

**Mexican Stock Market jumps following USMCA ratification**

MEXBOL Index rose 2.94% in the week and closed at 45,817 following the ratification of the United States-Mexico and Canada Trade Agreement (USMCA) in the U.S. Senate. Year-to-Date, the Index has gained 6.11% and exceeds U.S. equity market returns. The Canadian parliament is still pending to ratify USMCA, and once it does, the treaty will start operating three months later. Besides, the signing of the Phase One Economic and Trade Agreement between the United States and China had a positive impact on global equity markets.

**Spot Exchange Rate**

The spot exchange rate closed at MX\$18.65 per USD, representing a weekly appreciation of 0.87%, and accumulating an appreciation of 1.35% in the last two weeks and 1.48% during the year driven by the market's anticipation of the ratification of the USMCA in the US Senate.

**Interest Rates in Mexico**

During the last two weeks, the Ministry of Finance (SHCP) allocated bonds worth US\$ 2.5 billion and €1.75 billion in international markets:

- i. US \$1.5 billion in a 10-year sovereign bond with a 3.31% yield (147 bps spread vs. the 10-year T-Bill) and a coupon of 3.25% (historical minimum).
- ii. US \$800 million through the reopening of a bond that expires in 2050 with a yield of 4.04% (170bp spread), and a coupon of 4.5%.
- iii. €1.25 billion in a new reference bond that expires in 2030 with a 1.24% yield and a coupon of 1.12% (historical minimum).
- iv. €500 million through the reopening of the 2039 maturity bond, initially issued in 2019 with a 2.00% yield (vs. 2.96% at the opening) and a 2.87% coupon.

Total demand for the dollar bonds was 6.4 times higher than the offer, while the euro bonds were 3.8 times higher. Besides, the SHCP carried out liability management operations with the following characteristics:

- i. Exchange of USD bonds with maturities between 2022 and 2028 for the new 10-year USD bond or cash.
- ii. The early repurchase of the Euro bond with a coupon rate of 2.37% and original maturity in April 2021.

In the local government debt market, the SHCP placed 1.5 billion UDIS (MX\$9.64 billion) through a syndicated auction to include the first reference of Udibonos at a fixed real interest rate at three years. The new reference bond, due in November 2023, will pay a coupon of 3.50% in UDIS and will have a 3.33% ytm in UDIS. Demand was 2.5 times higher than the supply.

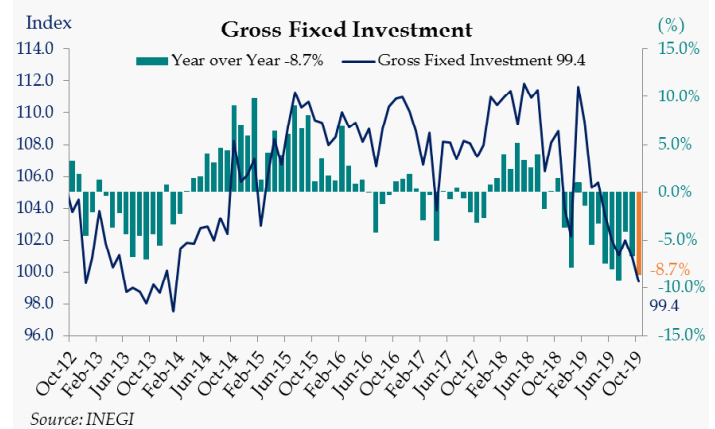
**Economic Indicators**

**Same Store Sales ANTAD**

The National Association of Self-Service and Department Stores' (ANTAD) Same Store Sales (SSS) had an annual increase of 3.6% in December, considerably above market expectations. By format, department stores increased by 6.2% YoY, followed by supermarkets, which grew 2.4% and finally convenience stores with a growth of 1.8%. Noteworthy, although the SSS of supermarkets registered a slowdown, the increase of 2.4% this month was in line with Walmart's data (2.6%).

