



Weekly Observatory

June 15, 2009

Week Ahead

Empire State Manufacturing Index (June, Monday 8:30 ET)

F: -2.1 C: -5.1 P: -4.6

The recent increases in consumer confidence could help to further raise business expectations in the New York Fed's territory. Consequentially, the empire state manufacturing index is expected to improve further to -2.1% after increasing for the previous two months. These results would indicate that the contraction in the manufacturing industry is easing.

Housing Starts (May, Tuesday 8:30 ET)

F: 470K C: 483K P: 458K

Housing starts are expected to respond to some stabilization in new home sales and the recent increase in builder's confidence by rising to 470K in May after dropping to 458K in April. Although an increase in starts would be an additional indication of stabilization in the housing market, levels will remain more than 50% below those of last year, which would indicate that residential construction is still weak.

Industrial Production (May, Tuesday 9:15 ET)

F: -0.5% C: -0.8% P: -0.4%

Industrial production is expected to fall for the tenth month in a row as plants continue to reduce output in response to the ongoing decline in economic activity. However, May's ISM results indicated that the manufacturing industry is contracting at a slower pace, so we could see the rate of decline in industrial production ease as well. The accelerating decline of IP in the high tech industry due to businesses' lack of investment capital remains a concern. The continued decrease could indicate that non-residential investment will shrink further in 2Q09.

Consumer Price Index (Headline, Core) (May, Wednesday 8:30 ET)

F: 0.2%, 0.3% C: 0.3%, 0.1% P: 0.0%, 0.3%

Core consumer prices are expected to increase 0.2%, which is slower than the 0.3% in April because we are not expecting the large price increases in tobacco products to continue. On a year-over-year basis, core inflation is expected to remain low, but positive at 1.9%, which is below the historical average of 2.0%. On the other hand, headline consumer prices are forecasted to rise 0.3% in May after remaining the same in April. An 18.2% jump in gasoline prices is expected boost the energy component of headline inflation, while food prices are anticipated to continue on their downward trend.

Leading Economic Indicators Index (LEI) (May, Thursday 10:00 ET)

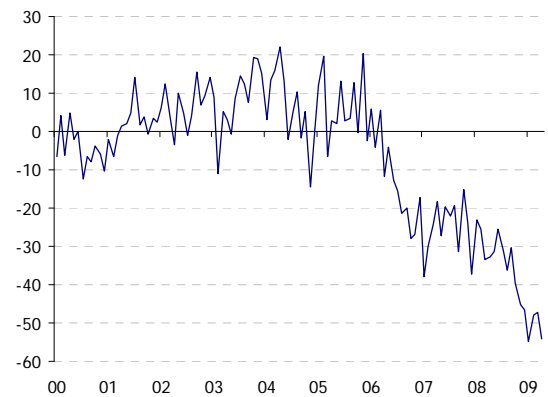
F: 0.5% C: 0.9% P: 1.0%

The LEI is expected to increase for the second month in a row, anticipating better economic conditions are we near the end of the second quarter. Many of the index's components improved further in May. For instance, consumer confidence reached its highest level since September 2008 and initial jobless claims dropped 1.8%. Additionally, the S&P 500 rose 4.7% and building permits are expected to increase.

Kristin Lomicka

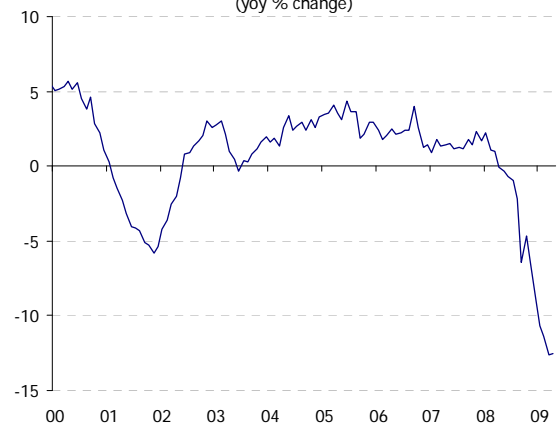
kristin.lomicka@bbvacompass.com

Housing Starts
(12-month % change)



