

Positive week in Financial Markets

The Mexbol Index had a good week and ended with a weekly advance of 1.50% closing at 42,210 after two weeks of declines; year to date gains are up 1.61%. The Mexbol bounce was mainly driven by attractive entry points coupled with the good performance in US stock markets which resulted from an improvement in global conditions (i.e. Brexit and the China-U.S. trade agreement).

US stock markets closed the week with positive results despite uninspiring economic data after the release of February's poor non-farm payroll figure. The Dow Jones, S&P 500 and NASDAQ indexes had a weekly advance of 1.64%, 2.95%, and 3.81% respectively after President Trump mentioned that the US might have news of a possible agreement with China in the next three or four weeks. Year to date, the Dow Jones, S&P 500 and NASDAQ indexes have gains of 11.47%, 13.11%, and 16.16% respectively.

The main stock indexes in Europe also had positive weekly progress. In Germany, the DAX closed with weekly profits of 1.99%, in the United Kingdom, the FTSE 100 advanced 1.80%, in Spain the IBEX ended at 2.33%, and in France, the CAC 40 advanced 3.33%. The above, after the British Parliament, approved on March 14th, to request an extension of Brexit deadline until June 30 vs. March 29 previously.

The spot exchange rate closed on Friday, March 15th, at 19.21 pesos per dollar, for a weekly and Year to Day (YTD) appreciation of 1.48% and 2.30% respectively. The weekly recovery of the Mexican currency seems natural after the former week pressure caused by Standard & Poor's downward revision of Mexico sovereign debt credit outlook. Noteworthy, the spot mid exchange rate has remained relatively stable at around 19.30 pesos per dollar, underpinned by the country's good external accounts. In this regard, the total trade surplus with the United States (US) in 2018 was 81.518 million dollars; 14.9% year-over-year. Total trade between both countries amounts to 611,538 million dollars (mdd) and represents 14.5% of the US trade balance; this places Mexico as its third commercial partner; just behind China (15.7%) and Canada (14.7%), whereas Japan ranks fourth with only 5.2% of the total trade of the US.

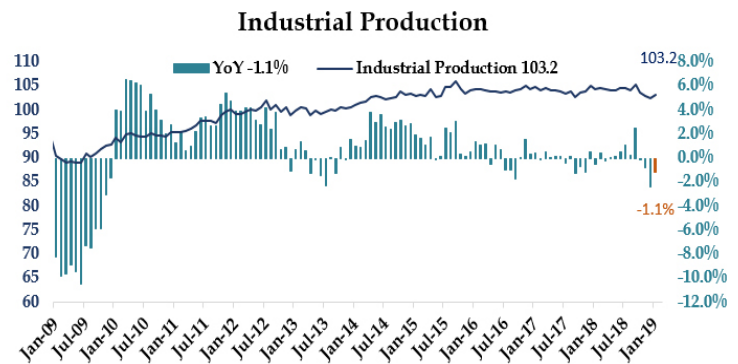
On Friday, March 15th, the 10-year M bond yield (maturity May 2029) stood at 8.05%; a 546 basis points (bps) spread against ten 10-year Treasury bond, representing a 50 bps decrease year to date. The significant decline in the risk premium of Mexican bonds reflects the exceptionally high-risk free rate in Mexico for foreign investors; with a relatively stable exchange rate. As of March 6th, 2019, the position of foreigners in M bonds increased 61,786 million pesos compared to the end of 2018 (+3.4%), to leave the balance at 1.86 trillion pesos.

During the week, the Central Bank auctioned a new development bond (M bond) with a 5-year yield to maturity (due September 2024) for 15,000 million pesos. The bond has a coupon rate of 8.00%, and the placement rate was 7.95% per year. The demand for this instrument was 2.5x as a result of attractive valuation and due to the expectations of less restrictive monetary conditions.

Economic Indicators

Industrial production

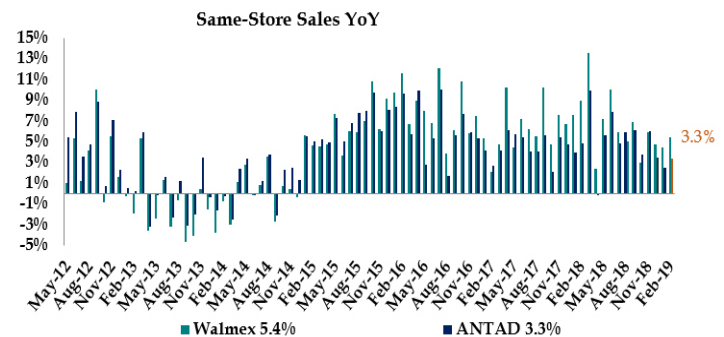
Industrial production in January fell (-) 1.1% year-over-year led by declines in the mining and utilities sectors of (-) 10.45% and (-) 1.41% respectively. Construction and manufacturing sectors grew, but at slow rates; (+0.58%) and (+1.28%) respectively. The slowdown that the mining sector continues to experience for the past five years contrasts with the construction and manufacturing sectors which show substantial growth in the same period. The utility sector is stable showing slight increases during this period.



