

Reopening: how, when, V, U, W, L?

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SUMMARY

- Global. After a very bad March, risky assets recovered in April, with some economies reopening, and more reopening in May.
- Mexico followed the global trend with a recovery in risk assets. But it was braked by the perception that the government has no concrete plan for the pandemic or economic reopening.
- Global risks: failure of pandemic, monetary and fiscal plans, geopolitics, oil, emerging markets.
- Local risks: governance, security, private sector confidence, credit rating.
- Scenarios with probabilities: positive (25%), negative (25%), average (50%).
- Taking account of global and Mexican risks, we have not changed the probabilities of each scenario. For peso portfolios maintain ILS short duration positions meanwhile looking for opportunities during the reopening period to increase duration and weighting in risk assets, including stocks and REITs.

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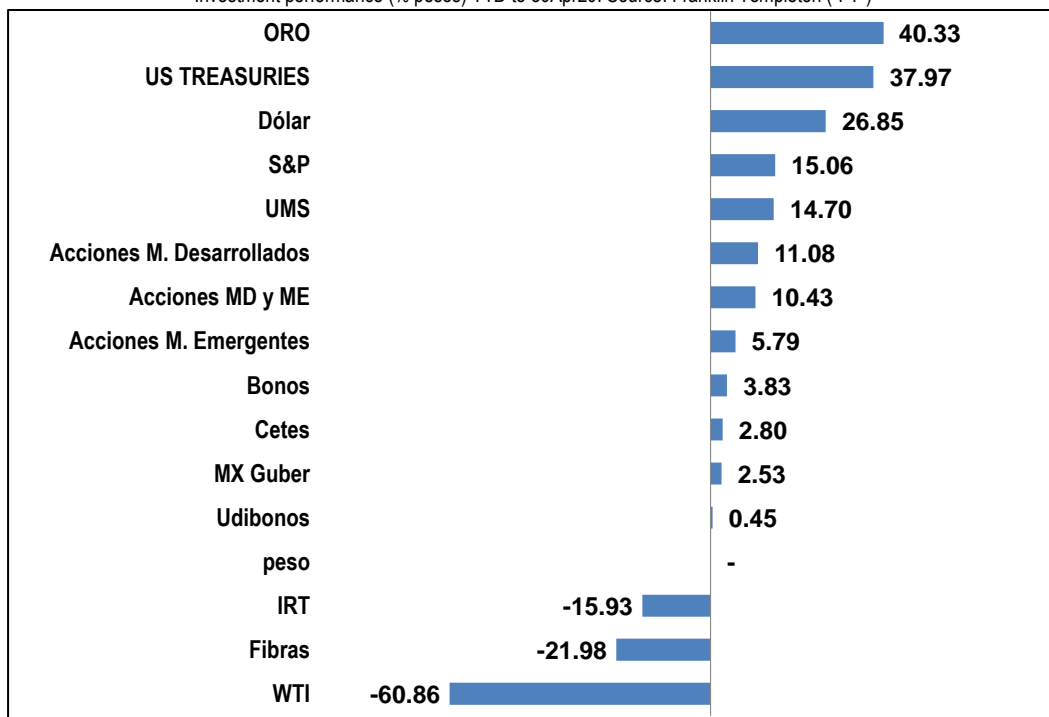
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"In many spheres of human endeavor, from science to business, education and economic policy, good decisions depend on good measurement." - Ben Bernanke

Positive April and economic reopening

During the month of April, most risky assets rose. Several news reports boosted markets: flattening pandemic contagion curves, plans to reopen certain economies, and positive news about COVID19 drugs. The recovery could continue in May as more economies reopen. Implementation of plans to reopen economies in different ways with different rules will need careful analysis to find investment opportunities.

Investment performance (% pesos) YTD to 30Apr20. Source: Franklin Templeton ("FT")



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PANDEMIC

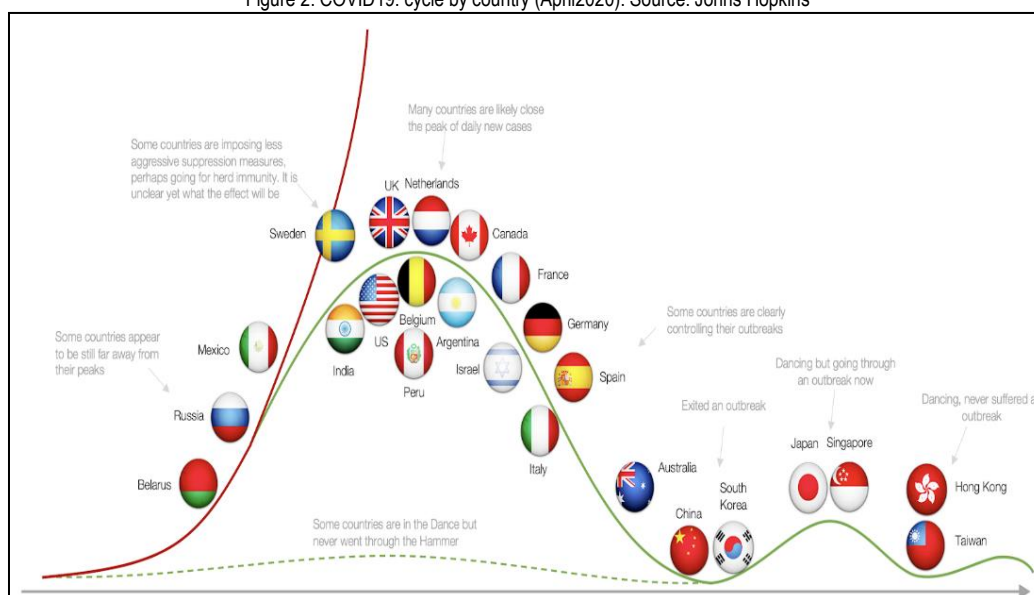
Global

The COVID-19 pandemic appears to be peaking. As of May 7, there were 3.9 mn. cases globally, and 270,000 deaths in the 212 countries and territories of the world. The first 20 countries (in cases) accounted for 85% of total cases and 64% of deaths (Figure 1). These countries are in different continents: Europe (9), Asia (5), North America (3), and South America (3). The different mortality rates (deaths/cases) reflect several factors: the quality of each country's statistics (with those of emerging countries being the least reliable), demography and climate (the most important being the proportion of old people in the population and the season) and the quality and speed of response of each country's medical infrastructure, and its containment measures (quarantine, contact tracing, testing and PPE). The most important indicator for any country is the rate of reinfection (R), measured as the number of people infected by a patient. A rate less than 1 implies that the rate of infection is leveling or going down. In the US it has dropped from 2.5 to 0.9.

