

# Weekly Watch

Mexico

## Next week...

A review of the past and an agenda for the future

August 26, 2011

### Economic Analysis

J. Julián Cubero  
[juan.cubero@bbva.bancomer.com](mailto:juan.cubero@bbva.bancomer.com)

Of particular note in the upcoming week is the Fifth Report on Government by the Presidency of the Republic. This is an annual document that includes the Executive's views on developments in the country, the challenges facing it and its proposals for action. If we were to highlight any particular reform carried out so far this year, it would be the reform of competition regulations, which is still pending implementation in some details. It gives bodies regulating competition in Mexico major investigatory and sanctioning powers to act against monopolistic practices. This should improve the provision of goods and services, making them more abundant and at better prices. It should be noted that countries with a more competitive environment are countries with a higher income per capita.

The most important economic figures will be those on bank credit and the activity of construction companies in July, as explained on the next page.

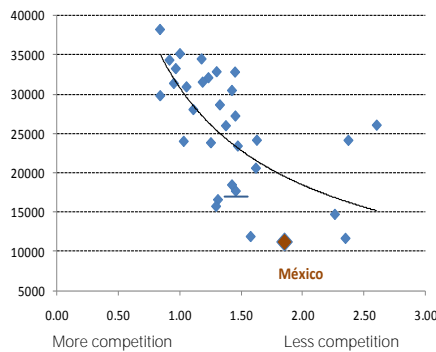
Exchange-rate volatility could continue and the TIIE curve should discount interest-rate cuts (25-50 bps) in response to Ben Bernanke's speech and the more relaxed tone of Banxico's statement.

### Market Analysis

Octavio Gutiérrez Engelmann  
[o.gutierrez3@bbva.bancomer.com](mailto:o.gutierrez3@bbva.bancomer.com)

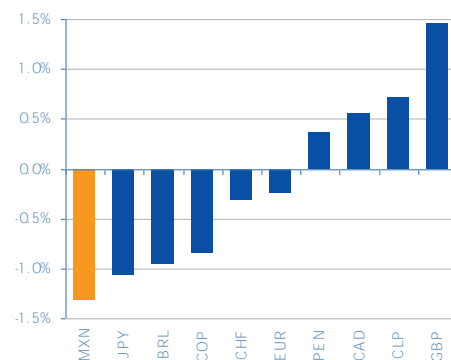
Last week the foreign-exchange market was extremely volatile in response to the varying expectations of Bernanke's speech at Jackson Hole. In particular, the MXN was down over the week in the face of uncertainty regarding the U.S. economic cycle. The TIIE could begin to discount a cut in the bank lending rate of 25-50 bps over the coming months. This would be in response to a more accommodative statement by Banxico, which announced that it could try to prevent monetary conditions from tightening unnecessarily, given the situation of the international financial markets and the domestic economy.

Chart 1  
 OECD: GDP per capita and competition, 2008.  
 Constant dollars adjusted to PPP and the OECD indicator



Source: BBVA Research with OECD data

Chart 2  
 Weekly change in selected currencies (% , neg. = depreciation)



Source: BBVA Research with data from Bloomberg

## Calendar: Indicators

### Economic Analysis

Javier Morales  
[francisco.morales@bbva.bancomer.com](mailto:francisco.morales@bbva.bancomer.com)

Eduardo Torres  
[e.torres@bbva.com](mailto:e.torres@bbva.com)

### Bank credit (July, August 31)

Forecast: 9.7% y/y real      Consensus: -      Previous: 9.4% y/y real

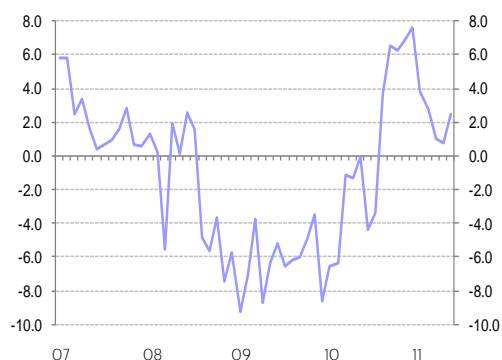
The new figures are expected to indicate that the real annual growth rate of total outstanding bank credit has increased slightly. It could therefore increase from the rate of 9.4% registered in June to around 9.7% in July. Moderate increases are expected in the growth rates of mortgage lending (in June the figure was 4.8%) and in corporate lending (8.9% in June); while consumer finance may be unchanged (12.2% in June). Bank credit needs a favorable macroeconomic environment if it is to expand, and to the extent that this remains in place credit will continue to flow.

