



Monthly perspective | February 16, 2018

2018: Some Clouds

SUMMARY

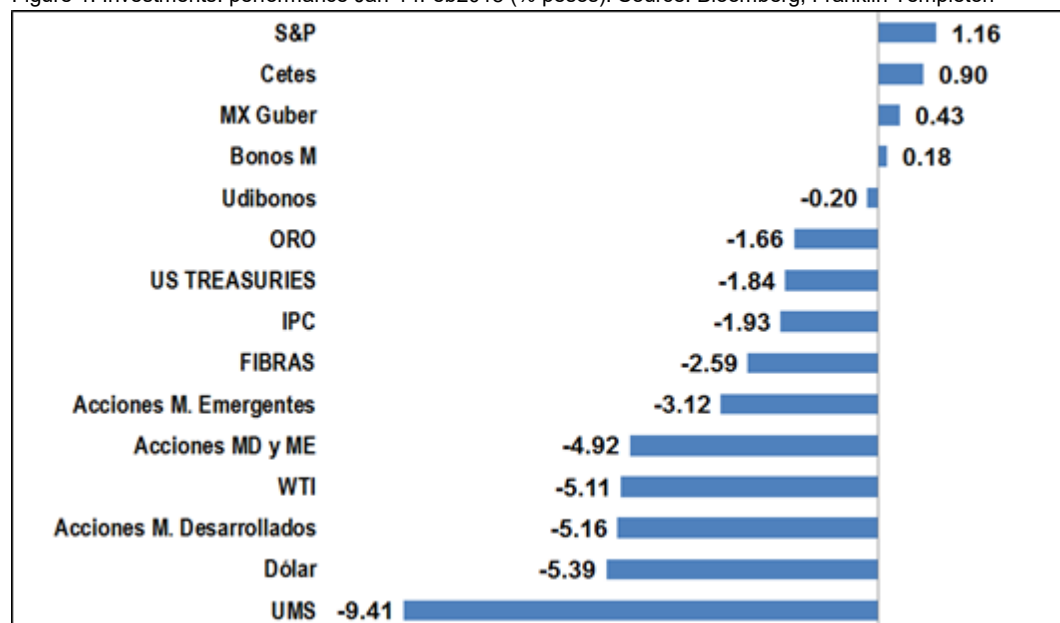
- In January 2018, risk assets rose due to a positive global growth outlook, but there was a correction and recovery in February, led by the US, owing to fears of higher inflation.
- The same sequence occurred in Mexico, but with a slower recovery, owing to additional local risks.
- For 2018, foreseeable global risks are unchanged: progrowth initiatives in the US, problems in Europe, geopolitics, monetary policy, and Bitcoin.
- Mexico faces abnormal, extreme risks. NAFTA renegotiation can be postponed owing to non-resolution of key issues, and the left leads in electoral polls.
- 2018 scenarios unchanged, with probabilities: positive (20%), negative (40%), middle (40%).
- Overweight ILS 1 to 3 year duration, underweight stocks and Fibras (REITs).

“It is always wise to look ahead, but difficult to look further than you can see” - Winston Churchill

January positive, but worrying signals in February

January was positive for risk assets, continuing 2017 trends. Fibras were an exception owing to NAFTA uncertainty. In February, risk assets corrected, with an unexpected cause, the US. Risk assets fell owing to fears of a rise in inflation, and then recovered half way through the month. Meanwhile, Mexico recovered less than other markets, owing to highly visible risks: NAFTA renegotiation and July elections.

Figure 1. Investments: performance Jan-14Feb2018 (% pesos). Source: Bloomberg, Franklin Templeton



2018: POLITICS AND ECONOMICS

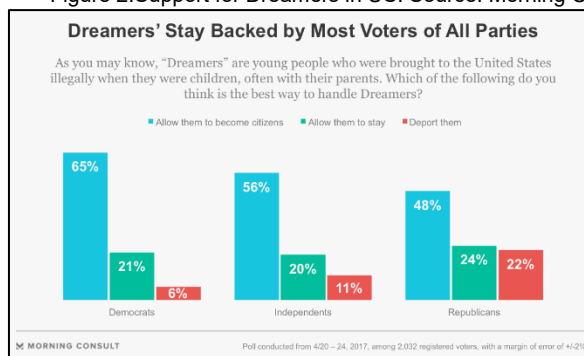
President Trump began the year with less verbal belligerence, although he introduced protectionist and negative migratory measures.

Domestic policy

Government shutdown and migration policy

The federal government shut down from Saturday January 20 to Monday January 22, after the Senate approved a law keeping the government operating until February 8, and postponing decisions on the government debt ceiling and federal budget. This is the 9th federal shutdown since 1980. The lack of agreement is due to the Trump migration policy, which in September 2017 cancelled protection offered by Barack Obama to illegal immigrants who had arrived as children (Deferred Action for Childhood Arrivals – DACA: Figure 2). Trump also hopes to obtain additional funds to build the US-Mexico border wall. After a brief shutdown on February 9, a two year agreement was signed authorizing expenditure of US\$300 bn. and suspending the debt ceiling for a year.

