



Monthly Perspective | December 14, 2018

AMLO: populism vs. pragmatism

SUMMARY

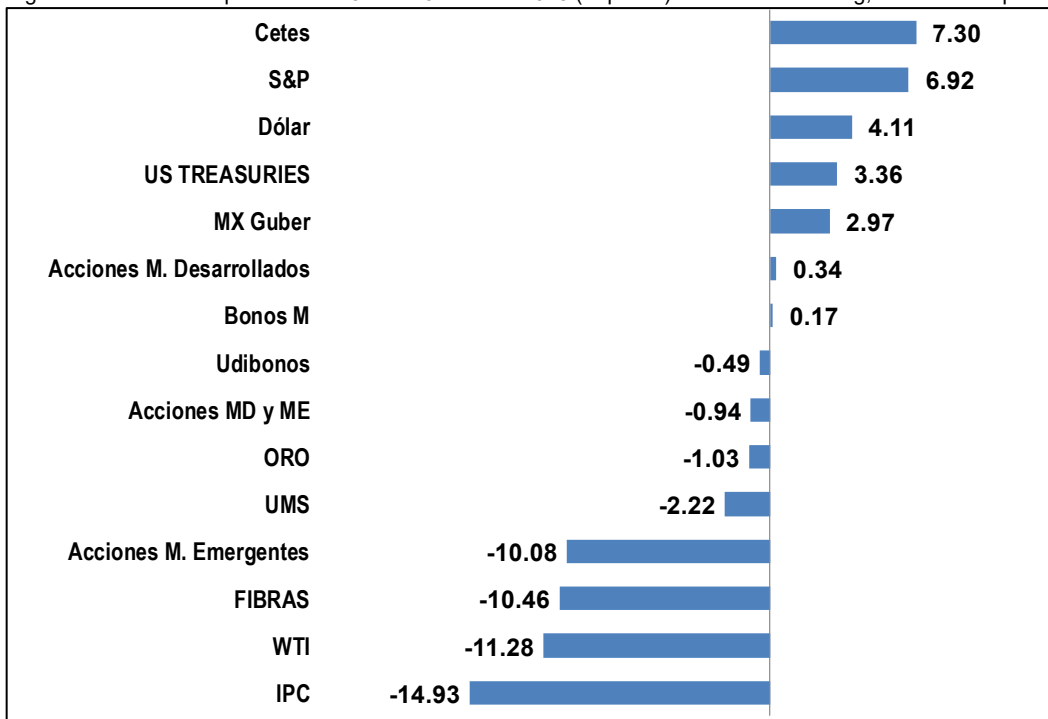
- Global. Best investments in 2018 (measured in pesos): Cetes, S&P, US\$ and Treasuries. Rate rises indicate end of cycle, oil price down on year. Brexit concerns, but trade war risk fading.
- Mexico. After airport cancellation, initial measures by AMLO cause concern.
- Global risks 2019: economic cycle and rates, trade wars, geopolitics, Brexit, monetary policy, emerging markets (EM).
- Mexico risks: negative government, USMCA not ratified in US.
- Investment scenarios 2019 with probabilities: positive (20%), negative (40%), middle (40%).
- For peso portfolios: overweight liquidity and 1-3 year duration ILS; underweight stocks and Fibras (REITs).

“For me, dreaming is simply being pragmatic.” – Shimon Peres

Global fog, local storm

Globally, with interest rate rises indicating an end to the current cycle, and Europe complicated by Brexit, the outlook is cloudier. In Mexico, the airport cancellation and the tone of AMLO's inaugural speeches and initial measures hit the peso, stocks and Fibras, and Mexican debt (Figure 1). It is possible that the announcement of the 2019 government budget expected for mid-December will reduce uncertainty.

Figure 1. Investments: performance 31Dec2017- 7Dec2018 (% pesos). Source: Bloomberg, Franklin Templeton



POLITICS

USA

USMCA

USMCA was officially signed by President Enrique Peña Nieto, President Donald Trump and Prime Minister Justin Trudeau on November 30 at the G20 meeting in Buenos Aires. Canada and Mexico will seek to eliminate the tariffs on steel and aluminum imposed by the US. Following the mid-term election victory of the Democrats in the US congress, there is a risk of rejection of USMCA by the US.

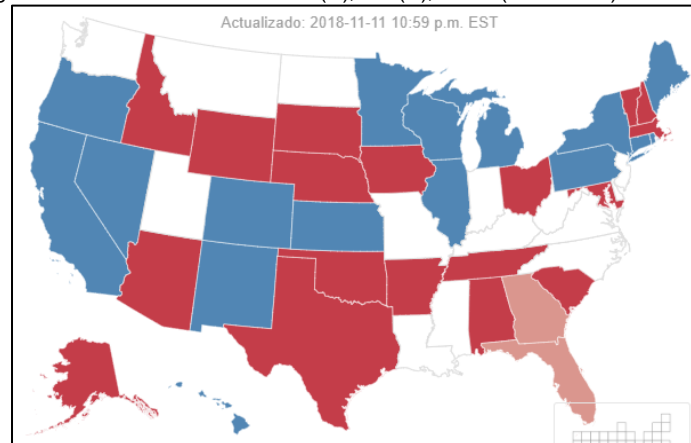
China

At the end of the G20 meeting, Trump agreed with President Xi Jinping of China a truce of 90 days during which there will be no new tariffs, and an agreement can be negotiated whereby the US agrees not to increase tariffs in exchange for greater access to the Chinese market for agricultural, energy and industrial products, and protection of intellectual property.

