

Positive Stock market performance in October

Even though October began with the fear of market crashes, the major indices traded positively. In addition to the quarterly earnings season, relevant events took place:

- i. Phase I of the partial trade agreement between China and the United States.** The two largest economies in the world reached a partial trading agreement; although neither China nor the USA has signed it, the two countries have already made decisions under the announced deal.
- ii. Brexit extension.** The European Council approved the UK exit deal from the European Union, the ratification of the British parliament is still pending.
- iii. Federal Reserve rate cut.** For the third time in the year, the central bank reduced its primary reference rate by 25 basis points.
- iv. U.S. Gross Domestic Product.** The GDP in the United States grew at an annual rate of 1.9% despite the weak data published at the beginning of the month.

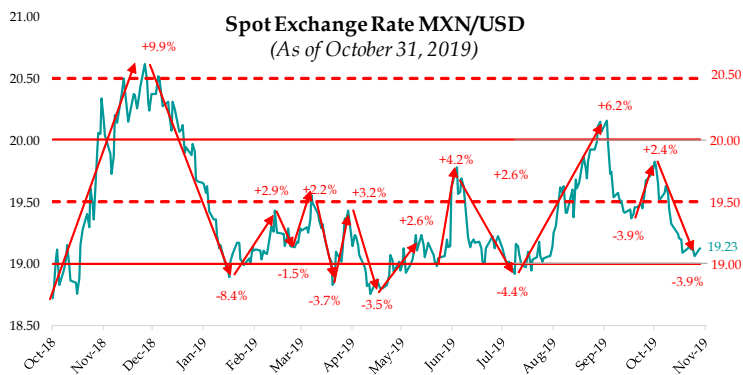
Mexican Stock Exchange

Positive quarterly financial reports, coupled with good economic data in the United States, allowed Mexbol to have a weekly gain of 0.77%, which leaves the year-to date (YTD) return at 10.7%. Besides, the decrease in systematic risk increased the appetite for more riskier assets.

Exchange Rate

The peso-dollar spot exchange rate closed the week at MX\$19.11, a weekly depreciation of 0.25%, and a YTD appreciation of 2.84%. The strength of the peso is driven by:

- i.** Strong Mexican external accounts that present a trade balance surplus after nine months, remittances at record highs, and the attractive rate gap between Mexico and the U.S.
- ii.** The Federal Government has generated strong expectations about the prompt ratification of the United States-Mexico-Canada Agreement. (USMCA).



Economic Indicators

Trade Balance

The trade balance registered a deficit of US\$116 million in September; however, the accumulated balance in the year continues to show a surplus of US \$2.68 billion compared to the US\$ -10.22 billion deficit accumulated in September 2018. By components, exports grew 3.3% YoY, supported by an increase in manufacturing exports that represent 83.76% of the total while imports fell -0.5% YoY due to a -9.0% decrease in capital goods imports. The above reflects the stagnation of the economy and specifically the notable drop in gross fixed investment.

