



Monthly Perspective | October 18, 2018

## USMCA: late cycle or end of cycle?

### SUMMARY

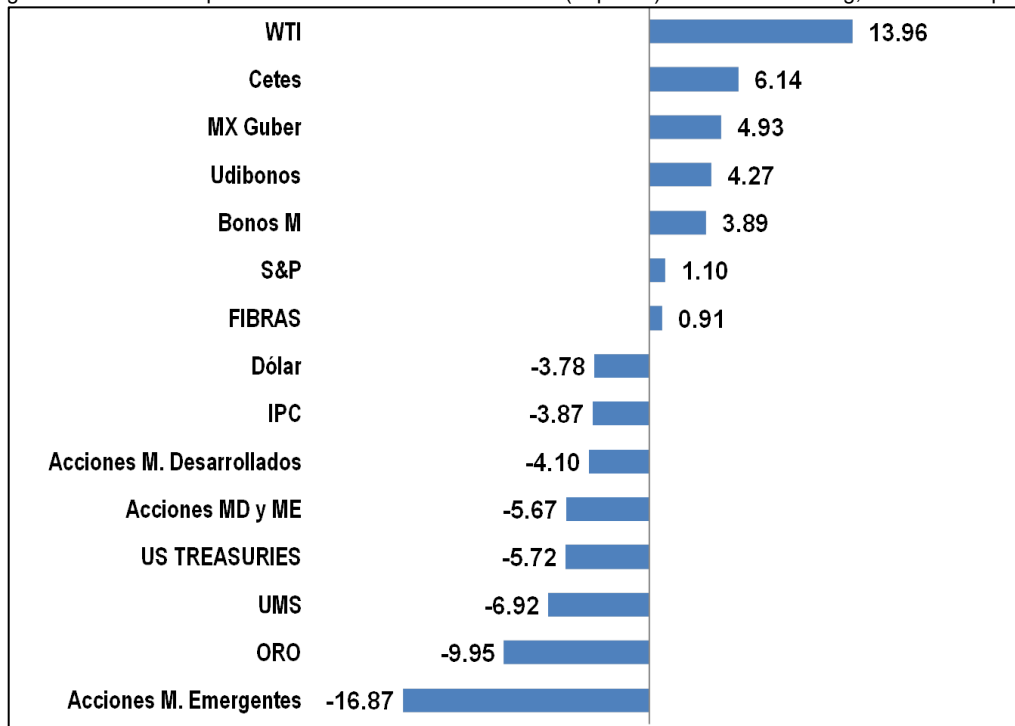
- Global. Only positive investments (in peso terms) in 2018: Mexican, oil and S&P, owing to economic cycle doubts, geopolitics, trade wars, rate rises, and emerging markets (EM).
- Mexico. USMCA almost discounted. Peso stable, stocks receded.
- Global risks 2019: economic cycle, US internal politics, trade wars, geopolitics, Europe, EM, monetary policy, cryptocurrencies.
- Local risks: USMCA ratification, dysfunctional new government.
- Investment scenarios 2019, with probabilities: positive (20%), negative (20%), middle (60%).
- Overweight ILS 1 - 3 year duration, underweight stocks and REITs.

“Forget the past. The future will give you plenty to worry about.” - George Allen, Sr.

### US prevails in trade deals

NAFTA was renegotiated at the last minute and renamed USMCA. The US obtained some marginal concessions from Mexico and Canada, in exchange for leaving in place the largest integrated economic region in the world. Globally, stock price movements, interest rate rises, trade wars and EMs are generating uncertainty about whether we are approaching the end of the economic cycle (Figure 1). In Mexico, attention is centered on the incoming government.

Figure 1. Investments: performance 31Dec2017- 12Oct2018 (% pesos). Source: Bloomberg, Franklin Templeton



## POLITICS

### US

#### USMCA

Just before midnight on September 30, and after 13 months of tough negotiation, and various missed deadlines, the US, Mexico and Canada reached agreement on the renegotiation of NAFTA, now USMCA (*United States, Mexico and Canada Agreement*). Canada joined the bilateral agreement between the US and Mexico signed on August 27. With the elimination of the uncertainty about a total abolition of the agreement, the result is positive for Canada and Mexico. The changes generally seem to favor the US. The US is the market for 80% of Mexican exports and 76% of Canadian exports, while Canada and Mexico jointly receive 34% of US exports. Most of the agreements are far from the extreme positions adopted at the beginning, showing they were bargaining postures. The main agreements are:

*Name change.* This was the most superficial change, from NAFTA to USMCA. There is still no official Spanish translation and it was clearly a concession to Trump, so that, according to his campaign promise, the “worst trade deal in history” would be eliminated. Mexico’s future president, Andrés Manuel López Obrador (AMLO) has presented as alternative Spanish names “TEUMECA” and “T-MEC”: at the time of publication the favorite was “T-MEC” (Tratado México Estados Unidos Canadá).

*Automotive sector: rules of origin.* Local content is increased from 62.5% to 75% for North America, to be implemented gradually up to 2023. There is also a provision that 40% of work be done by workers with salaries higher than US\$16/hour. Essential auto parts and 70% of steel should originate in the region. The sector will be respected if tariffs are imposed for national security reasons at a minimum of current production capacity.

*Sunset clause.* A total period of 16 years was agreed, which could be revised every 6 years, beginning six years after implementation. In the sixth year, if ratified, it will remain in force for another 16 years, and if not ratified, it will terminate 16 years after implementation.

*Dispute resolution.* Canada’s most important achievement was to maintain the dispute settlement mechanism in NAFTA. However, in the case of national security reasons, it will not apply.

