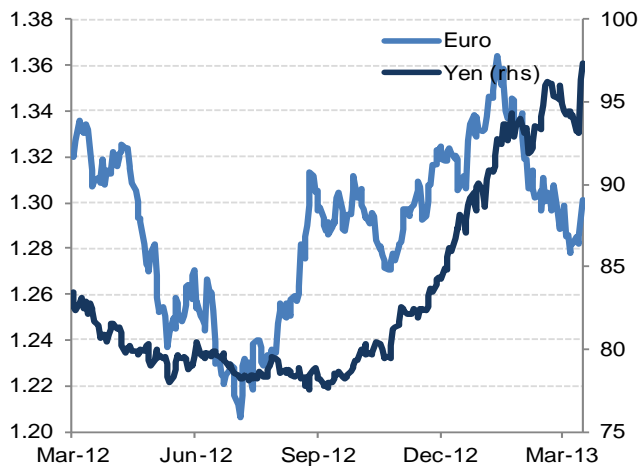
Source: Bloomberg & BBVA Research

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



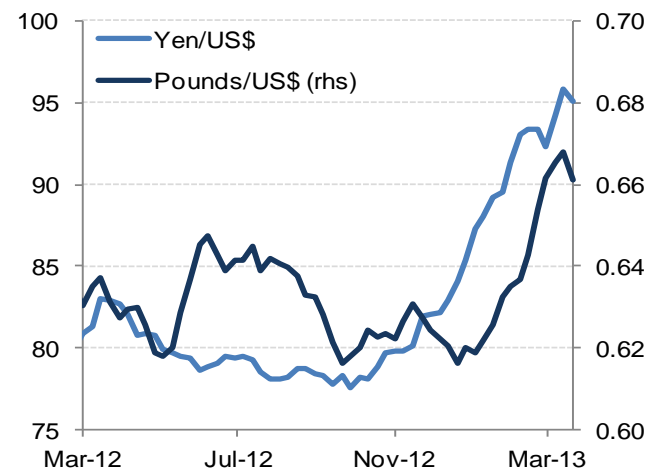
Source: Haver Analytics & BBVA Research

Graph 17
Currencies
(Dpe & Ypd)



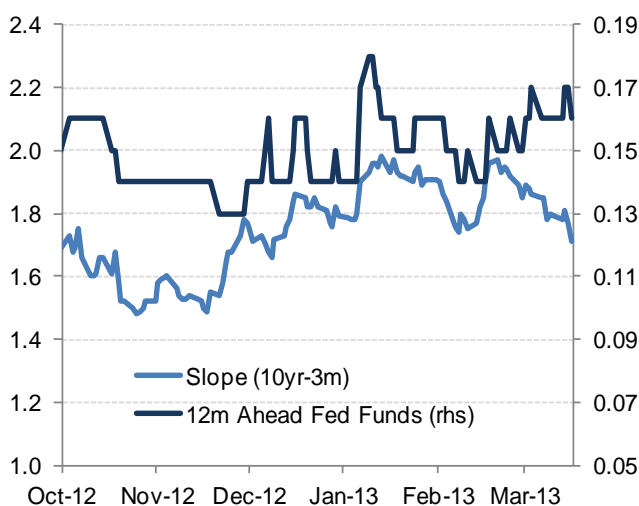
Source: Bloomberg & BBVA Research

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



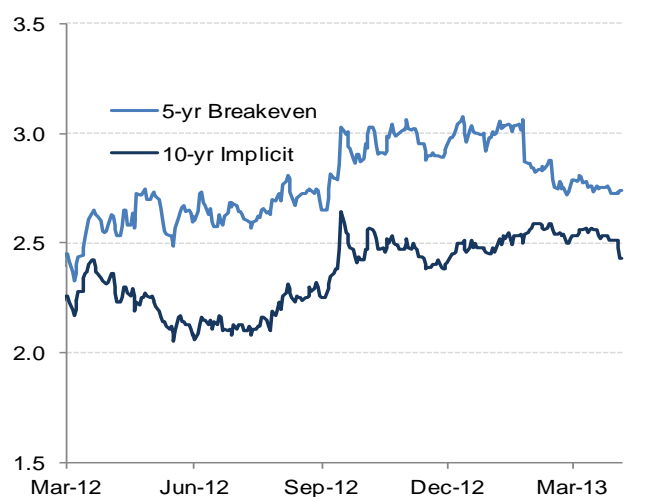
Source: Haver Analytics & BBVA Research

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)	14.12	14.26	14.50	14.10
New Auto (36-months)	2.41	2.45	2.58	3.13
Heloc Loan 30K	5.26	5.27	5.28	5.42
5/1 ARM*	2.65	2.68	2.61	2.90
15-year Fixed Mortgage*	2.74	2.76	2.76	3.23
30-year Fixed Mortgage*	3.54	3.57	3.51	3.99
Money Market	0.50	0.50	0.48	0.73
2-year CD	0.65	0.66	0.72	0.90

*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	0.14	0.09	0.15	0.12
3M Libor	0.28	0.28	0.45	0.47
6M Libor	0.44	0.45	0.65	0.00
12M Libor	0.72	0.73	0.98	1.05
2yr Sw ap	0.37	0.42	0.40	0.61
5yr Sw ap	0.85	0.95	1.04	1.17
10Yr Sw ap	1.85	2.01	2.13	2.14
30yr Sw ap	2.76	2.99	3.10	2.91
30day CP	0.14	0.13	0.15	0.24
60day CP	0.16	0.18	0.16	0.25
90day CP	0.18	0.19	0.17	0.32

Source: Bloomberg & BBVA Research

Quote of the Week

House Speaker John Boehner
Comment on President Obama's budget proposal
3 April 2013

"At some point we need to solve our spending problem, and what the President has offered would leave us with a budget that's never balanced. If the President believes these modest entitlement savings are needed to help shore up these programs, there's no reason they should be held hostage for more tax hikes."

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
9-Apr	Wholesale Inventories	FEB	0.4%	0.5%	1.2%
11-Apr	Initial Jobless Claims	6-Apr	370K	360K	385K
11-Apr	Continued Claims	30-Mar	3055K	3073K	3063K
11-Apr	Import Prices	MAR	-0.3%	-0.5%	1.1%
12-Apr	Producer Price Index	MAR	0.1%	-0.1%	0.7%
12-Apr	PPI Core	MAR	0.3%	0.2%	0.2%
12-Apr	Retail Sales	MAR	0.5%	0.1%	1.1%
12-Apr	Retail Sales ex Auto & Gas	MAR	0.1%	0.3%	0.4%
12-Apr	Consumer Sentiment	Apr-Pre	79.0	78.3	78.6
12-Apr	Business Inventories	FEB	0.3%	0.4%	1.0%

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	8.2	8.1	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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