



# Fixed-Income & FX Strategy

**Weekly**

## Fixed-Income and FX Weekly

- Inflation reports in focus.** A week of increased volatility in markets concluded, with dynamics largely driven by pressures on sovereign bond yields worldwide. In the U.S., the Treasuries curve bear steepened, with the short-end relatively anchored, though with pressures of ~15bps from intermediate maturities onwards and with most of these benchmarks reaching new YTD highs. Overall, the adjustment resulted from greater pressures on the real component relative to inflation breakevens, despite a near 5% rise in crude-oil prices during the week that have induced heightened concerns on energy prices amid surges in other commodities. Expectations regarding Fed rate cuts remain central to the narrative and, on the margin, they have diminished for the immediate future. As such, the probability of a Fed Funds rate cut in June remains around 50%, with a full adjustment of -25bps in July. Meanwhile, 2024 accumulated cuts stand at -65bps, the lowest magnitude so far this year, reflecting greater uncertainty about the total cuts in the next months. Adding to strong economic data including the NFP today, recent Fed speak has leaned towards a more hawkish and cautious bias. Some members highlighted lower cuts than in the last dot plot, and even Kashkari (non-voting) raised the possibility of no cuts this year. In Mexico, [minutes from Banxico's last meeting](#) also showed a relatively hawkish tone compared to the statement. Consequently, we now expect a year-end rate of 10.00% (previously 9.75%) with pauses in May and August. Next week's agenda will focus on inflation figures, including those from the U.S. and Mexico. We acknowledge that upward pressure on rates has resulted in attractive valuations for long-duration Mbonos, particularly for the Nov'42 tenor. However, we do not rule out risks of additional adjustments. Hence, we prefer to wait for these figures to initiate new relative value strategies. On the FX market, we expect the MXN's resilience to continue in the short term, mainly supported by its relative attractive carry and standing out among other EM pairs. It has also benefited from the favorable economic activity backdrop in the U.S., maintaining low implied volatilities and expectations for Banxico. Thus, we consider the peso could reach levels of up to 16.25 per dollar in the coming weeks. However, we continue to believe that current levels are attractive to start hedging for a second half of the year with higher volatility
- Weekly ranges** – We expect that the 10-year Mbono (Nov'34) to trade between 9.40% and 9.65%, and MXN between 16.25 and 16.35 per dollar



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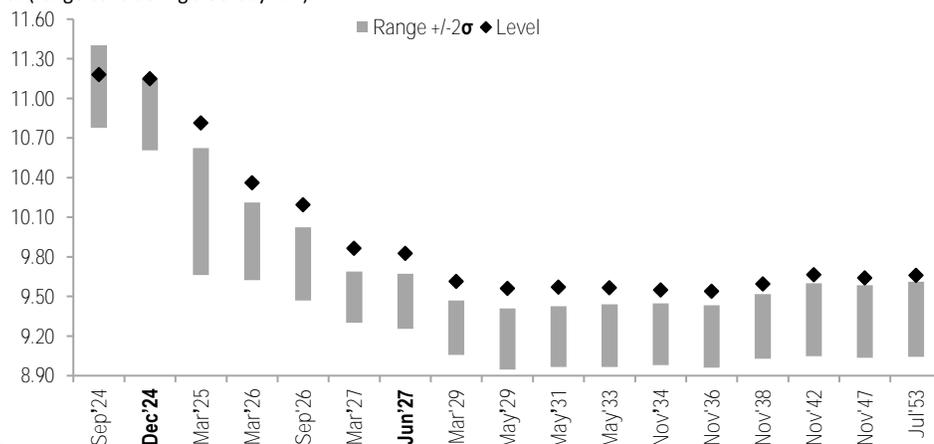
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### Mbonos performance

% (range considering a 90-day MA)



Source: PiP, Banorte

Winners of the awards as the best economic forecasters in Mexico by LSEG and Focus Economics in 2023



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## Fixed-Income

- **Sharp sell-off wave in sovereign bonds** – The Treasury curve steepened during the week amid losses reaching up to 18bps in the long-end. This backdrop and Banxico’s more cautious tone resulted in a sell-off of 28bps for Mbonos, particularly pronounced for the 2- to 3-year area (+40bps). Meanwhile, the TIE curve steepened with average pressures of 22bps, reaching up to 35bps in the 4- and 5-year tenors
- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Sep’26), the 30-year Udibono (Nov’50), as well as 1-, and 3-year Bondes F
- **Demand** – In the last four weeks, foreigners recorded higher holdings in Cetes by 4.4%, equivalent to 12.3% of the total amount outstanding. Furthermore, they increased their exposure in Mbonos by 0.5% (31.3% of the total). Pension funds’ holdings in Udibonos increased 1.2%, equal to 55.2% of the total. In turn, Mutual funds reduced their exposure to Bondes F by 4.0%, but they remain as the main holders with 55.1% of the total

## Foreign Exchange

- **USD weakening modestly** – The DXY and the BBDXY fell 0.2% w/w, despite the rates sell-off and amidst a mixed balance among major currencies. Within the G10, NOK (+0.9%) was backed by oil, while EUR advanced by 0.4%. CHF (-0.1%) and JPY (-0.2%) benefited temporarily from a flight to quality, with speculation prevailing on potential intervention in favor of the latter. In EM, CLP outperformed (+3.2%) as the central bank reduced rates at a slower pace and transmitted a cautious message; however, it still leads YTD losses (-7.4%) in the group, trailing only TRY. On the flip side, BRL (-1.0%) underperformed during the week
- **MXN breached the 16.50 resistance** – The peso rallied primarily during Friday’s session (+0.8%), reaching new levels not seen since 2015, touching 16.44 intraday. It was benefited from the USD’s weakness bias, as well as the more hawkish tone in Banxico’s minutes. As a result, it ended the week at 16.45 (+0.6% w/w). The ATM volatility curve remains low, although there was a notable increase for the 1-week tenor
- **Market positioning in MXN** – As of April 2<sup>nd</sup>, the MXN CFTC position registered a net long of US\$ 4.04 billion, rising for the third week in a row. This data is the highest net long registered since March 2020
- **Market positioning in USD** – The IMM USD net long position increased strongly in the last two weeks (+115%) to US\$ 17.0 billion. The main driver was strong sales in EUR (-1.9 billion), and JPY (-1.2 billion)
- **Flows** – Our EPFR aggregate for EM significantly moderated the outflows observed since May last year, driven this time by inflows into bonds. A total flow of -\$59.3 million was recorded, compared to -\$2.9 billion the previous week. Considering bonds and equities, Europe, the Middle East, and Latam experienced inflows, with the latter turning net positive for the first time in a month and only observing outflows in Brazil. Africa and EM Asia registered outflows, although also noting a significant moderation in the magnitude for both. In Mexico, the flow marked a net inflow of \$45.4 million from an outflow of \$93.3 million the previous week, result of purchases of \$59.8 million in bonds (previous: -\$56.0 million) and sales of \$14.4 million in equities (previous: -\$37.3 million)
- **Technicals** – The MXN registered a weekly trading range of 23 cents, below the twelve-week average of 27 cents, hovering between 16.44 and 16.67 per dollar. The following relevant technical levels are: 16.35, 16.30, and 16.22 (resistances) and 16.60, 16.75, and 16.90 (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 (%)
<b>Overnight TIIE funding rate</b>							
1-day	10.98	-12	-26	-47	11.45	10.98	11.25
28-days <sup>1</sup>	11.20	-6	-9	-11	11.34	11.09	11.30
91-days <sup>1</sup>	11.31	-6	-9	-11	11.45	11.20	11.41
182-days <sup>1</sup>	11.47	-6	-9	-11	11.62	11.36	11.57
<b>Cetes</b>							
28-days	10.99	-1	-23	-26	11.49	10.45	11.14
91-days	11.12	0	-9	-12	11.61	10.75	11.35
182-days	11.18	0	-3	-15	12.06	10.90	11.49
364-days	11.03	21	-1	-11	12.13	10.88	11.47
728-days	10.94	11	27	3	12.14	10.50	11.15
<b>Mbonos</b>							
Sep'24	11.18	-2	-1	21	11.57	10.03	10.99
Dec'24	11.15	17	19	49	11.31	9.57	10.66
Mar'25	10.82	6	68	92	11.24	9.56	10.34
Mar'26	10.36	31	43	60	10.92	8.85	9.85
Sep'26	10.20	38	47	70	10.78	9.22	9.90
Mar'27	9.87	43	40	48	10.53	8.58	9.50
Jun'27	9.83	39	36	57	10.49	8.49	9.43
Mar'29	9.62	33	38	55	10.32	9.07	9.64
May'29	9.56	33	40	62	10.24	8.43	9.14
May'31	9.57	32	42	63	10.26	8.45	9.13
May'33	9.57	32	42	63	10.24	8.52	9.13
Nov'34	9.55	28	38	61	10.21	8.49	9.11
Nov'36	9.54	30	42	62	10.20	8.53	9.11
Nov'38	9.60	26	41	56	10.25	8.66	9.23
Nov'42	9.67	23	41	59	10.25	8.71	9.26
Nov'47	9.64	23	42	57	10.17	8.69	9.22
Jul'53	9.66	21	41	59	10.17	8.66	9.23
<b>TIIE-IRS</b>							
3-month (3x1)	11.22	2	-13	-23	11.62	11.20	11.49
6-month (6x1)	11.09	3	-7	-19	11.65	11.05	11.41
9-month (9x1)	10.96	6	0	-13	11.62	10.89	11.28
1-year (13x1)	10.78	15	10	0	11.46	10.62	11.01
2-year (26x1)	10.07	31	38	37	10.83	9.49	9.97
3-year (39x1)	9.58	32	46	50	10.31	8.72	9.34
4-year (52x1)	9.32	35	51	60	10.02	8.30	8.99
5-year (65x1)	9.18	35	52	62	9.87	8.10	8.82
7-year (91x1)	9.07	33	50	62	9.78	7.98	8.71
10-year (130x1)	9.10	35	52	64	9.78	7.97	8.70
20-year (3x1)	9.15	35	51	65	9.85	8.05	8.78
30-year (390x1)	9.12	34	52	67	9.84	8.07	8.77
<b>Udibonos</b>							
Dec'25	6.96	18	4	97	6.45	4.46	5.67
Dec'26	5.96	7	23	34	6.42	4.36	5.44
Nov'28	5.06	-4	7	58	5.62	4.02	4.69
Nov'31	4.92	1	11	45	5.39	3.94	4.58
Aug'34	4.87	-2					
Nov'35	4.83	-2	26	45	5.06	3.96	4.45
Nov'40	4.74	-10	15	42	5.04	3.96	4.48
Nov'43	4.76	-12	14	43	5.06	4.30	4.60
Nov'46	4.74	-1	21	59	5.04	3.91	4.46
Nov'50	4.76	-8	18	54	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