Midterm elections

On November 6 Democrats won a majority in the House of Representatives with 218 seats. Republicans keep control of the Senate with 51 seats. With divided power, it is unlikely that significant legislation will be approved during the rest of Trump's presidency. Although they lost 7 governors' elections Republicans govern 26 states vs. 23 for the Democrats (Figure 2).

Figure 2. Governors' elections: blue (D), red (R), White (no election). Source: AP



EUROPE

Brexit: agreement with EU

UK prime minister Theresa May reached an agreement on Brexit with the EU, whereby the UK retains trading rights with the EU, and retains sovereignty on immigration matters. 4 ministers resigned and a vote is expected in the House of Commons in December. This could lead to May's resignation, new elections, a second referendum, or, in an extreme case, a withdrawal of the UK's request to leave the EU.

MEXICO

The most important events since our last Perspective (October 16) were the cancellation of the new Mexico City airport (NAICM) and AMLO's inauguration on December 1. In the period from that date until the day of this Perspective, there have been more negative than positive signals for the economy.

Negative

Legislative initiatives

With a majority in both houses, members of Morena and allied parties have introduced measures considered negative for the economy:

- Reduction of salaries for all government employees to a level below the President's (108,000 pesos/month).
- Reduction of bank commissions.
- Elimination of private Afores (regulated pension funds) and replacement with Afore managed by government.
- Revocation of mining concessions for companies that do not comply with labor or environmental regulations.

- Elimination of independent regulatory organs like the National Energy Commission and the National Hydrocarbon Commission.

Employees of the judiciary have denounced the salary reduction as unconstitutional in a direct confrontation with the executive branch. AMLO has said that the legislature will decide: it is possible that the Constitution might be changed. With the private sector protesting against the other initiatives, there are negotiations by the government with affected sectors. One interpretation of these initiatives is that they are legislators' ideas, uncoordinated with the executive branch, as Morena is a new, inexperienced party. Another interpretation is that these initiatives were orchestrated by the executive, disguised as ideas of legislators.

Referendums

There have been two referendums (called "citizens' consultations" in Spanish):

- NAICM (October 28). The referendum was about the cancellation of the airport which is being constructed in Texcoco, and is more than 30% completed, and replacing it with 2 runways at the military base of Santa Lucia and refurbishing existing airports in Mexico City and Toluca. The referendum decided to cancel NAICM with a majority of 69.9% of the 1% of the voting population who turned out. Criticism of this decision is that there was no proof of the alleged corruption in the contracting process, that there is no aeronautical, ecological or technical study for Santa Lucia, and that the referendum process was not serious. The cost of cancellation is estimated at US\$10 bn. and markets have been badly hit.
- 10 priority programs (including the Maya train and a new refinery at Dos Bocas – November 26). They were approved with a majority of 90% with an even smaller turnout than the previous one. The criticisms of this referendum are similar to those of the previous one, in form and content.

With Morena and AMLO's overwhelming majorities these referendums seem unnecessary. AMLO considers them an important means of giving "participatory" democracy a similar weight to "representative" democracy. To legalize future referendums, on November 27 a draft of constitutional reforms was prepared in the House to change the nature of "popular consultation" and to introduce the removal of the presidential mandate. Referendums will be held once a year on the first Sunday of July, to be organized by the National Electoral institute. The mandate vote will take place on the same day as the mid-term elections for federal deputies in 2021, and will be binding with a turnout of at least 40% of eligible voters.

Business advisory council

On November 15, AMLO announced the formation of an advisory council with the following businessmen: Ricardo Salinas Pliego (Televisión Azteca and Elektra), Bernardo Gómez (Televisa), Olegario Vázquez Aldir (Grupo Ángeles y Excelsior), Carlos Hank González (Grupo Financiero Banorte), Daniel Chávez (Vidanta), Miguel Rincón (Bio-Pappel), Sergio Gutiérrez (DeAcero) and Miguel Alemán Magnani (Interjet), to be coordinated by Alfonso Romo, AMLO's chief of staff in the Presidency. AMLO will meet with them every 2 or 3 months. It has been observed that the businesses of most of the people appointed to the council depend on government concessions (media, health, finance, airlines) and it is therefore unlikely that they will criticize the government much.

Inauguration

On Saturday December 1, the day of the inauguration, AMLO gave two speeches, one in Congress in the morning and the other in the main square of Mexico City (Zócalo) in the evening, with various causes for concern:

- Criticism of "neoliberalism". In his Congress speech AMLO produced a detailed analysis of neoliberalism as the cause of Mexico's poor growth, poverty, inequality and corruption, what he calls Mexico's current "crisis". Many in the private sector question his analysis, and his criticism that from 1982 to the present "economics" was considered more important than "politics". The concern is that if the diagnosis of Mexico's current problems is mistaken, the solutions he proffers are unlikely to be correct.
- 100 promises. In his Zócalo speech, AMLO read 100 promises to the Mexican people. It consists of an extended version of the previous lists he had produced: 12 legislative initiatives, 50 anticorruption measures and 25 priority economic projects. No timetable, costs or financing methods for the fulfilment of his promises were produced.
- 4th Transformation. AMLO reiterated that his *sexenio* (six year term) does not reflect a change of "government" but of "regime", but did not specify what that means.

