



Spain

Description

Spain, once the largest global empire during the 16th and 17th centuries, lost its world command to the United Kingdom. Due to a failure to adapt to the industrial revolution, the country stayed behind Britain, France, and Germany in terms of economic and political influence. During the 20th century the country stayed neutral during both World Wars and developed a rapid economic modernization which helped the country grow and emerge as the fourth largest Eurozone's economy.

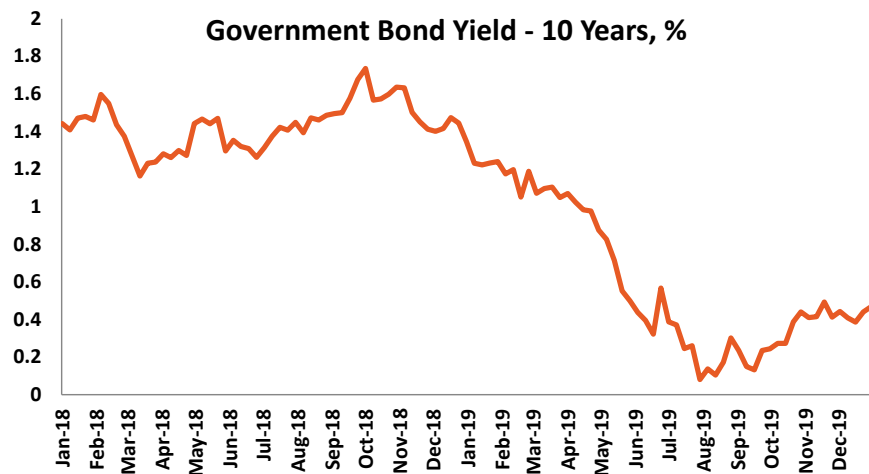
Economic Overview

Spain is an economy that is growing in a resilient manner, primarily due to its strong services sector. Since 2014, the economy has been growing at an average growth rate of 2.6%, and from that growth 1.7% was the contribution of the services sector. The economy is still growing and we predict that trend will prevail. The services PMI has been above 50 in recent years, so the services should continue to fuel the economy. Construction seems to be also in a good trend, in this environment of low interest rates, and with no risk in sight, as the foreclosures are decreasing in relative terms. Although the unemployment rate is falling every year since the Sovereign crisis of 2012-13, it is still very high, sitting at around 14%. However, if the trend continues it will stimulate the economy even further, so we see a lot of room for the economy to keep growing.

We point some risk to the economy. In the short-term, the political uncertainty (there is still no majority government ruling the country) might slowdown growth, as companies are avoiding investment projects. Looking at the long-term, there are some structural problems, mainly the aging population and all the pressure it will bring into the social security and lower labor supply. One should also take into consideration the fact that Spain is a highly indebted country that, although it has reduced its deficit considerably, it is not been reducing its debt over GDP in recent years, it has been kept almost stable near the 100% ratio. The yield on the 10 years Spanish bonds has been decreasing throughout 2019. In August 2018 the yield was at 1.473%, one year later and the yield reached a minimum of 0.105%. Since then, the yield has been increasing slightly, but still is much below its average of 1.02% in the last 2 years.



| Economic Indicator | |
|--------------------------------|--------|
| GDP (USD bn) (2018) | 1,426 |
| GDP/Capita (USD thous) (2018) | 30,5 |
| GDP growth (3Q2019) | 2% |
| Inflation (Nov 2019) | 0,4% |
| Unemployment (3Q2019) | 13,92% |
| Ind. Production YoY (Oct 2019) | -1.3% |
| Debt to GDP (2018) | 97,6% |



Source: Bloomberg

Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

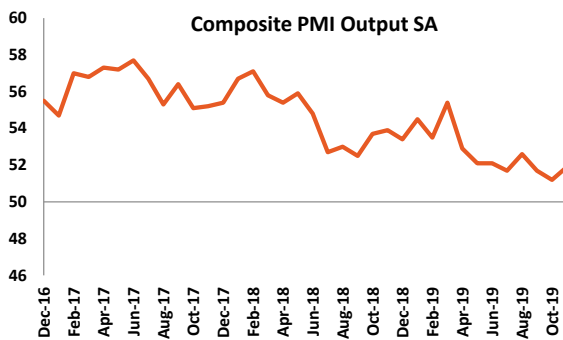
▲ **Economic Analysis**

1. GDP Breakdown

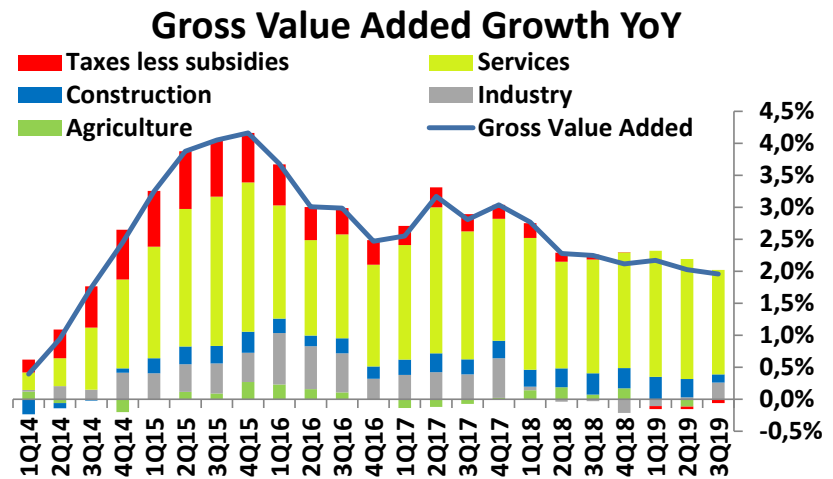
Below we analyze the main contributors to GDP growth, where we can clearly conclude that the economy is highly dependent on its tertiary activity. Since the analyzed period, the services sector contributed to an average growth rate of 1.7% YoY while the whole economy grew 2.6% YoY.

The Industry also had an important contribution to the economic growth, mainly between the 4th quarter of 2014 until the 4th quarter of 2017, period when it contributed to 0,5% YoY (on average) of the economic growth. In the last two years, it has lost its importance, while the construction sector has emerged.

The economy grew at a pace of 2% YoY in the 3rd quarter of 2019.



Source: Markit



Source: Instituto Nacional de Estadística

1.1 Services

If we look at the previous graph, the services sector started growing at a higher pace in the 3rd quarter of 2014, when the Trade, Transport, Accommodation & Restaurants recovered from the sovereign crisis (2012-2014). This segment has been growing constantly since then at an average rate of 1% YoY.

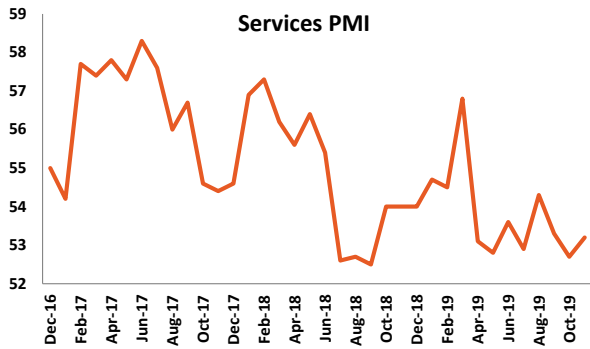
The segment of Professional Scientific and Technical has been a very important segment, has it as always been contributing positively to the economy. In the last years more segments have recovered, and now the sector is more diversified. In the 3rd quarter of 2019 the sector grew at a rate of 2,4% YoY.

The Spanish services PMI has been above 50 in recent years, although with a high volatility, it has been on a negative trend since 2016, being now much closer to 50 than it was back then. However, as long as this prevails above 50 the services sector should remain resilient.