Term	Maturity date	UMS			UST			Spreads		CDS	
		YTM Apr/05/2024	Weekly change (bps)	YTD (bps)	YTM Apr/05/2024	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	5.28	+11	+80	4.75	+13	+32	53	-2	24	37
3Y	Mar'27	5.15	+11	+35	4.56	+15	+34	59	-4	32	55
5Y	May'29	5.38	+10	+59	4.39	+18	+39	98	-9	100	95
7Y	Apr'30	5.49	+14	+16	4.41	+20	+44	109	-6	125	132
10Y	May'33	5.71	+13	+16	4.40	+20	+53	131	-7	159	164
20Y	Mar'44	6.30	+12	-7	4.66	+21	+52	164	-9	188	--
30Y	May'54	6.50	+10	+11	4.55	+21	+59	195	-11	225	--

Source: Bloomberg, Banorte

## 5Y USD UMS



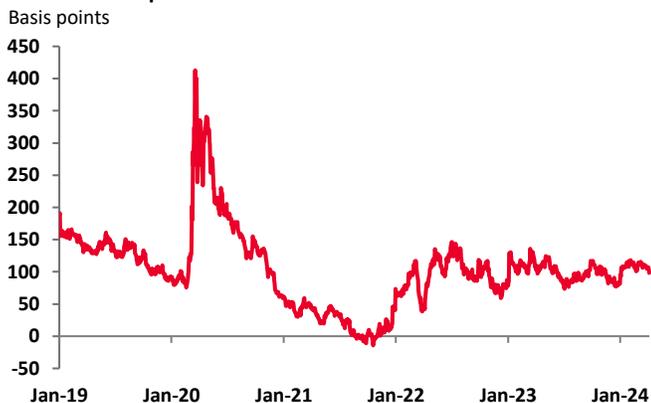
Source: Bloomberg, Banorte

## 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 24-month Cetes, the 3-year Mbono (Sep'26), the 30-year Udibono (Nov'50), as well as 1-, and 3-year Bondes F
- Yields on Cetes attractive amid strong conviction that Banxico will be gradual in its monetary easing.** We expect demand for Cetes to remain robust, considering the attractive real rates and our expectation regarding Banxico's trajectory. We now anticipate the central bank to end the year with a higher rate at 10.00% (previously: 9.75%) given a pause in rate cuts in the May and August decisions. In the first days of April, we observed significant losses in nominal rates relative to real rates, causing inflation breakevens to pick up across all tenors by around 30bps. In the shorter-end, the 3-year Mbonos show a more attractive valuation compared to their real curve counterpart. In this regard, we could see high demand in line with the last issuance when the bid-to-cover ratio almost reached a 12-month high of 3.94x. In real rates, we anticipate low appetite for the longer-term Udibono (Nov'50), ranging between 1.50x and 1.75x, on the back of a relative valuation that deteriorated further after the rebound in the inflation breakeven, which rose to 4.68% from 4.40% last week

### Auction specifics (April 9<sup>th</sup>, 2024)

Security	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
<b>Cetes</b>				
1m	May-09-24	--	10,000	10.88
3m	Jul-11-24	--	10,000	11.09
6m	Oct-03-24	--	12,600	11.17
24m	Feb-19-26	--	16,000	10.86
<b>Bondes F</b>				
1Y	Apr-03-25	--	9,300	0.09
3Y	Jan-14-27	--	4,500	0.18
<b>Bono M</b>				
3Y	Sep-03-26	7.00	14,500	9.88
<b>Udibono</b>				
30Y	Nov-03-50	4.00	UDIS 1,150	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.

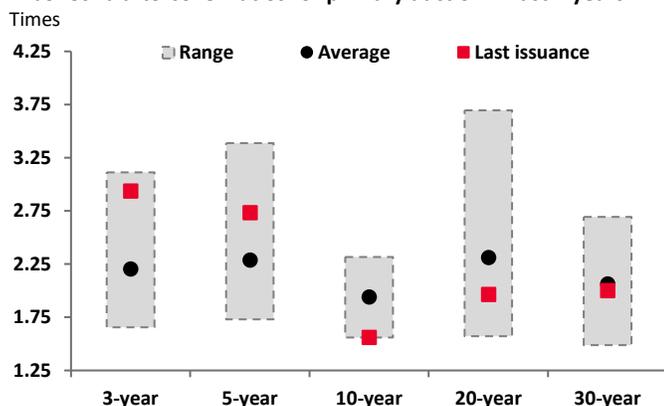
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

### 2Q24 Government Securities Auction Calendar\*

Date	Cetes	Bonos M	Udibonos	Bondes F
2-Apr	1, 3, 6, and 12M	30Y (Jul'53)	10Y (Aug'34)	2, 5, and 10Y
9-Apr	1, 3, 6, and 24M	3Y (Sep'26)	30Y (Nov'50)	1, and 3Y
16-Apr	1, 3, 6, and 12M	20Y (Nov'42)	3Y (Dec'26)	2, and 5Y
23-Apr	1, 3, 6, and 24M	10Y (Nov'34)	10Y (Aug'34)	1, 3, and 7Y
29-Apr	1, 3, 6, and 12M	5Y (Mar'29)	30Y (Nov'50)	2, 5, and 10Y
7-May	1, 3, 6, and 24M	30Y (Jul'53)	3Y (Dec'26)	1, and 3Y
14-May	1, 3, 6, and 12M	3Y (Sep'26)	20Y (Nov'43)	2, and 5Y
21-May	1, 3, 6, and 24M	10Y (Nov'34)	10Y (Aug'34)	1, 3, and 7Y
28-May	1, 3, 6, and 12M	5Y (Mar'29)	30Y (Nov'50)	2, 5, and 10Y
4-Jun	1, 3, 6, and 24M	20Y (Nov'42)	3Y (Dec'26)	1, and 3Y
11-Jun	1, 3, 6, and 12M	3Y (Sep'26)	20Y (Nov'43)	2, and 5Y
18-Jun	1, 3, 6, and 24M	30Y (Jul'53)	10Y (Aug'34)	1, 3, and 7Y
25-Jun	1, 3, 6, and 12M	5Y (Mar'29)	3Y (Dec'26)	2, 5, and 10Y

