

# Weekly Watch

Mexico

## Next week...

Growth and Public Finances, an increasingly interesting relationship

Output indicators for the Mexican economy set for release next week (IGAE and construction company output, both for July) should not provide major surprises with regard to GDP growth forecasts for the 3Q11. According to the available information, it is likely to be no less than the 1.1% q/q seen in the previous period. This is in line with the BBVA Research forecast scenario where, as stated last week, Mexico should grow by 3.8% in 2011 and 3.3% in 2012 (for further details see [BBVA Research](#)).

An analysis of trade balance and budget deficit data up to August could be more useful, allowing the flow of overseas demand and the status of public finances to be monitored; both of these are linked through the global cycle impact on exports and budget revenue, not only from oil. Insofar as the performance of Mexican budget numbers is seen to be in line with the balanced budget targets and that exports, as it seems up to July, do not suddenly slow down and continue to be a sign of growth in Mexico, the price of domestic financial assets will have better elements of strength in the face of global uncertainty which, since last week, overshadow any chance of positive discrimination.

Fed: "Significant risks" to growth and "financial tensions" have an adverse impact on MXN assets

Major reversal in the MXN, IPC and increased interest rates in response to a pessimistic monetary policy statement in the U.S. on the global situation and the lack of a resolution to fiscal problems in developed countries. We cannot rule out the MXN coming in slightly below last week's close (13.56) and Mbonds continuing decorrelated with US treasuries in the face of a slowdown in capital inflows.

September 23, 2011

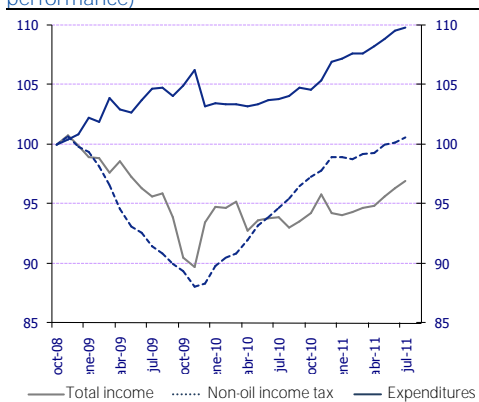
Economic Analysis

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

Market Analysis

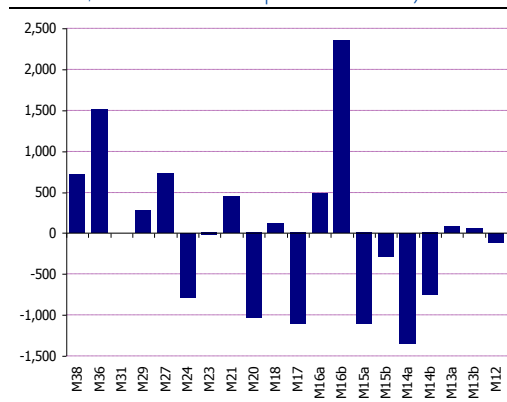
Octavio Gutiérrezz Engelmann  
[o.gutierrez3@bbva.bancomer.com](mailto:o.gutierrez3@bbva.bancomer.com)

Chart 1  
 Mexico: Budget Figures (Oct 08=100, real performance)



Source: BBVA Research with SHCP data

Chart 2  
 Net foreign capital inflows to MBONDS (millions of MXN, accumulated September 19-22)



Source: BBVA Research

## Calendar: Indicators

### August Trade Balance (September 26)

Forecast -2.237 bn dollars      Consensus: N.A.      Previous: -1.179 bn USD

In terms of year-on-year change, imports of consumer goods grew by 23% on average in the May-July period in comparison to 9% in intermediate goods (strongly linked to foreign demand) and 16% in capital goods. In turn, manufacturing exports were on average 3% lower in the last three months than in the same period last year. With this, the Mexican trade gap will continue to expand given the continued consumer recovery.