Symbolism

The most eye-catching symbols of the change of government, promised during the campaign and transition period, began to take place on December 1:

- Los Pinos. The presidential residence was opened to the public. It is unclear how AMLO will work from his private home and offices in the National Palace more efficiently and at a lower cost than his predecessor.
- The presidential plane. On December 3, the plane was officially put up for “sale” in the US – a euphemism because the plane is leased. It is not clear how AMLO will be able to fly commercial at maximum efficiency and without inconveniencing other passengers.

Positive

Even though many things are causing concern in Mexico, there are more favorable interpretations:

Leadership

The personal austerity of AMLO seems genuine, compared with previous politicians above all those of the PRI (before and after the PAN presidencies 2000-12) who became a byword for extravagance.

Morena

It is possible that the anti-economic measures presented in the legislature were not coordinated with the executive branch. The fact that some of them are being negotiated with affected parties could be a good sign. There is evidence of confusion in the executive, for instance the statement by the new Tourism Secretary that Santa Lucia would be used for international flights, which was subsequently denied by the Communication and Transport Secretary.

Macroeconomy

By December 15, the 2019 Budget should be presented to Congress, with economic assumptions and details of the distribution of expenditure between government programs and institutions. There have been encouraging leaks about the possibility of covering the cost of some proposed projects, implying the possibility that there might be an effort to program the different projects over the 6 year administration. A primary surplus of 1% of GDP has been mentioned after Treasury Secretary Carlos Urzúa raised his original surplus estimate of 0.8% by eliminating some items and social programs.

Microeconomy

AMLO has been criticized for rejecting shale exploration and oil exports, the construction of new refinery in Tabasco, and the suspension of oil exploration license auctions. However some of his proposals for regional development are not necessarily bad, such as the Maya train and the Tehuantepec railway, and possibly some of his proposals to decentralize government offices, and even some of the 100 universities outside the capital. Most approve of his proposal for scholarships to young people who neither study nor work, with the help of the private sector.

4th Transformation

While there is no specific definition of the Fourth Transformation (4T), there have been some hints. Its historical importance is signaled by comparing it to Independence (1810), Reform (1856), and Revolution (1910) and AMLO to the emblematic representatives of each process (Hidalgo, Juárez and Madero). There is also the oft-repeated phrase that this administration represents not a change of government but of regime. Owing to his repetition in important speeches after his election victory on July 1 and at his inauguration on December 1, the themes which could define the concept are the elimination of corruption and violence, and the introduction of rule of law. The elimination of corruption consists of a combination of “republican austerity” and the elimination of impunity through the judicial system. Rule of law consists of elimination of impunity through the correct application of the law: “nothing outside the law and no one above the law”. The elimination of violence is being attempted through a reorganization of law enforcement and intelligence institutions into a National Guard and National Intelligence Agency. .

“Republican austerity” implies various factors. There is an effort to reduce the size and cost of the bureaucracy. Part of this consists of the elimination or merger of whole departments, and part in the reduction of the paraphernalia of transport (land and air), escorts, drivers, advisers and assistants, many of them useless or badly used. The change of use of the presidential residence to a park and museum and the sale of the presidential plane are part of this effort, as is the reduction of salaries of bureaucrats to a level below the president’s.

The intention of all these initiatives is laudable, mainly those that involve the elimination of corruption, violence and impunity, the introduction of a culture of austerity, and of the rule of law. There is criticism of these measures as political and a means of centralizing in the hands of one man backed by one party. But there is the obvious danger that with drastic and ill planned measures, he might cause the very problems he is trying to eradicate.

Zero base government

“Zero based budgeting” became fashionable in the 1970s, in private and public sectors (in the US with Jimmy Carter 1976-80). Every institution, program and activity had to be justified as if it had never existed and expenditures programmed for the future had to be compared not with past and traditional measures but updated and different measurement processes. The expected benefits were: precision, efficiency, cost reduction and better communication and coordination. But frequently the consequences were:

- Bureaucracy. Due to the cost, time and energy spent in rethinking goals and processes.
- Corruption. Due to the incentives for bureaucrats to distort the justification for their institutions.
- Intangibles. Due to the incentives to produce justifications based on intangible factors.
- Time. The amount of time required to retrain leaders and employees in new objectives and processes
- Slowness. Response time lengthens as everything has to be thought through from the beginning.

In the case of 4T, all these institutions and processes can become much slower and less inefficient than their predecessors owing to the induction of a bureaucracy, which is less well remunerated and less experienced. This “zero based presidency” offers opportunities, but also difficulties. It is to be hoped that the new government understands the challenges it has set for itself and that it knows how to dimension them and overcome them.

