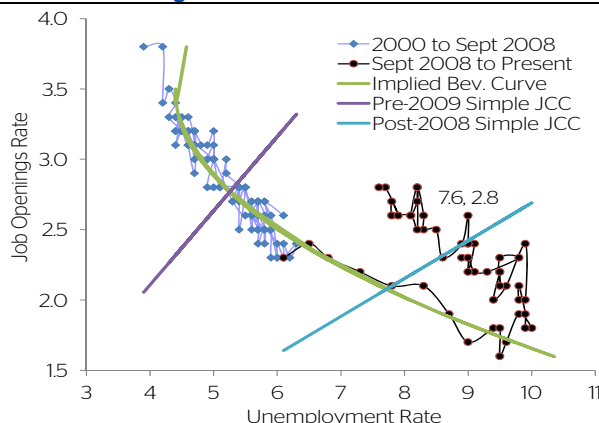


US Weekly Flash

Highlights

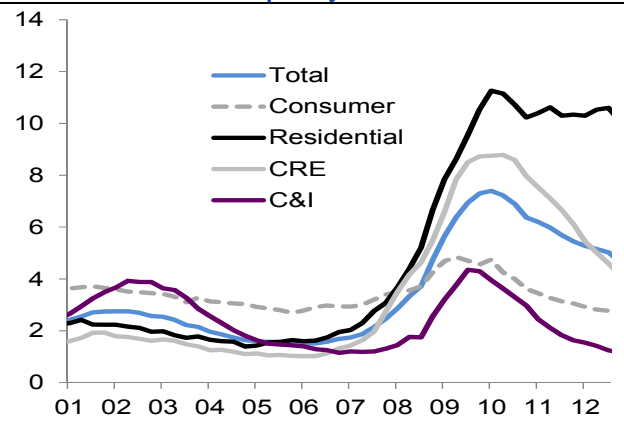
- Consumer Credit Gains Slow Significantly in March as Personal Spending Takes a Hit**
 - Total outstanding consumer credit continued to increase in March but at a much slower pace compared to previous months. Up only \$8.0bn, this marks the slowest monthly increase since last July, with revolving credit down for the first time in three months. This is due, in part, to consumer hesitation with regard to credit card spending. Non-revolving credit continued to nudge the headline figure higher as student and auto loans rise but at a weaker pace compared to prior months.
 - The decline in revolving credit continues the downward movement from last month and we therefore expect the consumer to remain cautious as soft employment data and retail sales do not bode well for consumption trends. As for non-revolving credit, the weaker pace may be indicative of slower auto demand but student loans will continue to dominate the expansion of total outstanding consumer credit
- March JOLTS Data Show Deceleration in Labor Market Momentum**
 - The Job Openings and Labor Turnover Survey (JOLTS) report for March 2013 points toward a weaker labor market for the month as both job openings and hires declined. Following a hefty upswing in job openings for February, vacancies in March fell 1.4%, the third decline in four months, pulled down by a handful of sectors. Job openings increased in only two sectors: trade, transportation and utilities, and leisure and hospitality.
 - In addition, total separations rose slightly for the third consecutive month as layoffs and discharges increased 7.7% to the highest level in four months. Surprisingly, these separations actually declined 1.9% in the government sector while private layoffs and discharges increased 8.5%.
- Senior Loan Officer Survey Hints at Easing Standards and Escalating Loan Demand**
 - The SLOS survey for 2Q13 showed some improvement in the sentiment of lenders as demand for an array of loans has risen. With regard to lending standards, there seems to be a continuing easing in terms of real estate loans, both commercial and residential, but remaining out of reach for those with no or damaging credit worthiness. Terms and standards also seem to be easing in C&I lending as cash filled companies remain slow to spend but have picked up the pace over the past three months.
 - The individual consumer also seems to be faring well as easing in the consumer lending market, including some credit card terms, are inviting some borrowers who may have been rejected in prior months. Recent data, however, is indicating a slowdown in the manufacturing sector and due to low supply, a slow churn in the real estate market too. We expect banks to continue to ease standards for certain types of loans as consumers and firms become more creditworthy with a more prosperous economic outlook.

