



Weekly Observatory

August, 14th, 2009

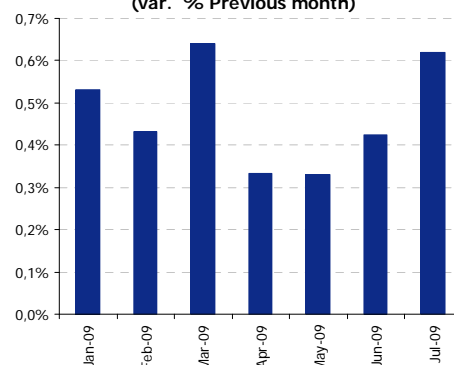
Weekly Highlights (10th – 14th August, 2009)

The release of several demand and activity indicators yield mixed conclusions over the immediacy of economic recovery in the region. In Brazil, auto sales fell, partly due to fiscal effects. An economic survey in Chile registers an additional increase during July. Finally, an apparent stabilization of industrial production decay in Colombia comes along with an improvement of housing confidence proxies.

1. Argentina

- The government is analyzing a voluntary debt swap to be launched next month that would not be restricted only to bonds adjusted for inflation as it was anticipated. Bonds with a longer-term maturity and yielding Badlar interest rate, like recent issues in the domestic market, will be issued. The aim is to postpone the debt maturities over the next two years. For the present time a new offer will not be done to the holdouts or to the Club of Paris by the debt in cessation of payments.
- During July the official inflation grew 0.6% compared to June and 5.5% y/y, accumulating 3.4% so far this year. The largest hike was registered again in Clothing (1% related with seasonally factors) and communication & transport (1% because of some hikes in long distance transportation), while Foods and Beverages increased 0.5% - the largest chapter increase of the year - highlighting the raise in alcoholic beverages and fruits

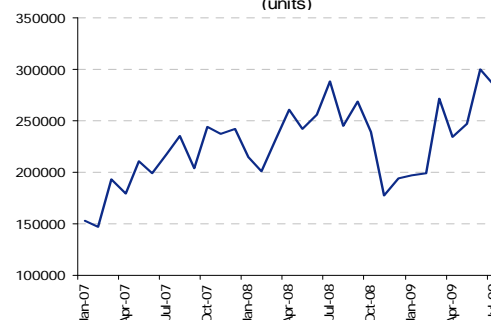
Argentina - CPI
(var. % Previous month)



2. Brazil

- Car sales dropped 4% m-o-m in July. The good performance of car sales in previous months as well as the uncertainty regarding the renovation of fiscal incentives to the car industry which, according to initial announcements, would end in June (incentives were recently extended till the end of the year), suggest that the drop observed in July is at some extent due to an anticipation of the car purchases. In comparison to July of 2008, car sales dropped only 1%. The positive results of the car industry are among the main drivers of the recovery process of the Brazilian economy.

Car Sales
(units)

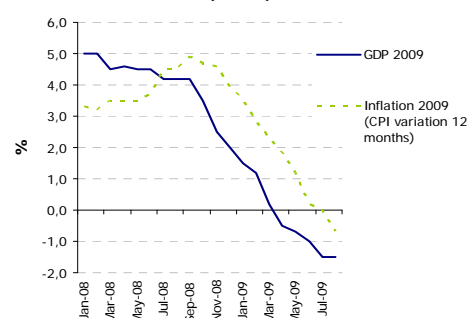


Source: Bloomberg

3. Chile

- According to the Survey of Economic Expectations of the Central Bank, analysts maintain the -1.5% GDP growth projection for 2009 (BBVA -1.5%), after ten consecutive downward adjustments. Inflation expectations decline again, and the CPI cumulative variation is expected to be negative in December (-0.7% v/s BBVA -0.8%).
- The Economic Perception Index for July increased for the fourth consecutive time to its highest level in 16 months, recording 41 points (out of 100).

