

US Weekly Flash

Highlights

- **Existing home sales reach multiyear highs in July**

- Existing home sales for July surged higher as the momentum driving the housing recovery accelerated further. Up 6.5% on a monthly basis, existing home sales hit a multi-year high as every region added over 70K in sales for the month. This monthly growth rate is also the fastest pace seen since August 2010, furthering the prolific jump that the month's data shows. Overall, 84% of the rise in existing family homes can be attributed to single family home sales, which is significant given that housing starts remain fixated on multi-family and condo style arrangements rather than single family, possibly posing a greater shortage in the coming months in new homes. In terms of regions, the South continues to see the largest fluctuations, rising 100K in July after falling 50K the month prior. The West and Northeast fared about the same in July, up 80K with the Midwest trailing slightly, up 70K.
- On a YoY basis, the figures are consistent with the upward trend we have seen since January of last year, save some short falls, and we expect this trend to continue as long as the supply of homes remains relatively stable or does not fall. As of July, the supply of existing homes remained at 5.1 months and we expect it to hover around that area for the coming months. This will help drive prices higher although July saw a slight decline on a monthly basis but 13.7% on a YoY basis. We expect, given the strength of the July figures, that existing home sales will continue to rise at a consistent, upward trend.

- **New home sales plunge in July despite a higher supply and lower median prices**

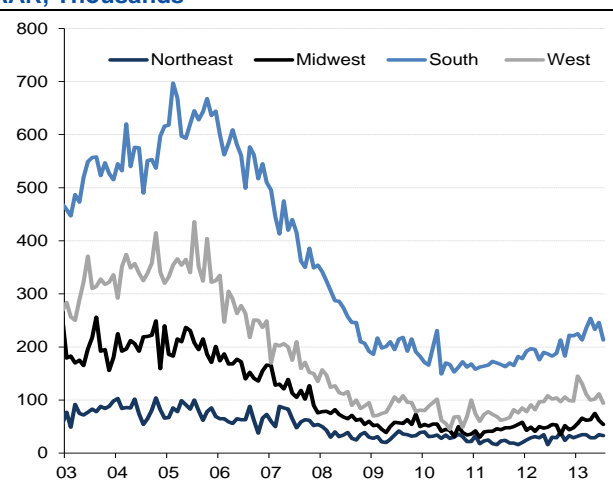
- Down 13.4%, the largest monthly decline since May 2010, the report showed that new homes sales were the weakest in years across all four regions. The South, Midwest, and West all fell at a double digit pace with the Northeast still falling a disappointing 5.7%. This decline was severely unpredicted given the strength of the housing recovery thus far. Annual growth has been in the double digits since late 2010 so a drop to 6.8% YoY from 26.4% is dramatic. This is further unsubstantiated given the decline in median prices we have seen for the past two months, which we expect would help increase the affordability of new homes despite the tick upwards in mortgage rates in July. However, the supply of new homes jumped up to 5.2 months from 4.3 which should have been accompanied by stronger sales given the increased availability.
- Despite these positive indicators, the story seems to be a significant shift in July of new home demand. While weather played little to no factor in sales, and seldom ever does, factors such as time of year may have heavily influenced the monthly demand. The fact that families avoid moving the closer they get to the school year may have impacted sales coupled with the notional fear of rising rates.

Graph 1
Existing Home Sales
SAAR YoY% Change



Source: NAR & BBVA Research

Graph 2
New Home Sales, by Region
SAAR, Thousands



Source: U.S. Census Bureau & BBVA Research

Week Ahead

Durable Goods Orders, Ex Transportation (July, Monday 8:30 ET)

Forecast: -2.5%, 0.6%

Consensus: -4.0%, 0.5%

Previous: 3.9%, -0.1%

Durable goods orders are expected to show some deceleration as a prolific surge in June points toward a spike in transportation orders that is unlikely to carry into July. As expected, June's rise was primarily due to aircraft orders which tend to occur sporadically but when they do, even a small number of units will cause the index to rise dramatically due to their high dollar value. Given little activity in July for orders, we do not believe the indicator will be able to support a further increase in orders to the same magnitude as June and therefore will decline month over month. Excluding transportation the measure should show a slight positive change from June given stronger demand for capital nondefense goods. Increased demand for construction materials and metals should help drive some core growth in the figures. The Federal Reserve surveys for July show some positive sentiment with new orders up for Philadelphia, Richmond, and New York. Shipments were also up which should help drive the shipments portion of the durable goods order as well.

