

Weekly Watch

Mexico

Next week...

November 25, 2011

Economic Analysis

J. Julián Cubero
juan.cubero@bbva.bancomer.com

... Banxico decides

Banxico's Board decision on the Interbank lending rate will be released on Friday, December 2. The rate has remained at 4.5% since July 2009 and we highly expect the meeting will lower it to 4.25% despite the recent fall in the exchange rate. Although there was a fall and increased volatility in the exchange rate last week, the risks to economic output are far from behind us. In addition, we should remember that the exchange rate is neither a target nor a tool of Mexican monetary policy, the aim of which is to ensure price stability with a permanent inflation target set at 3%. Nonetheless, there is a risk, which we see as low, that the exchange rate levels seen since September could worsen the risk balance on prices with an increase costs of imported commodities. In this way, at BBVA Research we remain convinced that Banxico will lower the rate on December 2. However, the likelihood of it delaying the rate cut until the next meeting on January 20 cannot be ruled out. Even if it does not cut the rate on Friday 2, this does not invalidate the scenario of a future rate cut given the current risk balance to output and prices (see page 2).

Finally, next week also sees the release of October public balances for the federal government (see page 2)

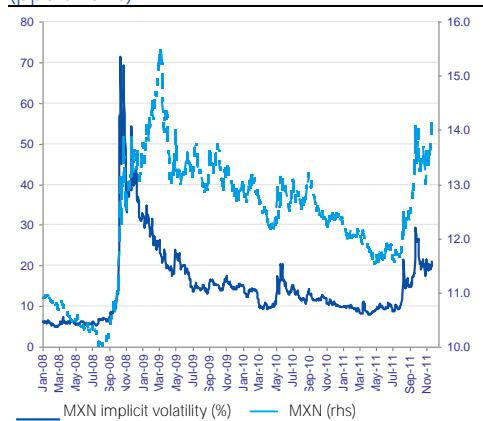
Market Analysis

Octavio Gutiérrez Engemann
ogutierrez3@bbva.bancomer.com

Skepticism rules in the face of European governance this week

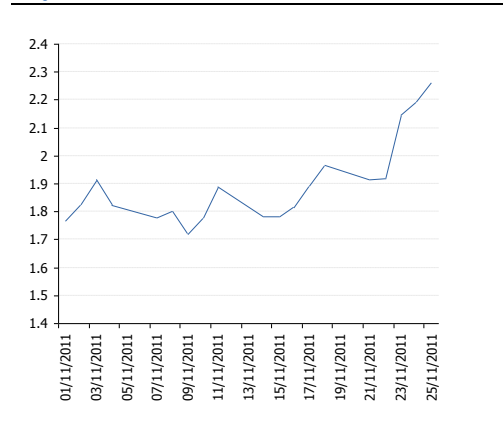
The week is set to be filled with events relating to the European sovereign risk: 1) November 28, US summit with European countries, 2) November 29, Eurogroup and 3) November 30, Ecofin. Expectations for a solution seem to be low after it was made known that talks will not include the ECB's role linked with the cold reception in Germany to the proposed issuance of Eurobonds after the publication of the European Commission's Green Paper.

Chart 1
 Exchange Rate and implicit volatility
 (ppd and %)



Source: BBVA Research and Bloomberg

Chart 2
 10-year German bonds (%)



Source: BBVA Research and Bloomberg

Calendar: Indicators

1-day interbank lending rate (Friday, December 2)

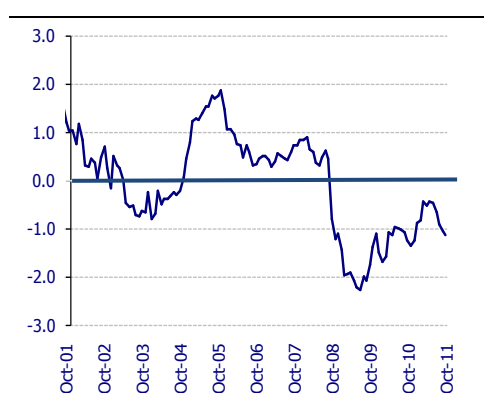
Forecast: 4.25% Consensus: 4.5% Previous: 4.5%

