

Fixed-Income & FX Strategy

W e e k l y

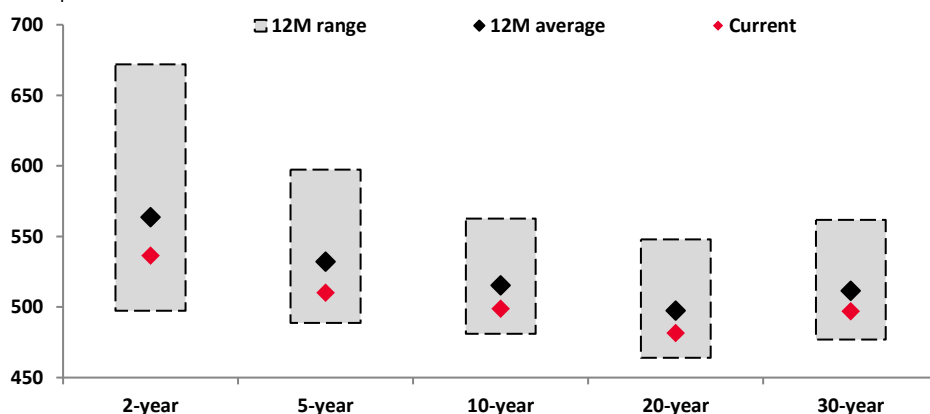
March 1, 2024

Fixed-Income and FX Weekly

- Attention on Fed members' interventions, including Powell's; US employment figures, as well as inflation in Mexico.** This week, sovereign bonds traded within tighter ranges and lower volatility relative to previous weeks, reflecting greater consensus regarding central banks' near-term path. It's also worth noting that the latest economic activity and inflation data released in the US mostly came in line with expectations, and recent Fed speakers reaffirmed the view that there will likely be rate cuts this year; however, these may take longer than anticipated. Locally, the Banxico's Quarterly Report reaffirmed the less hawkish tone expressed in most recent communications. In terms of strategy, we remain on the lookout for better opportunities for directional positions in nominal rates, given the differentiation between US and Mexican rates that we have begun to see more clearly since February. Treasuries sold-off up to 41bps, while Mbonos averaged an adjustment of only +5bps m/m. Although correlations between both assets remain relatively strong, the latest from central banks confirms that there will be a decoupling between the monetary stances of these regions, at least in the very short term. On one hand, we expect Banxico to cut rates as early as this month, bringing the reference rate to 11.00%, after remaining at 11.25% during the last 12 months. On the other hand, we believe that the Fed's monetary policy inflection point will occur until June. Under this scenario, we acknowledge that levels could be attractive for long positions in longer-duration Mbonos; however, spreads vs Treasuries have compressed significantly for all tenors. For example, the 10-year spread is very close to 12-month lows of 491bps. Separately, and in anticipation of Thursday's local CPI report (Banorte: 0.23% 2s/2s), we maintain our recommendation for long positions in the 3-year Udibono (Dec'26), given that (1) the breakeven for this tenor is significantly below its 12-month average at 3.65%; (2) UDIS' carry for the remainder of 1Q24 is attractive; and (3) our inflation trajectory is higher than market expectations. In FX, while Banxico's rate cuts are imminent, we expect the peso to remain defensive due to its carry advantage, especially vis-à-vis other EM currencies. This situation has been compounded by the significant decline in implied volatility across the broad FX universe, further benefiting carry trade strategies. We suggest buying USD on dips for trading purposes
- Weekly ranges** – We expect that the 10-year Mbono (Nov'34) to trade between 9.05% and 9.30%, and MXN between 16.90 and 17.25 per dollar

Spread between Mbonos and Treasuries

Basis points



Source: PIP, Banorte



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Fixed-Income

- **Modest gains in sovereign bonds** – The Treasuries' curve recorded a slight steepening bias due to gains of 11bps at the short-end and minor changes at the long-end. On the contrary, the Mbonos' curve flattened as a result of few changes at the short- and mid-ends, while the long-end printed gains of 11bps
- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-months Cetes, the 10-year Mbono (Nov'34), 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 2.9%, equivalent to 13.1% of the total amount outstanding. However, they reduced their exposure in Mbonos by 0.9% (31.7% of the total). Moreover, Pension funds' holdings in Udibonos increased 5.7%, equal to 55.7% of the total. Meanwhile, Mutual funds increased their exposure to Bondes F by 2.0%, remaining as the main holders with 54.1% of the total
- **Technicals** – The 2s30s spread on Mbonos moved to -59bps from -54bps the previous week, while this reading for Treasuries stood at -21bps from -32bps. In addition, the 10-year spread between Mbonos and Treasuries closed February at 491bps from 525bps the previous month, well close 12-month lows of 481bps

Foreign Exchange

- **The MXN closed February as the strongest in EMFX** – The Mexican peso ended the week at 17.02 per dollar, equivalent to a gain of 0.6%. In addition, the MXN outperformed its EM peers during February by appreciating 0.9%, positioning itself as the strongest amid a mostly negative performance. As a result, it offset part of the previous month's losses of 1.4%. In addition, MXN's implied volatility continues to compress. The 1-month reading collapsed to 4-year lows at 7.5%, accumulating a drop of 4.1 vegas since the end of January
- **The USD extended the previous month's gains** – The DXY and BBDXY indices advanced 0.9% and 0.5%, in the same order in February, yet remained unchanged during the week. In the month, the negative bias predominated in developed currencies with CHF as the weakest (-2.6%). In EM, the dynamics were mixed, bounded by Latin American currencies. The CLP was the weakest (-3.9%) and the MXN was at the opposite extreme (+0.9%), followed by PEN (+0.8%)
- **Market positioning in MXN** – As of February 27th, the MXN CFTC position registered a net long of US\$ 2.74 billion from US\$ 2.81 billion last week, keeping a relatively stable volume of US\$ 2.5 billion during the month. Speculators kept their position in favor of the Mexican peso given its attractive carry and solid macroeconomic fundamentals
- **Market positioning in USD** – The IMM USD net long position rose to US\$ 2.97 billion from US\$ 1.43 billion the previous week. In line with our view, bets of further USD strengthening increased following a shift in expectations about the start of rate cuts by the Federal Reserve
- **Flows** – Our EPFR aggregate recorded bigger negative flows of US\$ 821 million from US\$ 576 million the previous week. Bonds inflows increased to US\$ 342 million from US\$ 63 million. These dynamics were diluted by equities' sales that jumped 82% to US\$ 1.2 billion, with the greater adjustment in Asia. In Mexico, a positive flow of US\$ 23 million was recorded due to bonds purchases of US\$ 53 million and equity sales of US\$ 30 million
- **Technicals** – During February, the MXN traded in a fairly limited range between 16.99 and 17.28 per dollar, reducing it even further in the last week between 16.99 and 17.14 per dollar. The following relevant technical levels are: 16.90, 16.83, and 16.78 (resistances) and 17.20, 17.28, and 17.40 (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	11.27	2	2	-18	11.45	10.92	11.24
28-days ¹	11.29	0	-1	-2	11.34	10.90	11.27
91-days ¹	11.40	0	-1	-2	11.45	11.01	11.39
182-days ¹	11.57	0	-1	-2	11.62	11.16	11.55
Cetes							
28-days	11.24	9	7	0	11.49	10.45	11.14
91-days	11.25	-6	-6	0	11.61	10.75	11.35
182-days	11.27	-1	-4	-6	12.06	10.90	11.49
364-days	10.47	-67	-64	-67	12.13	10.88	11.47
728-days	10.78	-2	-13	-13	12.14	10.50	11.15
Mbonos							
Sep'24	11.22	-1	-3	24	11.57	10.03	10.99
Dec'24	10.97	3	15	31	11.31	9.57	10.66
Mar'25	10.04	0	-7	14	11.24	9.56	10.34
Mar'26	9.90	-4	-9	14	10.92	8.85	9.85
Sep'26	9.73	0	-12	23	10.78	9.22	9.90
Mar'27	9.47	7	-12	9	10.53	8.58	9.50
Jun'27	9.49	5	-2	23	10.49	8.49	9.43
Mar'29	9.26	-2	-5	20	10.32	9.07	9.64
May'29	9.19	0	-1	25	10.24	8.43	9.14
May'31	9.18	-1	0	24	10.26	8.45	9.13
May'33	9.16	-3	-10	23	10.24	8.52	9.13
Nov'34	9.17	-1	-11	23	10.21	8.49	9.11
Nov'36	9.15	-3	-11	23	10.20	8.53	9.11
Nov'38	9.20	-11	-13	16	10.25	8.66	9.23
Nov'42	9.27	-12	-10	20	10.25	8.71	9.26
Nov'47	9.29	-10	-4	21	10.17	8.69	9.22
Jul'53	9.30	-10	-6	23	10.17	8.66	9.23
TIIE-IRS							
3-month (3x1)	11.37	-2	-8	-9	11.62	11.37	11.51
6-month (6x1)	11.22	-1	-13	-6	11.78	11.21	11.46
9-month (9x1)	11.01	-1	-14	-8	11.92	11.00	11.34
1-year (13x1)	10.73	-2	-12	-5	11.91	10.65	11.08
2-year (26x1)	9.73	-2	-12	3	10.90	9.49	10.01
3-year (39x1)	9.15	-1	-13	7	10.31	8.72	9.35
4-year (52x1)	8.86	-1	-11	13	10.02	8.30	9.00
5-year (65x1)	8.70	-1	-10	14	9.87	8.10	8.81
7-year (91x1)	8.62	-1	-8	17	9.78	7.98	8.70
10-year (130x1)	8.63	-3	-9	17	9.78	7.97	8.69
20-year (3x1)	8.68	-2	-9	18	9.85	8.05	8.77
30-year (390x1)	8.64	-4	-9	19	9.84	8.07	8.76
Udibonos							
Dec'25	6.83	11	72	85	6.45	4.46	5.67
Dec'26	5.87	-5	11	25	6.42	4.36	5.44
Nov'28	4.90	5	27	42	5.62	4.02	4.69
Nov'31	4.79	-1	11	32	5.39	3.94	4.58
Nov'35	4.62	-1	16	25	5.06	3.96	4.45
Nov'40	4.63	-2	11	32	5.04	3.96	4.48
Nov'43	4.66	0	15	33	5.06	4.30	4.60
Nov'46	4.55	-1	11	40	5.04	3.91	4.46
Nov'50	4.58	-1	11	35	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

