

Fixed-Income & FX Strategy

W e e k l y

May 3, 2024

Fixed-Income and FX Weekly

- Banxico's decision in sight.** Market dynamics continue to be primarily driven by expectations around central banks, particularly the Fed. The week included the policy decision of the latter, unchanged as widely expected, yet revealing a less hawkish stance than some market participants anticipated. By dismissing the possibility of a rate hike, Powell temporarily removed this tail risk from the horizon, triggering a rally in rates that alleviated some of the accumulated pressures in recent weeks. This rally extended following employment figures that fell below expectations. Consequently, the US yield curve strengthened its pricing for rate cuts, incorporating -45bps for this year from -34bps the previous week. It's worth noting that it had only priced -28bps prior to the decision, reflecting uncertainty regarding the rate's path forward. However, Powell also conceded that inflation has shown a lack of further progress, suggesting an additional delay in monetary easing. In light of this situation, we now anticipate only two 25bps cuts this year: in September and December. Against this backdrop Banxico's decision is due next Thursday, in which we do not expect any changes to the reference rate at 11.00%. In terms of strategy, with the local curve pricing-in accumulated cuts of around -70bps for this year, we consider that the scope for further nominal rate appreciation following the recent adjustment could be limited, as the market conditions a more dovish bias from Banxico on positive surprises in inflation and relative positioning with the Fed. Likewise, the negative carry in receiver positions discourages directional strategies. In this regard, we choose to wait better entries ahead of next week's meeting, favoring relative value strategies biased towards a steeper curve. Additionally, we maintain preference for nominal versus real rates amid the seasonally low inflation period. In currencies, we expect the MXN to adopt a more defensive stance for the first weeks of May, supported by expectations for Banxico and the Fed, which still result in an attractive carry relative to other emerging currencies that has also benefited recently from the stabilization of the implied volatility space. As the month progresses and in line with past electoral processes, we could see increased demand for hedging needs. We view tactical USD purchases at USD/MXN 16.70 as attractive, with shorts on EUR/MXN upon revisiting 18.60
- Weekly ranges** – We expect the 10-year Mbono (Nov'34) to trade between 9.45% and 9.75%, and MXN between 16.70 and 17.25 per dollar



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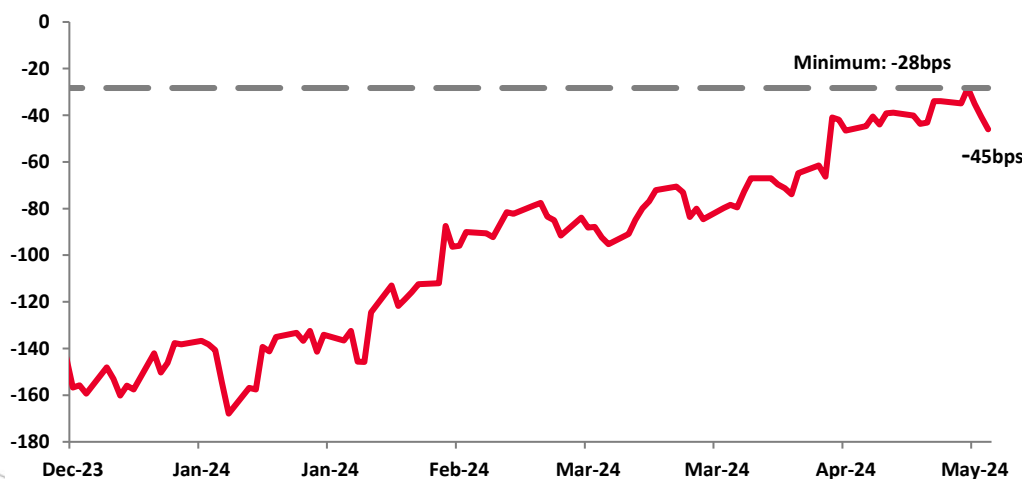
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Winners of the awards as the best economic forecasters in Mexico by LSEG and Focus Economics in 2023



Implied market cuts for the Fed in 2024

Basis points



Source: Bloomberg, Banorte

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Fixed-Income

- **Sovereign bonds rally** – The Treasuries' curve bull steepened as short-term rates (-18bps w/w) fell stronger than long-term rates (-12bps w/w). With this, the 2s30s spread moved to -16bps from -22bps the previous week. This dynamic spread to other regions, including Mexico. Mbonos averaged gains of ~40bps, with mid-term duration assets being the most benefited. The better performance in local rates vs Treasuries resulted in a compression in the local risk premium to 505bps from 533bps last week
- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 30-year Mbono (Jul'53), the 3-year Udibono (Dec'26), as well as 1- and 3-year Bondes F
- **Demand** – In the last four weeks, foreigners kept their holdings in Cetes practically unchanged with 12.0% of the total amount outstanding. Furthermore, they increased their exposure in Mbonos by 0.4% (30.8% of the total). Pension funds' holdings in Udibonos increased 1.4%, equal to 55.1% of the total. In turn, Mutual funds increased their exposure to Bondes F by 5.0%, they remain as the main holders with 55.7% of the total

