Fixed-Income & FX Strategy

Weekly

Fixed-Income and FX Weekly

▪ **Banxico to confirm our expectation of rate cuts in March.** Sovereign bonds experienced a flattening bias and heightened volatility, triggered by USTs. Recent shifts came primarily from: (1) Supply-side effects following the UST debt reduction estimate; (2) sharper risk aversion; and (3) countering the initial rally, the Fed's less dovish tone and strong pressures after the NFP which surprised to the upside. The local market has notably reacted to external dynamics, making interventions by Fed speakers in the coming days key drivers. In this regard, they are likely to echo Powell's message on Wednesday, downplaying the probability of a cut in March. The short-end of the US yield curve has largely corrected the discount for a cut in March, although there is still some room for adjustment. In Mexico, Banxico will announce its first decision of the year next Thursday with no expected changes. However, we anticipate the statement's tone to support expectations for a 25bps cut in March. The local yield curve has deviated from this view, incorporating implied cuts of 16bps for March and 171bps for year-end. Throughout January, we have noted Mbonos look expensive, reason why we remain on the sidelines, waiting for better conditions for directional positions. With this in mind and ahead of the CPI report to be released a few hours before Banxico's meeting, we continue to see greater value in real rates versus nominal rates, particularly in the 3-year Udibono. For this tenor, the inflation breakeven stands at 3.86%, well below its 12-month average (4.33%). However, capturing our view of a correction in the market's pricing for Banxico, we expect the curve to revert to a steepening bias. Accordingly, we hold our [recommendation on the 2s10s spread in TIIE-IRS](). We will also be attentive to the pension reform presentation on February 5th. In FX, we believe the USD will remain strong as the market continues to recalibrate its Fed expectations towards cuts until 2Q24. Also, we see EUR likely to extend its recent weakening (-2.3% YTD) as the dovish tone of the ECB is validated and the gap between its first cut versus the Fed widens. In this context, the MXN has remained relatively resilient, so we expect it to trade within narrow ranges, with the risk of modest pressures subject on how the market reads Banxico's tone. We suggest buying on dips for trading purposes, with no room for directional positions given its negative carry

▪ **Weekly ranges** – We expect that the 10-year Mbono (Nov'34) to trade between 9.10% and 9.45%, and MXN between 17.00 and 17.40 per dollar

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com

Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com

Leslie Thalía Orozco Vélez
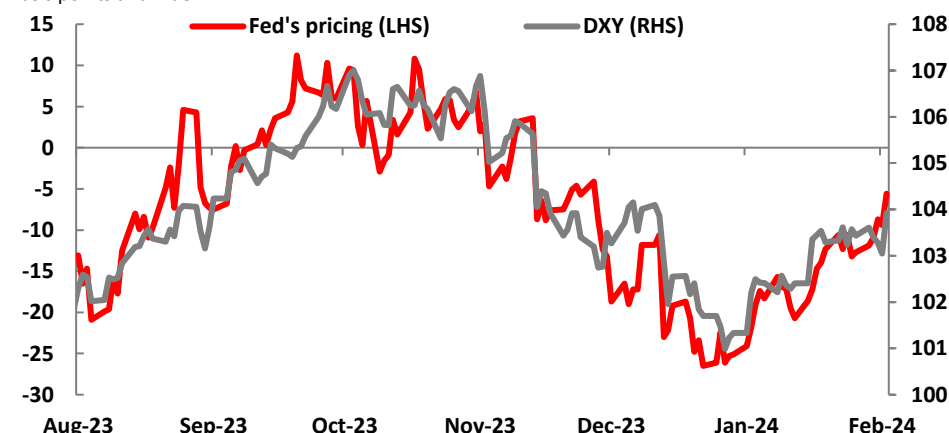Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com

Isaías Rodríguez Sobrino
Strategist, Fixed Income, FX, and Commodities
isaias.rodriguez.sobrino@banorte.com

www.banorte.com/analisiseconomico
@analisis_fundam

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

Implied cuts for Fed's decision in March vs DXY
Basis points and index

Source: Bloomberg, Banorte

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Fixed-Income

- **The US and Mexican nominal yield curves flattened** – The Treasuries' curve closed the week with a 3bps sell-off at the short-end and a 14bps rally at the long-end, with the 10-year benchmark trading back above 4.00%. Mbonos followed these dynamics with the Nov'34 node closing at 9.28% (-5bps w/w)

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 20-year Mbono (Nov'42), the 10-year Udibono (Nov'31), and 2-, 5-, and 10-year Bondes F

- **Demand** – In the last four weeks, foreigners recorded higher holdings in Cetes by 7.0%, equivalent to 13.5% of the total amount outstanding. However, they reduce their exposure in Mbonos by 1.8%. Moreover, Pension funds' holdings in Udibonos increased 2.6%, equal to 55.5% of the total. Meanwhile, Mutual funds increased marginally their exposure to Bondes F by 0.2%, remaining as the main holders with 54.2% of the total

- **Technicals** – The 2s30s spread on Treasuries moved to -15bps after trading intermittently in positive territory for the first time in 16 months over the previous two weeks. Meanwhile, the 10-year spread between Mbonos and Treasuries rose to 526bps from 519bps last week, remaining above the 12-month average at 517bps

Foreign Exchange

- **The MXN outperformed its Latam peers** – The Mexican peso closed at 17.46 per dollar, equivalent to a 0.1% appreciation. The 1-month implied volatility collapsed to 9.8% (-0.4 vegas), levels not seen since July 2022, scoring two weeks with a downward trend

- **USD extended the gains of the previous weeks** – The DXY and BBDXY indices advanced 0.5% and 0.3% w/w, respectively, reaching highs since mid-December. The performance of G10 currencies was negative with NOK (-1.7%) as the weakest. In EM, the bias was mixed with Asian currencies leading the gains (+1.1%) contrary to the performance of Latam currencies, excluding the MXN. The CLP was the weakest (-2.6%) followed by BRL (-1.2%)

- **Market positioning in MXN** – As of January 30th, the MXN position registered a net long of US$ 2.38 billion from US$ 2.20 billion last week. In January, the positioning in MXN remained stable despite sessions of high volatility. In this sense, the Mexican peso closed the month with a loss of 1.4%, the smallest among their Latam peers that adjusted up to -5.4% (CLP)

- **Market positioning in USD** – The IMM USD net short position recorded few changes relative the previous week at US$ 4.85 billion. Going forward, it is very likely that we will observe a decrease in this volume following the further strengthening of the dollar since this figure has not yet incorporated the latest Fed's decision and Powell's comments

- **Flows** – Our EPFR aggregate recorded lower negative flows of US$ 1.3 billion from US$ 2.1 billion the previous week. Bond market outflows increased to US$ 816 million from US$ 336 million. Meanwhile, equities' sales decreased 74% to US$ 457 million, on the back of significant adjustments in Asia. In Mexico, a negative flow of US$ 36 million was recorded due to sales in both bonds and equities of US$ 16 million and US$ 20 million, respectively

- **Technicals** – The MXN traded between 17.04 and 17.29 per dollar, reducing for second consecutive week its trading range to 25 cents from 54 cents. The following relevant technical levels are: 17.00, 16.90, and 16.83 (resistances) and 17.30, 17.40, and 17.50 (supports)