Graph 1
National Beveridge Curve



Source: Bureau of Labor Statistics & BBVA Research

Graph 2
Commercial Bank Delinquency Rates



Source: Federal Reserve & BBVA Research

Week Ahead

Retail Sales, Ex Autos (April, Monday 8:30 ET)

Forecast: -0.2%, -0.1%

Consensus: -0.3%, -0.1%

Previous: -0.4%, -0.4%

Retail sales for April are expected to remain soft for the third time in four months following March's 0.4% drop. Consumer activity appears to be slowing as we move into 2Q13, finally seeing the lagged adjustment from the payroll tax increase in the beginning of the year. Auto sales declined in April for the second consecutive month and will likely weigh on the headline retail sales figure. Furthermore, consumer confidence surveys suggest some hesitation in short-term plans to buy big-ticket items. The weekly retail sales reports, including the ICSC-Goldman Store and Redbook surveys, were not so encouraging for the month on average. Even with the growing wealth effect from rising equity markets and home prices providing upward potential for retail sales, we do not expect the nominal figure to show this strength, particularly with oil prices down for the second straight month. Not unlike 2Q12, this appears to be a similar slowdown in the economy after a faster pace in the prior quarter.

Industrial Production & Capacity Utilization (April, Wednesday 9:15 ET)

Forecast: -0.2%, 78.0%

Consensus: -0.2%, 78.3%

Previous: 0.4%, 78.5%

Recent leading indicators suggest that industrial production will most likely decline in April for the first time since January. Various manufacturing indicators have noted a deceleration in the sector's activity, particularly when it comes to new orders and shipments. Overall, data are pointing toward a slowdown in the sector as global demand wanes and domestically the situation hasn't progressed in a noticeably upward fashion. At the same time, regional Federal Reserve surveys show much the same weakness with both the Philadelphia and Empire State reports on a downward trend as new orders remain low and production considerably weaker than at the beginning of the year. As companies continue to sit on cash rather than put in orders for capital and equipment and construction firms continue to have difficulty acquiring credit and land, we expect that industrial production will not make significant gains.

Consumer Price Index, Less Food & Energy (April, Thursday 8:30 ET)

Forecast: -0.2%, 0.2%

Consensus: -0.3%, 0.2%

Previous: -0.2%, 0.1%

The headline Consumer Price Index for April is expected to decline again for the second consecutive month as commodity prices, specifically oil, have continued to soften since March. Oil prices, both WTI and Brent crude, have fallen for two consecutive months and are likely to offset gains in natural gas prices for the month. Although the shale boom is helping to supply an abundance of natural gas, the WSJ spot price for the energy shows a 9% increase from the month before, up 35¢ which is the highest since August 2011. Food prices, according to the USDA, fell rather precipitously across the board and are therefore expected to drag the headline figure down further. At the core level, shelter prices should continue to rise as rental costs surge, while medical prices maintain upward pressure.

Housing Starts & Building Permits (April, Thursday 8:30 ET)

