

Uncharted territory

Portfolio Management team

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Franklin Templeton Advisory Services Mexico (FTSAM)*

- Established 2013.
- Subsidiary of Franklin Templeton Investments.
- Investment solutions for our clients taking into account their needs and the global and local environment.
- Portfolio management team with more than 20 years' experience.
- Pioneers in Mexican investments.

Franklin Templeton Culture and Values

- Put clients first.
- Build relationships.
- Achieve quality results.
- Work with integrity.

SUMMARY

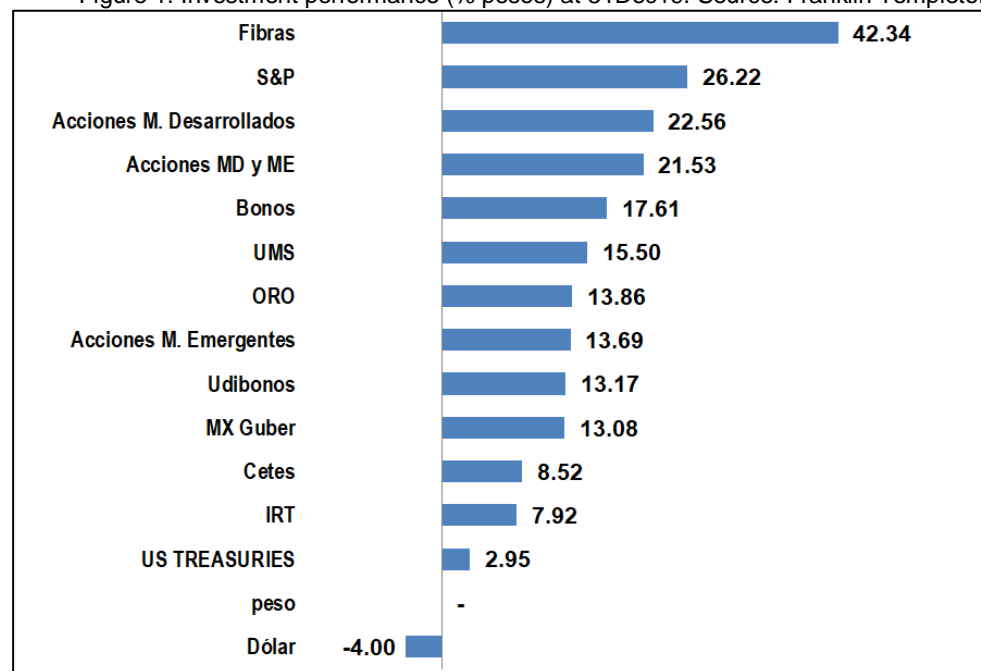
- Global. 2019 positive for markets, despite political and economic risks. For 2020, with record debt levels, and the longest postwar recovery, uncharted territory.
- Mexico. 2019 positive for markets despite record insecurity and low confidence levels. For 2020 with a different president and different policies, uncharted territory.
- Global risks: stalled recovery, excess liquidity, trade wars, geopolitics, Brexit/Europe, US elections.
- Local risks: insecurity, lower investor confidence, non-ratification USMCA, loss of investment grade.
- Investment scenarios with probabilities: positive (10%), negative (50%), mean (40%).
- Overweight ILS, take some profits on REITs, benchmark weight stocks.

"For the scientist, truth is so seldom the sudden light that shows new order and beauty: more often, truth is the uncharted rock that sinks his ship in the dark." - John Cornforth

Despite the risks, 2019 very positive

Globally and locally, 2019 was a very positive year for most markets. While stocks in developed and emerging countries returned more than 20%, in Mexico Fibras (REITs) returned 42.3%, more than stocks (IRT 7.9%). In Mexican fixed income, bonds returned 17.6% (highest since 2001), and ILS (Udibonos) 13.2% (highest since 2012). The peso strengthened vs. the dollar (\$18.86/US\$ vs. \$19.65 at end-2018). For 2020, globally, record debt levels and the longest recovery since WWII, locally, a different president with different policies represents uncharted territory, with new challenges.

Figure 1. Investment performance (% pesos) at 31Dec19. Source: Franklin Templeton ("FT")



POLITICS

US

Escalation in tensions between US and Iran

Tensions escalated between the US and Iran owing to the assassination of General Qassem Suleimani on January 3 ordered by President Trump, and Iranian retaliation including attacks on US air bases in the Middle East, followed by the downing of a Ukrainian plane, subsequently admitted as a mistake by the Iraqi government. Since it came to power in 1979, relations between Iran's Islamist government and the US have been tense reaching some rapprochement with the Obama-initiated nuclear deal in 2016 and deteriorating since the Trump presidency began in 2017. The possibility of increased hostilities between the two countries cannot be ruled out.

