

# Global Weekly Flash

Madrid, 21 June 2013  
Economic Analysis

Financial Scenarios

**Cristina Varela Donoso**  
cvarela@bbva.com  
+34 91 537 7825

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

**Alejandro Neut**  
robertoalejandro.neut@bbva.com

**Ignacio Santiago Llorente**  
i.santiago.llorente@bbva.com  
+34 91 537 76 80

US

**Shushanik Papanyan**  
shushanik.papanyan@bbvacompass.com

Regulation & Public Policies

**Tatiana Alonso**  
tatiana.alonso@bbva.com  
+34 91 374 61 67

Indicators collaboration:

Europe  
**Sonia López Senra**  
sonia.lopez.senra@bbva.com  
+34 620 900 333

US

**Alejandro Vargas**  
alejandro.vargas@bbvacompass.com  
+1 713 831 7348

Asia

**Fielding Chen**  
fielding.chen@bbva.com.hk  
+852 2582 3297

## Markets adjust aggressively to the Fed's timeline for tapering

- **The FOMC meeting has reaffirmed our view that the Fed will take a slow and steady approach when withdrawing its stimulus**

After this week's FOMC meeting and Bernanke's press conference, we remain convinced that the Fed will take a slow and steady approach to backing down from their highly accommodative monetary policy stance. We continue to expect that the FOMC will begin to dial down asset purchases in late 3Q13, ultimately concluding the program in 1H14, when the unemployment rate is expected to be 7%. While this is a more certain timeline for QE3 compared to prior statement information, the Fed's actions are clearly data-driven. Therefore, the adjustment to QE3, whether it be dialing up or dialing down asset purchases, is subject to change if upcoming economic reports veer off course. The official statement was in line with our expectations for maintaining the current pace of \$85bn per month in asset purchases. While the statement did not reflect any immediate changes to the QE3 timeline, Bernanke's comments hinted at a definitive timeline for tapering, more details on policy normalization, and added caution for the timing of the first Fed funds rate hike. Bernanke gave away details on dialing down and the eventual end to QE3, closing the door on any expectations for no tapering until 2014. However he also tried to clarify the length of the tapering process, suggesting a more extensive undertaking. "Would continue to reduce the pace of purchases in measured steps through the first half of next year, ending purchases around midyear." On the other hand, there was no indication from the meeting statement or press conference of a change to the timing of the first expected fed funds rate hike. While the committee did confirm their 6.5% unemployment and 2.5% inflation thresholds, Bernanke left the door open for possible further review. Regarding the economic projections, GDP expectations were revised down slightly for 2013 and 2015 but upwards for 2014. This is reflected in the core inflation forecasts as well, which were revised down drastically for 2013 to 1.2-1.3% from 1.5-1.6%.

- **As markets have started pricing-in the Fed's tapering as early as 3q13, assets have registered further sell-offs across regions and geographies**

Fed fund futures have brought forward the first hike in Fed rates (to March 2015). As a result, the US dollar has appreciated. Safe-haven and core assets have been punished, although asset classes in emerging markets have been the hardest hit. Several sovereign bond auctions in emerging markets have been canceled as borrowing costs have surged. The Spanish and French debt auctions have both topped their issuance target, yet have faced lower demand and higher yields than in previous auctions. Equity indices have tumbled too, implied volatility has surged and both emerging and European markets have plummeted. Implied equity-market volatility has escalated (to 20.8 vegas, the highest increase since the end of last year). In currency markets, the US dollar has strengthened against all currencies, while EM market currencies have been punished the most (especially Latin American currencies). Moreover, commodity prices have plunged. Both industrial commodities and precious metal prices have also fallen.

