

Monthly Allocation

The bad news is finally out

Fitch has finally downgraded Mexican debt. However, as always, there is good news with the bad, for they say that the outlook is now stable. In addition, Congress has finally approved the tax increase, which should result in an improvement in government revenues, although the decision was not sufficient to avoid the downgrade. S&P has still to give its verdict on the country's outlook. Expectations are that they will avoid downgrade and, as Fitch did, maintain a stable outlook, but with a higher notch."

The economic outlook seems to be improving. Although still negative, indicators are above expectations. GDP dropped 6.2% in 3Q09, which compares to the market's estimated drop of 6.8%. For 2010, investors expect a turn around, estimating a 3.1% growth. Much still remains based on an improvement in the USA. Approximately 27% of the country's economy depends on its neighbor.

Inflation watched closely

Inflation has not been a concern up to now, continuing below the 4% level. However, expectations are that the beginning of the year will show it moving above this level, increasing concerns that the Central Bank will start moving basic rates up. Expectations are that the beginning of an upward trend in rates will only start in September 2010. Investors will be on the lookout for the Mexican's Central Bank estimate, scheduled for release during the first week of December.

Other data investors are going to be paying a lot of attention to during the next couple of weeks are on the US, especially Black Friday sales that will give an indication of how good (or bad) Christmas sales will probably be. An improvement should indicate an increase in remittances to Mexico, improving the Mexican economy.

No real concern with the change to Central Bank

The change in the President of the Central Bank is no real concern. Although doing a good job, the leaving President was eternally in dispute with President Calderon. Replacing him is Mr. Carstens, who is the Secretary of Finance, and who has good international exposure. The question that arises is who is going to replace him as Finance Secretary.

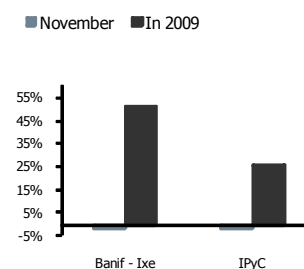
December is the month with the highest sales, due to Christmas. Thus, we are basing our portfolio on the stocks of companies that will benefit from this. We are not recommending any shorts this month.

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

Stock – Catalysts/Fundamentals

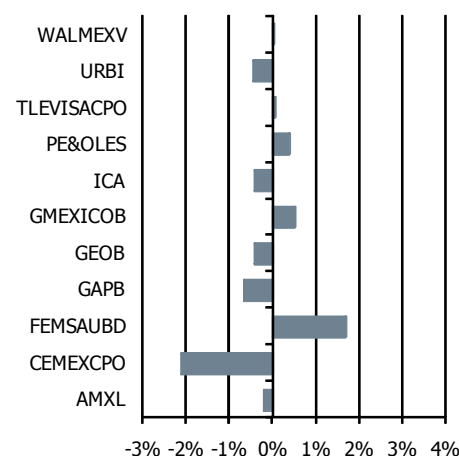
- AMXL – excellent results from the launching of promotions for post paid subscribers
- AXTEL – possible change in foreign shareholder legislation
- CEMEX – should successfully place convertible bonds
- FEMSAUBD – reducing due to uncertainties coming from rumors
- GAP – December traffic should be positive
- GEOB – trading at attractive valuations
- GMEXICOB – defensive play on copper price increases
- ICA – expectations that it will win the tenders for more public projects
- Peñoles – precious metal price seasonal increase
- Simec – better outlook on USA auto sales in 2010
- Televisa – looking for a JV to participate in wireless spectrum auctions
- URBI – should do well on Moody's and S&P's upgrade and on attractive valuations
- WALMEXV – strongest month for retailers with 4Q representing 30% of sales.

Banif - Ixe (LONG) x IPyC



Source: Economática

Weighted performance in November/09



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

Portfolio - buy (LONG) – December/09

Company/stock	Ticker	Vol. Neg.*	Weight
Am Movil	AMXL	1,040.0	20
Axtel	AXTELCPO	53.3	5
Cemex	CEMEXCPO	617.7	10
Femsa	FEMSAUBD	177.3	5
Gap	GAPB	23.9	5
GEO	GEOB	117.6	10
Gmexico	GMEXICOB	502.6	5
ICA	ICA	228.5	10
Penoles	PE&OLES	51.9	5
Simec	SIMECB	19.6	5
Televisa	TLEVISACPO	251.7	5
Urbi	URBI	53.5	5
Walmex	WALMEXV	417.8	10
Total			100%

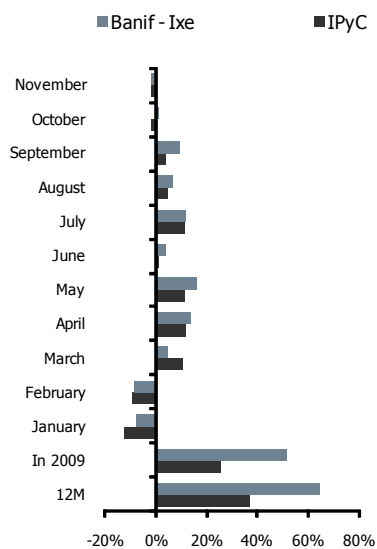
Source: Economática and Banif – Ixe Securities Research
* 3 month Average daily volume traded at the IPyC. P\$ mn

Top Suggestions (SHORT) – December/09

Company/stock	Ticker	Δ Last month
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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

2008	Banif-Ixe	IPyC
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%
Nov-09	-1.7%	-2.0%
In 2009	51.4%	25.4%
12M	64.2%	36.7%
18M	--	-7.3%

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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