*Canadian dairy products.* US can export up to 3.6% of the Canadian dairy market. This is a little more than the 3.25% achieved in the TPP negotiation, from which the US withdrew.

*Rule 232.* Canada and Mexico obtain preferential treatment in the case of trade barriers raised alluding to rule 232, i.e. national security.

*Energy.* Due to the insistence of AMLO’s representatives in the negotiation, Mexico’s sovereignty over hydrocarbons is reaffirmed. According to Mexican negotiators, this clause does not imply a rejection of energy reform by the incoming government.

*Trade agreements with China.* The agreement permits a country to withdraw from it if another signatory decides to enter into a trade agreement with a country which is not considered a “market economy”. This clause is designed to prevent Mexico and Canada from reaching trade agreements with China.

*Unions.* Adjustment of national labor unions to international standards. This implies that Mexico will need to modify its labor laws.

Clauses were added or modernized covering corruption, ecommerce, intellectual property, environment, telecoms, cultural content and financial services, *inter alia*. The agreement is subject to the approval of the legislature in each country. Mexico and Canada are considered certainties because of the majorities in each country. Congress and Senate in the US could be more complicated, if Democrats win a majority in either Chamber in November elections (see below). As Trump is presenting the agreement as his victory, it is possible that Democrats will want to frustrate him, prioritizing politics over economics. On the more likely assumption that USMCA is ratified, negotiators expect it to be implemented in the second half of 2019 or beginning of 2020.

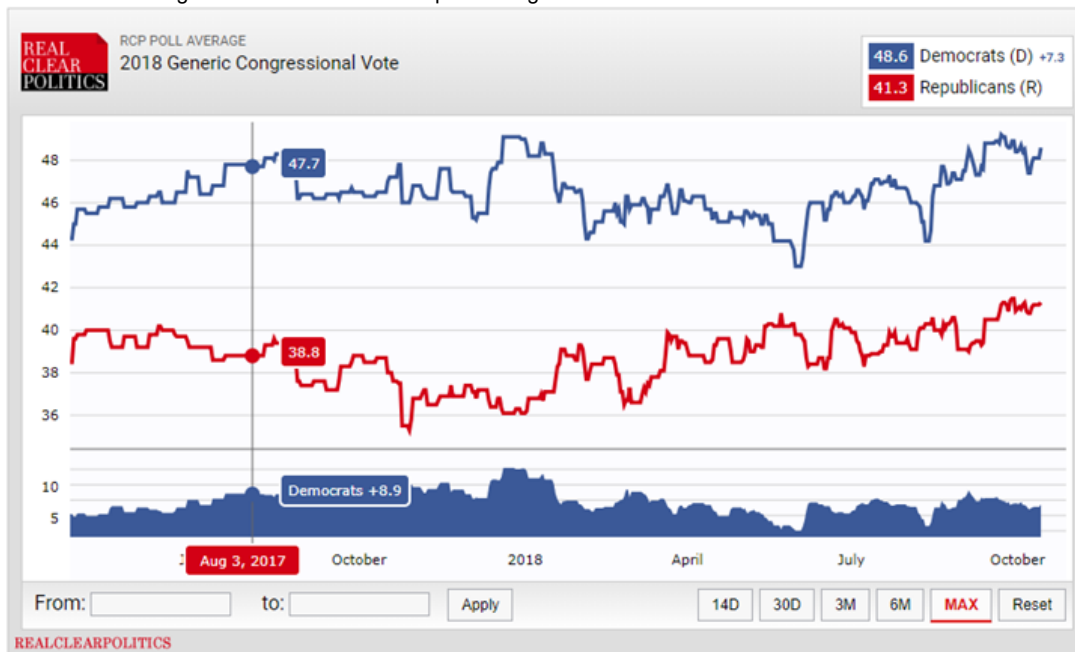
### Confirmation of Brett Kavanaugh

On Saturday October 6, the US Senate confirmed the nomination of Brett Kavanaugh to the Supreme Court, ensuring a conservative-leaning Court over future years. Since 1881, no judge had been ratified with such a narrow majority (50 vs 48). This reflects the political polarization in Washington and the serious sexual harassment charges against Kavanaugh.

### US: mid-term elections

On November 6, elections will be held to renew all the House of Representatives (435 seats), and one third of the Senate (100 members) and 39 state and territory governors. According to polls, it is probable that the Republicans will lose control of both Chambers (Figure 2), which complicate the ratification of USMCA (see above).

Figure 2. Mid-term elections: poll average. 12Oct2018. Source: Real Clear Politics



### China: potential trade war

After toning down his anti-China rhetoric during the second half of September, Trump is renewing his threats to impose additional duties on US\$267 bn. worth of imports and increase existing duties. It could also respond by selling US debt securities (it is the US' biggest creditor) or depreciating its currency, more dangerous measures than trade reprisals. Some negotiated solution could be expected, and China is looking for high level negotiations. But a trade war should not be ruled out. The IMF estimates the cost of a trade war as % growth of GDP in 2019 at 0.9% for the US and 1.6% for China.

### Brazil elections

On October 8, Jair Bolsonaro received a surprising 46% of the vote in the presidential elections. As he did not receive 50%, there will be a second round against Fernando Haddad (who received 26%) who is the heir of Lula and his party's political scandals. Bolsonaro, until now an unimportant deputy for 27 years, has benefitted from Brazilians impatience with the political class. He has expressed support for a military dictatorship, defends tough policing and openly discriminates women and minorities. He has also spoken in favor of a market economy: the Monday after the first round the stock market rose 6%.