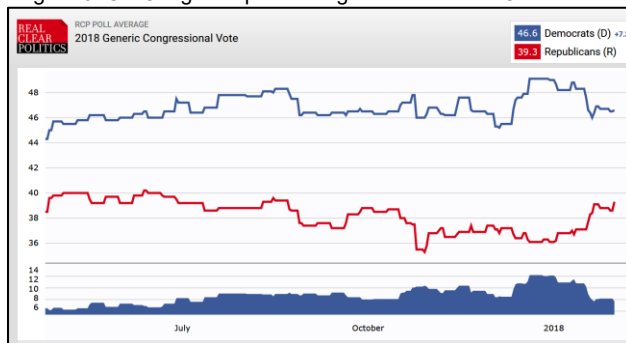
Figure 2. Support for Dreamers in US. Source: Morning Consult



Mid-term elections

On November 6, 2018, there will be mid-term election for 435 seats in the House of Representatives, and 34 out of 100 Senate seats and 39 state governors. Results could shape the rest of the Trump presidency. If the Democrats do as well as the polls predict (Figure 3), there could be several consequences. 1) Republic legislative agenda could be blocked, 2) there could be more aggressive investigations of Trump and his administration 3) Trump nominations, especially for the Supreme Court, could be vetoed. Historically mid-term elections have favored the opposition party.

Figure 3. US Congress: poll average. Source: Real Clear Politics



Infrastructure

After the success of fiscal reform and before the mid-terms begin to affect sentiment, Trump is expected to propose an infrastructure investment plan (highways, bridges and airports) of up to US\$1.5 trn., as mentioned in his January State of the Union (SOTU) address. The American Civil Engineers' Society reported in 2017 that US needs cumulative Investment of US\$4.59trn. by 2025, of which US\$2trn. Is not funded. Success of the initiative is limited by 3 factors:

- Tax cuts of US\$1.5trn. lower overall funding,
- 60% voting majority is needed in the Senate, but the Republicans currently have 51 seats,
- Attention will mainly be focused on the mid-term elections.

Foreign policy

In January, Trump introduced import duty of up to 30% on solar equipment and up to 50% on washing machines made outside the US, to last for four years. Even though the economic impact in terms of job protection and price increases is considered slight, it is considered that he still thinks that protection works, and it is possible that China and South Korea react with countervailing measures. He also showed unpredictability, as he claimed in his Davos speech at the end of January that the US is open for business.

GLOBAL Elections

Although clearly the main elections with an effect on Mexico are the Mexican elections in July and US midterms, we do not discard the possibility that elections in other apparently irrelevant countries could have an effect on global markets, as happened with Greece in 2014, when it was feared that it might leave the European Union and default on its debt. In this context, during the month, Venezuela was considered to have defaulted during January on US\$1.7 bn. of sovereign debt. European and Latin American could be important for financial markets (Figure 4).

Figure 4. Principal elections: 2018

| Date | Country | Election |
|-----------|-----------|----------------------|
| 18-Mar-18 | Russia | President |
| 22-Apr-18 | Venezuela | President |
| 20-May-18 | Italy | Parliament |
| 27-May-18 | Colombia | President |
| 1-Jul-18 | Mexico | President & Congress |
| 9-Sep-18 | Sweden | Parliament |
| 7-Oct-18 | Brazil | President & Congress |
| 6-Nov-18 | USA | Senate & Congress |

Other global risks

While the Korean crisis might appear resolved by the union of the North and South Korean teams in the Winter Olympics, we do not discount a resurgence of North Korea's nuclear ambitions. Similar, turbulence continues in parts of the Middle East, there are potential problems in the Chinese financial system, and Russia continues to show expansionist ambitions, among foreseeable risks for 2018.

MEXICO

Elections 2018

By mid-February all polls showed Andrés Manuel López Obrador (AMLO), of Morena (radical left) the lead for the presidency, with Ricardo Anaya of the coalition PAN-PRD (center) second and Jose Antonio Meade (PRI) third. The anti-PRI vote (58.8%) is bigger than the anti-AMLO vote (34.4%), and Ricardo Anaya could capitalize on both. Preliminary returns indicate that Jose Antonio Rodríguez ("El bronco"), Margarita Zavala and Armando Ríos Piter will qualify for independent candidacies by the February 19 deadline. This could generate even more uncertainty, as they represent the "antisystem" vote and could take votes away from any of the main parties. Independents and undecided represented 30% of the total, which reflects the high level of uncertainty at this stage of the process (Figure 5).

Figure 5. Most recent presidential polls (% of voting intentions). Source: polling organizations

| Encuesta | Fecha | ANAYA | MEADE | AMLO | ZAVALA | RODRIGUEZ | R.PITER | INDECISO |
|---------------------------------|----------|-------|-------|-------|--------|-----------|---------|----------|
| MEBA | Feb/2018 | 27.00 | 18.00 | 28.00 | 6.00 | | | 21.00 |
| Mitofsky / El Economista | Feb/2018 | 22.30 | 18.00 | 27.10 | 8.00 | | | 24.60 |
| Reforma | Feb/2018 | 25.00 | 14.00 | 33.00 | 4.00 | 2.00 | 0.00 | 22.00 |
| Parametría | Feb/2018 | 27.00 | 21.00 | 34.00 | 5.00 | | | 13.00 |
| El Financiero | Ene/2018 | 27.00 | 22.00 | 38.00 | 7.00 | 3.00 | 3.00 | |
| Buendía & Laredo / El Universal | Ene/2018 | 26.00 | 16.00 | 32.00 | 4.00 | 2.00 | 0.00 | 20.00 |
| Mitofsky / El Economista | Ene/2018 | 20.04 | 18.02 | 23.06 | 4.80 | 3.20 | 2.20 | 27.80 |
| Suasor Consultores | Ene/2018 | 19.00 | 23.00 | 25.00 | 6.00 | 2.00 | NA | 24.00 |
| Promedio | | 23.94 | 18.74 | 29.38 | 4.68 | 2.50 | 1.65 | 21.03 |

NAFTA negotiations

The 6th round of NAFTA negotiations took place in Montreal from 23-29 January. Agreement was reached on some sectors including corruption, telecommunications ecommerce and health protection. However some key areas (rules of origin, dispute resolution, and the “sunset” clause) remain unresolved. The seventh round of negotiations will take place end-February in Mexico City. The key issue is whether the negotiations will be finished before the Mexican July elections. While the Mexican private sector estimates that there is 70% chance of completing them before the end of July, there are political complications in all three countries, particularly Canada.

