

**Historically, October is a month of high volatility**

Since the great crash of the New York Stock Exchange on October 1929, which led to the Great Economic Depression, October is a month in which, as an empirical regularity, there are sharp falls in the US stock markets. In that sense, the black Monday of October 19th, 1987, and more recently, October 2018 stand out.

Stock markets in October 2019 also suggest high volatility; this time, affected by:

- i. The likelihood of a more significant global economic slowdown that could lead to a recession in 2020.
- ii. Recent economic data released shows that the United States' economy is not isolated from the deceleration context.
- iii. Brexit deadline on October 31 without a prior agreement.
- iv. The possibility of weak third-quarter earnings results.

However, there is the possibility that several events could reduce the correction of the stock markets, or even allow a positive monthly return, such as:

- i. Positive progress on the trade negotiations between the United States and China, which begin on October 10<sup>th</sup>.
- ii. Another Federal Reserve rate cut on October 30<sup>th</sup> after weak economic data.
- iii. Surprisingly positive third quarter reports of companies with a high weight in the indices.

**Mexican Stock Exchange**

In contrast with the United States' stock markets, Mexbol had a weekly gain of 2.23%, leaving year-to-date (YTD) return at 7.23%. Mexbol's resilience is explained by:

- i. The hope that recent economic data of the United States will motivate a new cut in the Fed's reference rate on October 30<sup>th</sup>.
- ii. The statements of Carlos Salazar Lomelín, president of the Business Coordinating Council (CCE), regarding two announcements intended to reactivate the economy. The first on the national infrastructure plan that will include 1,600 projects funded by public-private partnerships, and the second related to the energy sector, although he did not give further information.

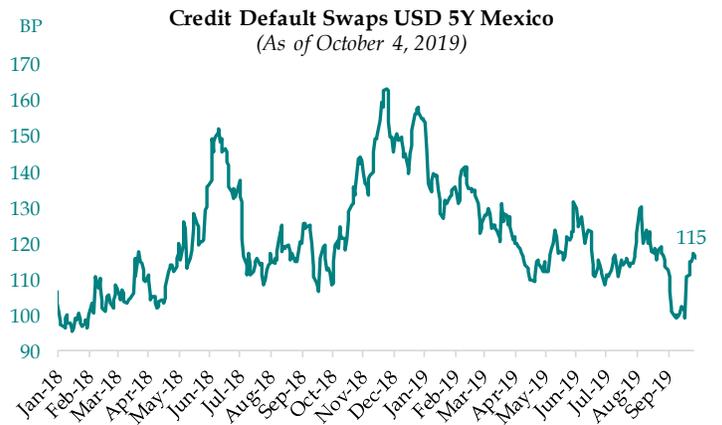
**Spot Exchange Rate**

The spot exchange rate closed at MX \$ 19.55 per dollar, representing a 1.06% weekly appreciation and leaving the YTD appreciation at 0.51%. The country's external accounts, coupled with remittances, which reached an all-time high again in August for the eighth consecutive month, and Mexico, who continues to be the United States' first trading partner, strengthen the peso stability.

**Bonds in Mexico and the United States**

The 10-year Treasury Bond rate closed at 1.52% (-16 bps) due to a recomposition of investment portfolios in favor of treasury bonds. The weak economic data of the United States drove investors to switch their assets invested in different stock indices to refugee assets such as treasuries.