USD GMS and US Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM Mar/01/2024	Weekly change (bps)	YTD (bps)	YTM Mar/01/2024	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	5.04	-3	+57	4.53	-16	+11	51	+13	22	26
3Y	Mar'27	4.94	-3	+14	4.33	-12	+11	61	+9	33	44
5Y	May'29	5.30	+2	+52	4.16	-12	+16	114	+14	100	83
7Y	Apr'30	5.42	+1	+9	4.19	-9	+23	123	+10	127	123
10Y	May'33	5.65	+2	+9	4.18	-6	+31	147	+8	165	156
20Y	Mar'44	6.26	-1	-12	4.45	-5	+31	180	+4	192	--
30Y	May'54	6.47	-2	+8	4.33	-4	+36	214	+2	228	--

Source: Bloomberg, Banorte

5Y USD UMS



Source: Bloomberg, Banorte

10Y USD UMS



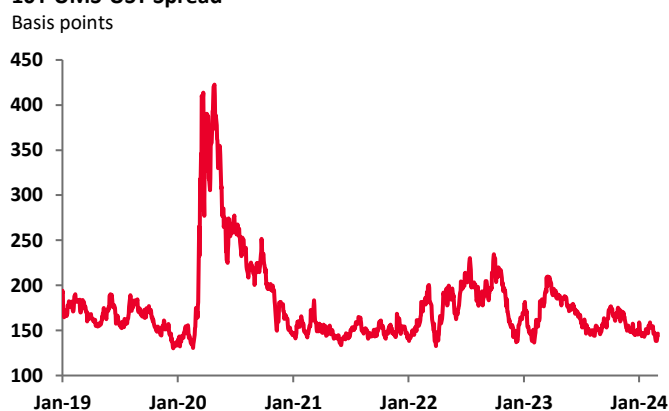
Source: Bloomberg, Banorte

5Y UMS-UST Spread



Source: Bloomberg, Banorte

10Y UMS-UST Spread



Source: Bloomberg, Banorte

Fixed-Income Supply

- **Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (Nov'34), the 10-year Udibono (Nov'31), as well as 2-, 5-, and 10-year Bondes F
- **Attractive rates in Cetes ahead of Banxico's imminent rate cuts.** We maintain our view that demand for Cetes will remain robust given the attractiveness of real rates. It's worth noting that these securities still do not reflect our expectations of a year-end benchmark rate of 9.75% (-150bps), starting with the first 25bps cut in March after Banxico kept the rate at unprecedented levels of 11.25% during the last 12 months. Moving to nominal rates, we anticipate moderate appetite for the 10-year Mbono, albeit stronger relative to the same tenor Udibono. Mbono Nov'34 trades at attractive levels for long-term portfolios; however, upside pressures still prevail and the spread versus the 10-year Treasury is very tight, even nearing 12-month lows. In real rates, we expect weak demand for the 10-year Udibono as it looks somewhat expensive vis-à-vis the short-end of the yield curve. Specifically, the 10-year inflation breakeven stands near its 12-month average at 4.17%, while the 3-year at 3.65%, with a significant deviation from its mean of -55bps

Auction specifics (March 5th, 2024)

Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Apr-04-24	--	10,000	11.00
3m	Jun-06-24	--	10,000	11.27
6m	Sep-05-24	--	11,100	11.28
12m	Mar-06-25	--	18,500	11.22
Bondes F				
2Y	Jan-15-26	--	8,000	0.16
5Y	Jan-27-28	--	2,200	0.20
10Y	Oct-21-32	--	850	0.28
Bono M				
10Y	Nov-23-34	7.75	16,500	9.31
Udibono				
10Y	Nov-27-31	2.75	UDIS 1,200	4.78

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.

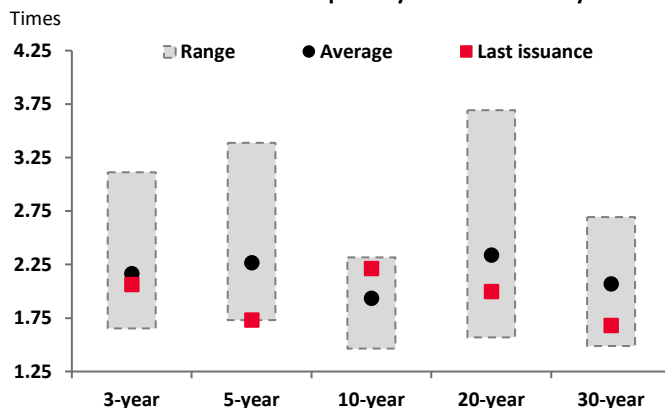
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

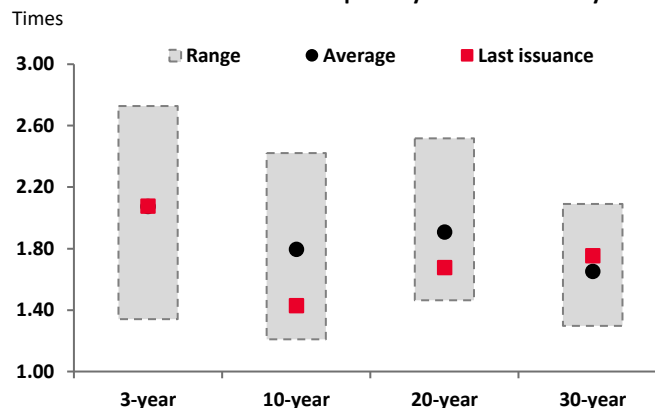
Source: SHCP *Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Bloomberg, Banorte

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



Source: Bloomberg, Banorte

Fixed-Income Demand

Government and IPAB securities holdings by type of investor

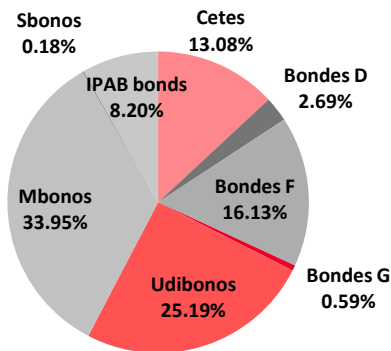
US\$ billion, *UDIS billion, data as of Feb/20/2024

