



Weekly Observatory

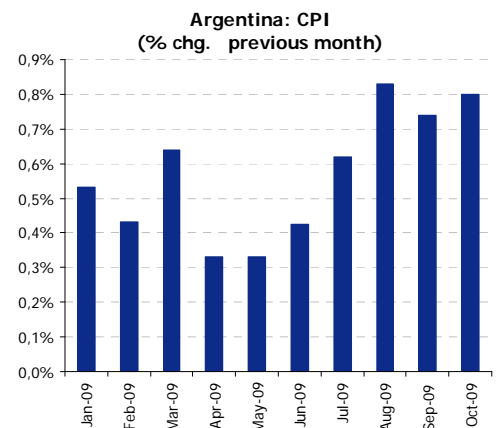
November 13th, 2009

Weekly Highlights (09th – 13th November 2009)

The latest inflation reports in Argentina and Brazil showed positive m/m changes, although annual inflation keep falling in Brazil. Trade balance in Chile, Colombia and Peru show greater imports momentum, without compromising trade surpluses. Finally, the latest meeting of the Central Bank of Chile ended up without changes in the reference rate, as expected.

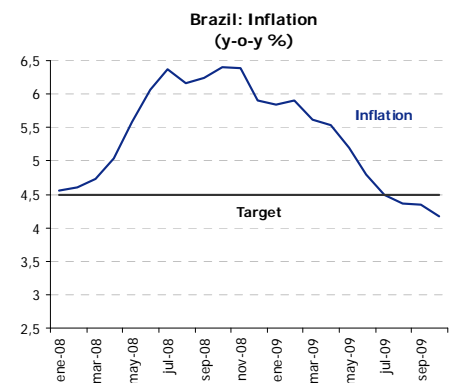
1. Argentina

- October official inflation (as measured by GBA CPI) was 0.8% and 6.5% y/y. The largest increases were registered in education (1.4%), clothing (1.3%) and other goods and services (1.3%). Meanwhile, food and beverages (0.9%) maintained the dynamic of recent months, highlighting increases in all subcomponents (being higher in vegetables, 2.1%). October inflation is in line with our forecast for official inflation of 7.5% by year end.



2. Brazil

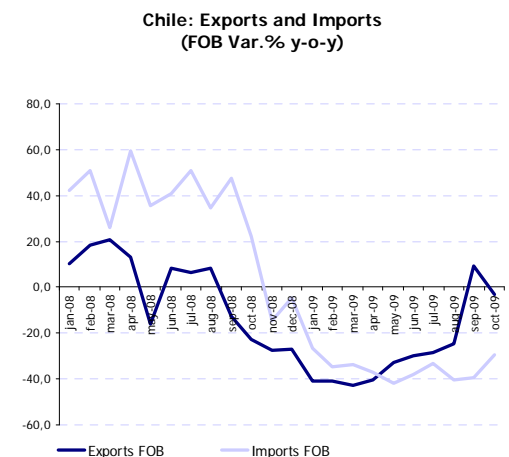
- The monthly inflation in October reached 0.28%, slightly higher than both previous month rate (0.24%) and market's consensus (0.23%). Yearly inflation, however, declined to 4.17% from 4.34% in September.
- Car sales declined 4.6% in October with respect to the previous month (in September car sales reached an all-time high). Despite the monthly drop, car sales remain at very high levels (23% growth in yearly terms).
- The Brazilian Real lost around 1% this week due to the relative strength on the dollar in international markets, the drop in commodity prices and to rumours about new measures to prevent a further appreciation of the national currency.



Source: IBGE

2. Chile

- The trade surplus amounts to US\$9,889.4 million between January and October of this year (12.7% yoy). The surplus in October was US\$881,3 million (vs. US\$543 million in Oct.08). The value of exports reached US\$4,666.4 million (-3.2% yoy), and the value of imports US\$3,785.1 million (-29.4% yoy).
- The Central Bank of Chile decided to maintain the monetary policy rate at 0.5% in its November meeting. Furthermore, it was announced that the Short Term Liquidity Facility (TLF) would be shortened from 180 to 150 days, and from now on the TLF's would be shortened 30 days each month until May.



