

Fixed-Income & FX Strategy

W e e k l y

Fixed-Income and FX Weekly

- Minutes from the Fed and Banxico in focus.** This week, US inflation slightly surprised to the downside along with broad weakness in economic activity data (industrial production, retail sales, and manufacturing surveys), collectively adding to the case for the Fed not needing to hold such elevated rates going forward. Treasuries closed the week with a positive balance and extending the gains from May, driven by a significant compression in the short-term inflation breakeven. In this context, pricing for Fed cuts strengthened, incorporating -44bps by year-end from -41bps last Friday, and modestly increasing the expectation for the September meeting to -21bps from -19bps. However, resistance of further appreciation in Treasuries partly reflects the market's irresolution on the Fed's path, with comments from its members reaffirming the need to be patient and wait for more evidence of a sustained inflation reduction before cutting rates. In Mexico, bond's performance was largely dominated by Treasuries, ending the week with a favorable balance and also benefiting from improved risk appetite globally. Despite few appearances from Banxico members following the last decision (both in events and interviews, excluding recent comments from Deputy Governor Espinosa), the bias seems to be setting the groundwork for a 25bps cut in June, as it is our estimate. Moreover, the market is currently pricing in a more cautious easing scenario than our year-end view (-73bps vs Banorte: -100bps). With this balance, the minutes from both central banks will provide key details to continue calibrating expectations for possible rate cuts. In our opinion, bonds still have room for gains in the short term, considering base levels from which April's sell-off began. For Mbonos, there is also excess premium vis-à-vis USTs, with spreads trading about 20bps above their 90-day median and across the whole yield curve. In this context, local inflation will also be released on Thursday (Banorte: -0.25% 2s/2s), where we expect a favorable impact derived from the second part of electricity tariff discounts. This could result in a positive combination for local rates, where we also identify relatively cheap valuations for short-term maturities in nominal securities, particularly in Mbonos Mar'26 and Sep'26. Despite this, from a tactical standpoint, we prefer relative value strategies biased towards a steeper yield curve, as the negative carry and Banxico's gradual approach result in an unattractive risk/reward for setting receiver positions. In the FX market, the broad USD weakness –at least at this week's cut– benefited the MXN, though underperforming when compared to other emerging currencies. Consequently, USD/MXN is trading at its strongest level in a month with few technical resistances below 16.50. While it remains widely supported by its attractive carry and our expectation of resilient performance for the rest of this quarter, we consider current levels appealing for USD purchases ahead of greater volatility in the second half of the year. Additionally, we continue to find shorts in EUR/MXN attractive if the cross picks up towards the 18.60 zone
- Weekly ranges** – We expect the 10-year Mbono (Nov'34) to trade between 9.55% and 9.80%, and MXN between 16.45 and 16.90 per dollar

May 17, 2024



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**LSEG STARMINE
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Fixed-Income Dynamics

Fixed-income securities performance

Security	YTM (%)	Weekly change (bps)	Δ last 4 weeks (bps)	YTD (bps)	12m Max (%)	12m Min (%)	12m Average (%)
Overnight TIIE funding rate							
1-day	11.00	-2	0	-45	11.45	10.98	11.22
28-days ¹	11.06	0	-1	-25	11.34	11.05	11.27
91-days ¹	11.17	0	-1	-25	11.45	11.16	11.39
182-days ¹	11.33	0	-1	-26	11.62	11.31	11.55
Cetes²							
28-days	10.95	-8	-9	-30	11.40	10.54	11.14
91-days	11.14	-3	3	-9	11.47	11.09	11.30
182-days	11.24	3	0	-9	11.66	11.16	11.38
364-days	10.73	-18	-56	-41	11.87	10.73	11.31
Mbonos							
Sep'24	11.41	6	11	54	11.60	10.67	11.11
Dec'24	11.17	2	3	58	11.34	10.37	10.87
Mar'25	10.68	3	-19	78	11.08	9.79	10.36
Mar'26	10.59	1	2	87	10.90	9.36	10.05
Sep'26	10.38	-8	-4	85	10.77	9.22	9.94
Mar'27	10.07	-5	-5	73	10.50	8.91	9.67
Jun'27	10.02	-4	-8	75	10.46	8.81	9.62
Mar'29	9.80	-5	-15	74	10.31	9.02	9.57
May'29	9.74	-8	-13	80	10.22	8.55	9.33
May'31	9.71	-5	-17	77	10.27	8.57	9.34
May'33	9.70	-5	-12	76	10.24	8.55	9.33
Nov'34	9.66	-6	-18	72	10.21	8.58	9.33
Nov'36	9.66	-4	-17	71	10.21	8.57	9.32
Nov'38	9.71	-4	-18	68	10.23	8.75	9.40
Nov'42	9.77	-2	-16	70	10.26	8.81	9.44
Nov'47	9.75	-2	-15	69	10.17	8.80	9.41
Jul'53	9.75	-2	-14	69	10.18	8.83	9.42
TIIE-IRS							
3-month (3x1)	11.19	0	-3	-27	11.55	11.18	11.44
6-month (6x1)	11.09	-2	-5	-19	11.55	11.05	11.36
9-month (9x1)	10.96	-5	-6	-13	11.55	10.89	11.22
1-year (13x1)	10.78	-1	-8	0	11.46	10.62	10.97
2-year (26x1)	10.18	-12	-11	48	10.83	9.49	10.01
3-year (39x1)	9.73	-15	-14	65	10.31	8.72	9.42
4-year (52x1)	9.45	-16	-15	73	10.02	8.30	9.10
5-year (65x1)	9.29	-17	-17	73	9.87	8.10	8.93
7-year (91x1)	9.18	-17	-17	73	9.78	7.98	8.82
10-year (130x1)	9.15	-17	-18	69	9.78	7.97	8.82
20-year (3x1)	9.19	-17	-18	69	9.85	8.05	8.89
30-year (390x1)	9.17	-17	-18	73	9.84	8.07	8.88
Udibonos							
Dec'25	7.03	0	-55	101	7.84	5.52	6.21
Dec'26	6.64	5	-4	101	6.85	5.21	5.81
Nov'28	5.44	9	-29	95	5.76	4.43	4.92
Nov'31	5.14	6	-42	65	5.64	4.25	4.81
Aug'34 ³	5.14	9	-35	27	5.51	4.82	5.10
Nov'35	5.12	4	-22	73	5.38	4.15	4.63
Nov'40	5.00	-1	-21	68	5.27	4.27	4.64
Nov'43	5.02	0	-20	69	5.26	4.27	4.67
Nov'46	4.97	1	-13	81	5.19	4.15	4.62
Nov'50	4.96	0	-14	73	5.24	4.23	4.64

Source: Bloomberg, Banxico, Banorte

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

2: 1-day lag

3: Udibono Aug'34 issued on March 14th, 2024

Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

USD DWS and US Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM (%)	Weekly change (bps)	YTD (bps)	YTM (%)	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	5.43	-4	+95	4.82	-4	+40	60	+0	26	35
3Y	Mar'27	5.34	-2	+55	4.61	-6	+38	74	+4	32	52
5Y	May'29	5.46	-7	+67	4.44	-7	+44	102	+0	99	90
7Y	Apr'30	5.59	-7	+26	4.43	-7	+46	117	+0	122	128
10Y	May'33	5.83	-9	+27	4.42	-8	+54	142	-1	154	159
20Y	Mar'44	6.39	-8	+1	4.66	-8	+52	173	0	183	--
30Y	May'54	6.62	-8	+23	4.56	-8	+59	206	0	221	--

