BBVA | RESEARCH

United States Economic Outlook

Third Quarter 2015
U.S. Unit

- Favorable outlook for developed markets but additional downside risks for growth in emerging markets, with a particular focus on China
- First federal funds rate hike expected in September, but global pressures could delay liftoff until December
- Lingering uncertainties on top of the slow pace of growth in 1Q15 have forced us to revised down 2015 growth in the U.S. from 2.9% to 2.5%

Index

Closing Date: August 17, 2015

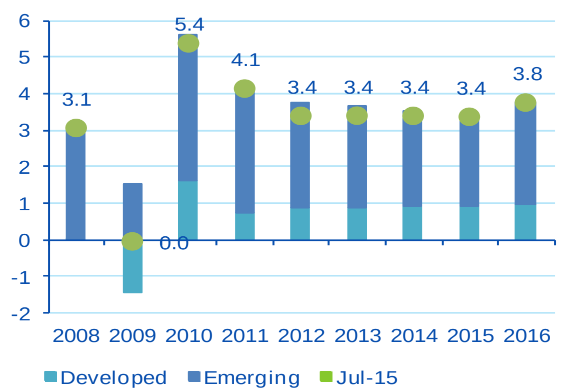
1 Global Outlook

Moderation in Global Growth and a Marked Deceleration in Emerging Economies

Global economic growth continues, but at a slightly slower rate than we expected, especially in emerging markets (EMs), and with some more significant downside risks. The outlook for the developed markets (DMs) remains favorable and in 2015 growth should be at its strongest since 2010, supported by the central banks, lower private-sector debt, and lower oil prices. Economic growth in the EMs will slow for the fifth consecutive year, as a consequence of the deceleration in China and lower commodity prices. All in all, global growth will reflect the impact of Fed rate hikes, the first since January 2004, and the pace of the economic slowdown in China. In the most likely scenario, global GDP growth in 2015 will repeat the 3.4% increase seen in 2014 and will accelerate to 3.8% in 2016.

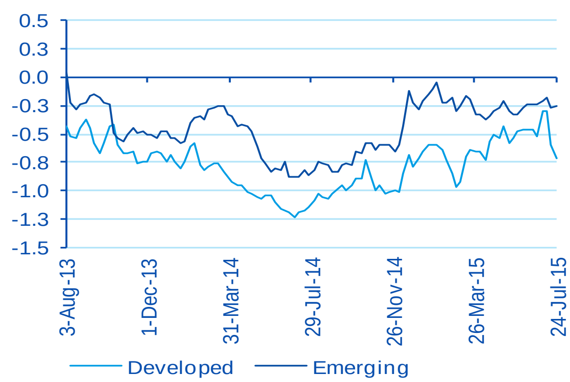
Despite the negative surprise from U.S. GDP in the first quarter, the developed economies continue to share encouraging growth prospects, which will help to mitigate the impact on world activity and trade of the current slowdown among the key emerging economies. Specifically, the developed nations have the potential to grow at their fastest pace since 2010, at a shade over 2.0% YoY, while the major emerging markets could see weaker growth again for the fifth year in succession.

Figure 1
World growth: annual growth (%) 2015-16 forecasts



Source: BBVA Research

Figure 2
BBVA financial tensions index



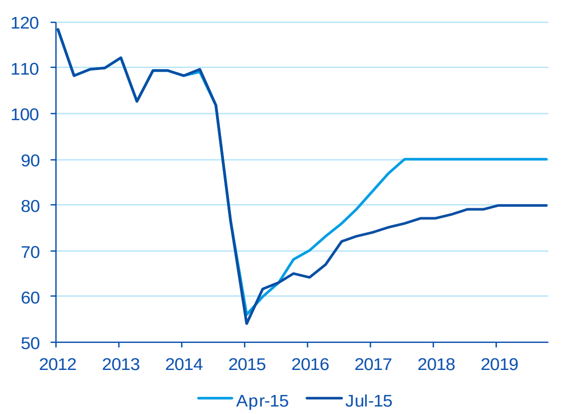
Source: BBVA Research

Besides the downward revision of growth forecasts for the world economy, a hallmark of the global context in the last quarter has been the manifestation of some of the risk events that we singled out three months ago and, if they take a turn for the worse, this could bring the global economic recovery to a halt. The first of these involves the bout of financial instability in China. This was brought about by the sharp correction of its stock market, within a situation of trend deceleration in growth, which has drawn on substantial borrowing, and a process of financial liberalization still underway. The second, which is equally significant, is the Greek crisis, and the constraints to reach an agreement that ensures that the country will face its financial commitments in the short term, as well as the sustainability of its debt via reforms to enhance the economy's capacity to grow in the long term.

