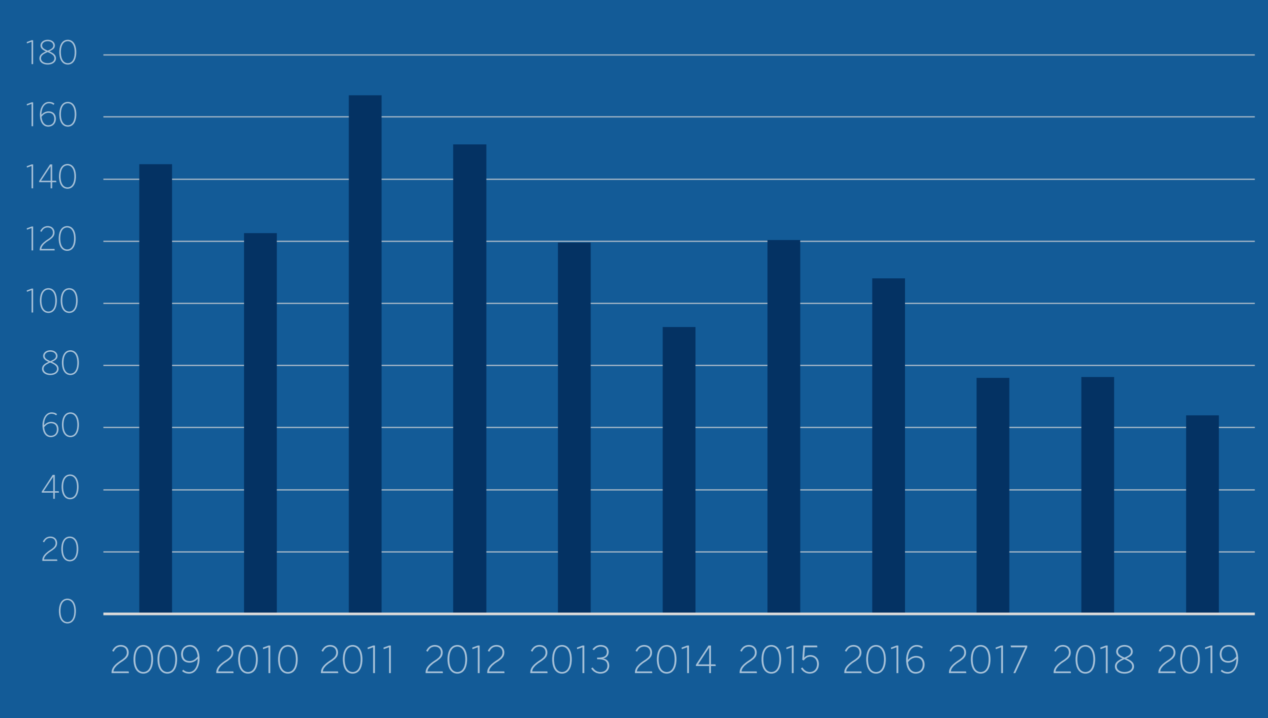
BBVA Research

Country Risk Report Third Quarter 2019

1

Markets valuation of sovereign risk has improved despite of higher financial volatility, against the background of looser monetary policies due to both activity slowdown and the lack of inflationary pressures

