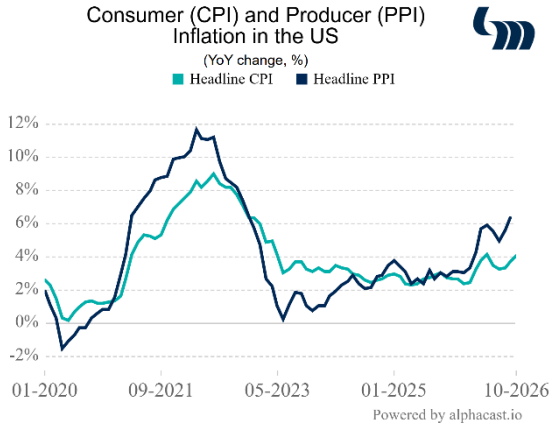
Mifel Weekly
From China with Love
November 13, 2026
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Investment Supercycle and Business Cycle at an Inflection Point.

A corporate scandal with geopolitical repercussions. An alleged case of industrial espionage has affected the company whose chips underpin the investment supercycle associated with AI, leading to a 33.4% loss in its market valuation and causing it to relinquish its position as the world's largest company by market capitalization. The leadership change at the company is only the first step in a delicate corporate restructuring. More importantly, the situation carries significant geopolitical implications because these technologies are subject to national security restrictions and are key to maintaining the United States' lead in AI over China,. The upcoming summit between Donald Trump and Xi Jinping, scheduled for next week on the sidelines of the APEC Leaders' Meeting, now has a new agenda item due to the affair. Despite the impact, market reactions suggest a broader market resilience: the S&P 500 and Dow Jones Industrial Average ended the week up 2.2% and 1.5%, respectively, while the VIX volatility index (often referred to as the "fear gauge") closed at 19.84 points, down 22.62% from the previous week. Meanwhile, the Nasdaq, which best reflects the performance of the technology sector, gained 2.6% over the week, buoyed by expectations surrounding the upcoming initial public offering (IPO) of another flagship AI company. As a result, next week also promises to be packed with market-moving news.

Meanwhile, inflation remains a concern, and the Fed is responding. In October, the U.S. Consumer Price Index (CPI) rose 0.4% month-over-month, exceeding expectations of 0.3%. A year-over-year comparison is unavailable because inflation data were not collected in October 2025 due to the U.S. government shutdown. Nevertheless, inflation appears to be moving increasingly closer to the 4% level expected by consumers. More importantly, price pressures are no longer limited to energy prices. Housing costs rose 0.3% month-over-month and accounted for more than 30% of the increase in the overall CPI. Food prices also continue to show worrying trends. **At the producer level, Producer Price Inflation (PPI) increased 6.5% in October, compared with 6.3% in September, slightly below the consensus expectation of 6.6%.** Headline producer inflation reached its highest level since November 2022, while core PPI climbed 5.0% year-over-year. Against this backdrop, comments from Federal Reserve officials have taken on a distinctly hawkish tone. Chris Waller indicated that a 50-basis-point increase in the federal funds rate in December should not be ruled out, while Lorie Logan of the Dallas Fed suggested that at least two additional 25-basis-point hikes may be necessary. Markets currently assign a 91.2% probability to a 25-basis-point rate increase at the Fed's December meeting.

OPEC+ crude oil production increased by 2.04 million barrels per day in October compared with September, reaching 41.23 million barrels per day, with Saudi Arabia serving as the primary driver of the rebound. In its November 11 report, OPEC maintained its forecast for global oil demand growth at 180,000 barrels per day in 2026 and 2.55 million barrels per day in 2027.

The United Kingdom's real GDP grew 1.9% year-over-year in the third quarter of 2026, up from 1.4% in the previous quarter. On the expenditure side, household consumption rose 1.8% annually, contributing 1.03 percentage points to overall growth. Fixed investment increased 4.1% year-over-year, driven by a 19.6% surge in general government investment and a 3.0% increase in business investment. Public consumption rose 1.6% annually, while net exports contributed 0.20 percentage points to annual growth but subtracted 0.07 percentage points from quarterly growth.