#### Economic Analysis

Cecilia Posadas  
[c.posadas@bbva.com](mailto:c.posadas@bbva.com)

Pedro Uriz  
[pedro.uriz2@bbva.com](mailto:pedro.uriz2@bbva.com)

### IGAE in July (September 22)

Forecast: 0.4% m/m (3.8% y/y)      Consensus: N.A.      Previous: -0.2% m/m (4% y/y)

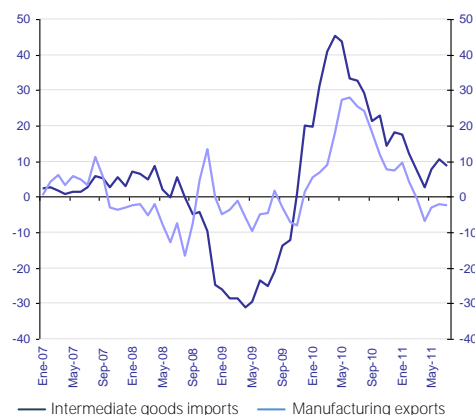
The IGAE set to be released this Wednesday will be one of the first "hard" output indicators for the third quarter covering all economic output (manufacturing, services and farming). In turn, with regard to industrial output, we already have the AMIA indicator for automotive production up to August which in said month started to show clearer signs of a slowdown (7.7% y/y vs 14.4% y/y on average over the three previous months).

With the good industrial output figures in July (+0.5%, -0.5% previous), alongside the positive results on the retail survey (0.4% m/m, 0.9% previous) and the services indicator (1.6%, 0.2% previous), we expect the IGAE to have moved slightly upwards in July (0.4%, -0.2% previous). It should be underlined that this is a major result since it is in line with the solid performance in domestic demand and, specifically, private consumption seen in the first part of the year.

### Public Finances to August

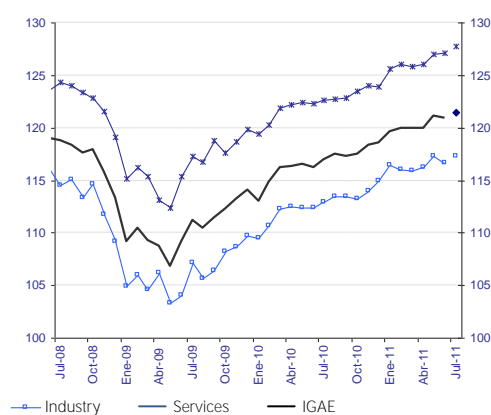
Next week sees the release of the Public Finance report which is important for discovering the path of total revenue and, specifically, tax revenue which have respectively expanded by 5.2% and 1.7% over the year to date. The level of recovery in tax revenue has a major cyclical component. In this way, economic growth is a fundamental factor in reaching the forecast collection level in the 2011 Revenue Law (estimated growth was 3.9% y/y). The growth scenario used for the 2012 Budget is highly relevant here given the downward risks for economic output have increased. The plan sent by the Government to Congress sets out GDP growth at 3.5% and a budget deficit of -2.2% of GDP. Although we believe the growth forecast is very reasonable (our 2012 forecast is 3.3%), we do think that faced with the risks in the global economic outlook, the commitment to budget stability needs to be confirmed. In the face of an unexpected slowdown in economic output, given the cyclical dependency in revenue, cost-cutting should be put in place which, in any case, should not affect priority investment and assistance programs.

Chart 3  
Selected Exports & Imports (% change y/y in real USD)



Source: BBVA Research with INEGI data

Chart 3  
IGAE, SA (2003=100)



Source: BBVA Research with INEGI data

## Markets

### Market Analysis

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

*Equity Latam*  
Chief Analyst  
Rodrigo Ortega  
r.ortega@bbva.bancomer.com  
+52 55 5621 9701

*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

### Fed: "Significant risks" to growth and high "financial tensions" ...

The announcement by the Fed that it would extend the maturities in its portfolio (sale of USD 400 billion of short-term Treasury notes maturing in under 3 years and purchase of securities with maturities of more than 6 years until June 2012) and reinvest in agency MBS was expected, and the market reacted adversely to the emphasis on "significant risks" to growth and high "financial tensions". This news, combined with indicators that suggest weakness in manufacturing industry in the Eurozone and China, have led to a strong upturn in risk aversion and capital flight from emerging markets. In addition, the week saw downgrades in banks in the U.S. (Bank of America, Wells Fargo and Citi) and Italy, as well as adverse comments on the capitalization needs of European banks by the IMF and the ECB's Systemic Risk Board. This led to heightened fears and growing speculation that measures by the EFSF and ECB on the Greek bailout are imminent in Europe.

