

WEEKLY ECONOMIC REPORT
Continuous market advances

AUGUST 7, 2020.

Mexican Stock Exchange

Mexbol closed August 7th operations at 38,005 points, a weekly advance of 1.80%, leaving the year-to-date (YTD) decline at (-)25.79%. Even though May's Gross Fixed Investment displayed a (-)38.94% annual decline, Mexbol had a positive weekly performance due to:

1. Attractive prices on some stocks. Stocks as Santander, Kimberly-Clark, Bimbo, or América Móvil stand out, as since 2009 have had negative returns of approximately (-)9.00%, (-)20.00%, (-)29.00% and (-)32.00%, respectively in pesos.
2. The high levels of liquidity that exist in international capital markets have driven the price of financial assets. The above has benefited the American Depositary Receipts (ADR) of Mexican companies listed on Wall Street, which has favored these issuers' prices in the local market. ADRs are physical securities that support the deposit in a US bank of shares of companies whose companies are listed outside of that country.

Exchange Rate

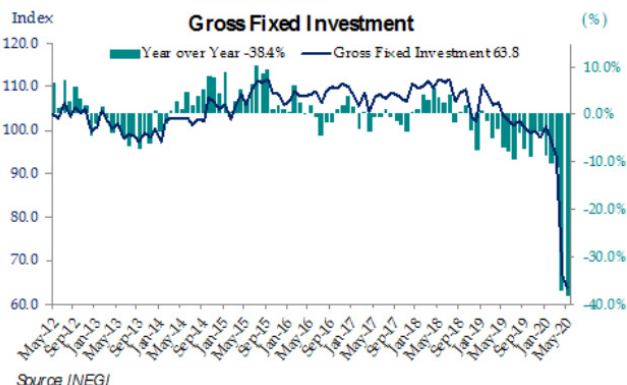
The peso had a weekly depreciation of 0.97% despite the extraordinary data of remittances in July, which increased the YTD flow to US\$19.07 billion, a historical maximum. The exchange rate closed August 7th operations at MX \$ 22.49 per dollar, an 18.85 depreciation in the year so far. One of the reasons that negatively influenced the currency was the international trade of the United States, which, although not bad, confirmed China's dominance as these figures show:

1. During the first six months of the year, Mexico dropped places and positioned itself as the third-largest trading partner of the United States in terms of trade volume with a US\$44.72 billion surplus.
2. China ranked as the US top trading partner with a US\$142.23 billion surplus despite recent tensions between the two countries:
 - a. Withdrawal of special status to Hong Kong.
 - b. Accusations of technological espionage.
 - c. Proposals to exclude China from the 5G technology implementation in the United States.

Economic Indicators

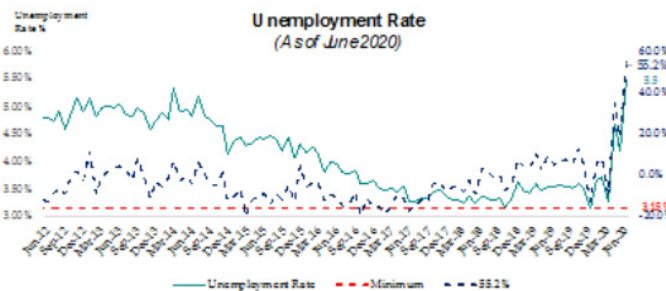
Gross Fixed Investment

Gross Fixed Investment registered a negative annual growth rate in May for the sixteenth consecutive month; this time, the result was a (-)38.4% year-over-year (YoY). By components, total machinery and equipment investments fell (-)43.8% and construction (-)33.1%. The drop represents the second consecutive month with falls of more than 30% derived from the containment measures of COVID-19. After the gradual resumption of activities in some states of the republic, the drop in the indicator will likely begin to diminish. However, derived from an adverse environment for private investment by the current federal administration, positive growth rates can be ruled out.



