

A new systemic risk impacts equity markets

Mexbol had a negative performance in the week led by the global equity markets declines, which resulted from the fear of a new pandemic virus coupled with the decline of the Global Economic Activity Indicator (IGAE) in November 2019.

The uncertainty generated by the outbreak of the coronavirus in Hubei province, China, overshadowed significant events, such as the World Economic Forum conference or the beginning of the 4Q19 earnings season. The positive momentum observed by most international stock markets dissipated despite statements by the World Health Organization (WHO) affirming that the outbreak was not an emergency on a global scale.

Mexican Stock Exchange

Mexbol fell -1.94% in the week in dollar terms to close at 45,141, while the positive year to date (YTD) return fell to 4.06%. Mexbol's poor performance was linked to the international equity markets decline and aggravated by the negative figure of the IGAE, which had its most significant YoY decrease since January 2019 (-0.80%).

Despite the beginning of a good 4Q19 earnings season, this did not prevent the index from falling due to:

- i. The poor performance of stocks that could be affected by a future pandemic (Aeromexico's stock decreased 6.88% in the week).
- ii. The fear of a weakening local consumption due to the weak economic growth in November.

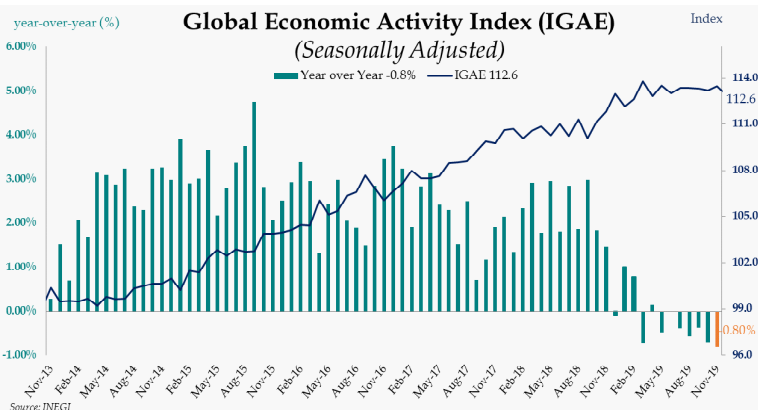
Spot Exchange Rate

The spot exchange rate closed MX\$18.78 per dollar, which implies a 0.69% depreciation in the week. YTD, the appreciation of the Mexican currency reduced to 0.77%. Like most of the most traded currencies, the Mexican peso was not able to resist the dollar strength, which resulted from President Trump's threat at the World Economic Forum in Davos, Switzerland, where he suggested a possible tariff war with the European Union.

Economic Indicators

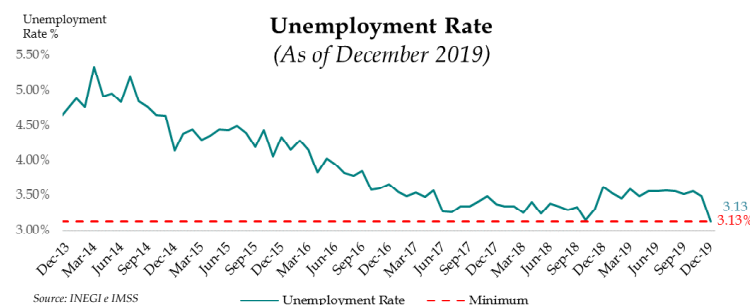
Global Economic Activity Indicator

The Global Economic Activity Indicator (IGAE) declined -0.8% YoY in November, the most significant drop in 2019, and the first month where the three sectors had YoY reductions: the primary contracted -2.44%, the secondary -1.67%, and the tertiary -0.29%. This figure is the last data before INEGI releases its estimate of the 4Q19 GDP, which will be released on January 30th.



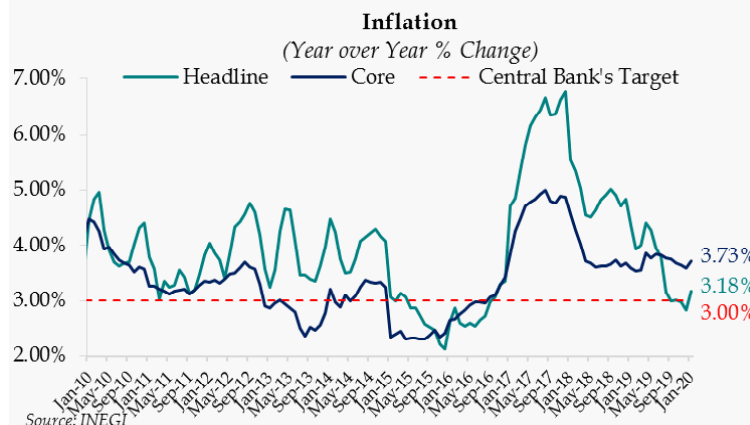
Unemployment Rate

The unemployment rate of the Economically Active Population (PEA) was 3.1% in December, representing a 35-bps decline compared to November. As December is a month of holidays and, historically, it is low in terms of job offers, people pause their job search; therefore, the data had such a considerable fall.



Biweekly Inflation

The Mexican Consumer Price Index (CPI) rebounded in the first half of January and left annual inflation at 3.18% (+35 bps compared to December 2019). Both annual core and non-core inflation increased and stood at 3.73% and 1.60%, respectively, mainly due to higher international oil prices, which increased gasoline prices; besides, the cost of products such as cigarettes, which rose 7.64%, suffered considerable increments due to the new fiscal measures.



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WEEKLY ECONOMIC REPORT

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Definitions

Aeroméxico: Mexican airline. As of December 31, 2019 the security represents 0.00% of Portfolio Net Assets. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html.

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

Coronavirus: They are a family of viruses that were discovered in the 60s but whose origin is still unknown. Its different types cause different diseases, from a cold to a severe respiratory syndrome.

Economically Active Population (PEA): Is the sum of employed and unemployed persons. Inactive persons are those who, during the reference week, were neither employed nor unemployed.

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

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

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.

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.

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 Mexican Institute of Social Security (IMSS): Is a governmental organization that assists public health, pensions and social security in Mexico operating under the Secretariat of Health.

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.

The World Economic Forum (WEF): It is a non-profit foundation where main business leaders, international political leaders, meet to analyze the most pressing problems facing the world, and among them, health and the environment since 1991.

The World Health Organization (WHO): Is the body of the United Nations Organization specializing in the management of health prevention, promotion and intervention policies worldwide.

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

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.

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

Disclosures

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Past performance is not a guarantee of future results. Index performance is not illustrative of fund performance. One cannot invest directly in an index. Please call (414) 765-4255 for fund performance.

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