

## MEXICAN NEWS

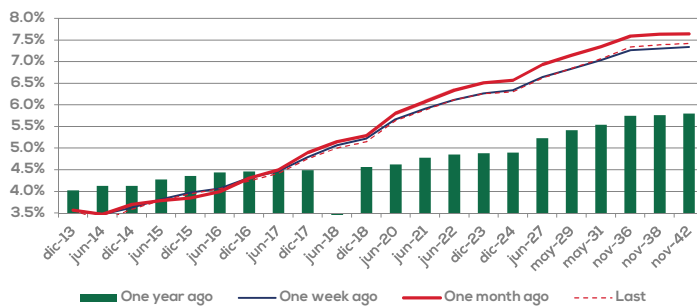
Investors make plans previous the secondary laws: "We are optimistic that the executive and legislative branches will reach the necessary agreements to approve secondary legislation in different subjects, and this we will generate certainty for investors, both domestic and foreign" Javier Arrigunaga (CEO of ABM, Association of Banks of Mexico).<sup>1</sup>

"Fovissste, a very active issuer: The Mortgage Fund of the Institute of Social Security for State Workers (Fovissste) will held three bond issues this year (TFOVIS). This represents issuing an amount of 17,000 million pesos, the first issue will be before the end of this month and is estimaed to be around 6,300 million pesos. The other two emissions are tentatively for June and September. In agregate, 43,000 mortgage loans will be bursatilized by the the end of this year".<sup>2</sup>

"Commissions of Afores are below the international level: The average commission charged by "Afores" is currently 1.19 percent, this is below the level registered in other countries with similar pensions schemes,(...)"<sup>3</sup>

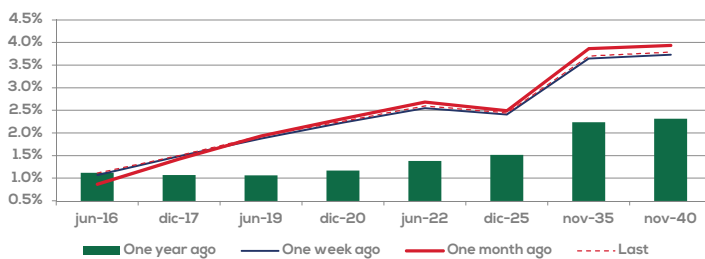
## MEXICAN FIXED INCOME CURVES

MONO CURVE



Source: PIP.  
No information of one year ago available for bond jun-18.

INFLATION LINKED BONDS



Source: PIP.

1. Source newspaper "EIECONOMISTA".  
2. Source newspaper "EIECONOMISTA".  
3. Source newspaper "EL FINANCIERO".

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## MARKET

	Last	WoW chg	YTD chg
MEXBOL	38671	-1.1%	-9.5%
USDMXN	13.22	-0.5%	1.4%
MX 10 y	6.30	-4bps	-13.5bps
IRS 10 y	6.70	5.7bps	-12.6bps
MX real 10y	2.60	4bps	6bps
Spd US 10y	0	-363.8bps	-340.3bps
Spd IRS 10y	383	-1.1bps	10.5bps
MX Breakeven 10y	3.64	0bps	0bps
CDS 5yr	86.00	-1.1%	-6.5%

Source: Bloomberg.

## MEXICAN FUNDAMENTALS

Loc. Debt rating (Fitch)	A-
Surplus/Deficit %GDP	-0.05
Foreign reserves (M)	180855
Real GDP YoY	0.7
BoP	-4660
Consumer Prices (monthly)	0.25
Unemployment	5.05
Consumer Confidence	84.5
Central Bank rate	3.5

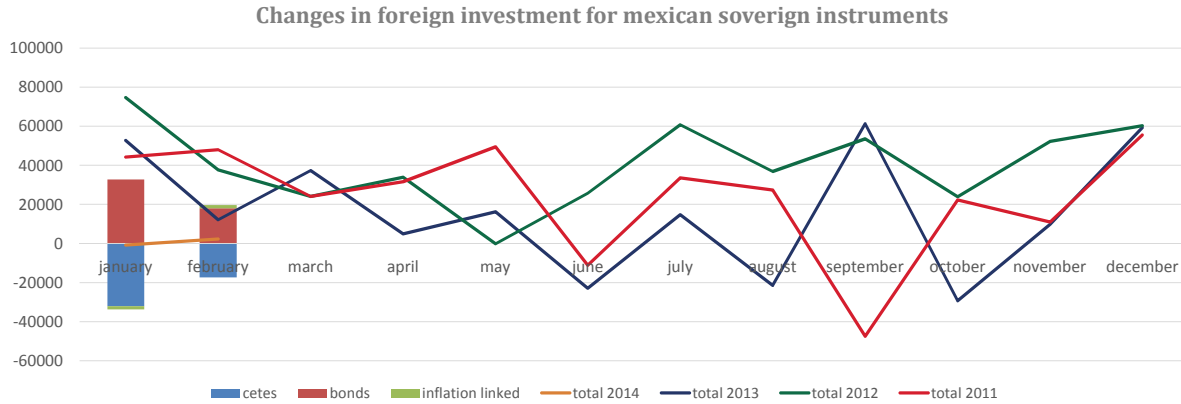
Source: Bloomberg.