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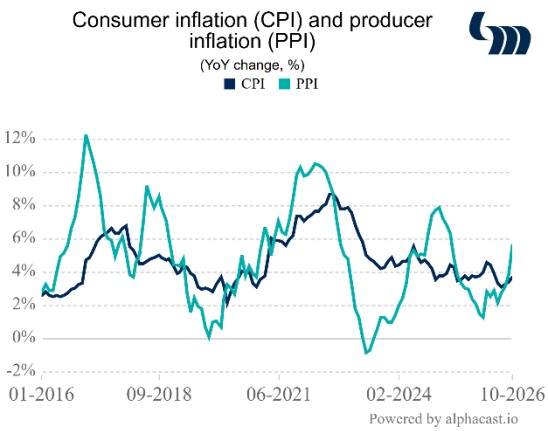
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An Inertial Budget or a Budget That Fails to Address Harmful Inertia?

Inflation in Mexico reaches 3.75% Year-over-Year in October, above our forecast of 3.65% and up from 3.45% in September. The non-core component accounted for most of the increase, rising from 2.45% to 3.59%, driven by a 13.19% annual increase in fruit and vegetable prices. Core inflation increased from 3.75% to 3.80%, with gains of 4.32% in services and 3.25% in goods. Meanwhile, producer prices rose 5.60% year-over-year in October, compared with 4.05% in September. The largest increase was observed in secondary activities, where prices accelerated from 4.01% to 6.08%, including gains of 31.71% in mining and 4.46% in manufacturing. Prices in tertiary activities rose 5.24%, while those in primary activities increased 1.05%. Intermediate goods and services advanced 5.85% year-over-year, while final goods and services rose 5.51%. These figures are concerning, particularly the shift in the trajectory of core inflation and the producer price data, which suggest broad price pressures. They are also notable because they were reported one week after Banxico opted for a controversial 25-basis-point rate cut, while monetary policy in our main trading partner maintains a clearly restrictive bias, per the above. So far, the peso's performance against the U.S. dollar, appreciating 0.4% over the week, has provided some relief. However, in our view, this is not an environment in which the risks of exchange-rate pass-through to inflation should be overlooked.



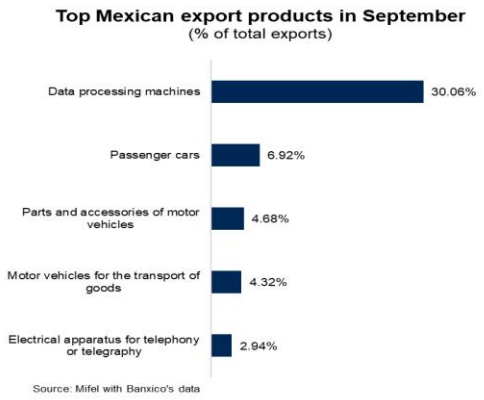
The Lower Chamber approves the 2027 Federal Expenditure budget proposal. The proposal contemplates net spending of MXN 10.636 trillion (4.2% nominal growth, 0.1% real growth), of which 69% would be programmable spending and 31% non-programmable. Specifically, MXN 2.5 trillion will be allocated to social protection, of which MXN 1.0 trillion is earmarked for priority social programs, MXN 1.3 trillion for education, MXN 3.0 trillion for subnational governments, MXN 1.1 trillion for healthcare, and MXN 1.0 trillion for physical investment. The proposal confirms a broad fiscal deficit (RFSP) target of 3.9% of GDP in 2027 (Mifel estimate: 4.1%), with a financial cost of MXN 1.6 trillion. If we take into account the recent contraction or stagnation in the most important tax revenues, achieving the 2027 deficit target appears difficult. This is the fundamental reason why we believe that the reduction in the broad fiscal deficit by the equivalent of 0.9 percentage points of GDP, often referred to as fiscal consolidation, will not be achieved. The effort on the expenditure side is no longer inertial: rather, spending items associated with social programs, non-contributory pensions, and support for Pemex (see below) generate exceptionally high budgetary rigidity and force reductions in programs and expenditures that already have a meaningful impact on public service delivery.