Recent economic output data in Mexico have moved markets up. Nevertheless, downward risks for overseas issues show no sign of improving. GDP growth in the Q3 in the US was revised down by 0.5%, while different indicators point to European growth having stalled. In addition, the lack of agreement among European authorities on how to solve the debt crisis is putting pressure on global financing conditions. With regard to inflation, despite the recent bounce, it should remain contained given the lack of demand pressures. In this scenario, the tone of Banxico's release has shown clear easing since last August, restating the lack of any knock-on effect for the exchange rate on prices and inflation forecasts, as well as the expectation that increases in the exchange rate are temporary. This leads us to believe that upward risks for inflation are limited. In this way, we believe that with the analysis of all risk factors and the emphasis in its release, Banxico will cut the monetary policy rate. If not, we expect to see a sign in the release as to the factors behind its decision to maintain the pause.

Public Finances in October (Wednesday, November 30)

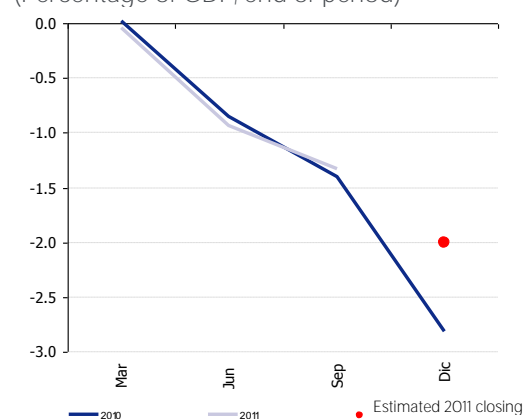
Public finance data for October will be released next week. The accumulated public sector federal budget to 3Q11 is -1.3% of GDP. Therefore, in the last quarter of the year, the government will have 0.7% of GDP to yield above its revenue and, in this way, attain its target of a budget balance at the end of the year of -2% of GDP. We believe it will attain this easily without deviations involving higher debt. In the year to date, budget revenue has increased by 6.3% y/y in real terms, supported by the growth in oil revenue due to the high oil price, a 2.9% increase in tax revenue boosted by higher ISR (income tax) and IETU (flat rate tax on business operation) collection (10.6% and 2.6% y/y). Nonetheless, the slightly disappointing results from VAT collection (2.6% y/y) should be mentioned. With regard to non-tax revenue, there is also higher income from non-oil organizations and businesses (8.4% y/y) boosted by employment growth (IMSS) and electricity sales (CFE). We believe the Mexican economy remains on a disciplined fiscal path although it is supported by high oil prices. In addition, there are downward risks linked to the growth outlook.

Chart 3
Monetary conditions index



Source: BBVA Research.

Chart 4
Budget balance trajectory
(Percentage of GDP, end of period)



Source: BBVA Research with SHCP and INEGI data

Markets

Market Analysis

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

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

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

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

Coming week is key for performance in global risk premiums

The week is set to be filled with events relating to the European sovereign risk: 1) November 28, US summit with European countries, 2) November 29, Eurogroup and 3) November 30, Ecofin. Expectations for a solution seem to be low after it was made known that talks will not include the ECB's role linked with the cold reception in Germany to the proposed issuance of Eurobonds after the publication of the European Commission's Green Paper. The need for quick-to-implement solutions is becoming ever more pressing since the chance of contagion continues to cross borders, leading to Moody's indicating the previous week that France's credit rating may be cut, as well as the scant demand in the German Bund auction. This could be a sign of lower appetite for assets in euro due to doubts surrounding their sustainability. The cut in France's rating is far from trivial as it may have negative effects on the EFSF rating and, therefore, on its ability to issue debt at competitive rates. The lack of agreement continues to charge volatility and put pressure on the values on different risk assets in the short term.

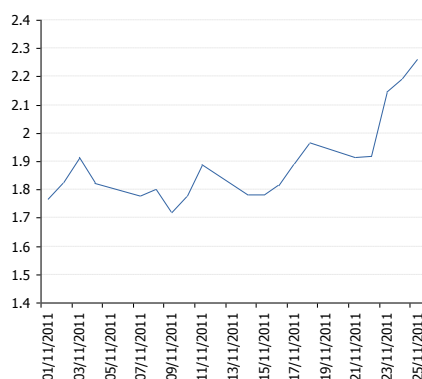
A week of major pressure on curves

The MBOND and TIIE curve saw a major loss over the week. MBOND yields increased by an average 30bp, with the short and medium sections being hit the most. The reasons behind this were: 1) The devaluation in the MXN, diluting expectations that Banxico would reduce the lending rate next week, 2) high seasonal inflation, and 3) an intense worsening in sovereign and bank financing indicators in Europe (even 10-year German Bunds increased 30bp while euro basis swaps and interbank spreads continue to come under pressure).