Foreign Exchange

- **USD hit almost 1-month lows** – The DXY and BBDXY declined 0.8% w/w and 1.0% w/w, respectively. In G10, all eyes were on JPY due to strong speculation of two interventions by Japanese authorities (not yet confirmed), positioning as the strongest by registering its best week since November 2022 with a gain of 3.5%. EM currencies rallied driven by a weaker-than-expected US employment report with ZAR leading the gains (+1.6%)
- **MXN halted three negative weeks in a row** – The Mexican peso returned to trading below the psychological level of 17.00, ending with an appreciation of 1.1% w/w at 16.97 per dollar. This movement diluted part of the losses accumulated in April (-3.4%), when MXN was one of the weakest currencies only behind BRL (-3.5%). Meanwhile, the implied volatilities curve shifted downwards, resulting in a steeper slope. In a more detail, the 1-month volatility decreased 1.4 vegas to 10.4%, while the 12-month reading was virtually unchanged at 11.2%
- **Market positioning in MXN** – As of April 30th, the MXN CFTC position registered a net long of US\$ 3.5 billion from US\$ 3.6 billion the previous week, falling slightly for the third week in a row
- **Market positioning in USD** – The IMM USD net long position moved to US\$ 29.7 billion from 5-year highs of US\$ 33.5 billion. The main driver was strong purchases in JPY (+1.2 billion) and CAD (+0.9 billion). It is worth noting that the JPY net position declined to US\$ 13.2 billion from levels not seen since 2018 of US\$ 14.6 billion a week ago
- **Flows** – Our EPFR aggregate for EM registered lower outflows, driven by a significant reduction in bond and equity sales. A total outflow of \$833 million was recorded from \$3.2 billion the previous week. In detail, equity flows recorded sales of \$722 million and the rest in bonds. In Mexico, a lower net outflow of \$28.2 million was observed from \$144.6 million the previous week, as a result of an inflow to bonds of US\$ 10.7 million (previous: -\$90.7 million) and equity sales of \$38.9 million (previous: -\$53.9 million)
- **Technicals** – The MXN registered a weekly trading range of 42 cents from 41 the previous week and below the 4-month average of 72 cents, hovering between 16.83 and 17.25 per dollar. Relevant short-term technical levels: 16.80, 16.70, and 16.62 (resistances) and 17.17, 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	11.02	3	4	-43	11.45	10.98	11.23
28-days ¹	11.05	-1	-15	-26	11.34	11.05	11.29
91-days ¹	11.16	-1	-15	-26	11.45	11.16	11.40
182-days ¹	11.32	-1	-15	-27	11.62	11.31	11.56
Cetes							
28-days	10.95	-8	-4	-29	11.49	10.45	11.14
91-days	11.12	-4	0	-12	11.61	10.75	11.35
182-days	11.23	-2	5	-10	12.06	10.90	11.49
364-days	11.32	29	29	18	12.13	10.88	11.47
728-days	11.29	-17	35	38	12.14	10.50	11.15
Mbonos							
Sep'24	11.28	5	10	31	11.57	10.03	10.99
Dec'24	11.10	-7	-5	44	11.31	9.57	10.66
Mar'25	10.51	-33	-31	62	11.24	9.56	10.34
Mar'26	10.44	-28	8	68	10.92	8.85	9.85
Sep'26	10.31	-32	12	82	10.78	9.22	9.90
Mar'27	9.98	-40	11	59	10.53	8.58	9.50
Jun'27	9.94	-32	12	68	10.49	8.49	9.43
Mar'29	9.72	-41	11	66	10.32	9.07	9.64
May'29	9.67	-41	10	73	10.24	8.43	9.14
May'31	9.61	-40	4	67	10.26	8.45	9.13
May'33	9.56	-43	0	63	10.24	8.52	9.13
Nov'34	9.56	-43	1	62	10.21	8.49	9.11
Nov'36	9.55	-42	1	63	10.20	8.53	9.11
Nov'38	9.61	-36	1	57	10.25	8.66	9.23
Nov'42	9.69	-38	2	61	10.25	8.71	9.26
Nov'47	9.64	-37	0	57	10.17	8.69	9.22
Jul'53	9.68	-37	2	61	10.17	8.66	9.23
TIIE-IRS							
3-month (3x1)	11.20	-4	-3	-26	11.62	11.20	11.46
6-month (6x1)	11.09	-7	0	-19	11.58	11.05	11.38
9-month (9x1)	10.97	-11	1	-12	11.55	10.89	11.24
1-year (13x1)	10.77	-19	-1	-1	11.46	10.62	10.98
2-year (26x1)	10.14	-35	7	44	10.83	9.49	9.99
3-year (39x1)	9.68	-43	10	60	10.31	8.72	9.39
4-year (52x1)	9.45	-42	13	73	10.02	8.30	9.06
5-year (65x1)	9.29	-44	11	73	9.87	8.10	8.89
7-year (91x1)	9.20	-40	13	75	9.78	7.98	8.78
10-year (130x1)	9.17	-39	7	72	9.78	7.97	8.78
20-year (3x1)	9.23	-38	8	73	9.85	8.05	8.85
30-year (390x1)	9.21	-40	9	76	9.84	8.07	8.84
Udibonos							
Dec'25	7.22	6	27	124	6.45	4.46	5.67
Dec'26	6.69	5	74	107	6.42	4.36	5.44
Nov'28	5.49	-16	44	102	5.62	4.02	4.69
Nov'31	5.16	-26	24	69	5.39	3.94	4.58
Aug'34	5.12	-30	--	--	--	--	--
Nov'35	5.12	-24	30	75	5.06	3.96	4.45
Nov'40	5.07	-21	34	76	5.04	3.96	4.48
Nov'43	5.05	-21	29	72	5.06	4.30	4.60
Nov'46	5.01	-6	27	86	5.04	3.91	4.46
Nov'50	5.04	-18	28	82	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 UMS and US Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM May/03/2024	Weekly change (bps)	YTD (bps)	YTM May/03/2024	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	5.39	-31	+91	4.81	-18	+38	58	-13	26	38
3Y	Mar'27	5.40	-17	+60	4.64	-20	+42	76	+3	31	55
5Y	May'29	5.55	-19	+77	4.48	-20	+48	107	+1	100	93
7Y	Apr'30	5.67	-21	+33	4.49	-20	+52	118	-1	123	130
10Y	May'33	5.93	-15	+37	4.50	-17	+62	143	+2	156	162
20Y	Mar'44	6.46	-14	+8	4.75	-14	+61	171	+0	185	--
30Y	May'54	6.70	-11	+31	4.66	-12	+70	204	+1	223	--

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 30-year Mbono (Jul'53), the 3-year Udibono (Dec'26), as well as 1- and 3-year Bondes F
- **We prefer nominal versus real rates.** We continue to anticipate robust demand for Cetes, supported by elevated rates. In our view, Banxico will close the year with a reference rate of 10.00%, equivalent to a cumulative cut of 100bps for the remainder of the year. Meanwhile, the market remains inclined towards a higher rate, around 10.30%. In this context, Mexico will hold attractive vis-à-vis other emerging countries, favoring local assets. This week, Mbonos experienced a rally that nearly halved April's sell-off wave of 60bps. Despite this adjustment, securities are trading at appealing levels for long-term portfolios, with Nov'42 standing out. However, uncertainty persists regarding the timing of the Fed's inflection point. Against this backdrop, we anticipate stable demand around 2.0x for the longer-term Mbono. Additionally, we reiterate our preference for nominal versus real rates this quarter, given the seasonally low inflation readings. Consequently, we expect appetite for the 3-year Udibono to remain weak, noting that the bid-to-cover ratio for its last issuance was 1.1x (the lowest in the last two years). This, despite the recent compression in its breakeven inflation to 3.39% from 3.76% the previous week

Auction specifics (May 7th, 2024)

Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Jun-06-24	--	10,000	10.95
3m	Aug-08-24	--	12,000	11.13
6m	Oct-31-24	--	12,600	11.26
24m	Apr-16-26	--	14,200	11.43
Bondes F				
1Y	Apr-03-25	--	9,500	0.08
3Y	Jan-14-27	--	2,500	0.17
Bono M				
30Y	Jul-31-53	8.50	16,500	9.60
Udibono				
3Y	Dec-03-26	3.00	UDIS 950	7.19

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.

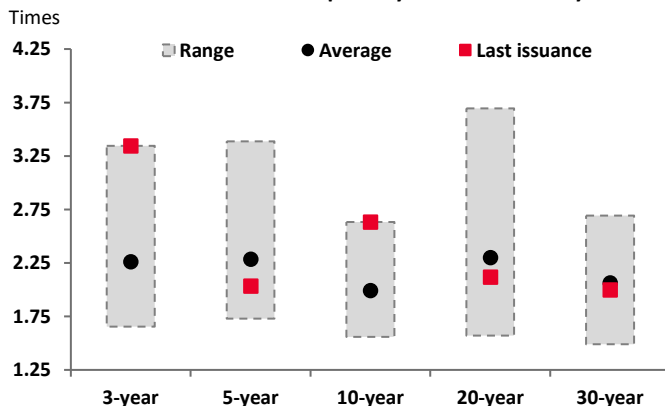
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

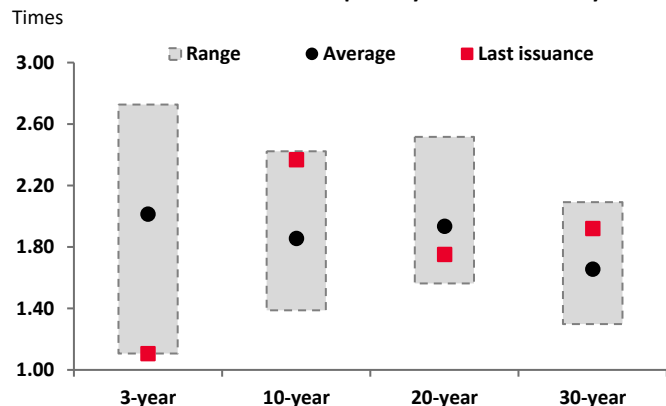
Source: SHCP *Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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

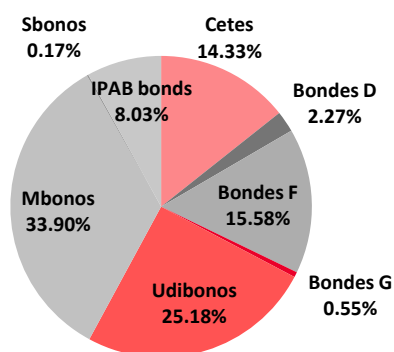
US\$ billion, *UDIS billion, data as of Apr/22/2024

