

Global Weekly Flash

The ECB has done its part, the focus now turns to euro area policymakers

- The ECB outlined the features of the bond-buying programme in secondary markets, named Outright Monetary Transactions (OMTs). As widely expected, Mr. Draghi emphasised that for the bond purchases by the ECB to kick in, "strict and effective" conditionality was a necessary condition ie, countries must first have to sign up a EFSF/ESM programme. In the Governing Council's view, for this programme to be perceived as an effective backstop to remove the tail risks in the euro area, it has to rest on two legs: one is the ECB, the other consists of governments, country specific conditionality and the monitoring of commitments. Mr. Draghi argued that it shouldn't be forget "how these countries found in a bad equilibrium to begin with" and reminded that the SMP (which was officially terminated today) didn't work because you "need two legs for making it work" and that programme rested just on one leg. Although IMF's involvement is not a firm condition, it is a preferred scenario and "if they want to intervene, they're more than welcome". IMF's involvement will likely to be sought. When countries already under a programme regain bond market access, they would also be considered. Also as expected, all bond purchases will be sterilised. A positive surprise was the signal of potentially unlimited purchases: ex ante unlimited size "adequate to reach" ECB's objectives. However, and crucially, if a government fails to comply with the bailout terms, the ECB will stop buying its bonds. As expected, the ECB refrained from fixing any explicit cap on yields. As already filtered through the press yesterday, the programme will apply to bonds of maturity between one and three years. Importantly, the ECB waived its preferred creditor status and will be treated (only for new purchases, not for SMP's holdings) the same way as any other bond buyer. As we've argued, this was key to improve the chances of being successful.
- Measures to increase liquidity in the banking sector (ie, to preserve collateral availability) were also announced. Particularly the central bank "decided to suspend the application of the minimum credit rating threshold in the collateral eligibility requirements" for debt issued or guaranteed by euro zone governments that are eligible for its new bond-buying programme "or are under an EU/IMF programme." Besides, the central bank will also accept marketable debt instruments denominated in other currencies than the Euro as collateral.
- All in all, the ECB delivered and the ball is now in the court of governments. The plan is very likely to stabilise the front end of the curve, consolidating already reached levels, and contribute to an increase in private demand for peripheral bonds on that sector of the curve.
- Moody's lowered the European Union's long-term issuer rating outlook from stable to negative, saying the move reflected the negative outlooks of the bloc's key budget contributors. The outlook change to negative reflects the negative outlooks now assigned to the Aaa sovereign ratings of key contributors to the EU budget: Germany, France, the UK and the Netherlands, which together account for around 45% of the EU's budget revenue.
- In this context, until mid in the week, financial markets were reasonably optimistic waiting for the ECB meeting. Hopes on restarting ECB's intervention in Eurozone government bond markets pushed down the Spanish premium risk below 500 bps on Wednesday. Yesterday, European stocks rallied the most in a month following the ECB statement. At the end of the session, Spanish 10y yield drop by 50bps below 6%, while spread against 10Y Bund closed around 450bps.
- Amid the optimistic market mood, before the ECB meeting, Spain managed to sell EUR3.5bn in EUR3bn in 2y, 3y and 4y bonds, achieving lower yields and meeting the maximum target for the auction. Spain sold EUR682mn of 2Y notes at an average yield of 2.798%, compared with a yield of 4.774% at a sale of similar-maturity securities on Aug. 2. Regarding 3Y bonds, Spain sold EUR1.43bn at an average yield of 3.676% vs 5.086% at auction on July 5, getting worse bid to cover ratio of 1.76x vs 2.28x at auction on July 5. Finally in the 4Y bond, they Spanish Treasury sold EUR1.392bn setting the average yield at 4.603% vs 5.971% at auction on August 2.

- **Global manufacturing weakens further in August increasing global growth worries.**

