

Positive news for Mexbol

Mexican Stock Exchange

Mexbol had a (-)2.63% weekly decline in MXN Pesos and a (-) 3.80% decline in US dollars to close at 44,683 points, leaving the Year-to-Date ("YTD") return at 1.43% (1.26% in US dollars). The weekly drop was associated with local systemic risk factors, such as:

1. The initiatives to be discussed by the Chamber of Deputies in February, regarding the reform of the Federal Labor Law (outsourcing), and the absorption of autonomous organizations by the federal administration. It should be noted, that President AMLO assured that the reform to Banxico must respect its autonomy.
2. The severe increase in the number of infections and fatalities due to COVID-19 in Mexico. On January 21st, the Ministry of Health registered a record number of deaths (1,800 people) and infections in one day (22,300 cases).
3. The 4Q20 earnings season that began on January 21st with the reports of Grupo Financiero Banorte (which came below market consensus expectations) and Kimberly Clark (above consensus expectations).
- 4.

The index may rebound in the next weeks thanks to the relief in local systemic risk derived from some statements by President López Obrador:

1. Regarding Banxico's Law reform, the president stated that the change should safeguard the central bank's autonomy because "it is convenient for all of us."
2. He also recognized that it is necessary to grant guarantees to the financial sector seeking stability to avoid conflicts with international financial organizations.
3. He proposed that the reform should include: i) reducing the cost of commissions charged in the retail exchange, ii) facilitating the exchange of smaller amounts at banks iii) certifying and promoting the export of surplus dollars to the United States, perhaps through development banks.

Exchange rate

The spot exchange rate had a weekly depreciation of (-) 0.90% to close January 22nd at MX \$19.97 per USD, leaving the YTD decline at (-)0.31%. The Mexican currency's negative behavior could be associated with a general appreciation of the dollar against the main currencies. Specifically, the dollar index had a 0.74% weekly appreciation in the threshold of Janet Yellen's statements where she affirmed that the current federal administration does not have an interest in a weak dollar.

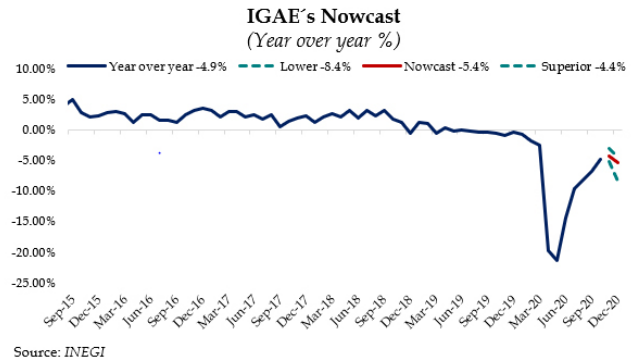
Economic Indicators

Formal and Informal Employment

INEGI released the data from the National Survey of Occupation and Employment (ENOE) for December 2020. The Economically Active Population (EAP) at the end of the year amounted to 54.9 million people, which implies that in 2020 there was an increase in the open unemployment of 2.9 million people. Noteworthy that the unemployment rate closed in 2020 at 3.8% despite that in August (the highest point of the year), it reached 5.5%. Despite the above, the decrease in the unemployment rate may result from the fact that in December 2020, the employed population decreased by 95,000 people (second consecutive month with falls). Besides, the inactive population without employment increased by 375.4 thousand people.

IGAE's Nowcast

In December, the Nowcast Indicator of the Economic Activity (IOAE), which forecasts the Global Indicator of Economic Activity (IGAE) up to two months before its publication, had a (-)5.4% YoY drop. The expected annual variation of secondary activities is (-)4.9%, while for tertiary activities, it is (-)6.6%. This negative variation implies the end of the recovery observed with the increases in the IGAE between June and October. The preceding may result from returning to the red light of some entities of the Republic given the rise in COVID-19 infections.

