



# Weekly Observatory

April 27th, 2009

## Week Ahead

### Consumer Confidence (April, Tuesday 10:00 ET)

F: 29.1                      C: 29.0                      P: 26.0

Consumer confidence is expected to increase for the second month in a row in April; however it will remain at a very low level due to continued concerns about the weak job market and overall economy. Ongoing low consumer confidence could have a negative impact on the consumption component of GDP as consumers shift to more conservative spending habits.

### Real GDP (Advanced) (1Q09, Wednesday 8:30 ET)

F: -4.7%                      C: -5.0                      P: -6.3%

Real GDP is expected to contract further in 1Q09, but at a slower rate than in 4Q08. Consumption is forecasted to have a negative contribution due to declining employment and household wealth. In addition, non-residential investment will decrease due to sluggish demand, tight credit markets and the global recession. Furthermore, residential investment remains weak, although market indicators showed some signs of stabilization. Lastly, imports and exports are expected to decrease due to falling demand at home and abroad.

### Personal Income and Outlays (March, Thursday 8:30 ET)

F: -0.2, -0.1                      C: -2.0, -1.0                      P: -0.2, 0.2

Ongoing economic weakness is expected to negatively impact personal income and outlays in March. The feeble business environment is prodding companies to restructure their workforce by laying-off workers, cut hours and change salary structures. As a result, the yoy change in personal income has already reached the lowest level in the history of the series and is expected to continue on a downward trend. The weak job market, in turn, is pushing consumers to decrease consumption. Even though PCE increased in the first two months of the year, March's negative retail sales report indicates that consumers are changing their spending habits. Consequentially, we could see a negative change in personal outlays in March.

### ISM Manufacturing Index (April, Friday 10:00 ET)

F: 39.6                      C: 38.0                      P: 36.3

March's ISM manufacturing index is expected to come in above last month's levels but to remain below 50, indicating continued economic contraction, although at a slower pace than in the previous month. The ISM is preceded by the regional Empire State Manufacturing and Philadelphia Fed Manufacturing indices, which both showed a significant slowdown in the decline of the manufacturing industry. The recent stabilization could indicate that we have reached a bottom in the industry's rapid contraction, but demand would need to be restored before we could see a recovery.

### FOMC Results (Wednesday 14:15 ET)

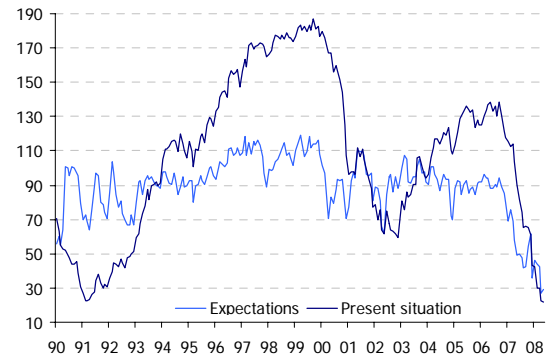
F: 0% - 0.25%                      C: n.a.                      P: 0% - 0.25%

We expect the FOMC to keep its target rate unchanged between 0-0.25%. Even though some of the short-term indicators in the inter-meeting period showed signs of stabilization, their low levels indicate continued weakness in the economy. In addition, deflationary risks are expected to remain at bay by sustained wage growth, increased government spending and the Fed's expansionary monetary policy. We expect the interest rate to remain low for a prolonged period of time.

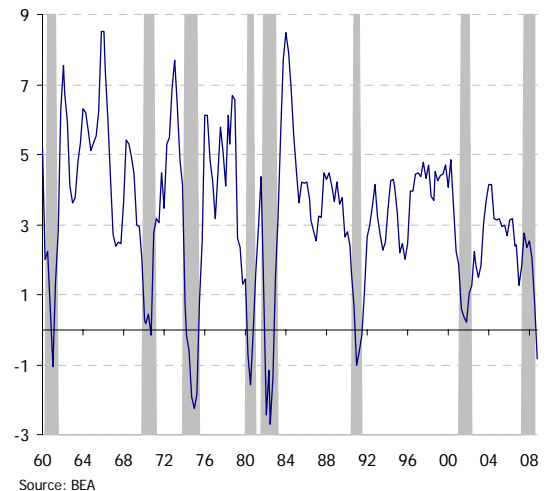
Kristin Lomicka

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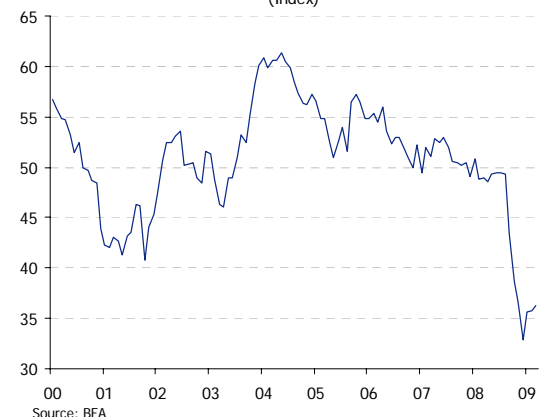
Consumer Confidence Indices



