

US Weekly Flash

Highlights

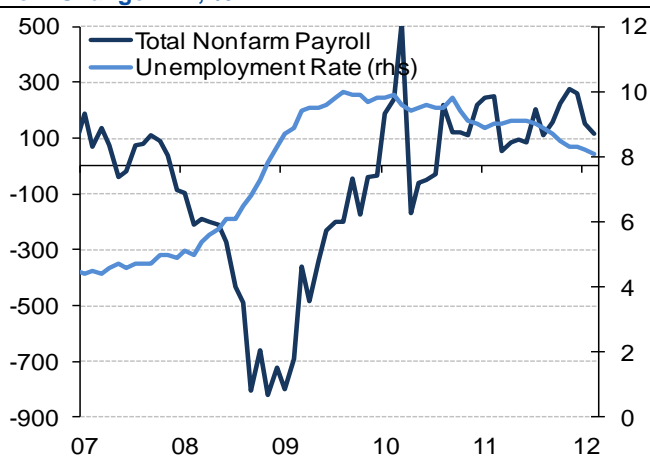
• Weak Nonfarm Payrolls Despite Drop in the Unemployment Rate

- Nonfarm payrolls increased only 115K in April following upward revisions to both March (120K to 154K) and February (240K to 259K). While the upward revisions are somewhat encouraging, March and April payrolls remain far from the 200K+ gains seen throughout the winter months. The latest trend supports recent arguments that the warmer-than-usual weather may have shifted some of the usual spring gains to the earlier winter months.
- Private payrolls increased 130K from a revised 166K in March. Gains were led mostly by professional and business services. Despite the reports of positive employment gains in manufacturing, the sector's payrolls increased less than expected, up only 16K to mark the slowest growth since November.
- The unemployment rate surprisingly declined to 8.1% but once again reflected a decline in the labor force. The participation rate dropped to 63.6%, the lowest since December 1981. In terms of labor force flows, most of the change appears to mirror movement from unemployment out of the labor force, particularly given the modest decline in those unemployed longer than 27 weeks. Still, the long-term unemployed account for more than 40% of all unemployed. While employment growth in the past two months has been a disappointment, we do not expect that the data will cause any immediate action from the Fed.

• 1Q12 Personal Income and Spending Strongest Since Early 2011

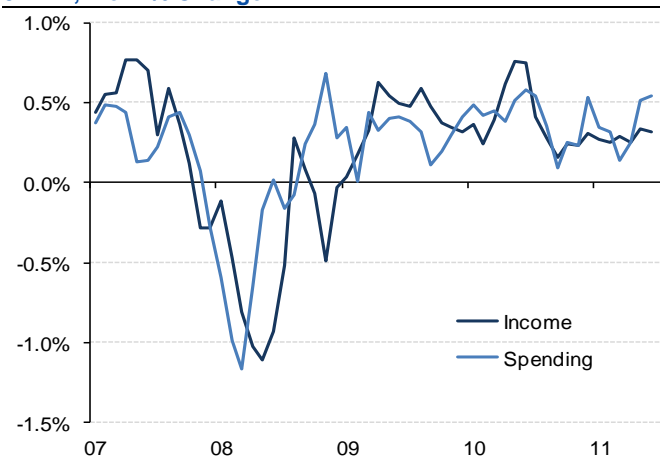
- Personal income and spending beat consensus expectations in March, increasing 0.4% and 0.3%, respectively, and rounding out the first quarter on a relatively strong note. Average growth for both components was stronger in 1Q12 than in the previous three quarters, highlighting the underlying importance of consumer activity for first quarter growth. The wages and salaries component of personal income increased 0.3% for the fourth consecutive month but may be limited in the second quarter given the uncertain employment outlook. Real personal income rebounded from a decline in February, increasing 0.2% in March.
- Consumer spending was driven in large part by inflation, but less so than in the previous two months. In real terms, consumption increased 0.1% in March following 0.3% and 0.5% growth in January and February, respectively. At this rate, real spending increased at the fastest pace in more than five years. For 2Q12, we expect that this component will have a smaller impact on real GDP growth given that slowdowns in employment conditions may influence more conservative consumer activity.

