



Weekly Observatory

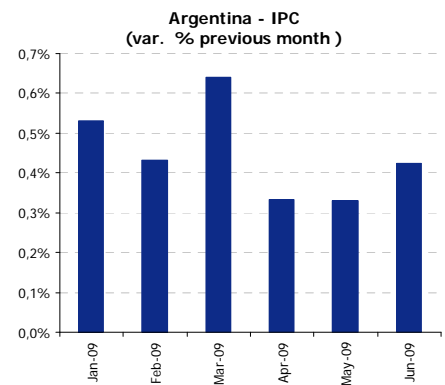
July, 17th, 2009

Weekly Highlights (13th – 17th July, 2009)

Monthly GDP data for the month of May in Peru matches our forecast (0.5% y/y) and suggests an incipient stabilization of activity. The same conclusion can be extracted from the latest information on industrial production in Colombia. Against these indicators, gross investment in Mexico registers the largest annual fall since 1995. Regarding international trade, we highlight the price effect that lies behind the sharp decrease in copper exports for Chile; and the Colombian trade surplus, mainly derived from a strong contraction in imports.

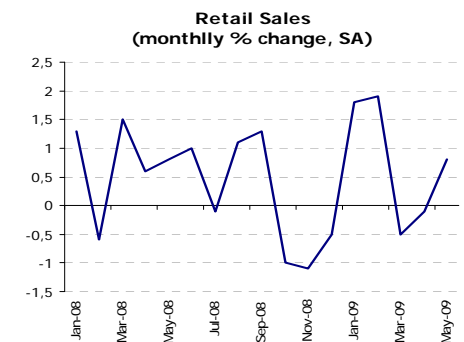
1. Argentina

- After the legislative elections, the ruling and opposition parties agreed to resume the parliamentary work in late July on the agenda items that had been long delayed like partnership in the tax rebate, the emergence of agriculture, the superpowers, and the Judicial Council.
- During June official inflation grew 0.4% compared to May and 5.3% y/y, accumulating 2.7% so far this year. The largest hike was registered in Clothing (1.3%) related with seasonally factors, while Foods and Beverages increased 0.2%, emphasizing the deflation in meat, bakery products, vegetables and not alcoholic beverages.



2. Brazil

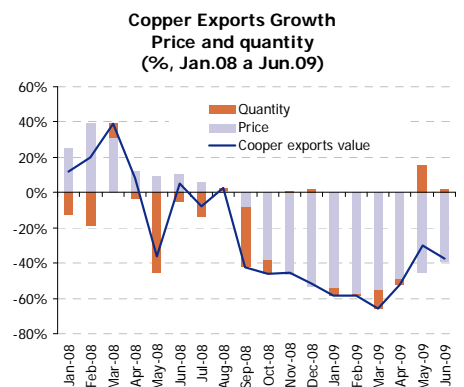
- In May, retail sales grew 0.8% q/q. The rise was slightly higher than the market expected and higher than the rate of the previous two months (-0.1% in April and -0.5% in March). Retail sales grew 4.0% y/y.
- With respect the markets behaviour, the real appreciated 3% this week and the IBOVESPA grew 4.6%. The Interest rate in futures markets adjusted downwards after comments from the Central Bank president in which he said the rates has not yet adapted to the new Brazilian reality



Source: IBGE

3. Chile

- Copper exports for Jun dropped 37% yoy. However, all this fall is explained by the behaviour of copper prices, which decreased 39% in the last 12 months. The copper export volume, on the other hand, augmented 2%. In the same month agricultural exports decreased 21% yoy, while industrial exports contracted 17%. With respect to imports, consumption and capital fell 35% yoy, while intermediate goods were 43% lower than a year ago.
- Chile became the first Latin-American country to sign a Free Trade Agreement with Turkey. The TLC, which has to be ratified by the Parliament, will eliminate 97% of the tariffs between these countries. The rest will be eliminated in 6 years.



