

Latam

Daily Latam

Market Analysis Markets

Mexico City, August 30, 2010

Strategic Outlook

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Lower revision of US GDP and Bernanke's statements put floor under the market

The new IPC lineup (Nafrac) and return index (Mextrac) will begin trading this coming Wednesday.

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Support at about 1.75 resists for now.

Chile

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The Chilean peso continues to be driven by rising copper prices and no verbal intervention.

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Peso ends the week with 0.14% gain.

Peru

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The nuevo sol could remain stable in response to the increase in the reserves requirement to offset the impact of strong growth numbers on 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 →

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Lower revision of US GDP and Bernanke's statements put floor under the market

The new IPC lineup (Nafrac) and return index (Mextrac) will begin trading this coming Wednesday.

Strong economic growth; all eyes on employment data

The preliminary review of Q2 GDP was better than the market expected (1.4%), going from an initial rate of 2.4% to 1.6%. To this can be added Bernanke's Wyoming remarks: while the Fed chief conceded that the economic recovery is not yet fully on track, signals of possible additional quantitative measures and expectations of an improvement in 2011 eased risk aversion. Of the four alternatives described, the most viable are: 1) an increase in the purchase of long-term assets, treasuries mainly; and 2) the reduction in the rate paid on excess reserves in order to foster bank credit. Albeit initially, the Fed appears to be ruling out a scenario of prolonged deflation, easing fears of a Japanese style recession. At the same time, in order not to confuse the market's readings, the FOMC is unlikely to substantially change the tone of its statements.

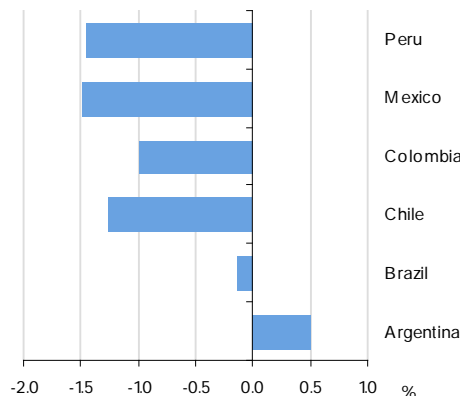
Macro data will continue to be the main catalyst for markets. Some important economic figures will be released in the US: a continuation of some home sales data followed by factory orders and, in particular, employment data. Little data is due out in Mexico except for consumer confidence this Friday.

On September 1, the new IPC issuers will begin trading. In its August 6 communiqué, the BMV announced the entry of Arca, Chdraui, Ich and Lab from September 1 until August 31, 2011. Outgoing companies are Autlan and Gfamsa. Meanwhile, the return index will include Arca. It should be recalled that the companies that will benefit the most from the increase in turnover these changes will trigger are Ich, Chdraui, Femsa and TVaztca. The most impacted will be Asur, Gfamsa, Autlan and Gruma.

