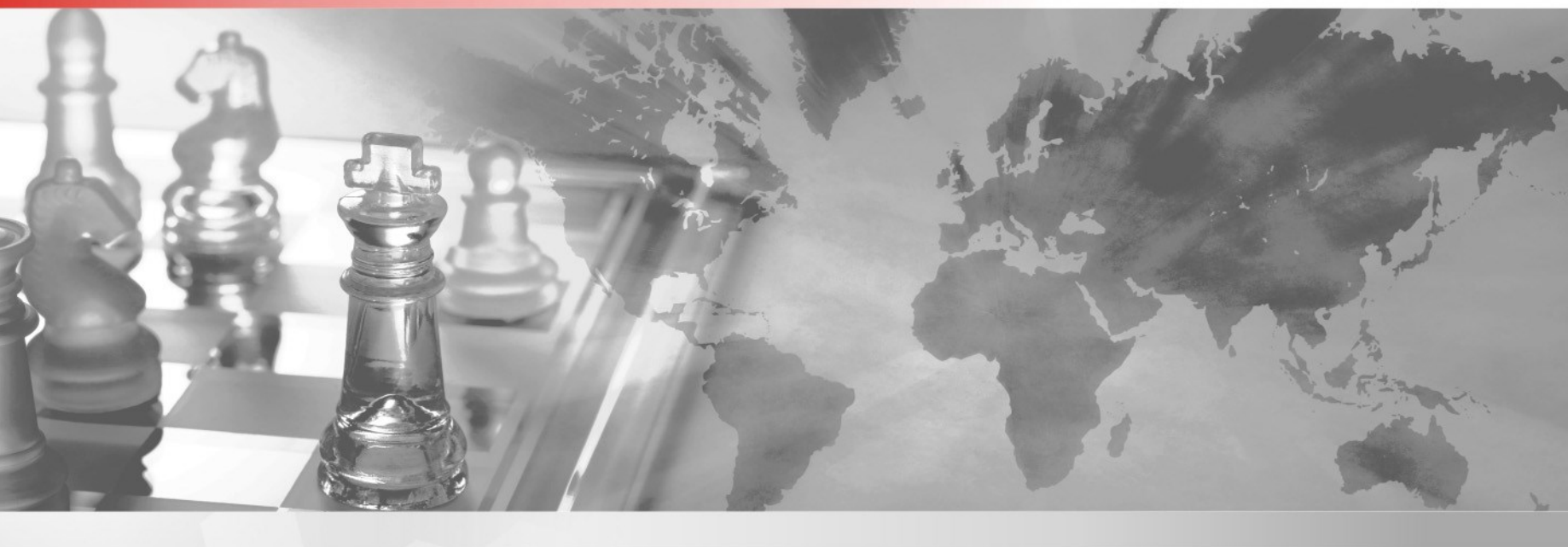




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Expert Commentary

Roberto Cobo, FX Strategist at Banco Bilbao Vizcaya Argentina SA, on Swiss Franc

”We could see the pair trading above the resistance at 1.1050, but we are not expecting such an improvement until 2016, and probably not until the Q2 or Q3 of 2016.

What performance do you expect from the Swiss Franc versus its major counterparts during the fourth quarter of 2015?

Basically, we are expecting the EUR/CHF to range trade around recent levels between 1.05 and 1.1050, which is the highest level that we have reached in September. We believe that the current context in the Euro zone and Switzerland, obviously, will assure the current monetary policy remains unchanged. Besides, we see some political risk in Europe, in the Euro zone, especially given the general elections in Spain at the end of this year. We suppose that political noise could keep the EUR/CHF, or at least cut in the very short term.

Obviously, we are seeing some improvement in the fundamentals in the Euro zone. Moreover, these developments are continuing. We could see the pair trading above the resistance at 1.1050, but we are not expecting such an improvement until 2016, and probably not until the Q2 or Q3 of 2016. That is why we think that the fundamental side is going to give a strong support to the Euro in the very short term, which is in conjunction with the political risk that we witness. In addition, we believe that it is going to keep the EUR/CHF currency pair in recent ranges along with the downside risk in the very short term.

We had the quarterly meeting from the Swiss National Bank a few weeks ago, where they told us exactly the same. Mr. Thomas Jordan, Swiss National Bank Chairman, stated that they are ready to act and, if necessary, intervene in the FX market, as they did in the previous months. That is why we also see limited downside potential.

I would not expect the EUR/CHF to trade below 1.05 in the short term, because of this possibility that the SNB will intervene. If the pair trades lower, we have to take into account the deflationary environment in Switzerland, the risks that are delivered from the commodity cycle and the tone of the Bank. We suppose that 1.05 – 1.02 is the range where the Swiss National Bank will intervene to avoid further strength of the Swissie. Thus, for them it is the main target to avoid more downside pressure in prices in Switzerland. Due to that we have a quite neutral bias for the EUR/CHF; we see downside risks that limit the bearish potential.

