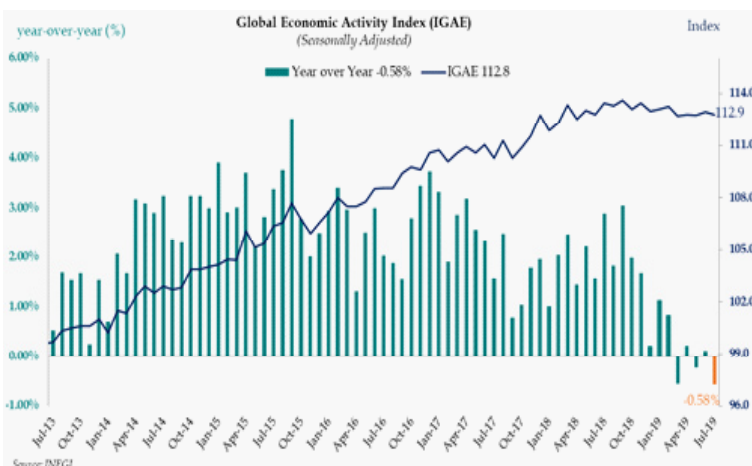


3Q19 MACROECONOMIC REPORT

Macroeconomic and political events

Mexico's economy has shown contagion to the global economic slowdown, the latest Global Economic Activity Index (IGAE) displays a year-over-year (YoY) contraction of 0.58%. The IGAE has decreased -0.17% year-to-date (YTD) through July (most recent available data) compared to the 1.40% increase in July 2018. Both primary and tertiary activities increased by 1.42% and 0.36%, respectively. Secondary activities decreased by -0.60% due to the contractions in the mining and construction activities.



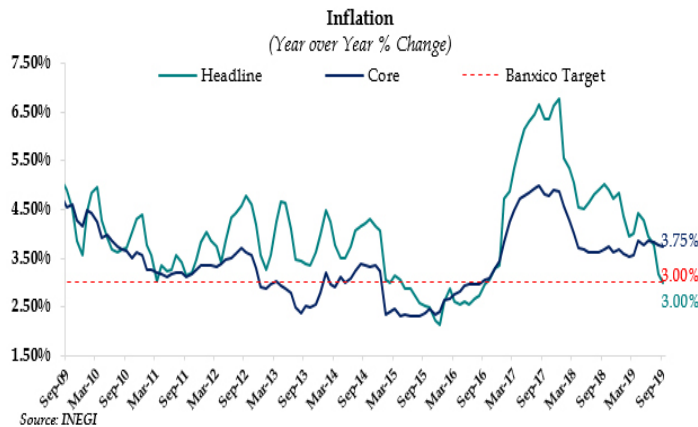
Aggregate demand, which equals aggregate supply, grew 0.37% year over year through June (latest available data). Within its components, both private consumption and exports increased by 0.60% and 3.17%, respectively. Public consumption and gross fixed capital formation had -1.91% and -5.23% setbacks; in both cases, the austerity measures of the federal government motivated the drops.

Mexican external accounts continue exhibiting a solid pace. August historical remittances (US\$3.37 billion) reinforce the possibility of closing the year with approximately US\$35 billion. The balance of trade displays a year-to-date through August surplus of US\$2.8 billion, compared to last year's deficit of US\$9.9 billion. Mexico continues availing from the trade tensions between the United States and China and for the eighth consecutive month is United States' first commercial partner.

United States International Trade (As of August 2019)									
Country	Exports	Imports	Total Trade	Balance	Country	Exports	Imports	Total Trade	Balance
Mexico	174,200	241,103	415,303	-66,903	India	23,479	38,726	62,205	-15,247
% of Total	15.8%	14.3%	14.9%		% of Total	2.1%	2.3%	2.2%	
Canada	196,821	211,554	408,375	-14,733	Taiwan	20,713	35,947	56,660	-15,234
% of Total	17.8%	12.6%	14.7%		% of Total	1.9%	2.1%	2.0%	
China	74,294	312,666	386,960	-238,372	Italy	15,657	38,288	53,945	-22,631
% of Total	6.7%	18.6%	13.9%		% of Total	1.4%	2.3%	1.9%	
Japan	50,015	98,502	148,517	-48,487	Brazil	28,443	21,139	49,582	7,304
% of Total	4.5%	5.9%	5.3%		% of Total	2.6%	1.3%	1.8%	
Germany	39,744	86,293	126,037	-46,549	Singapore	20,594	18,029	38,623	2,565
% of Total	3.6%	5.1%	4.5%		% of Total	1.9%	1.1%	1.4%	
Korea, South	37,451	52,294	89,745	-14,843	Hong Kong	21,586	3,014	24,600	18,572
% of Total	3.4%	3.1%	3.2%		% of Total	2.0%	0.2%	0.9%	
United Kingdom	45,144	42,331	87,475	2,813	Saudi Arabia	9,396	9,829	19,225	-433
% of Total	4.1%	2.5%	3.1%		% of Total	0.9%	0.6%	0.7%	
France	25,119	39,664	64,783	-14,545	All other countries	321,411	432,433	753,844	-111,022
% of Total	2.3%	2.4%	2.3%		% of Total	29.1%	25.7%	27.1%	
Source: U.S. Census Bureau					TOTAL 2019 YTD 1,104,067 1,681,612 2,785,679 -577,545				
Amounts in millions of dollars					TOTAL 2018 1,664,064 2,542,735 4,206,799 -878,671				
					TOTAL 2017 1,546,654 2,342,905 3,889,559 -796,251				

