WEEKLY ECONOMIC REPORT — *March 8, 2019*

Financial market adjustments due to lower growth prospects

At the close of the trading week of March 8, European stock markets registered the biggest weekly fall since December. The DAX, CAC, IBEX, and FTSE MIB indexes presented losses of (-) 1.24%, (-) 0.65%, (-) 1.49% and (-) 1.02% respectively, after the European Central Bank (ECB) warns of a slowing economy. Furthermore, the ECB decided to keep its reference rate unchanged. Since April 2018, the interest rate has fallen 125 basis points to settle at 0.0%. Also, given economic headwinds, the ECB announced a stimulus program that will be granted to banks.

The main stock indexes in the United States fell due to lower global economic growth expectations and a lower than expected nonfarm payroll figure (20,000 new positions vs. 180,000 e). The Dow Jones, S&P 500 and NASDAQ indices had weekly losses of (-) 2.17%, (-) 2.12% and (-) 2.43% —after a positive rally in the previous months— and leaves year to date gains of 10.58%, 10.98% and13.35% respectively. Stock indexes in Latin America also fell due to their dependence on raw materials prices and their negative reaction in an economic slowdown environment. International markets performance was affected by:

- On Wednesday, March 6, the Organization for Economic Cooperation and Development (OECD) lowered its forecast for global economic growth from 3.5% to 3.3% in 2019 and from 3.5% to 3.4% in 2020. Estimates were revised in almost all of the countries in the G20 group; mainly in the Eurozone where Italy's growth forecast fell from 0.9% growth into a recession at -0.2% and the United Kingdom decreased from 1.4% to 0.8%. Turkey and Argentina´s economy is also expected to shrink (-) 1.5% and (-) 1.8% respectively. According to the report, the expectation of a possible slowdown in some emerging countries has extended to the industrial sectors; which has impacted business and consumer confidence.

- On Thursday, March 7, the European Central Bank (ECB) cut its eurozone growth forecasts for 2019 from 1.7% to 1.1% and leaves benchmark interest rate unchanged at 0% at least through the end of 2019. As in 2014 and 2016, the ECB will revive a stimulus programme that consists of providing cheap loans to eurozone banks by restructuring current loans worth 720,000 million euros. With this measure, the ECB becomes the first relevant monetary entity to react to an economic slowdown.

- On March 8, the Bureau of Labor Statistics in the United States reported the Non-Farm Payroll indicator which registered 20,000 new jobs in February; below market expectations of 180,000 and lower than the previous figure of 311,000 jobs. The positive news came from the unemployment rate which fell 2 basis points to end up at 3.8%. According to the Beige Book of the Federal Reserve of the United States (FED), a document that provides a detailed evaluation of the economy of the country, the economic activity continued expanding at the end of January and February even though the employment activity is very constricted.

After ten consecutive days of downward adjustments, Mexbol Index closed at 41,587 on March 8th, representing a weekly loss of (-) 2.36% and year to date gains of 0.11% given economic indicators that show a slowdown in the Mexican Economy. Furthermore, on Tuesday, March 5th, Standard & Poor's (S&P) revised the credit outlook for certain Mexican companies; following the revision of Mexico´s Sovereign Credit Rating a week before.

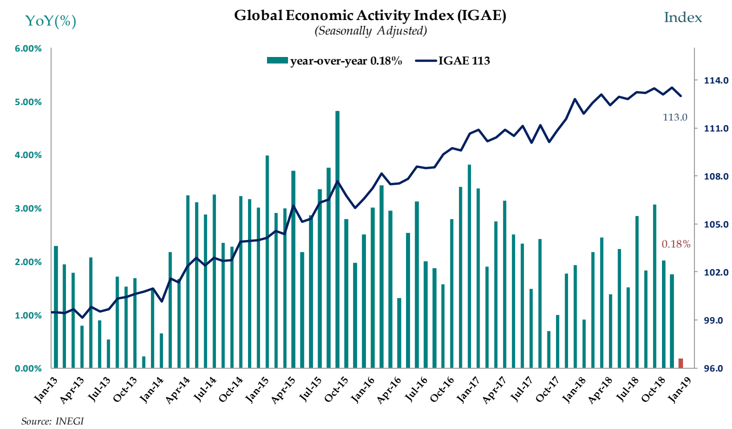
The credit outlook revision was despite the federal´s government 6.6-billion-dollar rescue plan for Pemex and the changes made to the oil company tax regime. The rating agency considers that a decrease of foreign investment in bidding processes will become an untenable burden for the state-owned company that can only be compensated with extraordinary support from the Mexican Government. In this case, the risk would be an increment of contingent liabilities for the Federal Government.

On Friday, March 8, the spot exchange rate closed at 19.50 pesos per dollar for a significant weekly depreciation of 1.13% and an annual accumulated appreciation of 0.81%. In the context of weaker international capital markets, the dollar index —which measures the value of the US dollar against a basket of major foreign currencies— reached its highest level since mid-2017 on Thursday.