Securities	Total amount outstanding	Foreign investors	Pension funds	Mutual funds	Insurance companies	Local banks	Repos with Banxico	Guarantees received by Banxico	Securities held by Banxico	Other domestic residents
Cetes	97.77	12.83	13.29	12.78	4.64	11.53	2.28	4.29	-	36.13
Bon-des D	20.10	1.89	0.75	8.70	0.28	3.06	-	0.00	-	5.40
Bon-des F	120.57	0.01	5.40	65.22	1.94	15.62	0.50	0.10	-	31.78
Bon-des G	4.40	-	0.05	2.23	0.31	0.98	0.30	-	-	0.53
Udibonos	188.32	8.30	104.92	7.92	35.55	3.04	1.38	0.04	-	27.16
Mbonos	253.81	80.52	61.03	6.23	7.22	35.31	13.87	1.89	0.88	46.85
Sbonos	1.35	0.60	0.42	0.01	0.03	0.05	-	-	-	0.25
Total	686.32	104.16	185.88	103.09	49.98	69.57	18.33	6.33	0.88	148.10
Udibonos*	396.54	17.49	220.94	16.68	74.86	6.39	2.90	0.08	-	57.20
IPAB bonds	61.31	0.08	0.41	19.72	0.15	12.01	5.00	2.11	-	21.83

Source: Banxico, Banorte

Government issuance by type of instrument

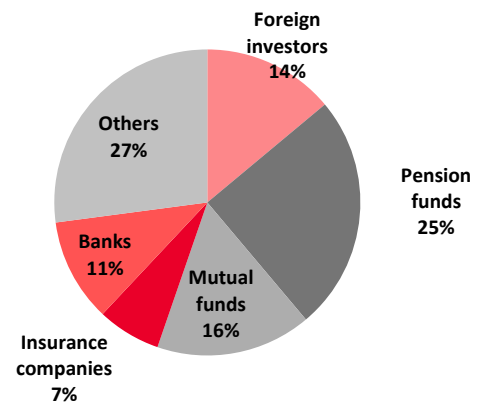
Total amount of US\$ 748 billion (including IPAB bonds), % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 748 billion (including IPAB bonds), % of total

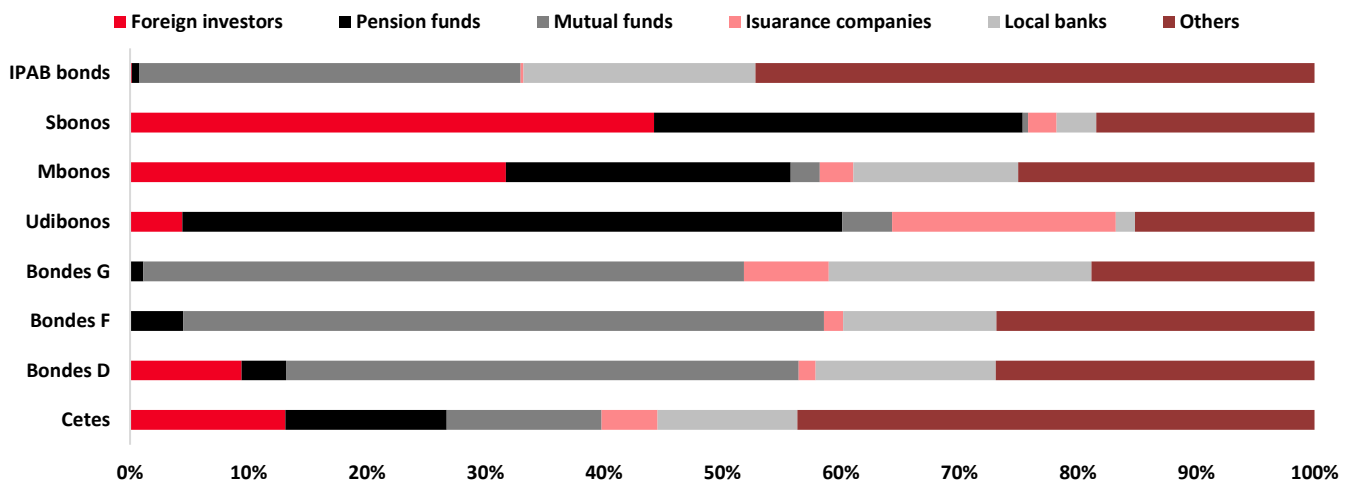


Source: Banxico, Banorte

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\$ 748 billion (including IPAB bonds), % of total



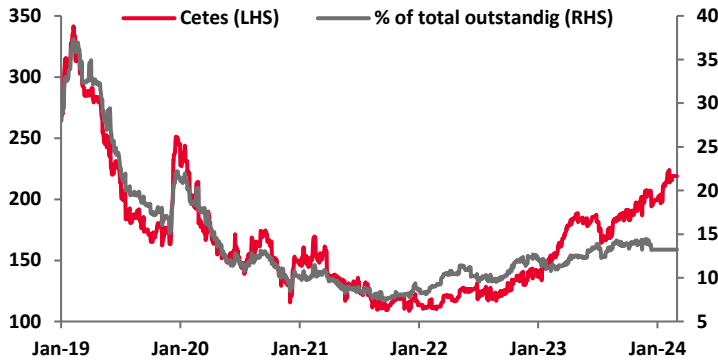
Source: Banxico, Banorte

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

Fixed-Income Demand (continued)

Cetes held by foreigners

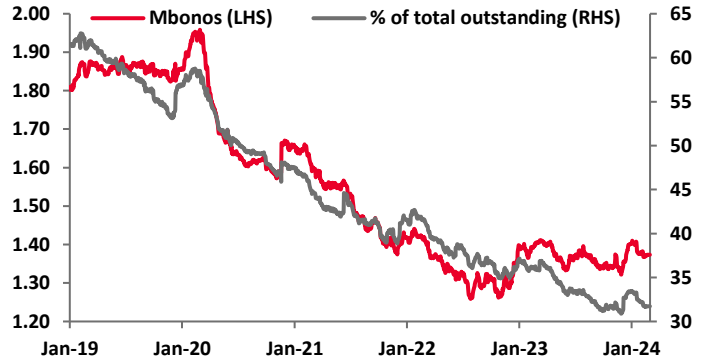
MXN billion, %



Source: Banxico, Banorte

Mbonos held by foreigners

MXN trillion, %



Source: Banxico, Banorte

Holdings of main investors by type of security

Data as of Feb/20/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	2.91	9.66	-6.00	1.97	4.88	3.66
Bondef F	-62.48	-2.09	0.48	-25.03	1.99	2.11
Udibonos	-5.67	-5.63	2.51	5.05	1.25	9.09
Mbonos	-0.18	-1.96	1.48	3.22	3.08	-5.45

Source: Banxico, Banorte

Mbonos holdings by type of investor

US\$ billions and %, data as Feb/15/2024

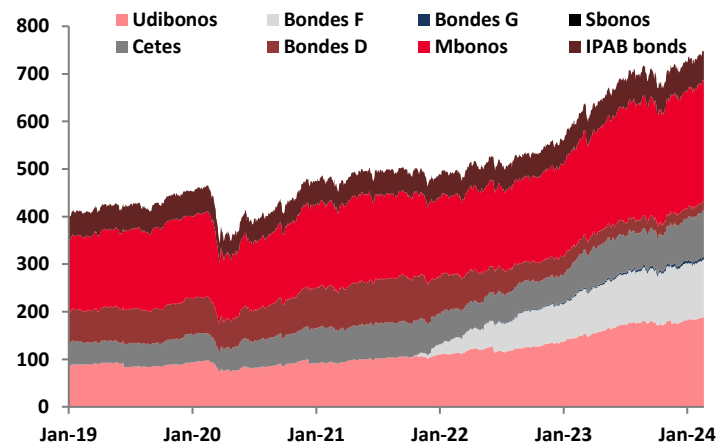
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	15.9	18%	13%	13%	56%
Dec'24	11.9	22%	21%	7%	50%
Mar'25	8.0	30%	16%	19%	34%
Mar'26	26.4	29%	29%	12%	30%
Sep'26	10.2	39%	19%	14%	28%
Mar'27	21.5	25%	20%	11%	44%
Jun'27	20.6	19%	32%	27%	23%
Mar'29	7.9	24%	24%	20%	32%
May'29	16.2	5%	49%	22%	24%
May'31	24.3	4%	45%	34%	17%
May'33	16.5	7%	41%	31%	22%
Nov'34	6.7	4%	43%	38%	15%
Nov'36	4.4	0%	25%	47%	28%
Nov'38	12.7	1%	41%	43%	15%
Nov'42	19.4	2%	39%	46%	14%
Nov'47	15.4	0%	37%	45%	18%
Jul'53	12.6	1%	33%	45%	21%
Total	238.1	14%	32%	27%	27%