Graph 1
Nonfarm Payrolls and Unemployment Rate
MoM Change in K, %



Source: Bureau of Labor Statistics & BBVA Research

Graph 2
Personal Income and Spending
3MMA, MoM % Change



Source: Bureau of Economic Research & BBVA Research

Week Ahead

Consumer Credit (March, Monday 15:00 ET)

Forecast: \$10.0B	Consensus: \$9.8B	Previous: \$8.7B
-------------------	-------------------	------------------

Seasonally-adjusted consumer credit has been following an upward trend for nearly six months, although gains in February were much smaller compared to the previous three months. Nonrevolving credit continues to drive the headline figure, while revolving has lost some momentum thus far in 1Q12. Personal finances are rallying slightly, but slowing improvements in employment conditions may limit consumers' willingness to take on more debt. Still, we expect that the recent surge in auto demand will help boost nonrevolving loans and more than offset any weakness stemming from the revolving side.

International Trade Balance (March, Thursday 8:30 ET)

Forecast: -\$48.0B	Consensus: -\$50.0B	Previous: -\$46.0B
--------------------	---------------------	--------------------

The trade balance is expected to deteriorate slightly in March but remain better than December and January levels. A surprising drop in imports led to the better-than-expected improvement in February after the deficit reached its largest level of the recovery in January. Exports have increased for three consecutive months on account of increasing export demand for nonpetroleum goods and strength in the services sector. New export orders in both manufacturing and services show signs of slowing in March according to the ISM indices, yet we expect that export growth will remain in positive territory. Higher crude oil prices, which reached their peak in March, will likely contribute to further deterioration in the petroleum goods balance.

Jobless Claims (Week Ending May 5th, Thursday 8:30 ET)

Forecast: 370K	Consensus: 370K	Previous: 365K
----------------	-----------------	----------------

Recent upward trends in initial jobless claims have signaled slowing improvements in the employment situation to start 2Q12. After increasing for three consecutive weeks in April, reverting back near the 400K-mark, claims finally dropped during the last week of the month. On the downside, the monthly average in April sits well above that of the prior three months, and it is unclear yet whether the latest decline will point to an improving trend. Employment conditions remain very fragile and business hiring plans remain conservative. While it is possible that we may see continuous bumps in the road, we expect that initial jobless claims will remain above 350K at least for the near term.

Consumer Sentiment (May, Friday 9:55 ET)

Forecast: 76.3	Consensus: 76.4	Previous: 76.4
----------------	-----------------	----------------

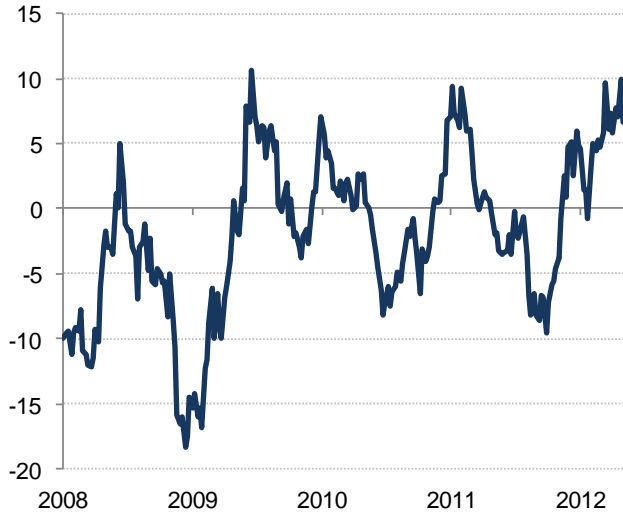
Consumer activity has held up surprisingly well despite persistently high gas prices and weakness in the employment situation. The consumer sentiment index increased in April for the eighth consecutive month, approaching the highest level of the recovery period. Temporary factors have dragged down the current conditions component in recent months, yet consumer expectations remain strong. For May, we expect that the overall index will be mostly unchanged from the previous month. Moderating gas prices should help boost current confidence in future income, however, continued weakness in the job market may limit significant gains.

Market Impact

The relatively quiet week in terms of economic news will give markets time to digest the disappointing employment report for April, which will ultimately create a more worrisome market climate. Jobless claims data will be of interest given the prior week's surprising decline, and a continuation of this downward trend provide a more encouraging outlook for the employment situation in May. International trade data for March may signal some revisions to the advance GDP estimate for 1Q12 if it differs significantly from consensus expectations. A first look at consumer sentiment for May could indicate whether or not the slowdowns in April will extend into the current month.

