



Weekly Observatory

February 19, 2010

Week Ahead

S&P Case-Shiller 20 Home Price Index (December, Tuesday 9:00 ET)

Forecast: -0.4% Consensus: 0.1% Previous: -0.2%

Home prices are expected to slip for the second month in a row, following five months of rises. The slowdown could be the result of a slow in demand over the winter months. Nevertheless, it is not the indication of another downward trend because the year-over-year rate will continue to improve. Home prices are currently at favorable levels for consumers and will play a role in attracting demand and reducing inventories of existing homes.

Consumer Confidence (February, Tuesday 10:00 ET)

Forecast: 55.4 Consensus: 55.0 Previous: 55.9

February's consumer confidence is forecasted to slip down to 55.4 from 55.9, as indicated by the drop in the University of Michigan consumer sentiment index. Consumer's outlook has remained fairly flat over the past nine months, reflecting uncertainty in the state of the labor market and the pace of recovery. As a result, confidence is not expected to pick-up until the employment situation makes some steady advances. Even though consumer spending has pick-up in recent months, stagnant confidence levels could slow the recovery.

Durable Goods Orders, excl. Transportation (January, Thurs 8:30 ET)

Forecast: 1.2%, 1.0% Consensus: 1.5%, 0.9% Previous: 0.3%, 0.9%

Durable goods orders are forecasted to rise 1.2% following a 0.3% increase in the previous month. The previous month's data illustrated a widespread improvement across components, which is expected to continue into January. Orders across a variety of goods would be a positive sign for the sustainability of the economic recovery and point to continued growth in industrial production.

Chicago PMI (February, Friday 9:45 ET)

Forecast: 62.1 Consensus: 59.0 Previous: 61.5

The Chicago PMI is expected to rise for the sixth consecutive month, indicating that business activity in the Chicago region is expanding at an accelerating pace. The index includes both the manufacturing and non-manufacturing sectors and is considered an indicator of the overall economy. An increase in the PMI would support our expectation of economic growth in 1Q10.

Existing Home Sales (January, Friday 10:00 ET)

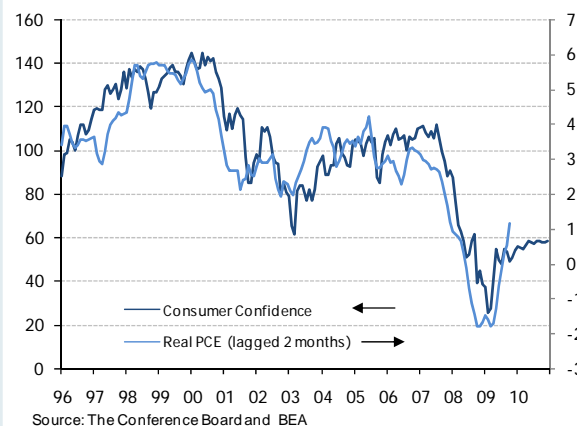
Forecast: 5.27M Consensus: 5.50M Previous: 5.45M

Sales of existing homes are expected to drop for the second month in a row in January. However, the movement could be a continuation of the downward adjustment following the passing of the original expiration date of the home buyers' tax credit. Sales are still expected to come in 25% above the previous year's levels, indicating that demand is stabilizing. While favorable home prices will continue to attract buyers to the market, the recovery of the residential real estate market will be slow as households remain constricted by the weak labor market and limited access to credit.

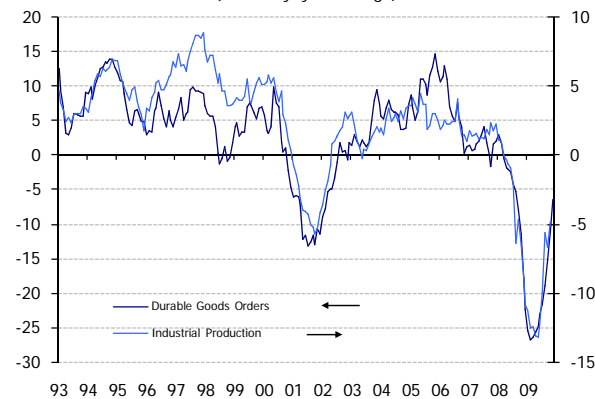
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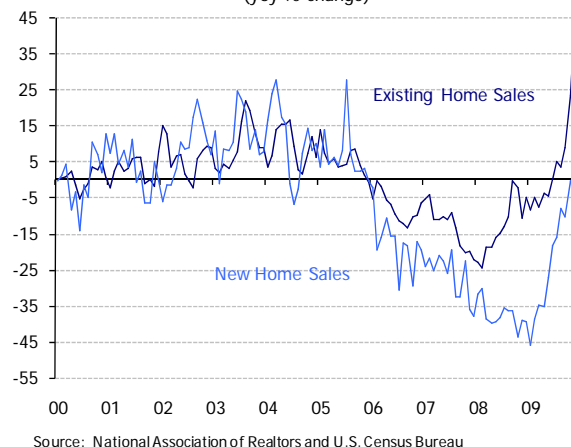
Consumer Confidence and Real PCE
(Index, 3mma yoy % change)