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.** Today, the MoF held a syndicated auction offering [the new 30-year Udibono \(Oct'54\)](#), with a 5.01% settlement rate and an amount of UDIS 1.2 billion. Next Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 10-year Mbono (Nov'34), the 10-year Udibono (Aug'34), as well as 1-, 3-, and 7-year Bondes F
- Strong demand for Cetes and greater appetite for the 10-year Mbono vs. the same-term Udibono.** Next week, the market's attention will be on Banxico's minutes for more details on the trajectory of interest rates. We consider that our vision of a 25bps cut in June and a benchmark rate of 10.00% by the end of the year will be consolidated. Currently, Cetes rates do not incorporate this scenario, with the 2-year term even trading above 11.25%. In this sense, we expect that these attractive levels will continue to trigger strong demand. In the nominal yield curve, the 10-year Mbono (Nov'34) reflects a relatively fair valuation according to the duration-adjusted yield analysis, after a 30bps rally so far this month. However, the spread vs. the Treasury for the same maturity stands at 524bps, above its 12-month average (511bps). As such, we expect stable demand but lower relative to its last issuance of 2.6x. In real rates, the 10-year Udibono (Aug'34) shows the least attractive relative valuation with an inflation breakeven in line with the 12-month average of 4.31%, while short-term maturities are below this same metric. In this sense, we anticipate moderate appetite, in line with the average of the last two placements of 2.2x, yet lower than that for the same-term Mbono

Auction specifics (May 21st, 2024)

Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Jun-20-24	--	10,000	10.95
3m	Aug-22-24	--	10,000	11.15
6m	Nov-14-24	--	11,600	11.26
24m	Apr-16-26	--	17,200	11.26
Bondes F				
1Y	Apr-03-25	--	9,300	0.08
3Y	May-20-27	--	4,500	0.17
7Y	Mar-20-31	--	900	0.22
Bono M				
10Y	Nov-23-34	7.75	17,000	9.85
Udibono				
10Y	Aug-24-34	4.00	UDIS 1,100	5.44

Source: Banxico, Banorte

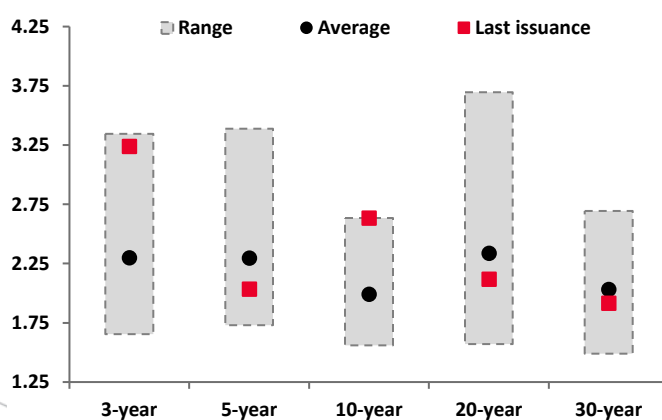
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

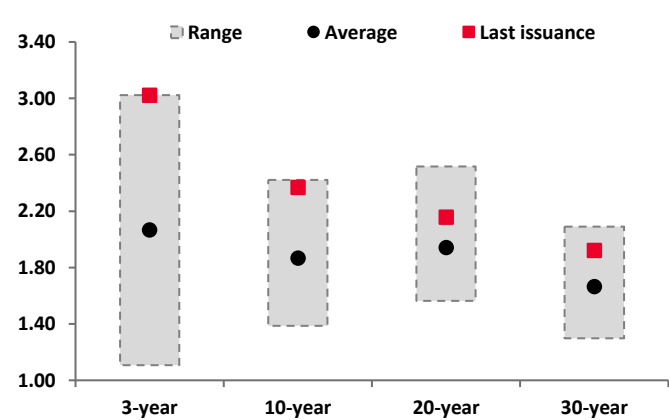
Source: SHCP *Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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

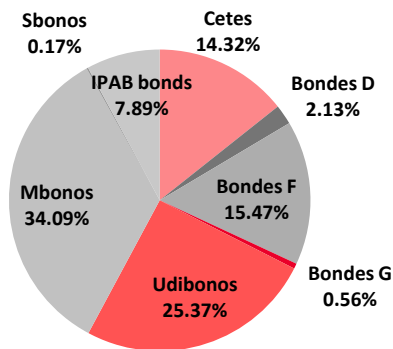
US\$ billion, *UDIS billion, data as of May/07/2024

Securities	Total amount outstanding	Foreign investors	Pension funds	Mutual funds	Isuarance companies	Local banks	Repos with Banxico	Guarantees received by Banxico	Securities held by Banxico	Other domestic residents
Cetes	112.06	13.21	11.60	18.75	5.30	12.04	4.52	6.86	-	39.78
Bondes D	16.66	0.00	0.26	7.72	0.21	3.58	0.25	-	-	4.64
Bondes F	121.00	0.10	5.29	68.78	2.05	12.39	2.02	0.01	-	30.36
Bondes G	4.34	0.00	0.05	2.41	0.33	0.25	0.01	-	-	1.29
Udibonos	198.48	9.39	109.57	7.76	36.45	4.66	1.40	0.41	-	28.84
Mbonos	266.72	81.16	63.06	7.64	7.72	44.63	10.27	1.17	0.89	50.18
Sbonos	1.36	0.58	0.39	0.01	0.03	0.11	-	-	-	0.25
Total	720.62	104.44	190.22	113.06	52.09	77.65	18.47	8.45	0.89	155.35
Udibonos*	412.41	19.50	227.68	16.12	75.74	9.68	2.91	0.85	-	59.92
IPAB bonds	61.75	0.09	0.54	21.14	0.25	9.17	7.32	0.76	-	22.47

Source: Banxico, Banorte

Government issuance by type of instrument

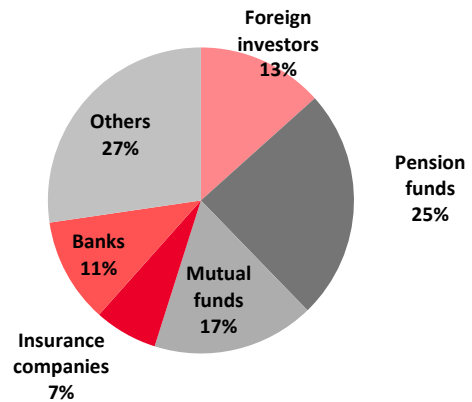
Total amount of US\$ 782 billion (including IPAB bonds), % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 782 billion (including IPAB bonds), % of total

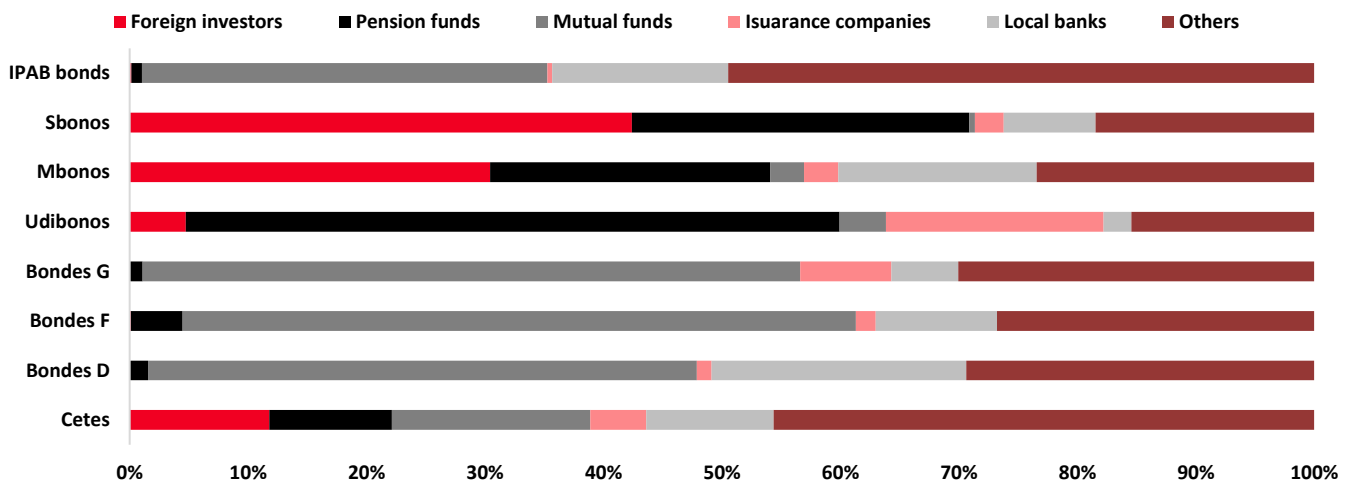


Source: Banxico, Banorte

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\$ 782 billion (including IPAB bonds), % of total



