Fixed-Income & FX Strategy

Weekly

Fixed-Income and FX Weekly

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- **Local inflation on focus amid employment reports and a silent week in the US.** The sell-off in Treasuries for much of this week led to pressures on bonds globally. This occurred in a context where the market's pricing for the Fed maintains only a single 25bps cut (-37bps) by the end of the year. Today's PCE deflator had little impact on this backdrop, so attention will now shift to the May employment reports (Wednesday and Friday) to further gauge expectations regarding potential easing ahead. We still anticipate two 25bps cuts (September and December). In Mexico, we will also have the inflation report for the second half of May next Friday (Banorte: 0.09% 2w/2w). This print will be highly relevant as the market has not fully priced the 25bps cut we project for Banxico in June, with the curve discounting ~15bps since several weeks ago. In this regard, the tone of the [Quarterly Report](#) and comments from Banxico members support our expectation, although risks of it not materializing given inflation surprises have increased. Given this backdrop, we wait for better conditions to add directional strategies, recognizing that the adjustments throughout May have resulted in attractive valuations to add duration. We also maintain preference for relative value strategies, favoring a steeper curve. In the FX market, for much of the week, the rate-driven USD strength and reduced risk appetite impacted the broad FX complex, with a negative balance for EM. The MXN stood among the weakest, depreciating by 1.9% w/w to close at 17.01 per dollar. This marked the second consecutive negative week. The weekly trading range widened to 50 cents from 30 cents the previous week, averaging 38 cents over the past four weeks. The currency broke strongly through the 100-day MA (16.90), crossing the psychological level of 17.00 to find support around 17.10. The latter reveals a more technically heavy area also where the 200-day MA currently stands (17.16). The increase in realized volatility was also seen in the underlying structure of the currency, with implied volatilities surging, particularly in the short-term maturities. Trading conditions are likely to partially normalize as the market digests the election results in Mexico. However, the global backdrop and the narrative of higher financing costs for longer have contributed more significantly to the volatility spike. Therefore, the US employment reports will be key for market price action in the coming days. We have been accurate in our call to buy USD with the MXN near 16.50, a view we hold in light of a more challenging geopolitical outlook for the second half of the year. Additionally, we are watching levels near 18.60 for EUR/MXN, where the carry is more favorable for short directional positions, ahead of the ECB's decision on Thursday. Markets broadly expect a 25bps cut, in line with our expectation. A more dovish bias and validation of subsequent cuts would support our view of EUR weakness for the remainder of the year

- **Weekly ranges** – We expect the 10-year Mbono (Nov'34) to trade between 9.65% and 9.90%, and MXN between 16.85 and 17.40 per dollar

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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	10.99	-1	-6	-46	11.45	10.98	11.21
28-days[1]	11.06	-1	0	-25	11.33	11.05	11.26
91-days[1]	11.16	-1	0	-26	11.45	11.16	11.38
182-days[1]	11.32	-1	0	-26	11.61	11.31	11.54
Cetes[2]							
28-days	11.03	4	-2	-22	11.40	10.54	11.13
91-days	11.15	2	0	-8	11.44	11.09	11.29
182-days	11.23	-3	2	-10	11.66	11.16	11.37
364-days	11.32	60	2	18	11.87	10.72	11.29
Mbonos							
Sep´24	11.38	3	7	52	11.60	10.67	11.13
Dec'24	11.20	4	10	61	11.34	10.37	10.88
Mar'25	10.60	-4	7	70	11.08	9.79	10.37
Mar'26	10.63	-1	16	91	10.90	9.36	10.08
Sep'26	10.45	5	12	91	10.77	9.22	9.96
Mar'27	10.17	5	19	83	10.50	8.91	9.69
Jun'27	10.14	6	18	87	10.46	8.81	9.65
Mar'29	9.93	4	20	87	10.31	9.02	9.58
May'29	9.88	5	18	95	10.22	8.55	9.37
May'31	9.83	5	20	89	10.27	8.57	9.37
May'33	9.76	1	19	83	10.24	8.55	9.36
Nov'34	9.75	2	18	81	10.21	8.58	9.36
Nov'36	9.75	4	19	80	10.21	8.57	9.35
Nov'38	9.80	2	15	77	10.23	8.75	9.43
Nov'42	9.86	1	14	78	10.26	8.81	9.47
Nov'47	9.82	1	13	76	10.17	8.80	9.44
Jul'53	9.81	1	11	75	10.18	8.83	9.45
TIIE-IRS							
3-month (3x1)	11.16	-3	-4	-30	11.55	11.16	11.43
6-month (6x1)	11.06	-2	-3	-22	11.55	11.05	11.34
9-month (9x1)	10.94	-3	-3	-15	11.55	10.89	11.20
1-year (13x1)	10.77	-3	0	-1	11.46	10.62	10.96
2-year (26x1)	10.25	5	11	55	10.83	9.49	10.02
3-year (39x1)	9.88	12	20	80	10.31	8.72	9.44
4-year (52x1)	9.62	11	17	89	10.02	8.30	9.13
5-year (65x1)	9.47	12	19	91	9.87	8.10	8.96
7-year (91x1)	9.33	9	13	88	9.78	7.98	8.85
10-year (130x1)	9.31	9	14	85	9.78	7.97	8.85
20-year (3x1)	9.35	11	13	85	9.85	8.05	8.91
30-year (390x1)	9.32	10	12	88	9.84	8.07	8.90
Udibonos							
Dec'25	6.97	0	-20	95	7.84	5.56	6.25
Dec'26	6.69	7	0	106	6.85	5.21	5.85
Nov'28	5.59	4	9	109	5.76	4.43	4.95
Nov'31	5.24	-7	7	75	5.64	4.25	4.84
Aug'34[3]	5.21	-9	7	35	5.51	4.82	5.13
Nov'35	5.13	-14	-1	74	5.38	4.15	4.66
Nov'40	5.03	-17	-3	70	5.27	4.27	4.67
Nov'43	5.03	-17	-2	70	5.26	4.27	4.69
Nov'46	4.94	-19	-8	79	5.19	4.15	4.64
Nov'50	4.93	-19	-10	70	5.24	4.23	4.66
Oct'54[4]	4.94	-7	-7	-7	5.16	4.94	5.07

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
4: Udibono Oct'54 issued on May 17th, 2024

Fixed–Income Dynamics (continued)

USD UMS 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	5.52	+2	+105	4.87	-7	+45	65	+10	28	38
3Y	Mar'27	5.43	-2	+63	4.68	-4	+45	75	+2	34	55
5Y	May'29	5.57	+1	+78	4.51	-2	+50	106	+3	99	94
7Y	Apr'30	5.70	+1	+36	4.51	+2	+54	119	-1	121	130
10Y	May'33	5.89	-1	+33	4.50	+3	+62	139	-4	153	162
20Y	Mar'44	6.46	+3	+8	4.72	+6	+58	174	-4	182	--
30Y	May'54	6.67	+0	+28	4.65	+8	+68	203	-7	220	--