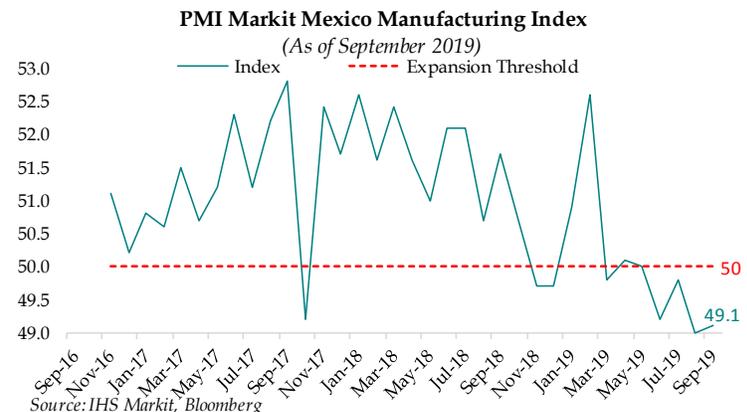
The 10-year M Bond rate was 6.76%; a weekly decrease of 14 bps explained by the attractive differential of interest rates offered by sovereign bonds in the local currency, the commitment of a primary fiscal surplus in 2020 of 0.7% of the Gross Domestic Product (GDP), and the positive impact on Pemex's income due to the shock in the oil market. International markets have rewarded both circumstances with a decrease in the interest rate differential and a reduction in the five-year Credit Default Swaps.



**Economic Indicators**

**Mexico's Purchasing Managers Index (PMI)**

The manufacturing PMI in September was 49.1, within the contraction zone. The data revealed the continued weakness of the Mexican manufacturing sector, whose operating conditions deteriorated for the fourth consecutive month. While order flows mostly stabilized, companies reduced their production to the greatest extent in the history of the survey. On the other hand, employment figures declined, while input purchases fell at the fastest pace since data collection began in April 2011.



**United States' International Trade**

Mexico was once again the leading trading partner of the United States in August for the eighth consecutive month. Trade between these two countries totaled US\$415.3 billion, leaving the YTD until August surplus in US\$ 66.90 billion.

**Remittances**

Remittances in August amounted to US\$3.37 billion, the highest amount since 1995. YTD remittances amount US\$23.89 billion; 8.7% YoY. Although remittances are likely to reach a historical value of US\$35 billion this year, the slowdown of the economy in the United States could have consequences on the number of remittances for next year.

**Eugenia Pichardo & Arnulfo Rodriguez,**  
**Equity Portfolio Manager & Macro and Debt Strategist**  
Investor Relations : [igarcia@paminversion.com](mailto: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](mailto:epichardo@paminversion.com)  
CEO & Senior Equity Portfolio Manager

[arodriguez@paminversion.com](mailto:arodriguez@paminversion.com)  
Associate  
Macro Strategist

[destevez@paminversion.com](mailto:destevez@paminversion.com)  
Managing Director  
Co-Portfolio Manager

[jelizalde@paminversion.com](mailto:jelizalde@paminversion.com)  
Associate  
Co-Portfolio Manager

[icalzada@paminversion.com](mailto:icalzada@paminversion.com)  
Compliance & Portfolio Administration

[igarcia@paminversion.com](mailto: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.

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

**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.

**Treasury bond (T-Bond):** Are government debt instruments issued by the United States Department of the Treasury to finance government spending as an alternative to taxation.

**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):** Compare the results at one period with those of a comparable period on an annualized basis.

**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. Cash delivery for spot currency transactions is usually the standard settlement date of two business days after the transaction date (T+2).

**Purchasing Manager Index (PMI):** Is an index of the prevailing direction of economic trends in the manufacturing and service sectors. The purpose of the PMI is to provide information about current and future business conditions to company decision makers, analysts, and investors.

**Remittances:** Refers to money that is sent or transferred to another party.

**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).

**Consejo Coordinador Empresarial (CCE):** It is an autonomous body that represents the business sector and regulates actions of organizations of various business sectors in Mexico, in order to boost the economic growth of the country and the level of competitiveness of Mexican companies.

**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.

**Petróleos Mexicanos (Pemex):** A state-owned oil company in Mexico, created in 1938 by nationalization or expropriation of all private, foreign, and domestic oil companies at that time. The Fund maintains 0.0% investment in the security, at the close of September 30, 2019. For a list of full securities please visit: [www.mxefund.com](http://www.mxefund.com).

**Credit Default Swaps (CDS):** Is a financial derivative or contract that allows an investor to "swap" or offset his or her credit risk with that of another investor.

#### 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](http://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.