



Weekly Observatory

October 23, 2009

Week Ahead

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

F: -12.5% yoy C: -11.9% yoy P: -13.3% yoy

The ongoing improvement in sales of new and existing homes will cause home prices to stabilize further in August. As a result, the year-over-year decline is expected to slow for the fifth month in a row. The housing market remains weak and there is some uncertainty as to its future once the tax credit for first time buyers expires on November 30, nonetheless, home prices are expected to remain low but stable in the near future.

Consumer Confidence (October, Tuesday 10:00 ET)

F: 54.6 C: 53.5 P: 53.1

Consumer confidence is expected to rise modestly as more signs point to the beginning of economic recovery. Nevertheless, consumers are still suffering from a weak labor market, which will keep confidence levels subdued. Furthermore, the increase in confidence could translate into a modest rise for PCE, although demand is expected to remain low throughout the recovery.

Durable Goods Orders, Excl. Transportation (September, Wed 8:30ET)

F: 0.6%, 0.4% C: 1.0%, 0.8% P: -2.6%, -0.3%

The ISM Manufacturing Index reported that new orders rose in September, leading us to expect an increase in new orders for durable goods. New orders have begun to stabilize over the past four months, indicating that demand is picking-up and resulting in an increase in industrial production and manufacturing activity. As a result, we expect to see further improvement in industrial production.

Gross Domestic Product (Advance) (3Q09, Thursday 8:30 ET)

F: 4.1% C: 3.2% P: -0.7%

The economy in the third quarter is expected to expand for the first time since 2Q08, marking the beginning of the road to recovery. Consumption will drive the growth, as spending on durable goods, non-durable goods and services all increased. Meanwhile, the decline in non-residential investment is expected to slow. There are indications that investment in equipment and software has stabilized, but that in structures will continue to decline. Likewise, increases in housing starts indicate that the decline in residential investment may ease, but the component will remain weak. Lastly, net exports are expected to have a positive contribution as the increase in exports surpassed that of imports.

Personal Income and Outlays (September, Friday 8:30 ET)

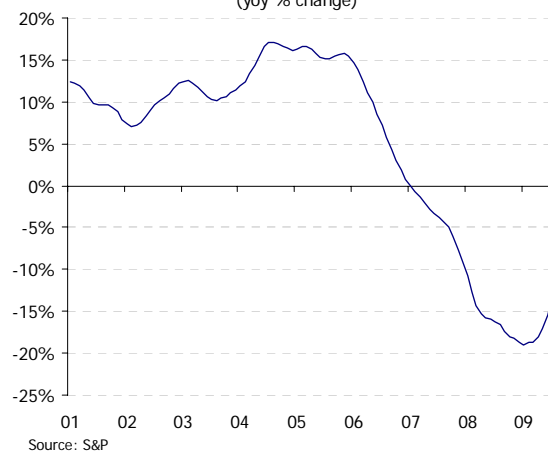
F: 0.2%, -0.2% C: 0.0%, -0.5% P: 0.2%, 1.3%

After rising 1.3% in August partially due to a boost from the Cash for Clunkers program, personal consumption expenditures are expected to adjust downwards in September. Nevertheless, the average increase for the quarter is forecasted to be positive. Given the weak labor market, personal income is expected to increase slightly, but will remain at low levels as upward pressures on wages are minimal.

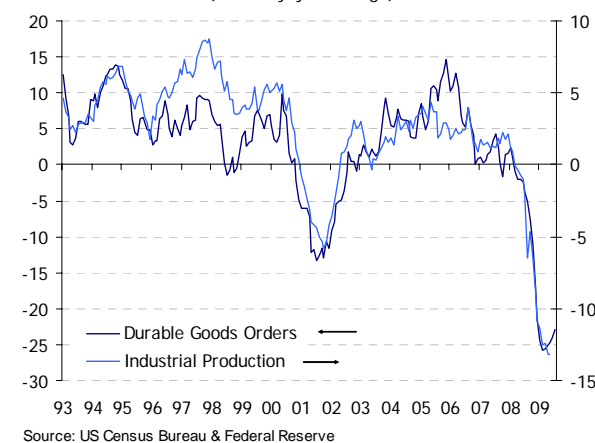
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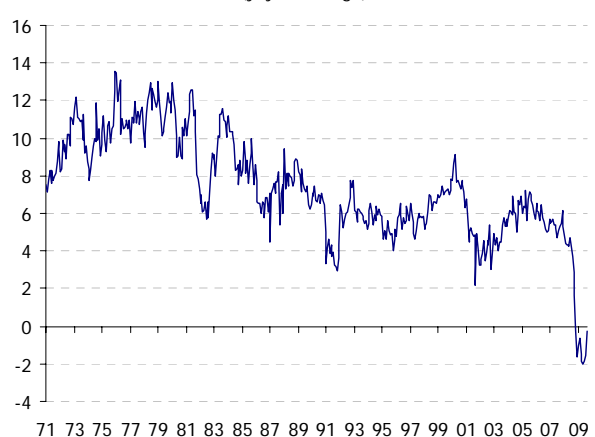
S&P Case-Shiller 20 Home Price Index
(yoy % change)