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	110.56	13.24	12.01	19.66	5.02	9.62	6.08	6.99	-	37.94
Bondes D	17.50	0.00	0.65	7.61	0.17	3.56	0.77	0.02	-	4.71
Bondes F	120.20	0.01	5.85	66.92	2.10	9.72	4.23	0.01	-	31.36
Bondes G	4.28	-	0.05	1.64	0.33	0.23	1.04	-	-	1.00
Udibonos	194.29	9.11	107.13	7.65	35.68	4.49	1.38	0.37	-	28.49
Mbonos	261.58	80.65	61.72	7.65	7.52	33.67	20.23	1.61	0.87	47.67
Sbonos	1.34	0.61	0.38	0.01	0.03	0.04	-	0.02	-	0.25
Total	709.76	103.61	187.79	111.13	50.85	61.33	33.73	9.03	0.87	151.41
Udibonos*	409.64	19.20	225.86	16.13	75.23	9.46	2.91	0.79	-	60.07
IPAB bonds	61.96	0.03	0.70	19.34	0.25	11.75	5.44	1.14	-	23.30

Source: Banxico, Banorte

Government issuance by type of instrument

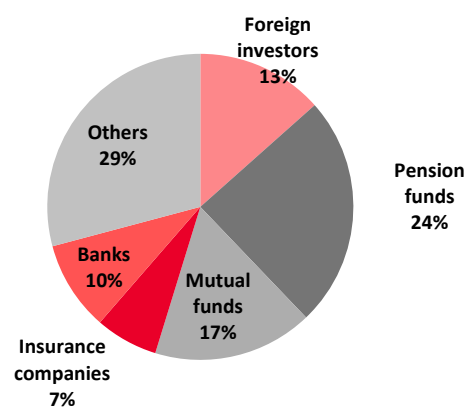
Total amount of US\$ 772 billion (including IPAB bonds), % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 772 billion (including IPAB bonds), % of total

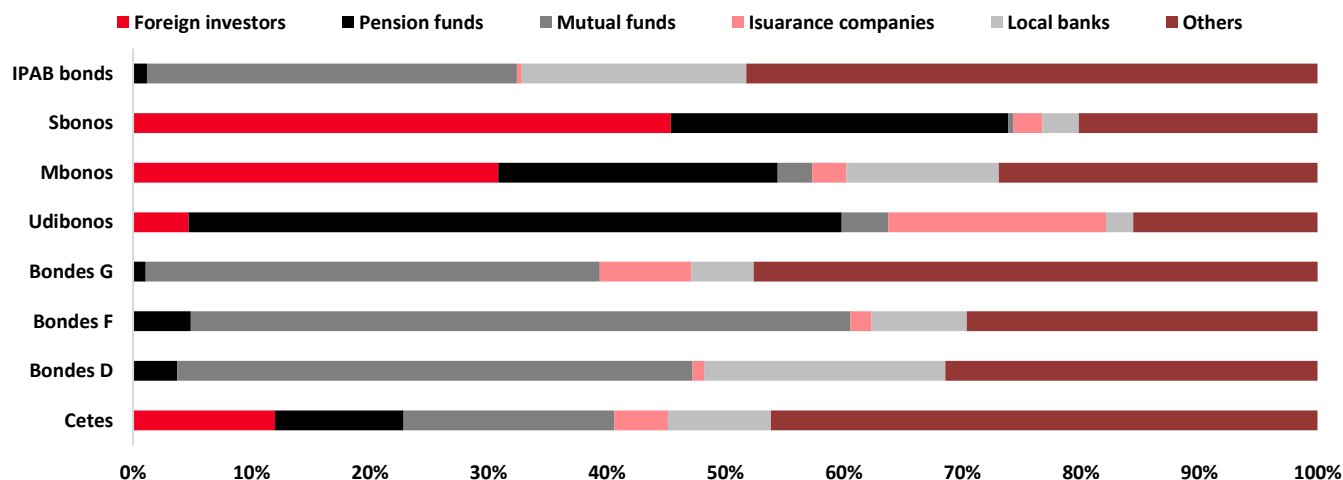


Source: Banxico, Banorte

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\$ 772 billion (including IPAB bonds), % of total



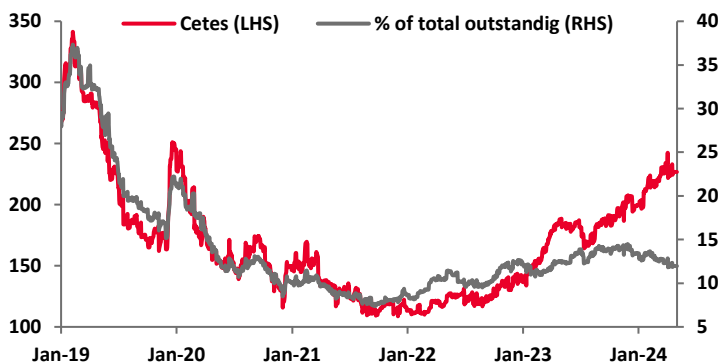
Source: Banxico, Banorte

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

Fixed-Income Demand (continued)

Cetes held by foreigners

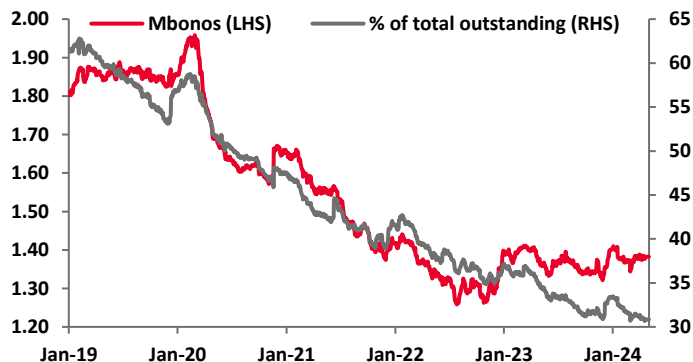
MXN billion, %



Source: Banxico, Banorte

Mbonos held by foreigners

MXN trillion, %



Source: Banxico, Banorte

Holdings of main investors by type of security

Data as of Apr/22/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	-0.03	13.62	-7.24	-7.44	13.26	60.17
Bondes F	3.76	75.13	-5.09	-18.44	4.96	5.23
Udibonos	1.99	3.95	1.38	7.73	-4.58	5.78
Mbonos	0.39	-1.37	0.75	4.84	12.81	16.51

Source: Banxico, Banorte

Mbonos holdings by type of investor

US\$ billions and %, data as Apr/18/2024

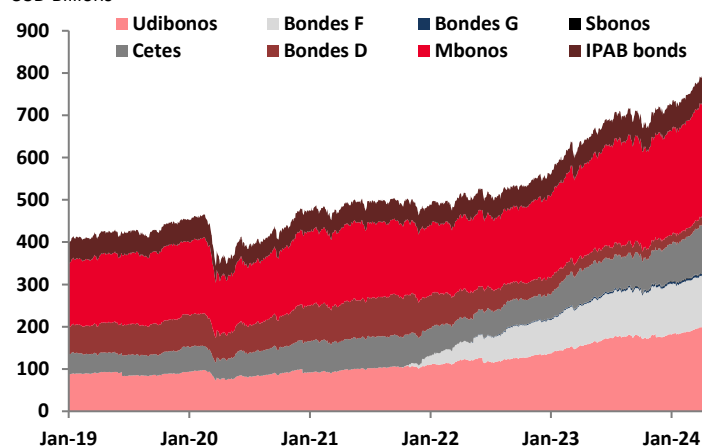
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	15.8	23%	8%	14%	55%
Dec'24	12.0	26%	18%	8%	48%
Mar'25	7.7	31%	11%	23%	35%
Mar'26	25.9	30%	25%	11%	34%
Sep'26	13.5	30%	27%	12%	32%
Mar'27	21.8	27%	19%	9%	45%
Jun'27	20.6	13%	33%	27%	27%
Mar'29	9.1	17%	33%	18%	31%
May'29	16.2	6%	50%	21%	23%
May'31	24.2	6%	44%	33%	17%
May'33	16.7	4%	42%	31%	22%
Nov'34	8.1	3%	44%	34%	18%
Nov'36	4.4	0%	22%	49%	29%
Nov'38	12.6	1%	39%	45%	16%
Nov'42	20.5	2%	36%	47%	16%
Nov'47	15.3	0%	34%	46%	20%
Jul'53	14.6	1%	31%	48%	20%
Total	244.4	14%	31%	27%	29%

