

WEEKLY ECONOMIC REPORT

JULY 3, 2020.

Stock markets have a good 2H20 start

An evident deterioration in global economic indicators and financial markets characterized the first half of 2020 (1H20), mainly due to containment measures to prevent the spread of COVID-19. The 2H20 seems to start with greater optimism regarding the positive response from the markets derived from:

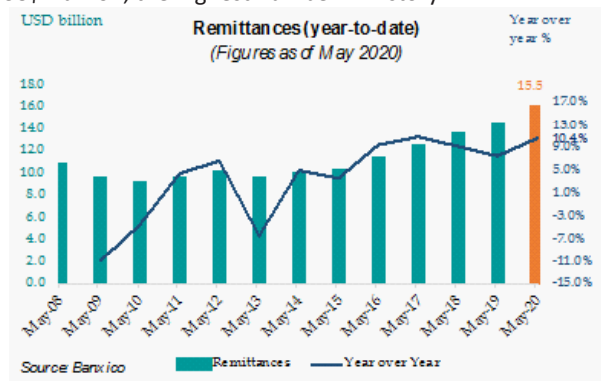
1. Fiscal and monetary stimulus packages announced by most developed economies in April began to show results.
 - a. The U.S. stimulus package totals US\$4.7 trillion (23.3% of GDP). Of this total, US\$2.4 trillion (12.1% of GDP) corresponds to a fiscal stimulus, and the remaining US\$2.3 trillion (11.2% of GDP) is a monetary stimulus. Besides, an additional US\$1 trillion fund (4.86% of GDP) in infrastructure is in the approval process.
 - b. The European Central Bank stimulus package totals US\$891 billion (6.5% of the region's GDP).
 - c. The Japanese stimulus package amounts to US\$1.17 trillion (23.6% of GDP), 87% is a monetary stimulus, and the rest fiscal.
2. The global mortality rate of COVID-19 patients reached its maximum level on March 5th when it totaled 7.1%; since then, a downward trend started, and it currently stands at 4.9%, showing an advance in the learning curve to treat the disease. In this sense, some medical advances lead to greater optimism, mainly:
 - a. The authorization of more medications to treat seriously ill COVID-19 patients. In recent days Gilead Sciences announced the start of massive sales in the market of Remdesivir. In the developed countries, the cost will be US\$390 per dose, while in the United States, it will cost US\$520 per dose. Since the company was authorized to distribute its medicine to treat COVID-19, its share price has increased by 10.08%.
 - b. The progress of some laboratories in the research for the development of a COVID-19 vaccine.
 - i. An experimental vaccine developed by Pfizer and biotech firm BioNTech boosted immune responses in healthy patients, although it also caused fever and other side effects, especially at higher doses.
 - ii. Astra Zeneca and the University of Oxford have completed Phase III of human testing of their COVID-19 vaccine. Scientists participating in the process stated that they observed the correct type of immune response, so the progress is positive.

in global liquidity, which improved the optimism of the financial markets and the OPEC + decision, which favored a significant recovery in oil prices. The importance of the economic stimulus packages announced by developed countries.

3. Finally, the concerns of the second wave of contagions globally, along with the weakening of Mexico's external accounts, favored a further depreciation of the peso as the exchange rate rose to MX\$ 22.94 per dollar at the close of June 30th.

Economic Indicators
Remittances

Remittances in the period through January to May totaled US\$15.53 billion, a 10.42% increase compared to the same period in 2019. The rise of unemployment in the US made us estimate that there could be a considerable decrease in remittances; however, in four of the five months for which information is available, remittances were higher than in the same month of the previous year. Additionally, in March, remittances totaled US\$4 billion, the highest number in history.



Trade with the United States

In May, Mexico ranked for the second consecutive month as the third commercial partner of the United States, losing the first place held throughout 2019 and until 1Q20. Mexico's surplus in the first five months of the year totals US\$35.7 billion, a (-)11.68% decline regarding the same data of 2019, mainly due to the decrease in imports and exports of the manufacturing sector in both countries, which practically remained closed in May.