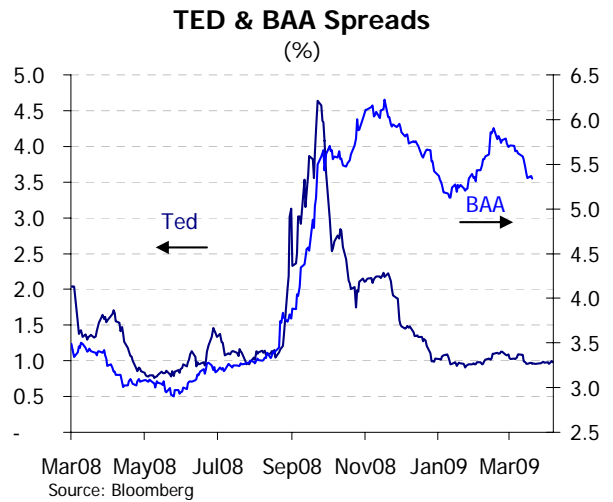
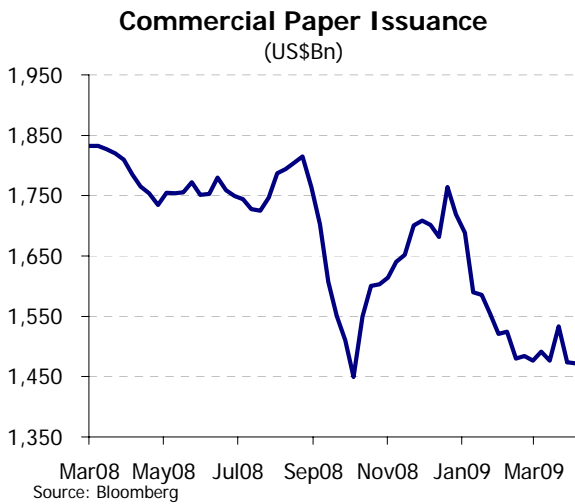
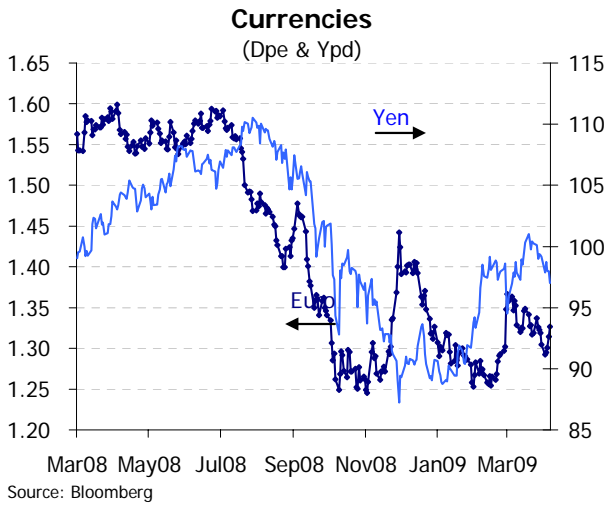
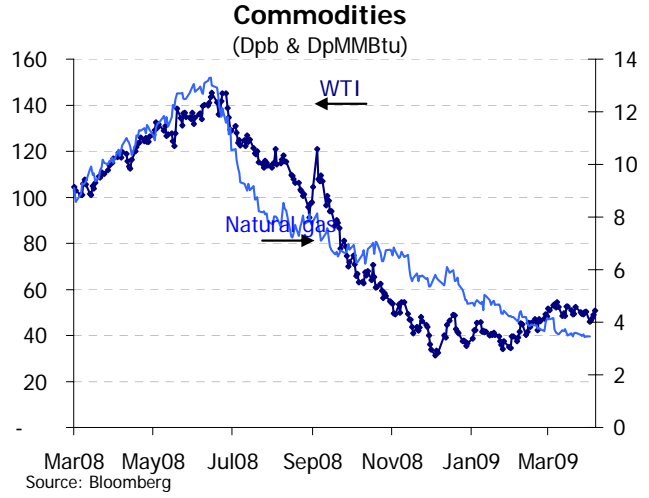
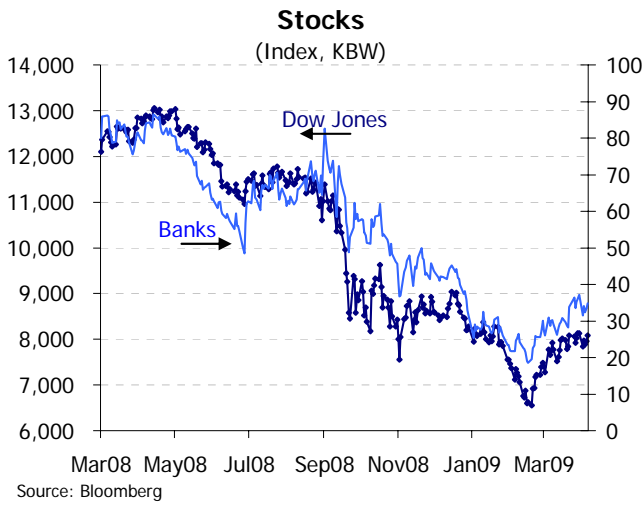
GDP  
(yoy % change)