Figure 1. COVID19: countries ranked by cases (7May2020). Source: Worldometer

#	País	Casos	Muertes	Mortalidad (%)
1	United States	1,288,051	76,729	6.0%
2	Spain	256,855	26,070	10.1%
3	Italy	215,858	29,958	13.9%
4	United Kingdom	206,715	30,615	14.8%
5	Russia	177,160	1,625	0.9%
6	France	174,791	25,987	14.9%
7	Germany	169,430	7,392	4.4%
8	Turkey	133,721	3,641	2.7%
9	Brazil	132,367	9,054	6.8%
10	Iran	103,135	6,486	6.3%
11	China	82,885	4,633	5.6%
12	Canada	64,835	4,404	6.8%
13	Peru	58,526	1,627	2.8%
14	India	56,351	1,889	3.4%
15	Belgium	51,420	8,415	16.4%
16	Netherlands	41,774	5,288	12.7%
17	Saudi Arabia	33,731	219	0.6%
18	Ecuador	30,298	1,654	5.5%
19	Switzerland	30,126	1,810	6.0%
20	Mexico	27,634	2,704	9.8%

Figure 2. COVID19: cycle by country (April2020). Source: Johns Hopkins



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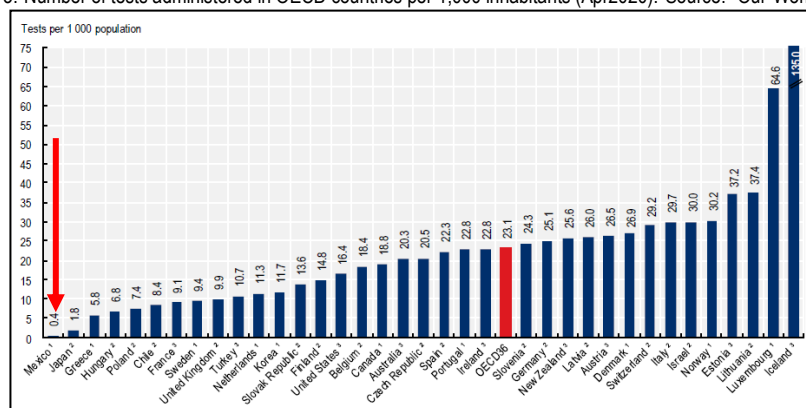
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In Asia countries are at different stages of the COVID curve, because it started there, and in general the responses of Asian countries have been more timely and effective (Figure 2). Another indicator of effective infrastructure has been the number of tests per population (Figure 3).

Figure 3. Number of tests administered in OECD countries per 1,000 inhabitants (Apr2020). Source: Our World in data



Mexico

With 27,634 cases and 2,704 deaths, Mexico is among the top 20 countries in cases, with a mortality rate of 9.8%, higher than the overall average of 6.9% (Figure 1). Undersecretary of Health Hugo López Gatell announced that Mexico is near the peak of the curve, which was due to arrive on May 8. Due to the lack of tests, 50 times less than the OECD average (Figure 3), and confusing explanations provided in daily morning and evening press conferences, there is little confidence, either in or outside Mexico, in official figures.

Tests, cures and vaccines

The WHO has received more than 7,500 studies of COVID19 since it was detected in January 2020. Experiments are being conducted with more than 200 drugs, including tests, cures and vaccines (Figure 4). Among tests, the most promising appears to be that of DARPA, the biological intelligence agency of the US armed forces. Among cures, hydroxychloroquine was boosted by the endorsement of Donald Trump and subsequently its acceptance dropped after therapeutic use. The most promising cure appears to be Remdesivir (Gilead Sciences) which was approved by the US FDA at the beginning of May. Among vaccines, the most promising one, from Oxford University, has worked on Rhesus monkeys and is currently being tested on 6,000 human volunteers: an Indian company is so confident that it is building a plant to produce this vaccine at an estimated cost of US\$85mn

Figure 4. Tests, cures and vaccines in the research stage (May2020). Source: FT

TESTS
SARS-Cov2: Roche.
SARS-Cov2: Abbott Laboratories
Immune System: DARPA (USA)
CURES
Antiviral Hydroxocloriquina: Bayer, Novartis, Sanofi
Remdesivir Antiviral: Gilead Sciences (FDA Approved)
Antidote: Israeli exercise
VACCINES
Generic BCG tuberculosis (first use 1921): Merck
Antivirus vaccines: Oxford University.

REOPENING THE ECONOMY

COVID19 contagion has forced countries to adopt social distancing, with the consequence of total economic lockdown. This has resulted in strong countercyclical measures in each country (see p.5). To reduce the economic cost of lockdown, which increases over time, reopening economies is considered urgent. Several Asian countries, starting with China, had partially reopened their economies since the beginning of April. In Europe, several countries have reopened their economies since mid-April (Figure 5). In each case, a fair balance must be found between ways of reopening (schools, geographical areas, age segmentation, and segmentation by sector of the economy) and containment measures (social distancing, masks, tests, and contact tracing).

