



AMLO's landslide victory in presidential elections

Andrés Manuel López Obrador (commonly known as "AMLO") won Mexico's presidential election on July 1st with 53% of the vote, breaking-up Mexico's political duopoly. This landslide victory was not a surprise as, the 64-year-old who had run for the presidency twice before, led the polls by double-digits since March. José Antonio Meade of the incumbent PRI party gained only 16% of votes, while Ricardo Anaya of the PAN party gained 23%.

AMLO's coalition, "Juntos Haremos Historia" ("*Together we will make History*"), won a congressional majority of seats in the lower house and senate as well as 19 out of 32 state congresses, granting him vast power to not only execute his plans but also pass constitutional reforms.

Nine states also held elections for state governor. Five of the newly elected governors were affiliated with AMLO's MORENA party and four to the PAN party, leaving the PRI party very weak on the political map.

MEXICANS HUNGRY FOR CHANGE

AMLO struck a chord with the Mexican voter, fed up with crime and corruption scandals that have plagued the terms of both PRI and PAN parties. Mexico has seen income per capita rise by 40% over the last 30 years along with increased democracy and economic liberalization - but growth has not been evenly distributed. The north has prospered while the southern states have been left behind; Mexico has the widest interregional gap between rich and poor of all OECD nations. AMLO represents change, promising to end corruption, reduce violence and re-address Mexico's poverty.

A BALANCED INCOMING GOVERNMENT

This first ever left-wing Mexican president has named a team of highly educated experts as his cabinet, though they lack in top-level experience. The team includes fresh blood with some names joining from outside political circles and women holding half of the seats. The next Finance Secretary is set to be Dr. Carlos Urzúa, a recognized economist who holds neoliberal economic views with a social bearing. During the campaign Mr. Urzúa reassured foreign investors that Mexico would remain open to trade and investment, signaling his commitment to continuity. The nominated cabinet reinforces AMLO's pledge to fiscal responsibility.

AMLO'S MORE MODERATE AGENDA

When AMLO takes office on December 1st his priority is likely to be tackling corruption, which he sees as a heavy drain on fiscal resources as well as the fuel that drives the nation's inequality. He has expressed plans to offer scholarships to the young, increase pensions for the old and build roads, railways and refineries in the south. The president-elect has promised prudent budgeting, stating

that taxes will not be increased. Despite opponents fearing that he would reverse market-friendly policies set in place by the PRI and PAN, his track record proves he is pragmatic. When he was mayor of Mexico City between 2000 and 2005 he did not run up debts, he collaborated with the private sector to re-develop the city centre and he closed his term with an approval rating of 85%.

According to prominent Mexican businessman Alfonso Romo, AMLO's appointed Chief of Staff, the president-elect is dropping his contentious campaign plans to completely reverse the 2014 energy reform which, for the first time since 1938, allowed foreign oil firms to find and exploit Mexico's reserves. AMLO has been more direct in this attack on the education reform, particularly for the labor implications for the teachers' syndicate.

Despite earlier campaign criticism of NAFTA, AMLO now supports the agreement and has vowed to maintain close relations with the United States. It is expected that the team leading negotiations at the technical-level will not change strategy, so as to maintain the dynamism of the process. Incoming Mexican Economy Minister, Graciela Marquez, believes an agreement may be reached by October (however, President Trump has indicated plans to postpone negotiations until after the US mid-term elections on November 6th).

A SMOOTH TRANSITION

On July 13th, a US delegation led by Secretary of State Mike Pompeo, met the President-to-be to outline the bases of understanding for the bilateral relation over the next few years. Key issues including trade, security and migration were discussed, (Trump's wall and NAFTA were not discussed). The success of these initial conversations offers reasonable optimism.

Analysts expect the second half of 2018 to be less volatile, with good macro indicators. Even before elections, ahead of AMLO's imminent victory, the Mexican stock market closed the month of June up 7.7% in dollar terms. More importantly the peso strengthened 6.7% in the two weeks following the election.

As AMLO's agenda continues to come to light, markets are watchful of his stance particularly regarding the energy reform, Mexico City's new airport and his social initiatives within 2019 budget constraints. The AMLO we see today is a more moderate, centrist politician than that of former years. He has re-engaged with the business community and it is believed that his genuine commitment to the nation's lower and middle class can bring additional growth from increased investment and domestic consumption.