## CORPORATE AAA(mx) MARKET

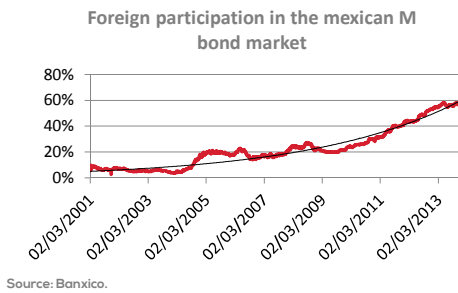
Sector	Spread	Maturity
<b>NOMINAL</b>		
Industrial	113	2/2/2023
Retail	120	3/17/2022
Energy	144	9/12/2024
Utilities	115	8/18/2042
<b>INFLATION LINKED</b>		
MBS	160	11/27/2041

Source: PIP.

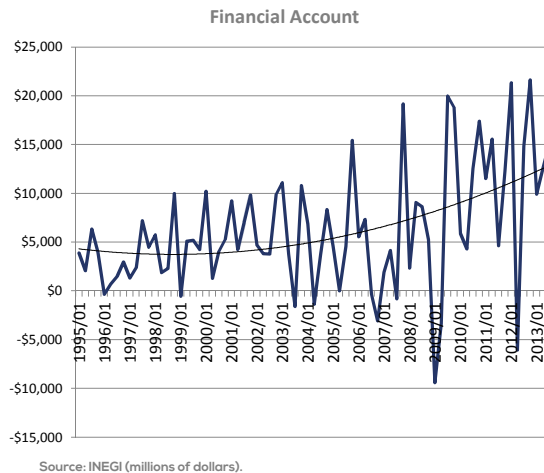
## MEXICAN FIXED INCOME MARKET FLOWS



Source: Banxico, inflation linked in udis.



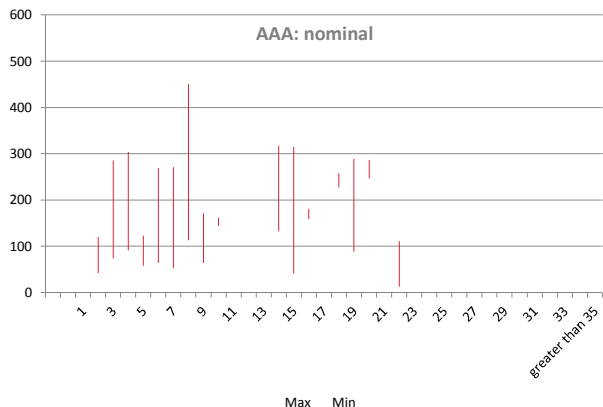
## MEXICAN FINANCIAL ACCOUNT



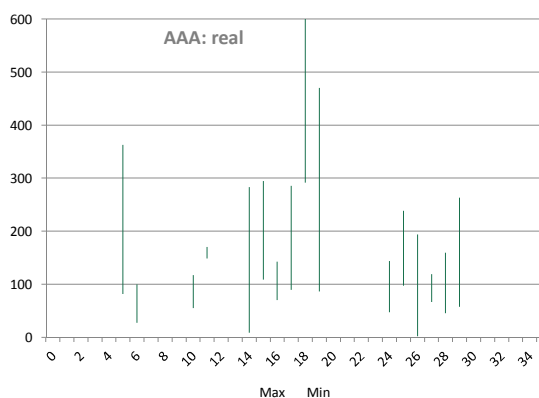
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# MEXICAN PRIVATE SUPPLY



Source: PIP.



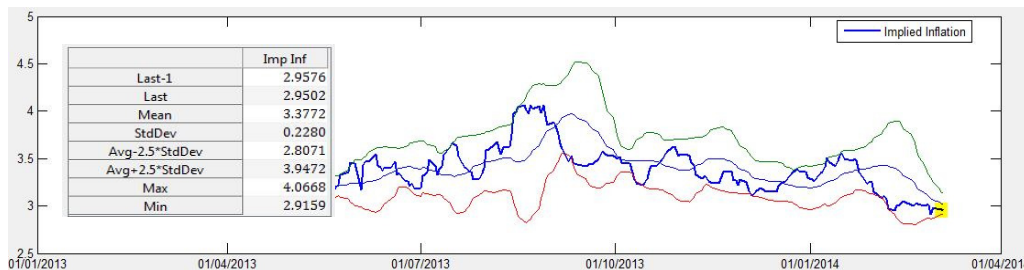
Source: PIP.