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Figure 5. Reopening: strategies of selected European and Asian countries (April 2020). Source: Tony Blair Institute for Global Change

Strategies so far		Germany	Italy	France	Austria	Denmark	Spain	Japan	S. Korea	HK
Easing suppression	Schools	Yellow	Red	Yellow	Red	Yellow	Red	Red	Yellow	Yellow
	Geographic segmentation	Yellow	Yellow	Red	Red	Red	Red	Green	Green	Red
	Age segmentation	Red	Red	Red	Red	Red	Red	Red	Red	Red
	Sector segmentation	Yellow	Yellow	Yellow	Yellow	Green	Yellow	Yellow	Yellow	Yellow
	Shielding	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Red	Red	Red
Containment	Masks	Yellow	Yellow	Yellow	Green	Red	Yellow	Yellow	Green	Green
	Mass testing	Green	Red	Red	Red	Yellow	Red	Red	Green	Yellow
	App-based tracing	Yellow	Red	Red	Yellow	Yellow	Red	Red	Yellow	Yellow

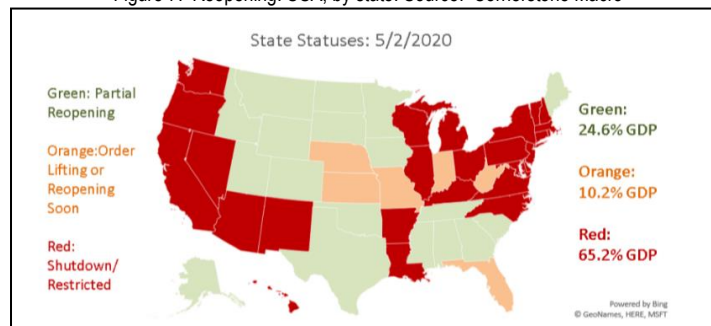
A phased plan has been proposed for any country, depending on its COVID curve, the capacity of its containment systems, and its economic needs (Figure 6). In the UK, on Monday May 11, a reopening was announced which makes an important distinction between people who cannot work at home and those who can, with the criterion that R remains at <1 . What is of most concern is a possible return of COVID, which would be reflected in an economic recovery in the shape of a W, rather than U, or V (see pp. 6 and 8).

Figure 6. Reopening: plan in phases. Source: Tony Blair Institute for Global Change

A contingent exit plan	Individuals	Hospitality, entertainment	Transport	Retail	Schools	Other business	Econ impact
Hard Lockdown if • Daily new cases > 500	Only leave home for exercise, medical need or essential supplies	Closed	Essential transport only	Closed	Closed	Only essential business to be done on-site	Economy around 65% (OBR)
Soft Lockdown if • Daily new cases < 500 • Testing capacity > 100k • Tracing capacity > 50k • Shielding	Work if workplace open and clear tracing app reading, masks where possible otherwise only leave home as for Hard Lockdown. Over-65s as per Hard Lockdown	Partially open with strict capacity limits. Patrons encouraged to show clear contact tracing app reading	Private transport, public transport with masks, social distancing and clear app readings for passengers	Social distancing enforced, entry to shops limited, patrons to wear masks and have clear app reading	Open	Open with social distancing enforced, masks, clear app readings for staff	Economy around 90%
Soft Open if • Daily new cases < 100 • Testing + tracing as for soft LD	Public gatherings < 100 allowed, travel to low-risk countries allowed	Open, patrons encouraged to show clear contact-tracing app reading	Private transport, public transport with masks and clear app readings for passengers	Social distancing enforced, masks	Open	Open with social distancing enforced, clear app readings for staff	Economy around 95%

In the case of the US, a plan has been adopted by state, in which each state can decide how to reopen, as well as its own containment rules. On May 4, states were reopened representing up to 35% of the economy and the rest are expected to reopen to some level during the remaining days of May (Figure 7).

Figure 7. Reopening: USA, by state. Source: Cornerstone Macro



Mexico

In Mexico, there is talk of a possible reopening to begin on May 17. According to President Andres Manuel Lopez Obrador (AMLO), municipalities with low cases of infection will reopen first, with the rest to reopen over the rest of the month. The government's idea is to remove the lockdown by June 1. A plan equivalent to those of other countries has not yet been published, but is expected to be announced by the end of the week during which this Perspective is published.

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POLITICS

USA

China

In early May, when the US and China were in the process of renegotiating another trade agreement, there was controversy over the origin of the coronavirus, with Secretary of State Mike Pompeo hinting that the origin of the virus was a biological laboratory located in the city of Wuhan, not a "wet (wild animal) market" (as had been widely thought) in the same city. After a few days, the situation was defused, and negotiations were supposed to resume in the week beginning May 11.

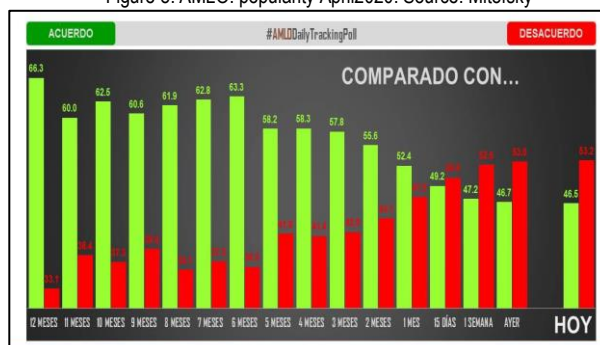
Elections

In the RealClearPolitics "poll of polls" for the November 2020 presidential election Joe Biden has a 47.6 vs. 42.3 lead over Donald Trump. This may be positive due to less protectionist trade policies and a less erratic and more global style of government, but could involve a tax increase for businesses and individuals.

MEXICO

AMLO continues to show a consistently anti-neoliberal tone in his daily morning press conferences. He rejected a countercyclical economic program against COVID and scoffed at a US\$12bn. loan from the Inter-American Development Bank (IDB) to Mexican companies arranged by the Business Coordinating Council, apparently because he was not involved. At the beginning of May, CENACE, an energy regulator, issued a decree prohibiting the purchase by the CFE of renewable energy (wind and solar), in favor of energy generated by polluting fuel supplied by Pemex, and to the detriment of the private sector and consumers. AMLO also criticized doctors for being more interested in money than helping their patients. Coupled with his erratic performance during the COVID crisis, AMLO's tone has provoked media and social media protests and contributed to a further decline in his popularity, relevant to the 2021 interim elections (Figure 8).