ECONOMICS GLOBAL

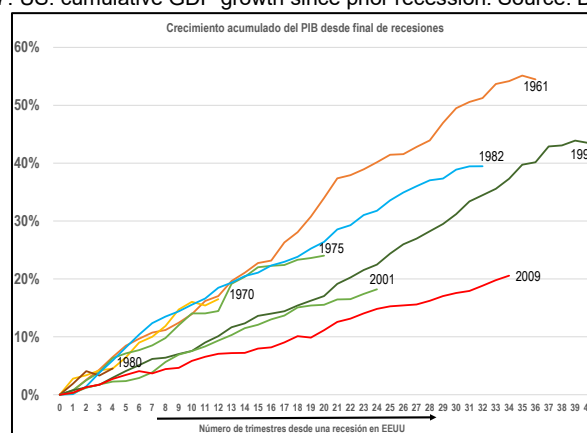
An increase in global growth is still forecast for 2018, although it is forecast to fall in 2019 particularly in developed countries (Figure 6).

Figure 6. Developed and emerging economies: growth forecasts 2017-19 (Feb2018) Source: Bloomberg

| Developed Growth(%) | | | | Emerging Growth(%) | | | |
|------------------------|--------|--------|--------|-----------------------|--------|--------|--------|
| | 2019 E | 2018 E | 2017 E | | 2019 E | 2018 E | 2017 E |
| World | 3.60 | 3.70 | 3.60 | World | 3.60 | 3.70 | 3.60 |
| Developed | 2.03 | 2.32 | 2.36 | Emerging | 4.79 | 4.78 | 4.55 |
| US | 2.20 | 2.60 | 2.30 | China | 6.30 | 6.50 | 6.80 |
| Euro Area | 1.80 | 2.20 | 2.40 | India | 7.50 | 6.63 | 6.30 |
| Japan | 1.00 | 1.30 | 1.70 | Rusia | 1.80 | 1.90 | 1.80 |
| Britain | 1.40 | 1.40 | 1.70 | Brasil | 2.75 | 2.60 | 1.00 |
| Australia | 2.80 | 2.80 | 2.30 | México | 2.40 | 2.20 | 2.10 |
| Canada | 1.80 | 2.30 | 3.00 | Corea del sur | 2.80 | 5.32 | 3.20 |
| Germany | 1.70 | 2.30 | 1.80 | Indonesia | 3.90 | 5.32 | 6.60 |
| France | 1.70 | 2.00 | 1.80 | Turquia | 3.90 | 4.00 | 6.60 |

US

Figure 7. US: cumulative GDP growth since prior recession. Source: Bloomberg

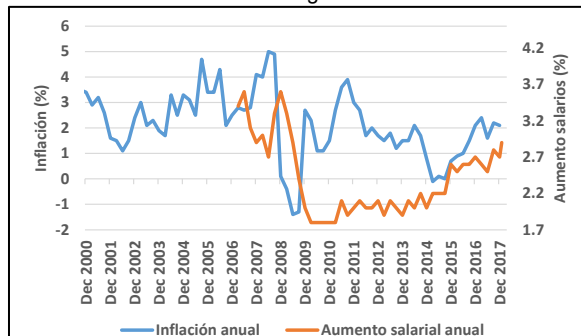


US GDP grew 20% in the 8 years since the last recession in 2009. This makes it the third longest recovery, and the weakest of the last 8 economic cycles in the US, owing to the severity of the 2008 financial crash (Figure 7).

Inflation

US annual inflation has stayed close to the Fed objective of 2% since December 2016 and is forecast at 1.9% in 2018 and 2.0% in 2019, based on wage increases so far (Figure 8). Monetary normalization is widely expected.

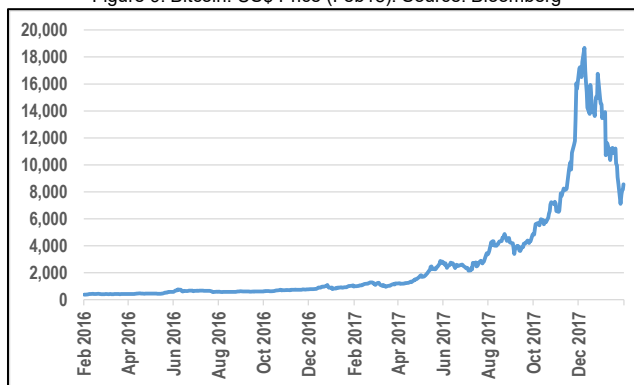
Figure 8. Consumer inflation and wage increases. Source: Bloomberg.



