



Weekly Observatory

March 5th, 2010

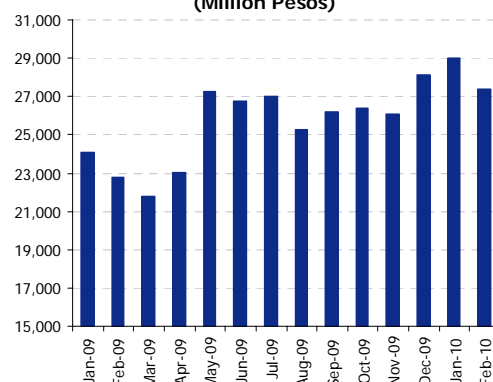
Weekly Highlights (1st – 5th March 2010)

The Chilean earthquake had a negative impact on the country's economic expectations, reflected by a fall in the stock market and a rise in expected inflation. Positive activity data flow across the region this week (Brazilian, Colombian and Mexican industrial production, GDP data in Peru, IMACEC in Chile). On the other hand, the conflict over the use of reserves to secure payment of debt maturing this year has been flared up again in Argentina.

1. Argentina

- At the opening session of the current legislative period the President announced the creation of a new fund with the Central Bank's international reserves to ensure payment of debt maturities this year. The funds for more than USD 6.0 billion have been already transferred to an account of the National Treasury, but the conflict with the Congress about the use of Central Bank reserves has been reopened. A judge froze the funds until Congress make a decision about the validity of the decree, as required by law. From this week, opposition parties have majorities in both houses of Congress.
- The tax revenues of February 2010 stood at \$ 27,3 billion with an increase of 20.2 % a / a. The growth of VAT and Income tax, the main taxes, was above average.

Argentine: Tax Collection
(Million Pesos)

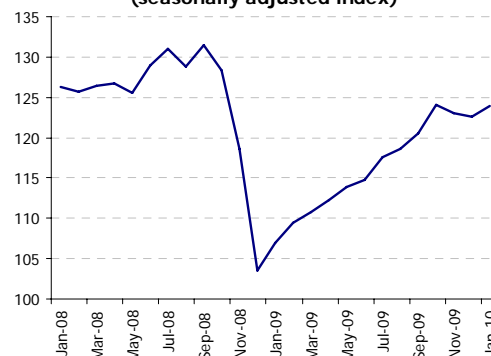


Source: AFIP

2. Brazil

- Industrial production rose 1.1% m/m (16.0%/y/y) in January, in line with market forecasts. The capacity utilization ratio dropped from 81.7% in December to 81.4% in January, slightly below markets' expectations. Finally, car sales expanded 1.2% m/m in February. These results suggest that economic activity is currently growing at a pace no higher than the observed in the end of 2009.
- Inflation increased 0.78% m/m (4.83%/y/y) in February. The figure was slightly lower than market's expectations (0.80%) but higher than January's value (0.75%). The main drivers were education and real estate expenditures, due to seasonal reasons. The other main components of the inflation moderated in comparison to January.

Brazil: Industrial Production
(seasonally adjusted index)

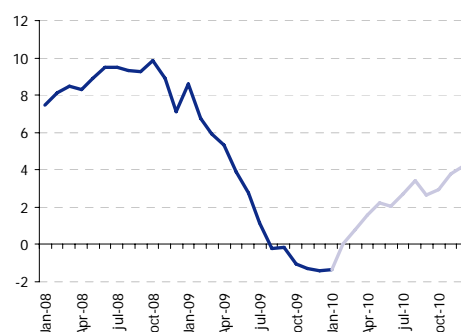


Source: IBGE

3. Chile

- An 8.8 in Richter scale earthquake struck the centre south area of the country, affecting 80% of the population and a similar share of production. The hardest hit production sectors are manufacturing, agriculture, transportation and power generation. The normalization of the situation has gradually begun, but the most affected area still has problems with drinking water and electricity. Due to the above, an impact on inflation is expected in the coming months closing at 4.2% y-o-y in December. However, the monetary policy rate will continue expansive until late third quarter. Finally we expect an exchange rate appreciation, closing the year at \$500 per dollar.
- IMCEC rose 4,3% in January, the highest increase after the crisis (1.1% m/m).