Figure 8. AMLO: popularity April2020. Source: Mitofsky



ECONOMIC POLICY RESPONSES TO THE COVID19 CRISIS

Global monetary and fiscal stimulus approved by most important economies has no historical precedent (Figure 9). Unlike 2008, when only monetary stimulus was used, there has been fiscal stimulus as well, with bipartisan consensus in many countries. Monetary stimulus is estimated at US\$10.42trn. and fiscal stimulus US\$10.02 trn., a total of US\$20.44trn., representing 23.6% of global GDP.

Figure 9. Monetary and fiscal stimulus: by zone (Feb-abr2020)... Source: Cornerstone Macro

	Central Bank Potential Liquidity Injection		Govt Fiscal Stimulus		Central Bank Liquidity Injection and Govt Fiscal Stimulus	
	\$ Tln	% GDP	\$ Tln	% GDP	\$ Tln	% GDP
U.S.***	\$6.21	29.0%	\$3.30	15.4%	\$9.51	44.4%
Eurozone	\$1.10	8.3%	\$2.83	21.2%	\$3.93	29.5%
Japan**	\$0.75	14.6%	\$0.99	19.2%	\$1.74	33.7%
U.K.	\$0.25	9.0%	\$0.14	5.1%	\$0.39	14.1%
China	\$1.44	10.0%	\$0.68	4.7%	\$2.11	14.7%
Others*	\$0.68		\$2.09		\$2.76	
Global	\$10.42	12.0%	\$10.02	11.6%	\$20.44	23.6%

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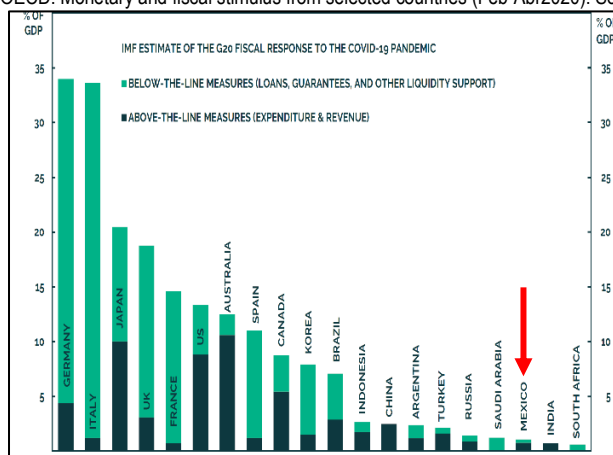
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Stimuli differ between countries. Mexico is close to the lowest level of the OECD, below Brazil and Argentina (Figure 10).

Figure 10. OECD: Monetary and fiscal stimulus from selected countries (Feb-Apr2020). Source: OECD



ECONOMICS

Global growth

The International Monetary Fund (IMF) revised its growth estimates following the outbreak of COVID19, the consequent lockdown, and monetary and fiscal reaction (Figure 11). Estimated growth of -3% in 2020 represents the worst global recession since the 1930s. By 2021, it estimates global growth at 5.8%, which seems to rule out a depression like the 1930s. It also appears to involve a V-shaped recovery in the second half of 2020, compared to U or W (a longer recovery), or an L (which would be equivalent to depression). For Mexico, its growth forecasts are considered optimistic (-6.6% 2020, +3% 2021).

Figure 11. IMF: Growth forecasts 2020-2021 (Abr2020).. Source: IMF

(real GDP, annual percent change)	2019	2020	2021
World Output	2.9	-3.0	5.8
Advanced Economies	1.7	-6.1	4.5
United States	2.3	-5.9	4.7
Euro Area	1.2	-7.5	4.7
Germany	0.6	-7.0	5.2
France	1.3	-7.2	4.5
Italy	0.3	-9.1	4.8
Spain	2.0	-8.0	4.3
Japan	0.7	-5.2	3.0
United Kingdom	1.4	-6.5	4.0
Canada	1.6	-6.2	4.2
Other Advanced Economies	1.7	-4.6	4.5
Emerging Markets and Developing Economies	3.7	-1.0	6.6
Emerging and Developing Asia	5.5	1.0	8.5
China	6.1	1.2	9.2
India	4.2	1.9	7.4
ASEAN-5	4.8	-0.6	7.8
Emerging and Developing Europe	2.1	-5.2	4.2
Russia	1.3	-5.5	3.5
Latin America and the Caribbean	0.1	-5.2	3.4
Brazil	1.1	-5.3	2.9
Mexico	-0.1	-6.6	3.0
Middle East and Central Asia	1.2	-2.8	4.0
Saudi Arabia	0.3	-2.3	2.9
Sub-Saharan Africa	3.1	-1.6	4.1
Nigeria	2.2	-3.4	2.4
South Africa	0.2	-5.8	4.0
Low-Income Developing Countries	5.1	0.4	5.6