Country	Exports	Imports	Total Trade	Balance
Canada	99,320	106,714	206,034	-7,394
% of Total	18.0%	11.0%	13.7%	
Mexico	84,100	119,809	203,909	-35,709
% of Total	14.3%	13.0%	13.5%	
China	42,290	157,777	200,067	-115,487
% of Total	7.2%	17.2%	13.3%	
Japan	28,419	30,714	59,133	-22,295
% of Total	4.8%	5.5%	5.3%	
Germany	23,002	47,248	70,250	-24,246
% of Total	3.0%	5.1%	4.7%	
Korea, South	22,547	30,422	52,969	-8,053
% of Total	3.8%	3.3%	3.5%	
United Kingdom	24,976	21,798	46,774	2,638
% of Total	4.2%	2.4%	3.1%	
Taiwan	15,463	23,384	38,847	-9,921
% of Total	2.3%	2.5%	2.4%	
India	11,532	19,047	30,599	-7,495
% of Total	2.0%	2.1%	2.0%	
France	12,808	17,418	30,226	-4,610
% of Total	2.2%	1.9%	2.0%	
Italy	8,241	19,410	27,651	-11,169
% of Total	1.4%	2.1%	1.8%	
Singapore	12,025	14,034	26,059	-2,009
% of Total	2.0%	1.5%	1.7%	
Brazil	15,670	9,511	25,181	6,159
% of Total	2.7%	1.0%	1.7%	
Hong Kong	10,209	4,918	15,027	5,991
% of Total	1.7%	0.5%	1.0%	
Saudi Arabia	5,319	4,442	9,561	677
% of Total	0.9%	0.5%	0.5%	
All other countries	179,767	272,282	446,050	-98,516
% of Total	29.6%	29.6%	29.6%	
TOTAL 2020 YTD	596,928	918,969	1,505,897	-322,041
TOTAL 2019	1,645,486	2,496,400	4,143,886	-852,914
TOTAL 2018	1,664,064	2,542,735	4,206,799	-878,671

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

Mexican Stock Exchange

Mexbol closed the first half of 2020 at 37,716 points, a (-)12.81% decrease in pesos and (-)28.59% in dollars (reinvestment of dividends included). Following the excellent trend of U.S. markets, the Mexican index achieved a 26.13% recovery since March 23rd when it reached the minimum of the year and until June 30th. However, the following factors have interrupted a more vigorous recovery in the market:

1. Harmful economic data in Mexico displaying a deterioration of the economy even before the containment measures for COVID-19 came into effect.
2. The publication of companies' 1Q20 financial reports. The results were mixed, although most companies expect considerable worsening conditions for 2Q20.
3. The federal government intends to change foreign direct investment rules and agreements, leading to additional negotiations and litigations.

Exchange Rate

The spot exchange rate closed July 3rd operations at MX\$22.38 per USD, a 21.44% depreciation of the peso in 2H20, the highest for the first six months of the year since the 2008 global financial crisis which was 26%. The behavior of the exchange rate throughout the semester was as follows:

1. On March 23rd, the exchange rate reached MX\$25.36 per USD, the highest parity in history, representing a 36.8%-peso depreciation since the beginning of the year, due to:
 - a. The sharp drop in oil prices, which led to pressures in the public and Pemex finances.
 - b. Pemex investment-grade loss and the downgrade in the credit rating of Mexico's sovereign debt, although without losing the investment grade.
2. From March 23rd to June 8th, the peso appreciated 15.22%. The exchange rate was at MX \$ 21.50 per dollar due to the increase

Public Finances and Debt

The Ministry of Finance and Public Credit (SHCP) released May's public finances and debt results. In the first five months of the year, the government's income totaled MX\$2.19 trillion, a (-)3.1% lower figure than the budgeted in the 2020 Federation Revenue Law. Net spending was MX\$2.37 trillion, (-)4.8% less than estimated. The federal public sector's net debt reached a level of 49.5% as a proportion of GDP. The above represents the most considerable rebound in debt since the 2009 crisis. The SHCP indicated that the federal public sector's net internal debt was MX \$ 7.33 trillion, while the net external debt of the national public sector stood at US\$210 billion. The debt increased because of the sharp contraction that the GDP suffered due to the containment measures of COVID-19.

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Definitions

Astra Zeneca: Health Sector Company. As of May 31, 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.

BioNTech: Health Sector Company. As of May 31, 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.

European Central Bank (ECB): Is the central bank responsible for monetary policy of those European Union member countries which have adopted the euro currency.

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.

Gilead Sciences: Health Sector Company. As of May 31, 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.

Gross Domestic Product (GDP): Is the monetary value of all the finished goods and services produced within a country's borders in a specific time period.

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.

Petróleos Mexicanos (PEMEX): Is the Mexican state-owned petroleum company, created in 1938 by nationalization or expropriation of all private, foreign, and domestic oil companies at that time. As of May 31, 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.

Pfizer: Health Sector Company. As of May 31, 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.

Remdesivir: Is an antiviral medicine, a harmless substance that turns into a drug when it is metabolized. It is the first authorized drug against the Covid.

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.

The Ministry of Finance and Public Credit (SHCP): Is the government entity responsible for proposing and controlling the economic policy of the Mexican Federal Government regarding the financial, fiscal, expenditure, income and public debt sector.

The Organization of the Petroleum Exporting Countries (OPEC): A group consisting of 14 of the world's major oil-exporting nations, founded in 1960 to coordinate the petroleum policies of its members and to provide member states with technical and economic aid.

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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