

Markets benefit due to lower systemic risk

The reduction of systemic risk once again allowed local and global markets to have good results. Relevant decisions were interpreted positively by markets:

- i. The Chinese Ministry of Commerce announced that its chief trade negotiator had communications with senior officials of the US government. Negotiations could resume in October.
- ii. The Chamber of Commons in the United Kingdom approved a motion banning Prime Minister, Boris Johnson, from leaving the European Union on October 31 without prior agreement.
- iii. After months of protests, Hong Kong leader, Carrie Lam, withdrew the controversial extradition law.
- iv. President Andrés Manuel López Obrador continued meeting with prominent Mexican businessmen. The latest meeting was with José Antonio Fernández Carbajal, president of the administrative council of the Mexican Economic Development (FEMSA) where he announced new investments in the country between 2019 and 2020.

Mexican Stock Exchange

Mexbol had a weekly gain of 2.71%, representing a 5.37% year-to-date (YTD) return following a greater understanding between President López Obrador and the private sector. FEMSA, which weighs approximately 12.17% in the Mexbol Index announced an investment in the country for roughly US\$3.1 billion. This news adds to the previous ones where the president shows a better disposition towards the private sector. These signals, together with the decrease in systemic risk, allowed Mexbol to change the trend, and once again accumulate profits in the year.

Exchange Rate

The exchange rate closed at MX\$19.54 per dollar; a weekly appreciation of 2.71%, and reversing seven consecutive weeks of depreciation, leaving the exchange rate to levels observed at the beginning of the year. This advance was motivated by:

- i. Lower global tensions encouraged investors' demand for higher risk assets; therefore, the US dollar lost strength against the rest of the currencies.
- ii. 2020 economic budget expectations which signal reasonable projections regarding the primary surplus, economic growth, oil exploitation platform, and government involvement in PEMEX must be presented by the federal government to Congress, no later than September 9.
- iii. Remittances in August which present the second-highest monthly figure in history and the consolidation of Mexico as the U.S. first commercial partner, continue to strengthen Mexico's external accounts and the exchange rate.

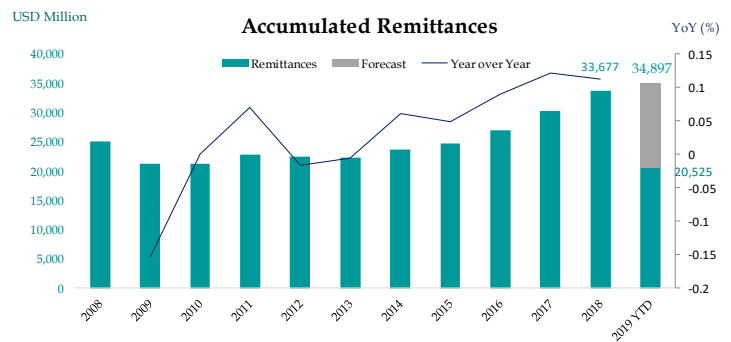
Mexican and US Bonds

Weak employment figures in the United States reinforced investors' expectations of a decrease in the Fed's reference rate at the September 18th meeting. The above allowed the 10-year Treasury Bond to close the week at 1.55%, which represents a slight weekly increase of 5 basis points. On the other hand, the 10-year M-Bond closed the week at 6.98%, practically unchanged from the previous week. The stability in the rate of both instruments already considers reductions in the reference rate of their respective central banks.

Economic Indicators

Remittances

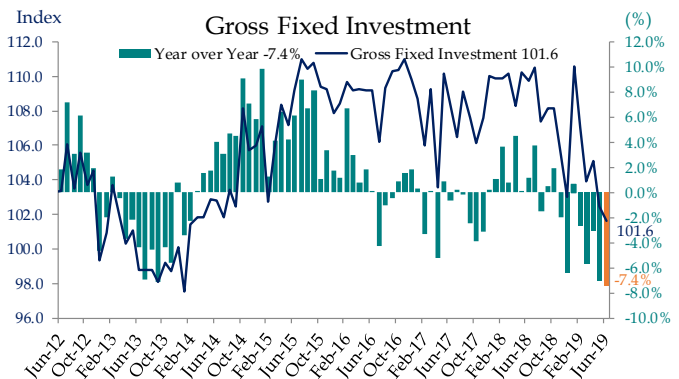
Remittances in June amounted to US\$3.8 billion, the second-largest in history and represented a 1.36% year-over-year (YoY) increase. Remittances totaled US \$ 20.53 billion YTD, 7.4% (more than US\$1.4 billion) higher than the accumulated in the same month of the previous year.



Source: Banxico

Gross Fixed Investment

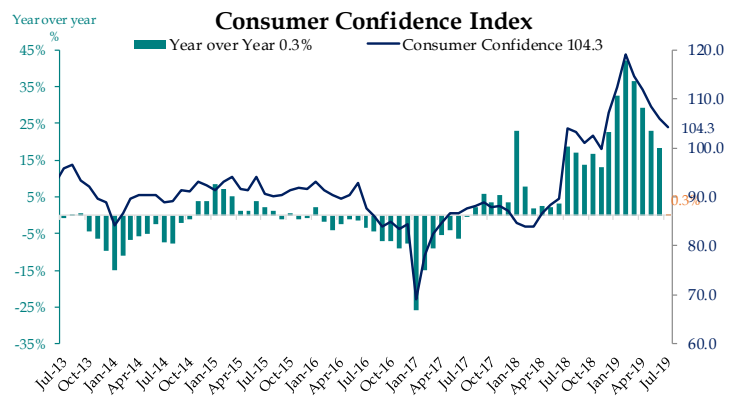
Gross fixed investment in Mexico decreased -7.40% in June, its worst fall in the year and representing the fifth consecutive decline of the indicator. By components, machinery fell -11.0%, the highest reduction since November 2009 and construction declined -4.5%.



Source: INEGI

Consumer Confidence

The Consumer Confidence Index in July had a minimum YoY increase of 0.3%, leaving the index at 2018 post-election levels. Noteworthy, consumers expect worse conditions in the future, mainly in households and national economic growth since expectations fell -0.9% and -10% respectively.



Source: INEGI & Banxico

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Definitions

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 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.

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.

Basis points: Refers to a common unit of measure for interest rates and other percentages in finance.

Petroleos Mexicanos (Pemex): 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 September 2, 2019. For a list of full securities please visit: www.mxefund.com.

FEMSA: Consumer Staples. As of August 31, 2019 the security represents 10.29% of Portfolio Net Assets.

Banxico (Banco de México): Is the central bank of Mexico. By constitutional mandate, it is autonomous in both its operations and management. 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.

Consumer Confidence: Is defined as the degree of optimism about the state of the economy that consumers are expressing through their activities of saving and spending.

Remittances: The 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.

FED: The Federal Reserve System is the central bank of the United States and arguably the most powerful financial institution in the world.

European Union (EU): Is a political and economic union of 28 member states that are located primarily in Europe.

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