Chile: 2010 Inflation Projection
(annual percent)



4. Colombia

- Energy demand increased 5.6% yoy in February, the highest rate in the last two years. When seasonally adjusted, it shows that the economy continued to follow an expansion path during the first quarter of 2010.
- Last Wednesday BanRep started to intervene in the exchange market up until 20 million dollars a day throughout the first semester of the year. The decision was taken due to the evidence of a deviation of the real exchange rate from its sustainable level.
- Colombian Constitutional Court ruled out the referendum that allowed President Uribe to run for a third term.

5. Mexico

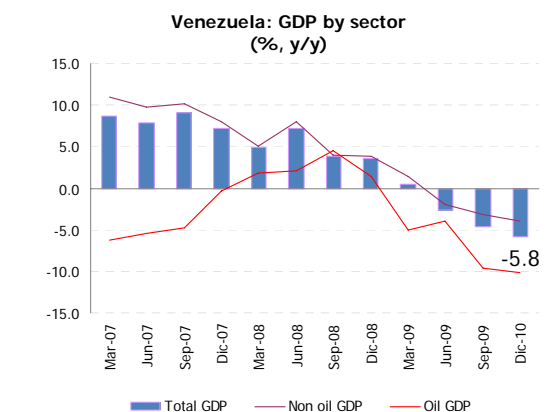
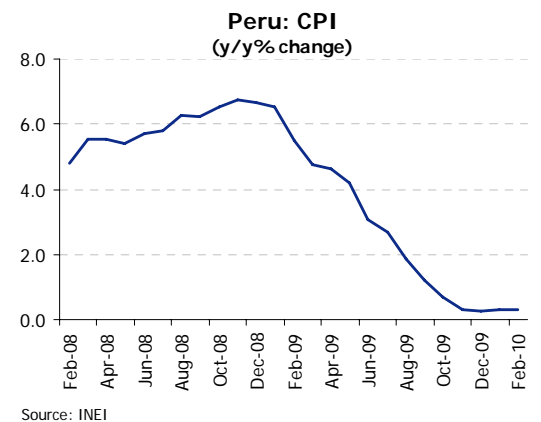
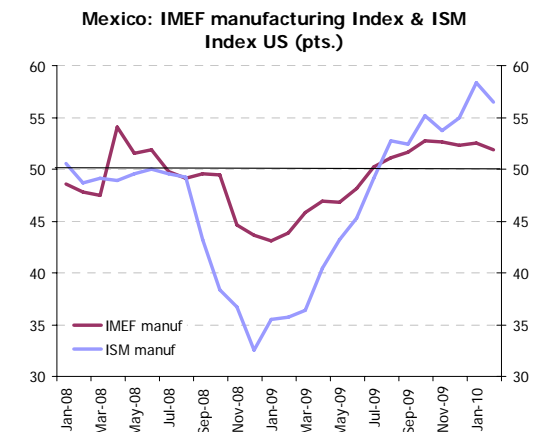
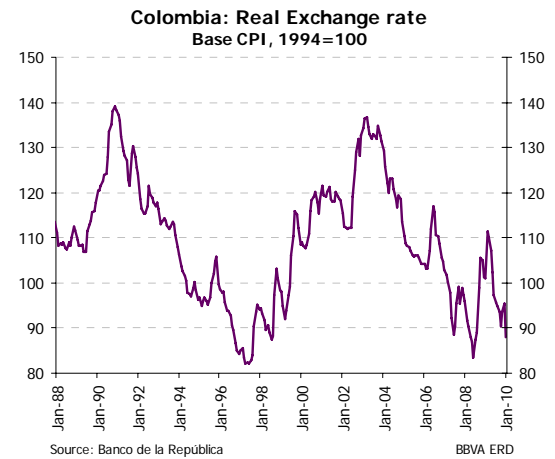
- The IMEF manufacturing Index reached 51.8pts. in February, seventh month in a row over the expansionary threshold. The employment and deliveries sub indexes keep improving, while new orders, production and inventories fell marginally. This performance is consistent with the ISM manufacturing index evolution. Consumer Confidence maintained its previous level in February, with marginal deteriorations in all of its sub-components. Next week February's inflation and January's Industrial production will be published, we expect that non-core prices pressures will remain and that monthly expansion goes on respectively.

