Fixed-Income & FX Strategy

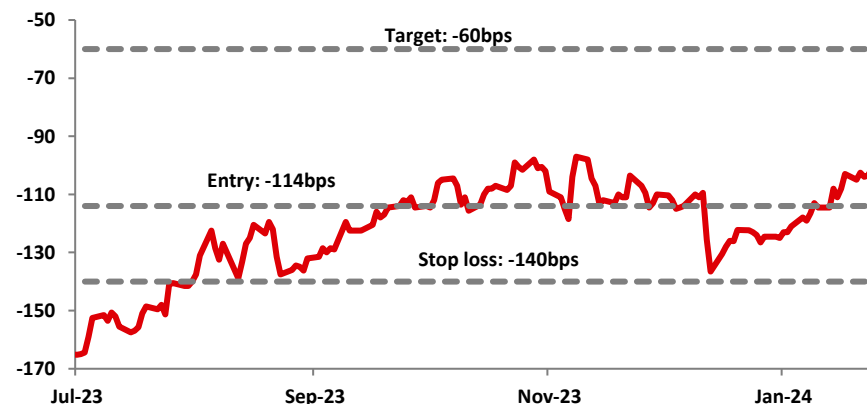**Weekly**

January 26, 2024

Fixed-Income and FX Weekly

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▪ **Fed's decision, US NFP, and US Treasury's Quarterly Refunding on focus.** Performance in sovereign bonds experienced higher volatility this week, without a homogenous ending balance. The US PCE deflator printed in line with expectations, while 4Q23 GDP widely outperformed (3.3% q/q annualized vs 2.0%e). In our view, there are no conditions for the Fed's easing cycle to begin in 1Q24. However, the market is still debating a first rate cut in March, with an implied probability of 50%. Next Wednesday, the Fed will have its first monetary policy decision of this year, in which we expect the stance to remain unchanged. Moreover, we expect a relatively hawkish bias, consistent with the latest interventions of its members that pushed back market bets for a rate cut a soon as in March (Banorte -25bps in May). As a result, we see space for bonds to underperform, also supported by a relatively strong jobs report. It is worth mentioning the Fed's decision will take place amid a more dovish ECB, at least in what markets captured out of yesterday's meeting, which ended with a probability for a rate cut in April strengthening to ~90% from ~60% before the communiqué. In this sense, CPI for the eurozone (consensus -0.4% m/m) could plays a positive factor for rates, to the extent it could validate expectations of a sooner cut. Another key element to watch for next week is the US Treasury's Quarterly Refunding announcement, which will state its federal debt projection for the quarter. An amount higher than the previous estimate (US$ 816 billion) would renew fears on whether markets will be able to absorb the new supply, probably inducing rate pressures. Given the relevance of international drivers for next week's agenda, we see local securities holding a high correlation with its global peers. Even with a slightly moderate effect to any surprise that could come from Tuesday's GDP report and ahead of Banxico's next meeting on February 8th. In this context, we still see an overvaluation in Mbonos, especially mid-term tenors (5- to 10-years). In the FX market, we consider the USD will remain strong, although the MXN finds a short-term support of 200-day MA (17.35)

▪ **Recommendations:** Our 2s10s steepener in TIIE-IRS stands at -101bps from 137bps on its lowest point in December. Its recent performance has corrected and taken direction towards our view of a positive spread as we approach the beginning of the easing cycle from main central banks. We still see attractive USD/MXN purchases on dips for trading purposes, without room for directional positions as carry is strongly negative

▪ **Weekly ranges** – We expect that the 10-year Mbono (Nov'34) to trade between 9.20% and 9.50%, and MXN between 17.00 and 17.40 per dollar

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Winners of the 2023 award for best Mexico economic forecasters, granted by *Focus Economics*

2s/10s spread in TIIE-IRS
Basis points

Fuente: Bloomberg, Banorte

Document for distribution among the general public

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Fixed-Income

- **Mixed balance in sovereign bonds** – The Treasuries' curve marked a slight steepening bias following gains of 5bps at the short-end and losses of 4bps at the long-end. Meanwhile, most Mbonos posted modest losses with the 10-year benchmark (Nov'34) ending at 9.33% (+2bps vs last week)

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Sep'26), the 20-year Udibono (Nov'43), and 1-, 3-, and 7-year Bondes F. Additionally, an extraordinary Bondes F auction will take place on Wednesday, considering maturities of 350-, 714-, 1,078-, 1,400-, and 1,792-days for a total amount of up to MXN 25 billion

- **Demand** – In the last four weeks, foreigners recorded higher holdings in Mbonos and Cetes by 1.4% and 1.9%, respectively, equivalent to 33.3% and 12.7% of the total amount outstanding in the same order. In a similar fashion, Pension funds' holdings in Udibonos increased 2.0%, equal to 55.4% of the total. On the contrary, Mutual funds reduced their exposure to Bondes F by 2.4%, although they remain as the main holders with 54.3% of the total

- **Technicals** – The spread between 2- and 10-year Treasuries moved to -21bps from -27bps last week, keeping the direction towards a less inverted curve. Meanwhile, the 10-year spread between Mbonos and Treasuries increased to 519bps from 515bps last week, slightly above the 12-month average at 517bps

Foreign Exchange

- **The MXN recorded two weeks of losses in a row** – The Mexican peso depreciated 0.4% w/w to 17.16 per dollar, extending the previous week's drop of 1.3%. The 1-month implied volatility sharply declined to 10.2% after reaching a 30-day high of 11.8% last week, while the 1-year reading remained virtually unchanged at 12.6%

- **USD with positive bias** – The DXY and BBDXY indices kept a positive trend, reaching fresh highs for the year, although they ended with modest gains of 0.2% and 0.1% w/w, respectively. The performance of G10 currencies was mixed with NOK (+0.6%) and EUR (-0.4%) at the extremes. In EM, the bias was negative with RUB (-2.1%) as the weakest; however, BRL stood out as being one of the few with gains (+0.4%) following the positive surprise in the CPI report (0.31% m/m vs 0.47% m/m)

- **Market positioning in MXN** – As of January 23rd, the MXN position registered a net long of US$ 2.20 billion from US$ 2.40 billion last week. So far in January, the positioning in MXN has remained stable with speculators consolidating a favorable relative view. Among LatAm currencies, the Mexican peso has positioned itself as the most defensive with the smallest loss during the month

- **Market positioning in USD** – The IMM USD net short position decreased to US$ 4.73 billion from US$ 8.24 billion, scoring two weeks of bets favoring USD strength. This adjustment was result of weekly sales led by EUR (-2.17 billion) and JPY (-1.01 billion) that completely diluted purchases in CAD (+355 million) and GBP (+112 million)

- **Flows** – Our EPFR aggregate recorded greater negative flows of US$ 2.1 billion from US$ 1.3 billion the previous week. Bond market outflows increased 4% to US$ 336 million. Meanwhile, equities' sales jumped 88% to US$ 1.8 billion, on the back of significant outflows in Asia. In Mexico, a positive flow of US$ 30 million was recorded given following sales in equities of US$ 37 million and purchases in bonds of US$ 7 million

- **Technicals** – For most of the week, MXN traded between the 50- and 200-day moving averages and through a narrower trading range of 33 cents vs. last week's 54 cents. The following relevant technical levels are: 17.00, 16.90, and 16.83 (resistances) and 17.35, 17.50, and 17.63 (supports)

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Fixed–Income Dynamics

Fixed-income securities performance

Security	YTM (%)	Weekly change (bps)	Δ last 4 weeks (bps)	YTD (bps)	12m Max (%)	12m Min (%)	12m Average (%)
Overnight TIIE funding rate							
1-day	11.25	1	-7	-20	11.45	10.48	11.19
28-days[1]	11.33	0	2	2	11.34	10.55	11.21
91-days[1]	11.44	0	2	2	11.45	10.65	11.32
182-days[1]	11.61	1	2	2	11.62	10.79	11.49
Cetes							
28-days	11.29	4	4	4	11.49	10.45	11.14
91-days	11.27	-6	3	3	11.61	10.75	11.35
182-days	11.29	10	-3	-3	12.06	10.90	11.49
364-days	11.10	0	-4	-4	12.13	10.88	11.47
728-days	10.81	2	-11	-11	12.14	10.50	11.15
Mbonos							
Sep´24	11.21	6	24	24	11.57	10.03	10.99
Dec'24	10.92	6	26	26	11.31	9.57	10.66
Mar'25	10.00	6	10	10	11.24	9.56	10.34
Mar'26	9.82	4	6	6	10.92	8.85	9.85
Sep'26	9.73	2	24	24	10.78	9.22	9.90
Mar'27	9.46	-1	8	8	10.53	8.58	9.50
Jun'27	9.44	1	18	18	10.49	8.49	9.43
Mar'29	9.24	0	17	17	10.32	9.07	9.64
May'29	9.18	2	24	24	10.24	8.43	9.14
May'31	9.26	3	32	32	10.26	8.45	9.13
May'33	9.30	2	36	36	10.24	8.52	9.13
Nov'34	9.33	2	39	39	10.21	8.49	9.11
Nov'36	9.30	3	38	38	10.20	8.53	9.11
Nov'38	9.36	3	32	32	10.25	8.66	9.23
Nov'42	9.40	3	33	33	10.25	8.71	9.26
Nov'47	9.39	5	32	32	10.17	8.69	9.22
Jul'53	9.42	6	34	34	10.17	8.66	9.23
TIIE-IRS							
3-month (3x1)	11.40	-5	-5	-5	11.62	10.98	11.49
6-month (6x1)	11.23	-5	-4	-4	11.78	11.08	11.47
9-month (9x1)	11.05	-5	-4	-4	11.92	11.02	11.38
1-year (13x1)	10.73	-4	-5	-5	11.91	10.65	11.14
2-year (26x1)	9.74	-3	4	4	10.90	9.49	10.07
3-year (39x1)	9.19	-3	11	11	10.31	8.72	9.38
4-year (52x1)	8.89	-3	16	16	10.02	8.30	9.02
5-year (65x1)	8.74	-4	18	18	9.87	8.10	8.83
7-year (91x1)	8.68	-3	23	23	9.78	7.98	8.71
10-year (130x1)	8.73	0	28	28	9.78	7.97	8.69
20-year (3x1)	8.79	1	29	29	9.85	8.05	8.77
30-year (390x1)	8.74	0	30	30	9.84	8.07	8.77
Udibonos							
Dec'25	6.10	-4	11	11	6.45	4.46	5.67
Dec'26	5.75	1	13	13	6.42	4.36	5.44
Nov'28	4.63	4	16	16	5.62	4.02	4.69
Nov'31	4.63	6	16	16	5.39	3.94	4.58
Nov'35	4.46	9	8	8	5.06	3.96	4.45
Nov'40	4.54	17	23	23	5.04	3.96	4.48
Nov'43	4.54	16	21	21	5.06	4.30	4.60
Nov'46	4.47	17	32	32	5.04	3.91	4.46
Nov'50	4.51	16	29	29	5.03	3.97	4.48