- In Asia, China's August manufacturing PMI disappointed, adding to downside risks and raising expectations of more policy easing. China's official PMI, released on September 1, declined to a weaker-than-expected 49.2% (BBVA: 49.6%; Consensus: 50.0%), from 50.1% in July ([click here for details](#)). The index fell to below 50 for the first time since November 2011, reflecting weaker production, as well as both domestic and external demand components. Meanwhile, the private-sector (Markit) PMI, released today, also weakened sharply, to 47.6 (compared to a flash estimate on August 23 of 47.8) from 49.3 in July. Taken together, the data releases reveal that China's growth momentum has yet to rebound, raising the likelihood of further policy in the form of further cuts in the RRR and interest rates--with inflation well contained at around 2%, we anticipate 100-150bps cuts in the former and up to 50bp cuts in the latter by year-end. Most regional markets, including Shanghai (0.6%), were up on expectations of more policy easing.
- Regarding the US, manufacturing data was also worse-than-expected. The U.S manufacturing index contracted for a third month in August, the longest slide since the recession ended. The ISM's factory index unexpectedly fell to 49.6 last month, the lowest since July 2009, from 49.8 in July, (BBVA research: 49.9). Meanwhile, the U.S. nonmanufacturing sector picked up a little in August. The ISM's nonmanufacturing purchasing managers' index came in at 53.7 for last month, up from 52.6 in July. However, the focus today is on payrolls and unemployment data.
- In the Eurozone, the downturn manufacturing trend continued in August, although at a lower pace than in July, as weak demand hits output and employment. Final Eurozone manufacturing PMI was 45.1 in August (from 44.0 in July, 2-month high, flash estimate 45.3). Downturn in output and new orders ease slightly, but remain widespread across nations. Excess capacity and cost caution at manufacturers leads to job cuts and lower stocks. In Germany, the manufacturing PMI rises from July's 37-month low (44.7 in August from 43.0 in July). Output, new orders and employment all drop at slower rates, but export downturn continues to gather pace. Moreover, the Eurozone GDP confirmed at -0.2% q/q in Q2, driven by domestic demand. Although exports were more resilient than anticipated. The detailed breakdown by demand components reveals that net exports made the only positive contribution to growth (+0.2pp), as exports increased by 1.3% q/q (after a revised down 0.7% q/q in Q1) while imports grew but a more moderate pace (0.9% q/q after a revised down -0.2% q/q in Q1). Domestic demand continued to be the main drag on the economy. Core countries escaped from recession, while the harsh adjustment in the periphery took its toll on domestic demand. Our MICA-BBVA indicator for the Eurozone suggests that GDP could fall by -0.35% q/q in Q3.
- Regarding Latam, in Brazil, Inflation reached 5.24%/y/y (0.41%m/m) in August, relatively stable in comparison to July and broadly in line with expectations. We expect yearly inflation to continue moving sideways over the remainder of the year as rising food prices, less positive base effects and the depreciation of the currency will offset the impact on prices from slow, below potential growth. In Chile, the Monthly Economic Activity Index (Imacec) grew 5.3% y/y in July, an increase of 0.4% m/m in seasonally adjusted terms, in line with both our and market expectations. According to the Central Bank, this increase is largely explained by the growth of retail sales and other services, together with a favorable performance of electricity generation. By August, we estimate an increase in economic activity of 5.0% y/y.

Next week: Investors will keep interest on the rule on the ESM by the German court on Wednesday and on the Eurogroup/Ecofin meeting on 14-15th of September. In the US, investors will keep interest on the Fed meeting. In the Eurozone, CPI data and industrial production will be published; and in China, the focus will be on the release of the industrial output for August.

Calendar: Indicators

Eurozone: Industrial production (July, September 12nd)

Forecast: -0.1% m/m	Consensus: -0.3% m/m	Previous: -0.6% m/m
---------------------	----------------------	---------------------

Industrial output is expected to have declined slightly in July, after falling by -0.5% q/q in Q2. Both the EC and PMI surveys point to a further contraction in industrial activity in both July and August, driven not only by a weaker domestic demand but also by a broader softening of global economic growth. Nevertheless, these surveys were not conclusive, as the former showed a continuing downward trend in industrial activity while the latter showed some stabilization in the pace of deterioration. Overall, this suggests that there are some downside risks to our July's projection and points to a further contraction in industrial activity in coming months. Given the high correlation between industrial output and the economic cycle, all these figures confirm our projection of a GDP fall in Q3 for the second quarter in a row. In particular, our MICA model estimates a GDP decline of around -0.3% q/q in Q3.

Eurozone: HICP inflation (August, September 14th)

Forecast: 2.6% y/y	Consensus: 2.6% y/y	Previous: 2.4% y/y
--------------------	---------------------	--------------------

We expect HICP inflation to be confirmed at 2.6% y/y in August, after having remained stable at 2.4% y/y in the previous three months. Our models suggest that underlying August's rebound should be higher energy prices, while core inflation is likely to have remained stable or even have declined slightly. Looking forward, higher prices of oil Brent than previously anticipated, combined with inflationary pressures stemming from higher indirect taxes in the periphery, suggest that inflation will remain relatively stable at current levels in coming months, well above the ECB's target by end-year. Given the gloomy economic outlook for H212 along with the continuing deterioration of the labour market, we think that potential second-round effects are very limited, being somewhat more likely in core countries.

