



# Weekly Observatory

October 23rd, 2009

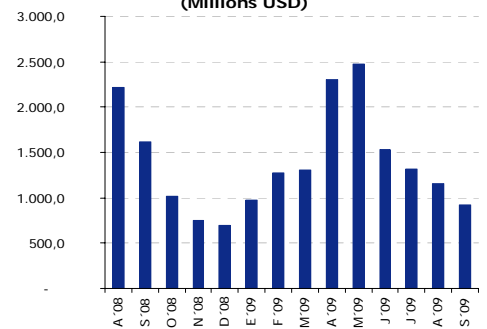
## Weekly Highlights (19<sup>th</sup> – 23<sup>rd</sup> October 2009)

In Brazil the government levied a 2% tax on foreign capital inflows and the Central Bank kept interest rates constant. Regarding activity, September data confirms the downward trend on unemployment rates in Chile and Brazil. On the other hand, the m/m declines of industrial production index in Colombia and retail sales in Mexico remark the weakness of the recovery in these cases.

### 1. Argentina

- Exports have showed an important drop during September (-33.9% y/y) due to lower primary product placements (wheat, corn and soybean), and lower prices of oils and oleaginous products. On the imports side was observed a slowdown in the rate of fall (-31.2%) with respect to previous months, which is in line with better economic activity that have begun to show some indicators. The surplus in September was US\$ 926 millions, 43% below the same month of 2008. In the whole year the total surplus could be 5.7% below our expectations of US\$ 17.000 millions if exports continues not showing the expected recovery.
- The government informed that a new offer will be made in 60 days to the "holdouts" in the previous exchange (USD 20 Bn. plus US 9 Bn in interest), under conditions similar to the previous one. They expect an acceptance ratio of 60%. At the same time, the authorities discarded further progress in talks with the IMF, and a visit of a team of experts from that institution to conduct their customary review of the state of the economy.

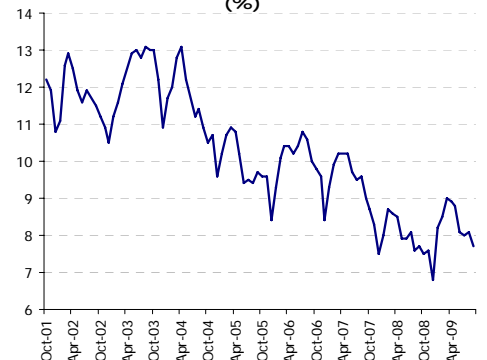
Argentina: Current Account Balance (Millions USD)



### 2. Brazil

- The government levied a tax of 2% to foreign inflows of capital directed to fixed and flexible income. Right after the announcement of this measure the Real weakened 2.6% and the BOVESPA lost 2.9%. In the last two days, however, both displayed some recovery (the Real gained 1.4% and the BOVESPA rose 1.0%). Despite introducing some short-term volatility this measure is not expected to deter the appreciation trend displayed recently by both the currency and the stock exchange.
- The Central Bank decided to keep reference interest rates at 8.75%, in line with market expectations.
- The unemployment rate in September declined to 7.7% from 8.1% in August (consensus: 8.0%). This is the lowest level observed for the month of September since the series started to be released in 2001.

Brazil: Unemployment Rate (%)

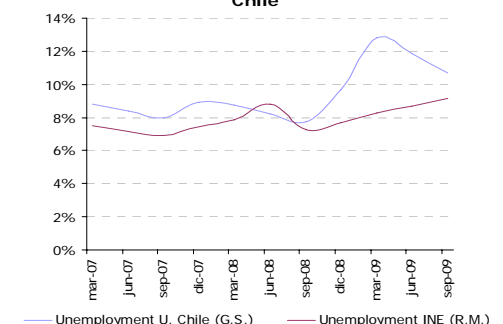


Source: IBGE

### 3. Chile

- Positive surprise from the data of the Chilean Chamber of Construction for 3Q09. Real estate sales rose 6.8% over the previous quarter and 13.1% YoY. New homes starts was 43% lower than 12 months ago, but 85% higher than the previous quarter (2Q09).
- The results of the employment survey of the University of Chile for Gran Santiago confirm the downward trend in the unemployment rate, which reached 10.7% for 3Q09, 1.2 pp lower than 2Q09.