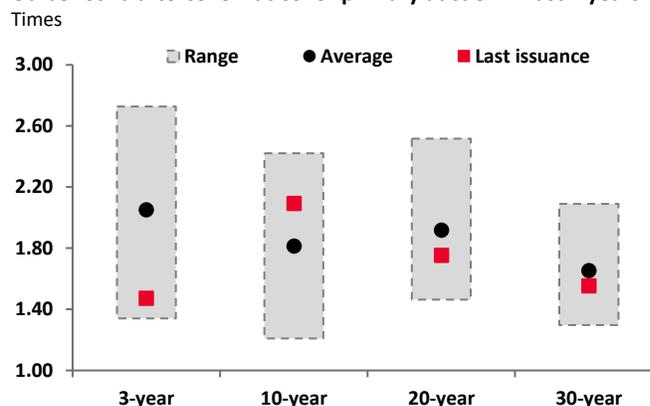
Source: SHCP \*Ministry of Finance \*In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

### 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

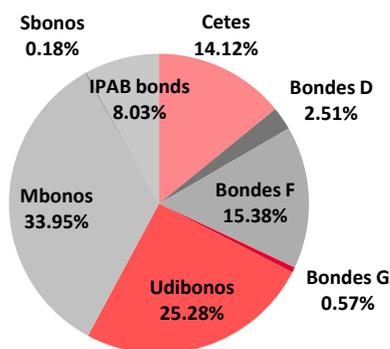
US\$ billion, \*UDIS billion, data as of Mar/22/2024

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	109.39	13.44	12.79	17.83	5.63	12.65	4.29	4.56	-	38.20
Bondes D	19.42	0.00	0.81	7.23	0.23	4.38	0.88	0.03	-	5.85
Bondes F	119.12	0.01	5.79	65.59	2.02	13.73	2.82	0.01	-	29.15
Bondes G	4.38	-	0.10	1.52	0.33	0.35	1.48	-	-	0.59
Udibonos	195.78	8.95	108.13	8.12	36.43	4.01	1.32	0.20	-	28.62
Mbonos	262.92	82.22	62.07	7.12	7.58	32.89	17.99	1.42	0.89	50.74
Sbonos	1.37	0.65	0.39	0.01	0.03	0.04	-	-	-	0.25
<b>Total</b>	<b>712.39</b>	<b>105.27</b>	<b>190.08</b>	<b>107.42</b>	<b>52.26</b>	<b>68.04</b>	<b>28.78</b>	<b>6.23</b>	<b>0.89</b>	<b>153.40</b>
Udibonos*	404.84	18.50	223.58	16.79	75.32	8.30	2.74	0.42	-	59.19
IPAB bonds	62.16	0.02	0.54	20.79	0.24	9.23	6.53	2.18	-	22.63

Source: Banxico, Banorte

## Government issuance by type of instrument

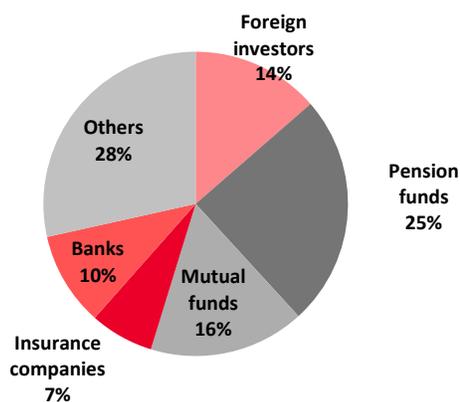
Total amount of US\$ 775 billion (including IPAB bonds), % of total



Source: Banxico, Banorte

## Mbonos holdings by type of investor

Total amount of US\$ 775 billion (including IPAB bonds), % of total

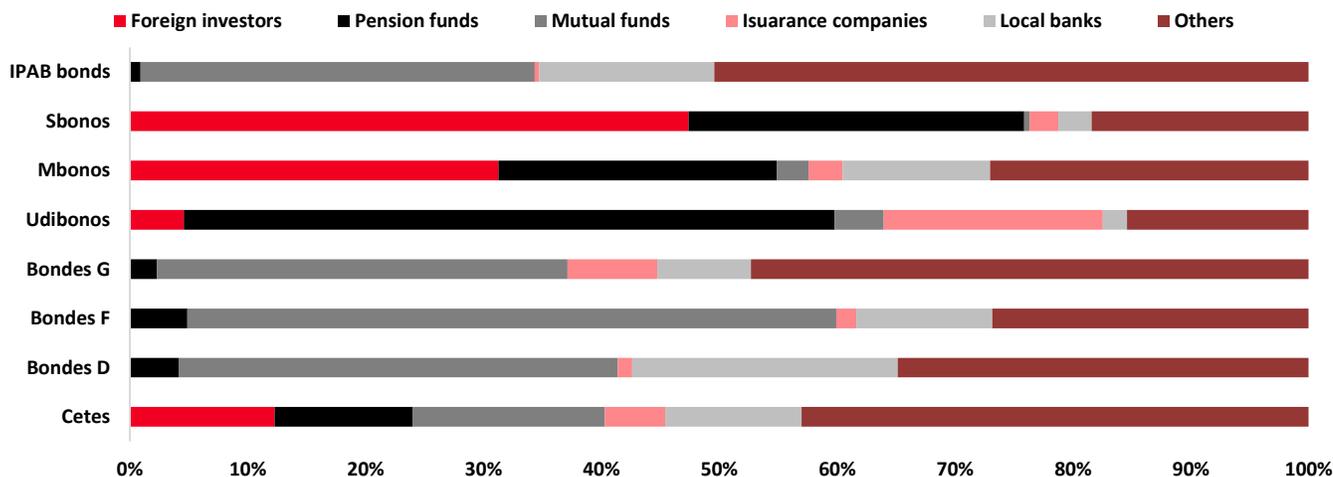


Source: Banxico, Banorte

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\$ 775 billion (including IPAB bonds), % of total



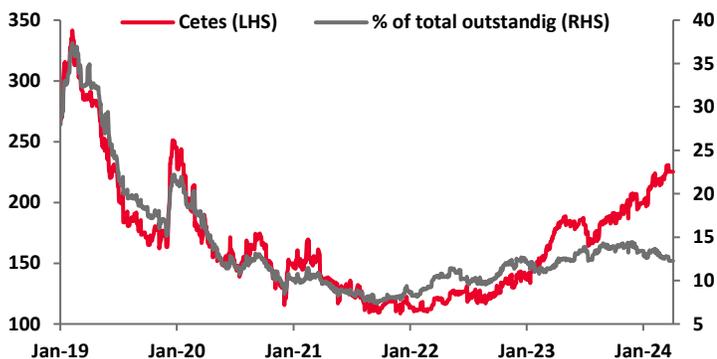
Source: Banxico, Banorte

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

## Fixed-Income Demand (continued)

### Cetes held by foreigners

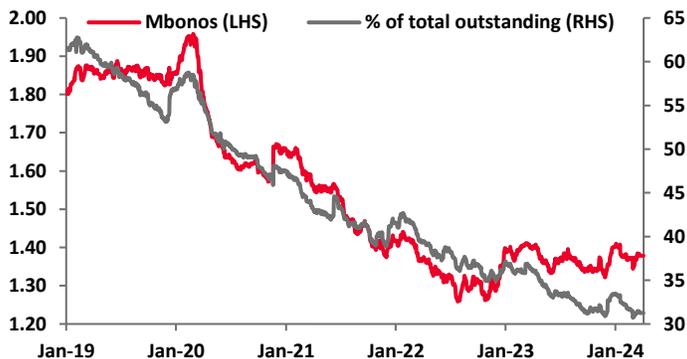
MXN billion, %



Source: Banxico, Banorte

### Mbonos held by foreigners

MXN trillion, %



Source: Banxico, Banorte

### Holdings of main investors by type of security

Data as of Mar/22/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	4.42	12.87	-3.62	-3.56	32.01	42.09
Bondes F	-6.26	102.28	19.87	-21.09	-4.02	0.90
Udibonos	5.26	-0.09	1.16	6.37	1.71	9.84
Mbonos	0.52	-1.65	-0.84	3.14	8.29	6.15