- A second factor behind the rise in market volatility, especially in emerging markets, has been China's liquidity squeeze. Such squeeze may be the Chinese authorities' way to lower bank lending and thus reduce shadow banking and other financial fragilities. Yet we expect these tight-liquidity conditions to be short-lived, as they threaten China's compromised growth momentum.
- **Eurogroup has reached its first agreement on direct bank recapitalization**
  - Yesterday, the Eurogroup reached a first agreement on the details about the direct recapitalization of ailing banks via the European Stability Mechanism (ESM). A €60bn cap has been imposed over the ESM recapitalization ability -- although this cap can be increased at the discretion of the ESM Board under exceptional circumstances. The relatively-low cap could limit ESM's effectiveness in breaking the vicious cycle between sovereign and bank risks, especially during the transition to the Single Resolution Mechanism.
- **Eurozone's PMIs have signaled improvement, while China's PMI has renewed concerns about slowing growth.**
  - In Asia, China's private sector HSBC flash PMI has fallen more than expected, reaching its lowest level since October. Production, new orders, and exports orders have all fallen. This outturn has reinforced expectations of slowing growth amidst a squeeze of domestic liquidity designed to slow credit growth and discourage banks from engaging in risky lending. The HSBC PMI, which covers a smaller sample size of primarily export-oriented firms, has been running below the official PMI (to be released in July 1st) outturns for the past two months. Meanwhile, rising housing prices in China may constrain the scope of future monetary easings. Property prices have risen in sixty-nine out of the seventy cities included in the monthly NBS housing price survey. In the external accounts, FDI growth moderated but remained positive in May (+0.3% YoY): the fourth straight month of positive year-over-year gains. In Japan, exports exceeded expectations as they increased in May more than in any other month since 2010.
  - In the US, macro indicators have been mixed. the Philadelphia Fed survey has beaten forecasts and the Empire State index has improved, despite some of its main subcomponents' continuing to fall (e.g., employment and new orders). In the housing market, building permits have decreased while housing starts have dropped, yet existing home sales rose in May to Nov-09 levels. In the labor market, jobless claims have increased more than expected while leading indicators have risen less than expected.
  - In the euro zone, the flash PMI has improved for the third month in a row (above expectations). By country, Germany's and France's PMIs have continued to recover. This is further indication of economic improvement, as the flash PMI is now closer to levels associated to economic growth in the euro zone (above 50 points). Contrary to what was observed in May, improvement has been mainly due to the services sector, yet the manufacturing sector has also improved. This information reinforces our forecast of marginal growth for the second quarter of 2013. Eurozone trade figures have been all well received, despite a fall in the region's trade surplus. Exports contracted slightly in April -- yet remained above those seen in 1Q13 --, while imports inched up after two months of contraction. In Germany, the ZEW indicator of economic sentiment has also improved slightly.

- In Latam, economic activity in both Peru and Brazil increased strongly in April. However, preliminary data suggests that growth in Brazil may have moderated in May. In Mexico, 1q13 GDP breakdown has confirmed that foreign demand is weak and domestic demand is slowing down. In Colombia, GDP grew 2.8% YoY in the first quarter, driven by construction and public spending --. This was below the expansion observed in 2H12 (3.0%).

**Next week:** the European heads of state will hold a Summit on June 27-28. They will focus on the conclusion of this year's European Semester, on the evaluation of efforts to boost competitiveness, jobs and growth, and on the progress toward the banking union. In the US, releases will include May's durable goods, personal income and spending and housing indicators. In the euro zone, releases will include May's credit, deposits and money supply and June's economic and consumer confidence indicators.

