

Latam

# Daily Latam

## Market Analysis Markets

Mexico City, September 7, 2010

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### US infrastructure plan could boost job sentiment

And also continue driving sector-related stocks.

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Not-so-gloomy expectations.

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Local market sees profit taking.

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The peso appreciates on light volume. Expectations of Banrep interventions intensify.

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BCRP interventions have more impact on the sol than in recent days.

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

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# Strategic Outlook

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

Equity LatAm

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## US infrastructure plan could boost job sentiment And also continue driving sector-related stocks.

### Chinese economic data will be the focus this week

In what was a thin session owing to the US holiday, Latam markets traded mixed within narrow ranges with the exception of the Colombian market. The same was true of the region's currencies which traded virtually flat against the dollar.

Meanwhile, Asian and European markets staged bigger moves reflecting better-than-expected US economic data released Friday. Safe assets such as US Treasuries continue to stabilize after yields rebounded last week from year-to-date lows, apparently on speculation confirmed by US President Barack Obama about a US\$50bn infrastructure plan for the next 5-6 years. This triggered strong movements in Mexican construction-related stocks like Ich and Cemex. A US\$10bn incentives plan was also proposed for R&D over the next 10 years to create local jobs.

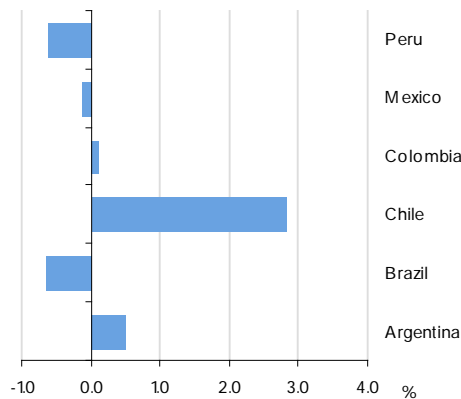
Although not as much US data is due out as last week, the Fed's Beige Book could again fuel the perception among investors of a bigger quantitative intervention. Important Chinese indicators are due out including the Manpower jobs survey, the trade balance, retail sales and industrial output.

## APPENDIX

Macro Calendar

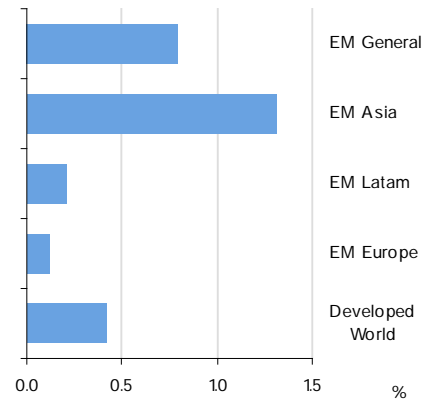


Daily change on LatAm CDS 5 years



Source: Bloomberg and BBVA Research

Daily change on MSCI Index



Source: Bloomberg and BBVA Research

# Brazil

Strategic Outlook



Chile



Colombia



Peru



## Exchange Rates

### Brazilian real

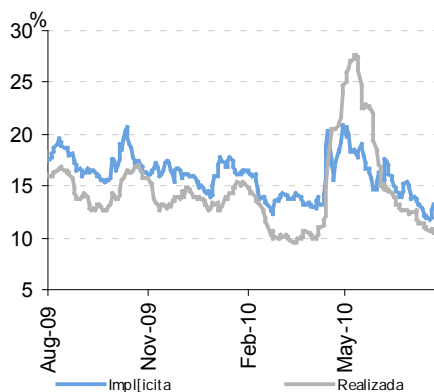
**Not-so-gloomy expectations.**

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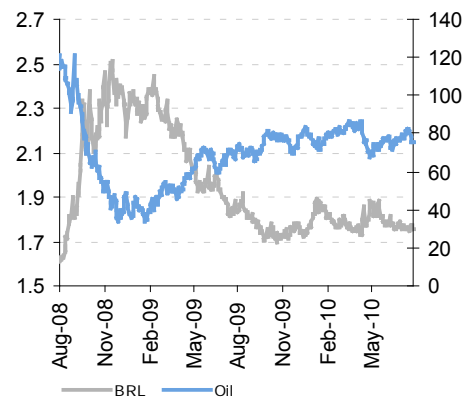
Following an above-consensus Q2 GDP data release Friday, year-end expectations are beginning to improve, as reflected in the upward revision of 2010 growth and 12M inflation estimates (7.34% and 5.05%, respectively) in Banco Central do Brasil's weekly survey. Along with possible foreign inflows in response to the Petrobrás issuance, this favors a positive short-term trend in the real. All in all we estimate a 1.70 support level.

**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

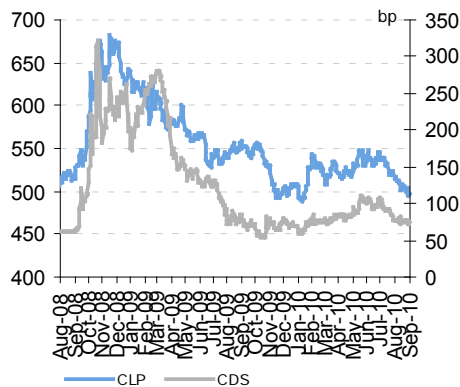
Local market sees profit taking.

