



Weekly Observatory

January 22nd, 2010

Weekly Highlights (18th- 22nd January 2010)

The release of activity indicators in Peru and Colombia reinforces the recovery trend in the region. In Mexico, the inflation expanded more than expected due to the fiscal program. The deficit in the current account continued to increase in Brazil in consequence of the economic dynamism. In Argentina, there are limited advances in the decision regarding the Central Bank Governor. In Venezuela the government intervened in other three banks.

1. Argentina

- Primary Surplus of the nonfinancial Public Sector reached \$ 5.100 Millions. This result includes the accounting in December of \$ 12.500 Millions of one-time income from capitalization by the IMF through Special Drawing Rights and revenues profitability of the Sustainability Fund previously held by Private Pension Funds.
- Moreover, this week the Argentinean President authorized a parliamentary meeting needed to provide institutional foundation to the removal of the Central Bank Governor. It is estimated that the commission will take at least a month to be issued.
- Finally, it was released the official economic activity indicator (Monthly Economic Activity Estimator) of November, that grew by 0.5% seasonally adjusted with respect to October and 0.5% accumulated in the first eleven months of 2009.

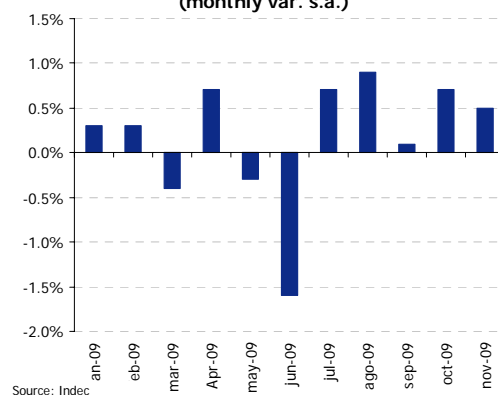
2. Brazil

- Total credit expanded 1.6% m/m (14.9% y/y) in December. NPL's, on the other hand, dropped for the first time since the beginning of the crisis and reached 4.4% in December.
- The current account deficit continue to increase in the last month of the year and closed 2009 at USD -24.3 billions (-1.55% of the GDP). The surplus of USD 70.5 billions in the capital account, however, was more than enough to finance this deficit.
- The net job creation was negative (-415,192) in December due to seasonal reasons. The figure was worse than expected by the markets.

3. Chile

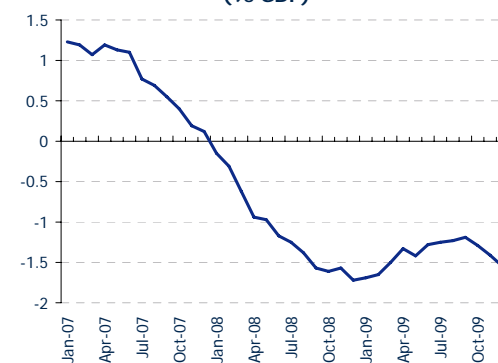
- The Ministry of Finance issued the first bonds in the local market. The amounts traded reached US\$ 105 million for 10-year indexed bond at an auction rate of 3.3%, and US\$ 125 million for local currency bonds at a rate of 6.5%. The issuance was over subscribed, which resulted in moderate upward adjustment in the rates associated with Central Bank bonds at the time of the announcement of the issue. The next issuance is scheduled for Jan. 27, including bonds with maturities of 5, 20 and 30 years for a total of approximately U.S. \$ 275 million.
- Key law on the regulation of salmon farming sector is delayed until March due to rejection in the House of Representatives. This most likely will result in postponed investment decisions in a sector that has already been strongly affected both by the ISA virus and a sluggish external demand.

Argentina: Economic Activity Indicator (monthly var. s.a.)