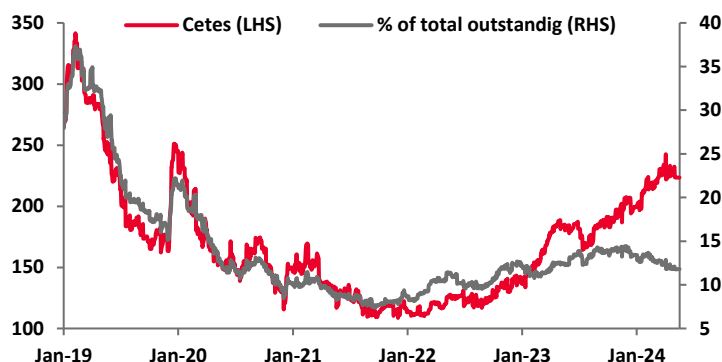
Source: Banxico, Banorte

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

Fixed-Income Demand (continued)

Cetes held by foreigners

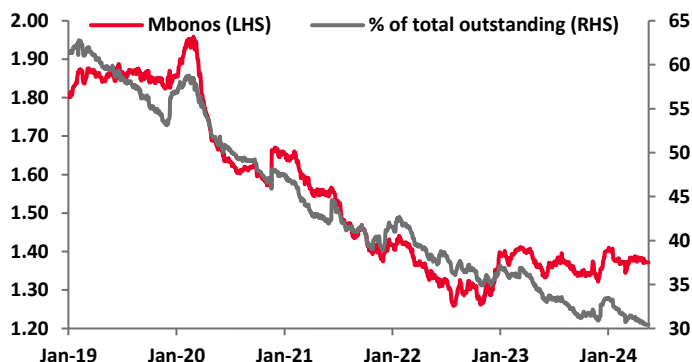
MXN billion, %



Source: Banxico, Banorte

Mbonos held by foreigners

MXN trillion, %



Source: Banxico, Banorte

Holdings of main investors by type of security

Data as of May/07/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	-0.04	11.87	-8.94	-11.85	1.30	50.71
Bondes F	-56.75	1458.83	-12.95	-27.27	5.51	6.67
Udibonos	-1.35	5.66	0.78	8.68	-1.02	5.82
Mbonos	-0.42	-2.12	0.45	5.65	-2.11	14.73

Source: Banxico, Banorte

Mbonos holdings by type of investor

US\$ billions and %, data as May/02/2024

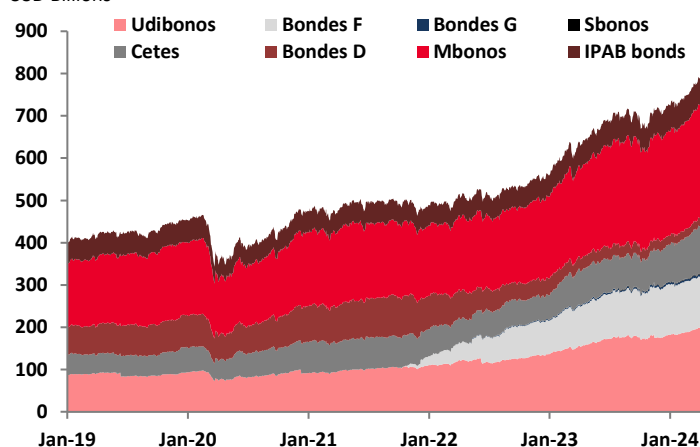
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	15.8	29%	7%	15%	49%
Dec'24	11.9	38%	18%	8%	37%
Mar'25	7.4	35%	12%	24%	29%
Mar'26	24.3	39%	28%	14%	20%
Sep'26	13.5	35%	30%	14%	21%
Mar'27	22.7	24%	17%	11%	47%
Jun'27	20.1	12%	33%	26%	29%
Mar'29	10.7	18%	30%	17%	35%
May'29	16.3	6%	49%	22%	23%
May'31	23.9	5%	45%	33%	17%
May'33	18.4	6%	38%	28%	27%
Nov'34	8.5	3%	47%	33%	17%
Nov'36	4.5	1%	22%	50%	28%
Nov'38	12.6	1%	38%	45%	16%
Nov'42	20.4	2%	37%	46%	16%
Nov'47	15.4	0%	33%	47%	19%
Jul'53	14.9	1%	29%	49%	20%
Total	246.5	15%	31%	27%	26%

Source: Banxico, Banorte

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

Government securities issuance

USD Billions

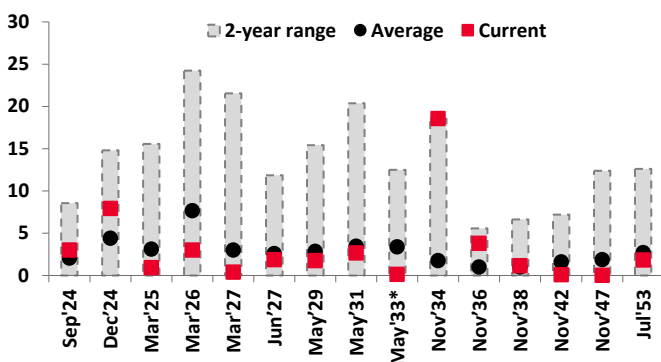


Fuente: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

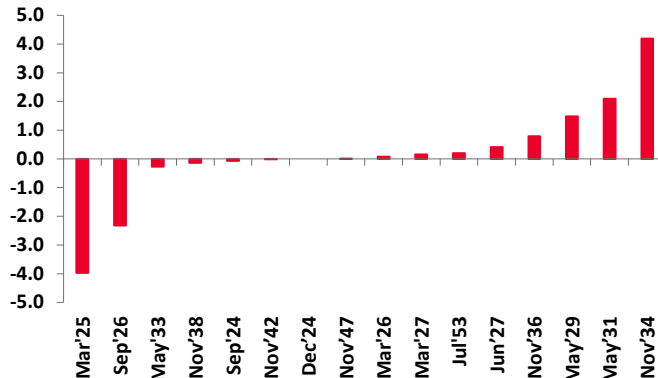
MXN billion



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

Weekly change in market makers' short positions on Mbonos

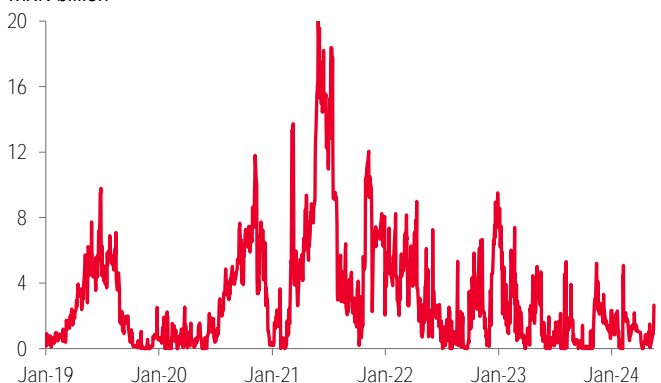
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