Source: Bloomberg, PiP, Banxico, Banorte

1: Compounded in advance Overnight TIIE Funding rate for "n" days

Fixed–Income Dynamics (continued)

USD UMS and US Treasuries performance

	UMS				UST			Spreads			CDS
Term	Maturity date	YTM Jan/26/2024	Weekly change (bps)	YTD (bps)	YTM Jan/26/2024	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	4.67	-5	+20	4.36	-3	-7	32	-2	18	29
3Y	Mar'27	4.63	0	-17	4.15	-1	-7	48	+1	31	47
5Y	May'29	5.16	+4	+37	4.04	-1	+4	112	+5	100	89
7Y	Apr'30	5.31	+2	-2	4.10	+1	+14	121	+1	128	129
10Y	May'33	5.63	+6	+7	4.14	+2	+27	149	+4	166	161
20Y	Mar'44	6.28	+6	-9	4.49	+3	+34	180	+3	194	--
30Y	May'54	6.50	+3	+11	4.37	+5	+41	212	-1	229	--

Source: Bloomberg, Banorte

5Y USD UMS
%

Source: Bloomberg, Banorte

10Y USD UMS
%

Source: Bloomberg, Banorte

5Y UMS-UST Spread
Basis points

Source: Bloomberg, Banorte

10Y UMS-UST Spread
Basis points

Source: Bloomberg, Banorte

Fixed–Income Supply

- **Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Sep'26), the 20-year Udibono (Nov'43), and 1-, 3-, and 7-year Bondes F

- **Greater demand for short-term securities.** We continue expecting demand for Cetes to remain robust given the attractive real rates and ahead of Banxico's first rate cuts. In this sense, we consider the curve is correctly pricing-in the beginning of the easing cycle in March with an adjustment of -25bps, as well as a total cut -200bps for the year. However, the Fed's decision next week and its potential more hawkish tone could result in adjustments to market expectations that remain ahead of our base case for a rate cut in the US (March vs May). Given the high correlation of local rates with their US peers, we believe there is room for additional pressures. The 3-year Mbono benchmark is trading at 9.73%, accumulating losses of 24bps so far this year. Despite this adjustment, the bond appears slightly overvalued with a rate that remains 1σ below its 90-day MA and a spread against its UST pair also below the 12-month mean. With this, we could observe a moderate demand below 2.0x as in its last issuance (1.87x). For the 20-year Udibono we also anticipate a moderate appetite given a less attractive relative valuation. The inflation breakeven for this term has increased 10bps in the month to 4.65%, moving 9bps away from its 12-month average

Auction specifics (January 30th, 2024)

| Security	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	Feb-29-24	--	10,000	11.28
3m	May-02-24	--	10,000	11.29
6m	Jul-25-24	--	11,100	11.30
24m	Dec-24-25	--	18,200	10.71
Bondes F				
1Y	Jan-16-25	--	8,000	0.12
3Y	Jan-14-27	--	3,500	0.20
7Y	Oct-04-29	--	900	0.26
Bono M				
3Y	Sep-03-26	7.00	14,500	9.65
Udibono				
20Y	Nov-12-43	3.25	UDIS 850	4.43

Source: Banxico, Banorte
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos
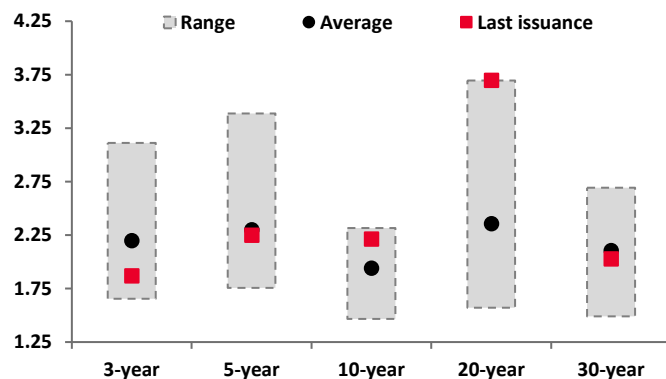
1Q24 Government Securities Auction Calendar*

Date	Cetes	Bonos M	Udibonos	Bondes F
2-Jan	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y
9-Jan	1, 3, 6, and 12M	30Y (Jul'53)	10Y (Nov'31)	2, 5, and 10Y
16-Jan	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, and 3Y
23-Jan	1, 3, 6, and 12M	10Y (Nov'34)	3Y (Dec'26)	2, and 5Y
30-Jan	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y
6-Feb	1, 3, 6, and 12M	20Y (Nov'42)	10Y (Nov'31)	2, 5, and 10Y
13-Feb	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, and 3Y
20-Feb	1, 3, 6, and 12M	30Y (Jul'53)	3Y (Dec'26)	2, and 5Y
27-Feb	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y
5-Mar	1, 3, 6, and 12M	10Y (Nov'34)	10Y (Nov'31)	2, 5, and 10Y
12-Mar	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, and 3Y
19-Mar	1, 3, 6, and 12M	20Y (Nov'42)	3Y (Dec'26)	2, and 5Y
25-Mar	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, 3, and 7Y

Source: SHCP *Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

Mbonos' bid-to-cover ratios for primary auction in last 2 years
Times

Source: Bloomberg, Banorte

Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times
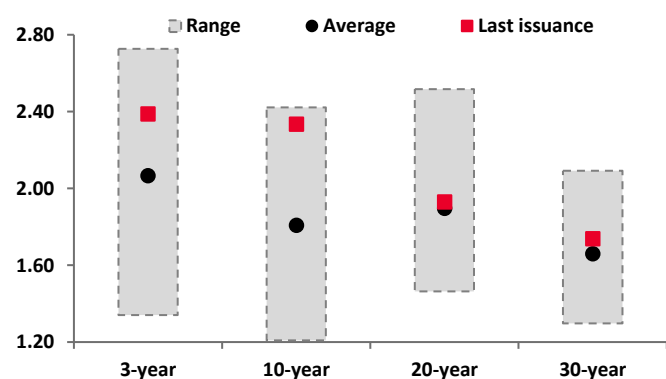
Source: Bloomberg, Banorte

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Fixed–Income Demand

**Government and IPAB securities holdings by type of investor**
US$ billion, *UDIS million, data as of Jan/17/2024

Securities	Total amount outstanding	Foreign investors	Pension funds	Mutual funds	Isuarance companies	Local banks	Repos with Banxico	Guarantees received by Banxico	Securities held by Banxico	Other domestic residents
Cetes	91.06	11.59	13.08	13.47	4.57	9.83	0.55	3.48	-	34.49
Bondes D	20.96	1.67	0.60	8.66	0.23	4.47	0.26	0.22	-	4.87
Bondes F	114.66	0.01	6.55	61.59	2.30	13.52	1.18	0.58	-	28.93
Bondes G	4.36	-	0.05	2.14	0.33	0.50	0.65	-	-	0.68
Udibonos	181.79	8.76	100.77	7.88	34.51	3.21	-	0.24	-	26.42
Mbonos	245.81	81.81	59.57	6.84	7.14	40.63	5.59	1.11	0.87	42.25
Sbonos	1.34	0.60	0.40	0.01	0.03	0.06	-	-	-	0.25
Total	**659.98**	**104.43**	**181.03**	**100.58**	**49.12**	**72.22**	**8.23**	**5.62**	**0.87**	**137.88**
Udibonos*	389,562.35	18,772.48	215,945.73	16,891.46	73,940.57	6,886.29	-	504.05	-	56,621.76
IPAB bonds	**60.45**	**0.03**	**1.10**	**17.88**	**0.14**	**12.39**	**5.44**	**2.37**	**-**	**21.11**

Source: Banxico, Banorte

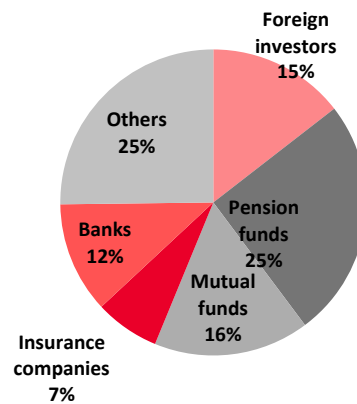**Government issuance by type of instrument**
Total amount of US$ 720 billion (including IPAB bonds), % of total
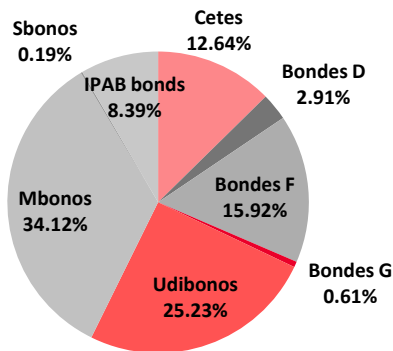
Source: Banxico, Banorte