The previously mentioned strength of the Mexican external accounts allowed the peso to oscillate within the MX\$19.50-MX\$20.00 per dollar for most of the year. Even though the peso has depreciated 0.40% year to date through September, the currency's performance against the United States Dollar ranks third amongst significant currencies.

Inflation has not only converged to Banxico's 3.0% ± 1.0% range, but it is now in the 3.0% objective. September's annual inflation (latest available data) was 2.99%, mostly due to a considerable decrease in non-core inflation. The above, plus the decision of most of the leading central banks to easing their monetary policies, the Federal Reserve is included, gave Banxico room to reduce its reference rate twice in the quarter. Both movements have been 25 basis points (bps) reductions. The votes of two of the five members of Banxico's governing board for a 50-bps reduction widens the possibility of furthermore decreases.



Even though the economic deceleration has induced lower-than-budgeted tax collection, the federal government has remained fiscally disciplined. The fiscal discipline engagement has been such that the 1% of the Gross Domestic Product (GDP) primary surplus exhibits considerable progress. Until August (latest available data), the primary balance was 86% higher than the budgeted one. This fiscal discipline and the expenditure reduction have even allowed the government to amortize 9.1% of the net external debt.

Finally, the terrorist attacks to Saudi Arabia's Aramco induced the most significant oil shock in history. In a conservative scenario, Capital Economics estimates that Brent oil prices could escalate up to US\$67 per barrel; this means that the Mexican crude oil mix could reach US\$58 per barrel. Taking into consideration that the 2020 budget estimates a daily production of 1.95 million oil barrels per day to be sold at an average price of US\$49 per barrel, the price of the Brent crude estimated by Capital Economics could represent an extraordinary income of US\$6.41 billion for the 2020 budget.

Conflict	Year	Fall in Production
Drone Attack to Aramco	2019	5.7 mbd
Iranian Revolution	1978	5.6 mbd
Arab-Israeli War, Oil Embargo	1974	4.3 mbd
Iraq Invasion to Kuwait	1991	4.3 mbd
Start of the Iran-Iraq War	1980	4.1 mbd
Strike in Venezuela	2002	2.6 mbd
War in Iraq	2003	2.3 mbd
Suspension of Iraq Exports	2001	2.1 mbd
Suez Crisis	1956	2 mbd
Six Days War	1967	2 mbd

Source: International Energy Agency, Bloomberg

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

CEO & Senior Equity Portfolio Manager

arodriguez@paminversion.com

Associate

Macro Strategist

destevez@paminversion.com

Managing Director

Co-Portfolio Manager

jelizalde@paminversion.com

Associate

Co-Portfolio Manager

lcalzada@paminversion.com

Compliance & Portfolio Administration

igarcia@paminversion.com

Associate

Consumption Analyst & IR

Definitions

Aramco: Officially Saudi Arabian Oil Company, is a Saudi Arabian national petroleum and natural gas company based in Dhahran, Saudi Arabia.

Banxico: Mexico's Central Bank, lender authority and lender of last resort.

IGAE: The Global Index of Economic Activity allows to know and monitor the monthly evolution of the real sector of the economy.

Remittances: A transfer of money by a foreign worker to an individual in their home country.

Inflation: A quantitative measure of the rate at which the average price level of a basket of selected goods and services in an economy increases over a period.

Basis point (BPS): One basis point is equal to 1/100th of 1%, or 0.01%, or 0.0001

Saudi Arabia's Aramco. As of August 31, 2019 the security represents 0.00% of MXE's Portfolio Net Assets.

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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