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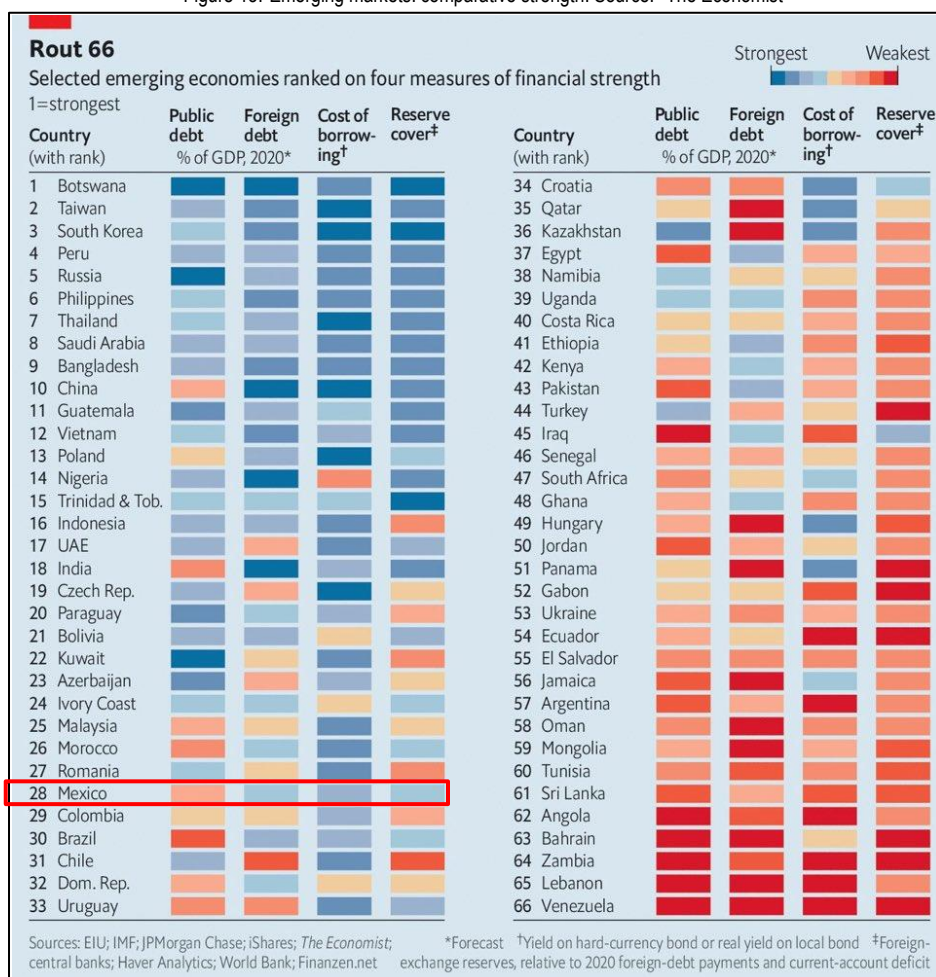
Mexico: economic forecasts for 2020-2021

Figure 12. Mexico: economic projections.. Source: Bank of Mexico survey

	Media Encuesta		Mediana Encuesta	
	marzo	abril	marzo	abril
Inflación General (dic.-dic.)				
Expectativa para 2020	3.75	2.83	3.64	2.90
Expectativa para 2021	3.61	3.51	3.51	3.50
Inflación Subyacente (dic.-dic.)				
Expectativa para 2020	3.61	3.32	3.50	3.34
Expectativa para 2021	3.50	3.43	3.49	3.44
Crecimiento del PIB (Δ% anual)				
Expectativa para 2020	-3.99	-7.27	-3.50	-7.10
Expectativa para 2021	1.88	2.52	1.70	2.20
Tipo de Cambio Pesos/Dólar (cierre del año)				
Expectativa para 2020	22.27	23.36	21.95	23.05
Expectativa para 2021	21.96	23.03	21.70	22.39
Tasa de fondeo interbancario (cierre del IV trimestre)				
Expectativa para 2020	5.60	4.82	5.50	5.00
Expectativa para 2021	5.48	4.94	5.50	5.00

Growth forecasts of -7.1% in 2020 and 2.2% in 2021 from a Banxico survey are slightly lower than the IMF (Figure 12). Although the government has not announced countercyclical measures, Mexico does not look so bad compared to other EMs (Figure 13). While it is #28 on the list, in terms of international reserves and cost of financing, it looks relatively strong, but weak in terms of the total debt/GDP ratio.

Figure 13. Emerging markets: comparative strength. Source: The Economist



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RISKS AND SCENARIOS FOR 2020

The goal is Mexico's economic growth. In the positive scenario, all risks turn out favorable to growth, in the negative scenario, unfavorable, and in the middle scenario, mixed. Economic estimates for each scenario are provided in Figure 14.

Risks	
<i>Global</i>	<ul style="list-style-type: none"> • Pandemic • Global: monetary and fiscal policies • US elections. • Geopolitics: Saudi Arabia, Europe, Middle East, Russia, China, North Korea, Latin America • Oil • Emerging Markets (EM).
<i>Mexican</i>	<ul style="list-style-type: none"> • Governance • Security • Corruption • Credit rating
Scenarios	
<i>Positive (25%)</i>	<ul style="list-style-type: none"> • Pandemic controlled in 2Q20, V shaped recovery. • Global: well-executed monetary and fiscal policies. • USA: positive elections. • Geopolitical risks do not materialize. • Oil: price maintained • EM: crisis overcome. • Mexico: improved governance, security, private sector confidence improves, credit upgrade..
<i>Negative (25%)</i>	<ul style="list-style-type: none"> • Pandemic controlled after 4Q20. L shaped recovery. • Global: poorly executed monetary and fiscal policies. • USA: negative outcome. • Geopolitical risks materialize. • Petroleum: price collapse • EM: crisis • Mexico: worse governance, insecurity, private sector confidence worse, credit downgrade.
<i>Medium (50%)</i>	<ul style="list-style-type: none"> • Pandemic controlled in 3Q20, U or W shaped recovery. • Global: partially well-executed monetary and fiscal policies. • USA: mixed election outcome. • Geopolitical risks partially materialize. • ME: partial crisis. • Mexico: governance ambivalent, insecurity, private sector confidence unchanged, credit rating unchanged.