### Construction Industry Survey (June, August 31)

Next Wednesday sees the publication of the June production figures for construction companies. Given that the construction industry grew at a rate slightly above the economy as a whole in the first half of the year, we expect production in the sector to reflect the same trend (although it should be noted that this figure could in part reflect the statistical effects related to the base of comparison).

Building construction and public works, which are the main components of the industry's GDP, grew at similar rates in the first half of the year. However, we expect that in the second half public works will receive a steady boost due to budget execution at the end of the six-year period, particularly in communication infrastructure and electricity. We continue to believe that the industry will grow at a similar rate to the economy as a whole at the end of the year, or even slightly more.

Chart 3  
Volume of production of companies in the construction industry (y/y % change)



Source: BBVA Research with INEGI data

Market Analysis

*Macro LatAm Strategy*  
Octavio Gutiérrez Engelmann  
o.gutierrez3@bbva.bancomer.com  
+5255 5621 9245

*Fixed Income Analysis  
Mexico/Brazil*  
Chief Strategist  
Ociel Hernández  
ohernandez@bbva.bancomer.com  
+5255 5621 9616

Liliana Solís  
liliana.solis@bbva.bancomer.com  
+5255 5621 9877

*FX Mexico // Brazil*  
Claudia Ceja  
claudia.ceja@bbva.bancomer.com  
+5255 5621 9715

*Technical Analysis*  
Alejandro Fuentes  
afuentes@bbva.bancomer.com  
+52 55 5621 9975

**Markets**

**MXN down in response to cyclical U.S. risks, volatility to continue in the short term**

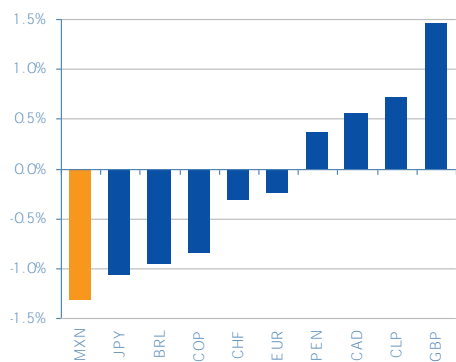
Over last week the foreign-exchange market was extremely volatile in response to the varied expectations related to signals from Bernanke's speech at Jackson Hole. In the event, there were no more specifics on QE3, and it shifted the focus of attention to the next FOMC meeting (September 20-21).

Results were mixed in Latin America over the week, with gains in the COP and CLP (supported by capital flows and rises in commodity prices), while the MXN and BRL were down in the face of uncertainty regarding the U.S. economic cycle. As Bernanke's speech at Jackson Hole was in line with expectations (stress on the tools available for action if the economy needed it), we consider that the current elements continue to justify a high rate of volatility in the short term. In the specific case of the MXN, although a possible global scenario of greater liquidity could produce a bias for appreciation, a Bank of Mexico statement that was more relaxed than expected has reduced the room for a rise in the currency in the short term. We therefore repeat our forecast of movement within the range of 12.1-12.5.

**In response to Banxico's monetary policy announcement and the global financial situation, the TIIE curve could begin to discount a cut of 25-50 bps over the coming months**

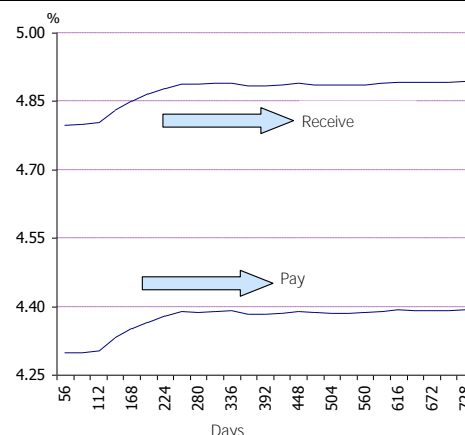
The Bank of Mexico maintained its bank lending rate unchanged, but offered a more relaxed statement that announced it could adjust its monetary policy if conditions became tougher as a result of the situation of the financial markets and a poor economic performance. Currently, the TIIE curve is discounting a cut of 25 bps from November 2011 to August 2013. We consider that the TIIE curve will move towards discounting a cut of 25-50 bps over the coming months. The range of fluctuation for the 26x1 (2-year swap) will therefore be between 4.8% and 4.45%. Meanwhile, we consider that the range of fluctuation of the 130x1 (10-year swap) will be at between 6.15% and 6.60% over the next 3 months. The current levels of the TIIE curve and the M bonds already include a cut in monetary policy. We estimate that there is some more room for adjustment down on the slope, though not much.