USDMXN closed above 14.20 in the week prior to Ecofin

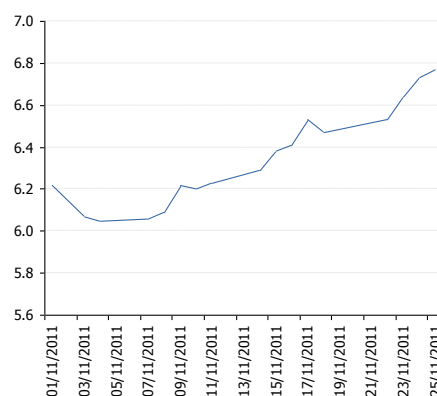
The trail of mostly negative news over the week in the EMU led to a general decline in risk assets on global markets which, in turn, led to a fall of over 3.7% in the MXN. This was also accentuated by the lack of fiscal agreement in the US and the risks the latter represents for the country's economic cycle as well as its credit rating. Locally, curves continued to price in an ever more dovish stance from the Bank of Mexico in the face of the major fall in the currency, in addition to surprise upward inflation data. Nonetheless, this is far from being a positive factor for the MXN and while the European risk premiums remain high, we cannot see the necessary drivers for the MXN to return to levels more in line with fundamentals. In this sense, we continue to forecast a wide trading range in the short term without ruling out an attempt to test the 14.50 zone. The spotlight will be on the Ecofin and Eurogroup meeting with good news possibly offering a respite. However, a strong definitive solution is required for the MXN to again be strong.

Chart 5
 10-year German bonds (%)



Source: BBVA Research and Bloomberg

Chart 6
 10-year Mexican bond (%)



Source: BBVA Research and 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 IPC ended the week right on the 50% backward movement level in the Fibonacci model. Although the current market trend is negative, we believe we could see a bounce at the start of next week due to the buy opportunities that may appear in issuers having experienced major punishment and having hit major support levels (Amx, Tlevisa, Gfnorte, Gmexico). We do not believe that this bounce is strong enough to carry the market on an upward trend again. However, we do see it as a chance to make rapid gains or reduce losses in some positions. The zone where this reaction would again meet resistance would be around 36,000pts.

Previous Rec.: We believe that there is still a high likelihood of it seeking out the 35,600pts level where it would hit a more important support - the area where the 30- and 200-day rolling averages come together.

Source: BBVA Bancomer, Bloomberg

MXN

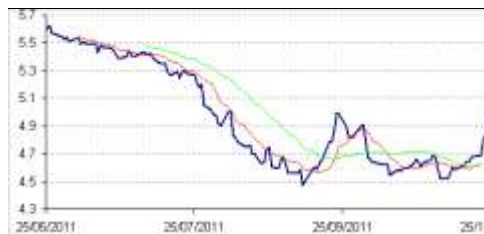


Major break over the week with the dollar hitting above MXN14.00 to see a new yearly maximum with levels not seen since March 2009. Very high over-buys on short-term oscillating indicators, although major resistance comes in up to MXN14.50. Supports at MXN14.00 and MXN13.85 where we expect it to adjust in the short-term.

Previous Rec.: The bounce could persist to the MXN13.85 zone where it would hit the second standard deviation with a return to that from two months ago.

Source: BBVA Bancomer, Bloomberg

3Y M BOND



3 Y M BOND: (yield): Maintaining its upward move and hitting resistance at 4.9%. Here, we see profit-taking as highly likely given the over-buy and short-term resistance. Initial support level at 4.7%. A move above 5% sets the next target at 5.3%.

Previous Rec.: The bounce could persist with a target at 4.9% and support at 4.6%.

Source: BBVA Bancomer, Bloomberg

10 YEAR M BOND



10-YEAR M BOND: (yield): Maintaining bounce and hitting the 6.8% zone. We expect profit-taking toward the 6.4% zone. A move above 6.8% sets the next resistance up to 7%.