Figure 14. Estimates for 2020 scenarios (*estimated 2019) Source: FT

	Escenarios para 2020			2019
	Alto	Bajo	Base	Observados
Probabilidad	25%	25%	50%	
EU				
Crecimiento PIB	> -4.20%	< -4.20%	-4.20%	2.30%
Inflación	> 1.00%	< 1.00%	1.00%	1.80%
Déficit fiscal	< 12.10%	> 12.10%	12.10%	4.70%
Déficit cuenta corriente	< 2.20%	> 2.20%	2.20%	2.30%
Tasa T-Bills	> 0.30%	< 0.30%	0.30%	1.75%
TNote 10 US	> 0.90%	< 0.90%	0.90%	1.92%
Petróleo (WTI)	> \$29.78	< \$29.78	29.78	61.06
México				
Crecimiento PIB	> -7.27%	< -7.27%	-7.27%	-0.10%
Inflación	> 3.32%	< 3.32%	3.32%	2.83%
Déficit fiscal	< 3.90%	> 3.90%	3.90%	1.60%
Déficit cuenta corriente	< 0.10%	> 0.10%	0.10%	0.5%*
Cetes28 (fin de año)	> 4.95%	< 4.95%	4.95%	7.30%
Peso/US\$ (fin de año)	< \$23.36	> \$23.36	23.36	18.86

Fuentes Franklin Templeton, SHCP, Bloomberg y Encuesta Banxico (publicada el 4 de mayo de 2020). * Pronósticos

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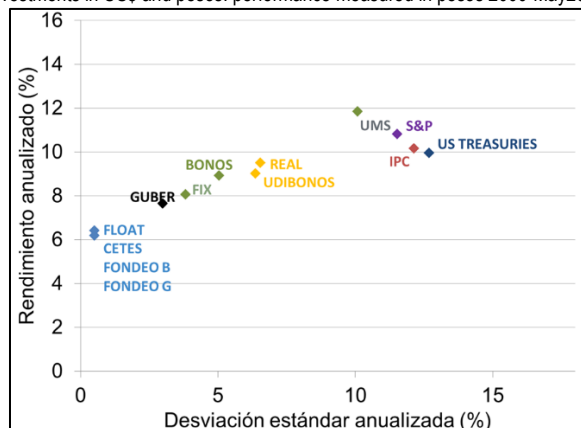
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MARKETS

Investments in US\$ and pesos: comparative performance

Following peso depreciation due to COVID, over the long term (2000-2020) investments in US\$ yielded higher returns (converted to pesos) than pesos denominated investments for the second successive month (albeit with higher risk), for the first time since 2015 (Figure 15).

Figure 15. Investments in US\$ and pesos: performance measured in pesos 2000-May2020. Source: FT



US\$ and peso

Due to the pandemic currencies have depreciated against the US\$, with the peso one of the most affected due the lack of anti-COVID stimuli and a clear re-reopening plan (Figures 16 and 17). The sentiment survey by Bank of Mexico is close to its worst historical level: 2% better (previous 3%), 6 % without change (3%), 92% worse (94%) although not as bad as the previous month (Figure 18).

Figure 16. Peso vs. US\$: 1980-8May2020. Source: FT

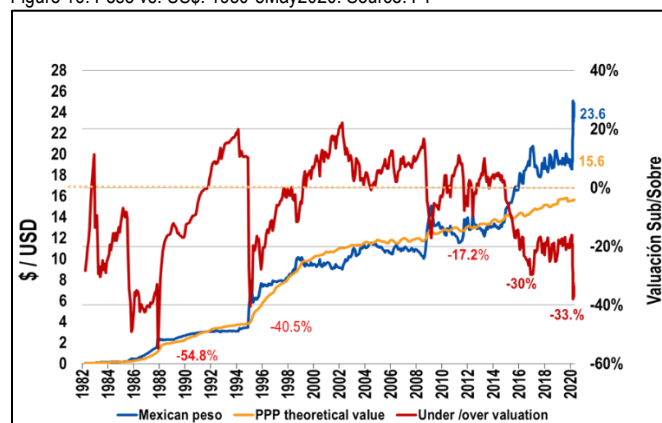


Figure 17. Emerging currencies vs. US\$ YTD 7May20 Source: Bloomberg.

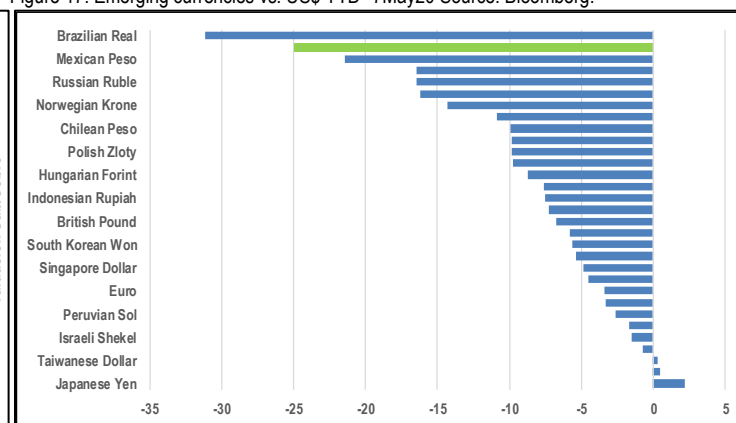
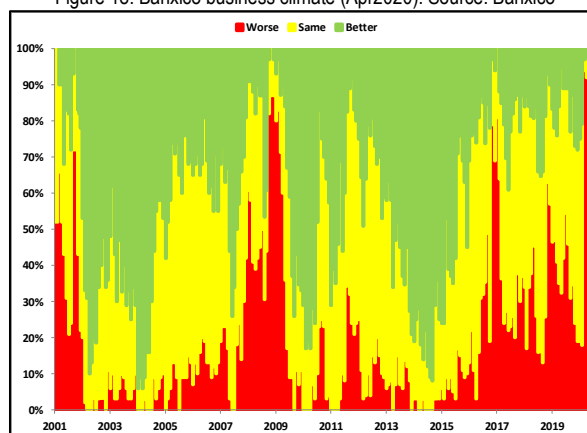


Figure 18. Banxico business climate (Apr2020). Source: Banxico



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Debt

Increase in Fed balance sheet

The Fed has acted faster and stronger than in the 2008-2009 crisis, increasing its balance sheet significantly in recent weeks. Monetizing the debt, it has bought more government bonds in the last 6 weeks than cumulative foreign investment over the last 8 years. Although there are fears of inflation, it appears likely that this would only occur in the medium to long term as it is expected that there will be an "output gap" of at least 2 years until the US economy reaches its productive capacity and returns to its 2019 GDP level (US\$21trn.) – GDP is currently estimated at an annualized US\$19trn. As most EMs have lowered their short-term interest rate, long rates are expected to end up falling by year-end, with Mexico a surprising exception. Mixed movements are expected for DMs (Figure 19).