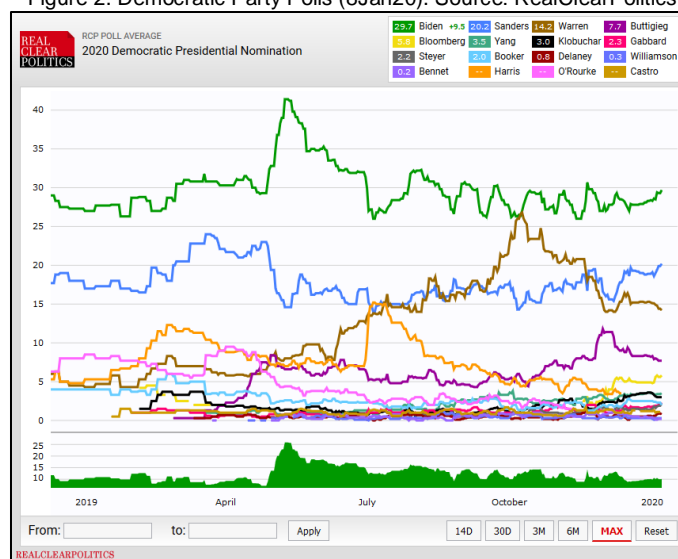
Trump impeachment

In December, Democrats announced two articles of impeachment against Trump accusing him of abuse of power and obstruction of Congress over the issue of relations with Ukraine. The first article of impeachment (abuse of power) was approved 230-197, and the second article (obstruction to Congress) 229-198. Both votes are the highest for any US impeachment process. Nancy Pelosi stated the impeachment will not begin in the Senate until she is satisfied it will be "fair", with a Republican majority. This could delay USMCA approval (see below).

Democratic party: presidential nomination

The US presidential election will take place on November 3, 2020. The first Democrat primary will occur in February. Biden still leads opinion polls, 9.5% above Sanders (2nd place) and 15.5% above Warren (3rd). Of the 3, Biden is considered the most pro-market (Figure 2).

Figure 2. Democratic Party Polls (8Jan20). Source: RealClearPolitics



EUROPE

Brexit

In the UK elections on 12 December 2019, the Conservative Party (led by Boris Johnson) won with 364 seats (318 more than the previous election), against Labour with 203 (262). Labour leader Jeremy Corbyn resigned the leadership of his party. On 9 January 2020, the Conservative proposal for Brexit in Parliament was approved by a majority and is due to be implemented following December 31, 2020. Completion of negotiations with the European Union (EU) is considered impossible before the due date and Johnson appears to have admitted as much.

MEXICO

USMCA

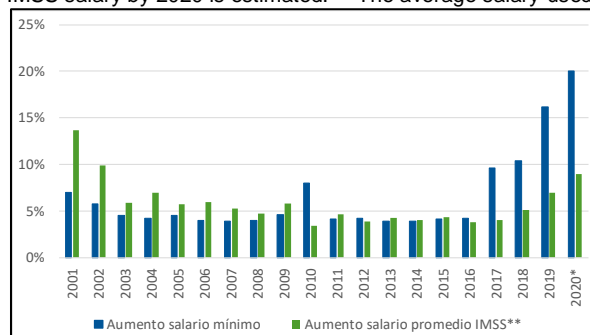
In December, the Mexican senate ratified the USMCA. In early January, the US Senate finance committee approved it with a large majority. Owing to the impeachment process against Trump (see above), voting in the Senate plenary could be delayed indefinitely.

Minimum wage

In December, a minimum wage increase of 20% was approved. In 2017, the increase was 9.6%, in 2018 10.4%, in 2019 16.2%. Over the last 3 years when the increase has been greater than prior years, the increase in average wages has been less than half that of the minimum wage (Figure 3). By extrapolation an overall wage increase in 2020 of 9% is feasible, which could put pressure on underlying inflation.

Figure 3. Increase in minimum wage (%) and the average salary increase of the IMSS (%). Source: CONASAMI and IMSS

* The increase in the average IMSS salary by 2020 is estimated. ** The average salary used is that of January in each year.



Rise in IEPS

At the end of the year, the government announced a 3% increase in the IEPS (special tax) for gasoline (in line with 2019 consumer inflation). The increase is being used as a pretext by many companies to increase prices of their products, arguing a higher cost of distribution. It is another factor that could affect inflation.

ECONOMY

Global growth

On 8 January the World Bank published its economic forecast for 2020. It estimates that developed countries' GDP economies will grow 1.6% in 2019 and 1.4% in 2020, less than previous estimates, and so will emerging economies (3.5% in 2019 and 4.1% in 2020). For Mexico the new estimates are 0% for 2019 and 1.2% for 2020, lower than previous estimates, of 1.7% and 2% respectively (Figure 4).

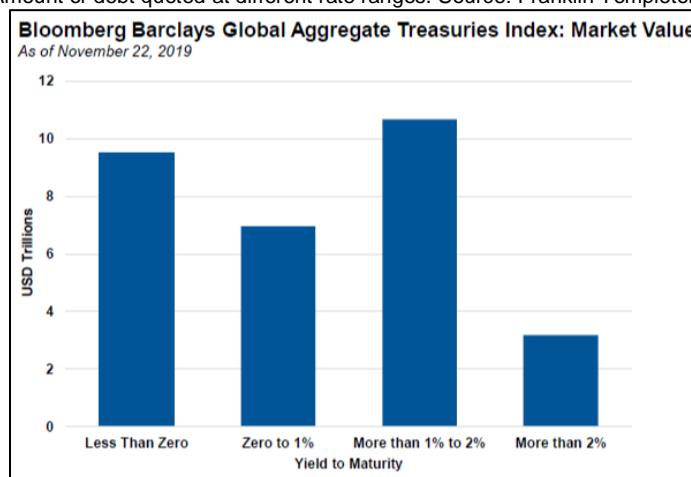
Figure 4. Global Economic Forecasts 2020 (%). Source: World Bank (January 2020)