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

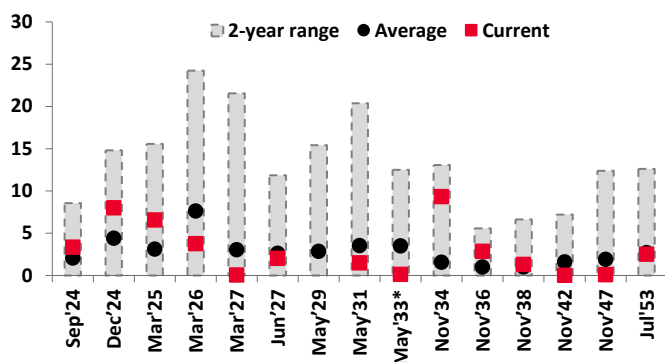


Fuente: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

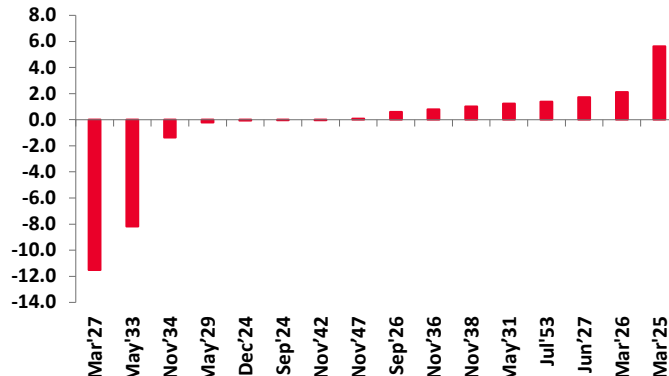
MXN billion



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

Weekly change in market makers' short positions on Mbonos

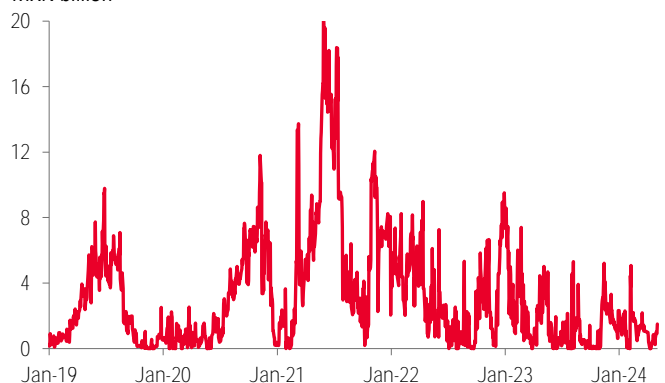
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

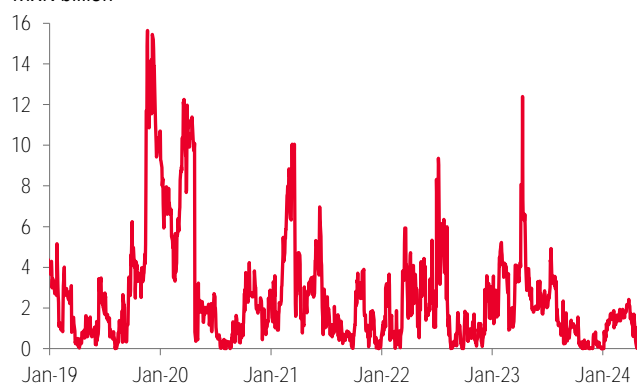
MXN billion



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 May/02/2024	May/02/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	15,798	198	200	196	0	398	93
Dec'24	12,135	470	474	474	25	536	51
Mar'25	8,243	386	54	56	33	433	17
Mar'26	24,348	221	96	227	1,025	822	54
Sep'26	13,543	606	571	483	0	665	78
Mar'27	22,872	2	681	870	113	878	2
Jun'27	20,218	118	16	61	184	220	0
Mar'29	10,674	710	856	378	0	941	0
May'29	17,544	0	13	64	161	505	0
May'31	23,976	88	15	58	227	307	0
May'33	18,765	6	488	421	185	735	0
Nov'34	9,300	548	628	210	152	769	0
Nov'36	4,540	167	120	68	55	167	0
Nov'38	12,705	76	17	67	92	302	0
Nov'42	20,508	0	3	0	19	222	0
Nov'47	15,419	6	1	101	142	142	0
Jul'53	14,919	148	67	117	14	242	0
Total	265,508	3,601	4,232	3,733	2,413		

Source: Banxico, Banorte

Fixed-Income Technicals

Spread between Cetes and Implied Forward Rates

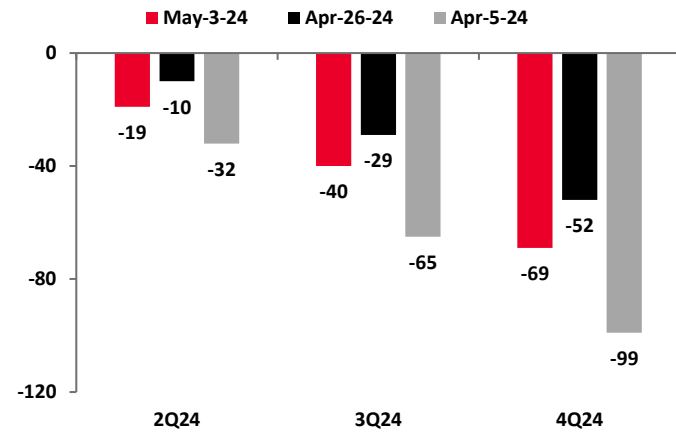
Basis points

Tenor	Actual May/03/2024	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	299	99	73	93	304	-17
3 months	158	29	26	38	159	-1
6 months	97	20	17	21	97	-8
12 months	69	-24	0	7	69	-29

Source: PiP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

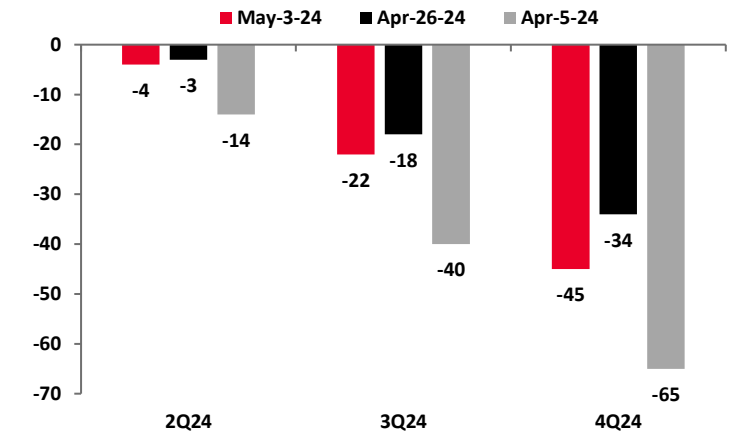
Basis points



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	562	-10	1	12	672	497	569
5 year	522	-23	0	0	597	489	536
10 year	505	-27	-10	0	563	481	517
20 year	493	-24	-8	4	548	464	499
30 year	501	-26	-10	-3	562	477	514