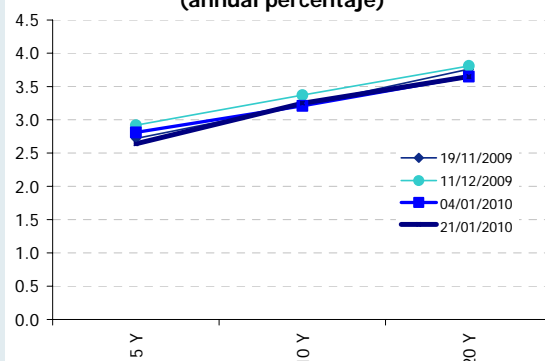
Source: Indec

Brazil: Current Account (% GDP)



Source: IBGE

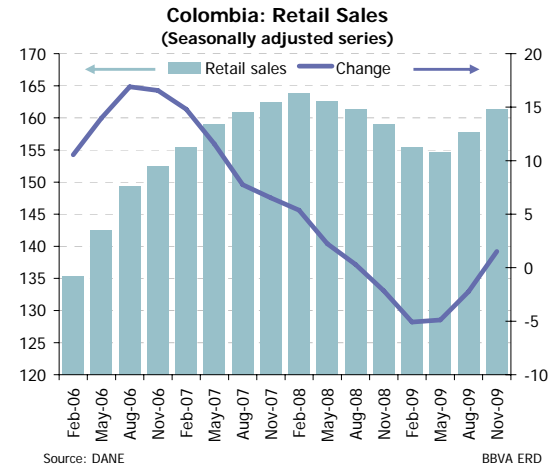
Chile: Long Term Indexed Rates (annual porcentaje)



Source: CBCh

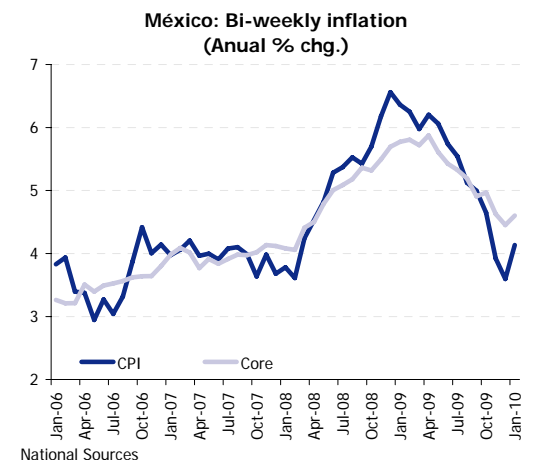
4. Colombia

- In November, industrial production revealed the first positive growth since July of 2008 (2.0% yoy). Moreover, a sixth straight monthly increase appears when seasonally adjusted.
- Retail sales increased 2.0% in November compared to the same period in 2008, reflecting an improvement in the household consumption.
- Exports during November expanded 25.9% yoy. This growth can be explained by the higher exported volumes and the upturn of international prices for traditional goods.



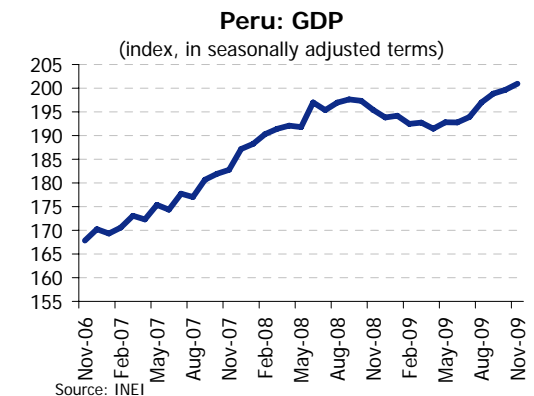
5. Mexico

- January's bi-weekly inflation rose 0.75% mom and 4.2% yoy (Dec-09: 3.6% yoy), first prices acceleration since last May. Core inflation rose 0.42% mom and 4.6% yoy. The triggers of this movement are new policy on public prices (gasoline), tax changes (VAT increase) and pressures from processed food prices. We expect that fiscal policy will be the main inflationary driver in 2010. December's trade Balance was -248MD. Exports grew 22.8% and imports 11.7%, marking the beginning of the recovery of the external sector. Next week November's IGAE will be published, we expect it to grow mom driven by industrial production.