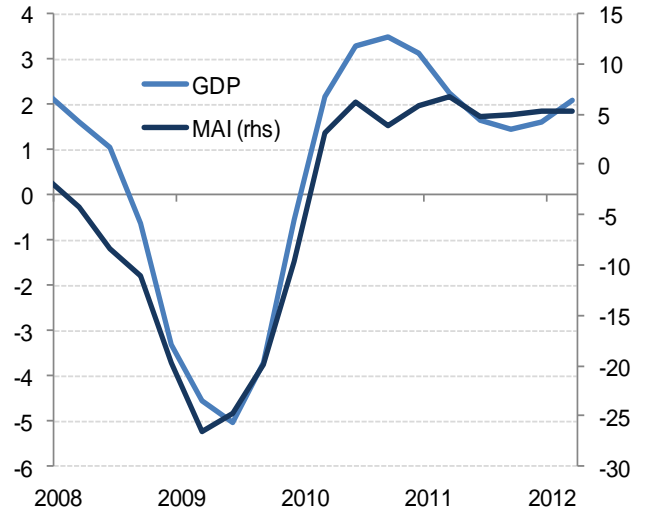
Economic Trends

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



Source: BBVA Research

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



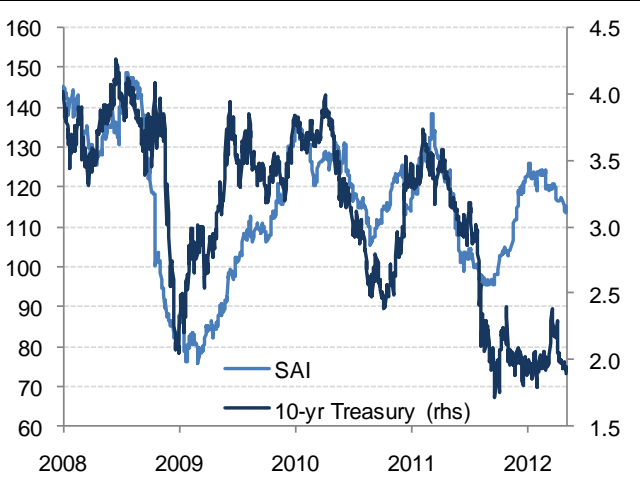
Source: BBVA Research & BEA

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



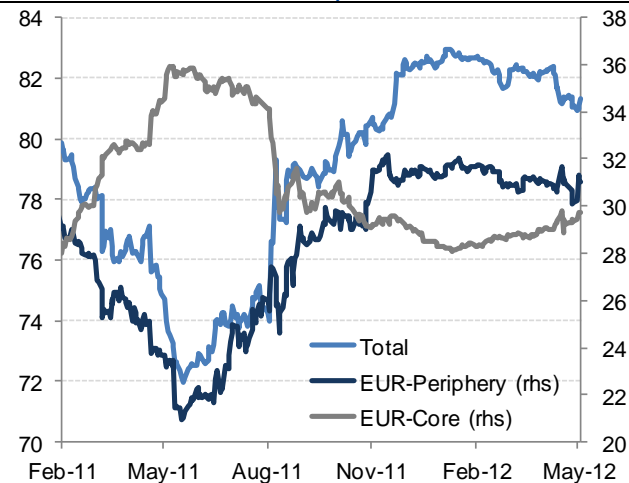
Source: BBVA Research

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



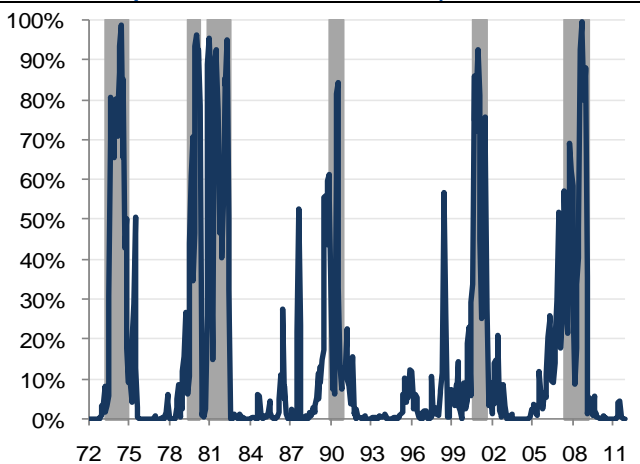