Source: Bloomberg, Banorte

5Y USD UMS
%
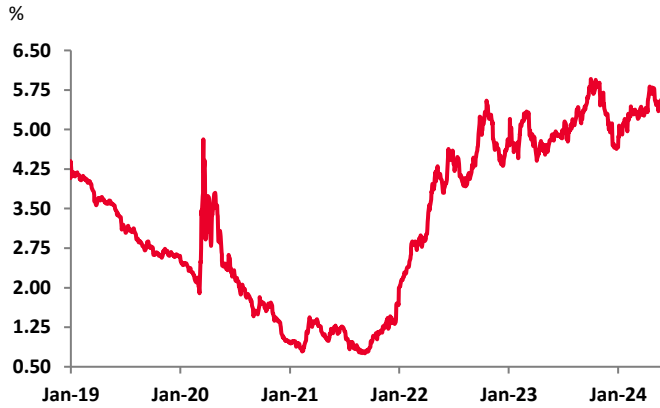
Source: Bloomberg, Banorte

10Y USD UMS
%

Source: Bloomberg, Banorte

5Y UMS-UST Spread
Basis points

Source: Bloomberg, Banorte

10Y UMS-UST Spread
Basis points
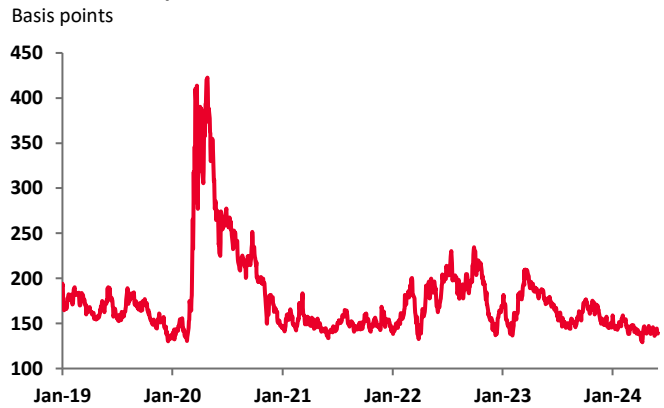
Source: Bloomberg, Banorte

Fixed–Income Supply

- **Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 20-year Mbono (Nov'42), the 3-year Udibono (Dec'26), as well as 1- and 3-year Bondes F

- **Good demand for local fixed-income but greater appetite for Cetes.** We believe that the strong appetite for Cetes will continue to be supported by the attractive real rates as seen in recent months. For example, the 6-month term was the most in demand with a bid-to-cover of 4.6x, very close to 2-year highs, last week. In a context where Banxico's reference rate remains high at 11.00% vs other EM peers such as Brazil (10.50%) and Chile (6.00%). Consequently, it also retains a wider spread vs. the US of 550bps relative to those countries (Brazil: 500bps, Chile: 50bps) even with the 25bps cut that we expect for the next decision in June. For its part, the market assigns a probability of only 60% for this scenario and will closely follow the next inflation readings. For the 20-year benchmark in the nominal yield curve, Mbono Nov'42, we expect stable appetite and in line with the average of its last three placements of 2.0x. This Mbono reflects a slight undervaluation, even after a 19bps rally in May since the room for adjustment was wide after the wave of losses in the four previous months (+98bps). Recent upward surprises in [inflation](#) and compression in shorter-term breakevens have provided support to the 3-year Udibono as seen in its last placement with a demand of 3.0x, the highest in the last two years. This time we expect a slightly smaller appetite

Auction specifics (June 4th, 2024)

Security	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	Jul-04-24	--	10,000	11.03
3m	Sep-05-24	--	13,000	11.15
6m	Nov-28-24	--	13,000	11.20
24m	Apr-16-26	--	14,200	11.31
Bondes F				
1Y	Apr-03-25	--	9,300	0.07
3Y	May-20-27	--	4,500	0.17
Bono M				
20Y	Nov-13-42	7.75	7,000	10.15
Udibono				
3Y	Dec-03-26	3.00	UDIS 950	6.56

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 (Oct'54)	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
Times
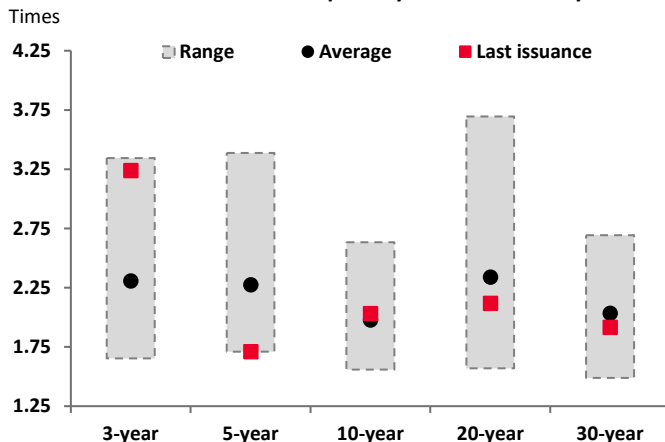
Source: Bloomberg, Banorte

Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times
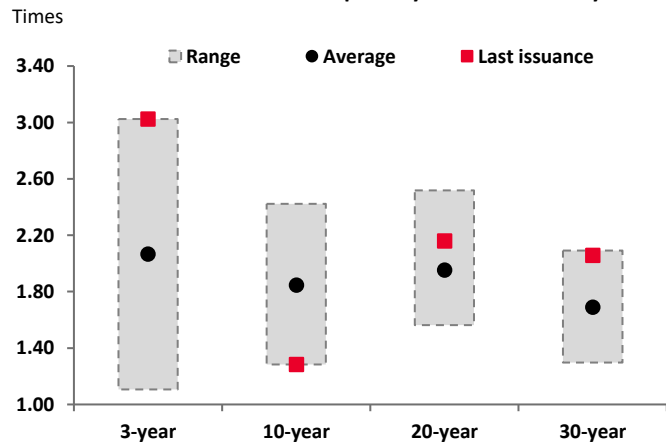
Source: Bloomberg, Banorte

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Fixed-Income Demand

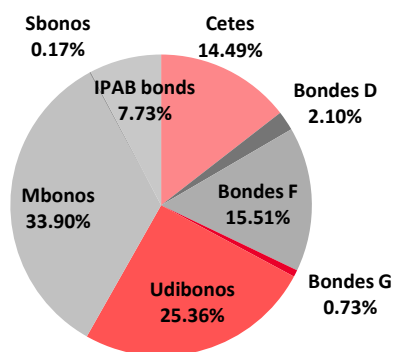**Government and IPAB securities holdings by type of investor**
US$ billion, *UDIS billion, data as of May/21/2024

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	116.58	13.41	11.52	21.29	5.38	14.10	4.88	6.32	-	39.68
Bondes D	16.93	0.01	0.42	7.34	0.27	3.38	0.28	-	-	5.23
Bondes F	124.82	0.01	4.42	71.60	1.80	14.98	0.39	-	-	31.62
Bondes G	5.91	0.00	0.28	1.90	0.41	0.79	0.83	-	-	1.69
Udibonos	204.07	9.65	113.09	7.80	37.32	5.27	1.37	0.07	-	29.50
Mbonos	272.73	83.30	63.82	8.21	7.98	37.45	16.26	1.63	0.90	53.17
Sbonos	1.38	0.63	0.39	0.01	0.03	0.07	-	-	-	0.25
Total	742.42	107.01	193.95	118.14	53.19	76.05	24.01	8.03	0.90	161.14
Udibonos*	416.65	19.70	230.90	15.92	76.19	10.77	2.80	0.14	-	60.22
IPAB bonds	62.18	0.03	0.30	19.51	0.16	10.76	7.92	0.87	-	22.63

Source: Banxico, Banorte

Government issuance by type of instrument
Total amount of US$ 805 billion (including IPAB bonds), % of total

Sbonos 0.17%
Cetes 14.49%
IPAB bonds 7.73%
Bondes D 2.10%
Mbonos 33.90%
Bondes F 15.51%
Udibonos 25.36%
Bondes G 0.73%

Source: Banxico, Banorte

Mbonos holdings by type of investor
Total amount of US$ 805 billion (including IPAB bonds), % of total

