

**Monetary policy in China and a positive labor report in the USA**

The positive trend in global equity markets that characterized the week, began after China's central bank announced a liquidity injection of approximately US\$115 billion, as a measure to reduce the economic slowdown that the health outbreak will cause China. In Mexico, concerns regarding a lower than 1.0% economic growth in 2020 are increasing, and limited Mexbol Performance.

**Mexican Stock Exchange**

Mexbol closed at 44,399, representing a weekly gain of 1.18% and a year-to-date (YTD) return of 2.56%. The weekly progression occurred despite the publication of weak economic figures:

- i. Annual inflation rose in January and stood at 3.24%. The hike in inflation, along with the financial market's volatility due to the coronavirus outbreak, reduces the possibility of a decrease in Banxico's reference rate in February's meeting.
- ii. For the second consecutive month, consumer confidence had a YoY decline; this could lead the resilient consumption data to significant deterioration.
- iii. Data from the automotive industry, which represents approximately 4% of the GDP, once again displayed negative growth rates in sales, purchases, and production.

**Spot Exchange Rate**

The spot exchange rate closed at MX\$18.76 per dollar, which implies a weekly appreciation of 0.42%; the year to date appreciation amounts to 0.88% and benefits by:

- i. A lower systemic risk perception: the CBOE Volatility Index (VIX), which measures real-time expectations of market volatility over the next 30 days, had a -19.53% weekly decrease.
- ii. Banxico announced that in 2019 remittances amounted to more than US\$36 billion, the highest figure since Banxico has registers (1995). Additionally, the international trade data of the United States displayed that Mexico had a US\$101 billion surplus with that country.

**Interest Rates**

On February 13<sup>th</sup>, Banxico's Governing Board will hold its first monetary policy meeting of the year. Market consensus expects a 25-basis points rate cut. However, the recent hike in inflation and financial markets' volatility, could cause the Board to postpone the reduction until the March 26<sup>th</sup> meeting. The 10-year M Bond yield remained virtually unchanged at 6.63% (+0.6 bps).

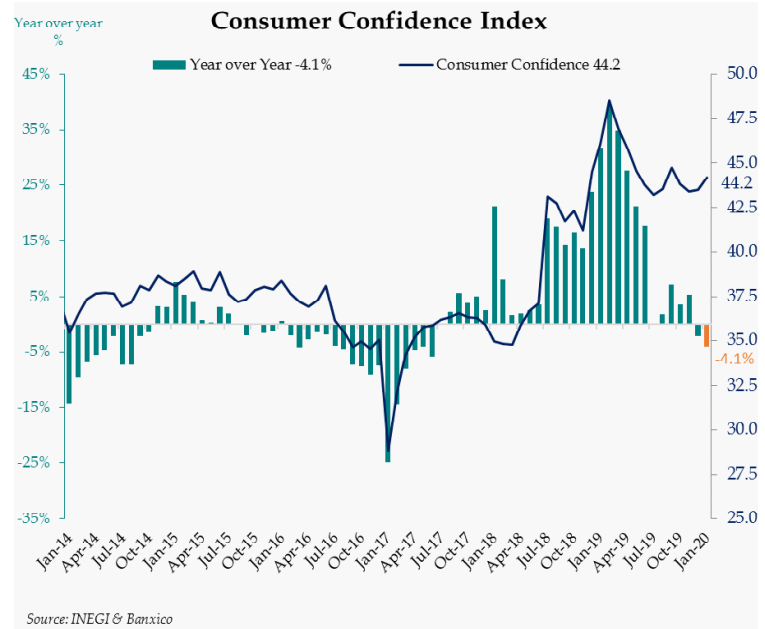
**Economic Indicators**

**Remittances**

Remittances amounted to US\$36.04 billion in 2019, the highest amount since the central bank keeps track (1995). However, the 4Q19 data displayed a slight deceleration YoY; the solid momentum that the US economy is experiencing, and its robust employment figures allow us to estimate that in 2020 the arrival of high amounts of remittances will continue.

**Consumer Confidence**

Consumer confidence had an annual rate decline of -4.1% in January and for the second consecutive month, which resulted from consumers' expectations about the Mexican economy in the next 12 months, which decreased -14.3%. Noteworthy, the indicator is already at levels observed after the 2018 presidential elections in Mexico.