	2017	2018	2019e	2020f	2021f	2022f	Percentage point differences from June 2019 projections		
							2019e	2020f	2021f
World	3.2	3.0	2.4	2.5	2.6	2.7	-0.2	-0.2	-0.2
Advanced economies	2.4	2.2	1.6	1.4	1.5	1.5	-0.1	-0.1	0.0
United States	2.4	2.9	2.3	1.8	1.7	1.7	-0.2	0.1	0.1
Euro Area	2.5	1.9	1.1	1.0	1.3	1.3	-0.1	-0.4	0.0
Japan	1.9	0.8	1.1	0.7	0.6	0.4	0.3	0.0	0.0
Emerging market and developing economies	4.5	4.3	3.5	4.1	4.3	4.4	-0.5	-0.5	-0.3
Commodity-exporting EMDEs	2.2	2.0	1.5	2.6	2.9	3.0	-0.6	-0.5	-0.1
Other EMDEs	6.2	5.8	4.8	5.1	5.2	5.2	-0.4	-0.4	-0.3
Other EMDEs excluding China	5.4	5.0	3.3	4.0	4.4	4.5	-0.9	-0.8	-0.6
East Asia and Pacific	6.5	6.3	5.8	5.7	5.6	5.6	-0.1	-0.2	-0.2
China	6.8	6.6	6.1	5.9	5.8	5.7	-0.1	-0.2	-0.2
Indonesia	5.1	5.2	5.0	5.1	5.2	5.2	-0.2	-0.2	-0.1
Thailand	4.0	4.1	2.5	2.7	2.8	2.9	-1.0	-0.9	-0.9
Europe and Central Asia	4.1	3.2	2.0	2.6	2.9	2.9	0.4	-0.1	0.0
Russia	1.6	2.3	1.2	1.6	1.8	1.8	0.0	-0.2	0.0
Turkey	7.5	2.8	0.0	3.0	4.0	4.0	1.0	0.0	0.0
Poland	4.9	5.1	4.3	3.6	3.3	3.1	0.3	0.0	0.0
Latin America and the Caribbean	1.9	1.7	0.8	1.8	2.4	2.6	-0.9	-0.8	-0.3
Brazil	1.3	1.3	1.1	2.0	2.5	2.4	-0.4	-0.5	0.2
Mexico	2.1	2.1	0.0	1.2	1.8	2.3	-1.7	-0.8	-0.6
Argentina	2.7	-2.5	-3.1	-1.3	1.4	2.3	-1.9	-3.5	-1.8
Middle East and North Africa	1.1	0.8	0.1	2.4	2.7	2.8	-1.2	-0.8	0.0
Saudi Arabia	-0.7	2.4	0.4	1.9	2.2	2.4	-1.3	-1.2	-0.1
Iran	3.8	-4.9	-8.7	0.0	1.0	1.0	-4.2	-0.9	0.0
Egypt ²	4.2	5.3	5.6	5.8	6.0	6.0	0.1	0.0	0.0
South Asia	6.7	7.1	4.9	5.5	5.9	6.0	-2.0	-1.5	-1.2
India ³	7.2	6.8	5.0	5.8	6.1	6.1	-2.5	-1.7	-1.4
Pakistan ²	5.2	5.5	3.3	2.4	3.0	3.9	-0.1	-0.3	-1.0
Bangladesh ²	7.3	7.9	8.1	7.2	7.3	7.3	0.8	-0.2	0.0
Sub-Saharan Africa	2.7	2.6	2.4	2.9	3.1	3.3	-0.5	-0.4	-0.4
Nigeria	0.8	1.9	2.0	2.1	2.1	2.1	-0.1	-0.1	-0.3
South Africa	1.4	0.8	0.4	0.9	1.3	1.5	-0.7	-0.6	-0.4
Angola	-0.1	-1.2	-0.7	1.5	2.4	3.0	-1.7	-1.4	-0.4

Global debt: record negative rates and levels

About US\$10 trillion of debt (particularly in European countries and Japan) has negative interest rates (Figure 5). Total global debt is estimated above US\$250 trillion, 3 times global GDP, a historical high. We have begun to see attempts to abandon negative rates, for example, from the Swedish central bank, which in mid-December decided to bring its reference rate from -0.25% to 0%, arguing that borrowing has been "indiscriminate". There is awareness that monetary policy is in uncharted territory, possibly dangerous, and disagreement among central bankers on whether further monetary expansion can stimulate growth.

Figure 5. Amount of debt quoted at different rate ranges. Source: Franklin Templeton (Nov 2019)