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

Government securities issuance

USD Billions

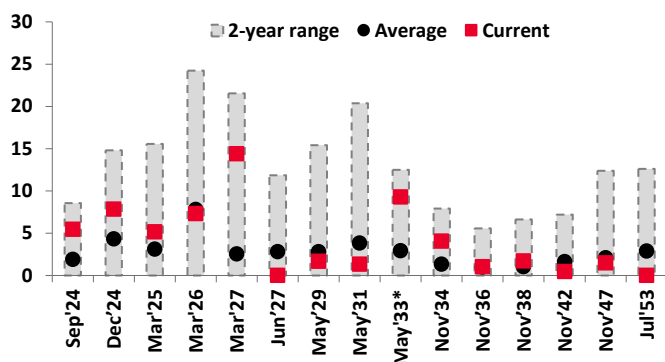


Fuente: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

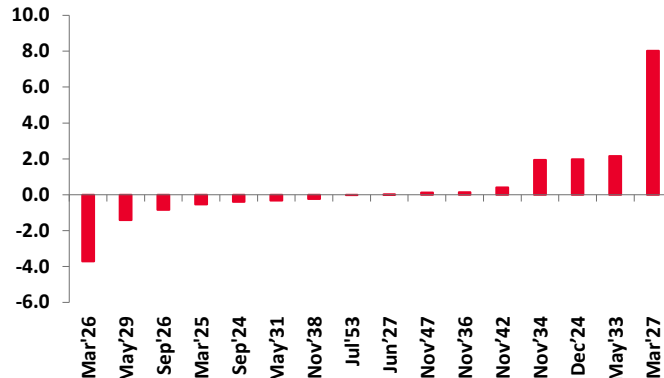
MXN billion



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

Weekly change in market makers' short positions on Mbonos

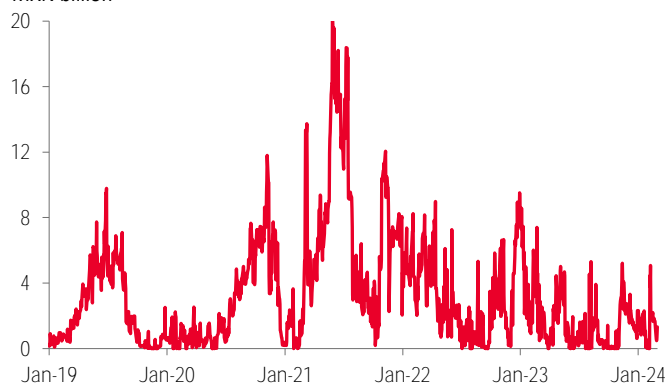
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

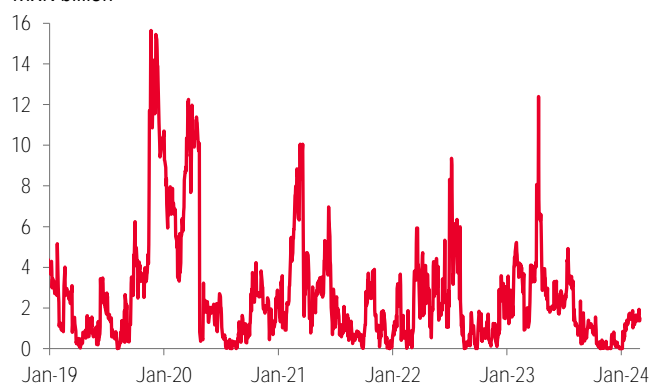
MXN billion



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/29/2024	Feb/29/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	15,878	320	343	114	111	358	0
Dec'24	12,253	460	344	148	330	460	42
Mar'25	8,878	302	333	351	18	599	159
Mar'26	26,217	429	646	445	327	956	212
Sep'26	11,339	460	509	457	0	583	1
Mar'27	22,123	843	373	254	330	843	8
Jun'27	20,633	1	0	0	64	323	0
Mar'29	7,807	313	180	87	0	509	0
May'29	17,429	99	182	212	223	904	8
May'31	24,336	78	97	3	37	306	0
May'33	17,146	544	417	284	91	732	1
Nov'34	7,141	238	124	171	30	464	0
Nov'36	4,417	61	53	58	50	96	0
Nov'38	12,805	101	114	51	68	300	0
Nov'42	19,406	28	4	6	45	222	0
Nov'47	15,343	87	80	97	90	113	0
Jul'53	13,581	0	0	100	201	628	0
Total	256,733	4,363	3,801	2,738	1,815		

Source: Banxico, Banorte

Fixed-Income Technicals

Spread between Cetes and Implied Forward Rates

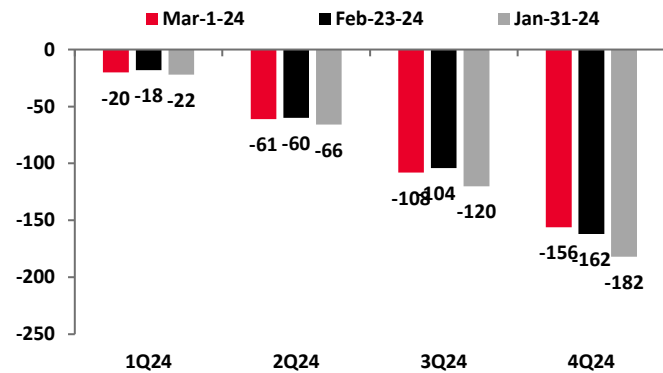
Basis points

Tenor	Actual Mar/01/2024	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	81	61	73	73	243	-31
3 months	42	38	21	23	118	-29
6 months	32	30	8	7	54	-36
12 months	-35	26	3	-4	34	-39

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

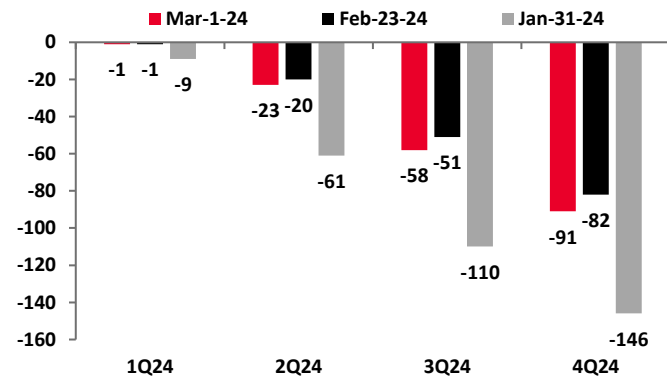
Basis points



Source: Bloomberg, Banorte

Cumulative implied moves in Fed funds

Basis points



Source: Bloomberg, Banorte

Spreads between Mbonos and UST

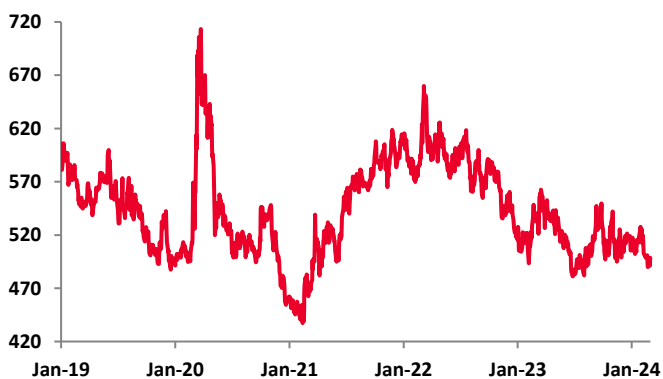
Basis points

Spread	Actual	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
2 year	536	11	-26	-14	672	497	569
5 year	510	10	-23	-12	597	489	536
10 year	499	5	-27	-7	563	481	517
20 year	481	-7	-23	-7	548	464	499
30 year	497	-6	-17	-7	562	477	514

