

WEEKLY ECONOMIC REPORT

OCTOBER 30, 2020.

COVID-19 and elections in the U.S. impact global markets

Mexican Stock Exchange

Mexbol closed October at 36,987 points, for a (-)4.39% weekly decline and (-)13.94% Year-to Date (YTD) loss. In dollars, the weekly fall was (-)6.03%, and the YTD decline increased to (-)23.58%. Mexbol was affected by the general context of risk aversion; besides, the economic growth for 3Q20 (12.0% compared to 2Q20) was not enough to offset the index's drop. The 3Q20 earnings season concluded as follows:

1. A total of 72% of the reported sales were higher than the consensus expectations surveyed by Bloomberg.
2. More than 61% of published Earnings per Share (EPS) exceeded market expectations.
3. A total 59% of Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) was better than market expectations.

Exchange Rate

The spot exchange rate closed October 30th operations at MX\$21.20 for a (-)1.59% weekly depreciation, which increased the YTD depreciation to (-)11.99%. Amid a generalized context of uncertainty and risk aversion for the reasons mentioned above, the dollar index had a 1.36% weekly increase that indicates the rearrangement of investors' portfolios in favor of lower relative risk. Despite the weekly drop, data continues to be released, confirming Mexican external accounts' excellent performance. Specifically, September's trade balance displayed an US\$18.95 billion surplus, the highest figure since records are available.

Income Law

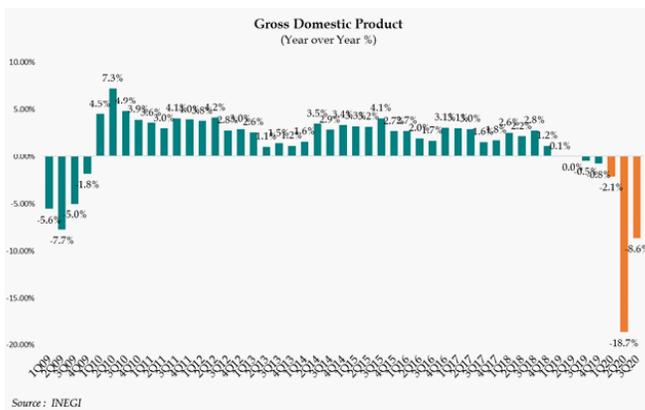
On October 29th, the Senate of the Republic approved the 2021 Federal Income Law (LIF) and a series of reforms and initiatives known as the fiscal miscellany. The Senate approved MX\$6.26 billion in income, only MX\$33 billion less than initially proposed by the Ministry of Finance. The Senate did not modify the assumptions for the macroeconomic variables contemplated in the General Criteria for Economic Policy (CGPE). In this regard, the optimistic forecasts of the SHCP, a (-)8.5% fall of GDP in 2020, and an average oil production platform of 1.85 million barrels per day stand out.

Regarding what was approved by the Chamber of Deputies, the Senate rejected the modifications that would allow the Tax Administration System (SAT) to document fiscal domiciles' notifications through photographs and videos. Regarding the Federation's Expenditure Budget (PEF), the deputies have the November 15th deadline to approve it, and, unlike the LIF, the PEF does not need the Senate's approval.

Economic Indicators

Gross Domestic Product

INEGI announced that the 3Q20 GDP had a 12.0% quarterly growth. By components, the primary ones increased 7.4%, the secondary activities 22.0%, and the tertiary 8.6%. Although the quarterly growth is the highest in recorded history, it does not mean that the Mexican economy has already recovered as annual GDP growth shows a drop of (-)8.6% compared to the same quarter of 2019. The data reflects that the manufacturing industry has led the economic recovery in Mexico for the most part.



Trade Balance

The Bank of Mexico announced that in September Mexico's trade balance registered a US\$4.38 billion surplus, which leaves the YTD surplus at US\$18.95 billion. This figure represents the maximum surplus since Banxico began to keep records in 1993. By components, the results were as follows:

1. September exports show a 3.7% annual growth, driven by a 4.3% growth in manufacturing exports, representing 91.4% of total exports.
2. Total imports decreased (-)8.5% compared to September 2019. The demand for intermediate-use goods (75.0% of imports) decreased at an annual rate of (-) 5.9%.

	2019			2020 YTD			Sep-20		
	Amount	% of Total	Annual Change	Amount	% of Total	Annual Change	Amount	% of Total	Annual Change
Exports									
Total Exports	460,704	100.0%	2.2%	294,242	100.0%	-14.4%	38,547	100%	3.7%
Oil	25,842	5.6%	-15.63%	12,621	4.3%	-36.4%	1,477	3.8%	-22.1%
Crude Oil	22,409	4.9%	-15.57%	10,493	3.6%	-39.4%	1,168	3.0%	-29.0%
Others	3,433	0.7%	-16.05%	2,129	0.7%	-15.8%	309	0.8%	22.4%
Non-Oil	434,862	94.4%	3.52%	281,621	95.7%	-13.0%	37,070	96.2%	5.0%
Agricultural	17,840	3.9%	8.07%	13,862	4.7%	5.3%	1,234	3.2%	19.3%
Mining	6,189	1.3%	-0.69%	5,889	1.7%	11.7%	588	1.5%	25.4%
Manufacturing	410,834	89.2%	3.55%	262,669	89.3%	-14.2%	35,248	91.4%	4.3%
Automotive Industry	147,757	32.1%	3.92%	83,739	28.5%	-24.8%	12,555	32.6%	0.2%
Others	263,077	57.1%	3.10%	178,931	60.8%	-8.1%	22,693	58.9%	6.8%
Imports									
Total Imports	455,295	100.0%	-1.9%	275,284	100%	-19.4%	34,163	100%	-8.5%
Oil	47,207	10.4%	-12.0%	22,927	8.3%	-36.1%	2,552	7.5%	-27.4%
Non-Oil	408,088	89.6%	-2.7%	252,357	91.7%	-17.4%	31,611	92.5%	-6.5%
Consumption Goods	43,852	9.6%	0.5%	23,996	8.7%	-24.4%	2,972	8.7%	-22.1%
Intermediate Goods	322,449	70.8%	0.4%	203,226	73.8%	-16.4%	25,610	75.0%	-4.1%
Capital Goods	41,787	9.2%	-8.9%	25,135	9.1%	-18.5%	3,029	8.9%	-8.4%
Trade Balance									
Trade Balance	5,409		-17.1%	18,958		763.6%	4,385		N.A.

Source: Mexico's Ministry of Economics
Amounts in Millions of Dollars

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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.

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.

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.

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.

Federal Income Law (LIF): The Federal Income Law (LIF) is a legal order proposed by the Executive Power and approved by the Legislative Power that contains the concepts under which financial resources can be raised, which allow covering the expenses of the federation during a fiscal year.

Federation Expenditure Budget Project (PPEF): Public policy document prepared by the Ministry of Finance and Public Credit that describes the amount, form of distribution and destination of public resources of the three branches (Executive, Legislative and Judicial), of the autonomous bodies, as well as transfers to state and municipal governments.

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.

General Criteria of Economic Policy 2021 (CGPE): Document that raises a macroeconomic context that has a direct impact on Public Finance.

Gross domestic product (GDP): is a monetary measure of the market value of all the final goods and services produced 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.

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.

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.

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.

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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