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	0	1	-20	11.45	10.50	11.21
28-days[1]	11.30	-3	-3	-1	11.34	10.55	11.23
91-days[1]	11.41	-3	-3	-1	11.45	10.65	11.34
182-days[1]	11.58	-3	-4	-1	11.62	10.80	11.50
Cetes							
28-days	11.17	-12	-6	-8	11.49	10.45	11.14
91-days	11.30	3	-4	6	11.61	10.75	11.35
182-days	11.32	2	-6	-1	12.06	10.90	11.49
364-days	11.11	1	-7	-3	12.13	10.88	11.47
728-days	10.91	**11**	**-4**	**0**	12.14	10.50	11.15
Mbonos							
Sep´24	11.25	3	23	27	11.57	10.03	10.99
Dec'24	10.81	-11	-4	15	11.31	9.57	10.66
Mar'25	10.11	12	3	22	11.24	9.56	10.34
Mar'26	9.99	17	15	23	10.92	8.85	9.85
Sep'26	9.85	12	16	35	10.78	9.22	9.90
Mar'27	9.59	13	7	20	10.53	8.58	9.50
Jun'27	9.51	7	6	25	10.49	8.49	9.43
Mar'29	9.31	8	5	25	10.32	9.07	9.64
May'29	9.20	2	7	26	10.24	8.43	9.14
May'31	9.18	-8	4	24	10.26	8.45	9.13
May'33	9.26	-4	12	32	10.24	8.52	9.13
Nov'34	9.28	-5	14	33	10.21	8.49	9.11
Nov'36	9.26	-4	16	34	10.20	8.53	9.11
Nov'38	9.33	-3	14	29	10.25	8.66	9.23
Nov'42	9.37	-3	15	30	10.25	8.71	9.26
Nov'47	9.33	-7	11	25	10.17	8.69	9.22
Jul'53	9.37	-5	14	30	10.17	8.66	9.23
TIIE-IRS							
3-month (3x1)	11.45	4	-3	-1	11.62	10.99	11.50
6-month (6x1)	11.34	11	3	6	11.78	11.10	11.48
9-month (9x1)	11.15	10	1	6	11.92	11.02	11.38
1-year (13x1)	10.84	11	-3	6	11.91	10.65	11.14
2-year (26x1)	9.85	11	-2	15	10.90	9.49	10.07
3-year (39x1)	9.28	9	1	20	10.31	8.72	9.39
4-year (52x1)	8.96	7	2	24	10.02	8.30	9.03
5-year (65x1)	8.80	6	4	24	9.87	8.10	8.84
7-year (91x1)	8.70	2	5	25	9.78	7.98	8.71
10-year (130x1)	8.72	-2	5	26	9.78	7.97	8.70
20-year (3x1)	8.77	-2	7	27	9.85	8.05	8.78
30-year (390x1)	8.72	-2	7	28	9.84	8.07	8.78
Udibonos							
Dec'25	6.11	1	8	13	6.45	4.46	5.67
Dec'26	5.76	1	9	14	6.42	4.36	5.44
Nov'28	4.63	0	-1	16	5.62	4.02	4.69
Nov'31	4.69	5	0	22	5.39	3.94	4.58
Nov'35	4.47	1	-3	9	5.06	3.96	4.45
Nov'40	4.53	-1	10	21	5.04	3.96	4.48
Nov'43	4.52	-3	9	19	5.06	4.30	4.60
Nov'46	4.44	-4	10	28	5.04	3.91	4.46
Nov'50	4.47	-4	10	25	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 Feb/02/2024	Weekly change (bps)	YTD (bps)	YTM Feb/02/2024	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	4.83	+16	+35	4.37	+2	-6	46	+14	19	27
3Y	Mar'27	4.69	+6	-11	4.14	0	-8	54	+6	31	44
5Y	May'29	5.13	-3	+34	3.99	-5	-2	114	+2	100	88
7Y	Apr'30	5.27	-4	-7	4.01	-9	+4	126	+5	128	127
10Y	May'33	5.57	-6	+1	4.02	-11	+15	154	+5	166	160
20Y	Mar'44	6.15	-13	-22	4.33	-15	+19	182	+2	194	--
30Y	May'54	6.40	-10	+1	4.22	-15	+26	217	+5	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 12M Cetes, the 20-year Mbono (Nov'42), the 10-year Udibono (Nov'31), and 2-, 5-, and 10-year Bondes F

- **Robust demand for Cetes ahead of Banxico's decision.** This auction will take place on the eve of Banxico's meeting, with investors closely monitoring the statement for clues about the interest rate trajectory. In our view, the first cut will be in March to 11.00% (-25bps), ending the year at 9.25% (-200bps). In this context, still expect investors to increase their exposure to Cetes on the back of their attractive real rates. Holdings of these securities by foreign investors and Afores have risen by 6.5% and 8.5%, respectively, year-to-date (as of January 23rd). It is worth noting together they hold around 30% of the total amount outstanding. For the 20-year Mbono, we expect good demand, although probably lower vs last issuance at 3.69x, a record in the last two years. Levels are attractive for long-term portfolio investors; however, we acknowledge ongoing risks of additional pressures. For example, in today's session, longer-term securities sold-off up to 20bps after the strong U.S. employment report. Therefore, we prefer to wait for better entry levels for directional positions. For the 10-year Udibono, we anticipate moderate appetite at 2.00x, in line with the last five auctions. The inflation breakeven for this term is at 4.37%

Auction specifics (February 6th, 2024)

| Security	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	Mar-07-24	--	10,000	11.15
3m	May-09-24	--	10,000	11.29
6m	Aug-08-24	--	11,100	11.31
12m	Feb-06-25	--	18,500	10.71
Bondes F				
2Y	Jan-15-26	--	8,000	0.17
5Y	Jan-27-28	--	2,200	0.21
10Y	Oct-21-32	--	850	0.29
Bono M				
20Y	Nov-13-42	7.75	6,000	9.14
Udibono				
10Y	Nov-27-31	2.75	UDIS 1,200	4.64

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
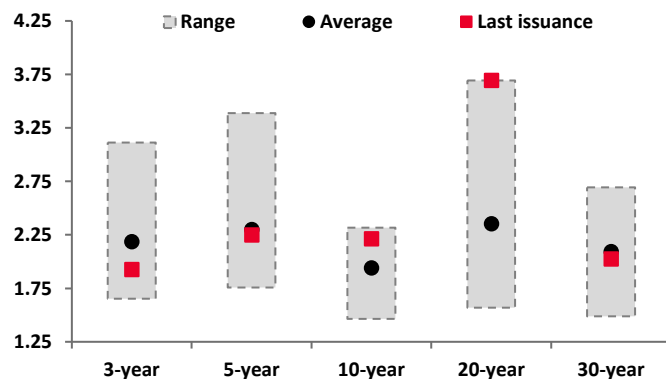
1Q24 Government Securities Auction Calendar*

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
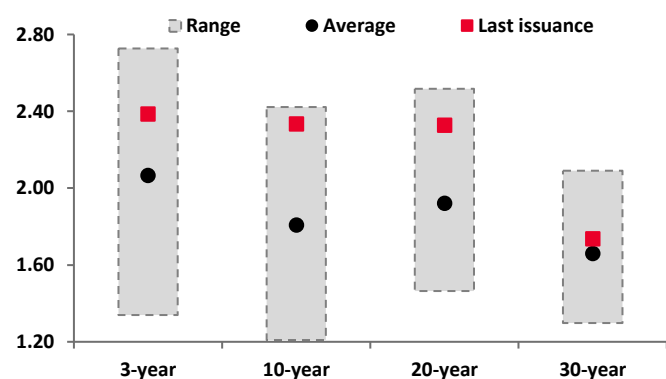
Source: Bloomberg, Banorte

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Fixed–Income Demand

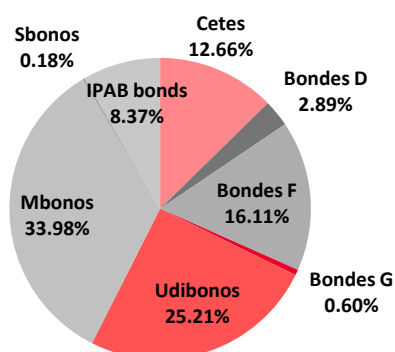**Government and IPAB securities holdings by type of investor**
US$ billion, *UDIS million, data as of Jan/23/2024

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	91.31	12.29	13.94	12.01	4.58	8.84	3.20	3.11	-	33.34
Bondes D	20.83	0.66	0.85	7.37	0.46	3.79	1.39	0.18	-	6.14
Bondes F	116.21	0.02	5.30	63.04	1.91	11.16	4.52	0.48	-	29.77
Bondes G	4.33	-	0.05	2.46	0.33	-	0.94	-	-	0.55
Udibonos	181.80	8.68	100.90	7.71	34.59	2.29	0.94	0.18	-	26.51
Mbonos	245.11	79.52	59.29	5.96	6.90	29.54	18.83	1.21	0.87	43.00
Sbonos	1.33	0.59	0.40	0.01	0.03	0.04	-	0.01	-	0.24
Total	660.93	101.76	180.72	98.56	48.82	55.67	29.81	5.17	0.87	139.55
Udibonos*	391,332.74	18,679.28	217,185.75	16,604.71	74,461.18	4,934.23	2,018.70	383.24	-	57,065.66
IPAB bonds	60.35	0.04	0.55	19.63	0.19	8.88	7.15	2.51	-	21.39

