



The Week Ahead

April 3rd, 2008

FOMC Minutes (March 18th meeting, Tuesday 2:00 pm)

FOMC minutes will reflect a more pessimistic view on economic activity, in line with economic readings subsequent to the last scheduled meeting. The FOMC probably acknowledged that the economy contracted slightly in the first quarter, as suggested by Bernanke's Testimony to the Congress. In addition, minutes are likely to reflect more concern about inflationary pressures, as suggested by the two votes against the 75 bp rate cut. Given the more pessimistic view on the current condition of financial markets -and the risks it poses to the overall economy- Fed could reduce interests rates further. We expect an additional cut of 25 or 50 bp on April 30th, depending on how financial and economic variables evolve during the inter-meeting period. In that sense, March's employment figures (we expect a 95,000 lost in the non-farm payroll) will be critical. A more moderate stance is also supported by FOMC intentions to asses the impact of recent rate cuts and additional liquidity actions on the economy before continuing its easing policy.

Import Prices Index (March, Friday 8:30 am)

F: 1.0% C: 0.9% P: 0.2%

We expect a significant increase in import prices caused by two main factors: higher energy prices and dollar weakness. Oil prices surpassed \$100 per barrel in March, increasing the value of energy-related imports. Going forward, we expect oil prices to level out as economic activity decelerates. The dollar continued to lose value against major currencies, making imported goods more expensive. For instance, the trade-weighted exchange rate index fell 1.9% in March, the lowest rate in five months. In the short-run, dollar weakness is likely to put additional pressures on import prices; however, in the medium-run, relatively solid fundamentals could cause the dollar to appreciate against major currencies, easing pressures on prices of foreign goods.

Trade Balance (February, Thursday 8:30 am)

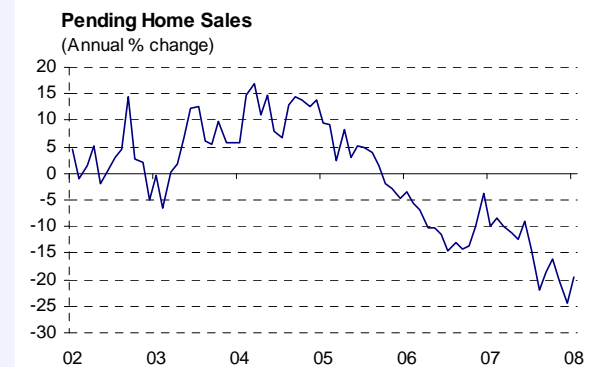
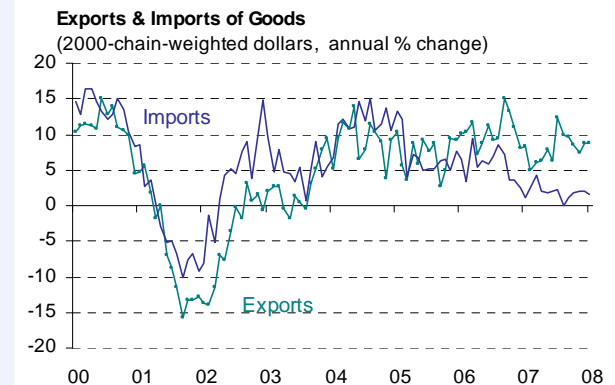
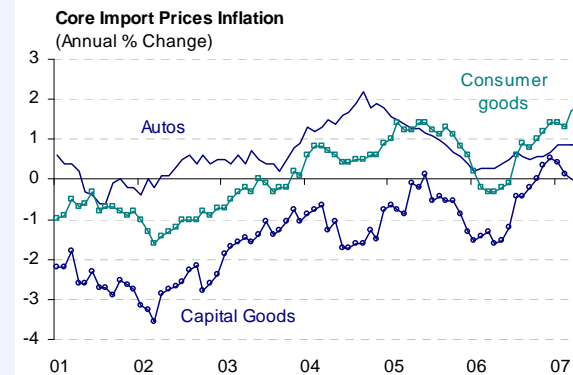
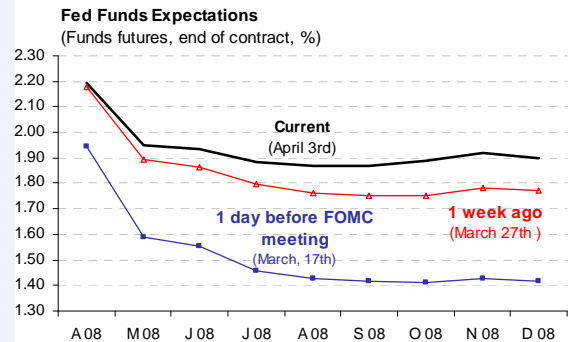
F: -\$59.0B C: -\$57.8B P: -\$58.2B