Foreign investors 13%
Others 28%
Pension funds 24%
Banks 11%
Mutual funds 17%
Insurance companies 7%
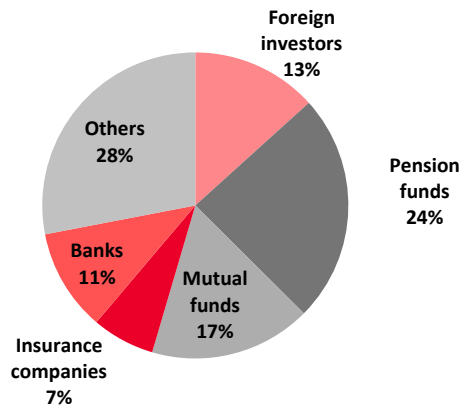
Source: Banxico, Banorte
Note: "Others" includes repos, guarantee and securities held by Banxico, as well as other domestic residents

Government securities holdings by type of investor
Total amount of US$ 805 billion (including IPAB bonds), % of total

Legend: Foreign investors | Pension funds | Mutual funds | Isuarance companies | Local banks | Others

(Categories: IPAB bonds, Sbonos, Mbonos, Udibonos, Bondes G, Bondes F, Bondes D, Cetes)

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

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Fixed–Income Demand (continued)

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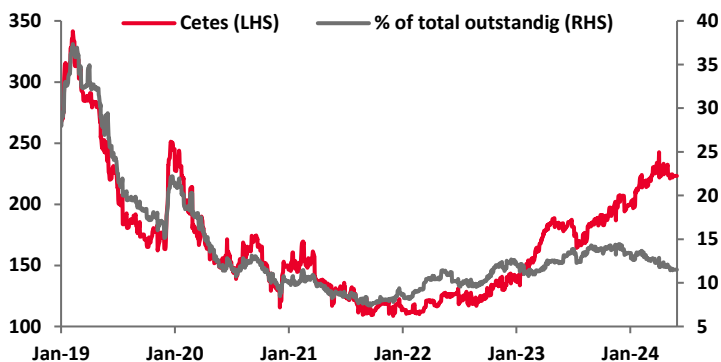
Source: Banxico, Banorte

Mbonos held by foreigners
MXN trillion, %
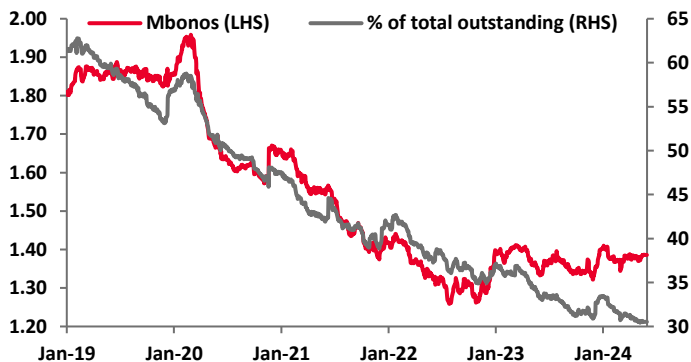
Source: Banxico, Banorte

## Holdings of main investors by type of security
Data as of May/21/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	-1.23	11.80	-7.41	-13.85	7.08	68.42
Bondes F	26.92	47.03	-27.95	-40.24	4.01	9.32
Udibonos	2.53	6.97	2.44	10.43	-0.87	4.73
Mbonos	0.22	-1.08	0.82	5.28	9.65	21.40

Source: Banxico, Banorte

Government securities issuance
USD Billions
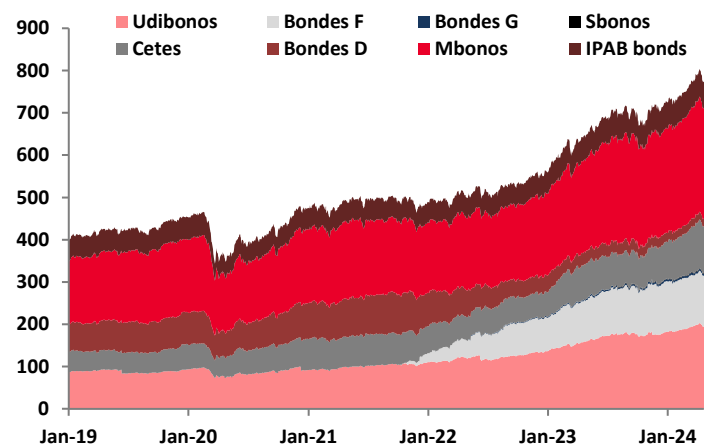
Fuente: Banxico, Banorte

Mbonos holdings by type of investor
US$ billions and %, data as May/16/2024

Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	16.1	30%	5%	15%	50%
Dec'24	12.1	37%	16%	11%	37%
Mar'25	7.1	32%	13%	23%	32%
Mar'26	24.7	40%	27%	10%	22%
Sep'26	14.9	33%	29%	10%	27%
Mar'27	23.1	29%	17%	9%	45%
Jun'27	20.4	13%	33%	23%	31%
Mar'29	10.6	18%	32%	17%	33%
May'29	16.7	6%	48%	22%	23%
May'31	24.4	5%	45%	33%	17%
May'33	18.7	6%	39%	28%	27%
Nov'34	9.2	6%	46%	32%	16%
Nov'36	4.7	1%	22%	50%	28%
Nov'38	12.8	1%	38%	45%	16%
Nov'42	20.8	1%	37%	45%	16%
Nov'47	15.7	0%	33%	48%	19%
Jul'53	15.9	2%	31%	49%	19%
Total	252.0	16%	31%	26%	27%

Source: Banxico, Banorte

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

Fixed–Income Demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion
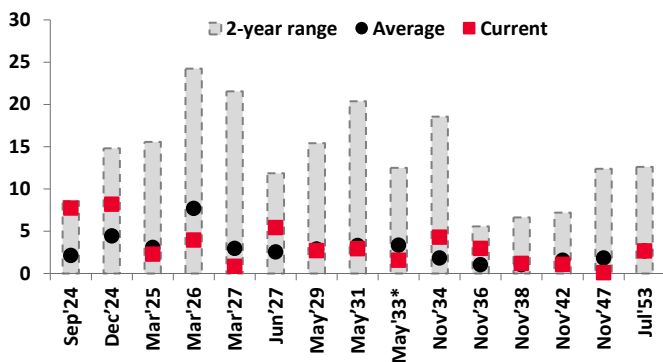
Source: Banxico, Banorte *May'33 issued in December 2022

Weekly change in market makers' short positions on Mbonos
MXN billion
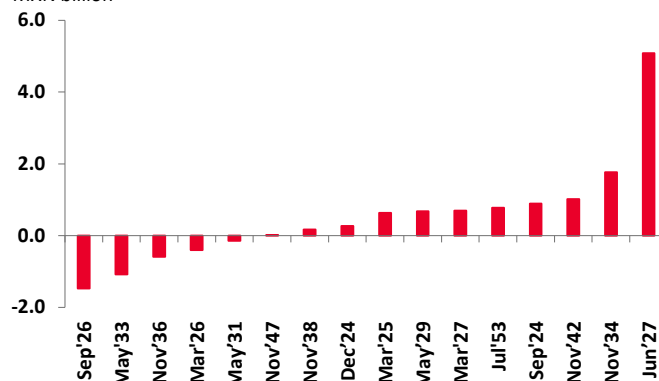
Source: Banxico, Banorte