ECONOMICS

GLOBAL

Growth

Globally a decrease in growth is forecast for 2019 and 2020. EM are expected to growth more than DM, but less than before. For the first time, the growth estimate for Mexico in 2019 is lower than that for 2018 (Figure 3).

Figure 3. MD y ME: crecimiento estimado 2019- 2020 (7Dec2018) Source: Bloomberg

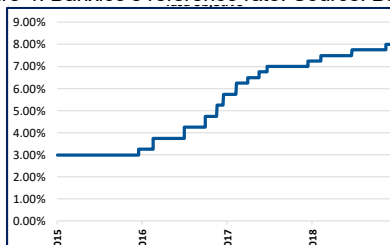
Developed markets				Emerging markets			
Growth(%)				Growth(%)			
	2020 E	2019 E	2018 E		2020 E	2019 E	2018 E
World	3.30	3.55	3.70	World	3.30	3.55	3.70
Developed	1.73	2.11	2.37	Emerging	4.98	4.95	5.02
US	1.90	2.60	2.90	China	6.00	6.20	6.60
Euro Area	1.49	1.60	1.90	India	7.50	7.30	7.55
Japan	0.40	1.00	1.00	Rusia	1.70	1.50	1.70
Britain	1.60	1.50	1.30	Brasil	2.50	2.40	1.30
Australia	2.70	2.80	3.30	México	2.05	2.03	2.10
Canada	1.70	2.10	2.10	Corea del sur	2.50	2.50	2.70
Germany	1.50	1.63	1.70	Indonesia	5.20	5.12	5.19
France	1.50	1.60	1.60	Turquia	2.70	0.45	3.45

MEXICO

Banxico raises reference rate

On November 15, Bank of Mexico (Banxico) raised its reference rate 0.25% to 8%, its highest level since 2009, the third hike of the year (Figure 4). The main reason is peso depreciation following the NAICM cancellation, and other measures of the incoming government. The record high for the Banxico reference rate was 8.25% in January 2008, which is likely to be reached again at the December 20 meeting.

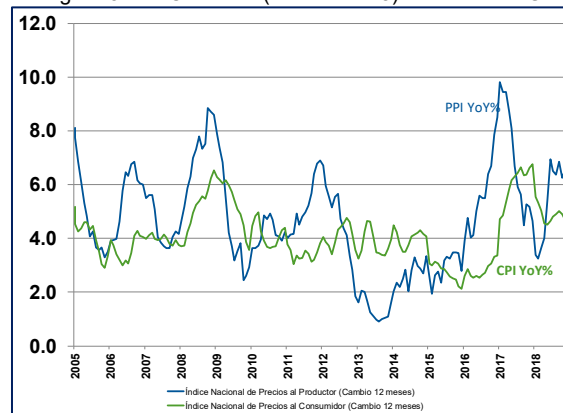
Figure 4. Banxico's reference rate. Source: Banxico



Inflation

In November, 12-month inflation stood at 4.72% (4.90% in October) and producer inflation rebounded to 6.51% from 6.26% in October. We expect inflation to close in 2018 around current levels (Figure 5).

Figure 5. INPC e INPP (November18). Source: INEGI



RISKS AND SCENARIOS FOR 2019

The objective is Mexican economic growth. In the positive scenario, all risks turn out favorable for growth, in the negative, unfavorable, and in the middle, mixed. Estimates for each scenario are given in Figure 6.

RISKS

Global

- US: monetary policy, recession
- Global: trade wars
- Geopolitics: Europe, Middle East, Russia, China, North Korea
- EM: crisis and contagion

Mexican

- New government
- Security
- Corruption
- Oil
- Debt rating

SCENARIOS

Positive (20%)

- US: expansion continues, no trade disputes
- Monetary policy does not derail cycle
- Rapid ratification USMCA.
- Europe, Middle East, Russia, China, North Korea: risks do not materialize
- Global growth
- EM: no crisis or contagion.
- Mexico: new government functions, spending drives infrastructure/consumption.

Negative (40%)

- US: expansion stops, trade wars affect global commerce
- Monetary policy derails cycle.
- USMCA not ratified, elimination threatened.
- Europe, Middle East, Russia, China, North Korea: risks materialize
- Global recession.
- EM: crisis and contagion
- Mexico: new government dysfunctional, spending out of control

Middle (40%)

- US: slow expansion continues, rhetorical trade disputes.
- Adequate monetary policy, but uncertain
- USMCA approved late, with changes
- Europe, Middle East, Russia, China, North Korea: risks materialize partially
- Global slowdown, unsynchronized.
- EM: crisis and some contagion from vulnerable countries
- Mexico: government partially functional, continued mixed signals.