Source: Bloomberg, PIP, Banorte

10-year Mbono and 10-year UST spread

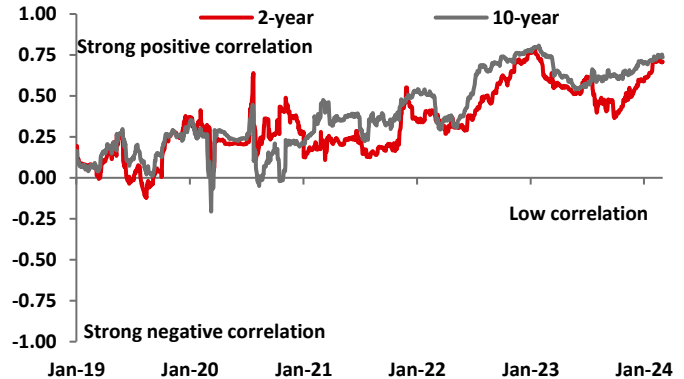
Basis points



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	-64	3	4	6	-31	-134	-87
2/10	-73	4	-2	10	-40	-197	-116
2/30	-59	-5	3	9	-25	-192	-106
5/10	-9	1	-6	4	8	-78	-29
10/30	13	-9	4	0	35	-15	10
TIIE IRS							
3m/2Y	-164	0	-4	12	-60	-203	-150
2/5	-103	1	2	11	-90	-155	-120
2/10	-111	-1	3	14	-97	-187	-132
2/30	-110	-2	3	16	-88	-178	-125
5/10	-8	-2	1	3	-1	-32	-12
10/30	1	-1	0	2	17	-4	7
TIIE IRS – Mbonos							
2 year	-16	3	-3	-11	25	-57	-23
5 year	-56	1	-5	-5	-32	-100	-61
10 year	-55	-2	2	-6	-26	-68	-50
20 year	-59	10	1	-2	-8	-75	-55
30 year	-67	6	-2	-4	-4	-78	-54
TIIE IRS – SOFR							
2 year	528	9	-33	-35	637	485	551
5 year	478	8	-29	-25	544	432	495
10 year	482	4	-24	-16	541	442	497
20 year	490	4	-19	-12	571	467	508
30 year	504	2	-17	-9	599	487	527

Source: Bloomberg, PIP, Banorte

Breakeven inflation using Mbonos & Udibonos

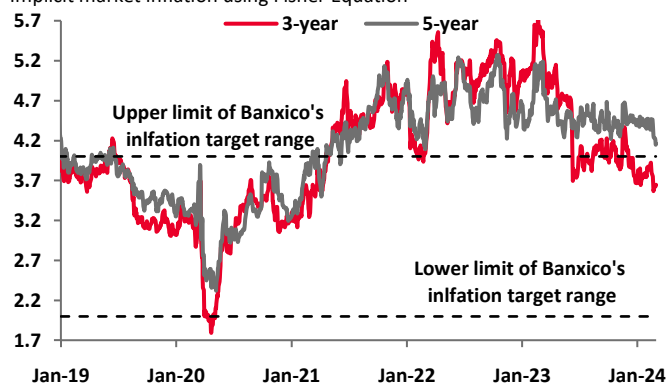
Implicit market inflation using Fisher Equation (%)

Date	Mar/01/2024	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.65	3.59 (+6bps)	3.86 (-21bps)	5.54 (-189bps)	5.59	3.57	4.20
5Y	4.16	4.24 (-8bps)	4.47 (-31bps)	5.11 (-95bps)	5.19	4.15	4.47
10Y	4.17	4.19 (-2bps)	4.37 (-20bps)	4.82 (-65bps)	4.85	4.04	4.34
20Y	4.40	4.52 (-12bps)	4.65 (-25bps)	4.78 (-38bps)	5.08	4.15	4.56
30Y	4.52	4.6 (-8bps)	4.69 (-17bps)	4.71 (-19bps)	5.01	4.15	4.56

Source: PIP, Banorte

3- and 5-year breakeven inflation using Mbonos & Udibonos

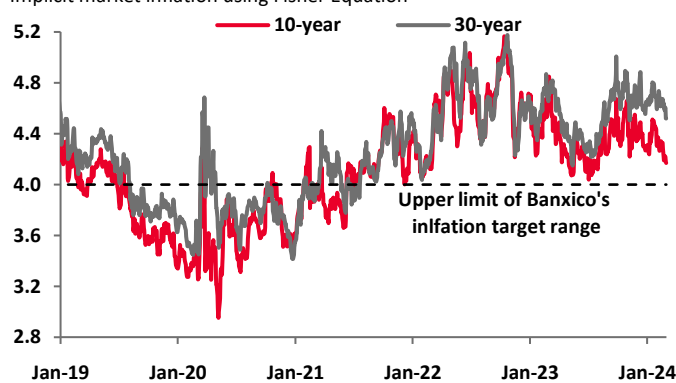
Implicit market inflation using Fisher Equation



Source: PIP, Banorte

10- and 30-year breakeven inflation using Mbonos & Udibonos

Implicit market inflation using Fisher Equation



Source: PIP, Banorte

FX dynamics

Foreign Exchange market levels and historical return

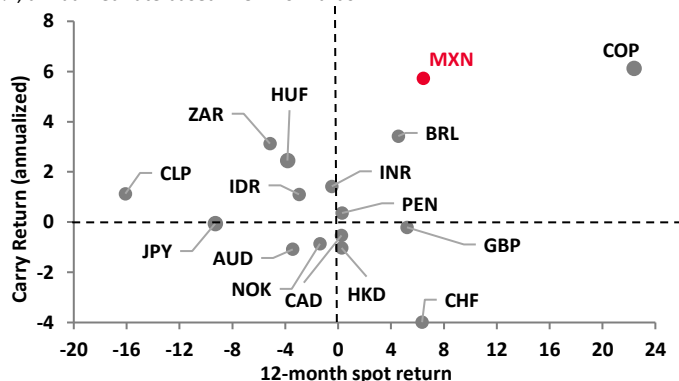
		Close at Mar/1/2024	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.96	0.3	0.8	0.0	-2.0
Chile	USD/CLP	966.00	0.1	1.5	-3.8	-9.0
Colombia	USD/COP	3,947.61	-0.6	0.4	-0.8	-2.3
Peru	USD/PEN	3.77	0.3	0.8	1.1	-1.7
Hungary	USD/HUF	363.54	-0.1	-1.1	-2.5	-4.5
Malaysia	USD/MYR	4.75	-0.1	0.7	-0.3	-3.2
Mexico	USD/MXN	17.02	0.2	0.6	1.2	-0.3
Poland	USD/PLN	3.98	0.2	-0.1	0.4	-1.2
Russia	USD/RUB	91.73	-0.6	3.4	-2.0	-2.5
South Africa	USD/ZAR	19.11	0.5	1.1	-2.2	-3.9
Developed Markets						
Canada	USD/CAD	1.36	0.1	-0.4	-0.9	-2.3
Great Britain	GBP/USD	1.27	0.2	-0.1	-0.3	-0.6
Japan	USD/JPY	150.12	-0.1	0.3	-2.1	-6.0
Eurozone	EUR/USD	1.0837	0.3	0.1	0.2	-1.8
Norway	USD/NOK	10.52	0.9	0.1	-0.2	-3.3
Denmark	USD/DKK	6.88	0.3	0.2	0.2	-1.8
Switzerland	USD/CHF	0.88	0.1	-0.3	-2.5	-4.8
New Zealand	NZD/USD	0.61	0.3	-1.5	-0.2	-3.4
Sweden	USD/SEK	10.32	0.5	0.1	0.7	-2.4
Australia	AUD/USD	0.65	0.5	-0.5	-0.6	-4.2

Source: Bloomberg, Banorte

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

Performance of selected currencies

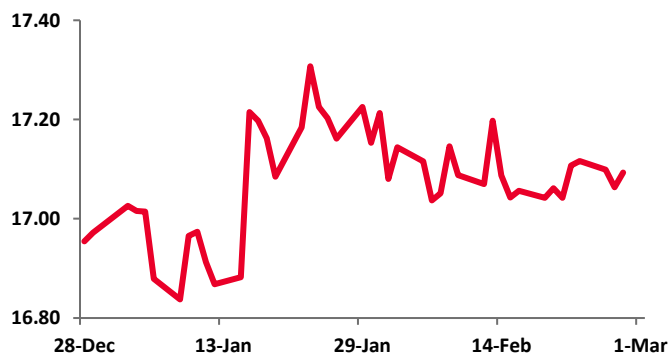
%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