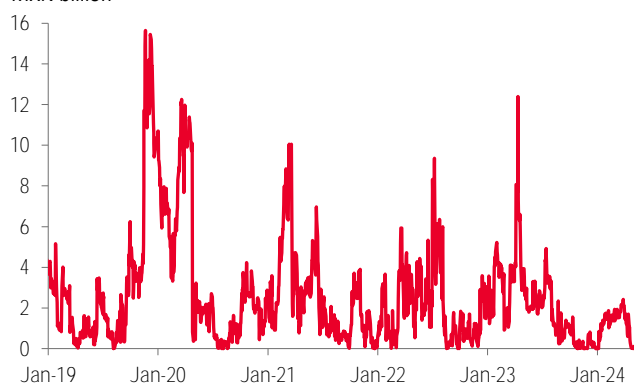
MXN billion



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/16/2024	May/16/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	16,058	181	185	258	43	405	95
Dec'24	12,346	475	475	482	27	546	52
Mar'25	8,052	56	294	42	45	440	17
Mar'26	24,735	181	176	83	1,065	767	55
Sep'26	14,882	541	680	677	0	819	79
Mar'27	23,299	24	15	756	105	893	0
Jun'27	20,566	111	86	18	258	224	0
Mar'29	10,644	504	406	487	0	958	0
May'29	17,959	104	16	37	98	492	0
May'31	24,469	159	33	24	47	304	0
May'33	19,098	8	24	460	76	748	0
Nov'34	10,019	1,112	861	525	115	1,112	0
Nov'36	4,678	227	180	97	62	229	0
Nov'38	12,919	67	76	107	81	307	1
Nov'42	20,875	5	6	26	74	211	0
Nov'47	15,686	0	0	63	118	145	0
Jul'53	15,897	109	97	45	131	247	0
Total	272,183	3,754	3,512	4,143	2,213		

Source: Banxico, Banorte

Fixed-Income Technicals

Spread between Cetes and Implied Forward Rates

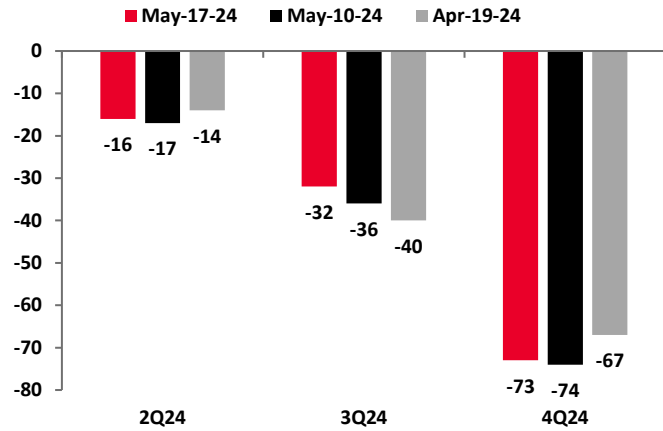
Basis points

Tenor	Actual	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	43	59	56	88	243	-6
3 months	20	24	8	35	118	-1
6 months	16	13	13	20	54	-8
12 months	-40	-20	-15	5	36	-40

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

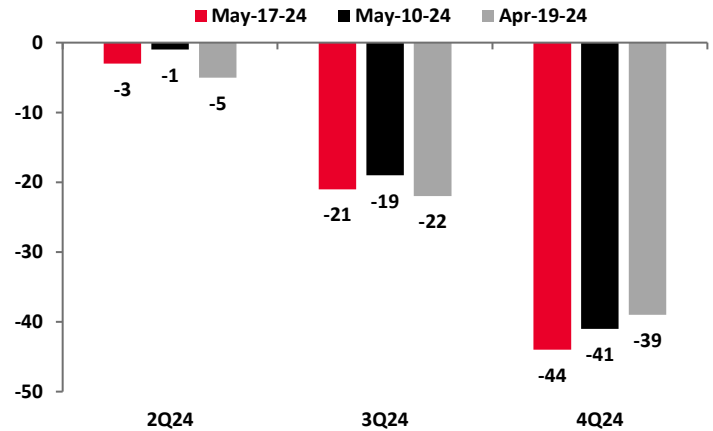
Basis points



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	577	5	18	12	613	518	555
5 year	536	2	7	14	561	489	522
10 year	524	2	2	18	548	482	511
20 year	511	5	2	23	527	462	493
30 year	519	6	1	15	540	475	506

Source: Bloomberg, Banorte

10-year Mbono and 10-year UST spread

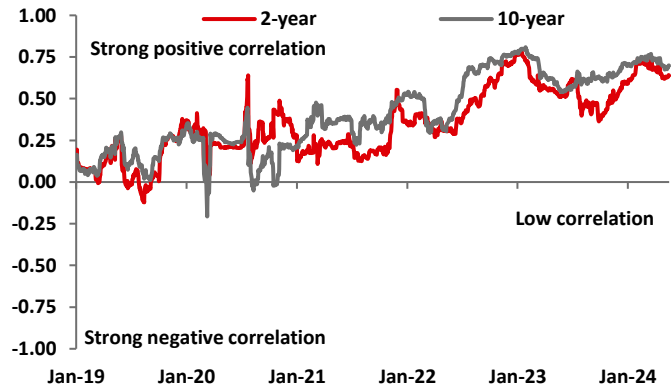
Basis points



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	-79	-5	-17	5	-34	-116	-79
2/10	-93	-6	-19	3	-55	-157	-97
2/30	-85	-3	-16	-1	-52	-134	-88
5/10	-14	-1	-2	-2	7	-59	-17
10/30	8	3	3	-4	28	-9	9
TIIE IRS							
3m/2Y	-101	-12	-9	75	-72	-203	-143
2/5	-89	-5	-5	25	-72	-142	-108
2/10	-103	-5	-6	21	-83	-165	-119
2/30	-101	-5	-7	25	-73	-157	-113
5/10	-15	0	-1	-4	-1	-26	-11
10/30	3	0	0	4	23	-6	5
TIIE IRS – Mbonos							
2 year	-42	-13	-13	-22	19	-54	-29
5 year	-51	-12	-1	-1	-32	-100	-57
10 year	-52	-11	0	-4	-28	-67	-51
20 year	-58	-14	-2	-1	-23	-75	-56
30 year	-58	-14	-4	4	-16	-78	-55
TIIE IRS – SOFR							
2 year	544	-7	5	-19	577	485	538
5 year	508	-10	4	5	537	432	490
10 year	509	-10	1	11	540	442	493
20 year	517	-10	-4	16	551	467	503
30 year	534	-11	-6	22	575	487	522

Source: Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos

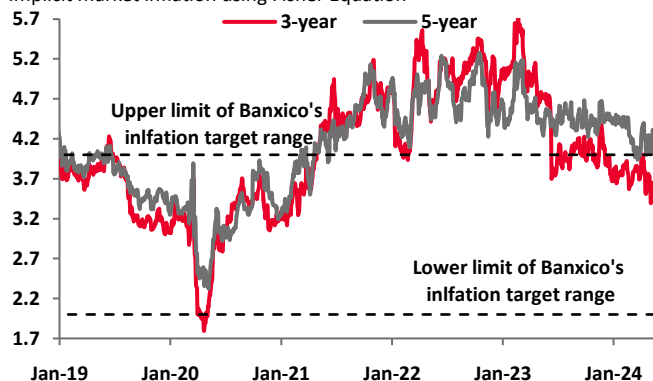
%, Implicit market inflation using Fisher Equation