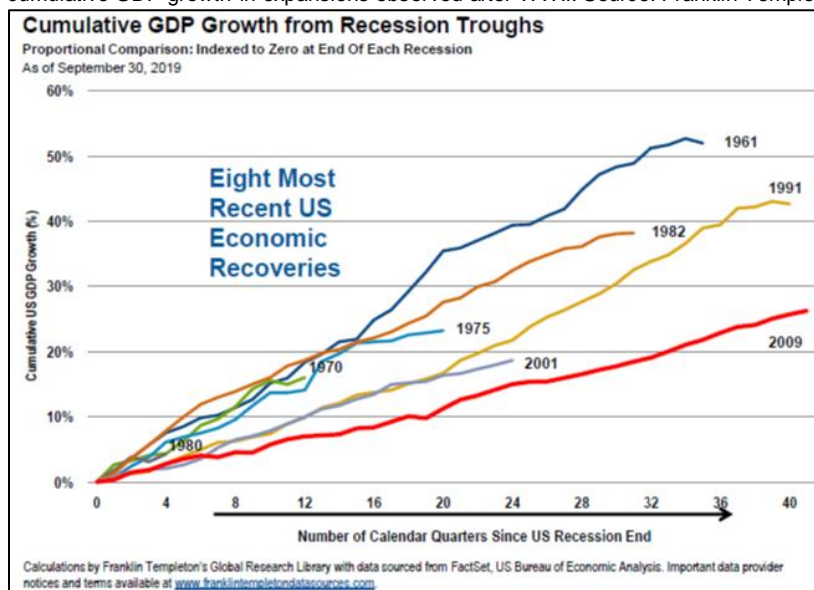


US

Economic growth

With the publication of the latest growth statistic, U.S. economic cycle has now officially experienced the longest period of expansion since WWII, with the lowest growth (Figure 6). There is also disagreement among specialists on whether continued growth is sustainable (along with corporate profits), and, if so, at what level.

Figure 6. US: cumulative GDP growth in expansions observed after WWII. Source: Franklin Templeton (Nov 2019)



Fed decision

At its last meeting of the year, the Fed unanimously kept its benchmark rate unchanged in the 1.50%-1.75% range. Following the second semester of 2019, when the Fed lowered the rate from 2.50% to 1.75% consecutively, in its minutes, it said that the rate will likely remain unchanged during 2020. With updated forecasts, the "dot plot" implies no rate movements in 2020 but rate hikes in 2021.

MEXICO

In the Bank of Mexico (Banxico) monthly survey, 2020 inflation is estimated at 3.44% and growth at 1.10% (below the 2% in the official budget). The peso is estimated at \$20.10/US\$ and the interbank rate at 6.50% (Figure 7).

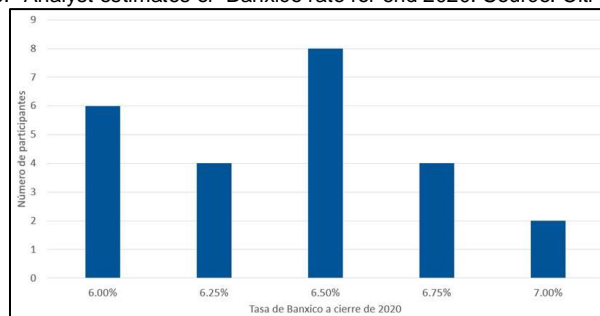
Figure 7. Specialists' expectations of the economy (Jan2020). Source: Banxico

	Media		Mediana	
	Encuesta		Encuesta	
	noviembre	diciembre	noviembre	diciembre
Inflación General (dic.-dic.)				
Expectativa para 2019	2.93	2.92	2.95	2.94
Expectativa para 2020	3.45	3.44	3.50	3.46
Expectativa para 2021	3.51	3.53	3.50	3.50
Inflación Subyacente (dic.-dic.)				
Expectativa para 2019	3.57	3.56	3.60	3.58
Expectativa para 2020	3.40	3.41	3.40	3.40
Expectativa para 2021	3.40	3.38	3.40	3.35
Crecimiento del PIB (Δ% anual)				
Expectativa para 2019	0.04	0.03	0.00	0.00
Expectativa para 2020	1.08	1.10	1.07	1.10
Expectativa para 2021	1.80	1.79	1.85	1.80
Tipo de Cambio Pesos/Dólar (cierre del año)				
Expectativa para 2019	19.59	19.55	19.48	19.50
Expectativa para 2020	20.09	20.10	20.00	20.00
Expectativa para 2021	20.46	20.46	20.40	20.41
Tasa de fondeo interbancario (cierre del IV trimestre)				
Expectativa para 2019	7.27	7.26	7.25	7.25
Expectativa para 2020	6.57	6.53	6.50	6.50
Expectativa para 2021	6.28	6.26	6.25	6.25

Interest rates: 2020

Banxico, in line with global trends, lowered its rate from 8.25% to 7.25% and, according to its January minutes, it is less expansionary than previously. Compared to other years, there is less consensus among analysts and the market about Banxico's rate by the end of 2020 in Citi's latest survey (Figure 8), ranging from 6% to 7%. There is therefore a range of possible long-term rates throughout the year, until they begin to converge.

Figure 8. Analyst estimates of Banxico rate for end 2020. Source: Citi 7Jan2020



Sovereign rating ratification by S&P

In December, S&P maintained Mexico's sovereign rating on BBB+, and kept the outlook negative. In its statement, it says that "After stagnation in 2019, growth expectations for 2020-2022 will depend on successful policy implementation and consistent government measures to improve business confidence and revitalize private investment, including through the recently announced infrastructure program." The negative outlook indicates that there is a risk that ratings will fall, "mainly due to expectations of lower gross domestic product (GDP) growth compared to their peers, which, along with a lower non-oil tax base, could pose difficult tax decisions."

Credit ratings of the top 3 rating agencies are shown below in Figure 9.

Figure 9. Sovereign rating Mexico and outlook. Source: Bloomberg

	Calificación global	Perspectiva	Último anuncio
Fitch	BBB	Estable	5-Jun-19
S&P	BBB+	Negativa	19-Dec-19
Moody's	A3 (A- en escala homologada)	Negativa	5-Jun-19

Bank of Mexico economic assessment

In a presentation by the Governor of Bank of Mexico on January 10, 2020 stress was made on the lack of investment (Figure 10). The presentation highlights factors related to governance (*gobernanza*) as the cause. These relate to rule of law and, specifically, corruption, insecurity and impunity. The attribution to governance rises sharply in 2017 and 2018, peaking after the election. Particularly in 2019, the indicators reflect a different presidency with different policies (Figure 11).