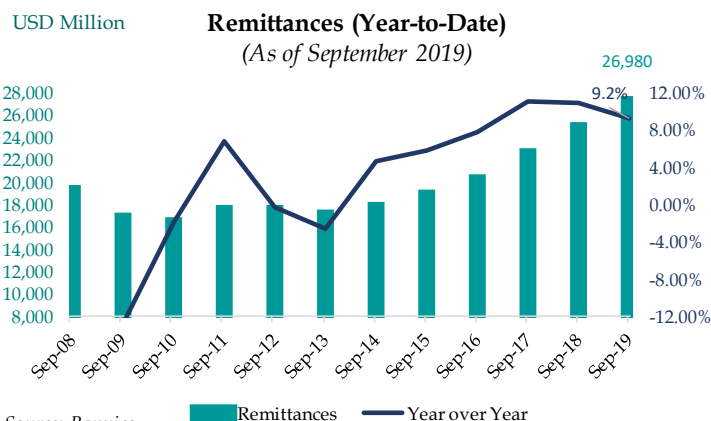
Mexico's Trade Balance

	2018			2019 YTD			2019 YTD		
	% of Total	Annual Change		% of Total	Annual Change	% of Total	Annual Change		
Exports									
Total Exports	450,685	100.0%	10.1%	344,226	100.0%	3.3%	37,222	100%	-1.3%
Oil	30,601	6.8%	28.98%	20,022	5.8%	-14.6%	1,957	5.3%	-29.3%
Crude Oil	26,512	5.9%	32.25%	17,493	5.1%	-14.0%	1,704	4.6%	-31.0%
Others	4,089	0.9%	11.18%	2,529	0.7%	-18.8%	253	0.7%	-15.4%
Non-Oil	420,083	93.2%	8.91%	324,204	94.2%	4.7%	35,265	94.7%	1.0%
Agricultural	16,508	3.7%	3.17%	13,484	3.9%	9.7%	1,011	2.7%	12.1%
Mining	6,232	1.4%	14.83%	4,558	1.3%	-5.9%	469	1.3%	-10.1%
Manufacturing	397,344	88.2%	9.08%	306,163	88.9%	4.6%	33,785	90.8%	0.8%
Automotive Industry	142,178	31.5%	12.24%	111,360	32.4%	6.2%	12,534	33.7%	-2.8%
Others	255,165	56.6%	7.39%	194,802	56.6%	3.8%	21,251	57.1%	3.1%
Imports									
Total Imports	464,302	100.0%	10.4%	341,539	100%	-0.5%	37,338	100%	-1.7%
Oil	53,762	11.6%	28.4%	35,902	10.5%	-9.4%	3,515	9.4%	-17.8%
Non-Oil	410,541	88.4%	7.9%	305,637	89.5%	0.6%	33,823	90.6%	0.3%
Consumption Goods	43,616	9.4%	3.1%	31,759	9.3%	-0.4%	3,814	10.2%	4.2%
Intermediate Goods	321,037	69.1%	8.8%	243,035	71.2%	2.1%	26,703	71.5%	1.7%
Capital Goods	45,887	9.9%	11.9%	30,843	9.0%	-9.0%	3,306	8.9%	-13.5%
Trade Balance									
2018	-13,618		-17.1%	2,687		0.0%	-116		41.9%

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

Remittances

Remittances amounted to US\$3.08 billion in September, representing US \$ 26.98 billion YTD, 9.21% higher than the accumulated to September 2018. Robust employment data and GDP growth in the United States allow estimating that remittances in 2019 will reach the highest figure in history since Banxico began to calculate them in 1997.



Source: Banxico

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



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

icalzada@paminversion.com

Compliance & Portfolio Administration

igarcia@paminversion.com

Associate
Consumption Analyst & IR

Definitions

Mexbol: The S&P/BMV IPC 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.

Basis points: Refers to a common unit of measure for interest rates and other percentages in finance.

Mexican Stock Exchange: The Mexican Stock Exchange headquartered in Mexico City, is the full service securities exchange of the country, dealing in cash equities, derivatives and fixed income products.

Year to date (YTD): Refers to the period beginning the first day of the current calendar year or fiscal year up to the current date.

Year over Year (YoY): Calculation that compares a statistic for one period to the same period the previous year.

Brexit: Brexit is an abbreviation for "British exit," referring to the U.K.'s decision in a June 23, 2016 referendum to leave the European Union (EU).

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.

Federal Reserve (FED): Is the central bank of the United States and arguably the most powerful financial institution in the world.

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.

European Council: Entity that defines the EU's overall political direction and priorities. It is not one of the EU's legislating institutions, so does not negotiate or adopt EU laws.

European Union (EU): Is a political and economic union of 28 member states that are located primarily in Europe.

3Q19: Refers to the period beginning the first day of July of the current fiscal year, up to the end of September of the current fiscal year.

The United States–Mexico–Canada Agreement (USMCA): Is a mutually beneficial win for North American workers, farmers, ranchers, and businesses. When finalized and implemented, the agreement will create more balanced, reciprocal trade that supports high-paying jobs for Americans and grows the North American economy.

Remittances: Are money transfers made by people to another party, most commonly made by a person in one country to someone in another.

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.

The information contained herein reflects the opinion of "Pichardo Asset Management" and as such should not be taken to be fundamental analysis or a decision-making model. Neither should the information be interpreted as a solicitation, offer or recommendation to buy or sell financial securities. It is also subject to changes without prior notification and estimates cannot be guaranteed, past performance does not guarantee future performance. The registry maintained by PAM as an Independent Advisor to the securities supervisory authorities, both in Mexico and the United States, do not imply their recognition and / or approval of the information contained in this document.