



# Weekly Observatory

May 25th, 2009

## Week Ahead

### Consumer Confidence (May, Tuesday 10:00 ET)

F: 41.5      C: 43.0      P: 39.2

Consumer confidence is expected to increase further for the third month in a row as people react to recent positive economic data. Nevertheless, the index's level will still come in far below the historical average of 96.5, indicating that confidence remains weak. An increase in confidence could be a good sign for consumer spending because people will spend more as their outlook of the future improves.

### Durable Goods Orders (April, Thursday 8:30 ET)

F: 1.0%      C: 0.5%      P: -0.8%

Durable goods orders are expected to increase in April after falling in March as improvement in the ISM manufacturing new orders index indicates that business confidence for the industry may be improving. As a result, we could see an increase in industrial production over the next few months. Nevertheless, orders are expected to remain at levels well below those of last year, but the pace of contraction is stabilizing.

### Existing Home Sales (April, Wednesday 10:00 ET)

F: 4.67M      C: 4.66M      P: 4.57M

The housing market is expected to show more signs of stabilization as increasing affordability and the new tax credit continue to entice buyers into the market. As a result, existing home sales are expected to rise in April to 4.67M from 4.57M. However, sales will remain below last April's levels. An increase in April's sales could be an indication of an improvement in the residential investment component of GDP for 2Q09 compared to that of the first quarter.

### Chicago Purchasing Managers' Index (May, Friday 9:45 ET)

F: 42.0      C: 42.0      P: 40.1

As consumers and businesses alike respond to signs of stabilization in economic activity, we expect the Chicago PMI to show modest improvement in the manufacturing and services industries in the Chicago region. Nevertheless, the index is expected to remain below the benchmark of 50, which will indicate further contraction of business activity, albeit at a slower pace.

### Corporate Profits (after tax) (1Q09, Friday 8:30 ET)

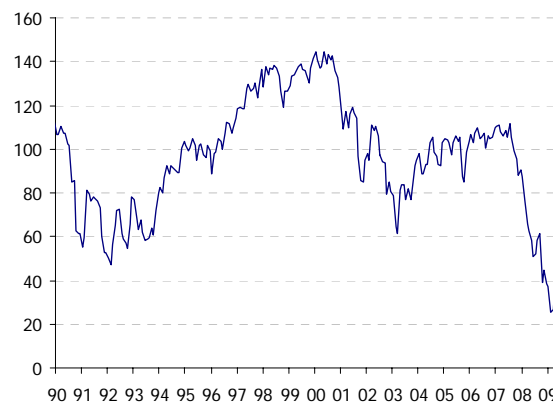
F: -10.7%      C: n.a.      P: -6.1%

Corporate profits for the first quarter are expected to decline further as businesses continue to suffer from feeble demand. The ongoing plunge in profits could bode poorly for non-residential investment as businesses limit their capital spending and put investment projects on hold. As a result, we could expect to see further drop in the non-residential investment component of GDP in 2Q09.

Kristin Lomicka

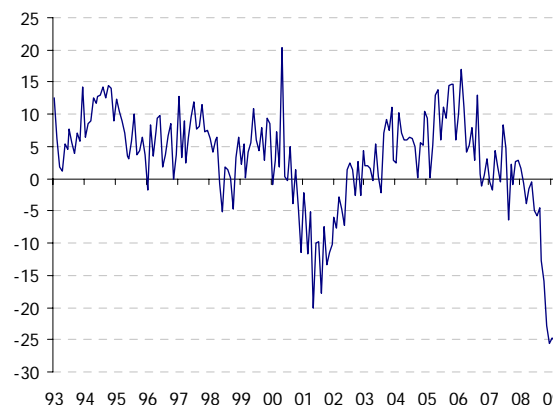
[kristin.lomicka@bbvacompass.com](mailto:kristin.lomicka@bbvacompass.com)