Source: BCCh and BBVA

4. Colombia

- During May, trade surplus was USD 417 million, since the decrease in exports (19% yoy) was less than the decline of imports (27% yoy).
- According to ANDI and Fedesarrollo, in May the contraction of industrial production continued, but capacity utilization, orders, and inventories are near to reach bottom.
- Ecopetrol and EPM (Public Enterprises of Medellin) tapped international markets with 10 year bond issuances.
- Economic performance during the second quarter has been in line with ERD forecasts; GDP growth would be less than the observed for 1Q09 and the economy would recover on 2S09

5. Mexico

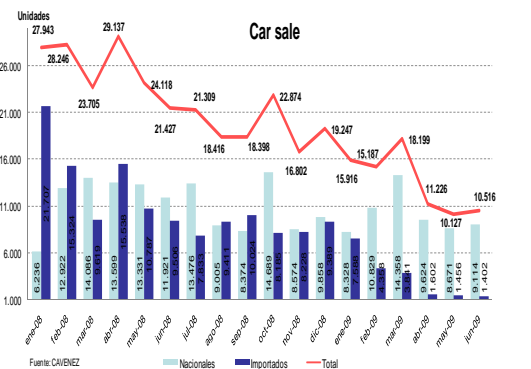
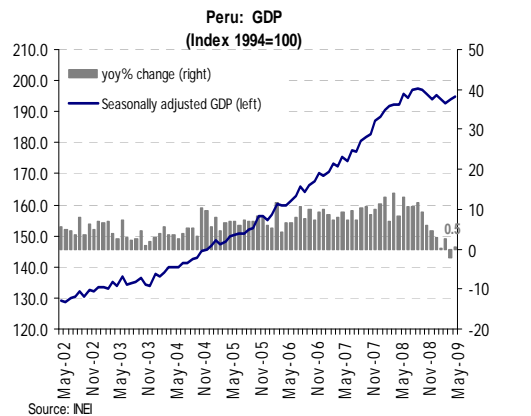
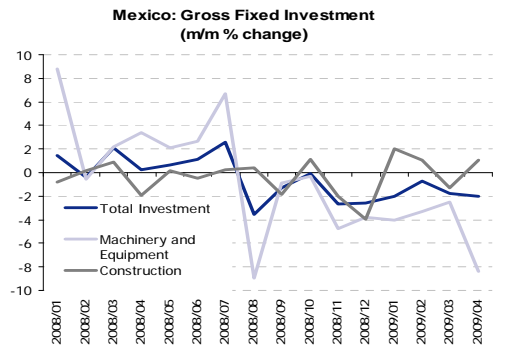
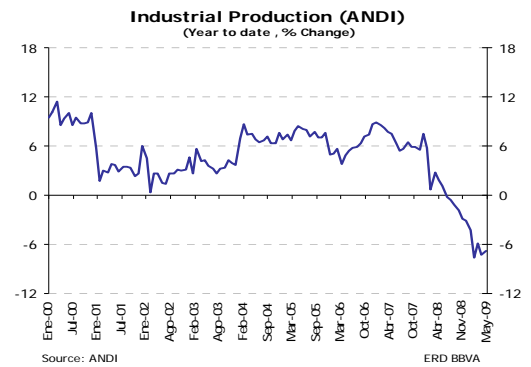
- In April Gross Fixed Investment suffered the highest fall since 1995 crisis (-17.8% y/y). Machinery & Equipment had the sharpest contraction (-30.2% y/y) due to lower investment in transport and metal-forming equipment. In seasonally adjusted data, the total investment has had a monthly drop since August 2008 (-2.0% m/m in April). However, construction investment grew 1.1% m/m in April, probably boosted by higher infrastructure expenditure. Next week inflation for the first half of July will be published in which its downward trajectory could be confirmed. Also, the trade balance for June will be released; we expect a surplus for the fourth month in a row due to lower domestic demand.