## MEXICO

### Politics

#### New government

In previous Perspectives we outlined 5 key parameters for monitoring promises during and after the AMLO election: leadership style, Morena, macroeconomy, microeconomy and the so-called “Fourth Transformation”. During the transition between the election and December 1, when AMLO takes power, the discrepancies are becoming increasingly clear within Morena between technocrats with some knowledge of public policy and politicians who seek deep and rapid change. Signals continue to be mixed, of which we mention some:

#### Positive

##### *USMCA*

The incoming government pushed for and participated in the NAFTA renegotiation. It is very probable that the Morena majority in the legislature will ratify it.

##### *Economic package 2019*

Carlos Urzúa, next Minister of Finance, said “we will surprise you” with the 2019 economic package which will be austere and efficient as promised in the campaign, taking account of promised social and infrastructure programs.

##### *Next appointment to Bank of Mexico*

AMLO is to propose Jonathan Heath as deputy governor of the central bank. The market perceives the news as positive as Heath is centrist, and the bank’s autonomy is being respected.

#### Negative

##### *“Republican” wedding*

On September 29 AMLO attended the wedding of César Yañez, a close colleague. With 600 guests, the wedding, reported in *Hola!*, does not match Morena’s “republican austerity”. There was an immediate outcry, and AMLO said it was a private matter.

##### *Forums for peace and reconciliation*

Alfonso Durazo, next Minister for Public Security cancelled upcoming forums in other states on the basis that existing proposals should be systematized. The forums had been heavily criticized for bad organization, bordering on violence.

##### *Forum on education*

Around 500 members of the National Educational Workers Union (CNTE) broke up the forum in Acapulco. Esteban Moctezuma, next Minister of Education, left immediately.

##### *Legislation*

The LXIV Legislature began sessions on September 1, with a Morena majority. Of three measures approved, the most important is that regulating bureaucrats’ remuneration, including employees of autonomous institutions and imposing a maximum salary of 109,000 pesos monthly, the President’s salary, and removing medical and other fringe benefits. Some bureaucrats are already leaving their jobs, anticipating retirement so that their pension reflects their current salary, not a reduced one. Other agencies are raising salaries before the new legislation is implemented. There are rumors that recruiters for the new government are having problems finding people willing to work under these new conditions.

##### *New airport*

One of AMLO’s most eye-catching campaign promises was the cancellation of the construction of the New Mexico City airport (NAICM). After the elections, he decided to refer the project to a referendum which is programmed for October 25-28 with a minimum 500,000 voters. This is in contrast to the Maya train project, where there will be no referendum because a telephone poll (of 2,500 people) shows 80% approval.

## Puebla

Morena protested the Puebla state election, which it lost, and wants to declare it void owing to alleged irregularities. The vote recount by the Puebla Electoral Authority (TEEP) result in new elections for 5 municipalities. The Morena candidate for the Puebla governorship, Miguel Barbosa Huerta, said that he will continue to protest the election, with the proofs of irregularities revealed by the recount, with the Electoral Tribunal of the Federal Judicial Authority.

## ECONOMY

### GLOBAL

### Growth

Globally growth is forecast to diminish from 2019 to 2020. EM growth is forecast to increase but by less than before (Figure 3).

Figure 3. DM and EM: forecast growth 2019- 2020 (12Oct2018) Source: Bloomberg

Developed markets				Emerging markets			
Growth(%)	2019 E			Growth(%)	2019 E		
	2019 E	2018 E	2017 E		2019 E	2018 E	2017 E
World	3.60	3.75	3.60	World	3.60	3.75	3.60
Developed	2.12	2.41	2.36	Emerging	5.01	4.98	4.57
US	2.50	2.90	2.30	China	6.30	6.60	6.90
Euro Area	1.80	2.03	2.50	India	7.40	7.40	6.30
Japan	1.10	1.10	1.60	Rusia	1.50	1.80	1.50
Britain	1.50	1.30	1.70	Brasil	2.44	1.50	1.00
Australia	2.75	3.20	2.30	México	2.19	2.10	2.10
Canada	2.00	2.10	2.95	Corea del sur	2.70	2.80	3.20
Germany	1.80	1.90	2.50	Indonesia	1.40	5.20	5.10
France	1.70	1.70	1.90	Turquia	1.40	3.50	6.80

## IMF

The IMF again reduced its global growth estimate from 3.9% in July to 3.7% for 2018 and 2019 warning of the effects of trade wars, above all in the US in China, and difficulties in EM (Figure 4).

