

Positivism in financial markets prevails for the end of the year

Even though it was a short week, the positive mood in financial markets prevailed, given better expectations for 2020 that will begin without risk factors that overshadowed the economic outlook in 2017, 2018, and 2019. Especially, risk factors such as fears of trade disruptions between Mexico and the United States, tightening of the monetary policy of the Federal Reserve, a "hard" Brexit, and a possible global recession due to the trade conflict between China and the United States have considerably reduced. Therefore, the possibility of starting 2020 with a better outlook allowed the main financial markets to have a positive week.

Mexican Stock Exchange

In the context of low-volume trading sessions, Mexbol ended its trend of two consecutive weeks with gains and closed the week with a weekly decline of -0.06% in dollar terms to close at 44,307. In December, Mexbol had a 7.48% return, primarily driven by the trade agreement reached by Mexico, the United States and Canada at the beginning of the month; and the phase one agreement between the United States and China. Year to date (YTD), Mexbol has a 14.22% return.

Spot Exchange Rate

The spot exchange rate closed at MX\$18.84 per dollar, representing a Mexican peso appreciation of 2.51% and 4.34% in the past three weeks and YTD, respectively. The Mexican peso will likely continue to strengthen against the U.S. dollar for the third year in a row; In 2017 it gained 5.19%, in 2018, it remained flat, while in 2019, it is close to ending the year with a good appreciation.

ECONOMIC INDICATORS

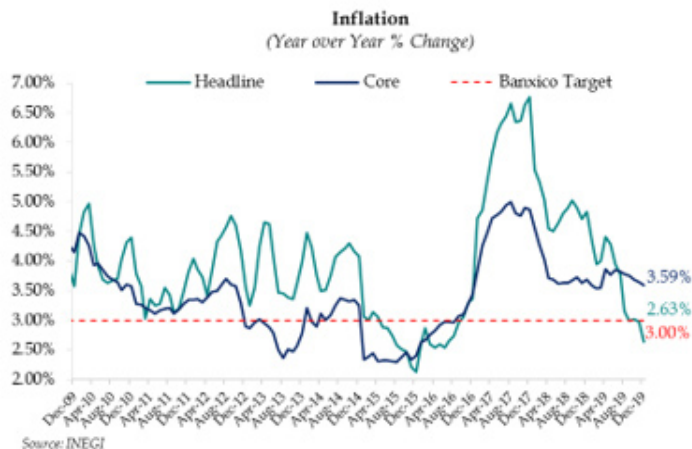
Trade Balance

The trade balance in November presented a surplus of US\$790 million, which compares positively with the US\$-2.3 billion deficit observed YoY. Thus, in the eleven months of this year, the trade balance presents a US\$2.75 billion surplus, a figure that compares with the US\$-15.47 billion deficit seen in the same period of the year 2018. The annual surplus results from a 2.3% YTD increase in exports and a 2.1% decrease in imports, in both cases until November.

Exports									
	2018	% of Total	Annual Change	2019 YTD	% of Total	Annual Change	Nov-19	% of Total	Annual Change
Total Exports	450,685	100.0%		421,452	100.0%	2.3%	37,486	100%	2.9%
Oil	30,691	6.8%	28.98%	23,678	5.6%	-16.6%	1,838	4.9%	-21.1%
Crude Oil	26,512	5.9%	32.25%	20,662	4.9%	-16.1%	1,675	4.5%	-17.7%
Others	4,089	0.9%	11.18%	3,017	0.7%	-19.6%	158	0.4%	-45.0%
Non-Oil	420,083	93.2%	8.91%	397,774	94.4%	3.6%	35,662	95.1%	-1.7%
Agricultural	16,508	3.7%	3.17%	16,416	3.9%	9.9%	1,579	4.2%	15.0%
Mining	6,232	1.4%	14.83%	5,602	1.3%	-1.3%	519	1.4%	21.8%
Manufacturing	397,344	88.2%	9.08%	376,756	89.2%	3.5%	33,564	89.5%	-2.7%
Automotive Industry	142,176	31.5%	12.24%	135,897	32.2%	4.0%	12,388	32.4%	-3.5%
Others	255,165	56.6%	7.39%	240,860	57.0%	3.2%	21,426	57.1%	-2.2%
Imports									
	2018	% of Total	Annual Change	2019 YTD	% of Total	Annual Change	Nov-19	% of Total	Annual Change
Total Imports	464,302	100.0%	10.4%	419,700	100%	-2.1%	36,705	100%	-10.3%
Oil	53,762	11.6%	28.4%	43,542	10.4%	-12.4%	3,574	9.7%	-26.2%
Non-Oil	410,541	88.4%	7.9%	376,158	89.6%	-0.7%	33,131	90.3%	-8.2%
Consumption Goods	43,616	9.4%	3.1%	40,273	9.6%	0.2%	3,952	10.8%	-1.3%
Intermediate Goods	321,037	69.1%	8.8%	297,621	70.9%	0.4%	25,690	70.0%	-8.8%
Capital Goods	45,887	9.9%	11.9%	38,264	9.1%	-9.6%	3,489	9.5%	-11.3%
Trade Balance									
	2018			2019 YTD			Nov-19		
Trade Balance	-13,618	-17.1%		2,752	0.0%		790	41.9%	