Bitcoin

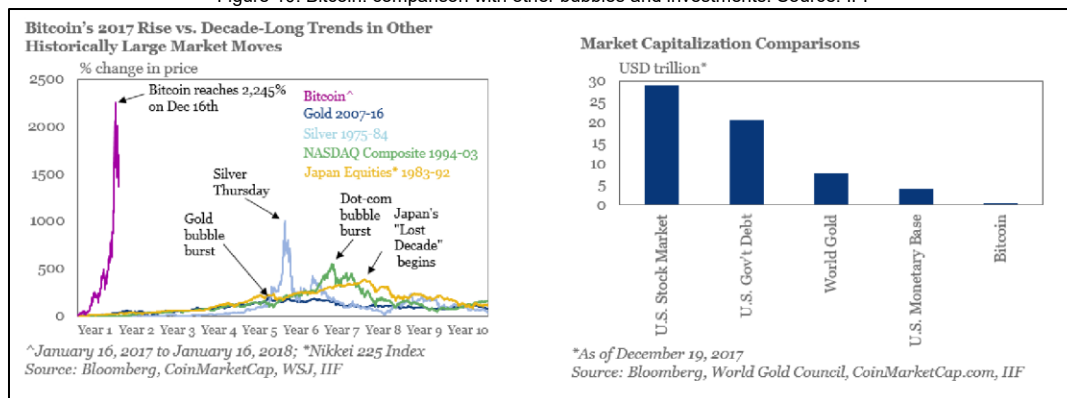
At the end of 2017 Bitcoin reached a maximum intraday price of US\$19,511 per unit. Since then, the price has fallen to a low of US\$5,922, almost 70%, a crash by any definition (Figure 9). The boom was caused by investors wishing to invest in better established cryptocurrencies, and the crash has been caused by regulatory threats in India, China, and South Korea, fears of hacking, plus market dynamics. All cryptocurrencies have been affected including Litecoin, Ethereum and Ripple.

Figure 9. Bitcoin: US\$ Price (Feb18). Source: Bloomberg



The Bitcoin boom has outpaced any of the last 10 years (see Figure 10). One consolation is that the total invested in cryptocurrencies is estimated at US\$500bn., a small proportion of total financial investment in the US (Figure 10). However, measurement is uncertain and it is unclear how derivatives are considered (as occurred in the subprime boom in 2006-8).

Figure 10. Bitcoin: comparison with other bubbles and investments. Source: IIF



MEXICO

Growth

For 2017, Mexico seems to have avoided the uncertainty generated by NAFTA renegotiation, with initial estimates of 2.1% real. There was good news in January 2018 with an estimated US\$93 bn. in concessions being awarded in the last bidding round for deep water drilling. Growth estimates for 2018 and 2019 do not seem to discount potential effects of negative outcomes in NAFTA or 2018 elections.

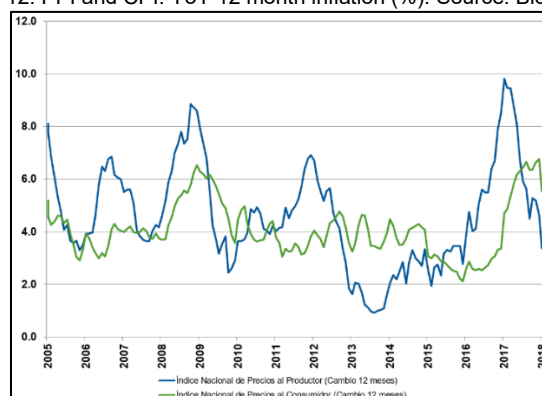
Figure 11. Mexico: macroeconomic projections 2018-23. Source: SHCP (Mexican Treasury)

| Marco Macroeconómico 2018-2023 (Cifras estimadas) | | | | | | |
|--|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| PIB | | | | | | |
| Crecimiento % real | 2.0 - 3.0 | 2.5 - 3.5 | 3.0 - 4.0 | 3.5 - 4.5 | 3.5 - 4.5 | 3.5 - 4.5 |
| Nominal (miles de millones de pesos, puntual)* | 22,832 | 24,411 | 26,149 | 27,930 | 29,833 | 31,865 |
| Deflactor del PIB (variación anual, %) | 4.8 | 3.8 | 3.5 | 3.2 | 3.2 | 3.2 |
| Inflación | | | | | | |
| Dic/dic | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Tasa de Interés | | | | | | |
| Nominal promedio | 7.0 | 6.4 | 5.8 | 5.6 | 5.5 | 5.5 |
| Real acumulada | 4.1 | 3.5 | 2.9 | 2.7 | 2.6 | 2.6 |
| Cuenta Corriente | | | | | | |
| % del PIB*/ | -1.8 | -2.0 | -2.1 | -2.2 | -2.3 | -2.3 |

Inflation

In January 2018 annual YoY inflation fell from 6.77% in December 2017 (historic high since March 2001), to 5.55%, as the gasoline price hike of January 2017 was excluded from the measurement. Even though producer price inflation has fallen considerably, partly due to peso appreciation in 2017 and January 2018, the risk of a relapse remains, due to an exchange rate shock from adverse outcomes in either of the two main Mexican risks with pass-through to producer and consumer inflation complicating the official inflation target of 3+/- 1%.

Figure 12. PPI and CPI. YoY 12 month inflation (%). Source: Bloomberg.



SCENARIOS 2018

Foreseeable Risks

Global

- US: progrowth policies (taxes, deregulation, infrastructure)
- NAFTA renegotiation
- Europe: Brexit, Catalonia and elections
- Geopolitics: China, Korea, Middle East, Russia
- Global slowdown, monetary policy
- Bitcoin

Mexican

- NAFTA renegotiation
- Elections 2018
- Security
- Corruption
- Oil price
- Debt increase/credit rating

Scenarios

Taking into account foreseeable risks presented in the previous section, we present 3 scenarios for 2018, where the objective is Mexican economic growth. In the positive scenario, all risks turn out positive for Mexican growth, in the negative, all turn out negative, and in the middle, they vary different (in nature, intensity and/or duration).