## Weekly Indicators

Week June, 17 - June, 21

CC	Indicator	Period	Cons. E	Prior		Obs. *
United States	Empire State Manufacturing index	Jun	0.00	-1.43	↑	7.84
	Jobless claims(th)	14-Jun	340	336	↓	354
	Consumer Price Index (MoM)	May	0.2%	-0.4%	↓	0.1%
	Housing Starts (th)	May	952.00	856.00	↓	914.00
	Building Permits (th)	May	975.00	1,005.00	↓	914.00
	Existing home sales(million)	May	5.00	4.97	↑	5.18
	Philadelphia Fed survey	Jun	-1.00	-5.20	↑	12.50
	Leading indicators	May	0.2%	0.8%	↓	0.1%
Euro zone	Trade Balance sa (eur bn)	Apr	--	18.10		16.10
	ZEW Survey (Econ. Sentiment)	Jun	--	27.6		30.6
	Construction Output SA MoM	Apr	--	-1.8%		2.0%
	PMI Composite	Jun A	48.10	47.70	↑	48.9
	PMI Manufacturing	Jun A	48.60	48.30	↑	48.7
	PMI Services	Jun A	47.50	47.20	↑	48.6
	Consumer Confidence	Jun A	-21.50	-21.90	↑	-18.8%
	ECB Current Account SA (eur bn)	Apr	--	25.90		19.50
Germany	Current Account nsa (eur bn)	Apr	--	24.90		15.30
	Zew Survey (Current Situation)	Jun	9.50	8.90	↓	8.60
	ZEW Survey (Econ. Sentiment)	Jun	38.10	36.40	↑	38.50
	Producer Prices (MoM)	May	-0.1%	-0.2%	↓	-0.3%
	PMI Manufacturing	Jun A	49.90	49.40	↓	48.70
Spain	PMI Services	Jun A	50.00	49.70	↑	51.30
	Trade balance (Million eur)	Apr	--	634.00		-1642
China	HSBC Manufacturing PMI	Jun	49.1%	49.20	↓	48.30
	Actual FDI (YoY)	May	--	0.4%		0.3%
Japan	Industrial production (MoM)	Apr	--	1.7%		0.9%
	Trade Exports (YoY)	May	6.4%	3.8%	↑	10.1%
	Trade balance(Yen bn)	May	-1,220.00	-881.90	↑	-993.90
Mexico	Retail Sales (INEGI)	Apr	1.40%	-2.40%	↑	2.5%
	Aggregate supply & Demand	1Q13	1.00%	3.60%	→	1.0%
Colombia	Trade Balance (Million US dollar)	Apr	129.00	285.70	↓	36.80
	GDP (YoY)	1Q	2.70%	3.10%	↑	2.8%
Brazil	Unemployment Rate	May	5.80%	5.80%	→	5.8%

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

## Calendar: Indicators

### Eurozone: M3 (May, June 27<sup>th</sup>)

Forecast: 2.7% y/y	Consensus: 2.8% y/y	Previous: 3.2% y/y
--------------------	---------------------	--------------------

We expect M3 to have lost momentum again in May to 2.7% y/y, after the slight rebound registered in April, which interrupted the downward trend recorded in the last semester. Last-month data upturn was due to the increase in M1 based on increasing deposits from both households and companies, whereas credit to the private sector remained subdued. On the counterparts, credit to companies shrank in April by -0.4% m/m (-3.0% y/y), with a milder drop than in 1Q; while credit to households remained stagnated (0.0% m/m, 0.4% y/y), supported by mortgages. Looking ahead, credit would remain subdued in the coming quarter, though credit conditions could ease.

### Eurozone: Economic Sentiment Indicator (June, June 27<sup>th</sup>)

Forecast: 90.3	Consensus: 90.4	Previous: 89.4
----------------	-----------------	----------------

Economic confidence in the Eurozone is expected to have increased again in June, after slightly recovering in May from the -1.5 points drop registered in April. The flash consumer confidence indicator, released on Thursday 21st, has considerably improved in June, surprising on the upside, and continuing the upwards trend of the previous six months. By components, we expect confidence in both industry and services sectors to rise, as Flash PMIs have already signaled. All in all, though the sharp drop of the ESI in April has taken the average level of the 2Q below that of 1Q, the current increasing confidence points to a stabilization in the economic downturn, though all of them remain far below its respective long-term average. By countries, economic confidence is expected to improve generally across the entire euro zone, though the periphery would still show a weaker performance.

