



Weekly Observatory

December 19th, 2008

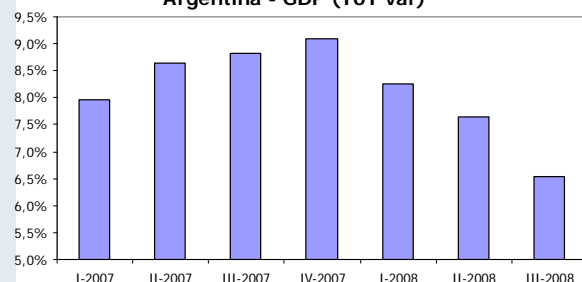
Weekly Highlights (December 12th – December 19th, 2008)

Newly released activity data, particularly regarding consumption and industrial production, show a generalized slowdown across the region. In response to this deterioration, the Brazilian government has announced the creation of a sovereign wealth fund, initially endowed with 0.5% of GDP, to fund counter-cyclical policies in 2009. Stock prices sustained the recovery that began last week. Country risk has fallen and most of the currencies appreciated against the dollar. Colombia inaugurated the cycle of monetary policy relaxation, surprising the markets with a 50 bps reduction on Friday.

1. Argentina

- Third quarter GDP increased 1.3% in seasonally adjusted terms with respect to the previous quarter and 6.5% y/y. GDP accumulates 7.5% so far this year. Growth in the 3Q slowed down significantly with respect to 2Q (which had increased 2.3% s.a.), starting to reflect the impact of the international financial crisis. Growth was led by exports (with an increase of 12.1% y/y), investment (8.4% y/y) and, to a lesser extent private consumption (6.6% y/y).
- The Senate passed the set of laws to stimulate the economy, with an expected impact of 0.3% of aggregate consumption, coming mostly from corporate and high salaries taxes reductions.

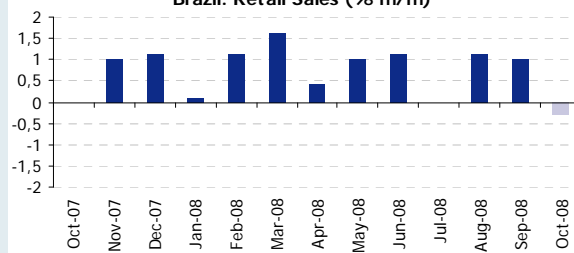
Argentina - GDP (YoY var)



2. Brazil

- Retail sales recorded a 0.3% fall in October, the first negative variation since November 2006, in what constitutes one of the first signs of the impact of the financial crisis over economic activity in Brazil.
- The Senate approved a new Sovereign Wealth Fund, with an initial allocation of 0.5% of GDP (about USD 5 bln. This Fund will provide the financial support to adopt countercyclical policies starting in 2009.

Brazil: Retail Sales (% m/m)

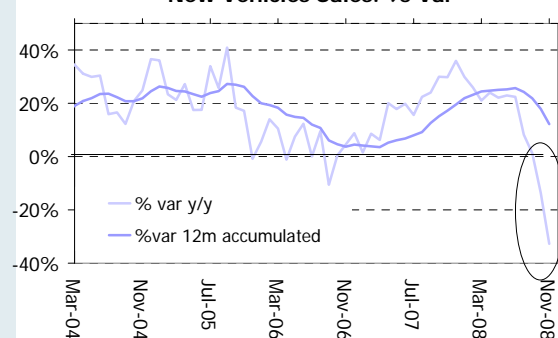


Source: Bloomberg

3. Chile

- Car sales dopped 32.7% yoy in November. According to statistics released by the National Automobile Association of Chile (ANAC), vehicles sold in 2008 will be 240.000 units, compared with 227.733 vehicles in 2007, in spite of the drop during the last quarter of the year. However, for 2009 ANAC predicts sales of only 150.000 units.
- Imports of consumption goods fell by 14% yoy in november, while durable goods contraction was 23%. On the other hand, total exports decreased 21% in November, mostly driven by the fall in copper prices.

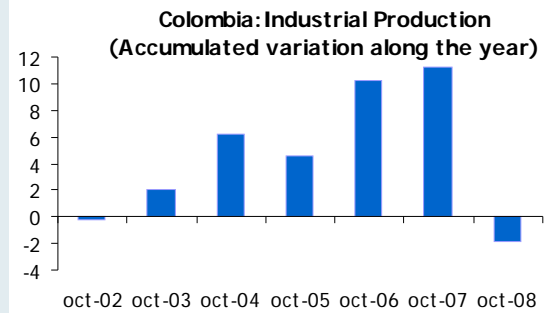
New Vehicles Sales. % Var



Source: ANAC

4. Colombia

- Industrial Production declined -1.9% year to October, mainly explained by a decrease in cars production, sugar production and manufacture of clothing apparel. Also business climate started to deteriorate and inventories continue to increase.
- Real Retail Sales fell 0.14% y/y in October. This result is explained by a contraction in household appliances (-2.45%) which implies a decreased in durable goods.
- In the 3Q08 Building Completion and in Process grew 22.7% and 9.4% respectively. We expect that construction sector performance will lead the GDP result for the third quarter.



