

Monthly Allocation

Needed or unneeded changes

Indications are that a new beginning is on its way. US indicators point to the worst being over. The second half of the year starts with signs of a new beginning. The question is not if Mexico will start running when the starter pulls the trigger, but by how many months will it lag behind.

History is unable to repeat itself

Expectations are now that the Mexican economy will contract 8% in the 2Q09 (5.7% previously). Not even the likely improvements in house and car sales in the USA seem to help. This is the largest slump since 1995, but recovery from that crisis was quick, as it only related to internal factors, so the strong growth of outer elements strengthened the patient.

This time things are not as easy. This time the only reason the outside world is not in as bad a condition as Mexico is because it caught a milder form of the flu. Although data released in the next few months should show 2Q09 as the worst period, this does not mean that from now on the Mexican economy will recover quickly, as production was down substantially and consumption only rose as people prepared for confinement because of the human version of the Swine Flu.

The government is doing all it can to reduce the pain, but the medicine is weak. It is reducing public spending but needs approval from Congress that is currently on summer holidays. Currently its main effort is on controlling the Peso at around P\$ 13.00/US\$. In addition, it is preparing for structural changes. The crisis that caught the world off guard demands it. Oil prices at US\$ 150/boe (even if they did not stay there for long) led to the need for more efficient engines. Mexico does not have the experience to supply them and will need to adapt quickly, or lose ground at its economic base, the USA.

Starting the second half on first half results

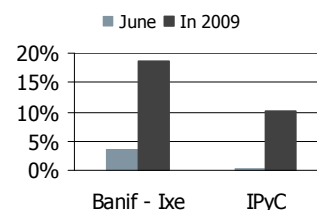
July is the month when Mexican companies publish 1H results. Although we do not expect anything brilliant, we believe that some opportunities arise. The construction sector, which has lagged the market, will probably be one of the big winners from now on, as government incentives sink in. We are staying out of the airport segment this month as we expect to see decreasing traffic data. This month we do not recommend any shorts.

Outperforming the IPyC – Recommended BUY Portfolio (“LONG”)

Stock – Catalysts/Fundamentals

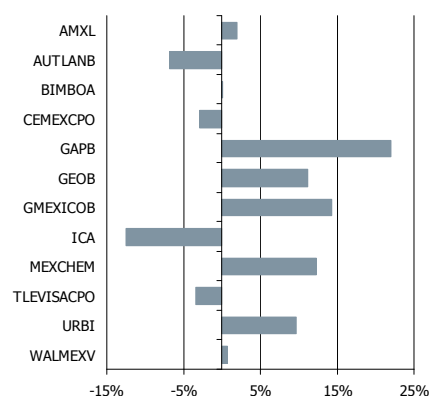
- AMXL – good 2Q09 earnings on a 17% traffic growth
- AUTLANB – expected steel/ferroalloy price recovery
- BIMBOA – will continue to show positive synergy gains from its recent acquisition
- CEMEXCPO – expectations of a refinancing announcement in July
- KOFL – strong performances of KOF and convenience stores
- GEOB – will likely post the best report in the sector
- GMEXICO – close to a ruling on Asarco with creditors analyzing best offer in July
- GRUMAB – expectations of positive operating results in 2Q09
- IDEALB-1 – we believe that 2Q09 will show a 50% EBITDA growth
- MEXCHEM – expected double-digit EBITDA growth
- TLEVISACPO – strong 2Q09 coming from the consolidation of cables and advertising
- WALMEXV – will continue to outperform peers with double-digit growth

Banif - Ixe (LONG) x IPyC



Source: Economática

Weighted performance in June/09



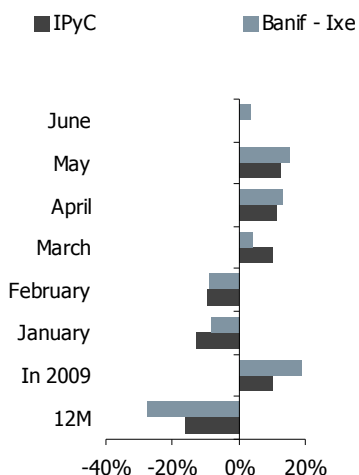
Source: Economática. Weighted performance of the stocks from the recommended portfolio.

Portfolio - buy (LONG) – July/09

Company/stock	Ticker	Vol. Neg.*	Weight
Am. Móvil	AMXL	971.3	15
AUTLAN	AUTLANB	18.5	5
BIMBO	BIMBOA	36.0	10
CEMEX	CEMEXCPO	414.1	5
Femsa	KOFL	9.7	5
GEO	GEOB	74.4	10
GMexico	GMEXICOB	223.8	10
Gruma	GRUMAB	17.2	5
Ideal	Idealb-1	7.4	10
Mexichem	MEXCHEM	46.1	5
Televisa	TLEVISACPO	175.6	10
Walmex	WALMEXV	380.2	10
Total	-	-	100%

Source: Economática and Banif – Ixe Securities Research
* 3 month Average daily volume traded at the IPyC. P\$ mn

Banif - Ixe x IPyC Evolution



Source: Economática and Banif - Ixe Securities Research

	Banif-Ixe	IPyC
2008		
Jan-08		-2.5%
Feb-08		0.4%
Mar-08		6.9%
Apr-08		-2.0%
May-08		5.6%
Jun-08		-8.1%
Jul-08	-11.7%	-6.4%
Aug-08	-5.6%	-4.4%
Sep-08	-16.7%	-5.3%
Oct-08	-19.6%	-17.9%
Nov-08	0.4%	0.4%
Dec-08	8.4%	9.2%
2009		
Jan-09	-8.1%	-12.7%
Feb-09	-8.7%	-9.3%
Mar-09	4.28%	10.56%
Apr-09	13.43%	11.58%
May-09	15.57%	12.61%
Jun-09	3.60%	0.15%
In 2009	18.8%	10.2%
12M	-27.7%	-16.0%
18M	--	-16.4%

Source: Economática and Banif - Ixe Securities Research

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Rating	Coverage	Banking Relationship Last 12 Months
BUY	51.0%	2.0%
NEUTRAL	21.0%	0%
SELL	28.0%	0%

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