

## MEXICAN NEWS

As part of the Monterrey Summit 2014, held in this city, the president of the Mexican Stock Exchange, Luis Tellez, predicted strong growth for the stock market in the 2014 (...) <sup>1</sup>

ABM promotes comprehensive review of controls: Arrigunaga Javier, president of the Association of Banks of Mexico (ABM) and CEO of Grupo Financiero Banamex, referred to the subject of risk controls of these institutions (...) <sup>2</sup>

The unemployment insurance is now a reality, it was approved by the lower chamber and it has been published in the official gazette. <sup>3</sup>

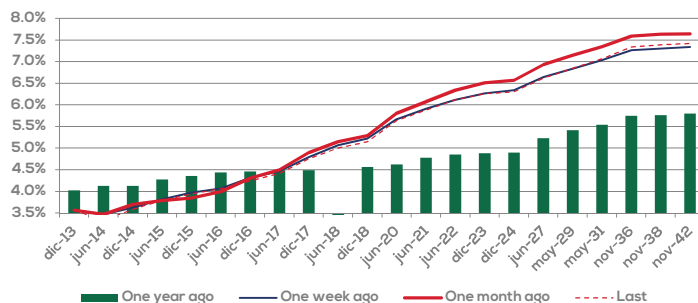
## MARKET

|                  | Last  | WoW chg | YTD chg  |
|------------------|-------|---------|----------|
| MEXBOL           | 39584 | 4.3%    | -7.4%    |
| USDMXN           | 13.26 | 0.4%    | 1.7%     |
| MX 10 y          | 6.32  | 10.4bps | -11bps   |
| IRS 10 y         | 6.71  | 7.5bps  | -12.1bps |
| MX real 10y      | 2.68  | 13bps   | 14bps    |
| Spd US 10y       | 355   | -1.2bps | 14.8bps  |
| Spd IRS 10y      | 398   | 16bps   | 25.3bps  |
| MX Breakeven 10y | 3.64  | 0bps    | 0bps     |
| CDS 5yr          | 89.00 | 0.0%    | -3.3%    |

Source: Bloomberg.

## MEXICAN FIXED INCOME CURVES

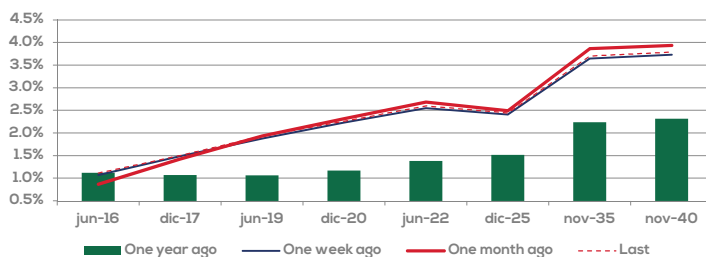
### MBONO CURVE



Source: PIP.

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

### INFLATION LINKED BONDS



Source: PIP.

## MEXICAN FUNDAMENTALS

|                           |        |
|---------------------------|--------|
| Loc. Debt rating (Fitch)  | A-     |
| Surplus/Deficit %GDP      | -0.05  |
| Foreign reserves (M)      | 181043 |
| 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 |

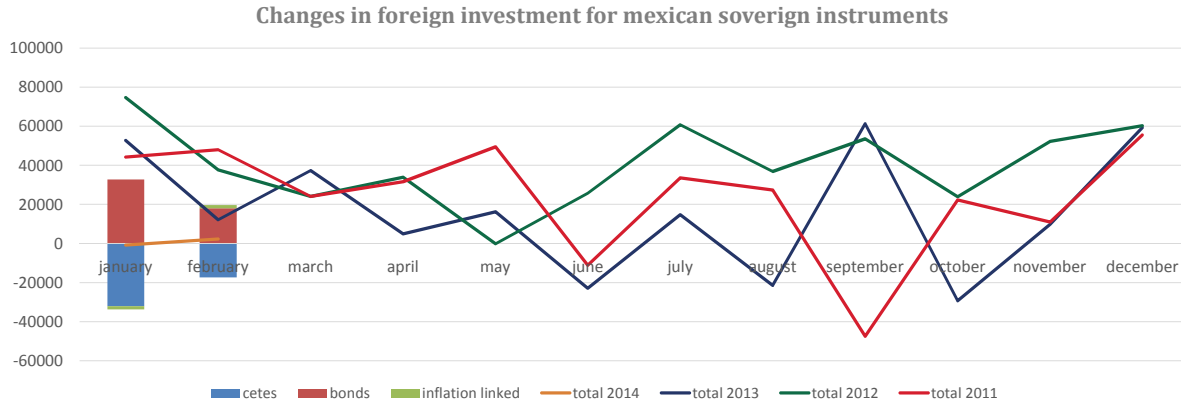
Source: PIP.