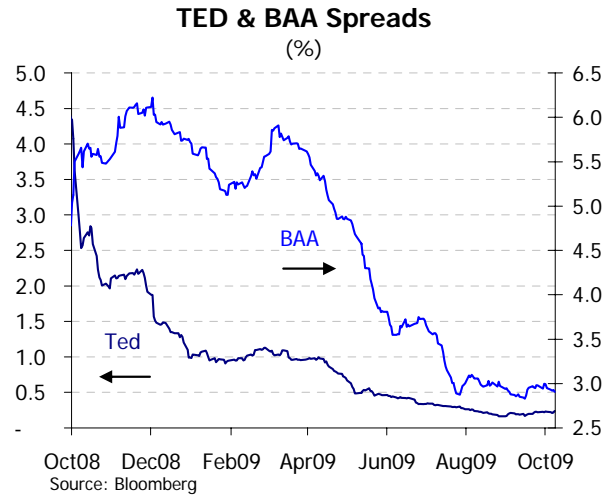
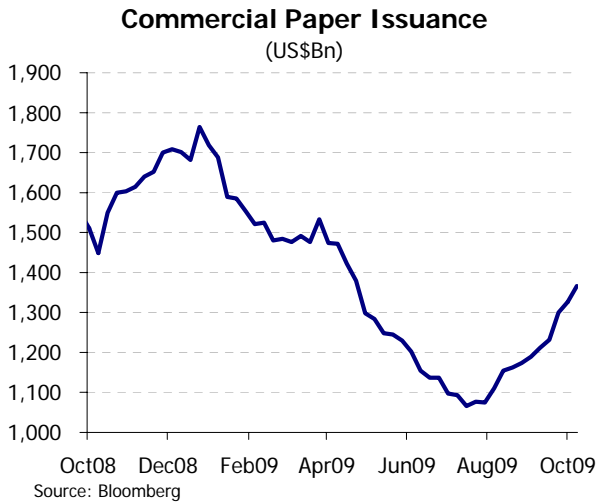
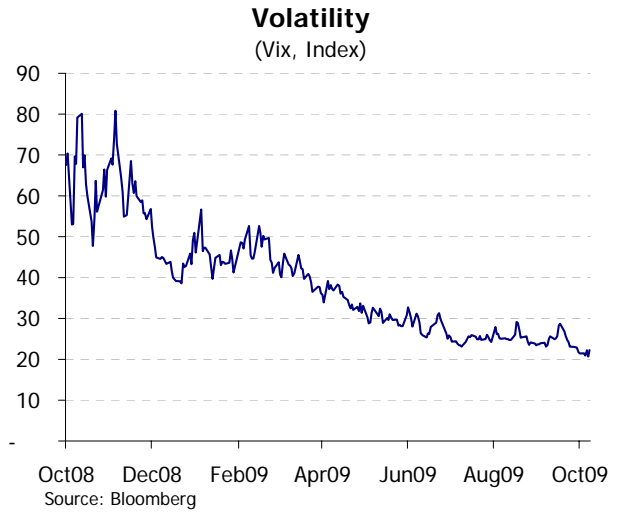
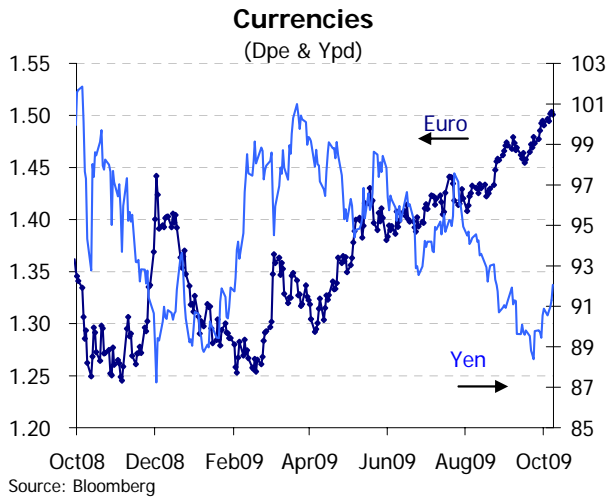
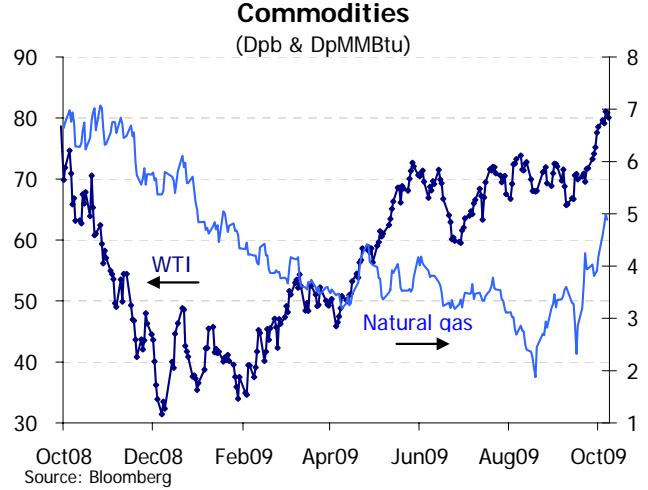
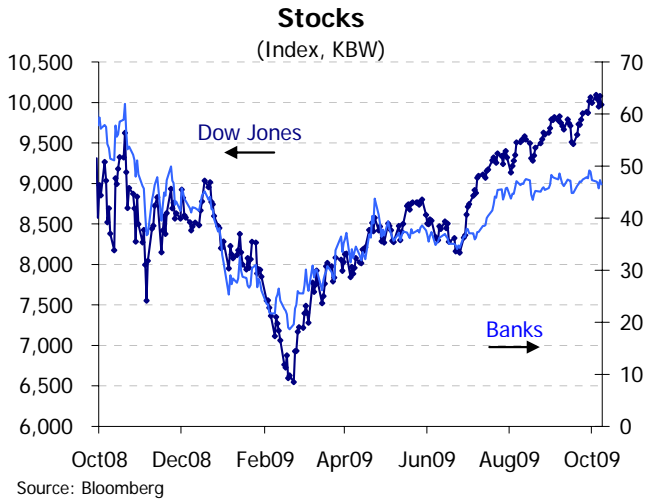
Durable Goods Orders
(3m ave yoy % change)