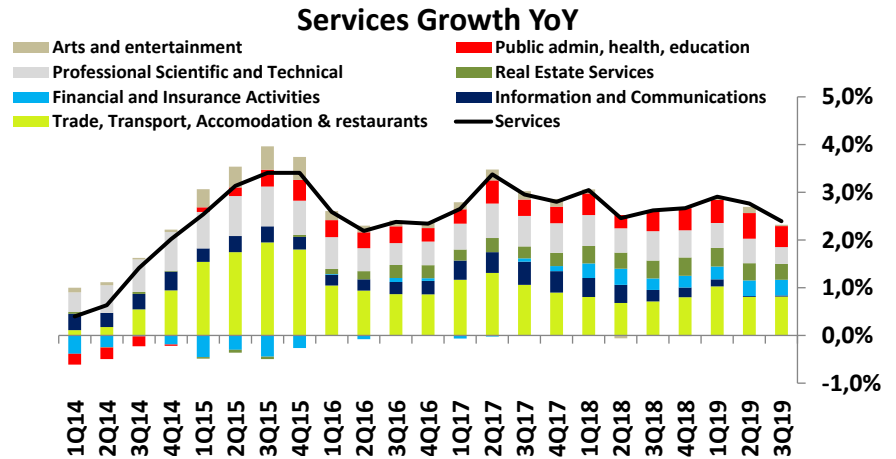
Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..



Source: Markit



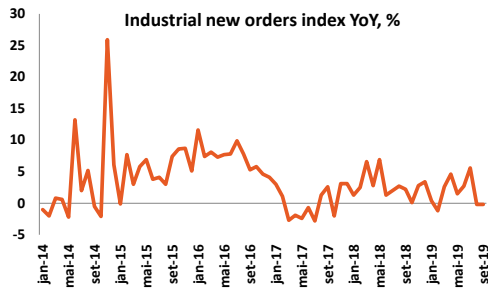
Source: Instituto Nacional de Estadística

1.2 Industry

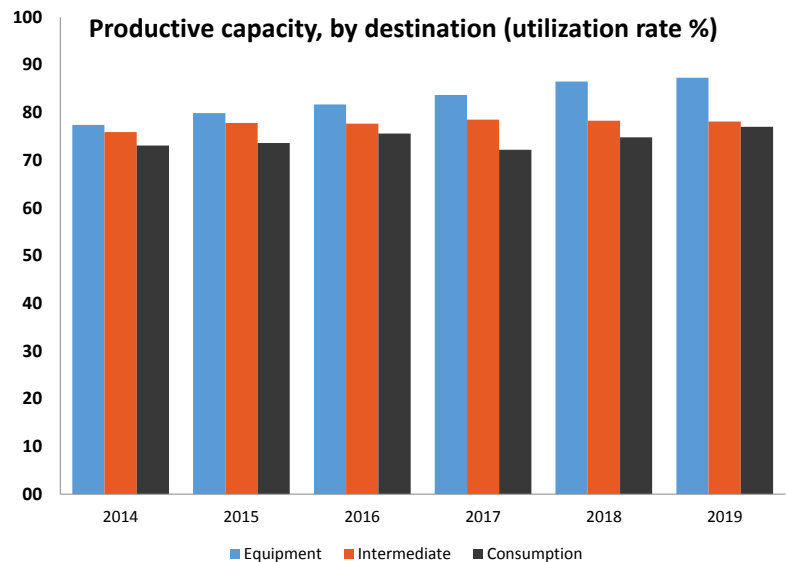
This indicator for the productive capacity is done with the combination of existing statistics and surveys to the management of industrial companies. Its finality is to gather information on the current situation of industrial companies' plans and expectations for the future, in order to build sectoral confidence indexes at a monthly frequency.

In the period of analysis, the productive capacity has been increasing, primarily due to the production with the economic destination of equipment. If the economy keeps this trend, it will reach a near full employment productive capital, which might improve the employment situation.

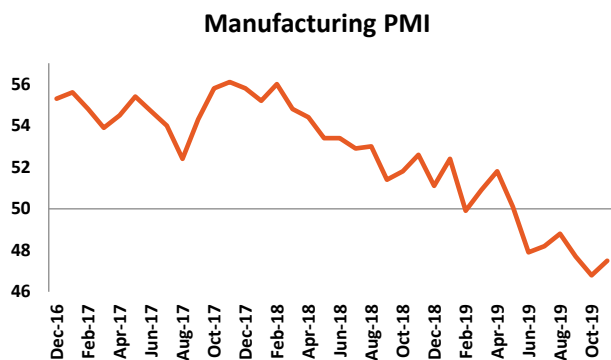
Since early 2019, the manufacturing PMI has been below 50, which contradicts the se in productive capacity indicator.



Source: Instituto Nacional de Estadística



Source: Ministerio de Industria, Comercio y Turismo



Source: Markit

Analyst:
Francisco Cavaco

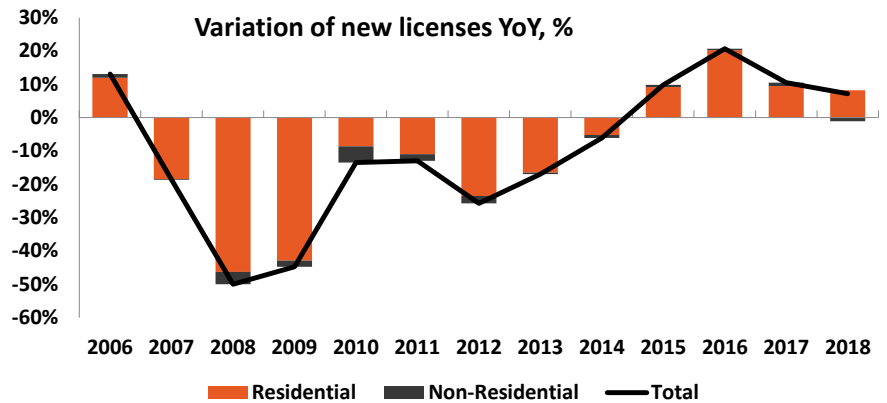
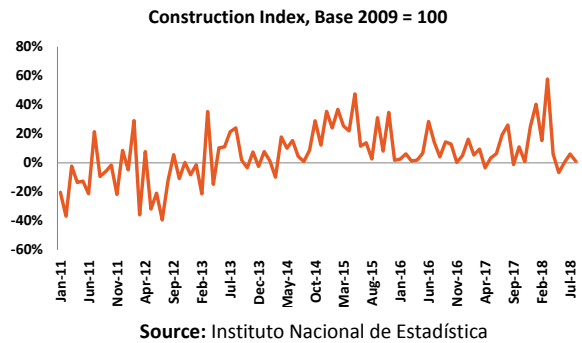
Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

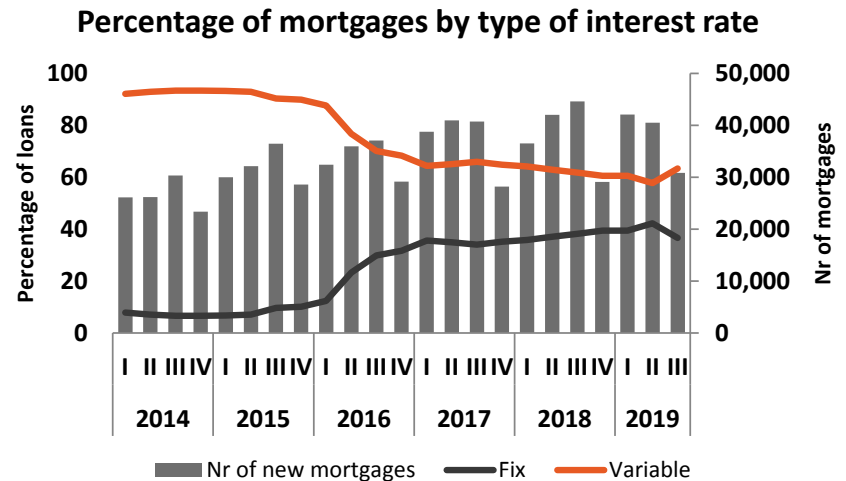
1.3 Construction

The Construction Sector had a very bad performance during the crisis period, however, since 2014 it has been growing constantly as we can also see in the GVA graph. If the current level of interest rates prevail, and with the economy in a good shape, we should expect this sector to keep growing.