Source: Banxico, Banorte

Government issuance by type of instrument
Total amount of US$ 721 billion (including IPAB bonds), % of total

- Sbonos 0.18%
- Cetes 12.66%
- IPAB bonds 8.37%
- Bondes D 2.89%
- Bondes F 16.11%
- Bondes G 0.60%
- Udibonos 25.21%
- Mbonos 33.98%

Source: Banxico, Banorte

Mbonos holdings by type of investor
Total amount of US$ 721 billion (including IPAB bonds), % of total

- Foreign investors 14%
- Others 29%
- Pension funds 25%
- Mutual funds 16%
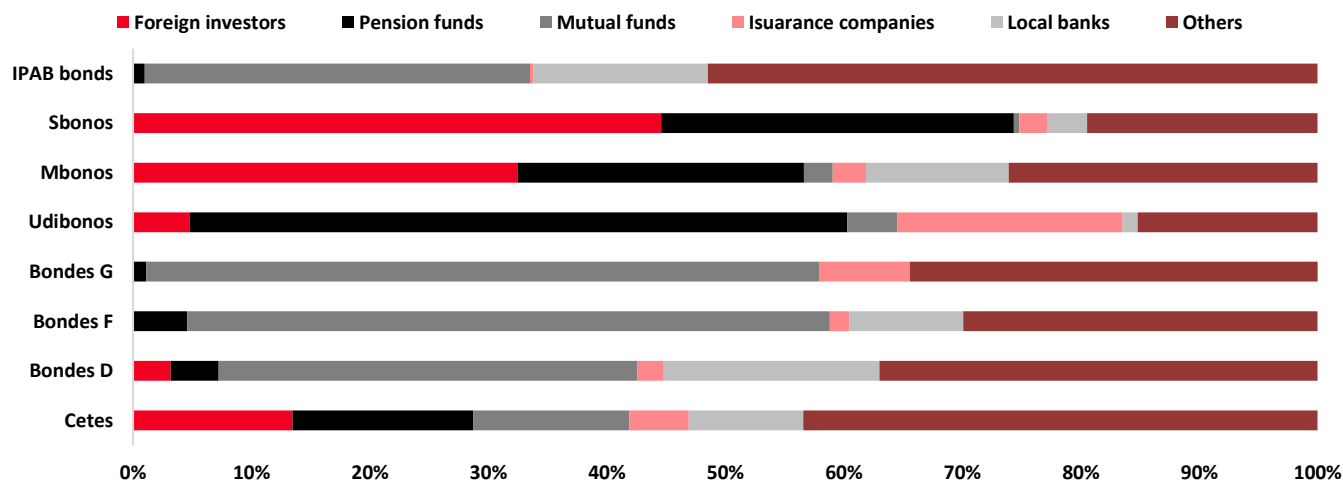- Insurance companies 7%
- Banks 9%
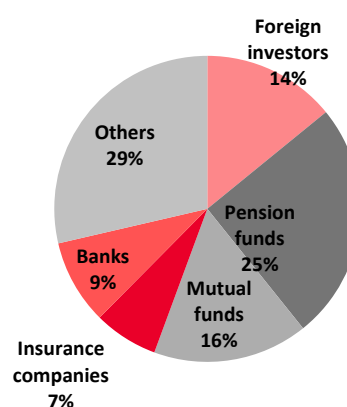
Source: Banxico, Banorte
Note: "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

Government securities holdings by type of investor
Total amount of US$ 721 billion (including IPAB bonds), % of total

Legend: Foreign investors, Pension funds, Mutual funds, Isuarance companies, Local banks, Others
Categories: IPAB bonds, Sbonos, Mbonos, Udibonos, Bondes G, Bondes F, Bondes D, Cetes

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

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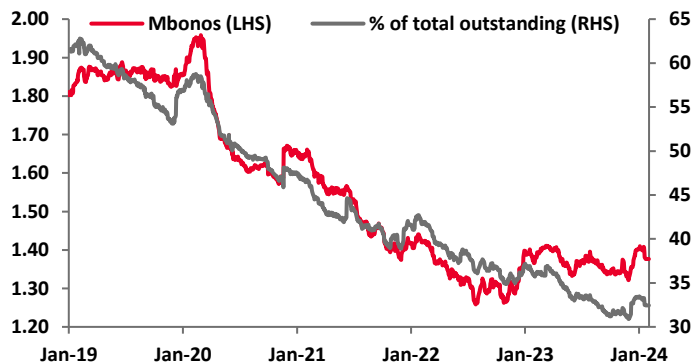# Fixed–Income Demand (continued)

Cetes held by foreigners
MXN billion, %
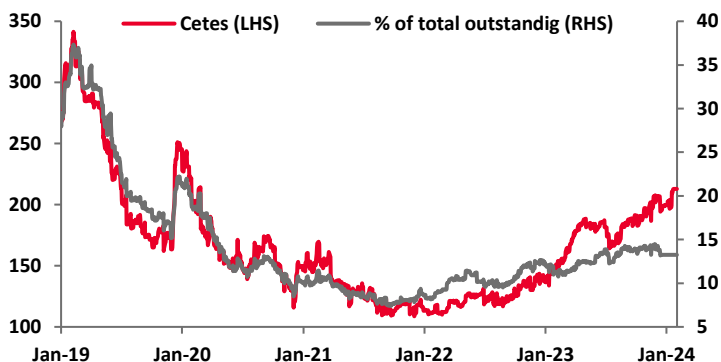
Source: Banxico, Banorte

Mbonos held by foreigners
MXN trillion, %

Source: Banxico, Banorte

Holdings of main investors by type of security
Data as of Jan/23/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	6.98	6.56	11.22	8.48	-2.27	-1.17
Bondes F	61.95	160.94	-26.51	-25.39	0.20	0.12
Udibonos	1.16	0.04	2.45	2.47	8.13	7.74
Mbonos	-1.78	-1.79	2.60	1.71	6.49	-8.28

Source: Banxico, Banorte

Government securities issuance
USD Billions

Fuente: Banxico, Banorte

Mbonos holdings by type of investor
US$ billions and %, data as Jan/18/2024

Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	15.8	23%	14%	12%	51%
Dec'24	13.0	26%	19%	8%	47%
Mar'25	8.8	34%	15%	17%	34%
Mar'26	26.3	32%	28%	14%	27%
Sep'26	8.7	40%	22%	12%	27%
Mar'27	21.1	31%	20%	12%	37%
Jun'27	20.5	14%	33%	29%	24%
Mar'29	5.6	27%	34%	20%	19%
May'29	16.0	4%	51%	22%	23%
May'31	24.7	5%	46%	34%	16%
May'33	16.0	7%	43%	29%	21%
Nov'34	5.7	1%	53%	33%	14%
Nov'36	4.3	1%	26%	44%	29%
Nov'38	12.5	1%	41%	42%	15%
Nov'42	18.8	1%	39%	45%	14%
Nov'47	15.2	0%	37%	45%	18%
Jul'53	12.4	1%	36%	44%	19%
Total	233.0	15%	33%	27%	26%

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
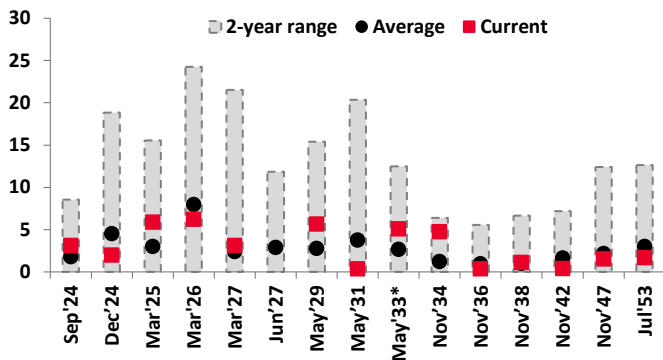
Fixed–Income Demand – Primary dealers