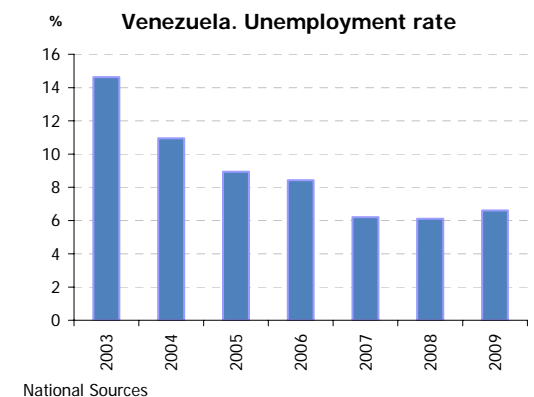
6. Peru

- GDP grew by 4.2% y/y in November (0.8% y/y in October), the highest rate of the year. The monthly result was mainly explained by Services sector (8.7% y/y), especially Governmental Services (25.7% y/y), and Construction (13.8% y/y). The November figure confirms that the recovery of economic activity has been consolidating.
- In December, local cement dispatches expanded by 11.5% y/y (11.6% y/y in November), suggesting that the construction sector has maintained an important expansion in this month.



7. Venezuela

- Sudeban intervened in three small banks. By decision of Superintendency of Banks were closed Banco del Sol-Development Bank, InverUnion-Commercial Bank and Mi Casa-Saving Bank, which represented 3% of total deposit. The resolution indicates that administrative and management problems drove to illiquidity situation that required the authorities' intervention.
- Unemployment rate closed the year at 6.6%, figure 60 bp greater than the registered in December. By this ways, unemployment showed the eighth monthly increases in a row.



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	9.88	-18.75	-506	16.00
Brazil				
Official Rate	8.75	0	-500	10.25
Andima 1 year bond	10.52	7	-90	---
Chile				
Official rate	0.50	0	-675	2.50
Swap CLP	0.61	0	-464	---
10 year rate	6.47	12	103	---
Colombia				
Official Rate (BR)	3.50	0	-600	4.25
DTF	3.98	0	-564	---
TES jul-2020	8.47	-11	-160	---
Mexico				
Official Rate (fondeo)	4.50	0	-325	4.50
3 months rate	4.60	-1	-272	---
10 years rate	7.92	-3	54	---
Peru				
Official Rate	1.25	0	-525	2.00
10 years*	5.74	-2	-157	---
Venezuela				
Overnight-interbank (daily)	4.25	-289	-265	---
CD 28d (official)	6.00	0	-800	---
DPF 90d	15.26	-100	284	13.50

Foreign exchange market

Widespread devaluation in foreign exchange markets this week, with the exception of the Peruvian New Sol.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2010
America				
Argentina (peso-dollar)	3.81	0.2	9.5	4.16
Brazil (Real-dollar)	1.80	1.7	-23.2	1.75
Colombia (Peso-dollar)	1971	0.1	-13.9	2070
Chile (Peso-dollar)	495	1.2	-20.3	525
Mexico (Peso-dollar)	12.92	1.6	-8.3	12.70
Peru (New sol-dollar)	2.85	-0.2	-9.9	2.85
Venezuela (Bolivar-dollar)	2.60-4.30	-	-	2.60-4.30
dollar-Euro	1.41	-1.7	9.4	1.34

Emerging Spreads

Generalized hike in sovereign risk, particularly in Venezuela after the adoption of the new exchange rate scheme.