Source: INEGI

Same-Store Sales

In February, the National Retailers Association of Mexico (ANTAD) Same-Stores Sales (SSS) indicator, ex Walmart de Mexico, grew 3.3% year-over-year, representing a fall in real terms of (-) 0.6%. For this month, accumulated annual sales totaled 190.8 billion pesos. Even though there has been continuous monthly growth since June 2018, the figures should be interpreted with moderation, as its pace begins to slow down.



Source: ANTAD & Walmart

Eugenia Pichardo & Arnulfo Rodriguez
Equity Portfolio Manager & Macro and Debt Strategist

Investor Relations: igarcia@paminversion.com
 (55) 5261 4600



WEEKLY ECONOMIC REPORT

March 15, 2019

Pichardo Asset Management, SA de CV
An Independent Investment Advisory Firm

www.paminversion.com.mx
Andres Bello 45, 22nd Floor,
Polanco, 11550 CDMX, México
Phone: + 52 (55) 52 61 46 00 /04/21/16

epichardo@paminversion.com
Equity Portfolio Manager

arodriguez@paminversion.com
Macro & Debt Strategist

destevez@paminversion.com
Co-Portfolio Manager
Financials Analyst

jelizalde@paminversion.com
Co-Portfolio Manager
Industrials Analyst

igarcia@paminversion.com
Consumption Analyst

mcastaneda@paminversion.com
Materials & Telecom Analyst

lcalzada@paminversion.com
Compliance

Definitions

MEXBOL INDEX: The S&P/BMV IPC seeks to measure the performance of the largest and most liquid stocks listed on the Bolsa Mexicana de Valores. The index is designed to provide a broad, representative, yet easily replicable index covering the Mexican equities market.

Dow Jones: price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. It is not possible to invest in an index.

S&P 500: basket of 500 of the largest U.S. stocks, weighted by market capitalization. The index is widely considered to be the best indicator of how large U.S. stocks are performing on a day-to-day basis. It is not possible to invest in an index.

Nasdaq: stock market index of the common stocks and similar securities (e.g. ADRs, tracking stocks, limited partnership interests) listed on the NASDAQ stock market. It is not possible to invest in an index.

Non-Farm Payroll: measures the change in the number of people employed during the previous month, excluding the farming industry.

DAX: stock index that represents 30 of the largest and most liquid German companies that trade on the Frankfurt Exchange. It is not possible to invest in an index.

FTSE 100: benchmark stock market index for the Borsa Italiana, the Italian national stock exchange, which superseded the MIB-30 in September 2004. The index consists of the 40 most-traded stock classes on the exchange. It is not possible to invest in an index.

CAC 40: stands for Cotation Assistée en Continu, which translates to continuous assisted trading, and is used as a benchmark index for funds investing in the French stock market. It is not possible to invest in an index.

Federal Reserve: is the central bank system of the United States that includes the Board of Governors in Washington, D.C., and 12 independent regional Reserve banks.

Banco de México: Mexico Central Bank, lender authority and lender of last resort.

Standard & Poor's Financial Services LLC is an American financial services company. It is a division of S&P Global that publishes financial research and analysis on stocks, bonds and commodities.

Trade Surplus: A trade surplus is an economic measure of a positive balance of trade, where a country's exports exceed its imports.

Basis Points (bps): unit of measure to describe percentage change or difference between two values. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form.

Spread: Difference between two interest rates.

Industrial Production: measure of output of the industrial sector of the economy. The industrial sector includes manufacturing, mining, and utilities. Although these sectors contribute only a small portion of gross domestic product (GDP), they are highly sensitive to interest rates and consumer demand.

IBEX The IBEX 35 is the benchmark stock market index of the Bolsa de Madrid, Spain's principal stock exchange. It is not possible to invest in an index.

For the MXE's full securities list, please visit: http://www.mxefund.com/portfolio_holdings.html. Fund holdings and/or sector allocations are subject to change at any time and are not recommendations to buy or sell any security.

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.

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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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