The combination of these two risk events, together with the approach of the Fed's rate hike, has heightened financial disruption the world over, particularly in the form of greater volatility in stock and currency markets, with a heavier impact on the Euro area and Asia. The upturn in the BBVA financial tensions index has been significant, both among the block of developed countries and in their emerging counterparts, since the end of 2014. In this regard, the maintenance of loose monetary policies, above all in the wake of the implementation of the ECB's public debt purchase program, is proving decisive. Even so, the risk that we might see a further outbreak of financial volatility when the U.S. rate hike takes place remains high.

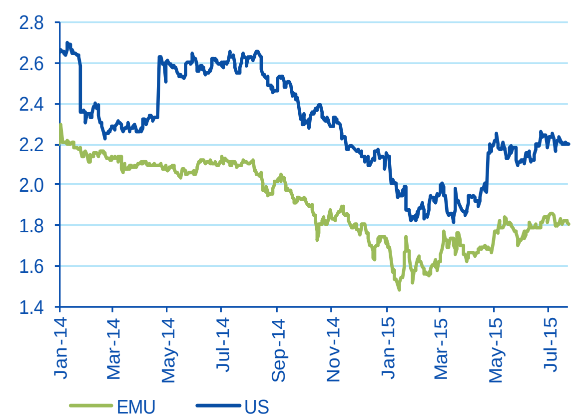
With respect to the situation regarding prices, one of the distinguishing factors of the global scenario in the past quarter has been the moderation of the decline in inflation rates in response to the stabilization of oil prices and the scale of monetary stimuli. Even so, in the block of developed countries these remain somewhat below the levels that are compatible with the price stability targets of monetary authorities. The correction of oil price forecasts due to both supply factors and the slowdown in demand in China could become a burden on the fledgling recovery in consumer prices and lead to heavier falls in industrial and import prices. The increase in the oil supply from Iran after its nuclear agreement with the U.S. and the improved efficiency in U.S. production channels herald a larger supply increase than was forecast early on in the year. Although lower energy prices arising from a more readily available supply provide a kick-start for world economic growth in the medium term, they might hold it back in the short term given their negative impact on the revenues of net producers and energy sector investment in economies such as the U.S.

Figure 3
Oil price (USD/bbl) and forecasts



Source: BBVA Research and Bloomberg

Figure 4
Medium term inflation expectations (inflation swaps, %)



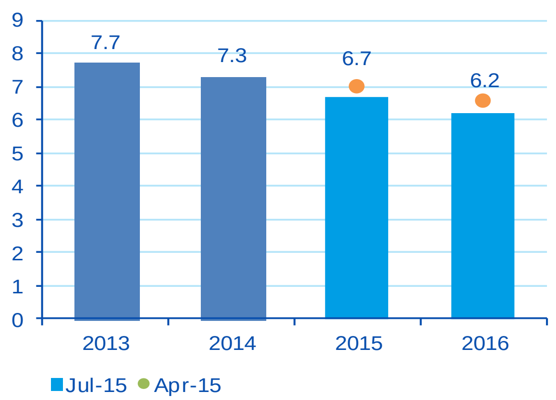
Source: BBVA Research and Bloomberg

The direction of monetary policies and developments regarding risk flashpoints and the commodities market will continue to set the course for capital flows and, therefore, financial variables. The expected divergence between the monetary policies of the Fed and the ECB, as well as uncertainty over the resolution of the Greek crisis, will continue to bolster the USD exchange rate against the Euro in a scenario where the long-term yield spread between sovereign assets in the two areas will remain more favorable to the U.S. Meanwhile, slower growth in the bulk of emerging economies will limit the appreciation of their currencies.

China has become the focus of attention in the last quarter on account of the sharp correction to its stock market and the potential impact that this might have on both its domestic economic cycle and world growth. For the moment, the first half of the year has produced a 7.0% increase in GDP on a YoY basis, although the pace of the economy's growth is likely to slow further owing to the impact of the recent bout of financial tensions. Besides the negative effect on the confidence of private sector, there might also potentially be some reversal of consumption decisions as a result of the drop in households' financial wealth.[1] More than anything though, there is likely to be a deterioration in financing conditions for corporates, which is associated with both the suspension of new placements and the loss of value of collateral backing bank loans. These are the factors responsible for the downward revision in the growth forecast for China in 2015 and 2016 to 6.7% and 6.2% respectively (0.3pp and 0.4pp lower than in our April scenario).