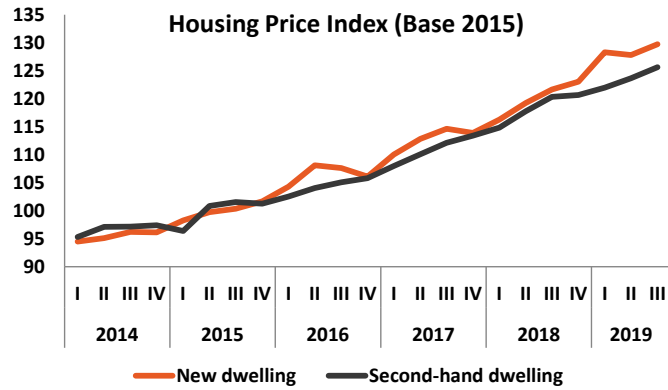
The Residential segment has a much larger weight in the sector's growth as we would expect.



We can see below the number of new mortgages and also the type of loans being granted (fix or variable interest rate). There has been a significant increase in the number of fix, as they now represent around 37% of all new loans (8% in 1Q2014). This has incentivized people to ask for more credit, as the number of new mortgages has increased in recent years (152 thousands in 2018 against 106 in 2014).

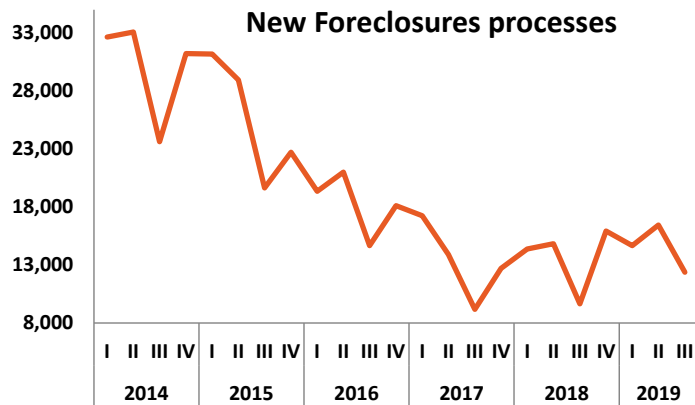


The rising demand has been driving the prices, both in the new dwellings and in the second-hand dwellings. The prices for new dwellings are now 30% more expensive than they were in 2015, for the second-hand dwellings this number does not stay much behind (25%).



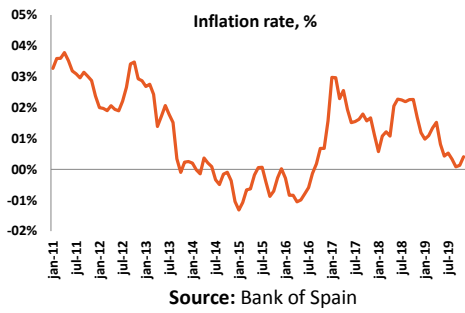
Source: Instituto Nacional de Estadística

The increasing price and the good economic environment have been healthy for the current loans, that is why the foreclosures have been significantly decreasing in the past years. As long as this negative trend prevails, we should expect banks to improve their balance sheets and further concede loans, stimulating the economy.



Source: Instituto Nacional de Estadística

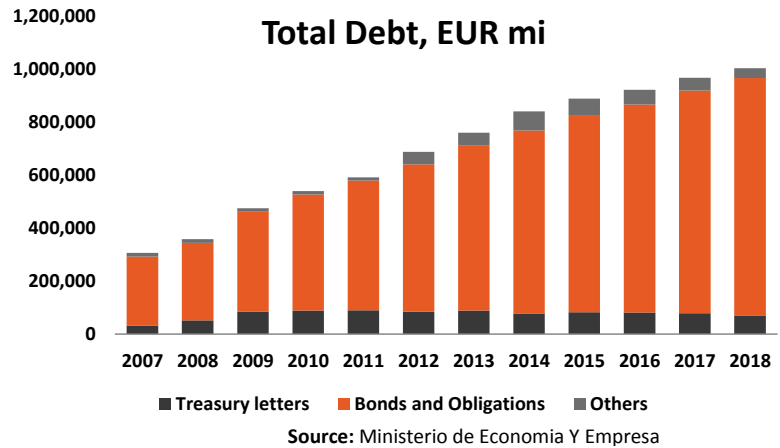
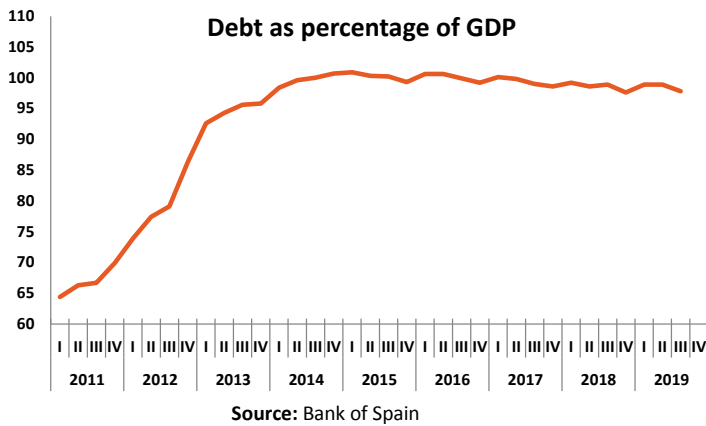
Government Debt



Spain was highly affected by the European sovereign debt crisis and has a consequence, its debt over GDP grew exponentially throughout 2012 and 2013, reaching its maximum in the first quarter of 2015 (100,9% of GDP). Ever since the ratio has remained partially flat, reducing at a very low pace. Currently, as of 3rd quarter of 2019, the debt is 97,8% of GDP.

Although the debt ratio has not evolved much in recent years, the debt in absolute terms has been increasing constantly. Therefore, the economic growth has sustained evolution of the debt ratio, and as long as the economy maintains a good performance, as it was doing since 2014, we should expect the debt ratio to stay stable around the current value.

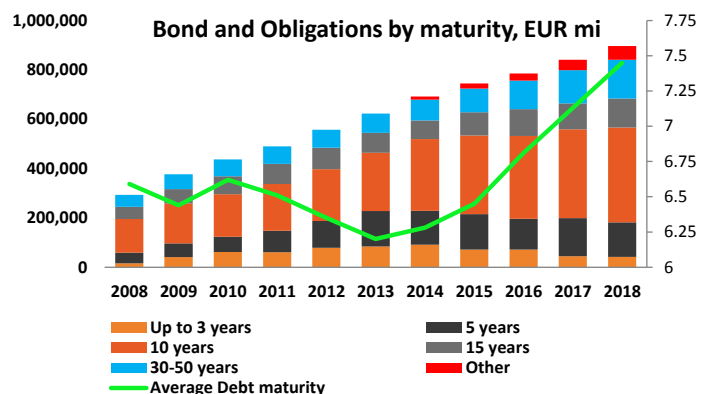
The Spanish debt is mainly composed by Bonds and Obligations. Spanish Bonds represent debt titles with a maturity up to 5 years, while Obligations are the debt titles with a maturity over 5 years.



1. Bond and Obligations

Analyzing the different maturities of the issued debt titles, we can see that the Spanish government has been issuing longer term debt, possibly to take advantage of the low interest rate environment, guaranteeing then that they keep paying the current rates into the future.

The average maturity of the debt was around 6.2 years in 2013, while in 2018 it was already at 7.45 years.

