

WEEKLY ECONOMIC REPORT

November 13, 2020.

Good response of the exchange rate and the Mexbol to the reduction of systemic risk (Biden and COVID-19)

Mexbol closed November 13th operations at 40,791 points for a 5.87% weekly advance, reducing the Year-To-Date (YTD) loss to (-)4.79%. In US dollars, the weekly gain was 6.97%; therefore, the YTD reduced to (-)12.00%. Derived from the new hopes of a vaccine for COVID-19 and the decrease in systemic risk, the index accumulated eight consecutive sessions with daily gains, besides, it surpassed the 40,000 points objective, as a consequence, if global optimism continues, a new 43,300 points target could be estimated.

Exchange Rate

The spot exchange rate closed November 13th operations at MX\$20.52 per dollar, for a 0.94% weekly appreciation, reducing the YTD depreciation to (-) 7.79%. The weekly consolidation of the parity was the result of two events:

1. The decision of Fitch Ratings to ratify, with a stable outlook, the investment grade of Mexican sovereign debt. The fact that the outlook is stable is important because the rating agency places Mexican debt in the bottom tier of investment grade (BBB-).
2. Banxico's decision to keep its interest rate at 4.25%. This preserves a wide spread (400 bps) regarding short-term rates in the United States. :

Interest Rates

Banxico

The Governing Board of Banco de México (Banxico) decided to keep its reference rate unchanged at 4.25%. It ends a cycle of eleven consecutive drops that began in August 2019 when the rate was 8.25% and recently concluded (-400 bps). In the statement, the Board hinted that the recent increase in inflation implied an upward adjustment in its trajectories in the medium term. Therefore, to consolidate a decreasing course of inflation, they decided not to change the rate. Noteworthy that this monetary policy decision marked the last for Deputy Governor Javier Guzmán, who was characterized by an orthodox vision in the application of monetary policy. Guzmán's alternate will be the third member recommended by President Andrés Manuel López Obrador (Gerardo Esquivel and Jonathan Heath) and with this the deputy governors nominated by the president would already have a majority on the Board.

Ratification of the Sovereign Debt Rating

Fitch Ratings ratified Mexico's sovereign debt grade at BBB- with a stable outlook. Among the reasons for taking this decision, it is worth mentioning that they estimate that the debt as a percentage of GDP will remain stable and that the country has a consistent macroeconomic policy framework and sound and robust external accounts. The fact that Fitch ratified Mexico's investment grade, but at its lowest level (BBB-), stems from the fact that the country will register one of the smallest overall deficits among sovereigns rated in the "BBB" category, same which they estimate will be 4.0% of GDP.

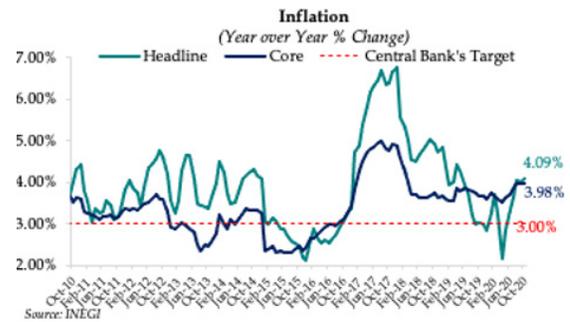
Economic indicators

Inflation

In October, the National Consumer Price Index had a 4.09% annual inflation; therefore, inflation is above Banxico's target range for the third consecutive month. Within its components, the results were the following:

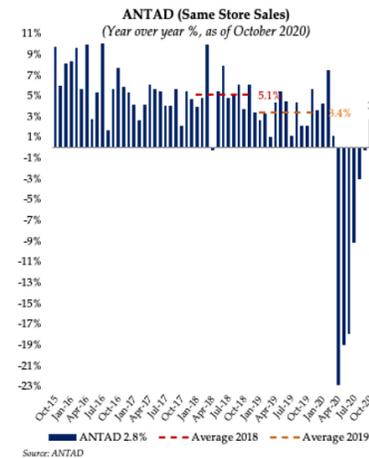
1. Annual core inflation was 3.98% since the price of food, beverages, and tobacco increased at an annual rate of 6.93%.
2. Annual non-core inflation increased to 4.42% since agricultural products had annual inflation of 9.61%.

It is possible that the persistence of relatively high inflation had a direct inference on Banxico's decision not to reduce its reference interest rate.



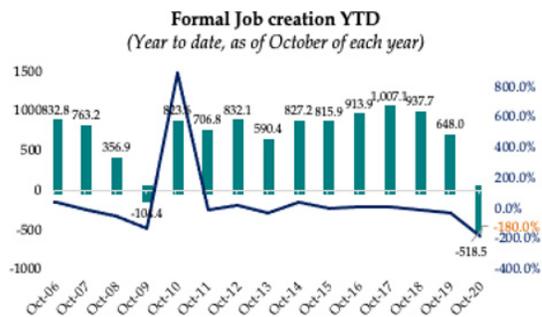
ANTAD Same Store Sales

The National Association of Self-service and Department Stores (ANTAD) announced that in October and after six months, its Same Store Sales (SSS) once again showed positive annual growth (+ 2.8%). The recovery in convenience store sales drove the improvement since the hours of operation at the national level are practically re-established. ANTAD estimates that in November, the SSS may accelerate considerably due to the twelve days that the "Buen Fin" promotion will last.



Formal Employment

The Mexican Institute of Social Security (IMSS) announced that 200.64 thousand jobs were generated in October. This is the third consecutive month with job creation after five consecutive months of job destruction due to the closure of economic activities. Despite this, in August, September and October only 406 thousand jobs were created, insufficient to offset the loss of 1.12 million jobs that was observed from March to July. The sectors that led the generation of jobs: electricity, which grew 1.4% at an annual rate, and agriculture with 0.8% annual growth.





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Definitions

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

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.

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.

Fitch Ratings: A leading provider of credit ratings, commentary and research. Offers global perspectives shaped by strong local market experience and credit market expertise.

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.

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.

The Mexican Institute of Social Security (IMSS): Is a governmental organization that assists public health, pensions and social security in Mexico operating under the Secretariat of Health.

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.

Consumer Confidence Index: Is defined as the degree of optimism about the state of the economy that consumers are expressing through their activities of saving and spending.

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.

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.

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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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