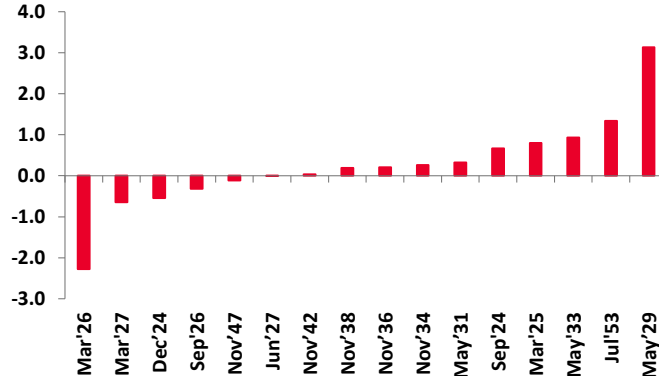**Market makers' short positions on Mbonos**
MXN billion

Source: Banxico, Banorte *May'33 issued in December 2022

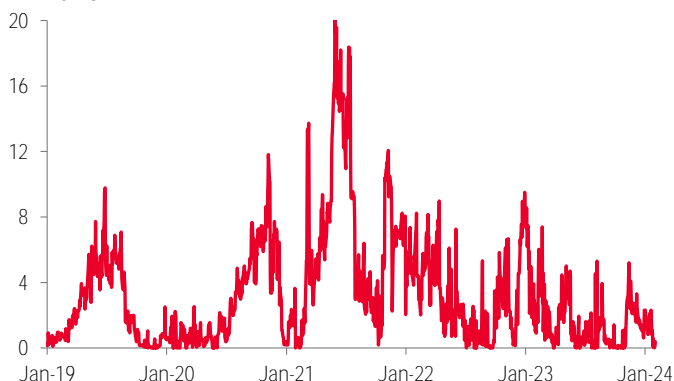**Weekly change in market makers' short positions on Mbonos**
MXN billion

Source: Banxico, Banorte

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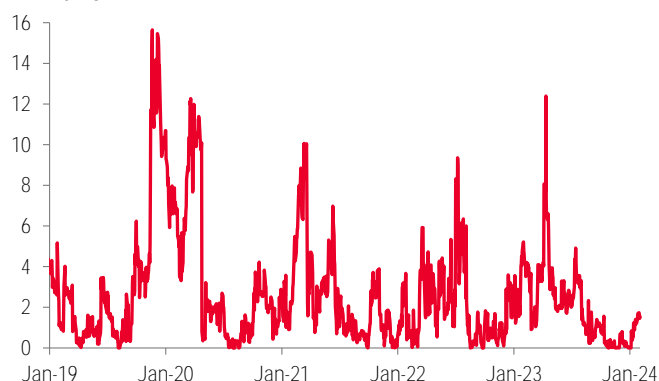MXN billion

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 Feb/01/2024	Feb/01/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	15,966	183	144	149	153	247	0
Dec'24	13,343	118	150	70	144	348	8
Mar'25	8,909	345	299	298	9	780	110
Mar'26	26,241	366	499	525	482	1,283	211
Sep'26	10,088	413	431	157	0	1,264	0
Mar'27	21,431	184	222	142	16	702	8
Jun'27	20,601	0	0	0	88	637	0
Mar'29	5,535	96	60	0	0	422	0
May'29	16,909	331	148	416	170	902	148
May'31	24,826	23	4	111	156	311	0
May'33	16,376	299	245	308	270	731	1
Nov'34	7,142	279	263	243	71	374	0
Nov'36	4,308	22	10	40	69	83	0
Nov'38	12,554	66	55	124	5	300	0
Nov'42	18,853	24	22	55	29	221	0
Nov'47	15,306	91	98	0	247	137	0
Jul'53	12,598	99	21	84	115	627	2
Total	**250,987**	**2,841**	**2,650**	**2,640**	**1,909**		

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Fixed–Income Technicals

Spread between Cetes and Implied Forward Rates
Basis points

Tenor	Actual Feb/02/2024	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

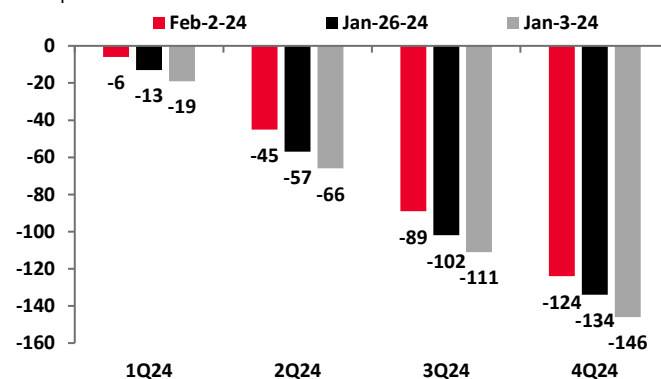**Cumulative implied moves in Banxico's repo rate**
Basis points
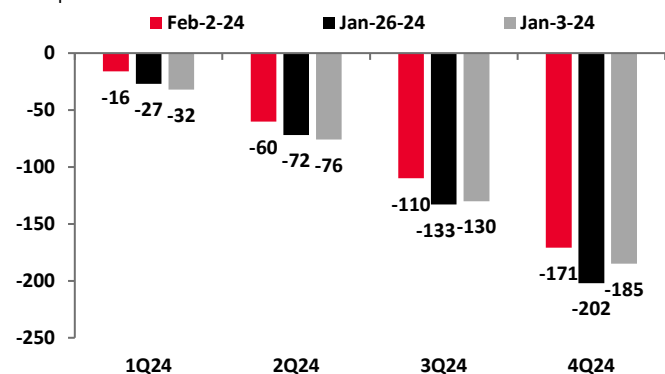
Source: Bloomberg, Banorte

Cumulative implied moves in Fed funds
Basis points

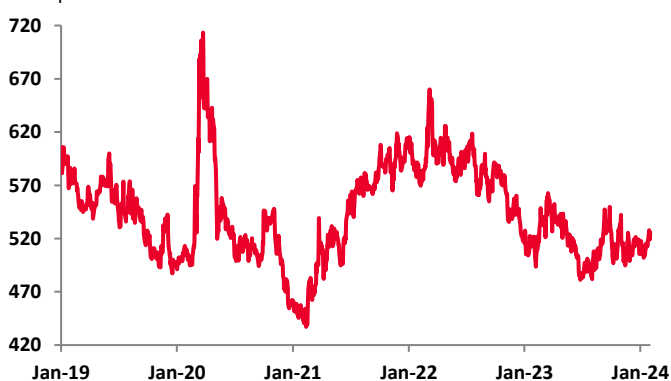Source: Bloomberg, Banorte

Spreads between Mbonos and UST
Basis ponts

Spread	Actual	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
2 year	562	15	17	11	672	497	569
5 year	533	13	8	11	597	489	536
10 year	526	7	16	20	563	481	517
20 year	504	12	17	15	548	464	499
30 year	514	10	12	10	562	477	514

Source: Bloomberg, PiP, Banorte
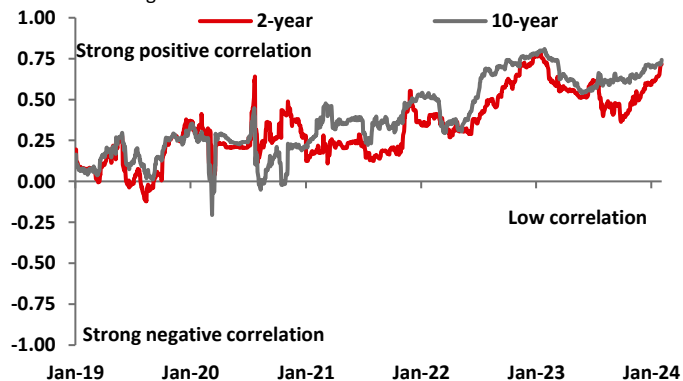
10-year Mbono and 10-year UST spread
Basis points

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	-67	-9	-10	2	-31	-134	-87
2/10	-71	-22	-2	12	-40	-197	-116
2/30	-62	-22	-2	7	-25	-192	-106
5/10	-3	-13	8	10	8	-78	-29
10/30	9	0	0	-5	35	-15	10
TIIE IRS							
3m/2Y	-160	6	1	16	-56	-203	-144
2/5	-105	-5	6	9	-90	-162	-123
2/10	-114	-13	7	11	-97	-198	-137
2/30	-113	-13	9	13	-88	-178	-129
5/10	-9	-8	1	2	-1	-46	-14
10/30	1	0	1	2	23	-4	8
TIIE IRS – Mbonos							
2 year	-14	-6	-17	-8	25	-57	-22
5 year	-51	-1	-1	0	-32	-100	-61
10 year	-57	3	-8	-8	-17	-68	-48
20 year	-60	1	-8	-3	-8	-75	-52
30 year	-65	3	-7	-2	-4	-78	-50
TIIE IRS – SOFR							
2 year	561	8	-4	-2	637	485	554
5 year	507	11	2	4	546	432	498
10 year	505	10	5	7	545	442	500
20 year	509	12	6	7	571	467	512
30 year	521	13	5	8	599	487	532