Figure 6. Estimates for 2019 scenarios. Source: Franklin Templeton

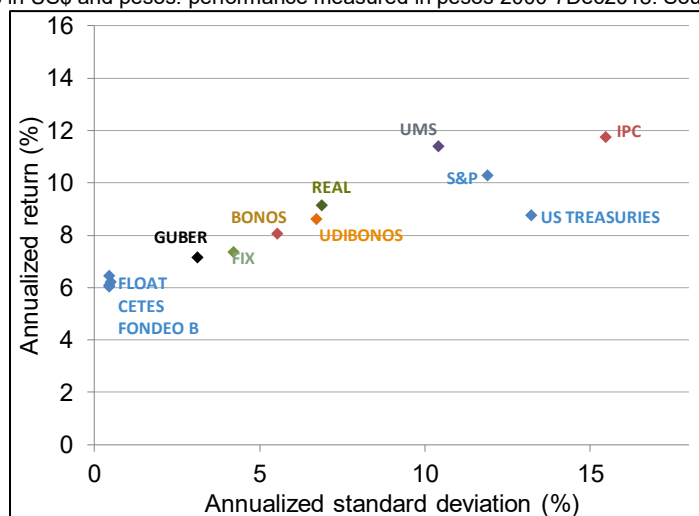
	Escenarios para 2019			2018 Estimados
	Alto	Bajo	Base	
Probabilidad	20%	40%	40%	
EU				
Crecimiento PIB	> 2.60%	< 2.60%	2.60%	2.90%
Inflación	> 2.30%	< 2.30%	2.30%	2.50%
Déficit fiscal	< 4.60%	> 4.60%	4.60%	3.90%
Déficit cuenta corriente	< 2.40%	> 2.40%	2.40%	2.60%
Tasa T-Bills	> 3.15%	< 3.15%	3.15%	2.45%
TNote 10 US	> 3.44%	< 3.44%	3.44%	3.20%
Petróleo (WTI)	> \$52.38	< \$52.38	52.38	57.74
México				
Crecimiento PIB	> 1.97%	< 1.97%	1.97%	2.13%
Inflación	> 3.92%	< 3.92%	3.92%	4.58%
Déficit fiscal	< 2.50%	> 2.50%	2.50%	2.10%
Déficit cuenta corriente	< 1.70%	> 1.70%	1.70%	1.60%
Cetes28 (fin de año)	> 7.94%	< 7.94%	7.94%	8.02%
Peso/US\$ (fin de año)	< \$20.34	> \$20.34	20.34	20.22

MARKETS

Investments in US\$ and pesos: comparative performance

Following peso depreciation, long term (2000-2018) the gap between the return from peso and US\$ denominated investments, converted to pesos, has been reduced. However, peso denominated investments have outperformed US\$ denominated investments (Figure 7).

Figure 7. Investments in US\$ and pesos: performance measured in pesos 2000-7Dec2018. Source: Franklin Templeton



US\$ and peso

The peso fell following the NAICM cancellation in October, reflected in the Banxico survey (Figure 9). It has not returned to its record low of \$20.79 (Jan 2017), caused by Trump's election (Figure 8).

Figure 8. Peso vs. US\$: 1980-7Dec2018. Source: Franklin

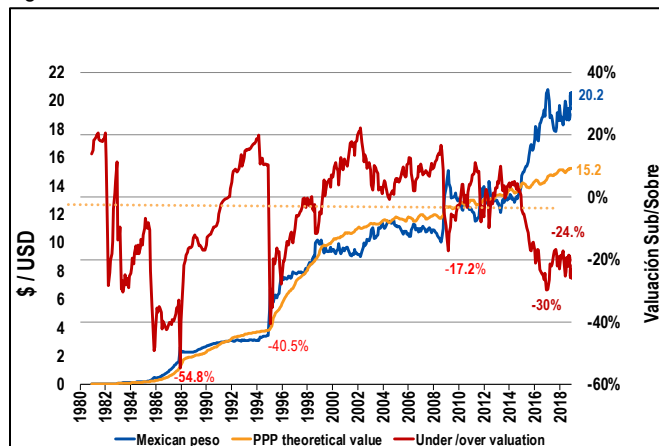
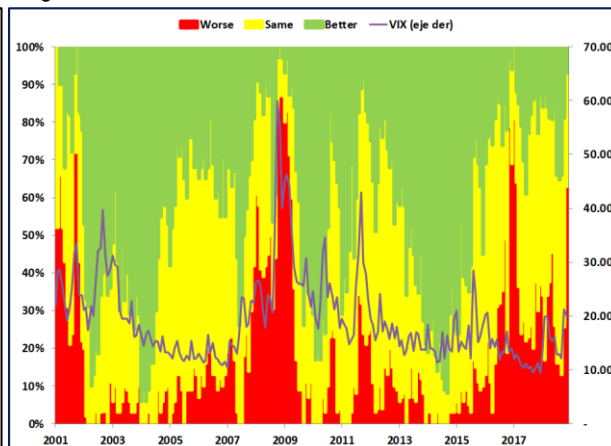


Figure 9. Banxico's sentiment Dec2001-Nov2018. Fuente: Banxico



Debt

DM rates are expected to rise. Meanwhile in EM, only slight rises and falls are expected. (Figure 10).

