

**The Mexican Market consolidation**

**Mexican Stock Exchange**

Mexbol closed October 16<sup>th</sup> at 37,876, a (-)1.59% weekly and (-)11.92% Year-to-Date (YTD) loss in pesos; in dollars, the Index fell (-)1.52% in the week and (-)21.40% YTD. The Index had a week of consolidation following the good results observed from October 5<sup>th</sup> to 9<sup>th</sup>, when Mexbol gained 5.07%. Investors appear to be waiting for the quarterly reports, especially those released in the coming weeks. Noteworthy, this week companies with the highest weighting in the index, such as América Móvil, Walmart de México, and Bimbo, will release their financial results.

Going forward, solid reports, as well as economic data that display vaster signs of recovery, could give a positive boost to Mexbol. In this sense, September's industrial activity had a 3.3% increase compared to August. Besides, the "Same Store Sales" (SSS) data from the National Association of Self-Service and Department Stores (ANTAD) remain practically unchanged in its annual comparison (-0.3%).

**Exchange Rate**

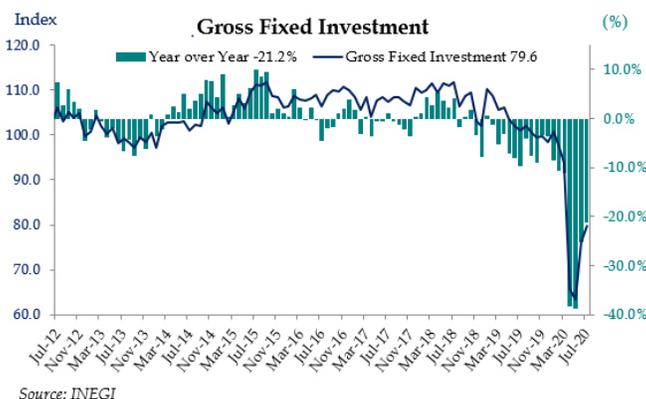
The spot exchange rate closed October 16<sup>th</sup> at MX\$21.10 per dollar, practically unchanged compared to the previous week (-0.05%), which leaves the YTD depreciation at 11.50%. In a week with lack of information on the Mexican external accounts, the Mexican peso exhibited a certain consolidation level after the appreciation trend that began on September 29<sup>th</sup> (5.82%).

Regarding the exchange rate behavior for the rest of the year, the futures contracts traded on the Chicago Board Options Exchange, reveal that investors practically do not expect significant changes. In contrast, the futures contracts that expire in March 2021 estimate that the peso could depreciate to levels close to MX\$21.50 per dollar

**Economic Indicators**

**Industrial Activity**

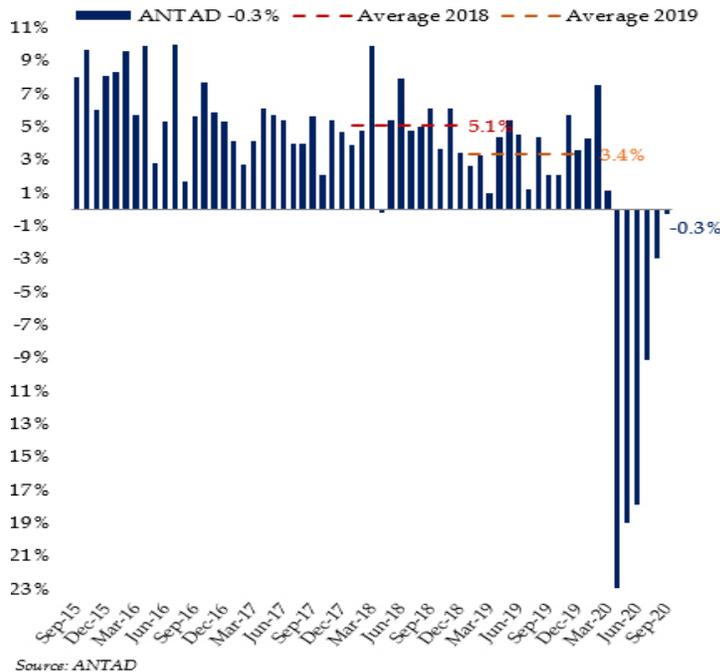
The Monthly Industrial Activity Indicator (IMAI) grew 3.3% Month-over-Month (MoM) in August. By components, construction increased 11.2%, the generation and distribution of electricity and water 5.7%, and the manufacturing and mining industries 0.8%. Noteworthy, even though the manufacturing industry was the one that presented the lowest monthly growth, it is the component that, with the performance of the last three months, has already reached a recovery in the form of a "V" after the COVID-19 crisis. The above, if it is considered that the indicator is only 2.07% away from the March figure.