6. Peru

- GDP increased by 3.4% yoy in 4Q09 after two consecutive quarters of contraction (-0.6% y/y in 3Q09 and -1.2% y/y in 2Q09). The main drivers were public spending, which grew 26% y/y (18% y/y in 3Q09) and had a positive contribution of 4.2 pp of GDP, and private consumption, which grew 3% y/y (1% y/y in 3Q09) and had a positive contribution of 1.9 pp. On the other hand, inventories continue contributing negatively to growth (-1.6 pp in 4Q09 and -2.8 pp in 3Q09), although at a less pronounced pace.
- In February, the Consumer Price Index registered a monthly increase of 0.3% (0.8% yoy), similar to the previous two months. The monthly inflation in the first months of 2010 is higher than in 2009 and is mainly explained by seasonal (rising food prices) or discretionary (adjustment of electricity tariffs) factors.

7. Venezuela

- Central Bank released a downward adjustment over activity figures of 2009. The report indicates that GDP decreased by 3.3%, after publishing 2.9% in December. It is worth noting the oil sector drop (7.2%) as consequence of Opec's production cut policy. Also diminishing are manufacturing (6.4%) and commerce (8.3%), activities highly depending on imports. Globally, non oil sector fell 2.2% during last year.
- In 2009, Balance of Payments closed on deficit by USD 10,262 MM. Progressively Current Account became on surplus (closing at USD 8,561 MM) as consequence of oil prices recovery and the fall of imports. The private capital movements toward external assets reached USD 18,965 MM in the year.
- Central Bank announced to auction USD 50 MM on zero coupon dollar-denominated bonds; the implicit exchange rate under this operation would be 4.9 BsF/USD. Central Bank announced this auction after being absent for nearly one month.



The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Var. Bp	Forecast. Dec 2010
Argentina				
7 day Central Bank rate	9.00	0	-150	---
Badlar rate	9.50	0.00	-481	16.00
Brazil				
Official Rate	8.75	0	-400	10.25
Andima 1 year bond	10.82	4	-32	---
Chile				
Official rate	0.50	0	-425	2.50
Swap CLP	0.55	-23	-497	---
10 year rate	6.28	-2	81	---
Colombia				
Official Rate (BR)	3.50	0	-550	4.25
DTF	4.02	6	-560	---
TES jul-2020	8.92	-12	-94	---
Mexico				
Official Rate (fondeo)	4.50	0	-300	4.50
3 months rate	4.67	1	-286	---
10 years rate	7.67	4	-114	---
Peru				
Official Rate	1.25	0	-500	2.00
10 years*	6.16	-3	-104	0.00
Venezuela				
Overnight-interbank (daily)	2.63	-25	-471	6.50
CD 28d (official)	6.00	0	-800	6.00
DPF 90d	14.66	-86	-254	14.50

Foreign exchange market

Marginal appreciations in the currencies of the region during the week. It was greater for the case of Chile, buoyed by expectations of an increase in the inflow of dollars to rebuild the country after the earthquake.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2010
America				
Argentina (peso-dollar)	3.85	-0.2	6.1	4.16
Brazil (Real-dollar)	1.79	-0.9	-24.8	1.75
Colombia (Peso-dollar)	1923	-0.1	-24.7	2070
Chile (Peso-dollar)	518	-1.3	-14.7	525
Mexico (Peso-dollar)	12.71	-0.5	-16.8	12.70
Peru (New sol-dollar)	2.84	-0.2	-12.0	2.85
Venezuela (Bolivar-dollar)	2.60-4.30	-	-	2.60-4.30
dollar-Euro	1.36	0.0	7.3	1.34

Emerging Spreads

Different results for the EMBI+ countries of the region. The main increase of the country risk was recorded for Peru and the largest decline was for Argentina

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	285	-0.2	-381
EMBI + Latin America	335	1.8	-358
Argentina	764	-11.2	-997
Brazil	198	-3.0	-235
Colombia	204	6.1	-268
Chile*	144	-0.8	-207
Mexico	159	2.8	-238
Peru	179	13.5	-204
Venezuela	976	6.6	-586
EMBI+ Asia	229	2.0	-294
EMBI+ Europe	220	-5.4	-466