US: International Trade Balance (July, August 6th)

Forecast: -\$43.3B	Consensus: -\$44.2B	Previous: -\$42.9B
--------------------	---------------------	--------------------

The trade deficit is expected to deteriorate only slightly in July after reaching its lowest level since December 2010. Despite slowing demand from Europe and China, exports have increased in six of the last seven months. However, various manufacturing surveys suggest a decelerating trend in regards to new export orders. On the other hand, imports have declined for three consecutive months and hint at a more pessimistic outlook regarding future demand conditions. A shrinking petroleum deficit has been a key driver of trade balance improvements in previous months, though we expect that a rebound in oil prices should contribute to a reversal in this trend.

US: Consumer Price Index, Core (August, August 7th)

Forecast: 0.5%, 0.2%	Consensus: 0.5%, 0.2%	Previous: 0.0%, 0.1%
----------------------	-----------------------	----------------------

Consumer prices have been subdued throughout the past four months, but we have seen some pressure building for the headline figure in August. Energy prices are being driven by a rebound in oil prices, which have jumped back up near levels last seen in May. Natural gas prices declined in August but remain much higher than earlier in 2012. At the same time, the Midwest drought has put upward pressure on food inflation which is expected to have a bigger influence throughout the rest of the year. However, neither of these components are expected to have a large impact on core prices just yet.

China: Industrial output (August, September 9th)

Forecast: 8.4% yoy	Consensus: 9.0% yoy	Previous: 9.2% yoy
--------------------	---------------------	--------------------

Recent indicators, including August PMI released on September 1, show that the expected bottoming out of China's growth slowdown is not yet taking place. In particular, manufacturing PMI (49.2 in August) fell into the contraction zone for the first time since November 2011. To gauge the extent of the slowdown, the upcoming batch of monthly indicators will be closely watched, including inflation, industrial production, retail sales, investment, and trade (September 9-15). We expect industrial production to weaken further from the previous month, reflecting sluggish orders. Though the extent of recent policy easing has been somewhat less aggressive than expected, we still expect further cuts in the RRR and interest rates during the remainder of the year, along with stepped up infrastructure spending.

Markets Data

			Close	Weekly change	Monthly change	Annual change
Interest rates (changes in bps)	US	3-month Libor rate	0.41	-1	-3	7
		2-yr yield	0.24	2	-3	7
		10-yr yield	1.60	5	-5	-32
	EMU	3-month Euribor rate	0.27	-1	-10	-127
		2-yr yield	0.04	7	9	-36
		10-yr yield	1.54	21	12	-23
	Europe	Dollar-Euro	1.276	1.5	3.2	-6.5
		Pound-Euro	0.80	0.6	1.0	-7.2
		Swiss Franc-Euro	1.21	0.7	0.7	0.2
Exchange rates (changes in %)	America	Argentina (peso-dollar)	4.66	0.4	1.3	10.8
		Brazil (real-dollar)	2.03	-0.1	0.4	21.2
		Colombia (peso-dollar)	1795	-1.6	0.5	-0.2
		Chile (peso-dollar)	475	-1.2	-0.3	1.2
		Mexico (peso-dollar)	12.99	-1.5	-1.1	2.4
		Peru (Nuevo sol-dollar)	2.61	-0.1	-0.3	-4.4
	Asia	Japan (Yen-Dollar)	78.34	-0.1	-0.1	0.9
		Korea (KRW-Dollar)	1130.40	-0.4	0.2	4.9
		Australia (AUD-Dollar)	1.038	0.5	-1.8	-0.9
Comm. (chg %)		Brent oil (\$/b)	113.4	-1.0	1.1	0.5
		Gold (\$/ounce)	1728.8	2.2	7.2	-6.8
		Base metals	519.9	0.2	1.8	-9.3
Stock markets (changes in %)	Euro	Ibex 35	7879	6.2	10.2	-0.4
		EuroStoxx 50	2551	4.5	4.9	23.0
	America	USA (S&P 500)	1432	1.8	2.1	24.1
		Argentina (Merval)	2405	-0.1	-2.2	-12.6
		Brazil (Bovespa)	58321	2.2	-1.1	4.6
		Colombia (IGBC)	14163	0.5	6.6	5.6
		Chile (IGPA)	20179	0.0	-0.1	2.3
		Mexico (CPI)	39987	1.4	-2.1	18.3
		Peru (General Lima)	20157	-0.8	2.0	1.3
		Venezuela (IBC)	288036	0.0	16.0	188.8
	Asia	Nikkei225	8872	0.4	-0.1	1.5
		HSI	19802	1.6	-1.3	-0.3
Credit (changes in bps)	Ind.	Itraxx Main	132	-18	-17	-58
		Itraxx Xover	535	-57	-41	-227
		CDS Germany	56	-7	-10	-28
	Sovereign risk	CDS Portugal	557	-105	-228	-579
		CDS Spain	397	-122	-121	-16
		CDS USA	36	-4	-8	---
		CDS Emerging	223	-23	-22	-85
		CDS Argentina	1093	-76	-16	254
		CDS Brazil	122	-9	-3	-45
		CDS Colombia	105	-10	-9	-63
		CDS Chile	89	-7	-10	-17
		CDS Mexico	101	-10	-9	-64
		CDS Peru	113	-9	-4	-57

