

Global Weekly Flash

Madrid, 20 September 2013
Economic Analysis

Financial Scenarios

Sonsoles Castillo
s.castillo@bbva.com
+34 91 374 44 32

Cristina Varela Donoso
cvarela@bbva.com
+34 91 537 78 25

Maria Martínez Álvarez
maria.martinez.alvarez@bbva.com
+34 91 537 66 83

Alejandro Neut
robertoalejandro.neut@bbva.com

Jaime Costero
jaime.costero@bbva.com
+34 91 537 76 80

Shushanik Papanyan
shushanik.papanyan@bbva.com
+ 00 1 832 291 7463

Indicators collaboration:

Europe
Agustín García
agustin.garcia@bbva.com
+34 91 374 79 38

US
Kim Fraser
kim.fraser@bbvacompass.com
+1 713 831 7345

Asia
George (Jing) Xu
george.xu@bbva.com.hk
+852 2582 3121

The Fed surprises financial markets

• This week, the FOMC took an unexpected dovish policy stance

- It announced that, for the time being, it would leave the \$85 billion per month asset purchase pace unchanged. According to the statement, “the Committee decided to await more evidence that [economic] progress will be sustained before adjusting the pace of its purchased securities.” The FOMC revised downwards its GDP forecasts for 2013 and 2014. Moreover, there is now one additional Committee member who expects the first hike in the federal fund rate no sooner than 2016. The questions on when and how QE3 should be scaled down remains unanswered. The Fed clearly remains data driven, and its policies contingent upon labor market conditions and inflation. If conditions improve in the next two months, the FOMC could announce its plan to scale down QE3 in December. However, if the recovery stalls, the FOMC could delay tapering to 2014. Recent economic data were mixed enough to weigh on the FOMC’s decision on one side or another. But increasing concerns about a potential agreement about the extension on the US debt ceiling, to avoid potential default, might have weighed on the FOMC’s decision. In our view, this decision may decrease credibility of future QE3 policy announcements, and might increase volatility in financial markets.

• The FOMC’s decision boosted the price of risky assets and gave EM a respite

- All equity indices increased by at least one percent. In sovereign debt markets, EM bonds were the best performers, followed by peripheral bonds. The rise reverted part of the accumulated losses registered by EM bonds since last May, when the Fed started signaling its intention to scale back its asset purchase program. 10Y local-currency yields declined across the board: 55bps in Turkey, 48bps in Brazil, 33bps in Thailand, 28bps in Singapore, 24bps in Peru, and 22bps in Mexico. Postponing the tapering might stabilize inflows back towards EM. Inflows toward peripheral countries also increased after the FOMC, yet markets have remained cautious about Portugal: its 10Y yield has barely retreated and remains above 7%. European core bonds improved slightly while the 10Y US yield fell 13bps, narrowing the spread between the 10Y US Treasury and the German Bund (to 80 bps from 92bps). In FX markets, the US dollar registered losses across the board but registered gains against the Japanese yen. EM currencies were among the best performers.

• In Germany, the outcome of Sunday's elections is uncertain

- If the re-election of the current CDU/CSU/FDP coalition was seen as the most probable scenario a few weeks ago, today a grand coalition between Merkel and the SPD is considered the most probable outcome. A grand coalition would not significantly alter Germany’s current policy towards Europe. The SPD has criticized Merkel for imposing too much austerity to the periphery but, apart from that, on the issues of banking and fiscal union, and on the availability of further funds for rescues, it has mostly followed Merkel’s line. However, once the elections are over, the two main parties will be under less pressure from the German electorate, facilitating further steps towards European integration.

- **This week's data were not crucial for the FOMC's decision**

- Industrial activity and business activity expectations improved in the US. August's industrial production and September's business outlook index released by the Fed of Philadelphia surprised to the upside. On the other hand, although the Empire State manufacturing fell in September, its level continues to indicate that activity keeps growing. Weekly jobless claims also brought positive news, after decreasing more than expected the week before. However, the housing sector brought mixed signals this week: existing home sales rose in August more than expected, but housing starts rose less than expected while building permits fell below market expectations.
- In the Eurozone, August's inflation fell slightly more than expected, due to the decrease in energy prices. We expect that headline inflation will hover around 1.3% YoY in coming months, remaining below ECB's target for 2014. Soft data in the euro area has kept improving in September. Germany's ZEW expectations index has grown more than expected this month, while the "current conditions" index has also improved sharply.