Market makers' short positions on Mbono May'31
MXN billion
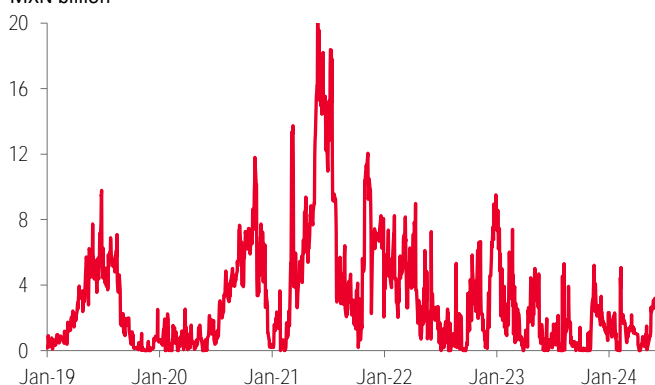
Source: Banxico, Banorte

Market makers' short positions on Mbono Nov'47
MXN billion
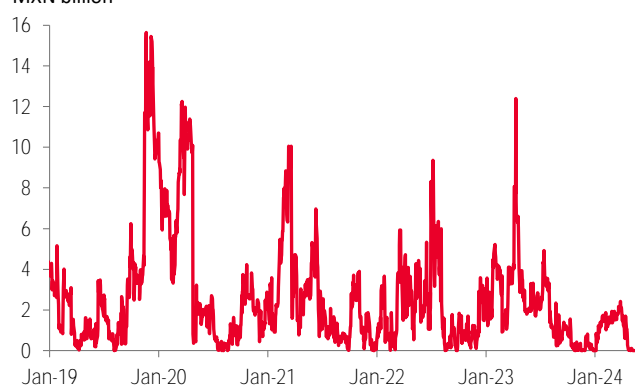
Source: Banxico, Banorte

Market makers' position on Mbonos
US$ million

Maturity date	Total amount outstanding as of May/30/2024	May/30/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	16,020	453	401	197	17	453	93
Dec'24	12,121	482	466	466	87	535	51
Mar'25	7,973	133	96	355	72	432	17
Mar'26	24,307	232	256	83	1,248	752	53
Sep'26	14,476	415	502	578	0	803	78
Mar'27	22,870	49	9	110	118	876	0
Jun'27	20,374	318	19	92	266	318	0
Mar'29	11,358	398	616	883	0	939	0
May'29	17,665	159	119	3	214	482	0
May'31	24,008	172	180	54	0	298	0
May'33	18,810	92	155	2	408	734	0
Nov'34	9,986	251	147	590	84	1,090	0
Nov'36	4,538	174	209	129	30	269	0
Nov'38	12,671	69	60	66	49	301	2
Nov'42	20,525	62	2	0	22	207	0
Nov'47	15,384	4	3	6	161	142	0
Jul'53	15,635	155	110	129	245	242	0
Total	**268,723**	**3,464**	**3,239**	**3,614**	**2,777**		

Source: Banxico, Banorte

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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	62	71	94	84	243	-6
3 months	31	28	36	34	118	-1
6 months	17	19	32	21	54	-8
12 months	21	-30	28	4	36	-40

Source: PiP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

Basis points
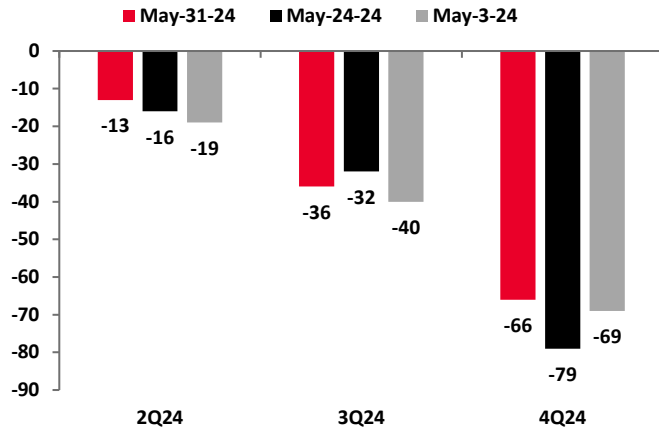
Source: Bloomberg, Banorte

Cumulative implied moves in Fed funds

Basis points
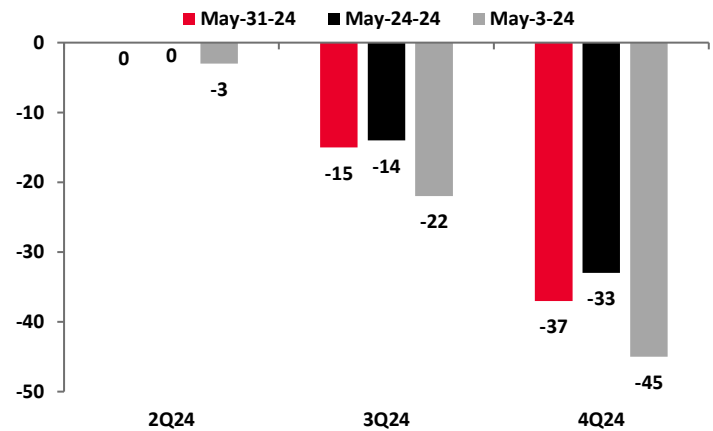
Source: Bloomberg, Banorte

Spreads between Mbonos and UST

Basis ponts

Spread	Actual	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
2 year	576	7	11	11	598	518	554
5 year	542	6	19	21	561	489	522
10 year	525	-1	19	19	548	482	511
20 year	513	-5	17	25	527	462	493
30 year	516	-7	13	13	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
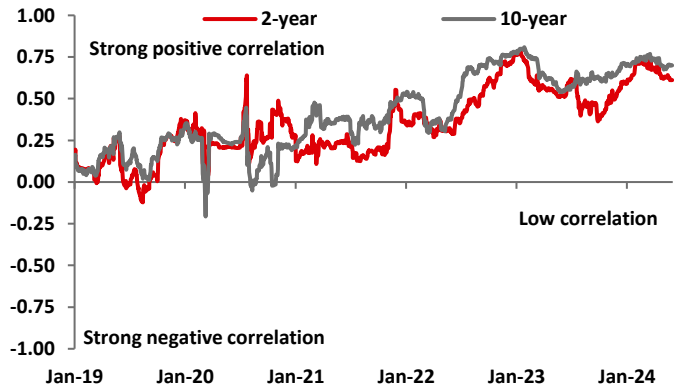
Source: Bloomberg, Banorte

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	-70	4	4	13	-34	-110	-78
2/10	-88	3	1	8	-55	-152	-94
2/30	-82	2	-5	2	-52	-133	-86
5/10	-17	-2	-2	-2	7	-59	-16
10/30	6	-1	-6	-6	28	-9	9
TIIE IRS							
3m/2Y	-91	8	15	85	-72	-203	-141
2/5	-78	6	8	36	-72	-142	-106
2/10	-95	4	3	30	-83	-165	-117
2/30	-93	5	1	32	-73	-157	-112
5/10	-17	-2	-5	-6	-1	-26	-11
10/30	2	1	-2	3	23	-6	5
TIIE IRS – Mbonos							
2 year	-38	6	-5	-18	19	-52	-28
5 year	-46	8	-1	-1	-32	-100	-56
10 year	-45	7	-4	3	-28	-67	-51
20 year	-51	9	-1	7	-23	-75	-56
30 year	-49	9	0	12	-16	-78	-55
TIIE IRS – SOFR							
2 year	547	11	7	-17	577	485	537
5 year	520	12	18	17	537	432	490
10 year	517	6	14	19	540	442	493
20 year	526	4	13	24	551	467	503
30 year	542	3	12	29	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	3.52	-3	12	-17	4.37	3.41	3.84
5Y	4.11	0	10	-26	4.69	3.93	4.35
10Y	4.32	11	10	6	4.64	4.07	4.32
20Y	4.59	18	15	5	5.07	4.21	4.56
30Y	4.64	19	20	1	4.99	4.22	4.57

