

WEEKLY ECONOMIC REPORT

SEPTEMBER 4, 2020.

Profit taking week

At the close of business of September 4th, Mexbol ended at 36,448 points, a (-)2.38% weekly decline, and a (-) 25.95% year-to-date (YTD) loss mainly due to:

1. The statement of Arturo Herrera, Secretary of Finance who affirmed that this is the worst economic crisis that our country has experience since 1932, created uncertainty in the markets. Moreover, he pointed out that the Budgetary Income Stabilization Fund (FEIP) and the Federal Entities Income Stabilization Fund (FEIEF) will probably have no resources by the end of the year.
2. The sharp downward adjustments observed in the U.S.' indices, led to declines in practically all the world's stock markets.

Exchange Rate

The spot exchange rate closed September 4th operations at MX\$21.55 per dollar, a 0.95% weekly appreciation, reducing the YTD depreciation to (-)13.85%. The peso gained value after the publication of data confirming the strength of the external accounts. Besides, the Central Bank, Banxico, announced that the YTD flow of remittances as of July totaled US\$22.82 billion, a 10.1% increase compared to the same period of 2019; additionally, in July, Mexico was the second-largest trading partner of the United States with a year to date surplus of US\$56.34 billion.

Economic Indicators

Remittances

Remittances in July totaled US\$3.53 billion, which leaves the YTD flow at US\$22.82 billion, 10.01% higher than in the same period of 2019, reflecting the beginning of the economic recovery in the United States. During the second quarter of the year, remittances remained high due to the unemployment support package in the United States (US\$600 a week); however, since the beginning of August, this stimulus expired. Despite this, remittances' future arrival is likely to remain high due to employment recovery in the United States.

US International Trade

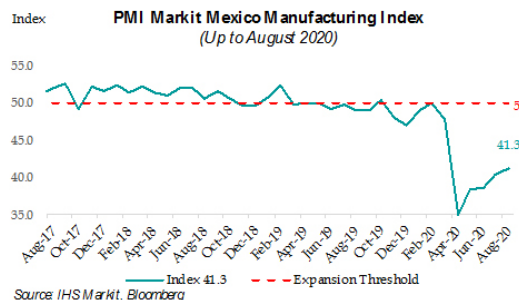
In July, Mexico ranked as United States' second commercial partner with a US\$290.97 billion YTD volume of commerce, (-)19.89% lower than the same data of 2019. Additionally, the YTD balance reflects a US\$56.34 billion surplus, which is (-)3.90% lower than that observed in the same period of 2019. Despite the above, it is worth noting that there has been a rebound in volume trade between the two countries in the last three months. Consequently, Mexico is heading back to be the leading trading partner considering that the trade conflict between China and the United States is still awaiting a definitive outcome. In this regard, the YTD commerce volume between China and the United States totals US\$292.82 billion, only US\$ 0.85 billion more than the one of Mexico and the United States.

United States International Trade (As of July 2020)									
Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
China	68,120	236,703	290,823	-170,583	France	16,722	24,858	41,580	-8,136
% of Total	7.6%	10.0%	14.0%		% of Total	2.1%	3.0%	2.0%	
Mexico	137,361	173,610	290,971	-56,249	India	15,162	24,337	41,505	-11,169
% of Total	14.6%	13.6%	13.9%		% of Total	1.9%	2.9%	2.0%	
Canada	140,000	148,141	288,141	-8,141	Italy	11,600	24,490	38,299	-15,081
% of Total	17.4%	11.6%	12.0%		% of Total	1.4%	2.1%	1.5%	
Japan	37,974	65,415	103,389	-27,441	Singapore	16,071	19,281	35,352	-3,210
% of Total	4.7%	6.1%	4.9%		% of Total	2.0%	1.8%	1.7%	
Germany	32,381	63,465	95,849	-31,087	Brazil	20,373	13,059	33,432	7,334
% of Total	4.0%	4.9%	4.9%		% of Total	2.6%	1.0%	1.6%	
Korea, South	30,683	42,092	72,775	-11,407	Hong Kong	14,033	6,213	20,246	7,820
% of Total	3.5%	3.3%	3.6%		% of Total	1.7%	0.8%	1.0%	
United Kingdom	33,330	28,848	62,178	4,482	Saudi Arabia	6,826	6,524	13,352	300
% of Total	4.1%	2.3%	3.0%		% of Total	0.9%	0.8%	0.9%	
Taiwan	17,958	33,087	51,045	-15,129	All other countries	232,949	375,742	608,711	-142,773
% of Total	2.2%	2.6%	2.4%		% of Total	29.0%	20.2%	20.1%	
					TOTAL 2020 YTD	894,630	1,236,060	2,089,680	-430,630
					TOTAL 2019	1,064,438	2,498,400	4,140,888	-3,629,144
					TOTAL 2018	1,064,084	2,642,765	4,208,769	-3,758,671