Source: Banxico, Banorte

### Mbonos holdings by type of investor

US\$ billions and %, data as Mar/21/2024

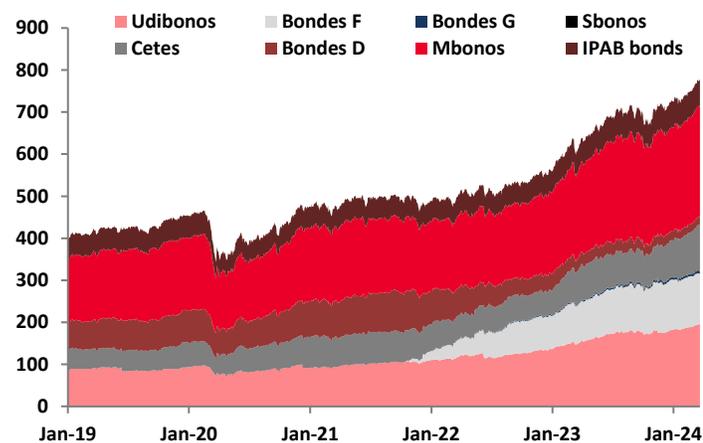
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	15.9	23%	9%	12%	55%
Dec'24	12.2	23%	20%	8%	50%
Mar'25	8.0	30%	15%	20%	35%
Mar'26	26.4	30%	25%	12%	33%
Sep'26	11.4	37%	19%	12%	32%
Mar'27	21.7	32%	20%	10%	38%
Jun'27	20.9	7%	33%	26%	33%
Mar'29	9.0	22%	28%	20%	30%
May'29	16.5	3%	52%	23%	21%
May'31	24.5	4%	45%	34%	17%
May'33	17.0	4%	43%	30%	22%
Nov'34	7.8	3%	44%	35%	18%
Nov'36	4.4	0%	24%	48%	28%
Nov'38	12.8	0%	40%	44%	16%
Nov'42	20.0	1%	37%	46%	16%
Nov'47	15.5	0%	36%	46%	18%
Jul'53	13.8	2%	32%	46%	20%
<b>Total</b>	<b>244.0</b>	<b>13%</b>	<b>32%</b>	<b>27%</b>	<b>28%</b>

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

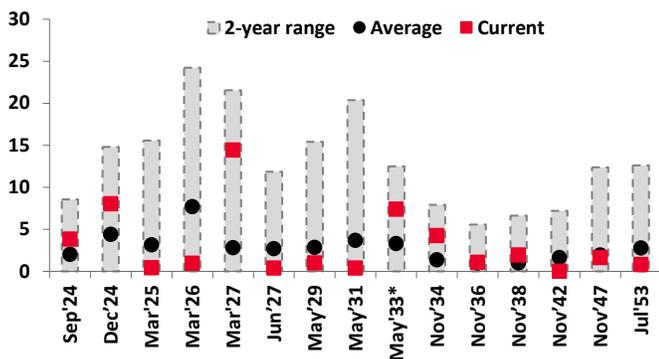


Fuente: Banxico, Banorte

## Fixed-Income Demand – Primary dealers

### Market makers' short positions on Mbonos

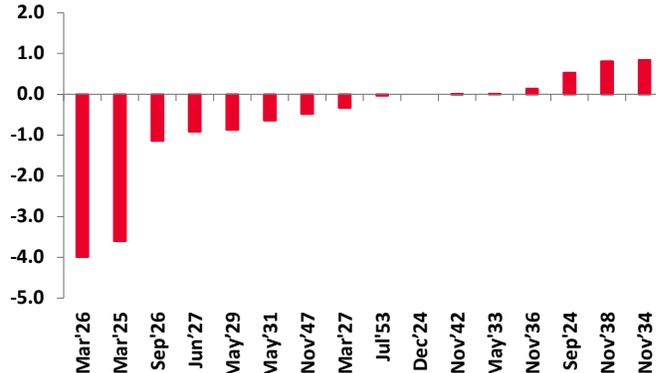
MXN billion



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

### Weekly change in market makers' short positions on Mbonos

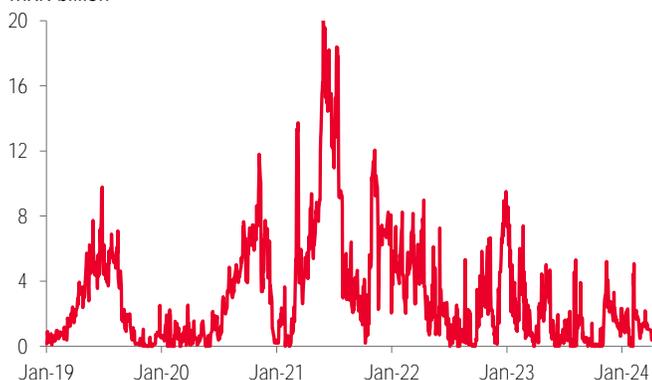
MXN billion



Source: Banxico, Banorte

### Market makers' short positions on Mbono May'31

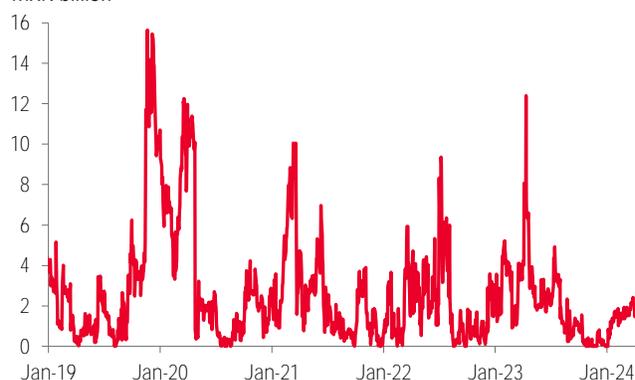
MXN billion



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 Apr/04/2024	Apr/04/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	16,080	230	198	326	63	404	0
Dec'24	12,495	481	481	481	0	486	52
Mar'25	8,763	26	241	338	6	610	17
Mar'26	26,329	57	296	479	1,067	834	57
Sep'26	12,748	490	559	339	0	594	79
Mar'27	22,541	863	883	788	163	883	8
Jun'27	21,042	22	77	1	220	223	0
Mar'29	9,130	600	364	455	0	714	0
May'29	17,713	58	110	122	175	921	8
May'31	24,736	23	61	69	74	311	0
May'33	17,355	442	441	562	8	746	1
Nov'34	8,623	253	203	242	118	473	0
Nov'36	4,500	63	54	43	118	98	0
Nov'38	13,058	116	68	85	29	306	0
Nov'42	20,236	0	0	50	11	226	0
Nov'47	15,639	97	125	104	461	145	0
Jul'53	14,897	47	49	0	92	640	0
<b>Total</b>	<b>265,887</b>	<b>3,821</b>	<b>4,161</b>	<b>4,483</b>	<b>2,512</b>		

Source: Banxico, Banorte

# Fixed-Income Technicals

## Spread between Cetes and Implied Forward Rates

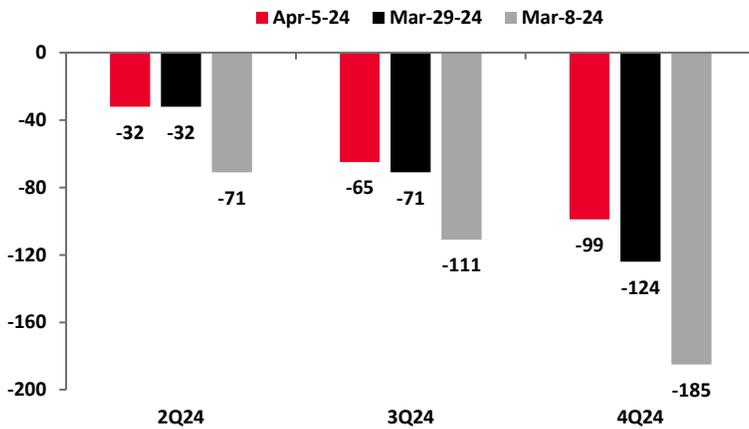
Basis points

Tenor	Actual Apr/05/2024	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	73	116	92	83	243	-20
3 months	26	41	41	32	118	-16
6 months	17	26	29	16	54	-21
12 months	0	-2	26	6	36	-29

Source: PiP, Bloomberg, Banorte

## Cumulative implied moves in Banxico's repo rate

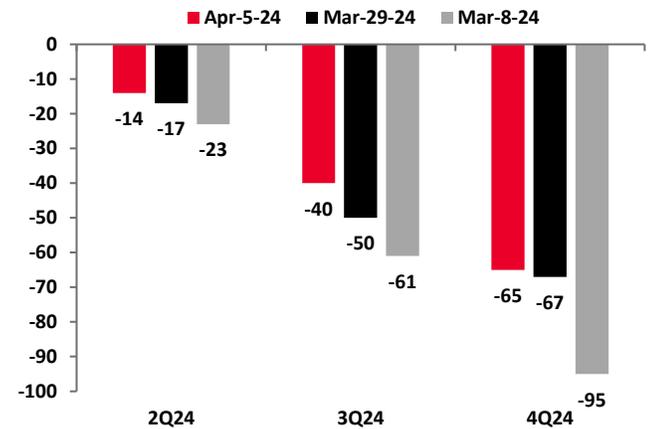
Basis points



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	566	22	20	15	672	497	569
5 year	527	20	7	5	597	489	536
10 year	519	12	9	13	563	481	517
20 year	504	5	14	15	548	464	499
30 year	514	3	14	10	562	477	514