Figure 10. Investment, with components. Source: Bank of Mexico (Jan2020)

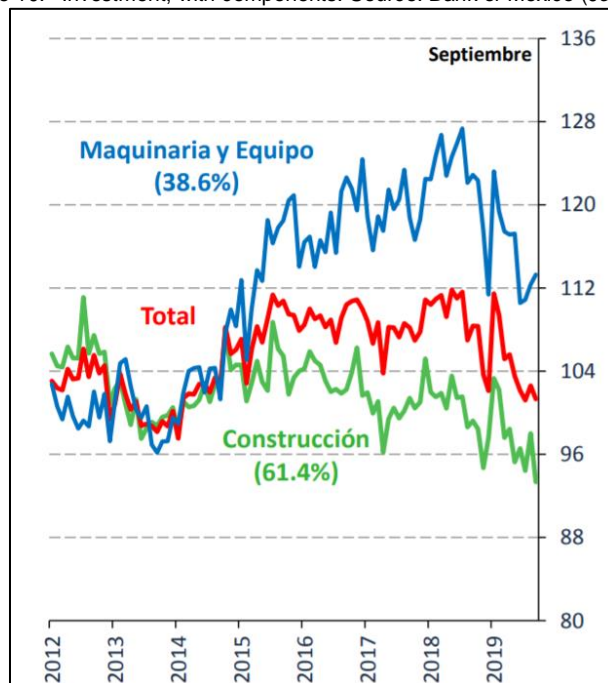
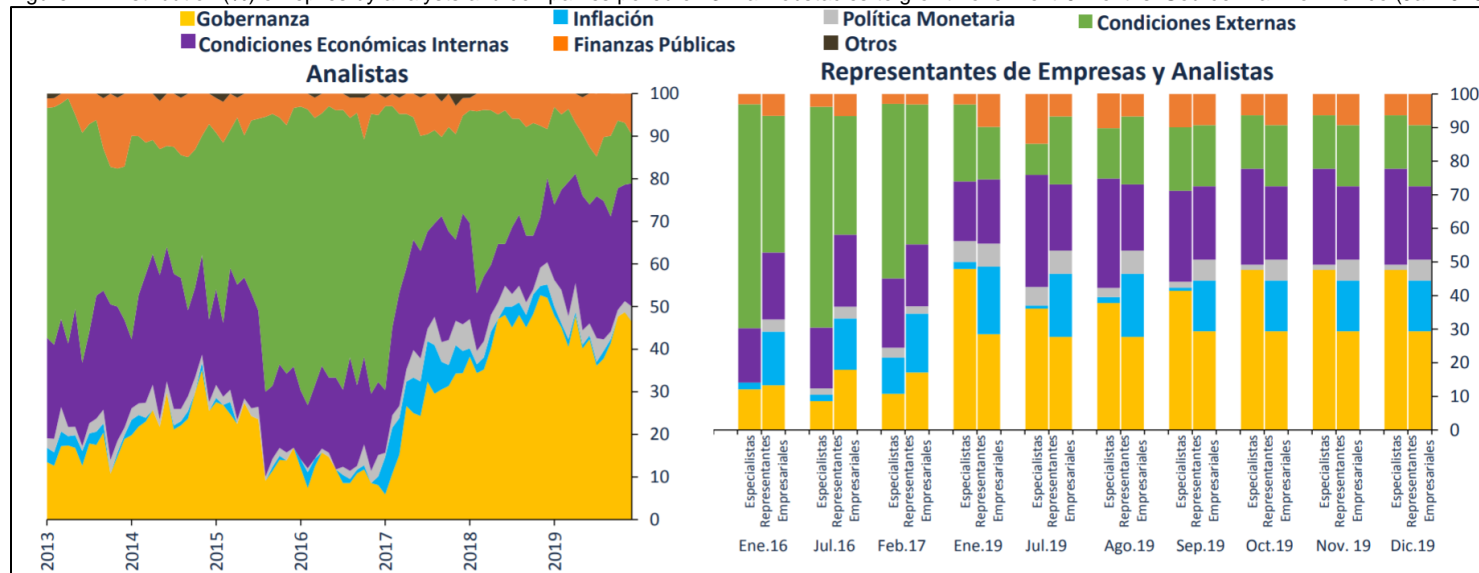


Figure 11. Distribution (%) of replies by analysts and companies polled on 3 main obstacles to growth over next 6 months. Source: Bank of Mexico (Jan2020)



RISKS AND SCENARIOS

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 12.

RISKS	
<i>Global</i>	<ul style="list-style-type: none"> Global: excess liquidity destabilizing markets and cycle US: recession following record expansion Global: trade wars Geopolitics: Europe, Middle East, Russia, China, North Korea, Latin America EM: crisis and contagion
<i>Mexican</i>	<ul style="list-style-type: none"> Government Security Corruption Oil Debt rating
SCENARIOS	
<i>Positive (10%)</i>	<ul style="list-style-type: none"> Global: Monetary policy does not derail markets or cycle. US: expansion continues, trade disputes but no major consequences Rapid ratification USMCA. Geopolitical risks do not materialize. Global growth. EM: no crisis or contagion. Mexico: measures anticorruption and antiviolence work, spending drives infrastructure/consumption, ratings upgrade.
<i>Negative (50%)</i>	<ul style="list-style-type: none"> Monetary policy derails markets and cycle. US: expansion stops, trade wars affect global commerce. USMCA not ratified, elimination threatened. Geopolitical risks materialize. Global recession. EM: crisis and contagion. Mexico: anticorruption and violence measures backfire, lack of confidence reduces investment further, ratings downgrade.
<i>Middle (40%)</i>	<ul style="list-style-type: none"> Global: adequate monetary policy, but uncertain. US: slow expansion continues, rhetorical trade disputes. USMCA approved late, with changes. Geopolitical: risks materialize partially. Global slowdown, unsynchronized. EM: crisis and some contagion from vulnerable countries. Mexico: anticorruption and violence measures work partially, investment similar level to previous year, ratings unchanged.

