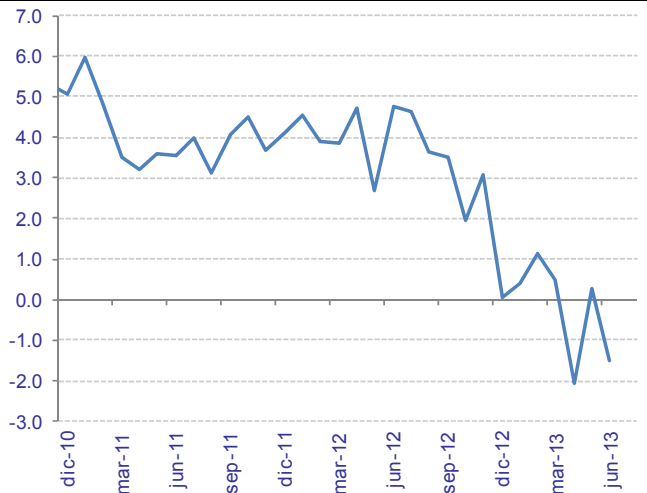


Mexico Weekly Flash

Next week...

- Job figures set from release that will contribute to weighing up the effect of the economic slowdown in terms of job creation**
 Given the recent slowdown in output, confirmed with the decline in industrial output in June (-0.03% m/m, -1.5% y/y CSV), it will be important to see how the job market is performing. On the one hand, Monday, August 12 sees INEGI release structural employment data for the second quarter of 2013. These ENOE indicators should show the type of jobs created in the first six months of the year for the entire labor force. These indicators include payroll, which contributes to assessing the employment income (combination of employment and wages) in the economy; this increased below 3.0% y/y in the first quarter of the year. On the other, figures on insured workers in the IMSS are expected for June which has seen a slowdown in recent months.
- Federal Reserve statements and macroeconomic data from China hold sway over market performance**
 Chinese economic output figures dominated markets in the absence of important US economic data which provide more clarity on the schedule for reducing asset purchases by the FED. Figures above expectations on Chinese imports and exports led to gains on emerging economy stock markets. In turn, statements by some Federal Reserve members in the US in favor of reducing the asset purchase rate in September contributed to stronger fixed-income rates mid-week. These practically fell back toward the end of the week alongside the volatility and trading in the US treasury bond market. The peso strengthened 0.3% over the week on the market with a decline in volatility levels.

Chart 1
Industrial Output (% change y/y, CSV)



Source: BBVA Research and INEGI

Chart 2
US Treasury bond trading volume (USD billions, 20-day rolling average)

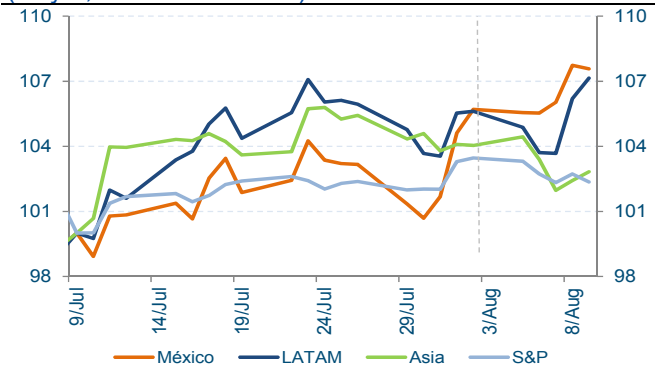


Source: BBVA Research and Bloomberg. The figures correspond to those reports by ICAP Plc, the largest US government debt broker.

Markets, activity and inflation

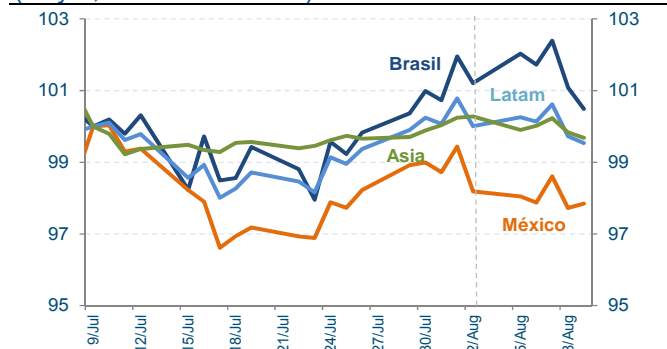
- Higher-than-expected trade figures from the Chinese economy contributed to an upswing on emerging economy stock markets during the week, as well as stronger currencies.

