

WEEKLY ECONOMIC REPORT

AUGUST 14, 2020.

Equities edge higher

Mexbol closed August 14th operations at 38,949 points, a 4.58 % weekly advance leaving the year-to-date (YTD) loss at (-)22.58%. The positive weekly performance of the Mexican index was motivated by:

1. The optimism generated by the agreement that the Slim Foundation reached with Oxford and AstraZeneca to produce the COVID-19 vaccine in Mexico and Argentina. Noteworthy, the vaccine is still in the experimentation process (phase III), but, according to the announcement, the agreement will accelerate the arrival of the vaccine in the Latin American region. The vaccine could be available to the Mexican population in the first half of 2021, at approximately US\$4.0.
2. The 50-basis points (bps) reduction in Banxico's reference interest rate, which stands at 4.50%. The above implies a lower cost of capital for other types of investments, i.e., variable income.

Since July 31st and until August 14th, Mexbol has hiked 6.46%; if this trend continues, the target of 40,000 points seems close, and from there, it is possible to reach the maximum level of 43,500 observed in November 2019, which would imply an 11.68% advance. The reasons of this increase could possibly be:

1. The positive momentum of the United States' stock markets and the carry-over effect over Mexbol through the ADRs of Mexican companies listed in those markets.
2. The current relative lag between other stock markets compared to the Mexican market.
3. A portfolio realignment driven by profit-taking in the European markets that could favor Mexbol because due to the previously mentioned lag. The profit-taking could be motivated by a recent outbreak of COVID-19 in European countries, among which France and Spain stand out. Specifically, in Paris, which was declared a high-risk area, the number of confirmed cases registered in the week was higher than those observed in May when the reopening of the economy began.

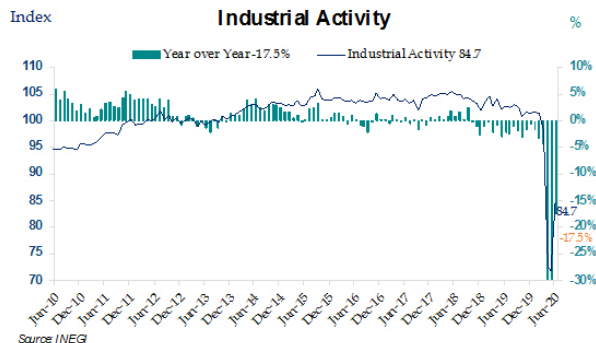
Exchange Rate

The spot exchange rate closed August 14th operations at MX\$21.95 per dollar, for a weekly appreciation of 1.88%, which left the YTD depreciation at 15.95%, despite the decline in Banxico's interest rate. The dollar's recent weakness allowed the Mexican currency to accumulate two consecutive weeks of appreciation. Specifically, the dollar index, which shows the relative value of the US currency against a basket of hard currencies (Euro, Swedish Krona, British Pound, Japanese Yen, Canadian Dollar, and Swiss Franc), had a 0.42% weekly fall.

Banxico's Monetary Policy Decision

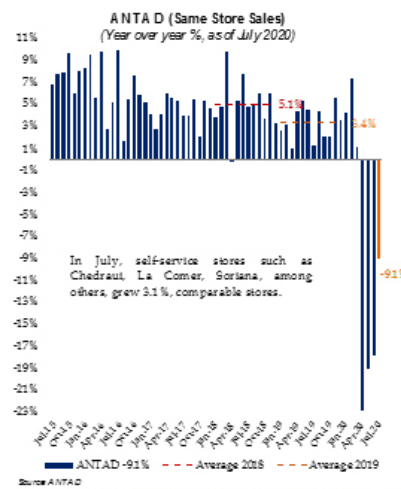
The Central Bank, Banxico, cut by 50 bps the reference rate to place 4.50%. The downward cycle began in August 2019 when the rate stood at 8.25%, and since then, it has decreased 375 bps. Noteworthy, on this occasion, the decision was not unanimous as a member of the Governing Board voted for a 25-bps cut. Likewise, the monetary policy statement hints at the possibility of an end close to the current cycle of decline in Banxico's reference rate. Moreover, annual inflation in July 3.62%, a (-)0.52% negative real rate, thus increasing the attractiveness of other investments other than the money market.

June compared to May. This raise was motivated by the manufacturing industry (+30.0%), which could be driven by the excellent performance of the sector's exports to the United States, which doubled between May and June. Noteworthy that the manufacturing sector's performance is strongly linked to exports to the United States.