Date	Breakevens (%)	Weekly change (bps)	Δ last 4 weeks (bps)	YTD (bps)	12m Max (%)	12m Min (%)	12m Average (%)
3Y	3.51	-12	0	-19	4.37	3.41	3.85
5Y	4.14	-13	14	-23	4.69	3.93	4.37
10Y	4.31	-14	18	5	4.64	4.07	4.32
20Y	4.53	-2	4	-2	5.07	4.21	4.56
30Y	4.56	-2	0	-8	4.99	4.22	4.57

Source: Bloomberg, Banorte

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

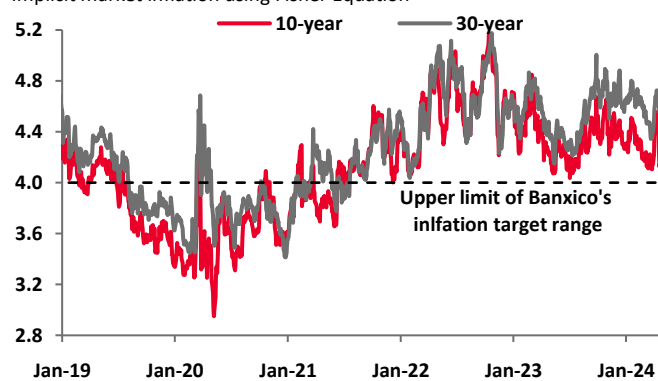
Implicit market inflation using Fisher Equation



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

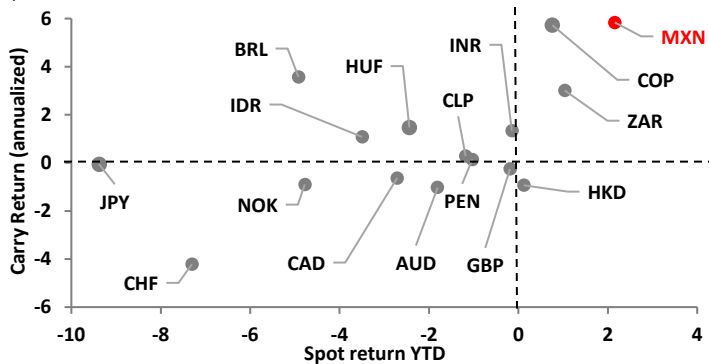
		Close at May/17/24	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ² (%)
Emerging Markets						
Brazil	USD/BRL	5.10	0.5	1.1	2.7	-4.8
Chile	USD/CLP	889.45	0.9	4.0	9.9	-1.2
Colombia	USD/COP	3,829.43	0.0	1.6	1.9	0.7
Peru	USD/PEN	3.74	-0.2	-0.6	0.2	-0.9
Hungary	USD/HUF	356.20	-0.1	1.1	3.4	-2.5
Malaysia	USD/MYR	4.69	-0.1	1.1	2.2	-2.0
Mexico	USD/MXN	16.61	0.5	1.0	2.1	2.2
Poland	USD/PLN	3.92	0.0	1.9	3.7	0.4
Russia	USD/RUB	91.00	-0.1	1.9	3.5	-1.7
South Africa	USD/ZAR	18.17	0.1	1.5	4.7	1.1
Developed Markets						
Canada	USD/CAD	1.36	0.0	0.4	1.2	-2.7
Great Britain	GBP/USD	1.27	0.2	1.4	2.0	-0.2
Japan	USD/JPY	155.65	-0.2	0.1	-0.8	-9.4
Eurozone	EUR/USD	1.0869	0.0	0.9	1.8	-1.5
Norway	USD/NOK	10.68	0.2	1.5	3.0	-4.8
Denmark	USD/DKK	6.86	0.0	0.9	1.8	-1.6
Switzerland	USD/CHF	0.91	-0.3	-0.3	0.2	-7.4
New Zealand	NZD/USD	0.61	0.2	1.9	3.7	-2.9
Sweden	USD/SEK	10.73	-0.1	1.1	2.0	-6.1
Australia	AUD/USD	0.67	0.2	1.3	4.0	-1.7

Source: Bloomberg, Banorte

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

Performance of selected currencies

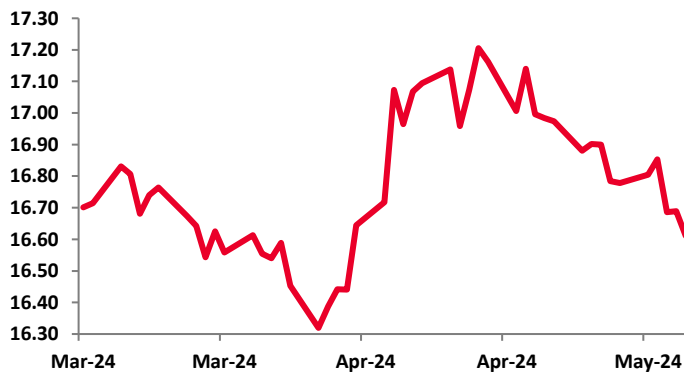
%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