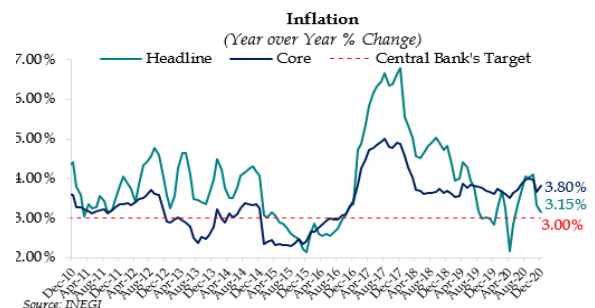


Inflation

In the first fortnight of 2021, the National Consumer Price Index (INPC) had a 3.33% annual headline inflation. Core inflation, which is of greater importance for monetary policy decisions, remained practically unchanged at 3.83% and non-core inflation, which measures the price of controlled or highly volatile products (energy and agriculture), rose 1.84%.

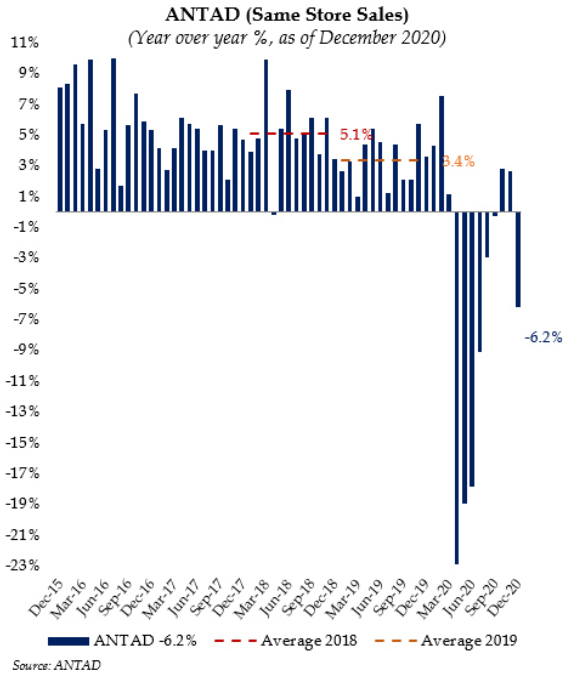
The publication of the INPC acquires particular importance regarding the next monetary policy decision of Banxico (February 11th). The market estimates that the Board will lower its benchmark rate by 25 bps to 4.00%. In favor of this argument, there are the following elements:

1. As of January, the Board has a majority of members elected by President López Obrador: Galia Borja, Gerardo Esquivel, and Jonathan Heath. According to the December 17th meeting minutes, both Esquivel and Heath voted for a 25-bps reduction in the benchmark rate. It is possible that, with a majority of members on the Governing Board of Banxico linked to the current federal administration, Banxico could adopt a more accommodative monetary policy.
2. The prospect of low-interest rates by the leading central banks for all of 2021. The above allows forecasting conditions of international monetary slack; Thus, Banxico has degrees of freedom to reduce its rate to maintain balance in global monetary conditions, especially with its leading trading partner (the United States).



Same-Store Sales ANTAD

The National Association of Self-Service and Department Stores (ANTAD) announced that in December, its SSS had a (-)6.2% annual drop mainly due to the new mobility restrictions throughout the country caused by the increase in COVID-19 cases. Supermarkets registered the best performance, with a SSS growth of 2.8%, while SSS of convenience stores fell (-) 9.7% and department stores (-)9.8%.



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Definitions

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.

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.

Earnings per Share (EPS): The portion of a company's profit allocated to each outstanding share of common stock. Earnings per share serves as an indicator of a company's profitability.

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.

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.

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 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.

National Survey of Occupation and Employment (ENOE): It is a demographic instrument that allows knowing the employment and unemployment profiles of the Mexican population. It is applied by the National Institute of Statistics and Geography of Mexico since 2005 on a monthly basis.

The Economically Active Population (EAP), comprises all persons of either sex who furnish the supply of labor for the production of as defined by the System of National Accounts (SNA, 1993), during a specified time-reference period.

Global Indicator of Economic Activity (IGAE): Allows to know and monitor the monthly evolution of the real sector of the economy.

Indicador Oportuno de la Actividad Económica (IOAE): This publication shows timely monthly estimates of economic activity in Mexico obtained through nowcasting models, which generate, for recent months and after the publication of the official figures, estimates of the annual percentage variations and levels of the Global Indicator of Economic Activity (IGAE) and two large economic activities. The estimates are made with seasonally adjusted series.

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.

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, SSS or identical-store sales.

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.

Investment grade: Descriptive term for ratings awarded by bond rating agencies to high quality corporate and government securities. Rating Agency's: **Spot**

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.

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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