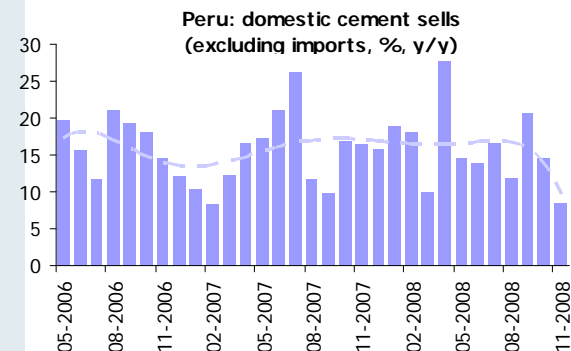
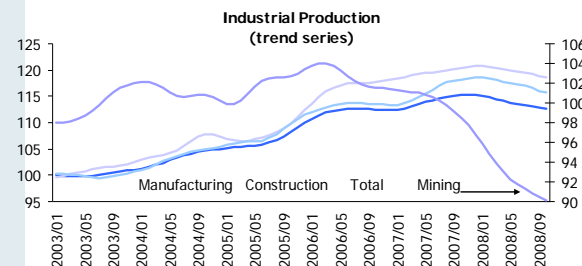
Source: Dane

5. Mexico

- Industrial Activity fell more than expected (-2.7%) in October, and a recovery cannot be expected soon. Its four components showed contraction: mining (-5.2%), electricity (-0.2%), construction (-2.9%) and manufacture (-2.2%). We highlight the decline in the manufacture and construction sectors because they generate more jobs.

6. Peru

- Some economic activity indicators for November were released this week, showing a mild slowdown, in particular energy production (8,2% y/y) and domestic cement sales, excluding imports, (14,5% y/y), although they are partly reflecting the fewer working days in November due to the APEC summit held in Lima.



7. Venezuela

- The Venezuelan National Assembly started a first round of deliberations with respect to the proposed constitutional amendment to allow continuous reelection for the head of state. The presidents of the NA and the National Electoral Council will conduct a coordination meeting tomorrow regarding scheduling and logistics. It is expected that the referendum to approve the amendment will take place in February. If approved, President Hugo Chavez is expected to run once again for the presidency of the country in 2012.

The latest from markets

Bond and Money markets

Market	End	Weekly Var.	Yearly Bp	Var.	Prev. 2008	Dec
Argentina						
7 day Central Bank rate	12,25	0	400		---	
Badlar rate	15,31	-44	375		20,00	
Brasil						
Official Rate	13,75	0	250		12,75	
Andima 1 year bond	14,71	-22	284		---	
Chile						
Official rate	8,25	0	225		5,25	
Swap CLP	7,65	-6	141		---	
10 year rate	5,89	-25	284		---	
Colombia						
Official Rate (BR)	10,00	0	50		8,00	
DTF	10,27	31	137		---	
TES jul-2020	10,82	-39	50		---	
México						
Tipo oficial (Tasa de fondeo bancaria)	8,25	0	73		5,50	
3 months rate	8,24	1	60		8,30	
10 years rate	7,85	-44	-27		8,75	
Perú						
Tipo oficial	6,50	0	150		6,00	
Tipo 10 años*	7,66	-2	148		---	
Venezuela						
Overnight-interbancaria (diaria)	26,5	140	1422		9,7	
CD 28d (oficial)	13,0	0	200		13,5	
DPF 90d	17,2	-107	607		18,0	

Foreign exchange market

Following the cut of official rates in the U.S., Latin American currencies appreciated against the dollar, particularly the Colombian, Chilean and Mexican pesos.

Exchange Rate	End	Weekly Var. %	Yearly Var. %	Prev. Dec 2008
America				
Argentina (peso-dollar)	3,41	-0,5	8,4	3,90
Brazil (Real-dollar)	2,36	-0,4	31,8	2,10
Colombia (Peso-dollar)	2169,20	-4,1	8,9	2443,0
Chile (Peso-dollar)	633,85	-2,2	27,8	603,0
México (Peso-dollar)	13,17	-2,1	21,6	12,83
Peru (New sol-dollar)	3,10	-0,3	4,2	3,25
Venezuela (Bolívar-dollar)	2147,30	0,0	0,0	2,70
dollar-Euro	1,41	5,5	-1,9	1,15

Emerging Spreads

With the exception of Venezuela (and to a lesser extent, Peru) country risk reduction continued during a second consecutive week.