SCENARIOS

Positive (20%)

- US: tax reduction, deregulation and infrastructure Investment increase growth.
- NAFTA renegotiation "win-win".
- Europe, China, Russia, Korea and Middle East: risks do not materialize.
- Global synchronous growth continues and monetary policy applied successfully.
- Bitcoin crash does not affect economy.
- Mexico: corruption and security risks contained. Positive outcome in July 2018 elections.

Negative (40%)

- US: progrowth policies fail.
- NAFTA renegotiation fails.
- Europe (UK and EU) disintegrates, risks in China, Russia, Korea and Russia materialize.
- Global slowdown due to politics, economic dynamics, or monetary policy.
- Bitcoin crash affects economy.
- Mexico: corruption and insecurity increase. Negative outcome in July 2018 elections.

Middle (40%)

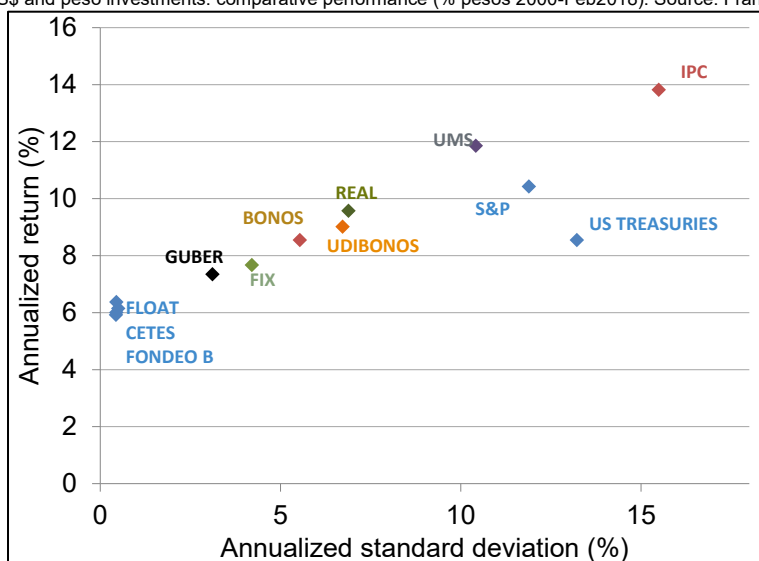
- US progrowth measures partially successful.
- TLC renegotiation partially positive.
- Europe, China, Russia, Korea and Middle East: risk materialize partially.
- Global growth continues, less synchronized than 2017 and monetary policy partially successful.
- Bitcoin crash partially affects economy.
- Mexico: corruption and security partially contained. Election outcome unclear.

MARKETS

US\$ and peso investments: comparative performance

Despite peso depreciation (2000-2018), peso denominated investments have outperformed US\$ denominated investments, measured in pesos (Figure 13).

Figure 13. US\$ and peso investments: comparative performance (% pesos 2000-Feb2018). Source: Franklin Templeton



US\$ and peso

The US\$ weakened (Figure 14). Owing to a slight improvement in NAFTA prospects, peso undervaluation diminished (Figure 15).

Figure 14. US\$ index and peso 2004-Feb18. Source: Bloomberg

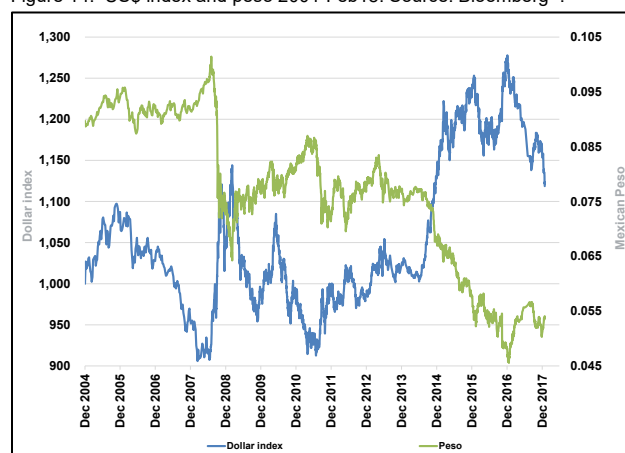
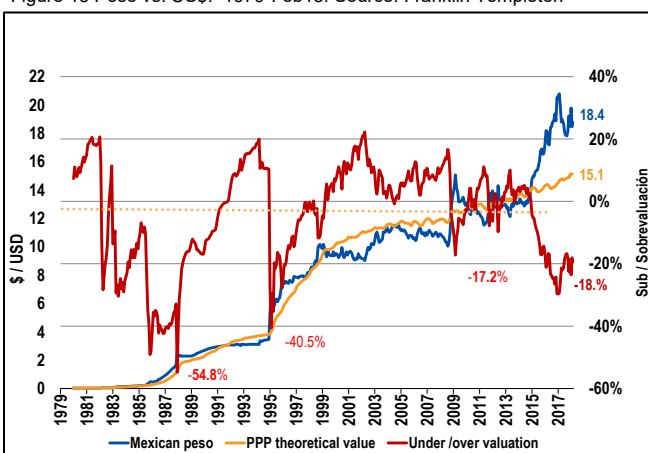


Figure 15 Peso vs. US\$: 1979-Feb18. Source: Franklin Templeton



Debt

Owing to the strength of the US economy, the Fed is forecast to raise its reference rate at least twice during 2018, the first at its March 21, meeting, i.e. arise from its current level of 1.25%-1.5% to 1.75%-2.0%. 10 year rates have risen to 2.85%, a high since January 2014, owing to higher inflation, and levels of 3% are estimated for end-2018 (Figure 16).