Manufacturing ISM  
(Index)

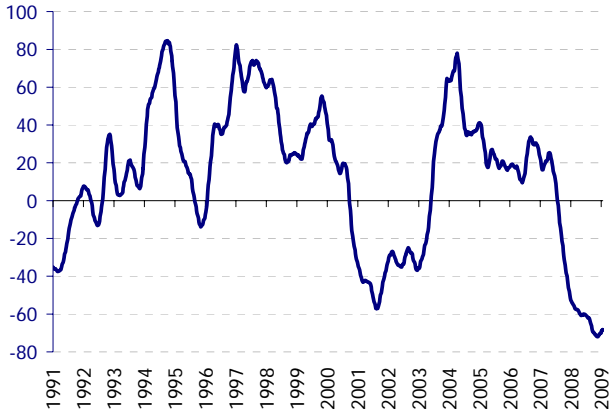


Financial Markets



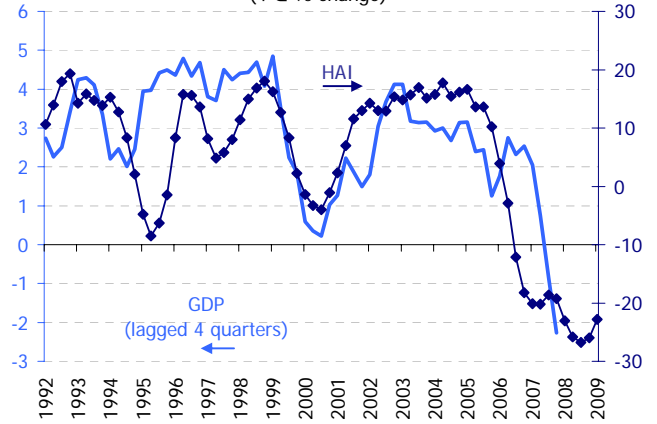
Economic Trends

**BBVA US Weekly Activity Index**  
(Yoy % change)



Source: BBVA ERD

**BBVA Housing Activity Index & Real Gross Domestic Product**  
(4-Q % change)



Source: BBVA ERD & BEA

**BBVA US Surprise Activity Index**  
(Index2004-7=100)



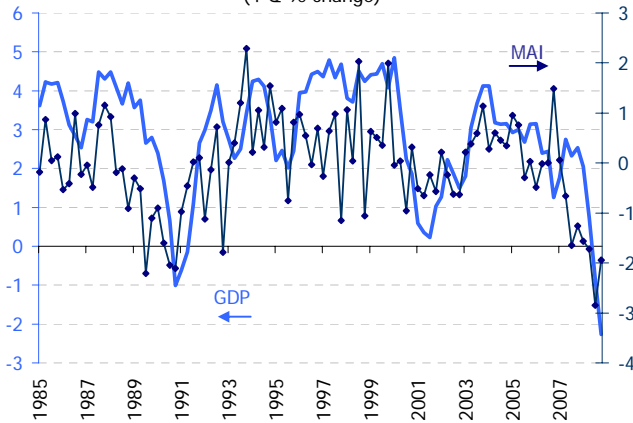
Source: BBVA ERD

**BBVA US Surprise Inflation Index**  
(Index2004-7=100)



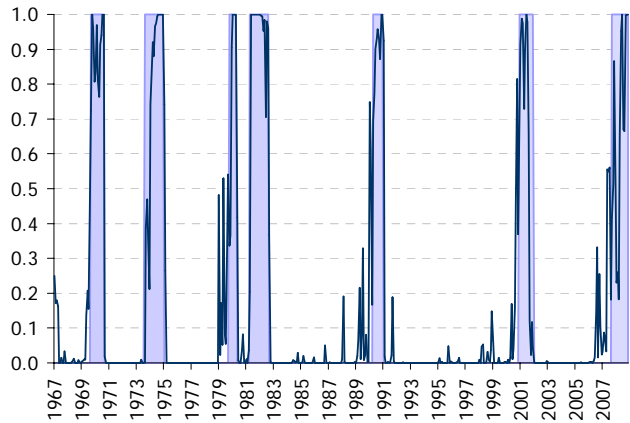
Source: BBVA ERD

**BBVA US Monthly Activity Index & Real Gross Domestic Product**  
(4-Q % change)



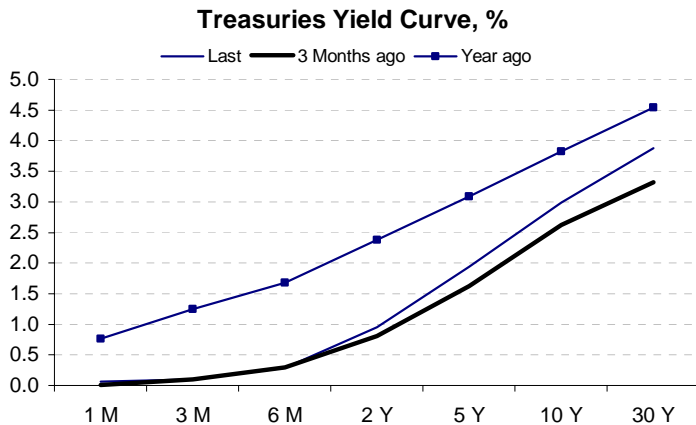
Source: BBVA ERD & BEA

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



Source: BBVA ERD

## Yield Curve and Interest Rates



### Key Interest Rates

	Last	Week ago	4-Weeks ago	Year ago
Prime Rate	3.25	3.25	3.25	5.25
Credit Card (variable)	10.75	10.73	10.73	12.17
New Auto (36-months)	7.38	7.34	6.86	6.64
Heloc Loan 30K	5.12	5.12	5.13	4.86
30-year Fixed Mortgage *	4.80	4.82	6.37	6.71
Money Market	1.33	1.32	1.36	2.31
2-year CD	2.24	2.19	2.15	3.03
5-year CD	2.77	2.71	2.65	3.49

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

Treasury Secretary Tim Geithner: Opening Statement before the Congressional Oversight Committee  