Source: Bloomberg, PiP, Banorte

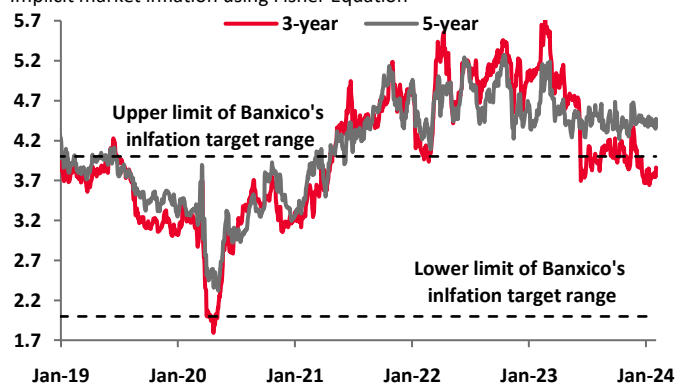**Breakeven inflation using Mbonos & Udibonos**
Implicit market inflation using Fisher Equation (%)

Date	Feb/06/2024	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.86	3.76 (+10bps)	3.8 (+6bps)	5.17 (-131bps)	5.74	3.64	4.33
5Y	4.47	4.4 (+7bps)	4.41 (+6bps)	4.67 (-20bps)	5.19	4.22	4.52
10Y	4.37	4.46 (-9bps)	4.26 (+11bps)	4.41 (-4bps)	4.85	4.04	4.36
20Y	4.65	4.65 (0bps)	4.59 (+6bps)	4.57 (+8bps)	5.08	4.15	4.57
30Y	4.69	4.69 (0bps)	4.66 (+3bps)	4.57 (+12bps)	5.01	4.15	4.56

Source: PiP, Banorte

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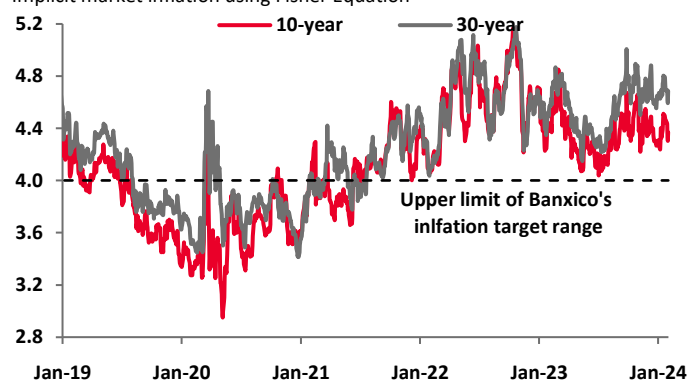Implicit market inflation using Fisher Equation

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

Source: PiP, Banorte

Source: PiP, Banorte

FX dynamics

Foreign Exchange market levels and historical return

		Close at Feb/02/2024	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.97	-1.2	-1.2	-1.0	-2.3
Chile	USD/CLP	947.55	-1.6	-2.6	-7.1	-7.2
Colombia	USD/COP	3,935.80	-1.2	-0.6	-0.4	-2.1
Peru	USD/PEN	3.83	-0.5	-1.0	-2.7	-3.3
Hungary	USD/HUF	356.04	-1.1	0.3	-2.2	-2.5
Malaysia	USD/MYR	4.72	0.3	0.3	-1.8	-2.6
Mexico	**USD/MXN**	**17.14**	**-0.4**	**0.1**	**-0.7**	**-1.0**
Poland	USD/PLN	4.00	-0.8	0.6	-0.4	-1.6
Russia	USD/RUB	90.74	-0.4	-1.0	1.0	-1.4
South Africa	USD/ZAR	18.90	-1.6	-0.6	-1.0	-2.8
Developed Markets						
Canada	USD/CAD	1.35	-0.6	-0.1	-0.8	-1.6
Great Britain	GBP/USD	1.26	-0.9	-0.6	-0.3	-0.8
Japan	USD/JPY	148.38	-1.3	-0.2	-3.4	-4.9
Eurozone	EUR/USD	1.0788	-0.8	-0.6	-1.2	-2.3
Norway	USD/NOK	10.60	-1.6	-1.7	-2.5	-4.1
Denmark	USD/DKK	6.91	-0.8	-0.6	-1.2	-2.3
Switzerland	USD/CHF	0.87	-1.0	-0.3	-2.0	-2.9
New Zealand	NZD/USD	0.61	-1.3	-0.4	-2.9	-4.0
Sweden	USD/SEK	10.50	-1.1	-0.5	-2.0	-4.1
Australia	AUD/USD	0.65	-0.9	-1.0	-3.3	-4.4

Source: Bloomberg, Banorte
1. Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.
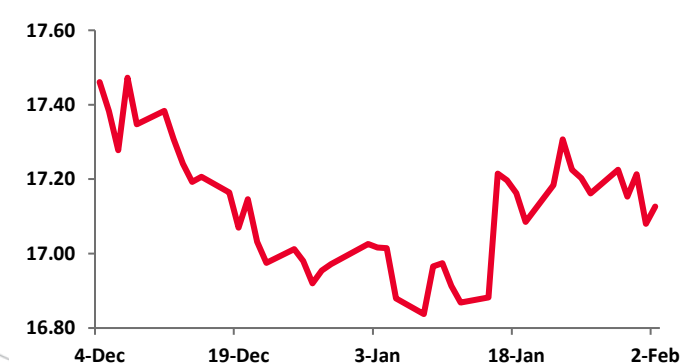
FX performance
Against USD, %

Source: Bloomberg, Banorte

Performance of selected currencies
%, annualized rate based in 3M forwards
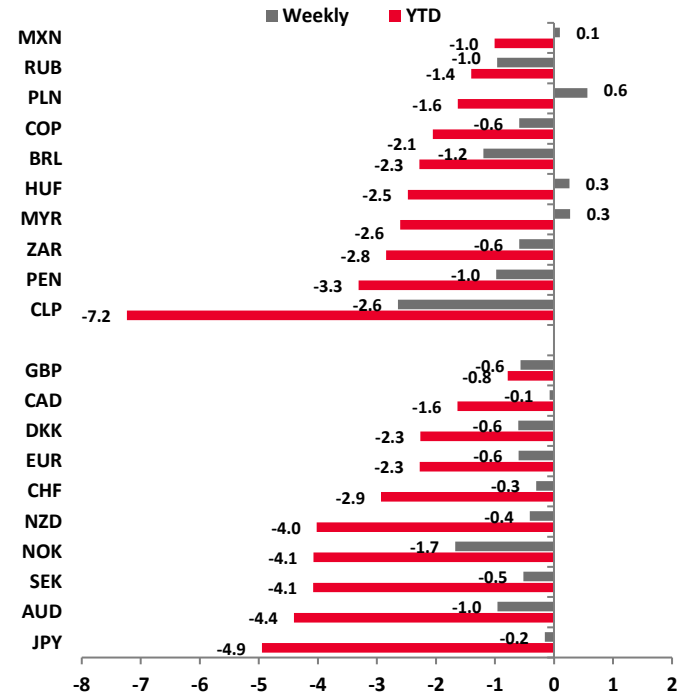
Source: Bloomberg, Banorte
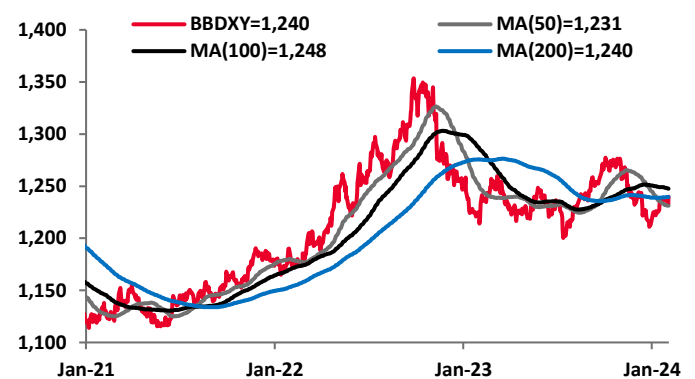
BBDXY
Points