Chile: Unemployment Rate INE / U. Chile



— Unemployment U. Chile (G.S.) — Unemployment INE (R.M.)

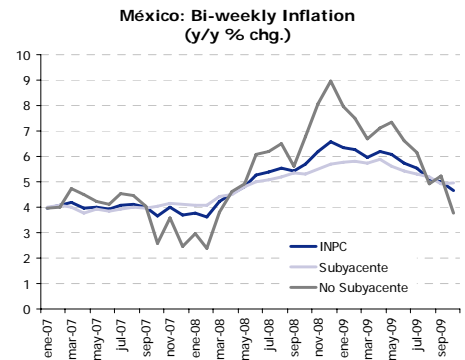
4. Colombia

- Industrial production fell 3.3% YoY, with a 7.5% decrease for the year to date. Seasonally adjusted data continue showing a monthly contraction. Retail sales decreased 0.9% YoY, yet when the seasonal adjustment is applied it reveals positive monthly growth for the fourth time in a row.
- Building permits surprised the market in August as the annual contraction rate slowed to 1.8% for the month and 25% year to date.



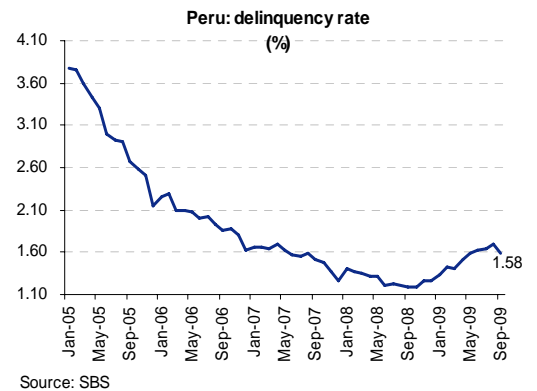
5. Mexico

- October's Bi-weekly inflation reached 0.35% m/m, while core reached 0.18% in line with our forecast. Annual inflation dropped to 4.65% while core rose marginally to 4.87%. As expected, non-core prices favored the moderation thanks to agricultural and administered prices, meanwhile core inflation was pressured by processed food, professional and touristic prices. Given the current evolution of prices, we maintain our expectation that inflation could close 2009 around 4%. Retail Sales fell -5.5% y/y and -1.4% m/m, reflecting private consumption remains weak. The unemployment rate grew in September to 6.1% from 5.91% (seasonally adjusted), which implies marginal and decreasing deterioration rates. Next week IGAE will be published, we expect a monthly improvement.



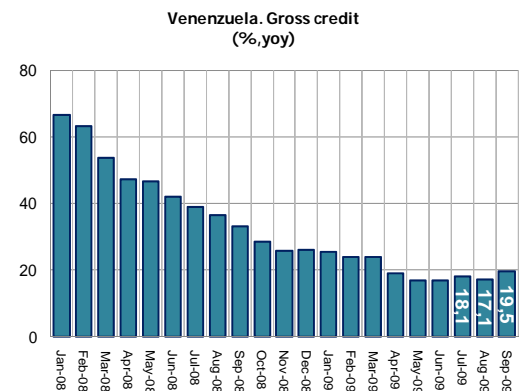
6. Peru

- According to the Ministry of Finance, 51% of the fiscal stimulus plan (of around 3.4% of GDP) was implemented as of 3Q09. In the case of infrastructure investment, progress reaches 40%.
- Credit in domestic currency continued its positive trend in September (+1.1% m/m, a rate similar to that in previous months), while the stock in foreign currency fell for a second consecutive month (-1.9% m/m). With respect to the delinquencies rate, it decreased in September to 1.58% (1.69% in August) after seven months in a row in which it showed an upward trend.
- The Central Bank increased the limit to private Pension Funds (AFP) investments abroad, from 20% to 22%. As of October 9th, AFP had 19.2% of their portfolio invested in foreign assets, percentage that has been increasing over the last months.