Mbonos holdings by type of investor
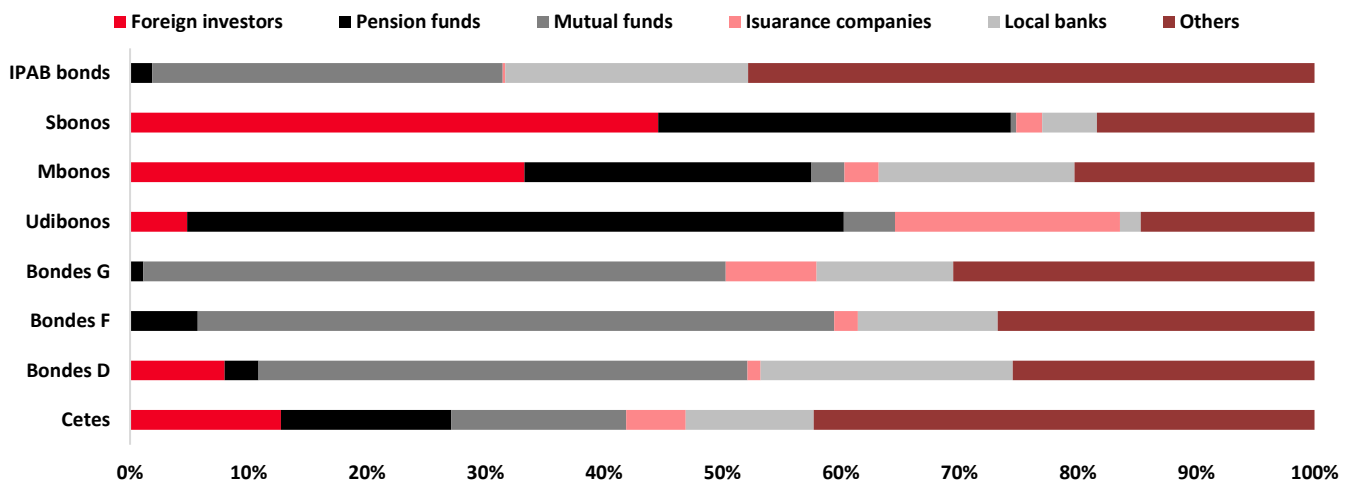Total amount of US$ 720 billion (including IPAB bonds), % of total

Source: Banxico, Banorte
Note: "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

Government securities holdings by type of investor
Total amount of US$ 720 billion (including IPAB bonds), % of total
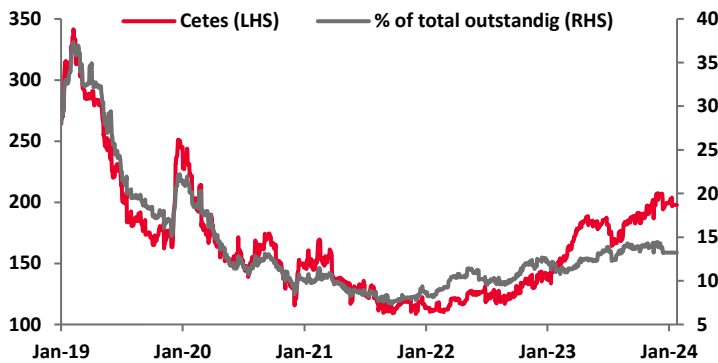

Source: Banxico, Banorte
Note: "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

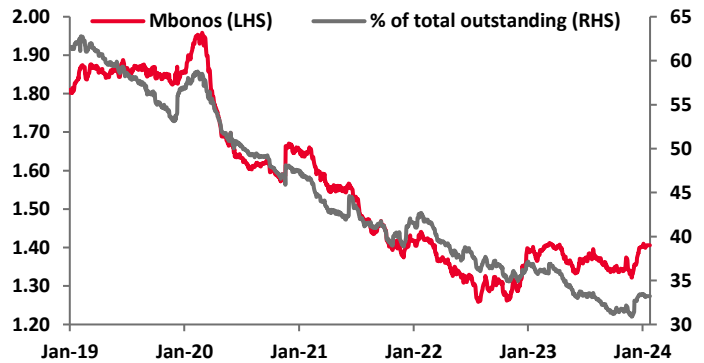# Fixed–Income Demand (continued)

Cetes held by foreigners
MXN billion, %

Source: Banxico, Banorte

Mbonos held by foreigners
MXN trillion, %

Source: Banxico, Banorte

Holdings of main investors by type of security
Data as of Jan/17/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	1.85	-0.17	5.63	1.17	8.62	10.11
Bondes F	-72.80	36.01	-13.45	-8.41	-2.37	-2.81
Udibonos	4.45	0.35	2.02	1.70	13.36	9.39
Mbonos	1.44	0.39	1.40	1.55	28.70	4.54

Source: Banxico, Banorte

Government securities issuance
USD Billions

Fuente: Banxico, Banorte

Mbonos holdings by type of investor
US$ billions and %, data as Jan/11/2024

| Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	16.1	23%	14%	16%	47%
Dec'24	13.2	27%	20%	7%	46%
Mar'25	8.9	31%	15%	17%	37%
Mar'26	26.7	27%	29%	16%	27%
Sep'26	8.8	49%	24%	10%	16%
Mar'27	21.4	44%	20%	12%	25%
Jun'27	20.8	19%	33%	30%	18%
Mar'29	4.7	18%	33%	23%	26%
May'29	16.3	4%	51%	23%	23%
May'31	25.2	4%	46%	33%	17%
May'33	16.2	7%	42%	29%	22%
Nov'34	5.8	1%	52%	34%	13%
Nov'36	4.3	1%	27%	44%	29%
Nov'38	12.7	1%	42%	42%	15%
Nov'42	19.0	1%	40%	46%	14%
Nov'47	15.4	0%	37%	45%	18%
Jul'53	12.7	3%	36%	44%	17%
Total	235.5	16%	33%	27%	24%

Source: Banxico, Banorte

Notas: "Institutional investors" include pension funds, mutual funds, and insurance companies. "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

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Fixed–Income Demand – Primary dealers

Market makers' short positions on Mbonos
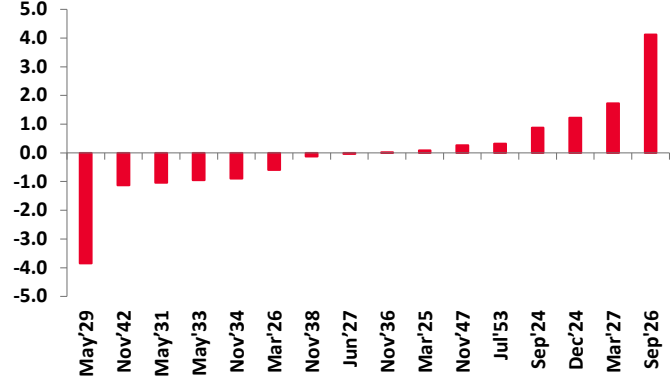MXN billion

Legend: 2-year range, Average, Current
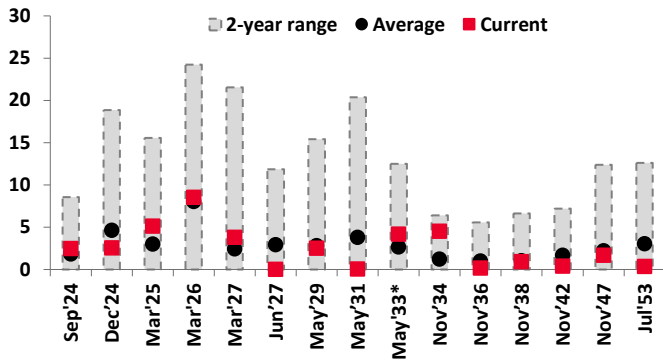
Source: Banxico, Banorte *May'33 issued in December 2022

Weekly change in market makers' short positions on Mbonos
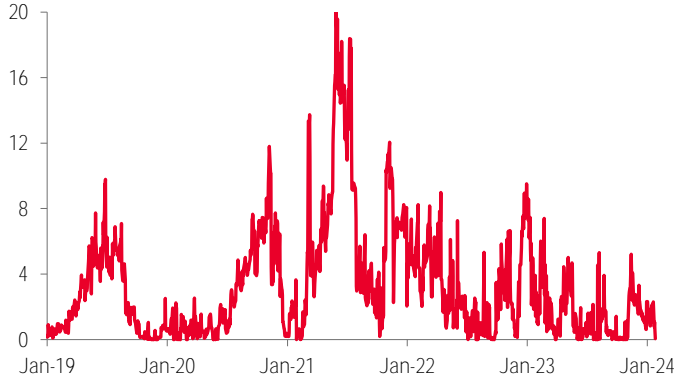MXN billion

Source: Banxico, Banorte

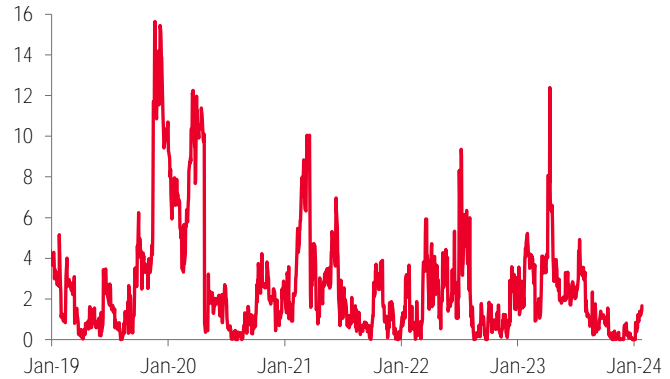**Market makers' short positions on Mbono May'31**
MXN billion

Source: Banxico, Banorte

Market makers' short positions on Mbono Nov'47
MXN billion

Source: Banxico, Banorte

Market makers' position on Mbonos
US$ million

Maturity date	Total amount outstanding as of Jan/25/2024	Jan/25/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	15,814	143	92	159	174	245	0
Dec'24	13,279	149	78	125	118	346	8
Mar'25	8,799	297	292	309	70	904	62
Mar'26	26,186	496	530	480	293	1,273	105
Sep'26	8,874	428	188	150	0	1,255	0
Mar'27	21,316	220	120	110	5	1,253	8
Jun'27	20,455	0	3	46	23	632	0
Mar'29	5,461	60	187	1	0	419	0
May'29	16,606	147	371	384	167	896	147
May'31	24,630	4	64	54	59	309	0
May'33	16,205	243	299	317	49	726	1
Nov'34	7,076	261	313	272	76	371	0
Nov'36	4,265	10	9	82	72	324	0
Nov'38	12,453	54	61	44	59	298	0
Nov'42	18,716	22	88	116	14	220	0
Nov'47	15,204	97	81	0	300	193	0
Jul'53	12,430	21	2	128	14	623	2
Total	**247,767**	**2,631**	**2,775**	**2,648**	**1,480**		