Figure 10. DM and EM: estimated 10 year nominal rates for end 2019 (7Dec18). Source: Bloomberg, Franklin Templeton

Developed				Emerging			
local 10y yields (%)				local 10y yields (%)			
	4Q19e	Actual	(bps)		4Q19e	Actual	(bps)
US	3.44	2.90	54.45	China	3.38	3.32	6.4
Euro Area	0.95	0.24	71.4	India	7.91	7.43	48.5
Japan	0.18	0.06	12	Rusia	8.02	8.49	-46.7
Britain	1.99	1.25	74.4	Brasil	10.41	10.02	39.3
Australia	2.98	2.47	51.3	México	7.95	9.12	-117
Canada	2.90	2.09	81	Corea del sur	2.72	1.98	73.8
Germany	0.95	0.24	71.4	Indonesia	8.18	8.01	16.9
France	1.24	0.66	57.6	Turquia	14.91	17.13	-222

Nominal rates in the US and Mexico have risen strongly in recent months. In Mexico rates are higher than in 2008 (Figures 11 and 12).

Figure 11. US nominal rates Jul109-Dec18. Source: Bloomberg

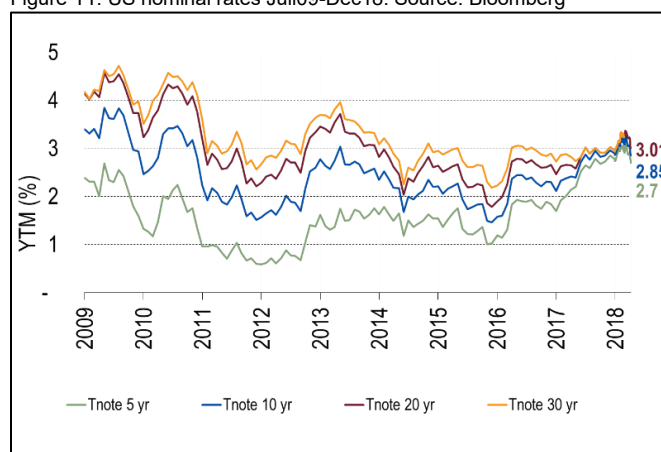
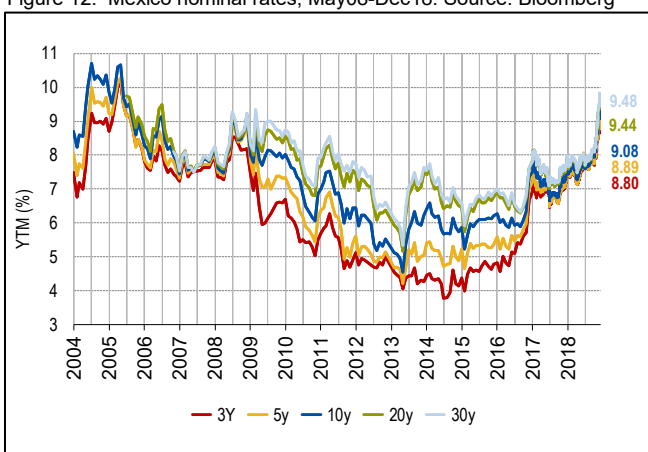


Figure 12. Mexico nominal rates, May08-Dec18. Source: Bloomberg



Credit events

Faced with the uncertainty since the cancellation of NAICM, rating agencies have downgraded their perspective on ratings for Mexico, Pemex and CFE:

- October 19: Fitch puts PEMEX rating (BBB +) in negative perspective
- October 31: HR puts Mexico's rating (BBB +) in negative perspective
- October 31: Fitch puts Mexico's rating (BBB +) in negative perspective
- November 1: Fitch puts CFE rating (BBB +) in negative perspective

NAICM bonds

On December 3, the Mexico City Airport Group (GACM) indicated that work on the NAICM in Texcoco will continue for 3 or 4 weeks in order not to breach the agreements established in the bond contracts. The Treasury announced an offer to repurchase NAICM bonds valued at US \$1,800 bn. at an indicative price of 90%. Faced with rejection by investors, on 11 December, the offer was improved to 100%. New clauses were added to protect bondholders, including: segregation of funds each quarter for the payment of the principal at maturity, limits to extra debt by the MEXCAT and maximum debt coverage.

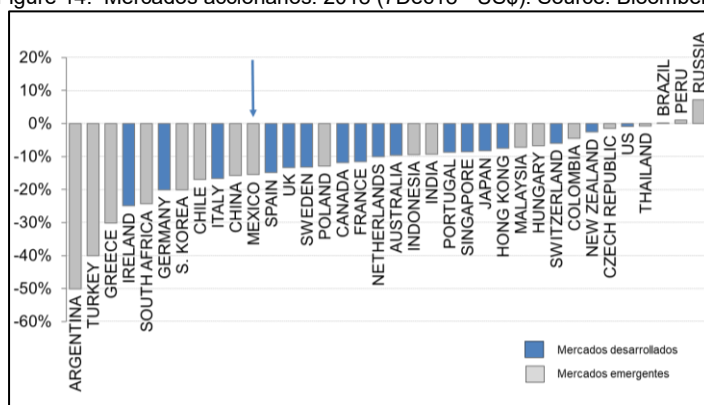
Figure 13. NAICM bonds 7/31/2041: price (%). Source: Bloomberg



Stocks

In 2018, stock performance measured in US\$ has been negative due to global and local factors. The US market has corrected owing to fears of the end of a long upswing. Mexico, in terms of stocks and US\$, has been affected by the NAICM cancellation and the incoming government's proposals (Figure 14).