Source: BCCh

4. Colombia

- Imports continued falling during September, decreasing 27.6% yoy and 18.7% for the first three quarters of 2009. Nevertheless, the seasonally adjusted series reveals a monthly increase, mainly explained by an improvement in consumer goods.
- Trade balance registered a surplus of USD 179 million for September and of USD 1,054 million year to date.

5. Mexico

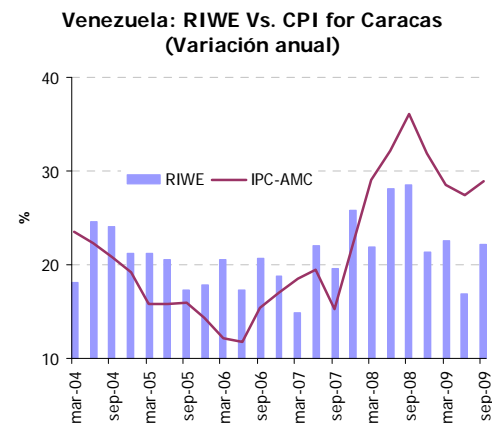
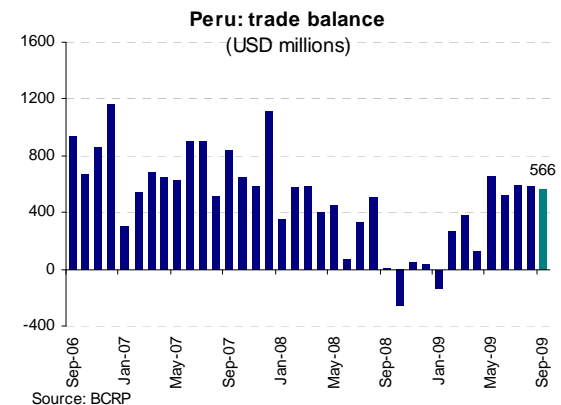
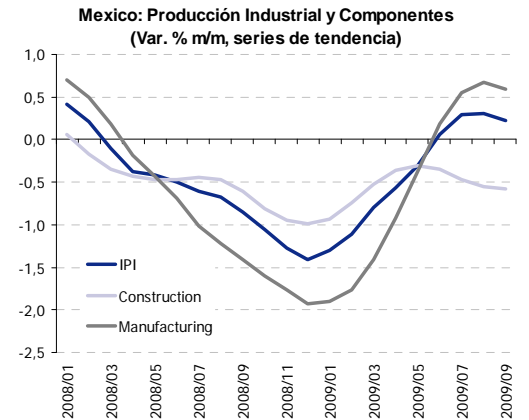
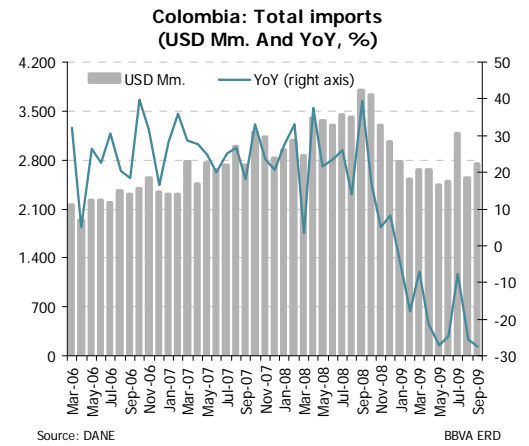
- During September, Industrial Production surprised by expanding 0.15% m/m (vs. -1.2% BBVA). A sensitive improvement on an annual basis (-5.7%) compared to its performance in August (-7.7%). All of its components rose monthly except for construction which remains weak. The most dynamic component was manufacturing which grew 0.74%, due to higher exposure to improved external demand.
- October's inflation also surprised positively rising 0.3% m/m (vs. 0.43% consensus), while core inflation reached 0.29% m/m (vs. 0.31% consensus). Annually, inflation reached 4.5% and core inflation 4.9%, the second keeps being higher as we forecasted several months ago. For all 2009 we maintain our expectation that inflation will close slightly lower than 4%.
- 3Q09 GDP will be released next week. We estimate a 2.1% q/q, first increase after four falls in a row.

