

December 2018

# Monthly Commentary

## Latin America update

- Latin American equities ended lower during an unsettling month
- Brazilian stocks corrected after October's rally on weaker global markets
- Concerns over the incoming Mexican government's business-unfriendly policies ward off investors

### Market overview

Latin American equities ended lower in November. The unsettling month was marked by concerns surrounding the US-China trade spat, tightening monetary conditions and record low oil-prices amid worries about a potential crude oil oversupply in the coming year.

Brazil's economy bounced back in the third quarter, growing at its fastest pace in 18 months. President-elect Jair Bolsonaro signalled the incoming government's aims to introduce reforms that would promote the private sector and further lift the economy bogged down by a bloated public sector. While the momentum in GDP growth bode well for consumer markets, lower oil prices hurt the energy and materials sectors, which led the stock market decline.

In Mexico, the equity market contracted, as investors remained concerned that the new administration would adopt an interventionist and populist approach to economic policy and unwind key reforms, especially in the energy sector. Despite the peso's tentative recovery from the previous months' lows, the central bank increased its key lending rate for the third time this year and issued a hawkish warning about increasing risks ahead.

### Corporate News

In the banking sector, Brazilian lender **Bradesco** released good third-quarter results, which underscored a pickup in loan growth and improving asset quality, allowing the bank to deliver net income growth of 14%.

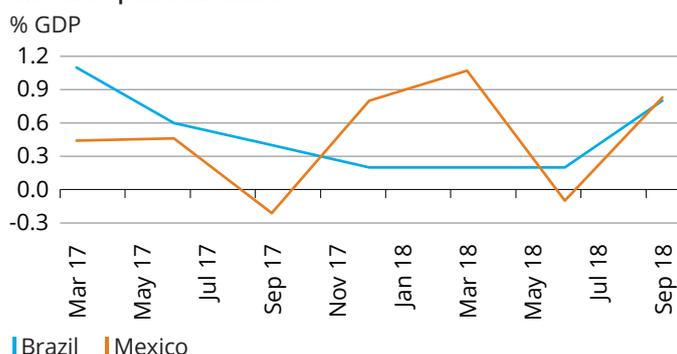
Conversely, Mexico's **Grupo Financiero Banorte's** shares sold off alongside the domestic stock market, following the termination of the Mexico City airport project and a proposal to cancel commissions on certain bank transactions. Similarly, **Banco Santander Mexico's** stocks fell.

The commercial and consumer services sector, however, performed well. Brazilian shopping-mall operator **Multiplan's** same-store sales and rents improved in the third quarter, thanks to firming consumer confidence. Management may accelerate plans to organically expand given the election outcome, and the country's reform plans, which signal a boost for the economy.

We hold the companies highlighted.

Global Emerging Markets Equity Team  
Aberdeen Standard Investments

### Brazil and Mexico's GDP growth encouraging, despite unstable political climate



Source: Bloomberg, December 2018

### For more information

#### Client Services Team

Tel: +65 6395 2701

Fax: +65 6632 2993

#### Aberdeen Standard Investments (Asia) Limited

21 Church Street

#01-01 Capital Square Two

Singapore 049480

Tel: +65 6395 2700

Fax: +65 6632 2998

[aberdeenstandard.com.sg](http://aberdeenstandard.com.sg)

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