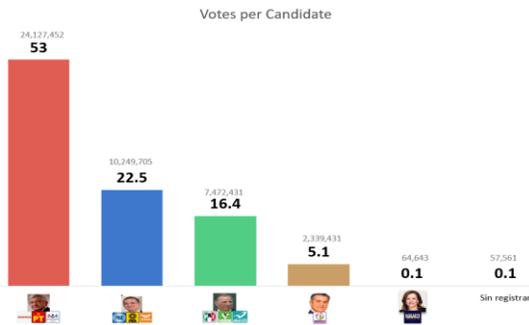


**WEEKLY ECONOMIC REPORT**  
**Week Ended June 29, 2018**

**AMLO wins the presidential election with statements that seek to calm markets**

According to the National Electoral Institute (INE)'s Preliminary Electoral Results Program (PREP) and following acceptance of his victory from his rivals, on December 1st, Andrés Manuel López Obrador (AMLO) will become Mexico's next president. The Together We'll Make History coalition also seems set to win a relative majority in the Senate and Congress pending the final count. This means that they will apparently not have the majority (2/3 of Congress) required to make changes to the Constitution. Initial statements from AMLO regarding the economy sought to calm local and foreign investors; he mentioned respect for Banco de México autonomy and private investment and no expropriations. However, markets remain cautious ahead of confirmation of his government program, which implies reviewing energy reform contracts, repealing education reform, reviewing the New Mexico City International Airport Project and implementing social-impact proposals (i.e. doubling old age pensions) following the government changeover. As the new administration is not due to take office until December 1st, in the coming weeks, markets will likely remain cautious and attentive to any signals from the new government team.



The interbank spot exchange rate closed June 29th at \$19.91 to the dollar, its strongest level since the end of May. The peso appreciated 0.52% for the week but has depreciated 1.25% year to date. Factors that underpinned the currency were:

1. Statements from Banco de México deputy governor, Javier Guzmán, regarding not ruling out further rate hikes due to inflationary pressures. Factors that could impact the consumer price index include possible increases in gasoline and gas prices, the impact of duties on U.S. imports—in the context of retaliation for duties placed on Mexican steel and aluminum exports—and exchange rate volatility.

2. A weaker dollar; the DXY Index, which compares the dollar with other hard currencies (euro, yen, pound sterling, etc.) recorded no major variations during the week.
3. Banco de México governing board's decision to raise the reference rate to 7.75% in the June 21st monetary policy meeting. (See Exhibit 1).

The IPyC closed the week at 47,663 points. The Index gained 2.07% for the week, but has lost -2.30% year to date. Two reasons for its recent rise are price opportunities and good fundamental variables (economic growth, unemployment, consumption, and gross fixed investment, etc.). Constituents that contributed the most to the IPyC's gain were: LIVEPOLC (+7.83%), GMEXICO (+7.77%), KIMBERA (+7.15%), GENTERA (+6.51%) and ELEKTRA (+6.21%). It is important to mention that the market staged a correction ahead of the victory of the Together We'll Make History coalition.

In marked contrast with the MSE, U.S. markets reacted negatively to heightened trade tensions between the U.S. and China. Furthermore, new restrictions on Chinese investments in U.S. technological companies and a possible step-up in the FED's tightening pace took their toll on U.S. equity markets with the Dow Jones, S&P 500 and NASDAQ ALL recording strong losses of 1.26%, 0.31% and 2.36%, respectively, for the week and year-to-date variations of -0.73%, +2.65% and +9.38%, respectively.

The U.S. Bureau of Economic Analysis reported that the YoY variation in the core personal consumption expenditure indicator (PCE) was 2% in May, the highest in 6 years. Trump administration trade protectionist policies consisting of placing duties on the imports of main trading partners, is one explanation for the increase in this indicator. The PCE—one of the most important variables for the FED's Open Market Committee Meeting—has reached its 2% target, which could trigger a faster pace of FED normalization.

(See Exhibit 2).

**WEEKLY ECONOMIC REPORT**  
**Week Ended June 29, 2018**

Exhibit 1

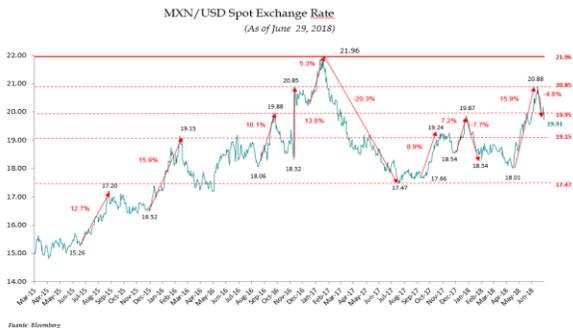


Exhibit 2



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**Definitions**

**FED** – The Federal Reserve System is the central bank of the United States and arguably the most powerful financial institution in the world.

**INEGI** - The National Institute of Statistics and Geography. It is the institution responsible for performing the population census every ten years; as well as the economic census every five years and the agricultural, livestock and forestry census of the country.

**S&P/BMV IPC (IPyC)** – The Índice de Precios y Cotizaciones (IPyC) is a capitalization-weighted index of the leading stocks traded on the Mexican Stock Exchange. The index was developed with a base level of 0.78 on October 30, 1978.

**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.

**North American Free Trade Agreement (NAFTA)** – A regulation implemented January 1, 1994 in Mexico, Canada and the United States to eliminate most tariffs on trade between these nations. The three countries phased out numerous tariffs, (with a focus on those related to agriculture, textiles and automobiles), between the agreement’s implementation and January 1, 2008. NAFTA’s purpose is to encourage economic activity between the United States, Mexico and Canada.

**Dow Jones:** – The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. One cannot invest directly in an index.

**S&P 500:** – The Standard & Poor’s 500 Index is an index of 505 stocks issued by 500 large companies with market capitalizations of at least \$6.1 billion. It is seen as a leading indicator of U.S. equities and a reflection of the performance of the large-cap universe. One cannot invest directly in an index.

**NASDAQ:** Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks. One cannot invest directly in an index.

**Points** - Index’s value is measured in points.

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

**INE:** Mexico’s Electoral Institute, which oversees elections.

**DXY Dollar Index** – The U.S. dollar index (USDX) is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.’s most significant trading partners.

**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.

*Experience*

*Consistency*

*Vision*