Source: Bloomberg, Banorte

3- and 5-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation
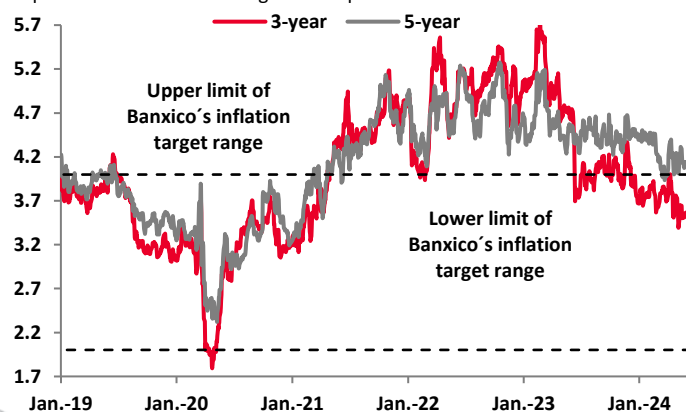
Source: PiP, Banorte

10- and 30-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation
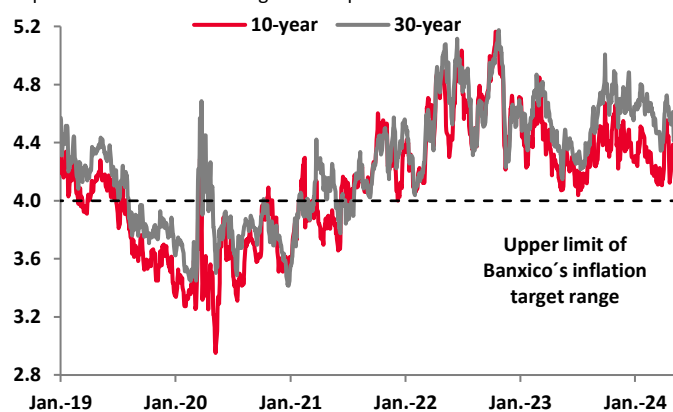
Source: PiP, Banorte

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FX dynamics

Foreign Exchange market levels and historical return

		Close at May/31/24	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD (%)[1]
Emerging Markets						
Brazil	USD/BRL	5.25	-0.8	-1.5	-1.0	-7.4
Chile	USD/CLP	918.25	0.0	-1.7	4.6	-4.3
Colombia	USD/COP	3,867.04	0.0	0.2	1.4	-0.3
Peru	USD/PEN	3.72	0.6	0.5	1.1	-0.5
Hungary	USD/HUF	359.03	0.1	-1.4	1.4	-3.3
Malaysia	USD/MYR	4.71	0.0	0.1	1.4	-2.4
Mexico	**USD/MXN**	**17.01**	**0.1**	**-1.9**	**-0.1**	**-0.2**
Poland	USD/PLN	3.94	0.4	-0.5	2.4	-0.1
Russia	USD/RUB	90.38	0.0	-0.9	3.8	-1.0
South Africa	USD/ZAR	18.79	-0.2	-2.0	-1.1	-2.3
Developed Markets						
Canada	USD/CAD	1.36	0.4	0.3	0.8	-2.8
Great Britain	GBP/USD	1.27	0.1	0.0	1.7	0.1
Japan	USD/JPY	157.31	-0.3	-0.2	-1.7	-10.3
Eurozone	EUR/USD	1.0848	0.1	0.0	1.3	-1.7
Norway	USD/NOK	10.50	0.5	0.8	5.2	-3.1
Denmark	USD/DKK	6.88	0.1	0.0	1.3	-1.8
Switzerland	USD/CHF	0.90	0.1	1.4	1.5	-6.7
New Zealand	NZD/USD	0.61	0.5	0.4	3.6	-2.8
Sweden	USD/SEK	10.53	0.6	1.4	3.8	-4.3
Australia	AUD/USD	0.67	0.3	0.4	2.0	-2.3

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

FX performance
Against USD, %

Source: Bloomberg, Banorte

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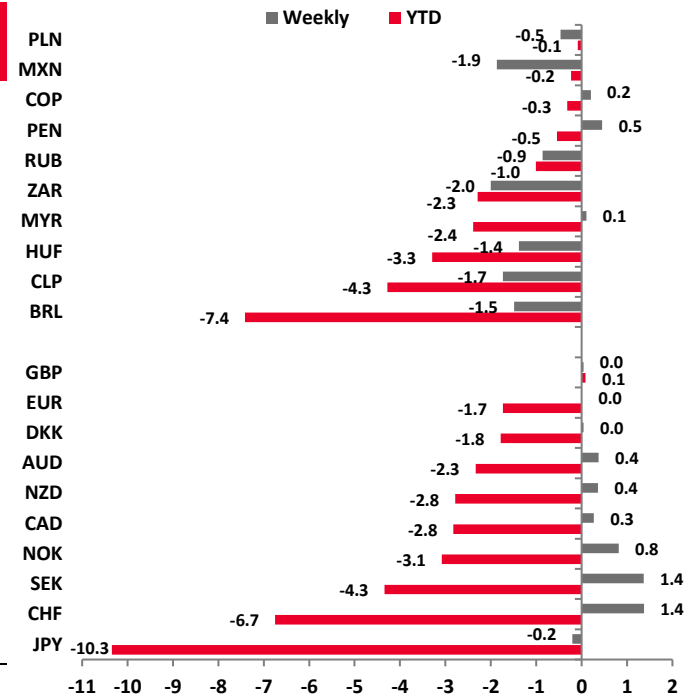
Source: Bloomberg, Banorte

BBDXY
Points

Source: Bloomberg, Banorte
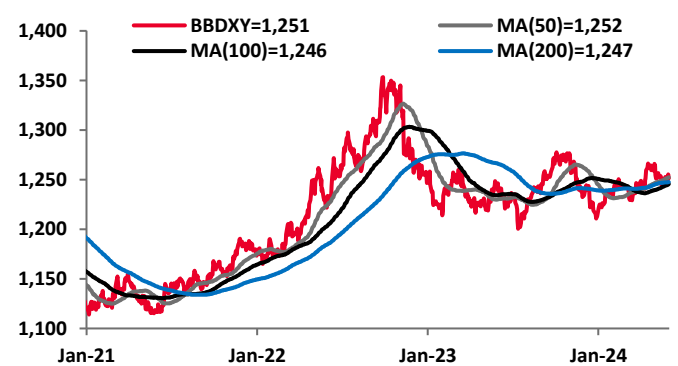
USD/MXN
Last 60 days

Source: Bloomberg, Banorte

Euro
Dollar per euro
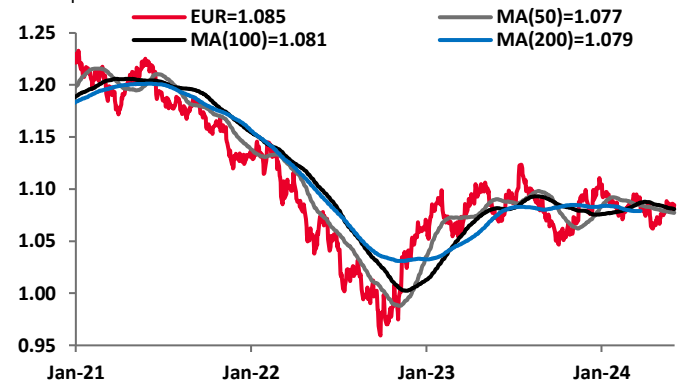
Source: Bloomberg, Banorte

