

WEEKLY ECONOMIC REPORT

OCTOBER 23, 2020.

Mexbol hikes supported by financial reports

Mexican Stock Exchange

Mexbol closed at 38,707 for a 2.19% weekly advance in pesos and a 3.45% improvement in US dollars; therefore, the Year-to-Date (YTD) losses reduced to (-)9.98% in pesos and to (-)18.68% in US dollars. In contrast to the US indexes, Mexbol had a positive week derived from the companies' positive quarterly financial reports.

Noteworthy, 3Q20 financial reports show that sales have met expectations; however, Earnings per Share (EPS) have lagged, containing a more significant advance in the index. As of today, 15 of the 35 issuers (42.85%) included in the Mexbol Index have reported its 320 results:

1. 62% of companies reported sales above market expectations.
2. Approximately 57% of the companies had Earnings per Share (EPS) better than expected by consensus.
3. More than 67% of the firms reported Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) higher than market expectations.

Companies with a high weighting in Mexbol such as Grupo Financiero Banorte, Cemex, and GAP are pending to report this week. Therefore, a combination of positive reports and the fact that the Mexican market remains "cheap" in terms of the forward PE multiple (14.2x) could give the index a positive boost to reach the next target of 40,000 points.

Exchange Rate

The peso had a weekly appreciation of 1.31%, leaving the spot exchange rate at MX\$20.83 per US dollar. Hence, the MX\$21.00 per US dollar support was broken, reducing the YTD depreciation to 10.03%. Regarding relevant information on this market, the Ministry of Economy announced the arrival of a total of US\$5.74 billion of new projects of Foreign Direct Investment (FDI) after the implementation of the United States, Mexico and, Canada Agreement (USMCA) on July 1st. The above is one more piece of information that adds to the strength of the Mexican external accounts for the peso's benefit.

Economic Indicators

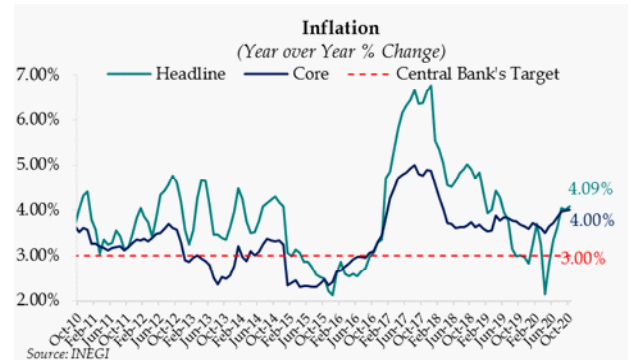
National Employment Survey

The National Survey of Occupation and Employment (ENOE) displayed that 621 thousand people joined the Economically Active Population (EAP) in September. Consequently, 3.2 million people of the 12 million who left the PEA in April after the closure of economic activities due to COVID-19 still must be reincorporated.

Although the unemployment rate currently stands at 5.1% of the PEA, this is not a reflection of the country's real unemployment. The above, because within the Non-Economically Active Population (PNEA), there are still 10.5 million people available. Before COVID-19 (March), there were 5.9 million people within this group; in April (the worst month of the year), this figure increased to 19.3 million, so there are still 4.6 million unemployed people in the informal and formal economy.

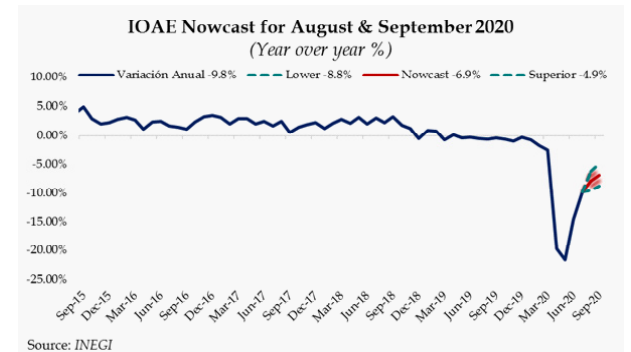
Inflation

INEGI announced that, during the first two weeks of October, the National Consumer Price Index (INPC) presented a 4.09% annual inflation. The core index increased 4.00% annually, where merchandise products stand out as they display a 5.45% annual inflation. In contrast, the price of services grew by only 2.44% at a yearly rate. The non-core index had a 4.34% annual increase. Just like the core index, the component of agricultural products shows high annual inflation (8.98%) due to the 15.10% yearly increase in fruits and vegetables; In contrast, the price of energy and tariffs authorized by the government increased only 1.0% annually.



Timely Indicator of Economic Activity

INEGI presented its new Timely Indicator of Economic Activity (IOAE). The objective of the IOAE is to give estimates of the evolution of the Global Indicator of Economic Activity (IGAE) and the secondary and tertiary activities. The IGAE and its components are usually released eight weeks after the reference month; INEGI will release the IOAE just three weeks after the reference month. In September, the indicator showed that the IGAE presented a (-)6.9% annual contraction, while secondary and tertiary activities fell (-)8.5% and (-)7.0%, respectively. The preceding would imply that, if the IOAE's estimate is correct, the IGAE has had an 18.57% recovery since May, the month in which the indicator reached the minimum for the year and had an annual drop of (-)21.59%.



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Definitions

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.

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.

EBITDA: Is an acronym for earnings before interest, taxes, depreciation and amortization.

Economically active population (PEA): The active population is an economic magnitude that is defined as the number of people of working age in a territory. These individuals have a paid job or aspire to access one, counting both conditions in official employment records.

Forward PE Ratio: The regular P/E ratio is a current stock price over its earnings per share. The forward P/E ratio is a current stock's price over its "predicted" earnings per share. If the forward P/E ratio is higher than the current P/E ratio, it indicates decreased expected earnings.

Foreign Direct Investment (FDI): Is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company.

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.

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

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.

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.

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

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.

Non-Economically Active Available Population (PNEA): People aged 12 years and over who during the reference period did not have or perform an economic activity, nor did they seek to perform one in the last month prior to the day of the interview.

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.

United States-Mexico-Canada Agreement (USMCA): Is a signed but not ratified free trade agreement between Canada, Mexico, and the United States.

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

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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