Forecast: 960K, 920K

Consensus: 973K, 942K

Previous: 1036K, 907K

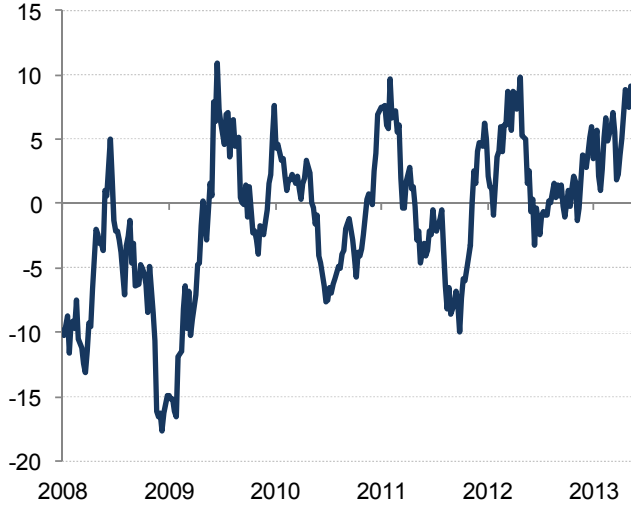
Housing starts and building permits are expected to decline slightly from the massive figure in March but nonetheless remain relatively strong despite prevailing headwinds. In addition to costly inputs, credit standards continue to remain tight for small-to-medium sized construction companies who are struggling to find the available lines of credit for their projects. Plot availability is also an issue as construction companies are forced to push outward in terms of proximity to cities or commerce hubs. The rise in single family demand is increasing the suburb type areas which take far longer to apply for and design. However, given the continually low supply of homes, both housing starts and building permits are expected to remain at a strong pace until credit standards ease at which point they will begin to increase at a much faster clip.

Market Impact

Markets may be a bit more active this week given the heavier economic calendar, but still we do not expect much negative reaction from the data. Prices in the form of PPI and CPI will shed some light on the recent softening as energy prices weaken slightly. Retail sales and industrial production will be important as both provide some insight into two components of the economy that have been weaker over the past two months. The consumer and manufacturing sectors have not fared as well as hoped as we moved into 2Q13 and these reports are not too optimistic. In addition, two of the Federal Reserve Surveys from the Empire State and the Philadelphia areas should provide some insight into how May will emerge in terms of production and manufacturing.