**United States Trade**

Mexico ended the year 2019 as the leading trading partner of the United States with a total trade volume of US\$614.5 billion, allowing Mexico to have a trade surplus of US\$101.75 billion. The previous data contrasts positively with the US\$81.5 surplus that Mexico had in 2018. Noteworthy, the United States still does not withdraw tariffs on approximately US\$300 billion of Chinese goods; therefore, Mexico is likely to continue as the leading trading partner of the United States in 2020.

United States International Trade (As of December 2019)							
Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports
Mexico	256,374	358,126	614,500	-101,752	India	34,410	57,665
% of Total	28.4%	14.8%	14.8%		% of Total	2.1%	2.3%
Canada	292,693	319,736	612,429	-27,043	Taiwan	31,219	54,256
% of Total	17.8%	12.8%	14.8%		% of Total	1.9%	2.1%
China	106,627	452,243	558,870	-345,616	Italy	23,790	57,160
% of Total	6.8%	18.1%	18.3%		% of Total	1.4%	2.0%
Japan	74,633	143,636	218,269	-68,983	Brazil	43,083	30,853
% of Total	4.3%	3.7%	3.3%		% of Total	2.6%	1.8%
Germany	60,296	127,462	187,758	-67,166	Singapore	31,550	24,351
% of Total	3.7%	3.1%	4.3%		% of Total	1.9%	1.1%
Korea, South	56,587	77,311	134,406	-20,614	Hong Kong	30,500	4,713
% of Total	3.2%	3.1%	3.1%		% of Total	1.9%	0.1%
United Kingdom	69,157	63,157	132,344	5,970	Saudi Arabia	14,289	13,443
% of Total	4.1%	2.8%	3.2%		% of Total	0.9%	0.3%
France	37,771	57,449	95,220	-19,678	All other countries	451,877	654,579
% of Total	2.3%	2.3%	2.3%		% of Total	29.3%	26.2%
					<b>TOTAL 2019 YTD</b>	<b>1,645,486</b>	<b>2,495,400</b>
					<b>TOTAL 2018</b>	<b>1,664,064</b>	<b>2,542,735</b>
					<b>TOTAL 2017</b>	<b>1,546,654</b>	<b>2,342,905</b>

Source: U.S. Census Bureau  
 Amounts in millions of dollars

**Production, Import, and Sales of Light Vehicles**

According to the Mexican Association of the Automotive Industry, A.C. (AMIA), 320,405 light vehicles were produced throughout the country in January 2020, -4.05% lower than that of the same month of 2019. Public sales totaled 104,832 cars, -5.98% below the same month of last year. Finally, a total of 228,184 thousand vehicles were exported, -5.83% less than last year. The data is a sample of the poor performance that the sector has accumulated for more than two years.

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WEEKLY ECONOMIC REPORT

FEBRUARY 7, 2020.

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**Definitions**

**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.

**Basis points (bps):** Refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001.

**Gross Domestic Product (GDP):** Is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

**M-Bond:** Mexico Federal Government fixed-rate development bonds that are issued and placed at terms of over one year, pay interest every six months and their interest rate is determined at issue date and remains fixed all along the life of the bond.

**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 Association of the Automotive Industry (AMIA):** Is a civil association formed by the will of the vehicle manufacturing companies established in Mexico, with the purpose of having an exclusive representation for this industrial sector. As a group it strives to reconcile the interests of these companies in a collegial way in practically all fields, with respect to other similar institutions.

**Remittances:** Funds an expatriate sends to his/her country of origin via wire, mail, or online transfer. These peer-to-peer transfers of funds across borders are economically significant for many of the countries that receive them.

**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.

**The Consumer Price Index (CPI):** Refers to core inflation which systematically excludes food and energy prices because, historically, they have been highly volatile and non-systemic.

**The National Institute of Statistics and Geography (INEGI):** Is a public body with technical and managerial autonomy, its own legal personality and assets, responsible for regulating and coordinating the National System of Statistical and Geographic Information.

**Chicago Board Options Exchange Market Volatility Index (CBOE VIX):** Is a real-time market index that represents the market's expectation of 30-day forward-looking volatility. Derived from the price inputs of the S&P 500 index options, it provides a measure of market risk and investors' sentiments.

**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.

**4Q19:** Period that starts the fourth and last quarter of the year 2019 which ends on December 31.

**Disclosures**

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