1. Source newspaper "ECONOMIA".  
 2. Source newspaper "EL ECONOMISTA".  
 3. Source newspaper "CNN EXPANSION".

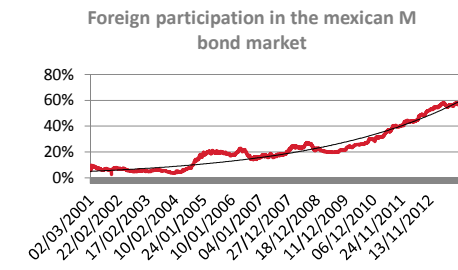
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## MEXICAN FIXED INCOME MARKET FLOWS



Source: Banxico, inflation linked in udis.

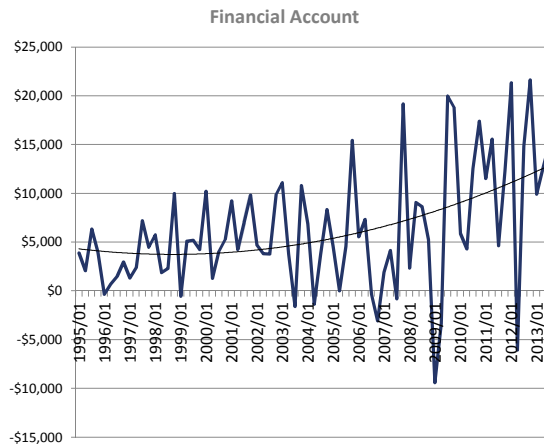


Source: Banxico.



Source: Banxico.

## MEXICAN FINANCIAL ACCOUNT

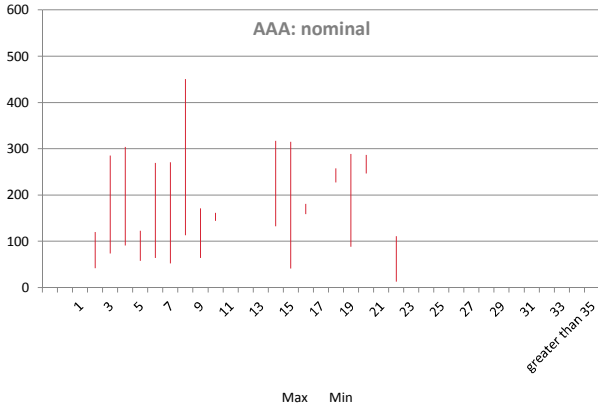


Source: INEGI (millions of dollars).

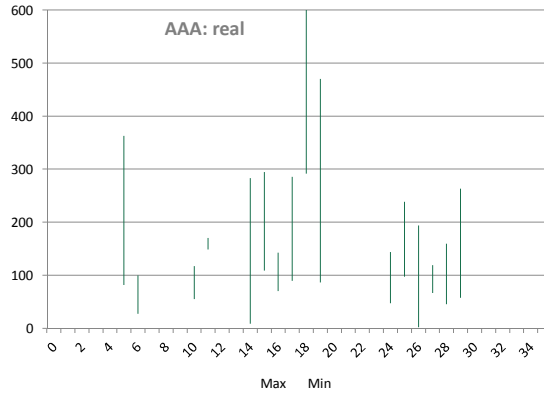
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# MEXICAN PRIVATE SUPPLY



Source: PIP.



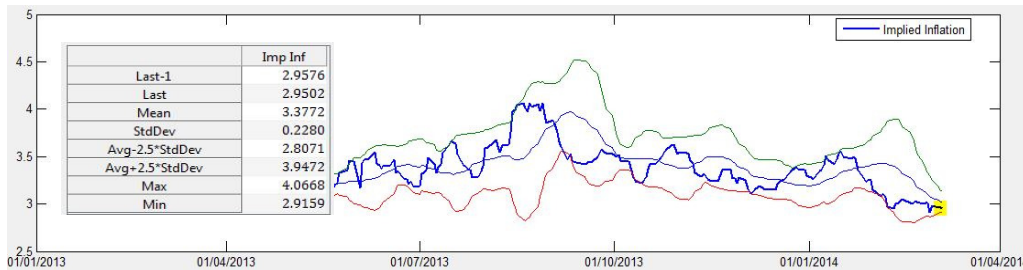
Source: PIP.