Figure 19. DM and EM: nominal 10-year rates expected by the end of 2020 (5May 20). Source: Bloomberg, FT

Developed				Emerging			
local 10y yields (%)				local 10y yields (%)			
	4Q20e	Actual	(bps)		4Q20e	Actual	(bps)
US	0.91	0.63	27.64	China	2.44	2.52	-7.6
Euro Area	(0.34)	(0.56)	22.1	India	5.88	6.08	-20.2
Japan	(0.04)	(0.03)	-1	Rusia	5.93	6.07	-13.6
Britain	0.54	0.23	30.7	Brasil	6.08	7.19	-111
Australia	0.72	0.83	-11.2	México	7.16	6.58	58
Canada	0.85	0.54	30.7	Corea del sur	1.32	1.50	-17.6
Germany	(0.34)	(0.56)	22.1	Indonesia	6.80	8.07	-127
France	0.07	(0.06)	12.6	Turquia	11.11	11.86	-75

In March and April, the three main rating agencies changed their views on Pemex and Mexico. Fitch, with the lowest rating (BBB-) changed its outlook to stable, which implies no change of rating in the short term. S&P and Moody's have their outlook at negative, which implies a possible downgrade in the near future, while still maintaining investment grade (Figure 20).

Figure 20. Global rating and outlook of Mexico and Pemex. Source: S&P, Fitch and Moody's

	S&P	Fitch	Moody's
• México	BBB, negativo	BBB-, estable	BBB+, negativo
• Pemex	BBB, negativo	BB-, estable	BB, negativo

If Mexico lost its investment grade, an estimated US\$26bn. would immediately be sold owing to the removal of Mexico from various indices of investment grade debt. This figure represents about 30% of foreign investors' holdings in local debt.

Stocks

Uncertainty about COVID has affected all stock markets (Figure 21), with a clear difference between DM and EM, many reflecting their pandemic performance. P/E and P/Bk multiples of the Mexican and US stock markets remain at historically low levels (Figures 22 and 23).

Figure 21. Stocks: DM and EM YTD 8May2020 (US\$). Source: Bloomberg

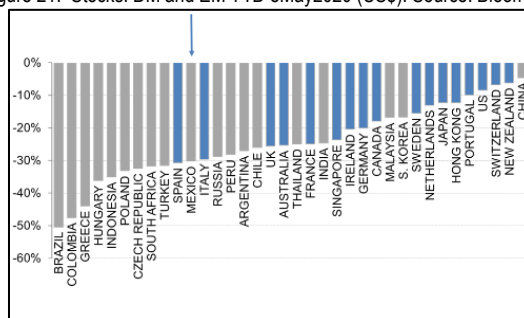


Figure 22. IPC and S&P500: P/E multiples 8May20

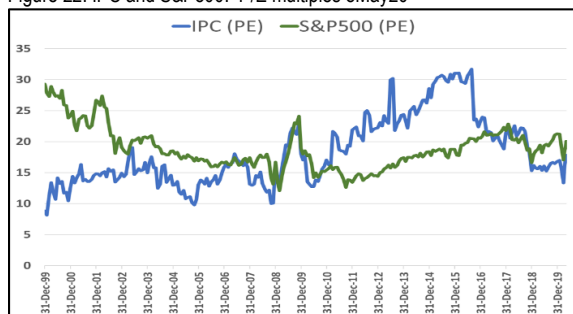
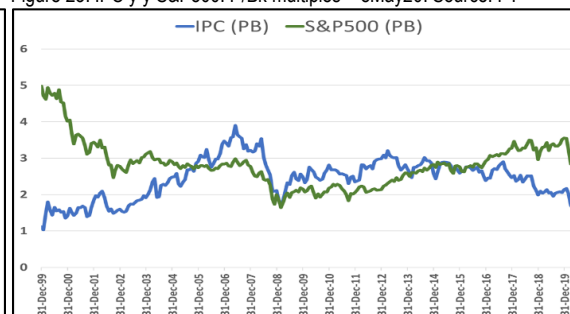


Figure 23. IPC y S&P500: P/Bk multiples 8May20. Source: FT



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REITs (Fibras)

REITs have outperformed stocks since 2011 but not YTD 2020 (Figure 24). Meanwhile, with the economic reopening, especially of US-linked manufacturers, there could be interesting opportunities (Figure 25).

Figure 24. REITs (Fibras) vs. IRT since inception (mar2011-8May20) Source: Bloomberg