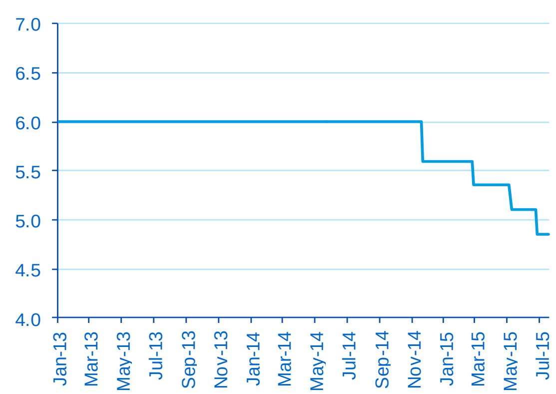
The battery of stimulus measures implemented by China's authorities to stave off the possibility of even worse contagion to the economic activity cycle is the reason why we do not expect a more intense correction to the rate of growth. This is even taking into account the ongoing deceleration in the economy (the stabilization of headline inflation rates below 2.0% is a good example of this). In addition to the three cuts in the reference rate and the two cuts in the reserve requirement since the end of 2014, there has been a program to inject liquidity into the banking sector by means of discounting local government debt (pseudo quantitative easing) and recent decisions have targeted stock market stabilization, which has received a decisive boost from state-owned companies. It is likely that loose monetary policy will continue for the rest of the year, with a further 50bp cut in the reference rate, and that fiscal policy will gradually be made more flexible.

Figure 5
China: economic growth, % annual change



Source: BBVA Research

Figure 6
China: official interest rates, %



Source: BBVA Research and Haver

Overall, the EMs – with all the differences between them – are facing an uncertain scenario, with lower demand from China and the approaching increase in U.S. interest rates, which makes financing themselves more expensive. Currency depreciation comparable to that seen during the 2008-2009 crisis is one reflection of this. In the coming months, the economic policy dilemmas faced by the EMs will become more evident, as they try to support the domestic cycle while balancing the risk of de-anchoring inflation and the lack of external funding, particularly in the more financially integrated economies and those with greater external imbalances. There will be pronounced differences between how the authorities respond, depending on the strengths and vulnerabilities of their respective growth models.

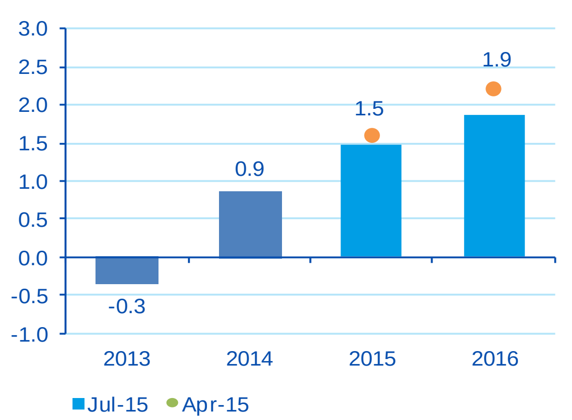
The pattern in the Euro area is still one of sustained recovery, with quarterly GDP growth rates in the order of 0.4% in the first two quarters of the year. Domestic demand, and in particular, private consumption, are continuing to underpin improved activity, which is beginning to become a common feature among the key economies as a whole. The improved dynamics in France and Italy are combining with the strength of Germany and Spanish GDP growth,

[1] Based on available information as of 2012 from the Household Financial Survey, 8% of Chinese households acknowledged having investments in the stock market, while the percentage almost doubled in the case of urban households.

which is advancing at a quarterly pace of close to 1.0%. The emergence of certain risk hotspots with differing impacts on the region could slightly reduce estimated growth for 2015 and 2016 but, even so, the forecasts are still positive (+1.4% in 2015 and +1.9% in 2016, 0.1pp and 0.3pp below those we forecast in April).