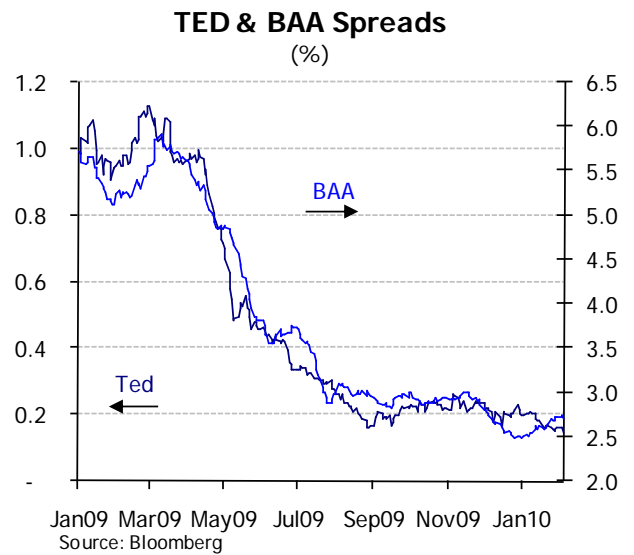
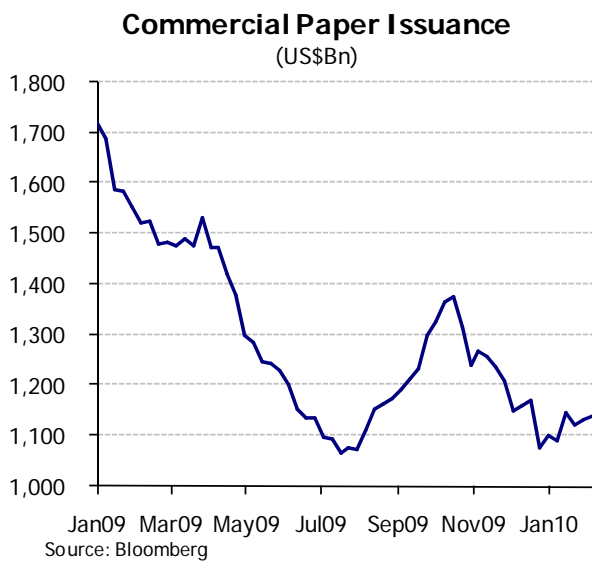
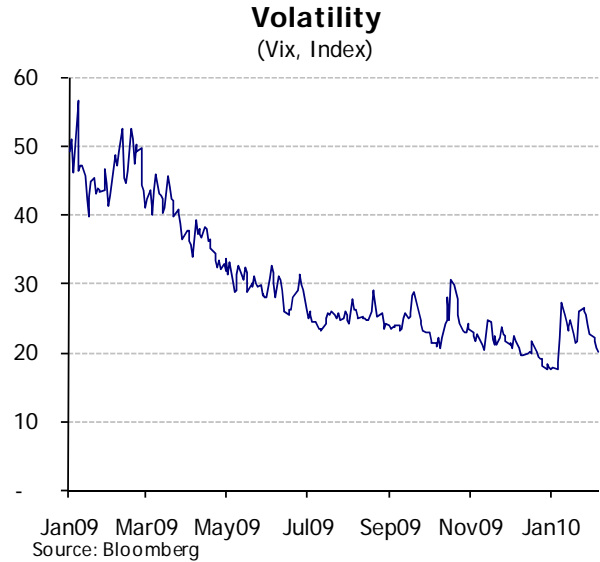
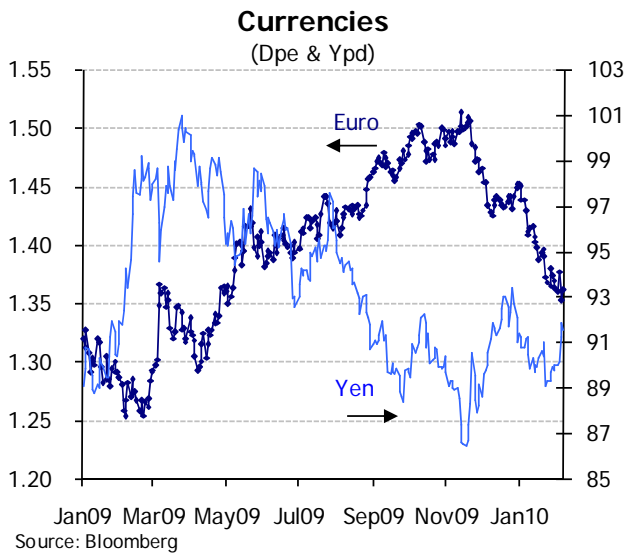
