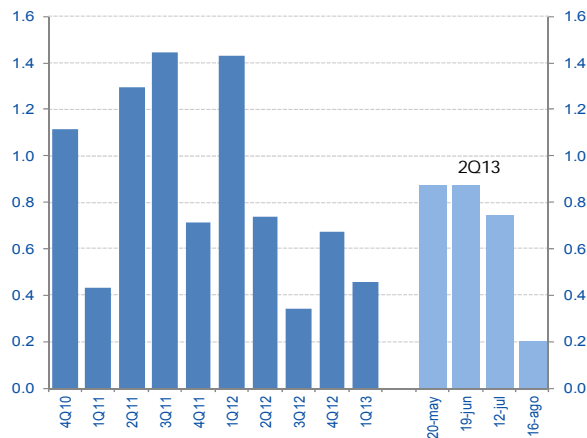


Mexico Weekly Flash

Next week...

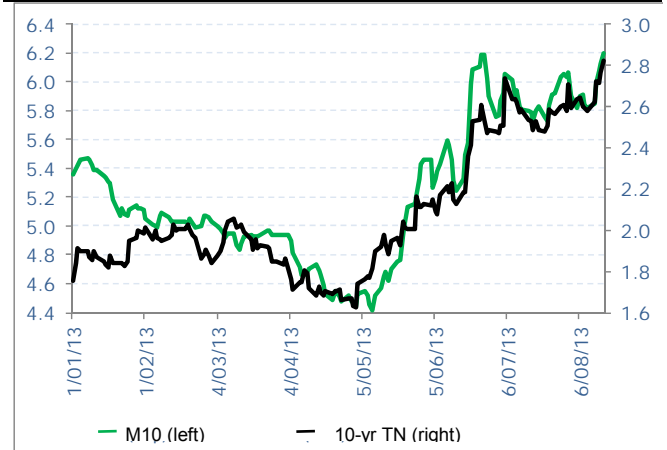
- GDP for the second quarter to be released; we expect to see growth of 0.2%.**
 GDP for the second quarter is set for release this coming Tuesday. After the 0.45% growth rate in the first three months of the year, the economy is expected to show a stronger slowdown in the second quarter, reporting GDP growth of 0.2% q/q. Declining industrial output, consumer confidence and investment (especially public) are among the main factors behind what will be the lowest growth rate since the second quarter of 2009. Nonetheless, growth in the US in the second half of the year, alongside higher investment and public spending, should see growth hit above 1.0% in one of the two remaining quarters for the year, bringing growth to around 2.7% for 2013. It should be stated that all these numbers and even other from previous years are subject to revision. In addition, the INEGI will be changing its base year for national accounts from 2003 to 2008.
- US unemployment applications lead to an upswing in interest rates**
 After hovering in a narrow ranges since the US job creation figures for June were released (July 5), long-term interest rates on Treasury bills again took up their upward trend this week. 10-year T-bill yields rose 20bp to hit 2.83%, their highest level in the last two years. The main reason for this bounce was the unemployment application figures which unexpectedly hit their lowest level (320,000) since 2007. This suggests that the US jobs market continues to strengthen and supports a reduced rate for Fed asset purchases. Markets will be focused on the Fed minutes this coming Wednesday to see any signs of an improved jobs market and lower risks - sufficient reasons to start an exit strategy. Mbond interest rates maintained their upward trend, in line with the higher rate for U.S. treasury bonds. In this sense, the M10 bond (Dec-23) closed the week 38bp up, coming in at 6.19%. In turn, the peso fell 2.3% and ended the week at 12.91ppd.

Chart 1
Observed and estimated GDP 2Q13
(% change q/q)



Source: BBVA Research and INEGI

Chart 2
10-year interest rates (%)



Source: BBVA Research, Bloomberg.

Calendar: Indicators

Unemployment Rate in July (August 23)

Forecast: 5.1% CSV

Consensus: N/D

Previous: 5.09% CSV

INEGI will release the unemployment rate for July on Friday, August 23. After higher unemployment in the first half of the year, the first figures for the third quarter are expected to show unemployment remained unchanged compared to June's figures. After this, it should see a downward trend thanks to improved economic output for the second half of the year.