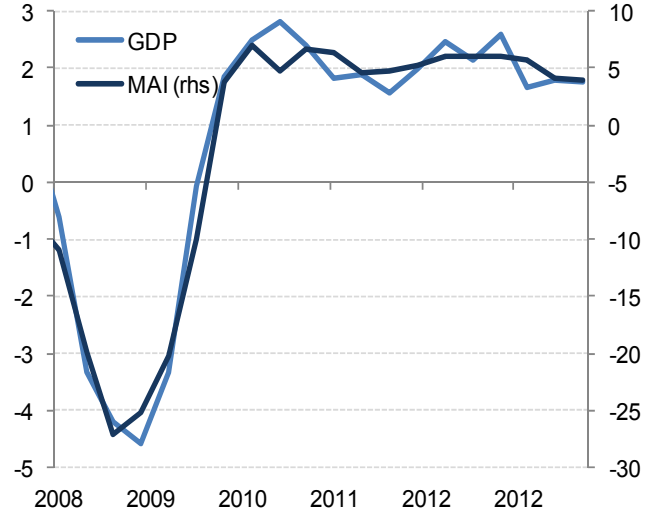
Economic Trends

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



Source: BBVA Research

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



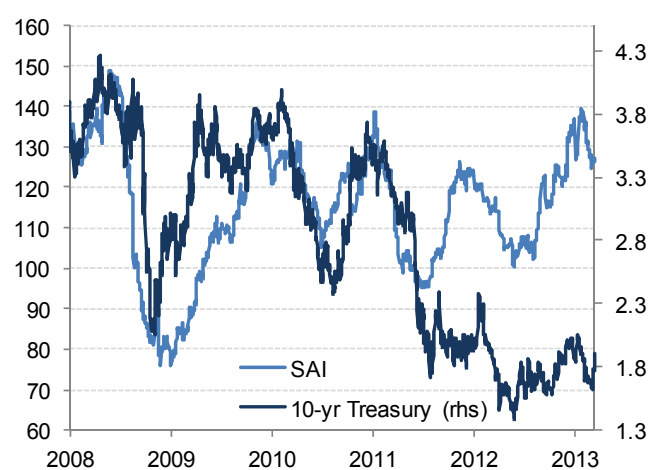
Source: BBVA Research & BEA

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



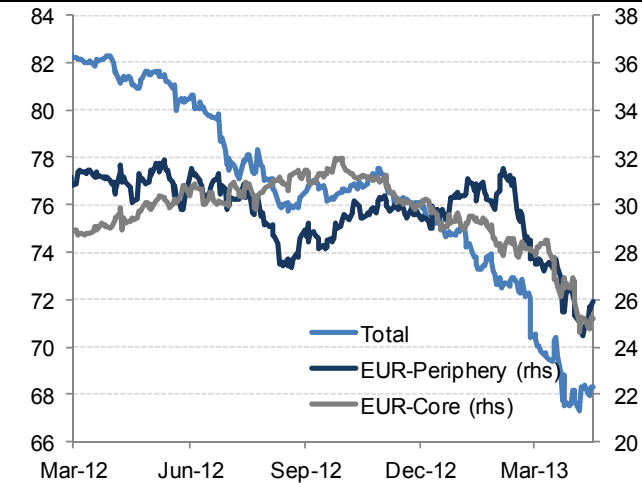
Source: BBVA Research

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



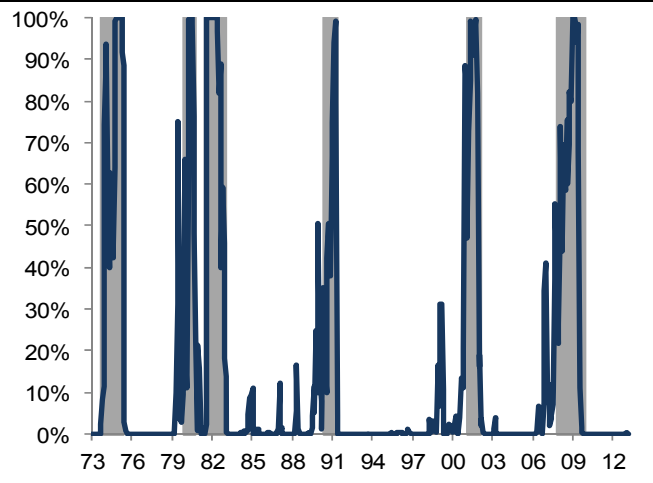
Source: Bloomberg & BBVA Research

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



Source: BBVA Research

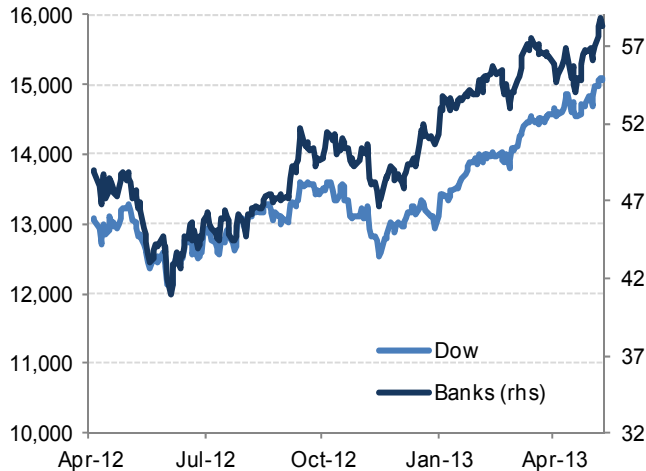
Graph 8
BBVA US Recession Probability Model
 (Recession episodes in shaded areas, %)



