

Events in Mexico in 1994

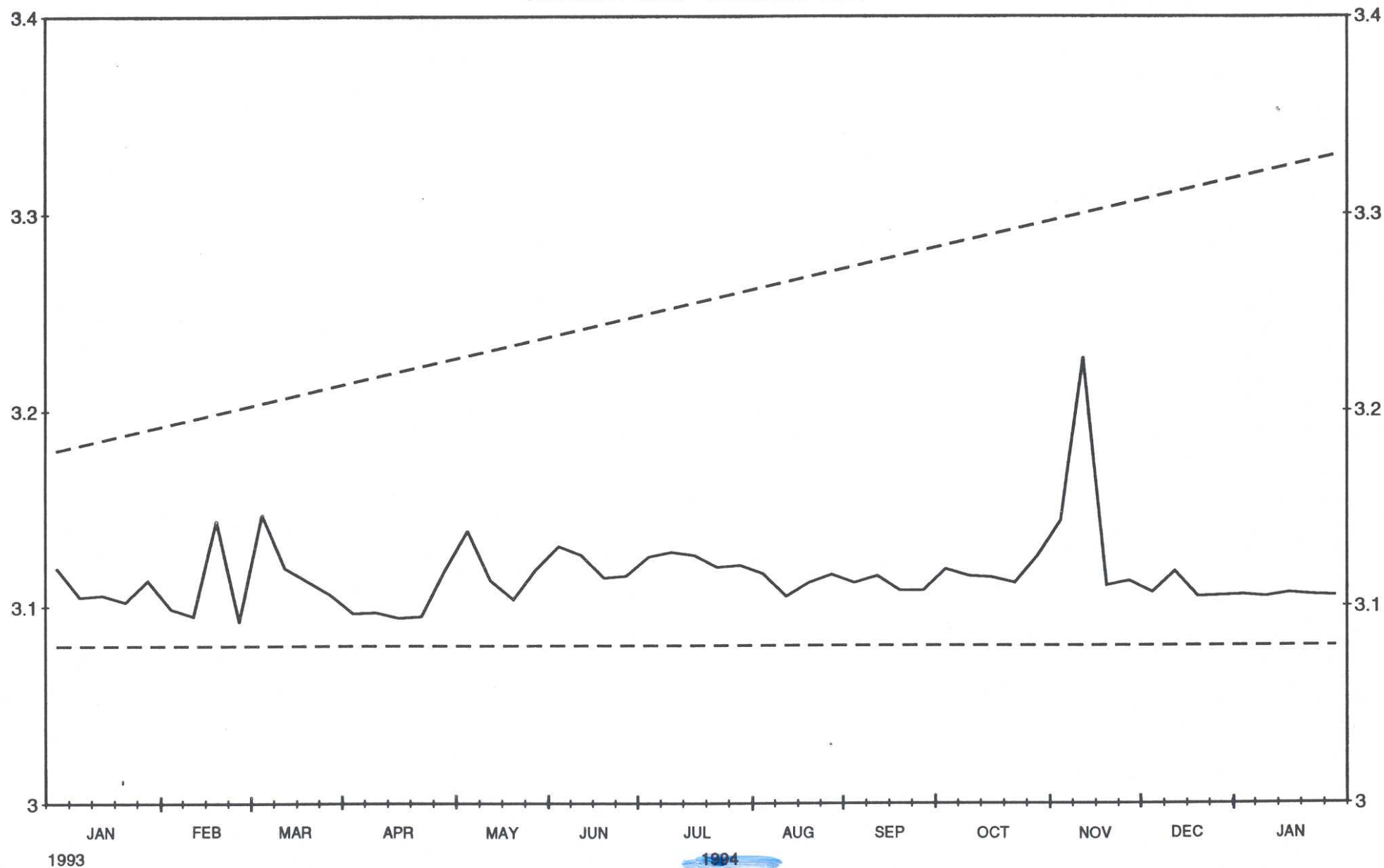
1994 was an election year. The government wanted honest elections, but it also wanted the ruling *Partido Revolucionario Institucional* to win.

There was enormous political uncertainty following the assassination of the PRI candidate in March.

