

Global Weekly Flash

Financial tensions ease

Risk aversion eases as Spain retains its investment grade credit rating, global growth concerns decrease and EU leaders make further progresses, striking a deal on a banking union

- This week, Moody's Investors Service confirmed the Kingdom of Spain's Baa3 government bond rating and assigned a negative outlook to the rating. This rating action concludes the review initiated on 13 June 2012. The agency recognizes the following positive facts: Spanish losing market risk has been reduced by the "Draghi's action", evidence that Spanish government is to continued commitment to implement the fiscal and structural reform and the progress towards restructuring the banking sector that should help to restore market confidence in Spain's banking system. With this decision Spain retains its investment rating. The affirmation of the Spanish investment-grade credit rating by Moodys has removed one of the major threats surrounded the Spanish debt. This decision came after the Spanish credit downgrade by S&P (by two notches) about a week ago, which implies that both agencies now have the sovereign on equal ratings.
 - In reaction to this decision the Spanish government bonds advanced, pushing borrowing costs to the lowest in more than six months, to 5.33%. Therefore, the Spanish spread versus 10Y Bund narrowed significantly breaking the 400bps bound. Also the other peripheral spreads narrowed significantly. Besides, the European currency surpassed 1.31\$ against the dollar.
 - Amid the optimistic market mood, Spain managed to sell EUR4.61bn in 3y, 4y and 10y bonds, achieving lower yields, meeting the maximum target and with better bid-to cover ratios than on previous auctions. Spain sold EUR1.63bn of 3Y bonds at an average yield of 3.22%, compared with a yield of 3.67% at the latest auction with similar-maturity. Regarding 4Y bonds, Spain sold EUR1.46bn at an average yield of 3.97% (previous 4.57%). Finally in the 10Y bond, they Spanish Treasury sold EUR1.5bn setting the average yield at 5.45% vs 5.66% at auction on September 20.
- **European Council gives priority to the progress of banking union, while results on the core issues of a fiscal union are absent from the statement**
 - The EU summit took some positive steps toward further integration on the Economic and Monetary Union and further enhancement of the European crisis resolution mechanism. The EU leaders agreed to make some progress on the banking union. In this regard, the main objective is to get an agreement on the Single Supervisory Mechanism (SSM) legislative framework by 1st of January 2013 for a gradual implementation over the course of 2013. The EU council also acknowledged the clear separation between ECB monetary policy and supervision functions. The EU leaders ordered the Eurogroup to draw up the exact operational criteria that will guide direct bank recapitalizations by the ESM. This issue is very important in breaking the negative loop between banks and sovereign debt. However, in the statement there was not a clear deadline for an agreement on this question. Regarding the fiscal side, the summit has hardly reached important agreements so as to deepen the fiscal union. There is no mention to one issue discussed on the Interim Report of Mr. VAn Rompuy, i.e. some sort of fiscal mutualization (eurobills or a debt redemption fund). Instead of this, the discussion, and future proposals, will be focused on the mechanisms to have some sort of of countercyclical instrument at the EU level (an integrated budgetary framework) Finally, regarding further integration of the monetary Union, the EU council call to national authorities to integrate legislation reinforcing the European Governance and the Stability and growth pact.

- **Global growth concerns eased this week on receding fears of a hard landing in China and following upbeat US housing sector data**

