

WEEKLY ECONOMIC REPORT

APRIL 17, 2020.

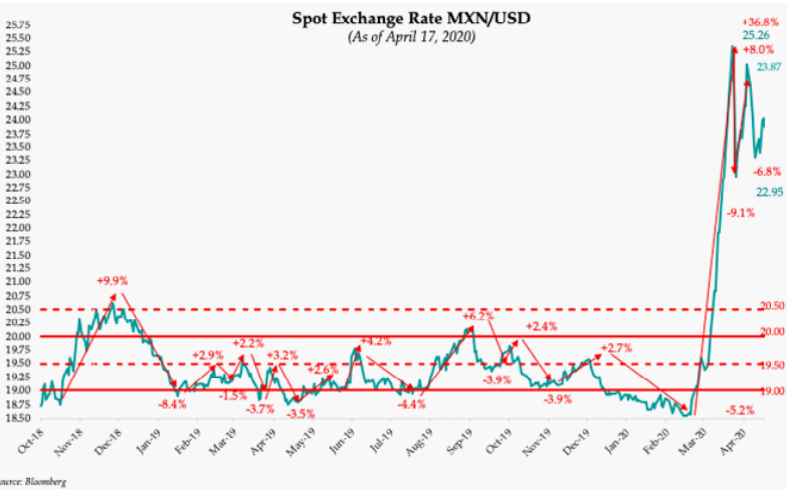
US Markets Soar. Mexico and Pemex Downgraded.

The rating actions regarding the Mexican sovereign debt and Pemex were the most important events during the week.

1. On April 15th, Fitch Ratings downgraded the rating of Mexican sovereign debt to BBB-, only one level above investment grade. Fitch highlighted that public finances could be pressured due to the recession in the United States and Mexico and the drop in oil prices. Despite the downgrade, the perspective is neutral, which implies that the rating agency does not expect material changes in the near future.
2. On April 17th, and as a consequence of the insufficiency of the OPEC agreement to raise oil prices, Fitch Ratings reduced Pemex's foreign debt rating to BB-, the last level of speculative-grade.
3. On April 17th, Moody's downgraded Mexico's sovereign debt rating to Baa1 with a negative perspective. With this cut, Mexico lost the upper level of investment in the scale of that rating agency, although it remains in the investment-grade range.
4. The same day, Moody's downgraded Pemex's rating by two notches to Ba2. The above means that Pemex lost the investment grade, and the agency now considers it a speculative investment, so institutional investment funds will not be able to acquire debt issued by the oil state-company.

Exchange Rate

The spot exchange rate closed at MX\$23.68 per dollar, a 1.58% weekly depreciation of the peso; the year-to-date depreciation at the close of April 17th amounts to 25.09%.



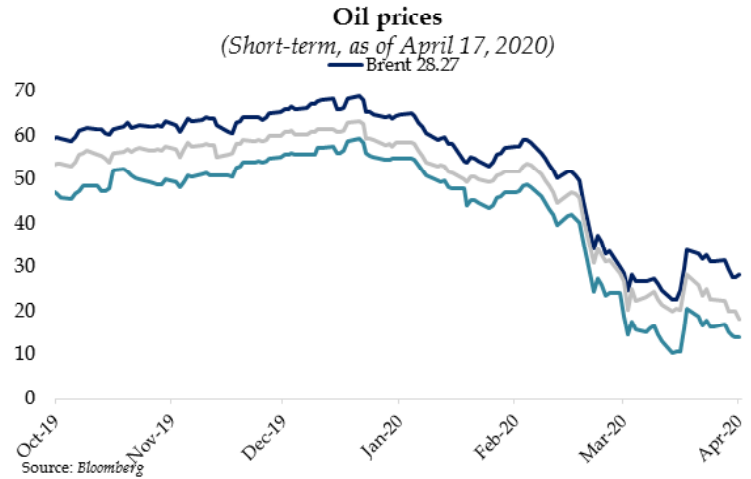
Mexbol

Mexbol closed April 17th operations at 34,743, practically unchanged compared to the previous week; YTD losses amount -36.79% in USD mainly due to:

1. The absence of an economic stimulus package by the federal government to support companies and protect employment. The Emerging Welfare and Employment Program announced on April 5th is modest in size (1.2% of GDP) and does not support productive sectors.
2. The downgrades in the rating of the Mexican sovereign debt and Pemex by Moody's and Fitch Ratings.