Source: BBVA Research

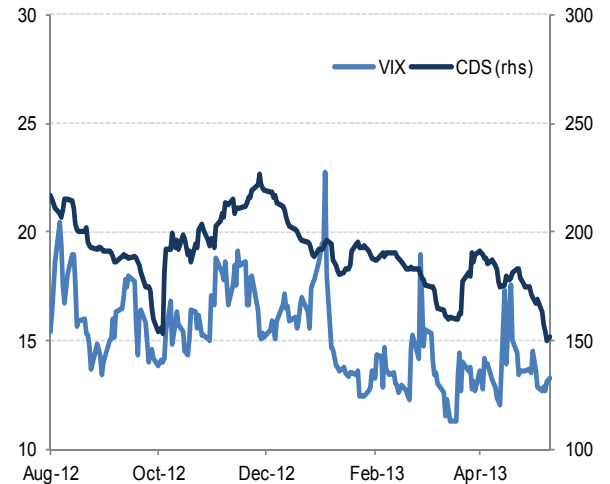
Financial Markets

Graph 9
Stocks
(Index, KBW)



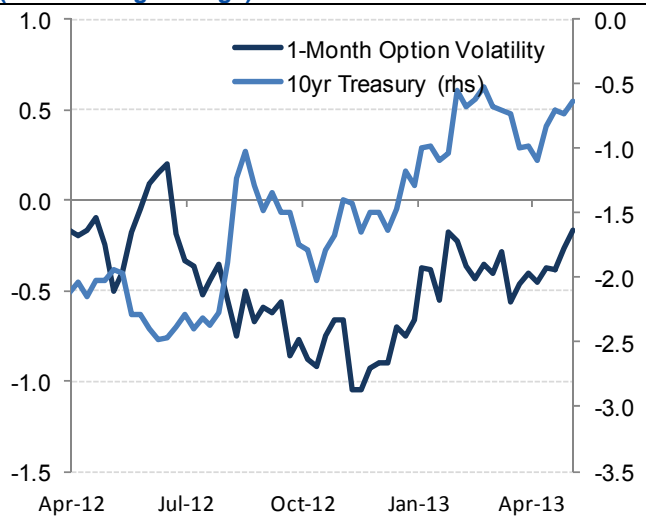
Source: Bloomberg & BBVA Research

Graph 10
Volatility & High-Volatility CDS
(Indices)



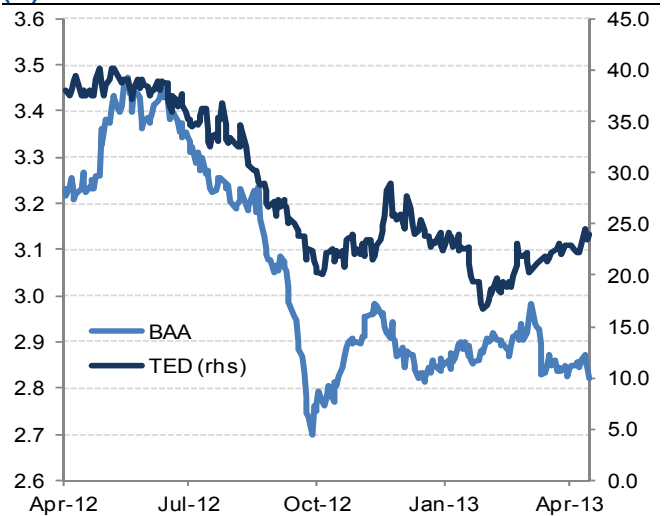
Source: Bloomberg & BBVA Research

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



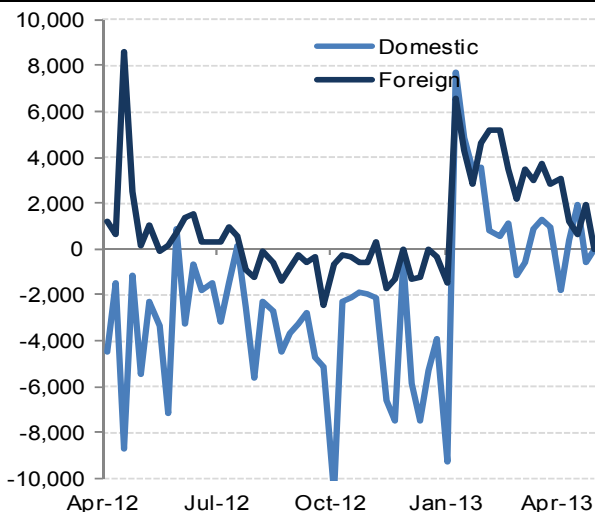
Source: Haver Analytics & BBVA Research

Graph 12
TED & BAA Spreads
(%)