Every time there was bad political news, more investors moved their investments out of Mexico.

The government gambled with its monetary policy and debt policy that the political situation would stabilize and that capital inflows would resume. A similar gamble had been successful in 1993.
This time the government lost the gamble.

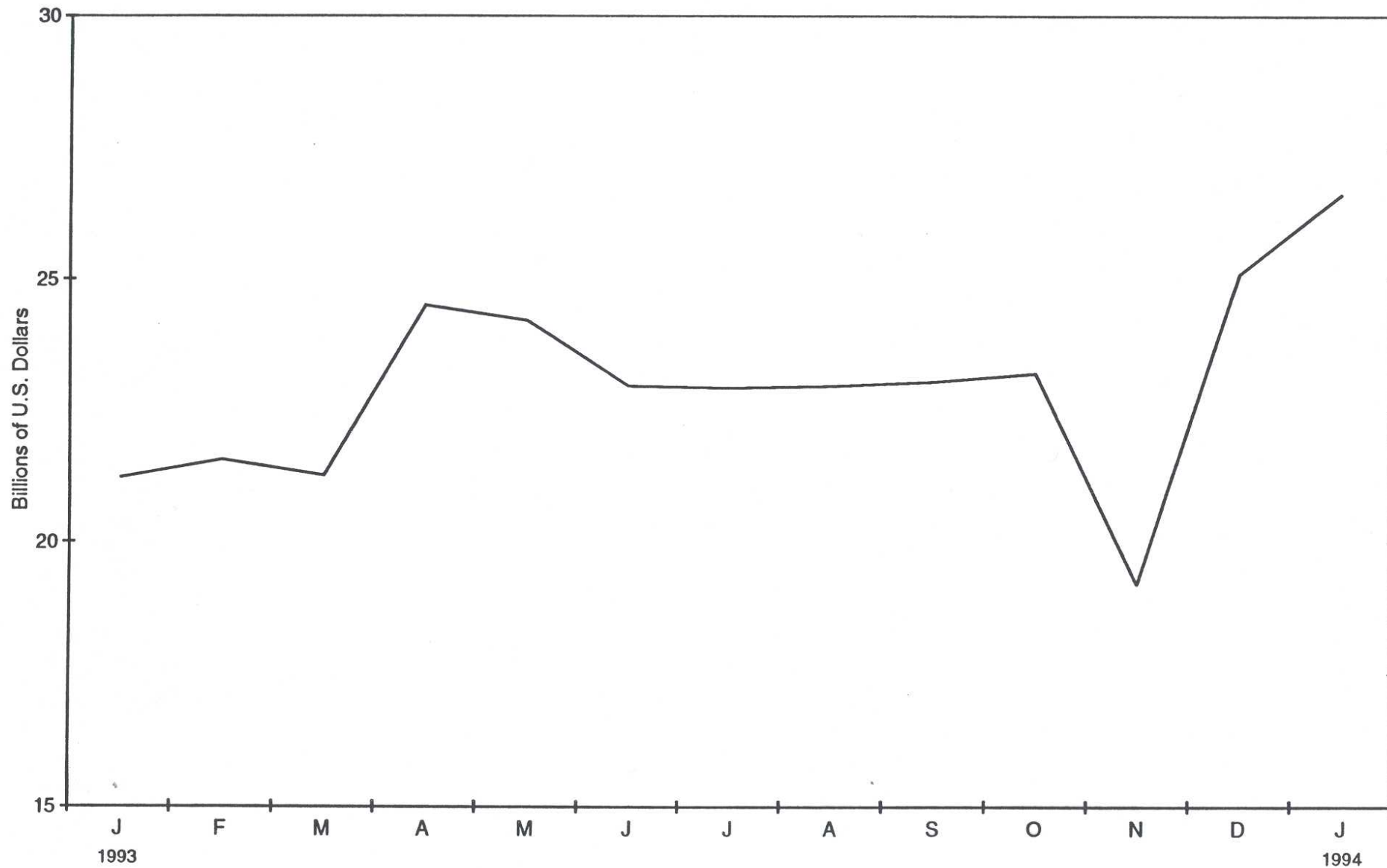
PESOS per DOLLAR EXCHANGE RATE*
JANUARY 1993 - JANUARY 1994



* New York market. Average rate on last day of the week.