Economic expectations evolution
(medium)



4. Colombia

- According to ANDI and Fedesarrollo surveys, during the first semester of the year, industrial production and sales decreased by 6.7% and 5.0% respectively. Besides, ANDI's survey highlights businessmen efforts searching for new external partners to offset lower exports to Ecuador and Venezuela.
- During July, consumer confidence index rose again. Households perceive current economic conditions are improving.

5. Mexico

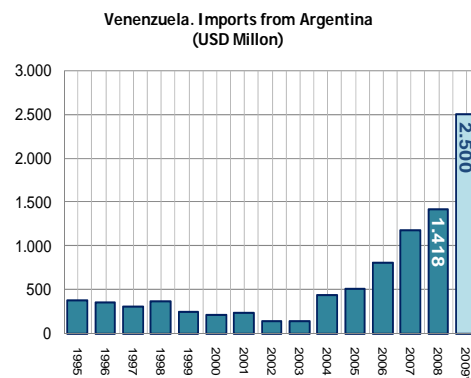
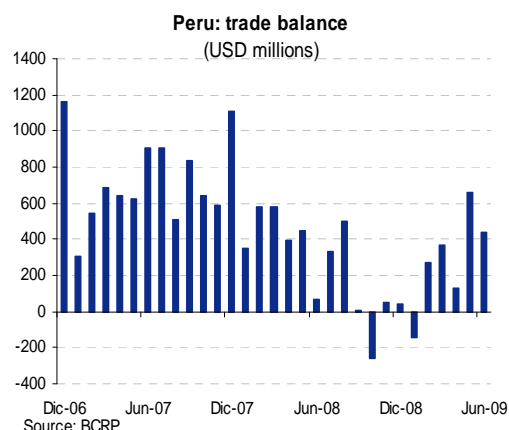
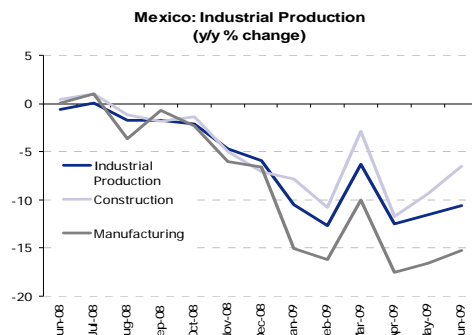
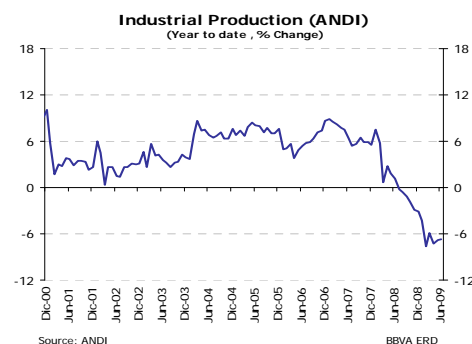
- The Industrial Production for June registered one of the sharpest contractions in history (-10.6% y/y). The most affected components were Construction that fell -6.5% and manufacturing that fell -15.2% consistent with the performance of Industry in the US. We anticipate that Industrial Production will recover gradually through the end of 2009 and the first months of 2010 because of its tight correlation with the US economy.
- Next week the GDP for the second quarter will be published, the perspective is that it will adjust sharply because of the effects of the Influenza pandemic in April and May.

6. Peru

- The trade balance showed a surplus of USD 441 million in June and thus accumulated a surplus of USD 1.728 million in the first semester (USD 2.425 million in 1S of 2008). In this first half of the year, exports accumulated a decrease of 29.6% y/y, due mainly to a reduction in the price and export volume of 26.8% and 4%, respectively. Imports also showed a decrease by 29.7% y/y due to lower volume (22.2%) and the fall in the average price of imports (9.5%).
- Additionally, data released for power generation, showed a decrease of 2.7% y/y in July (-2.8% in June). This result is due to a reduction in thermal generation of 13.7% y/y, while the hydraulic generation rose by 7.8% y/y.
- Finally, Standard & Poor's Ratings Services confirmed its 'BBB-' long-term foreign currency and 'BBB+' long-term local currency ratings on Peru, adding that the outlook remains stable. According to the press release, the ratings on Peru are supported by the government's commitment to economic stability and a positive investment climate that will underpin solid growth through 2012, despite the slowdown in 2009.

