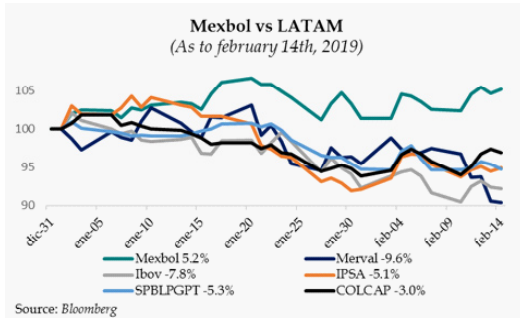


**Strong Peso, Resilient Stock Market**

Several factors conditioned the performance of the financial markets:

i. Companies listed in Mexbol continue releasing their 4Q'19 financial reports. Last week reports were mixed: AMX, Walmex and AC results were strong, while Alpek and Alfa disappointed. However, until February 14<sup>th</sup>, Mexbol Index presented a 5.2% USD return, outperforming Brazil's Ivob (-7.8%), Peru's SPBPLGPT (-5.3%), Argentina's Merval (-9.6%), Chile's IPSA (-5.1%) and Colombia's COLCAP (-3.0%).



ii. The Mexican peso accumulates two consecutive weeks of gains (1.40%), reflecting strong inflows from portfolio investors, who keep buying mainly government bonds, as short-term financial conditions remain favorable.

iii. As expected, Banxico's Government Board reduced its reference rate from 7.25% to 7.0%. The Central Bank forecasts a stable inflation. but remains worried about economic growth. A downward revision of Banxico's GDP growth forecast for 2020 is expected.

iv. Recently published data continues to reflect a weak economic performance. Gross fixed investment in November 2019 declined -2.82% YoY, and industrial activity in December decreased -0.95% in annual terms. Good news came from a surprising increase in same store sales of the National Association of Department and Self-Service Stores (ANTAD), but this was partially due to a very easy comparison basis.

**Mexican Stock Exchange**

Mexbol rose 2.57% in USD in the week to close at 44,928 points, representing a YTD return of 5.19%, in US currency. Noteworthy, since the beginning of the year, Mexbol has ranged between 43,800 and 45,525 points. The lack of positive news regarding economic growth prevents it from exceeding the upper limit; but the strong performance of some representative local companies, prevents it from falling below the lower threshold.

Eight companies of the Index have released their 4Q'19 financial reports; The market reacted positively to America Movil and Walmart's results, and both showed gains, of 12.13% and 8.69% respectively during the week. Alpek, Alfa, and Cemex reported below expectations, and their prices dropped -18.13%, -5.23%, and -6.72% respectively.

Up to date, 34.28% of the companies listed in Mexbol have already submitted their financial results. 58.33% had sales below expectations, while 54.4% reported better than expected earnings per share. There will be more reports during the next two weeks.

**Spot Exchange Rate**

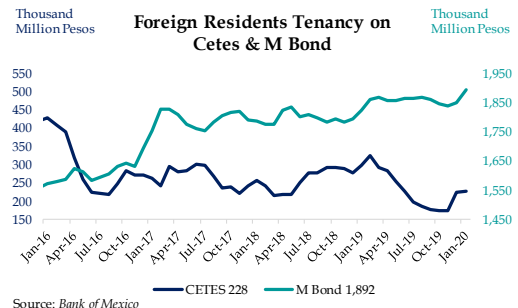
The spot exchange rate closed at MX\$18.56 per dollar last week. The Mexican currency accumulated two consecutive weeks with advances (+1.40% in the period). Year to date the peso has gained 1.84%. The strong performance of the peso was not interrupted by Banxico's Board of Government decision to reduce its reference interest rate from 7.25% to 7.0%. This validates our thesis that the current strength of the peso has strong roots in the good performance of the external accounts.

**Interest Rates**

On February 13<sup>th</sup>, Banxico's Government Board unanimously reduced its reference rate by 25 basis points (bps) from 7.25% to 7%. This is the fifth consecutive meeting in which the Board decides to decrease its rate by

the same amount. However, this is the first decision in which the vote was unanimous since, on previous occasions, one or two sub-governors voted for a 50 bps reduction. In the statement, the Board anticipates a decline in its 2020 GDP growth estimate regarding the previous 3Q19 quarterly report, in which the estimated growth range was 0.8% to 1.0%.