Source: Tradeline International

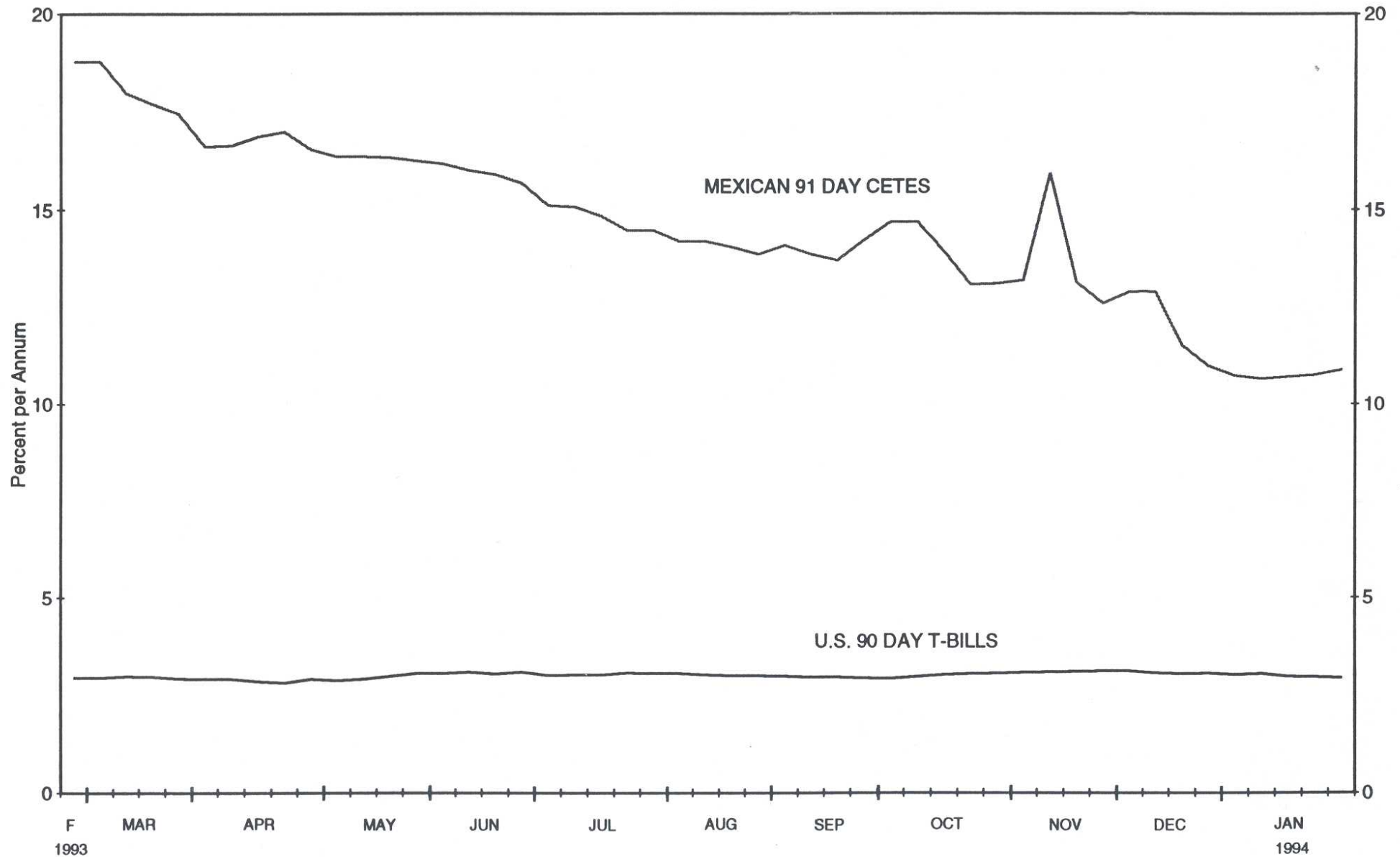
MEXICAN INTERNATIONAL RESERVES*
JANUARY 1993 - JANUARY 1994



* Monthly data.