- China's Q3 GDP growth slows as expected, while positive September activity indicators suggest momentum has bottomed out. China's Q3 GDP growth continued to slow, to 7.4% y/y from 7.6% y/y in Q2, exactly in line with our and market expectations. Meanwhile, monthly activity indicators for September and officially reported quarterly GDP growth (which picked up to 2.2% in Q3 from 2.0% in Q2, seasonally adjusted) were better than expected, raising confidence that the slowdown in growth momentum has probably bottomed out. On the demand side, it appears that growth in Q3 was supported by domestic consumption and net exports. While it is too early to say whether this trend will be sustained, all the more so given uncertain external conditions, the stabilization in growth trends may partly reflect the positive effects of policy easing put in place earlier this year. Given room for further stimulus (inflation remains low at just 1.9% y/y in September) and risks to the growth outlook, we expect further easing in the months ahead, including another interest rate cut and two more RRR cuts, especially after the leadership selection process is completed in November. Monthly activity indicators in September exceeded expectations. On the demand side, retail sales growth came out at 14.2% y/y (consensus: 13.2%; BBVA: 13.3%), up from 13.2% in August, and urban fixed asset investment growth picked up to 20.5% (ytd) (consensus: 20.2%; BBVA: 20.3%) from 20.2%. On the supply side, industrial output grew by 9.2% y/y in September (consensus: 9.0%; BBVA: 8.7%) from 8.9% in August. The data follow recent additional signs of a pickup, including an upturn in PMI, loan growth, and exports.
- US housing starts and building permits surge in September, while industrial production recovers only slightly. Housing starts jumped 15% in September to the highest level since August 2008 while building permits increased 11.6%, signaling the continuation of the ongoing rebound in the housing sector. September figures released for housing starts and building permits convey strong optimism and implied growth for the housing market as levels reach a post- recession high. Both housing starts and building permits rose at the fastest month-over-month pace since December 2010. The third quarter has been quite positive for the housing market: new and existing home sales have grown, the number of vacant homes has decreased, and the average length of time to complete construction on new homes has also fallen. All of the data point to a more fertile housing sector with gradual long-term growth expected as newly constructed houses fill with homebuyers, with rising prices helping to boost homeowner confidence and stimulate additional activity. On the whole, housing seems to be a driver for economic optimism. However, we do not expect that housing will gain enough steam to lead the recovery on its own, but rather supplement the economic growth generated by manufacturing and other consumer activity. Meanwhile, industrial production rose only 0.4% in September after a 1.4% drop in August. Manufacturing edged up a modest 0.2%, outpaced by mining and utilities. All three major components rebounded from declines in August, though the indices still remain below levels seen in July. Utilities output lead the gains at 1.5% while mining increased 0.9%. Manufacturing production increased a very modest 0.2% after falling 0.9% in the prior month. Recent data on the sector have indicated a particularly weak third quarter, with the industrial production component showing a similar story. On average, manufacturing output declined 0.1% per month in 3Q12, the lowest rate in more than one year.
- In the Eurozone, the ZEW German Indicator of Economic Sentiment showed a slight improvement in expectations and a still weak assessment of the current economic situation. The ZEW German economic expectations index rose to -11.5 in October from -18.2 in September, rebounding for the second month in a row. However, the current situation index dropped to 10.0 from 12.6, indicating a not so good assessment of the current economic situation in Germany.

Next week: A huge amount of relevant economic data will be released during the next week. In the US the investors will keep their eyes on the US 3Q GDP figures. Besides, in Europe the financial market will be paying attention to the eurozone PMI index and the consumer confidence, while in Germany IFO confidence will be published. The ECB president Mario Draghi will address Bundestag on ECB OMT programme. The FED FOMC will also take place next week.

Calendar: Indicators

Eurozone: Flash PMI Composite (October, October 24th)

Forecast: 46.3

Consensus: 46.4

Previous: 46.1

We expect the composite PMI to have increased slightly in October, after remaining broadly stable in previous months, but remaining clearly in contractionary territory. However, a larger increase in confidence should not be ruled out, as recent easing in financial tensions could have lifted the mood of respondents. These figures will be the first data available for 4Q and these forecasts are in line with our view of a sluggish improvement in activity in coming quarters. Across components, both manufacturing and service sentiment are set to improve slightly, although prospects for the former sector remain gloomy due to slowing global demand, while those for the service sector are not very promising, weighed down by the weak domestic demand.

Eurozone: M3 (September, October 25th)

Forecast: 3.1% y/y

Consensus: 3.0% y/y

Previous: 2.9% y/y

We expect M3 to have stepped up in September, after the sharp fall observed in the previous month. Across its counterparts, our estimate is that loans to private sector could have remained flat. Looking beyond the month-on-month volatility, loans to households is slowing, after increasing at steady low rates since the beginning of the year, while those to non-financial corporations continue to fall, but at a slower pace. Looking forward, we expect lending data to remain very subdued, not only due to hard credit conditions but also to worsening demand, suggesting that both private consumption and investment could fall again during the second half of the year.

US: New Home Sales (September, October 24th)

Forecast: 385K

Consensus: 381K

Previous: 373K

The housing industry is gaining pace and new home sales have been trending upward throughout the past year. Constrained supply has encouraged new home construction, with housing starts and building permits jumping significantly in September. Furthermore, the assurance of low mortgage rates for an extended period of time will help to bring new consumers into the housing market. The rise in consumer confidence and the gradual improvements in the labor market suggest that consumers may be more apt to buy a new home in the coming months. On the downside, the latest rebound in the price of new homes may deter potential homebuyers.