Source: Bloomberg & BBVA Research

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



Source: BBVA Research

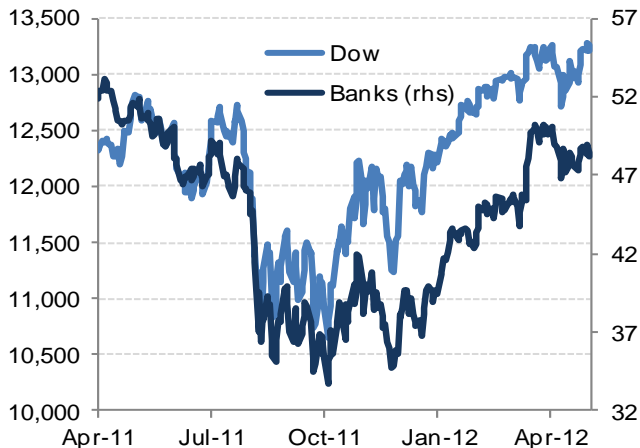
Graph 8
BBVA US Recession Probability Model
 (Recession episodes in shaded areas, %)



Source: BBVA Research

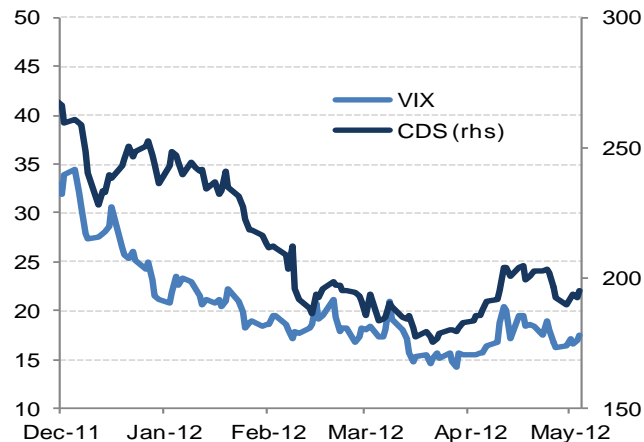
Financial Markets

Graph 9
Stocks
(Index, KBW)



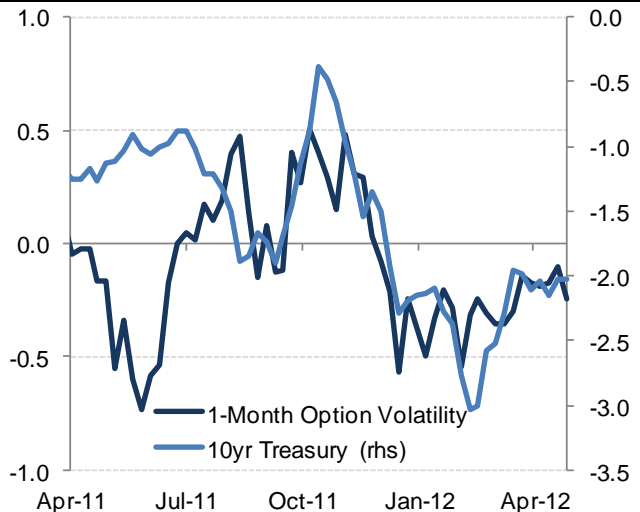
Source: Bloomberg & BBVA Research

Graph 10
Volatility & High-Volatility CDS
(Indices)