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FX positioning and flows

IMM positioning in USD/MXN futures
Billion dollars, Negative = net long in MXN
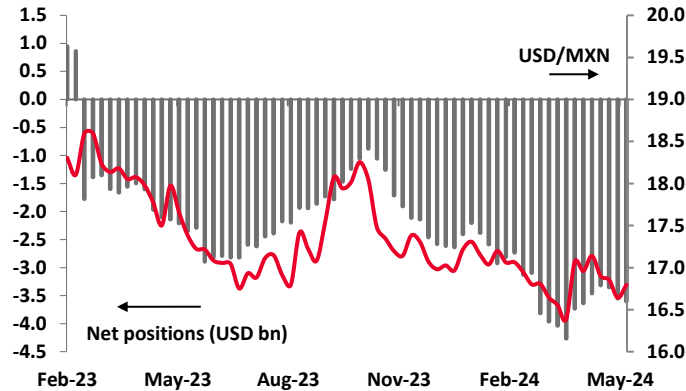
Source: CME, Banorte

IMM positioning by currency*
Billion dollars
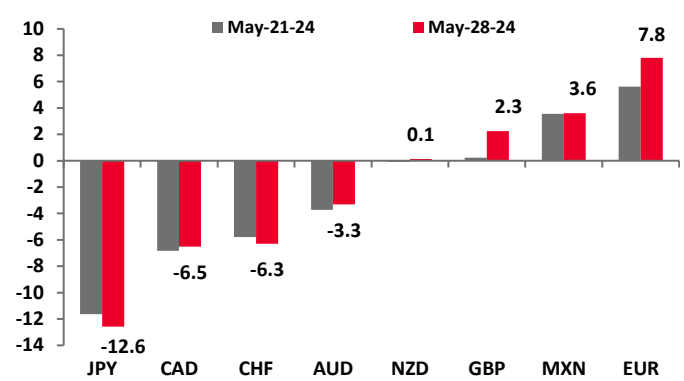
* Positive: Net long in the corresponding currency
Source: CME, Banorte

IMM positioning in USD futures*
Billion dollars, Positive = net long in USD
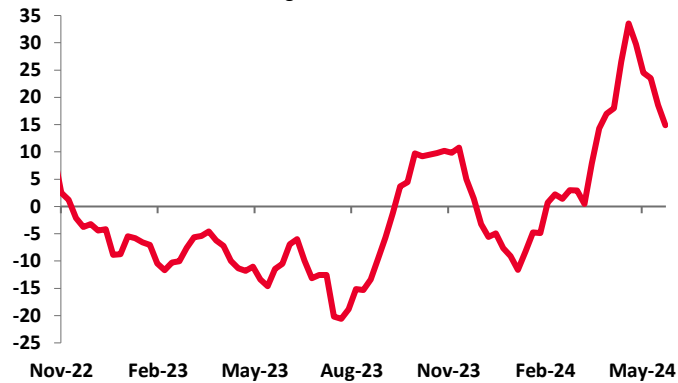
*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF
Source: CME, Banorte

Net foreign portfolio flows by region (Only ETF's investments)
Billion dollars
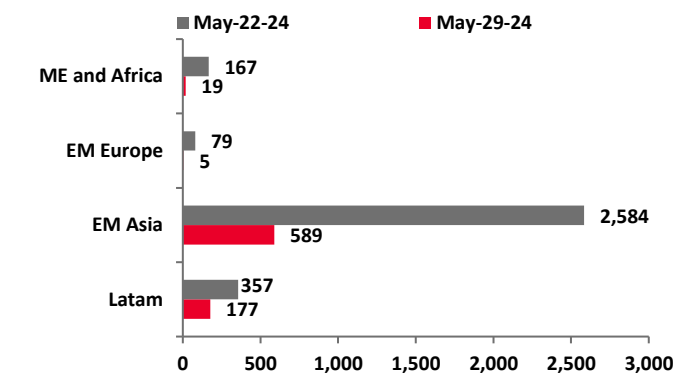
Source: EPFR Global, Banorte

Foreign portfolio flows into Mexico (excluding ETF's investments)
Accumulated during the last 12M, million dollars
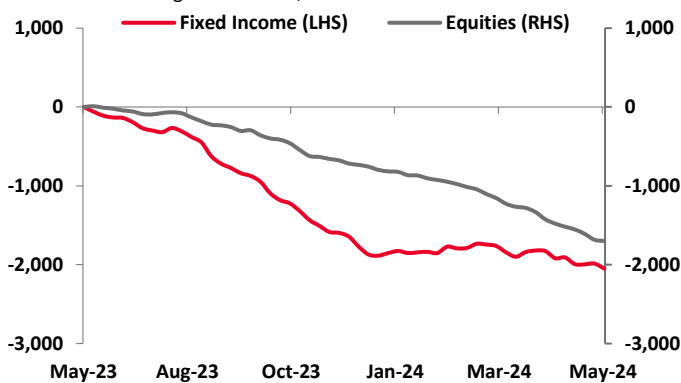
Source: EPFR Global, Banorte

Net foreign portfolio flows by region (excluding ETF's investments)
Weekly, million dollars
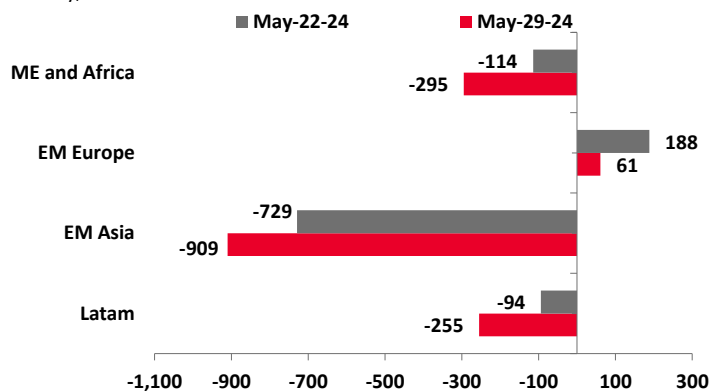
Source: EPFR Global, Banorte

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FX technicals

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

Legend: USD/MXN= 17.01 | MA (50)= 16.78 | MA (100)= 16.90 | MA (200)= 17.16

Levels: 18.49, 17.96, 17.64, 17.37, 17.11, 16.79, 16.26
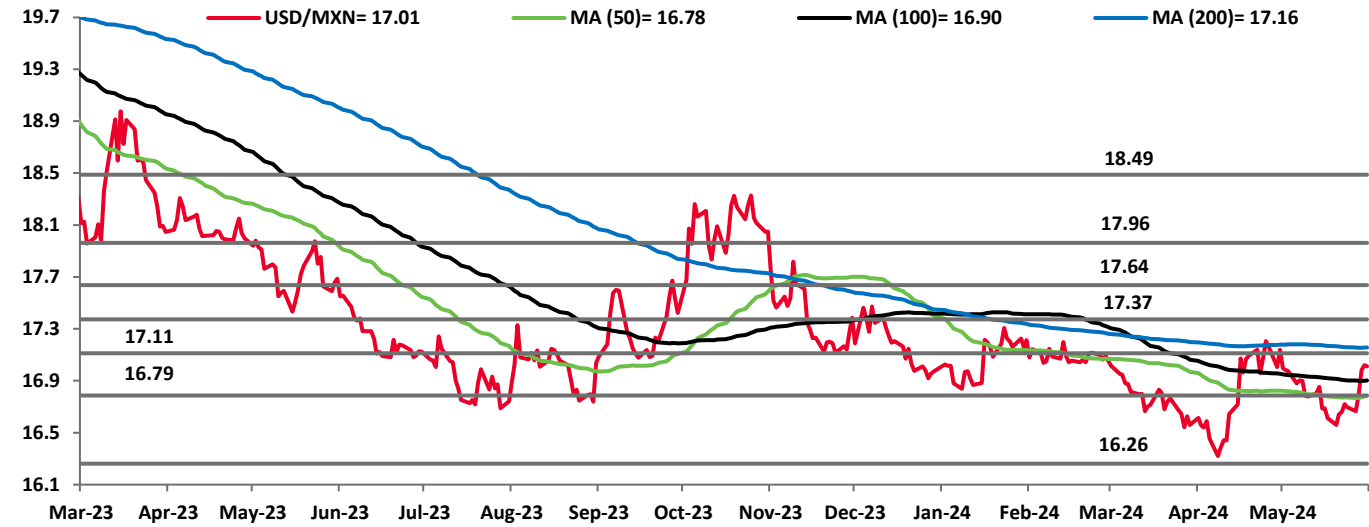
Source: Bloomberg, Banorte