Source: IMF; International Financial Statistics

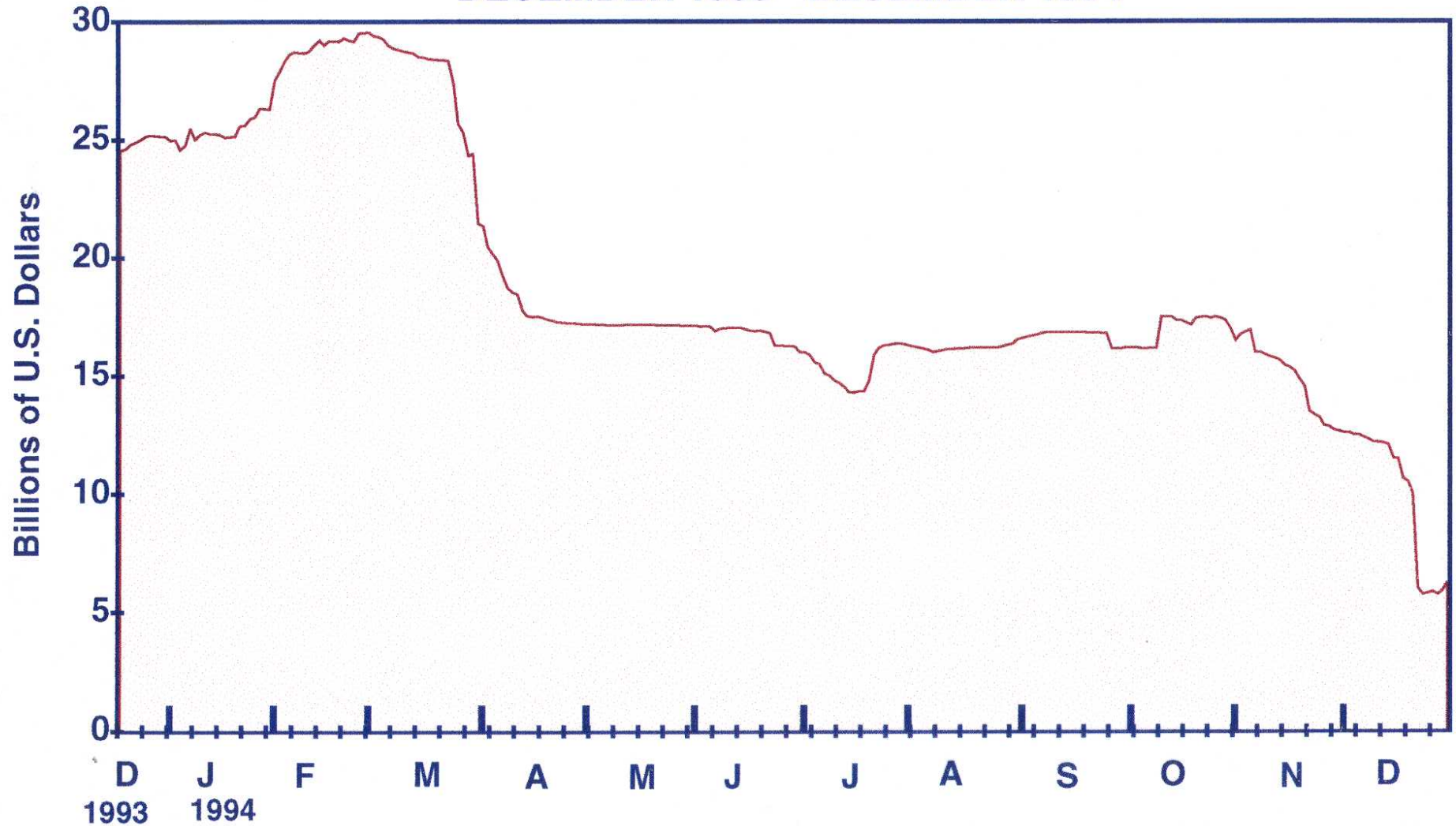
INTEREST RATES*
MEXICAN - U.S. GOVERNMENT BONDS
1993:2/26 - 1994:1/28