Figure 4. Economic Outlook 2018-2019. Source: IMF

Table 1.1. Overview of the World Economic Outlook Projections (Percent change, unless noted otherwise)							
	2017	Projections		Difference from July 2018 WEO Update <sup>1</sup>		Difference from April 2018 WEO <sup>1</sup>	
		2018	2019	2018	2019	2018	2019
<b>World Output</b>	<b>3.7</b>	<b>3.7</b>	<b>3.7</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>	<b>-0.2</b>
<b>Advanced Economies</b>	<b>2.3</b>	<b>2.4</b>	<b>2.1</b>	<b>0.0</b>	<b>-0.1</b>	<b>-0.1</b>	<b>-0.1</b>
United States	2.2	2.9	2.5	0.0	-0.2	0.0	-0.2
Euro Area	2.4	2.0	1.9	-0.2	0.0	-0.4	-0.1
Germany	2.5	1.9	1.9	-0.3	-0.2	-0.6	-0.1
France	2.3	1.6	1.6	-0.2	-0.1	-0.5	-0.4
Italy	1.5	1.2	1.0	0.0	0.0	-0.3	-0.1
Spain	3.0	2.7	2.2	-0.1	0.0	-0.1	0.0
Japan	1.7	1.1	0.9	0.1	0.0	-0.1	0.0
United Kingdom	1.7	1.4	1.5	0.0	0.0	-0.2	0.0
Canada	3.0	2.1	2.0	0.0	0.0	0.0	0.0
Other Advanced Economies <sup>2</sup>	2.8	2.8	2.5	0.0	-0.2	0.1	-0.1
<b>Emerging Market and Developing Economies</b>	<b>4.7</b>	<b>4.7</b>	<b>4.7</b>	<b>-0.2</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-0.4</b>
Commonwealth of Independent States	2.1	2.3	2.4	0.0	0.2	0.1	0.3
Russia	1.5	1.7	1.8	0.0	0.3	0.0	0.3
Excluding Russia	3.6	3.9	3.6	0.3	-0.1	0.4	0.0
Emerging and Developing Asia	6.5	6.5	6.3	0.0	-0.2	0.0	-0.3
China	6.9	6.6	6.2	0.0	-0.2	0.0	-0.2
India <sup>3</sup>	6.7	7.3	7.4	0.0	-0.1	-0.1	-0.4
ASEAN-5 <sup>4</sup>	5.3	5.3	5.2	0.0	-0.1	0.0	-0.2
Emerging and Developing Europe	6.0	3.8	2.0	-0.5	-1.6	-0.5	-1.7
Latin America and the Caribbean	1.3	1.2	2.2	-0.4	-0.4	-0.8	-0.6
Brazil	1.0	1.4	2.4	-0.4	-0.1	-0.9	-0.1
Mexico	2.0	2.2	2.5	-0.1	-0.2	-0.1	-0.5
Middle East, North Africa, Afghanistan, and Pakistan	2.2	2.4	2.7	-1.1	-1.2	-1.0	-1.0
Saudi Arabia	-0.9	2.2	2.4	0.3	0.5	0.5	0.5
Sub-Saharan Africa	2.7	3.1	3.8	-0.3	0.0	-0.3	0.1
Nigeria	0.8	1.9	2.3	-0.2	0.0	-0.2	0.4
South Africa	1.3	0.8	1.4	-0.7	-0.3	-0.7	-0.3
<b>Memorandum</b>							
European Union	2.7	2.2	2.0	-0.2	-0.1	-0.3	-0.1
Low-Income Developing Countries	4.7	4.7	5.2	-0.3	-0.1	-0.3	-0.1
Middle East and North Africa	1.8	2.0	2.5	-1.2	-1.3	-1.2	-1.1
World Growth Based on Market Exchange Rates	3.2	3.2	3.1	-0.1	-0.2	-0.2	-0.2

## Late cycle or end of cycle?

If it reaches midyear in 2019, the US economic recovery will be the longest for which records exist (since 1860). The recovery has been long but also very slow, which is why many think it could last a few quarters more (Figure 5). Some forecasts, in fact, think the cycle will go beyond 2019, even though it is already slowing. Another indicator of the economic cycle, the rotation of debt to equities, also indicates that it could continue (Figure 6).

Figure 5. Economic recoveries. Source: Franklin Templeton

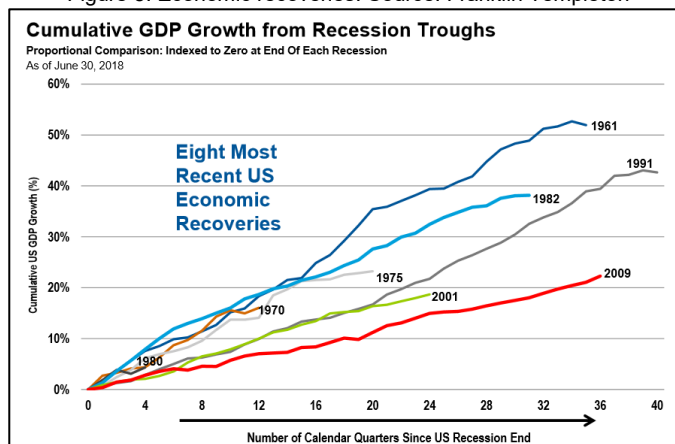
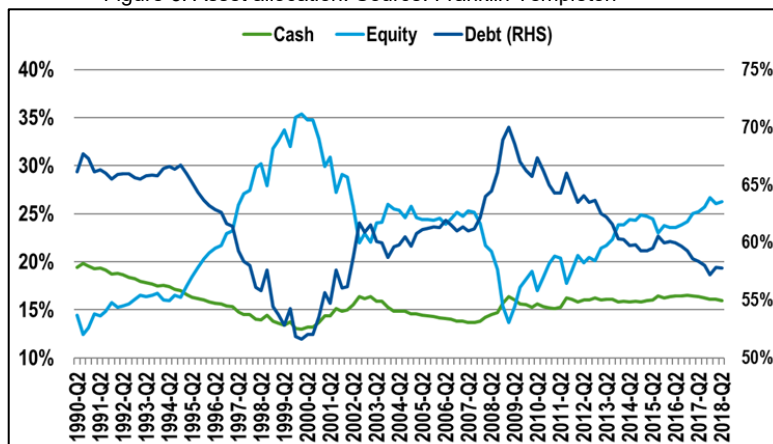


Figure 6. Asset allocation. Source: Franklin Templeton



There are some signs that indicate an end to the cycle: interest rate rises, unemployment at a low, stocks at highs, EM problems. Although the probability of recession is low, with the most recent sell-off in October, one should not rule out that the mix of trade wars, political radicalization and rate normalization could trigger the next global recession.