Telephone Survey of Occupation and Employment (ETOE)

In June, 5.7 million people entered the labor market: the Economically Active Population (EAP). Noteworthy that in April, the EAP decreased to 12 million people, so there are still 6.3 million missing to reincorporate. The number of people available for work increased from 45.5 million in May to 51.1 million in June. Of this increase, those who got a job were 4.8 million people, representing 38% of the jobs lost in April, so the unemployment rate stood at 5.5% of the EAP.



Remittances

Remittances in June totaled US\$3.53 billion; therefore, the YTD amount totals US\$19.07 billion, 10.55% higher YoY, and a historical record for the first six months of the year. Noteworthy, the unemployment support plan by the United States federal government, which granted US\$600 per week, expired on August 7th. The considerable increase in remittances observed in the first half of the year was probably motivated by this plan. The new support from the federal government to the unemployed will total US\$400 per week, so the arrival of remittances could show a slowdown.

United States' International Trade

Mexico positioned itself as the third commercial partner of the United States with a joint trade volume (imports plus exports) of US\$243.53 billion in June, as in April and May. The surplus totaled US\$9.17 billion; therefore, the YTD totals US\$44.72 billion (-)11.14% lower YoY. China ranks in the first place with a trading volume of US\$245.52 billion and a surplus of US\$142.23 billion despite recent tensions between the two countries. The data is worrying for Mexico, which for 14 months was the leading commercial partner derived from the tariffs imposed by Donald Trump.

United States International Trade (As of June 2020)					
Country	Exports	Imports	Total Trade	Balance	
China	51,647	199,882	243,529	-142,235	
% of Total	7.5%	17.7%	13.8%		
Canada	118,149	123,748	243,897	-7,399	
% of Total	17.1%	11.5%	13.7%		
Mexico	99,354	144,280	243,834	-44,726	
% of Total	14.4%	13.2%	13.7%		
Japan	33,272	57,346	90,618	-24,074	
% of Total	4.8%	5.2%	5.1%		
Germany	27,095	55,154	82,249	-28,059	
% of Total	3.0%	5.0%	4.0%		
Korea, South	26,364	36,326	62,690	-9,962	
% of Total	3.8%	3.3%	3.5%		
United Kingdom	28,957	25,067	54,024	3,890	
% of Total	4.2%	2.3%	3.0%		
Taiwan	15,681	28,009	43,690	-12,328	
% of Total	2.3%	2.6%	2.5%		
India	15,235	22,998	38,631	-9,165	
% of Total	1.0%	2.1%	2.0%		
France	14,631	20,305	34,956	-8,634	
% of Total	2.1%	1.9%	2.0%		
Italy	9,781	23,027	32,808	-13,246	
% of Total	1.4%	2.1%	1.8%		
Singapore	14,113	16,278	30,391	-2,165	
% of Total	2.0%	1.5%	1.7%		
Brazil	17,823	11,296	29,119	6,527	
% of Total	2.6%	1.0%	1.6%		
Hong Kong	12,050	5,623	17,673	6,427	
% of Total	1.7%	0.5%	1.0%		
Saudi Arabia	5,857	5,862	11,719	-5	
% of Total	0.8%	0.5%	0.7%		
All other countries	201,102	321,964	523,066	-120,862	
% of Total	29.2%	29.5%	29.4%		
TOTAL 2020 YTD	689,329	1,892,565	1,781,894	-403,236	
TOTAL 2019	1,645,496	2,458,490	4,143,896	-532,914	
TOTAL 2018	1,664,064	2,542,735	4,206,799	-478,671	

Sales, Production, and Export of Light Vehicles

INEGI released July's administrative records of the Mexican Automobile Association (AMIA). The data reflects an improvement in the industry derived from the reopening of the automotive industry in Mexico and the United States. The results were the following:

1. Sales totaled 72,897 units, a figure that is (-)31.29% lower than the same data in 2019.
2. Total production was 294,946 units, a figure that is 0.65% higher than that of July 2019.
3. 256,098 automobiles were exported, (-) 5.47% less than in the same month last year.