Chart 5  
Weekly change in selected currencies (%  
neg. = depreciation)



Source: BBVA Research with data from Bloomberg

Chart 6  
Estimated IRS (TIIE curve) under a prolonged  
monetary pause and with a cut of 50 bps



Source: BBVA Research with data from Bloomberg

### Market Analysis Equities

*Technical Analysis*  
Alejandro Fuentes Pérez (\*)  
afuentes@bbva.bancomer.com  
+ 5255 5621 9705

(\*) Writer(s) of the report

## Technical Analysis IPC Stock Market Index



The upturn in the IPC from its low on August 8 has been stronger than that in the U.S. indices. The IPC has recovered nearly 2,300 pts (up 7.2%) from the low, while S&P has recovered by 4.7%. This prevented it from breaking through the 35,000 point zone, where it found an initial resistance, and it fell back by around 1,000 pts at the end of the week. But even with this downturn, it managed to maintain a figure that was above the 10-day moving average (33,900 pts) and maintained the short-term upward trend that it had followed from the start of the month. We would only consider it a bad short-term sign if there was a breakthrough below 33,000 pts.

Prev. Rec.: Though the IPC has not closed under its 10-day moving average (33,160 pts), increased volatility could lead to a fall to levels of between 32,000 and 31,700 pts.

Source: BBVA Bancomer, Bloomberg

## MXN



Strong upturn in the dollar over the week to the MXN 12.50 range, increasing the overbuying readings on the oscillators. We believe that the dollar should encounter strong short-term resistance between this level and MXN 12.60 and return to the MXN 12.20 range.

Prev. Rec.: Overbuying remains elevated and we believe that a new correction should come it nears the MXN 12.50 zone.

Source: BBVA Bancomer, Bloomberg

## 3Y M BOND

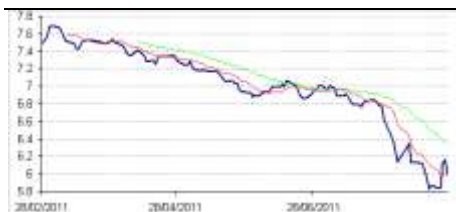


3Y M BOND: (yield): Still cannot maintain its bounce, as it is once more finding resistance in the 10-day moving average. Overselling continues and there is a chance of an upturn, but we would only consider it has changed the trend if it breaks through 4.95%.

Prev. Rec.: Overbuying increases, but a bounce might encounter resistance at 4.8% and 5.06%.

Source: BBVA Bancomer, Bloomberg

## 10Y M BOND



10Y M BOND (yield): Slight bounce that puts it above the 10-day moving average, but still not at the 30-day (6.3%). As we have commented, only above this level could it be considered a short-term change in trend.

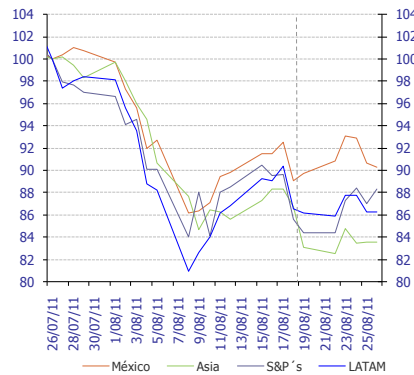
Previous Rec.: Only if it manages to break through the resistance at 6.1% and 6.5% would we consider it a change in trend.

Source: BBVA Bancomer, Bloomberg

## Markets

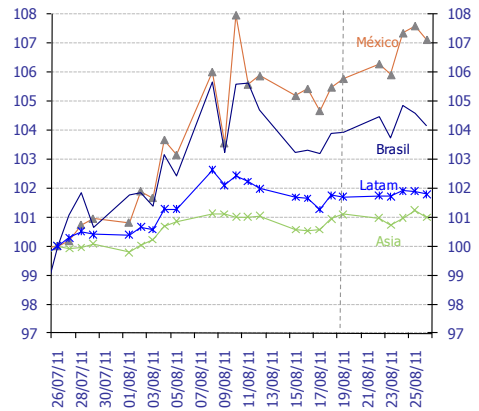
In a week marked by uncertainty regarding the speech by the Fed Chairman on new monetary stimulus measures, stock markets closed the week slightly up and currencies appreciated, although they did not recover the losses sustained at the end of the week.