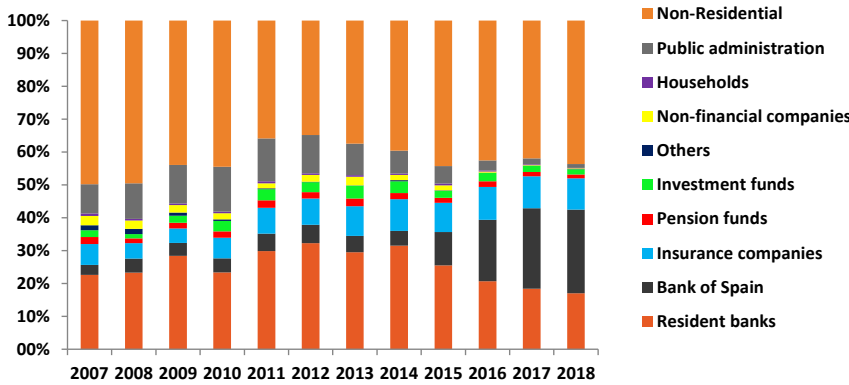


Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

Distribution of Bonds and Obligations by holder



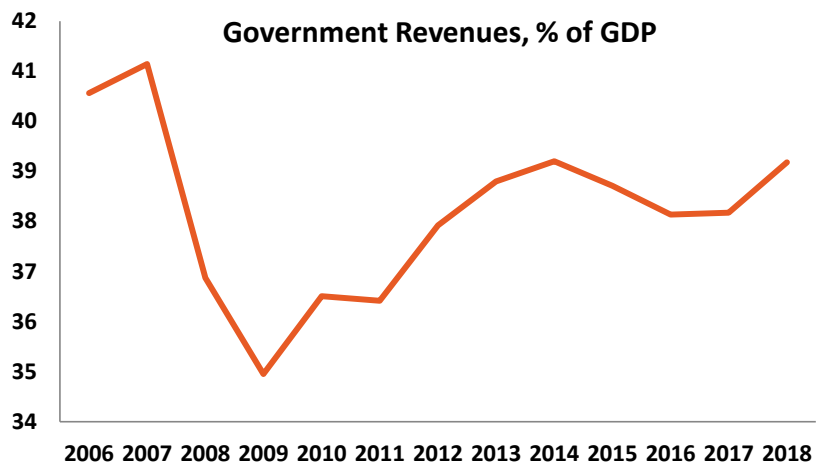
Source: Ministerio de Economía Y Empresa

The main holders of Spanish debt are the residential banks and non-residential entities. However, during the crisis (2011-2013) there was a flight of international investors, while the residential banks increased their positions. In recent years we have seen a transition from residential banks to non-residential entities (43.7%).

We can also see the significant increase in the position of the Bank of Spain; this can be explained by the asset purchase of the ECB, since the program was done through national central banks.

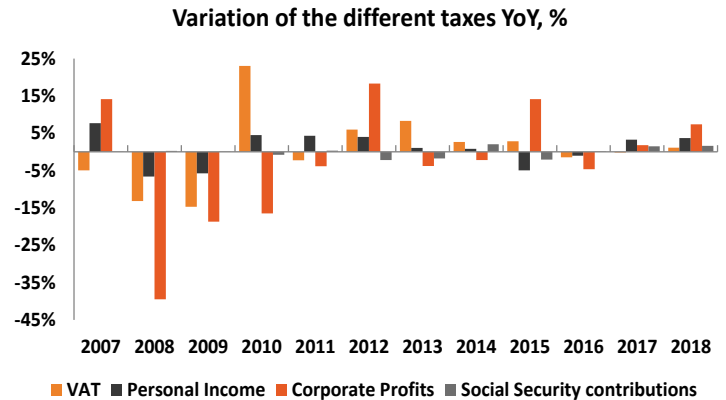
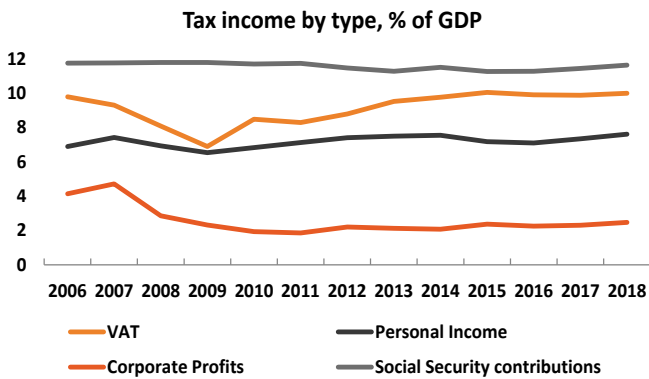
▲ **Government Revenues**

As in any government, its revenues are highly pro-cyclical and that is highly highlighted in the Spanish case, the Great Recession of 2007/08 had an extreme impact in the government Revenues. In 2007 the government revenues was around 41% of GDP and in a matter of 2 years, it was reduced to 35% in 2009. This is easily explained, as the economic activity slowdown, profits are lower, unemployment increases, and consumption and investment deteriorates, the government revenues from taxations decrease. With the Sovereign crisis of 2013, the revenues were once again affected, although not in the same extent. Ever since then, revenues have been slowly recovering, and in 2018 they were equal to 39% of GDP.



Source: OECD

If we look at the impact in different types of government revenues, we can see analyze the effect that a recessions has in different segments of the main government source of revenue.



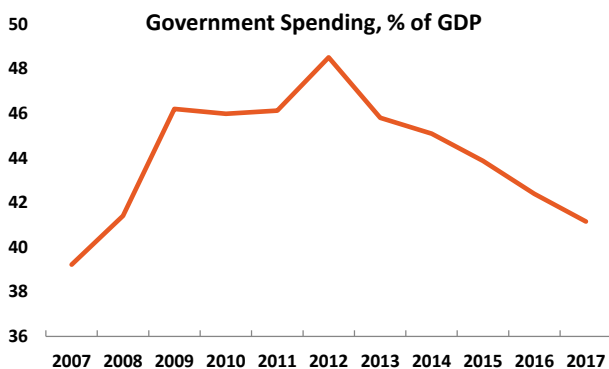
Source: OECD

Curiously, the tax that contributes the most for the government revenues, the Social Security contributions, is the less volatile tax; it has been pretty stable in the period of analysis. Corporate taxes and VAT are very cyclical and therefore we should expect it to respond more in case there is a future economic slowdown. The same reason goes, for a possible economic expansion.

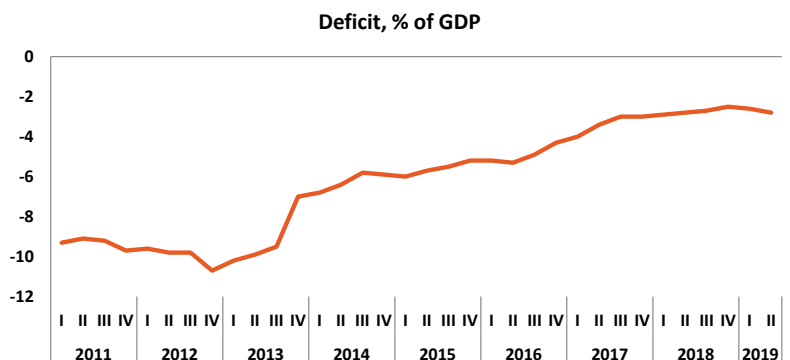
▲ Government Expenditures

Contrarily to the government revenues, the spending increased during both crises, reaching its maximum in 2012, when it represented 48.5% of GDP. It has been reducing at a constant pace since then and in 2017 the government spending represent 41% of GDP.

Spain has had a problem with its high deficit for a long time; in the fourth quarter of 2012 it represented 10.7% of GDP, with a tremendous burden on the government finances. Spain has done some good progress in recent years, as its deficit has been decreasing year after year. Currently (2nd quarter of 2019) it is at -2.8% of GDP.