### US: GDP (1Q13 Final, June 26<sup>th</sup>)

Forecast: 2.4%	Consensus: 2.4%	Previous: 2.4%
----------------	-----------------	----------------

Since the preliminary 1Q13 GDP report released in May, there have been no new releases that would affect the overall figure although revisions do have some potential to shift the reading slightly. Released a week after the preliminary figure in May, the international trade deficit was revised down slightly as better exports and lower imports signaled a slight improvement in global trends. However, while the revision was in favor of a better GDP figure, the -\$1.7B shift is unlikely to be enough to nudge GDP upward on its own. Construction spending for March was also revised slightly, reflecting a smaller decline than originally predicted. On the other hand, both business inventories and personal consumption expenditures were revised down in March, offsetting any significant potential for the final 1Q13 GDP estimate. Thus, we expect the figure to remain at 2.4% as government policies put a drag on an otherwise moderate recovery from the consumer sector.

### US: Personal Income and Outlays (May, June 27<sup>th</sup>)

Forecast: 0.1%, 0.4%	Consensus: 0.2%, 0.3%	Previous: 0.0%, -0.2%
----------------------	-----------------------	-----------------------

Personal income is expected to rise slightly in May as the latest employment report showed a marked increase in the number of those employed and hours worked, although only a minor increase in average hourly earnings. In terms of consumer spending the most recent indicators are pointing toward a moderate rise in consumption as consumer activity has picked up momentum into the summer months. Retail sales for May rose, at the headline level, by 0.6% and 0.3% at the core which points toward some strong activity in terms of where consumers may be directing their savings. After a decline in April, auto sales for both light autos and trucks have shown signs of returning to their strong levels seen in prior months. Retail activity and strong sales in high value items continues to point toward a strong consumer spending figure. Furthermore, the price index for PCE will also be pivotal to watch for, and with energy prices remaining stable or flat and shelter prices pushing up the core rate, we expect a slight upward reversal which should help bolster the Fed's policy action and reduce the worries that have arisen with regard to deflation.

### Japan: IP (May, Jun 28<sup>th</sup>)

Forecast: 0.5% m/m sa	Consensus: 0.2% m/m sa	Previous: 0.9% m/m sa
-----------------------	------------------------	-----------------------

Along with retail sales, PMI, employment and inflation all due out on June 28, industrial production will be closely watched for further signs of an economic pickup under the "3-arrow" policy strategy of the Abe administration. Although markets have been disappointed by recent announcements of the structural reform agenda, recent data have shown encouraging signs that Japan's economy is gaining momentum, which we expect to have continued in May. We expect industrial production growth to remain robust under the positive influences of the ongoing fiscal and monetary stimulus. After the July upper house elections, markets will be looking for further measures on the structural reform front, which are needed to sustain the positive momentum.

## Markets Data

			Close	Weekly change	Monthly change	Annual change
<b>Interest rates</b> (changes in bps)	<b>US</b>	3-month Libor rate	0.27	0	0	-19
		2-yr yield	0.36	9	11	5
		10-yr yield	2.49	36	45	82
	<b>EMU</b>	3-month Euribor rate	0.22	1	2	-44
		2-yr yield	0.27	14	27	13
		10-yr yield	1.73	22	30	15
<b>Exchange rates</b> (changes in %)	<b>Europe</b>	Dollar-Euro	1.312	-1.7	2.0	4.4
		Pound-Euro	0.85	0.4	-0.1	5.8
		Swiss Franc-Euro	1.23	-0.2	-2.5	2.1
	<b>America</b>	Argentina (peso-dollar)	5.34	0.3	1.7	18.5
		Brazil (real-dollar)	2.27	5.4	10.7	9.8
		Colombia (peso-dollar)	1945	3.4	4.8	8.6
		Chile (peso-dollar)	515	4.6	5.5	2.4
		Mexico (peso-dollar)	13.43	5.6	8.1	-3.1
		Peru (Nuevo sol-dollar)	2.79	2.3	4.4	5.1
		<b>Asia</b>	Japan (Yen-Dollar)	97.51	3.4	-5.5
	Korea (KRW-Dollar)		1154.15	2.5	3.6	-0.3
	Australia (AUD-Dollar)		0.920	-3.9	-5.2	-8.6
	<b>Comm.</b> (chg %)	Brent oil (\$/b)	100.3	-5.3	-2.2	10.3
		Gold (\$/ounce)	1293.4	-7.0	-5.6	-17.7
		Base metals	519.0	-1.5	-1.3	2.0
<b>Stock markets</b> (changes in %)	<b>Euro</b>	Ibex 35	7718	-4.4	-8.8	12.2
		EuroStoxx 50	2552	-4.3	-10.0	16.7
	<b>America</b>	USA (S&P 500)	1582	-2.8	-4.5	18.5
		Argentina (Merval)	3071	-4.0	-13.4	31.1
		Brazil (Bovespa)	47237	-4.2	-16.3	-14.8
		Colombia (IGBC)	12910	-1.8	-3.1	-3.9
		Chile (IGPA)	19114	-3.6	-8.9	-8.6
		Mexico (CPI)	37339	-4.9	-6.9	-4.4
		Peru (General Lima)	15711	-4.4	-6.1	-23.4
	Venezuela (IBC)	967445	10.1	24.1	284.5	
	<b>Asia</b>	Nikkei225	13230	4.3	-15.3	50.4
		HSI	20263	-3.4	-12.9	6.7
<b>Credit</b> (changes in bps)	<b>Ind.</b>	Itraxx Main	120	10	33	-50
		Itraxx Xover	488	36	122	-192
	<b>Sovereign risk</b>	CDS Germany	31	3	2	-68
		CDS Portugal	403	32	129	-416
		CDS Spain	283	31	81	-281
		CDS USA	28	1	-1	---
		CDS Emerging	372	75	123	81
		CDS Argentina	3551	-96	650	2253
		CDS Brazil	205	54	75	53
		CDS Colombia	167	46	79	26
		CDS Chile	112	24	42	-5
		CDS Mexico	157	42	71	16
CDS Peru	167	42	68	11		