USD/MXN

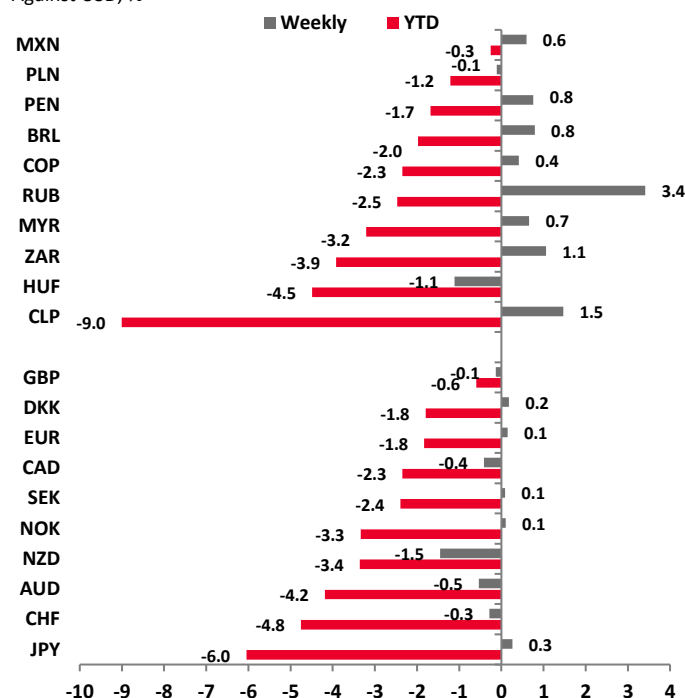
Last 60 days



Source: Bloomberg, Banorte

FX performance

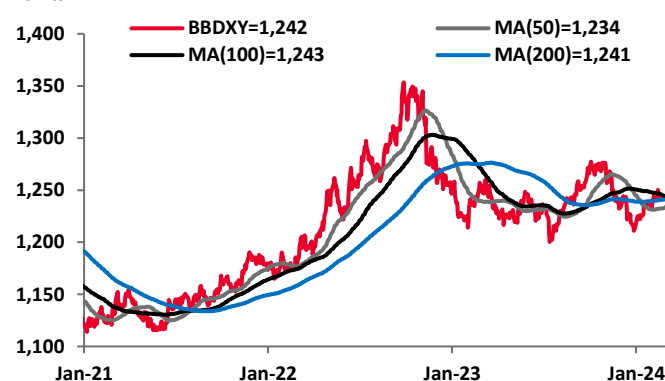
Against USD, %



Source: Bloomberg, Banorte

BBDXY

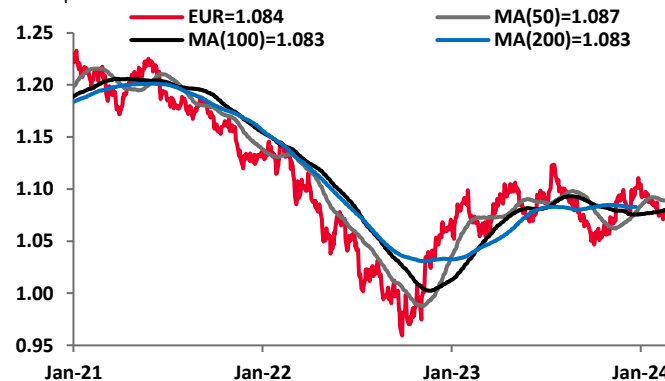
Points



Source: Bloomberg, Banorte

Euro

Dólar per euro

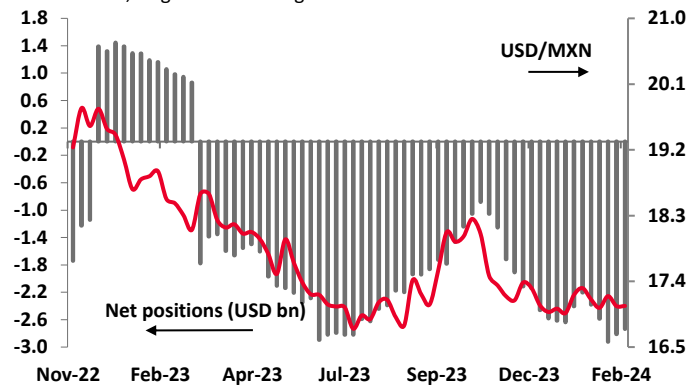


Source: Bloomberg, Banorte

FX positioning and flows

IMM positioning in USD/MXN futures

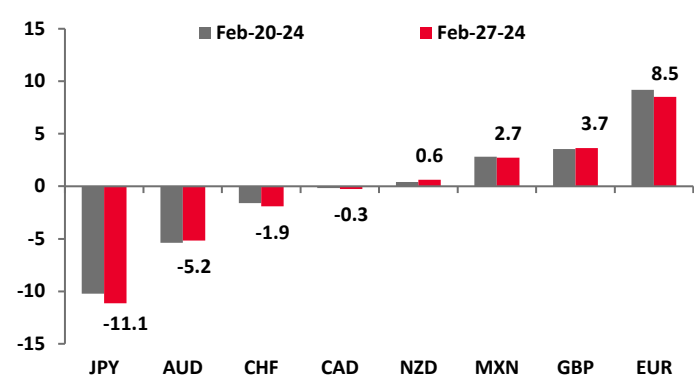
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

IMM positioning by currency*

Billion dollars

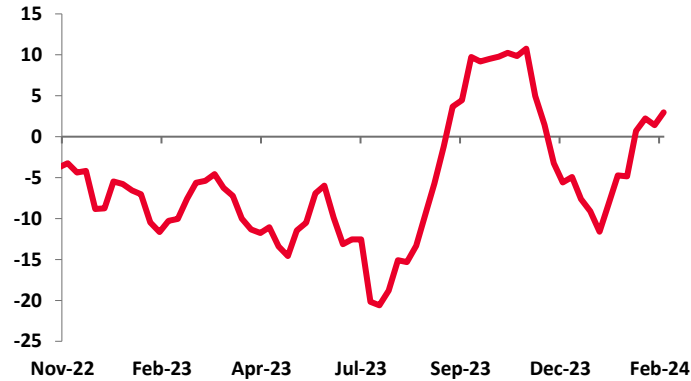


* Positive: Net long in the corresponding currency

Source: CME, Banorte

IMM positioning in USD futures*

Billion dollars, Positive = net long in USD

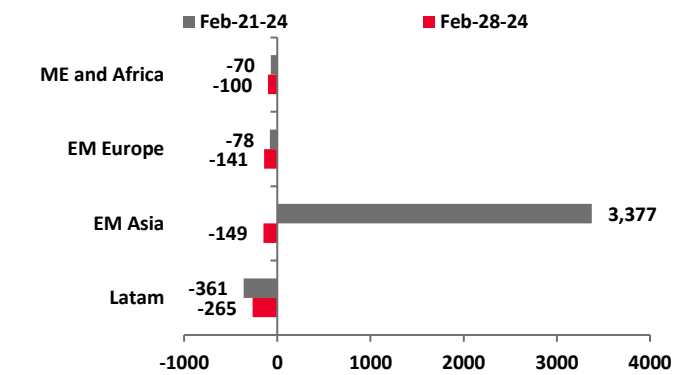


*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF

Source: CME, Banorte

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

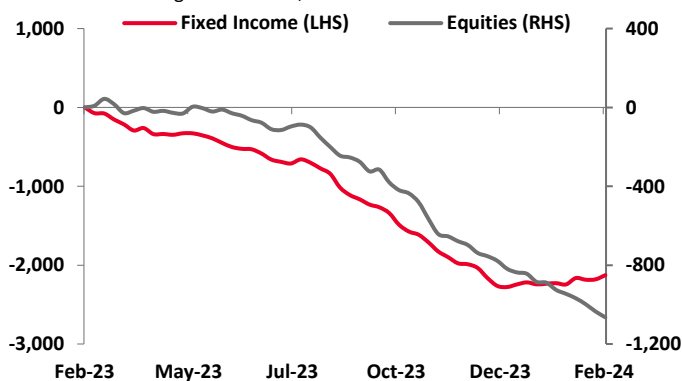
Billion dollars



Source: EPFR Global, Banorte

Foreign portfolio flows into Mexico (excluding ETF's investments)

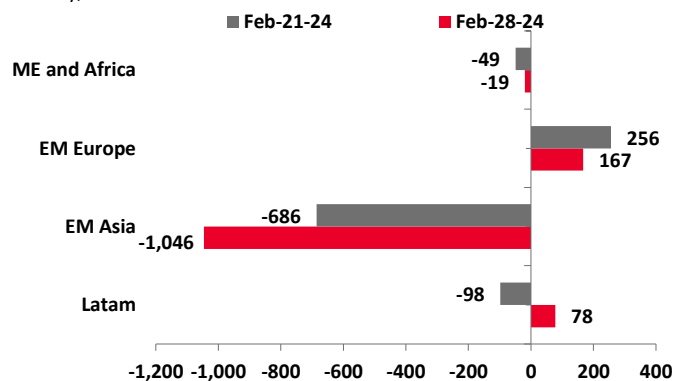
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

Net foreign portfolio flows by region (excluding ETF's investments)