Technically, I do not see many signals in the past 3-4 years. Since the Swiss National Bank implemented the EUR/CHF, it has not played such an important role in the currency pair. Thus, we do not have a special opinion right now in regards to what the EUR/CHF could do just by looking at the chart.



Roberto Cobo
FX Strategist
Banco Bilbao
Vizcaya
Argentina SA
Spain

Roberto Cobo, FX Strategist at Banco Bilbao Vizcaya Argentina SA, on Swiss Franc

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What will be the main drivers for Franc during the same period?

We believe that the main driver for the Swiss Franc would be the uncertainties delivered from the Euro zone's political situation. Obviously, global risk aversion is going to be an important driver for the Swiss Franc. Recently, we have seen that the Japanese Yen, for example, has reacted more positively than the Franc, when there was the suspect in risk aversion derived from the situation in China.

The global turmoil that we saw at the end of August had a more positive impact on the Yen than on the Swiss Franc. We consider that this is due to the source of the uncertainty, given that the fears are currently coming from Asia and not from Greece, the Swiss Franc has not reacted that positively. Nonetheless, additional spikes in risk aversion and increasing uncertainties about China in the emerging markets will definitely have a positive impact on the Swissie in the coming weeks or months. However, it is not our best case scenario.

Since we think that the market has overreacted, we have to differentiate between the Chinese equity market and the Chinese economy. Even if we acknowledge this slowdown in the medium market activity, we believe there is not going to be any collapse neither in China nor in the emerging markets in general. Therefore, we are not waiting for a significant spike in risk aversion or a significant deterioration in market sentiment. We do not think that the Franc is going to get a lot of support from the global environment. Nonetheless, if it deteriorates, obviously, the CHF and its safe-haven status would come in play, and the EUR/CHF should trade lower.

What are your forecasts for USD/CHF and EUR/CHF for Q4 of 2015?

For the EUR/CHF our forecast stands at 1.07 levels for the end of December. Talking about the USD/CHF currency pair, we estimate it to trade at 1.01 levels, which is definitely linked to our projections in EUR/USD.

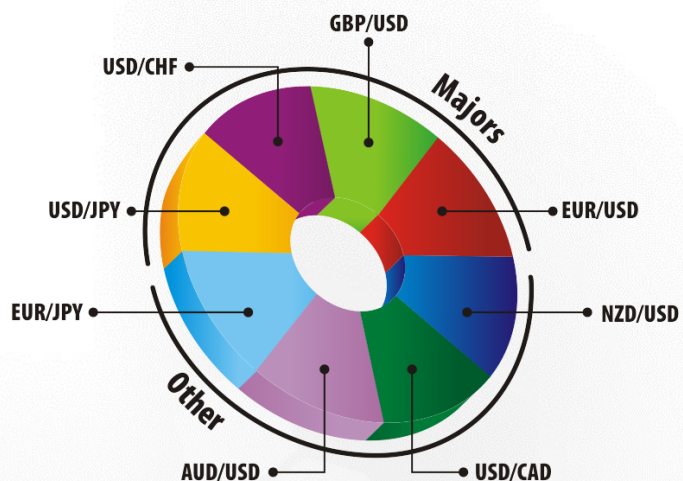


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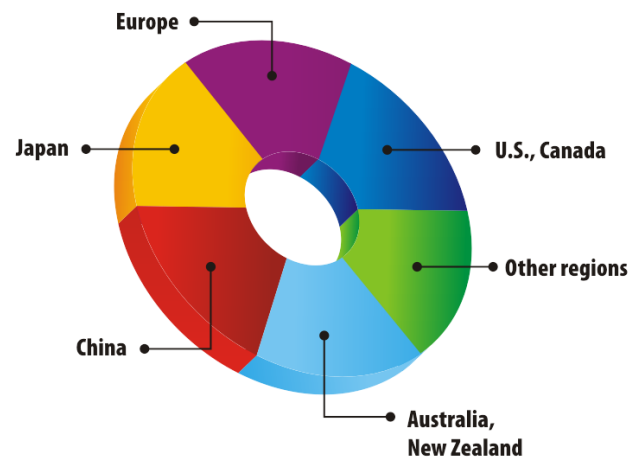
**Roberto Cobo
FX Strategist
Banco Bilbao
Vizcaya
Argentina SA
Spain**

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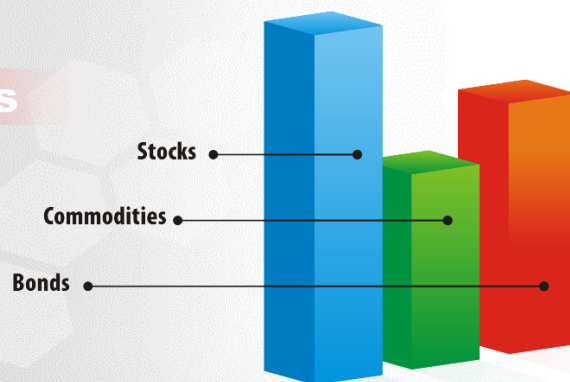
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