### ...adversely affect the MXN alongside regional currencies...

LatAm currencies saw major falls last week where the MXN moved down less over the 5 days (-3.8%) than currencies in Chile (-7.2), Brazil (-5.5) and Colombia (-4.3). Although the MXN saw greater falls after the Fed's release on Wednesday, it saw corrections at the end of last week in step with A. Carstens' statement that the MXN is "clearly undervalued". Volatility factors will continue over the coming weeks meaning we do not expect a substantial short-term recovery for the MXN which may come in slightly below current levels (13.56).

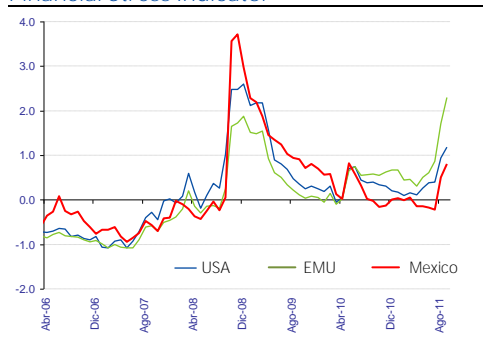
### ...and a sell bias in domestic bonds

In turn, the greater risk aversion translated as a sell bias for domestic bonds which decorrelated from US treasuries. The technical curve position is negative: capital inflows have lost strength and the domestic capital has been practically absent throughout the year. In line with our forward monitoring of capital inflows onto MBonds markets, this continued to be low in the week of September 19-22 with regard the summer average (MXN226mn). The monthly accumulated flow is near MXN11bn. This reduced inflow speed coincides with the major devaluation in the peso and the bounce in emerging market curves where accumulated yields for the year are close to dissolving.

### IPC severely affected and to continue linked to the balance of sovereign risks

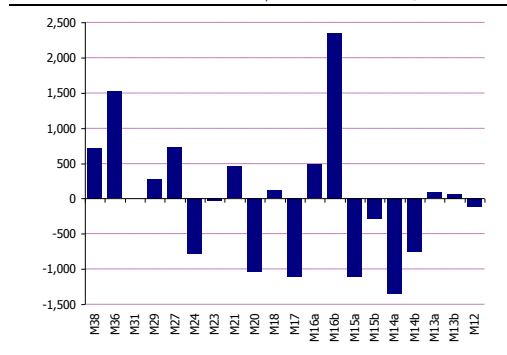
Stock markets around the world were severely affected over the week in response to renewed risk aversion. The Mexican IPC was one of the most affected due to its real link to the U.S. The performance of the stock markets will continue to be closely linked to the balance of sovereign risks, so much so that little could support a positive surprise in the coming corporate earnings season.

Chart 5  
Financial Stress Indicator



Source: BBVA Research

Chart 6  
Net foreign capital inflows to MBONDS (millions of MXN, accumulated September 19-22)



Source: BBVA Research with Bank of Mexico data

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 IPC has still not hit yearly minimums (31,700pts) meaning we still believe this is the initial short-term support level. Under this level, the IPC floors would come in at 31,000 and 30,000pts. A negative scenario where the Dow and S&P hit new yearly lows would lead to a downward break through the 31,700pts floor. In the face of this risk, we believe it is better to wait for the IPC to hit these minimums and see a favorable reaction in volume before taking speculative market positions. However, the weekly fall has opened up opportunities at issuers which have moved forward their negative move and which may start to reduce volatility, such as Gmexico and Mexchem.

Previous rec.: We believe there could be a return to this latter resistance level, which corresponds to the highs of August and this month.

Source: BBVA Bancomer, Bloomberg

## MXN

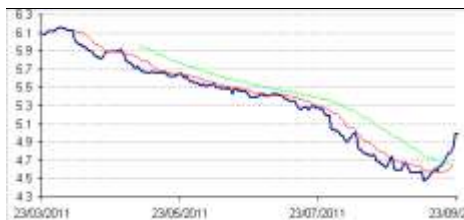


The dollar maintains upward move, breaking technical resistance levels. It ended the week with an adjustment after hitting the MXN14.00 level which may finally turn into a psychological resistance. With high over-buying and trading above any technical band, we believe that the adjustment started on Friday should remain towards levels at MXN13.50 and after at MXN13.00 in the short-term.

Previous rec.: Very significant over-buying in short-term oscillating indicators and a strong dispersion of the dollar against the 30-day rolling average.