Figure 14. Mercados accionarios: 2018 (7Dec18 - US\$). Source: Bloomberg



In Mexico (Figure 15) and in the US (Figure 16), in local currency, volatility has increased in recent months. In Mexico, the negative reaction to announcements by the incoming government can be observed.

Figure 15. México: IRT, BIVAT pesos (Jan17-7Dec18).

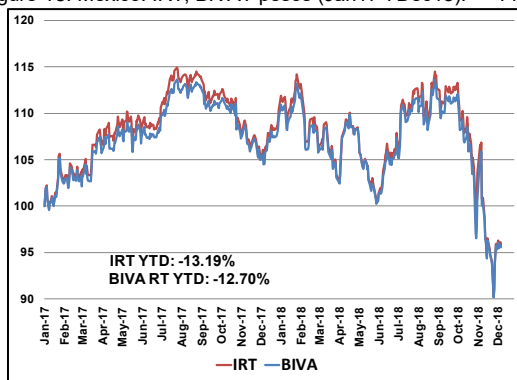
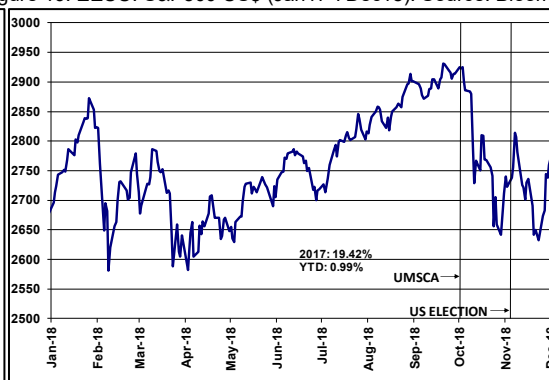


Figure 16. EEUU: S&P500 US\$ (Jan17-7Dec18). Source: Bloomberg



Fibras

Since inception Fibras (REITs) have outperformed stocks (Figure 17). Since the Trump candidacy and election in 2016, they have been hit by trade uncertainty. They rose on USMCA agreement, then fell due to NAICM and other Morena initiatives (Figure 18). With valuation low and dividends maintained, they are more attractive. Also most rents are dollarized and/or inflation linked (Figure 19).

Figure 17. Fibras vs. IRT Mar2011-7Dec18.

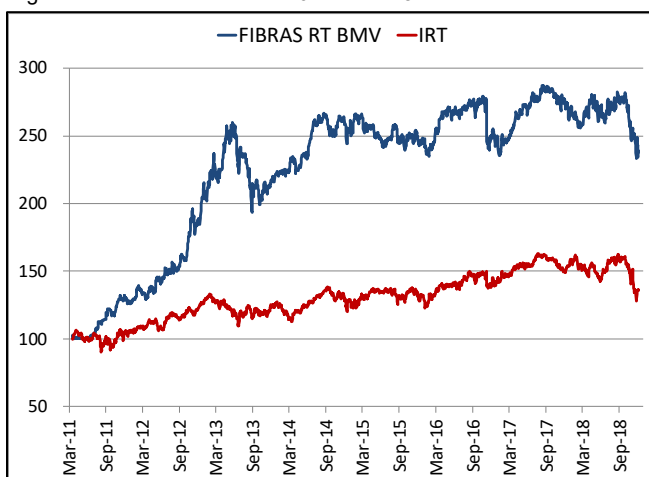


Figure 18. Fibras vs. IRT. May18-7Dec18 (base 100<9. Source: Bloomberg

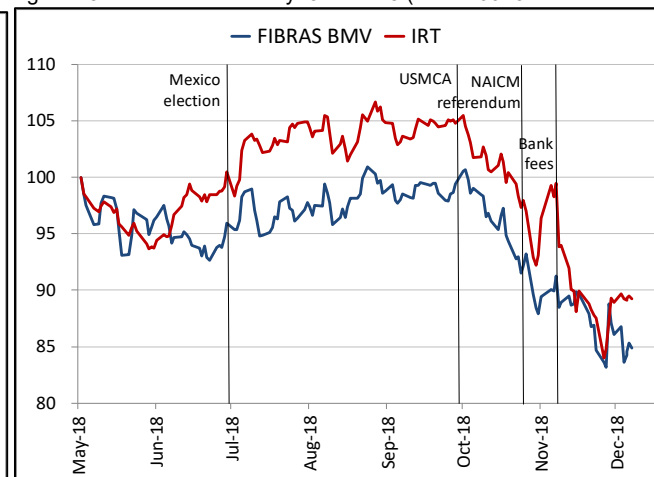


Figure 19. Fibras: valuation and dividends (7Dec2018). Source: Franklin Templeton