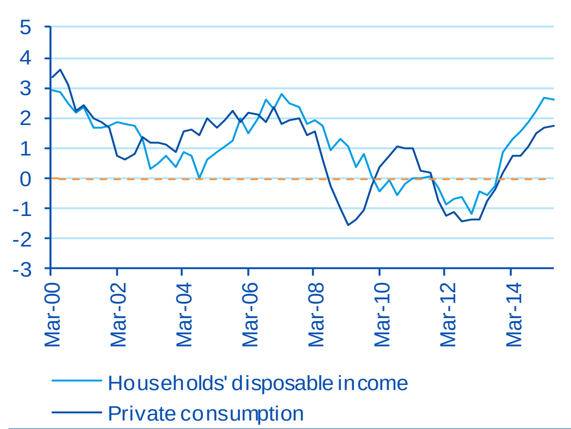
The economic recession in Russia and the deceleration in China could affect export dynamics in a situation where Euro depreciation might be more contained than expected at the start of the year. Investment growth is still one of the outstanding issues in the Euro area recovery, as it is still languishing at a low level (less than 22% of GDP), for which reason any tighter financing linked to uncertainty over the Greek crisis could eventually affect new lending decisions (higher costs and/or a reduction of loan principal granted) and, in the end, investment. On the other hand, the fall in oil prices and the ECB monetary stimuli[2] constitute key elements of support if GDP growth is to reach our projected rates. The improvement in demand and the scale of the ECB's liquidity injections are in fact reducing the risk of deflation, judging by the stabilization of inflation readings and the upturn in medium-term price expectations. We will nonetheless have to wait until 2017 to see inflation rates converging towards 2.0%.

Figure 7
Eurozone: economic growth, % annual change



Source: BBVA Research

Figure 8
Euro area: private consumption and household real disposable income, % YoY change



Source: BBVA Research and Eurostat

In addition to consolidating the economic recovery, the Euro area faces major challenges in the medium term. Without a doubt the most significant of these is to try and dispel any skepticism about the irreversibility of the monetary union project. The financial firewalls, progress in the banking union, and the reforms undertaken in the area's various economies, as well as the reinforcement of the economic cycle, have substantially reduced the financial contagion from the Greek crisis compared to 2010 and 2012. Even so, in the absence of greater progress towards unifying the banking and capital markets which might allow a reduction in financial fragmentation, plans that demonstrate the will to move towards greater fiscal integration, and without any rethinking of potential bailout programs, the risk of disruptive scenarios emerging in the Euro area as a whole is high. The discrepancies observed in the negotiations between the Greek government and the European authorities, and between the latter and other official organizations such as the IMF in relation, for example, to the need to deal with the issue of debt restructuring, are evidence of the need to define a framework for handling financial assistance for countries with debt sustainability problems that goes beyond fiscal consolidation.

(Note: for a more in-depth analysis of Europe and the emerging markets, see our latest Global Outlook).

2 The monetary authority has repeated its intention to see its asset purchase programme through and keep it going until at least September 2016.

2 U.S. Outlook

Monetary Policy Dominating the U.S. Economy in 2H15

The U.S. economy has picked up some momentum since the weak start to 2015, but there are still many unanswered questions on the underlying strength and stability of economic activity. Lingering uncertainties on top of the slow pace of growth in 1Q15 (revised from an initial contraction but still just 0.6% QoQ SAAR) have forced us to revised down our 2015 GDP forecast from 2.9% to 2.5%, with a bias to the downside as the recovery remains vulnerable to global shocks. Furthermore, there remain concerns related to the timing, pace, and impact of upcoming changes in monetary policy. The unusual and unprecedented circumstances surrounding such monetary policy accommodation creates a hazy picture for where the U.S. economy is headed – even in the short-term.

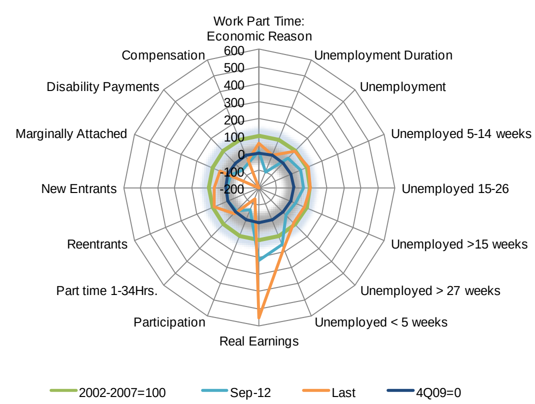
Monetary policy is once again dominating economic headlines, and uncertainty is heightened as we approach the first federal funds rate hike since June 2004. The FOMC is close to achieving economic conditions under their data-dependent strategy, but economic trends have not completely stabilized and the global economy remains on shaky footing. Our baseline scenario has remained unchanged since October 2012, when we first set expectations for a rate hike at the September 2015 meeting. We maintain this projection assuming that economic data for July and August (mostly employment and inflation) do not surprise to the downside. July's employment report held in line with expectations, and we have not seen any signs of deterioration for August. In the meeting statement from July, FOMC members held steady in their data dependent strategy, noting that a rate hike would be appropriate once they have seen "some further improvement in the labor market". This gives them some room to play with incoming economic data as long as "some" of the indicators hint at improving conditions.