Source: Banxico, Banorte

BANORTE

Fixed–Income Technicals

Spread between Cetes and Implied Forward Rates
Basis points

Tenor	Actual Jan/26/2024	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	55	65	206	67	243	-35
3 months	13	27	99	7	118	-95
6 months	-7	21	47	-13	54	-99
12 months	4	29	34	-22	34	-92

Source: PiP, Bloomberg, Banorte

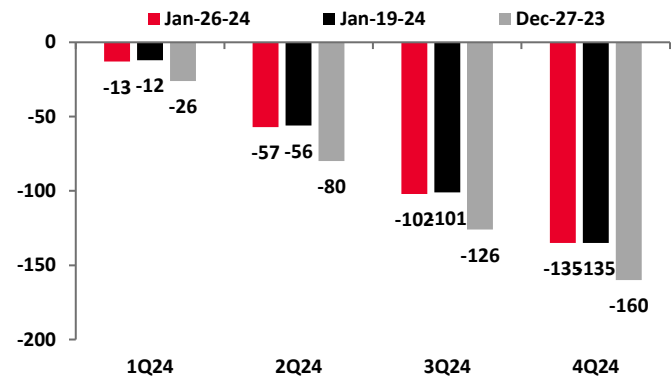**Cumulative implied moves in Banxico's repo rate**
Basis points
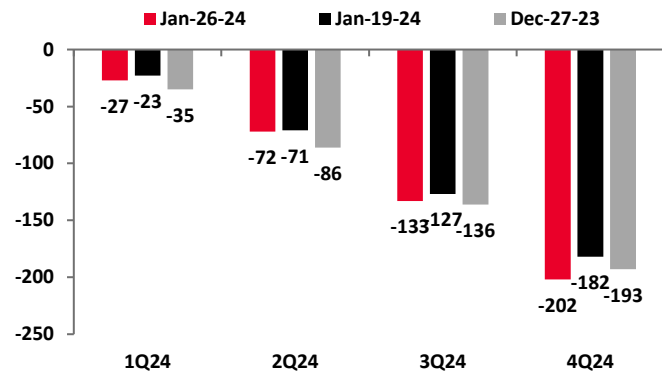
Source: Bloomberg, Banorte

Cumulative implied moves in Fed funds
Basis points

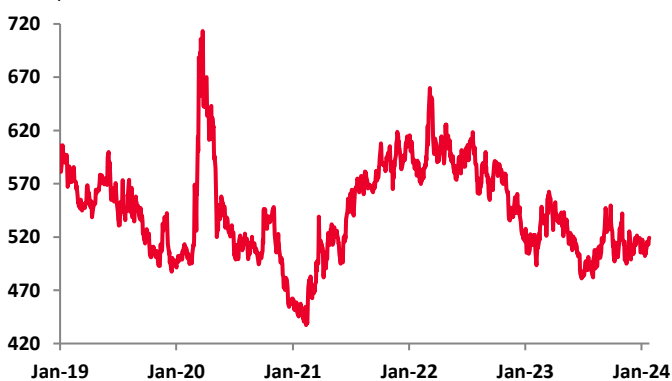Source: Bloomberg, Banorte

Spreads between Mbonos and UST
Basis ponts

Spread	Actual	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
2 year	546	7	-4	-4	672	497	569
5 year	520	1	-2	-2	597	489	536
10 year	519	4	14	14	563	481	517
20 year	492	0	3	3	548	464	499
30 year	505	2	0	0	562	477	514

Source: Bloomberg, PiP, Banorte

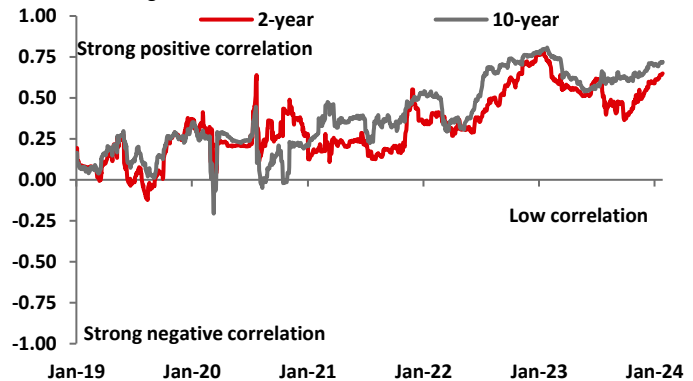**10-year Mbono and 10-year UST spread**
Basis points

Source: PiP, Banorte

Mexico and US 2- and 10-year bonds correlation
3-month moving correlation

Source: Bloomberg, Banorte

Fixed–Income Technicals (continued)

Selected spreads
Basis points

Security	Spread	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
Mbonos							
2/5	-58	-4	11	11	-31	-134	-87
2/10	-48	2	34	34	-40	-197	-116
2/30	-40	2	29	29	-25	-192	-106
5/10	10	5	23	23	8	-78	-29
10/30	8	0	-5	-5	35	-15	10
TIIE IRS							
3m/2Y	-166	3	10	10	-56	-203	-143
2/5	-100	-1	14	14	-90	-162	-123
2/10	-101	2	24	24	-97	-198	-138
2/30	-100	3	25	25	-88	-178	-129
5/10	-1	3	10	10	-1	-46	-14
10/30	1	0	2	2	23	-4	8
TIIE IRS – Mbonos							
2 year	-7	-6	-2	-2	25	-57	-23
5 year	-49	-4	1	1	-32	-100	-61
10 year	-60	-6	-12	-12	-17	-68	-47
20 year	-61	-2	-4	-4	-8	-75	-52
30 year	-67	-6	-5	-5	-4	-78	-49
TIIE IRS – SOFR							
2 year	553	0	-10	-10	637	485	554
5 year	496	-2	-7	-7	546	432	498
10 year	496	-2	-2	-2	545	442	500
20 year	497	-2	-4	-4	571	467	512
30 year	508	-4	-5	-5	599	487	533

Source: Bloomberg, PiP, Banorte

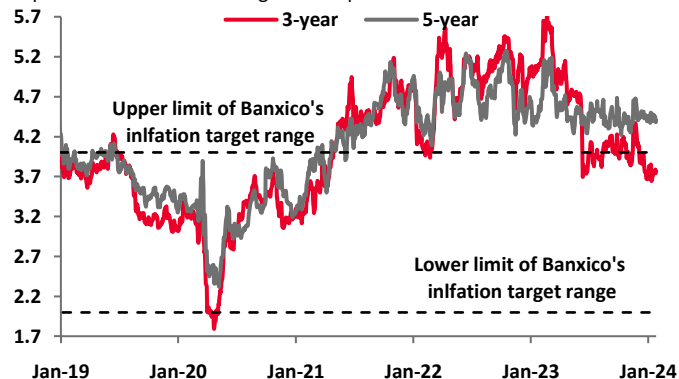**Breakeven inflation using Mbonos & Udibonos**
Implicit market inflation using Fisher Equation (%)

Date	Jan/26/2024	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.76	3.75 (+1bp)	3.67 (+9bps)	5.11 (-135bps)	5.74	3.64	4.36
5Y	4.40	4.45 (-5bps)	4.39 (+1bp)	4.58 (-18bps)	5.19	4.22	4.52
10Y	4.46	4.5 (-4bps)	4.27 (+19bps)	4.43 (+3bps)	4.85	4.04	4.36
20Y	4.65	4.78 (-13bps)	4.55 (+10bps)	4.5 (+15bps)	5.08	4.15	4.56
30Y	4.69	4.8 (-11bps)	4.65 (+4bps)	4.5 (+19bps)	5.01	4.15	4.56

Source: PiP, Banorte

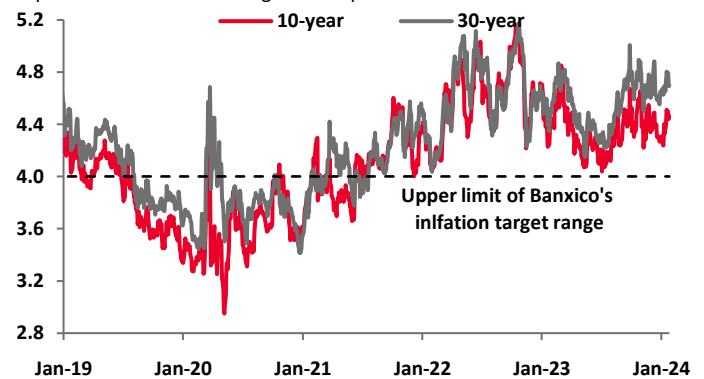## 3- and 5-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation

Source: PiP, Banorte

10- and 30-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation

Source: PiP, Banorte

BANORTE

FX dynamics

Foreign Exchange market levels and historical return

		Close at Jan/26/2024	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.91	0.1	0.4	-1.6	-1.1
Chile	USD/CLP	922.50	-1.4	-1.3	-4.3	-4.7
Colombia	USD/COP	3,912.60	0.7	-0.1	-2.1	-1.5
Peru	USD/PEN	3.79	-0.8	-1.4	-2.6	-2.4
Hungary	USD/HUF	356.97	-0.6	-1.8	-3.6	-2.7
Malaysia	USD/MYR	4.73	0.0	-0.2	-2.1	-2.9
Mexico	**USD/MXN**	**17.16**	**0.2**	**-0.4**	**-1.4**	**-1.1**
Poland	USD/PLN	4.02	0.2	-0.6	-3.3	-2.2
Russia	USD/RUB	89.87	-0.8	-2.1	2.0	-0.4
South Africa	USD/ZAR	18.79	0.5	1.3	-2.1	-2.3
Developed Markets						
Canada	USD/CAD	1.35	0.2	-0.2	-1.8	-1.6
Great Britain	GBP/USD	1.27	0.0	0.0	-0.7	-0.2
Japan	USD/JPY	148.15	-0.3	0.0	-4.3	-4.8
Eurozone	EUR/USD	1.0853	0.1	-0.4	-2.3	-1.7
Norway	USD/NOK	10.43	0.1	0.6	-3.1	-2.4
Denmark	USD/DKK	6.87	0.1	-0.4	-2.3	-1.7
Switzerland	USD/CHF	0.86	0.3	0.5	-2.5	-2.6
New Zealand	NZD/USD	0.61	-0.3	-0.4	-3.9	-3.6
Sweden	USD/SEK	10.45	0.0	0.2	-4.9	-3.6
Australia	AUD/USD	0.66	-0.2	-0.3	-4.0	-3.5

Source: Bloomberg, Banorte

1. Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.