7. Venezuela

- Trade agreements between Argentina and Venezuela by USD 1,100 MM.** Governments of both countries signed 22 trade agreements, highlighting the import from Argentina of 80,000 tons of cattle and rice, and a quota of 10,000 vehicles for 2009. This trade flow could increment argentine imports up to USD 2,500 MM at the end of the year, after marking USD 1,418 MM in 2008.
- The Superintendency of Banks increased minimum capital requirement of the banking system.** Since 1H-10, universal banks will be required to hold BsF 170 MM (USD 79.0 MM) as minimum capital amount. Former resolution limited to BsF 40 MM (USD 18.6 MM) the capital requirements. The reform would oblige three low size banks to inject capital in next months.



The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Bp	Var.	Forecast. Dec 2009
Argentina					
7 day Central Bank rate	10,00	0	125		---
Badlar rate	12,69	-31,25	19		17,00
Brazil					
Official Rate	8,75	0	-425		8,50
Andima 1 year bond	9,19	-11	-538		---
Chile					
Official rate	0,50	0	-675		1,50
Swap CLP	0,55	-1	-769		---
10 year rate	5,52	-1	-180		---
Colombia					
Official Rate (BR)	4,50	0	-550		6,00
DTF	5,04	-2	-469		---
TES jul-2020	9,10	7	-275		---
Mexico					
Official Rate (fondeo)	4,50	0	-350		5,50
3 months rate	4,59	-25	-375		5,47
10 years rate	8,27	11	-46		6,90
Peru					
Official Rate	1,3	0,0	-500,0		
10 years*	5,9	-12,0	-197,0		
Venezuela					
Overnight-interbank (daily)	3,2	-780,9	-1530,0		5,00
CD 28d (official)	6,0	0,0	-800,0		6,00
DPF 90d	15,6	33,0	-161,0		14,50

Foreign exchange market

Slight movements in Latin American currencies after higher prices in commodity markets.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2009
America				
Argentina (peso-dollar)	3,84	0,2	26,6	4,10
Brazil (Real-dollar)	1,82	-0,1	11,3	2,30
Colombia (Peso-dollar)	2007	-0,1	6,8	2543,00
Chile (Peso-dollar)	545	0,3	5,7	590,00
Mexico (Peso-dollar)	12,87	-0,6	26,4	13,40
Peru (New sol-dollar)	2,94	0,0	-0,3	3,30
Venezuela (Bolívar-dollar)	2147	0,0	0,0	2700,00
dollar-Euro	1,43	0,7	-2,7	1,25

Emerging Spreads

Except for Chile, general increases in Latin American country risk, with a sharp increase in the Venezuelan Embi spread.

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	371	23	79
EMBI + Latin America	399	22	78
Argentina	901	26	244
Brazil	254	16	23
Colombia	268	28	51
Chile*	135	3	-40
Mexico	202	20	28
Peru	246	21	56
Venezuela	1040	48	358
EMBI+ Asia	290	19	20
EMBI+ Europe	354	24	112

Commodity Markets

The price of oil fluctuated within the USD 70 - USD 75 range in the last days. The upward impact on the prices of better recovery perspectives and a weaker dollar continue being partially offset by the impact of a weak oil demand and increasing inventories.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2009
Brent (\$/b)	73,9	0,4	-34,3	56,3
Gold (\$/onza)	957	0,2	21,5	875,0
Copper (c/lb)	290	3,9	-14,2	165,0
Soy (c/bush)	408	1,4	-8,2	370,0
Corn (c/bush)	116	1,8	-41,2	350,0
Goldman-Sachs Index	470	0,3	-34,2	---
CRB Index	426	1,0	-18,0	---