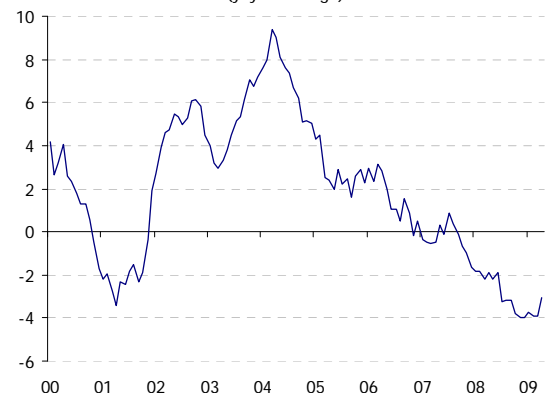
Source: US Census Bureau

Industrial Production
(yoy % change)



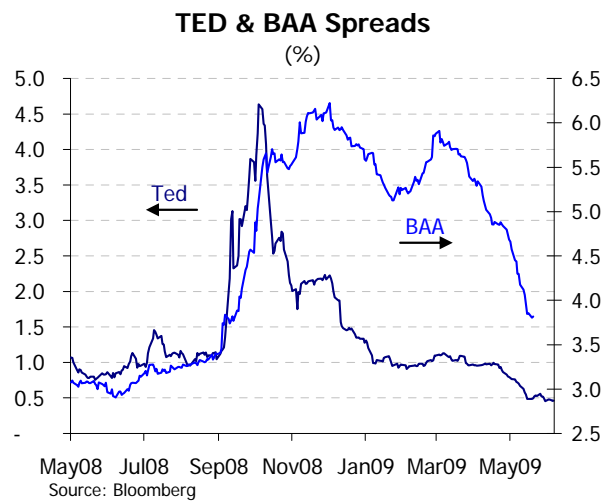
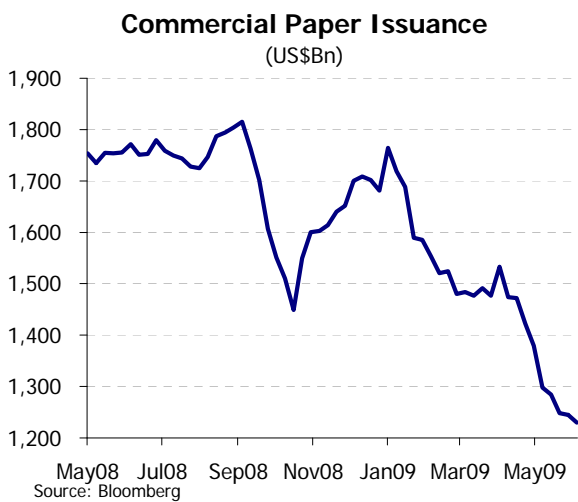
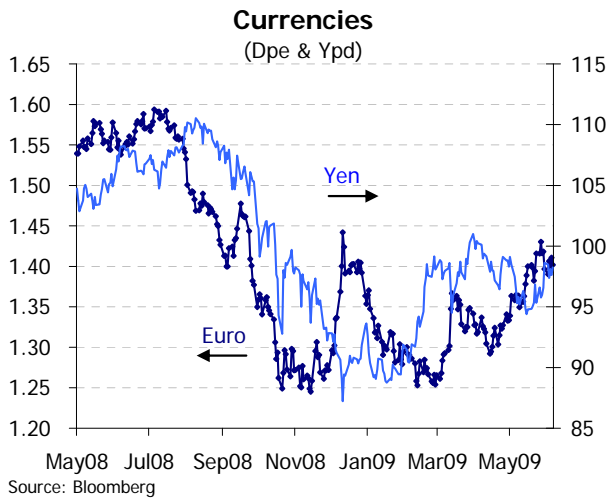
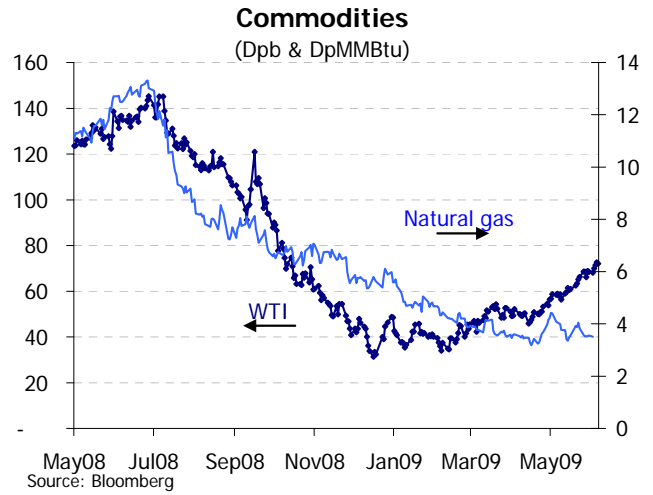
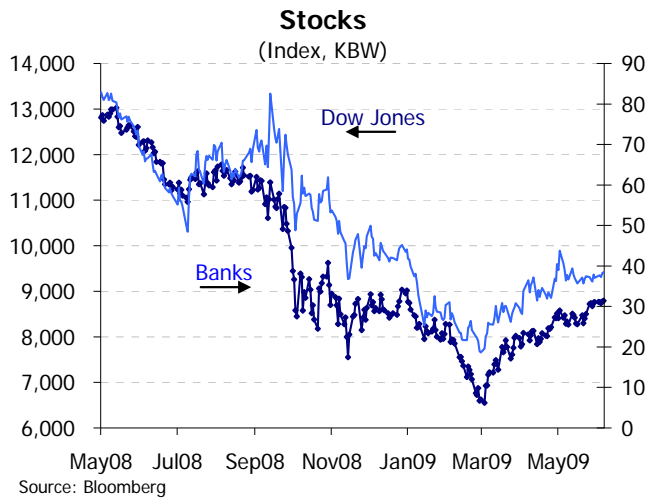
Source: Federal Reserve