Figure 9
Fed's Economic Outlook

	Unemployment Rate	3MMA Change in Nonfarm Payrolls	Number of Unemployed per Job Opening	PCE Core Inflation (YoY)	Average Hourly Earnings (YoY)
Goal	5.2% - 5.5%	200K	2.00	2.00%	+2.50%
QE3 Start (Sept-12)	7.8%	157K	3.35	1.73%	1.44%
Dec-13	6.7%	198K	2.61	1.54%	2.16%
QE3 End (Oct-14)	5.7%	228K	1.85	1.52%	2.27%
June/July 2015	**5.3%**	**235K**	**1.58**	**1.29%**	**1.84%**

Source: FRB, BLS, BEA, & BBVA Research

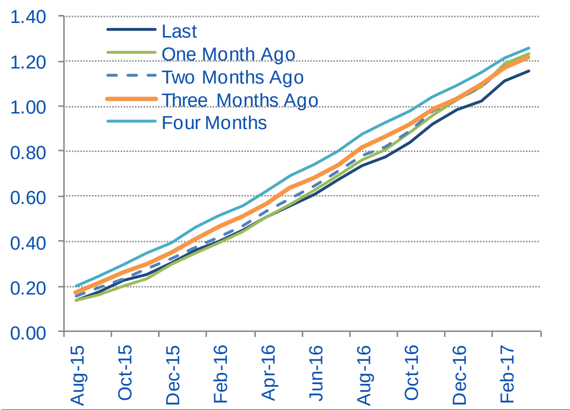
Figure 10
Labor Utilization



Source: Haver Analytics & BBVA Research

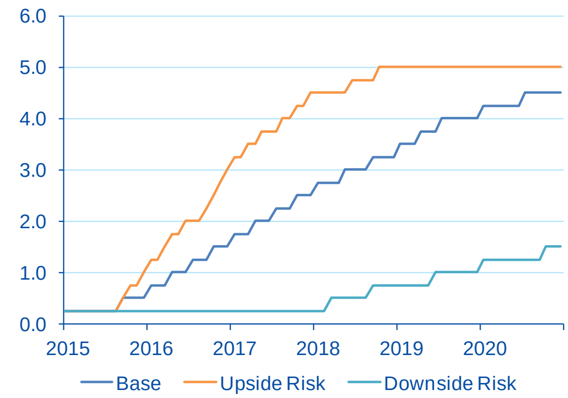
The lack of significant revision to the inflation language in July's FOMC statement suggests that the FOMC may be trying to downplay their commitment to inflation for the time being, allowing labor market improvements to take over as the primary reason for increasing rates in the near future. Once the first rate hike has occurred, the FOMC will have some breathing room in order to increase rates at a path more consistent with their outlook for inflation, so they feel "reasonably confident that inflation will move back to its 2 perfect objective over the medium term."

Figure 11
Fed Funds Futures (%)



Source: Haver Analytics & BBVA Research

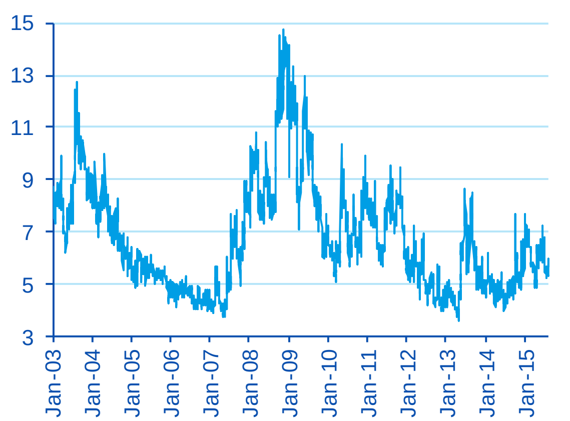
Figure 12
Federal Funds Rate Forecasts (%)