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	298	12.2	-379
EMBI + Latin America	349	15.1	-370
Argentina	740	5.5	-817
Brazil	223	12.7	-225
Colombia	230	15.8	-292
Chile*	112	-2.9	-290
Mexico	179	4.5	-212
Peru	194	11.2	-269
Venezuela	947	58.1	-817
EMBI+ Asia	252	9.4	-320
EMBI+ Europe	226	8.6	-422

Commodity Markets

Another week of downward correction in commodity prices: Following the negative tone of financial markets and the appreciation of the dollar against other main currencies, commodity prices eased significantly this week. The only exception was the price of sugar, which continues at historically high levels. The oil price declined for the second week in a row and is now around USD75 per barrel, close to our forecast for the end of this year.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2010
Brent (US\$/Bbl)	75.0	-2.8	-3.8	74
Gold (US\$/Troy oz)	10	-5.1	3.6	---
Copper (US\$/t)	7275	-2.1	-1.4	5181
Soybean (US\$/t)	337	-1.9	-8.1	330
Corn (US\$/t)	130	-0.8	-11.1	172
Goldman-Sachs Index	508	-2.3	50.6	---
CRB Index	485	-0.8	35.6	---

Stock Markets

Generalized falls in the stock exchanges of the region, with the exception of the raise of the Chilean index.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
Argentina (Merval)	2340	-1.3	119.4
Brazil (Bovespa)	66270	-3.9	73.8
Colombia (General Index)	11470	-2.1	53.2
Chile (IGPA)	17466	0.7	47.0
Mexico (IPC)	31205	-3.3	61.3
Peru (Lima General)	14811	-1.9	111.9
Venezuela (IBC)	60249	-0.1	70.7
USA			
S&P 500	1116	-1.7	34.2
Nasdaq 100	2266	-1.0	53.4
Europe			
Londres (FTSE)	5333	-2.2	31.6
EuroStoxx50	2541	-1.9	33.6
Ibex35	11361	-4.1	39.0
Estambul-100	54504	0.9	119.9
Asia			
Nikkei	10591	-3.6	36.7
China	3129	-3.0	57.2

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
Monday						
	Argentina	Purchase centers	Dec.	25.8% y/y		
	Chile	Monthly bulletin	Dec.			
	Chile	Indicators of Weekly Conjuncture	Dec.			
	Mexico	Commercial establishments	Dec.	-4.6	-3.5	-4.0
Tuesday						
	Brazil	Consumer Confidence	Jan.	114.10		
Wednesday						
	Argentina	Supermarkets	Dec.	10.5% y/y		
	Mexico	Quarterly report of Inflation	Dec.			
	Mexico	IGAE	Nov.	-5.3		-1.6
	Brasil	Governement General Balance	Dec.	\$10.74B		
Thursday						
	Chile	Employment and Sectorial indicators	Dec.			
Friday						
	Colombia	Unemployment Rate	Dec.	12.1%		12.6%
	Colombia	Interest Rate	Dec.	3.50%		3.5%
	Brazil	Unemployment Rate	Dec.	7.40%		
	Brazil	Primary Fiscal Balance	Dec.	12.7B		
	Brazil	Net debt (% GDP)	Dec.	0.43		

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	7.7	Nov	9.1	3 T 09	4.0	Oct	10.5	Nov	1.0	Nov	1287	Nov
Brazil	-1.2	-1.6	-2.1	0.8	7.1	4.3	Nov	7.4	Nov	5.1	Nov	8.7	Oct	4.6754	Dic	2178	Dic
Chile	-1.6	-4.7	-2.4	0.2	-1.4	-1.4	Dic	9.1	Nov	1.0	Nov	-1.2	Nov	51.9	Dic	1599.2	Dic
Colombia	-0.2	-0.3	-0.5	-1.0	2.9	2.0	Dic	12.1	Nov	2.0	Sep	2.0	Sep	25.9	Oct	1187.8	Oct
Mexico	-6.2	-10.1	-7.9	-1.6	1.7	3.6	Dic	5.3	Nov	-1.0	Oct	-4.6	Oct	10.0	Nov	-195.23	Oct
Peru	-0.4	-1.1	1.8	6.5	10.7	0.3	Dic	7.9	Nov	-2.5	Oct	n.d.	n.d.	25.0	Oct	587	Oct
Venezuela	-4.5	-2.4	0.5	3.5	3.8	26.9	Dic	6.6	Nov	-14.3	Sep	17.6	Sep	-48.45	Sep	7550	Sep

Sources: Bloomberg, Reuter, and BBVA staff estimates.