**Gross Fixed Investment**

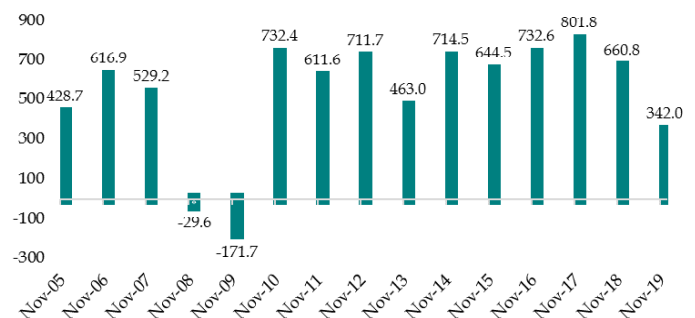
Gross fixed investment decreased -8.67% YoY in October, accumulating nine consecutive months with annual falls. Investment in machinery, declined -9.5%, while investment in construction collapsed -8.0%. The indicator at 99.4 points shows that investment levels in 2019 are already lower than those in 2013.



**Formal Employment**

In 2019, the private and public sector created 342 thousand new jobs, -48.24% lower than the positions created in 2018 (660 thousand) and considerably below the average observed from 2010 to 2018 (674 thousand places per year). Noteworthy, The Mexican Social Security Institute (IMSS) does not consider the members registered in the "Jóvenes Construyendo Futuro" program (900 thousand members) who aim to integrate young people who do not study or work in job training activities.

**Formal Job Creation (As of December 2019)**



**National Private Consumption**

The Monthly Indicator of Private Consumption in the Internal Market (IMCPMI) increased by 1.5% YoY, motivated by the 8.2% increase in the consumption of imported goods. In contrast, the use of national products had a minimum hike of 0.7%. Noteworthy the average growth until October 2019 is 0.96%, a figure that is considerably lower than the same data for 2018 (2.40%) and 2017 (3.59%).

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**Definitions**

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

**Gross Fixed Investment (IFB):** Describes the net capital accumulation during an accounting period for a country. The term refers to additions of capital stock, such as equipment, tools, transportation assets and electricity.

**Investment Units (UDIS):** Are units of value that are based on the increase in prices (inflation) and are used to solve the obligations of mortgage loans or any commercial act. **Jóvenes Construyendo el Futuro:** It is the program in which companies, public institutions and social organizations participate so that young people develop skills, take advantage of their talent and start their work experience. The Government of Mexico grants them a monthly scholarship.

**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.

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

**Same Store Sales (SSS):** Are also referred to as comparable-store sales or identical-store sales, measures the sales of a company's existing stores that have operated for more than one year, excluding sales of new stores.

**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.

**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.

**The Ministry of Finance and Public Credit (SHCP):** Is the government entity responsible for proposing and controlling the economic policy of the Mexican Federal Government regarding the financial, fiscal, expenditure, income and public debt sector.

**The Monthly Indicator of Private Consumption in the Internal Market (IMCPMI):** Measures the evolution of expenditure made by households in consumer goods and services, both of national and imported origin, thereby allowing monthly monitoring of the most significant component of the product, on the demand side.

**The National Institute of Statistics and Geography (INEGI):** Is a public body with technical and managerial autonomy, its own legal personality and assets, responsible for regulating and coordinating the National System of Statistical and Geographic Information.

**Treasury Bill (T-Bill):** It is a government debt instrument issued by the United States Department of the Treasury to finance government spending as an alternative to taxation.

**Udibono:** Long-term Mexican Federal Government bonds denominated in investment units. The conversion into national currency is made at the price of the UDI, effective on the day the corresponding settlement is made.

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

**Walmart:** Retail company. As of December 31, 2019 the security represents 8.88% of Portfolio Net Assets. For a list of full securities please visit: [http://www.mxefund.com/portfolio\\_holdings.html](http://www.mxefund.com/portfolio_holdings.html).

**Year over Year (YoY):** Indicates the change from the comparable amount reported in the same period one year earlier.

**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.

**Yield to maturity (YTM):** Is the total return anticipated on a bond if the bond is held until it matures. Yield to maturity is considered a long-term bond yield but it is expressed as an annual rate.

**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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