- **In Latin America, data confirmed a moderate economic slowdown, with some positive surprises from Colombia**

- Mexican 2Q13 GDP has revealed weaker-than-expected domestic demand: investment and private consumption fell sharply that quarter (-1.9% QoQ sa and -0.8% QoQ sa, respectively), while government consumption also inched lower (-0.1% QoQ sa). In contrast, exports increased (1.2% QoQ sa.). These data reinforces the downward bias to our present GDP forecast (1.4% growth in 2013). In Brazil, The IBC-Br (the BCB's economic activity indicator, a proxy for monthly GDP) suggests that the economy contracted less than expected in July. Nonetheless, given July's IBC-Br, we expect a sharp deceleration in 3Q13 (after a 1.5% QoQ expansion in 2Q13). In Peru, July's output figures have also confirmed a GDP slowdown: domestic demand continues to drive GDP growth, but at a slower pace than in previous months. Moreover, leading indicators suggest continuing moderation in private consumption. In this context, we do not discard additional monetary policy easing and fiscal countercyclical measures. In Colombia, 2Q13 GDP grew above BBVA and consensus expectations (4.2% YoY), accelerating its pace relative to 1Q13 and the second part of 2012. The biggest surprise was investment, as both residential and public investments managed to counter important negative base effects. Exports have also surprised to the upside, growing past the upper limit of the band expected by BanRep (2.5% - 4.0%). This outcome will refrain BanRep from cutting rates in the near future.
- Encouraging data are published in Japan. August's exports grew above consensus expectations, supported by a weaker yen and improving external demand. Moreover July's industrial activity also increased more than expected. This growth momentum has boosted the government's confidence to go ahead with the planned consumption tax hike in 2014, intended to reign in fiscal deficit and bring gross debt to more moderate levels. In China, despite the government's effort to curb housing prices, they continued to rise in August, with particularly sharp increases in major cities.

Next week: In the US, releases will include August's activity index (published by the Fed of Chicago), September's consumer confidence index, the revision of annualized GDP and September's University-of-Michigan confidence index. At least nine Fed members will deliver speeches and be attending conferences. In the euro zone, releases will include some PMI data, the German IFO survey of September and a revision to French GDP. In China, September's HSBC Flash PMI will be released.

Weekly Indicators

Week September, 16 - September, 20

CC	Indicator	Period	BBVA e	Cons. E	Prior	Obs. *	
United States	Industrial Production MoM	Aug		0.40%	0.00%	→	0.40%
	Consumer Price Index MoM	Aug		0.20%	0.20%	↓	0.10%
	Core CPI	Aug		0.20%	0.20%	↓	0.10%
	Housing Starts ('000)	Aug		920	896	↓	891
	Housing Starts MoM	Aug		2.70%	5.90%	↓	0.90%
	Building Permits ('000)	Aug		950	954	↓	918
	Building Permits MoM	Aug		-0.40%	3.90%	↓	-3.80%
	FOMC Rate Announcement	Sept		0.25%	0.25%	→	0.25%
	Initial Jobless Claims	14-Sep		330	292	↓	309
	Continuing Claims	7-Sep		2900	2871	↓	2787
	Existing Home Sales M	Aug		5.25	5.39	↑	5.48
	Existing Home Sales MoM	Aug		-2.60%	6.50%	↑	1.70%
	Philadelphia Fed Survey	Sept		10.5	9.3	↑	22.3
	Leading Indicators	Aug		0.60%	0.60%	↑	0.70%
Euro zone	CPI MoM	Aug	0.1%	0.10%	-0.50%	→	0.10%
	CPI YoY	Aug F	1.3%	1.30%	1.30%	→	1.30%
	Trade Balance SA (Billion)	Jul	13.4	15	14.9	↓	11.1
	Consumer Confidence	Sep A	-14.5	--	-15.6	↑	-14.9
Germany	ZEW Survey Current Situation	Sep	23.3	20	18.3	↓	30.6
	ZEW Survey Expectations	Sep	45.2	45	42	↑	49.6
Italy	Trade Balance Total (Million)	Jul	2858.67	--	2981		2115
	Industrial Orders MoM	Jul	-1.30%	--	3.20%		-0.70%
UK	Rightmove House Prices MoM	Sep	-1%	--	-1.80%		-1.50%
	CPI MoM	Aug	0.005	0.50%	0.00%	→	0.40%
	CPI YoY	Aug	0.027	2.70%	2.80%	→	2.70%
	Retail Sales Ex Auto MoM	Aug	0	0.00%	1.10%	↓	-1.00%
	Retail Sales Incl. Auto MoM	Aug	-0.005	0.40%	1.10%	↓	-0.90%
Japan	Trade Balance (Billion JPY)	Jul		-819.6	-944	↑	-791.4
China	Foreign Direct Investment YoY	Aug		12.5%	24.1%	→	0.6%
Peru	Unemployment Rate	Aug	--	6.15%	6.0%	↓	5.60%
	Economic Activity YoY	Jul	0.05	4.80%	4.4%	↓	4.50%
Mexico	Unemployment Rate	Aug	--	5.30%	5.12%	↓	5.17%
Colombia	GDP QoQ	2Q	1.6%	1.5%	0.3%	↑	1.80%
	GDP YoY	2Q	3.3%	3.5%	2.8%	↑	2.20%
Brazil	FGV Inflation IGP-10 MoM	Sep	--	0.91%	0.15%	↑	1.05%
	FIPE CPI - Weekly	2-Sep	--	0.24%	0.21%	↓	0.16%

