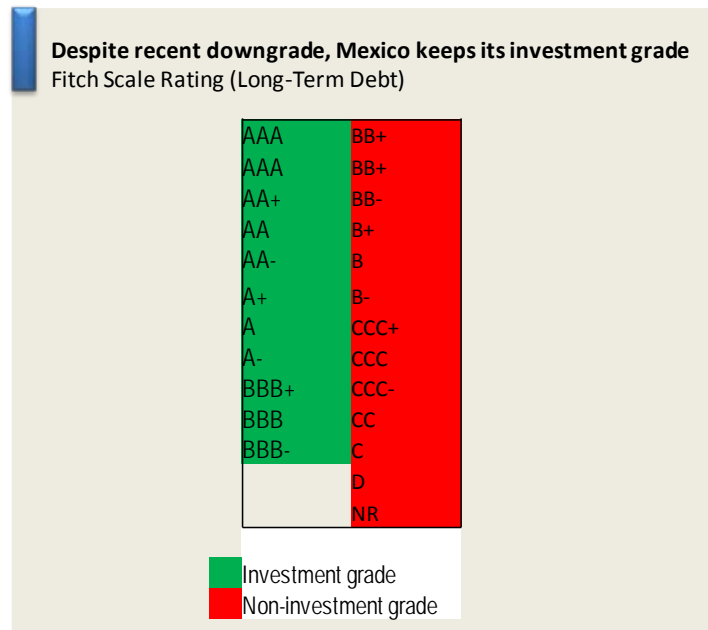


## HARBOR Alert: Despite Fitch Ratings Sovereign Risk Rating Downgrade, the Peso could rally in the short term.

Today, Fitch Ratings downgraded Mexican Credit Risk Rating from BBB+ with negative perspective to BBB con stable perspective. The Agency stated that global financial crisis and falling oil production accentuated weaknesses in the Country's fiscal profile. This was enough reason to place Mexico in the second lowest investment grade level. The downgrade was the first by Fitch since it gave Mexico an initial rating of BB in 1995.



Source: Fitch Ratings

**HARBOR's Perspective:** Despite this recent credit risk downgrade, Mexico still maintains an investment rating and would need 2 more reductions to lose this status. It is noteworthy to recall that investors had been discounting the possibility of a lower rating since April. Although a BBB+ rating would have boosted the market with optimism, Fitch decision will not modify the peso fundamentals in the short term. The rise in net dollar inflow through exports and government bonds has been almost constant since March. This situation is being reflected in higher international reserves assets. In fact, from August to date, international reserve assets have climbed 7,605 million dollars reaching 80,874 mdls. We estimate that in the short term, the peso could still benefit from a low risk aversion environment and the fact that investors are still looking for assets that might generate higher yields.

Foreign Currency Long Term Sovereign Credit Ratings

INVESTMENT GRADE														
Moody's					Standard & Poor's					Fitch				
RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA	RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA	RATING	AMERICAS	EUROPE	ASIA & OCEANIA	MIDDLE EAST & AFRICA
Aaa	Canada United States	Austria Denmark Finland France Germany Luxembourg Netherlands Norway Spain Sweden Switzerland United Kingdom	Australia New Zealand Singapore		AAA	Canada United States	Austria Denmark Finland France Germany Luxembourg Netherlands Norway Spain Sweden Switzerland United Kingdom(-)	Australia Singapore		AAA	Canada United States	Austria Denmark Finland France Germany Luxembourg Netherlands Norway Spain Sweden Switzerland United Kingdom	Singapore	
Aa1		Belgium Ireland(-)			AA+		Belgium Spain	Hong Kong New Zealand		AA+	Bermuda	Belgium	Australia New Zealand(-)	
Aa2	Bermuda	Italy Portugal(-) Slovenia	Hong Kong Japan	Kuwait(-) Qatar United Arab Emirates	AA	Bermuda(-)	Ireland(-) Slovenia	Japan		AA		Portugal(-) Slovenia	Hong Kong Japan	Kuwait
Aa3	Cayman Islands	Cyprus	Macao Taiwan		AA-			Taiwan(-)	Kuwait Qatar Saudi Arabia	AA-		Cyprus Ireland Italy		Saudi Arabia
A1	Chile (+)	Czech Republic Greece (rwn) Malta Slovakia	China	Israel Saudi Arabia(+)	A+	Chile	Cyprus Italy Portugal Slovakia	China		A+		Czech Republic Malta Slovakia	China South Korea Taiwan	
A2		Poland	South Korea	Bahrain(-) Oman	A	Trinidad and Tobago	Czech Republic Malta	South Korea	Bahrain Israel Oman	A	Chile			Bahrain Israel
A3	Bahamas		Malasya	South Africa	A-	Aruba Bahamas(-)		Malasya		A-		Greece(-) Poland	Malasya	
Baa1	México Trinidad and Tobago	Hungary(-) Iceland(-) Russia	Thailand(-)		BBB+	México(-)	Greece Poland	Thailand(-)	South Africa(-)	BBB+				South Africa(-)
Baa2			Kazakhstan(-)	Tunisia	BBB	Barbados	Croatia(-) Russia(-)		Tunisia	BBB	Aruba México	Hungary(-) Russia(-)	Thailand	Tunisia
Baa3	Barbados Brazil(+) Salvador(rwn)	Croatia Romania	India		BBB-	Brazil Peru	Hungary Iceland(-)	India(-) Kazakhstan		BBB-	Brazil Peru	Croatia(-) Iceland(rwn)	India Kazakhstan(-)	Morocco

Fuente: Elaboración Propia con datos de las Agencias (sólo se incluyeron los países que tienen grado de inversión)



## Fitch Ratings

### International Long-Term Credit Ratings

**AAA Highest credit quality.** 'AAA' ratings denote the lowest expectation of credit risk. They are assigned only in case of exceptionally strong capacity for timely payment of financial commitments. This capacity is highly unlikely to be adversely affected by foreseeable events.