Source: OECD



Source: Bank of Spain

Analyst:
Francisco Cavaco

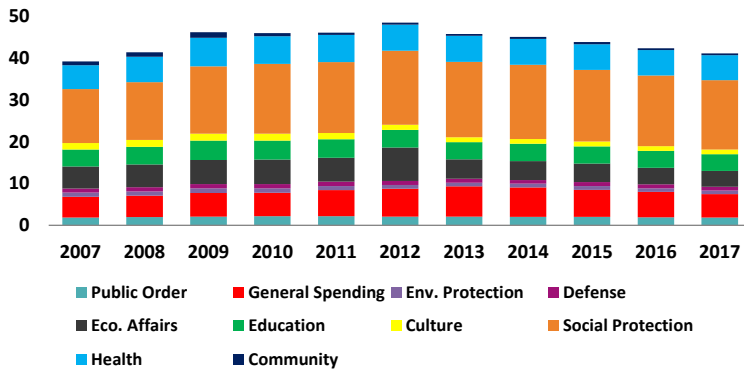
Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

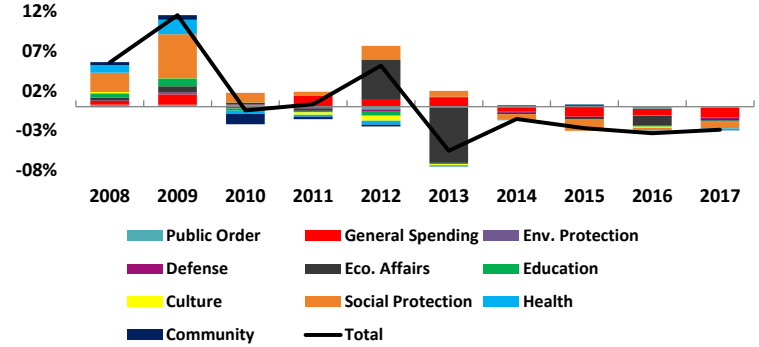
Below we analyze both the government spending by spending component and its variation along the years. What weights the most in the government accounts is the social protection (16.6% in 2017), health (6% in 2017), general spending (5.6% in 2017) and education (4% in 2017).

However, the most cyclical component is the economic affairs, which grew 5% YoY in 2012 and then decreased 7% YoY the next years. Social security protection also increases a lot during recessions; in 2009 it grew 5.6% YoY.

Government Spending by type, % of GDP



Variation in Government Spending YoY, %



Source: OECD

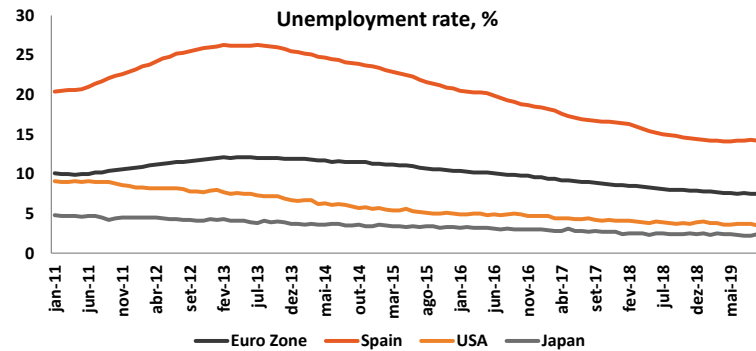
Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

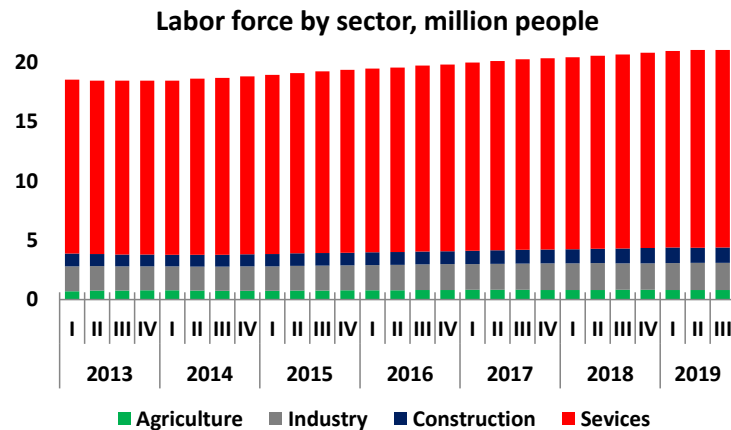
▲ Labor Force

What we consider to be the biggest concern with the Spanish economy is its unemployment rate; it is very high, even after 6 years since the Sovereign Crisis when it reached its maximum of 26.3% in July 2013. The labor force has been steadily improving, however, the unemployment rate is still extremely high (14.2% in September 2019) comparing with other economies (3.5% for the USA and 2.4% for Japan) and when we compare it with the Euro Zone average (7.5%) it is still way above.



Source: Bank of Spain

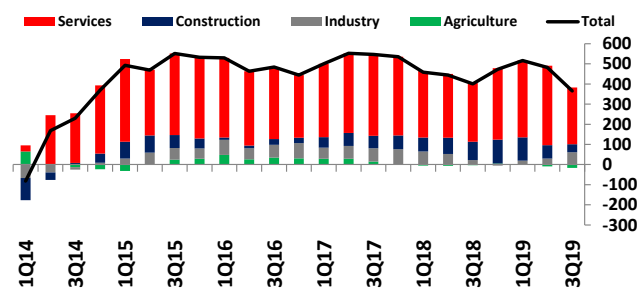
As we could already know from looking at the constitution of the GDP, Spain is a highly services oriented country, and as a consequence, a huge chunk of its labor force is devoted to the services sector, it currently (3rd quarter 2019) represents 79% of the labor force.



Source: Instituto Nacional de Estadística

All sectors have been performing well in reducing the unemployment rate, but the services sector has been the main contributor. The first 3 quarters of 2019 created 1,365,000 new jobs and from those 1,058,000 were from the services sector.

Job Growth YoY (thousand people)



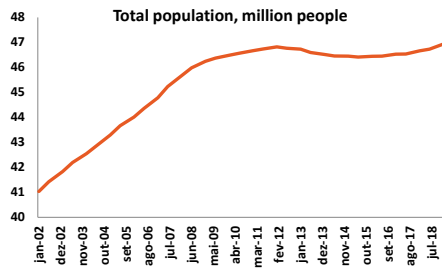
Source: Instituto Nacional de Estadística

Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

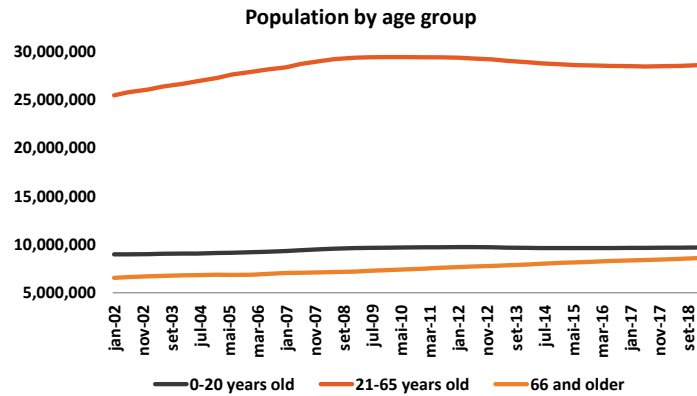
Population



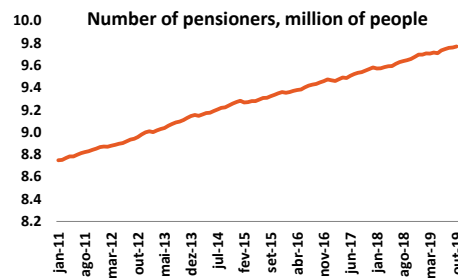
Source: Instituto Nacional de Estadística

Spain has a population of 47 million people, as of January 2019, being the fifth most populated country in the European Union (counting with UK). The fertility rate (1.3 births per woman) is below the EU's average (1.6 births per woman), and like most developed countries, Spain is suffering from aging population.