* e. Forecast/ * Magenta- Below consensus forecast. Green-Above consensus forecast. Yellow- In line consensus forecast.
Source: Bloomberg and BBVA Research

Calendar: Indicators

Eurozone: Flash PMI Composite (August, September 23rd)

Forecast: 51.7	Consensus: 51.6	Previous: 51.5
----------------	-----------------	----------------

Comment: We expect the composite PMI to remain broadly stable in September, after the significant gains observed in previous months, remaining above the threshold of 50 points. In addition, this performance is expected to be widespread across sectors, with both manufacturing and services index in expansionary territory. The former should remain supported by robust foreign demand, but also by the relative dynamism of domestic demand that is also reflected in the recent improvements of the services index. Although we remain cautious in our assessment of the economic recovery and hard indicators have yet to prove the optimism signs from soft data, our models (including these figures) suggest that the economic recovery in 3Q13 should be on track at a steady pace (around 0.2% / 0.3% q/q).

Eurozone: Monetary aggregate M3 (August, September 27th)

Forecast: 2.2% y/y	Consensus: 2.3% y/y	Previous: 2.2% y/y
--------------------	---------------------	--------------------

Comment: We expect M3 growth to have remained unchanged in August, after the significant downward trend observed in previous months. This interruption is likely to be temporary due to the base effect stemming from the strong increase in M3 throughout 2012. More interestingly is the performance of M3 counterparts, especially credit to the private sector. Loans to households are expected to have remained relatively flat as observed since mid-2011, but those to firms are likely to have declined again at a similar pace than that observed during last year (around 1.0% q/q since end-2012). These figures will continue to increase the ECB's concerns on the financial system fragmentation, but also put some risks to the pace and sustainability to the eurozone economic recovery in coming quarters.

US: GDP, Final Estimate (August, September 26th)

Forecast: 2.6%	Consensus: 2.7%	Previous: 2.7%
----------------	-----------------	----------------

The final estimate for real GDP growth in 2Q13 is not expected to change much from the preliminary report. While we did see an unexpected upward revision from the first to second estimate (1.7% to 2.5%), it is unlikely that we will see a similar movement this month given that most of the relevant data have already been accounted for. Since the preliminary GDP figures were released, subsequent reports for a few major indicators noted upward revisions for June's data. Most notably, personal consumption expenditures were revised up from 0.5% to 0.6%, business inventory growth shifted from 0.0% to 0.1%, and construction spending improved from a 0.6% drop to a flat reading for the month. At the same time, the trade balance for June was slightly worse, revised from -\$34.2bn to -\$34.5bn. Still, we expect that the minor upward revisions to the data will offset the trade balance and provide a small boost to 2Q13 GDP growth.

US: Personal Income and Outlays (August, September 27th)

Forecast: 0.2%, 0.2%	Consensus: 0.4%, 0.3%	Previous: 0.1%, 0.1%
----------------------	-----------------------	----------------------

Personal income and spending are expected to improve in August after a somewhat disappointing report in July. Although both nominal income and spending did increase in July, real growth remained unchanged for the month, setting a discouraging tone for the start of 3Q13 GDP-related data. However, the latest data have been more promising, with an upward revision to retail sales figures for July and a healthy boost in average hourly earnings for August. Inflation has remained subdued throughout the past few months, so we expect that real income and spending growth will accelerate throughout the coming months. Back-to-school shopping followed by Halloween and holiday sprees should help boost consumer activity in the third and fourth quarters. Therefore, we maintain our expectations for stronger growth in the second half of the year.