## Fed

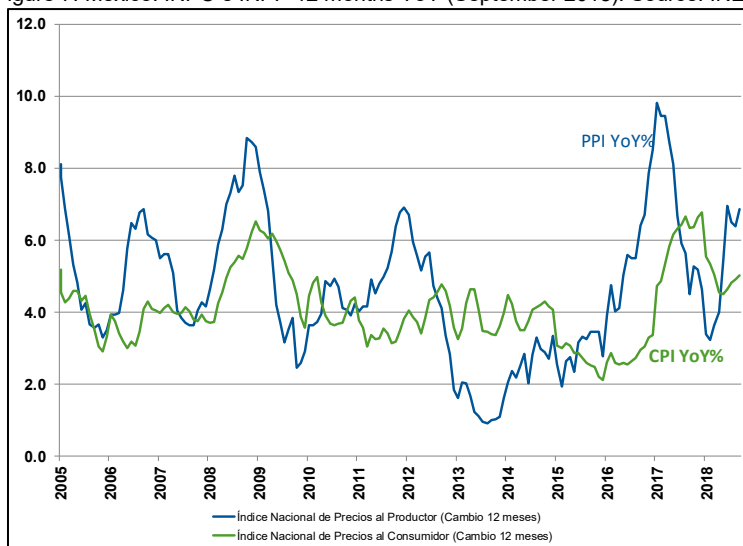
On September 26, the Fed hiked its reference rate again by 0.25 to a range of 2-2.25% and announced that it expects 5 hikes until 2020. Trump criticized the Fed calling “crazy” the pace at which rates are rising and implying that there will be problems in paying debt if this continues.

## MEXICO

### Inflation

In September, 12 month consumer inflation reached 5.02% (4.90% August) and producer inflation rose from 6.38% to 6.86%. We expect end-2018 inflation to be at current levels (Figure 7).

Figure 7. Mexico: INPC e INPP 12 months YoY (September 2018). Source: INEGI





## RISKS AND SCENARIOS FOR 2019

The objective is economic growth for Mexico. In the positive scenario, all risks favor growth, in the negative, they are unfavorable, and in the middle they are mixed. We present economic forecasts in Figure 8.

RISKS	
<i>Global</i>	<ul style="list-style-type: none"> <li>US: monetary policy, recession</li> <li>Global: trade wars</li> <li>Geopolitics: Europe, Middle East, Russia, China, North Korea</li> <li>EM: crisis and contagion</li> </ul>
<i>Mexican</i>	<ul style="list-style-type: none"> <li>New government</li> <li>Security</li> <li>Corruption</li> <li>Oil</li> <li>Debt rating</li> </ul>
SCENARIOS	
<i>Positive (20%)</i>	<ul style="list-style-type: none"> <li>US: expansion continues, no trade disputes</li> <li>Monetary policy does not derail cycle</li> <li>Rapid ratification USMCA.</li> <li>Europe, Middle East, Russia, China, North Korea: risks do not materialize</li> <li>Global growth</li> <li>EM: no crisis or contagion.</li> <li>Mexico: new government functions, spending drives infrastructure/consumption.</li> </ul>
<i>Negative (20%)</i>	<ul style="list-style-type: none"> <li>US: expansion stops, trade wars affect global commerce</li> <li>Monetary policy derails cycle.</li> <li>USMCA not ratified, elimination threatened.</li> <li>Europe, Middle East, Russia, China, North Korea: risks materialize</li> <li>Global recession.</li> <li>EM: crisis and contagion</li> <li>Mexico: new government dysfunctional, spending out of control</li> </ul>
<i>Middle (60%)</i>	<ul style="list-style-type: none"> <li>US: slow expansion continues, rhetorical trade disputes.</li> <li>Adequate monetary policy, but uncertain</li> <li>USMCA approved late, with changes</li> <li>Europe, Middle East, Russia, China, North Korea: risks materialize partially</li> <li>Global slowdown, unsynchronized.</li> <li>EM: crisis and some contagion from vulnerable countries</li> <li>Mexico: government partially functional, continued mixed signals.</li> </ul>

Figure 8. Estimates for 2019 scenarios. Source: Franklin Templeton

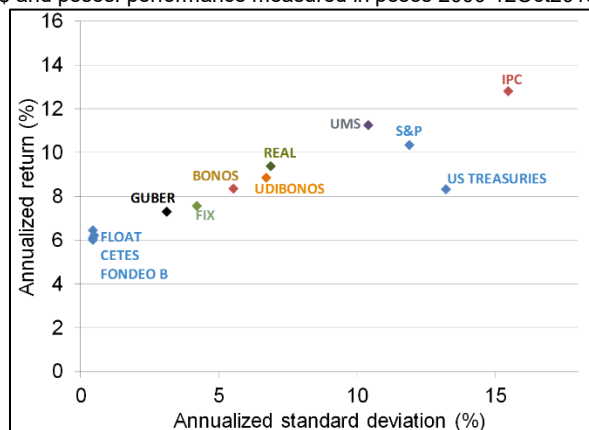
	Scenarios for 2019			2018
	High	Low	Base <sup>1</sup>	Estimated
Probability	20%	20%	60%	
<u>US</u>				
Economy	> 2.50%	< 2.50%	2.50%	2.9%
Inflation	> 2.30%	< 2.30%	2.30%	2.5%
Budget deficit	< 4.60%	> 4.60%	4.60%	4.0%
Current account deficit	< 2.50%	> 2.50%	2.50%	2.5%
Fed Funds rate	> 3.05%	< 3.05%	3.05%	2.50%
TNote 10 US	> 3.32%	< 3.32%	3.32%	3.06%
TNote 10 US	> \$73.3	< \$73.3	73.30	74.97
<u>Mexico</u>				
Economy	> 2.17%	< 2.17%	2.17%	2.13%
Inflation	> 3.80%	< 3.80%	3.80%	4.56%
Budget deficit	< 2.40%	> 2.40%	2.40%	2.30%
Current account deficit	< 1.90%	> 1.90%	1.90%	1.80%
Cetes28 (year end)	> 7.40%	< 7.40%	7.40%	7.90%
Peso/US\$ (year end)	< \$18.97	> \$18.97	18.97	19.03

## MARKETS

### Investments in US\$ and pesos: comparative performance

Despite peso depreciation, long term (2000-2018) peso denominated investments have outperformed US\$ denominated investments in the US, converted to pesos (Figure 9).