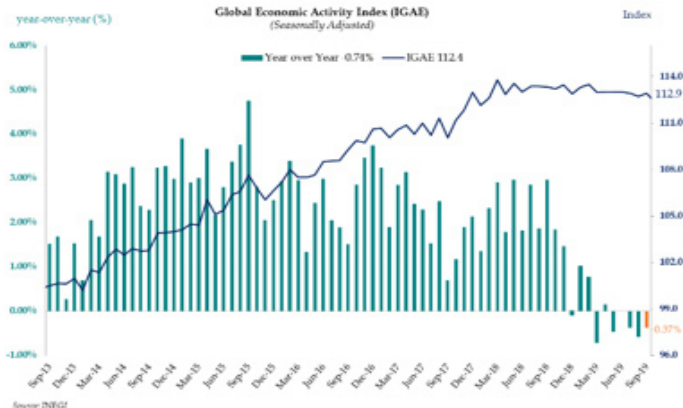
Biweekly Inflation

During the first half of December, the Consumer Price Index (INPC) increased to 2.63% YoY, and remains within Banxico's range target of 3.0% +/- 1.0%. December is the sixth consecutive month in which inflation relies upon Banxico's target and one and a half months below the 3% specific objective. Lower variations in energy prices and some agricultural products drove the fall in the indicator. On the other hand, core annual inflation was 3.59%, with a more moderate decrease.



Global Indicator of Economic Activity

The Global Indicator of Economic Activity (IGAE) had a -0.74% YoY decline in October. Although the agricultural sector had an impressive 9.27% YoY increase, the highest so far this year, both industrial activity and services showed annual drops of -2.83% and -0.07%, respectively. With this data, the industrial activity accumulates thirteen months with annual falls. This data represents the first of three that will integrate the report for 4Q19, which shows that the outlook maintains the trend of the year.



Unemployment Rate

The Unemployment Rate released by INEGI decreased from 3.58% of the Economically Active Population (PEA) in October to 3.53% in November. Additionally, the sub-occupation rate (referring to the percentage of the employed population that has the need and availability to offer more work time) increased from 7.5% in the last month to 8.2%.

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Definitions

Mexbol: The S&P/BMV IPyC seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores. It is not possible to invest in an index.

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.

The National Institute of Statistics and Geography (INEGI): Is an autonomous agency of the Mexican Government dedicated to coordinate the National System of Statistical and Geographical Information of the country.

Year to Date: (YTD): Refers to the period of time beginning the first day of the current calendar year or fiscal year up to the current date.

Year over Year (YoY): Indicates the change from the comparable amount reported in the same period one year earlier.

Inflation: Is a quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period of time.

Brexit: Is an abbreviation for "British exit," referring to the U.K.'s decision in a June 23, 2016 referendum to leave the European Union.

Global Indicator of Economic Activity (IGAE in Spanish): Allows to know and monitor the monthly evolution of the real sector of the economy.

Trade Balance: The difference between the value of a country's imports and its exports for a given period.

Spot Exchange Rate: Is the current price level in the market to directly exchange one currency for another, for delivery on the earliest possible value date

Banco de México (Banxico): Is the central bank of Mexico. Its main function is to provide domestic currency to the Mexican economy and its main priority is to ensure the stability of the domestic currency's purchasing power.

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