

**Stressful week for Mexican equities following weak economic indicators**

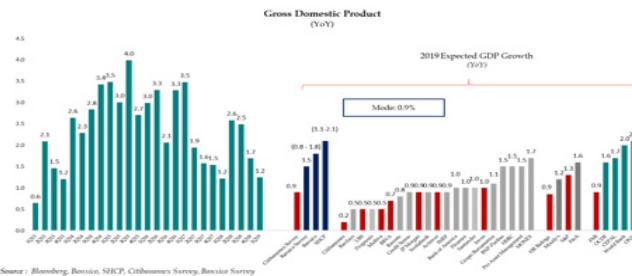
During the week that ended on July 26th, relevant data such as the Global Economic Activity Index and the trade balance for June was released.

**Mexican Stock Exchange**

Mexbol closed the week at 40,674, a (-)2.24% weekly decline mainly due to downward revisions of economic growth forecasts coupled with lower than expected 2Q19 financial results were 57% and 64% of the companies presented lower than expected sales and earnings growth, respectively. Although companies with considerable weight in the index such as Walmart and América Móvil had positive results, this was not enough to compensate Mexbol's weekly fall.

**Economic Growth Forecasts Adjustments**

The International Monetary Fund cut its growth forecast from 1.5% to 0.9% while Citibanamex made the most drastic adjustment, from 0.8% to 0.2%. Most growth forecasts expect a 1.0% growth or less.



Source: Bloomberg, Reuters, SHCP, Citibanamex Survey, Reuters Survey

**Peso-Dollar Exchange Rate**

The spot exchange rate closed at MX \$ 19.07 per dollar, a weekly depreciation of -0.13%, which reduces year-to-date appreciation to 3.11%. As seen in previous weeks, the exchange rate ranged between 18.96 and 19.19 pesos per dollar despite the successful maturity improvement operation made by the Ministry of Finance (SHCP) and the good results in the trade balance. The weekly depreciation of the peso was possibly a consequence of the multiple downward revisions in GDP growth forecasts.

**Economic Indicators**

**Liability Management by the Ministry of Finance**

The Ministry of Finance (SHCP) announced a maturity improvement operation in international markets for US\$3,560 million, within the limits of the external indebtedness established in the 2019 Economic Package.

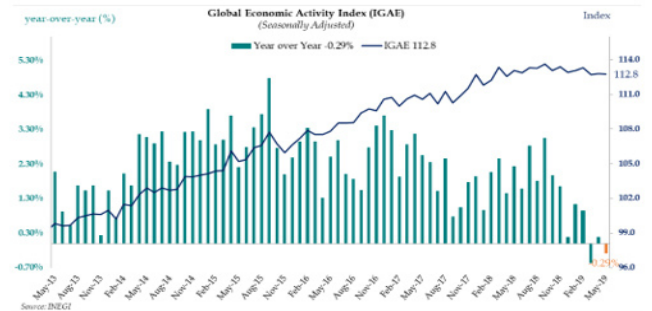
The resources to finance this operation were obtained through the reopening of the dollar-denominated bond with maturity in April 2029 and a coupon rate of 4.5% for a total amount of US \$ 1,456 million; and by issuing a new 30-year reference bond with maturity in 2050 with a 4.5% coupon rate for a total amount of US\$2,104 million. The transaction reached a maximum demand of US\$9.5 billion (2.6 times the amount placed).

The maturity improvement operation was carried out as follows:

1. Withdrawal of a dollar-denominated bond due in January 2021 for a total of US\$933 million.
2. Exchange of outstanding bonds denominated in dollars with maturities in both the short part (2019-2026) and the long part (2031-2047) of the yield curve for approximately US\$2,456 million.

**Global Economic Activity Index**

The Global Economic Activity Index (IGAE) decreased by 0.29% year-over-year in May and seems to confirm that 2Q19 GDP figure released on July 31st will be negative, thus assuring a recession. The decline in the index was mainly due to a -3.14% drop in the industrial sector, which accumulates eight consecutive falls and is the second most profound decline since October 2009 when it fell 5.86%. The services sector grew 1.06% while the primary sector fell 0.63%, its slowest growth in seven months.



**Trade Balance**

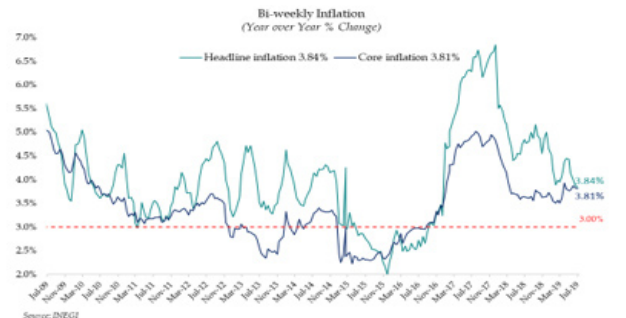
The trade balance in June presented a surplus of US\$2,561 million and compared positively with the deficit of US\$899 million in the same month of 2018. Year to date, the trade surplus amounts \$ 3,145. Merchandise exports in the first sixth months of the year totaled US\$37,949 million, comprised of US\$35,951 million in non-oil exports and US\$1,998 million of oil exports. Thus, in June, accumulated exports increased 1.2% driven by a 2.8% increase in non-oil exports and a drop of (-) 20.4% in oil exports. Merchandise imports amounted US\$35,388 million; this represents a monthly variation of (-) 6.3% in non-oil imports and (-) 18.6% in oil imports.