Source: Bloomberg and Datastream

Weekly Publications

Country	Date	Description
EMU	09/06/2012	ECB Watch: "The ECB delivers; the ball is now in the court of governments" The ECB delivers; the ball is now in the court of governments
	09/06/2012	Flash: "Eurozone GDP Q2-12." Eurozone GDP confirmed at -0.2% q/q in Q2, driven by domestic demand.
España	09/07/2012	Flash España: "Afiliación a la Seguridad Social y desempleo registrado en agosto" A pesar de que los registros del mercado laboral siguen exhibiendo un deterioro relevante, los datos de agosto muestran una evolución menos adversa de la que apuntaban nuestras previsiones centrales.
	09/04/2012	Flash Sistemas Financieros: "Se mantiene estable el conjunto de depósitos y pagarés de los hogares y las empresas residentes en España." El total de depósitos de entidades de crédito se han reducido significativamente en julio, parte de esta caída corresponde a repos. En hogares y empresas se mantienen estables corregidos por pagarés.
	09/04/2012	Flash España: Matriculaciones de turistas de agosto Matriculaciones de turistas de agosto: crecimiento de dos dígitos por el adelanto de compras ante el aumento del IVA en septiembre
	09/03/2012	Flash España: "Balanza de pagos de junio 2012 ." El déficit de la balanza por cuenta corriente en el acumulado a 12 meses de junio se reduce significativamente con respecto al acumulado a 12 meses del mes anterior.
	09/03/2012	Flash España: "Afiliación a la Seguridad Social y desempleo registrado en agosto" A pesar de que los registros del mercado laboral siguen exhibiendo un deterioro relevante, los datos de agosto muestran una evolución menos adversa de la que apuntaban nuestras previsiones centrales.
US	09/04/2012	U.S. Economic Flash. Small Business Quarterly, 3Q12 Leading credit indicators suggest neither tightening nor easing in 3Q12. Small Businesses highlighted throughout each party's presidential platform
	09/03/2012	U.S. Weekly Flash. Bernanke Highlights Policy Options in Jackson Hole Speech Ben Bernanke's speech at the Jackson Hole Economic Symposium did not meet market expectations in the form of a QE3 announcement (Spanish version)
Latin America		
Brazil	09/06/2012	Flash: CB sees a deterioration in the inflation outlook, but only in the short-term. The minutes of the last monetary policy highlighted CB's concerns about the negative impact of supply-shocks on food prices. (Spanish version)
	09/05/2012	Flash: "August inflation comes up in line with expectations." Inflation reached 5.24%y/y (0.41%m/m) in August, relatively stable in comparison to July and broadly in line with expectations. (Spanish version)
	09/04/2012	Economic Watch: Slowdown in credit markets: concern or relief? Brazilian credit markets slowed down in the last months following the deterioration of the external environment and especially the concern about excessive household indebtedness (Spanish version)
Chile	09/05/2012	Flash Chile. Actividad económica mantiene dinamismo en julio.
	09/05/2012	Flash Chile. Banco Central anticipa crecimiento entre 4-5% para 2013, con debilidad en sector externo. Crecimiento del PIB en 2013 se sostiene en demanda interna, mientras sector externo neto se deteriora. Inflación se corrige levemente a la baja para 2012 y converge a la meta en 2013
	09/05/2012	Artículo de Prensa. Flotar o no flotar: ¿Debe hacer algo el Banco Central para evitar la apreciación del peso?
Colombia	09/05/2012	Flash Colombia. Inflación de agosto se ubica marginalmente por encima del punto medio del rango meta en 3,11%. Con una variación menor a la esperada por el mercado, 0,04% m/m (0,05% consenso y 0,08% BBVA Research), la inflación anual en agosto se ubicó en 3,11%
Peru	09/06/2012	Artículo de Prensa.
	09/05/2012	Artículo de Prensa. Crisis en Europa: se requiere recuperar la confianza con más apoyo monetario y de liquidez.