However, Spain's population has been slowly growing, after a period of decreasing population as a consequence of the financial crisis.

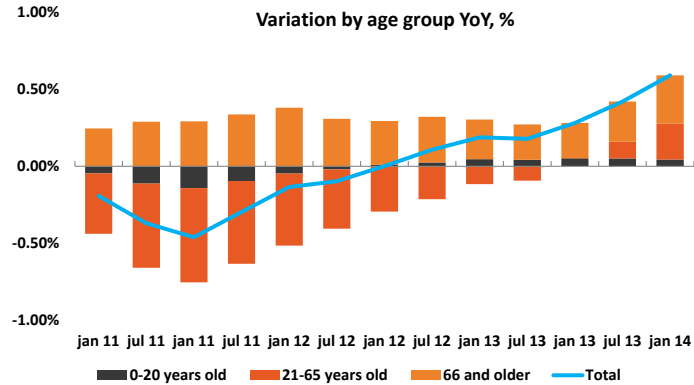


Source: Instituto Nacional de Estadística



Source: Instituto Nacional de Estadística

When look at the composition of the population by age group, we can see that the older population has been increasing at a high pace, already representing 18% of the population. The younger population has been growing at a very low pace (0.8% per year on average) in the last 16 years.



Source: Instituto Nacional de Estadística

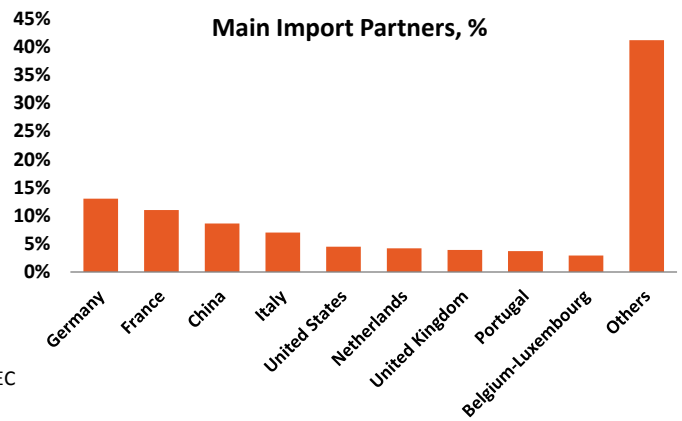
Looking at the growth rate of each population's segment, although the young population has been growing since 2012, the older population has been increasing a constant pace for the last years. This will be a huge problem in the future, as the working age population shrinks and the pensioners increase, it will not be sustainable for the social security, and consequently to the public finances and ultimately to the older population.

However, this is not an isolated problem in Spain, this is a concern for almost all developed countries, and more than ever this problem has been accounted as the cause of deep structural effects in the economy. What has been called the secular stagnation; the increase in the time span of economic cycles, very low inflation and nominal interest rates.

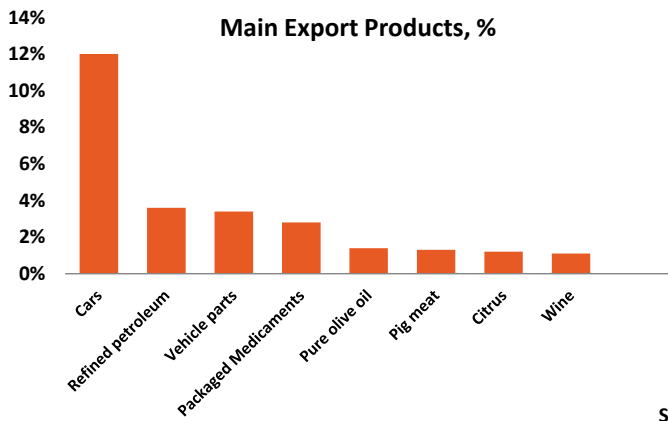
External Trade



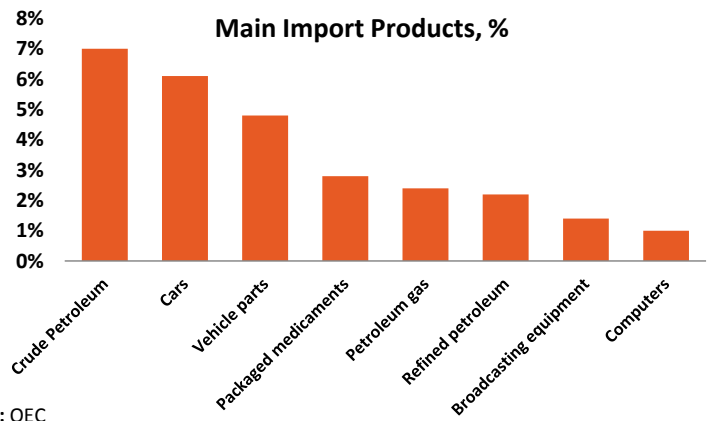
Source: OEC



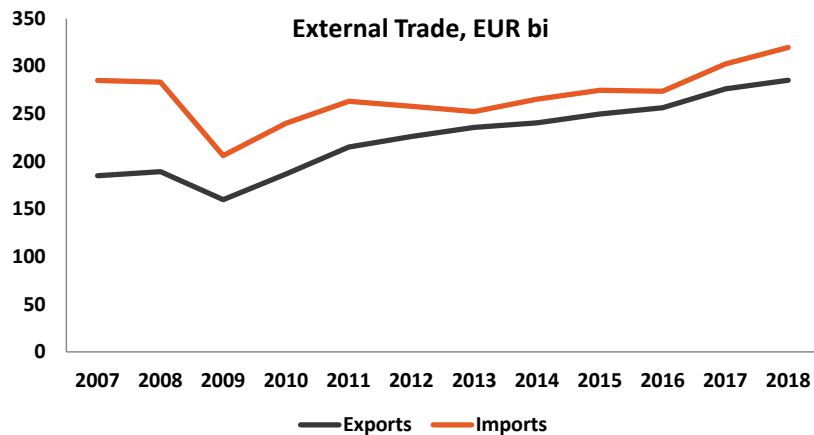
Source: OEC



Source: OEC



Source: OEC



Source: Ministerio de Industria, Comercio Y Turismo

Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

Government



Pedro Sánchez Prime-Minister



Filipe VI King of Spain

- Prime Minister: Pedro Sánchez:** He is currently the Prime Minister of Spain, as leader of the Spanish Socialist Workers' Party.

Sánchez was born in 1972 in Madrid, where he later (1995) graduated in economic and business sciences at the Complutense University. He then proceeded his studies in the Free University of Brussels, where he earned a degree in Politics and Economics. In 2012 Sánchez finished in Doctor of Philosophy degree in Business and Economics at the Univesitry Camilo José Cela. He started as a Professor of economics before his Congressional career and has served as the leader of the PSOE since July 2014.

The Crown: The Spanish monarch, Felipe VI, is the Head of the Spanish State and he is responsible for the regular functioning of the government institutions and represents the interests of the country in international relations. He is responsible for the appointee of the prime minister, summons and dissolves the Parliament, promulgate laws, call for referendum under the circumstances provided by the constitution, and call for elections.

Government: The form of government in Spain is a parliamentary monarchy, in which the monarch is the head of state and the prime minister is the head of government and the executive power is exercised by the government. The government is constituted by the prime minister, the deputy prime ministers and other ministers who collectively form the cabinet. After a prolonged period of uncertainty due to no majority government formed in the last election, the winner party (PSOE) has been able to form a government with a coalition to the left, with the Unidas Podemos party.

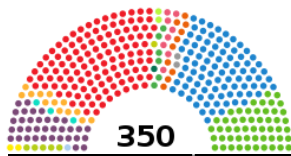
Congress of Deputies (lower-house): It has 350 members elected to serve four-year terms, however, it can be dissolved earlier by the Monarch who exercises it by request of the prime minister. The congress of Deputies has greater legislative power than the Senate, having the ability to override Senate vetoes by an absolute majority of votes.