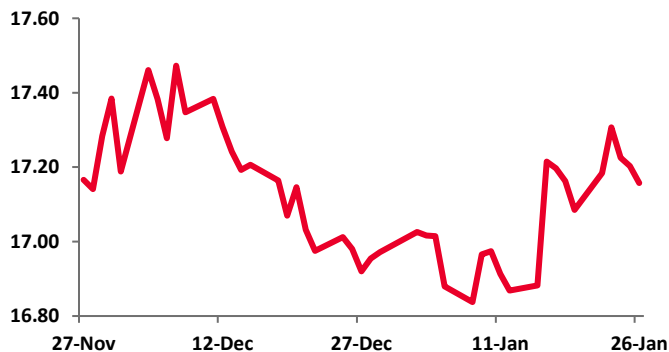## Performance of selected currencies
%, annualized rate based in 3M forwards
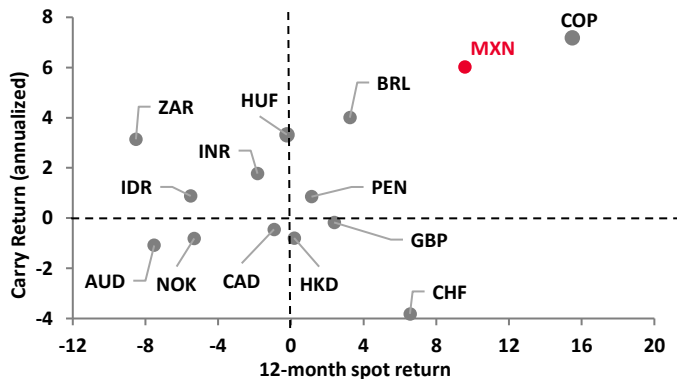
Source: Bloomberg, Banorte
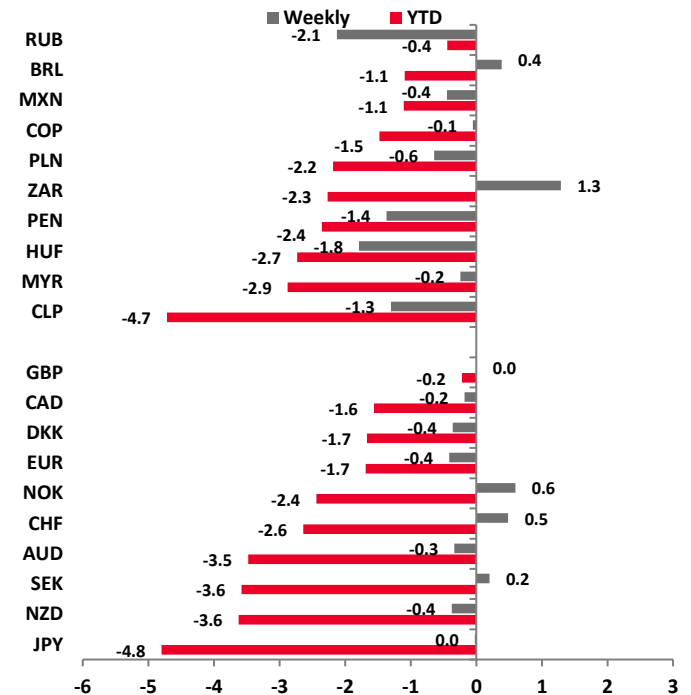
USD/MXN
Last 60 days
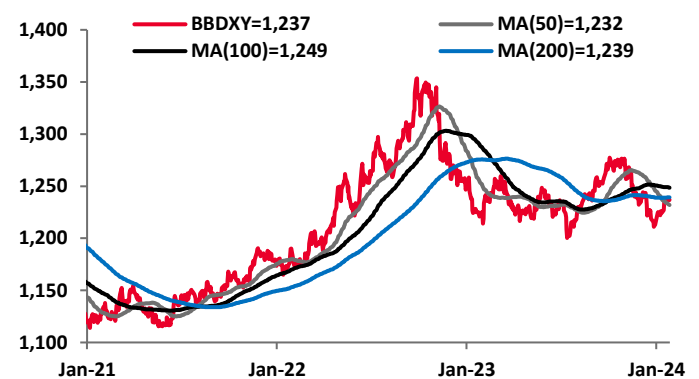

Source: Bloomberg, Banorte

FX performance
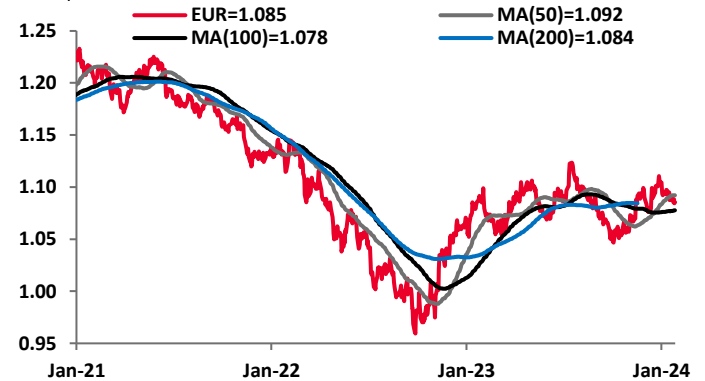Against USD, %

Source: Bloomberg, Banorte

BBDXY
Points
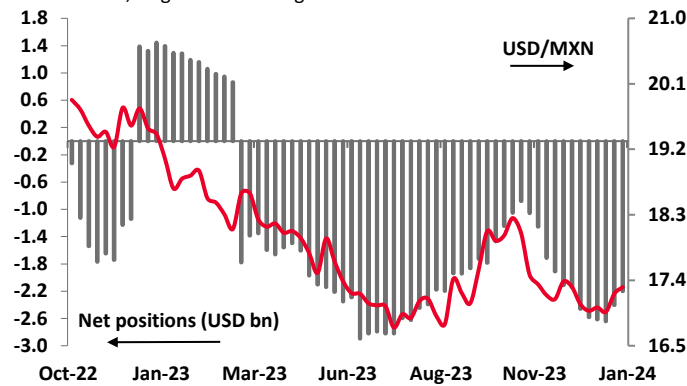

Source: Bloomberg, Banorte

Euro
Dólar per euro

Source: Bloomberg, Banorte

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FX positioning and flows
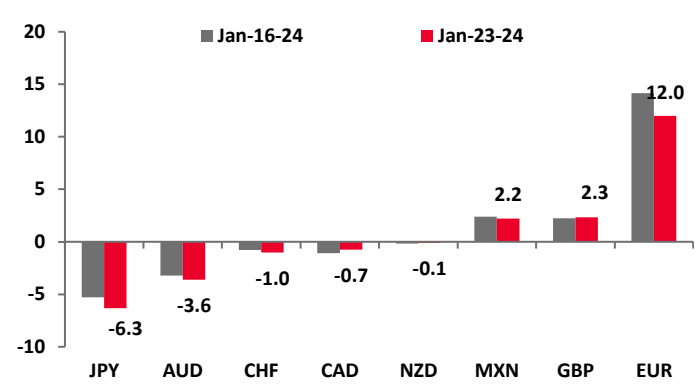
IMM positioning in USD/MXN futures
Billion dollars, Negative = net long in MXN

USD/MXN

Net positions (USD bn)

Source: CME, Banorte

IMM positioning by currency*
Billion dollars

JPY: -6.3 · AUD: -3.6 · CHF: -1.0 · CAD: -0.7 · NZD: -0.1 · MXN: 2.2 · GBP: 2.3 · EUR: 12.0
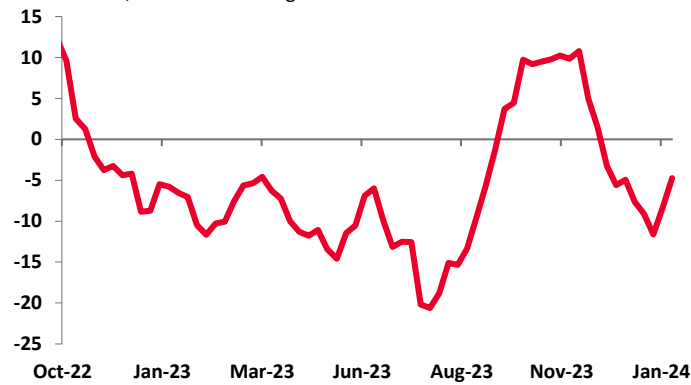
Legend: Jan-16-24, Jan-23-24

* Positive: Net long in the corresponding currency
Source: CME, Banorte

IMM positioning in USD futures*
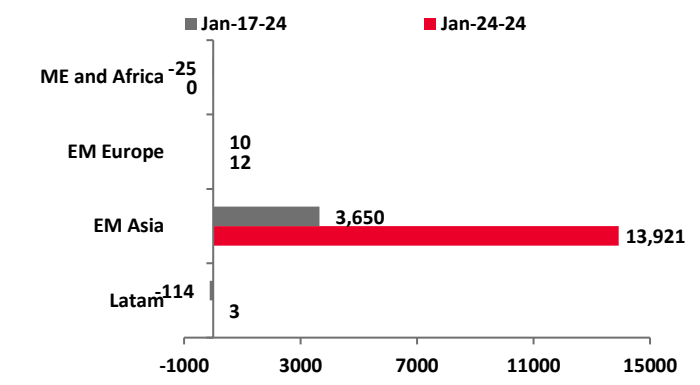Billion dollars, Positive = net long in USD