Figure 16. US rates: yield curves 2007-Feb18. Source: Fed



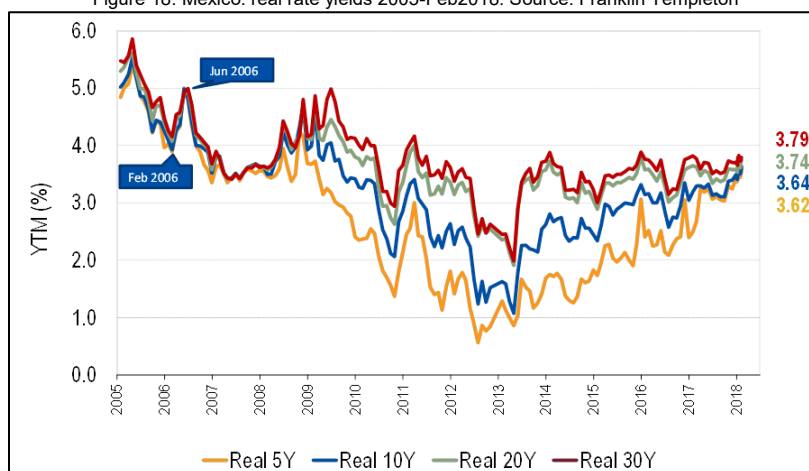
For other countries, 10 year rates in general are expected to rise for developed markets but to fall in most emerging markets, except Brazil, South Korea and Indonesia (Figure 17).

Figure 17. Developed and emerging markets: 10Y nominal rates forecast end 2018 (Feb2018). Source: Bloomberg, Franklin Templeton

| Developed | | | | Emerging | | | |
|----------------------|-------|--------|---------------|----------------------|-------|--------|---------------|
| local 10y yields (%) | | | | local 10y yields (%) | | | |
| | 4Q18e | Actual | Aumento (bps) | | 4Q18e | Actual | Aumento (bps) |
| US | 3.02 | 2.66 | 36 | China | 3.92 | 3.95 | (3) |
| Euro Area | 0.90 | 0.63 | 27 | India | 7.12 | 7.31 | (19) |
| Japan | 0.11 | 0.08 | 4 | Rusia | 7.19 | 7.24 | (5) |
| Britain | 1.68 | 1.44 | 24 | Brasil | 10.57 | 9.70 | 87 |
| Australia | 3.02 | 2.85 | 17 | México | 7.45 | 7.55 | (10) |
| Canada | 2.67 | 2.26 | 41 | Corea del sur | 2.76 | 2.68 | 8 |
| Germany | 0.90 | 0.63 | 27 | Indonesia | 6.72 | 6.22 | 50 |
| France | 1.26 | 0.91 | 35 | Turquia | 11.85 | 11.88 | (3) |

In Mexico short term rates are also expected to rise. A second rate increase is expected in the 2nd quarter with the reference rate rising from 7.50% now to 7.75%. Real long term rates have been stable, with a low term premium (Figure 18). Primary rates for the 3 year Udibono (Mexican TIP) are at a historic high since 2008. Volatility in short term rates is likely to be reflected in long term rates.

Figure 18. Mexico: real rate yields 2005-Feb2018. Source: Franklin Templeton



Stocks

January 2018 was positive owing to optimism for global synchronized growth and the US tax reform. At the beginning of February, there was a strong correction in several markets, frequently wiping out January gains and increasing volatility (Figures 19 and 20), caused by fears of increased inflation. The Mexican market followed world trends, but owing to peso strength, showed positive returns for the year to mid-February (Figures 19 and 20).

Figure 19. VIX: volatility index 2015-2018

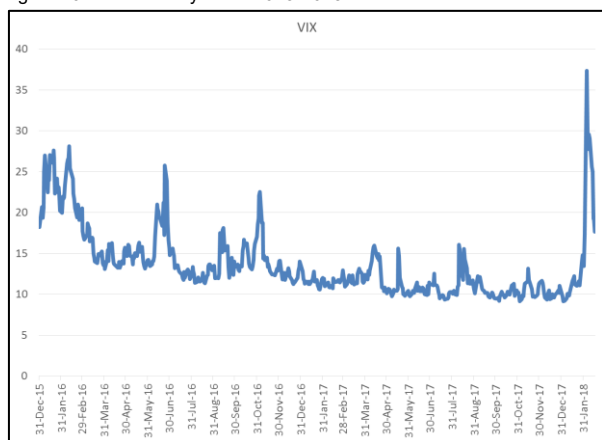
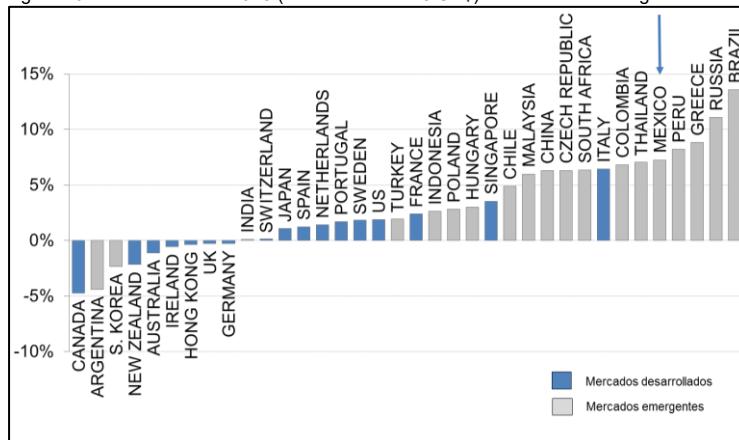


Figure 20. World markets: 2018 (Dec17 – 14Feb18 US\$). Source: Bloomberg



Both in Mexico (Figure 21) and in the US, stocks (Figure 22) recovered in mid-February.