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	58	52	26	69	53
CAD	53	52	31	59	46
JPY	44	41	-11	62	30
BRL	28	47	21	73	57
CLP	47	31	14	62	39
ZAR	44	47	4	77	49
VIX	53	25	11	74	40
SPX	58	45	-12	68	36
GSCI	10	4	-21	13	-3
Gold	48	27	12	58	37

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

USD/MXN – Weekly trading range
MXN cents with last 12 month average

Legend: Weekly range | 12-month Average
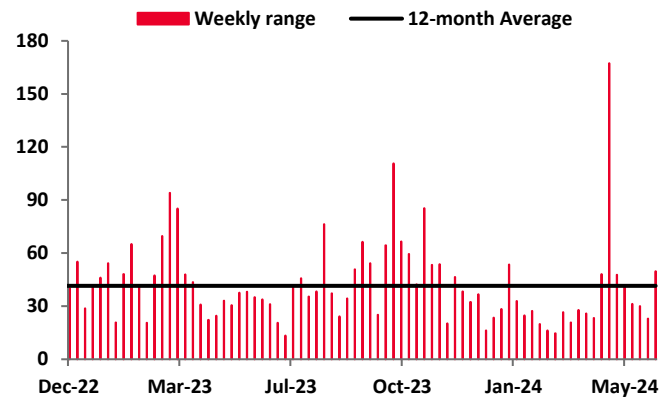
Source: Bloomberg, Banorte

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

Legend: USD | CAD | JPY | BRL | CLP | ZAR
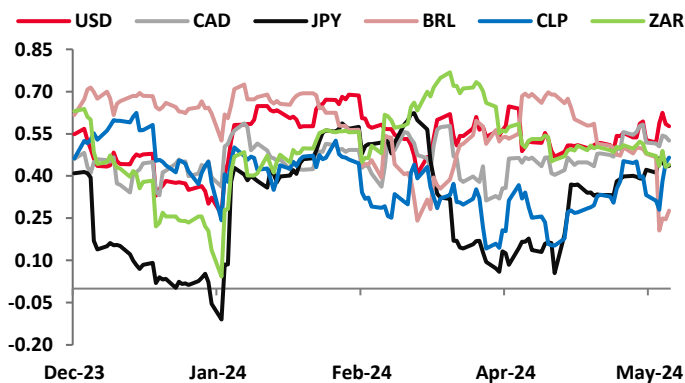
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

USD/MXN – 1-month correlation with other assets*
Based on daily percentage changes
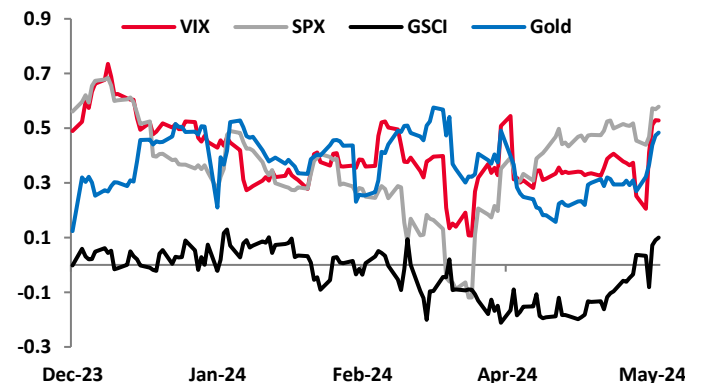
Legend: VIX | SPX | GSCI | Gold

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

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FX technicals (continued)

USD/MXN – ATM options volatility curve
%
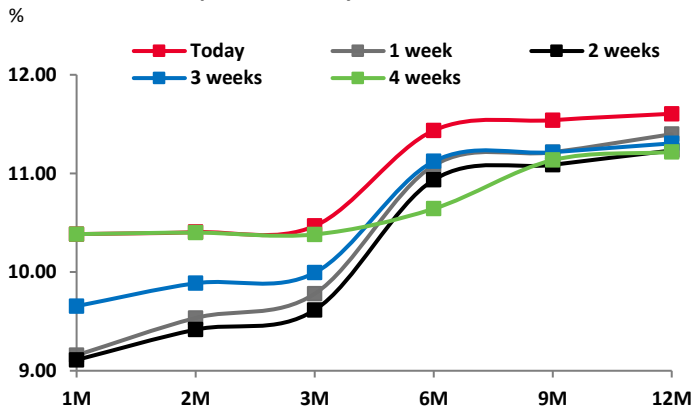
Source: Bloomberg, Banorte

USD/MXN – Implied volatility
%
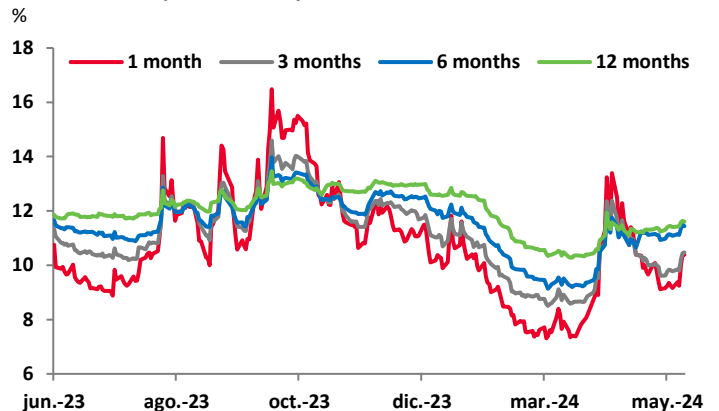
Source: Bloomberg, Banorte

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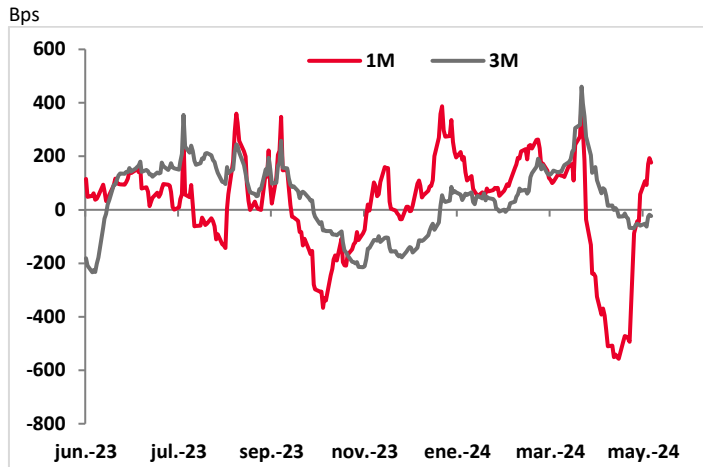
Source: Bloomberg, Banorte

Emerging markets one-month ATM options volatility
Against USD, in standard deviations relative to last year's average