Figure 9. Investments in US\$ and pesos: performance measured in pesos 2000-12Oct2018. Source: Franklin Templeton



### US\$ and peso

The US\$ has strengthened on expectations of more aggressive Fed tightening, increasing EM outflows. The peso was barely affected by the USMCA but will continue volatile with uncertainty over EM and the new government (Figures 10 and 11).

Figure 10. US\$ index and peso 2005-12Oct2018. Source: Bloomberg

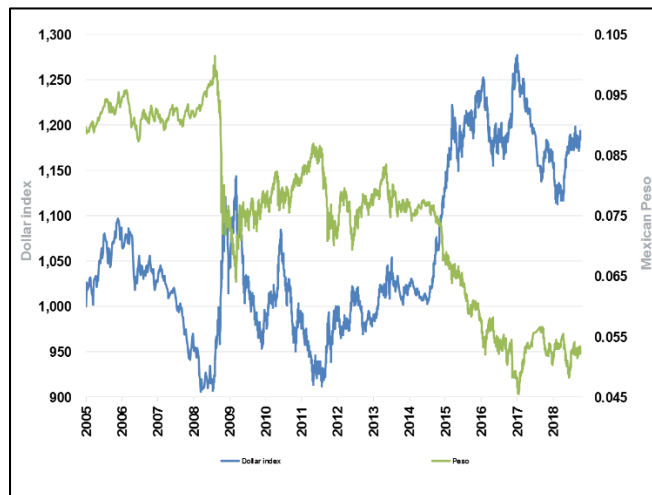
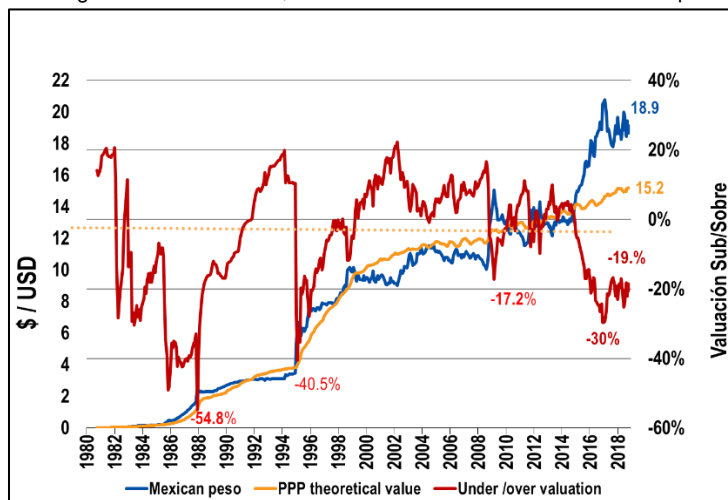


Figure 11. Peso vs. US\$: 1980-12Oct2018. Source: Franklin Templeton



## Debt

Rates are expected to increase in DM, and to level or fall in EM (Figure 12).

Figure 12. DM and EM: nominal 10 year rates estimated for mid-2019 (10Oct2018). Source: Bloomberg, Franklin Templeton

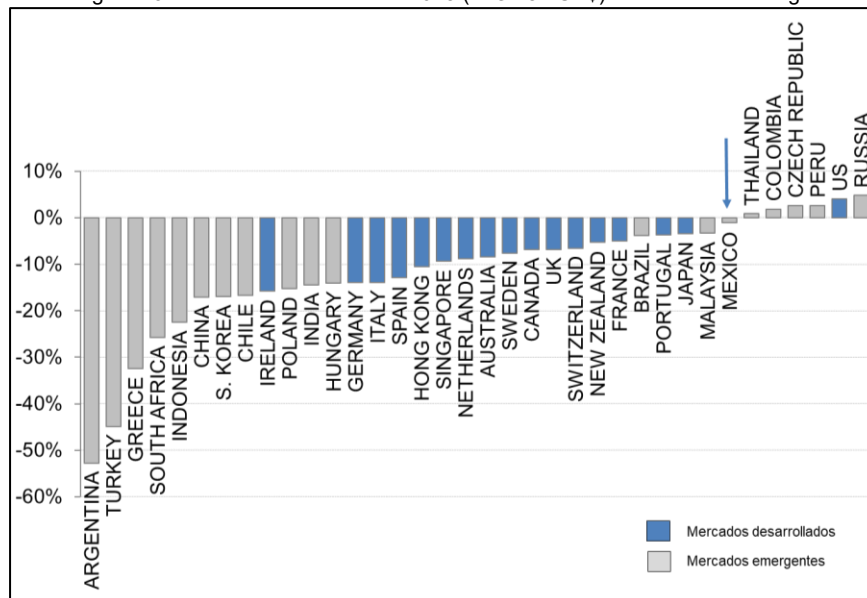
Developed local 10y yields (%)				Emerging local 10y yields (%)			
	2Q19e	Actual	(bps)		2Q19e	Actual	(bps)
US	3.18	3.09	9.11	China	3.66	3.70	-3.9
Euro Area	0.95	0.51	44	India	7.52	8.12	-60.2
Japan	0.12	0.13	-1	Rusia	7.27	8.37	-110
Britain	1.76	1.61	14.7	Brasil	9.75	11.84	-209
Australia	3.07	2.74	33.4	México	7.65	8.03	-37.6
Canada	2.57	2.45	12.1	Corea del sur	2.80	2.41	39
Germany	0.95	0.51	44	Indonesia	7.10	8.19	-109
France	1.23	0.83	40	Turquia	12.39	18.69	-630



## Stocks

During 2018, stock performance measured in US\$ has been mainly negative due to global factors (economic cycle, trade wars, rate rises) and local issues (political and economic fundamentals). This dynamic has been particularly complex for EM. The US market continues relatively strong, and the Mexican market is still one of the better EM owing to the successful USMCA negotiation and neutral outlook for the new government (Figure 13).