Figure 12. Estimates for scenarios 2020 (*observed 2019). Source: FT

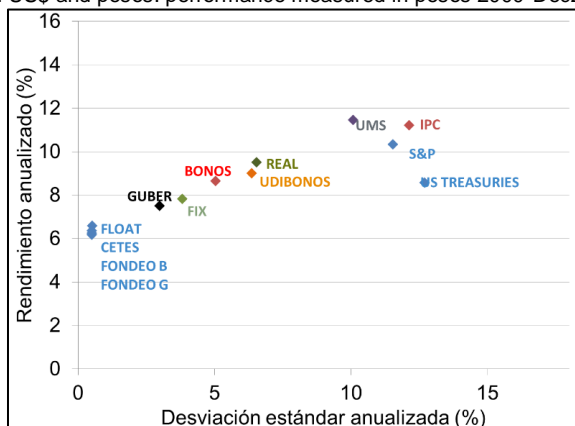
	Escenarios para 2020			2019
	Alto	Bajo	Base	Pronósticos
Probabilidad	10%	50%	40%	
EU				
Crecimiento PIB	> 1.80%	< 1.80%	1.80%	2.30%
Inflación	> 2.10%	< 2.10%	2.10%	1.80%
Déficit fiscal	< 4.80%	> 4.80%	4.80%	4.60%
Déficit cuenta corriente	< 2.50%	> 2.50%	2.50%	2.50%
Tasa T-Bills	> 1.55%	< 1.55%	1.55%	1.75%*
TNote 10 US	> 1.93%	< 1.93%	1.93%	1.92%*
Petróleo (WTI)	> \$55.71	< \$55.71	55.71	61.06*
México				
Crecimiento PIB	> 1.10%	< 1.10%	1.10%	0.03%
Inflación	> 3.44%	< 3.44%	3.44%	2.83%*
Déficit fiscal	< 2.30%	> 2.30%	2.30%	2.20%
Déficit cuenta corriente	< 1.30%	> 1.30%	1.30%	0.90%
Cetes28 (fin de año)	> 6.56%	< 6.56%	6.56%	7.30%*
Peso/US\$ (fin de año)	< \$20.1	> \$20.1	20.10	18.86*

MARKETS

Investments in US\$ and pesos: comparative performance

Following the depreciation of the peso after the Trump election, in the long run (2000-2019) the gap between peso investment and US\$, both converted to pesos, has narrowed. However, investments in pesos have outperformed US\$ denominated investments converted to pesos (Figure 13).

Figure 13. Investments in US\$ and pesos: performance measured in pesos 2000-Dec2019. Source: FT



The US\$ and the peso

During December, the peso strengthened owing to a possible trade agreement between China and the US, and the possible ratification of the USMCA (Figure 14). Business sentiment improved: 28% of respondents expect the economy to improve (previous 27%), 53% to remain the same (49%) and 19% to get worse (24%) (Figure 15).

Figure 14. Weight vs. Weight US\$: 1980-Jan2020. Source: FT

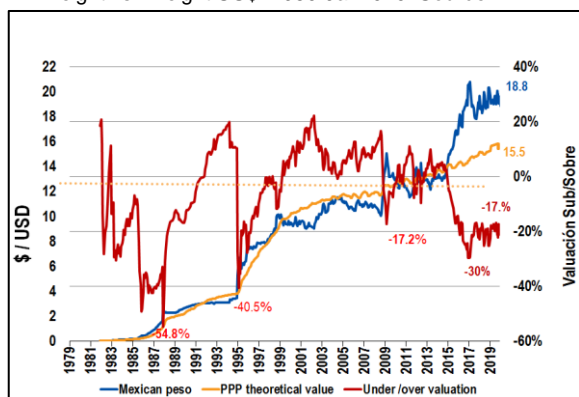
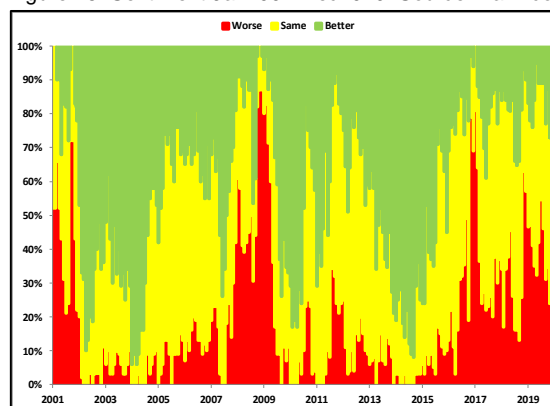


Figure 15. Sentiment Jan2001-Dec2019. Source: Banxico



Debt

Mixed rate movements are expected for 2020 in EM and DM (Figure 16).