Chart 7  
Stock Markets: MSCI Indices  
(July 26, 2011 = 100)



Source: Bloomberg & BBVA Research

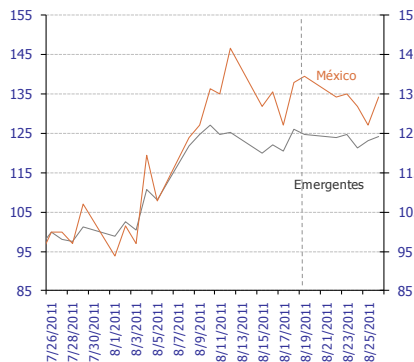
Chart 8  
Foreign exchange: dollar exchange rates  
(July 26, 2011 = 100)



Source: Bloomberg and BBVA Research. Note: LATAM includes Argentina, Brazil, Chile, Colombia and Peru. Asia includes the Philippines, South Korea, Taiwan, Singapore, Indonesia and Thailand. Non-weighted averages.

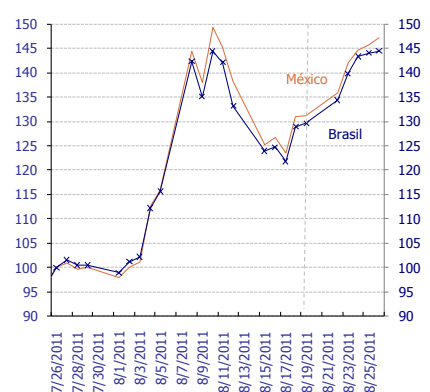
Increase in risk aversion towards the end of the week after the downward revision of U.S. GDP growth figures for the second quarter.

Chart 9  
Risk: EMBI+ (July 26, 2011 = 100)



Source: Bloomberg & BBVA Research

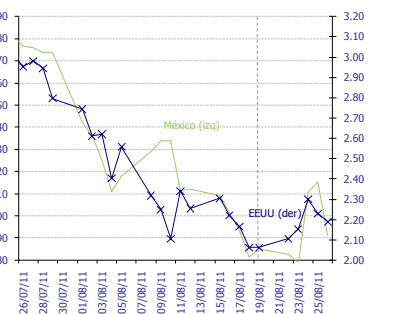
Chart 10  
Risk: 5-year CDS (July 26, 2011 = 100)



Source: Bloomberg & BBVA Research

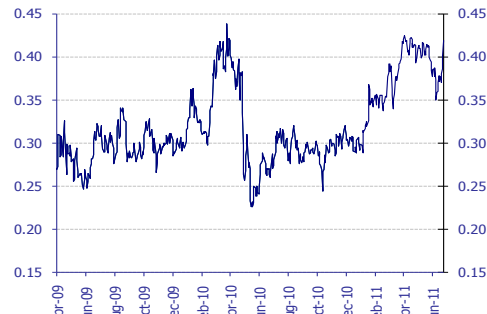
Fall in U.S. rates, mainly due to the downward revision of U.S. growth figures. Fall in rates in Mexico following the more relaxed tone of the Banxico statement, which opens up the possibility of a cut in the bank lending rate

Chart 11  
10-year interest rates\*, last month



Source: Bloomberg & BBVA Research

Chart 12  
Carry-trade Mexico index (%)

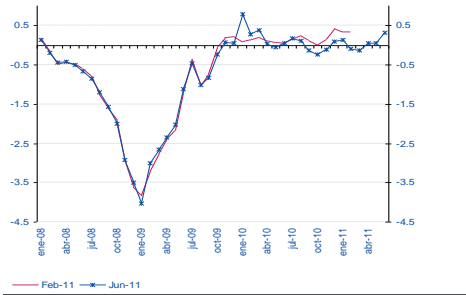


Source: BBVA Research with data from Bloomberg

## Activity, inflation, monetary conditions

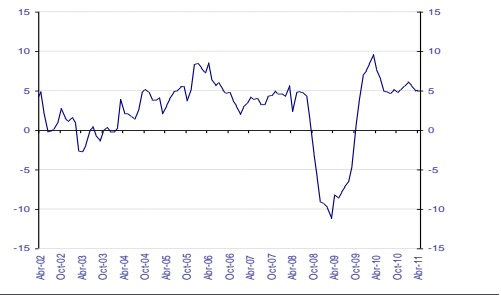
Recent figures on economic activity suggest that the rate of economic growth will be maintained at the start of the third quarter of the year.

