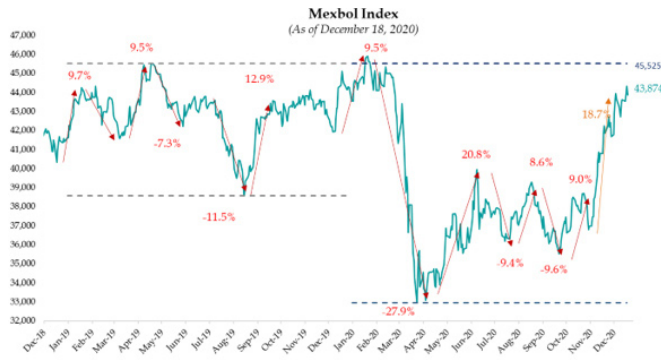


**Good Performance in the Mexican Stock Exchange**

The Mexbol Index closed December 18th operations at 43,874 points; a weekly gain of 0.67% in pesos and 1.44% in US dollars leaving the Year-to- Date (YTD) return at 2.71% in pesos and (-) 2.94% in USD.



Source: Bloomberg

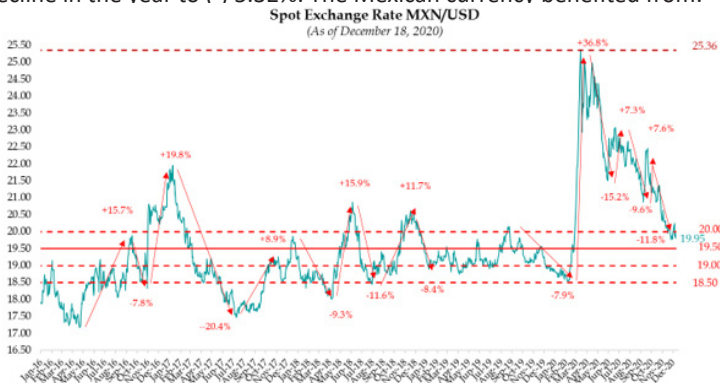
The good performance of the Index was associated, among other factors, with:

1. The delay of the discussion of the reform to the Law of the Central Bank, Banxico, (Articles 20 and 34) until February 2021, following complaints from officials of Banxico, representatives of the banking system and even a warning from de rating agency Moody’s regarding the credit rating. The Chamber of Deputies decided to “do a more technical investigation” before approving the initiative.
2. The positive momentum of the arrival of vaccines. Moderna’s vaccine, which is about to be approved in the United States, and Pfizer’s vaccine, were approved to be purchased by the Mexican government.

Additionally, on Friday December 18th, the authorities announced that Mexico City will once again enter the red light of the Mexican Covid-19 light controller; this implies the halting of non-essential economic activities, causing a considerable reduction in the weekly advance of the Mexbol Index.

**Spot Exchange Rate**

The spot exchange rate closed December 18th operations at MXN\$ 19.94 per USD for a weekly appreciation of the peso of 0.95% that reduced the accumulated decline in the year to (-) 5.32%. The Mexican currency benefited from:



Source: Bloomberg

1. The decision of the Chamber of Deputies to postpone the reforms to the Banxico Law that could jeopardize Mexico’s international reserves, which until December 11 totaled US\$ 195.34 billion.
2. The Fed and Banxico announced an agreement to extend the term of the swap line for US\$ 60 billion. This instrument was established on March 19, 2020 and is valid until March 31, 2021. With the new extension, this line would conclude on September 30, 2021.

**Monetary Policy Decision**

In a decision that was not unanimous, the Governing Board of the Central Bank, Banxico, decided to maintain its interest rate at 4.25% as they consider that the balance of risks for inflation in the medium term is uncertain.

Regarding economic growth, although the Board stated that a recovery has been observed in 3Q20 and early 4Q20, they still believe that there will be a lower demand than supply as a reflection of the COVID-19 crisis.

**Economic Indicators**

**Increase to the Minimum Wage**

The Council of Representatives of the National Commission of Minimum Wages agreed, without unanimity, a global increase of 15% in the minimum wage. This implies that, in the Free North Border Zone, the payment will go from MXN\$185.56 to MXN\$213.39 per day, while in the rest of the country the increase will be from MXN\$123.22 to MXN\$141.7 per day.

Noteworthy, the eleven representatives of the employers’ sector voted against the proposal of the global increase. Since the current federal administration arrived there has been a 60.37% increase in the minimum wage; in 2019 it had a rise of 16.21% (increased from MXN\$88.36 to MXN\$102.68) and later in 2020 the hike was 20% (it advanced from MXN\$102.68 to MXN\$123.22). In contrast, the country’s Global Productivity Index has deteriorated (-)2.84% in the same period.



MONTHLY ECONOMIC REPORT

December 18, 2020.

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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.

**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.

**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.

**The National Commission of Minimum Wages.** The third paragraph of section VI of Article 123 of the Constitution of Mexico and Article 94 of the Federal Labor Law, states that "Minimum wages are fixed by a National Commission composed of representatives of workers, employers and government. Also, as per Article 94 of the Federal Labor Law the National Commission for fixing minimum wages, may draw the special advisory committees as it deems necessary for the performance of its functions. Employer organization namely COPARMEX and Trade Union namely CTM and CROC are also involved in setting wages

**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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