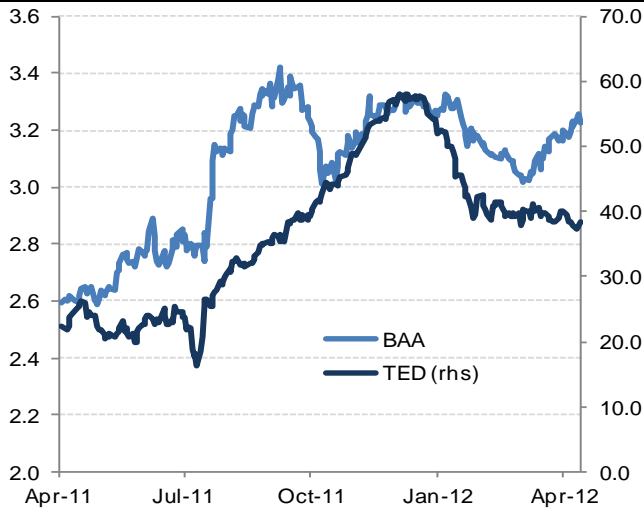
Source: Bloomberg & BBVA Research

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



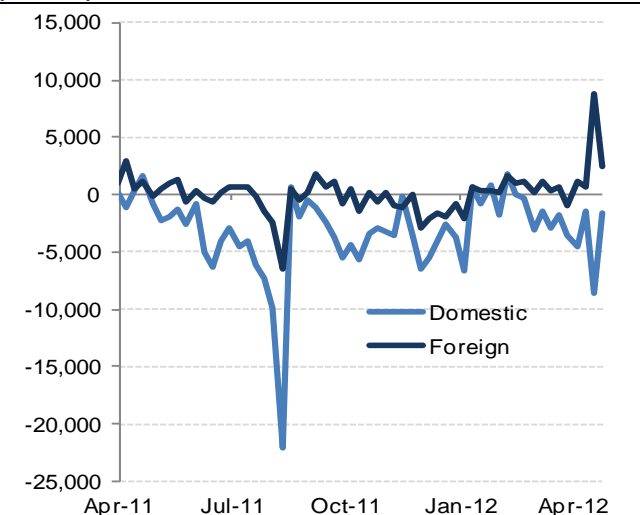
Source: Haver Analytics & BBVA Research

Graph 12
TED & BAA Spreads
(%)



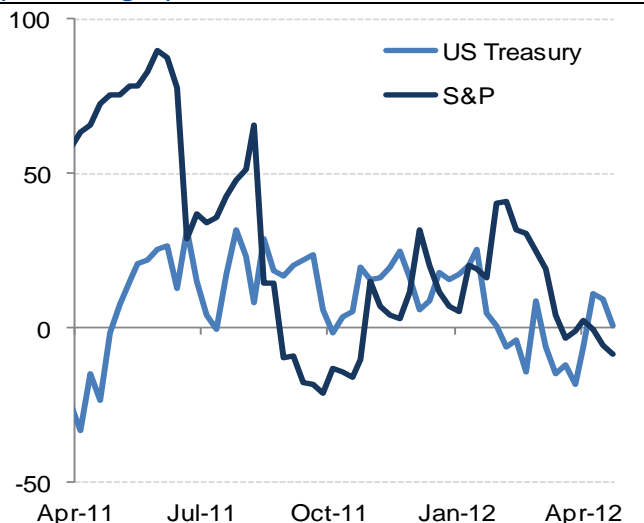
Source: Bloomberg & BBVA Research

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



Source: Haver Analytics & BBVA Research

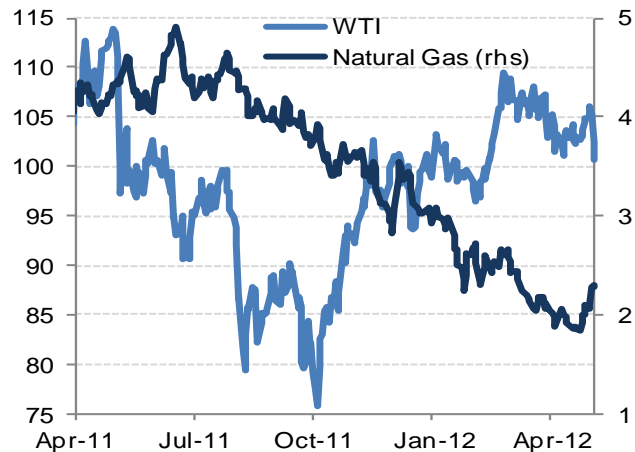
Graph 14
Total Reportable Short & Long Positions
(Short-Long, K)



Source: Haver Analytics & BBVA Research

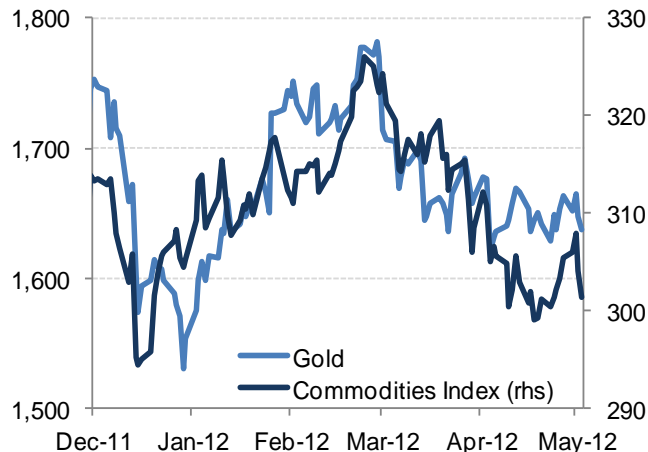
Financial Markets

Graph 15
Commodities
 (Dpb & DpMMBtu)