*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF
Source: CME, Banorte

Net foreign portfolio flows by region (Only ETF's investments)
Billion dollars

Region	Jan-17-24	Jan-24-24
ME and Africa	-25	0
EM Europe	10	12
EM Asia	3,650	13,921
Latam	-114	3

Source: EPFR Global, Banorte

Foreign portfolio flows into Mexico (excluding ETF's investments)
Accumulated during the last 12M, million dollars

Legend: Fixed Income (LHS), Equities (RHS)
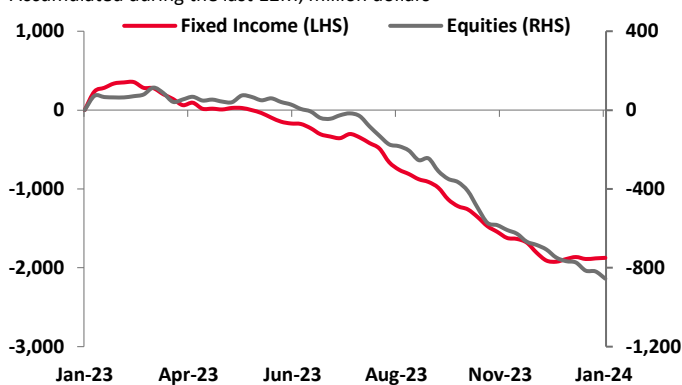
Source: EPFR Global, Banorte

Net foreign portfolio flows by region (Including ETF's investments)
Weekly, million dollars

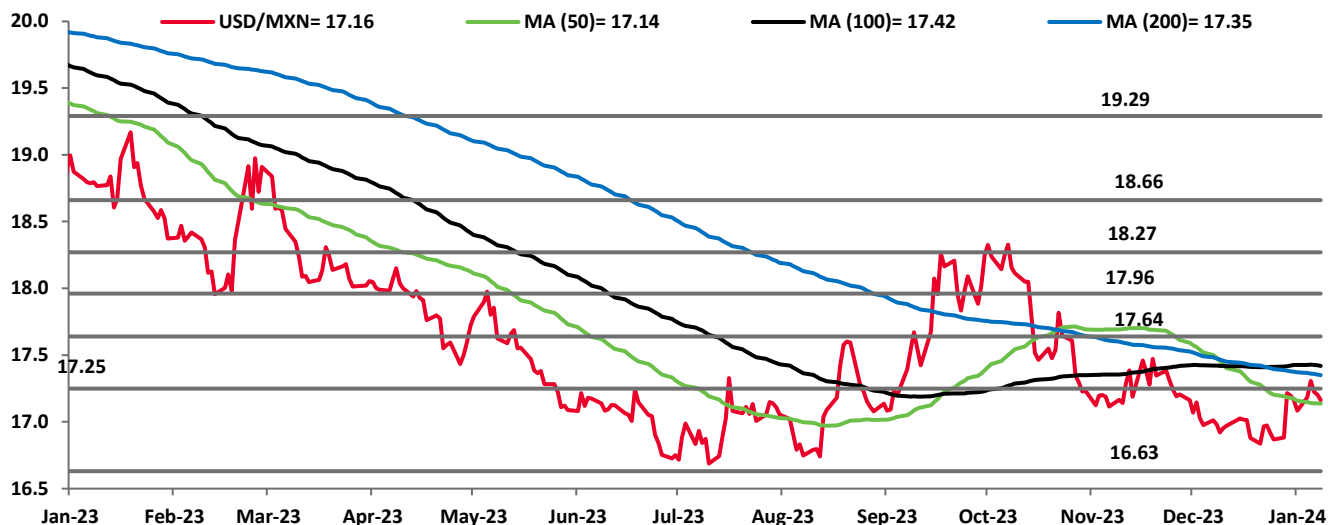| Region	Jan-17-24	Jan-24-24
ME and Africa	-90	-72
EM Europe	106	42
EM Asia	2,392	11,981
Latam	-153	-124
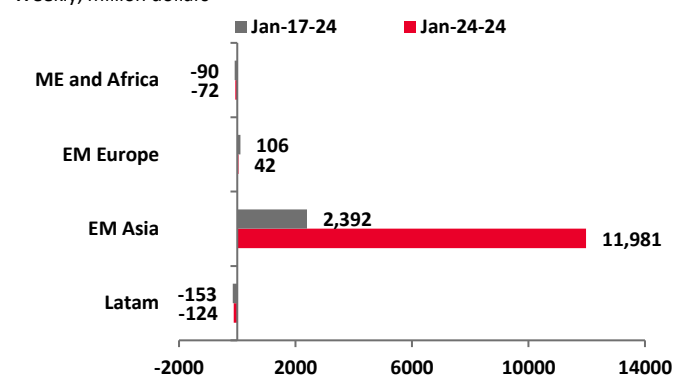
Source: EPFR Global, Banorte

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FX technicals

USD/MXN – Moving averages and Fibonacci retracement
Last 12 months

Legend: USD/MXN= 17.16 | MA (50)= 17.14 | MA (100)= 17.42 | MA (200)= 17.35

Fibonacci levels: 19.29, 18.66, 18.27, 17.96, 17.64, 17.25, 16.63

Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other currencies and assets
Based on daily percentages changes

|	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	58	63	8	65	44
CAD	43	64	12	64	38
ZAR	51	52	2	87	57
BRL	64	77	38	82	67
HUF	64	65	24	70	56
RUB	16	6	-23	53	8
VIX	27	44	14	74	45
SPX	43	36	6	68	42
GSCI	9	13	-27	43	3
Oro	47	37	-28	53	26

* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Weekly trading range
MXN cents with last 12 month average

Legend: Weekly range | 12-month Average
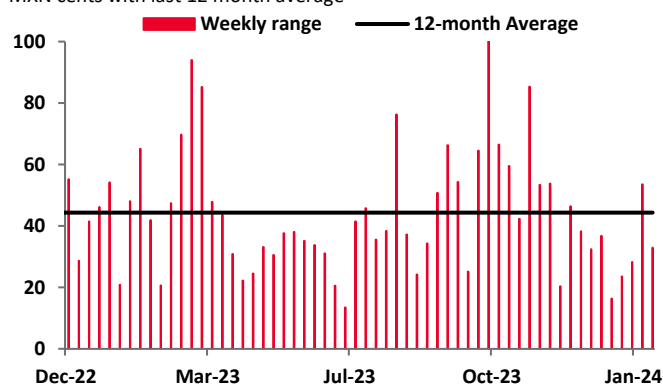
Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other currencies*
Based on daily percentage changes

Legend: EUR | CAD | ZAR | BRL | HUF | RUB
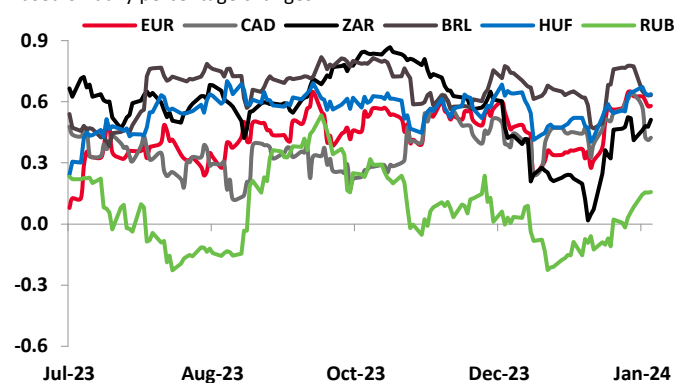
* Positive: appreciation of MXN and corresponding currency
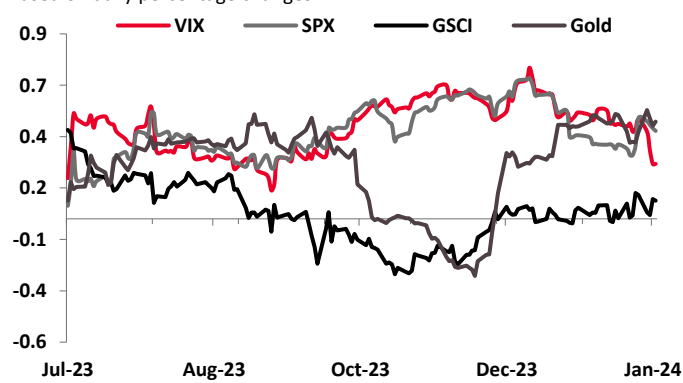Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other assets*
Based on daily percentage changes

Legend: VIX | SPX | GSCI | Gold

* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

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FX technicals (continued)

USD/MXN – ATM options volatility curve
%

Source: Bloomberg, Banorte
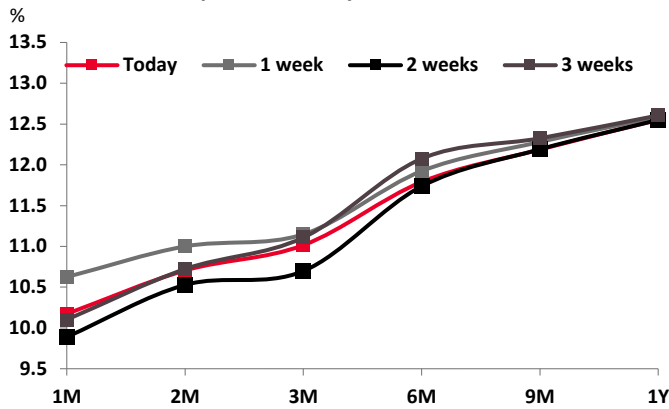
USD/MXN – 1M implied and historical volatility
%