Inflation

The National Consumer Price Index (INPC) displayed a 3.62% annual inflation in June. For the fourth consecutive month, the data showed a YoY increase, specifically in June, where the annual inflation was 3.33%. The core price index showed a 3.85% annual increase, while the non-core price index increased to 2.92%. Noteworthy, both are on an upward trend. Specifically, core inflation which showed an increase that leaves it 15 basis points from Banxico's target range (3.0% ± 1.0%). The above complicates the continuity of the current rate cycle cuts of Banxico.

Eugenia Pichardo & Arnulfo Rodriguez,
Equity Portfolio Manager & Macro and Debt Strategist

Investor Relations : igarcia@paminversion.com
52 (55) 5261 4600



Pichardo Asset Management, SA de CV
An Independent Investment Advisory Firm

www.paminversion.com.mx

Andrés Bello 45, 22nd Floor,
Polanco, 11560 CDMX, México

Phone: + 52 (55) 52 61 46 00 /04/21/16

epichardo@paminversion.com

CEO & Senior Equity Portfolio Manager

arodriguez@paminversion.com

Associate

Macro Strategist

destevez@paminversion.com

Managing Director

Co-Portfolio Manager

jelizalde@paminversion.com

Associate

Co-Portfolio Manager

igarcia@paminversion.com

Associate

Consumption Analyst & IR

Definitions

América Móvil (AMXL): Communication Services. As of June 30, 2020 the security represents 10.56% of Portfolio Net Assets. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html.

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.

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.

Bimbo: Consumption Company. As of June 30, 2020 the security represents 0.00% of Portfolio Net Assets. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html.

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.

Economically Active Population (EAP): Is the sum of employed and unemployed persons. Inactive persons are those who, during the reference week, were neither employed nor unemployed.

Gross Fixed Investment (IFB): Describes the net capital accumulation during an accounting period for a country. The term refers to additions of capital stock, such as equipment, tools, transportation assets and electricity.

Kimberly-Clarck: Consumption Company. As of June 30, 2020 the security represents 0.90% of Portfolio Net Assets. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html.

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.

Mexican Association of the Automotive Industry (AMIA): Is a civil association formed by the will of the vehicle manufacturing companies established in Mexico, with the purpose of having an exclusive representation for this industrial sector.

National Consumer Price Index (INPC): It is an economic indicator whose purpose is to measure, over time, the variation in the prices of a basket of goods and services representative of the consumption of households in the country.

Remittances: Funds an expatriate sends to his/her country of origin via wire, mail, or online transfer. These peer-to-peer transfers of funds across borders are economically significant for many of the countries that receive them.

Santander: Bank. As of June 30, 2020 the security represents 0.00% of Portfolio Net Assets. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html.

Telephone Survey of Occupation and Employment (ETOE): A strategy of telephone surveys, whose objective is to offer relevant information to monitor the situation of occupation and employment in the contingency period of COVID-19.

The National Institute of Statistics and Geography (INEGI): Is a public body with technical and managerial autonomy, its own legal personality and assets, responsible for regulating and coordinating the National System of Statistical and Geographic Information.

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

Closed-end funds are traded on the secondary market through one of the stock exchanges. The Fund's investment return and principal value will fluctuate so that an investor's shares may be worth more or less than the original cost. Shares of closed end funds may trade above (a premium) or below (a discount) the net asset value (NAV) of the fund's portfolio and there is no assurance that the fund will achieve its investment objective.

To read about The Mexico Equity and Income Fund, Inc, please access the Annual Report by calling (414) 765-4255 to receive a copy, or access the Annual Report on the Fund's website, "www.mxefund.com", under the section captioned investor reports. Investors should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. An investment in the Fund should not constitute a complete investment program.

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.

The information contained herein reflects the opinion of "Pichardo Asset Management" and as such should not be taken to be fundamental analysis or a decision-making model. Neither should the information be interpreted as a solicitation, offer or recommendation to buy or sell financial securities. It is also subject to changes without prior notification and estimates cannot be guaranteed, past performance does not guarantee future performance. The registry maintained by PAM as an Independent Advisor to the securities supervisory authorities, both in Mexico and the United States, do not imply their recognition and / or approval of the information contained in this document.