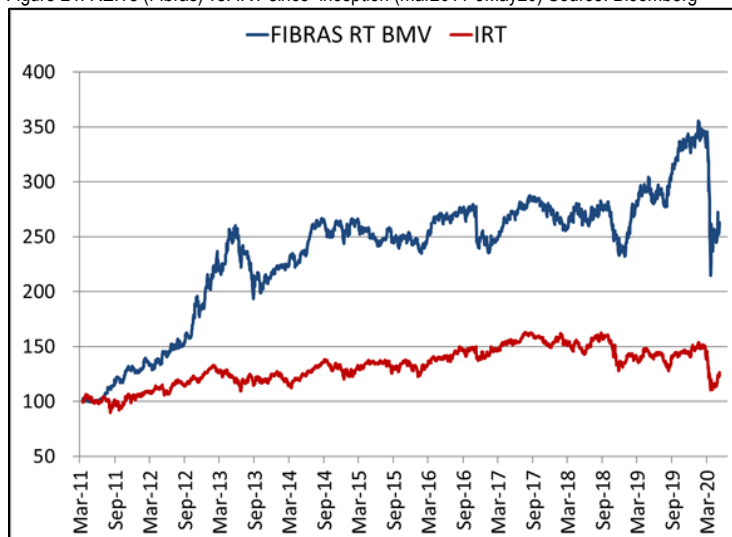


Figure 25. REITs: important indicators (may20). Source :BTG

	Market Cap	Dividend Yield %			Price / NAV	
	(US\$mm)	Current	2020E	2021E	2020E	2021E
Mexican FIBRAS						
Fibra Uno	2,926	13.0%	12.5%	12.5%	0.44	0.44
Fibra MQ	616	9.4%	9.8%	10.7%	0.49	0.45
Fibra Shop	139	11.8%	11.1%	8.3%	0.29	0.28
Fibra Terrafina	746	11.0%	10.1%	11.4%	0.64	0.62
Fibra Danhos	1,092	13.5%	12.9%	13.2%	0.47	0.48
Fibra Prologis	1,016	7.1%	6.0%	6.0%	0.84	0.84
Fibra Hotelera	143	18.1%	18.8%	19.4%	0.28	0.28
Fibra Inn	106	9.8%	7.5%	7.5%	0.29	0.29
Fibra Monterrey	330	12.8%	11.7%	12.1%	0.65	0.65

Conclusion

Taking account of global and Mexican risks, we have not changed the probabilities of each scenario. For peso portfolios maintain ILS short duration positions meanwhile looking for opportunities during the reopening period to increase duration and weighting in risk assets, including stocks and REITs.

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May 12, 2020

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Key financial indicators: performance as of April 30, 2020

During April, in Mexico, IRT rose 5.69% and RT FIBRAS 1.33%. Nominal rates are down. Actual rates rose for the 30-year term. The US\$ was strengthened 1.89% against the peso. In the US: Nasdaq, DJ and S&P500 rose. Nominal and real rates fell in all timeframes. WTI price dropped 8.01%. Regarding the business climate according to Banxico, optimism remained at 3%, the outlook remained unchanged to 6% (3%), and pessimism dropped to 92% (94%).

Mexico					
Stock market and oil					
	30-Apr-20	31-Mar-20	Month	YTD	2019
IRT	51,508.65	48,737.54	5.69%	-15.93%	7.92%
BIVA RT	796.15	749.32	6.25%	-15.85%	8.97%
FIBRAS BMV RT	258.81	255.42	1.33%	-21.98%	42.34%
Local currency (USD/MXN)	23.93	23.48	1.89%	28.85%	-4.00%
Mexican oil mix (USD/bbl)	12.5	10.76	16.17%	-77.73%	25.62%
Nominal rates					
	30-Apr-20	31-Mar-20	Month	YTD	2019
CETES 28	5.66%	6.52%	-86 bps	-164 bps	-112 bps
CETES 360	5.27%	6.10%	-83 bps	-143 bps	-179 bps
M5	5.60%	6.55%	-94 bps	-115 bps	-177 bps
M10	6.69%	7.14%	-45 bps	-17 bps	-180 bps
M30	7.69%	7.92%	-23 bps	49 bps	-170 bps
Real rates					
	30-Apr-20	31-Mar-20	Month	YTD	2019
UDIBONO 10	3.32%	3.64%	-32 bps	-7 bps	-72 bps
UDIBONO 30	3.74%	3.73%	1 bps	29 bps	-67 bps
Commodities					
	30-Apr-20	31-Mar-20	Month	YTD	2019
Gold	1,681.81	1,585.93	6.05%	10.63%	18.70%
WTI (USD/bbl)	18.84	20.48	-8.01%	-69.15%	36.63%
UMS					
	30-Apr-20	31-Mar-20	Month	YTD	2019
UMS 10 years	4.53%	3.77%	76 bps	133 bps	-173 bps
UMS 20 years	5.93%	5.09%	83 bps	180 bps	-166 bps
UMS 30 years	4.88%	5.68%	-80 bps	27 bps	-123 bps
Stock markets (US\$)					
	30-Apr-20	31-Mar-20	Month	YTD	2019
MSCI Developed	8,756.46	7,890.18	10.98%	-12.25%	28.40%
MSCI Emerging	2,145.50	1,965.16	9.18%	-16.55%	18.90%
MSCI Mexico	5,964.76	5,746.09	4.33%	-32.64%	11.77%
MSCI Brazil	4,205.48	3,989.44	5.42%	-47.51%	26.66%
US					
Stock market					
	30-Apr-20	31-Mar-20	Month	YTD	2019
DJ	24,345.72	21,917.16	11.08%	-14.69%	22.34%
S&P	2,912.43	2,584.59	12.68%	-9.85%	28.88%
Nasdaq	8,889.55	7,700.10	15.45%	-0.93%	35.23%
Nominal rates					
	30-Apr-20	31-Mar-20	Month	YTD	2019
Tbill 90	0.09%	0.11%	-2 bps	-146 bps	-90 bps
Tnote 5	0.36%	0.37%	-1 bps	-133 bps	-82 bps
Tnote 10	0.64%	0.70%	-6 bps	-128 bps	-77 bps
Tbond 30	1.28%	1.35%	-7 bps	-111 bps	-59 bps
Real rates					
	30-Apr-20	31-Mar-20	Month	YTD	2019
Tip 5	-0.36%	-0.12%	-24 bps	-37 bps	-99 bps
Tip 10	-0.43%	-0.17%	-26 bps	-58 bps	-83 bps
Tip 30	-0.12%	0.16%	-28 bps	-70 bps	-63 bps
Bank of Mexico survey					
Indicator	2020	2020 anterior			
PIB	-7.27%	-3.99%			
Inflation	2.83%	3.75%			
Cetes 28	4.95%	5.70%			
Local currency	23.36	22.27			
Business conditions					
	30-Apr-20	31-Mar-20			
Optimism	3%	3%			
No change	6%	3%			
Pessimism	92%	94%			

Source: Bloomberg, Bank of Mexico

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* Timothy Heyman, President of FTSAM, founded Heyman and Associates in 1985. In 2013, Franklin Templeton established FTSAM and acquired Heyman and Associates.

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