ZAR	0.91
MXN	-0.15
TRY	-0.19
KRW	-0.31
MYR	-0.33
CLP	-0.58
BRL	-0.86
RUB	-1.17
COP	-1.21
PLN	-1.40
HUF	-1.46

Cheap / Expensive
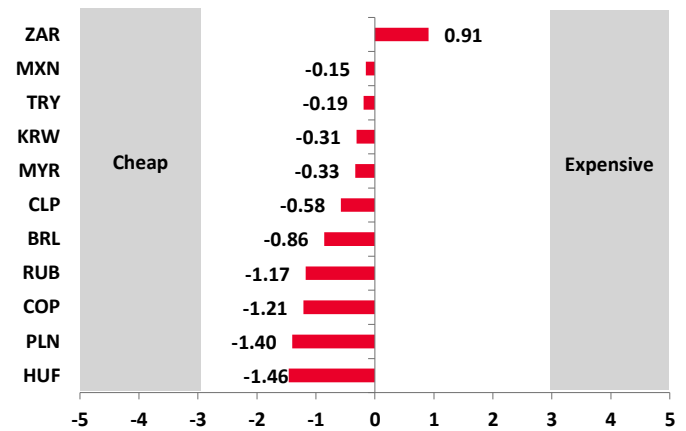
Source: Bloomberg, Banorte

USD/MXN – 1-month and 3-month 25D risk reversals
Last 24 months, difference between USD calls and puts, in vols

Source: Bloomberg, Banorte

USD/MXN – 1-month 25D volatility-adjusted risk reversal
Last 12 months, ratio adjusted against one-month implied volatility

USDMXN call > USDMXN put
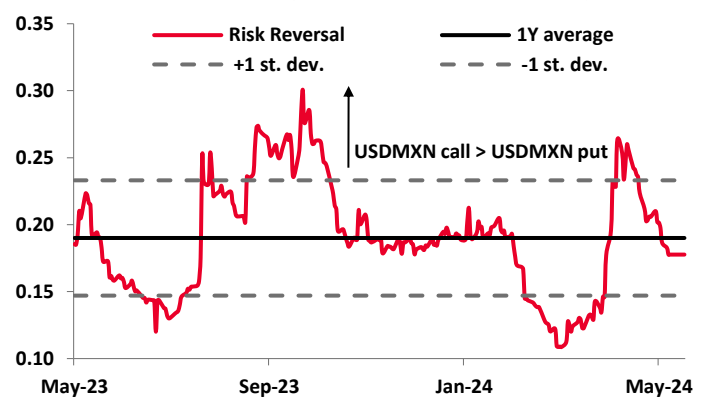
Source: Bloomberg, Banorte

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Weekly economic calendar

For the week ending June 7th, 2024

		Time	Event	Period	Unit	Banorte	Survey	Previous
Sun 2	MX		Presidency and Congress and local elections					
			OPEC+ Ministerial Meeting					
	CH	21:45	Manufacturing PMI (Caixin)*	May	index	--	51.6	51.4
Mon 3	GE	03:55	Manufacturing PMI*	May (F)	index	--	45.4	45.4
	EC	04:00	Manufacturing PMI*	May (F)	index	--	47.4	47.4
	UK	04:30	Manufacturing PMI*	May (F)	index	--	51.3	51.3
	BZ	09:00	Manufacturing PMI*	May	index	--	--	55.9
	US	09:45	Manufacturing PMI*	May (F)	index	50.9	50.9	50.9
	US	10:00	ISM manufacturing*	May	index	49.0	49.6	49.2
	MX	11:00	Family remittances	Apr	US$bn	5,067.3	5,466.1	5,020.7
	MX	11:00	Survey of expectations (Banxico)					
	MX	14:00	PMI manufacturing (IMEF)*	May	index	50.1	--	49.2
	MX	14:00	PMI non-manufacturing (IMEF)*	May	index	50.3	--	49.7
	US		Total vehicle sales**	May	millions	--	15.8	15.7
Tue 4	BZ	08:00	Gross domestic product	1Q24	% y/y	--	2.2	2.1
	BZ	08:00	Gross domestic product*	1Q24	% q/q	--	0.7	0.0
	MX	08:00	Gross fixed investment	Mar	% y/y	2.1	2.1	12.5
	MX	08:00	Gross fixed investment*	Mar	% m/m	0.3	0.3	0.7
	MX	08:00	Private consumption	Mar	% y/y	-0.3	--	5.3
	MX	08:00	Private consumption*	Mar	% m/m	0.3	--	0.6
	US	10:00	JOLTS Job Openings	Apr	thousands	--	8,360	8,488
	US	10:00	Factory orders*	Apr	% m/m	--	0.6	0.8
	US	10:00	Ex transportation*	Apr	% m/m	--	0.3	0.4
	US	10:00	Durable goods orders*	Apr (F)	% m/m	--	0.7	0.7
	US	10:00	Ex transportation*	Apr (F)	% m/m	--	0.4	0.4
	MX	11:00	International reserves	May 31	US$bn	--	--	218.7
	MX	13:30	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 20-year Mbono (Nov'42), 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F					
	CH	21:45	Services PMI (Caixin)*	May	index	--	52.6	52.5
	CH	21:45	Composite PMI (Caixin)*	May	index	--	--	52.8
Wed 5	GE	03:00	Services PMI*	May (F)	index	--	53.9	53.9
	GE	03:00	Composite PMI*	May (F)	index	--	52.2	52.2
	EC	04:00	Services PMI*	May (F)	index	--	53.3	53.3
	EC	04:00	Composite PMI*	May (F)	index	--	52.3	52.3
	UK	04:30	Services PMI*	May (F)	index	--	52.9	52.9
	MX	08:00	Consumer confidence*	May	index	47.5	--	47.3
	BZ	08:00	Industrial production	Apr	% y/y	--	9.2	-2.8
	BZ	08:00	Industrial production*	Apr	% m/m	--	0.1	0.9
	US	08:15	ADP employment*	May	thousands	185	175	192
	US	09:45	Services PMI*	May (F)	index	--	54.8	54.8
	US	09:45	Composite PMI*	May (F)	index	--	--	54.4
	US	10:00	ISM services*	May	index	--	51.0	49.4
	MX	16:30	Citibanamex Survey of Economists					
Thu 6	EC	05:00	Retail sales*	Apr	% m/m	--	-0.2	0.8
	EC	08:15	Monetary policy decision (ECB)	Jun 6	%	3.75	3.75	4.00
	US	08:30	Trade balance*	Apr	US$bn	--	-76.4	-69.4
	US	08:30	Initial jobless claims*	Jun 1	thousands	217	220	219
	EC	08:45	ECB President Christine Lagarde Holds Press Conference					
	CH	23:00	Trade balance	May	USDbn	--	71.5	72.4
	CH	23:00	Exports	May	% y/y	--	5.1	1.5
	CH	23:00	Imports	May	% y/y	--	4.7	8.4
Fri 7	GE	02:00	Industrial production*	Apr	% m/m	--	0.2	-0.4
	GE	02:00	Trade balance*	Apr	EURbn	--	23.4	22.2
	EC	05:00	Gross domestic product	1Q24 (F)	% y/y	--	0.4	0.4
	EC	05:00	Gross domestic product*	1Q24 (F)	% q/q	--	0.3	0.3
	MX	08:00	Consumer prices	May	% m/m	-0.04	-0.05	0.20
	MX	08:00	Core	May	% m/m	0.24	0.24	0.21
	MX	08:00	Consumer prices	May	% y/y	4.84	4.83	4.65
	MX	08:00	Core	May	% y/y	4.28	4.28	4.37
	US	08:30	Nonfarm payrolls*	May	thousands	195	190	175
	US	08:30	Unemployment rate*	May	%	3.9	3.9	3.9
	US	15:00	Consumer credit*	Apr	US$bn	--	10.0	6.3

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

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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

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