Weekly, million dollars

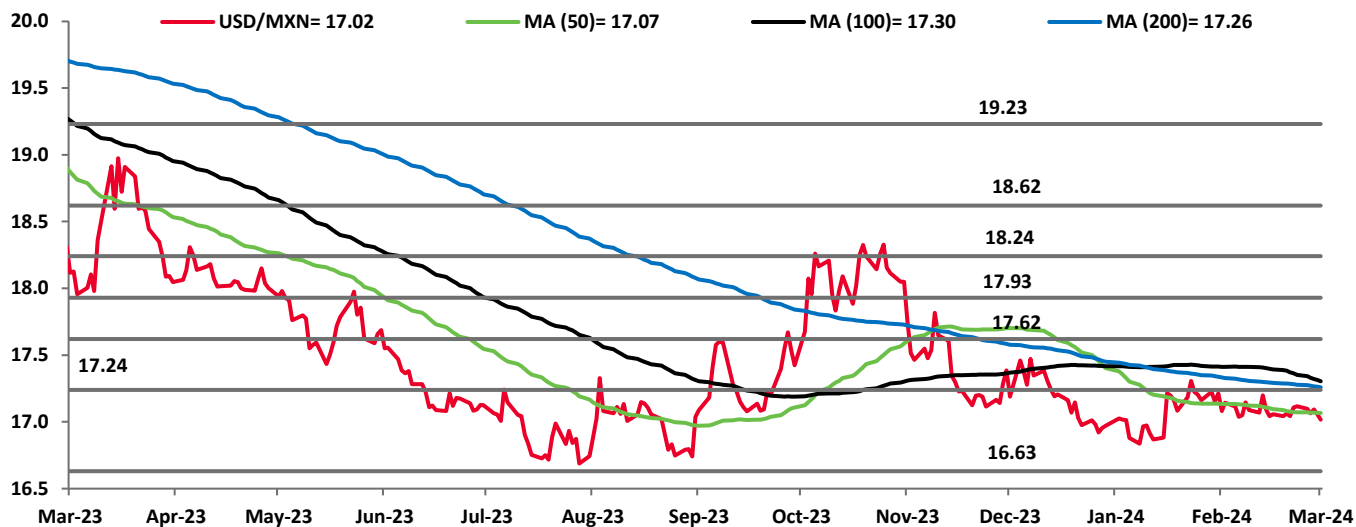


Source: EPFR Global, Banorte

FX technicals

USD/MXN – Moving averages and Fibonacci retracement

Last 12 months



Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other currencies and assets

Based on daily percentages changes

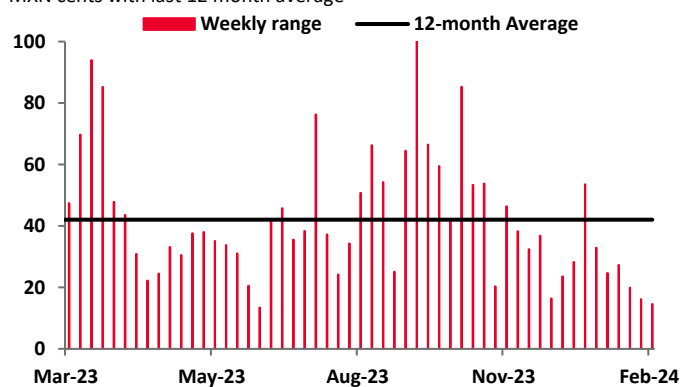
	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	56	60	24	72	51
CAD	61	44	12	64	41
ZAR	60	61	2	87	55
BRL	50	54	37	82	67
HUF	42	43	40	69	57
RUB	-5	-10	-23	53	9
VIX	36	36	14	74	43
SPX	24	30	24	68	43
GSCI	-2	1	-27	22	-1
Oro	27	44	-28	53	28

* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

USD/MXN – Weekly trading range

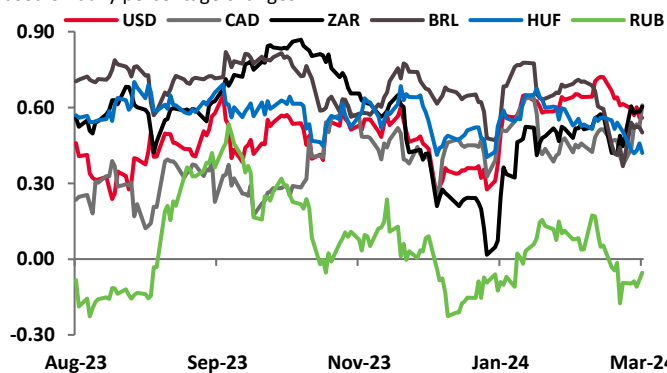
MXN cents with last 12 month average



Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other currencies*

Based on daily percentage changes

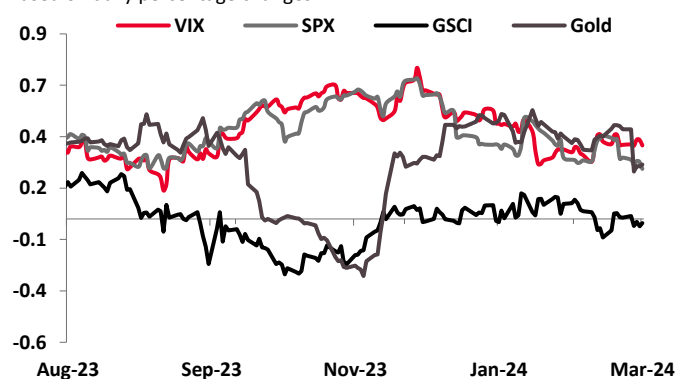


* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other assets*

Based on daily percentage changes

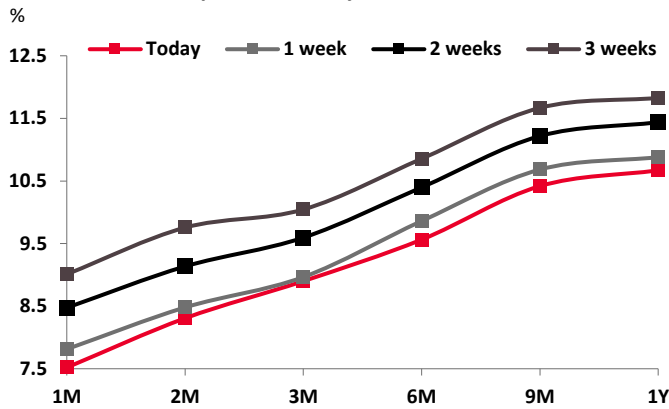


* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

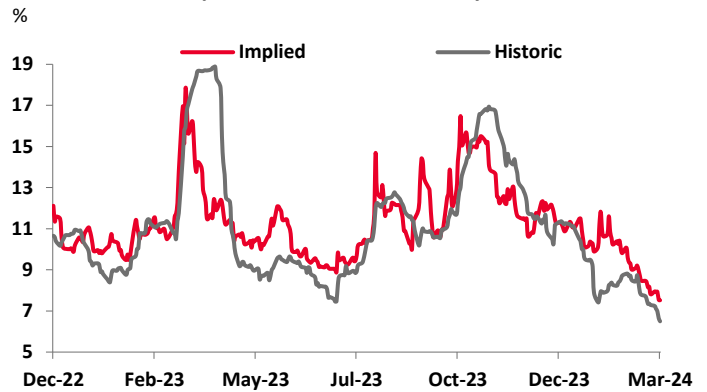
FX technicals (continued)

USD/MXN – ATM options volatility curve



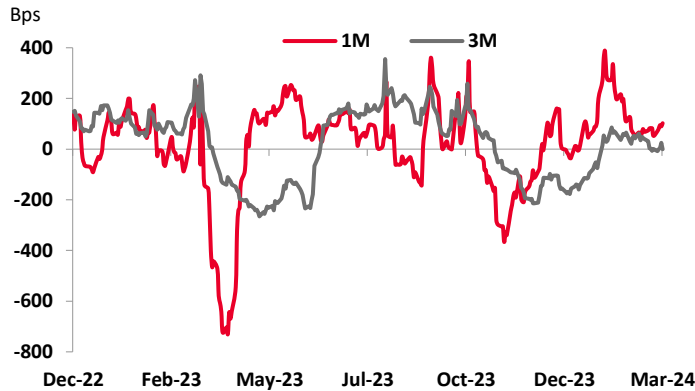
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