	Mcap (M) (MXN)	Calendarized						
		2014	2015	2016	2017	2018	2019	2020
FUNO11 MM	82,802	8.7%	9.6%	9.5%	9.8%	10.1%	10.9%	11.4%
DANHOS13 MM	33,429	7.6%	8.4%	9.1%	9.7%	10.0%	10.2%	10.3%
FIBRAPL MM	20,936		5.0%	6.3%	6.8%	7.2%	7.8%	8.2%
TERRA13 MM	18,826	7.7%	8.2%	9.3%	9.8%	11.3%	11.6%	11.6%
FIBRAMQ MM	13,731	9.4%	8.6%	10.1%	8.5%	9.0%	9.4%	9.9%
FMTY14 MM	7,698			7.9%		8.7%	9.2%	9.8%
FIHO12	7,692	9.2%	9.5%	10.9%	11.3%	11.6%	12.4%	14.2%
FHIPO	5,827		16.1%	16.3%	16.6%	16.1%	15.6%	13.6%
FINN13 MM	5,417	7.6%	7.1%	8.6%	9.7%	9.1%	8.5%	9.4%
FSHOP13 MM	4,178	11.3%	12.7%	13.7%	12.5%	12.2%	12.1%	12.4%

Conclusion

While the world is less clear, the outlook for Mexico has deteriorated. The 2019 budget may reduce uncertainty and increase confidence. We advise caution for peso denominated portfolios. Overweight liquidity and ILS duration 1-3 years and underweight stocks and fibras.

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December 14, 2018

Main financial indicators: monthly at November 30, 2018

In November in Mexico stocks fell 5.03%. Nominal and real rates rose over all terms. The US\$ rose 0.14% vs. the peso. In the US: DJ, S&P500 and Nasdaq rose. WTI oil fell 24.27%. According to the Banxico business climate poll, optimism fell to 7% (19% previous), no change fell to 30% (56%), and pessimism rose to 63% (26%).

Mexico					
Stock market and oil					
	30-Nov-18	31-Oct-18	Month	YTD	2017
IPC	41,732.78	43,942.55	-5.03%	-15.44%	8.13%
Local currency (USD/MXN)	20.35	20.32	0.14%	3.47%	-4.64%
Mexican oil mix (USD/bl)	53.14	70.17	-24.27%	-5.43%	21.36%
Nominal rates					
	30-Nov-18	31-Oct-18	Month	YTD	2017
CETES 28	8.17%	7.97%	20 bps	85 bps	148 bps
CETES 360	8.46%	8.49%	-3 bps	100 bps	103 bps
M5	8.93%	8.71%	22 bps	134 bps	38 bps
M10	9.21%	8.90%	31 bps	156 bps	15 bps
M30	9.68%	9.05%	63 bps	190 bps	-4 bps
Real rates					
	30-Nov-18	31-Oct-18	Month	YTD	2017
UDIBONO 10	4.52%	4.22%	30 bps	102 bps	45 bps
UDIBONO 30	4.66%	4.27%	39 bps	96 bps	-9 bps
Commodities					
	30-Nov-18	31-Oct-18	Month	YTD	2017
Gold	1,220.52	1,214.76	0.47%	-6.32%	12.48%
WTI (USD/bl)	53.14	70.17	-24.27%	-5.43%	4.60%
UMS					
	30-Nov-18	31-Oct-18	Month	YTD	2017
UMS 10 years	5.01%	4.84%	17 bps	138 bps	-64 bps
UMS 20 years	6.02%	6.03%	-1 bps	149 bps	-74 bps
UMS 30 years	6.14%	6.15%	-1 bps	150 bps	-62 bps
Stock markets (US\$)					
	30-Nov-18	31-Oct-18	Month	YTD	2017
MSCI Developed	8,407.84	8,309.11	1.19%	-0.69%	23.07%
MSCI Emerging	2,220.23	2,132.20	4.13%	-11.96%	37.75%
MSCI Mexico	7,708.66	8,094.37	-4.77%	-17.99%	16.27%
MSCI Brazil	6,435.23	6,563.27	-1.95%	1.58%	24.48%

US					
Stock market					
	30-Nov-18	31-Oct-18	Month	YTD	2017
DJ	25,538.46	25,115.76	1.68%	3.31%	25.08%
S&P	2,760.16	2,711.74	1.79%	3.24%	19.42%
Nasdaq	7,330.54	7,305.90	0.34%	6.19%	28.24%
Nominal rates					
	30-Nov-18	31-Oct-18	Month	YTD	2017
Tbill 90	2.30%	2.34%	-4 bps	103 bps	76 bps
Tnote 5	2.81%	2.98%	-17 bps	67 bps	21 bps
Tnote 10	2.99%	3.15%	-16 bps	57 bps	-3 bps
Tbond 30	3.29%	3.39%	-10 bps	46 bps	-23 bps
Real rates					
	30-Nov-18	31-Oct-18	Month	YTD	2017
Tip 5	1.05%	0.91%	14 bps	79 bps	17 bps
Tip 10	1.02%	0.91%	11 bps	55 bps	-3 bps
Tip 30	1.25%	1.04%	21 bps	53 bps	-27 bps

Bank of Mexico survey		
Indicator	2019	2019 anterior
PIB	1.97%	2.15%
Inflation	3.92%	3.80%
Cetes 28	7.94%	7.51%
Local currency	20.34	19.07
Business conditions		
	30-Nov-18	31-Oct-18
Optimism	7%	19%
No change	30%	56%
Pessimism	63%	26%

Source: Bloomberg, Banco de Mexico

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