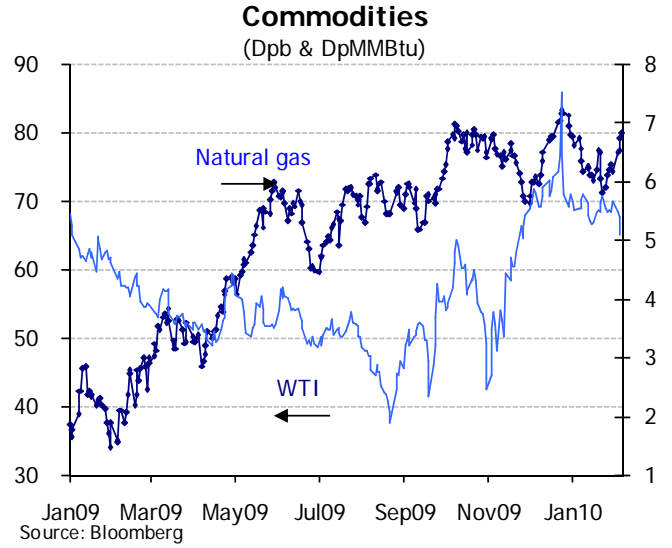
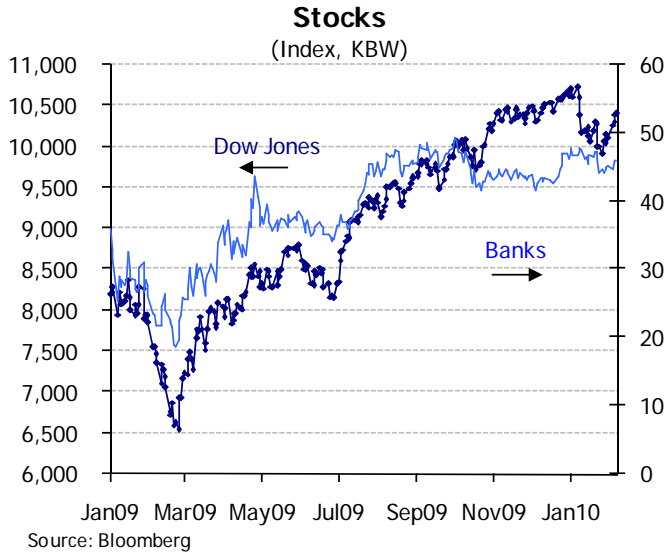
Industrial Production & Durable Goods Orders
(3m ave yoy % change)