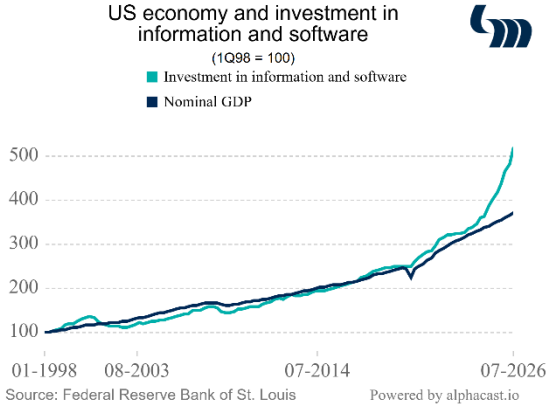
Pemex reports a net loss of MXN 10.8 billion in 3Q26; MXN 4.88 million per hour on average. The state-owned oil company (Moody's B1, Fitch BB+) benefited from stronger revenues due to a favorable international price environment, while hydrocarbon production remained at 1.64 million barrels per day (-0.4% year-over-year). Nevertheless, Pemex attributes its negative net earnings to several factors (including the payment of taxes and duties, as though these were optional), resulting in a reported net loss. In terms of debt, total liabilities declined from USD 85.6 billion in December 2025 to USD 77.6 billion as of 3Q26 (approximately MXN 150 billion lower, or -8.9% year-over-year in dollar terms), despite negative net cash flow and as a result of support from the federal government. Moody's and Fitch believe that support for Pemex will continue at least through the remainder of the Sheinbaum administration. The budget allocated to the state-owned company has fluctuated between MXN 600 billion and MXN 800 billion over the past eight years, equivalent to between 1.5% and 2.2% of GDP., Such support represents between 40% and 50% as a share of the broad fiscal deficit.

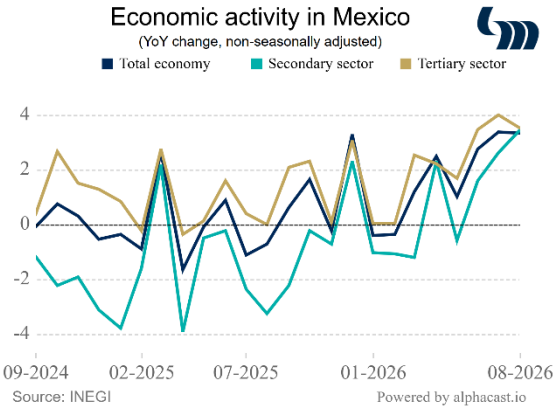
In Mexico, the industrial activity indicator declined 1.3% Year-over-Year in September versus a 3.5% increase in August. By component, manufacturing, electricity generation, transmission, distribution and commercialization, and construction advanced 0.6%, 3.4%, and 4.9% year-over-year, respectively, while mining contracted 1.4% year-over-year. This was a surprising result and suggests that INEGI's preliminary estimate of 3Q26 GDP growth (3.2% year-over-year) could be revised downward. Even so, a more modest rebound during the quarter still leads us to revise our growth forecast for this year upward to 1.6%, from the previous 1.3%.

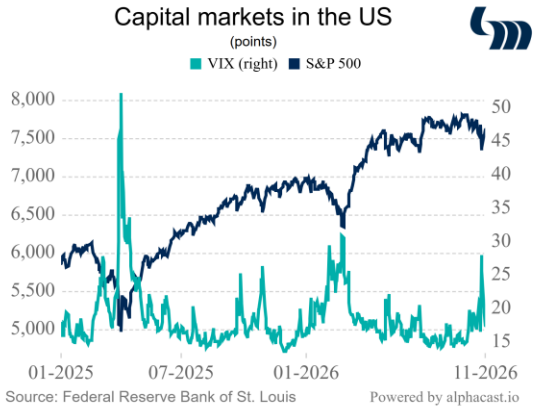
With revised figures, Mexico recorded a trade deficit of USD 606 million in September (0.03% of GDP). Exports totaled USD 77.79 billion, while imports reached USD 78.40 billion. The United States accounted for USD 66.0 billion (84.4%), followed by Canada with USD 2.17 billion (2.8%) and China with USD 1.16 billion (1.5%). Mexico's main suppliers were the United States with USD 24.45 billion (31.2%), China with USD 13.32 billion (17.0%), and Taiwan with USD 11.92 billion (15.21%). Data-processing machines led both exports at USD 23.38 billion (30.1%) and imports at USD 8.36 billion (10.7%). They were followed among exports by automobiles at USD 5.38 billion (6.92%) and vehicle parts and accessories at USD 3.64 billion (4.68%). It is in these figures that the effects of the investment supercycle can be observed from this side of the border. An eventual slowdown in this sector would lead to wider trade deficits, still manageable in our view.

