

Latam

Daily Latam

Market Analysis Markets

Mexico City, September 6, 2010

Strategic Outlook

PAGE 2 →

Non-agro numbers drive appetite for risk

Markets extend rally, while T-bonds yields climb.

Brazil

PAGE 3 →

Exchange Rates: Brazilian real

The real closes week in negative terrain, but trend is still positive.

Chile

PAGE 4 →

Exchange Rates: Chilean peso

Diverse factors are still favoring the CLP.

Colombia

PAGE 5 →

Exchange Rates: Colombian peso

The peso remains above 1,800 as information regarding interventions by the Banco de la República in the forex market is hard to come by.

Peru

PAGE 6 →

Exchange Rates: Peruvian Nuevo Sol

The nuevo sol appreciates despite intervention by the BCRP in the forex market.

PLEASE SEE ANALYST CERTIFICATION AND OTHER IMPORTANT DISCLOSURES ON PAGE 11 OF THIS REPORT

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Strategic Outlook

- Brazil →
- Chile →
- Colombia →
- Peru →

Non-agro numbers drive appetite for risk
Markets extend rally, while T-bonds yields climb.

Labor Day closing will reduce regional liquidity

US economic numbers continued to surprise on the upside after two weeks filled with gloomy news that fueled a pronounced hike in risk premiums and investor flight to safe havens. In this light, the week closed with less stress on risk indicators: 1) T-bond yields rose on a scenario of moderate economic growth, but one that now shows less likelihood of recession, with the 10Y T-bond closing at 2.71%; 2) the S&P 500 closed the week with gains of nearly 4%; 3) the VIX index dropped to around 21%; and 4) the USD, which had gained ground as a refuge currency, retreated against most emerging currencies. If economic numbers continue to bring favorable surprises, we can expect these dynamics to continue within the context of stable or falling risk premiums and somewhat eased volatility.

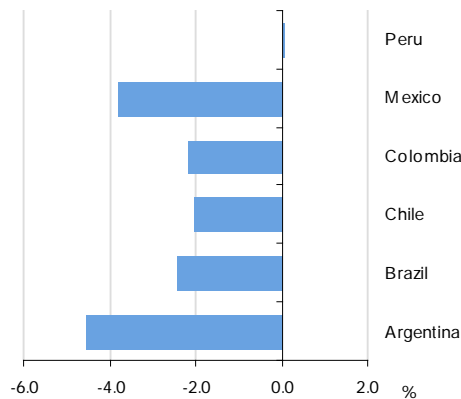
Labor Day weekend in the US will take a considerable bite out of liquidity and volume in the region. The session will also see the release of IMEF manufacturing and non-manufacturing numbers for Mexico (analogue of the US ISM), economic activity in Chile and the trade balance in Brazil.

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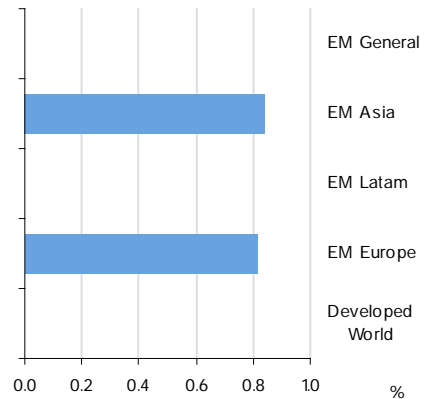
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Daily change on LatAm CDS 5 years



Source: Bloomberg and BBVA Research

Daily change on MSCI Index



Source: Bloomberg and BBVA Research

APPENDIX

Macro Calendar



Brazil

Strategic Outlook



Chile



Colombia



Peru



Exchange Rates

Brazilian real

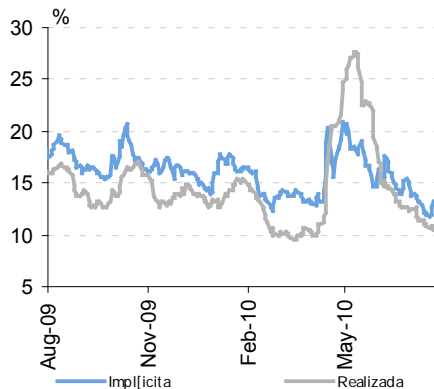
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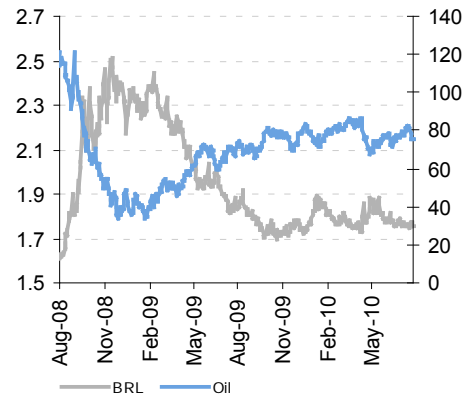
Despite the positive trend in global markets, the real closed Friday 0.44% weaker in response to the following: 1) expectations of greater intervention in the forex market by the authorities, especially following Mantega's statements; and 2) selling ahead of the US holiday Monday and the local market Tuesday. However, the trend for the coming sessions remains positive on expectations of foreign inflows ahead of the Petrobrás issuance. In fact, according to EPFR, inflows into Brazilian equities rose for a ninth straight week. On top of this is the fact that while the foreign long position on the real in the BM&F decreased by UA\$1.4bn, it remains around July 2008 highs. Finally, we note the stability of 1M implied volatility in the real even on days the VIX index rose (vol at 11.4%). All in all, given the possibility of intervention, we do not expect the real to appreciate beyond 1.70.