Source: Bloomberg, PiP, Banorte

## 10-year Mbono and 10-year UST spread

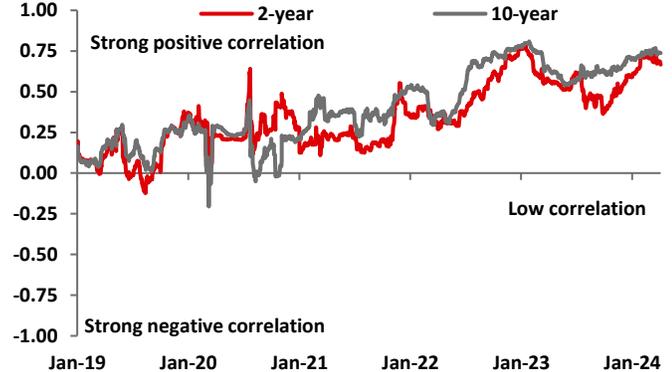
Basis points



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
<b>Mbonos</b>							
2/5	-74	3	-5	-5	-31	-134	-87
2/10	-81	-2	-5	1	-40	-197	-116
2/30	-70	-9	-2	-1	-25	-192	-106
5/10	-6	-5	1	6	8	-78	-29
10/30	11	-7	3	-3	35	-15	10
<b>TIIE IRS</b>							
3m/2Y	-115	29	51	61	-72	-203	-152
2/5	-89	4	14	25	-89	-152	-115
2/10	-98	4	14	27	-97	-174	-127
2/30	-96	4	14	30	-88	-165	-120
5/10	-8	0	0	2	-1	-26	-11
10/30	2	-1	0	3	17	-4	6
<b>TIIE IRS – Mbonos</b>							
2 year	-29	0	-5	-23	25	-57	-21
5 year	-44	2	14	7	-32	-100	-60
10 year	-46	7	14	3	-29	-68	-51
20 year	-52	12	10	5	-24	-75	-56
30 year	-55	13	11	8	-14	-78	-56
<b>TIIE IRS – SOFR</b>							
2 year	542	20	11	-22	614	485	544
5 year	503	18	18	0	537	432	491
10 year	507	16	19	9	540	442	493
20 year	516	16	22	14	551	467	503
30 year	531	16	23	18	575	487	521

Source: Bloomberg, PIP, Banorte

### Breakeven inflation using Mbonos & Udibonos

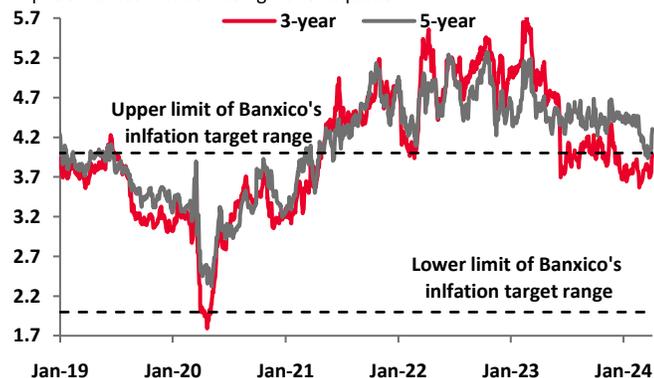
Implicit market inflation using Fisher Equation (%)

Date	Apr/05/2024	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.79	3.86 (-7pb)	3.59 (+20pb)	4.86 (-107pb)	5.15	3.57	4.12
5Y	3.95	4.06 (-11pb)	4.24 (-29pb)	4.44 (-49pb)	4.72	3.94	4.42
10Y	4.05	4.12 (-7pb)	4.19 (-14pb)	4.32 (-27pb)	4.67	4.04	4.31
20Y	4.27	4.41 (-14pb)	4.52 (-25pb)	4.57 (-30pb)	5.08	4.15	4.54
30Y	4.34	4.48 (-14pb)	4.6 (-26pb)	4.58 (-24pb)	5.01	4.15	4.54

Source: PIP, Banorte

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

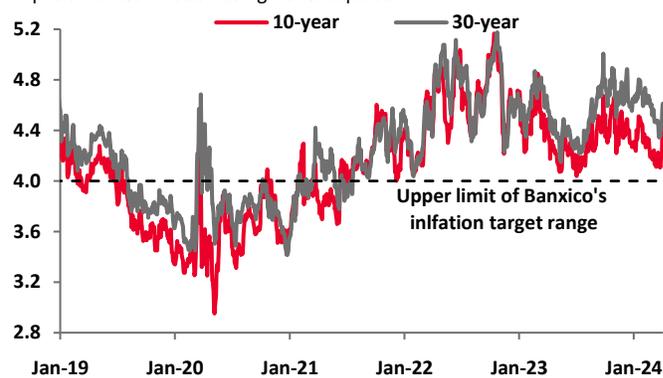
Implicit market inflation using Fisher Equation



Source: PIP, Banorte

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

Implicit market inflation using Fisher Equation



Source: PIP, Banorte

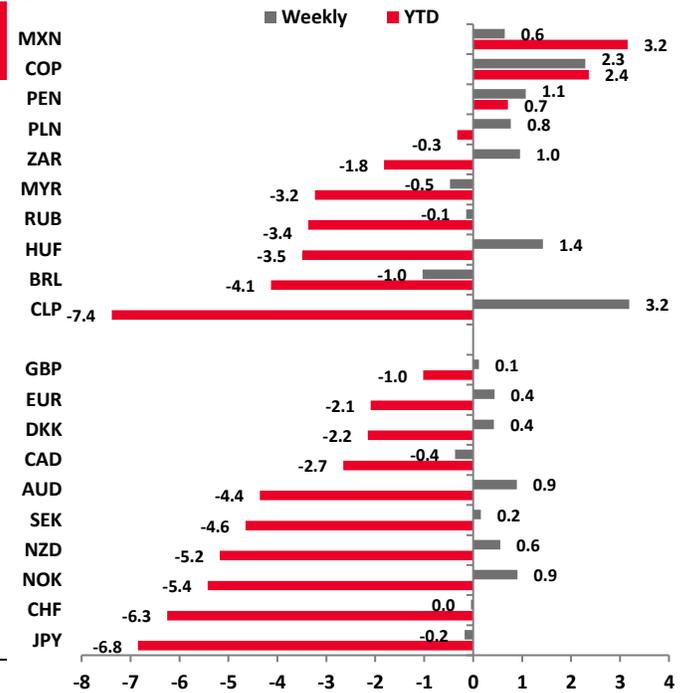
# FX dynamics

## Foreign Exchange market levels and historical return

		Close at Apr/05/2024	Daily Change (%) <sup>1</sup>	Weekly change (%) <sup>1</sup>	Monthly change (%) <sup>1</sup>	YTD <sup>1</sup> (%)
<b>Emerging Markets</b>						
Brazil	USD/BRL	5.07	-0.2	-1.0	-2.4	-4.1
Chile	USD/CLP	949.10	-0.7	3.2	3.7	-7.4
Colombia	USD/COP	3,766.05	0.1	2.3	4.1	2.4
Peru	USD/PEN	3.68	0.2	1.1	1.5	0.7
Hungary	USD/HUF	359.79	0.6	1.4	0.5	-3.5
Malaysia	USD/MYR	4.75	-0.2	-0.5	-0.3	-3.2
<b>Mexico</b>	<b>USD/MXN</b>	<b>16.45</b>	<b>0.8</b>	<b>0.6</b>	<b>2.6</b>	<b>3.2</b>
Poland	USD/PLN	3.95	0.3	0.8	-0.1	-0.3
Russia	USD/RUB	92.59	-0.4	-0.1	-2.0	-3.4
South Africa	USD/ZAR	18.70	0.1	1.0	0.7	-1.8
<b>Developed Markets</b>						
Canada	USD/CAD	1.36	-0.3	-0.4	-0.6	-2.6
Great Britain	GBP/USD	1.26	0.0	0.1	-0.7	-0.7
Japan	USD/JPY	151.62	-0.2	-0.2	-1.5	-7.0
Eurozone	EUR/USD	1.0837	0.0	0.4	-0.6	-1.8
Norway	USD/NOK	10.73	0.1	0.9	-2.2	-5.2
Denmark	USD/DKK	6.88	0.0	0.4	-0.6	-1.9
Switzerland	USD/CHF	0.90	0.0	0.0	-2.2	-6.7
New Zealand	NZD/USD	0.60	-0.2	0.6	-1.9	-4.8
Sweden	USD/SEK	10.64	0.0	0.2	-3.2	-5.3
Australia	AUD/USD	0.66	-0.1	0.9	0.2	-3.4