Previous Rec.: Important resistance up to 6.8% with support at 6.3%.

Source: BBVA Bancomer, Bloomberg

Markets

The different positions at authorities in European countries on solving the debt crisis and the low demand for German debt led to stock market losses over the week. The peso depreciated to maximum levels for the year

Chart 7
Stock Markets: MSCI Indices
(October 25, 2011 index=100)



Chart 8
Foreign exchange: dollar exchange rates
(October 25, 2011 index=100)

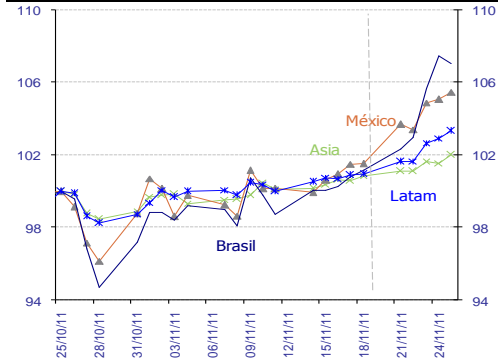


Chart 9
Risk: EMBI+ (October 25 index 2011=100)

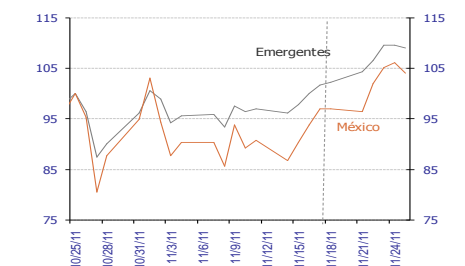
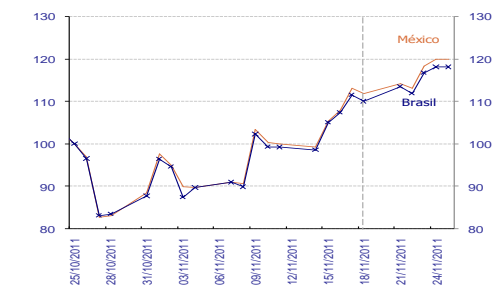


Chart 10
Risk: 5-year CDS (Oct 25, 2011 index=100)



Tension in Europe, the cut in Belgium's credit rating and versions on Greece asking investors to accept bigger losses increase global risk aversion

Increase in Mexican interest rates and a decline in US rates over the week in line with the increase in the risk aversion. Output holds positive performance, situation indicators point to 3Q11 with quarterly rates around 1%

Chart 11
10-year interest rates*, last month

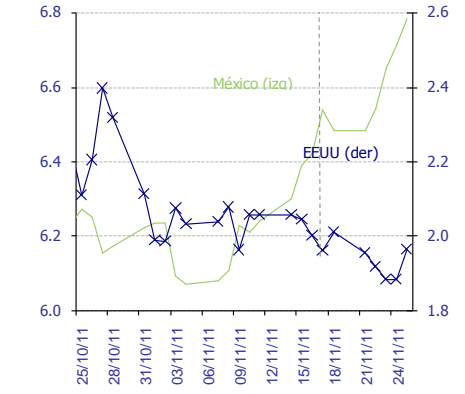
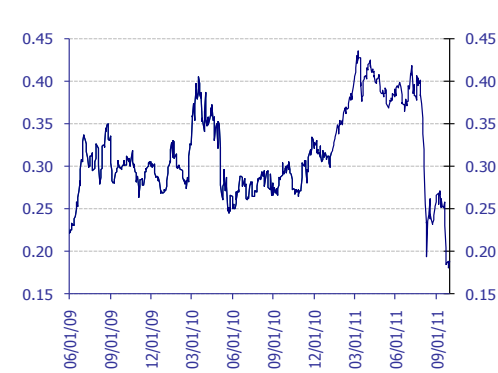
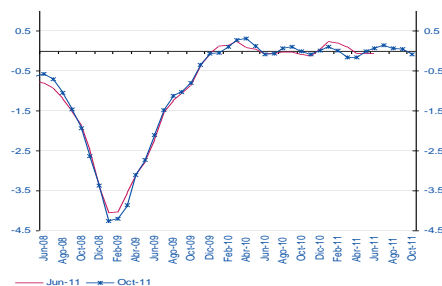