Leading Indicators Index
(yoy % change)



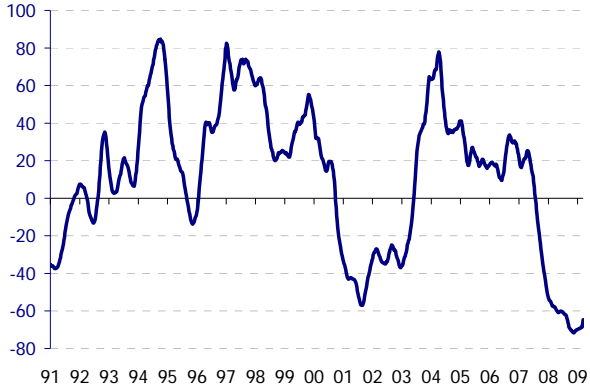
Source: Conference Board

Financial Markets



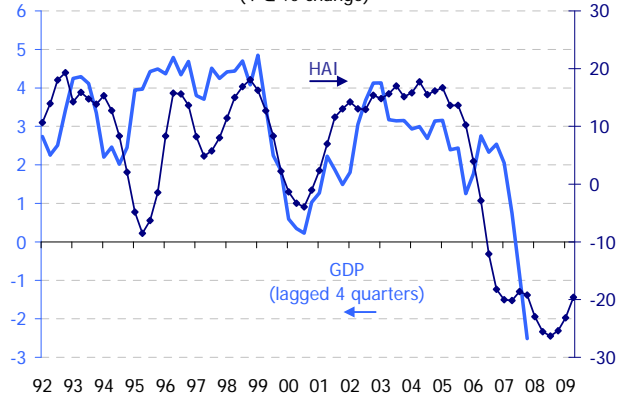
Economic Trends

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)



