



# Weekly Observatory

December 14th, 2009

## Industrial output recovery to continue in October at a monthly rate of around 2%

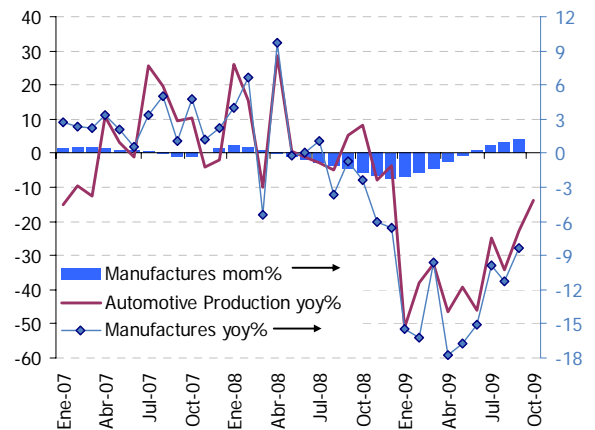
The upturn in vehicle production over recent months, directly linked to improving external demand, and specifically that in October, will continue to help improve Mexican manufacturing output. Despite this, and due to the major accumulated decline, the annual industrial output rate will continue negative, around -4%. In turn, construction industry indicators, such as output value, point to the sector reacting slowly to the positive cycle turn.

This is consistent with a likely slowdown in the industrial output upswing towards the end of the year, as shown in synthetic output indicators and, more directly, in advance Mexican cycle indicators such as US manufacturing.

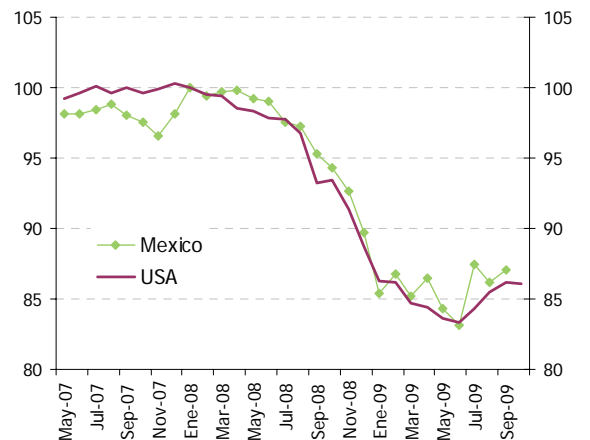
Overall, taking into account the surprise positive growth in the third quarter pointing to a positive direction for output for 2009 and 2010, the fall in output will come in at around 7% or slightly less for the year in total.

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**Automotive Production & Manufactures**  
(yoy%, mom%)



**Manufacture Production**  
(Index, Jan07 = 100)



## Economic Calendar

December 14 to 18

	Monday	Tuesday	Wednesday	Thursday	Friday
	14	15	16	17	18
<b>Mexico</b>			November Inflation CPI: 0.69 / 4.04% (0.30% / 4.50% prev.) Core infl.: 0.28 / 4.67% (0.29% / 4.90% prev.)		