Implied vs. Historic Volatility



Source: Bloomberg and BBVA Research

BRL vs. WTI



Source: Bloomberg and BBVA Research

Chile

Strategic Outlook



Brazil



Colombia



Peru



Exchange Rates

Chilean peso

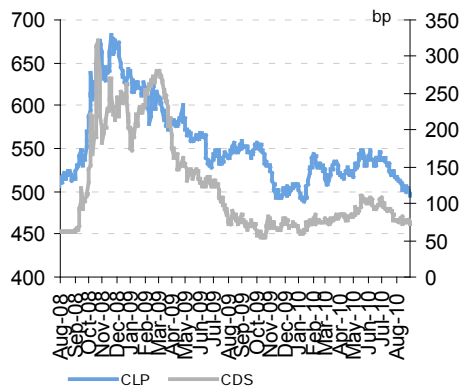
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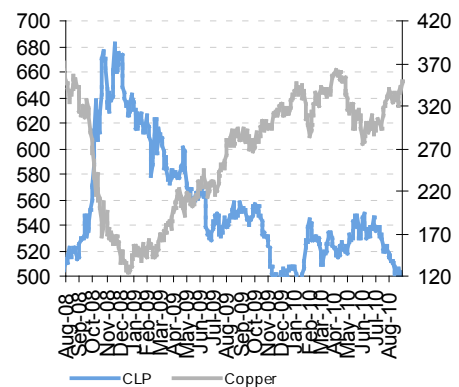
In tandem with most Latam currencies, the peso closed Friday 0.29% higher on positive US jobs data and greater global risk appetite, which resulted in a 0.27% increase in copper prices. Additionally, expectations for domestic growth remain favorable and could gain further traction following economic data releases due out this week (economic activity, the trade balance and inflation) and the IPoM. Furthermore, rumors related to Banco Central de Chile's intervention in the forex market have eased (the market does not expect action beyond 485). As a result, we maintain our upbeat short-term outlook on the peso, with support at 490.

CLP vs. 5y CDS



Source: Bloomberg and BBVA Research

CLP vs. Copper



Source: Bloomberg and BBVA Research

Colombia

Strategic Outlook



Brazil



Chile



Peru



Exchange Rates

Colombian peso

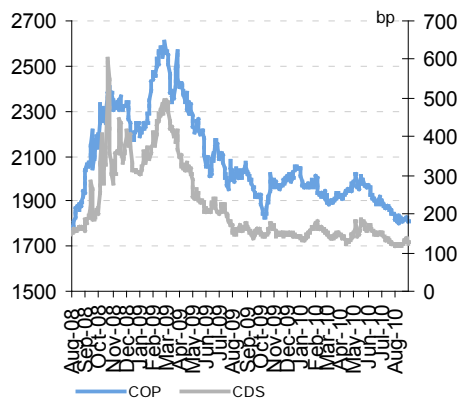
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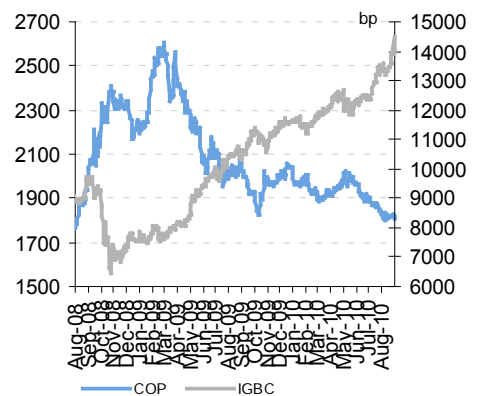
While the COP and most Latam currencies responded to risk premium factors in global markets, the local market is currently focused on uncertainty surrounding interventions in the forex market by the Banco de la República. This situation became more acute after the release the minutes of the most recent monetary policy meeting, which offer no hint of BanRep's intentions. In this light, we believe the peso will continue to be more sensitive to external factors, trading laterally between 1800 and 1830 in the short term.