Source: Bloomberg, PiP, Banorte

10-year Mbono and 10-year UST spread

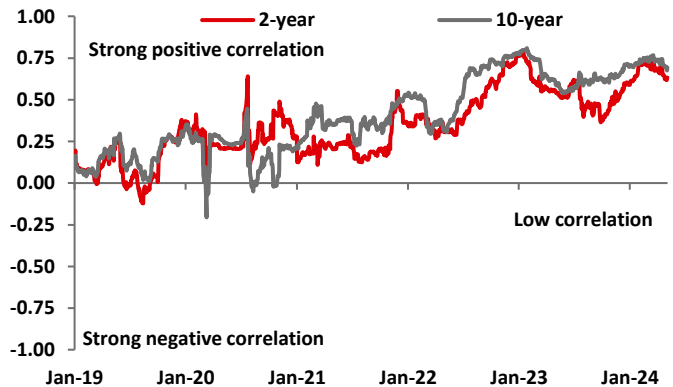
Basis points



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	-72	-13	3	-3	-31	-134	-87
2/10	-88	-15	-7	-6	-40	-197	-116
2/30	-76	-9	-6	-8	-25	-192	-106
5/10	-16	-2	-10	-3	8	-78	-29
10/30	12	6	1	-2	35	-15	10
TIIE IRS							
3m/2Y	-106	-31	10	70	-72	-203	-146
2/5	-86	-9	4	28	-72	-148	-110
2/10	-97	-4	0	27	-83	-165	-121
2/30	-94	-5	2	32	-73	-157	-116
5/10	-12	5	-3	-1	-1	-26	-11
10/30	4	-2	2	4	23	-6	6
TIIE IRS – Mbonos							
2 year	-30	-7	-1	-24	25	-55	-20
5 year	-44	-3	0	7	-32	-100	-58
10 year	-39	4	6	9	-29	-68	-51
20 year	-46	-1	6	11	-24	-75	-56
30 year	-47	-3	7	15	-14	-78	-55
TIIE IRS – SOFR							
2 year	540	-17	-2	-23	609	485	540
5 year	502	-25	-1	-1	537	432	490
10 year	504	-22	-3	6	540	442	493
20 year	513	-25	-3	11	551	467	503
30 year	530	-28	-1	17	575	487	521

Source: Bloomberg, PiP, Banorte

Breakeven inflation using Mbonos & Udibonos

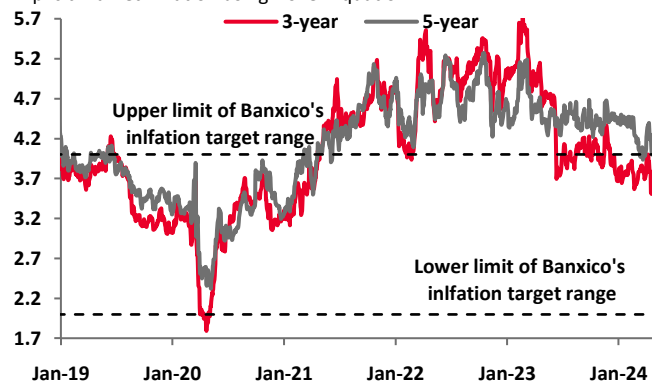
Implicit market inflation using Fisher Equation (%)

Date	May/03/2024	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.39	3.75 (-36bps)	4 (-61bps)	4.75 (-136bps)	4.79	3.39	3.98
5Y	4.01	4.25 (-24bps)	4.34 (-33bps)	4.44 (-43bps)	4.68	3.94	4.38
10Y	4.22	4.34 (-12bps)	4.48 (-26bps)	4.14 (+8bps)	4.67	4.04	4.31
20Y	4.41	4.56 (-15bps)	4.68 (-27bps)	4.35 (+6bps)	5.08	4.15	4.55
30Y	4.41	4.59 (-18bps)	4.68 (-27bps)	4.34 (+7bps)	5.01	4.15	4.55

Source: PiP, Banorte

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

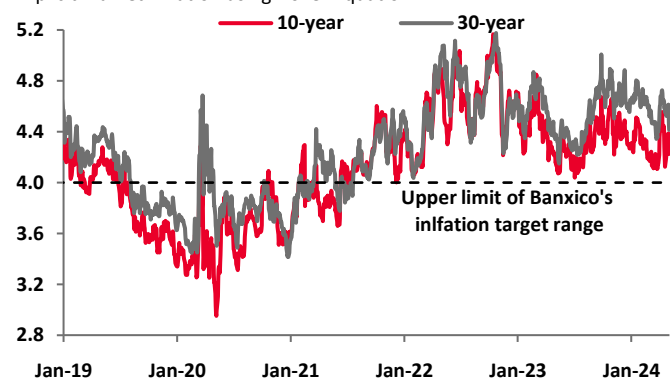
Implicit market inflation using Fisher Equation



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

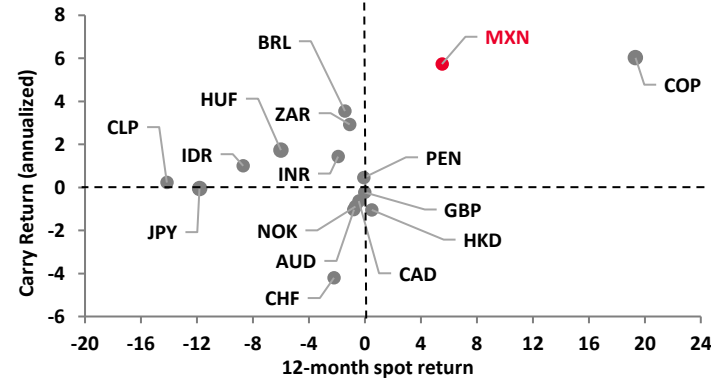
		Close at May/3/2024	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	5.07	0.8	0.9	-0.7	-4.2
Chile	USD/CLP	939.25	0.7	1.2	1.7	-6.4
Colombia	USD/COP	3,913.25	-0.2	-0.3	-2.6	-1.5
Peru	USD/PEN	3.72	0.2	0.5	-1.0	-0.5
Hungary	USD/HUF	362.03	0.3	1.3	0.1	-4.1
Malaysia	USD/MYR	4.74	0.3	0.6	0.4	-3.0
Mexico	USD/MXN	16.97	0.1	1.1	-2.6	0.0
Poland	USD/PLN	4.02	0.5	0.5	-1.4	-2.1
Russia	USD/RUB	91.48	1.9	0.4	0.9	-2.2
South Africa	USD/ZAR	18.51	0.2	1.6	0.9	-0.8
Developed Markets						
Canada	USD/CAD	1.37	-0.1	-0.1	-1.2	-3.2
Great Britain	GBP/USD	1.25	0.1	0.4	-0.8	-1.4
Japan	USD/JPY	153.05	0.4	3.4	-0.9	-7.8
Eurozone	EUR/USD	1.0761	0.3	0.6	-0.7	-2.5
Norway	USD/NOK	10.88	1.0	1.4	-1.4	-6.5
Denmark	USD/DKK	6.93	0.3	0.6	-0.7	-2.6
Switzerland	USD/CHF	0.91	0.6	1.0	-0.3	-7.1
New Zealand	NZD/USD	0.60	0.8	1.2	0.0	-4.9
Sweden	USD/SEK	10.82	0.5	1.0	-1.6	-6.9
Australia	AUD/USD	0.66	0.7	1.2	0.7	-3.0

Source: Bloomberg, Banorte

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

Performance of selected currencies

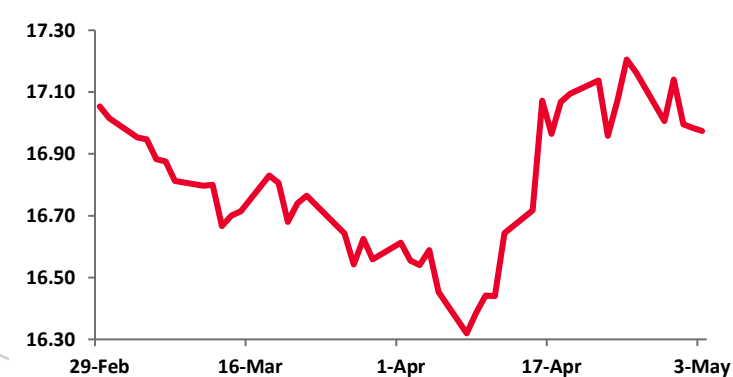
%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