Source: Bloomberg and Datastream

## Weekly Publications

Country	Date	Description
Global	06/21/2013	➤ <b>Situación y perspectivas de la economía mundial y de España</b> El crecimiento global se mantiene robusto, aunque se incrementa la dispersión entre áreas geográficas, especialmente en los países desarrollados.
	06/16/2013	➤ <b>Son las expectativas</b> Llega el verano y vuelve el nerviosismo a los mercados.
EMU	06/20/2013	➤ <b>Flash Europa: El indicador PMI da nuevas señales de mejora en la zona euro</b> Los PMIs de Alemania y Francia continúan su recuperación
	06/20/2013	➤ <b>Europe Flash: PMIs give new signs of improvement in the eurozone</b> Germany and France PMIs continue their recovery
Spain	06/20/2013	➤ <b>Presentació "Situació Catalunya. Juny 2013"</b> L'economia catalana tornarà a créixer al 2014. Els indicadors confirmen al sector exterior com a clau, mentre s'ajusten els desequilibris interns
	06/20/2013	➤ <b>Situació Catalunya. Primer semestre 2013</b> L'economia catalana tornarà a créixer al 2014. Els indicadors confirmen al sector exterior com a clau, mentre s'ajusten els desequilibris interns
	06/19/2013	➤ <b>Flash España: Balanza comercial de abril 2013</b> El déficit de la balanza comercial acumulado a 12 meses de abril ascendió a 22,4 mil millones de euros, reduciéndose respecto al acumulado del mes anterior.
	06/18/2013	➤ <b>Flash España: Aumento del déficit público de abril atribuible a la Administración central</b> El déficit público acumulado hasta abril de 2013 se habría situado en torno al 2,2% del PIB, 0,8 puntos porcentuales más que en el mes anterior.
US	06/19/2013	➤ <b>Fed Watch. Declaración del FOMC: 18-19 de junio</b> Expectativas más definitivas para el futuro del QE3
	06/19/2013	➤ <b>Fed Watch. FOMC Statement: June 18-19th</b> More Definitive Expectations for the Future of QE3
	06/18/2013	➤ <b>U.S. Housing Flash. Housing Starts Rise on Continued Strength in Multi-family Units</b> Housing starts rose 6.8% in May, less than expected but still positive after April's drop. Building permits fell by 3% but remain moderately strong
	06/18/2013	➤ <b>U.S. Inflation Flash. Headline Inflation Rises Moderately on Utilities Prices</b> Headline inflation rose by 0.1% in May as utilities prices increased. Motor fuel prices remained flat for the first time in 7 months
	06/17/2013	➤ <b>Flash Semanal EEUU. Las ventas minoristas suben con mayor rapidez de lo previsto debido a la demanda de automóviles y de materiales de construcción</b> El informe sobre ventas minoristas de mayo apuntaba a una situación mucho más positiva de lo previsto para los consumidores
	06/17/2013	➤ <b>U.S. Weekly Flash. Retail Sales Rise Faster than Expected on Auto Demand and Building Materials</b> The retail sales report for May pointed toward a much more positive situation than expected for the consumer
	Latam	06/21/2013
06/20/2013		➤ <b>Latam Daily Flash: Foreign demand weakens and domestic demand moderates in Mexico</b>
06/19/2013		➤ <b>Latam Daily Flash: Imports underpins private consumption and non-residential investment in Colombia</b> A quiet day yesterday, with just import growth in Colombia hinting at a recovery of consumption and investment in 2Q13.
06/18/2013		➤ <b>Latam Daily Flash: Consumer confidence declined slightly, but remained in the optimistic range in Chile and Colombia</b>