7. Venezuela

- Banking credit recovers. September figures indicate that total credit rose 4.8% w.r.t. August and 19.5% y/y. The corporate credits boost these results, increasing by 7.1% on a monthly basis.
- Total deposit registered positive change in September (23.1% y/y).
- PDVSA issued combined bonds "Petrobonos" by USD 3.000 MM. The mixed issuance is composed by bonds with three different maturities 2014, 2015 and 2016, fixing a flat ask price of 138%. Authorities added several measures to promote the success of the issuance.



## The latest from markets

## Bond and Money markets

Market	End	Weekly Var.	Yearly Bp	Var.	Forecast. Dec 2009
<b>Argentina</b>					
7 day Central Bank rate	9,25	0	-125		---
Badlar rate	11,63	-31,25	-538		16,00
<b>Brazil</b>					0,00
Official Rate	8,75	0	-500		8,50
Andima 1 year bond	9,93	-18	-474		---
<b>Chile</b>					
Official rate	0,50	0	-775		0,50
Swap CLP	0,75	0	-727		---
10 year rate	5,94	4	-65		---
<b>Colombia</b>					0,00
Official Rate (BR)	4,00	0	-600		4,50
DTF	4,40	-7	-545		---
TES jul-2020	8,64	0	-430		---
<b>Mexico</b>					
Official Rate (fondeo)	4,50	0	-375		5,50
3 months rate	4,61	-1	-365		5,47
10 years rate	8,07	17	-257		6,90
<b>Peru</b>					
Official Rate	1,3	0,0	-525,0		1,00
10 years*	5,5	2,0	-413,0		
<b>Venezuela</b>					
Overnight-interbank (daily)	0,4	-234,0	-377,0		5,00
CD 28d (official)	6,0	0,0	-800,0		6,00
DPF 90d	15,0	-76,0	-198,0		14,50

## Foreign exchange market

Strong depreciation of the Colombian Peso because of news that Colombia might follow Brazil's decision to implement measures to prevent exchange rate appreciation

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Forecast. Dec 2009
<b>America</b>				
Argentina (peso-dollar)	3,82	0,1	16,6	4,10
Brazil (Real-dollar)	1,72	0,6	-25,8	1,88
Colombia (Peso-dollar)	1917	4,3	-19,4	2252,56
Chile (Peso-dollar)	534	-2,5	-20,3	560,00
Mexico (Peso-dollar)	12,89	-1,4	-3,7	13,10
Peru (New sol-dollar)	2,86	0,1	-7,9	2,97
Venezuela (Bolívar-dollar)	2147	0,0	0,0	2150,00
dollar-Euro	1,50	0,8	18,4	1,44

## Emerging Spreads

Argentina and Venezuela saw their sovereign risk fall.

EMBI+ sovereign spreads	End	Weekly chg. Bps	Annual chg bps
EMBI+	308	5,5	-495
EMBI + Latin America	345	3,3	-525
Argentina	692	-19,8	-1214
Brazil	222	4,7	-449
Colombia	228	11,5	-471
Chile*	132	-3,2	-232
Mexico	190	10,4	-386
Peru	193	-1,7	-418
Venezuela	932	-15,5	-920
EMBI+ Asia	255	19,9	-499
EMBI+ Europe	257	3,0	-447

## Commodity Markets

The price of oil rose around 3%, surpassing the USD 80 per barrel mark. The move was driven by the consolidation of recovery perspectives and by the weakness of the dollar.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2009
Brent (US\$/Bbl)	79,5	3,3	74,4	61,0
Gold (US\$/Troy oz)	1058	0,5	20,0	0
Copper (US\$/t)	6590	5,8	114,7	5732
Soybean (US\$/t)	361	4,7	5,2	368
Corn (US\$/t)	144	9,9	0,5	130
Goldman-Sachs Index	523	1,6	17,0	---
CRB Index	470	0,9	28,6	---