- 09/05/2012 ➤ **Economic Watch. Positive GDP surprise in the second quarter.**
The strength of domestic demand supported the expansion of economic activity and offset the drop in exports.
(Spanish version)
- 09/03/2012 ➤ **Flash Perú. Rebote de inflación en agosto por factores de oferta.**
La inflación del mes fue de 0,51% (BBVA: 0,42%, Consenso: 0,38%) debido, principalmente, a los incrementos en los precios de los alimentos locales.

Mexico

- 09/05/2012 ➤ **Mexico Flash. Banco de México: Monetary policy rate on hold in the next meeting.**
The upward risks on inflation in the short term and to the downside in the medium term remain. The next announcements of the FED and BCE could contribute to reduce the risks on global activity
(Spanish version)
- 09/03/2012 ➤ **Mexico Migration Flash. In July remittances end streak of 21 consecutive months of growth.**
In July, remittances decreased 2.1%. There had been no decline in the annual growth rate since September 2010
(Spanish version)
- 09/06/2012 ➤ **Banco Central mantiene la pausa monetaria.**
En una decisión esperada, el Banco Central mantuvo en setiembre la tasa de política monetaria en 4,25%.

Asia

- 09/06/2012 ➤ **Asia Daily Flash | 6 September 2012: Malaysia holds rates; Surprise fall in Australia's unemployment; China accelerates infrastructure projects.**
Most Asian stock markets ended the day up and currencies rebounded on optimism ahead of the crucial ECB meeting later today.
- 09/05/2012 ➤ **Asia Daily Flash | 5 September 2012: Australia's GDP slows; Thailand holds rates; Inflation rises in the Philippines and Taiwan; Rumors of stimulus in China.**
Asian markets were down today, led by the the Kospi (-1.7%) and the Hang Seng (-1.5%), following disappointing ISM data in the US, and ahead of tomorrow's important ECB meeting.
- 09/05/2012 ➤ **China Flash: First half annual bank financial reports reveal a healthy sector, but with further profit declines ahead.**
First-half 2012 financial results released over the past two weeks by the 16 listed banks (covering 69% of outstanding bank credit in China) show slower, but still strong profit growth.
- 09/04/2012 ➤ **Asia Daily Flash | 4 September 2012: Australia holds interest rates; Korea rumored to announce stimulus soon.**
Australia holds rates as expected, but more easing may be on the way. Meanwhile, speculation is growing in South Korea about a fiscal stimulus package to be announced next week.
- 09/03/2012 ➤ **China Flash: China's August manufacturing PMI disappoints, adding to downside risks and raising expectations of more policy easing.**
China's official NBS Manufacturing Purchasing Managers Index (PMI), released on September 1, declined to a weaker-than-expected 49.2% (BBVA: 49.6%; Consensus: 50.0%), from 50.1% in July.
- 09/03/2012 ➤ **Asia Daily Flash | 3 September 2012: China's PMI disappoints; Asian exports decline while inflation remains subdued.**
China's official PMI, released on September 1, declined to a weaker-than-expected 49.2%. Meanwhile, exports in Asia continue on a weakening trend while inflation remains subdued.

EAGLEs

- 09/07/2012 ➤ **EAGLES Quarterly Report. Third Quarter 2012.**
Most of the EAGLEs have decelerated more than expected during the summer

Emerging Econ.

- 09/03/2012 ➤ **Country Risk Quarterly Report. September 2012.**
Financial Stress relaxed somehow after increasing expectations on further policy support driven by the ECB and US Quantitative Easing.
(Spanish version)

Publications on September 7th, 2012 to 12:10, Madrid time

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

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

Javier Amador Díaz
javier.amadord@bbva.com
+34 91 374 31 61

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

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

Indicators collaboration

Europe
Agustín García
agustin.garcia@bbva.com
+34 537 79 36

US
Kim Fraser
Kim.Fraser@bbvacompass.com
+1 713 881 0655

Asia
Zhigang Li
zhigang.li@bbva.com.hk
+852 2582 3162

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 content of this document is 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.