Inflation for the first two weeks in August (August 22)

Forecast: 0.14% (3.42% y/y)

Consensus: 0.16%

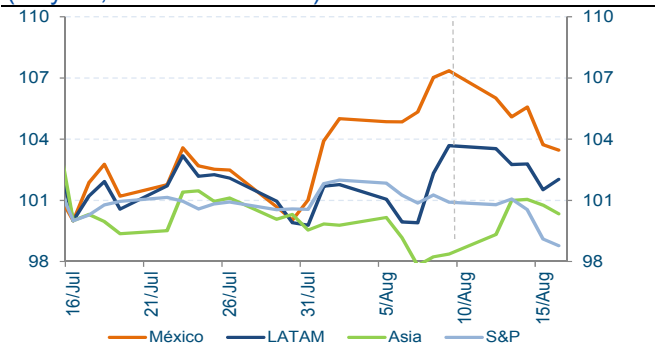
Previous: -0.03% (3.47% y/y)

INEGI will release the inflation figures for the first two weeks in August which is set to confirm the downward trend in year-on-year inflation. In fortnightly terms, we expect to see an upswing in core inflation (0.15% vs. 0.03% in July) after the end of retailers' offers in July (i.e. an increase in the goods' sub-index) and the seasonal increase in school fees. Nevertheless, in annual terms, core inflation will decline to 2.43% (2.50% in July), representing an all-time low and its lowest level for the rest of the year. With regard to headline inflation, we expect to see a major decline in chicken prices that should more than compensate for an upswing in agricultural prices and higher energy prices. We therefore see it coming in at 0.14%, 3.42% y/y.

Markets, activity and inflation

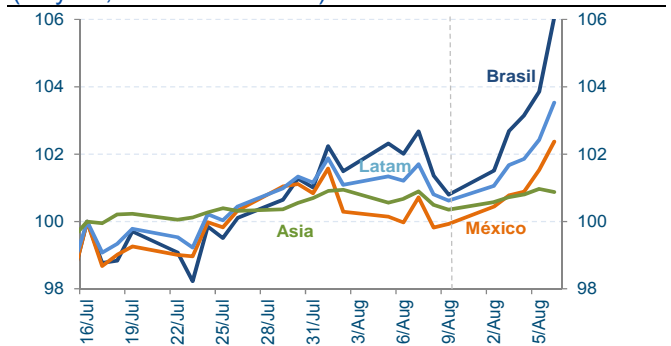
- Initial unemployment benefit applications in the US fell to their lowest level since 2007 leading to greater expectations of the speed in FED asset purchases in September dropping back. This was seen in weaker emerging currencies, including the peso. Lower-than-expected corporate reports and profit forecasts for leading consumer brands and computer networking equipment makers led to stock market losses over the week.

Chart 5
Stock markets: MSCI indices
(July 16, 2013 index =100)



Source: BBVA Research with data from Bloomberg

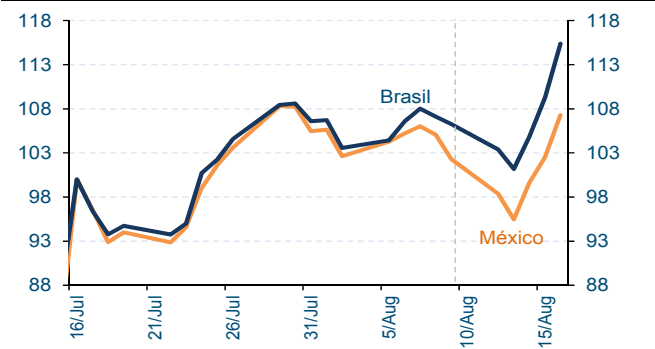
Chart 6
Foreign exchange: dollar exchange rates
(July 16, 2013 index =100)



Source: BBVA Research with Bloomberg data NB: LATAM includes Argentina, Brazil, Chile, Colombia and Peru. Asia includes the Philippines, South Korea, Taiwan, Singapore, Indonesia and Thailand.

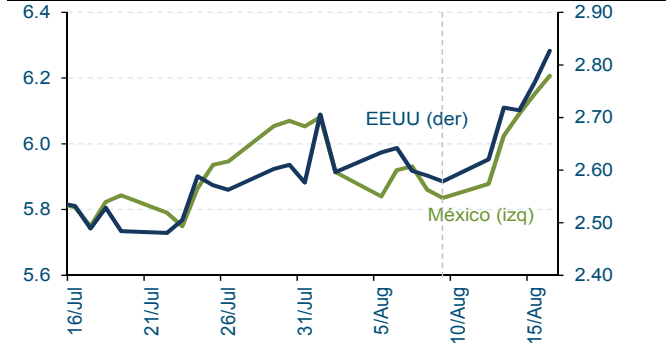
- Expectations of lower monetary stimulus in September led to the highest long-term interest rates in the US for the last two years. The yield on the 10-year Mexican bond again went above 6.0% during the week.