Source: Bloomberg, Banorte
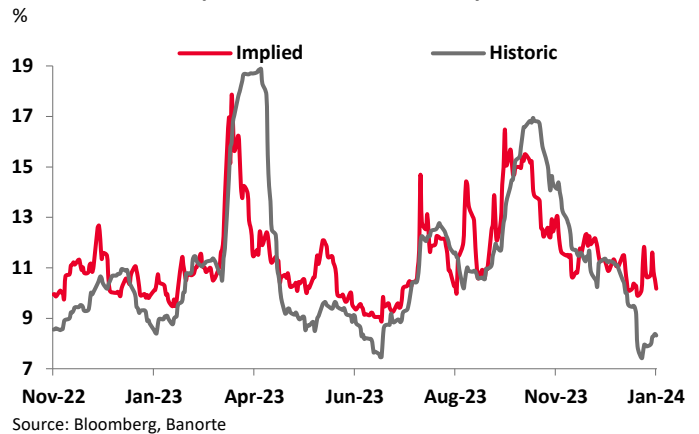
USD/MXN – Spread between implicit and historical volatility
Bps

Source: Bloomberg, Banorte
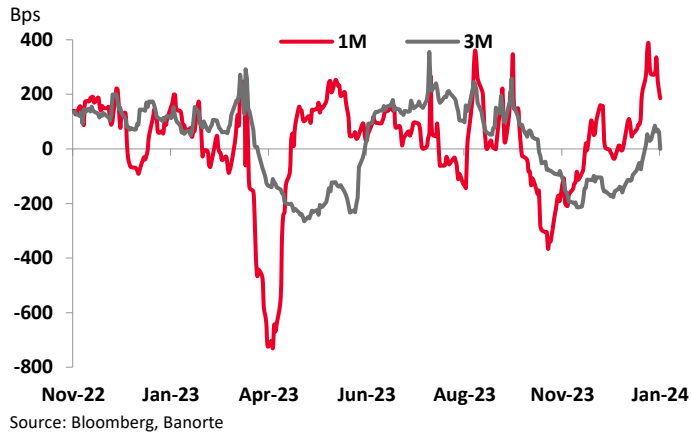
Emerging markets one-month ATM options volatility
Against USD, in standard deviations relative to last year's average

Currency	Value
CLP	0.38
MXN	0.17
ZAR	-0.21
PLN	-0.44
TRY	-0.86
HUF	-1.25
MYR	-1.40
COP	-1.45
BRL	-1.71
RUB	-2.27
KRW	-3.46

Cheap / Expensive

Source: Bloomberg, Banorte
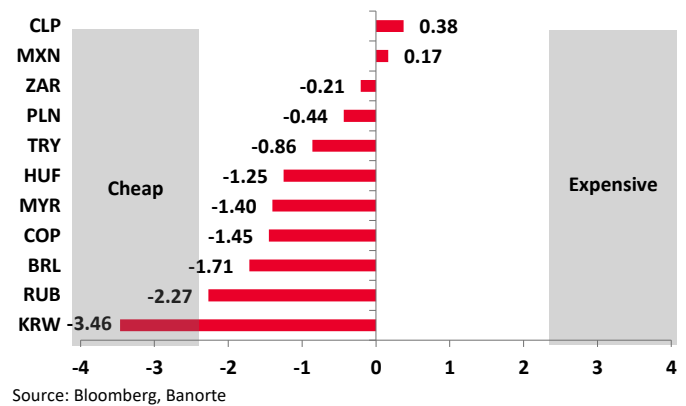
USD/MXN – 1-month and 3-month 25D risk reversals
Last 24 months, difference between USD calls and puts, in vols

Source: Bloomberg, Banorte
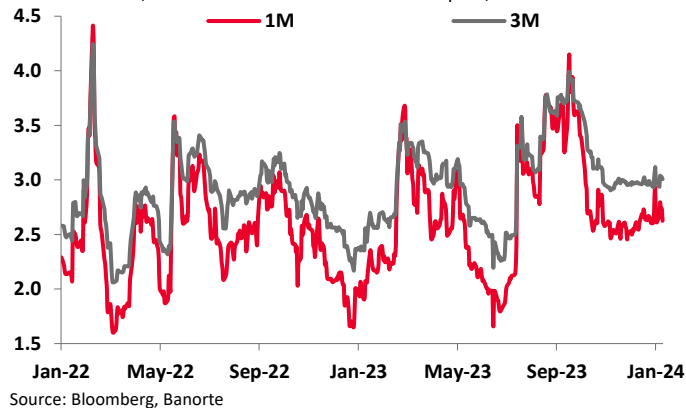
USD/MXN – 1-month 25D volatility-adjusted risk reversal
Last 12 months, ratio adjusted against one-month implied volatility

USDMXN call > USDMXN put

Source: Bloomberg, Banorte

Weekly economic calendar

For the week ending February 2nd, 2024

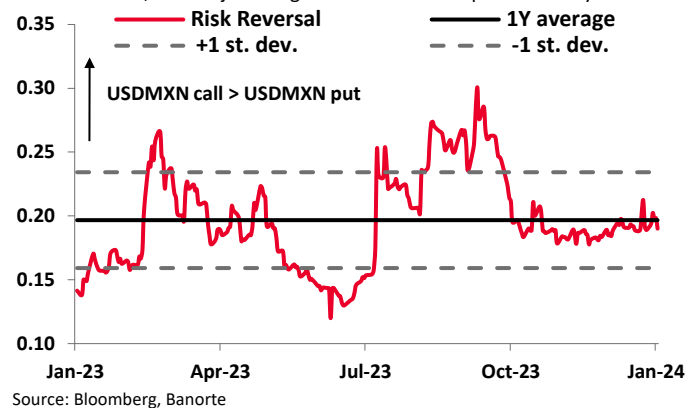|	Time		Event	Period	Unit	Banorte	Survey	Previous
Tue 30	04:00	GER	Gross domestic product*	4Q23 (P)	% q/q	--	-0.3	-0.1
	05:00	EZ	Consumer Confidence*	Jan (F)	index	--	--	-16.1
	05:00	EZ	Economic confidence*	Jan	index	--	96.2	96.4
	05:00	EZ	Gross domestic product	4Q23	% y/y	--	0.1	0.0
	05:00	EZ	Gross domestic product*	4Q23	% q/q	--	-0.1	-0.1
	07:00	MX	Gross domestic product	4Q23 (P)	% y/y	2.8	3.0	3.3
	07:00	MX	Gross domestic product*	4Q23 (P)	% q/q	0.3	0.4	1.1
	09:00	US	S&P/CoreLogic housing prices	Nov	% y/y	--	5.8	4.9
	10:00	US	Consumer confidence*	Jan	index	113.0	114.0	110.7
	10:00	US	JOLTS job openings	Dec	thousands	8,650	8,700	8,790
	10:00	MX	International reserves	Jan 26	US$bn	--	--	212.8
	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 3-year Mbono (Sep'26), 20-year Udibono (Nov'43) and 1-, 3-, and 7-year Bondes F					
	20:30	CHI	Manufacturing PMI*	Jan	index	--	49.2	49.0
	20:30	CHI	Non-manufacturing PMI*	Jan	index	--	50.6	50.4
	20:30	CHI	Composite PMI*	Jan	index	--	--	50.3
	15:30	MX	Public finances (PSBR, year-to-date)	Dec	MXNbn	--	--	-1,021.3
Wed 31	07:00	BZ	Unemployment rate	Dec	%	7.7	7.6	7.5
	08:00	GER	Consumer prices	Jan (P)	% y/y	--	3.0	3.7
	08:15	US	ADP employment*	Jan	thousands	145	145	164
	10:00	MX	Banking credit	Dec	% y/y	5.9	--	6.0
	14:00	US	FOMC Rate Decision (Upper Bound)	Jan 31	%	5.50	5.50	5.50
	14:00	US	FOMC Rate Decision (Lower Bound)	Jan 31	%	5.25	5.25	5.25
	14:00	US	Interest Rate on Excess Reserves (IOER)	Jan 31	%	5.40	5.40	5.40
	14:00	COL	Monetary policy decision (BanRep)	Jan 31	%	--	12.63	13.00
	14:30	US	Fed Chair Holds Press Conference Following FOMC Meeting					
	16:00	CHL	Monetary policy decision (BCCh)	Jan 31	%	--	7.25	8.25
	16:30	BZ	Monetary policy decision (Central bank of Brazil)	Jan 31	%	--	11.25	11.75
	20:45	CHI	Manufacturing PMI (Caixin)*	Jan	index	--	50.9	50.8
Thu 1	03.55	GER	Manufacturing PMI*	Jan (F)	index	--	45.4	45.4
	04:00	EZ	Manufacturing PMI*	Jan (F)	index	--	46.6	46.6
	04:30	UK	Manufacturing PMI*	Jan (F)	index	--	47.3	47.3
	05:00	EZ	Consumer prices	Jan (P)	% y/y	--	2.7	2.9
	05:00	EZ	Core	Jan (P)	% y/y	--	3.2	3.4
	05:00	EZ	Unemployment rate*	Dec	%	--	6.4	6.4
	07:00	UK	Monetary policy decision (BoE)	Feb 1	%	--	5.25	5.25
	08:00	BZ	Manufacturing PMI*	Jan	index	--	--	48.4
	08:30	US	Initial jobless claims*	Jan 27	thousands	210	210	214
	09:45	US	Manufacturing PMI*	Jan (F)	index	50.3	50.3	50.3
	10:00	MX	Family remittances	Dec	US$bn	5,613.2	5,350.0	4,908.1
	10:00	MX	Survey of expectations (Banxico)					
	10:00	US	ISM manufacturing*	Jan	index	47.0	47.0	47.2
	13:00	MX	PMI manufacturing (IMEF)*	Jan	index	50.7	--	49.8
	13:00	MX	PMI non-manufacturing (IMEF)*	Jan	index	51.8	--	52.1
		US	Total vehicle sales**	Jan	millions	15.7	15.7	15.8
Fri 2	07:00	BZ	Industrial production	Dec	% y/y	--	--	1.3
	07:00	BZ	Industrial production*	Dec	% m/m	--	--	0.5
	07:00	MX	Gross fixed investment	Nov	% y/y	16.5	20.0	25.5
	07:00	MX	Gross fixed investment*	Nov	% m/m	-3.8	--	1.9
	07:00	MX	Private consumption	Nov	% y/y	4.6	--	5.2
	07:00	MX	Private consumption*	Nov	% m/m	0.2	--	-0.3
	08:30	US	Nonfarm payrolls*	Jan	thousands	155	178	216
	08:30	US	Unemployment rate*	Jan	%	3.8	3.7	3.7
	10:00	US	Factory orders*	Dec	% m/m	--	0.2	2.6
	10:00	US	Ex transportation*	Dec	% m/m	--	--	0.1
	10:00	US	Durable goods orders*	Dec (F)	% m/m	--	--	0.0
	10:00	US	Ex transportation*	Dec (F)	% m/m	--	--	0.6
	10:00	US	U. of Michigan Confidence*	Jan (F)	index	78.8	78.9	78.8