GDP (2Q13 Preliminary, Thursday 8:30 ET)

Forecast: 2.4%

Consensus: 2.2%

Previous: 1.7%

Since the advanced report for 2Q13 real GDP growth, there have been a handful of indicators that warrant much optimism in terms of revisions to the initial figure. A large positive shift came from the international trade reading which showed the deficit fell to -\$34.2Bn in June. Exports rose 2.2% for the month while imports fell 2.5% helping to drive the overall deficit lower which should pump up GDP growth for the second quarter. June's retail sales figures were revised upward which should help boost the quarter's consumption measures. Other data that were revised or released include industrial production which saw a 0.1% revision downward for June. Personal spending was also released for June and showed accelerated growth in spending of 0.5% despite a 0.1% revision downward for May. Overall, the data posits a boost to real GDP growth that will be much more representative of the gains realized throughout 2Q13.

Personal Income & Spending (July, Friday 8:30 ET)

Forecast: 0.1%, 0.4%

Consensus: 0.2%, 0.3%

Previous: 0.3%, 0.5%

We expect personal income growth to decelerate in July as the employment data for the month points to some weakness in wage growth. Average hourly earnings declined for all private employees as did weekly earnings, pointing toward a slight deceleration. Any upside potential would come from equity markets or asset prices which have been decidedly mixed throughout the month. We expect consumption in July to be moderate with retail sales figures pointing toward some drag from falling gas prices but strong core sales growth otherwise. One possible tailwind turned headwind may be the decline in auto sales for the month reported in the retail sales report which declined 1.1%. This coincides with multiple reports from auto-focused firms that July saw a weakening in sales of autos and light trucks. Back to school shopping and continuing home renovation may spur some upside potential but overall we expect the figure to be uninspiring.

Consumer Sentiment (August, Friday 9:55 ET)

Forecast: 80.3

Consensus: 81.0

Previous: 80.0

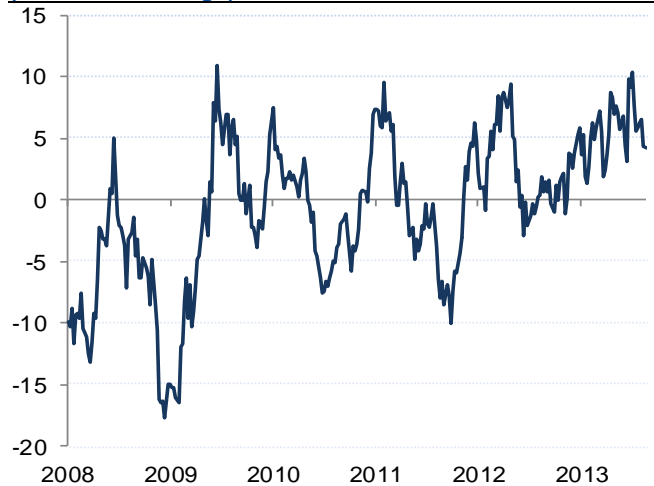
As of late, consumer confidence has been on a tear as equity markets and asset prices have appreciated, bolstering the consumer outlook. A better employment situation has also made the fear of joblessness and personal wealth decline less of a concern for the average employee. To add to the overall optimism, gas prices have failed to put excessive pressure on consumers since the preliminary report and greater transparency in Federal Reserve policy is helping to drive a concerted effort of economic sustainability and projected growth. The consumer overall has not experienced any major confidence dampeners despite the looming political debates concerning the debt ceiling and sequestration. We expect that come September, the situation will look much different as Washington absorbs the limelight and emits relative inefficiency.

Market Impact

After a quiet few days and what is expected to be a similarly quiet Jackson Hole conference, this week's calendar holds a slew of critical data. In terms of importance, the confidence booster we are likely to experience with a significant uptick in 2Q13 GDP should help bolster the Fed's recent call for tapering in the coming months. Personal income is likely to disappoint however, as the employment situation, although improving, may have decelerated slightly in terms of wages for the month. Nevertheless, growing optimism in the economy as a whole should present itself in consumer confidence and sentiment figures and with half of 3Q13 behind us, an even strong 2H13 is in sight.