**Consumer Confidence**  
(Index)



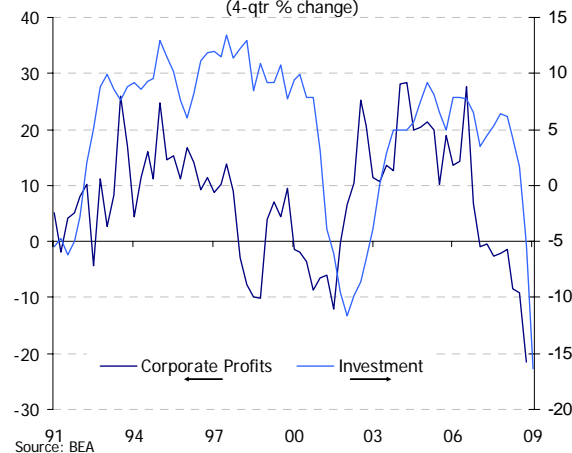
Source: The Conference Board

**Durable Goods Orders**  
(yoy % change)



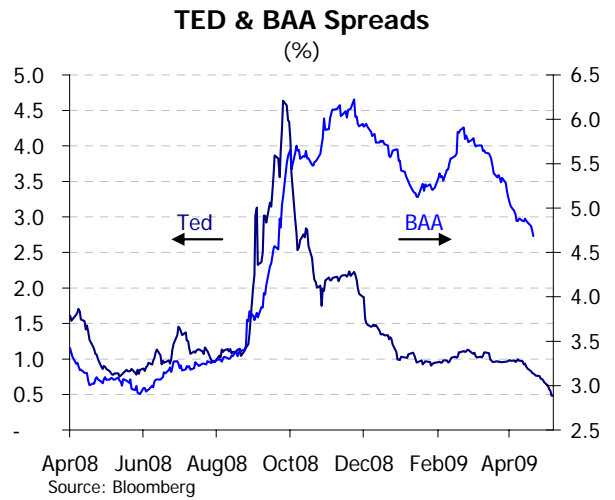
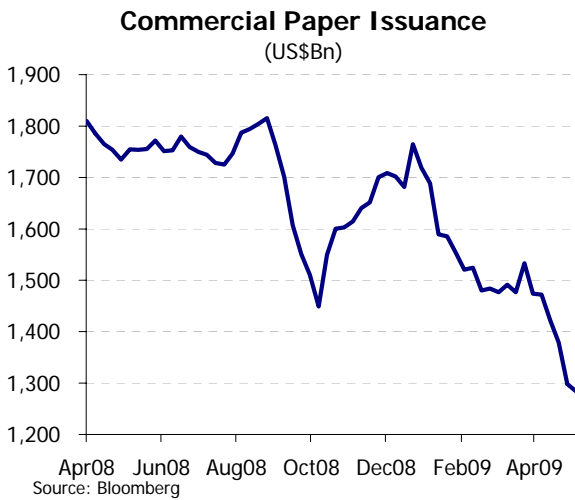
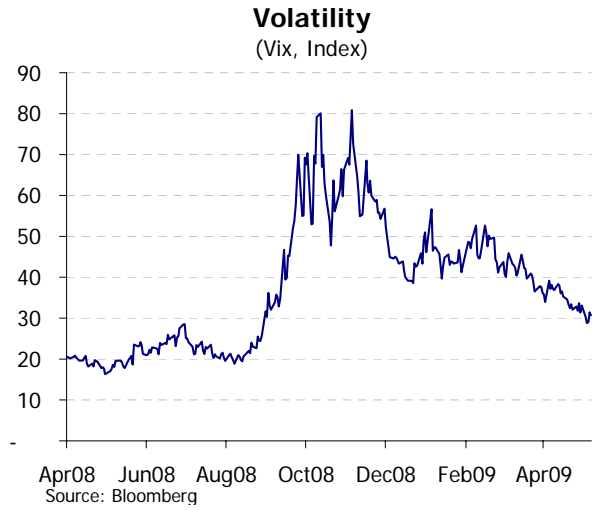
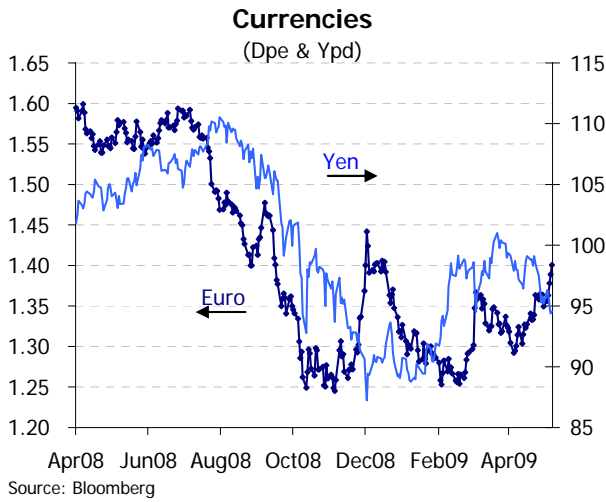
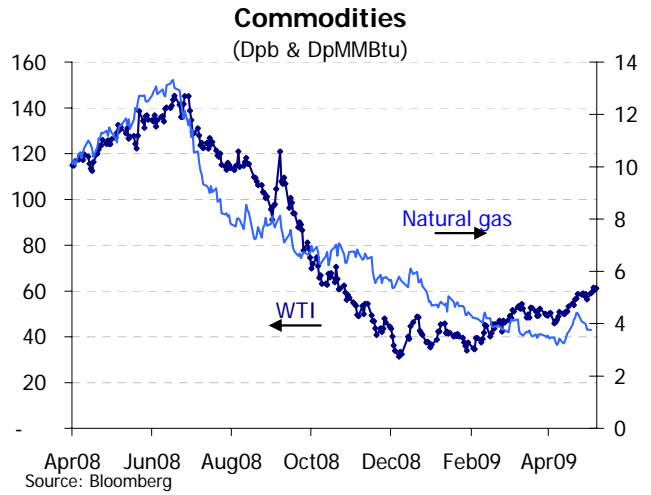
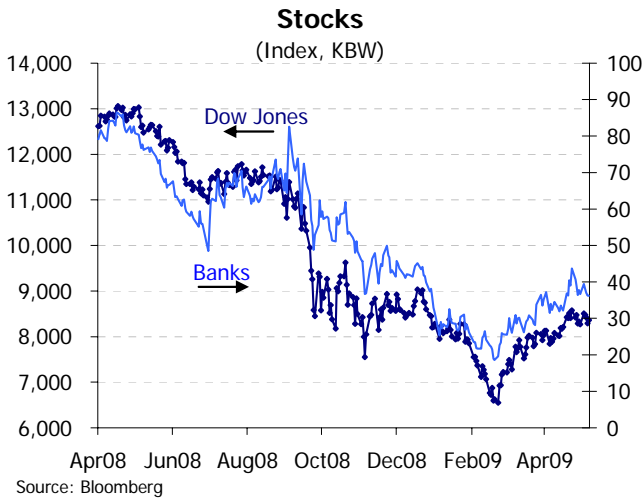
Source: US Census Bureau