**AA Very high credit quality.** 'AA' ratings denote a very low expectation of credit risk. They indicate very strong capacity for timely payment of financial commitments. This capacity is not significantly vulnerable to foreseeable events.

**A High credit quality.** 'A' ratings denote a low expectation of credit risk. The capacity for timely payment of financial commitments is considered strong. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions than is the case for higher ratings.

**BBB Good credit quality.** 'BBB' ratings indicate that there is currently a low expectation of credit risk. The capacity for timely payment of financial commitments is considered adequate, but adverse changes in circumstances and in economic conditions are more likely to impair this capacity. This is the lowest investment-grade category.

**BB Speculative.** 'BB' ratings indicate that there is a possibility of credit risk developing, particularly as the result of adverse economic change over time; however, business or financial alternatives may be available to allow financial commitments to be met. Securities rated in this category are not investment grade.

**B Highly speculative.** 'B' ratings indicate that significant credit risk is present, but a limited margin of safety remains. Financial commitments are currently being met; however, capacity for continued payment is contingent upon a sustained, favorable business and economic environment.

**CCC, CC, C High default risk.** Default is a real possibility. Capacity for meeting financial commitments is solely reliant upon sustained, favorable business or economic developments. A 'CC' rating indicates that default of some kind appears probable. 'C' ratings signal imminent default.

**D "D"** ratings indicate an issuer that in Fitch Ratings' opinion has entered into bankruptcy filings, administration, receivership, liquidation or other formal winding-up procedure, or which has otherwise ceased business.

Indicators are designated as "Positive", indicating a potential upgrade, "Negative", for a potential downgrade, or "Evolving", if ratings are raised, lowered, or maintained. Bloomberg uses \*+ for Rating watch Positive, \*- for negative, and \* for evolving.

+" or "- " may be appended to a rating to denote relative status within major rating categories. Such suffixes are not added to the 'AAA' long-term rating category or to categories below 'CCC'.



## Standard & Poor's

### Long-Term Issue Credit Ratings

**AAA** An obligation rated 'AAA' has the highest rating assigned by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is EXTREMELY STRONG.

**AA** An obligation rated 'AA' differs from the highest rated obligations only in small degree. The obligor's capacity to meet its financial commitment on the obligation is VERY STRONG.

**A** An obligation rated 'A' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligations in higher rated categories. However, the obligor's capacity to meet its financial commitment on the obligation is still STRONG.

**BBB** An obligation rated 'BBB' exhibits ADEQUATE protection parameters. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitment on the obligation.

Obligations rated 'BB', 'B', 'CCC', 'CC', and 'C' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'C' the highest. While such obligations will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

**BB** An obligation rated 'BB' is LESS VULNERABLE to nonpayment than other speculative issues. However, it faces major ongoing uncertainties or exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitment on the obligation.

**B** An obligation rated 'B' is MORE VULNERABLE to nonpayment than obligations rated 'BB', but the obligor currently has the capacity to meet its financial commitment on the obligation. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitment on the obligation.

**CCC** An obligation rated 'CCC' is CURRENTLY VULNERABLE to nonpayment, and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation. In the event of adverse business, financial, or economic conditions, the obligor is not likely to have the capacity to meet its financial commitment on the obligation.

**CC** An obligation rated 'CC' is CURRENTLY HIGHLY VULNERABLE to nonpayment.

**C** The 'C' rating may be used to cover a situation where a bankruptcy petition has been filed or similar action has been taken, but payments on this obligation are being continued.



**D** An obligation rated 'D' is in payment default. The 'D' rating category is used when payments on an obligation are not made on the date due even if the applicable grace period has not expired, unless Standard & Poor's believes that such payments will be made during such grace period. The 'D' rating also will be used upon the filing of a bankruptcy petition or the taking of a similar action if payments on an obligation are jeopardized.

Plus (+) or minus (-): The ratings from 'AA' to 'CCC' may be modified by the addition of a plus or minus sign to show relative standing within the major rating categories.

### **Moody's Investors Service** Long-Term Debt Ratings

Moody's long-term obligation ratings are opinions of the relative credit of fixed-income obligations with an original maturity of one year or more. They address the possibility that a financial obligation will not be honored as promised. Such ratings reflect both the likelihood of default and any financial loss suffered in the event of default.

**Aaa** Obligations rated Aaa are judged to be of the highest quality, with minimal risk.

**Aa** Obligors rated Aa are judged to be of high quality and are subject to very low default risk.

**A** Obligations rated A are considered upper-medium grade and are subject to low credit risk.

**Baa** Obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics.

**Ba** Obligations rated Ba are judged to have speculative elements and are subject to substantial credit risk

**B** Obligations rated B are considered speculative and are subject to high credit risk

**Caa** Obligations rated Caa are judged to be of poor standing and are subject to very high credit risk.

**Ca** Obligations rated Ca are highly speculative and are likely in, or very near, default, with some prospect of recovery of principal and interest.  
**C** Obligations rated C are the lowest rated class of bonds and are typically in default, with little prospect for recovery of principal or interest.

Moody's appended numerical modifiers 1, 2, and 3 to each generic rating classification from Aa through Caa. The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.