Chart 13  
BBVA Research Synthetic Activity Indicator for the Mexican economy



Source: BBVA Research with data from INEGI, AMIA and BEA. Weighted sum of 21 different indicators of activity, expenditure and expectation, based on trend series.

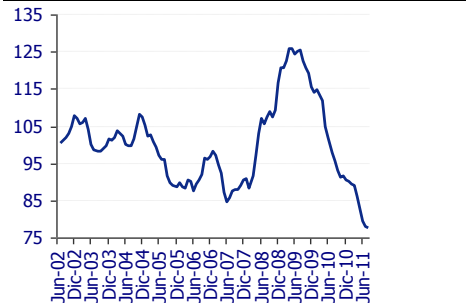
Chart 14  
Advance Indicator of Activity (y/y % change)



Source: INEGI

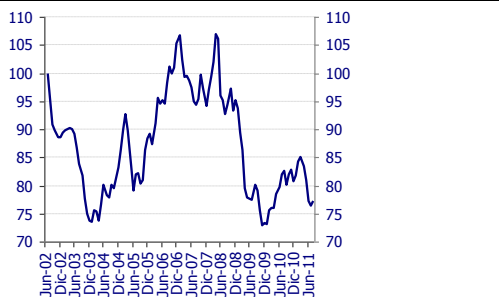
Recent inflationary surprises have been downward, while those of economic activity have been mixed.

Chart 15  
Inflation Surprise Index (July 2002=100)



Source: BBVA Research with data from Banxico from the monthly surveys on the expectations of economic specialists in the private sector.

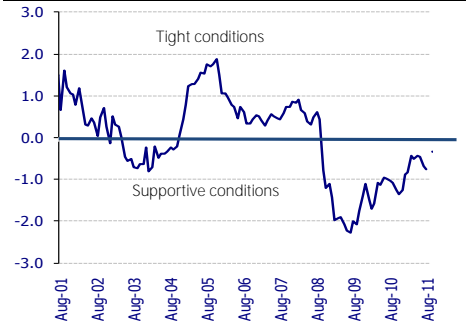
Chart 16  
Activity Surprise Index (2002=100)



Source: BBVA Research with Bloomberg data. Difference between recorded data and the Bloomberg consensus for seven activity variables in Mexico. Standardized index. Rises (falls): positive (negative) surprises.

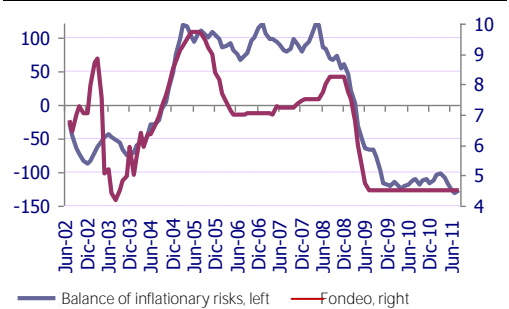
Tougher monetary conditions that are not a sign of increased tightening or relaxation

Chart 17  
Monetary Conditions Index



Source: BBVA Research

Chart 18  
Balance of Inflationary Risks\* and Lending Rate (standardized and %; monthly averages)



Source: BBVA Research. \*Standardized, weighted index (between inflation and economic growth); uses economic indicators for activity and inflation. A rise in the index points to a greater weight of inflationary risks over growth risks and thus a greater likelihood of monetary restriction

## IMPORTANT DISCLOSURES

**Analysts' Certification**

I, Octavio Gutiérrez, Rodrigo Ortega, Edgar Cruz, Claudia Ceja, Ociel Hernández, Liliana Solis and Alejandro Fuentes Pérez: hereby certify that the views expressed in this research report accurately reflect my personal views about the mentioned corporation(s) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for any specific recommendation in this report.