Senate (upper-house): The Senate is composed of 208 senators elected by the citizens, each of whom represents a province, an autonomous city or an autonomous community. Its powers are similar to the Congress of Deputies; however, it is endowed with exceptional powers, such as constitutional amendments. The presiding officer of the Senate is the President of the Senate; who is elected by the members of the Senate.

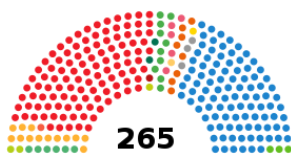
General Elections: Every 4 years, the eligible citizen vote to elect Members of the Congress and also the seats in the Senate, through proportional representation with closed lists in each constituency. After the General Election, seats to the Congress of Deputies are attributed according to the D'Hondt method in each constituency separately; therefore, the party that wins does not need to elect more deputies than any other party. Due to the D'Hondt system, small parties need more votes to elect a deputy. For the Senate, the seats are elected using an open list partial block voting, with electors voting for individual candidates instead of parties.

Current Government: The current government is a coalition between two left parties (PSOE and Unidas Podemos), with 22 ministers and gender parity (50% male and 50% female ministers).

This is the first coalition and the second largest government (in terms of ministers) of the current democracy (constitution of 1978). It has 4 vice-presidents, of which 3 are women and the fourth is the head of the Podemos party, Pablo Iglesias. There are 4 more ministers that belong to Podemos party, namely Yolanda Díaz, minister of Labor; Irene



| Congress of Deputies | |
|----------------------|-----|
| PSOE | 120 |
| PP | 88 |
| VOX | 52 |
| Unidas Podemos | 35 |
| ERC | 13 |
| Ciudadanos | 10 |
| JxCAT | 8 |
| PNV | 7 |
| EH Bildu | 5 |
| Más País | 3 |
| Others | 9 |



| Senate | |
|----------|-----|
| PSOE | 111 |
| PP | 97 |
| ERC | 13 |
| PNV | 10 |
| Cs | 9 |
| IC | 6 |
| JxCat | 5 |
| VOX | 3 |
| EH Bildu | 2 |
| ASG | 1 |
| Cca | 1 |
| UPN | 1 |

Montero, minister for Equality; Manuel Castells, minister of Universities and Alberto Garzón, minister of consumption. All the other 17 deputy prime ministers elected by Pedro Sánchez belong to PSOE party.

Parties:



Spanish Socialist Workers' Party (PSOE): Founded in 1879, this center-left wing party is currently led by Pedro Sánchez; the party is currently the form of government in Spain. In the last elections, this party won with 28% and was able to elect 120 deputies, unable to reach a majority.



Popular Party (PP): Founded in 1989, this center-right wing party surged through the union between the Popular Democrat Party and the Spanish Liberal Party. Pablo Casado is the head of the party and was able to elect 88 deputies.



Vox: Founded in 2013 by old members of the PP. Vox (right wing party) was the big surprised, in the recent elections has it elected 52 deputies, doubling the number from the previous elections. The party is led by Santiago Abascal.



Unidas Podemos: This party was founded in March 2019, by the coalition between left wing parties, and the current head of the party is Pablo Iglesias. This party elected 35 deputies.



ERC: Founded in 1931, the Left Republicans of Catalonia are fighting for the independence of the autonomous state of Catalonia, something that has generated a lot of protest in Spain. Led by Oriol Junqueras, the party elected 15 deputies.



Ciudadanos: This party was founded in 2006 by Albert Rivera. In the most recent elections it suffered a significant drop, 10 deputies against 57 in the previous elections.



Junts per Catalunya (JxCAT): Founded in November 2017, the party emerged from the coalition between center-right wing parties that fight for the independence of Catalonia. This party is led by Carles Puigdemont that ran for protection in Belgium after the independence referendum. This party elected 8 deputies.

| Government | | | |
|--|---------------------------------|--|---------------------------|
| President (Prime-minister) | Pedro Sánchez (PSOE) | Minister of Consumption (Consumer defense) | Alberto Garzón (Podemos) |
| Vice-presidente, minister of the Presidency and Relations with the court | Carmel Calvo (PSOE) | Minister of Transports, Mobility and Urban Agenda | José Ábalos (PSOE) |
| Vice-president of the Social Rights and 2030 Schedule | Pablo Iglesias (Podemos) | Minister of Industry, Trade and Tourism | Reyes Maroto (PSOE) |
| Vice-president, minister for Ecological Transition and Demographic Challenge | Teresa Ribera (PSOE) | Minister for Agriculture, Fisheries and Food | Luis Planas (PSOE) |
| Spokesperson and minister of Finance | María Montero (PSOE) | Minister of Education and Professional Qualification | Isabel Celaá (PSOE) |
| Minister of Foreign Affairs | Arancha Laya (PSOE) | Minister of Science and Innovation | Pedro Duque (PSOE) |
| Minister of Defense | Margarita Robles (PSOE) | Minister of Universities | Manuel Castells (Podemos) |
| Minister of the Interior | Fernando Grande-Marlaska (PSOE) | Minister for Equality | Irene Montero (Podemos) |
| Minister of Labor | Yolanda Díaz (Podemos) | Minister for Territorial Policy and Civil Service | Carolina Darias (PSOE) |
| Minister of Health | Salvador Illa (PSOE) | Minister of Culture and Sport | José Uribe (PSOE) |
| Minister of Social Security | José Escrivá (PSOE) | Minister of Justice | Juan Campo (PSOE) |

Analyst:
Francisco Cavaco

Research:
research@big.pt

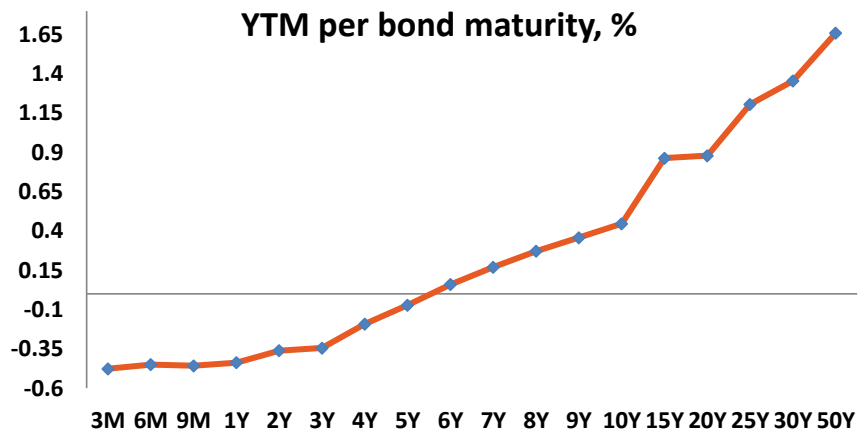
This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

▲ **Market information**

1. Public Debt

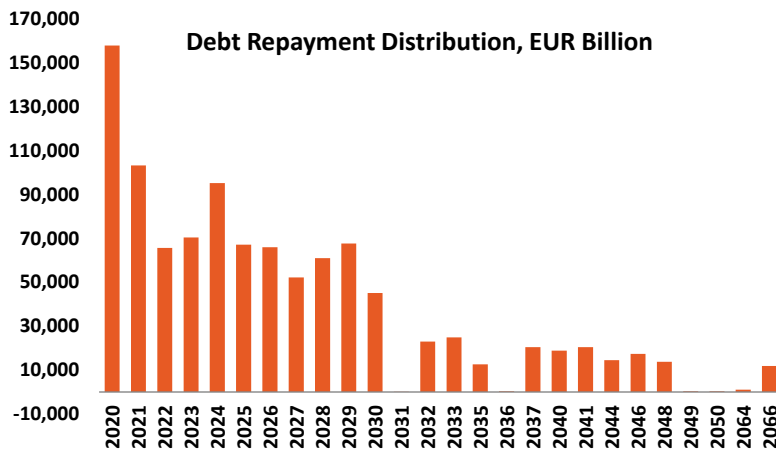
Below is presented the Yield curve for the Spanish government debt. Each dot corresponds to the Yield to Maturity received for the bonds of each different maturity. We can see that in the short-term (until 1 year) the market has not priced any significant difference between the maturities. The curve start to get steeper for bonds with maturity over 3 years, and from 10 years onward there is a significant shift in the curve slope.