US: GDP, First Estimate (3Q12, October 26th)

Forecast: 1.5%

Consensus: 1.8%

Previous: 1.3%

The advanced estimate for real GDP growth in 3Q12 is expected to reflect the slowing pace of activity framed by key economic indicators, particularly on the production side. Trade did little to bolster figures, with the deficit widening consistently since the second quarter on account of falling exports. Production and inventories were a disappointment as well, with average industrial output in the negative compared to the previous quarter. Inventories appear to be a bit stronger in 3Q12, with consumer demand on the uptick again in August and September. A positive sign from personal consumption expenditures might be the catalyst for the quarter, with growth averaging slightly less than the strong rates seen in 1Q12. Although September's data has not been released for many of these important indicators, we expect that the month will be similar, if not stronger, than what was seen in August. Ultimately, our expectation is that third quarter growth may be on pace or a little better than 2Q12, but not enough to offset looming uncertainties impacting the second half of 2012.

South Korea: GDP (Q3-12, October 26th)

Forecast: 0.2% q/q

Consensus: 0.2% q/q

Previous: 0.3% q/q

Following last week's release of Q3 GDP in China, Korea's GDP will be watched as an indication of the extent of the regional slowdown, and the likely stance of policies in the coming months. Korean GDP growth has been under downward pressure in recent quarters due to the weak external environment, as slowing exports have progressively spilled over to domestic demand. We expect Q3 GDP to slow to a seasonally adjusted 0.2% q/q from 0.3% q/q in the second quarter (and from 0.9% q/q in the first quarter), as exports contracted for a third straight month in September (by -1.8% y/y). With inflation contained at the low end of the BOK's 2-4% target range, there is scope for further policy stimulus to support growth. The BOK has cut interest rates by 50bps so far this year, to 2.75%, and the government has implemented modest fiscal stimulus measures, with the latest round occurring in September. Should the Q3 GDP outturn confirm a continued slowdown, we would expect more policy stimulus, likely through increased fiscal spending in the early part of 2013 after Presidential elections this coming December, though for now we see no additional rate cuts forthcoming.

Markets Data

| | | | Close | Weekly change | Monthly change | Annual change |
|------------------------------------|----------------|-------------------------|---------|---------------|----------------|---------------|
| Interest rates (changes in bps) | US | 3-month Libor rate | 0.34 | -1 | -6 | -6 |
| | | 2-yr yield | 0.27 | 1 | 2 | -1 |
| | | 10-yr yield | 1.71 | -3 | 1 | -47 |
| | EMU | 3-month Euribor rate | 0.21 | -1 | -5 | -136 |
| | | 2-yr yield | 0.05 | -1 | 0 | -58 |
| | | 10-yr yield | 1.51 | -1 | -3 | -60 |
| Exchange rates (changes in %) | Europe | Dollar-Euro | 1.294 | -0.8 | 0.7 | -6.1 |
| | | Pound-Euro | 0.81 | -0.1 | 0.9 | -7.7 |
| | | Swiss Franc-Euro | 1.21 | -0.1 | 0.2 | -2.2 |
| | America | Argentina (peso-dollar) | 4.71 | 0.1 | 1.1 | 11.8 |
| | | Brazil (real-dollar) | 2.04 | 0.3 | 1.0 | 16.3 |
| | | Colombia (peso-dollar) | 1797 | 0.1 | 0.0 | -5.5 |
| | | Chile (peso-dollar) | 473 | -0.2 | -0.4 | -6.4 |
| | | Mexico (peso-dollar) | 12.87 | 0.6 | -0.9 | -4.2 |
| | | Peru (Nuevo sol-dollar) | 2.59 | -0.2 | -0.8 | -5.1 |
| | Asia | Japan (Yen-Dollar) | 78.52 | -0.2 | 1.0 | 2.1 |
| | | Korea (KRW-Dollar) | 1114.35 | 0.3 | -1.2 | -3.6 |
| | | Australia (AUD-Dollar) | 1.028 | 0.9 | -1.5 | 0.9 |
| Comm. (chg %) | | Brent oil (\$/b) | 116.0 | 3.5 | 0.5 | 4.4 |
| | | Gold (\$/ounce) | 1772.7 | -0.4 | 2.3 | 6.3 |
| | | Base metals | 519.2 | -1.6 | -0.5 | -3.7 |
| Stock markets (changes in %) | Euro | Ibex 35 | 7741 | -2.7 | -2.4 | -13.4 |
| | | EuroStoxx 50 | 2491 | -1.6 | -2.6 | 6.8 |
| | | USA (S&P 500) | 1441 | -1.3 | 0.5 | 19.8 |
| | America | Argentina (Merval) | 2411 | -3.0 | 0.2 | -7.1 |
| | | Brazil (Bovespa) | 59288 | 1.2 | -0.2 | 8.6 |
| | | Colombia (IGBC) | 14265 | -0.6 | 0.6 | 7.2 |
| | | Chile (IGPA) | 20814 | -0.3 | 2.2 | 8.1 |
| | | Mexico (CPI) | 41649 | -0.7 | 4.1 | 20.4 |
| | | Peru (General Lima) | 21433 | -1.5 | 3.5 | 15.1 |
| | Asia | Venezuela (IBC) | 351001 | -13.0 | 18.0 | 251.0 |
| | | Nikkei225 | 8547 | -3.6 | -3.0 | -3.1 |
| | | HSI | 20999 | -0.1 | 5.7 | 11.9 |
| Credit (changes in bps) | Ind. | Itraxx Main | 133 | 7 | 6 | -45 |
| | | Itraxx Xover | 556 | 25 | 52 | -209 |
| | | CDS Germany | 51 | 1 | -2 | -43 |
| | Sovereign risk | CDS Portugal | 477 | 22 | -49 | -658 |
| | | CDS Spain | 360 | 9 | -20 | -14 |
| | | CDS USA | 41 | -1 | 5 | --- |
| | | CDS Emerging | 228 | 13 | 16 | -82 |
| | | CDS Argentina | 1010 | 96 | -28 | 53 |
| | | CDS Brazil | 115 | 3 | -2 | -42 |
| | | CDS Colombia | 106 | 4 | 5 | -50 |
| | | CDS Chile | 84 | 1 | 2 | -45 |
| | | CDS Mexico | 105 | 5 | 8 | -49 |
| | | CDS Peru | 110 | 4 | 1 | -50 |