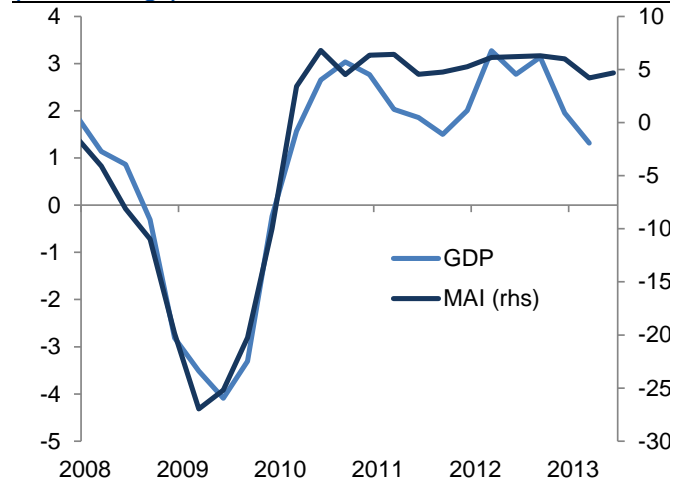
Economic Trends

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



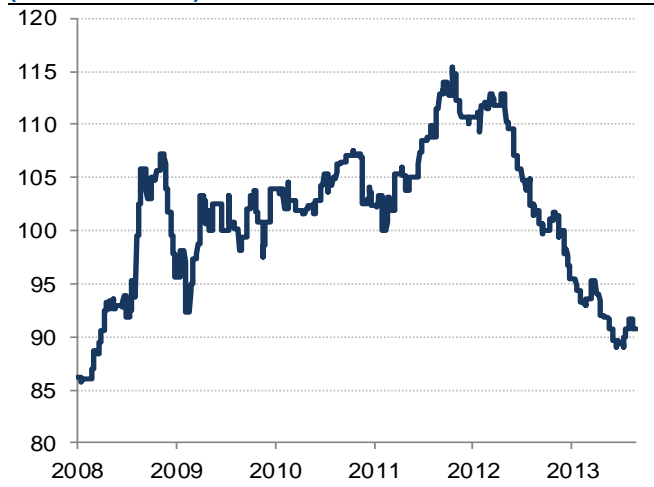
Source: BBVA Research

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



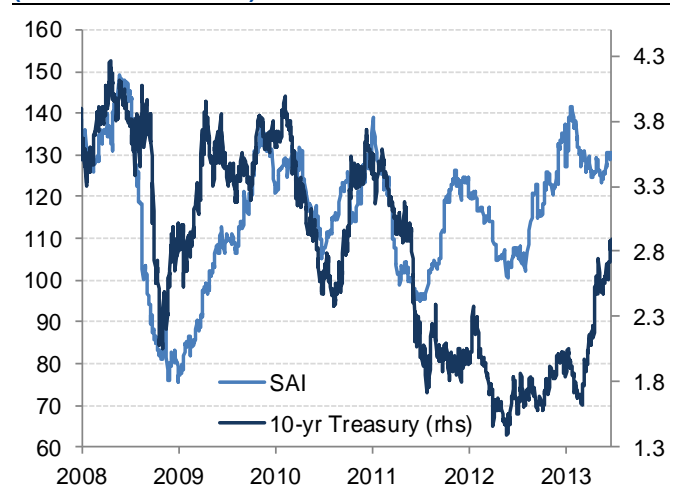
Source: BBVA Research & BEA

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



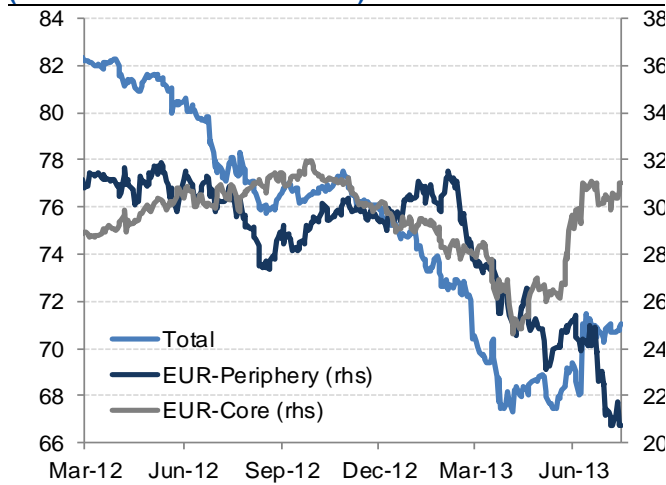
Source: BBVA Research

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



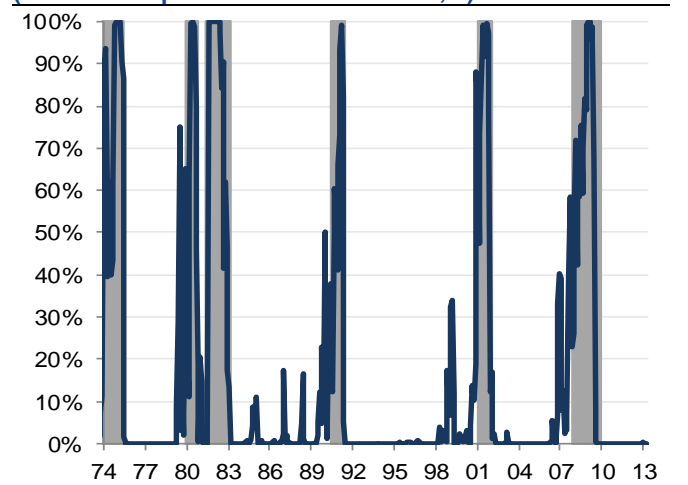