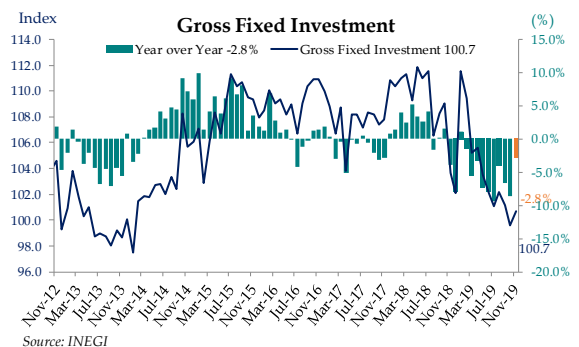
Banxico also announced that in January, the positions of non-residents in Mexican fixed income instruments increased 2.35% in the month. This was mainly motivated by the rise in M Bond positions, which in January amounted to MX\$1.89 trillion pesos, the highest figure since 2015. The 10-year M Bond yield closed the week at 6.55% (-9 bps).



**Economic Indicators**

**Gross Fixed Investment**

Gross fixed investment dropped -2.82% YoY in November, representing its thirteenth annual decline in a row. Noteworthy, unlike previous months, the fall was considerably lower than the average observed in the year (6.62%). By category, investment in domestic machinery and residential construction rebounded 4.7% and 4.2% annually, respectively, while the rest of the components continue with downward trends.



**Wages**

Nominal contractual wages increased 5.0% in January, compared to the annual inflation of 3.24%; therefore, real wages improved 1.76%. Nominal salary growth remains in line with the average increases observed last year, but as inflation picked up slightly during January, real wages showed a smaller improvement during the month, compared to the average observed throughout 2019.

**Industrial activity**

In December 2019, industrial activity declined -0.95%, reaching levels not observed since the end of 2013. The indicator accumulates fifteen consecutive months of negative annual growth rates, motivated mainly by the weakness of the construction sector which, in 2019, accumulated a -4.9% contraction. Noteworthy, the mining sector accumulated two consecutive months with YoY growth, a fact that had not happened for more than 80 months. A slight recovery in oil production may have helped to stop the decline.

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WEEKLY ECONOMIC REPORT

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**Definitions**

**Alfa:** Industrial Conglomerate. As of January 31, 2020 the security is not included in the Fund Top 10 Portfolio Holdings. For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**Alpek:** Chemical Materials. As of January 31, 2020 the security is not included in the Fund Top 10 Portfolio Holdings. For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**América Móvil (AMXL):** Communication Services. As of January 31, 2020 the security represents 2.09% of Portfolio Net Assets. For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**Arca Continental (AC):** Bottling Company. As of January 31, 2020 the security represents 1.2% of Portfolio Net Assets. For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**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.

**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.

**Bloomberg:** Company that provides financial software tools and enterprise applications such as analytics and equity trading platform, data services, and news to financial companies and organizations.

**Bovespa Index:** A former stock exchange in Brazil. It was founded in 1890 and owned by the government until the 1960s. It merged with the Brazilian Mercantile and Futures Exchange in 2008 to form the BM&F BOVESPA.

**Cementos de México (CEMEX):** Construction Materials. As of January 31, 2020 the security is not included in the Fund Top 10 Portfolio Holdings. For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**Colcap Index:** Is one of the stock indexes of the Colombian Stock Exchange, this indicator reflects the variations in the prices of the 20 most liquid shares.

**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.

**Gross Fixed Investment (IFB):** Describes the net capital accumulation during an accounting period for a country. The term refers to additions of capital stock, such as equipment, tools, transportation assets and electricity.

**M-Bond:** Mexico Federal Government fixed-rate development bonds that are issued and placed at terms of over one year, pay interest every six months and their interest rate is determined at issue date and remains fixed all along the life of the bond.

**Merval Index:** Is the most important index of the Buenos Aires Stock Exchange. It is a price-weighted index, calculated as the market value of a portfolio of stocks selected based on their market share, number of transactions and quotation price.

**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.

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

**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.

**S&P/BVL Index:** Is an index weighted by modified market capitalization that is designed to serve as an international benchmark of the Peruvian stock market.

**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.

**Walmart:** Retail company. As of January 31, 2020 the security represents 1.42% of Portfolio Net Assets. For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**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.

**Year over Year (YoY):** Indicates the change from the comparable amount reported in the same period one year earlier.

**4Q19:** Period that starts the fourth and last quarter of the year 2019 which ends on December 31.

**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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