Personal Consumption Expenditures
(yoy % change)



Financial Markets



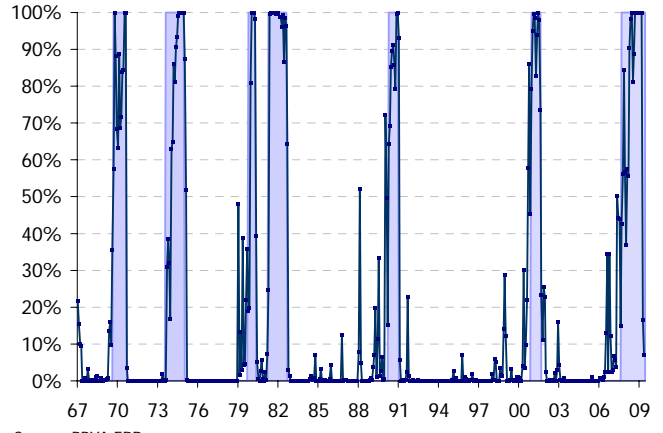
Economic Trends

BBVA US Weekly Activity Index
(3 month % change)



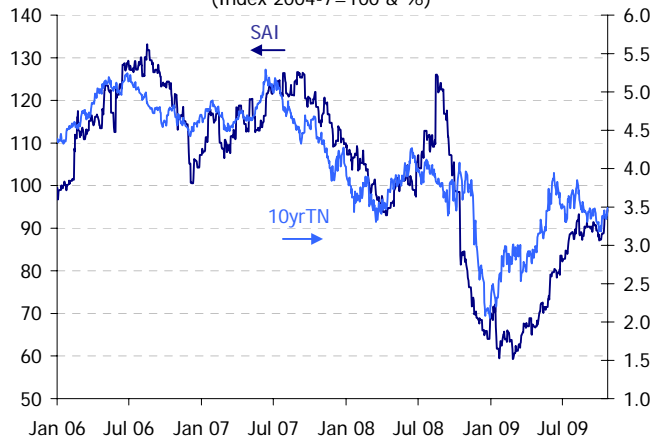
Source: BBVA ERD

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



Source: BBVA ERD

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



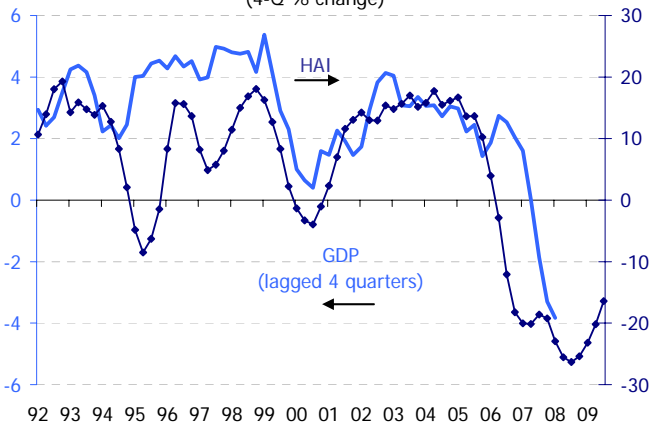
Source: BBVA ERD

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



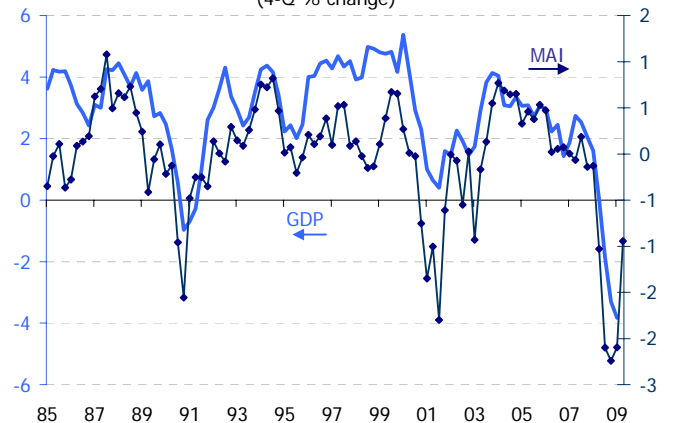
Source: BBVA ERD

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



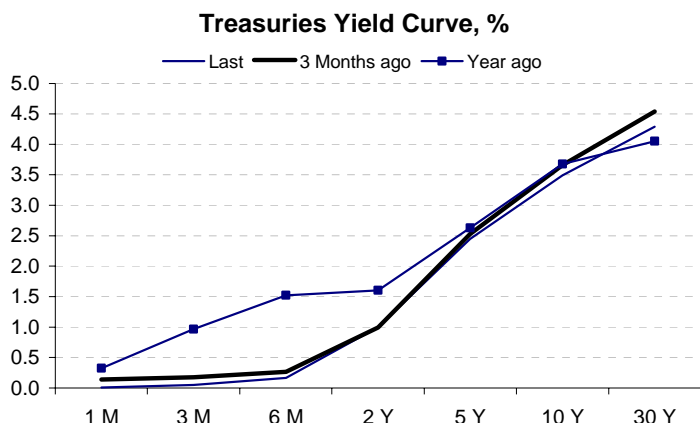
Source: BBVA ERD & BEA

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



Source: BBVA ERD & BEA

Yield Curve and Interest Rates



Key Interest Rates

	Last	Week ago	4-Weeks ago	Year ago
Prime Rate	3.25	3.25	3.25	4.50
Credit Card (variable)	11.48	11.41	11.41	11.71
New Auto (36-months)	7.11	7.12	7.21	6.82
Heloc Loan 30K	5.76	5.80	5.86	5.37
30-year Fixed Mortgage *	5.00	4.92	6.37	6.71
Money Market	1.07	1.08	1.12	2.51
2-year CD	1.95	1.96	1.98	3.74
5-year CD	2.70	2.71	2.71	4.04

* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

Quote of the Week