Source: Bloomberg & BBVA Research

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



Source: BBVA Research

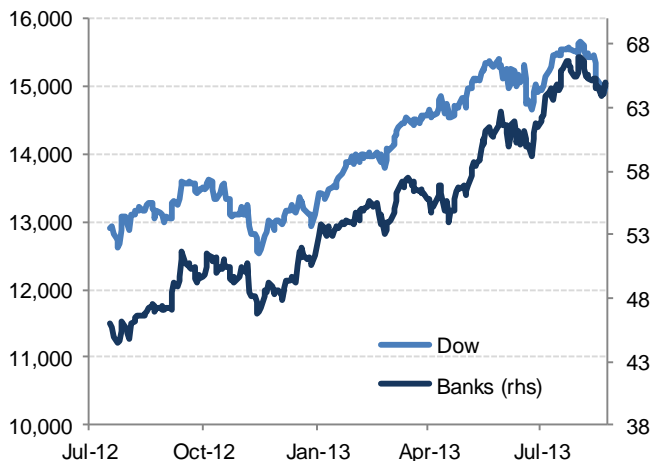
Graph 8
BBVA US Recession Probability Model
 (Recession episodes in shaded areas, %)



Source: BBVA Research

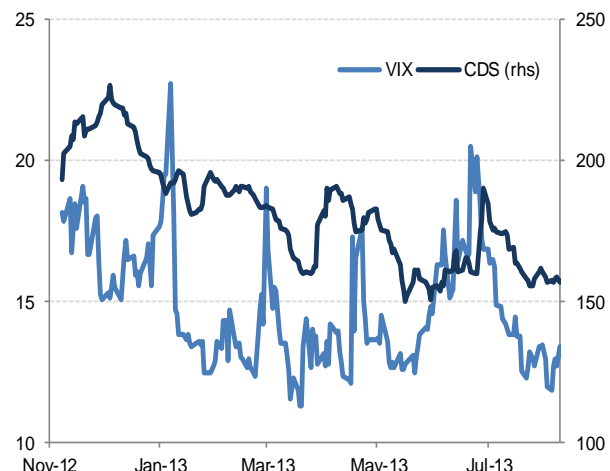
Financial Markets

Graph 9
Stocks
(Index, KBW)



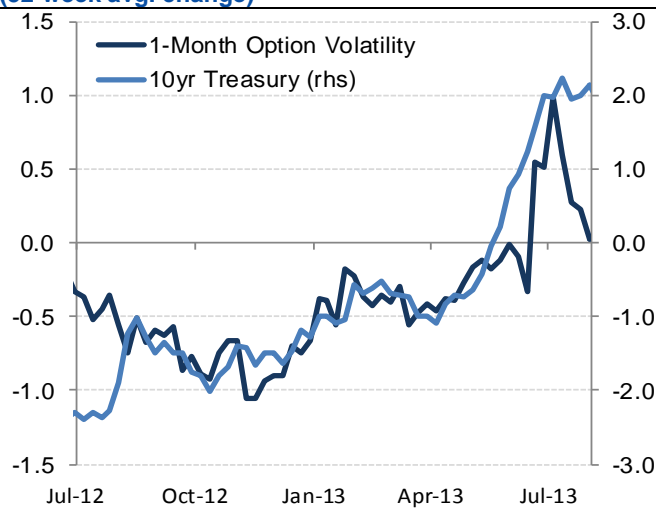
Source: Bloomberg & BBVA Research

Graph 10
Volatility & High-Volatility CDS
(Indices)