## FX performance

Against USD, %

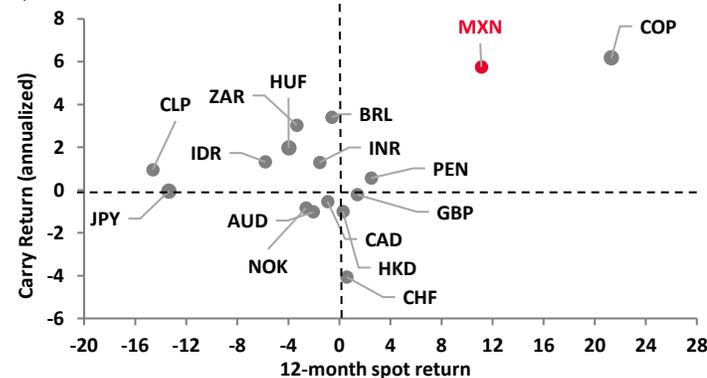


Source: Bloomberg, Banorte

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

## Performance of selected currencies

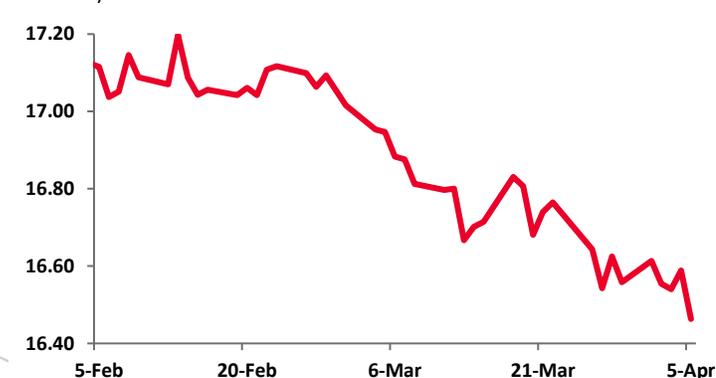
%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

## USD/MXN

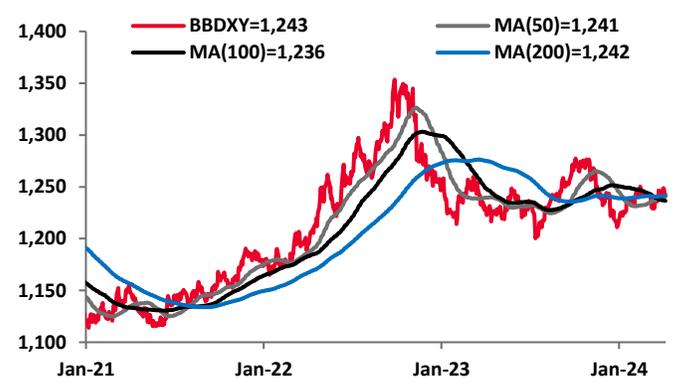
Last 60 days



Source: Bloomberg, Banorte

## BBDXY

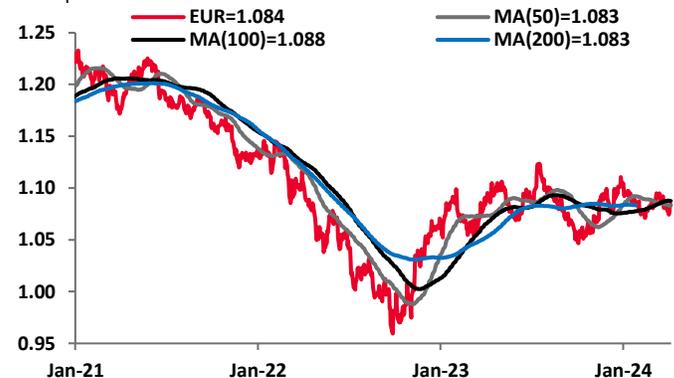
Points



Source: Bloomberg, Banorte

## Euro

Dólar per euro

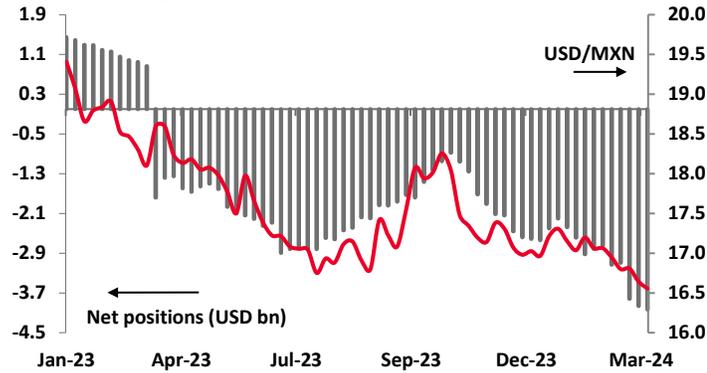


Source: Bloomberg, Banorte

# FX positioning and flows

## IMM positioning in USD/MXN futures

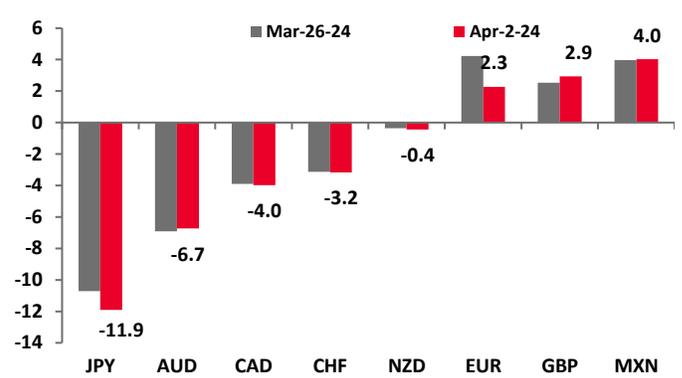
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