## EXPECTED INFLATION

Annual\* 3.97%

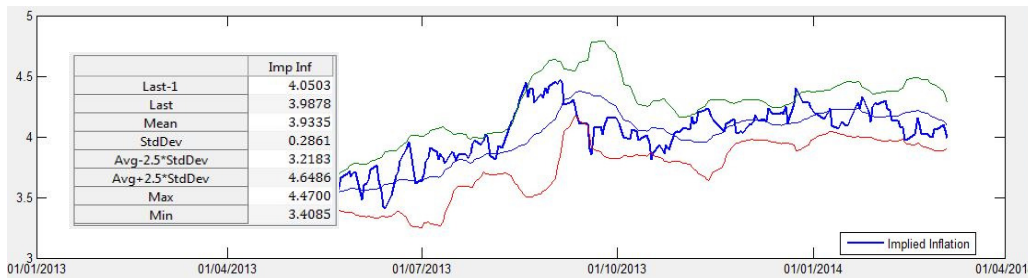
|         |          |       |       |       |       |       |        |           |         |          |          |
|---------|----------|-------|-------|-------|-------|-------|--------|-----------|---------|----------|----------|
| January | February | March | April | May   | June  | July  | August | 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                      | 6133     | 0.25%         | 6483   | -0.15%      |         |              | 8.82         | 8                 |                   |                     |
| Malaysia                   | 3.30     | 0.75%         | 1818   | -0.04%      | 78      | 0            | 4.09         | -1                |                   |                     |
| China                      | 6.23     | 1.49%         | 1993   | -1.27%      | 74      | 0            | 4.47         | 2                 | 169.9             | -10.7               |
| South Korea                | 1076.20  | 0.65%         | 1920   | -0.77%      | 81      | 0            | 3.54         | 1                 |                   |                     |
| Taiwan                     | 30.54    | 0.69%         | 0      |             | 0       | 0            | 0.00         | 0                 | -2771             | -12.6               |
| <b>Eastern Europe</b>      |          |               |        |             |         |              |              |                   |                   |                     |
| Hungary                    | 226.05   | -0.11%        | 16955  | 5.04%       | 243     | -5           | 5.75         | -12               | 298.2             | -241                |
| Turkey                     | 2.23     | -0.16%        | 65261  | 3.02%       | 242     | -6           | 10.82        | -2                |                   |                     |
| Russia                     | 3617     | -1.01%        | 1321   | 5.76%       | 243     | -7           | 9.26         | -10               |                   |                     |
| Poland                     | 3.05     | -0.35%        | 50628  | 150%        | 74      | -1           | 4.31         | 3                 | 154               | -101                |
| Czech Republic             | 19.92    | 1.00%         | 985    | 153%        | 60      | 0            | 2.19         | 0                 | -58.4             | -12.5               |
| <b>Latin America</b>       |          |               |        |             |         |              |              |                   |                   |                     |
| Argentina                  | 7.96     | 0.93%         | 6011   | 6.24%       | 810     | 0            | 288.00       | 175               | 28522.9           | 162.4               |
| Brazil                     | 2.32     | -1.69%        | 47336  | 4.16%       | 182     | 1            | 13.22        | 36                | 1044.5            | 23.2                |
| Mexico                     | 13.26    | -0.22%        | 39585  | 4.07%       | 89      | -1           | 6.32         | 7                 | 355               | -5.8                |
| Chile                      | 566.14   | -1.09%        | 3648   | 0.48%       | 122     | 0            | 5.17         | 0                 |                   |                     |
| <b>Middle-East/ Africa</b> |          |               |        |             |         |              |              |                   |                   |                     |
| South Africa               | 10.89    | 0.79%         | 46508  | -0.68%      | 197     | -15          | 8.59         | 5                 | 581.8             | -7.6                |
| U.A.E. - Dubai             | 3.67     | 0.00%         | 0      |             | 415     | 0            | 0.00         | 0                 |                   |                     |
| Israel                     | 3.48     | 0.17%         | 0      |             | 0       | 0            | 0.00         | 0                 |                   |                     |
| Saudi Arabia               | 3.75     | 0.00%         | 9306   | -0.86%      | 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       |                     | 8.65            | 0                    |
| Malaysia                   | 5.1     | 54.6       | 3.8        | A3                  | 3.32            | 1                    |
| China                      | 7.7     | 37.7       | 2.0        | Aa3                 | 3.48            | 96                   |
| 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                 | 2.75            | 1                    |
| Turkey                     | 4.4     | 36.6       | -6.1       | Baa3                |                 | 0                    |
| Russia                     | 1.2     | 7.9        | 3.5        | Baa1                | 9.25            | 19                   |
| Poland                     | 2.7     | 48.2       |            | A2                  | 2.61            | 0                    |
| Czech Republic             | 1.3     | 48.8       | -2.7       | A1                  | 0.04            | 0                    |
| <b>Latin America</b>       |         |            |            |                     |                 |                      |
| Argentina                  | 5.5     | 45.8       | 0.0        | Caal                | 29.20           | 0                    |
| Brazil                     | 1.93    | 59.2       | -3.6       | Baa2                | 7.08            | 0                    |
| Mexico                     | 0.7     | 67.1       | -1.8       | A3                  | 3.81            | 0                    |
| Chile                      | 2.7     | 13.9       | -3.5       | Aa3                 | 0.85            | 0                    |
| <b>Middle-East/ Africa</b> |         |            |            |                     |                 |                      |
| South Africa               | 2       | 45.4       | -6.8       | Baa1                | 5.73            | 0                    |
| U.A.E. - Dubai             | 0       | 0          |            |                     | 0.81            | 0                    |
| Israel                     | 7.7     | 31.7       | 0.3        | A1                  | 0.67            | 0                    |
| Saudi Arabia               | 0       | 12.2       | 19.3       |                     | 0.95125         | 0                    |

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