Figure 21. Mexico: stocks (IRT pesos) 1Jan17-15Feb18. Source: Bloomberg

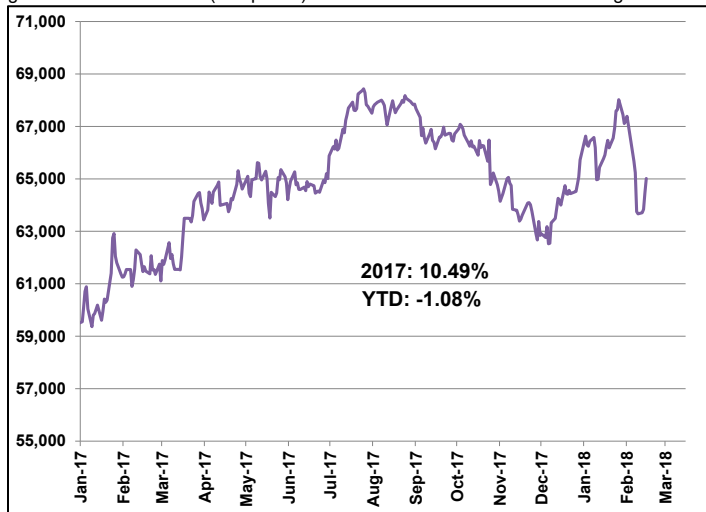
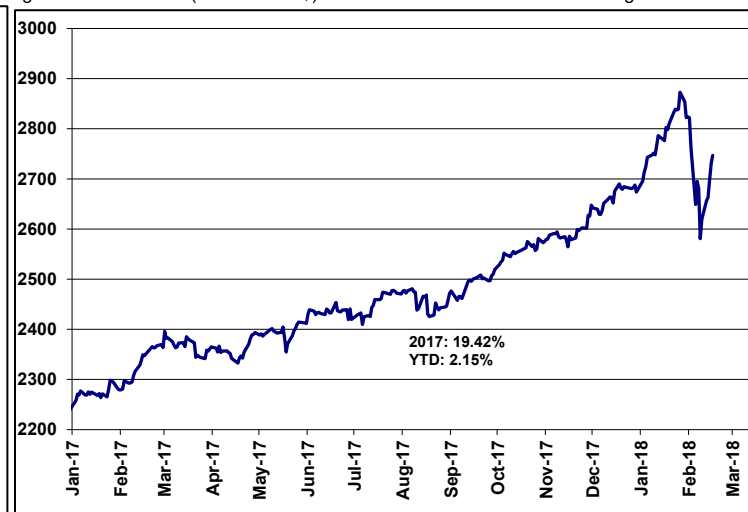


Figure 22. US: stocks (S&P 500 US\$) 1Jan17-15Feb18. Source: Bloomberg



Fibras

Owing to novelty, dividend yield and inflation protection, Fibras have outperformed stocks since 2011. Since the Trump election in November 2016 they have been affected mainly by NAFTA fears (Figure 23).

Figure 23. Fibras vs. Mexican stocks (IRT) Mar2011-Feb2018 (base 100 MXN\$). Source: Bloomberg

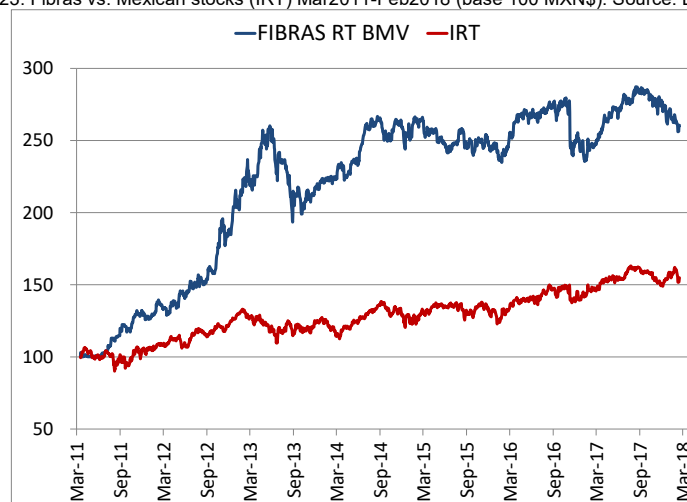


Figure 24. Fibras: valuation and dividend yields (Feb2018). Source: Franklin Templeton

| | Mcap (M) (MXN) | Calendarized | | | | | | |
|-------------|-------------------|--------------|-------|-------|-------|-------|-------|-------|
| | | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
| FUNO11 MM | 109,840 | 6.6% | 7.2% | 7.1% | 7.3% | 7.7% | 8.7% | 10.9% |
| DANHOS13 MM | 42,044 | 6.0% | 6.7% | 7.2% | 7.3% | 7.5% | 8.2% | 7.8% |
| FIBRAPL MM | 21,798 | 2.7% | 4.8% | 6.0% | 6.5% | 6.3% | 6.5% | 6.6% |
| TERRA13 MM | 21,674 | 7.0% | 7.1% | 7.6% | 8.6% | 8.9% | 9.2% | 9.6% |
| FIBRAMQ MM | 16,065 | 8.4% | 7.7% | 9.0% | 7.6% | 7.9% | 8.3% | 8.1% |
| FIHO12 | 8,949 | 8.1% | 8.0% | 8.8% | 8.0% | 9.7% | 11.9% | 7.4% |
| FHIPO | 8,371 | | 11.2% | 11.3% | 11.6% | 12.4% | 13.7% | |
| FSHOP13 MM | 4,818 | 8.8% | 9.9% | 10.7% | 9.7% | 7.5% | 7.9% | |
| FINN13 MM | 4,620 | 7.5% | 7.0% | 8.5% | 9.5% | 10.1% | 10.9% | |

The first FIBRA E (energy REIT) was issued successfully in February in an amount of 14.25bn. pesos. A dividend yield of 11% is expected in its first year. The issuing trust is backed by income charged to producers and consumers of electric energy by the transmission division of CFE (Comisión Federal de Electricidad – Federal Electricity Commission). The structure raises funds for CFE to expand electricity production.