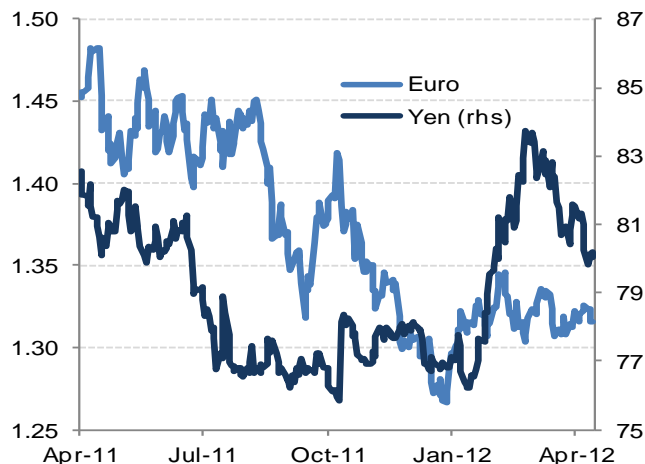
Source: Bloomberg & BBVA Research

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



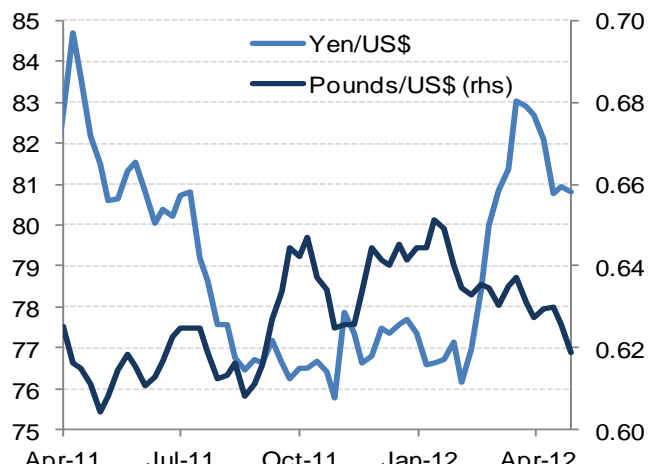
Source: Haver Analytics & BBVA Research

Graph 17
Currencies
 (Dpe & Ypd)



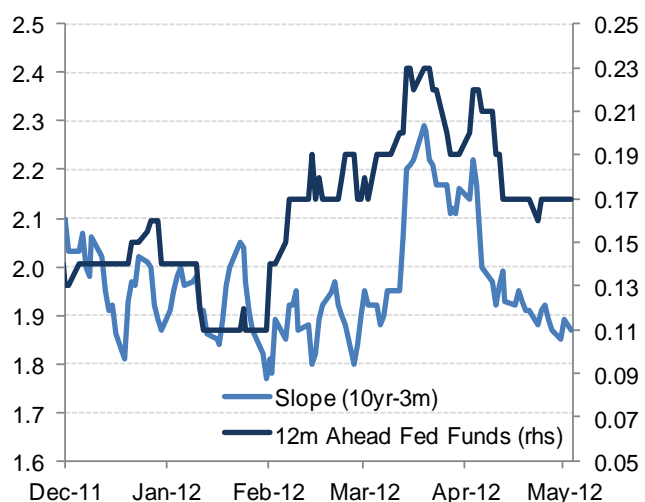
Source: Bloomberg & BBVA Research

Graph 18
6-Month Forward Exchange Rates
 (Yen & Pound / US\$)