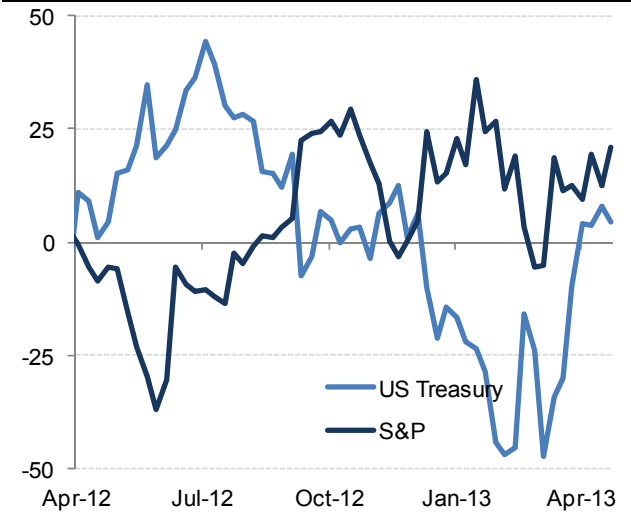
Source: Bloomberg & BBVA Research

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



Source: Haver Analytics & BBVA Research

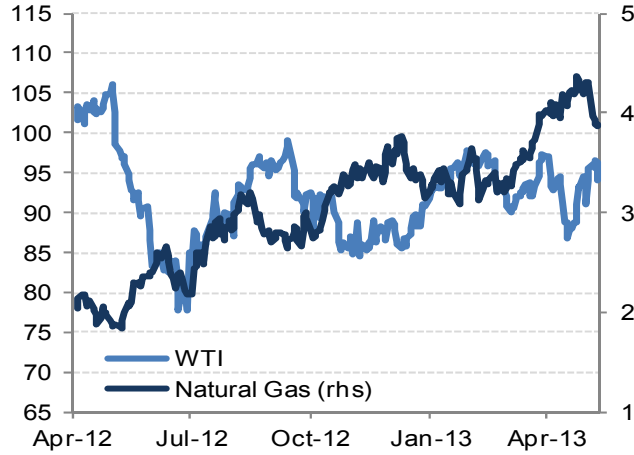
Graph 14
Total Reportable Short & Long Positions
(Short-Long, K)



Source: Haver Analytics & BBVA Research

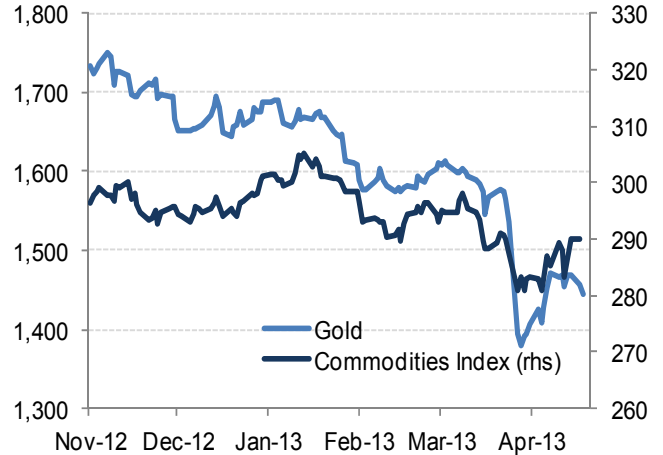
Financial Markets

Graph 15
Commodities
(Dpb & DpMMBtu)