Source: Bloomberg and Datastream

Weekly Publications

| Country | Date | Description |
|---------|------------|---|
| EMU | 10/19/2012 | ➤ Europe Economic Watch: "The economy is set to contract further in 3Q" Soft data suggest that the economic contraction intensified in 3Q (Spanish version) |
| | 10/18/2012 | ➤ Europe Flash: "Portuguese 2013 budget enough to meet targets but tilted too much on higher taxes" The government unveiled on Monday 15 the details of 2013 budget, which has now to be discussed in the Parliament |
| | 10/16/2012 | ➤ Europe Flash: "HICP inflation remained stable at 2.6% y/y in September, while core inflation slowed by 0.1pp to 1.6% y/y" The main difference with the preliminary estimate lies in the evolution of the components of core inflation, with a slowdown in services inflation and the acceleration in industrial prices |
| Spain | 10/18/2012 | ➤ Flash España: "Precio de la vivienda 3T12" El precio de la vivienda vuelve a acelerar su caída, tal y como preveíamos en BBVA Research |
| | 10/18/2012 | ➤ Flash España: "España: balanza comercial de agosto 2012" El déficit de la balanza comercial en el acumulado a 12 meses de agosto se reduce con respecto al acumulado a 12 meses del mes anterior situándose por debajo de la cota de los 40 mil millones de euros |
| | 10/15/2012 | ➤ Presentación "Situación Andalucía. Segundo semestre 2012" Los principales retos para Andalucía son mejora de la productividad y la flexibilización laboral. Aunque el sector exterior es positivo, la región se contraerá más que la media española |
| | 10/15/2012 | ➤ Situación Andalucía. Segundo semestre 2012 Los principales retos para Andalucía son mejora de la productividad y la flexibilización laboral. Aunque el sector exterior es positivo, la región se contraerá más que la media española |
| US | 10/17/2012 | ➤ U.S. Economic Flash. Housing starts and permits rise to highest level since recession Housing starts jumped 15% in September to the highest level since August 2008. Building permits increased 11.6%, signaling an optimistic future |
| | 10/16/2012 | ➤ U.S. Economic Flash. Industrial Production Recovers Only Slightly From Prior Decline Total output rose only 0.4% in September after a 1.4% drop in August. Manufacturing edged up a modest 0.2%, outpaced by mining and utilities |
| | 10/16/2012 | ➤ U.S. Inflation Flash. A surge in energy prices keeps pressure on CPI Headline inflation increased 0.6% for the second consecutive month, hitting 2.0% YoY, Energy prices rose 4.5% bolstered by a 7.0% increase in gasoline prices |
| | 10/15/2012 | ➤ U.S. Economic Flash. Consumer Spending on the Rebound as Retail Sales Grow Retail sales grew 1.1% on a MoM basis in September, following 1.2% growth in August. Vehicle sales rose 1.3% to signal a second straight month of larger purchases |
| | 10/15/2012 | ➤ U.S. Weekly Flash. Beige Book signals modest growth with little change to employment The Federal Reserve's Beige Book for September shows signs of optimism while employment and manufacturing are still slow to pick up the pace (Spanish version) |
| Latam | | |
| Brazil | 10/18/2012 | ➤ Flash: CB sees more growth and less inflation in 2013 In our opinion, the minutes support the view that the SELIC will remain unchanged during the course of the next year. (Spanish versión) |
| Chile | 10/16/2012 | ➤ Real Estate Outlook 2012 Despite the expected demand slowdown, the fact that supply is also experiencing less slack in the medium-term supports the housing price level hit in 2Q12. |
| Peru | 10/15/2012 | ➤ PIB siguió mostrando importante dinamismo en agosto El crecimiento del PIB ascendió a 6,3% (BBVA: 6,6% y Consenso: 6,5%), reflejando la fortaleza de los sectores vinculados con la demanda interna (Construcción, Comercio y Otros Servicios) |