6. Peru

- In September, the trade balance recorded a surplus of USD 566 million, thus accumulating a year-to-date positive result to USD 3580 million. During this month, exports rose by 3.9% m/m (-1.3% m/m in August) and imports by 6.1% m/m (-0.8% m/m in the previous month).
- The Consumer Confidence index (published by Apoyo Consultoría) rose in October by 5 points and reached 50 points (which marks the boundary between the optimistic and pessimistic zones). The improvement in this indicator was mainly related to the fall in inflation, while employment conditions remain a major concern for consumers.
- Tax revenues fell 13.6%/y/y in real terms in October (-19.6%/y/y in September). This result comes from lower domestic tax revenues (-1.8% y/y) and imports duties (-33.7% y/y).

7. Venezuela

- The Central Bank begins to finance operations to economic activities directly, after last week law's reform. The Government created a fund to collect the resources coming from the Central Bank in order to finance manufacturing, construction and agricultural projects. The total amount of credit estimated for the next 5 months would be BsF 1,400 MM, which represents a 1.6% share of monetary base and 9.6% of total bank credit.
- In the third quarter of the year, the nominal wage index (RIWE) grew 6.6% q/q. This quarter the indicator reflects the second adjustment of minimum wage (10%) set in May. The nominal general index grew 22.2% on yoy basis, while the real index decreased 4.1% y/y.



The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Var. Bp	Forecast. Dec 2009
Argentina				
7 day Central Bank rate	9,00	0	-150	---
Badlar rate	11,19	0,00	-1406	16,00
Brazil				
Official Rate	8,75	0	-500	8,50
Andima 1 year bond	9,87	0	-549	---
Chile				
Official rate	0,50	0	-775	0,50
Swap CLP	0,72	0	-753	---
10 year rate	6,10	0	-58	---
Colombia				
Official Rate (BR)	4,00	0	-600	4,50
DTF	4,35	0	-572	---
TES jul-2020	8,30	0	-466	---
Mexico				
Official Rate (fondeo)	4,50	0	-375	5,50
3 months rate	4,62	-1	-320	5,47
10 years rate	8,06	-7	-161	6,90
Peru				
Official Rate	1,25	0	-525	1,25
10 years*	5,77	0	-284	
Venezuela				
Overnight-interbank (daily)	19,81	-155	360	5,00
CD 28d (official)	6,00	0	-800	6,00
DPF 90d	14,78	-69	-226	14,50

Foreign exchange market

Latin American currencies closed the week with minor changes, except for the Chilean peso, which appreciated by more than 2.5%.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2009
America				
Argentina (peso-dollar)	3,81	-0,2	15,1	4,10
Brazil (Real-dollar)	1,73	1,0	-23,3	1,88
Colombia (Peso-dollar)	1976	-0,4	-14,3	2252,56
Chile (Peso-dollar)	507	-2,7	-20,4	560,00
Mexico (Peso-dollar)	13,18	-1,5	1,4	13,10
Peru (New sol-dollar)	2,88	-0,7	-7,1	2,97
Venezuela (Bolivar-dollar)	2147	0,0	0,0	2150,00
dollar-Euro	1,49	0,3	16,9	1,44

Emerging Spreads

Just as in other emerging regions, the week holds no major changes in the Latin American country risk.

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	305	-0,5	-348
EMBI + Latin America	347	1,2	-336
Argentina	733	2,9	-1018
Brazil	216	0,0	-244
Colombia	206	-1,6	-320
Chile*	132	-2,9	-231
Mexico	182	0,7	-232
Peru	188	5,0	-266
Venezuela	999	11,9	-509
EMBI+ Asia	250	-3,7	-277
EMBI+ Europe	250	-1,7	-399

Commodity Markets

Both OPEC and the International Energy Agency (IEA) revised upwards their oil demand forecasts due to improved perspectives regarding economic growth. These revisions counterbalanced the impact of higher than expected US inventories on the oil price, which has been in the 75-80 dollars range in the last four weeks.