* Weekly data

Source: Bloomberg Financial Market

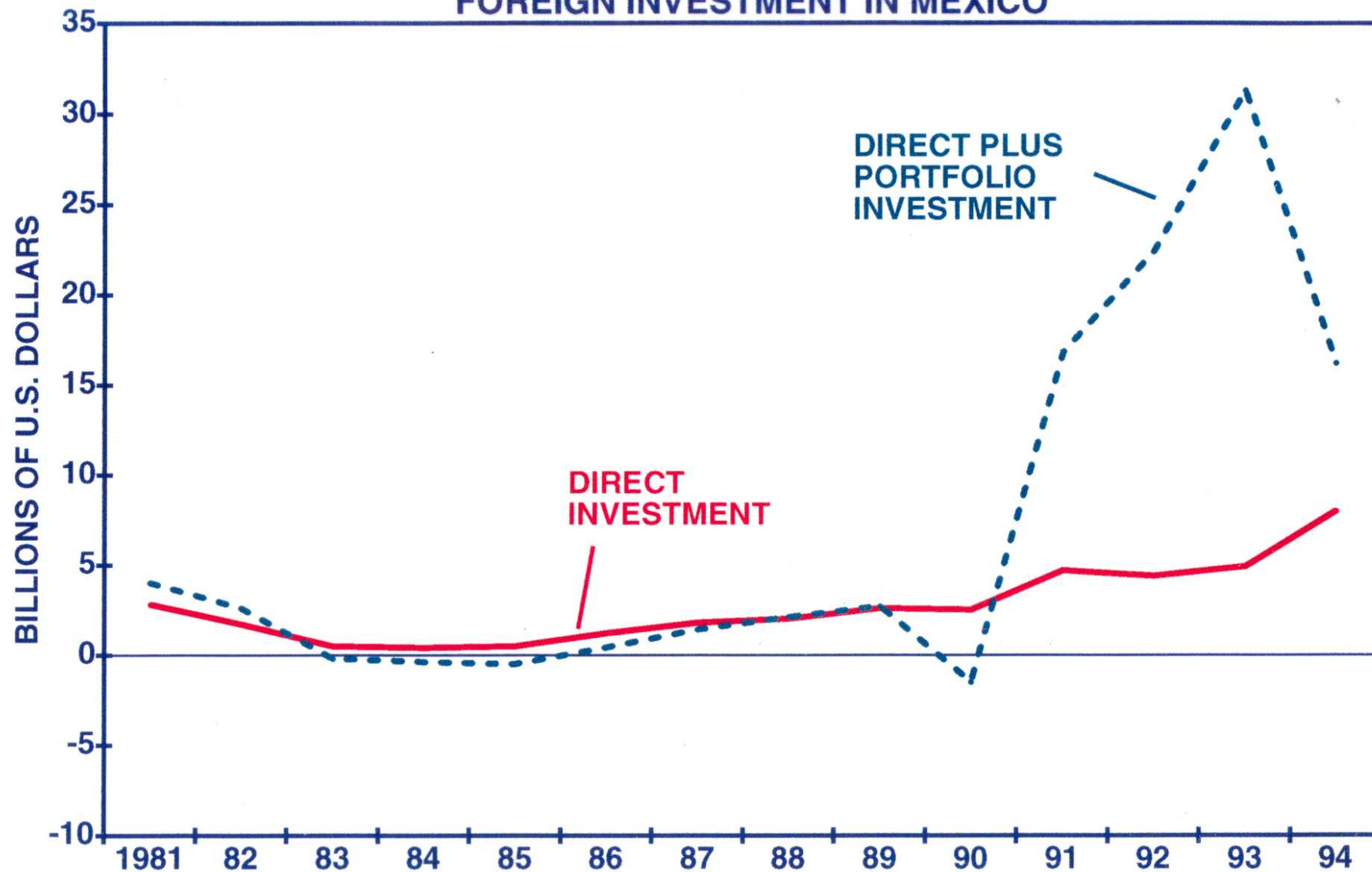
MEXICAN INTERNATIONAL RESERVES* DECEMBER 1993 - DECEMBER 1994



* Daily data.