| Maturity | Bonds |
|----------|-------------------------|
| 3M | SGLT 0 03/06/20 Corp |
| 6M | SGLT 0 07/10/20 Corp |
| 9M | SGLT 0 09/11/20 Corp |
| 1Y | SGLT 0 01/15/21 Corp |
| 2Y | SPGB 0.05 10/31/21 Corp |
| 3Y | SPGB 0.4 04/30/22 Corp |
| 4Y | SPGB 0.35 07/30/23 Corp |
| 5Y | SPGB 0 ¼ 07/30/24 Corp |
| 6Y | SPGB 2.15 10/31/25 Corp |
| 7Y | SPGB 1.3 10/31/26 Corp |
| 8Y | SPGB 1.45 10/31/27 Corp |
| 9Y | SPGB 5.15 10/31/28 Corp |
| 10Y | SPGB 0.6 10/31/29 Corp |
| 15Y | SPGB 1.85 07/30/35 Corp |
| 20Y | SPGB 4.2 01/31/37 Corp |
| 25Y | SPGB 5.15 10/31/44 Corp |
| 30Y | SPGB 2.7 10/31/48 Corp |
| 50Y | SPGB 3.45 07/30/66 Corp |



Source: Bloomberg

YTM, 16-01-2020



Source: Bloomberg

This year there is a huge proportion (15.7% of the 2018 total debt) of the government debt that reaches its maturity. This could raise some concerns, because of the impact that it could have on the yield (if the supply surpassed the demand), however, there has been a run for yields and the demand for the Spanish debt has been exceeding the supply successively.

Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

2. Stock market

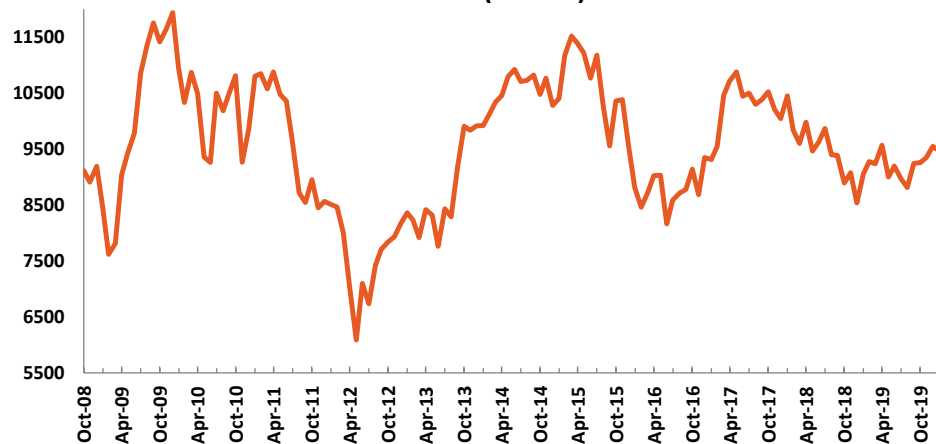
The Spanish Stock Index (IBEX35) is composed by 35 companies, with a total capitalization of EUR 492.85 billion and an average volume of 146.24 million shares.

The Index is currently at 9,503.4 points, which is still below its average value (9,560.66) of the analyzed period (2008-19). It is not expensive at the moment, with a current P/E of 15.46 and a ROE of 8.78.

| IBEX35 | |
|---------------------|------------|
| Price (16 Jan 2020) | 9503.4 |
| Volume | 146.24 MLN |
| Index Market CAP | 492.85 BLN |
| P/E | 15.46 |
| P/Book | 1.33 |
| ROA | 0.88 |
| ROE | 8.78 |
| Dividend Yield | 4.22 |

| IBEX 35 Stocks | Sector |
|-----------------------|-------------------|
| Acciona | Utilities |
| Acerinox | Basic Materials |
| ACS | Capital Goods |
| Aena | Transportation |
| Amadeus | Technology |
| ArcelorMittal | Basic Materials |
| B. Sabadell | Financial |
| Bankia | Financial |
| Bankinter | Financial |
| BBVA | Financial |
| Caixabank | Financial |
| Cellnex Telecom | Services |
| Cie Automotiva | Consumer Cyclical |
| Enagas | Utilities |
| ENCE | Basic Materials |
| Endesa | Utilities |
| Ferrovial | Capital Goods |
| Gamesa | Capital Goods |
| Grifols | Healthcare |
| IAG | Transportation |
| Iberdrola | Utilities |
| Inditex | Services |
| Indra A | Technology |
| Inmobiliaria Colonial | Services |
| Mapfre | Financial |
| Masmovil Ibercom | Services |
| Mediaset | Services |
| Melia Hotels | Services |
| Merlin Properties | Services |
| Naturgy Energy | Utilities |
| Red Electrica | Utilities |
| Repsol | Energy |
| Santander | Financial |
| Telefonica | Services |
| Viscofan | Basic Materials |

Stock Index (IBEX35)



Source: Bloomberg

Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..

DISCLOSURES

- Banco de Investimento Global, S.A. is an institution registered on and regulated by the Bank of Portugal and by the Portuguese Securities Market Commission, the two main entities that regulate financial activities in Portugal.
- BiG has a Code of Conduct, applicable to all its employees that carry out activities as financial analysts, with the aim to ensure the continuation of the accuracy, competence and excellence that characterize its institutional image. This document is available for external consultation, if required.
- The analysts in BiG's Research Team do not, and will not, receive any kind of compensation in the scope of the regular carrying out of its recommendations, which reflect strictly personal opinions.
- There isn't a predefined coverage policy in regards to the selection of stocks that are subject to investment recommendations.
- Clarification of the qualitative terms implied in the recommendations:
 - Buy, expected absolute return above 15%;
 - Accumulate, expected absolute return between +5% and +15%;
 - Hold/Neutral, expected absolute return between -5% and +5%;
 - Reduce, expected absolute return between -5% and -15%;
 - Sell, expected absolute return below -15%;The investment framework aforementioned is merely indicative and not globally strict.
- Unless otherwise specified, the price-targets of the investment recommendations issued by BiG's Research Team are valid for 12 months.
- The update of the investment recommendations models and respective price-targets will occur, usually, in a period of 6 to 12 months.
- For more information please see our Disclaimer document online in this link, <https://big.pt/InformacaoMercados/AnalisesBig/Outros>, or please contact research@big.pt.

DISCLAIMER

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities.

BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy.

Analyst:
Francisco Cavaco

Research:
research@big.pt

This document has been prepared exclusively for informative purposes, and is based on publicly available information, retrieved from sources deemed trustworthy. BiG does not assume any responsibility for the full correction of the information provided, and the information here provided should not be interpreted as an indicator that any results will be achieved. We emphasize that the projected results are susceptible to alterations due to changes in the assumptions that have served as basis to the information here provided. We forewarn that the previous performance of a security is not a guarantee of identical performance in the future. Changes in exchange rates of securities denominated in a currency different from that of the investor may lead to a negative impact on the value, price or return of such securities. BiG may provide additional information, if so is requested. This document is not a sale proposal, nor a purchase solicitation for the subscription of any securities. BiG ensures independence in investment recommendations under the terms of points 7.23 and 7.24 of BiG's Conflict of Interest Management Policy. BiG continuously monitors the recommendations issued by analysts under the terms of the Code of Conduct and Personal Transactions Policy..