Source: BBVA Research

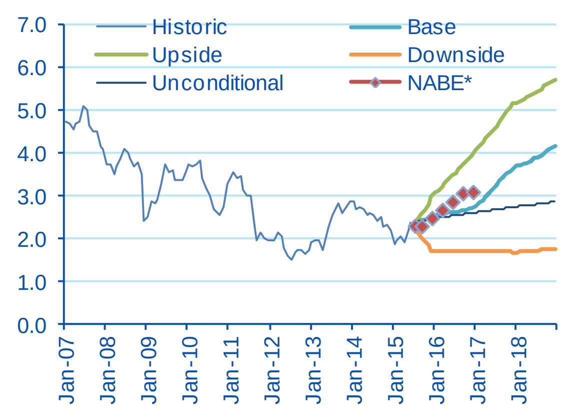
There is still a risk that global pressures could further delay the FOMC's plans if conditions deteriorate and volatility increases in the intermeeting period. A potential Grexit is no longer a major concern for the Fed at this time, but China remains an important factor to consider. China's stock market crumble and recent exchange rate regime change hint at underlying weakness in the Chinese economy that could ultimately lead to a slower pace of growth worldwide. In the short-term, the Fed is probably most concerned with the latest financial volatility, as they do not want to announce a rate hike that would further disrupt markets.

Figure 13
10-Year U.S. Treasury Note Volatility (Index)



Source: CBOE & BBVA Research

Figure 14
10-Year U.S. Treasury Yield Forecasts (%)



* NABE Median Forecast (eop)
Source: BBVA Research

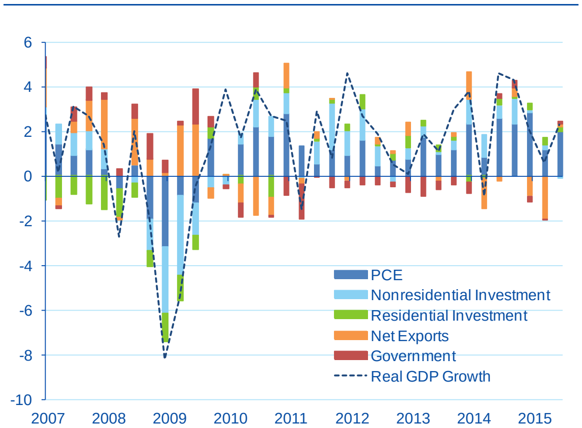
There is a possibility that the Fed will delay liftoff until December if August ends on a negative note. However, in further delaying the rate hike the Fed risks losing credibility. Yellen noted in her latest semi-annual monetary policy report to Congress that "the economy cannot only tolerate but needs higher rates," favoring a sooner rate hike in order to allow for a more gradual pace of increases thereafter, rather than delaying and potentially being forced into making drastic increases in a shorter period of time. She has been in a similar situation before – back in 1994, when Yellen was a member of the Federal Reserve Board of Governors, the Fed increased rates for the first time in five years, a surprise to the markets resulting in a 150 basis point spike in Treasury yields. This is no time to repeat past mistakes, and the Fed is certainly not out to surprise markets on purpose.

Even with the Fed beginning to normalize policy, interest rates are expected to remain low for a prolonged period, reflecting only gradual increases and a flatter yield curve. Macroeconomic fundamentals (i.e., the long-run unemployment rate and potential GDP) will keep upward pressures on long-term rates contained.

The minor contraction in GDP growth to start 2015 had been a concern for the Fed, but as expected, conditions improved in 2Q15. The BEA's advance estimate for 2Q15 real GDP growth fell right in line with our expectations, up 2.3% on a QoQ seasonally adjusted annualized basis and marking the fastest pace since 3Q14. Benchmark and seasonal adjustment revisions were not as significant as expected. The BEA made some effort to fix the seasonality concerns regarding the notoriously weak first quarter rates seen since the crisis. However, the quarterly averages remain unbalanced compared to pre-crisis historical trends, even when excluding the contractions in 2008 and 2009.