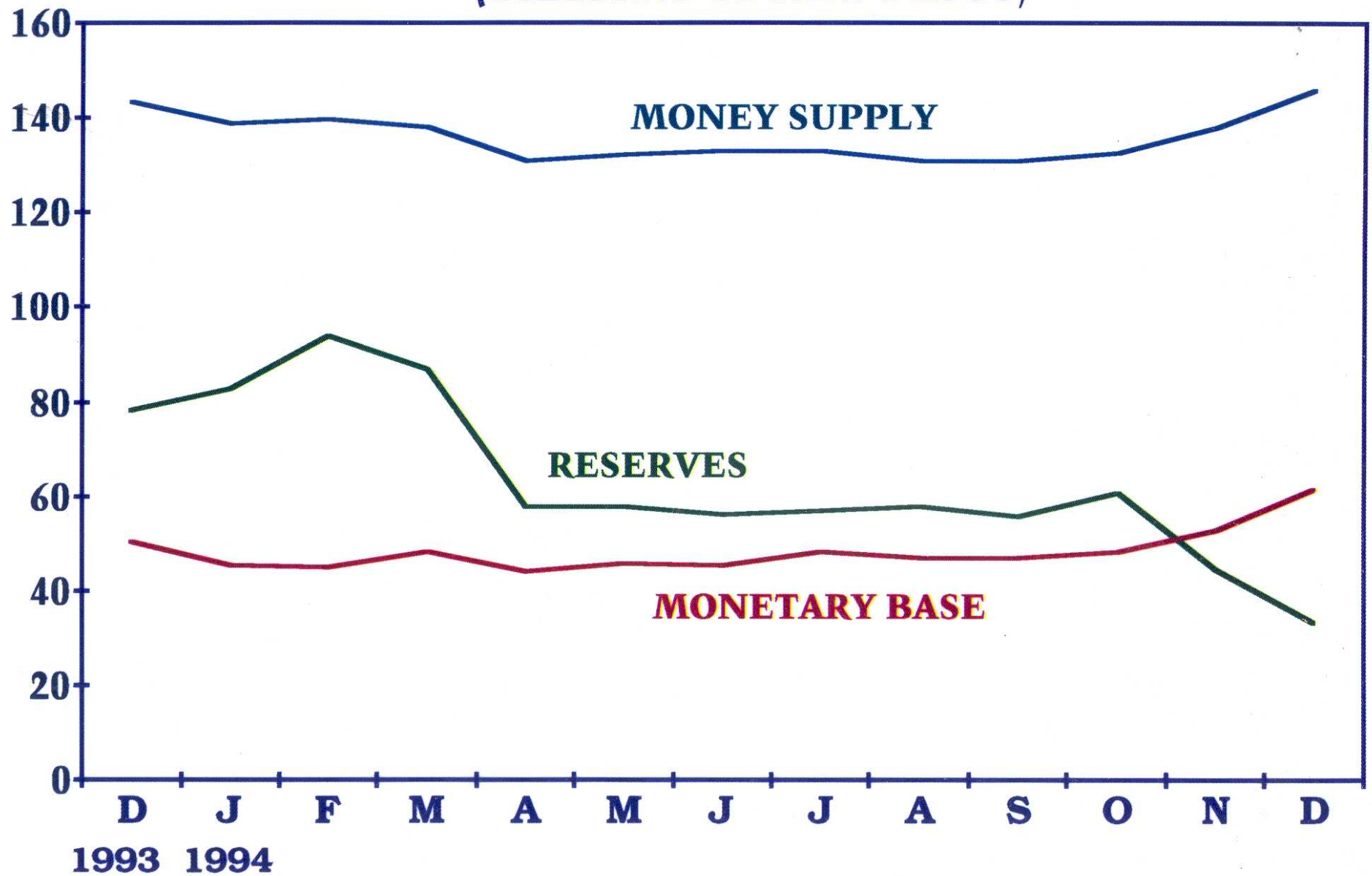
Source: Mancera, Wall Street Journal, 31 January 1995.