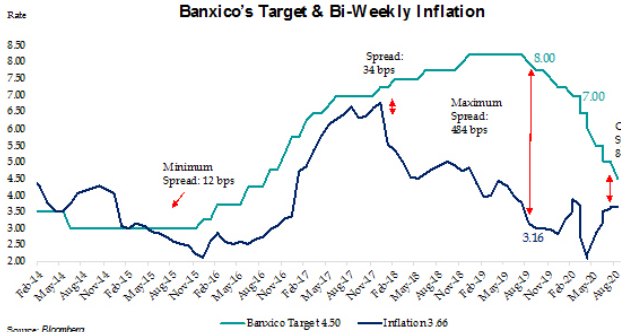


ANTAD's Same Store Sales

The National Association of Self-service and Department Stores (ANTAD) reported that in July, its Same Store Sales (SSS) contracted by (-)9.1% year-over-year (YoY). The drop is significantly lower than the contractions observed in April (-23%), May (-19%) and June (-18%), and was driven by an increase in department store sales that have already begun to operate regularly.

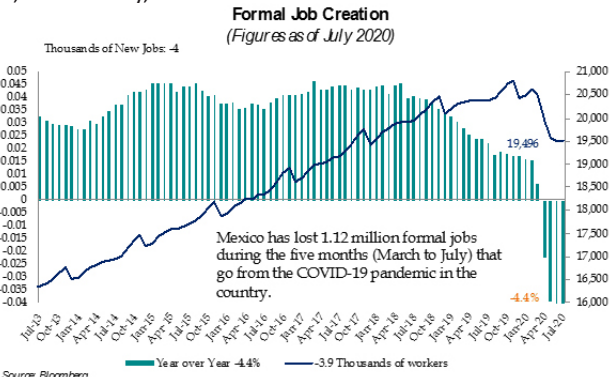


Banxico's Target & Bi-Weekly Inflation



IMSS Formal Employment

The Mexican Social Security Institute (IMSS) announced that, since March, the date on which the COVID-19 containment measures began, and until July, a total of 1.11 million formal jobs were lost. Despite the negative data, only 3,907 jobs were lost in July, a figure that shows a slowdown in job losses. The states that generated the most jobs were Chihuahua, Baja California, and Coahuila, border entities with the highest link to the reactivation of the United States economy; in contrast, most jobs were lost in Jalisco, Mexico City, and Yucatán.



Economic Indicators Industrial Activity

The Monthly Industrial Activity Indicator (IMAI) had a (-)17.5% annual decline in June. By sectors, construction decreased (-)26.1%, manufacturing industry (-)18.3%, utilities (-)13.3% and mining (-)5.3%. Although the data remains negative, it is important to note the index's 17.90% recovery in

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Definitions

American Depositary Receipts (ADR): Is a certificate issued by a U.S. bank that represents shares in foreign stock. ADRs trade on American stock exchanges.

AstraZeneca: Is a global pharmaceutical company based in London, UK. It is the fifth largest pharmaceutical company in the world measured by revenue and has operations in more than 100 countries.

Banco de México (Banxico): Is the central bank of Mexico. Its main function is to provide domestic currency to the Mexican economy and its main priority is to ensure the stability of the domestic currency's purchasing power.

Basis points (bps): Refers to a common unit of measure for interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001.

COVID-19: The disease caused by the coronavirus, a family of viruses that were discovered in the 60s but whose origin is still unknown. Its different types cause different diseases, from a cold to a severe respiratory syndrome.

Mexbol: The S&P/BMV IPyC seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores. It is not possible to invest in an index.

Monthly Industrial Activity Indicator (IMAI): Indicator to follow up on the evolution of the industrial sector, on the short term, providing valuable information for decision making.

National Association of Self-Service and Departmental Stores (ANTAD): Entity responsible of promoting the development of retail and its suppliers within the Mexican market.

Same Store Sales (SSS): Are also referred to as comparable-store sales or identical-store sales, measures the sales of a company's existing stores that have operated for more than one year, excluding sales of new stores.

Slim Foundation: Is a non-profit Mexican civil association created in 1986 by engineer Carlos Slim Helú with the intention of promoting the integral development of Mexican and Latin American society.

Spot Exchange Rate: Is the current price level in the market to directly exchange one currency for another, for delivery on the earliest possible value date.

The Mexican Institute of Social Security (IMSS): Is a governmental organization that assists public health, pensions and social security in Mexico operating under the Secretariat of Health.

Year to Date (YTD): Refers to the period of time beginning the first day of the current calendar year or fiscal year up to the current date.

Year over Year (YoY): Indicates the change from the comparable amount reported in the same period one year earlier.

Disclosures

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Past performance is not a guarantee of future results. Index performance is not illustrative of fund performance. One cannot invest directly in an index. Please call (414) 765-4255 for fund performance.

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