## Stock Markets

Stable week in Latin American stock markets, with significant gains in Argentine where prices rose more than 4%.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
<b>The Americas</b>			
Argentina (Merval)	2309	4,6	159,4
Brazil (Bovespa)	66135	-0,1	110,1
Colombia (General Index)	11009	0,6	65,0
Chile (IGPA)	16030	-1,0	42,4
Mexico (IPC)	30762	0,1	81,2
Peru (Lima General)	15500	0,4	143,0
Venezuela (IBC)	51913	0,9	42,0
<b>USA</b>			
S&P 500	1093	0,5	24,7
Nasdaq 100	2165	0,4	39,5
<b>Europe</b>			
Londres (FTSE)	5260	1,3	35,4
EuroStoxx50	2521	2,1	19,0
Ibex35	11914	2,0	42,6
Estambul-100	51628	3,7	113,5
<b>Asia</b>			
Nikkei	10283	0,2	34,4
China	3108	4,4	68,9

The week ahead

Day	Country	Indicator	Period	Last/prev	Mkt Forecast	BBVA
<b>Monday</b>						
<b>Tuesday</b>						
	Argentina	Encuesta Ventas de Centros de Compras	septiembre-09	9,7% a/a		
	Brasil	Total de préstamos pendientes	Sep	\$1326		
<b>Wednesday</b>						
	Argentina	Encuesta Ventas de Supermercados	septiembre-09	12,7% a/a		
	Chile	Minuta de la RPM de octubre	Octubre			
	México	IGAE	Ago	-6.9	-6.3	-6.1
	Brasil	Deuda neta como % del PIB	Sep	44%		
<b>Thursday</b>						
	Chile	Empleo e indicadores Sectoriales (INE)	Octubre			
	Venezuela	Desempleo	Septiembre	Agosto: 8,0%		
<b>Friday</b>						
	Argentina	Indicador Sintético de Servicios Públicos	sep-09	6,90%		
	Argentina	Ind. Sintético de la Act. de la Construcción	40057	-3,0%		
	Chile	Indicadores de Coyuntura Semanal (BCCh)	Octubre			
	Chile	Boletín Mensual (BCCh)	Octubre			
	Colombia	Tasa de desempleo	Sep.	13,1%		12,7%
	Brasil	FGV Inflation IGP-M (MoM)	Octubre	0,42%		

Macroeconomic Indicators

	GDP (yoy)					Inflation		Unemployment		Industrial Prod.		Sales		Exports		Trade Balance	
	2Q09	1Q09	4Q08	3Q 08	2Q 08	yoy		(% active pop.)		yoy		yoy		yoy		m USD	
Argentina	-0,8	2,0	4,1	6,9	0,0	6,2	Sep	8,8	2 T 09	-1,4	Aug	12,7	Aug	-34,0	Sep	926,0	Sep
Brazil	-1,2	-1,8	1,3	6,8	6,2	4,3	Sep	7,7	Sep	-7,2	Aug	4,7	Aug	-30,7	Sep	1330,0	Sep
Chile	-4,5	-2,3	0,2	4,6	1,0	-1,1	Sep	10,8	Aug	-3,8	Aug	-0,2	Aug	9,3	Sep	1525,1	Sep
Colombia	-0,5	-0,4	-1,1	2,8	3,9	3,2	Sep	13,1	Aug	-3,3	Aug	-0,9	Aug	-18,7	Ago	259,7	Aug
Mexico	-10,3	-8,0	-1,6	1,7	2,9	4,9	Sep	6,4	Sep	-7,3	Aug	-5,5	Aug	-24,9	Ago	-835,0	Aug
Peru	-1,1	1,8	6,5	10,9	11,7	1,2	Sep	7,8	Sep	-9,8	Aug	n.d.	n.d.	-23,4	Ago	539,0	Aug
Venezuela	-2,4	0,5	3,5	3,8	7,2	27,3	Sep	8,0	Ago	-12,4	Jun	-12,0	Jun	-53,6	Jun	3212,0	Jun

Sources: Bloomberg, Reuter, and BBVA staff estimates.