Source: U.S. Census Bureau
Amounts in millions of dollars

Purchasing Manager's Index

The IHS Markit Purchasing Manager's Index (PMI) for the Mexican manufacturing sector stood at 41.3 points in July, which implies a 2.22% monthly recovery. Important that the indicator is at its highest point in five months, although it still needs a 21.0% increase to reach the expansion zone (50 points). According to the survey, the indicators' low levels refer to a local demand weakness; many of the clients of the managers surveyed remain closed or have already started operating, although below their full capacity.

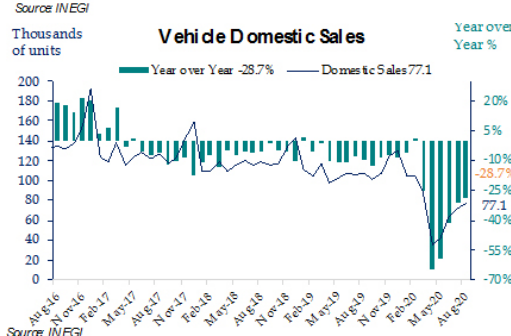
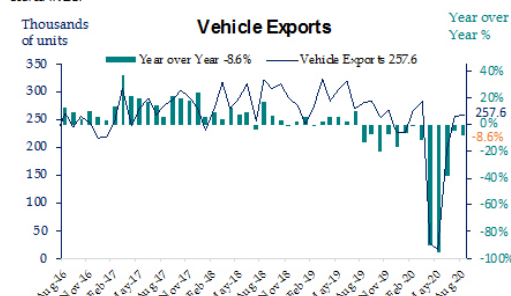
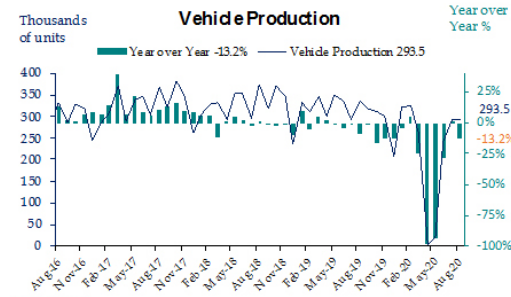


Production, exports, and sales of light vehicles

According to INEGI, the Mexican Association of the Automotive Industry, A.C. (AMIA) results in August are as follows:

1. Sales to the public totaled 77,092 units, which implies a (-)28.68% decrease year-over-year (YoY), although there was a 5.75% recovery in monthly terms.
2. Total vehicle production was 293,463 automobiles, a drop of (-)13.15% YoY, and remains practically unchanged (-0.50%) compared to July.
3. A total of 257,610 vehicles exported, (-)8.59% lower than the same month of 2019, although still similar to July (+0.60%).

Although the three indicators continue to show annual declines, the automotive sector's recovery since the partial closure of economic activities has been evident, if we consider that the three activities showed annual falls of more than 85% in May. The data reinforce the hypothesis that the United States' economic recovery could benefit the Mexican economy, specifically through improvements in the manufacturing industry.



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

destevev@paminversion.com

Managing Director

Co-Portfolio Manager

jelizalde@paminversion.com

Associate

Co-Portfolio Manager

igarcia@paminversion.com

Associate

Consumption Analyst & IR

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.

Budget Revenue Stabilization Fund (FEIP): It is a savings available to the Mexican State that aims to compensate for imbalances that the government budget could suffer and thus be able to cover the planned expenditure.

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. As a group it strives to reconcile the interests of these companies in a collegial way in practically all fields, with respect to other similar institutions.

Purchasing Managers' Index (PMI): Is an index of the prevailing direction of economic trends in the manufacturing and service sectors. Provides information about current and future business conditions to company decision makers, analysts, and investors.

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.

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.

Stabilization Fund of the Federal Entities (FEIEF): It is the emergency fund with which the differences between the participations of the states and municipalities are compensated. The mechanism seeks to guarantee that the revenues of the federal entities are not affected despite a decrease in the federal collection.

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.

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