Federal Reserve Vice Chairman Donald Kohn: *International Perspective on the Crisis and Response*
Chatham, MA, October 23, 2009

But perhaps chief among the lessons learned from the past two years is that in an integrated global financial system we cannot make those decisions in isolation; we must collaborate internationally if we are to build a more resilient financial system for the future.

Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
27-Oct	S&P/CS Composite-20 YoY	AUG	-12.50%	-11.90%	-13.30%
27-Oct	Consumer Confidence	OCT	54.6	53.5	53.1
28-Oct	Durable Goods Orders	SEP	0.60%	1.00%	-2.40%
28-Oct	Durables Ex Transportation	SEP	0.40%	0.80%	0.00%
28-Oct	New Home Sales	SEP	420K	440K	429K
29-Oct	GDP QoQ (Annualized)	3Q A	4.10%	3.20%	-0.70%
29-Oct	Personal Consumption	3Q A	2.30%	3.10%	-0.90%
29-Oct	GDP Price Index	3Q A	0.80%	1.30%	0.00%
29-Oct	Initial Jobless Claims	24-Oct	527K	525K	531K
29-Oct	Continuing Claims	17-Oct	5920K	5915K	5923K
30-Oct	Personal Income	SEP	0.20%	0.00%	0.20%
30-Oct	Personal Spending	SEP	-0.20%	-0.50%	1.30%
30-Oct	PCE Deflator (YoY)	SEP	-0.50%	-0.50%	-0.50%
30-Oct	Employment Cost Index	3Q	0.30%	0.40%	0.40%
30-Oct	Chicago Purchasing Manager	OCT	50	48.7	46.1
30-Oct	U. of Michigan Confidence	OCT F	73.5	70	69.4