New and Existing Home Sales
(yoy % change)

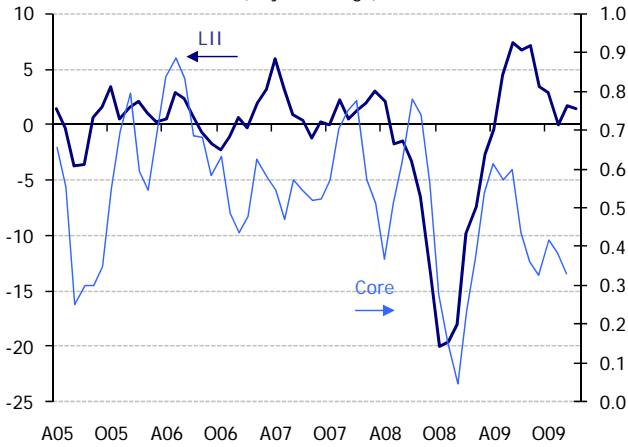


Financial Markets



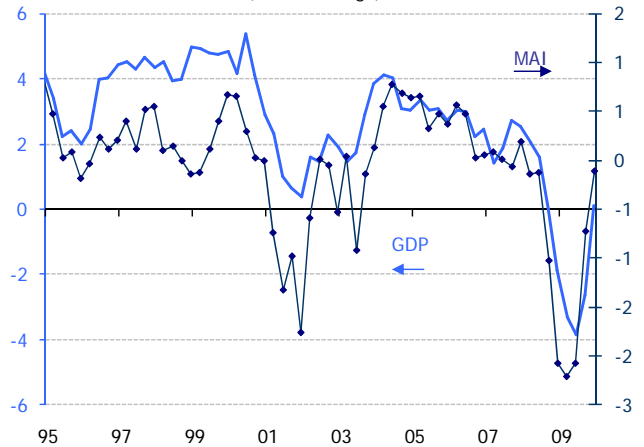
Economic Trends

BBVA US Leading Inflation Index & Core Inflation
(QoY % change)



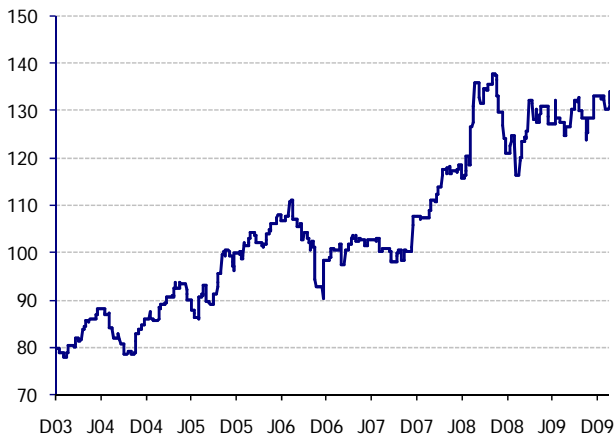
Source: BBVA ERD

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



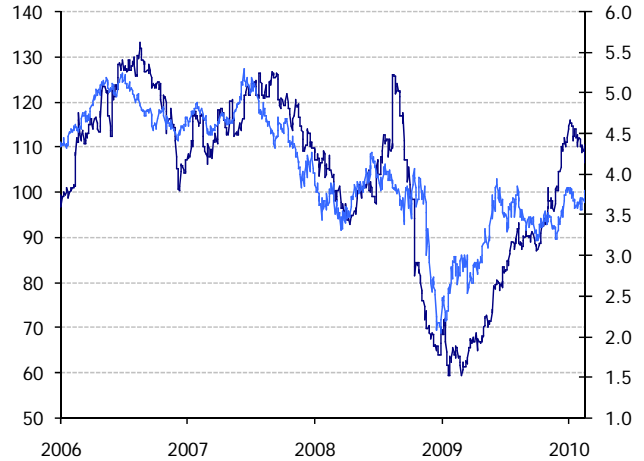
Source: BBVA ERD & BEA

BBVA US Surprise Inflation Index
(Index 2004-7=100)



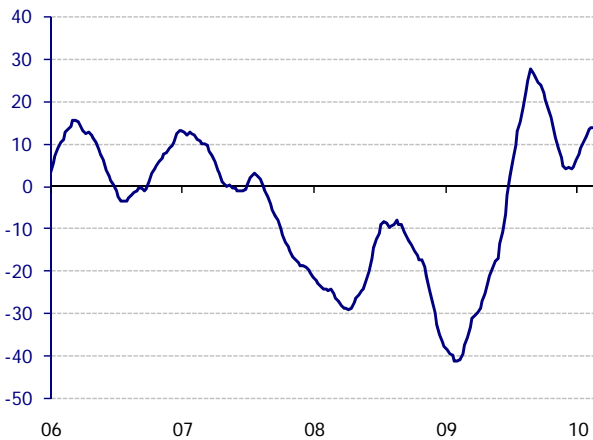
Source: BBVA ERD

BBVA US Surprise Activity Index & 10-yr Treasury
(Index 2004-7=100 & %)