Asia: Taiwan Export Orders (August, September 25th)

Forecast: 0.9% y/y	Consensus: 1.3% y/y	Previous: 0.5% y/y
--------------------	---------------------	--------------------

Taiwan's export orders are closely watched as a leading indicator of Asian export trends given the economy's position in the global supply chain. Export orders surprised to the upside in July, ending five straight months of year-over-year contraction. We expect export orders continue to improve in August at a gradual pace, on signs of a further strengthening of external demand, especially in developed markets in the US and Europe. This trend would also be consistent with recent improvements in exports from China, Korea, and Japan.

Markets Data

			Close	Weekly change	Monthly change	Annual change
Interest rates (changes in bps)	US	3-month Libor rate	0.25	0	-1	-12
		2-yr yield	0.33	-10	-4	7
		10-yr yield	2.73	-15	-16	98
	EMU	3-month Euribor rate	0.22	0	0	-1
		2-yr yield	0.21	-1	-4	18
		10-yr yield	1.94	-3	7	35
Exchange rates (changes in %)	Europe	Dollar-Euro	1.352	1.7	1.3	4.2
		Pound-Euro	0.84	0.8	-1.0	5.6
		Swiss Franc-Euro	1.23	-0.4	-0.1	1.6
		Argentina (peso-dollar)	5.76	0.5	2.8	22.9
	America	Brazil (real-dollar)	2.20	-3.4	-10.3	8.9
		Colombia (peso-dollar)	1888	-1.8	-2.0	5.0
		Chile (peso-dollar)	496	-1.9	-3.7	4.8
		Mexico (peso-dollar)	12.76	-2.1	-3.7	-0.7
		Peru (Nuevo sol-dollar)	2.74	-1.3	-2.8	5.3
	Asia	Japan (Yen-Dollar)	99.44	0.1	1.8	27.2
		Korea (KRW-Dollar)	1075.34	-1.1	-3.8	-3.9
		Australia (AUD-Dollar)	0.940	1.7	4.8	-10.1
Comm. (chg %)		Brent oil (\$/b)	108.9	-3.5	-0.9	-2.3
		Gold (\$/ounce)	1331.5	0.4	-2.6	-24.9
		Base metals	521.6	0.4	-0.9	-0.4
Stock markets (changes in %)	Euro	Ibex 35	9172	2.6	8.4	11.4
		EuroStoxx 50	2927	2.1	5.5	13.6
	America	USA (S&P 500)	1715	1.6	4.4	17.4
		Argentina (Merval)	4808	7.0	24.8	89.9
		Brazil (Bovespa)	54284	0.9	7.7	-11.5
		Colombia (IGBC)	14118	0.7	3.0	-1.4
		Chile (IGPA)	18810	0.7	4.5	-8.5
		Mexico (CPI)	41479	0.9	0.1	2.8
		Peru (General Lima)	16244	-1.2	-2.2	-25.8
		Venezuela (IBC)	1659669	9.0	28.3	443.3
	Asia	Nikkei225	14742	2.3	9.8	61.8
		HSI	23503	2.6	7.7	13.3
Credit (changes in bps)	Ind.	Itraxx Main	89	-9	-17	-38
		Itraxx Xover	364	-27	-69	-156
	Sovereign risk	CDS Germany	25	-1	-3	-22
		CDS Portugal	520	-37	62	37
		CDS Spain	226	-12	-5	-143
		CDS USA	22	0	0	---
		CDS Emerging	272	-33	-69	59
		CDS Argentina	2468	-201	23	1544
		CDS Brazil	150	-25	-70	45
		CDS Colombia	108	-13	-39	12
		CDS Chile	84	-8	-21	8
		CDS Mexico	98	-16	-40	5
		CDS Peru	123	-13	-39	21