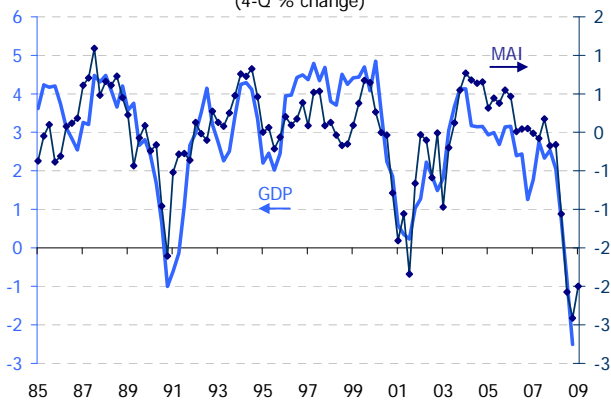
Source: BBVA ERD

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



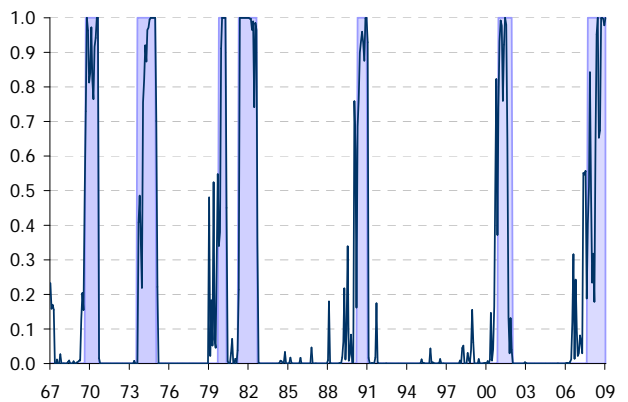
Source: BBVA ERD

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



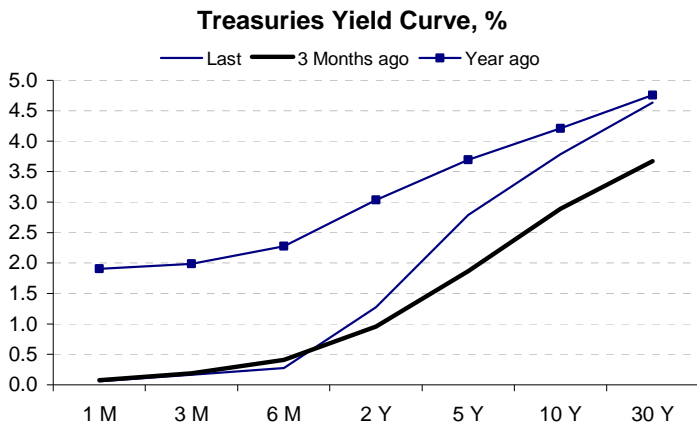
Source: BBVA ERD & BEA

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	5.00
Credit Card (variable)	10.80	10.78	10.76	11.76
New Auto (36-months)	7.26	7.32	7.19	6.81
Heloc Loan 30K	5.28	5.27	5.20	4.97
30-year Fixed Mortgage *	5.59	5.29	6.37	6.71
Money Market	1.31	1.33	1.35	2.34
2-year CD	1.99	2.04	2.19	3.31
5-year CD	2.60	2.67	2.79	3.75

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Federal Reserve Bank of Richmond President Jeff Lacker: *The Economic Outlook*
North Carolina Senate Appropriations Committee, Raleigh, NC, June 10, 2009

“The challenge for us on the Federal Open Market Committee will be to shrink our balance sheet and tighten policy soon enough when the recovery emerges to prevent rising inflation. The danger will be that we will not shrink our balance sheet enough when the recovery emerges to prevent rising inflation. Choosing the right time to withdraw that stimulus will be a challenge, and I believe it will be very important to avoid the risks of waiting too long or moving too slowly.”

Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
15-Jun	Empire Manufacturing	JUN	-2.1	-5.1	-4.55
15-Jun	NAHB Housing Market Index	JUN	17	17	16
16-Jun	Producer Price Index (MoM)	MAY	0.40%	0.60%	0.30%
16-Jun	PPI Ex Food & Energy (MoM)	MAY	0.10%	0.10%	0.10%
16-Jun	Producer Price Index (YoY)	MAY	-3.30%	-4.40%	-3.70%
16-Jun	PPI Ex Food & Energy (YoY)	MAY	3.20%	3.20%	3.40%
16-Jun	Housing Starts	MAY	470K	483K	458K
16-Jun	Building Permits	MAY	501K	500K	494K
16-Jun	Industrial Production	MAY	-0.40%	-0.80%	-0.50%
16-Jun	Capacity Utilization	MAY	69.00%	68.40%	69.10%
16-Jun	ABC Consumer Confidence	14-Jun	--	--	-47
17-Jun	MBA Mortgage Applications	12-Jun	--	--	-7.20%
17-Jun	Consumer Price Index (MoM)	MAY	0.30%	0.30%	0.00%
17-Jun	CPI Ex Food & Energy (MoM)	MAY	0.20%	0.10%	0.30%
17-Jun	Consumer Price Index (YoY)	MAY	-0.80%	-0.90%	-0.70%
17-Jun	CPI Ex Food & Energy (YoY)	MAY	1.90%	1.80%	1.90%
17-Jun	Consumer Price Index NSA	MAY	214.8	214.635	213.24
17-Jun	Current Account Balance	1Q	-\$74.7B	-\$85.0B	-\$132.8B
18-Jun	Initial Jobless Claims	13-Jun	610K	610K	601K
18-Jun	Continuing Claims	6-Jun	6844	--	6816K
18-Jun	Leading Indicators	MAY	0.50%	0.90%	1.00%
18-Jun	Philadelphia Fed.	JUN	-19.8	-17	-22.6