Chart 12
Carry-trade Mexico index (%)



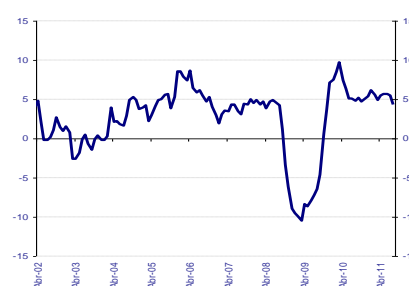
Activity, inflation, monetary conditions

Chart 13
BBVA Research Synthetic Activity Indicator
for the Mexican economy



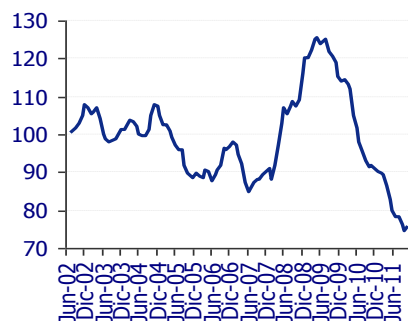
Source: BBVA Research with data from INEGI, AMIA and BEA
Weighted sum of 21 different indicators of activity, expenditure and expectation, based on trend series.

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



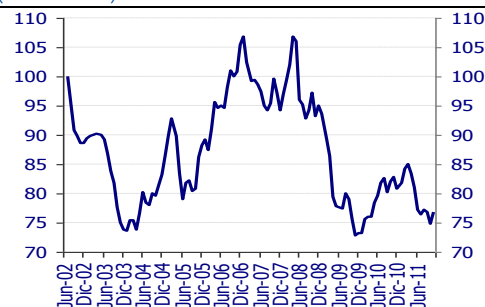
Source: INEGI

Chart 15
Inflation Surprise Index
(July 2002=100)



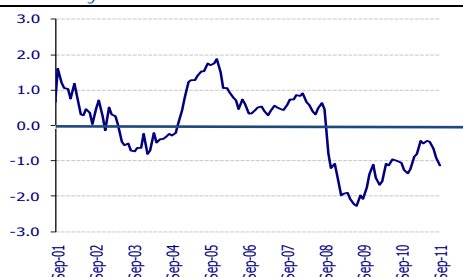
Source: BBVA Research with data from Banxico from the monthly surveys on the expectations of economic specialists in the private sector.

Chart 16
Activity Surprise Index
(2002=100)



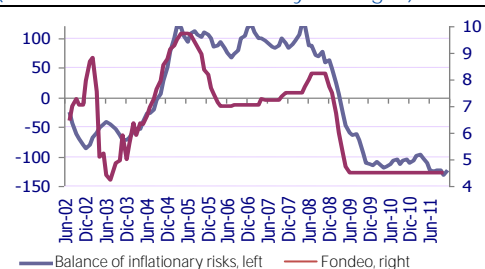
Source: BBVA Research with Bloomberg data. Difference between recorded data and the Bloomberg consensus for seven activity variables in Mexico. Standardized index. Rises (falls): positive (negative) surprises.

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

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

Monetary Conditions relax due to recent exchange rate depreciation

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

Receipt of Compensation / Provision of Services current as of 11/22/11

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, Arca Continental, Banco Compartamos, Banco Interacciones, Banco Inbursa, BNP, Bimbo, Caterpillar Credito, Cemex, Comisión Federal de Electricidad, Corporación Interamericana de Inversiones, Chedraui, Daimler, El Puerto de Liverpool, Embotelladoras Arca, Facileasing, Ferrocarril Mexicano, Fonacot, GE Capital Bank, General Electric, GMAC, Hipotecaria su Casita, HSBC, INFONAVIT, Maxcom, Megacable, Nemak, 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, Corporacion Andina de Fomento, 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, Nemak, OHL, Paccar, Pasa, Pemex, Petrotex, 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, Indice 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 TELEVISA, 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 September 30, 2011, for the whole universe of companies which BBVA Bancomer, has under coverage there are 53% Buy ratings (including "Buy" and "Outperform"), 6% Neutral ratings and 41% 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 50% of the Buy ratings, 10% of the Neutral ratings and in 40% 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.

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 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.

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 / 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.