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate

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Recent trade ideas

Trade idea	P/L	Initial date	End date
Pay 1-year TIIE-IRS (13x1)	P	Jan-12-24	Jan-19-24
2y10y TIIE-IRS steepener		Oct-13-23	
Long positions in Mbono Dec'24	P	Jun-16-23	Jun-22-23
Pay TIIE-IRS (26x1), receive 2-year SOFR	L	Aug-18-22	Oct-28-22
Pay 2-year TIIE-IRS (26x1)	P	Feb-4-22	Mar-4-22
Tactical longs in Mbono Mar'26	P	May-14-21	Jun-7-21
Receive 6-month TIIE-IRS (6x1)	P	Dec-17-20	Mar-3-21
Long positions in Udibono Nov'23	L	Feb-11-21	Feb-26-21
Long positions in Mbono May'29 & Nov'38	P	Sep-7-20	Sep-18-20
Long positions in Udibono Dec'25	P	Jul-23-20	Aug-10-20
Long positions in Udibono Nov'35	P	May-22-20	Jun-12-20
Long positions in Mbono May'29	P	May-5-20	May-22-20
Tactical longs in 1- & 2-year TIIE-28 IRS	P	Mar-20-20	Apr-24-20
Long positions in Udibono Nov'28	P	Jan-31-20	Feb-12-20
Long positions in Udibono Jun'22	P	Jan-9-20	Jan-22-20
Long positions in Mbono Nov'47	L	Oct-25-19	Nov-20-19
Long positions in Mbonos Nov'36 & Nov'42	P	Aug-16-19	Sep-24-19
Long positions in the short-end of Mbonos curve	P	Jul-19-19	Aug-2-19
Long positions in Mbonos Nov'42	L	Jul-5-19	Jul-12-19
Long positions in Mbonos Nov'36 & Nov'38	P	Jun-10-19	Jun-14-19
Long positions in Mbonos Jun'22 & Dec'23	P	Jan-9-19	Feb-12-19
Long floating-rate Bondes D	P	Oct-31-18	Jan-3-19
Long CPI-linkded Udibono Jun'22	L	Aug-7-18	Oct-31-18
Long floating-rate Bondes D	P	Apr-30-18	Aug-3-18
Long 20- to 30-year Mbonos	P	Jun-25-18	Jul-9-18
Short Mbonos	P	Jun-11-18	Jun-25-18
Long CPI-linkded Udibono Jun'19	P	May-7-18	May-14-18
Long 7- to 10-year Mbonos	L	Mar-26-18	Apr-23-18
Long CPI-linkded Udibono Jun'19	P	Mar-20-18	Mar-26-18
Long 5- to 10-year Mbonos	P	Mar-5-18	Mar-20-18
Long floating-rate Bondes D	P	Jan-15-18	Mar-12-18
Long 10-year UMS Nov'28 (USD)	L	Jan-15-18	Feb-2-18

P = Profit, L = Loss

Short-term tactical trades

Trade Idea	P/L*	Entry	Exit	Initial Date	End date
Long USD/MXN	P	19.30	19.50	Oct-11-19	Nov-20-19
Long USD/MXN	P	18.89	19.35	Mar-20-19	Mar-27-19
Long USD/MXN	P	18.99	19.28	Jan-15-19	Feb-11-19
Long USD/MXN	P	18.70	19.63	Oct-16-18	Jan-3-19
Short USD/MXN	P	20.00	18.85	Jul-2-18	Jul-24-18
Long USD/MXN	P	19.55	19.95	May-28-18	Jun-4-18
Long USD/MXN	P	18.70	19.40	Apr-23-18	May-14-18
Long USD/MXN	P	18.56	19.20	Nov-27-17	Dec-13-17
Long USD/MXN	L	19.20	18.91	Nov-6-17	Nov-17-17
Long USD/MXN	P	18.58	19.00	Oct-9-17	Oct-23-17
Short USD/MXN	L	17.80	18.24	Sep-4-17	Sep-25-17
Long USD/MXN	P	14.40	14.85	Dec-15-14	Jan-5-15
Long USD/MXN	P	13.62	14.11	Nov-21-14	Dec-3-14
Short EUR/MXN	P	17.20	17.03	Aug-27-14	Sep-4-14

* Total return does not consider carry gain/losses
P = Profit, L = Loss

Track of directional fixed-income trade recommendations

Trade idea	Entry	Target	Stop-loss	Closed	P/L	Initial date	End date
Long Udibono Dec'20	3.05%	2.90%	3.15%	3.15%	L	Aug-9-17	Oct-6-17
5y10y TIIE-IRS steepener	28bps	43bps	18bps	31bps	P[2]	Feb-15-17	Mar-15-17
5y10y TIIE-IRS steepener	35bps	50bps	25bps	47bps	P	Oct-5-16	Oct-19-16
Long Mbono Jun'21	5.60%	5.35%	5.80%	5.43%	P	Jul-13-16	Aug-16-16
Long Udibono Jun'19	1.95%	1.65%	2.10%	2.10%	L	Jul-13-16	Aug-16-16
Receive 1-year TIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87%[1]	P	Nov-12-15	Feb-8-16
Long spread 10-year TIIE-IRS *vs* US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15
Receive 9-month TIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15
Spread TIIE 2/10 yrs (flattening)	230bps	200bps	250bps	200bps	P	Jun-26-15	Jul-29-15
Long Mbono Dec'24	6.12%	5.89%	6.27%	5.83%	P	Mar-13-15	Mar-19-15
Relative-value trade, long 10-year Mbono (Dec'24) / flattening of the curve					P	Dec-22-14	Feb-6-15
Pay 3-month TIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15
Pay 9-month TIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15
Pay 5-year TIIE-IRS (65x1)	5.25%	5.39%	5.14%	5.14%	L	Nov-4-14	Nov-14-14
Long Udibono Dec'17	0.66%	0.45%	0.82%	0.82%	L	Jul-4-14	Sep-26-14
Relative-value trade, long Mbonos 5-to-10-year					P	May-5-14	Sep-26-14
Receive 2-year TIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14
Receive 1-year TIIE-IRS (13x1)	4.04%	3.85%	4.20%	3.85%	P	Feb-6-14	Apr-10-14
Long Udibono Jun'16	0.70%	0.45%	0.90%	0.90%	L	Jan-6-14	Feb-4-14
Long Mbono Jun'16	4.47%	3.90%	4.67%	4.06%	P	Jun-7-13	Nov-21-13
Receive 6-month TIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13
Receive 1-year TIIE-IRS (13x1)	3.85%	3.55%	4.00%	3.85%	--	Oct-10-13	Oct-25-13
Long Udibono Dec'17	1.13%	0.95%	1.28%	1.35%	L	Aug-9-13	Sep-10-13
Receive 9-month TIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13
Spread TIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13
Receive 1-year TIIE-IRS (13x1)	4.22%	4.00%	4.30%	4.30%	L	Apr-19-13	May-31-13
Long Udibono Jun'22	1.40%	1.20%	1.55%	0.97%	P	Mar-15-13	May-3-13
Receive 1-year TIIE-IRS (13x1)	4.60%	4.45%	4.70%	4.45%	P	Feb-1-13	Mar-7-13
Long Mbono Nov'42	6.22%	5.97%	6.40%	5.89%	P	Feb-1-13	Mar-7-13
Long Udibono Dec'13	1.21%	0.80%	1.40%	1.40%	L	Feb-1-13	Apr-15-13
Receive 1-year TIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13
Receive TIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13
Spread TIIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	Sep-21-13	Mar-8-13
Long Udibono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	May-1-12	Nov-27-12
Long Udibono Dec'13	+1.06%	0.90%	+1.35%	0.90%	P	May-1-12	Dec-14-12

1. Carry + roll-down gains of 17bps
2. Closed below target and before the proposed horizon date due to changes in market conditions that have differed from our expectations.
P = Profit, L = Loss

Track of the directional FX trade recommendations

Trade Idea	Entry	Target	Stop-loss	Closed	P/L*	Initial Date	End date
Long USD/MXN	18.57	19.50	18.20	18.20	L	Jan-19-18	Apr-2-18
Long USD/MXN	14.98	15.50	14.60	15.43	P	Mar-20-15	Apr-20-15
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	Jan-5-15	Jan-15-15
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	Sep-10-14	Sep-26-14
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	May-6-14	Jun-13-14
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	Oct-31-13	Nov-8-13
Limit short USD/MXN	13.25	12.90	13.46	--	--	Oct-11-13	Oct-17-13
Short EUR/MXN	16.05	15.70	16.40	15.69	P	Apr-29-13	May-9-13
Long USD/MXN	12.60	12.90	12.40	12.40	L	Mar-11-13	Mar-13-13
Long USD/MXN	12.60	12.90	12.40	12.85	P	Jan-11-13	Feb-27-13
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	Dec-10-12	Dec-17-12
Short EUR/MXN	16.64	16.10	16.90	16.94	L	Oct-3-12	Oct-30-12

* Total return does not consider carry gain/losses
** Low strike (long call) at 13.00, high strike (short call) at 13.30 for a premium of 0.718% of notional amount
P = Profit, L = Loss

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Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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