The trade deficit probably increased during February. We expect a small nominal expansion because of the continuing rise in oil prices that have yet to drop. However, when excluding trade on commodities, the deficit probably narrowed. The main factor behind this reduction is the current weakness of the dollar coupled with sustained growth abroad. Given that exchange rate depreciation affect the trade balance differently in the short and medium-run (negatively in the short-run and positively in the medium- run), we are still waiting for the gain in competitiveness to fully materialize. Together with the expected drop in oil prices, going forward net exports will keep on contributing positively to real GDP.

Pending Home Sales (February, Tuesday 8:30 am)

F: -1.0% C: -0.8% P: 0.0%

In line with the deterioration of the housing market, we expect a decline in pending home sales. Albeit these readings will correspond to those of past February, they will be a relevant indicator of current trends. The reason is that Pending Home Sales are a well documented leading indicator for the more general housing market.



Economic Calendar

April

(Forecasts in bold. All times are EST)

Monday	Tuesday	Wednesday	Thursday	Friday
4 9:45 NAPM-Chicago Index (Mar) Feb 44.5 Mar 48.2	1 Motor Vehicle Sales (Mar) Feb 11.6M Mar 11.2M 10:00 ISM Manufacturing Index (Mar) Feb 48.3 Mar 48.6 10:00 Construction Spending (Feb) Jan -1.0% Feb -0.3%	2 7:00 MBA Purchase Applications (Mar 28) Mar 21 10.6 Mar 28 -11.8 8:15 ADP Employment Report (Mar) Feb -18K Mar 8K	3 8:30 Initial Jobless Claims (Mar 29) Mar 29 369K Mar 29 407K 10:00 Nonmanufacturing ISM Index (Mar) Feb 49.3 Mar 49.6	4 8:30 Nonfarm Payroll & U rate (Mar) Feb -63K 4.9% Mar -95K 5.0% 8:30 Average Hourly Earnings (Mar) Feb 0.3% Mar 0.3% 8:30 Average Weekly Hours (Mar) Feb 33.7 Mar 33.7
	8 8:30 Pending Home Sales (Feb) Jan 0.0% Feb -1.0% 2:00 FOMC Minutes (March 18th meeting)	9 7:00 MBA Purchase Applications 8:30 Wholesale Inventories (Feb) Jan 0.8% Feb 0.6%	10 8:30 Initial Jobless Claims (Apr 4) 8:30 International Trade (Feb) Jan -\$58.2B Feb -\$59.0B	11 8:30 Import Price Index (Mar) Feb 0.2% Mar 1.0% 10:00 U. of Michigan Confidence (Apr) Mar 69.5 Apr 69.0
14 8:30 Retail sales & Excl. Autos (Mar) Feb -0.6, -0.2% Mar -0.3, -0.1% 10:00 Business inventories (Feb) Jan 0.8 % Feb 0.7 %	15 8:30 Headline PPI & Core (Mar) Feb 0.3, 0.5% Mar 0.3, 0.2% 8:30 Empire State Index (Apr) Mar -22.2 Apr -25.0 13:00 NAHB Housing Index (Apr) May 20 Apr 20	16 7:00 MBA Purchase Applications 8:30 Headline CPI & Core (Mar) Feb 0.3, 0.2% Mar 0.1, 0.1% 8:30 Housing Starts & Building Permits (Mar) Feb 1065, 978K Mar 1050, 1000K 9:15 Industrial Production (Mar) Feb -0.5% Mar -0.1% 2:00 Beige Book	17 8:30 Initial Jobless Claims (Apr 11) 10:00 Leading Indicators (Mar) Feb -0.3% Mar -0.3% 10:00 Philadelphia Fed (Apr) Mar -17.4 Apr -19.0	
		23 10:00 Existing Home Sales (Mar) Feb 5.03M Mar 4.80M	24 8:30 Initial Jobless Claims (Apr 18) 8:30 Durable Goods Orders (Mar) Feb -1.7% Mar 3.2% 8:30 Durable Goods Orders (Mar) Excl. Transportation Feb -2.6% Mar 2.7% 10:00 New Home Sales (Mar) Feb 590K Mar 580K	25 10:00 U. of Michigan Confidence (Apr)

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