Source: Bloomberg, Banorte
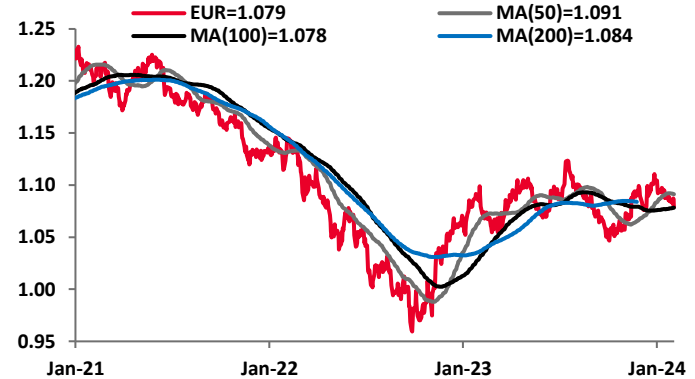
USD/MXN
Last 60 days

Source: Bloomberg, Banorte
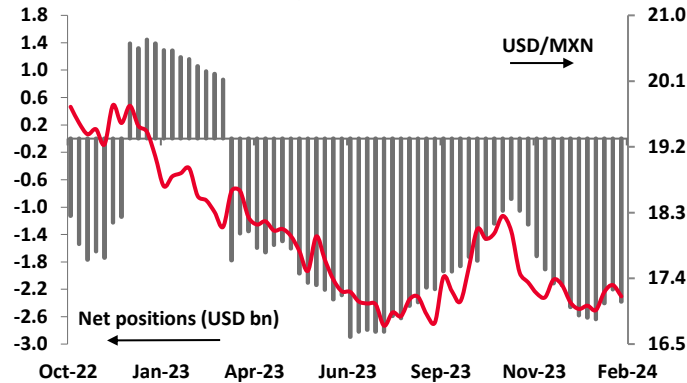
Euro
Dólar per euro

Source: Bloomberg, Banorte

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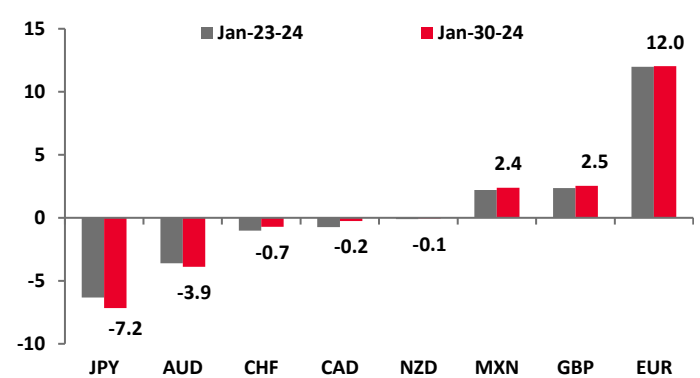
IMM positioning in USD/MXN futures
Billion dollars, Negative = net long in MXN

USD/MXN →

← Net positions (USD bn)

IMM positioning by currency*
Billion dollars

■ Jan-23-24   ■ Jan-30-24

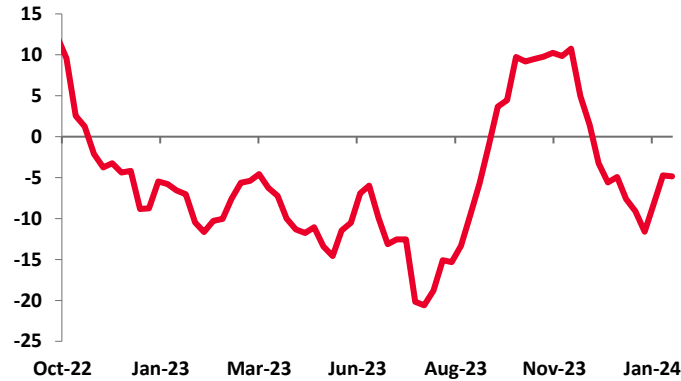| JPY	AUD	CHF	CAD	NZD	MXN	GBP	EUR
-7.2	-3.9	-0.7	-0.2	-0.1	2.4	2.5	12.0

* Positive: Net long in the corresponding currency

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

*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF

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

■ Jan-24-24   ■ Jan-31-24

Region	Jan-24-24	Jan-31-24
ME and Africa	0	230
EM Europe	12	178
EM Asia	13,921	7,924
Latam	3	172
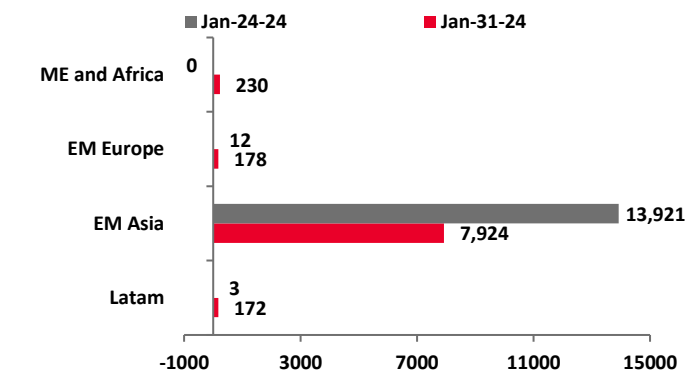
Foreign portfolio flows into Mexico (excluding ETF's investments)
Accumulated during the last 12M, million dollars

— Fixed Income (LHS)   — Equities (RHS)
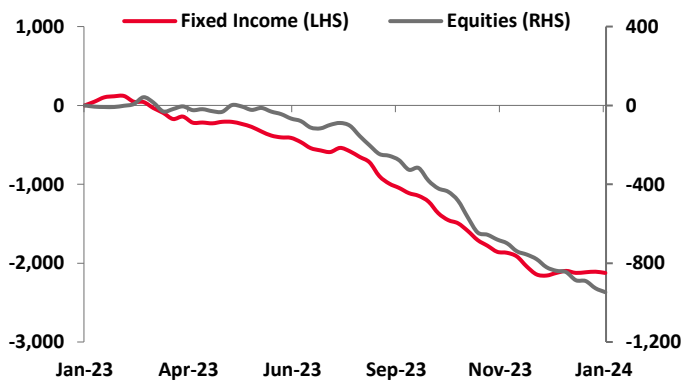
Net foreign portfolio flows by region (excluding ETF's investments)
Weekly, million dollars

■ Jan-24-24   ■ Jan-31-24

Region	Jan-24-24	Jan-31-24
ME and Africa	-72	-231
EM Europe	30	-52
EM Asia	-1,940	-790
Latam	-127	-199
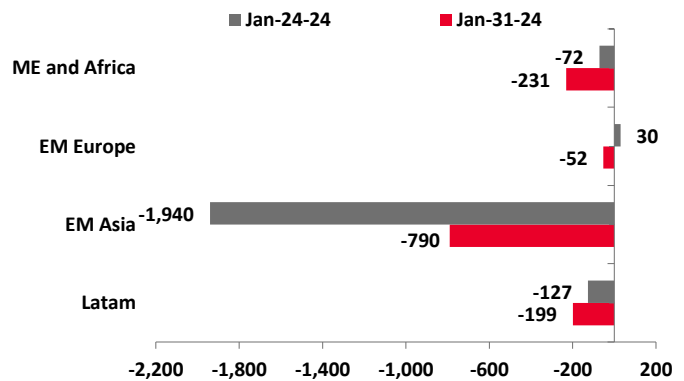
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FX technicals