Chart 5
Stock markets: MSCI indices
(July 9, 2013 index =100)



Source: BBVA Research with data from Bloomberg

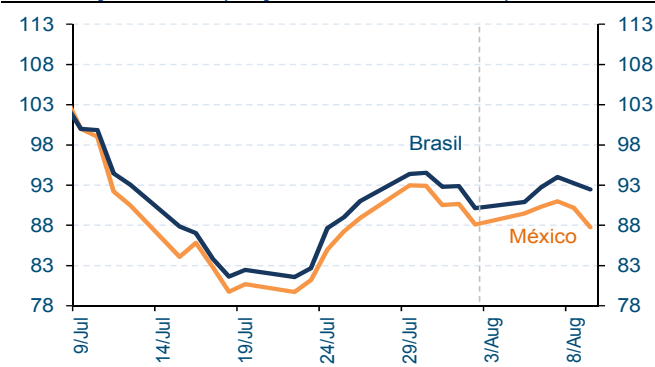
Chart 6
Foreign exchange: dollar exchange rates
(July 9, 2013 index =100)



Source: BBVA Research with Bloomberg data NB: LATAM includes Argentina, Brazil, Chile, Colombia and Peru. Asia includes the Philippines, South Korea, Taiwan, Singapore, Indonesia and Thailand.

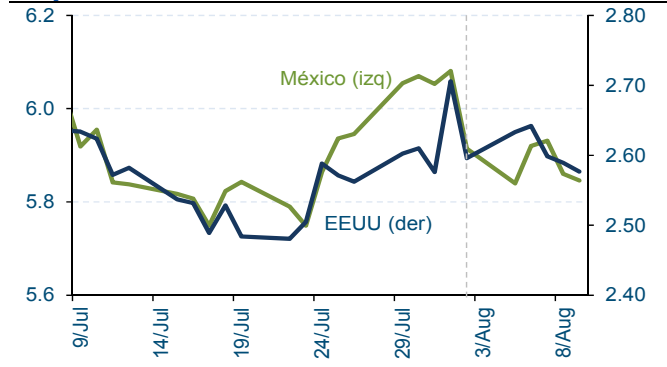
- Statements by Federal Reserve members in favor of reducing the asset purchase rate in September contributed to stronger fixed-income rates mid-week which later fell back due to the lack of important economic indicators. Risk aversion saw marginal change over the week.

Chart 7
Risk: 5-year CDS (July 9, 2013 index=100)



Source: BBVA Research with data from Bloomberg

Chart 8
10-year interest rates, last month



Source: BBVA Research with data from Bloomberg

- Inflation started its strong descent in June and is already below 3.5%. Industrial output figures for June confirm the second quarter slowdown.

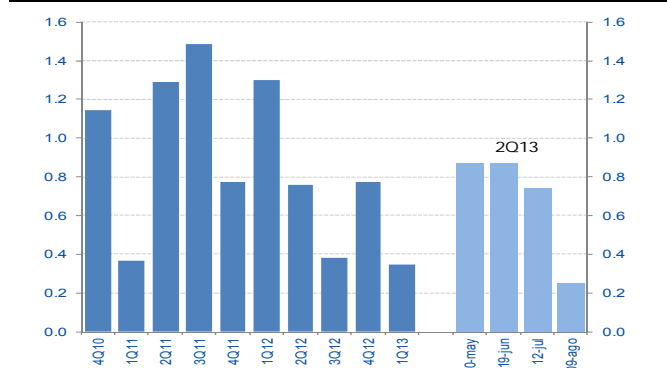
Chart 9
*Inflation Surprise Index
(July 2002=100)



Source: Bloomberg and BBVA Research

*This measures the deviations in inflation in comparison to market-forecast figures, adjusting for inflation volatility. When it trends down, this implies a lower-than-expected inflationary surprise; when it trends up, this indicates a higher-than-expected inflationary surprise.

Chart 10
Observed and estimated GDP 2Q13
(% change y/y, q/q)



Source: BBVA Research

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