06/17/2013 ➤ **Latam Daily Flash: Economic activity in both Peru and Brazil increased strongly in April**  
On Friday we learned that economic activity in both Peru and Brazil increased strongly in April.

## Brazil

06/17/2013 ➤ **Brazil Flash: Government takes steps toward the normalization of economic policies**  
Some factors have been triggering some normalization of economic policies in Brazil.

06/17/2013 ➤ **Flash Brasil: El gobierno da pasos hacia la normalización de la política económica**  
Varios factores han apoyado una cierta normalización de las políticas económicas en Brasil.

## Colombia

06/20/2013 ➤ **Flash Colombia. PIB del 1T13 creció 2,8% anual impulsado por construcción y gasto público, en línea con estimación de 4,1% para 2013.**  
En la primera mitad del año el crecimiento del PIB será débil, de cerca de 3,0% anual, y se acelerará entre julio y diciembre hasta un 5,4% anual. Año 2013 debería tener una expansión cercana a 4,1%.

## Mexico

06/20/2013 ➤ **Flash Bancario México. Consejo de Estabilidad del Sistema Financiero: los mercados financieros nacionales se ajustan de manera ordenada a un entorno de mayor volatilidad internacional originado po...**  
Sólidos fundamentos de economía mexicana han permitido que los mercados financieros nacionales se ajusten de manera ordenada a un entorno de mayor volatilidad en mercados financieros internacionales

## EAGLEs

06/21/2013 ➤ **Economic Watch: Asia-driven South-South trade intensifies specialization patterns in the rest of emerging regions (Chinese version)**

## Emerging Economies

06/18/2013 ➤ **Informe trimestral de Riesgo País. Junio 2013**

## Asia

06/20/2013 ➤ **Asia Flash | 20 Jun 2013: Asian stock markets drop; China Flash PMI declines; China liquidity squeeze intensifies**  
It was a perfect storm for Asian markets today, with news of the Fed's FOMC statement on QE3 tapering, a negative lead from Wall Street, and a disappointing Flash HSBC PMI reading for China.

06/18/2013 ➤ **Asia Flash | 18 Jun 2013: Indonesia gets closer to fuel price hike; China's housing prices rise; Australia's central bank hints at further AUD weakness**  
Indonesia gets closer to fuel price hike after Parliamentary approval; Rising housing prices in China may constrain scope for monetary easing; RBA minutes hint at further AUD weakness

06/17/2013 ➤ **Asia Flash | 17 Jun 2013: India holds rates on currency pressure; Japan approves Abe's growth strategy; China interbank liquidity remains tight**  
Asian markets started the week on an upturn, following last week's dramatic selloff (Japan's Nikkei and the Philippines down by 5% and 10%). In contrast, the two indices led today's advances.

Publications on June 21, 2013 to 13:03, 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](http://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.