Source: BBVA Bancomer, Bloomberg

## 3Y M BOND



3Y M BOND: (yield): Hits the technical bounce and reaches 5% level. This move caused short-term over-buying and we could therefore expect a return to the 4.75% level to then retake the bounce. A move above 5% sets the next target at 5.3%.

Previous rec.: Formation is good and may eventually lead to a change in trend, with the first target at 5%.

Source: BBVA Bancomer, Bloomberg

## 10 YEAR M BOND



10-YEAR M BOND: (yield): Reached initial resistance at 6.8%. Due to over-buying it could return to 6.5% but may retake the upswing and seek out 7%.

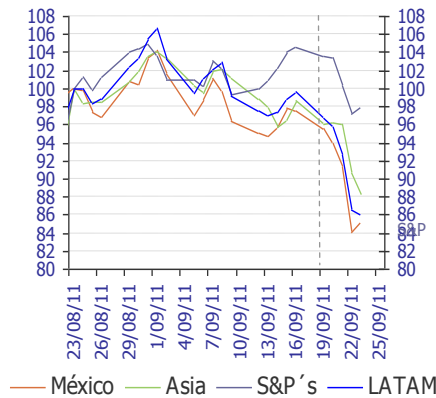
Previous Rec.: The 10-day average crosses and climbs over the 30-day average, meaning the next short-term level can be identified at 6.8%.

Source: BBVA Bancomer, Bloomberg

**Markets**

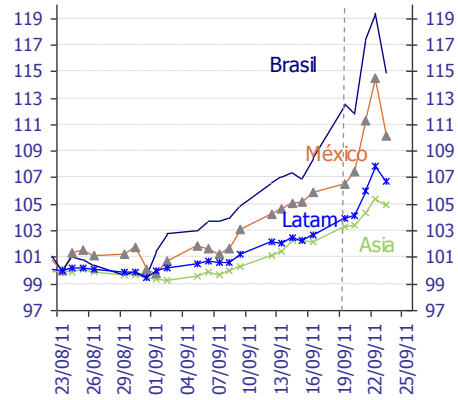
The Federal Reserve statement, where a worsening economic outlook and increased future risks are mentioned, led to a wave of risk aversion affecting emerging currencies and share markets.

Chart 7  
Stock Markets: MSCI Indices  
(August 16, 2011=100)



Source: Bloomberg & BBVA Research

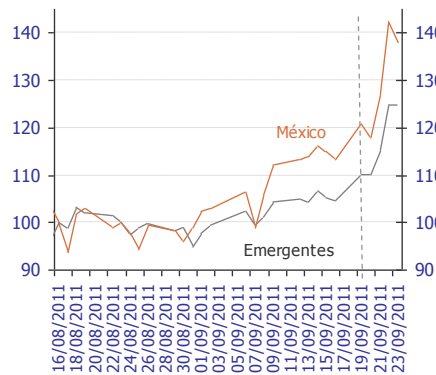
Chart 8  
Foreign exchange: dollar exchange rates  
(August 16, 2011=100)



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

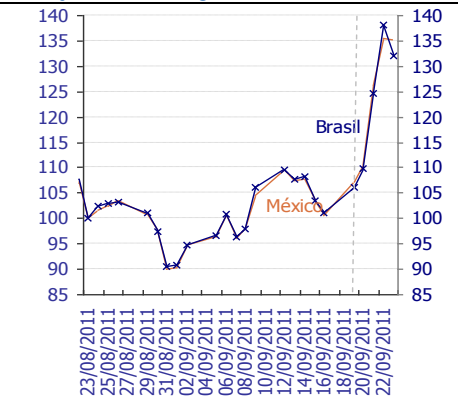
The increased aversion raised risk premiums for bonds from emerging countries.