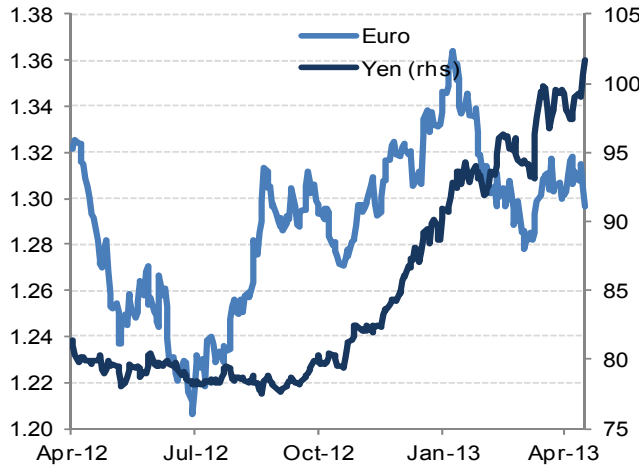
Source: Bloomberg & BBVA Research

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



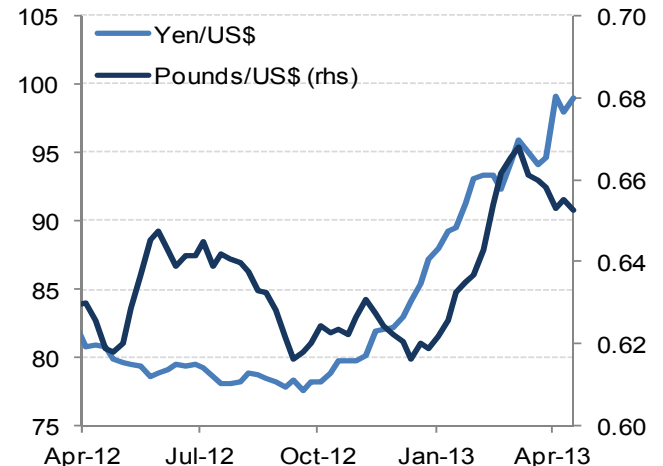
Source: Haver Analytics & BBVA Research

Graph 17
Currencies
(Dpe & Ypd)



