

# Global Equities

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## Mexico's historic election



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Mexicans voted last week to elect their first ever female president. While Claudia Sheinbaum, former mayor of Mexico City and current president AMLO's chosen successor, was widely expected to become president-elect, her margin of victory far surpassed the most recent polls. The fact that her Morena party's coalition will have a two thirds majority in the Lower House of Congress also confounded expectations. With over 59% of the vote, more than 30 percentage points ahead of the next candidate and the largest margin in history, Sheinbaum has received a strong mandate from the Mexican population.

As the market digested this news, the Mexican equity market fell by 6% and the peso weakened a further 4%. Despite the widely held view that Sheinbaum is a technocrat, with a PhD in energy engineering, and far more pragmatic than the outgoing president Andrés Manuel López Obrador (AMLO), there is concern that with control of Congress many of the checks and balances that have kept AMLO from implementing some of his more radical policies will be materially weakened. Throughout the election campaign, Sheinbaum has talked about policy continuity as well as the positive reforms required for Mexico to take full advantage of the immense nearshoring opportunity – therefore, it is the uncertainty that spooked the market rather than any specific policies that could negatively impact the economy or businesses.

Indeed, in her first speech after the election, Sheinbaum reiterated her commitment to policy continuity, fiscal prudence, central bank independence, and the need for more private and foreign investment. For months Sheinbaum has been engaging with the private sector in order to better understand the bottlenecks that could slow or deter investment in new manufacturing capacity. Her comments, along with the reappointment of respected finance minister Ramirez de la O, have allowed Mexican equities to recover the bulk of losses (now -1%) while the peso remains around 3% weaker than before the election.

The new Congress will take office in September and Sheinbaum becomes president in October. There will be ongoing uncertainty and speculation over this period as we wait for cabinet appointments and further details on which policies she will prioritise. However, Mexican equities have derated meaningfully over the past decade and especially during AMLO's six-year term as president. A healthy political risk premium is clearly embedded

in valuations and a Sheinbaum presidency is likely to be far more constructive than her predecessor – both by addressing specific issues relating to nearshoring and expanding Mexico's manufacturing base, and in her relationship with the private sector more broadly.

For a comprehensive list of common financial words and terms, see our glossary at:  
<https://www.liontrust.co.uk/benefits-of-investing/guide-financial-words-terms>

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