6. Peru

- In May, GDP grew 0.5% y/y. In seasonally adjusted terms, economic activity climbed 0.6% from the previous month (adjusted for working days). In both cases, seasonally adjusted and comparing with the same month a year earlier, economic activity is beginning to show signs of stabilizing, although in a weak manufacturing.
- During the week, Barclays Global Investors launched the first ETF (Exchange Traded Fund) of Peru listed in the New York Stock Exchange. This tool will replicate an index of the 25 most representative shares of the Peruvian stock market.
- Finally, in June credit of commercial banks expanded S/.341 million (in may S/.954 million). Credit flow in domestic currency was S/.146 million, the lowest observed so far this year, continuing the slowdown seen in previous months. In foreign currency the flow was positive for the second consecutive month (USD 64 million). In addition, delinquency rate increased from 1.58% in April to 1.62% in May

7. Venezuela

- The National Security Commission authorizes to exchange USD denominated PDVSA bonds and TICC in the stock exchange market. The resolution includes both the recent Petrobonos 2011, and the previous PDVSA USD 7.5 billion issued in 2007. By following this policy, local investors would avoid attending to bond swap market in order to purchase dollar within capital control regulations.
- Domestic car production falls. According to Venezuelan Chamber of Automotive Industry (Cavenez), total car national production decreased 39.3% in y/y basis in June. This figure confirms the relevant drop of new car sale, which fell in 1H-09 by 47.5% with respect to similar period of 2008.



The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Var. Bp	Forecast. Dec 2009
Argentina				
7 day Central Bank rate	10,50	0	175	---
Badlar rate	12,94	6,25	-325	17,00
Brazil				
Official Rate	9,25	0	-300	8,50
Andima 1 year bond	9,11	1	-541	---
Chile				
Official rate	0,50	0	-675	0,75
Swap CLP	0,63	6	-715	---
10 year rate	5,49	-8	-245	---
Colombia				
Official Rate (BR)	4,50	0	-525	5,00
DTF	5,19	-13	-406	---
TES jul-2020	9,02	-7	-388	---
Mexico				
Official Rate (fondeo)	4,75	0	-300	5,50
3 months rate	4,63	-21	-366	5,47
10 years rate	8,12	16	-92	6,90
Peru				
Official Rate	2,0	0,0	-400,0	
10 years*	6,0	-1,0	-175,0	
Venezuela				
Overnight-interbank (daily)	22,3	1741,6	998,0	5,0
CD 28d (official)	6,0	0,0	-800,0	6,0
DPF 90d	14,8	-29,0	-297,0	14,5

Foreign exchange market

Commodity prices and surpluses in trade balances supported the appreciation of some currencies, particularly the Colombian peso and Brazilian real.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2009
America				
Argentina (peso-dollar)	3,81	0,0	25,9	4,10
Brazil (Real-dollar)	1,93	-4,0	21,3	2,05
Colombia (Peso-dollar)	2019	-4,3	12,1	2342,70
Chile (Peso-dollar)	537	-2,3	8,3	560,00
Mexico (Peso-dollar)	13,58	-0,9	33,1	13,00
Peru (New sol-dollar)	3,01	-0,7	5,9	3,15
Venezuela (Bolívar-dollar)	2147	0,0	0,0	2150,00
dollar-Euro	1,41	1,0	-11,1	1,25

Emerging Spreads

Country risk fell among Latin American economies, with a sharp decrease in Argentine country risk (-62 bps).