**ANTAD Same Stores Sales**

In September, the National Association of Self-service, and Department Stores (ANTAD) announced that its "Same Store Sales" (SSS) remained practically unchanged in the annual comparison (-0.3%). Therefore, the SSS almost entirely recovered from the COVID-19 fall, which, at its minimum for the year (April), displayed 22.9% drops. The recovery in sales is associated with consumers' return to department stores and the sustained increase in online sales currently above pre-covid levels.

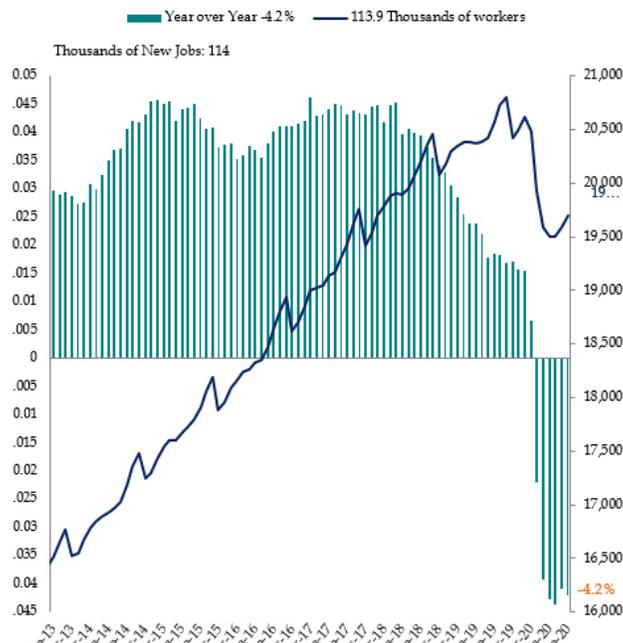
**ANTAD (Same Store Sales)**  
(Year over year %, as of September 2020)



**Formal Employment**

The Mexican Institute of Social Security (IMSS) announced that the private sector created 113.9 thousand formal jobs in September. This is the second consecutive month in which there is a generation and not a destruction of employment after the closing of economic activities in March, April, and May. Despite the above, there has been a notable loss of (-)719.2 thousand jobs nationwide in the year so far. To contextualize the gravity of the jobs lost, since 2000, an average of 425.8 thousand jobs have been created each year; This implies that to only recover the lost jobs this year will take two years on average.

(Figures as of September 2020)



**Eugenia Pichardo & Arnulfo Rodriguez,**  
**Equity Portfolio Manager & Macro and Debt Strategist**  
Investor Relations : igarcia@paminversion.com  
52 (55) 5261 4600



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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](mailto:epichardo@paminversion.com)  
CEO & Senior Equity Portfolio Manager  
[arodriguez@paminversion.com](mailto:arodriguez@paminversion.com)  
Associate  
Macro Strategist  
[destevez@paminversion.com](mailto:destevez@paminversion.com)  
Managing Director  
Co-Portfolio Manager  
[jelizalde@paminversion.com](mailto:jelizalde@paminversion.com)  
Associate  
Co-Portfolio Manager  
[igarcia@paminversion.com](mailto:igarcia@paminversion.com)  
Associate  
Consumption Analyst & IR

**Definitions**

**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.

**The Chicago Board Options Exchange (CBOE):** Is the largest U.S. options exchange with annual trading volume that hovered around 1.27 billion contracts at the end of 2014.[1] CBOE offers options on over 2,200 companies, 22 stock indices, and 140 exchange-traded funds (ETFs).

**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.

**Mexico Gross Fixed Investment:** Measures the total value of all acquisitions of fixed assets, both tangible and intangible, obtained as a result of a production process.

**Month-over-month growth:** shows the change in the value of a statistic as a percentage of the previous month's value.

**Monthly Industrial Activity Indicator (IMAI):** Indicator to follow up on the evolution of the industrial sector, on the short term, providing valuable information for decision making.

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

**Same Store Sales (SSS):** Are also referred to as comparable-store sales or identical-store sales, measures the sales of a company's existing stores that have operated for more than one year, excluding sales of new stores.

**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 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.

**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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