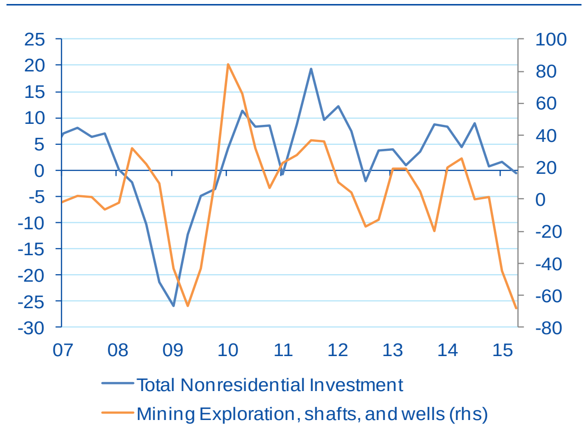
Economic developments in 1H15 forced us to revise down our real GDP growth forecast from 2.9% to 2.5% for the year. The slow first quarter and only moderate pickup in the second quarter have revealed underlying weaknesses to growth – most notably, private investment and exports, both of which are expected to remain weak at least through the remainder of 2015.

Figure 15
Real GDP Growth & Contributions (QoQ SAAR % Change & SAAR Percentage Points)



Source: BEA & BBVA Research

Figure 16
Real Private Nonresidential Fixed Investment (QoQ SAAR % Change)



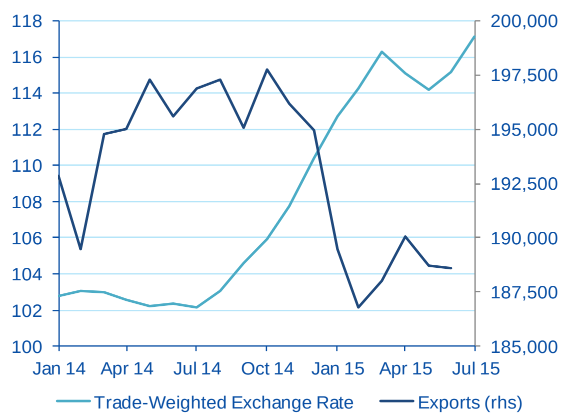
Source: BEA & BBVA Research

Disappointing growth in private investment mostly reflects the ongoing weakness in the energy sector. Investment in mining exploration, shafts, and wells declined 44.5% in 1Q15 and 68.2% in 2Q15 QoQ SAAR – the largest back-to-back drop since 2009. Unfortunately, there is limited potential for a significant reversal in energy sector investment, especially since oil prices have fallen back below $50/barrel in 3Q15 thus far. We expect this component to weigh on GDP growth at least throughout the rest of this year. On the bright side, residential investment has improved in 2015 and should help to offset some of the weakness from the nonresidential side.

Exports have been held back by weak global demand, primarily stemming from Europe but also from other important trading partners such as China. The strong appreciation of the USD over the past year has added to the fire, hurting U.S. exports and creating a difficult environment for the domestic manufacturing sector. Many central banks are easing monetary policy at the same time that the Fed is looking to increase rates, so this will put additional upward pressure on the USD at least for the next year. Therefore, export growth is expected to remain weak.

Private consumption has remained the strongest driver of economic growth in the U.S. Still, the boost to consumption from low oil prices has not materialized, and instead it seems that consumers are holding onto the extra savings from the gas pump rather than allowing it to fuel increased consumption. The personal savings rate has remained elevated compared to pre-crisis trends, in large part due to consumers' uncertainty regarding income prospects. Income growth has been underwhelming despite the fact that the economy has added nearly 2.9 million jobs throughout the past twelve months. Although we maintain our expectations for subdued wage growth throughout 2015, we expect consumption to remain relatively strong, particularly during the second half of the year.

Figure 17
USD Exchange Rate and Exports (Index Jan-97=100, SA Mil. $)



Source: FRB, Census, & BBVA Research

Figure 18
Personal Consumption and Savings Rate (QoQ SAAR % Change and SAAR %)

Source: BEA & BBVA Research

Overall, risks to U.S. growth remain tilted to the downside alongside heightened global concerns. A hard-landing in China has become much more realistic compared to a few months ago, and this would result in significant consequences for the U.S. as well as the entire global economy. Risks stemming from Europe have subsided for now given the short-term resolution with Greece, but any further deterioration would certainly impact us on this side of the Atlantic. Domestic risks are primarily related to the Fed's exit strategy, and we are likely to see the extent of such risks in the coming months once normalization finally begins. Upside risks are limited but could materialize if stronger underlying trends are realized, fueling higher inflation and more robust economic growth.