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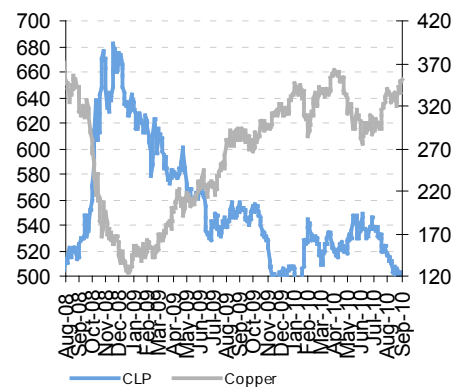
The peso closed yesterday 0.40% weaker as a result, we believe, of local profit taking. Three factors justify the continuation of a positive short-term trend: 1) higher-than-consensus growth and expectations of a wider spread vs. US yields; 2) rising copper prices (e.g. an increase of 0.53% in yesterday's session); and 3) implied volatilities at February 2008 lows (10.35%). We estimate a short-term target of 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

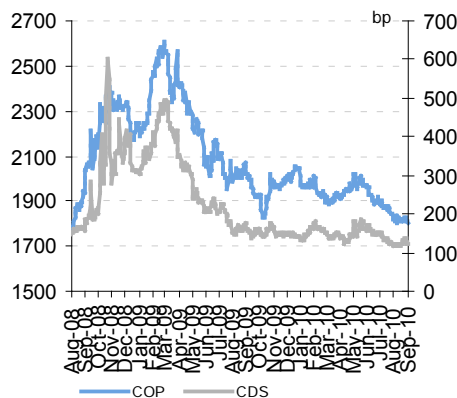
The peso appreciates on light volume. Expectations of Banrep interventions intensify.

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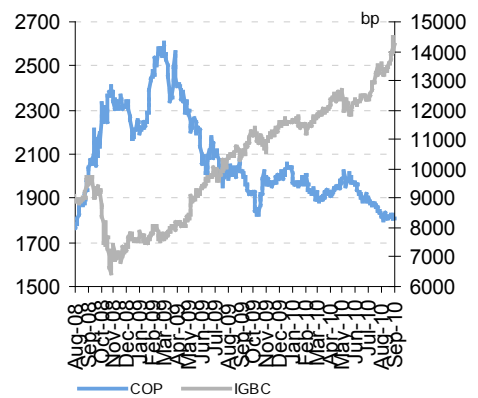
On a day of mixed results among regional currencies, the peso closed up by 0.22%. This performance came on scant volume because markets were closed in the US due to the Labor Day holiday. As such, we do not expect the rally to extend into coming sessions. Moreover, Banco de la República is expected to intervene at any time at current levels. In this light, we still expect to see lateral dynamics within a range of 1800 to 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

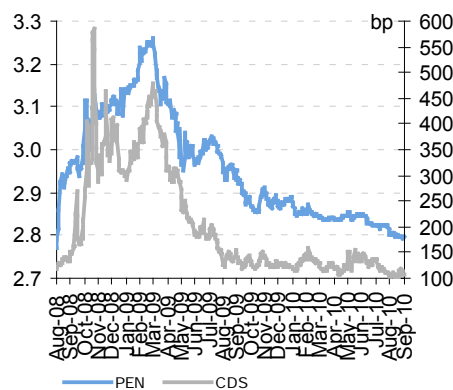
**BCRP interventions have more impact on the sol than in recent days.**

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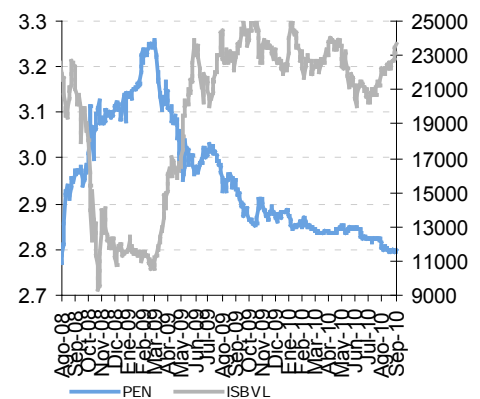
Even as risky assets traded on a positive bias yesterday, with Latam indexes advancing on average by 0.6% and copper gaining 53%, the nuevo sol depreciated by 0.14%. This performance is underpinned by Banco Central de Reserva del Perú's purchase of US\$132mn, which seemed to have a greater impact as US markets were closed for the Labor Day holiday. As such, our short-term outlook calls for stability above the level of 2.79.

