

WEEKLY ECONOMIC REPORT

MAY 8, 2020.

Global Stock Markets Soar. Strong Results in Mexican External Accounts.

During the week, global stock markets maintained a bullish mood, due to expectations of a possible partial reopening of the productive activities. At its highest point (April 12th), the number of daily infections in the world rose to 99.1 thousand cases; in contrast, the weekly average was 84 thousand cases per day. Additionally, and despite threats made by President Trump, the United States, and China announced that they will start negotiations for the implementation of phase one of the trade agreement announced in late 2019.

3. The ICE of construction and its components fell (-)23.05% because entrepreneurs don't see any short-term catalyst for the sector.

In Mexico, the publication of weak economic data continues (drop in gross fixed investment and decline in business confidence). However, the notable correlation of Mexbol with the S&P 500, favored a good performance of the index.

Automotive Activity

Domestic sales decreased (-)64.51% in April compared to the same month of the previous year while total production fell (-)98.76% at an annual rate, and exports displayed a (-)90.20% YoY contraction.

Although the industrial sector could be one of the first productive activities to reopen, consumption of automobiles usually declines during recessions. In this sense, recovery in this sector is likely to be considerably slow.

Mexican Stock Exchange

Mexbol closed May 8th at 37,678 points for a 4.74% weekly advance; thus, the year to date (YTD) losses decreased to (-)30.74% in dollars. Noteworthy, since the beginning of 2020, Mexbol and the S&P 500 have displayed a strong correlation (coefficient close to 90%). The latter implies that the positive performance of the index last week was in line within the US stock markets.

Inflation

April's annual inflation stood at 2.15%, considerably below the lower limit of Banxico's target (3.0% ± 1.0%). Core inflation increased 3.50%, while non-core inflation displayed a (-)1.96 yearly deflation. Even though there could be inflationary pressures derived from the sharp depreciation of the peso in the year, the drop in the price of high-octane gasoline - which only in April decreased (-)17.35% - more than compensates for this effect.

The first quarter earnings season concluded with the following results:

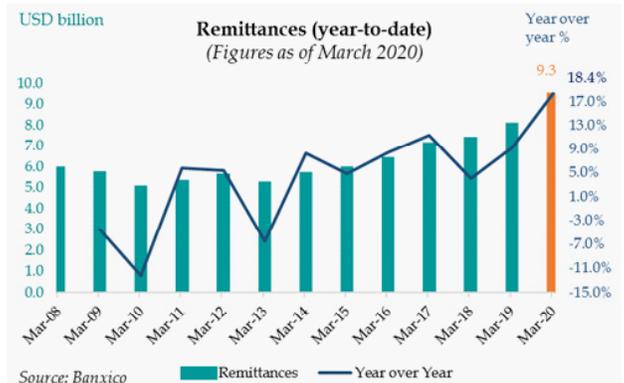
1. A total of 18 of the 35 companies (51.4%) had higher than expected Earnings per Share (EPS).
2. In contrast, 17 companies out of the 35 listed in Mexbol (48.6%) had EPS below expectations.

Remittances

Banxico reported US\$4.01 billion in remittances in the country in March; thus, year to date it amounts to US\$9.28 billion, 18.4% higher than the same data of 2019. The entry was surprising considering that, according to the United States Department of Labor, 701 thousand jobs were lost in March. While it is true that the United States has already started with the partial reopening of its economy, the trajectory of remittances in the rest of the year will depend on the magnitude of the recovery in the US economy.

Exchange Rate

The spot exchange rate closed May 8th operations at MX\$23.73 per dollar, a 3.41% weekly appreciation of the peso; thus, year to date depreciation declined to 25.35%. The positive performance of the Mexican currency was due to the strong results in terms of external accounts. Remittances in March totaled US\$4.01 billion, a record high for a month, despite the immense loss of jobs in the United States. Besides, regarding international trade in the United States, Mexico revalidated its position as its leading partner, with a total trade volume of US\$150 billion and a US\$27.8 billion surplus; Mexico's total trade balance has a US\$3.89 billion surplus.