FOREIGN INVESTMENT IN MEXICO

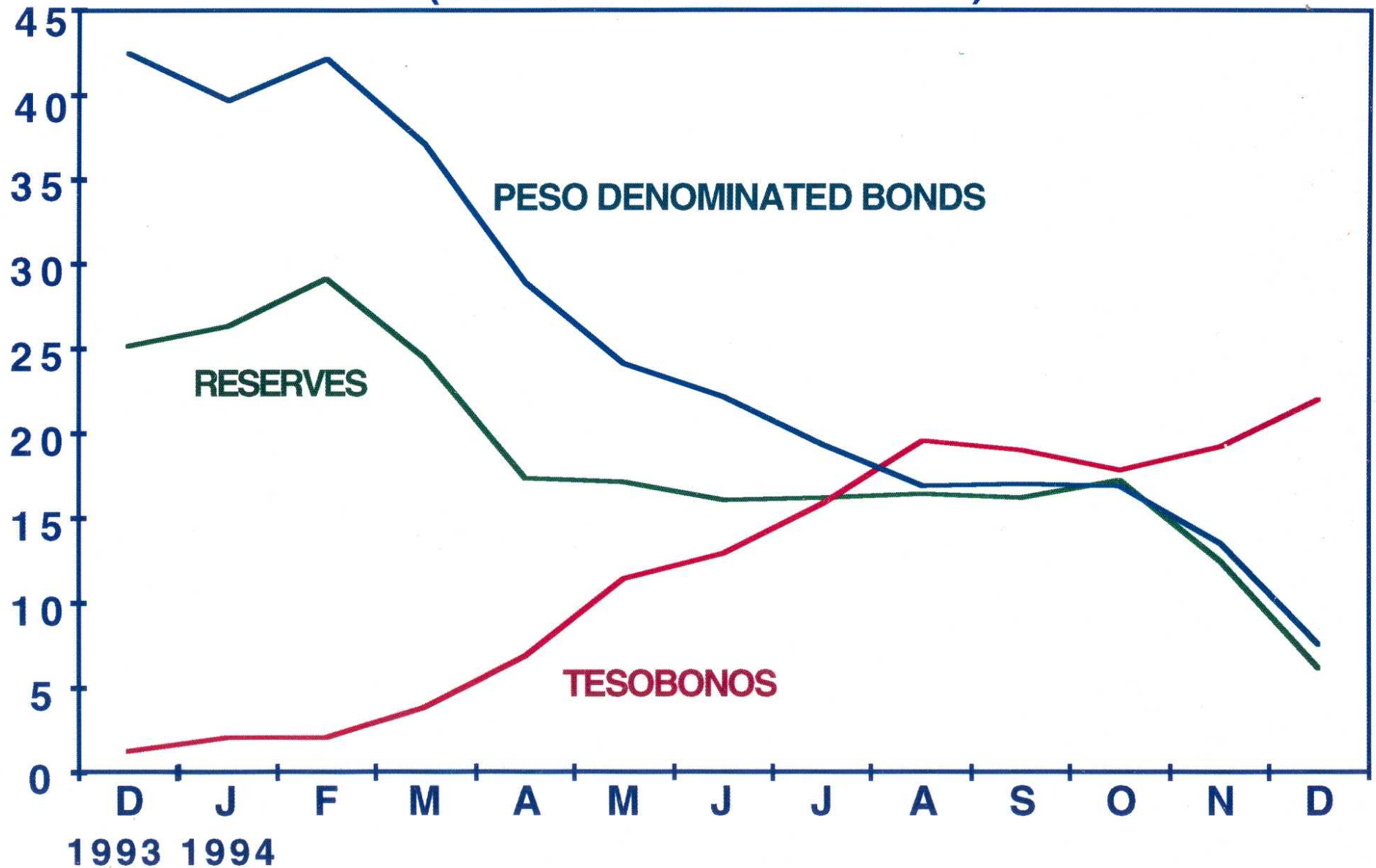


Source: IMF, Balance of Payments, Statistical Yearbook, various issues.