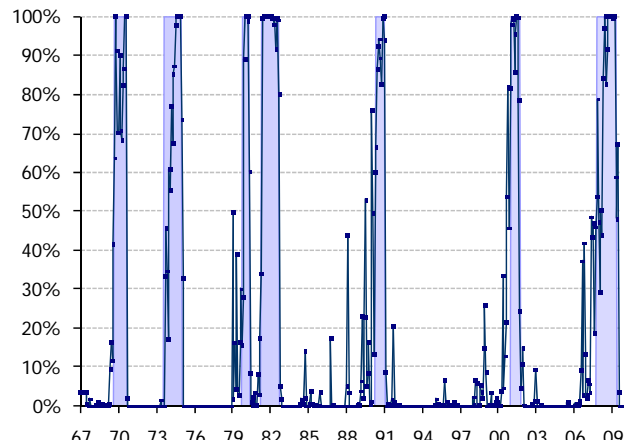
Source: BBVA ERD

BBVA US Weekly Activity Index
(3 month % change)



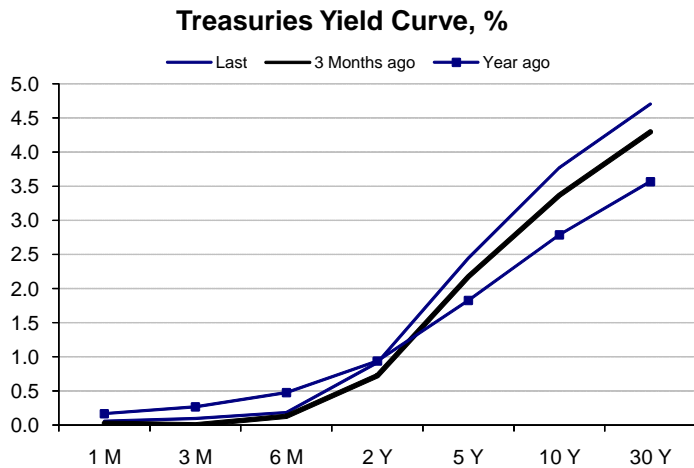
Source: BBVA ERD

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	3.25
Credit Card (variable)	12.53	12.53	11.74	10.84
New Auto (36-months)	6.27	6.38	6.44	6.90
Heloc Loan 30K	5.71	5.67	5.70	5.07
30-year Fixed Mortgage *	4.93	4.97	6.37	5.04
Money Market	0.85	0.89	0.89	1.61
2-year CD	1.74	1.75	1.79	2.34
5-year CD	2.65	2.66	2.69	2.76

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Philadelphia Fed President Charles Plosser:
The Federal Reserve System: Balancing Independence and Accountability
 February 17, 2010

In the aftermath of the financial crisis and large fiscal deficits, the Fed still faces significant challenges. I believe we can exit from the extraordinary stimulus we have provided without generating a serious risk of inflation in the intermediate to long term, but to do so will require some careful and difficult policy choices. Monetary policymakers must have the courage and independence to make these difficult choices. Politicizing that decision-making process will not deliver the desired outcomes and runs counter to responsible and sound central bank practice.

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
23-Jan	S&P/CS Composite-20 YoY	DEC	-3.20%	-3.00%	-5.30%
23-Jan	S&P/CS 20 City MoM% SA	DEC	-0.40%	0.10%	0.24%
23-Jan	Consumer Confidence	FEB	55.4	55	55.9
23-Jan	ABC Consumer Confidence	21-Feb	--	--	-49
24-Jan	MBA Mortgage Applications	19-Feb	--	--	-2.10%
24-Jan	New Home Sales	JAN	350K	355K	342K
25-Jan	Durable Goods Orders	JAN	1.20%	1.50%	0.30%
25-Jan	Durables Ex Transportation	JAN	1.00%	0.90%	0.90%
25-Jan	Initial Jobless Claims	20-Feb	468K	458K	473K
25-Jan	Continuing Claims	13-Feb	4558K	4570K	4563K
26-Jan	GDP QoQ (Annualized)	4Q S	5.70%	5.70%	5.70%
26-Jan	Personal Consumption	4Q S	2.00%	2.00%	2.00%
26-Jan	GDP Price Index	4Q S	0.60%	0.60%	0.60%
26-Jan	Core PCE QoQ	4Q S	1.40%	1.40%	1.40%
26-Jan	Chicago Purchasing Manager	FEB	62.1	59	61.5
26-Jan	U. of Michigan Confidence	FEB F	74	74	73.7
26-Jan	Existing Home Sales	JAN	5.27M	5.50M	5.45M