Oil Markets

Due to the COVID-19 contingency, demand for oil displayed the most profound and abrupt decline in history. Additionally, the decision of Saudi Arabia and Russia to start an oil war in early March amplified the oil shock and the global recession estimates. In March, both oil demand and the price of oil fell more than 50%.



According to The Economist, a more profound adjustment is expected after 2020, and volatility will diminish investors interest in new projects. Oil companies have erased capital investment spending by approximately 25% this year. The frenetic growth of the shale gas industry will end. Large exporters, including Saudi Arabia, will have to cut government spending and diversify.

For years, the oil industry has faced the possibility that demand could fall due to governments' quest to control climate change. The above could cause chaos for oil producers as capital investment declines, and companies continue seeking to maintain their market share. A sharp rise in demand could still be several years away. However, oil producers may see the COVID-19 contingency as the message it has given us: No aberration, but the sign of the future.

The recent drop in oil prices reflects the insufficiency of the agreement reached by the OPEC, the United States, Russia, and other countries to balance supply and demand in the market. According to The Economist: "...global demand may drop by 29 million barrels a day this April, three times the cut promised by the OPEC negotiation". Private companies outside the alliance could reduce their production as well, but it is uncertain for how long. And, nobody knows when demand will increase. Oil accumulation is on the rise and storage capacity could be exceeded in weeks. Source "The oil industry", The Economist.

Chinese Gross Domestic Product

China's Gross Domestic Product in the first quarter of 2020 contracted at an annual rate of -6.8%. By components, primary activities fell -3.2%, secondary activities -9.6% and tertiary activities -5.2%. Despite the fact that it is the first contraction in GDP since the NBSC began to make the figures public in 1992, the data seems to be in line with the comments of The Economist that questions if China will emerge as the winner of this health crisis.

Manufacturing Sector Indicators

Total employed personnel in February registered a -2.1% annual fall, and worked hours decreased by -2.4%, while real average wages increased 2.0%. This is the latest data available before the halt of the economy to prevent COVID-19 infections.

Formal Employment

131 thousand formal jobs were lost in March, implying that the creation of jobs in the first quarter of 2020 amounts to 61.5 thousand, considerably lower than the quarterly average of the last five years (316.26 thousand jobs). Noteworthy, some of the sectors of the economy that generate the most jobs officially closed their operations until March 31st, so the contraction of employment in April could be considerably higher.

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Definitions

Baa1: Satisfactory credit quality. There are long-term tensions.

Ba2: Questionable credit quality. Future is uncertain but with current capacity.

BBB-: Rating that states that obligations are subject to moderate credit risk. They are considered medium grade and as such may possess certain speculative characteristics.

BB-: Questionable credit quality. Future is uncertain but with current capacity.

COVID-19: The disease caused by the coronavirus, a family of viruses that were discovered in the 60s but whose origin is still unknown. Its different types cause different diseases, from a cold to a severe respiratory syndrome.

Fitch Ratings: A leading provider of credit ratings, commentary and research. Offers global perspectives shaped by strong local market experience and credit market expertise.

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.

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.

Moody's Credit Ratings: System of rating securities originated by John Moody in 1909 to provide investors with a simple system of gradation by which future relative creditworthiness of securities may be gauged.

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 March 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.

Program for Welfare and Employment (PEBE): Program created by Andrés Manuel López Obrador, Mexico's president, in order to support 22 million people, grant credits and create jobs derived from the coronavirus situation.

The Economist: Is an international weekly newspaper printed in magazine format and published digitally, that focuses on current affairs, international business, politics, and technology.

The National Bureau of Statistics of China (NBSC): Is an deputy-cabinet level agency directly under the State Council of the People's Republic of China. It is responsible for collection, investigation, research and publication of statistics concerning the nation's economy, population and other aspects of the society.

The Organization of the Petroleum Exporting Countries (OPEC): A group consisting of 14 of the world's major oil-exporting nations, founded in 1960 to coordinate the petroleum policies of its members and to provide member states with technical and economic aid.

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.

Disclosures

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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.

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