## IMM positioning by currency\*

Billion dollars

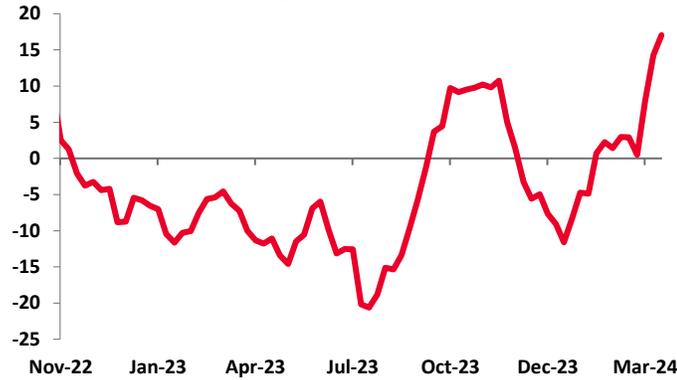


\* Positive: Net long in the corresponding currency

Source: CME, Banorte

## IMM positioning in USD futures\*

Billion dollars, Positive = net long in USD

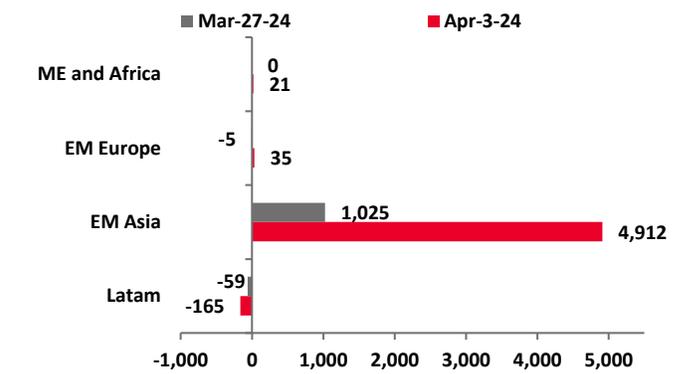


\* Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF

Source: CME, Banorte

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

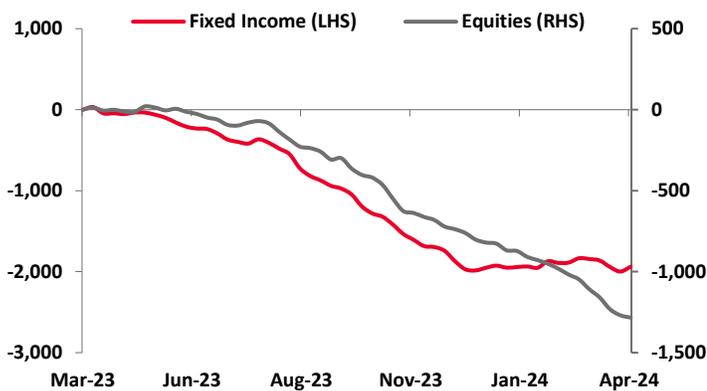
Billion dollars



Source: EPFR Global, Banorte

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

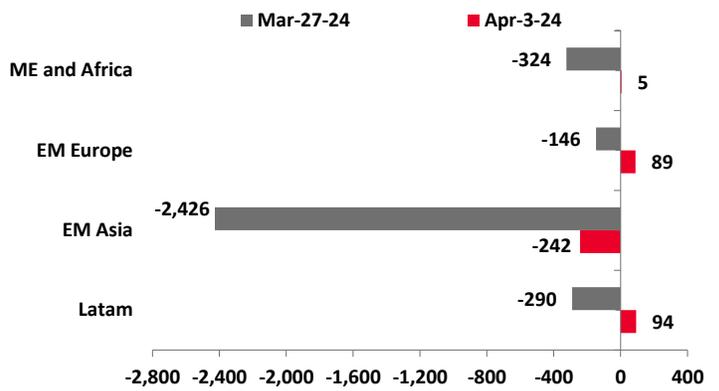
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

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

Weekly, million dollars

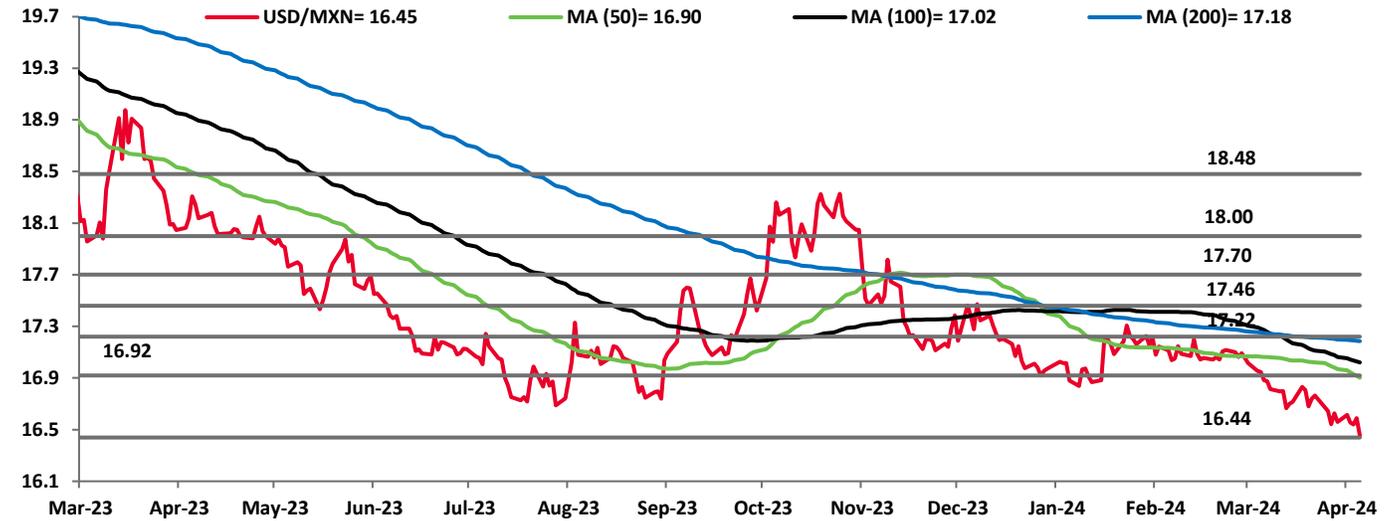


Source: EPFR Global, Banorte

# 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

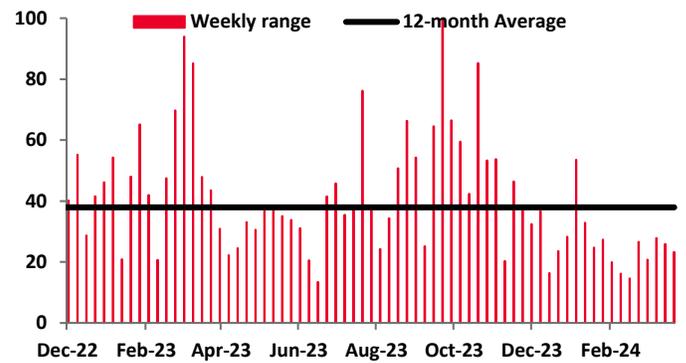
Based on daily percentage changes

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	61	63	24	72	52
CAD	42	42	17	64	44
ZAR	72	71	2	87	57
BRL	58	56	7	81	62
HUF	58	63	24	68	54
RUB	-10	-14	-23	50	5
VIX	22	15	11	74	44
SPX	5	-6	-12	68	39
GSCI	-8	-9	-27	13	-4
Oro	31	37	-28	58	28

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

## USD/MXN – Weekly trading range

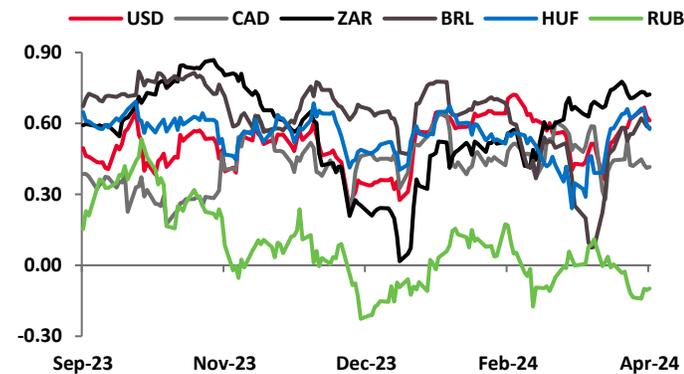
MXN cents with last 12 month average



Source: Bloomberg, Banorte

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

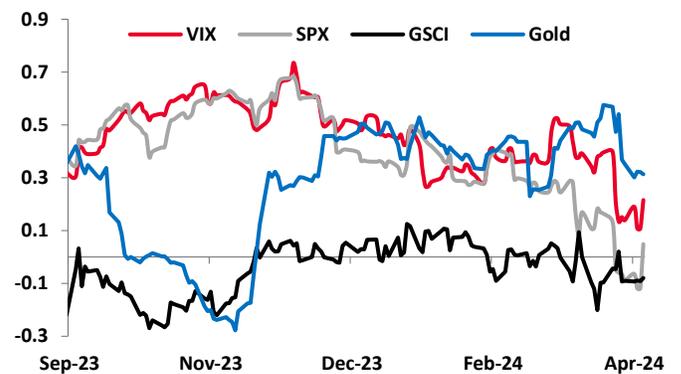
Based on daily percentage changes



\* Positive: appreciation of MXN and corresponding currency  
Source: Bloomberg, Banorte

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

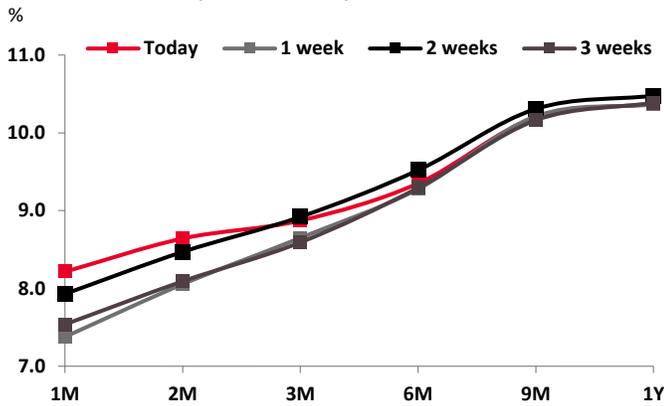
Based on daily percentage changes



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

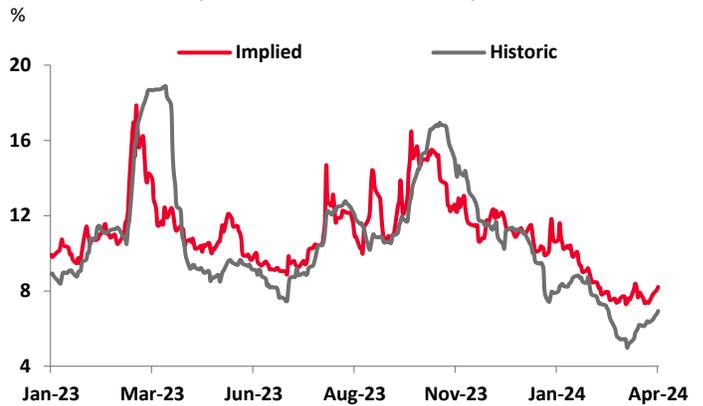
# FX technicals (continued)