USD/MXN

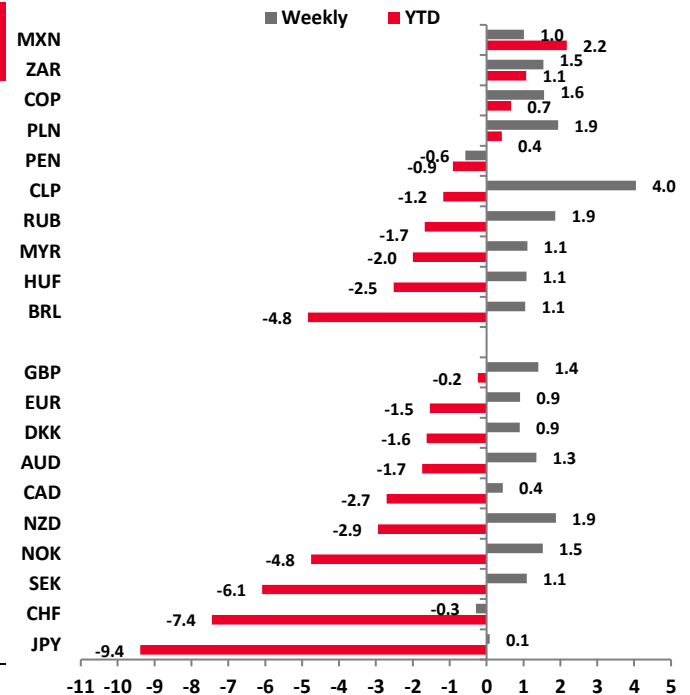
Last 60 days



Source: Bloomberg, Banorte

FX performance

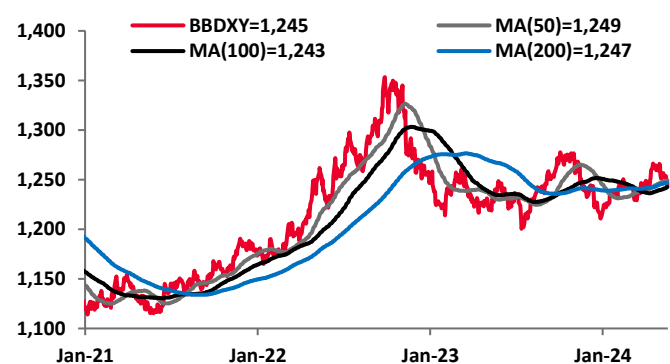
Against USD, %



Source: Bloomberg, Banorte

BBDXY

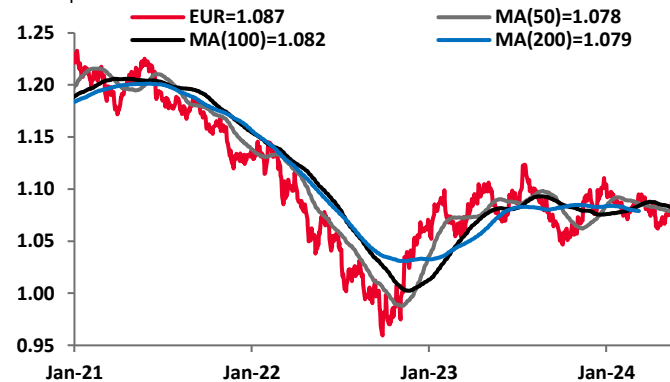
Points



Source: Bloomberg, Banorte

Euro

Dollar per euro

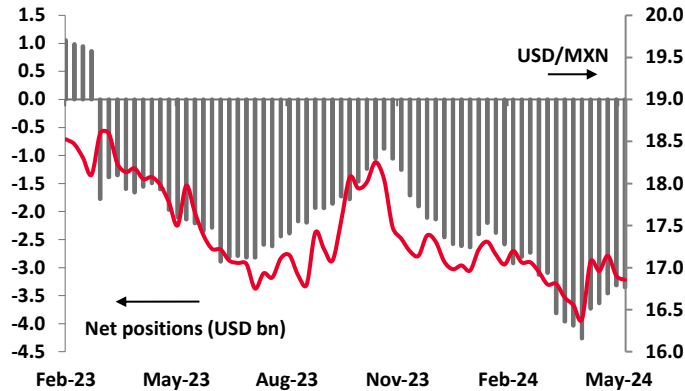


Source: Bloomberg, Banorte

FX positioning and flows

IMM positioning in USD/MXN futures

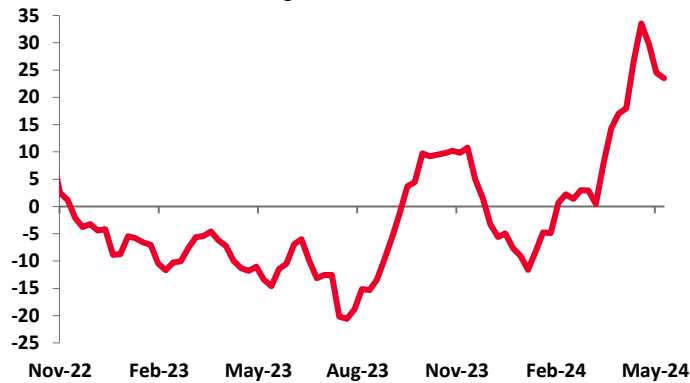
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

IMM positioning in USD futures*

Billion dollars, Positive = net long in USD

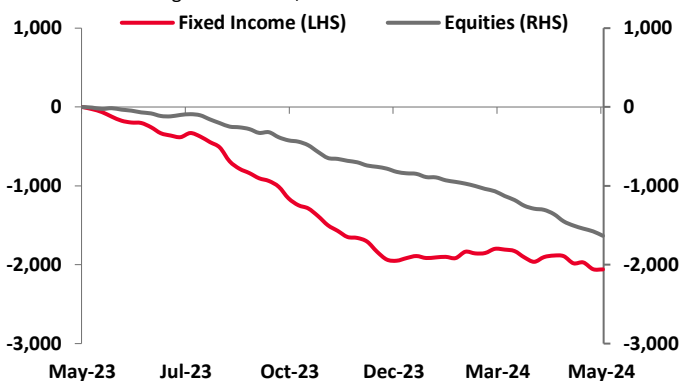


*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF

Source: CME, Banorte

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

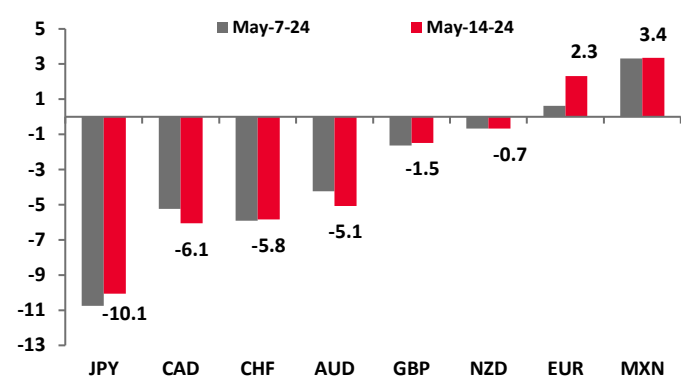
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