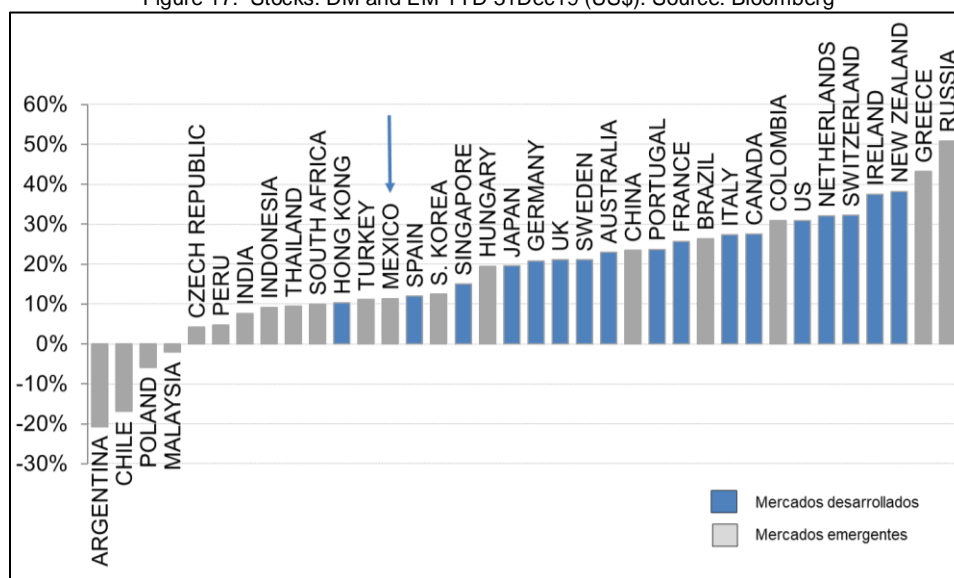
Figure 16. DM and EM: nominal rates 10 years estimated for Dec2020 (Jan2020). Source: Bloomberg, FT

Developed				Emerging			
local 10y yields (%)				local 10y yields (%)			
	4Q20e	Actual	(bps)		4Q20e	Actual	(bps)
US	1.93	1.87	5.97	China	2.91	3.14	-22.9
Euro Area	(0.31)	(0.21)	-10.3	India	6.51	6.56	-4.9
Japan	(0.06)	(0.01)	-5	Rusia	6.68	6.27	41.4
Britain	0.95	0.82	13.3	Brasil	6.25	6.81	-56.3
Australia	0.95	1.23	-28.3	México	6.90	6.87	2.8
Canada	1.73	1.63	9.9	Corea del sur	1.76	1.64	12.5
Germany	(0.31)	(0.21)	-10.3	Indonesia	7.00	7.08	-7.9
France	(0.09)	0.05	-14.1	Turquia	12.31	12.12	19

Stocks

In 2019, despite the uncertainty, most markets rose with a marked difference between EM and DM (Figure 17).

Figure 17. Stocks: DM and EM YTD 31Dec19 (US\$). Source: Bloomberg



REITs (Fibras)

Since inception, Fibras have outperformed stocks (Figure 18). During 2019 they recovered markedly vs. 2018, due to USMCA prospects. Performance in 2020 will depend mainly on rates and USMCA (Figure 19).

Figure 18. Fibras vs. IRT since inception (mar2011) and Jan18-31Dec19. Source: Bloomberg

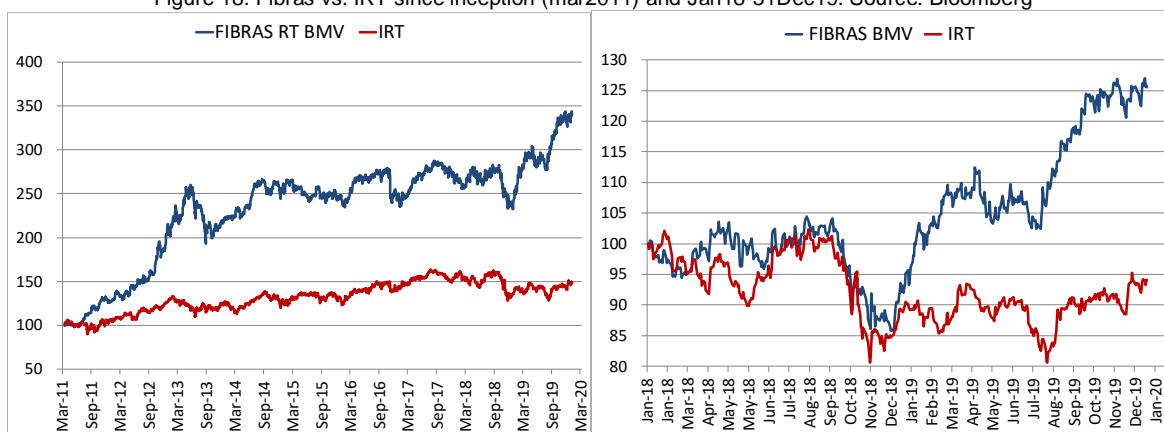


Figure 19. Fibras: valuation and dividends (Jan2020). Source: BTG

	Market Cap (US\$m)	Dividend Yield %			Price / NAV	
		Current	2019E	2020E	2019E	2020E
Mexican FIBRAs						
Fibra Uno	6,302	7.7%	7.7%	7.8%	0.73	0.74
Fibra MQ	1,078	6.9%	6.6%	7.4%	0.73	0.70
Fibra Shop	258	9.3%	9.3%	9.0%	0.43	0.40
Fibra Terrafina	1,324	8.8%	8.1%	8.5%	0.86	0.84
Fibra Danhos	2,122	8.6%	8.4%	8.5%	0.72	0.74
Fibra Prologis	1,418	5.7%	5.6%	6.4%	0.87	0.88
Fibra Hotelera	379	7.7%	10.6%	10.9%	0.53	0.53
Fibra Inn	205	6.7%	14.2%	14.7%	0.37	0.36
Fibra Monterrey	611	9.8%	6.1%	6.9%	0.95	0.94