USD/MXN – ATM options volatility curve



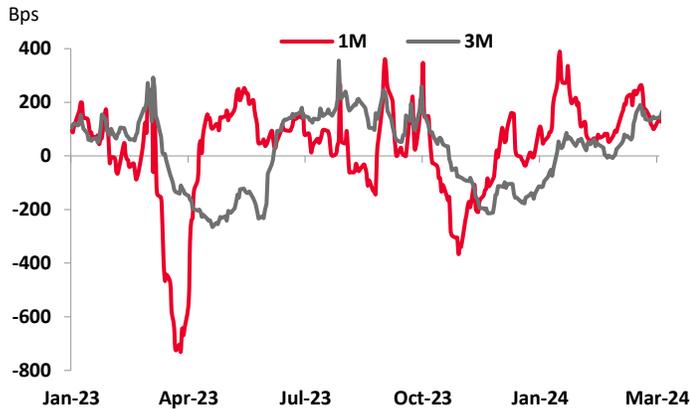
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

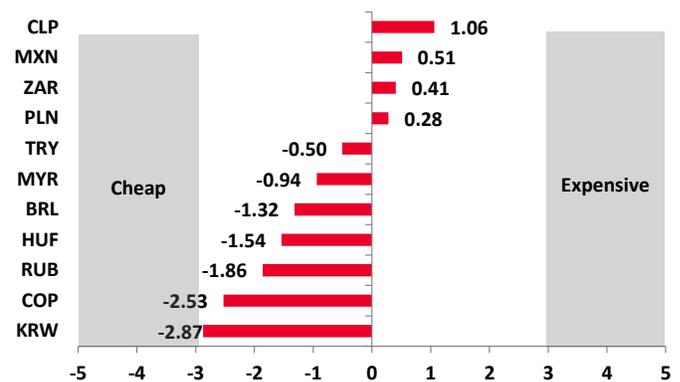
USD/MXN – Spread between implicit and historical volatility



Source: Bloomberg, Banorte

Emerging markets one-month ATM options volatility

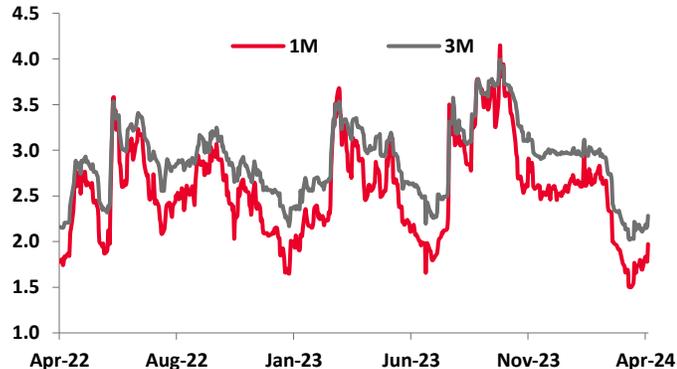
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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

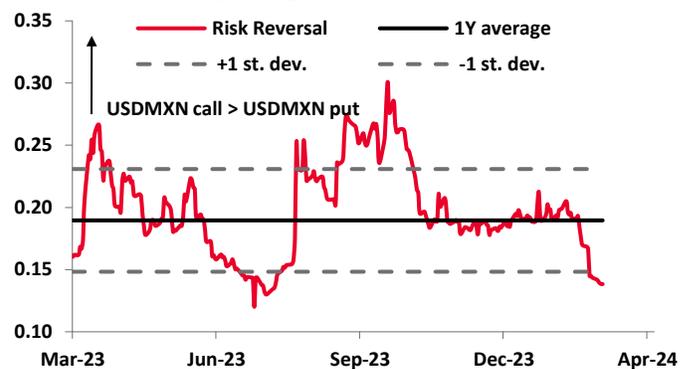
Last 24 months, difference between USD calls and puts, in vols



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 April 12<sup>th</sup>, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous	
Mon 8	03:00	GER	Industrial Production*	Feb	% m/m	--	0.5	1.0	
	03:00	GER	Trade balance	Feb	EURbn	--	25.0	27.6	
	19:00	US	Fed's Kashkari Participates in Town Hall Meeting						
Tue 9	08:00	MX	Consumer prices	Mar	% m/m	0.33	0.37	0.09	
	08:00	MX	Core	Mar	% m/m	0.49	0.51	0.49	
	08:00	MX	Consumer prices	Mar	% y/y	4.47	4.51	4.40	
	08:00	MX	Core	Mar	% y/y	4.60	4.63	4.64	
	11:00	MX	International reserves	Apr 5	US\$bn	--	--	217.2	
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 3-year Mbono (Sep'26), 30-year Udibono (Nov'50) and 1-, and 3-year Bondes F						
Wed 10	08:00	BZ	Consumer prices	Mar	% m/m	--	0.23	0.83	
	08:00	BZ	Consumer prices	Mar	% y/y	--	4.00	4.50	
	08:30	US	Consumer prices mom*	Mar	% m/m	0.3	0.3	0.4	
	08:30	US	Ex. food & energy*	Mar	% m/m	0.3	0.3	0.4	
	08:30	US	Consumer prices	Mar	% y/y	3.4	3.4	3.2	
	08:30	US	Ex. food & energy	Mar	% y/y	3.7	3.7	3.8	
	12:45	US	Fed's Goolsbee Participates in Panel Discussion						
	14:00	US	FOMC Meeting Minutes	Mar 20					
	21:30	CHI	Consumer Prices	Mar	% y/y	--	0.4	0.7	
			MX	ANTAD same-store sales	Mar	% y/y	--	--	9.2
			MX	Wage negotiations	Mar	% y/y	--	--	8.6
		08:00	BZ	Retail sales	Feb	% y/y	--	4.2	4.1
		08:00	BZ	Retail sales*	Feb	% m/m	--	-1.7	2.5
	08:00	MX	Industrial production	Feb	% y/y	5.1	2.8	2.9	
	08:00	MX	Industrial production*	Feb	% m/m	0.8	--	0.4	
	08:00	MX	Manufacturing output	Feb	% y/y	--	--	0.1	
	08:15	EZ	Monetary policy decision (ECB)	Apr 11	%	--	4.00	4.00	
	08:30	US	Producer prices*	Mar	% m/m	--	0.3	0.6	
	08:30	US	Ex. food & energy*	Mar	% m/m	--	0.2	0.3	
Thu 11	08:30	US	Initial jobless claims*	Apr 6	thousands	217	215	221	
	08:45	EZ	ECB President Christine Lagarde Holds Press Conference						
	08:45	US	Fed's Williams Gives Keynote Remarks						
	12:00	US	Fed's Collins Speaks at Economic Club of New York						
	13:30	US	Fed's Bostic Participates in Moderated Conversation						
	19:00	PER	Monetary policy decision (BCRP)	Apr 11	%	--	--	6.25	
	23:00	CHI	Trade balance	Mar	%	--	70.2	39.7	
	23:00	CHI	Exports	Mar	USDbn	--	-1.8	5.6	
	23:00	CHI	Imports	Mar	% y/y	--	1.0	-8.2	
			SK	Monetary policy decision (Central bank of South Korea)	Apr 12	% y/y	--	3.50	3.50
Fri 12	02:00	GER	Consumer prices	Mar (F)	% y/y	--	2.2	2.2	
	03:00	UK	Industrial production*	Feb	% m/m	--	0.0	-0.2	
	10:00	US	U. of Michigan Confidence*	Apr (P)	index	79.0	79.0	79.4	
	14:30	US	Fed's Bostic Gives Speech on Housing						
	15:30	US	Fed's Daly Participates in Fireside Chat						

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	
Tactical longs in Udibono Dec'26	P	Feb-16-24	Mar-08-24	
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 TIIE-IRS steepener	28bps	43bps	18bps	31bps	P <sup>2</sup>	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% <sup>1</sup>	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, Marcos Saúl García Hernández, 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.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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