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

Legend: USD/MXN= 17.14 | MA (50)= 17.13 | MA (100)= 17.41 | MA (200)= 17.33

Fibonacci levels: 19.29, 18.66, 18.27, 17.96, 17.64, 17.25, 16.63
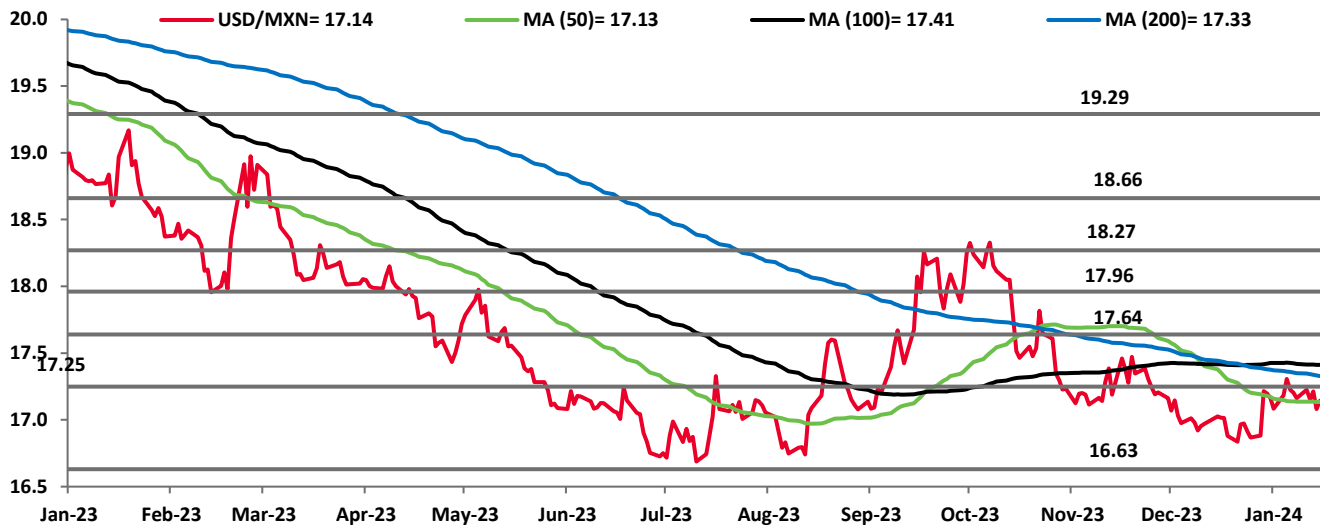
Source: Bloomberg, Banorte

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	68	59	24	68	46
CAD	48	41	12	64	38
ZAR	52	50	2	87	56
BRL	69	66	38	82	67
HUF	59	60	40	70	57
RUB	8	8	-23	53	7
VIX	34	28	14	74	44
SPX	31	42	16	68	43
GSCI	4	7	-27	25	1
Oro	40	46	-28	53	27

* 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
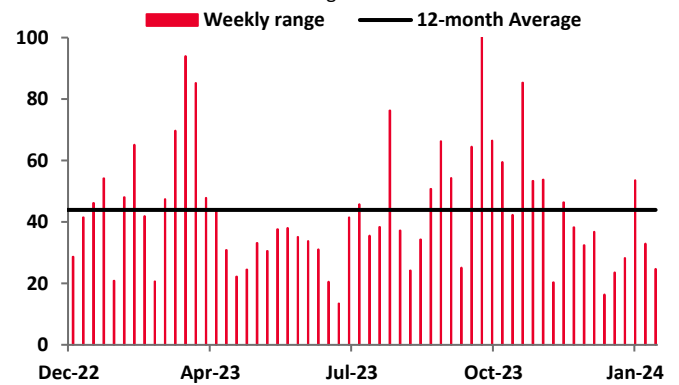
Source: Bloomberg, Banorte

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

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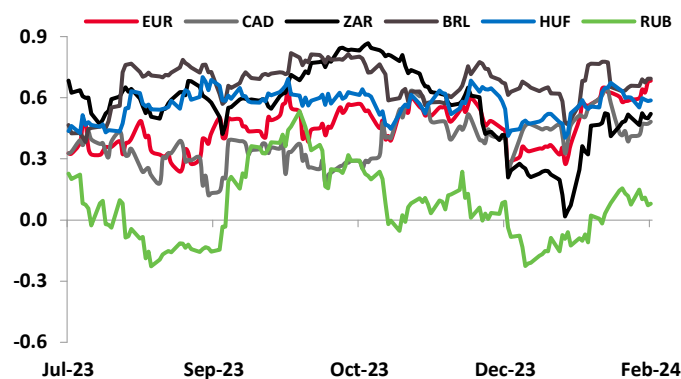
* Positive: appreciation of MXN and corresponding currency
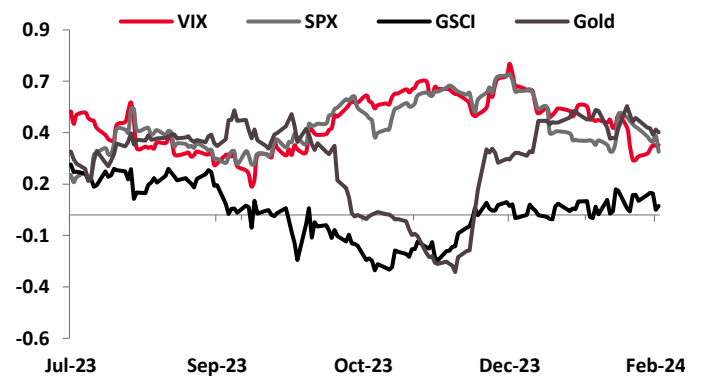Source: Bloomberg, Banorte

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

%

Today ■ 1 week ■ 2 weeks ■ 3 weeks ■

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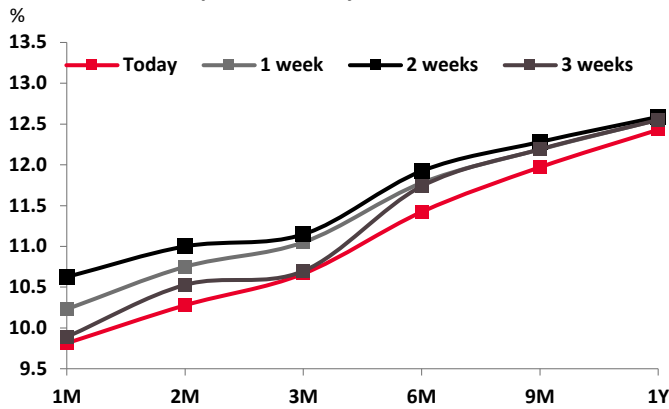
USD/MXN – 1M implied and historical volatility

%

Implied — Historic —

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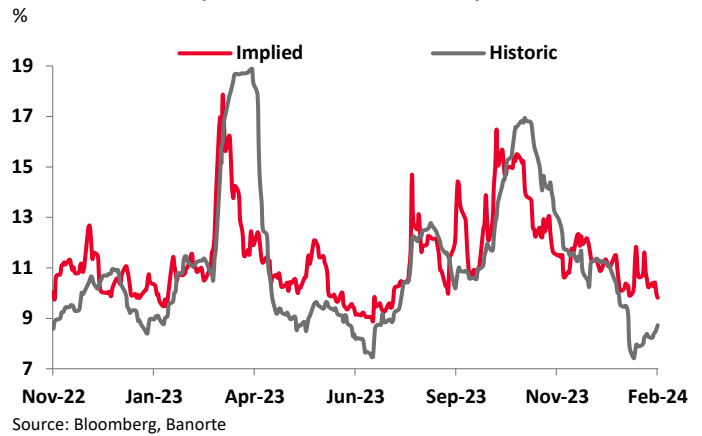
USD/MXN – Spread between implicit and historical volatility

Bps

1M — 3M —

Source: Bloomberg, Banorte
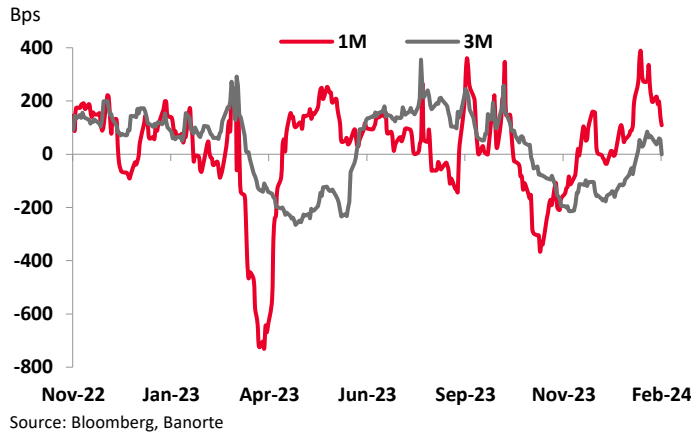
Emerging markets one-month ATM options volatility