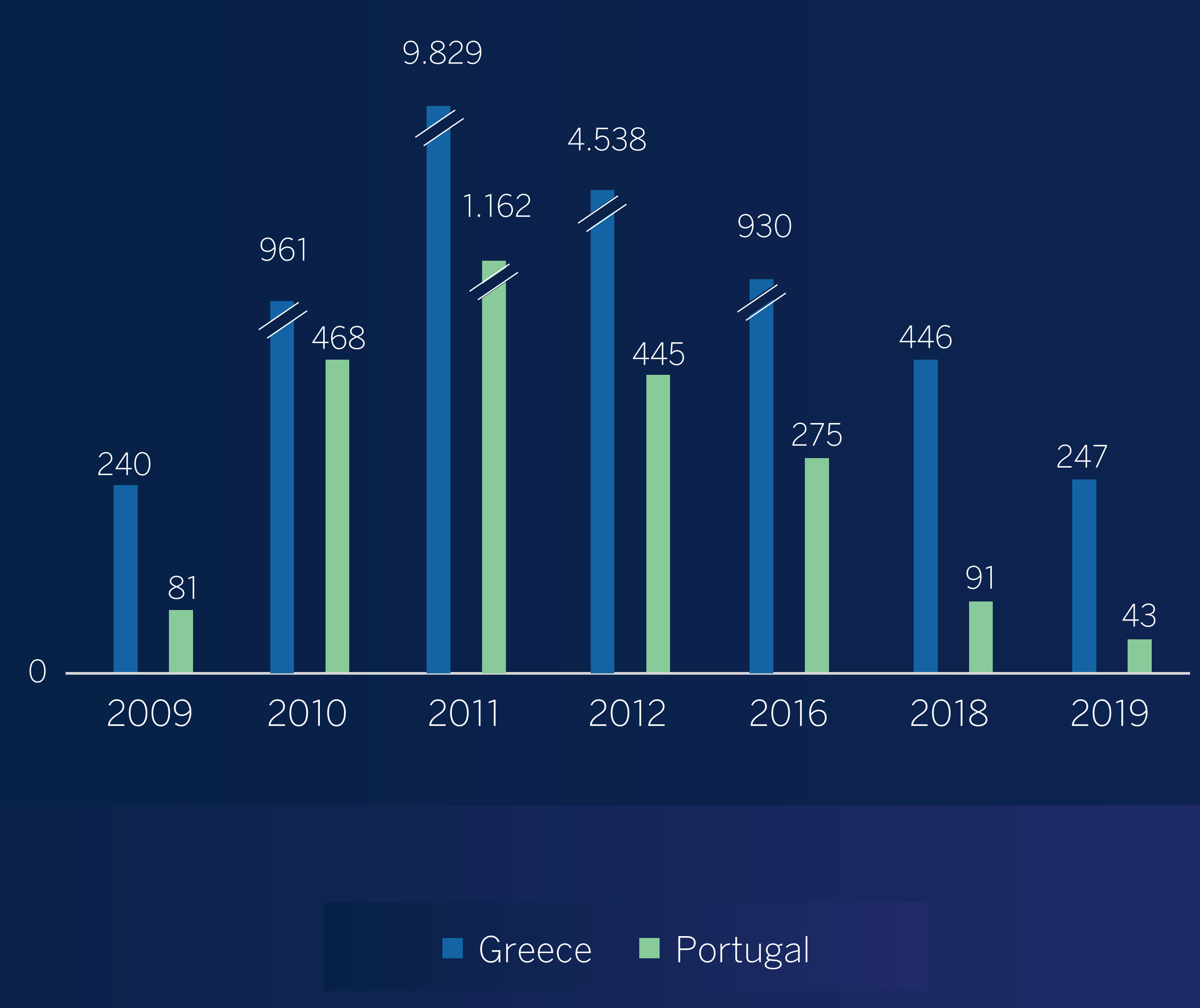
Median **Sovereign CDS**
(annual average)



2

Financial market's valuation of **Greek and Portuguese** CDS have reached levels not seen since 2009, before EU Periphery's sovereign crisis erupted