## Macroeconomic and Financial Forecasts

Mexico	2008	2009	2010	1Q09	2Q09	3Q09	4Q09	1Q10	2Q10	3Q10	4Q10
Inflation (% , avg)	5.1	<b>5.4</b>	<b>4.7</b>	6.2	6.0	5.1	<b>4.3</b>	<b>4.6</b>	<b>4.4</b>	<b>4.7</b>	<b>5.2</b>
Core (% , avg)	4.9	<b>5.3</b>	<b>4.6</b>	5.8	5.6	5.1	<b>4.5</b>	<b>4.4</b>	<b>4.5</b>	<b>4.7</b>	<b>5.0</b>
GDP (real annual % change)	1.4	<b>-7.2</b>	<b>3.1</b>	-8.9	-8.9	<b>-6.3</b>	<b>-4.6</b>	<b>2.5</b>	<b>4.5</b>	<b>2.9</b>	<b>2.4</b>
Bank funding (% end of period)	8.25	<b>4.5</b>	<b>4.50</b>	6.75	4.75	4.50	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>	<b>4.50</b>
28-day Cetes (% , avg)	7.62	<b>5.43</b>	<b>4.48</b>	7.26	5.45	4.53	<b>4.49</b>	<b>4.47</b>	<b>4.47</b>	<b>4.47</b>	<b>4.53</b>
28-day TIE (% , avg)	8.28	<b>5.94</b>	<b>4.90</b>	8.01	5.92	4.90	<b>4.91</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>	<b>4.90</b>
M10 years (% , avg)	8.37	<b>7.98</b>	<b>7.66</b>	8.02	7.86	8.12	<b>7.94</b>	<b>7.90</b>	<b>7.67</b>	<b>7.52</b>	<b>7.57</b>
Peso/dollar (avg)	11.1	<b>13.5</b>	<b>13.0</b>	14.4	13.3	13.3	<b>13.1</b>	<b>13.2</b>	<b>13.2</b>	<b>13.0</b>	<b>12.7</b>
<b>U. S.</b>											
Fed Funds (% , end of period)	0.50	<b>0-0.25</b>	<b>0-0.25</b>	0-0.25	0-0.25	0-0.25	<b>0-0.25</b>	<b>0-0.25</b>	<b>0-0.25</b>	<b>0-0.25</b>	<b>0-0.25</b>
10-year bond (% avg)	3.64	<b>2.35</b>	<b>3.075</b>	2.71	2.35	2.00	<b>2.35</b>	<b>2.55</b>	<b>3.00</b>	<b>3.25</b>	<b>3.50</b>
Dollar / euro (avg)	1.47	<b>1.39</b>	<b>1.27</b>	1.29	1.38	1.43	<b>1.46</b>	<b>1.42</b>	<b>1.38</b>	<b>1.35</b>	<b>1.32</b>

\* Forecast in **bold**

## Financial Markets

December 3 to 10

Spreads	Previous close	Week chng. bp	Currencies	Previous close	Week % chng.	Bolsas	Previous close	Week % chng.
U.S. corporate (BAA)	427	8	Peso / dollar	12.57	-3.34	IPC	31,967.4	192
EMBI+Mexico	170	3	Real Brazil / dollar	1.71	-2.10	Dow Jones	10,366.2	-0.94
EMBI+Brazil	211	-5	Dollar / euro	1.51	0.23	S&P	1,099.9	-0.96
EMBI+LatAm	363	17	Yen / dollar	88.26	193	Bovespa	68,314.8	0.59

## Financial Markets Evolution

December 3 to 10

U.S. Debt			UMS				Cetes & Bonds (M's) with taxes			
Term	Previous close	Week chng. bp	Term (days)	Prev. Close	Week chng. bp	Spread vs. Treasury	Term (days)	Primary	Prev. close**	Week chng. bp
Fed Funds	0.25	0					Bank funding*		4.59	5
							Govnmt. funding*		4.49	3
							TIE (28d)		4.97	4
T.Bill 91d	0.04	0					Cetes (28d)	4.51	4.55	2
							Cetes (91d)	4.59	4.59	0
							Cetes (182d)	4.79	4.84	8
Libor 3m	0.26	0					Cetes (364d)		5.04	-1
T-Notes 5 years	0.06	-4								
			UMS 10 (59d)	0.65	-39.80	-140	0	0.00	0.00	0
			UMS 11(406d)	1.31	-20.70	-75	M7 i (384d)	4.82	4.96	13
T-Notes 10 years	2.05	1	UMS 12 (771d)	2.08	-11.30	3				
			UMS 13 (1139d)	2.86	5.00	81	M 10 i (112d)	6.73	6.88	15
			UMS 14 (1503d)	3.50	4.80	145	M 10 i (1476d)	7.09	7.24	15
			UMS 15 (1915d)	3.96	11.10	-30	M 10 iL (1840d)	7.39	7.54	15
			UMS 16 (2477d)	4.29	17.80	3				
			UMS 19 (3678d)	4.96	10.10	70				
T-Bond 30 years	4.26	10	UMS 22 (4677d)	5.29	8.40	104	M 20 i (5116d)	8.24	8.29	5
			UMS 26 (6006d)	5.57	9.70	132				
			UMS 31(7924d)	5.95	16.10	169				
			UMS 33 (8526d)	5.96	15.90	171				
			UMS34 (9063d)	5.97	15.80	171				

\* Weighted rates