## EXPECTED INFLATION

Annual\* 3.95%

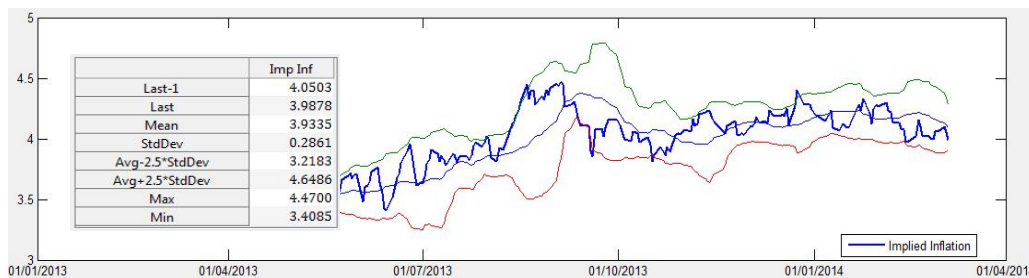
January	February	March	April	May	June	July	August	September	October	November	December
0.89%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%	0.89%

## SHORT RUN IMPLIED INFLATION



TRADE IDEA: In our opinion, there is value in the short term node of the linked inflation bond.

## LONG RUN IMPLIED INFLATION



\*EPICURUS opinion.

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# MEXICO IN PERSPECTIVE WITHIN EMERGING MARKETS



## Market, ytd chg.

	Currency	Currency Chg.	Equity	Equity Chg.	5yr CDS	5yr CDS Chg.	10 year rate	10 year rate Chg.	Spread US 10 year	Spread 10 year Chg.
<b>Asia</b>										
India	60.84	-1.93%	6537	5.08%			8.78	-12		
Malaysia	3.28	0.04%	1822	-0.14%	78	0	4.11	0		
China	6.14	-0.09%	1999	-3.67%	74	0	4.47	5	168.8	-12.2
South Korea	1066.50	-0.34%	1954	-0.52%	81	0	3.58	1		
Taiwan	30.31	-0.09%	0		0	0	0.00	0	-277.8	-17.6
<b>Eastern Europe</b>										
Hungary	225.21	-1.31%	16797	-1.86%	243	-7	5.94	-4	316.1	-21.8
Turkey	2.22	-0.60%	62732	2.52%	228	-9	10.58	20		
Russia	36.35	-0.63%	1339	3.92%	212	19	8.73	-6		
Poland	3.04	-1.27%	51155	0.29%	79	0	4.23	-17	145.4	-35
Czech Republic	19.72	-1.01%	991	0.01%	60	-2	2.20	4	-57.6	-14
<b>Latin America</b>										
Argentina	7.86	-0.13%	5790	0.10%	810	0	294.00	2150	29122.2	2132.4
Brazil	2.35	0.26%	45533	-3.32%	175	-1	12.90	22	1011.7	4.2
Mexico	13.22	-0.88%	38671	0.35%	86	-6	6.30	-6	351.8	-23.2
Chile	569.92	1.62%	3653	-0.25%	122	0	5.17	0		
<b>Middle-East/ Africa</b>										
South Africa	10.75	-1.39%	47322	0.39%	206	-5	8.54	-5	575.7	-22.6
U.A.E. - Dubai	3.67	0.00%	0		415	0	0.00	0		
Israel	3.47	-0.44%	0		0	0	0.00	0		
Saudi Arabia	3.75	0.01%	9344	3.59%	75	0	0.00	0		

## Fundamentals, ytd chg.

	GDP YoY	Debt % GDP	CA balance	Long term LC rating	Rate short term	Short term rate Chg.
<b>Asia</b>						
India	2.7	51.8	-2.8		8.68	-4
Malaysia	5.1	54.6	3.8	A3	3.31	0
China	7.7	37.7	2.0	Aa3	2.37	-41
South Korea	3.9	35.8	4.7	Aa3	2.65	0
Taiwan	2.95	38.9	11.7		0.81	-1
<b>Eastern Europe</b>						
Hungary	4.5	79.8	1.0	Ba1	2.74	-1
Turkey	4.4	36.6	-6.1	Baa3		6
Russia	1.2	7.9	3.5	Baa1	8.42	-17
Poland	2.7	48.2		A2	2.61	0
Czech Republic	1.3	48.8	-2.7	A1	0.05	0
<b>Latin America</b>						
Argentina	5.5	45.8	0.0	B3	29.20	900
Brazil	1.93	59.2	-3.6	Baa2	7.08	0
Mexico	0.7	67.1	-1.8	A3	3.81	1
Chile	4.74	13.9	-3.5	Aa3	-0.24	-109
<b>Middle-East/ Africa</b>						
South Africa	2	45.4	-6.8	Baa1	5.73	5
U.A.E. - Dubai	0	0			0.81	0
Israel	7.7	31.7	0.3	A1	0.68	-3
Saudi Arabia	0	12.2	19.3		0.95125	0

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