

Mexico's resilience to international monetary easing benefits

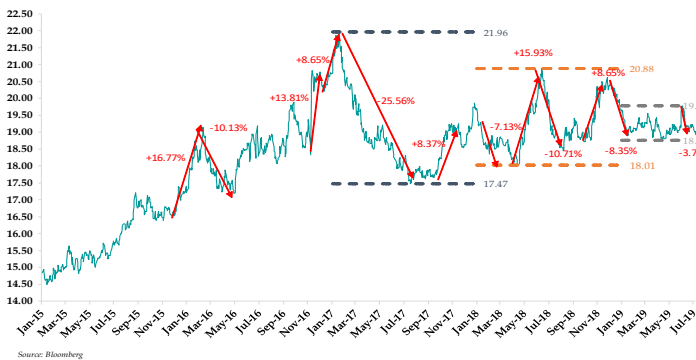
The United States released the employment situation report for June, which exceeded market expectations and opens the possibility that the Federal Reserve could postpone the expected cut in its reference rate; however, markets in the United States maintain a strong expectation that the cut will occur at the meeting of July 31st; this has favored the Mexican peso and the 10-year M bond rate.

Exchange Rate

The spot exchange rate closed on July 5th at 19.01 pesos per dollar; a weekly appreciation of 1.09% and year-to-date gains of 3.25%. Among the reasons that strengthen the Mexican currency are:

1. Mexico is the first commercial partner of the United States for five consecutive months as of May accumulating a surplus of US \$ 40.41 billion. Noteworthy, 14.9% of US total trade is carried out with Mexican companies.
2. Record high remittances of US\$ 3.20 billion in May. USD 35 billion are estimated by the end of the year.
3. Mexico's trade balance surplus of USD 584 million as of May compared to the deficit of USD 13.61 billion in June 2018.

Spot Exchange Rate MXN/USD
 (As of July 5th, 2019)



M Bond Rate

The 10-year M Bond rate fell from 7.59% to 7.35%, a 23.6 basis points decrease in the week and correlates with the fall of the 10-year Treasury Bill which is motivated by the possibility of a reduction in the FED's reference rate. This situation increased the appetite for higher risk assets such as the M Bonds.

M-Bond 10 years
 (As of July 5th, 2019)



Mexican Stock Exchange

The Mexican Stock Exchange Index (Mexbol) had a weekly marginal advance of 0.57%, and year-to-date gains of 4.23%. Volume traded was below average due to the 4th of July holiday in the United States, and as investors are waiting for quarterly financial reports.

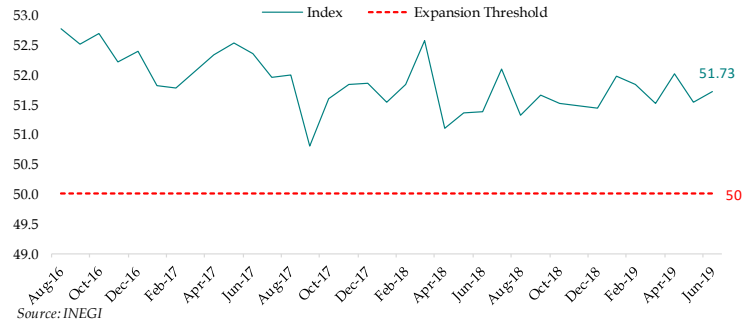
Economic Indicators

Mexico's Purchasing Managers Index

The Purchasing Managers Index (PMI) published by the National Institute of Statistics and Geography (INEGI) stood at 51.7 points in June, a 0.67% year-over-year increase; above the cycle's trend and within the expansion

zone. The indicator accumulates 118 consecutive months slightly above the threshold of 50 points. By component, the highest growth came from the inventory levels (6.12%), while the only component that fell was the expected volume of orders (- 1.94%).

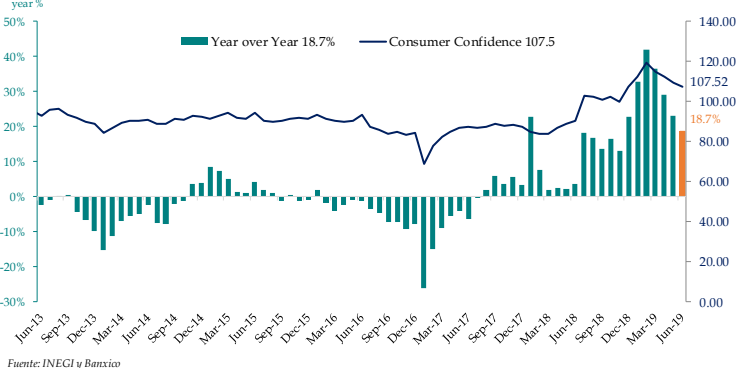
Purchasing Managers Index Mexico (INEGI)
 (June 2019)



Consumer Confidence

In Mexico, the consumer confidence index had a considerable annual growth of 18.65% in June. Noteworthy, it is the fourth consecutive month with a monthly fall; -1.61% in June. The drop is a consequence of a deterioration in next year consumers' expectations.

Consumer Confidence Index



Same Stores Sales Walmart

Walmart of Mexico (Walmex) same-store sales increased 4.7% year-over-year in June, slightly below the consensus estimate of 5%. The data seems positive considering a slowdown economy and tough comparison base of 10% last year.

Automobile Sales

Light car sales in Mexico decreased by 11.4% last month compared to June 2018 as published by the INEGI. Vehicle domestic sales suffered its worst setback in 15 months and accumulates almost two years of contractions. This is the fifth consecutive annual fall of car sales and the 23rd drop in the last 24 months.

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WEEKLY ECONOMIC REPORT

July 5, 2019.

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Definitions

Basis Points: Unit of measure to describe percentage change or difference between two values. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

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.

Treasury Bill: It is a government debt instrument issued by the United States Department of the Treasury to finance government spending as an alternative to taxation.

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.

INEGI: The National Institute of Statistics and Geography 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.

Consumer Confidence Index is the average of five components that measure consumer confidence. It is not possible to invest in an index.

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

Exchange rate: is the value of one nation's currency versus the currency of another nation or economic zone.

Same-store Sales: Same-store sales measures the sales of a company's existing stores that have operated for more than one year, excluding sales of new stores.

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

PMI: The Purchasing Managers' Index is an index of the prevailing direction of economic trends in the manufacturing and service sectors.

Disclosures

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