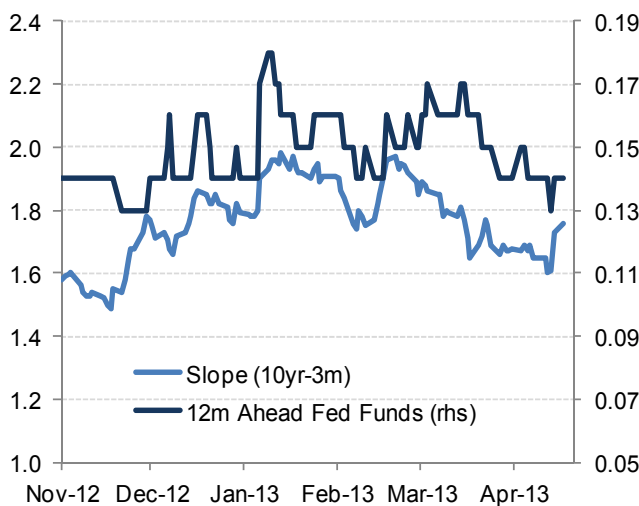
Source: Bloomberg & BBVA Research

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



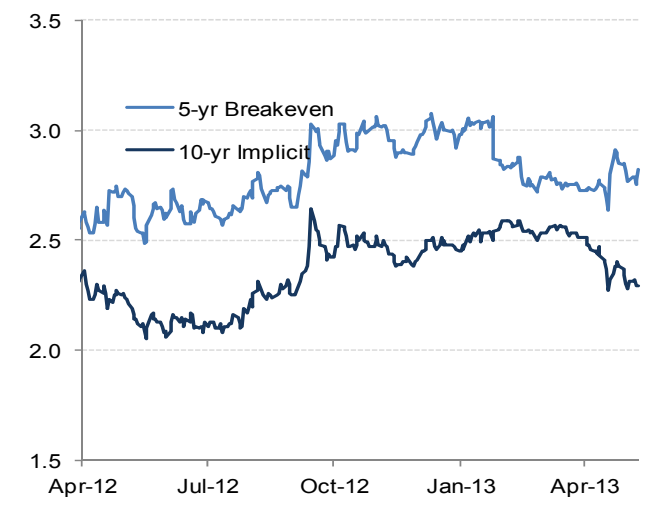
Source: Haver Analytics & BBVA Research

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	14.12	14.12	14.10
New Auto (36-months)	2.30	2.30	2.41	3.13
Heloc Loan 30K	5.35	5.22	5.26	5.51
5/1 ARM *	2.58	2.68	2.65	2.90
15-year Fixed Mortgage *	2.61	2.76	2.74	3.23
30-year Fixed Mortgage *	3.42	3.57	3.54	3.99
Money Market	0.47	0.47	0.50	0.72
2-year CD	0.67	0.65	0.65	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
1MFed	0.12	0.14	0.15	0.15
3MLibor	0.28	0.27	0.45	0.47
6MLibor	0.43	0.43	0.65	0.00
12MLibor	0.70	0.70	0.98	1.05
2yr Swap	0.37	0.36	0.37	0.61
5yr Swap	0.97	0.89	0.87	1.10
10Yr Swap	2.04	1.92	1.89	1.98
30yr Swap	3.03	2.89	2.86	2.73
30day CP	0.12	0.14	0.14	0.31
60day CP	0.14	0.15	0.16	0.40
90day CP	0.16	0.16	0.19	0.44

Source: Bloomberg & BBVA Research

Quote of the Week

Federal Reserve Chairman Ben Bernanke
Chicago Federal Reserve Conference
10 May 2013

"Important risks remain in the short-term wholesale funding markets. One of the key risks is how the system would respond to the failure of a broker-dealer or other major borrower. More work is needed to better prepare investors and other market participants to deal with the potential consequences of a default by a large participant in the repo market."

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
13-May	Retail Sales	APR	-0.2%	-0.3%	-0.4%
13-May	Retail Sales Ex Autos	APR	-0.1%	-0.1%	-0.4%
15-May	Producer Price Index	APR	-0.3%	-0.6%	-0.6%
15-May	PPI Less Food & Energy	APR	0.1%	0.1%	0.2%
15-May	Empire State Manufacturing Survey	MAY	3.5	4.0	3.05
15-May	Industrial Production	APR	-0.2%	-0.2%	0.4%
15-May	Capacity Utilization	APR	78.0%	78.3%	78.5%
15-May	Housing Market Index	MAY	44	43	42
16-May	Consumer Price Index	APR	-0.2%	-0.3%	-0.2%
16-May	CPI Less Food & Energy	APR	0.2%	0.2%	0.1%
16-May	Housing Starts	APR	960K	973K	1036K
16-May	Building Permits	APR	920K	942K	907K
16-May	Initial Jobless Claims	10-May	315K	330K	323K
16-May	Continued Claims	4-May	2995K	3003K	3005K
16-May	Philadelphia Fed Survey	MAY	2.5	2.4	1.3
17-May	Consumer Sentiment	MAY P	77.5	78	76.4
17-May	Leading Indicators	APR	0.3%	0.2%	-0.1%

Forecasts

	2011	2012	2013	2014	2015
Real GDP (% SAAR)	1.8	2.2	1.8	2.3	2.5
CPI (YoY %)	3.1	2.1	2.1	2.2	2.3
CPI Core (YoY %)	1.7	2.1	1.9	2.0	2.1
Unemployment Rate (%)	8.9	8.1	7.6	7.0	6.5
Fed Target Rate (eop, %)	0.25	0.25	0.25	0.25	0.50
10Yr Treasury (eop, % Yield)	1.98	1.72	2.45	2.73	3.39
US Dollar/ Euro (eop)	1.32	1.31	1.32	1.30	1.35

Note: Bold numbers reflect actual data

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