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	414	-30	113
EMBI + Latin America	453	-31	135
Argentina	1079	-62	422
Brazil	263	-30	24
Colombia	295	-36	67
Chile*	167	1	-21
Mexico	224	-40	46
Peru	279	-22	73
Venezuela	1230	-6	605
EMBI+ Asia	332	-31	18
EMBI+ Europe	378	-28	116

Commodity Markets

Oil and metal prices increased this week following the recent optimism in equities markets as well as the dollar depreciation. Most agricultural commodities benefited from the upward movement displayed by other commodities prices, but soybean and corn prices dropped significantly as China announced the intention to sell part of its strategic reserves.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2009
Brent (\$/b)	63,3	4,6	-51,4	56,3
Gold (\$/onza)	937	2,6	-1,9	875,0
Copper (c/lb)	239	8,5	-36,6	165,0
Soy (c/bush)	374	-0,3	-29,0	370,0
Corn (c/bush)	113	-7,2	-49,2	350,0
Goldman-Sachs Index	422	4,1	-47,5	---
CRB Index	400	2,3	-29,9	---

Stock Markets

General increases in Latin American stock markets after announced higher profits for JP Morgan Chase and a fall in new unemployment inscriptions in the US.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	1626	10,0	-14,7
Brazil (Bovespa)	51918	5,5	-13,5
Colombia (General Index)	9786	1,6	11,2
Chile (IGPA)	15220	3,3	11,3
Mexico (IPC)	25736	8,8	-8,6
Peru (Lima General)	13071	3,8	-6,1
Venezuela (IBC)	45418	2,0	16,5
USA			
S&P 500	941	7,0	-25,4
Nasdaq 100	1885	7,3	-17,4
Europe			
Londres (FTSE)	4397	6,5	-18,2
EuroStoxx50	2166	7,4	-23,6
Ibex35	10119	8,3	-14,9
Estambul-100	38049	3,4	0,3
Asia			
Nikkei	9395	1,2	-26,6
China	3190	2,4	14,8

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Tuesday						
	Argentina	Current Account Balance	June	Mu\$s 2478		u\$s 1447 MM
Wednesday						
	Colombia	Construction licency	May	-29,40%		
	México	Ocupation and employment	June	5.31	5.71	5.6
Thursday						
	Chile	Weekly conjuncture index (BCCh)	July			
	México	Inflation	1QJul	0.13	0.22	0.22
	México	Commercial balance	June	680	258	950
	Venezuela	Credit and deposits	June	May: Credit 1,2%; Deposits 2,1%		
	Brasil	Unemployment rate	June	8, 80%		
	Brasil	Consumer confidence	July	106,4		
Friday						
	Argentina	Advance Monthly Industrial Estimator	June	-1,7% a/a		2,1% a/a
	Colombia	Interes rate (daily)	July	0,045	0,045	4,5%
	Brasil	IBGE IPC IPCA-15 (MoM)	July	0,38%		

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	1Q09	4Q08	3Q08	2Q08	1Q08	yoy		(% active pop.)		yoy		yoy		yoy		mUSD	
Argentina	2,0	4,1	6,9	7,8	0,0	5,5	May	8,4	1 T 09	-1,7	May	23,2	May	-18,0	May	2478,0	May
Brazil	-1,8	1,3	6,8	6,2	6,1	4,8	Jun	8,8	May	-11,3	May	6,9	Apr	-22,2	Jun	4625,0	Jun
Chile	-2,1	0,2	4,6	4,6	3,4	1,9	Jun	10,2	May	-10,5	May	-8,1	May	-30,0	Jun	1027,5	Jun
Colombia	-0,6	-1,0	3,3	3,7	4,2	3,8	Jun	12,4	May	-14,5	Apr	-7,1	Apr	-27,3	Apr	106,4	Apr
Mexico	-8,2	-1,6	1,7	2,9	2,6	5,7	Jun	5,3	May	-13,2	Apr	-5,8	Apr	-32,8	May	209,7	Apr
Peru	1,8	6,5	10,9	11,8	10,3	3,1	Jun	8,5	May	-13,6	Apr	n.d.	n.d.	-27,0	May	634,0	May
Venezuela	0,3	3,2	4,1	7,3	5,0	27,4	Jun	7,7	May	-0,9	Jan	23,6	Jan	-55,5	Mar	-1442,0	Mar

Sources: Bloomberg, Reuter, and BBVA staff estimates.