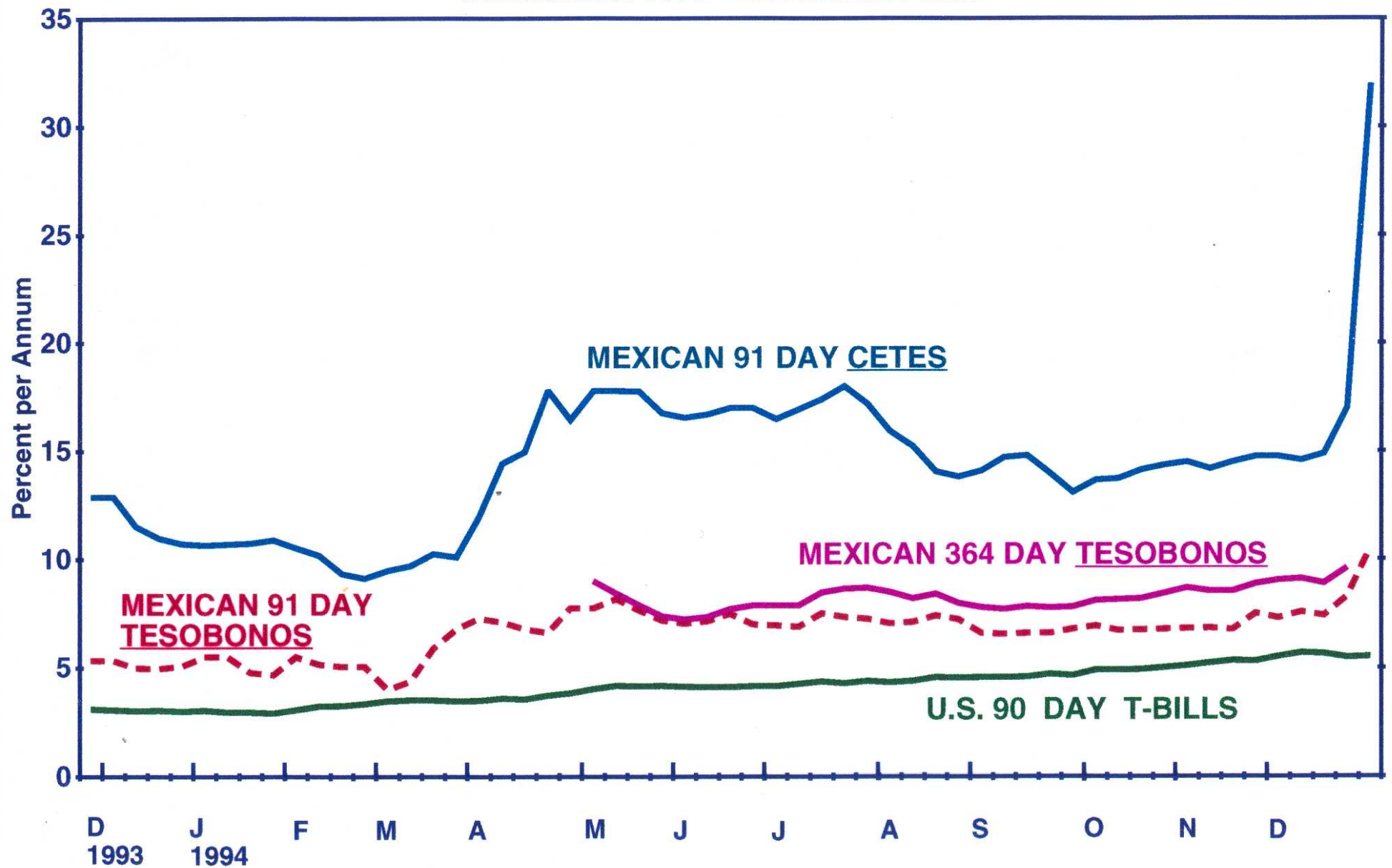
INTERNATIONAL RESERVES VS. MONEY SUPPLY (BILLIONS OF NEW PESOS)



INTERNATIONAL RESERVES VS. GOVERNMENT BONDS (BILLIONS OF U.S. DOLLARS)



**INTEREST RATES
MEXICAN - U.S. GOVERNMENT BONDS
DECEMBER 1993 - DECEMBER 1994**



Source: Bloomberg Financial Market