April 21, 2009

*“We need the financial system to support sustainable economic expansion. And we need to put in place comprehensive regulatory reforms that deter fraud and abuse, protect American families when they buy a home or get a credit card, reward innovation and tie pay to job performance, and end past cycles of boom and bust.”*

## Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
28-Apr	S&P/CaseShiller Home Price Ind	FEB	--	--	146.4
28-Apr	S&P/CS Composite-20 YoY	FEB	-17.50%	-18.88%	-18.97%
28-Apr	Consumer Confidence	APR	29.1	29	26
28-Apr	ABC Consumer Confidence	26-Apr	-47	--	-47
29-Apr	GDP QoQ (Annualized)	1Q A	-4.70%	-5.00%	-6.30%
29-Apr	FOMC Rate Decision	29-Apr	--	0.13%	0.25%
30-Apr	Personal Income	MAR	-0.20%	-0.20%	-0.20%
30-Apr	Personal Spending	MAR	-0.10%	-0.10%	0.20%
30-Apr	PCE Core (MoM)	MAR	0.20%	0.10%	0.20%
30-Apr	Employment Cost Index	1Q	0.60%	0.50%	0.50%
30-Apr	Initial Jobless Claims	25-Apr	648K	637K	640K
30-Apr	Continuing Claims	18-Apr	6240K	--	6137K
30-Apr	Chicago Purchasing Manager	APR	34.7	34.3	31.4
1-May	U. of Michigan Confidence	APR F	61.9	61.7	61.9
1-May	ISM Manufacturing	APR	39.6	38	36.3
1-May	Factory Orders	MAR	-0.20%	-0.80%	1.80%
1-May	Total Vehicle Sales	APR	10.2M	9.6M	9.9M
1-May	Domestic Vehicle Sales	APR	7.5M	7.2M	7.1M