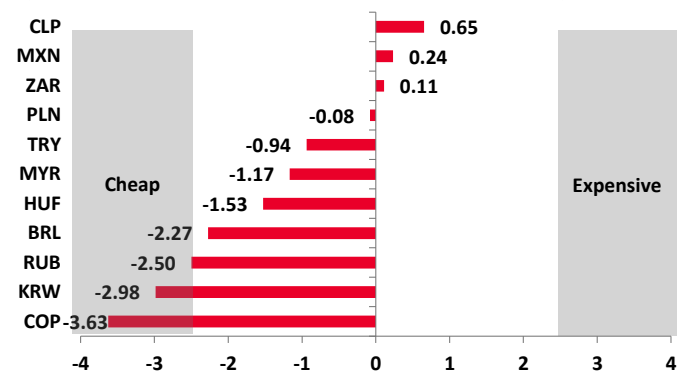
USD/MXN – Spread between implicit and historical volatility



Source: Bloomberg, Banorte

Emerging markets one-month ATM options volatility

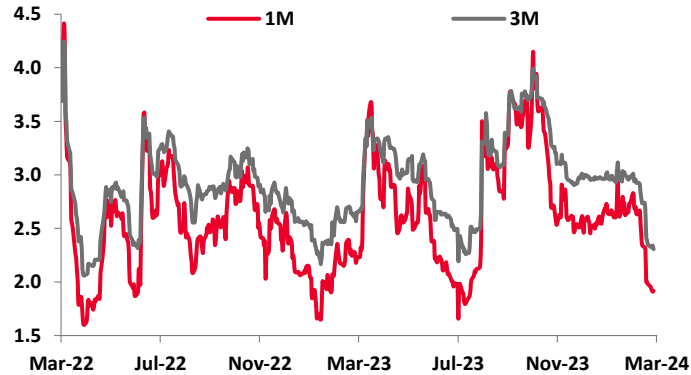
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

USD/MXN – 1-month and 3-month 25D risk reversals

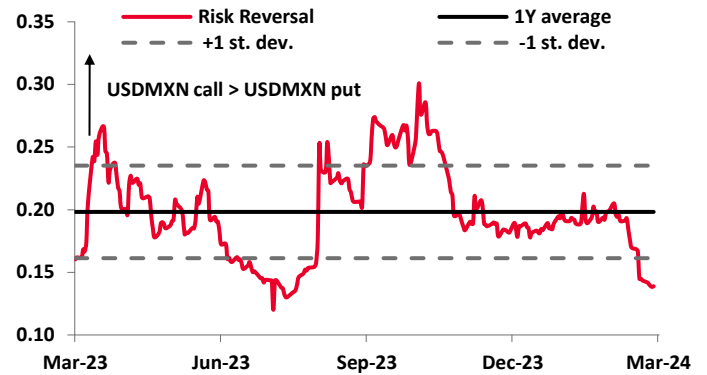
Last 24 months, difference between USD calls and puts, in vols



Source: Bloomberg, Banorte

USD/MXN – 1-month 25D volatility-adjusted risk reversal

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



Source: Bloomberg, Banorte

Weekly economic calendar

For the week ending March 8th, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 4	07:00	MX	Gross fixed investment	Dec	% y/y	13.0	18.3	19.2
	07:00	MX	Gross fixed investment*	Dec	% m/m	-0.4	-0.4	-1.3
	07:00	MX	Private consumption	Dec	% y/y	4.2	--	5.6
	07:00	MX	Private consumption*	Dec	% m/m	0.2	--	0.7
	11:00	US	Fed's Harker Remarks on Economic Impact of Higher Education					
	20:45	CHI	Services PMI (Caixin)*	Feb	index	--	52.9	52.7
Tue 5	20:45	CHI	Composite PMI (Caixin)*	Feb	index	--	--	52.5
	03:55	GER	Services PMI*	Feb (F)	index	--	48.2	48.2
	03:55	GER	Composite PMI*	Feb (F)	index	--	46.1	46.1
	04:00	EZ	Services PMI*	Feb (F)	index	--	50.0	50.0
	04:00	EZ	Composite PMI*	Feb (F)	index	--	48.9	48.9
	04:30	UK	Services PMI*	Feb (F)	index	--	54.3	54.3
	09:45	US	Services PMI*	Feb (F)	index	51.3	51.4	51.3
	09:45	US	Composite PMI*	Feb (F)	index	51.4	51.4	51.4
	10:00	MX	International reserves	Mar 1	US\$bn	--	--	213.5
	10:00	US	Factory orders*	Jan	% m/m	--	-2.9	0.2
	10:00	US	Ex transportation*	Jan	% m/m	--	-0.1	0.4
	10:00	US	Durable goods orders*	Jan (F)	% m/m	--	-6.1	-6.1
	10:00	US	Ex transportation*	Jan (F)	% m/m	--	--	-0.3
	10:00	US	ISM services*	Feb	index	53.5	53.0	53.4
Wed 6	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 10-year Mbono (Nov'34), 10-year Udibono (Nov'31) and 2-, 5-, and 10-year Bondes F					
	15:30	MX	Banamex Survey of Economists					
	02:00	GER	Trade balance	Jan	EURbn	--	21.0	22.4
	05:00	EZ	Retail sales*	Jan	% m/m	--	0.1	-1.1
	07:00	MX	Consumer confidence*	Feb	index	47.7	--	47.1
	07:00	BZ	Industrial production	Jan	% y/y	--	2.6	1.0
	07:00	BZ	Industrial production*	Jan	% m/m	--	-1.9	1.1
	08:15	US	ADP employment*	Feb	thousands	120	150	107
	10:00	US	JOLTS Job Openings	Jan	thousands	--	8,870	9,026
	10:00	US	Fed Chair Powell Testifies Before the House Financial Services Committee					
	12:00	US	Fed's Daly to Give Keynote Address					
	14:00	US	Beige Book					
	16:15	US	Fed's Kashkari Speaks at WSJ Event					
	22:00	CHI	Trade balance	Jan-Feb	USDbn	--	--	--
	22:00	CHI	Exports	Jan-Feb	% y/y	--	--	--
	22:00	CHI	Imports	Jan-Feb	% y/y	--	--	--
		US	Joe Biden delivers the State of the Union address					
	07:00	MX	Consumer prices	Feb	% m/m	0.18	0.13	0.89
	07:00	MX	Core	Feb	% m/m	0.50	0.48	0.40
Thu 7	07:00	MX	Consumer prices	Feb	% y/y	4.49	0.45	4.88
	07:00	MX	Core	Feb	% y/y	4.65	4.64	4.76
	08:15	EZ	Monetary policy decision (ECB)	Mar 7	%	4.00	4.00	4.00
	08:30	US	Trade balance*	Jan	US\$bn	--	-63.5	-62.2
	08:30	US	Initial jobless claims*	Mar 2	thousands	215	217	215
	08:45	EZ	ECB President Christine Lagarde Holds Press Conference					
	10:00	US	Fed Chair Powell Testifies Before the Senate's Banking Committee					
	11:30	US	Fed's Mester Gives Speech on Economic Outlook					
	15:00	US	Consumer credit*	Jan	USDbn	--	10.0	1.6
	18:00	PER	Monetary policy decision (BCRP)	Mar 7	%	--	6.00	6.25
Fri 8	02:00	GER	Industrial Production*	Jan	% m/m	--	0.6	-1.6
	05:00	EZ	Gross domestic product	4Q23 (F)	% a/a	--	0.1	0.1
	05:00	EZ	Gross domestic product*	4Q23 (F)	% q/q	--	0.0	0.0
	07:00	US	Fed's Williams Participates in Moderated Discussion					
	08:30	US	Nonfarm payrolls*	Feb	thousands	205	200	353
	08:30	US	Unemployment rate*	Feb	%	3.8	3.7	3.7
	20:30	CHI	Consumer prices	Feb	% y/y	--	0.2	-0.8
		MX	Wage negotiations	Feb	% y/y	--	--	9.3

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

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	L	Oct-13-23	Feb-23-24	
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 TIE-IRS steepener	28bps	43bps	18bps	31bps	P ²	Feb-15-17	Mar-15-17	
5y10y TIE-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 TIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% ¹	P	Nov-12-15	Feb-8-16	
Long spread 10-year TIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15	
Receive 9-month TIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15	
Spread TIE 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 TIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15	
Pay 9-month TIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15	
Pay 5-year TIE-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 TIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14	
Receive 1-year TIE-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 TIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13	
Receive 1-year TIE-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 TIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13	
Spread TIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13	
Receive 1-year TIE-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 TIE-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 TIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13	
Receive TIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13	
Spread TIE-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 Thalia 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, Jazmín 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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