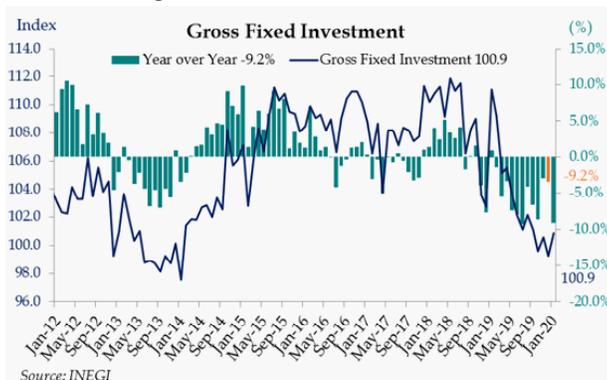
Economic Indicators

Gross Fixed Investment

February's gross fixed investment index (GFI) declined 10.21% YoY, derived from declines in investment in machinery and construction of (-)11.55% and (-)8.71%, respectively. As the GFI is an indicator based on 2013=100, the data (98.62) indicates that investment is at levels not seen since 2013. This indicator, together with business confidence, can be interpreted as a sign of low confidence of the productive sectors with the economic policies of the current federal government.

United States International Trade

The United States Department of Commerce released the foreign trade figures. Noteworthy Mexico, for the sixteenth consecutive month, prevailed as the US leading trading partner; the year to date surplus amounts to US\$27.84 billion, a figure that is 18.26% higher than the same number for 2019. Although the United States and China have already started talks for the implementation of its trade agreement, the duration of these is unknown, so Mexico may continue as a natural substitute in that period.



Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
Mexico	61,079	88,924	150,003	-27,845	India	9,198	14,261	23,459	-5,063
% of Total	22.2%	22.2%	22.2%	2.4%	Taiwan	8,737	14,035	22,772	-5,298
Canada	70,822	75,702	146,524	-4,880	% of Total	2.2%	2.4%	2.8%	-1.2%
% of Total	25.6%	22.9%	24.6%	-0.3%	Italy	5,643	13,454	19,097	-7,811
China	23,001	81,911	104,912	-81,910	% of Total	1.4%	2.1%	3.5%	-2.1%
% of Total	8.3%	24.0%	20.6%	-15.7%	Brazil	11,072	6,065	17,137	4,984
Japan	18,238	33,187	51,425	-14,949	% of Total	2.8%	1.6%	4.4%	1.2%
% of Total	6.5%	9.7%	9.2%	-3.2%	Singapore	7,740	7,214	14,954	526
Germany	15,412	31,807	47,219	-16,395	% of Total	1.9%	1.2%	3.1%	0.7%
% of Total	5.5%	9.4%	8.8%	-3.9%	Hong Kong	6,226	1,000	7,226	5,226
Korea, South	14,815	19,038	33,853	-14,223	% of Total	1.3%	0.2%	1.5%	1.1%
% of Total	5.3%	5.3%	5.4%	0.1%	Saudi Arabia	3,520	2,960	6,470	570
United Kingdom	17,478	14,462	31,938	3,014	% of Total	0.9%	0.8%	1.7%	0.1%
% of Total	6.3%	4.2%	4.2%	2.1%	All other countries	119,146	169,193	288,339	-80,047
France	10,077	11,938	22,015	-1,861	% of Total	29.6%	28.9%	29.2%	0.7%
% of Total	3.7%	2.0%	2.2%	1.7%	TOTAL 2020 YTD	402,202	555,154	957,356	-152,952
					TOTAL 2019	1,645,456	2,495,400	4,140,856	-552,944
					TOTAL 2018	1,664,064	2,542,735	4,206,799	-578,671

Business Confidence

INEGI released business confidence indicators (ICE) for April. The results by sector were as follows:

1. The manufacturing sector's ICE contracted (-)28.90%YoY, mainly due to the drop in expectations that it is an appropriate time to invest.
2. The ICE of trade and its components decreased (-)28.31% at the annual rate derived from the difficult economic outlook.

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Definitions

Banco de México (Banxico): Is the central bank of Mexico. 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.

Business confidence indicator (ICE): Measures the confidence of entrepreneurs in the different sectors such as industry, commerce, finance, mining, construction, agriculture and others, analyzing the evolution and projection of each one of them.

Earnings per Share (EPS): The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

Gross Fixed Investment (IFB): Describes the net capital accumulation during an accounting period for a country. The term refers to additions of capital stock, such as equipment, tools, transportation assets and electricity.

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.

Remittances: 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.

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.

Standard & Poor's 500 (S&P 500): Is a market-capitalization-weighted index of the 500 largest U.S. publicly traded companies by market value. It is a market value or market-capitalization-weighted index and one of the most common benchmarks for the broader U.S. equity markets.

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.

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.

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

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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