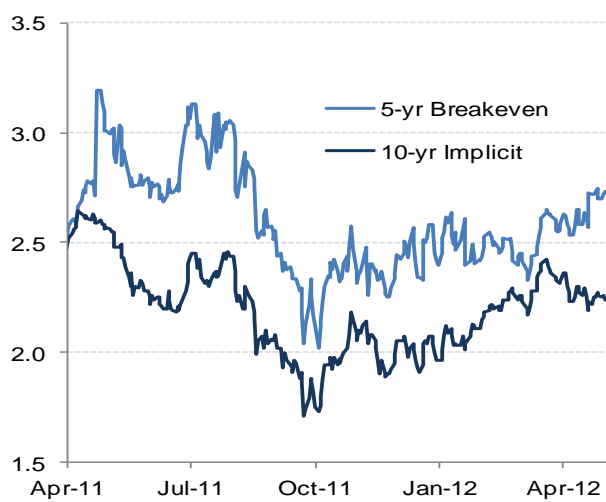
Source: Haver Analytics & BBVA Research

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	Week ago	4-Weeks ago	Year ago
Prime Rate	3.25	3.25	3.25	3.25
Credit Card (variable)	14.10	14.10	14.10	13.73
New Auto (36-months)	3.16	3.16	3.13	3.81
Heloc Loan 30K	5.47	5.45	5.42	5.48
5/1 ARM*	2.85	2.85	2.86	3.47
15-year Fixed Mortgage*	3.07	3.12	3.21	3.89
30-year Fixed Mortgage*	3.84	3.88	3.98	4.71
Money Market	0.72	0.72	0.73	0.62
2-year CD	0.90	0.90	0.90	1.25

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

Table 1
Key Interest Rates (%)

	Last	Week ago	4-Weeks ago	Year ago
1M Fed	0.15	0.13	0.12	0.09
3M Libor	0.47	0.47	0.47	0.27
6M Libor	0.73	0.73	0.73	0.43
12M Libor	1.05	1.05	1.05	0.75
2yr Sw ap	0.55	0.55	0.61	0.74
5yr Sw ap	1.09	1.12	1.17	2.05
10Yr Sw ap	2.04	2.07	2.14	3.24
30yr Sw ap	2.80	2.84	2.91	4.03
7day CP	0.19	0.18	0.23	0.18
30day CP	0.29	0.25	0.24	0.17
60day CP	0.41	0.33	0.25	0.20
90day CP	0.49	0.42	0.32	0.24

Source: Bloomberg & BBVA Research

Quote of the Week

Charles Plosser, Federal Reserve Bank of Philadelphia President and CEO
Transparency and Monetary Policy
3 May 2012

"Indeed, the Fed has no crystal ball that allows it to see into the future so we have to make policy decisions in the fog of uncertainty, just like everyone else. While we cannot predict the future, we can and should clearly communicate our objectives and how we are likely to react to future events."

Economic Calendar

Date	Event	Period	Forecast	Survey	Previous
7-May	Consumer Credit	MAR	\$10.0B	\$9.8B	\$8.7B
9-May	Wholesale inventories	MAR	0.4%	0.6%	0.9%
10-May	International Trade Balance	MAR	-\$48.0B	-\$50B	-\$46.0B
10-May	Initial Jobless Claims	5-May	370K	370K	365K
10-May	Continuing Claims	28-Apr	3295K	3280K	3276K
10-May	Import Prices (MoM)	APR	-0.10%	-0.20%	1.30%
10-May	Export Prices (MoM)	APR	0.10%	--	0.80%
11-May	Producer Price Index (MoM)	APR	0.10%	0.00%	0.00%
11-May	PPI Ex Food & Energy (MoM)	APR	0.10%	0.20%	0.30%
11-May	U. Michigan Consumer Sentiment	MAY	76.30	76.40	76.50

Forecasts

	2011	2012	2013	2014
Real GDP (% SAAR)	1.7	2.3	2.2	2.5
CPI (YoY %)	3.2	2.5	2.2	2.4
CPI Core (YoY %)	1.7	1.9	1.8	1.9
Unemployment Rate (%)	9.0	8.3	7.9	7.4
Fed Target Rate (eop, %)	0.25	0.25	0.25	0.50
10Yr Treasury (eop, % Yield)	2.0	2.5	2.7	3.1
US Dollar/ Euro (eop)	1.31	1.25	1.31	1.31

Note: Bold numbers reflect actual data

Kim Fraser
Kim.Fraser@bbvacompass.com



2001 Kirby Drive, Suite 31, Houston, Texas 7701 | Tel.: +34 91 374 60 00 | www.bbva.com

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document is based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.