USD/MXN

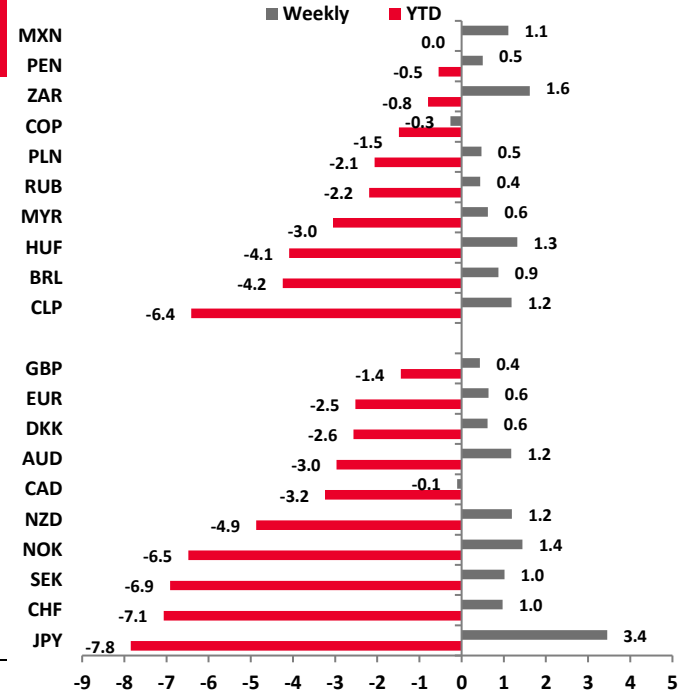
Last 60 days



Source: Bloomberg, Banorte

FX performance

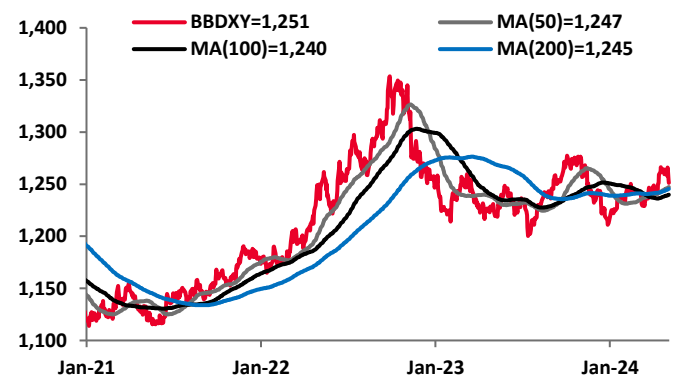
Against USD, %



Source: Bloomberg, Banorte

BBDXY

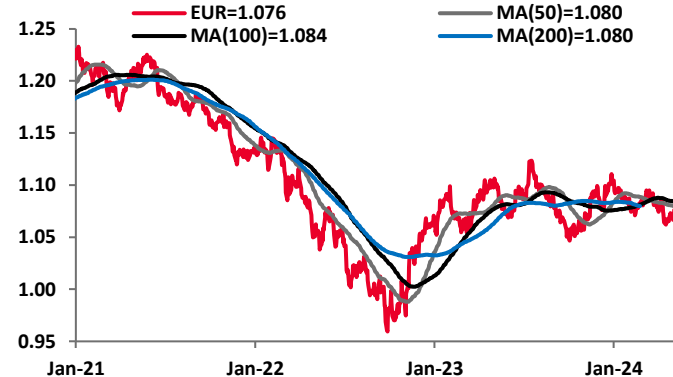
Points



Source: Bloomberg, Banorte

Euro

Dollar per euro

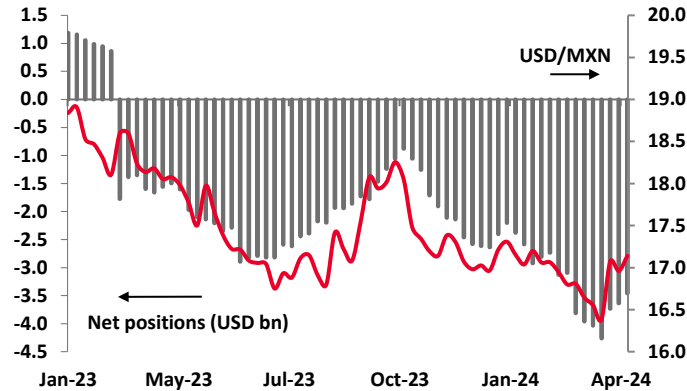


Source: Bloomberg, Banorte

FX positioning and flows

IMM positioning in USD/MXN futures

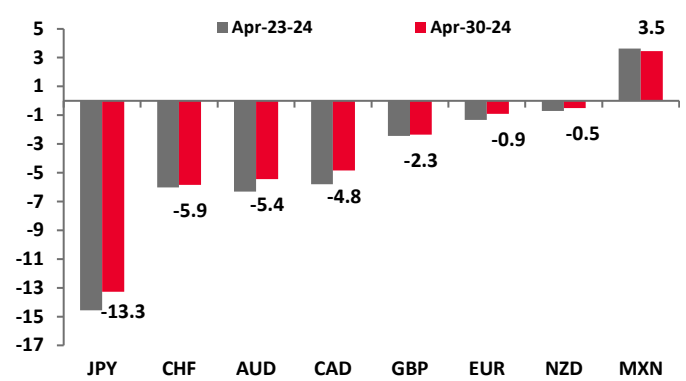
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