Chart 7
Risk: 5-year CDS (July 16, 2013 index=100)



Source: BBVA Research with data from Bloomberg

Chart 8
10-year interest rates, last month



Source: BBVA Research with data from Bloomberg

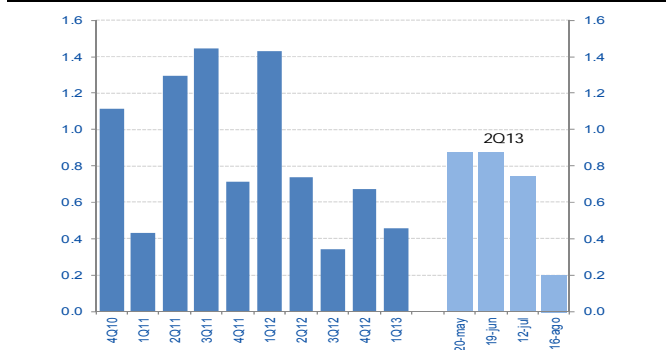
- Inflation started its strong descent in June and is already below 3.5%. Industrial output figures for June confirm the second quarter slowdown.

Chart 9
*Inflation Surprise Index
(July 2002=100)



Source: Bloomberg and BBVA Research
*This measures the deviations in inflation in comparison to market-forecast figures, adjusting for inflation volatility. When it trends down, this implies a lower-than-expected inflationary surprise; when it trends up, this indicates a higher-than-expected inflationary surprise.

Chart 10
Observed and estimated GDP 2Q13
(% change q/q)



Source: BBVA Research

IMPORTANT DISCLOSURES

The BBVA Group companies that have participated in preparing or contributed information, opinions, estimates, forecasts or recommendations to this report are identified by the location(s) of the author(s) listed on the first page as follows: 1) Madrid, London or Europe = Banco Bilbao Vizcaya Argentaria, S.A., including its E.U. branches (hereinafter called 'BBVA'); 2) Mexico City = BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (hereinafter called 'BBVA Bancomer'); 3) New York = BBVA Securities, Inc. (hereinafter called "BBVA Securities"); 4.) New York Branch = BBVA, New York branch; 5.) Lima = BBVA Continental S.A.; 6.) Bogota = BBVA Colombia S.A.; 7.) Santiago = BBVA Chile S.A.; 8.) Hong Kong = BBVA, Hong Kong branch.

For recipients in the European Union, this document is distributed by BBVA, a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), and registered with the Bank of Spain with number 0182.

For recipients in Mexico, this document is distributed by BBVA Bancomer, a bank supervised by the Comisión Nacional Bancaria y de Valores de México.

For recipients in USA, research on products other than equity securities or swaps is being distributed by BBVA Securities, a subsidiary of BBVA registered with and supervised by the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. U.S. persons wishing to execute any transactions should do so only by contacting a representative of BBVA Securities in the U.S. Unless local regulations provide otherwise, non-U.S. persons should contact and execute transactions through a BBVA branch or affiliate in their home jurisdiction.

Research on swaps is being distributed by BBVA, a swaps dealer registered with and supervised by the Commodity Futures Trading Commission ("CFTC"). U.S. persons wishing to execute any transactions should do so only by contacting a representative of BBVA. Unless local regulations provide otherwise, non-U.S. persons should contact and execute transactions through a BBVA branch or affiliate in their home jurisdiction.

Research prepared by BBVA on equity securities is being distributed by BBVA to "major U.S. institutional investors" based on an exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). BBVA is not a registered broker-dealer in the United States and is not subject to U.S. rules on preparing research or independence of research analysts. Research prepared by BBVA Bancomer, BBVA Continental S.A., BBVA Colombia S.A. and/or BBVA Chile S.A. on equity securities is distributed by BBVA Securities.

BBVA is subject to a Code of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for the EU. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code of Conduct for Security Market Operations is available for reference at the following web site: [www.bbva.com / Corporate Governance](http://www.bbva.com/CorporateGovernance).

BBVA Bancomer is subject to a Code of Conduct and to Internal Standards of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for Mexico. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. These Code and the Internal Standards is available for reference at the following web site: www.bancomer.com/GrupoBBVABancomer/Conócenos.

BBVA Securities is subject to a Capital Markets Code of Conduct, which details the standards of the above-mentioned overall policy for USA. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers.

EXCLUSIVELY FOR RECIPIENTS RESIDENT IN MEXICO

In the past twelve months, BBVA Bancomer has granted banking credits to the following companies covered in this report: **ALFA, AXTEL, COMISION FEDERAL DE ELECTRICIDAD, CONSTRUCCION Y SERVICIOS INTEGRALES SIGMA, CORPORACION GEO, DAIMLER MEXICO, FACILEASING, GENOMMA LAB INTERNACIONAL, GEO EDIFICACIONES, GRUPO CARSO, GRUPO CASA SABA, GRUPO CEMENTOS DE CHIHUAHUA, GRUPO COMERCIAL CHEDRAUI, GRUPO PALACIO DE HIERRO, IMPULSORA DEL DESARROLLO Y EL EMPLEO EN AMERICA LATINA, INDUSTRIAS BACHOCO, INMOBILIARIA RUBA, PEMEX CORPORATIVO, TIENDAS CHEDRAUI, URBI DESARROLLOS URBANOS, VOLKSWAGEN LEASING.**