Rating, target price and price history information for the companies that are the subject of this report are available at [www.bancomer.com](http://www.bancomer.com)

**Receipt of Compensation / Provision of Services current as of 8/12/11**

Management or Co- Management of Public Offering. Within the past twelve months, BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer ("BBVA Bancomer"), and/or its affiliates, have participated as manager or co-manager in public offerings, and received compensation for these services, of the company(ies), which is(are) the subject of this report: Actinver, Banco Interacciones, Banco Inbursa, BNP, Bimbo, Caterpillar Credito, Cemex, Comisión Federal de Electricidad, Corporación Interamericana de Inversiones, Chedraui, Daimler, Embotelladoras Arca, El Puerto de Liverpool, Ferrocarril Mexicano, Fonacot, GE Capital Bank, General Electric, GMAC, Hipotecaria su Casita, HSBC, Maxcom, Megacable, Nemark, NRF(Nissan), OHL, Paccar, Pemex, Posadas, Prudential Fiancial, Ruba, Telmex Internacional, Telefónica Móviles México, Toyota, Urbi, VWLease.

Investment Banking Compensation. Within the past twelve months, BBVA Bancomer, and/or its affiliates, have received compensation for investment banking, common representation and credit related services from the Company/ies, which is(are) the subject of this report: Acciona, Aeromexico, Agropecuaria Santa Genoveva, Alsea, América Móvil, Asur, Avicola Pilgrim´s Pride de Mexico, Axtel, Bancomext, Banco de Credito e Inversiones, Banorte, Banregio, BMV, Cemex, Cencosud, CIE, Cintra, Colbun, Comercial Mexicana, Comisión Federal de Electricidad, Concesionaria Mexiquense, Consorcio Comex, CAF, Controladora de Farmacias, Copamex, Coppel, Corporación Geo, Corporativo Arca, Corporación Moctezuma, Credito Inmobiliario, Daimler Chrysler de México, Dine, El palacio de Hierro, Elementia, Empresas Cablevisión, Endesa (Chile), Facileasing, Factoring Corporativo, Farmacias Benavides, FCC, Femsa, Ferrosur, Fomento de Infraestructura Turistica Cancun, Gas Natural Mexico, GEO, Gruma, Grupo Alfa, Grupo Ara, Grupo Brescia, Grupo Bimbo, Grupo Carso, Grupo Casa Saba, Grupo Cementos de Chihuahua (GCC), GAP, Grupo Comercial Chedraui, Grupo Collado, Grupo Comercial Gomo, Grupo Dermat, Grupo Elektra, Grupo Famsa, Grupo Femsa, Ford Credit Mexico, Grupo Financiero Inbursa, Grupo R, Grupo Scotiabank, Grupo Herdez, Grupo ICA, Grupo La Moderna, GMAC, Grupo Maseca, Grupo México, Grupo Posadas, Grupo R, Grupo Sanborns, Grupo TMM, Grupo Videomax, Grupo Xignux, Hilasal Mexicana, Homex, HSBC, Holcim (Apasco), Hylsamex, Imsa/Tarida/Ternium, Industrias Bachoco, Hipotecaria Casa Mexicana, Hipotecaria su Casita, ICA, Industrias Aluprint, Industrias CH, Industrias Peñoles, Inmobiliaria Ruba, Interceramic, Kansas City Southern de México, Kaupthing Bank, Kimberly Clark México, Lamosa, Liverpool, Mabe, Manufacturas Kaltex, Medica Sur, Megacable, Mexichem, Minera los Pelambres, Molytmet, Municipio de Aguascalientes, Nadro, Nafin, NRF México, Nemark, OHL, Paccar, Pasa, Pemex, Petrotemex, Pimsa, Plavicom, Prolec GE, Ruba, Sare, Sears, Sigma, Simec, Scotia Bank Inverlat, Techint, Telefónica CTC, Telefónica Móviles, Telint, Tenaris, Toyota, Urbi, Value, Volcan Cia Minera, VWLease.

Expected Investment Banking and services Compensation. In the next three months, BBVA Bancomer, and/or any of its affiliates, expects to receive or intends to seek compensation for investment banking, common representation and credit related services from the company (ies) discussed in this report.

BBVA Bancomer acts as market maker/specialist in: MexDer Contrato de Futuros (Dólar de Estados Unidos de América (DEUA), TIIE de 28 días (TE28), Swap de TIIE, CETES de 91 días (CE91)), Bonos M, Bonos M3, Bonos M10, Índice de Precios y Cotizaciones de la BMV (IPC), Contrato de Opciones (IPC, Acciones América Móvil, Cemex, CPO, Femsa UBD, Gcarso A1, Telmex L), Udibonos.