Weekly Charts









Mifel Forecasts

	GDP	CPI	Core CPI	Exchange rate	Reference rate	M10 bond rate	Current account	Budget balance	Public debt
	YoY	YoY	YoY	USDMXN	%	%	%GDP	%GDP	%GDP
3T2026	3.2%	3.49%	3.97%	17.65	6.50%	9.35%	-0.1%	-0.9%	53.4%
4T2026	1.1%	4.10%	4.03%	19.20	6.25%	9.23%	0.5%	-1.6%	56.8%
1T2027	1.9%	3.25%	4.06%	19.48	6.25%	9.92%	-0.9%	-0.6%	57.1%
2T2027	1.2%	3.70%	4.08%	19.78	6.25%	9.61%	0.1%	-1.1%	55.4%
3T2027	0.9%	4.06%	4.13%	19.94	6.25%	9.70%	-0.1%	-0.9%	55.8%
4T2027	0.9%	3.63%	4.13%	20.10	6.25%	9.58%	0.5%	-1.5%	57.1%
1T2028	0.9%	4.06%	4.09%	20.71	7.00%	10.57%	-1.0%	-0.6%	59.1%
2T2028	0.9%	4.07%	4.07%	21.30	7.25%	10.56%	0.1%	-1.1%	57.0%
3T2028	0.9%	4.05%	4.03%	20.96	7.25%	10.40%	-0.1%	-0.9%	58.0%
4T2028	0.9%	4.03%	4.01%	21.30	7.25%	10.28%	0.5%	-1.5%	58.7%
2026	**1.6%**	**4.10%**	**4.03%**	**19.20**	**6.25%**	**9.23%**	**-0.2%**	**-4.3%**	**56.8%**
2027	**1.2%**	**3.63%**	**4.13%**	**20.10**	**6.25%**	**9.58%**	**-0.4%**	**-4.1%**	**57.1%**
2028	**0.9%**	**4.03%**	**4.01%**	**21.30**	**7.25%**	**10.28%**	**-0.4%**	**-4.1%**	**58.7%**

Date	Key rate	Cetes 28d	Cetes 91d	Cetes 182d	Cetes 364d	M3	M5	M10	M20	M30
Dec-26	6.25	6.22	6.30	6.32	7.10	8.29	8.67	9.23	9.53	10.01
Mar-27	6.25	6.49	6.60	6.65	7.57	8.86	9.31	9.92	9.78	10.21
Jun-27	6.25	6.37	6.48	6.52	7.46	8.50	8.98	9.61	9.36	9.88
Sep-27	6.25	6.54	6.64	6.70	7.64	8.68	9.10	9.70	9.51	10.01

Updated forecasts as of November 13, 2026. Forecasts prepared by Mifel Economic Research (EEM) are intended solely for informational purposes and should not be construed as an offer to sell or purchase securities, investment advice or recommendations, or any form of promise, commitment, or contract. The analyses and compensation of EEM are strictly independent from Mifel's business and operational areas.

Weekly Economic Calendar

November 16 to November 20

Monday	Tuesday	Wednesday	Thursday	Friday
	Industrial Production October USA **(E: 0.10% MoM)**	New Home Sales October USA **(E: 4.60% MoM)**		U. of Michigan Consumer Sentiment November USA
	Advance Retail Sales October USA **(E: 0.0% MoM)**	Building Permits October USA **(E: +1,375 k)**		
	ANTAD Same-Store Sales October MX	Pending Home Sales October USA		



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