

Monthly Allocation

Up on rating maintenance

The Mexican economy seems to be finally leaving behind the negative catalysts that were driving it. Growths shown during the last quarter are mostly spectacular, although it is important to say that this is partially a consequence of the easy comparisons generated by the weak performance of the past. Still, numbers show a recovery and expectations are that the current quarter will be even stronger.

One of the main downward drivers of the Mexican stock market was the expectation that rating agencies would downgrade the country on the back of the strong decrease in public revenues. The increase in taxes, still waiting approval, should solve this issue satisfactorily, although not being the most appropriate solution considering domestic economic activity. Increasing taxes is never a popular measure, but to maintain ratings unaltered this sacrifice is valid. Thus, as the Mexican market strongly lags the Brazilian, we expect that the approval of the tax reform and consequent maintenance of the country's rating should result in an upward movement for the Mexbol.

The main problem in the short-term seems to be inflation. Although it has remained at a low level, and in the range established as acceptable by the Central bank, with the freezing of gasoline prices and the reduction of other energy prices, the increase in taxes will likely signify an increase from the current low level of inflation. However, the Central Bank has shown clear signs that it will not worry about this for the time being and that its main concern is the reactivation of economic activity.

US economy driver of the markets

The 3Q09 GDP of the USA came in as an extremely positive surprise at 3.5%, above the market consensus of a 3.2% growth and just after some respected economists had alerted investors to the possibility of it being even lower. The trend of the American economy becomes more and more important to watch in determining investment opportunities in Mexico. Not only does the country's economy base itself on supplying mainly the US, but it also depends on remittances from Mexican workers in the USA to Mexico. In September, there was a 17.56% contraction in remittance, much worse than the estimated 13%. Thus, numbers of jobs eliminated in the Mexican society is a number to follow carefully. Unemployment rate reached nearly 10%, but if we look at the Hispanic community, this number increases to above 12%.

For November, we will continue betting pretty much on the same sectors as before. That is, companies related to the domestic economy. Our preferences continue to be the homebuilding and infrastructure segments, as well as the retail sector that will probably suffer less from the imminent tax increases awaiting approval by Congress.

Outperforming the IPyC – Recommended BUY Portfolio ("LONG")

Stock – Catalysts/Fundamentals

AMXL – diversification and growth in penetration rate leading to higher ARPU

CEMEX – Underperforming peers and trading at attractive valuations

FEMSAUBD – solid growth in Sales and EBITDA

GAP – expectations of positive numbers during the last months of the year

GEOB – beginning of operations in the USA and Brazil

GMEXICOB – reducing exposure on the delay of the decision on Asarco

ICA – important projects in 4Q09, specifically in November

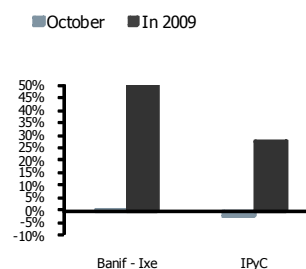
Peñoles – gold and silver consumption increase in India and China

Televisa – merging cable service and forming largest operator in Mexico

URBI – trading at attractive valuations

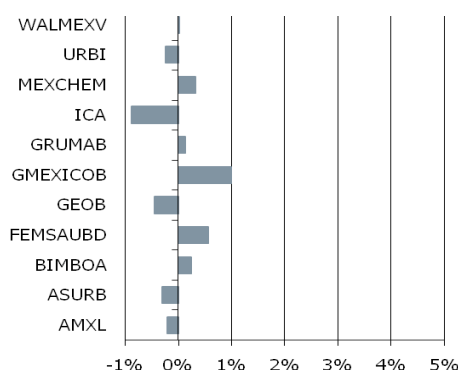
WALMEXV – improved sales during the Christmas season and not affected by tax increase

Banif - Ixe (LONG) x IPyC



Source: Economática

Weighted performance in October/09



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

Portfolio - buy (LONG) – November/09

Company/stock	Ticker	Vol.	Neg.*	Weight
Am. Moviles	AMXL	1,040,0		15
Cemex	CEMEXCPO	617,7		10
Femsa	FEMSAUBD	177,3		15
Gap	GAPB	23,9		5
Genomma Lab	GEOB	117,6		10
Gmexico	GMEXICOB	502,6		10
ICA	ICA	228,5		5
Penoles	PENOLES	51,9		5
Televisa	TLEVISACPO	251,7		5
Urbi	URBI	53,5		10
Walmex	WALMEXV	417,8		10
Total				100%

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

Top – Suggestions (SHORT) November/09

Company/stock	Ticker	Δ Last month
Megacable	MEGACPO	7.2
Sare	SARE	-10.1

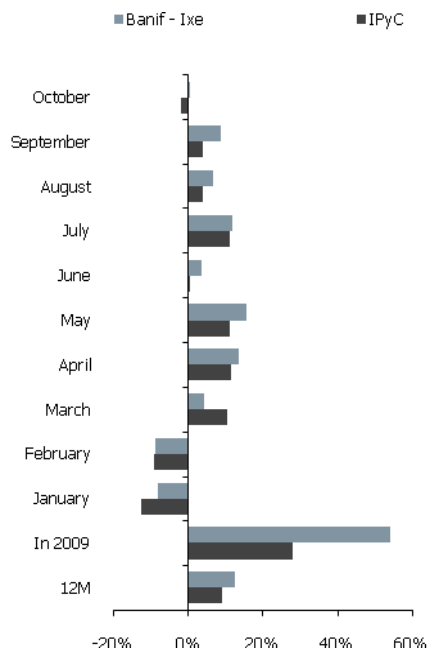
Source: Economática and Banif – Ixe Securities Research
* 3 month Average daily volume traded at the IPyC. P\$ mn

Short suggestion for October

Megacable – valuations are expensive

SARE – poor performance leads to bankruptcy

Banif - Ixe x IPyC Evolution



Source: Economática and Banif - Ixe Securities Research

	BANIF	IPyC
2008		
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%	9.0%
2009		
Jan-09	-8.1%	-12.6%
Feb-09	-8.7%	-9.3%
Mar-09	4.3%	10.6%
Apr-09	13.4%	11.6%
May-09	15.6%	11.1%
Jun-09	3.6%	0.2%
Jul-09	11.6%	11.0%
Aug-09	6.6%	4.0%
Sep-09	8.7%	3.9%
Oct-09	0.2%	-2.0%
In 2009	54,0%	28,0%
12M	67,7%	40,1%
18M	--	-5,4%

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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