Source: Bloomberg and Datastream

Weekly Publications

Country	Date	Description
EMU	09/19/2013	➤ Economic Watch Portugal: "Economic activity should stabilize in 3Q13" The unexpected upturn in activity in 2Q13 was due to a temporary rebound in domestic demand. (Spanish version) (Portuguese version)
	09/16/2013	➤ Europe Flash: Inflation down in August due to energy and fresh food prices, with core inflation unchanged The inflation pace should remain below the ECB's target in 2H13 and 2014.
Spain	09/19/2013	➤ Spain Economic Watch: "3Q13: entering the recovery phase of the business cycle" 3Q13 data suggest that the Spanish economy is on the verge of growth. (Spanish version)
	09/18/2013	➤ Presentación "Situación Murcia. Septiembre 2013" Murcia tocará fondo en 2013 y volverá a crecer en 2014, gracias a una demanda externa sólida y a un menor esfuerzo fiscal.
	09/18/2013	➤ Situación Murcia. Septiembre 2013 Murcia tocará fondo en 2013 y volverá a crecer en 2014, gracias a una demanda externa sólida y a un menor esfuerzo fiscal.
	09/17/2013	➤ Flash España: El déficit público se eleva hasta el 5% en julio 2013 El déficit público acumulado hasta julio de 2013 se habría situado por encima del 5% del PIB, en torno a 1,3 puntos porcentuales más que en el mes anterior.
US	09/18/2013	➤ Fed Watch. FOMC Statement: September 17-18th QE3 Remains Unchanged with No "Preset Course".
	09/16/2013	➤ U.S. Fed Flash. Expect Fed to Announce Start to Taper on September 18th Fed to announce modification to Treasury purchases. Delay of a tapering announcement will put upward pressure on long-term interest rates.
	09/16/2013	➤ U.S. Monthly Outlook Slides September 2013
	09/16/2013	➤ U.S. Weekly Flash. Retail Sales Increase in August at Slowest Monthly Pace Since April The consumer showed some signs of slowing in August, with retail sales up only 0.2% for the month. (Spanish version)
Latam	09/19/2013	➤ Latam Daily Flash: Today eyes will be on 2Q13 GDP details for Mexico and Colombia
	09/18/2013	➤ Latam Daily Flash: A quiet day in Latam
	09/17/2013	➤ Latam Daily Flash: In Peru GDP grew moderately in July, while in Colombia the President expressed optimism about 2Q growth
	09/16/2013	➤ Latam Daily Flash: In Brazil, July's IBC supports the view that GDP will decelerate sharply in 3Q13 after the positive surprise in the second quarter In Colombia, monetary policy minutes revealed the concerns of the minority of board members that voted for a rate cut at the latest meeting.
Colombia	09/19/2013	➤ Flash Colombia. PIB sorprende al alza en 2T13 creciendo 4,2% a/a con una recuperación homogénea de la actividad La expansión fue superior a la observada en 1T13 y el 2S12, sugiriendo una dinámica de recuperación más favorable. El crecimiento reduce la probabilidad de un recorte de tasas por parte del BanRep.
	09/17/2013	➤ 4x1.000, bancos e informalidad La decisión de aplazar el inicio del desmonte del gravamen a los movimientos financieros (GMF o coloquialmente cuatro por mil) no es una buena noticia.
Peru	09/16/2013	➤ Flash Perú. PIB mantuvo expansión moderada en julio La actividad económica creció 4,5 % a/a de julio, algo por debajo de lo esperado (BBVA y Consenso: 4,8%).
Mexico	09/19/2013	➤ Flash PIB México. El consumo privado y la inversión son los componentes del PIB que más se desaceleraron en el 2T13 Para el segundo trimestre del año destacaron las caídas de la formación bruta de capital fijo y del consumo privado, con respecto al trimestre previo.

Emerging Economies

- 09/18/2013 ➤ **Country Risk Quarterly Report Q3-13 español**
La mayor volatilidad que surgió tras las especulaciones sobre la disminución gradual del QE en mayo y junio ha disminuido, pero no ha desaparecido totalmente.
- 09/18/2013 ➤ **Country Risk Quarterly Report Third Quarter 2013**
The higher volatility that started after the QE tapering speculation in May and June has moderated but not vanished after a couple of months.

Asia

- 09/19/2013 ➤ **Asia Flash | 19 Sep 2013: India gets a respite ahead of Friday's monetary policy decision; Japan exports rise as expected, as government prepares for tax hike; China housing prices continue to climb**
In line with the reaction in other global emerging markets, the Fed's unexpected decision to delay QE tapering led to a sharp rebound in Asia today.
- 09/17/2013 ➤ **Asia Flash | 17 Sep 2013: China August FDI inflows disappoint, but remain robust for the year; RBA September policy minutes seen as more dovish**
China August FDI inflows disappoint, but remain robust for the year; RBA September policy minutes seen as more dovish.
- 09/16/2013 ➤ **India Flash: Pickup in August WPI inflation limits RBI's room for maneuver**
India's wholesale price inflation rose by more than expected in August, to 6.1% y/y (BBVA: 5.6%; consensus: 5.7%; prior 5.8%), its highest level in 6 months.
- 09/16/2013 ➤ **Japan Economic Watch: Will Japan succeed in its bold push for growth?**
"Abenomics" seeks to end deflation and revive the economy; The strategy appears to be working so far; Important challenges and risks remain.

Publications on September 20, 2013 to 12:49, Madrid time

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 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 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 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.