**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 %		
		1D	1W	YTD
<b>Currencies</b>				
Argentinian peso	3.94	0.03	0.13	-3.82
Brazilian real	1.73	0.35	1.86	1.02
Chilean peso	497.77	-0.40	0.54	1.91
Colombian peso	1,804.68	0.22	1.21	11.70
Mexican peso	12.94	-0.04	1.60	1.17
Peruvian nuevo sol	2.80	-0.14	0.00	3.12

<b>5 year CDS</b>				
Argentina	856.84	0.50	-9.40	-6.28
Brazil	118.04	-0.65	-10.22	-3.65
Chile	73.87	2.83	-4.93	8.12
Colombia	123.51	0.11	-8.58	-13.60
Mexico	132.58	-0.11	-1.98	-0.90
Peru	107.24	-0.61	-8.60	-13.18

<b>Equity indexes</b>				
Argentina Merval	2,437.93	0.61	5.67	5.05
Brazil IBOV	66,747.30	0.10	3.87	-2.68
Chile IPSA	4,634.10	0.13	3.27	29.39
Colombia IGBC	14,258.66	1.37	2.52	22.90
Mexico IPyC	32,746.67	0.47	4.35	1.95
Peru ISBVL	23,671.60	0.95	4.35	5.52
VIX Index	21.31	21.31	27.21	21.68

<b>Commodities</b>				
CRB Industrial	510.12	0.00	1.16	5.51
COMEX Copper	351.20	0.53	2.90	5.54
WTI	74.08	-0.70	-0.83	-6.65
Gold	1,250.05	0.26	1.06	13.96
Sugar	20.60	0.00	3.99	-5.72
Soy	1,035.00	0.00	1.22	2.05

<b>Volatilities %</b>				
Argentinian peso	4.22	7.40	10.99	16.10
Brazilian real	11.62	12.79	14.08	15.84
Chilean peso	10.35	11.42	12.13	12.81
Colombian peso	11.20	11.95	12.73	13.81
Mexican peso	12.78	13.33	13.65	13.86

<b>NDF currency/US\$</b>				
Argentinian peso	3.97	4.03	4.14	4.37
Brazilian real	1.74	1.76	1.80	1.87
Chilean peso	498.12	499.01	501.52	508.07
Colombian peso	1,805.37	1,808.68	1,814.56	1,846.43
Peruvian nuevo sol	2.79	2.79	2.80	2.81

<b>Foward points</b>				
Argentinian peso	0.03	0.09	0.19	0.43
Brazilian real	0.01	0.03	0.07	0.15
Chilean peso	0.35	1.24	3.75	10.30
Colombian peso	0.69	4.00	9.88	41.75
Peruvian nuevo sol	0.00	0.00	0.00	0.01

Source: Bloomberg and BBVA Research

	Close %	Change bp		
		1D	1W	YTD
<b>Brazil</b>				
Selic O/N	10.66	0	0	201
DI Jan-11 Future	10.67	0	-3	27
LTN Jan-11	10.69	-3	-20	37
NTN-F Jan-13	11.79	2	9	-54
NTN-F Jan-17	11.60	-10	3	-126
NTN-B Aug-14	6.22	-13	-11	-124

<b>Chile</b>				
TPM	2.02	3	3	143
TAB 90d UF	1.44	10	66	-617
Swap CLPxCAM 2Y	4.08	4	-3	107
Swap CLPxCAM 5Y	4.86	1	-2	-35
Swap CLPxCAM 10Y	5.33	0	-4	-70
Swap UFXCAM 2Y	0.75	2	5	-58
Swap UFXCAM 5Y	1.43	0	-5	-72
Swap UFXCAM 10Y	1.87	-4	-17	-55
Swap basis 2Y	77.00	0	0	10
Swap basis 5Y	63.00	0	-1	9
Swap basis 10Y	100.00	0	1	13
BCP Jan-2012	4.57	-7	-6	78
BCP Aug-2014	5.48	-6	-5	54
BCU 5Y	2.34	-2	-5	-45
BCU 10Y	2.77	7	11	-52

<b>Colombia</b>				
Reference rate	3.00	0	0	-50
DTF 90d	3.48	0	0	-66
TES Aug-2012	4.49	10	-5	-471
TES May-2014	6.01	6	-3	606
TES Jul-2020	7.16	5	5	-135
UVR Mar-2013	2.33	-1	-6	-243

<b>Peru</b>				
Reference rate	2.50	0	0	-400
Sovereign bond Aug-2011	2.67	-3	-3	-413
Sovereign bond Aug-2017	5.20	2	5	-171
Sovereign bond Aug-2037	6.26	0	-2	69

<b>Global bonds</b>				
BRL 2040	2.89	-4	-13	-147
CLP 2013	1.42	-17	-20	-51
COP 2033	5.74	0	17	-124
PE 2033	5.12	-8	-8	-132

Strategies →

# Appendix 2

## Calendar of Economic Indicators

			Survey	Prior	Actual
<b>Saturday, September 4</b>					
Colombia	Consumer Price Index (MoM)	AUG	0.03%	-0.04%	0.11%
	Consumer Price Index (YoY)	AUG	2.23%	2.24%	2.31%
<b>Monday, September 6</b>					
Brazil	Trade Balance (FOB) - Weekly	05-Sep		\$864M	\$138M
Chile	Economic Activity YoY	JUL	6.50%	6.80%	7.10%
<b>Tuesday, September 7</b>					
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	
<b>Wednesday, September 8</b>					
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%	
<b>Thursday, September 9</b>					
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%	
<b>Friday, September 10</b>					
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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