**Corporate Profits & Non-Residential Investment**  
(4-qtr % change)



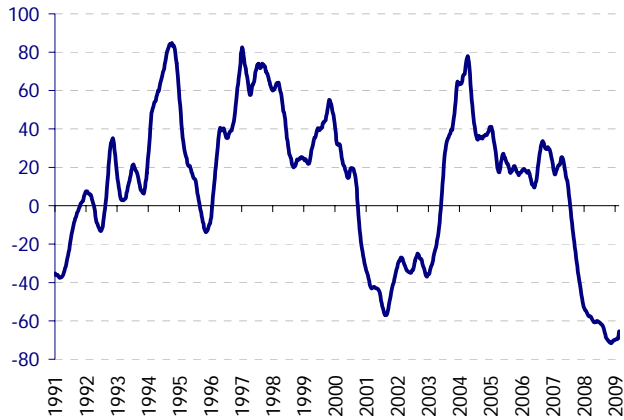
Source: BEA

Financial Markets



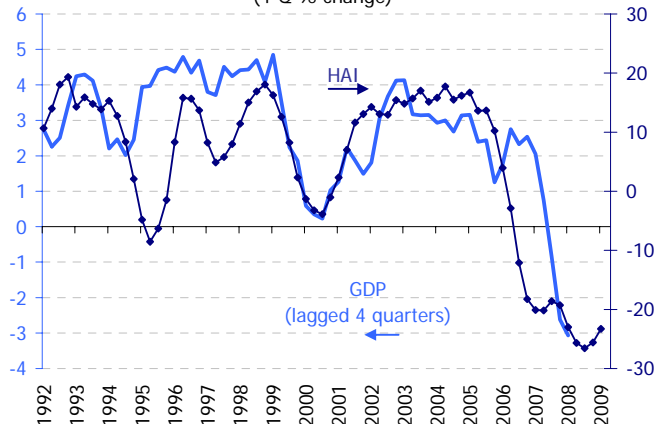
Economic Trends

**BBVA US Weekly Activity Index**  
(YoY % change)



Source: BBVA ERD

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



Source: BBVA ERD & BEA

**BBVA US Surprise Activity Index**  
(Index2004-7=100)



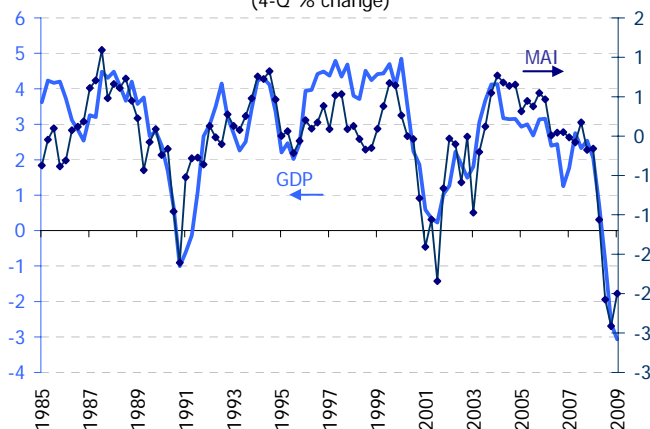
Source: BBVA ERD

**BBVA US Surprise Inflation Index**  
(Index2004-7=100)



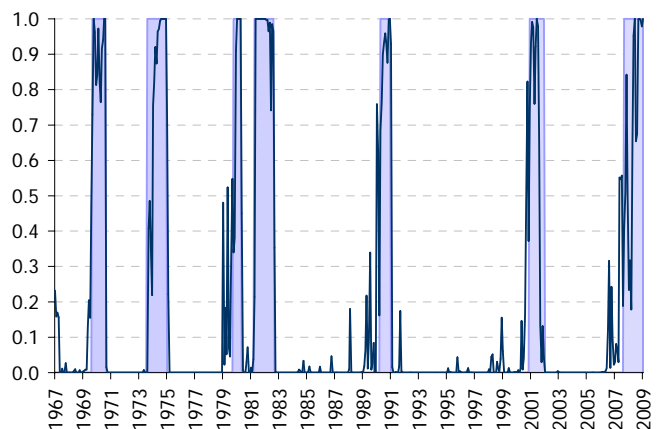
Source: BBVA ERD

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



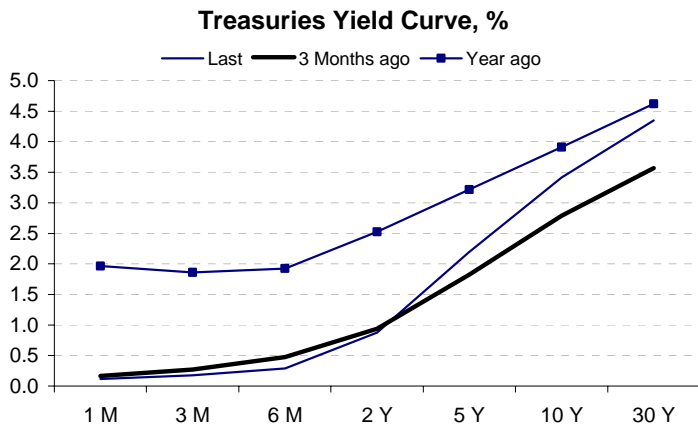
Source: BBVA ERD & BEA

**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	5.00
Credit Card (variable)	10.76	10.75	10.75	11.79
New Auto (36-months)	7.42	7.19	7.38	6.79
Heloc Loan 30K	5.24	5.20	5.13	4.96
30-year Fixed Mortgage *	4.82	4.86	6.37	6.71
Money Market	1.34	1.35	1.32	2.40
2-year CD	2.19	2.19	2.23	3.20
5-year CD	2.80	2.79	2.76	3.64

\* Freddie Mac National Mortgage Homeowner Commitment 30 Year US

## Quote of the Week

Treasury Secretary Tim Geithner, Statement before the Senate Banking Committee  
May 20, 2009