Against USD, in standard deviations relative to last year's average

CLP	0.43
MXN	0.16
ZAR	-0.15
PLN	-0.38
TRY	-0.91
MYR	-0.96
HUF	-1.40
COP	-1.44
BRL	-1.80
RUB	-2.50
KRW	-3.43

Cheap   Expensive

Source: Bloomberg, Banorte
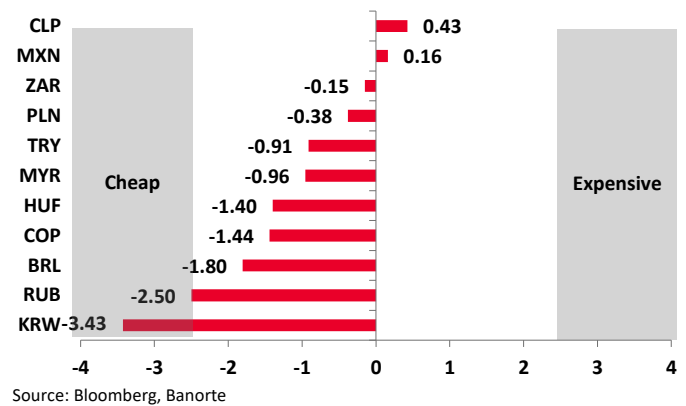
USD/MXN – 1-month and 3-month 25D risk reversals

Last 24 months, difference between USD calls and puts, in vols

1M — 3M —

Source: Bloomberg, Banorte
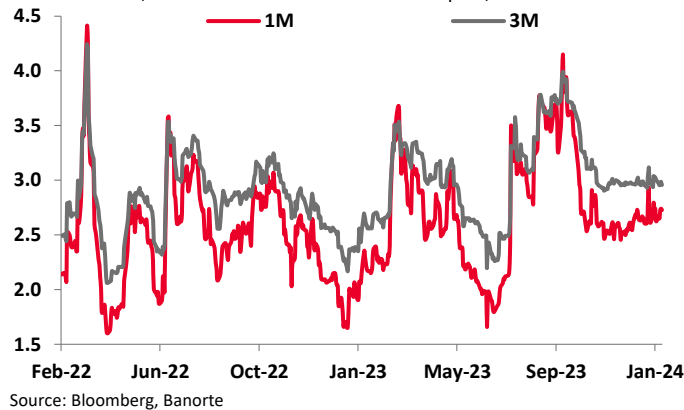
USD/MXN – 1-month 25D volatility-adjusted risk reversal

Last 12 months, ratio adjusted against one-month implied volatility

Risk Reversal — 1Y average —
+1 st. dev. - - - -1 st. dev. - - -

USDMXN call > USDMXN put

Source: Bloomberg, Banorte
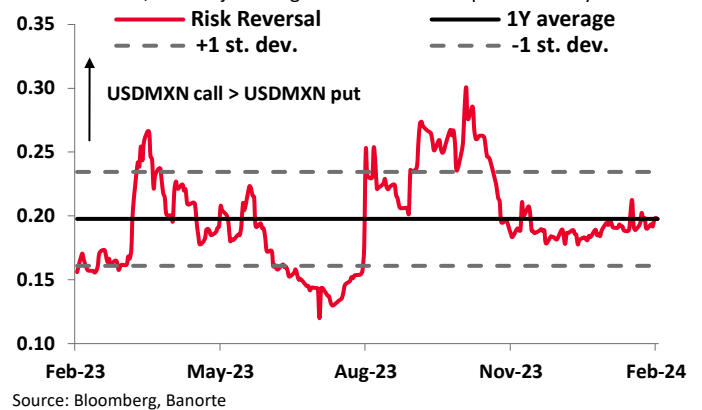
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Weekly economic calendar

For the week ending February 9th, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 4	20:45	CHI	Services PMI (Caixin)*	Jan	index	--	53.0	52.9
	20:45	CHI	Composite PMI (Caixin)*	Jan	index	--	--	52.6
Mon 5		MX	Markets closed in celebration of the Day of the Constitution					
	02:00	GER	Trade balance	Dec	EURbn	--	18.7	20.8
	03:55	GER	Services PMI*	Jan (F)	index	--	47.6	47.6
	03:55	GER	Composite PMI*	Jan (F)	index	--	47.1	47.1
	04:00	EZ	Services PMI*	Jan (F)	index	--	48.4	48.4
	04:00	EZ	Composite PMI*	Jan (F)	index	--	47.9	47.9
	04:30	UK	Services PMI*	Jan (F)	index	--	53.8	53.8
	09:45	US	Services PMI*	Jan (F)	index	52.9	52.9	52.9
	09:45	US	Composite PMI*	Jan (F)	index	--	52.4	52.3
	10:00	US	ISM services*	Jan	index	52.0	52.0	50.5
	14:00	US	Fed´s Bostic Gives Welcoming Remarks					
	14:00	US	Senior Loan Officer Opinion Survey on Bank Lending Practices					
Tue 6	05:00	EZ	Retail sales*	Dec	% m/m	--	-0.1	-0.3
	06:00	BZ	COPOM minutes					
	12:00	US	Fed´s Mester Speaks on Economic Outlook					
	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 20-year Mbono (Nov'42), 10-year Udibono (Nov'31) and 2-, 5-, and 10-year Bondes F					
	13:00	US	Fed's Kashkari Participates in Moderated Discussion					
	14:00	US	Fed's Collins Delivers Opening Remarks at Labor Market Conference					
	15:30	MX	Survey of expectations (Citibanamex)					
	19:00	US	Fed´s Harker Speaks on on Fed´s Role in Economy					
Wed 7	02:00	GER	Industrial production*	Dec	% m/m	--	-0.5	-0.7
	07:00	BZ	Retail sales	Dec	% y/y	--	2.5	2.2
	07:00	BZ	Retail sales*	Dec	% m/m	--	-0.3	0.1
	07:00	MX	Consumer confidence*	Jan	index	47.0	--	46.8
	08:30	US	Trade balance*	Dec	US$bn	--	-62.2	-63.2
	10:00	MX	International reserves	Feb 2	US$bn	--	--	212.9
	11:00	US	Fed´s Kugler Speaks at Brookings Event					
	11:30	US	Fed's Collins Speaks at Boston Economic Club					
	12:30	US	Fed´s Barkin Speaks on Outlook, Regional Economy					
	15:00	US	Consumer credit*	Dec	USDbn	--	15.8	23.8
	20:30	CHI	Consumer Prices	Jan	% y/y	--	-0.5	-0.3
Thu 8	07:00	BZ	Consumer prices	Jan	% m/m	--	0.34	0.56
	07:00	BZ	Consumer prices	Jan	% y/y	--	4.42	4.62
	07:00	MX	Consumer prices	Jan	% m/m	0.93	0.90	0.71
	07:00	MX	Core	Jan	% m/m	0.38	0.36	0.44
	07:00	MX	Consumer prices	Jan	% y/y	4.92	4.89	4.66
	07:00	MX	Core	Jan	% y/y	4.73	4.72	5.09
	08:30	US	Initial jobless claims*	Feb 3	thousands	215	220	224
	14:00	MX	Monetary policy decision (Banxico)	Feb 8	%	11.25	11.25	11.25
	18:00	PER	Monetary policy decision (BCRP)	Feb 8	%	--	6.25	6.50
Fri 9	02:00	GER	Consumer prices	Jan (F)	% y/y	--	2.9	2.9
	07:00	MX	Industrial production	Dec	% y/y	1.2	1.0	2.8
	07:00	MX	Industrial production*	Dec	% m/m	-0.1	-0.5	-1.0
	07:00	MX	Manufacturing output	Dec	% y/y	-1.8	--	-0.3
		MX	Wage negotiations	Dec	%	--	--	9.0

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

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.
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Directory
Research and Strategy

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043

Raquel Vázquez Godinez
Assistant
raquel.vazquez@banorte.com
(55) 1670 – 2967

Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251

Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611

María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046

Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957

Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821

Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000

Luis Leopoldo López Salinas
Economist, Global
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707

Market Strategy

Santiago Leal Singer
Director of Market Strategy
santiago.leal@banorte.com
(55) 1670 - 1751

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719

Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800

José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249

Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com
(55) 1670 - 2250

Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698

Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144

Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248

Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000

Quantitative Analysis

Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972

José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608

Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220

José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000

Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124

Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000

Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000

BANORTE