APPENDIX

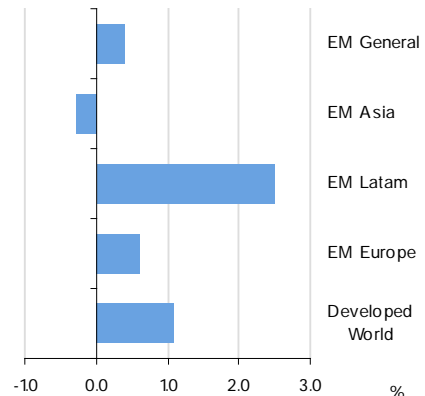
Macro Calendar

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

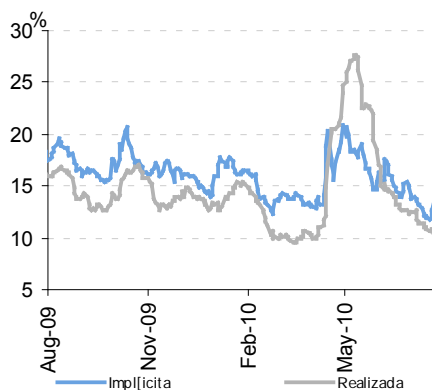
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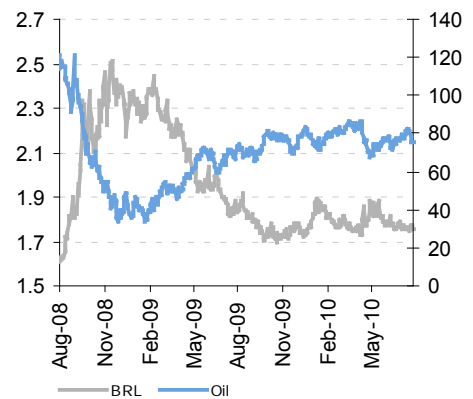
The real closed the session stronger, testing the important 1.75 psychological barrier, a level at which verbal intervention by diverse economic authorities has intensified in recent months. The prospect of the issuance of Petrobrás stock finally occurring next month and improved sentiment following Ben Bernanke's remarks Friday as well as a lower-than-expected revision of GDP growth played in favor of the currency, but the risks could continue in a week packed with economic data that could hold a negative surprise. If data are better than expected and there is no verbal intervention, the real could finally break 1.75 and approach 1.72.

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

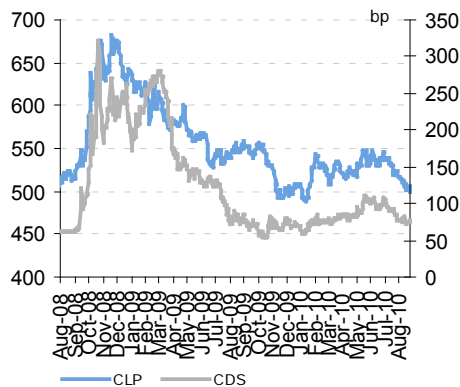
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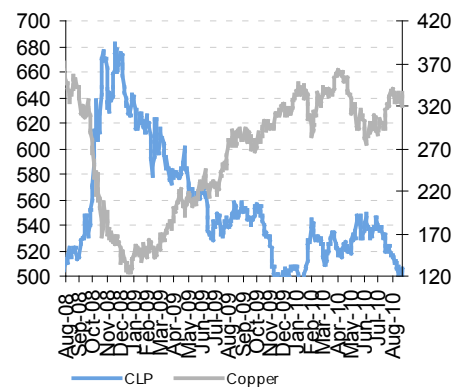
The favorable tone in global markets during Friday's session came on top of a lack of comments from the government and the Banco Central de Chile regarding the need for a competitive exchange rate as well as the rising trend in copper prices. Thus, the Chilean peso was the best performing Latam currency during last week, gaining 0.9% once more positively differentiating itself from its regional peers. If economic data surprises this week, and there is no further verbal intervention, the peso could move toward 495, although technically its position is weak (the market is too long on the CLP, and the USD is beginning to show oversold levels) so there could be a slight correction. Furthermore, export policy pressures are growing which the government is surely aware of.