Commodity Markets

The oil price benefited from an improvement in the economic outlook and reached the highest level since the beginning of January. Metal markets shared the positive tone displayed by oil markets. In the case of copper, prices were also driven up – mainly in the beginning of the week - by concerns regarding production disruption generated by the Chilean earthquake. Agriculture prices dropped significantly led by sugar prices which declined 10% this week.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2010
Brent (US\$/Bbl)	78.9	1.6	1.2	74
Gold (US\$/Troy oz)	10	4.3	1.8	---
Copper (US\$/t)	7398	2.8	0.3	5181
Soybean (US\$/t)	330	-1.8	-10.2	330
Corn (US\$/t)	132	-1.1	-9.8	172
Goldman-Sachs Index	502	4.3	48.7	---
CRB Index	471	2.5	30.3	---

Stock Markets

Stock prices rose across the region, with the exception of Chile.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	2284	2.8	136.7
Brazil (Bovespa)	67815	2.0	82.8
Colombia (General Index)	11811	0.7	53.5
Chile (IGPA)	17457	-1.9	52.6
Mexico (IPC)	32202	1.8	88.9
Peru (Lima General)	14231	1.6	109.8
Venezuela (IBC)	56945	1.4	51.9
USA			
S&P 500	1123	1.7	64.3
Nasdaq 100	2292	2.4	77.2
Europe			
Londres (FTSE)	5545	3.6	57.1
EuroStoxx50	2539	2.8	55.9
Ibex35	10758	4.1	55.1
Estambul-100	51572	3.8	122.1
Asia			
Nikkei	10369	2.4	44.6
China	3031	-0.7	38.2

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Monday						
	Chile	CPI and other prices (INE)	Feb			
	Chile	Monthly Bulletin (CBCh)	Feb			
	Chile	Bond and notes issuance calendar (CBCh)	Mar			
	Chile	Weekly Economic Indicators (CBCh)	Mar			
	Venezuela	Inflation	Feb	2.40%		BBVA-2,9%
	Brazil	FGV inflation IGD-DI	Feb	1.01%	1.16%	
Tuesday						
	Colombia	Construction Licenses	Dec	4.70%		
	Mexico	Inflation	Feb	1.09	0.51	0.71
Wednesday						
	Chile	Economic Expectations Survey (CBCh)	Mar			
	Peru	Trade Balance	Jan	USD 936 millones		
Thursday						
	Peru	Benchmark interest rate	Mar	1.25%		BBVA: 1.25%
	Brazil	Retail Sales (YoY)	Jan	9.10%	8.90%	0.0%
	Brazil	Retail Sales (MoM)	Jan	-0.40%	1.50%	0.0%
	Brazil	GDP (IBGE) YoY	4Q	-1.20%	4.60%	
	Brazil	GDP (IBGE) QoQ	4Q	1.30%	2.30%	
Friday						
	Argentina	CPI	Feb	1,0% m/m		1,0% m/m
	Argentina	Internal Price Index Wholesale	Feb	1,0% m/m		
	Argentina	Índice del Costo de la Construcción	Feb	0,5% m/m		
	Colombia	Cost Index Housing Construction	Feb	177.3%		

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	3Q09	2Q09	1Q09	4Q08	3Q 08	yoy		(% active pop.)		yoy		yoy		yoy		m USD	
Argentina	-0.3	-0.8	2.0	4.1	0.0	8.2	Jan	8.4	3 Q 09	5.2	Jan	18.0	Jan	19.0	Jan	1216.0	Jan
Brazil	-1.2	-1.6	-2.1	0.8	7.1	4.6	Jan	7.2	Jan	16.0	Jan	9.1	Dec	27.2	Feb	394.0	Feb
Chile	-1.6	-4.7	-2.4	0.2	0.5	-1.3	Jan	8.7	Dec	-1.1	Jan	-0.5	Jan	49.9	Jan	2074.7	Jan
Colombia	-0.2	-0.3	-0.5	-1.0	2.9	2.1	Jan	15.3	Dec	2.0	Dec	2.7	Dec	15.3	Jan	293.0	Dec
Mexico	-6.1	-10.0	-7.9	-1.1	1.7	4.5	Jan	5.9	Jan	1.6	Dec	1.6	Dec	26.7	Jan	-332.6	Jan
Peru	-1.2	1.9	6.5	0.3	10.7	0.3	Feb	8.6	Jan	1.6	Dec	n.d.	n.d.	51.0	Dec	936.0	Dec
Venezuela	-5.8	-4.6	-2.6	0.5	3.8	26.9	Jan	6.6	Dec	-14.3	Sep	17.6	Sep	56.1	Dec	8340.0	Dec

Sources: Bloomberg, Reuter, and BBVA staff estimates.