BBVA acts as market maker/specialist in Latibex: Alfa, AMX, Corporación Geo, Grupo Modelo, ICA, Sare, Telmex.

BBVA Bancomer, is recognized by Mexico´s Finance Ministry as a market improver and acts as a market maker/specialists in MEXDER, Mercado Mexicano de Derivados.

## Ownership Positions

---

BBVA Bancomer, and/or its affiliates holds, directly or indirectly, at least 1 % of the equity capital of the following company/ies whose shares are open to negotiation in organized markets and which is(are) the subject of this report: BOLSA, CEMEX VENEZUELA, GAP, GRUPO TELEVISIA, GRUPO VIDEOVISA, MAXCOM TELECOMUNICACIONES, PASA.

BBVA Bancomer, and/or its affiliates hold(s), directly or indirectly; as of the end of the last quarter, at least a 10 % of it´s investment portfolio, or 10% of the amount issued, of the securities or underlying investments issued by the companies which is(are) the subject of this report: AXTEL.

## Other Disclosures

---

To the best of BBVA Bancomer´s knowledge, a Member of it´s Board, it´s CEO or Senior Manager holding a direct reporting position to BBVA Bancomer´s CEO holds a similar position in any of the following company/ies which is(are) the subject of this report: Alfa, Alsea, Amx, Asur, Bimbo, CMR, Dine, Femsa, GAP, Gmodelo, Grupo financiero Inbursa, Grupo Carso, Grupo Posadas, Hogar, Invex, Kof, Kuo, Liverpool, Maseca, Oma, Peñoles, Sanborns Hermanos, Sears Roebuck, Telecom, Telefónica Móviles México, Telmex, Tenaris, Tlevisa, Urbi, Vitro.

## Additional Information and Disclaimer

---

### Ratings and Price Targets

As of June 30, 2011, for the whole universe of companies which BBVA Bancomer, has under coverage there are 48% Buy ratings (including "Buy" and "Outperform"), 4% Neutral ratings and 48% Sell ratings (including "Sell" and "Underperform"). BBVA Bancomer or any of its affiliates has rendered Investment Banking services or participated as manager and/or co-manager in public offerings in 57% of the Buy ratings, 14% of the Neutral ratings and in 29% of the Sell ratings.

Ratings are set on a six-month or year-end basis against the relevant benchmark. BBVA Bancomer issues three equity recommendations: Outperform: Upside potential of more than 5% vs. the market. Neutral: Stock is expected to perform in line with the market (+/-5%). Underperform: Expected downside of at least 5% vs. the market:

Recommendations reflect the stock´s expected performance vs the market, within a specified period. This performance may be explained by the fundamental stock valuation method and other factors. The fundamental stock valuation method used by BBVA Bancomer S.A., is based on a combination of one or more generally accepted financial analysis methodologies, which may include, multiples, discounted cash flows, sum of parts or any other methodology that applies to the particular case. Notwithstanding other factors include newsflows, benefit timing, M & A´s and market´s appetite in a given sector. These factors can lead to a recommendation contrary to that indicated by the simple fundamental valuation results and its comparison with direct quotations.

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by BBVA Global Markets Research an affiliate of Banco Bilbao Vizcaya Argentaria, S.A. (BBVA) and/or BBVA Bancomer, to provide their or its customers with general information as of the date of the report and are subject to changes without prior notice. BBVA Bancomer 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. For more information please contact the persons included in the directory of this document.

The determination of a price target does not imply any warranty that it will be attained. For a discussion of the risks associated with the attainment of price targets, which depend on intrinsic and extrinsic factors that affect both the performance and trends prevailing in the market on which the recommended securities is traded and/or offered, please refer to our recently published documents, which are available via e-mail, contact our analysts or visit our internet site [www.bancomer.com](http://www.bancomer.com).

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 goal, financial position or risk profile, for these have not been taken into account in the preparation of this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. 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.



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 Bancomer, and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA Bancomer, 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 or high-yield securities can involve high risk and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of the initial investment; in such circumstance, 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 characteristics, as well as the rights, liabilities and risks associated with these securities and their underlying investments. Investors should also be aware that secondary markets for the said instruments may be limited or may not exist.