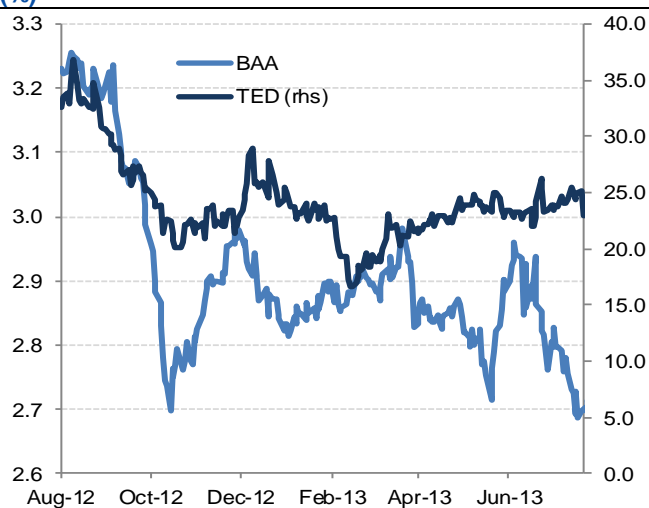
Source: Bloomberg & BBVA Research

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



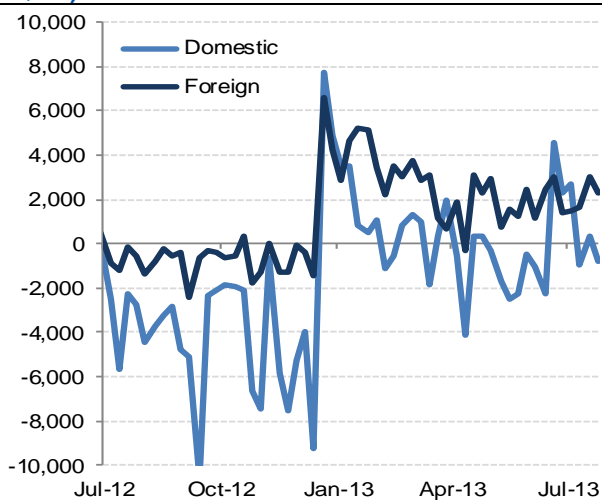
Source: Haver Analytics & BBVA Research

Graph 12
TED & BAA Spreads
(%)



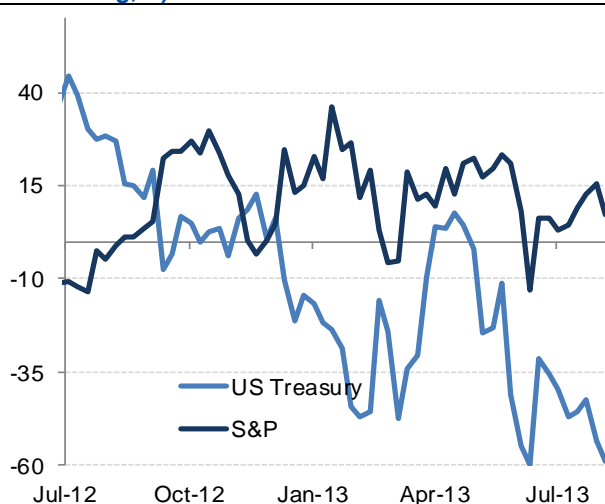
Source: Bloomberg & BBVA Research

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



Source: Haver Analytics & BBVA Research

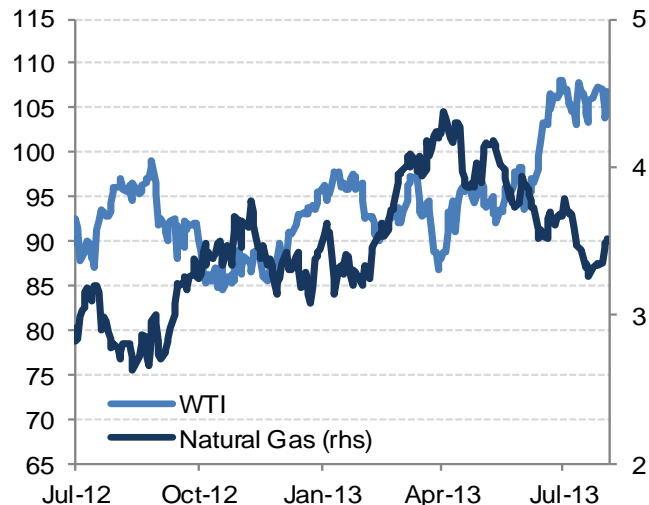
Graph 14
Total Reportable Short & Long Positions
(Short-Long, K)