EMBI+ sovereign spreads	End	weekly chg. Bps	Annual chg bps
EMBI+	712	-27,6	477,9
EMBI + Latin America	740	-25,2	477,5
Argentina	1894	-11,7	1489,5
Brazil	453	-41,3	236,5
Colombia	506	-27,4	321,5
Chile*	357	-2,9	203,6
México	387	-26,2	242,8
Perú	519	4,0	347,4
Venezuela	1823	29,2	1319,2
EMBI+ Asia	582	-6,3	373,6
EMBI+ Europe	719	-43,4	531,0

Commodity Markets

OPEC announced a 2.4 mbd supply cut but the decision failed to provide consistent support to oil prices. Concerns with the impact of global recession on oil demand continue being the main driver of the market. Regarding other commodities, base metals continued to drop sharply while agricultural prices increased for the second week in a row.

Commodities	End	Weekly Var. %	Yearly Var. %	Forecast Dec 2008
Brent (\$/b)	43,6	-6,1	-52,9	57,5
Gold (\$/onza)	845	2,8	4,1	750
Copper (c/lb)	129	-9,5	-57,9	160
Soy (c/bush)	298	1,4	-24,4	336
Coffee (c/lb)	132	1,8	-6,6	124
Corn (c/bush)	135	6,3	-12,1	147,0
Goldman-Sachs Index	355	2,8	-24,8	---
CRB Index	713	5,6	2,1	---

Stock Markets

Most Latin American indexes remained stable and showed marginal changes, with the exception of Mexico.

Stock Exchange	End	Weekly Var. %	Yearly Var. %
The Americas			
S&P 500	885	0,6	-40,4
Nasdaq 100	1552	0,8	-42,3
Argentina (Merval)	1116	1,7	-48,0
Brazil (Bovespa)	39536	0,4	-37,3
Colombia (Ind. General)	7597	-1,8	-28,9
Chile (IGPA)	11237	0,2	-20,0
México (IPC)	22347	4,4	-24,6
Perú (General Lima)	7017	-2,1	-60,2
Venezuela (IBC)	34518	0,9	-7,8
USA			
S&P 500	885	0,6	-40,4
Nasdaq 100	1552	0,8	-42,3
Europe			
London (FTSE)	4276	-0,1	-33,5
EuroStoxx50	2038	-2,0	-44,8
Ibex35	9157	2,0	-40,1
Estambul-100	26373	5,8	-51,0
Asia			
Nikkei	8589	4,3	-43,7
China	2018	3,3	-60,4

The week ahead

Day	Country	Indicator	Period	Last	Mkt Forecast	BBVA
Monday						
	Argentina	Advance Industrial Monthly Estimator	nov-08	2,6% y/y		- 0,7% y/y
	México	Commercial Establishment	Oct	-1.4	-1.6	-2.00
	Colombia	GDP(YoY)	3Q08	3,7%	3,0%	3,3%
Tuesday						
	Mexico	Inflation	1QDic	.94	.27	.33
	Mexico	Aggregate Supply and Demand	3Q08	4.3	1.2	2.4
	Mexico	Commercial Balance	Nov	-2757.8	2443.5	-3311
	Argentina	Economy Activity Monthly Estimator	oct-08	6,8% y/y		4,4% y/y
Wednesday						
Thursday						
Friday						
	Argentina	Comercial Balance	nov-08	Mu\$s 1133		Mu\$s 766
	Perú	Central Government Operation	Noviembre	0,5 mM S/.		

Macroeconomic Indicators

	PIB (a/a)						Inflación		Desempleo		Prod. Industrial		Ventas		Exportaciones		Saldo comercial	
	3T 08	2T 08	1T 08	4T 07	3T 07	2T 07	a/a		(% pob. activa)		a/a		a/a		a/a		m USD	
Argentina		7,5	8,2	9,1	8,8		7,9	Nov	7,8	3Q 08	2,6	Oct	34,0	Oct	13,0	Oct	1133	Oct
Brasil	6,8	6,2	6,1	6,1	5,4	5,4	6,4	Nov	7,5	Oct	1,3	Oct	9,4	Sep	5,0	Nov	1.613	Nov
Chile	4,8	4,5	3,3	4,0	3,9		8,9	Nov	7,5	Oct	-0,8	Oct	-3,9	Oct	-19,2	nov.	11.221	Nov
Colombia		3,7	4,5	8,0	6,5	8,0	7,7	Nov	10,1	Oct	-7,5	Oct	-0,1	Oct	27,6	Ago	110	Aug
México	1,6	2,8	2,6	4,2	3,4	2,6	6,2	Nov	4,1	Oct	2,7	Nov	1,6	Jun	16,0	jun	2.739	Oct
Perú	9,5	10,9	9,7	9,8	8,8	8,6	6,8	Nov	7,9	Nov	4,5	Oct	n.d.		-9,5	Oct	-0,3	Oct
Venezuela	4,6	7,1	4,9	8,5	8,6		32,7	Nov	6,7	Oct	-6,8	Aug	12,3	Aug	66,7	Sep	19.201	Sep

Sources: Bloomberg, Reuter, and BBVA staff estimates.