COP vs. 5y CDS



Source: Bloomberg and BBVA Research

COP vs. IGBC



Source: Bloomberg and BBVA Research

Peru

Strategic Outlook



Brazil



Chile



Colombia



Exchange Rates

Peruvian nuevo sol

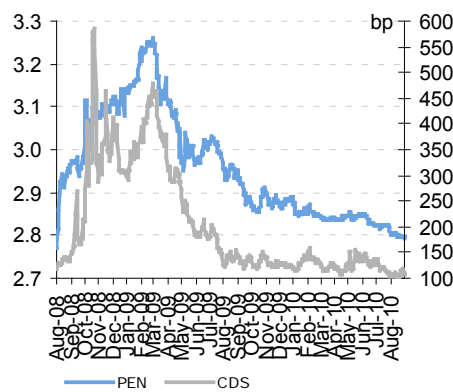
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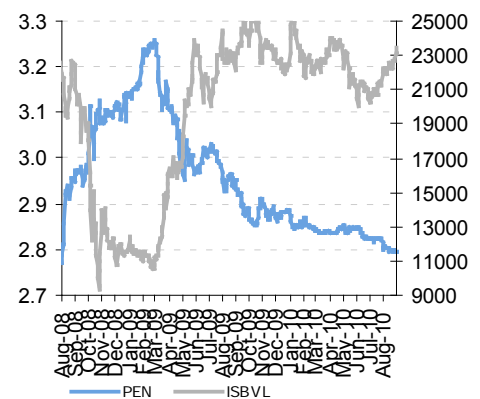
Global markets once again saw appetite for risk, which drove the nuevo sol up by 0.11%. This performance comes as Banco Central de Reserva del Perú intervened in the forex market to the tune of US\$159mn. Meanwhile, the weekly monetary authority report once again showed a significant increase in net forward purchases by the banking system from investors. As such, appetite for soles persists. All told, we still expect stability, with the sol trading within a range of 2.7900-2.8050 in the short term.

PEN vs. 5y CDS



Source: Bloomberg and BBVA Research

PEN vs. ISBVL



Source: Bloomberg and BBVA Research

Appendix 1

Summary of the LatAm Market

	Close	Change %				Close %	Change bp		
		1D	1W	YTD			1D	1W	YTD
Currencies									
Argentinian peso	3.95	0.06	-0.02	-3.85					
Brazilian real	1.73	-0.39	0.99	0.67					
Chilean peso	495.78	0.29	0.83	2.30					
Colombian peso	1,808.70	0.25	0.48	11.50					
Mexican peso	12.93	0.76	0.59	1.21					
Peruvian nuevo sol	2.79	0.11	0.18	3.25					
5 year CDS									
Argentina	852.59	-4.55	-9.48	-6.75					
Brazil	118.82	-2.45	-7.72	-3.02					
Chile	71.83	-2.06	-5.07	5.14					
Colombia	123.37	-2.19	-6.91	-13.69					
Mexico	132.73	-3.78	0.31	-0.78					
Peru	107.90	0.06	-4.73	-12.65					
Equity indexes									
Argentina Merval	2,423.22	0.30	3.16	4.42					
Brazil IBOV	66,678.62	-0.19	1.67	-2.78					
Chile IPSA	4,628.12	0.66	3.30	29.23					
Colombia IGBC	14,066.55	0.58	1.17	21.24					
Mexico IPyC	32,592.87	0.54	2.64	1.47					
Peru ISBVL	23,447.93	1.24	3.37	4.52					
VIX Index	21.31	23.19	24.45	21.68					
Commodities									
CRB Industrial	509.44	0.00	1.21	5.37					
COMEX Copper	349.35	0.16	3.85	4.99					
WTI	74.60	-0.56	-0.76	-6.00					
Gold	1,246.75	-0.34	0.70	13.66					
Sugar	20.60	-1.01	3.21	-5.72					
Soy	1,035.00	2.58	0.88	2.05					
Volatilities %									
Argentinian peso	4.16	7.36	10.99	16.12					
Brazilian real	11.48	12.76	14.09	15.93					
Chilean peso	10.33	11.47	12.17	12.86					
Colombian peso	11.22	12.10	12.83	13.92					
Mexican peso	12.72	13.36	13.72	13.91					
NDF currency/US\$									
Argentinian peso	3.97	4.03	4.13	4.37					
Brazilian real	1.74	1.77	1.80	1.88					
Chilean peso	496.03	497.02	499.46	505.88					
Colombian peso	1,808.98	1,812.45	1,818.45	1,850.45					
Peruvian nuevo sol	2.79	2.79	2.79	2.80					
Foward points									
Argentinian peso	0.03	0.09	0.19	0.43					
Brazilian real	0.01	0.03	0.07	0.15					
Chilean peso	0.25	1.24	3.68	10.10					
Colombian peso	0.28	3.75	9.75	41.75					
Peruvian nuevo sol	0.00	0.00	0.00	0.01					
Brazil									
Selic O/N	10.66	0	0	201					
DI Jan-11 Future	10.67	1	-2	27					
LTN Jan-11	10.84	13	1	37					
NTN-F Jan-13	11.73	-6	0	-54					
NTN-F Jan-17	11.63	-3	9	-126					
NTN-B Aug-14	6.26	0	-3	-124					
Chile									
TPM	1.99	-2	7	143					
TAB 90d UF	1.34	8	70	-617					
Swap CLPxCAM 2Y	4.04	-5	-8	107					
Swap CLPxCAM 5Y	4.85	-3	-3	-35					
Swap CLPxCAM 10Y	5.33	-7	-4	-70					
Swap UFXCAM 2Y	0.73	4	6	-58					
Swap UFXCAM 5Y	1.43	0	-3	-72					
Swap UFXCAM 10Y	1.91	-5	-12	-55					
Swap basis 2Y	77.00	0	0	10					
Swap basis 5Y	63.00	-1	-1	9					
Swap basis 10Y	100.00	1	1	13					
BCP Jan-2012	4.58	-4	-33	78					
BCP Aug-2014	5.53	0	-18	54					
BCU 5Y	2.36	7	-1	-45					
BCU 10Y	2.70	8	2	-52					
Colombia									
Reference rate	3.00	-10	0	-50					
DTF 90d	3.48	0	3	-66					
TES Aug-2012	4.38	0	-23	-471					
TES May-2014	5.97	0	-9	606					
TES Jul-2020	7.07	0	-7	-135					
UVR Mar-2013	2.28	0	-20	-243					
Peru									
Reference rate	2.50	0	0	-400					
Sovereign bond Aug-2011	2.62	-10	-3	-413					
Sovereign bond Aug-2017	5.20	-5	5	-171					
Sovereign bond Aug-2037	6.25	-3	-2	69					
Global bonds									
BRL 2040	2.89	-2	-11	-144					
CLP 2013	1.47	-13	-12	-57					
COP 2033	5.71	17	-6	-121					
PE 2033	5.17	5	-15	-125					