*“But, even then, stability is not enough. We need a financial system that is not deepening or lengthening the recession, and once the conditions for recovery are in place, we need a financial system that is able to provide credit on the scale that a growing economy requires.”*

## Economic Calendar

Date	Indicator	Period	Forecast	Consensus	Previous
26-May	S&P/CS Composite-20 YoY	MAR	-18.90%	-18.40%	-18.63%
26-May	Consumer Confidence	MAY	41.5	43	39.2
26-May	ABC Consumer Confidence	24-May	--	--	-45
27-May	MBA Mortgage Applications	22-May	--	--	2.30%
27-May	Existing Home Sales	APR	4.67M	4.66M	4.57M
27-May	House Price Purchase Index QoQ	1Q	--	--	--
28-May	Durable Goods Orders	APR	1.00%	0.50%	-0.80%
28-May	Durables Ex Transportation	APR	0.40%	-0.30%	-0.60%
28-May	Initial Jobless Claims	23-May	615K	630K	631K
28-May	Continuing Claims	16-May	6761K	6745K	6662K
28-May	New Home Sales	APR	350K	360K	356K
28-May	Mortgage Delinquencies	1Q	--	--	7.88%
29-May	GDP QoQ (Annualized)	1Q P	-6.10%	-5.50%	-6.10%
29-May	Personal Consumption	1Q	2.20%	2.00%	2.20%
29-May	GDP Price Index	1Q	2.90%	2.90%	2.90%
29-May	Core PCE QoQ	1Q	1.50%	1.50%	1.50%
29-May	Chicago Purchasing Manager	MAY	42	42	40.1
29-May	U. of Michigan Confidence	MAY F	67.9	68	67.9