Chart 9  
Risk: EMBI+ (August 16, 2011 index = 100)



Source: Bloomberg & BBVA Research

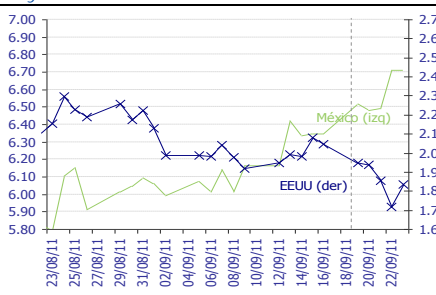
Chart 10  
Risk: 5 year CDS (August 16, 2011 index=100)



Source: Bloomberg & BBVA Research

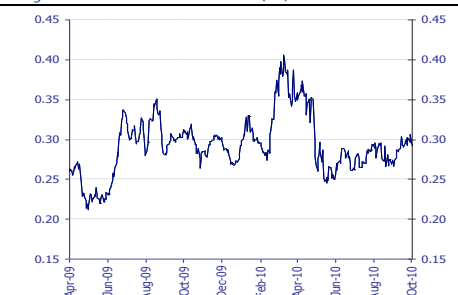
T-Bills saw rate falls as they are considered a safe-haven asset. Despite the increase in aversion, the 10-year Mexican Bond continued to pay at historically low rates

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



Source: Bloomberg & BBVA Research

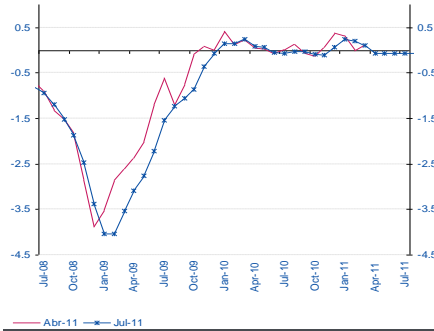
Chart 12  
Carry-trade Mexico index (%)



Source: BBVA Research with data from Bloomberg

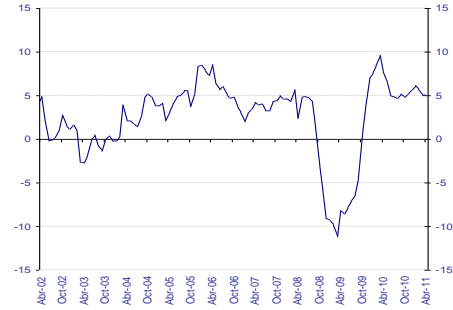
## Activity, inflation, monetary conditions

Chart 13  
BBVA Research Synthetic Activity Indicator  
for the Mexican economy



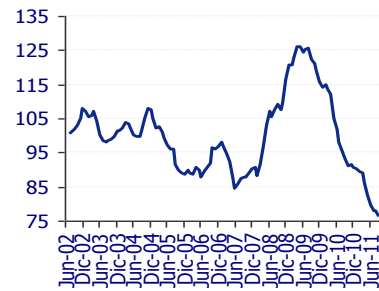
Source: BBVA Research with data from INEGI, AMIA and BEA  
Weighted sum of 21 different indicators of activity, expenditure and expectation, based on trend series.

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



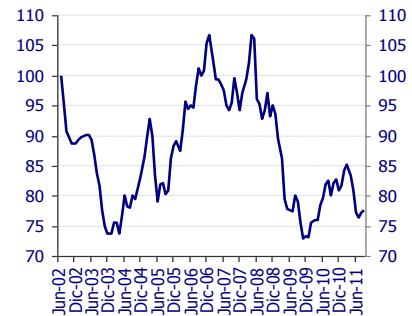
Source: INEGI

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.

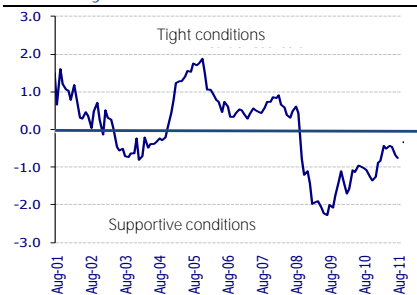
Chart 16  
Activity Surprise Index  
(2002=100)



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.

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

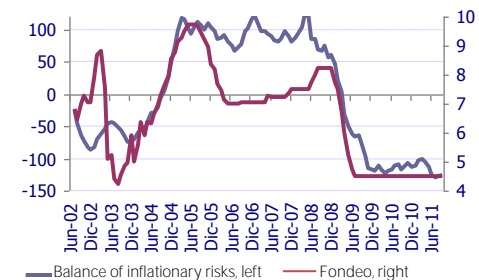
Chart 17  
Monetary Conditions Index



Source: BBVA Research

Monetary conditions relaxed slightly due to recent exchange rate depreciation

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

## Analyst 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 9/22/11

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, Facileasing, 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, Tefovis, 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, Banco Santander, 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, Femsas, 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 Femsas, 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, Molybmet, 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, Telmex, 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, Femsas 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.