CLP vs. 5y CDS



Source: Bloomberg and BBVA Research

CLP vs. Copper



Source: Bloomberg and BBVA Research

Colombia

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Brazil



Chile



Peru



Exchange Rates

Colombian peso

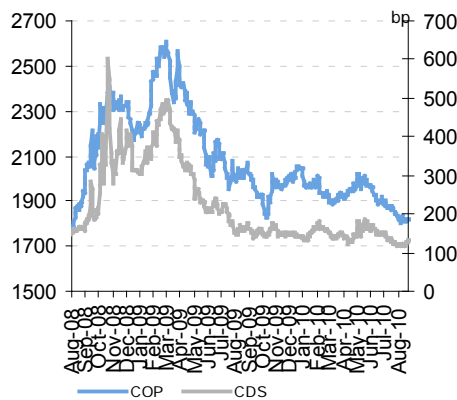
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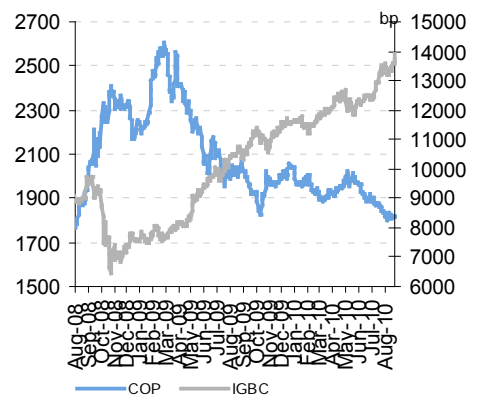
Greater risk aversion in global markets and the possibility of Banco de la República renewing its dollar purchases led the Colombian peso to close the week more stable, between its 10- and 20-day moving averages (at 1,816.28 and 1,818.23 respectively). This week, in an environment where external factors prevail over domestic ones, economic data could continue to produce instability while the performance of other risky assets will mark a clearer trend.

COP vs. 5y CDS



Source: Bloomberg and BBVA Research

COP vs. IGBC



Source: Bloomberg and BBVA Research

Peru

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Brazil



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Colombia



Exchange Rates

Peruvian nuevo sol

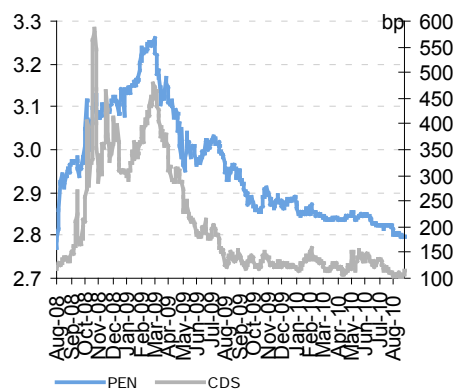
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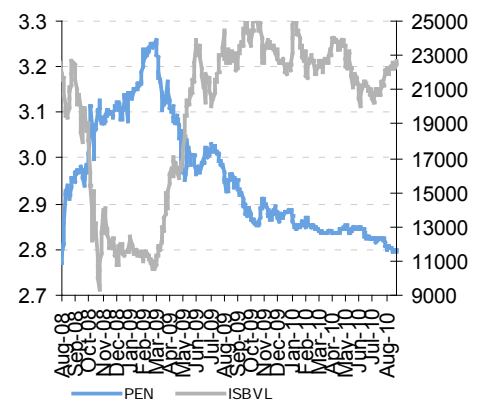
The nuevo sol retraced its steps to 2.7990 in response to Banco Central de Reserva del Perú's announcement of an increase in the reserves requirement to 120% of domestic deposits in order to discourage strong short-term speculative inflows. Furthermore, solid macro fundamentals continue to play in favor of the currency and, on Friday, the highest quarterly GDP growth data since 2008 was released. Thus, these factors could lead to a more stable currency between 2.7950-2.8000 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 %		
		1D	1W	YTD
Currencies				
Argentinian peso	3.94	0.00	-0.20	-3.83
Brazilian real	1.75	0.67	0.35	-0.32
Chilean peso	499.95	0.79	0.90	1.48
Colombian peso	1,817.48	-0.06	0.14	11.07
Mexican peso	13.01	0.46	-1.92	0.62
Peruvian nuevo sol	2.80	-0.13	0.05	3.08

5 year CDS				
Argentina	941.86	0.50	14.38	3.01
Brazil	128.76	-0.14	6.25	5.09
Chile	75.67	-1.25	0.94	10.75
Colombia	132.53	-0.99	8.20	-7.28
Mexico	132.32	-1.49	9.65	-1.09
Peru	113.26	-1.45	12.83	-8.31

Equity indexes				
Argentina Merval	2,349.07	1.19	-3.69	1.22
Brazil IBOV	65,585.14	2.69	-1.64	-4.38
Chile IPSA	4,480.35	0.57	-0.73	25.10
Colombia IGBC	13,904.18	1.52	3.35	19.84
Mexico IPyC	31,755.35	1.72	-1.66	-1.14
Peru ISBVL	22,684.32	0.57	1.82	1.12
VIX Index	24.45	27.37	25.49	21.68