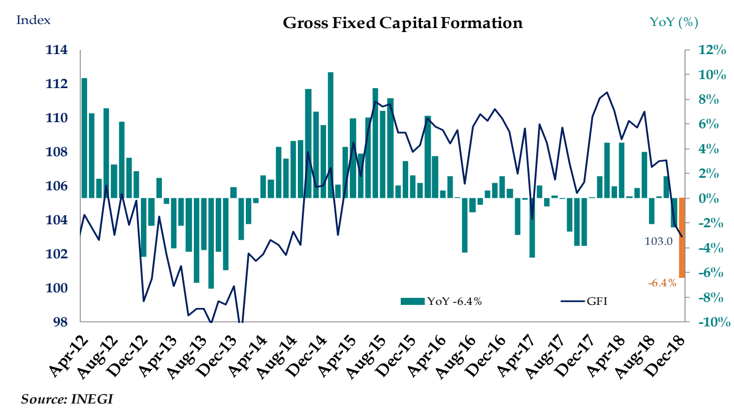
Economic Indicators

Global Indicator of Economic Activity

After three consecutive months of lower growth rates, the Global Indicator of Economic Activity had its worst annual growth rate of -0.18% in December, since 2009. Industrial activity fell (-) 2.46% and services slowdown from 2.76% in November to 1.15% in December.



The annual Gross Fixed Capital Formation indicator plunged (-) 6.4% YoY; A fall not seen since September 2013. Within its components, investment in machinery and construction fell (-) 9.4% and (-) 4.6% respectively.



Production, export and domestic sale of vehicles

Car production in Mexico fell (-) 5% YoY, and auto exports decreased (-) 0.1% YoY in February; the first setback in February since 2016. Major automakers such as Fiat, GM, and Chrysler were the manufacturers that most reduced their production. Domestic car sales also fell (-5.3% YoY) due to the delay in sales at the border given the expectation of a VAT reduction; this is the 23rd consecutive month with a decline in domestic sales.

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Definitions

DAX *is a stock index that represe ... ssible to invest in an index.*
CAC 40 *stands for Cotation Assistée en Continu, which translates to continuous assisted trading, and is used as a benchmark index for funds investing in the French stock market. It is not possible to invest in an index.*
IBEX The IBEX 35 *is the benchmark stock market index of the Bolsa de Madrid, Spain's principal stock exchange. It is not possible to invest in an index.*
FTSE MIB *is the benchmark stock market index for the Borsa Italiana, the Italian national stock exchange, which superseded the MIB-30 in September 2004. The index consists of the 40 most-traded stock classes on the exchange. It is not possible to invest in an index.*
Non-Farm Payroll *measures the change in the number of people employed during the previous month, excluding the farming industry.*
Dow Jones *is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. It is not possible to invest in an index.*
S&P 500 *is a basket of 500 of the largest U.S. stocks, weighted by market capitalization. The index is widely considered to be the best indicator of how large U.S. stocks are performing on a day-to-day basis. It is not possible to invest in an index.*
Nasdaq is a stock market index of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market. It is not possible to invest in an index.
OECD *The Organisation for Economic Co-operation and Development is an intergovernmental economic organisation with 36 member countries,[1] founded in 1961 to stimulate economic progress and world trade*
G20 The G20 *(or Group of Twenty) is an international forum for the governments and central bank governors from 19 countries and the European Union. It was founded in 1999 with the aim to discuss policy pertaining to the promotion of international financial stability.*
European Central Bank *is the central bank responsible for monetary policy of those European Union (EU) member countries which have adopted the euro currency.*
Gross Domestic Product *a monetary measure of the market value of all the final goods and services produced in a period of time, often annually.*
Bureau of Labor Statistics measures labor market activity, working conditions, and price changes in the economy.
Mexbol 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.*
Long Term Credit Rating *opinions of the relative credit risk of fixed- income obligations with an original maturity of one year or more. They address the pos- sibility that a financial obligation will not be honored as promised.*
Global Indicator of Economic Activity *The Global Indicator of Economic Activity allows to know and monitor the monthly evolution of the real sector of the economy.*
Gross Fixed Capital Formation *refers to the net increase in physical assets (investment minus disposals) within the measurement period. It does not account for the consumption (depreciation) of fixed capital, and also does not include land purchases.*
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.*
Consumer Confidence Index *is the average of five components that measure consumer confidence. It is not possible to invest in an index.*
Trade Surplus *A trade surplus is an economic measure of a positive balance of trade, where a country's exports exceed its imports.*
Trade Deficit *A trade deficit occurs when a country's imports exceed its exports. It is an economic measure used in the field of international trade.*
Basis point (BPS) *Refers to a common unit of measure for interest rates and other percentages in finance.*
PEMEX: *Petróleos Mexicanos, which translates to Mexican Petroleum, is the Mexican state-owned petroleum company, created in 1938 by nationalization or expropriation of all private, foreign, and domestic oil companies at that time. The Fund maintains 0.0% investment in the security, at the close of December 31, 2018. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html*