Conclusion

Forecast global expansion has led to continued optimism for risk assets in general, although the recent correction has introduced concern that it may not be risk-free. Mexico, exceptionally, faces two abnormal and extreme risks. Until these risks are either reduced or eliminated, we expect high volatility in Mexican investments: peso, debt, stocks, and Fibras. We overweight ILS with 1 to 3 years duration, and overweight stocks and Fibras.

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February 16, 2018

Main financial indicators: monthly at January 31, 2018

In January 2018, in Mexico, the IPC rose 2.23%. Nominal rates rose in short and 10 year terms, but fell in medium term. Real rates rose in all terms. The US\$ fell 5.37% against the peso. In the US, DJ, S&P500 and Nasdaq rose. Nominal rates rose in short and medium terms, and fell in long term. Real rates rose in all terms. In Bank of Mexico's business climate survey, optimism rose to 16% (13% previous), no change stayed at 50%, and pessimism fell to 34% (37%).

| Mexico | | | | | |
|--------------------------|-----------|-----------|---------|----------|---------|
| Stock market and oil | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | YTD 2017 | 2016 |
| IPC | 50,456.17 | 49,354.42 | 2.23% | 8.13% | 6.20% |
| Local currency (USD/MXN) | 18.61 | 19.66 | -5.37% | -4.64% | 19.53% |
| Mexican oil mix (USD/bl) | 58.39 | 56.19 | 3.92% | 21.36% | 69.16% |
| Nominal rates | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| CETES 28 | 7.39% | 7.32% | 7 bps | 148 bps | 279 bps |
| CETES 360 | 7.52% | 7.46% | 6 bps | 103 bps | 277 bps |
| M5 | 7.48% | 7.59% | -11 bps | 38 bps | 166 bps |
| M10 | 7.61% | 7.65% | -4 bps | 15 bps | 118 bps |
| M30 | 7.81% | 7.78% | 3 bps | -4 bps | 87 bps |
| Real rates | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| UDIBONO 10 | 3.55% | 3.50% | 5 bps | 45 bps | -29 bps |
| UDIBONO 30 | 3.76% | 3.70% | 6 bps | -9 bps | -12 bps |
| Commodities | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| Gold | 1,345.14 | 1,302.80 | 3.25% | 12.48% | 9.15% |
| WTI (USD/bl) | 58.08 | 56.19 | 3.36% | 4.60% | 41.97% |
| UMS | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| UMS 10 years | 3.91% | 3.63% | 28 bps | -64 bps | 40 bps |
| UMS 20 years | 4.67% | 4.53% | 14 bps | -74 bps | -3 bps |
| UMS 30 years | 4.70% | 4.64% | 6 bps | -62 bps | -3 bps |
| Stock markets (US\$) | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| MSCI Developed | 8,915.28 | 8,466.34 | 5.30% | 23.07% | 8.15% |
| MSCI Emerging | 2,732.11 | 2,521.74 | 8.34% | 37.75% | 11.60% |
| MSCI Mexico | 10,138.69 | 9,400.01 | 7.86% | 16.27% | -8.98% |
| MSCI Brazil | 7,402.26 | 6,335.02 | 16.85% | 24.48% | 66.75% |

| US | | | | | |
|---------------|-----------|-----------|--------|---------|---------|
| Stock market | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| DJ | 26,149.39 | 24,719.22 | 5.79% | 25.08% | 13.42% |
| S&P | 2,823.81 | 2,673.61 | 5.62% | 19.42% | 9.54% |
| Nasdaq | 7,411.48 | 6,903.39 | 7.36% | 28.24% | 7.50% |
| Nominal rates | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| Tbill 90 | 1.39% | 1.27% | 12 bps | 76 bps | 35 bps |
| Tnote 5 | 2.20% | 2.14% | 6 bps | 21 bps | 17 bps |
| Tnote 10 | 2.40% | 2.42% | -2 bps | -3 bps | 18 bps |
| Tbond 30 | 2.74% | 2.83% | -9 bps | -23 bps | 5 bps |
| Real rates | | | | | |
| | 31-Jan-18 | 29-Dec-17 | Month | 2017 | 2016 |
| Tip 5 | 0.54% | 0.26% | 28 bps | 17 bps | -36 bps |
| Tip 10 | 0.61% | 0.47% | 14 bps | -3 bps | -23 bps |
| Tip 30 | 0.80% | 0.72% | 8 bps | -27 bps | -29 bps |

| Bank of Mexico survey | | |
|-----------------------|-----------|---------------|
| Indicator | 2018 | 2018 anterior |
| PIB | 2.19% | 2.24% |
| Inflation | 4.06% | 3.96% |
| Cetes 28 | 7.33% | 6.79% |
| Local currency | 19.04 | 18.83 |
| Business conditions | | |
| | 31-Jan-18 | 29-Dec-17 |
| Optimism | 16% | 13% |
| No change | 50% | 50% |
| Pessimism | 34% | 37% |

Source: Bloomberg, Banco de México

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*Timothy Heyman, President of FTSAM, founded Heyman y Asociados in 1985. In 2013, Franklin Templeton established FTSAM and merged it with Heyman y Asociados.

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