Materias primas	Cierre	Var. Sem. %	Var. Anual %	Prev. Dic 2009
Petróleo Brent (US\$/Bbl)	76,7	1,1	68,3	68,0
Oro (US\$/onza)	10	-0,1	52,5	0
Cobre (US\$/t)	6502	0,2	111,8	3969
Soja (US\$/t)	349	4,4	1,8	339
Maíz (US\$/t)	139	7,2	-3,4	136
Índice Goldman-Sachs	504	-1,3	22,8	---
Índice CRB	456	-1,3	29,2	---

Stock Markets

Stability in the regional stock markets with larger increases in Colombia, Mexico and Venezuela.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	2219	-0,2	117,0
Brazil (Bovespa)	64448	0,0	80,1
Colombia (General Index)	11192	2,5	55,9
Chile (IGPA)	15730	-0,6	30,5
Mexico (IPC)	30760	3,0	57,2
Peru (Lima General)	14531	-0,6	91,6
Venezuela (IBC)	52216	3,0	46,1
USA			
S&P 500	1087	1,7	24,5
Nasdaq 100	2149	1,7	41,7
Europe			
Londres (FTSE)	5277	2,6	24,7
EuroStoxx50	2497	2,4	15,9
Ibex35	11835	2,2	34,0
Estambul-100	48712	3,7	91,6
Asia			
Nikkei	9770	-0,2	15,5
China	3188	0,7	60,5

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Monday						
	Chile	Weekly Economic Indicators (CBCh)	Nov.			
	Brazil	Employment creation CAGED	Oct.	252617		
Tuesday						
	Chile	Quartely Economic Indicators (CBCh)	3Q09			
	Brazil	IGD-10 FGV Inflation (MoM)	Nov.	0,10%		
Wednesday						
	Colombia	Industrial Production	Sep.	-3,3%		-3,1%
	Colombia	Retail Sales	Sep.	-0,9%		-0,3%
Thursday						
	Brazil	Tax revenue	Oct.	51520M		
Friday						
	Argentina	Monthly Economic Activity Estimator	Sep.	0,1% yoy		0,2% yoy
	Argentina	Trade Balance	Oct.	Mu\$s 926		Mu\$s 1180
	Argentina	Advance Monthly Industrial Estimator	Oct.	0,1% yoy		1,2% yoy
	Colombia	Interest rate overnight	Nov.	4%		4%
	México	GDP	3Q09	-10.3	-6.7	-7.1

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	2Q09	1Q09	4Q08	3Q08	2Q08	yoy		(% active pop.)		yoy		yoy		yoy		mUSD	
Argentina	-0,8	2,0	4,1	6,9	0,0	6,5	Sep.	8,8	2 T 09	0,1	Sep.	15,1	Sep.	-34,0	Sep.	926,0	Sep.
Brazil	-1,2	-1,8	1,3	6,8	6,2	4,2	Oct.	7,7	Sep.	-7,8	Sep.	4,7	Aug.	-23,9	Oct.	1328,0	Oct.
Chile	-4,5	-2,3	0,2	4,6	0,0	-1,9	Oct.	10,2	Sep.	-5,2	Sep.	-2,2	Sep.	-3,2	Sep.	881,3	Oct.
Colombia	-0,5	-0,4	-1,1	2,8	3,9	2,7	Oct.	12,9	Sep.	-3,3	Aug.	-0,9	Aug.	-10,7	Sep.	179,2	Sep.
Mexico	-10,3	-8,0	-1,6	1,7	2,9	4,5	Oct.	6,4	Sep.	-5,7	Sep.	-5,5	Aug.	-17,3	Sep.	-1074,7	Sep.
Peru	-1,1	1,8	6,5	10,9	11,7	0,7	Oct.	7,8	Sep.	-9,8	Aug.	n.d.	n.d.	-12,5	Sep.	566,0	Sep.
Venezuela	-2,4	0,5	3,5	3,8	7,2	26,7	Oct.	8,4	Sep.	-12,4	Jun.	-12,0	Jun.	-53,6	Jun.	3212,0	Jun.

Sources: Bloomberg, Reuter, and BBVA staff estimates.