Commodities				
CRB Industrial	500.87	0.00	0.14	3.59
COMEX Copper	336.40	1.77	2.22	1.10
WTI	75.17	2.47	2.33	-5.28
Gold	1,238.10	0.04	0.84	12.87
Sugar	19.96	3.58	0.05	-8.65
Soy	1,026.00	1.13	2.19	1.16

Volatilities %				
	1M	3M	6M	1Y
Argentinian peso	3.81	7.29	10.81	15.85
Brazilian real	11.57	13.01	14.30	16.05
Chilean peso	10.85	11.86	12.39	12.99
Colombian peso	11.49	12.49	13.03	13.95
Mexican peso	13.58	13.45	13.42	13.34

NDF currency/US\$				
Argentinian peso	3.97	4.03	4.14	4.39
Brazilian real	1.76	1.78	1.82	1.90
Chilean peso	500.13	501.37	503.80	510.10
Colombian peso	1,817.83	1,821.98	1,828.48	1,858.48
Peruvian nuevo sol	2.79	2.80	2.80	2.81

Foward points				
Argentinian peso	0.03	0.08	0.19	0.45
Brazilian real	0.01	0.03	0.07	0.15
Chilean peso	0.18	1.42	3.85	10.15
Colombian peso	0.35	4.50	11.00	41.00
Peruvian nuevo sol	-0.01	0.00	0.00	0.01

Source: Bloomberg and BBVA Research

	Close %	Change bp		
		1D	1W	YTD
Brazil				
Selic O/N	10.66	0	0	201
DI Jan-11 Future	10.69	0	-1	27
LTN Jan-11	10.99	12	15	37
NTN-F Jan-13	11.53	6	2	-54
NTN-F Jan-17	11.29	0	-15	-126
NTN-B Aug-14	6.09	-19	-11	-124

Chile				
TPM	1.92	-8	2	143
TAB 90d UF	0.64	41	54	-617
Swap CLPxCAM 2Y	4.12	3	-1	107
Swap CLPxCAM 5Y	4.88	2	13	-35
Swap CLPxCAM 10Y	5.37	1	2	-70
Swap UFXCAM 2Y	0.67	10	11	-58
Swap UFXCAM 5Y	1.46	2	-1	-72
Swap UFXCAM 10Y	2.03	-2	-14	-55
Swap basis 2Y	77.00	0	1	10
Swap basis 5Y	64.00	0	0	9
Swap basis 10Y	99.00	0	1	13
BCP Jan-2012	4.86	-3	-16	78
BCP Aug-2014	5.69	0	-13	54
BCU 5Y	2.37	1	8	-45
BCU 10Y	2.68	-1	3	-52

Colombia				
Reference rate	3.00	0	0	-50
DTF 90d	3.45	0	-13	-66
TES Aug-2012	4.60	-5	-12	-471
TES May-2014	6.06	-2	-6	606
TES Jul-2020	7.14	-3	2	-135
UVR Mar-2013	2.48	-4	-12	-243

Peru				
Reference rate	2.50	0	0	-400
Sovereign bond Aug-2011	2.55	-53	-25	-413
Sovereign bond Aug-2017	5.10	-4	0	-171
Sovereign bond Aug-2037	6.22	-2	0	69

Global bonds				
BRL 2040	2.98	4	31	-138
CLP 2013	1.41	-25	-22	-53
COP 2033	5.74	20	36	-124
PE 2033	5.23	13	26	-121

Strategies →

Appendix 2

Calendar of Economic Indicators

			Survey	Prior	Actual
Friday, August 27					
Chile	Central Bank Meeting Minutes	27-Aug			
Argentina	Shop Center Sales (YoY)	JUL		23.80%	37.90%
Peru	GDP YoY	2Q	10.10%	6.00%	10.10%

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