Conclusion

2019 was a positive year for risk assets, globally and locally, despite political and economic uncertainty. For 2020, global economies and markets are in uncharted territory, with record global debt levels and the longest ever expansion in the US. In Mexico, in addition, there is a different President with different policies. We consider the investment outlook as risky as it was in 2019, for different reasons, assigning similar weights to each scenario: positive 10%, negative 50% and middle 40%. We advise caution for portfolios denominated in pesos, with an overweight in ILS, some profit taking in REITs, and benchmark weighting for stocks.

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Key financial variables: performance as of December 31, 2019

During December, in the US: DJ, S&P500 and Nasdaq rose. Nominal rates rose, except Tbill90, while real rates fell, except for 30 years. WTI price rose 10.68%. The US\$ weakened 3.43% against the peso. In Mexico, the IRT rose 1.80% and FIBRAS RT down 2.55%. Nominal rates fell and real rates rose. In the Banxico business climate survey, optimism rose to 28% (previous 27%), unchanged was at 53% (49%), and pessimism fell to 19% (24%).

Mexico					
Stock market and oil					
	31-Dec-19	29-Nov-19	Month	2019	2018
IRT	61,266.94	60,181.60	1.80%	7.92%	-13.62%
BIVA RT	946.08	932.76	1.43%	8.97%	-13.18%
FIBRAS BMV RT	331.73	340.41	-2.55%	42.34%	-12.67%
Local currency (USD/MXN)	18.86	19.54	-3.43%	-4.00%	-0.06%
Mexican oil mix (USD/bbl)	56.14	50.98	10.12%	25.62%	-20.47%
Nominal rates					
	31-Dec-19	29-Nov-19	Month	2019	2018
CETES 28	7.30%	7.52%	-22 bps	-112 bps	110 bps
CETES 360	6.70%	6.71%	-1 bps	-179 bps	103 bps
M5	6.75%	6.95%	-20 bps	-177 bps	93 bps
M10	6.86%	7.09%	-23 bps	-180 bps	101 bps
M30	7.19%	7.34%	-14 bps	-170 bps	111 bps
Real rates					
	31-Dec-19	29-Nov-19	Month	2019	2018
UDIBONO 10	3.39%	3.32%	7 bps	-72 bps	61 bps
UDIBONO 30	3.45%	3.40%	5 bps	-67 bps	42 bps
Commodities					
	31-Dec-19	29-Nov-19	Month	2019	2018
Gold	1,520.21	1,464.30	3.82%	18.70%	-1.70%
WTI (USD/bbl)	61.06	55.17	10.68%	36.63%	-20.47%
UMS					
	31-Dec-19	29-Nov-19	Month	2019	2018
UMS 10 years	3.19%	3.23%	-4 bps	-173 bps	129 bps
UMS 20 years	4.12%	4.24%	-11 bps	-166 bps	125 bps
UMS 30 years	4.61%	4.63%	-2 bps	-123 bps	120 bps
Stock markets (US\$)					
	31-Dec-19	29-Nov-19	Month	2019	2018
MSCI Developed	9,979.03	9,685.18	3.03%	28.40%	-8.20%
MSCI Emerging	2,571.14	2,391.17	7.53%	18.90%	-14.25%
MSCI Mexico	8,899.97	8,494.54	4.77%	11.77%	-15.29%
MSCI Brazil	8,011.67	7,124.12	12.46%	26.66%	-0.15%

US					
Stock market					
	31-Dec-19	29-Nov-19	Month	2019	2018
DJ	28,538.44	28,051.41	1.74%	22.34%	18.04%
S&P	3,230.78	3,140.98	2.86%	28.88%	11.97%
Nasdaq	8,972.60	8,665.47	3.54%	35.23%	23.26%
Nominal rates					
	31-Dec-19	29-Nov-19	Month	2019	2018
Tbill 90	1.55%	1.59%	-4 bps	-90 bps	194 bps
Tnote 5	1.69%	1.62%	7 bps	-82 bps	58 bps
Tnote 10	1.92%	1.78%	14 bps	-77 bps	24 bps
Tbond 30	2.39%	2.21%	18 bps	-59 bps	-8 bps
Real rates					
	31-Dec-19	29-Nov-19	Month	2019	2018
Tip 5	0.01%	0.12%	-11 bps	-99 bps	91 bps
Tip 10	0.15%	0.17%	-2 bps	-83 bps	48 bps
Tip 30	0.58%	0.50%	8 bps	-63 bps	22 bps

Bank of Mexico survey		
Indicator	2020	2020 anterior
PIB	1.10%	1.08%
Inflation	3.44%	3.45%
Cetes 28	6.56%	6.63%
Local currency	20.10	20.09
Business conditions		
	31-Dec-19	29-Nov-19
Optimism	28%	27%
No change	53%	49%
Pessimism	19%	24%

Source: Bloomberg, Bank of 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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