Source: Haver Analytics & BBVA Research

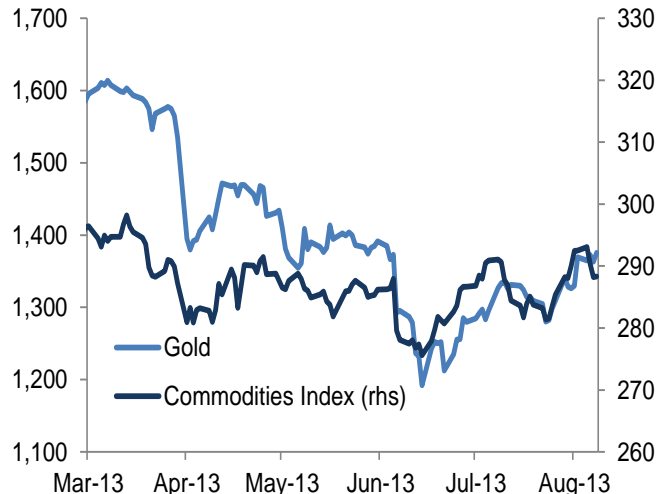
Financial Markets

Graph 15
Commodities
(Dpb & DpMMBtu)



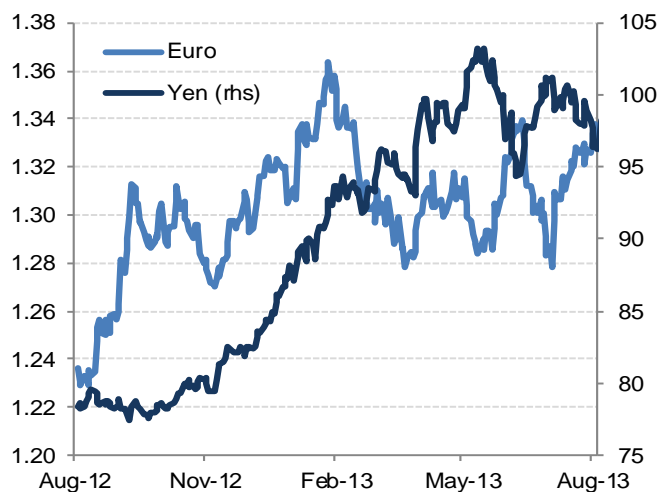
Source: Bloomberg & BBVA Research

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



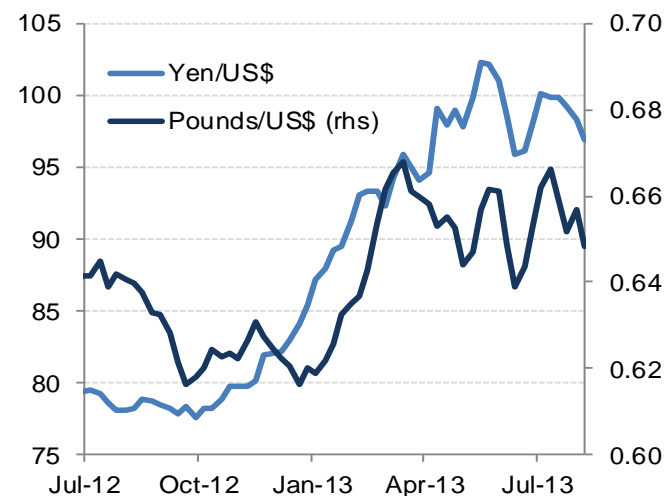
Source: Haver Analytics & BBVA Research

Graph 17
Currencies
(Dpe & Ypd)