Mexico

- 10/18/2012 ➤ **Flash Bancario México. Captación bancaria: sus componentes aminoran su dinamismo**
A la vista: es el componente más dinámico de la captación bancaria. A plazo: ha reducido su ritmo de expansión. Ahorro Financiero: títulos del sector público, su principal fuente de impulso
- 10/17/2012 ➤ **Observatorio Económico México. ¿Por qué han caído las remesas hacia México?**
En julio de 2012 las remesas hacia México presentaron su primera disminución a tasa anual tras 21 meses con incrementos consecutivos; la caída fue de 2.1% en dólares
- 10/16/2012 ➤ **Mexico Real Estate Flash. Changes in the mortgage market will support activity in 2012**
Mortgage activity is increasing, but with new drivers. Increased activity means development of new markets
(Spanish version)

Asia

- 10/19/2012 ➤ **Asia Daily Flash | 19 October 2012: Taiwan's export orders rise; China FDI inflows decrease; Malaysia's inflation declines**
Markets in Asia were down slightly today (Kospi: -0.8%, Sensex: -0.6%) on spillovers after weak earnings reports from major US technology companies.
- 10/18/2012 ➤ **Asia Daily Flash | 18 October 2012: China's GDP slows as expected; September indicators above expectations; Moody's: Korea's banks resilient**
The release of China's GDP and high frequency data today reinforced investors' perceptions of a bottoming out in growth momentum.
- 10/18/2012 ➤ **China Flash: Q3 GDP growth slows as expected, while positive September activity indicators suggest momentum has bottomed out**
Q3 GDP growth continued to slow, to 7.4% y/y from 7.6% y/y in Q2, exactly in line with our and market expectations. Meanwhile, activity indicators in September exceeded expectations.
- 10/17/2012 ➤ **Asia Daily Flash | 17 October 2012: Thailand surprises with a rate cut; Singapore exports fall again**
Risk assets in Asia were boosted today on positive spillovers from Moody's decision in its current review to maintain Spain's investment grade sovereign rating.
- 10/16/2012 ➤ **Asia Daily Flash | 16 October 2012: RBA minutes provide little guidance on interest rate outlook; Indonesia and Korea announce joint infrastructure plans**
Asian equities rose for a second straight day, led by the Nikkei (+1.4%), after strong US retail sales data inspired confidence in the outlook for exporters.
- 10/15/2012 ➤ **Asia Daily Flash | 15 October 2012: China's exports and credit growth suggest stabilizing growth momentum; India's inflation inches higher**
Despite some positive economic indicators for China, Chinese equity markets edged downwards today, as did most markets in Asia, on continuing global growth concerns.
- 10/15/2012 ➤ **China Flash: Pickup in September credit and export growth allay hard landing concerns, while low inflation provides room for policy easing**
Overall credit growth and export growth for September were stronger than expected suggesting that, while the economy continues to slow, growth is far from stalling.
- 10/15/2012 ➤ **India Flash: September WPI inflation inches higher on fuel price hikes**
India's wholesale price inflation inched higher in September to 7.8% y/y (Consensus: 7.7%) from 7.6% in August, driven mainly by a 12% hike in diesel prices.

Publications on October 19, 2012 to 14:22, Madrid time

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

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

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

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

Stephen Schwartz
stephen.schwartz@bbva.com.hk
+852 2582 3218

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

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

Kim Fraser
kim.fraser@bbvacompass.com
+1 713 831 7342

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

Indicators collaboration

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

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

Asia
Jeffrey Cantwell
jeffrey.cantwell@bbva.com.hk
+852 2582 3173

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information regarding the date of issue of the report and are subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The content of this document is based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

"BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.