IMM positioning by currency*

Billion dollars

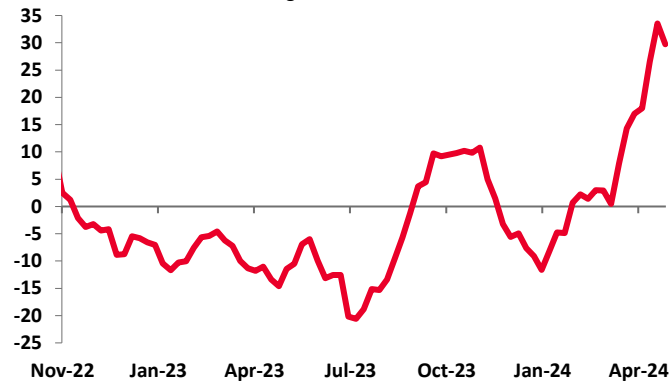


* Positive: Net long in the corresponding currency

Source: CME, Banorte

IMM positioning in USD futures*

Billion dollars, Positive = net long in USD

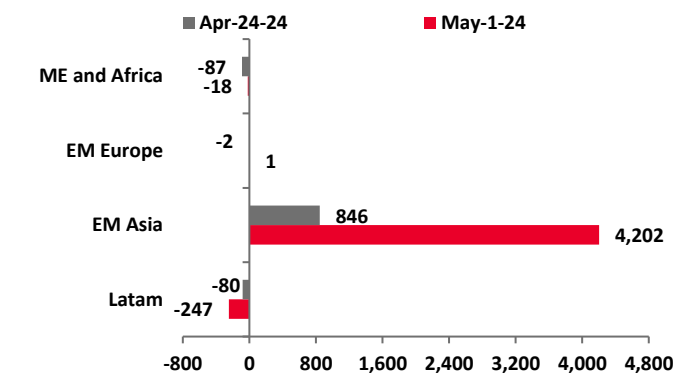


*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF

Source: CME, Banorte

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

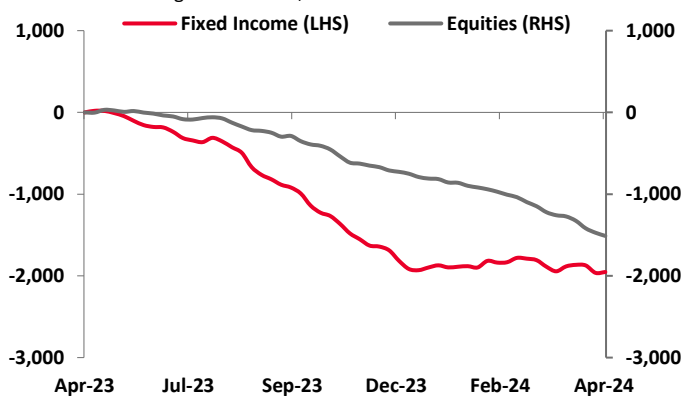
Billion dollars



Source: EPFR Global, Banorte

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

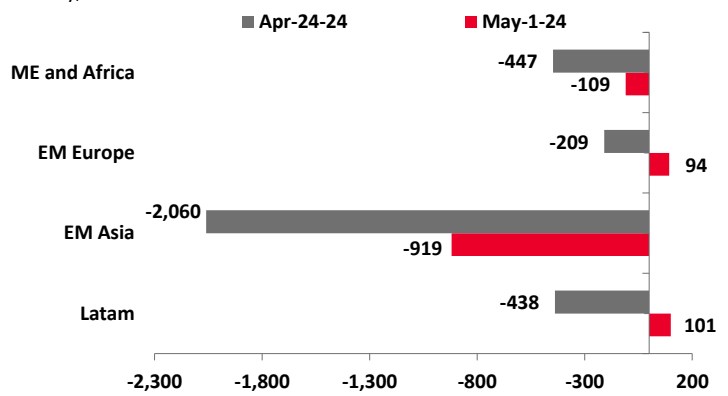
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

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

Weekly, million dollars

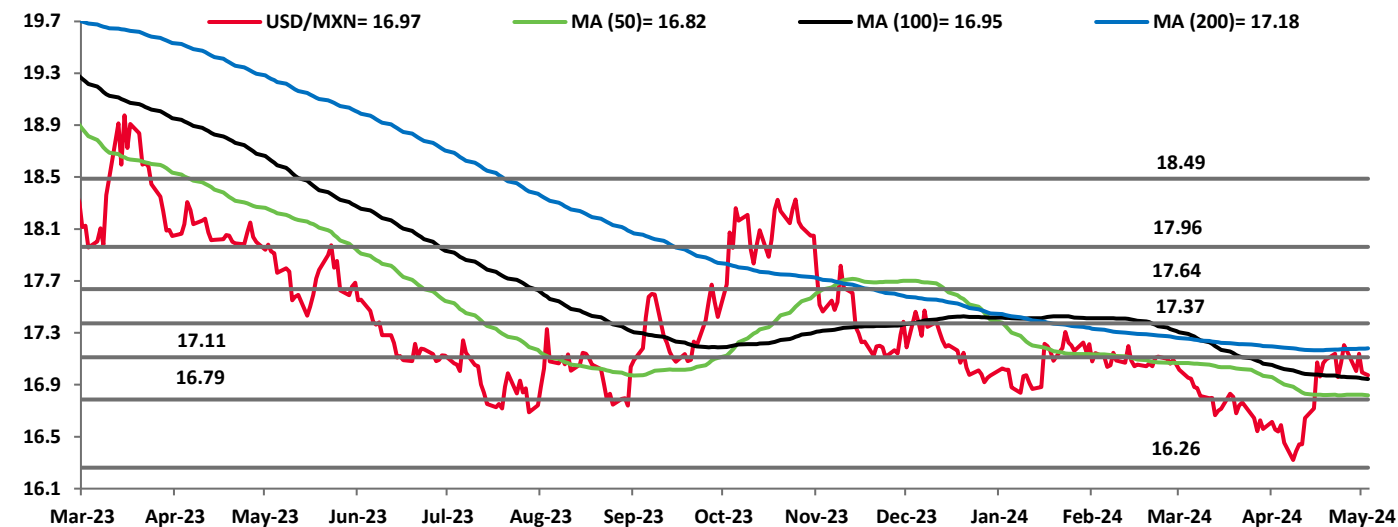


Source: EPFR Global, Banorte

FX technicals

USD/MXN – Moving averages and Fibonacci retracement

Last 12 months



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

Based on daily percentages changes

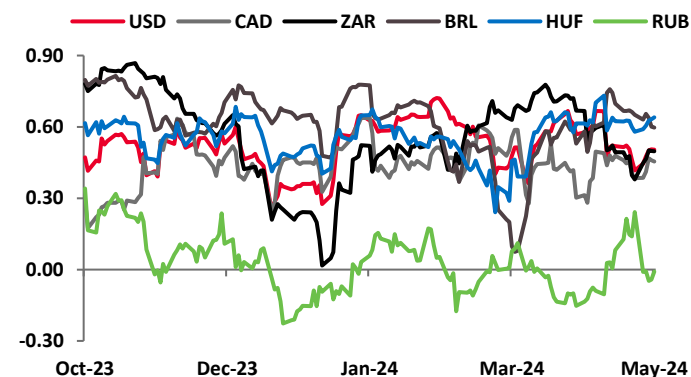
	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	50	44	24	72	52
CAD	45	39	25	64	46
ZAR	50	45	2	81	52
BRL	60	63	7	78	59
HUF	64	59	24	73	55
RUB	-1	-1	-23	24	0
VIX	34	32	11	74	44
SPX	43	42	-12	68	39
GSCI	-19	-19	-27	13	-6
Gold	22	18	-28	58	27

* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

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

Based on daily percentage changes

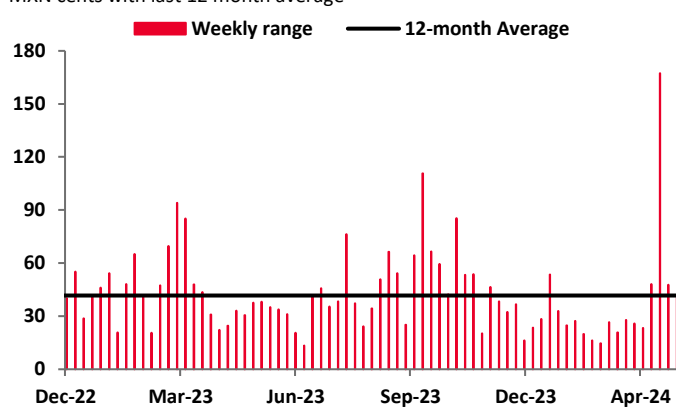


* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

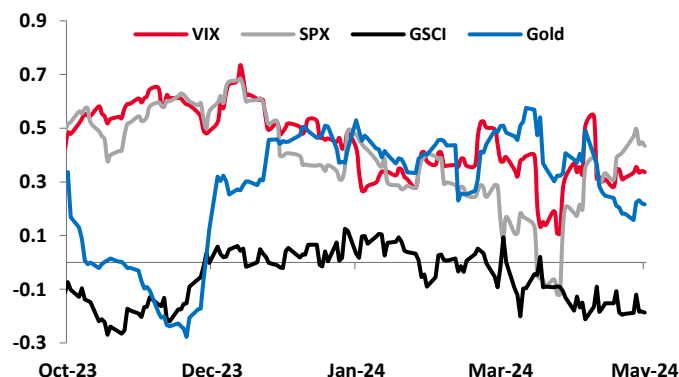
USD/MXN – Weekly trading range

MXN cents with last 12 month average



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

Based on daily percentage changes

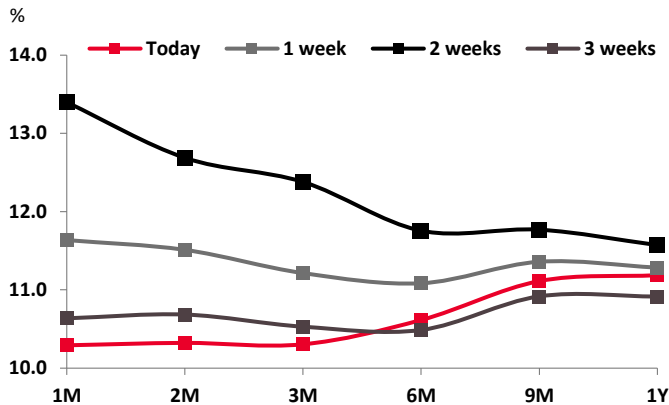


* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

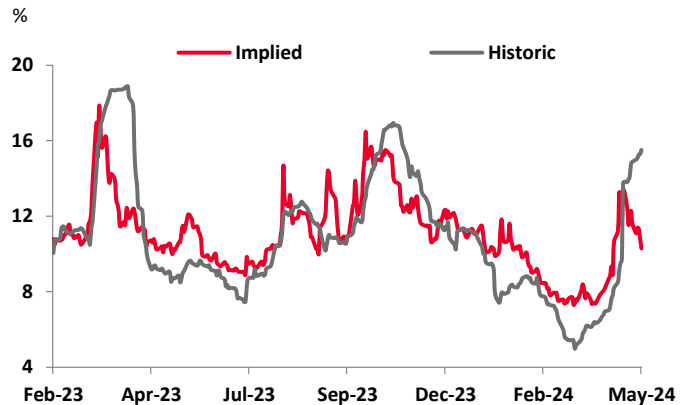
FX technicals (continued)