	2018			2019 YTD			Jun-19		
	Amount	% of Total	Annual Change	Amount	% of Total	Annual Change	Amount	% of Total	Annual Change
<b>Exports</b>	<b>450,685</b>	<b>100.0%</b>	<b>10.1%</b>	<b>227,273</b>	<b>100.0%</b>	<b>3.7%</b>	<b>37,949</b>	<b>100%</b>	<b>1.2%</b>
Total Exports	450,685	100.0%	10.1%	227,273	100.0%	3.7%	37,949	100%	1.2%
Oil	30,601	6.8%	28.88%	13,882	6.1%	-9.5%	1,998	5.3%	-20.4%
Crude Oil	26,512	5.9%	32.25%	12,189	5.3%	-7.6%	1,741	4.6%	-19.0%
Others	4,089	0.9%	11.18%	1,742	0.8%	-20.7%	257	0.7%	-28.5%
Non-Oil	420,083	93.2%	8.91%	213,392	93.9%	4.7%	35,951	94.7%	2.8%
Agricultural	16,506	3.7%	3.17%	9,705	4.3%	4.2%	1,004	3.4%	4.8%
Mining	6,232	1.4%	14.83%	3,024	1.3%	-8.3%	506	1.3%	-7.3%
Manufacturing	397,344	88.2%	9.08%	200,663	88.5%	4.9%	34,141	90.0%	2.9%
Automotive Industry	142,178	31.5%	12.24%	72,575	31.9%	6.2%	12,581	33.2%	4.4%
Others	255,165	56.6%	7.39%	128,088	56.4%	4.2%	21,560	56.8%	2.0%
<b>Imports</b>	<b>2018</b>	<b>% of Total</b>	<b>Annual Change</b>	<b>2019 YTD</b>	<b>% of Total</b>	<b>Annual Change</b>	<b>Jun-19</b>	<b>% of Total</b>	<b>Annual Change</b>
Total Imports	464,392	100.0%	10.4%	224,125	100%	0.2%	35,388	100%	-7.8%
Oil	53,762	11.6%	28.4%	24,467	10.9%	-4.1%	3,830	10.8%	-18.6%
Non-Oil	410,544	88.4%	7.9%	199,661	89.1%	0.8%	31,559	89.2%	6.3%
Consumption Goods	43,616	9.4%	3.1%	20,379	9.1%	-1.7%	3,204	9.1%	-5.7%
Intermediate Goods	321,037	69.1%	8.8%	158,776	70.8%	2.0%	25,947	71.6%	-4.2%
Capital Goods	45,897	9.9%	11.9%	20,505	9.1%	-5.8%	3,005	8.5%	-21.2%
<b>Trade Balance</b>	<b>2018</b>	<b>% of Total</b>	<b>Annual Change</b>	<b>2019 YTD</b>	<b>% of Total</b>	<b>Annual Change</b>	<b>Jun-19</b>	<b>% of Total</b>	<b>Annual Change</b>
Trade Balance	-13,618	-3.0%	-17.1%	3,145	1.4%	0.0%	2,561	6.8%	41.9%

Source: Mexico's Ministry of Economics  
Amounts in Millions of Dollars

**Inflation**

INEGI published the National Consumer Price Index (INPC) for the first half of July. General inflation fell to 3.84% aided by a decrease in vegetable prices while core inflation had a slight decline to 3.91%. Non-core inflation had the most significant drop and reached 3.92% due to a considerable decrease in the prices of products in the energy sector.



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**Definitions**

**IGAE:** The Global Indicator of Economic Activity allows to know and monitor the monthly evolution of the real sector of the economy.

**Mexbol Index:** The S&P/BMV IPC 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.

**IMF:** The International Monetary Fund (IMF) is an international organization headquartered in Washington DC, consisting of 189 countries working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world  
**Citibanamex:** Founded in August 2001 as a result of the sale of Grupo Financiero Banamex-Accival to Grupo Financiero Citigroup, retaining the name of the largest financial institution in the country.

**SHCP:** Secretaria de Hacienda y Credito Publico, is the executive federal power office with functions of Ministry of Finance.

**Core inflation:** is the change in costs of goods and services but does not include those from the food and energy sectors.

**CPI:** The Consumer Price Index (CPI) is a measure that examines the weighted average of prices of a basket of consumer goods and services. It is not possible to invest in an index.

**Earnings Growth:** Percentage change in a firm's earnings per share (EPS) in a period, as compared with the same period from the previous year.

**Coupon:** is the annual interest rate paid on a bond, expressed as a percentage of the face value.

**National Consumer Price Index (INPC).** Measures the variation of the prices of a representative goods and services basket of the consumption of Mexican households.

**Walmart:** Retail company. As of June 30, 2019 the security represents 7.53% of Portfolio Net Assets.

**AMXL: América Móvil:** Communication Services. As of June 30, 2019 the security represents 11.20% of Portfolio Net Assets.

For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**Disclosures**

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