Figure 13. Selected stock markets 2018 (12Oct8 - US\$). Source: Bloomberg



In Mexico (Figure 14) and the US (Figure 15), in local currency, there was an uptick just after USMCA was announced. The subsequent downturn was due to global factors described in previous paragraphs.

Figure 14. Mexico stocks (IRT and BIVAT pesos, 1Jan17-12Oct18).

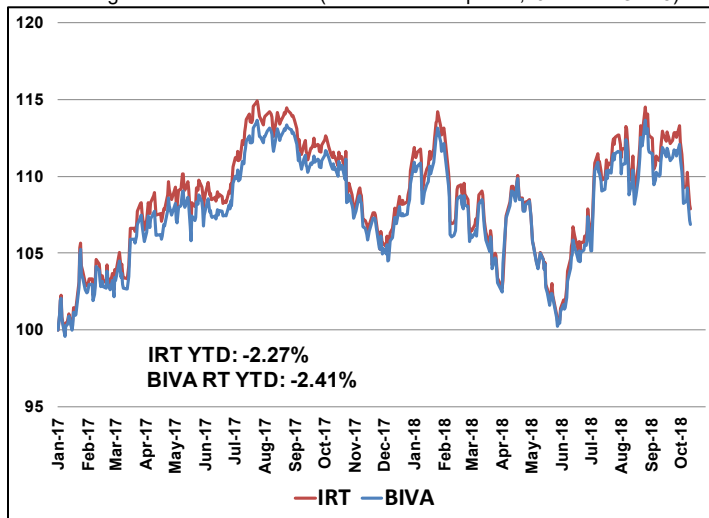
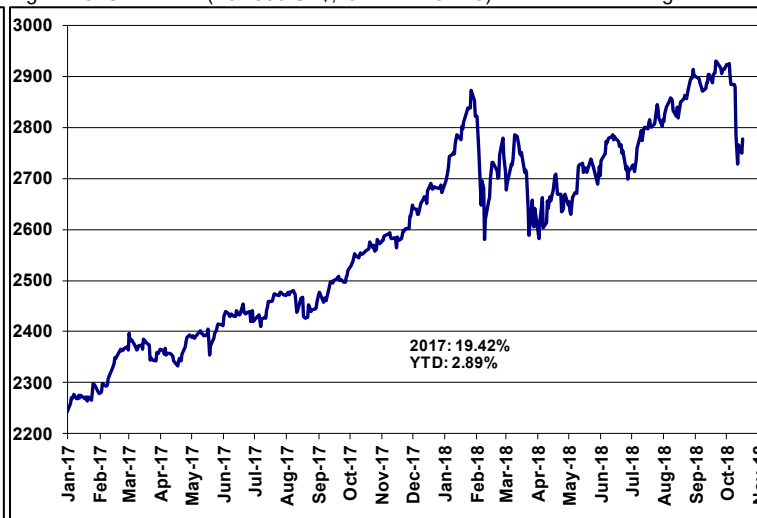


Figure 15. US: stocks (S&P500 US\$, 1Jan17-12Oct18). Source: Bloomberg



## Fibras

Due to novelty, high dividends and inflation protection, Fibras have outperformed stocks since 2011. Since the Trump victory in November 2016, Fibras were hit by NAFTA and political uncertainty and rate rises. They have recovered recently discounting USMCA (Figures 16 and 17). New issues are possible as the political outlook is less bad than expected, USMCA was agreed, and valuations are marginally more attractive.

Figure 16. Fibras vs. Mexican stocks (IRT) Mar2011-12Oct18 (base 100 MXN\$). Source: Bloomberg

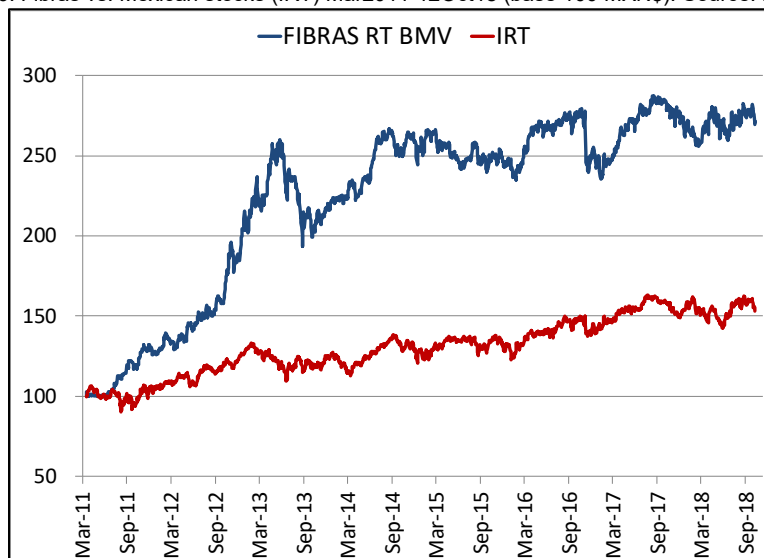


Figure 17. Fibras: valuation and dividends (12Oct2018). Source: Franklin Templeton

