

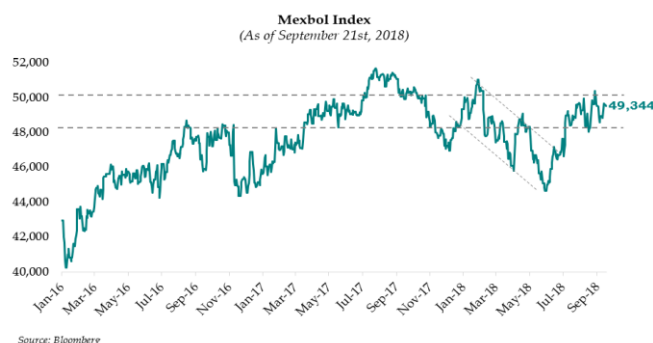
Markets Await Upcoming Events

Between September 17th and September 21st, the spot exchange rate closed at 18.83 pesos per dollar, which implies a weekly appreciation of 0.32% and a depreciation of 1.04% in 2018. It is noteworthy that the peso appreciated despite Canada and the United States not having reached an agreement on NAFTA. One of the main points of disagreement revolves around dispute resolution mechanisms, in which the United States proposes replacing the current process - a binational expert panel reviews controversies- with domestic courts or administrative tribunals. A favorable outcome for Canada would also be beneficial for Mexico.

The Mexican currency reached a minimum value of 18.01 in April when expectations were high on completing trade negotiations -which did not happen- and reached a maximum of 20.88 pesos two weeks before Mexico presidential election. This wide fluctuation range is pernicious for investment portfolios and financial planning; nevertheless, a reduction in exchange rate fluctuation could be possible towards the end of the year. The latter, due to the commercial understanding between Mexico and the United States, as it eliminates the primary source of volatility in the foreign exchange market. In the coming months, currency fluctuation could depend on the new government public policies. In this respect, it would be convenient to follow up on upcoming events. Namely:

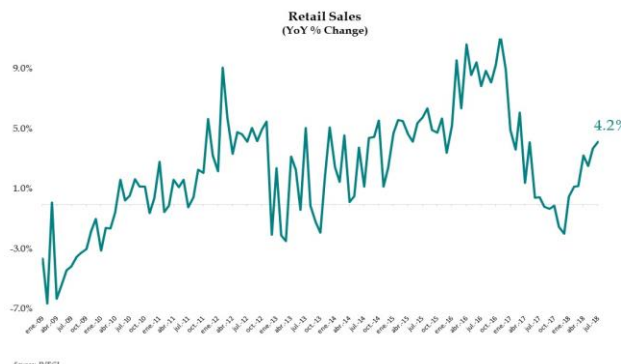
1. On October 28th, the new administration will submit a popular consultation on Mexico City New International Airport (NAIM). Alternatives are: to continue with the new airport construction or to expand Santa Lucia military airbase instead. Cancellation of the current project could have an adverse effect, and Mexbol could have a downward adjustment given that a breach of contract could come across as a negative signal.
2. The new government has repeatedly declared its commitment to fiscal prudence. The magnitude of this commitment, to maintain a primary surplus in 2019, could be verified by looking into the Economic Policy Broad Guidance document and the budget for 2019. The new administration must submit both before Congress approval before December 15th.
3. Manuel Ramos Francia, Banco de México Vice-Governor, ends his term on December 31st. It will be essential to understand the profiles put forward by the new president to supersede him, and thus appraise his commitment to central bank independence.

Furthermore, Mexbol closed at 49,344 points; which implies a weekly fall of 0.54% and leaves the index practically unchanged compared to January. The latter validates the lateral trend that started a week after election day and kept on after the commercial understanding between Mexico and the United States in August. In the coming months, Mexbol could sway between 48,000 and 50,000 points, while the market consolidates expectations on new government policies.



Economic indicators

Retail sales in Mexico increased by 4.2% in July, which is above the market consensus of 2.8% and above retail sales growth in June of 3.7%. This has been the most considerable upturn in retail sales since March 2017 and represents an increase of 2.4% compared to July 2017.



Eugenia Pichardo & Arnulfo Rodríguez
 Equity Portfolio Manager & Macro and Debt Strategist
 Investor Relations: igarcia@paminversion.com
 (55) 5261 4600



Pichardo Asset Management, SA de CV
An Independent Investment Advisory Firm

www.paminversion.com
Andres Bello 45, 22nd Floor,
Polanco, 11550 CDMX, México
Phone: + 52 (55) 52 61 46 00 /04/21/16

epichardo@paminversion.com
Equity Portfolio Manager

arodriguez@paminversion.com
Macro Strategist & Debt Portfolio Manager

destevev@paminversion.com
Financials Analyst
Assistant Portfolio Manager

jelizalde@paminversion.com
Industrials Analyst
Assistant Portfolio Manager

lcalzada@paminversion.com
Compliance

Definitions

Mexican Stock Exchange – The Mexican Stock Exchange headquartered in Mexico City, is the full service securities exchange of the country, dealing in cash equities, derivatives and fixed income products.

INEGI - The National Institute of Statistics and Geography. It is the institution responsible for performing the population census every ten years; as well as the economic census every five years and the agricultural, livestock and forestry census of the country.

IIF: Institute of International Finance

Disclosures

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