In the past twelve months, BBVA Bancomer has granted *Representación Común* services to the following companies covered in this report: **N/A**

BBVA or one or more of its affiliates makes a market/provides liquidity in the securities of the following companies covered in this report: Casa de Bolsa BBVA Bancomer, MexDer Contrato de Futuros (Dólar de Estados Unidos de América (DEUA), TIIE de 28 días (TE28), Swap de TIIE, CETES de 91 días (CE91)), Bonos M, Bonos M3, Bonos M10, Índice de Precios y Cotizaciones de la BMV (IPC), Contrato de Opciones (IPC, Acciones América Móvil, Cemex, CPO, Femsa UBD, Gcarso A1, Telmex L), Udibonos.

As far as it is known, a Director, Executive Manager or Manager reporting directly to the BBVA Bancomer General Manager has the same position in the following companies that may be covered in this report: **Alfa, Aisea, America Movil, AMX, Asur, CMR, Coca-Cola Femsa, Consorcio Hogar, Dine, El Puerto de Liverpool, Fomento Economico Mexicano, Grupo Aeroportuario del Pacifico, Grupo Aeroportuario del Sureste, Grupo Bimbo, Grupo Carso, Grupo Financiero Inbursa, Grupo Kuo, Grupo Maseca, Grupo Modelo, Grupo Posadas, Grupo Televisa, Industrias Peñoles, Invex Controladora, KOF, México, Grupo Aeroportuario del Centro Norte, Sanborns Hermanos, Sears Roebuck de México, Telecom, Telefonos de México, Tenaris, Urbi Desarrollos Urbanos, Vitro.**

BBVA Bancomer, and, as applicable, its affiliates within BBVA Bancomer Financial Group, may hold from time to time investments in the securities or derivatives financial instruments with underlying securities covered in this report, which represents 10% or more of its securities or investment portfolio, or 10% or more of the issue or underlying of the securities covered.

DISCLAIMER

This document and the information, opinions, estimates, forecasts and recommendations expressed herein have been prepared to provide BBVA Group's customers with general information and are current as of the date hereof and subject to changes without prior notice. Neither BBVA nor any of its affiliates is responsible 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, to undertake or divest investments, or to participate in any trading strategy. 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. Other than the disclosures relating to BBVA Group, the contents of this document are 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 or any of its affiliates and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. To the extent permitted by law, **BBVA and its affiliates accept no liability of any type for any direct or indirect losses or damages arising from the use of this 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, derivatives, options on 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 securities. Investors should also be aware that secondary markets for the said instruments may not exist.

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. More specifically, this document is in no way intended for, or to be distributed or used by an entity or person resident or located in a jurisdiction in which the said distribution, publication, use of or access to the document contravenes the law which requires BBVA or any of its affiliates to obtain a licence or be registered. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

The remuneration system concerning the analysts responsible for the preparation 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.

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.

BBVA Hong Kong Branch (CE number AFR194) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission of Hong Kong.

This document is distributed in Singapore by the BBVA's office in this country for general information purposes and it is generally accessible. In this respect, this document does not take into account the specific investment goals, the financial situation or the need of any particular person and it is exempted from Regulation 34 of the Financial Advisors Regulation ("FAR") (as required in Section 27 of the Financial Advisors Act (Chapter 110) of Singapore ("FAA"))

BBVA, BBVA Bancomer or BBVA Securities are not authorised deposit institutions in accordance with the definition of the Banking Act 1959 nor are they regulated by the Australian Prudential Regulatory Authority (APRA)

GENERAL DISCLAIMER FOR THE EVENT THAT THE READERS HAVE ACCESSED TO THE REPORT THROUGH THE INTERNET

Internet Access

In the event that this document has been accessed via the internet or via any other electronic means which allows its contents to be viewed, the following information should be read carefully:

The information contained in this document should be taken only a general guide on matters that may be of interest. The application and impact of the laws may vary substantially depending on specific circumstances. BBVA does not warrant that this report and/or its contents published on the Internet are appropriate for use in all geographic areas, or that the financial instruments, securities, products or services that can be referenced on it are available or appropriate for sale or use in all jurisdictions or to all investors or counterparties. Recipients of this report acceding to it through the Internet are acceding on their own initiative and are responsible for compliance with local regulations applicable to them.

Changes in regulations and the risks inherent in electronic communications may cause delays, omissions, or inaccuracy in the information contained in this site. Accordingly, the information contained in the site is supplied on the understanding that the authors and editors do not hereby intend to supply any form of consulting, legal, accounting or other advice.

All images and texts are the property of BBVA and may not be downloaded from the Internet, copied, distributed, stored, re-used, re-transmitted, modified or used in any way, except as specified in this document, without the express written consent of BBVA. BBVA reserves all intellectual property rights to the fullest extent of the law.