	Mcap (M)	Calendarized						
	(MXN)	2014	2015	2016	2017	2018	2019	2020
FUNO11 MM	97,641	7.4%	8.1%	8.0%	8.3%	8.6%	9.2%	9.2%
DANHOS13 MM	42,334	6.0%	6.7%	7.2%	5.9%	7.8%	8.1%	8.2%
FIBRAPL MM	24,437		4.3%	5.4%	5.8%	6.3%	6.7%	7.0%
TERRA13 MM	22,243	6.9%	6.9%	7.4%	8.7%	9.3%	9.4%	9.5%
FIBRAMQ MM	17,830	7.2%	6.6%	7.8%	6.6%	6.8%	7.1%	7.4%
FIHO12	9,975	7.3%	7.2%	7.9%	8.9%	9.7%	10.7%	11.8%
FMTY14 MM	8,016			7.6%		8.6%	8.8%	9.4%
FHIPO	7,569		12.4%	12.5%	12.8%	13.0%	13.3%	13.6%
FINN13 MM	5,610	7.3%	6.8%	8.3%	9.4%	9.0%	8.9%	9.8%
FSHOP13 MM	4,883	9.7%	10.9%	11.8%	10.7%	10.3%	10.2%	10.5%

## Conclusion

The global outlook has become more complex owing to trade wars, rate rises and related uncertainty about the economic cycle. For Mexico, USMCA is positive but there is uncertainty about the incoming government. Volatility is still probable for global and Mexican investments. For peso denominated investments, overweight 1 to 3 year duration ILS, and underweight stocks and Fibras.

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**Editor: Timothy Heyman**  
**October 16, 2018**

**Main financial indicators: monthly at September 28, 2018**

During August in México, the IPC fell 0.09%. Short and long term nominal rates rose and medium term rates fell. Real rates rose over all terms. The US\$ depreciated 2.38% against the peso. In the US, DJ and S&P500 rose, and Nasdaq fell. Nominal and real rates rose over all terms. In the Bank of Mexico business climate survey, optimism fell to 34% (35% previous), no change rose to 53% (49%), and pessimism fell to 13% (16%).

Mexico					
Stock market and oil					
	28-Sep-18	31-Aug-18	Month	YTD	2017
IPC	49,504.16	49,547.68	-0.09%	0.30%	8.13%
Local currency (USD/MXN)	18.72	19.18	-2.38%	-4.78%	-4.64%
Mexican oil mix (USD/bl)	74.23	66.29	11.98%	32.11%	21.36%
Nominal rates					
	28-Sep-18	31-Aug-18	Month	YTD	2017
CETES 28	8.04%	7.97%	7 bps	72 bps	148 bps
CETES 360	7.82%	7.90%	-8 bps	36 bps	103 bps
M5	7.75%	7.85%	-10 bps	16 bps	38 bps
M10	7.94%	7.91%	3 bps	29 bps	15 bps
M30	8.12%	8.02%	10 bps	34 bps	-4 bps
Real rates					
	28-Sep-18	31-Aug-18	Month	YTD	2017
UDIBONO 10	3.68%	3.59%	9 bps	18 bps	45 bps
UDIBONO 30	3.82%	3.76%	6 bps	12 bps	-9 bps
Commodities					
	28-Sep-18	31-Aug-18	Month	YTD	2017
Gold	1,190.88	1,203.62	-1.06%	-8.59%	12.48%
WTI (USD/bl)	74.23	66.29	11.98%	32.11%	4.60%
UMS					
	28-Sep-18	31-Aug-18	Month	YTD	2017
UMS 10 years	4.28%	4.21%	7 bps	65 bps	-64 bps
UMS 20 years	5.49%	5.39%	10 bps	96 bps	-74 bps
UMS 30 years	5.75%	5.58%	17 bps	111 bps	-62 bps
Stock markets (US\$)					
	28-Sep-18	31-Aug-18	Month	YTD	2017
MSCI Developed	8,965.29	8,911.93	0.60%	5.89%	23.07%
MSCI Emerging	2,335.38	2,347.06	-0.50%	-7.39%	37.75%
MSCI Mexico	9,795.25	9,641.30	1.60%	4.20%	16.27%
MSCI Brazil	5,570.09	5,204.97	7.01%	-12.07%	24.48%

US					
Stock market					
	28-Sep-18	31-Aug-18	Month	YTD	2017
DJ	26,458.31	25,964.82	1.90%	7.04%	25.08%
S&P	2,913.98	2,901.52	0.43%	8.99%	19.42%
Nasdaq	8,046.35	8,109.54	-0.78%	16.56%	28.24%
Nominal rates					
	28-Sep-18	31-Aug-18	Month	YTD	2017
Tbill 90	2.19%	2.11%	8 bps	92 bps	76 bps
Tnote 5	2.94%	2.74%	20 bps	80 bps	21 bps
Tnote 10	3.05%	2.86%	19 bps	63 bps	-3 bps
Tbond 30	3.19%	3.02%	17 bps	36 bps	-23 bps
Real rates					
	28-Sep-18	31-Aug-18	Month	YTD	2017
Tip 5	0.91%	0.76%	15 bps	65 bps	17 bps
Tip 10	0.91%	0.78%	13 bps	44 bps	-3 bps
Tip 30	1.04%	0.91%	13 bps	32 bps	-27 bps

Bank of Mexico survey		
Indicator	2018	2018 anterior
PIB	2.13%	2.14%
Inflation	4.56%	4.41%
Cetes 28	7.90%	7.89%
Local currency	19.03	18.92
Business conditions		
	28-Sep-18	31-Aug-18
Optimism	34%	35%
No change	53%	49%
Pessimism	13%	16%

Source: Bloomberg, Banco de Mexico

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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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