USD/MXN – ATM options volatility curve



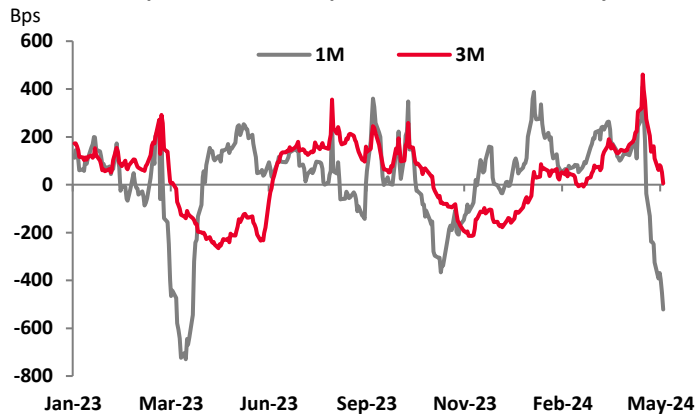
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

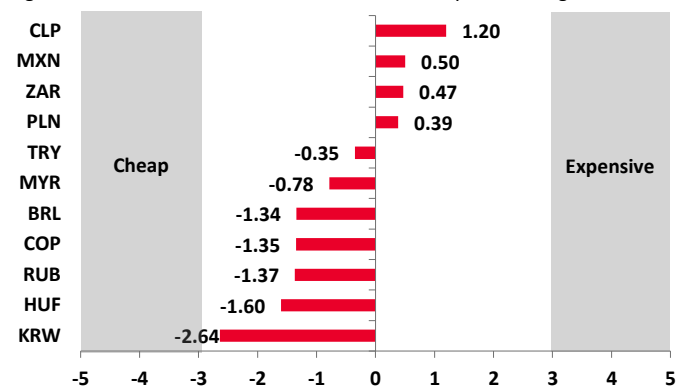
USD/MXN – Spread between implicit and historical volatility



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

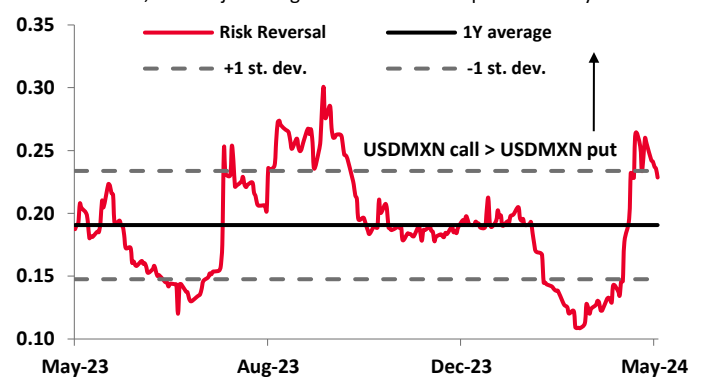
Last 24 months, difference between USD calls and puts, in vols



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 May 10, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 5	21:45	CHI	Services PMI (Caixin)*	Apr	index	--	52.5	52.7
	21:45	CHI	Composite PMI (Caixin)*	Apr	index	--	--	52.7
Mon 6		EZ	European Commission economic growth forecasts					
	03:55	GER	Services PMI*	Apr (F)	index	--	53.3	53.3
	03:55	GER	Composite PMI*	Apr (F)	index	--	50.5	50.5
	04:00	EZ	Services PMI*	Apr (F)	index	--	52.9	52.9
	04:00	EZ	Composite PMI*	Apr (F)	index	--	51.4	51.4
	12:50	US	Fed's Barkin Speaks on Economic Outlook at the Milken Institute Global Conference					
	13:00	US	Fed's Williams Participates in Fireside Chat					
	14:00	US	Senior Loan Officer Opinion Survey on Bank Lending Practices					
Tue 7	02:00	GER	Trade balance	Mar	EURbn	--	22.4	21.4
	05:00	EZ	Retail sales*	Mar	% m/m	--	0.7	-0.5
	08:00	MX	Consumer confidence*	Apr	index	47.5	--	47.3
	11:00	MX	International reserves	May 3	US\$bn	--	--	217.2
	11:30	US	Fed's Kashkari Participates in Fireside Chat at the Milken Institute Global Conference					
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes,30-year Mbono (Jul'53), 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F					
	15:00	US	Consumer credit*	Mar	US\$bn	--	15.0	14.1
	16:30	MX	Banamex Survey of Economists					
Wed 8	02:00	GER	Industrial production*	Mar	% m/m	--	-0.9	2.1
	08:00	BZ	Retail sales	Mar	% y/y	--	5.1	8.2
	08:00	BZ	Retail sales*	Mar	% m/m	--	-0.4	1.0
	13:30	US	Fed's Cook Speaks on Financial Stability					
	17:30	BZ	Monetary policy decision (Central bank of Brazil)	May 8	%	10.50	10.50	10.75
	23:00	CHI	Trade balance	Apr	USDbn	--	81.4	58.5
	23:00	CHI	Exports	Apr	% y/y	--	1.5	-7.5
	23:00	CHI	Imports	Apr	% y/y	--	4.0	-1.9
Thu 9	07:00	UK	Monetary policy decision (BoE)	May 9	%	--	5.25	5.25
	08:00	MX	Consumer prices	Apr	% m/m	0.20	0.19	0.29
	08:00	MX	Core	Apr	% m/m	0.25	0.24	0.44
	08:00	MX	Consumer prices	Apr	% y/y	4.65	4.61	4.42
	08:00	MX	Core	Apr	% y/y	4.40	4.29	4.55
	08:30	US	Initial jobless claims*	May 4	thousands	210	214	218
	15:00	MX	Monetary policy decision (Banxico)	May 9	%	11.00	11.00	11.00
	19:00	PER	Monetary policy decision (BCRP)	May 9	%	--	5.75	6.00
Fri 10	02:00	UK	Gross domestic product	1Q24 (P)	% y/y	--	0.0	-0.2
	02:00	UK	Gross domestic product*	1Q24 (P)	% q/q	--	0.4	-0.3
	02:00	UK	Industrial production*	Mar	% m/m	--	-0.5	1.1
	08:00	BZ	Consumer prices	Apr	% y/y	--	0.35	0.16
	08:00	BZ	Consumer prices	Apr	% m/m	--	3.66	3.93
	08:00	MX	Industrial production	Mar	% y/y	-3.0	-2.7	3.3
	08:00	MX	Industrial production*	Mar	% m/m	0.6	0.6	-0.1
	08:00	MX	Manufacturing output	Mar	% y/y	-4.4	--	2.3
	10:00	US	U. of Michigan confidence*	May (P)	index	75.5	76.2	77.2
	12:45	US	Fed's Goolsbee Speaks in Moderated Q&A					
	21:30	CHI	Consumer Prices	Apr	% y/y	--	0.1	0.1
		MX	Wage negotiations	Apr	% y/y	--	--	9.2

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; () 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 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 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, Ana Gabriela Martínez Mosqueda, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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

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