

# Fed Watch

US

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Economic Analysis

US

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## LSAP Scorecard: Week 28

Mixed signals across different market indicators

- Fed funds futures decline on reaction to slow progress in industrial production and capacity utilization, while volatility indicators remain low
- Commodities indices stabilize after a correction, while headline non-seasonally-adjusted inflation index perks upwards from past commodity spike. Pass-through from the previous spike to core inflation remains limited.
- Slow progress in survey-based measures of the labor market contrast with simmering improvements in payrolls.
- Commercial bank lending to businesses returns to an upward trend, while residential credit remains in the doldrums

Table 1  
Large Scale Asset Purchases (LSAP) Scorecard

	Latest available	Post QE2 11/3/10-present	Recovery- preQE2 7/09-10/10	Crisis 12/07-6/09	Pre-Crisis 3/03-11/07
<b>10yr Treasury (%)</b>	3.07	3.10	3.34	3.49	4.41
<b>3mo Treasury (%)</b>	0.05	0.12	0.13	1.06	3.02
<b>Slope (bp)</b>	302	298	321	243	139
<b>10yr Inflation Indexed (%)</b>	0.76	0.90	1.34	1.77	2.06
<b>Implicit 10yr Inflation exp. (%)</b>	2.31	2.20	2.00	1.72	2.35
<b>5yr Breakeven inflation expectations (%)</b>	2.56	2.59	2.38	2.15	2.41
<b>VIX (Index)</b>	16.1	19.3	23.7	33.6	15.8
<b>S&amp;P500 (Index)*</b>	1326	1243	1093	1109	1462
<b>Real effective exchange rate (\$, Index)</b>	95.9	98.8	102.5	102.9	111.2
<b>Corporate Spreads (BAA bp)</b>	264	282	287	409	201
<b>30yr Mortgage sprd (bp)</b>	33	28	57	155	115
<b>3M Libor-Treasury (bp)</b>	19	17	22	128	36
<b>Monetary aggregate M2 (yoy %)</b>	4.9	4.1	3.8	7.8	5.4
<b>Mutual Fund Flows Domestic (\$M)</b>	-1505	-269	-1884	-	-
<b>Mutual Fund Flows Foreign (\$M)</b>	1480	1484	919	-	-
<b>Mutual Fund Flows Taxable (\$M)</b>	6445	2760	6393	-	-
<b>Mutual Fund Flows Muni (\$M)</b>	63	-1544	1105	-	-
<b>Commercial Paper issuance (\$bn)</b>	83.2	79.5	88.3	134.2	173.8
<b>Initial Claims (4wk avg)</b>	406	421	494	479	341
<b>Unemployment rate (%)</b>	9.0	9.2	9.7	6.8	5.2
<b>Private Payrolls (K monthly)</b>	268	185	-14	-396	119
<b>Consumer confidence (Index)*</b>	65	62	53	53	98
<b>Retail sales ex bldg, autos &amp; gas (yoy %)</b>	4.6	5.5	1.6	-0.6	5.3
<b>Industrial production (yoy %)</b>	5.0	5.7	0.2	-7.0	2.3
<b>Capacity Utilization (%)</b>	77	77	72	75	79
<b>ISM Survey (Index)</b>	60.4	59.6	55.7	44.0	54.0
<b>Consumer Prices (12m %)*</b>	3.2	1.9	1.0	2.2	2.9
<b>Core Consumer Prices (12m %)*</b>	1.3	1.0	1.2	2.1	2.0
<b>Bank Mortgage loans (\$bn)*</b>	2049	2091	2106	2060	2013
<b>Bank CRE loans (\$bn)*</b>	1456	1484	1611	1676	1574
<b>Bank C&amp;I loans (\$bn)*</b>	1265	1232	1269	1522	1418
<b>Bank Consumer loans (\$bn)*</b>	1076	1092	990	837	786

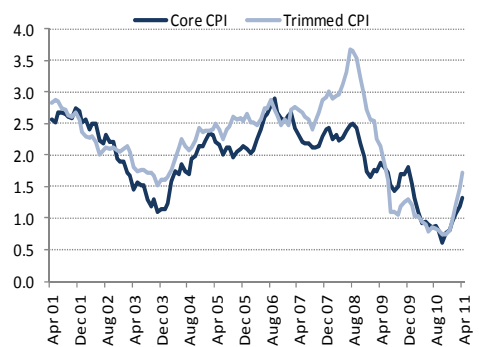
\* Pre-Crisis = Nov 2007  
BBVA Research & Haver Analytics.

Chart 1  
**Unemployment rate, %**



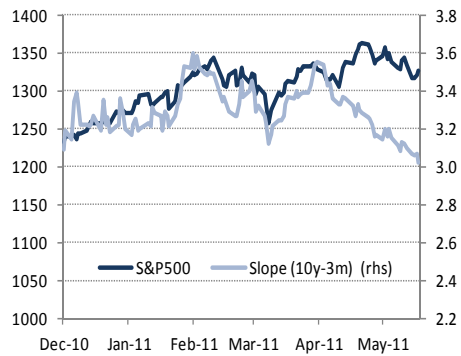
Source: Haver Analytics & BBVA Research

Chart 2  
**Inflation, 12m % change**



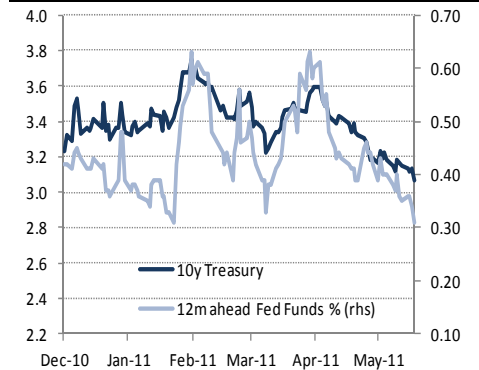
Source: Haver Analytics & BBVA Research

Chart 3  
**S&P500 & Yield curve slope, (index & %)**



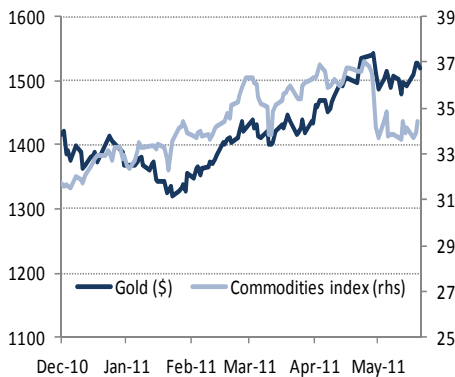
Source: Haver Analytics & BBVA Research

Chart 4  
**10 year Treasury & Fed Funds futures, %**



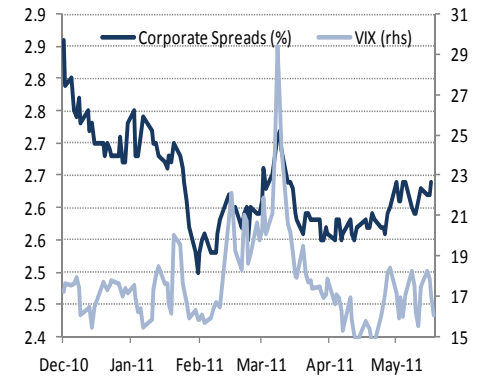
Source: Haver Analytics & BBVA Research

Chart 5  
**Gold & Commodities**



Source: Haver Analytics & BBVA Research

Chart 6  
**BAA spread & Implied volatility**



Source: Haver Analytics & BBVA Research

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