

Markets on Hold due to the US-China trade Agreement

Uncertainty in equity markets prevails as the date (November 29) agreed to conclude the "phase one" of the US-China partial trade agreement is almost due. Meanwhile, the Mexican market continues to lag due to the country's economic and institutional framework weakness.

Mexican Stock Exchange

Mexbol closed the week at 43,522, a -0.80% decline that leaves the year-to-date (YTD) return at 8.62%. Mexican equities struggled due to global uncertainty on trade negotiations, and the lack of economic growth mainly due to:

- i. Low levels of investment.** Gross fixed investment accumulates seven months in a row with negative year-over-year (YoY) growth.
- ii. Consumption slowdown.** The average annual growth rate of Walmart and ANTAD's Same-Store-Sales (SSS) are considerably lower than last year.
- iii. Industrial sector recession.** The sector accumulates 12 months with negative growth rates.
- iv. Decomposition of the institutional framework.** 2019 is expected to be the most violent year in Mexico since registration.

These factors explain the lack of drivers that could allow Mexbol to exceed the 43,800 level.

Spot Exchange Rate

The peso-dollar spot exchange rate closed the week at MX\$19.39 per dollar, a significant weekly depreciation of 0.93% in part, motivated by the statements of Nancy Pelosi, President of the House of Representatives of the United States, who acknowledged that the vote on the ratification of the United States, Mexico, and Canada Agreement (USMCA) could take place until next year, contradicting what she had previously announced.

Interest Rates in Mexico and the United States

For the second straight week, the 10-year US Treasury Bond rate had a fall of up to 1.77% (-6 bps) while the 10-year M-bond rate had an upward movement and closed at 7.05% (+11 bps).

Economic Indicators

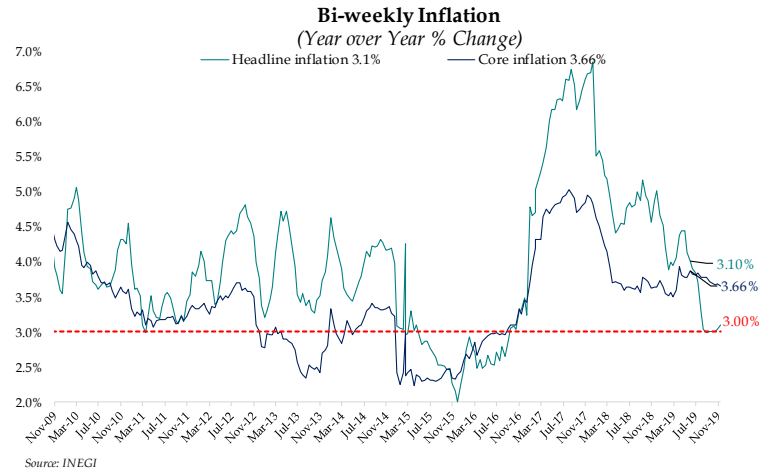
Government Expenditure Budget

The Chamber of Deputies approved the 2020 Government Expenditure Budget, after a six-day delay. The budget diverges with President López Obrador's plan in the following aspects:

- i.** The president's project (PPEF) proposed to spend US\$313.13 billion, while the one approved by the deputies authorized an expense of US\$313.18, 0.2% higher than initially budgeted.
- ii.** The deputies reallocated US\$584 compared to the PPEF. The autonomous organizations were the most affected by these adjustments since the deputies reduced their spending budget by -3.39%. The biggest losers were the Judicial Power of the Federation and the National Electoral Institute (INE) that will receive US\$66.6 and US\$54.8 million less than what the president initially proposed, that is -1.9% and -6.0% respectively.
- iii.** Government agencies had a 1.4% increase in their 2020 budget, which now amounts to US\$58.8 billion. The most significant budget increase was for the Ministry of Finance, which will receive an additional US\$128.1 million, followed by the Ministry of Education, which will now receive an extra US\$80.5 billion.
- iv.** Pemex, the Federal Electricity Commission and the Mexican Social Security Institute (IMSS), had no changes compared to what the president proposed.

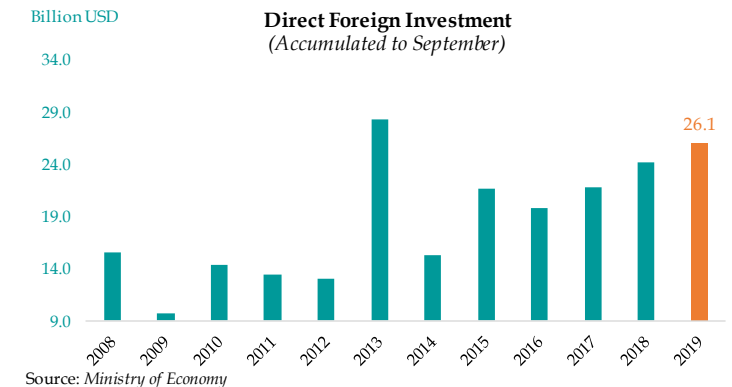
Biweekly Inflation

General annual inflation for the first half of November increased from 3.03% in October to 3.10% in November. The annual core inflation fell again, this time from 3.69% to 3.66%, while the non-core annual inflation rose from 1.04% to 1.45%. Electricity, tomatoes, and eggs increased by 23.33%, 13.34%, and 4.70%, respectively.



Foreign Direct Investment

Foreign Direct Investment (FDI) to Mexico totaled US\$26.1 billion in the third quarter of 2019, 7.8% higher than the same period of 2018. The reinvestment of profits represented 55.22% of the total FDI (US\$14.4 billion), while the new investments accounted for 36.09%, and accounts between companies amounted to 8.6% of total FDI.



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



WEEKLY ECONOMIC REPORT

NOVEMBER 22, 2019.

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

igarcia@paminversion.com

Associate
Consumption Analyst & IR

Definitions

The Mexican Institute of Social Security (IMSS): Is a governmental organization that assists public health, pensions and social security in Mexico operating under the Secretariat of Health.

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

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.

United States-Mexico-Canada Agreement (USMCA): Is a signed but not ratified free trade agreement between Canada, Mexico, and the United States.

Same Store Sales (SSS): Are also referred to as comparable-store sales, SSS or identical-store sales. Same-store sales figures are expressed as a percentage that indicates the relative amount of revenue increase or decrease.

Walmart: Retail company. As of October 31, 2019 the security represents 8.81% of Portfolio Net Assets. For a list of full securities please visit: http://www.mxefund.com/portfolio_holdings.html

Petróleos Mexicanos: (PEMEX): Is the Mexican state-owned petroleum company, created in 1938 by nationalization or expropriation of all private, foreign, and domestic oil companies at that time. As of October 31, 2019 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.

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

The National Institute of Statistics and Geography (INEGI): Is an autonomous agency of the Mexican Government dedicated to coordinate the National System of Statistical and Geographical Information of the country.

National Electoral Institute (INE): Is the autonomous public body, responsible for strengthening a transparent and equitable democracy that promotes citizen participation and consequently contributes to the democratic development of Mexico.

Foreign Direct Investment (FDI): Is an investment made by a company or individual in one country in business interests in another country, in the form of either establishing business operations or acquiring business assets in the other country, such as ownership or controlling interest in a foreign company.

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.

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.

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.