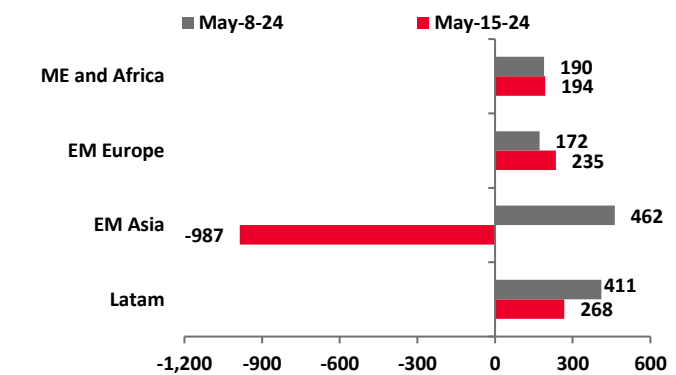


* Positive: Net long in the corresponding currency

Source: CME, Banorte

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

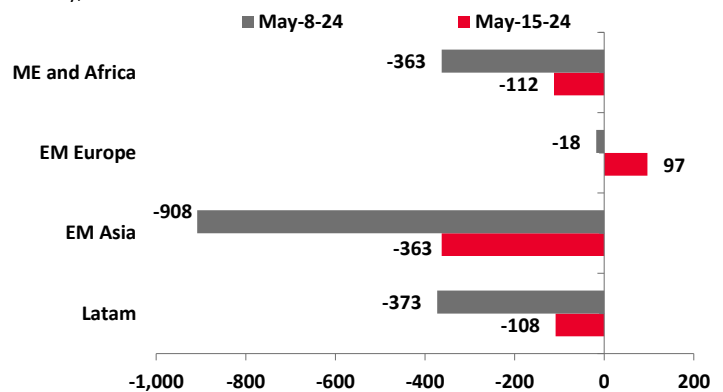
Billion dollars



Source: EPFR Global, Banorte

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

Weekly, million dollars

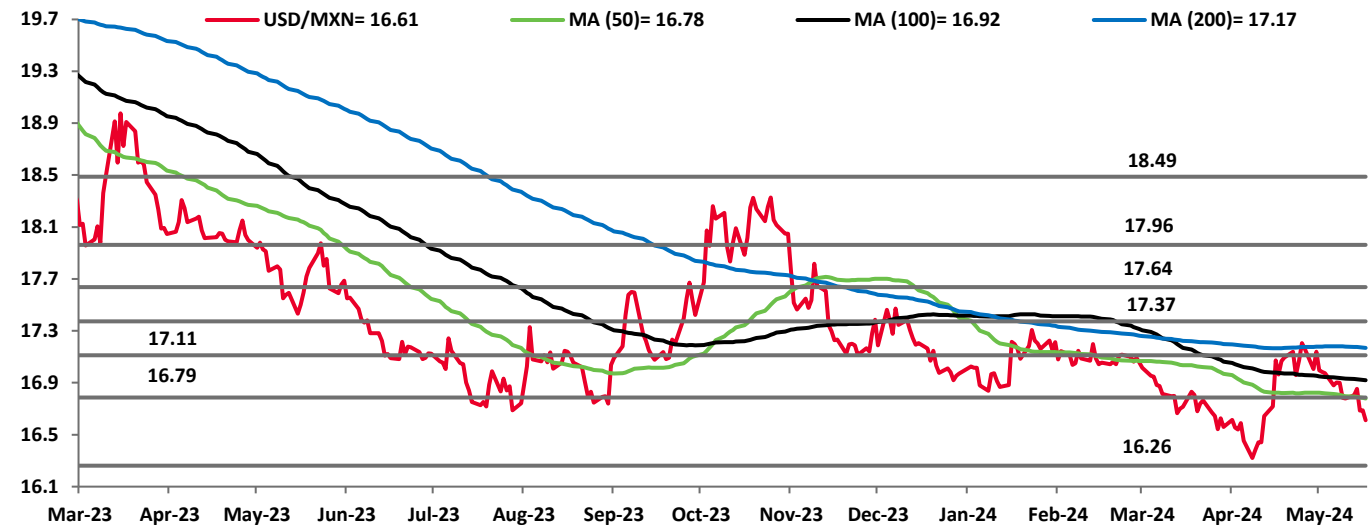


Source: EPFR Global, Banorte

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

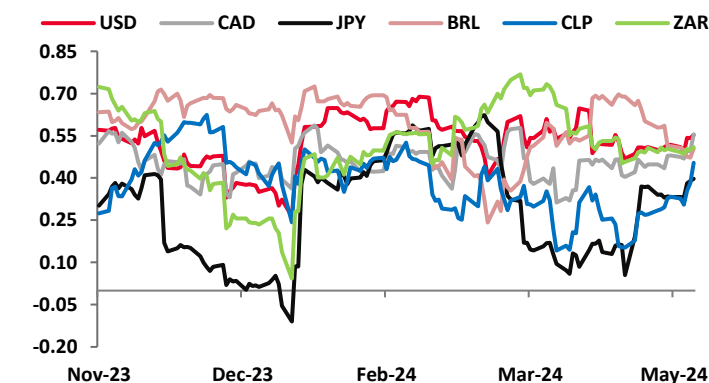
	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	55	51	26	69	53
CAD	56	47	31	59	46
JPY	40	33	-11	62	29
BRL	50	51	24	73	59
CLP	45	33	14	62	38
ZAR	51	49	4	77	50
VIX	41	33	11	74	41
SPX	50	48	-12	68	37
GSCI	-14	-14	-22	13	-4
Gold	30	30	-28	58	33

* 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

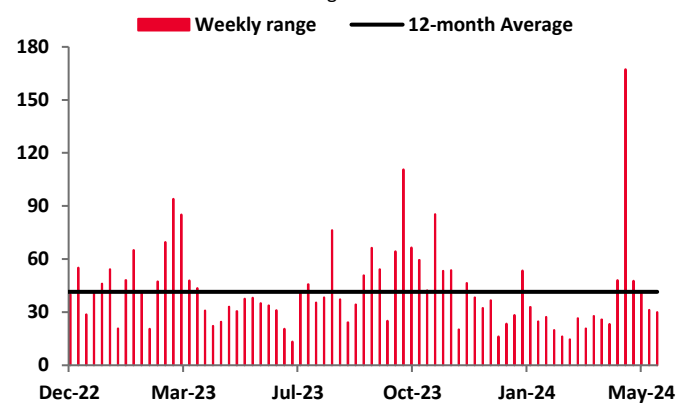


* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

USD/MXN – Weekly trading range

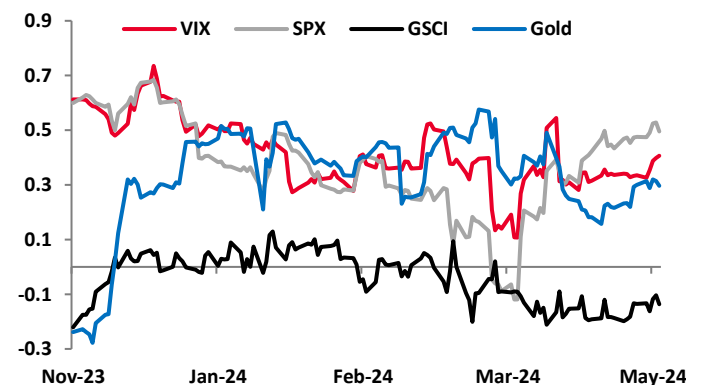
MXN cents with last 12 month average



Source: Bloomberg, Banorte

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

Based on daily percentage changes

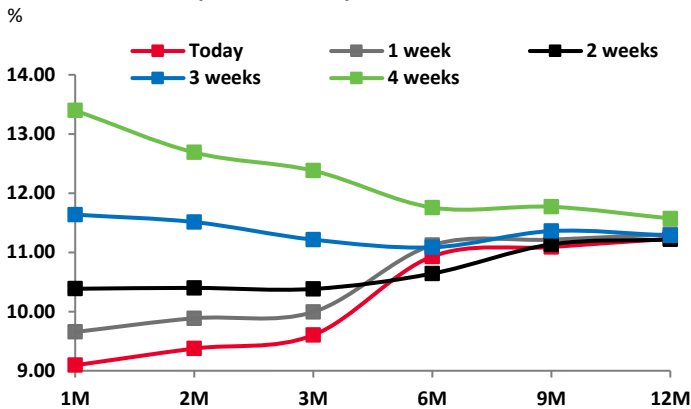


* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

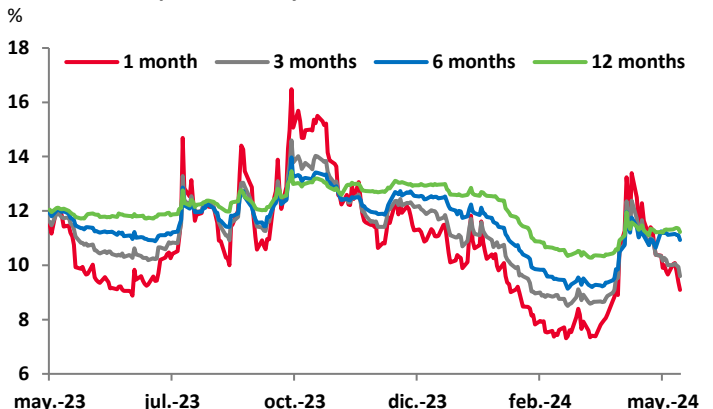
FX technicals (continued)