Source: Bloomberg and BBVA Research

Strategies →

Appendix 2

Calendar of Economic Indicators

			Survey	Prior	Actual
Friday, September 3					
Brazil	GDP (IBGE) YoY	2Q	8.00%	9.00%	8.80%
	GDP (IBGE) QoQ	2Q	0.70%	2.70%	1.20%
	GDP (IBGE) 4Qtrs Accumulated	2Q	5.20%	2.40%	5.10%
Colombia	Producer Price Index (MoM)	AUG		-0.61%	-0.53%
	Producer Price Index (YoY)	AUG		1.81%	1.99%
	Colombia Monetary Policy Minutes	02-Sep			
Saturday, September 4					
Colombia	Consumer Price Index (MoM)	AUG	0.03%	-0.04%	
	Consumer Price Index (YoY)	AUG	2.23%	2.24%	
Monday, September 6					
Brazil	Trade Balance (FOB) - Weekly	05-Sep			\$864M
Chile	Economic Activity YoY	JUL	6.40%	6.80%	
Tuesday, September 7					
Chile	Trade Balance in US\$ Million	AUG	\$862.50	\$1,015.90	
	Total Exports in US\$ Million	AUG		\$5,792.00	
	Total Imports in US\$ Million	AUG		\$4,776.10	
	Copper Exports	AUG		\$3,149.20	
Wednesday, September 8					
Brazil	FGV CPI IPC-S	AUG		-0.08%	
	Vehicle Sales (Anfavea)	AUG		302332	
	Vehicle Production (Anfavea)	AUG		315879	
	Vehicle Exports (Anfavea)	AUG		64864	
Chile	CPI (MoM)	AUG	0.10%	0.60%	
	CPI (YoY)	AUG	2.80%	2.30%	
	CPI Ex Perishables & Fuel MoM	AUG	0.10%	0.60%	
Thursday, September 9					
Brazil	COPOM Monetary Policy Meeting Minutes	AUG			
	IBGE Inflation IPCA (MoM)	AUG	0.06%	0.01%	
	IBGE Inflation IPCA (YoY)	AUG	4.50%	4.60%	
	CNI Capacity Utilization	JUL	82.50%	82.50%	
Peru	Reference Rate	SEP	3.00%	2.50%	
Friday, September 10					
Brazil	FIPE CPI - Weekly	AUG	0.19%	0.21%	
	FGV Inflation IGP-DI	AUG	0.82%	0.22%	
Peru	Trade Balance	JUL	\$790.0M	\$826.2M	
Colombia	Trade Balance	JUL	\$87.90	\$133.00	

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