BBVA Bancomer, 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 Bancomer BBVA Securities Inc., BBVA Brazil, BBVA Continental, BBVA Banco Frances, BBVA Chile or any affiliate of the BBVA Group, 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 Bancomer or any of its affiliates' BBVA Securities Inc., BBVA Brazil, BBVA Continental, BBVA Banco Frances, BBVA Chile or any affiliate of the BBVA Group's proprietary trading and investment 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 forwarded; or (iii) quoted, without the prior written consent of BBVA Bancomer. 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.

This document is provided in the United Kingdom solely to those persons to whom it may be addressed according to the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001 and it is not to be directly or indirectly delivered to or distributed among any other type of persons or entities. In particular, this document is only aimed at and can be delivered to the following persons or entities (i) those outside the United Kingdom (ii) those with expertise regarding investments as mentioned under Section 19(5) of Order 2001, (iii) high net-worth entities; and (iv) any other person or entity under Section 49(1) of Order 2001 to whom the contents hereof can be legally revealed.

This document is being distributed for BBVA Bancomer in Singapore by Banco Bilbao Vizcaya Argentaria (BBVA), Singapore Branch purely as a resource and for general informational purposes only, and is intended for general circulation. Accordingly, this research document does not take into account the specific investment objectives, financial situation, or needs of any particular person and is exempted from the same by Regulation 34 of the Financial Advisers Regulations ("FAR") (as required under Section 27 of the Financial Advisers Act (Cap. 110) of Singapore ("FAA")).

Please note Banco Bilbao Vizcaya Argentaria (BBVA) is not an Authorised Deposit taking Institution within the meaning of the Banking Act 1959 nor is it regulated by the Australian Prudential Regulatory Authority (APRA).

The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the results obtained by BBVA Bancomer BBVA Securities Inc., BBVA Brazil, BBVA Continental, BBVA Banco Frances, BBVA Chile and by BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business, common representation or credit related services; nevertheless, they do not receive any remuneration based on revenues from the mentioned areas or a specific transaction in investment banking, common representation or credit related services.

The information contained in this document should be taken only a general guide on matters that may be of interest. The application and impact of the laws may vary substantially depending on specific circumstances. Changes in regulations and the risks inherent in electronic communication may cause delays, omissions, or inaccuracy in the information contained in this site. Accordingly, the information contained in the site is supplied on the understanding that the authors and editors do not hereby intend to supply any form of consulting, legal, accounting or other advice. As such, it should not be considered a substitute for the direct advice provided by accounting and fiscal advisors or other competent consultants.

All images and texts and texts are the property of BBVA Bancomer and may not be downloaded from the Internet, distributed, stored, re-used, re-transmitted, modified or used in any way, except as specified in this document, without the express written consent of BBVA Bancomer. BBVA Bancomer reserves all intellectual property rights to the fullest extent of the law. None of the information contained herein may be interpreted as a concession by implication, exclusion or any other means, of any patent or brand of BBVA Bancomer or of any third party. Nothing established herein should be interpreted as a concession of any license or right under any BBVA Bancomer copyright.

BBVA Bancomer, as well as its executives and employees have adopted the Código de Conducta de Grupo Financiero BBVA Bancomer, which is available in our internet site [www.bancomer.com](http://www.bancomer.com).

BBVA Bancomer, BBVA and the entities of the BBVA Group, including BBVA Global Markets Research, are subject to BBVA Group Policy on Conduct in the Securities Markets. In each entity where the Group Conducts Businesses in the Security Markets, the Policy is supplemented with the Internal Standards of Conduct which, among other regulations, include 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 / Conduct in the Securities Markets.

BBVA Bancomer is regulated by the Comisión Nacional Bancaria y de Valores.

**“Banco Bilbao Vizcaya Argentaria S.A. (CE number AFR194) is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission in Hong Kong”**

BBVA Bancomer BBVA Brazil, BBVA Continental, BBVA Banco Frances, BBVA Chile as well as other entities in the BBVA Group that are not members of the *FINRA* (Financial Industry Regulatory Authority), are not subject to the rules of disclosure affecting such members.

This material is being distributed into the United States in reliance on an exemption from broker-dealer registration under Rule 15a-6 of the Rules under the Securities Exchange Act of 1934. Any trades in the securities discussed in this report must be effected through a U.S. registered broker/dealer as we are not authorized to accept any order to effect trades in any security discussed in this report within the U.S.