USD/MXN – ATM options volatility curve



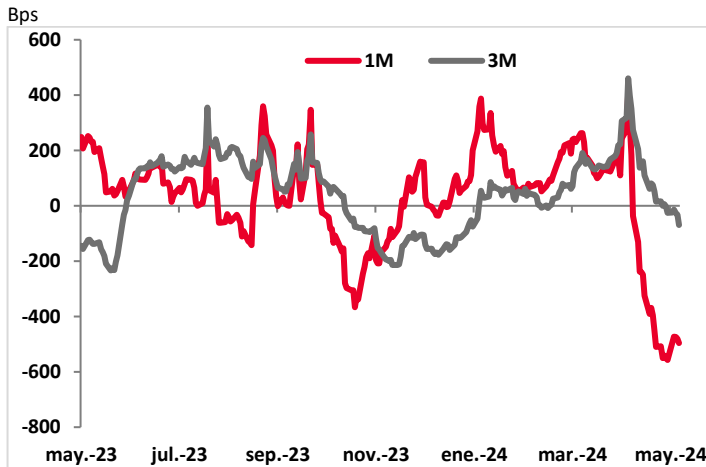
Source: Bloomberg, Banorte

USD/MXN – Implied volatility



Source: Bloomberg, Banorte

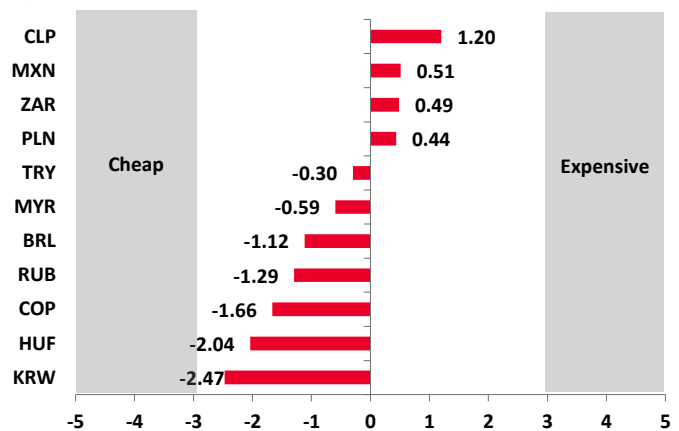
USD/MXN – Spread between implicit and historical volatility



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

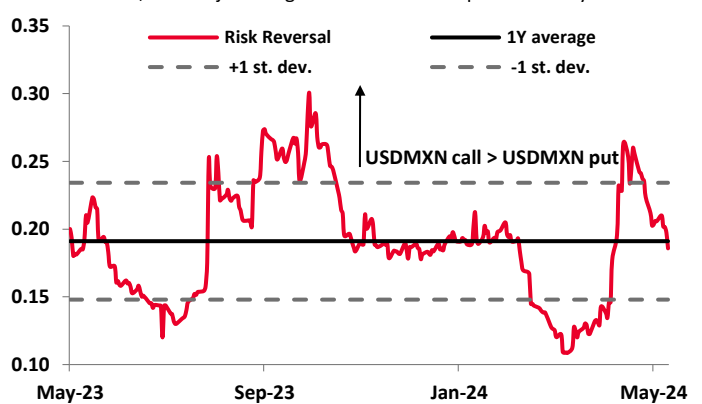
Last 24 months, difference between USD calls and puts, in vols



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 24th, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 19	15:30	US	Fed's Powell Delivers Commencement Speech					
	21:15	CHI	Rate decision 1-year Loan Prime Rate	May 20	%	--	3.45	3.45
	21:15	CHI	Rate decision 5-year Loan Prime Rate	May 20	%	--	3.95	3.95
Mon 20	08:00	MX	Timely Indicator of Economic Activity*	Apr	% y/y	--	--	2.1
	08:00	MX	Retail sales	Mar	% y/y	-0.2	0.2	3.0
	08:00	MX	Retail sales*	Mar	% m/m	0.3	--	0.4
	08:45	US	Fed's Bostic Gives Welcome Remarks					
	09:00	US	Fed's Barr Gives Keynote Remarks					
	19:00	US	Fed's Bostic Moderates Keynote Remarks					
Tue 21	04:00	EZ	Current account*	Mar	EURbn	--	--	29.5
	05:00	EZ	Trade balance*	Mar	EURbn	--	20.0	17.9
	09:00	US	Fed's Barkin Gives Welcome Remarks					
	09:00	US	Fed's Waller Discusses US Economy					
	09:10	US	Fed's Bostic Offers Brief Welcome Remarks					
	11:00	MX	International reserves	May 17	US\$b	--	--	218.2
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 10-year Mbono (Nov'34), 10-year Udibono (Aug'34) and 1-, 3-, and 7-year Bondes F					
	16:30	MX	Citibanamex Survey of Economists					
	19:00	US	Fed's Bostic Moderates Panel with Collins and Mester					
Wed 22	02:00	UK	Consumer prices	Apr	% y/y	--	2.1	3.2
	02:00	UK	Core	Apr	% y/y	--	3.6	4.2
	10:00	US	Existing home sales**	Apr	millions	--	4.2	4.2
	14:00	US	FOMC Meeting Minutes					
		SK	Monetary policy decision (Central bank of South Korea)	May 23	%	--	3.50	3.50
Thu 23	03:30	GER	Manufacturing PMI*	May (P)	index	--	43.3	42.5
	03:30	GER	Services PMI*	May (P)	index	--	53.5	53.2
	03:30	GER	Composite PMI*	May (P)	index	--	51.0	50.6
	04:00	EZ	Manufacturing PMI*	May (P)	index	--	46.1	45.7
	04:00	EZ	Services PMI*	May (P)	index	--	53.6	53.3
	04:00	EZ	Composite PMI*	May (P)	index	--	52.0	51.7
	04:30	UK	Manufacturing PMI*	May (P)	index	--	49.5	49.1
	04:30	UK	Services PMI*	May (P)	index	--	54.7	55.0
	07:00	TUR	Monetary policy decision (Central Bank of Turkey)	May 23	%	--	50.0	50.0
	08:00	MX	Consumer prices	May 15	% 2w/2w	-0.25	-0.25	0.25
	08:00	MX	Core	May 15	% 2w/2w	0.13	0.14	0.07
	08:00	MX	Consumer prices	May 15	% y/y	4.75	4.73	4.67
	08:00	MX	Core	May 15	% y/y	4.29	4.30	4.34
	08:00	MX	Gross domestic product	1Q24 (F)	% y/y	1.7	1.6	1.6
	08:00	MX	Gross domestic product*	1Q24 (F)	% q/q	0.2	0.2	0.2
	08:00	MX	Economic activity indicator (IGAE)	Mar	% y/y	-1.0	-0.6	4.4
	08:00	MX	Economic activity indicator (IGAE)*	Mar	% m/m	0.6	0.6	1.4
	08:30	US	Initial jobless claims*	May 18	thousands	220	220	222
	09:45	US	Manufacturing PMI*	May (P)	index	50.0	50.2	50.0
	09:45	US	Services PMI*	May (P)	index	--	51.6	51.3
	09:45	US	Composite PMI*	May (P)	index	--	52.0	51.3
	10:00	EZ	Consumer confidence*	May (P)	index	--	-14.3	-14.7
	10:00	US	New home sales**	Apr	millions	--	675	693
	11:00	MX	Banxico's minutes					
	15:00	US	Fed's Bostic Participates in Student Q&A					
	18:00	CL	Monetary policy decision (BCCh)	May 23	%	--	6.00	6.50
Fri 24	02:00	GER	Gross domestic product*	1Q24 (F)	% q/q	--	0.2	0.2
	08:00	MX	Trade balance	Apr	US\$m	-655.1	-500.0	2,098.1
	08:30	US	Durable goods orders*	Apr (P)	% m/m	--	-0.6	0.9
	08:30	US	Ex transportation*	Apr (P)	% m/m	--	0.2	0.0
	10:00	US	U. of Michigan confidence*	May (F)	index	67.4	67.4	67.4
	11:00	MX	Current account	1Q24	US\$b	-15.9	-4.2	11.7

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

1. Carry + roll-down gains of 17bps

2. Closed below target and before the proposed horizon date due to changes in market conditions that have differed from our expectations.

P = Profit, L = Loss

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

* Total return does not consider carry gain/losses

** Low strike (long call) at 13.00, high strike (short call) at 13.30 for a premium of 0.718% of notional amount

P = Profit, L = Loss

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, 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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