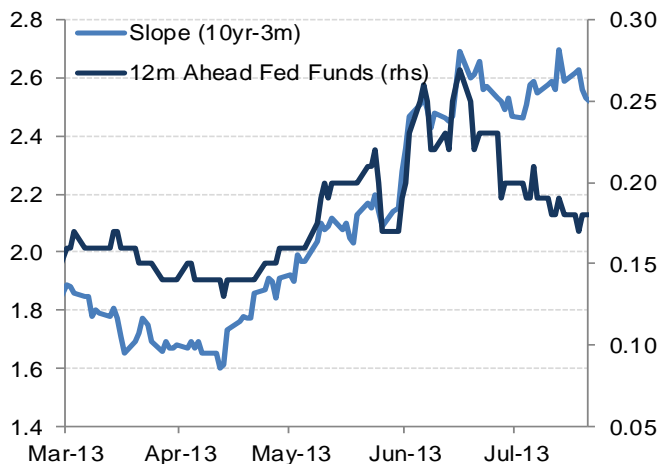
Source: Bloomberg & BBVA Research

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	4-Weeks		
		Week ago	ago	Year ago
Prime Rate	3.25	3.25	3.25	3.25
Credit Card (variable)	14.16	14.16	14.16	14.10
New Auto (36-months)	2.39	2.42	2.50	2.93
Heloc Loan 30K	5.35	5.34	5.31	5.47
5/1 ARM*	3.21	2.68	3.17	2.90
15-year Fixed Mortgage*	3.60	2.76	3.41	3.23
30-year Fixed Mortgage*	4.58	3.57	4.37	3.99
Money Market	0.44	0.44	0.44	0.52
2-year CD	0.75	0.73	0.74	0.85

*Freddie Mac National Mortgage Homeowner Commitment US
Source: Bloomberg & BBVA Research

Table 1
Key Interest Rates (%)

	Last	4-Weeks		
		Week ago	ago	Year ago
1M Fed	0.09	0.09	0.09	0.13
3M Libor	0.26	0.26	0.45	0.43
6M Libor	0.40	0.40	0.65	0.00
12M Libor	0.68	0.66	0.98	1.04
2yr Sw ap	0.57	0.53	0.47	0.45
5yr Sw ap	1.83	1.75	1.54	0.90
10Yr Sw ap	3.03	3.00	2.76	1.79
30yr Sw ap	3.82	3.81	3.60	2.58
30day CP	0.12	0.12	0.12	0.22
60day CP	0.13	0.14	0.15	0.18
90day CP	0.16	0.17	0.16	0.23

Source: Bloomberg & BBVA Research

Quote of the Week

Dallas Federal Reserve President Richard Fisher
U.S. Manufacturing Summit in Orlando, FL
22 August 2013

"Let's cut to the chase: The remaining obstacle to being the absolute best economy for manufacturers and other businesses, bar none, has been fiscal and regulatory policy that seems incapable of providing job-creating manufacturers and other businesses with tax, spending and regulatory incentives to take advantage of the cheap and abundant fuel the Fed has provided"

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
26-Aug	Durable Goods Orders	JUL	-2.5%	-4.0%	3.9%
26-Aug	Durable Goods Ex transportation	JUL	0.6%	0.5%	-0.1%
27-Aug	S&P Case Shiller 20 City SA	JUN	0.9%	1.00%	1.05%
27-Aug	Consumer Confidence	AUG	79.2	79.5	80.3
28-Aug	Pending Home Sales	JUL	0.4%	0.2%	-0.4%
29-Aug	Initial Jobless Claims	24-Aug	325K	330K	336K
29-Aug	Continued Jobless Claims	17-Aug	2985K	2995K	2999K
29-Aug	GDP	2Q13	2.4%	2.2%	1.7%
30-Aug	Personal Income	JUL	0.1%	0.2%	0.3%
30-Aug	Personal Spending	JUL	0.4%	0.3%	0.5%
30-Aug	PCE Core YoY	JUL	1.3%	1.3%	1.2%
30-Aug	Chicago PMI	AUG	53.0	53.0	52.3
30-Aug	Consumer Confidence	AUG F	80.3	81.0	80.0

Forecasts

	2011	2012	2013	2014	2015
Real GDP (% SAAR)	1.8	2.8	1.8	2.3	2.5
CPI (YoY %)	3.1	2.1	1.6	2.3	2.4
CPI Core (YoY %)	1.7	2.1	1.9	2.0	2.1
Unemployment Rate (%)	8.9	8.1	7.6	7.0	6.4
Fed Target Rate (eop, %)	0.25	0.25	0.25	0.25	0.50
10Yr Treasury (eop, % Yield)	1.98	1.72	2.90	3.28	3.64
US Dollar/ Euro (eop)	1.32	1.31	1.31	1.30	1.35

Note: Bold numbers reflect actual data



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