Sovereign CDS: Greece and Portugal



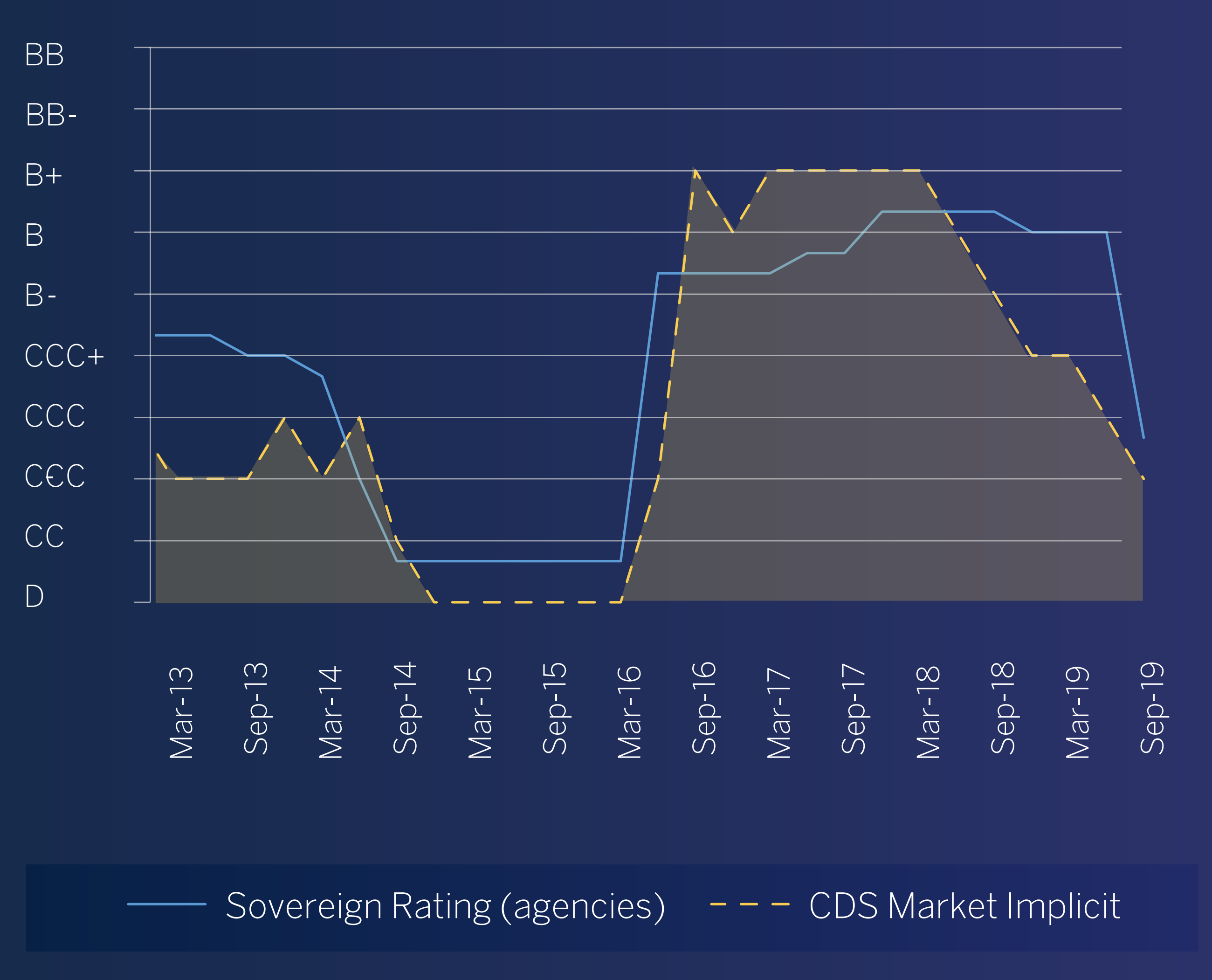
3

The tightening of sovereign spreads have reduced downgrade pressures and intensified upgrade pressures across the board, **especially in EM Europe and EU Periphery**

4

Rating agencies updates have been concentrated once again in Emerging Markets. Lack of contagion from Argentina sovereign debt crisis

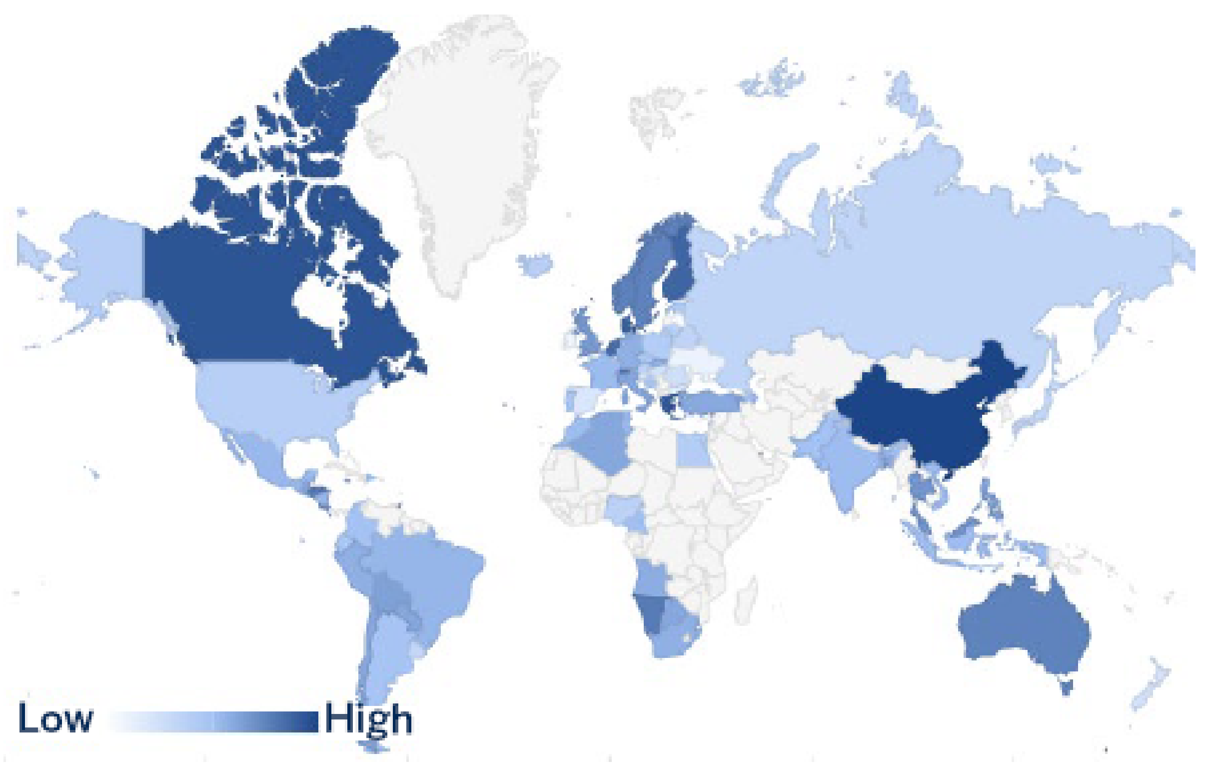
Argentina's Average Sovereign Rating and CDS Implicit Rating



5

Private leverage imbalances continue to be concentrated mainly in some advanced economies and in China in EM, while decreasing throughout all other regions (EM mainly). Fiscal vulnerabilities on the other hand, remain concentrated mainly in EM regions

Private Debt **Ratio Gaps**
(Deviation of Debt-to-GDP from estimated equilbrium levels)



The search for **yield and looser monetary policies** across the board, favor sovereign spreads compression, despite a worsening global outlook, poorer incoming data and balance of risks, and the lack of improvement of fiscal disequilibria