Stock Markets

Some increases in Latin American stock exchanges, with Venezuelan markets seeing the biggest increase this week.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	1796	-0,2	3,6
Brazil (Bovespa)	57048	1,28	5,2
Colombia (General Index)	10517	0,8	17,6
Chile (IGPA)	15528	0,1	12,2
Mexico (IPC)	28155	-0,1	3,0
Peru (Lima General)	14330	3,2	22,3
Venezuela (IBC)	48183	4,4	20,7
USA			
S&P 500	1013	0,2	-22,0
Nasdaq 100	2009	0,5	-18,1
Europe			
Londres (FTSE)	4775	0,9	-12,5
EuroStoxx50	2356	0,0	-18,9
Ibex35	11056	1,0	-5,4
Estambul-100	45165	0,9	7,0
Asia			
Nikkei	10597	1,8	-18,6
China	3047	-6,6	24,3

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Monday						
	Chile	Conjuncture Weekly indicator				
	Perú	GDP	June	May: 0,5%		BBVA: between - 2% y -2,4%
	Perú	Unemployment	July	Previous: 8,5%		
	Brasil	CAGED formal employment creation	July	119.495		
Tuesday						
	Chile	Quarterly conjuncture indicator (GDP and Balance of payments)	2° T 2009			
Wednesday						
	Colombia	Industrial production	June	-6,50%		-6,0%
	Colombia	Retail sales	June	-3,50%		-2,6%
	Brasil	Income tax	July	54034M		
Thursday						
	Argentina	Current account balance	July	Mu\$s 1528		Mu\$s 1222
	Colombia	Construction licency	June	-28%		
	México	PIB	2T09	-8.2	-10.6	-10.9
	Brasil	Unemployment rate	July	8,10%		
Friday						
	Argentina	Unemployment rate	2T09	8,40%		9,3%
	Argentina	Advance Monthly Industrial Estimator	July	0,6% a/a		- 1,5% a/a
	México	Establecimientos Comerciales	Jul	-8.4	-8.5	-7.5
	México	Decisión Política Monetaria	Ago	4.50	4.50	4.50
	Venezuela	PIB	II Trim	I-Trim : 0,3%		

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	1Q09	4Q08	3Q08	2Q08	1Q08	yoy		(%active pop.)		yoy		yoy		yoy		mUSD	
Argentina	2,0	4,1	6,9	7,8	0,0	5,5	Jul	8,4	1 T09	0,6	Jun	13,5	Jun	-4,5	Jun	1528,0	Jun
Brazil	-1,8	1,3	6,8	6,2	6,1	4,5	Jul	8,1	Jun	-10,9	Jun	4,0	May	-30,8	Jul	2928,0	Jul
Chile	-2,1	0,2	4,6	4,6	3,4	0,3	Jul	10,7	Jun	-8,3	Jun	-6,6	Jun	-30,0	Jul	881,0	Jul
Colombia	-0,6	-1,0	3,3	3,7	4,2	3,3	Jul	13,0	Jul	-6,5	May	-3,5	May	-18,8	Jun	377,9	Jun
Mexico	-8,2	-1,6	1,7	2,9	2,6	5,4	Jul	5,2	Jun	-10,6	Jun	-8,4	May	-26,6	Jun	-209,3	Jun
Peru	1,8	6,5	10,9	11,8	10,3	2,7	Jul	8,5	Jun	-7,6	May	n.d.	n.d.	-25,6	Jun	441,0	Jun
Venezuela	0,3	3,2	4,1	7,3	5,0	28,3	Jul	7,8	Jun	11,4	Mar	20,5	Mar	-55,5	Mar	-1442,0	Mar

Sources: Bloomberg, Reuter, and
BBVA staff estimates.