3 Economic Forecasts

Table 1

	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	2012	2013	2014	**2015**	**2016**	**2017**	**2018**
Real GDP (% SAAR)	-0.9	4.6	4.3	2.1	0.6	2.3	2.2	1.5	2.4	**2.5**	**2.8**	**2.8**	**2.9**
Real GDP (Contribution, pp)													
PCE	0.9	2.6	2.3	2.9	1.2	2.0	1.0	1.2	1.8	**2.1**	**1.9**	**1.7**	**1.6**
Gross Investment	-0.4	2.0	1.2	0.4	1.4	0.1	1.5	0.7	0.9	**0.8**	**1.0**	**1.2**	**1.1**
Non Residential	1.0	0.6	1.1	0.1	0.2	-0.1	1.1	0.4	0.8	**0.5**	**1.0**	**0.9**	**0.8**
Residential	-0.1	0.3	0.1	0.3	0.3	0.2	0.3	0.3	0.1	**0.3**	**0.3**	**0.3**	**0.2**
Exports	-1.0	1.3	0.2	0.7	-0.8	0.7	0.5	0.4	0.5	**0.3**	**0.4**	**0.4**	**0.5**
Imports	-0.4	-1.5	0.2	-1.6	-1.1	-0.5	-0.4	-0.2	-0.6	**-0.1**	**-0.1**	**-0.2**	**-0.3**
Government	0.0	0.2	0.3	-0.3	0.0	0.1	-0.4	-0.6	-0.1	**0.1**	**0.2**	**0.1**	**0.1**
Unemployment Rate (%, average)	6.6	6.2	6.1	5.7	5.6	5.4	8.1	7.4	6.2	**5.3**	**4.9**	**4.6**	**4.5**
Average Monthly Nonfarm Payroll (K)	193	284	237	324	195	226	188	199	260	**224**	**233**	**252**	**255**
CPI (YoY %)	1.4	2.1	1.8	1.2	-0.1	0.0	2.1	1.5	1.6	**0.5**	**1.8**	**2.1**	**2.2**
Core CPI (YoY %)	1.6	1.9	1.8	1.7	1.7	1.8	2.1	1.8	1.7	**1.7**	**1.8**	**2.0**	**2.1**
Fiscal Balance (% GDP)	-	-	-	-	-	-	-6.8	-4.1	-2.8	**-2.9**	**-2.6**	**-2.5**	**-2.5**
Current Account (bop, % GDP)	-2.3	-2.1	-2.2	-2.3	-2.6	-	-2.8	-2.3	-2.9	**-2.8**	**-2.8**	**-2.9**	**-2.7**
Fed Target Rate (%, eop)	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	**0.50**	**1.50**	**2.50**	**3.25**
Core Logic House Price Index (YoY %)	11.08	8.05	6.06	5.32	4.79	5.70	3.85	11.09	7.45	**6.10**	**5.70**	**4.38**	**3.25**
10-Yr Treasury (% Yield, eop)	2.72	2.60	2.53	2.21	2.04	2.36	1.72	2.90	2.21	**2.53**	**2.72**	**3.64**	**4.17**
U.S. Dollar / Euro (eop)	1.38	1.36	1.29	1.23	1.08	1.12	1.31	1.37	1.23	**1.07**	**1.13**	**1.20**	**1.32**
Brent Oil Prices (dpb, average)	108.2	109.7	101.8	76.4	53.9	61.7	111.7	108.6	99.0	**59.0**	**86.3**	**99.5**	**100.5**

Source: BBVA Research & Haver Analytics

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, S.A. 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.

This report has been produced by the BBVA Research U.S. Unit:

Chief Economist
Nathaniel Karp
+1 713 881 0663
nathaniel.karp@bbva.com

Kim Fraser Chase
kim.fraser@bbva.com

Marcial Nava
marcial.nava@bbva.com

Amanda Augustine
amanda.augustine@bbva.com

Shushanik Papanyan
shushanik.papanyan@bbva.com

Boyd Nash-Stacey
boyd.stacey@bbva.com

Kan Chen
kan.chen@bbva.com

Filip Blazheski
filip.blazheski@bbva.com

Art & Lay out:
Fernando Tamayo

BBVA Research

Contact details:

BBVA RESEARCH USA
2200 Post Oak Blvd.
Houston, TX 77025
United States.
Email: researchusa@bbva.com
www.bbvaresearch.com
www.bbvacompass.com/compass/research/
twitter.com/BBVAResearchUSA