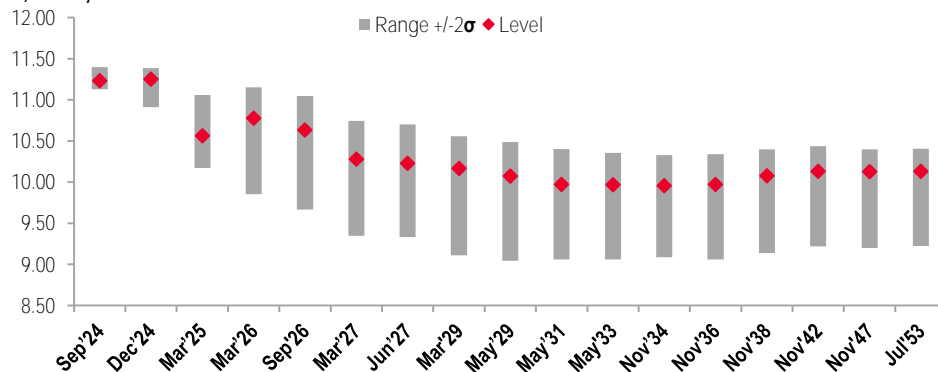# Fixed-Income & FX Strategy

Weekly

Fixed-Income and FX Weekly

- **Inflation in the US in focus as market consolidates Fed easing expectations.** Mixed performance in rates this week with the Treasury curve experiencing a strong rally at the short-end amidst heightened conviction on Fed cuts. Performance was also supported by European bonds, with investors closely watching the second round of parliamentary elections in France this weekend. The Treasury curve ended with a 12bps rally w/w, with the short-end strengthening up to 16bps. The 2-year note returned to early April levels at 4.60% (-15bps w/w), and the market is now pricing in Fed cuts of -51bps by year-end (-44bps the previous week). Locally, despite a breather at the end of the week, the Mbonos curve averaged pressures of 10bps, with the long-end underperforming. The 10-year benchmark, Mbono Nov'34, closed at 9.96% (+10bps), and its spread against the same-maturity UST widened to 568bps from 546bps the previous week. Junes' US NFP triggered a rally in bonds and stocks, while the USD weakened. The jobs report showed mixed details, but we see employment strength starting to moderate. However, wages will continue to be a focal point of inflationary pressures. In this regard, we hold our expectation that the Fed will only cut rates by 25bps in December. With this in mind, next week's focus will be on the US inflation report, where we estimate headline at 0.1% m/m and core at 0.2% m/m. This week, Powell indicated they see signs that prices are resuming a disinflationary path, but he was clear in wanting more data before lowering interest rates. Locally, the agenda highlights the minutes of Banxico's last decision and June's inflation (Banorte: 0.28% m/m). In this case, we see appropriate valuation at the short-end of the curve, incorporating implicit cuts of -47bps by year-end. In terms of strategy, we favor positions benefiting from a steeper curve in Mexico going forward, while identifying an attractive valuation in Udibono Nov'35. In the FX market, the dollar halted a full month of strengthening. Performance was favorable for G10 and emerging currencies, with LatAm also positive and the MXN appreciating 1.2% w/w to 18.11 per dollar. We expect a more challenging second half for EMFX as global geopolitical premia will benefit the USD, in addition to the short-term rate correction as we see the market's expectation for the Fed optimistic. As such, we suggest buying USD/MXN below 18.00

- **Weekly ranges** – We expect the 10-year Mbono (Nov'34) to trade between 9.85% and 10.15%, and MXN between 17.90 and 18.60 per dollar

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Winners of the award as the best economic forecasters in Mexico by *LSEG* in 2023

LSEG STARMINE AWARD FOR REUTERS POLLS
Best Forecaster Economic Indicators for Mexico 2023

Mbonos performance
%, 90-day MA

Source: Bloomberg, Banorte

BANORTE

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	1	-45	11.45	10.98	11.18
28-days[1]	11.06	1	0	-25	11.33	11.05	11.24
91-days[1]	11.16	1	0	-26	11.45	11.15	11.35
182-days[1]	11.32	1	0	-27	11.61	11.31	11.51
Cetes[2]							
28-days	11.00	8	-5	-24	11.38	10.55	11.11
91-days	11.13	-3	0	-12	11.45	11.08	11.27
182-days	11.25	6	6	-8	11.66	11.16	11.35
364-days	11.35	7	-4	21	11.86	10.53	11.26
Mbonos							
Sep´24	11.23	2	-19	26	11.57	10.75	11.18
Dec'24	11.25	6	-15	59	11.40	10.40	10.94
Mar'25	10.56	12	-20	67	11.15	9.80	10.38
Mar'26	10.78	12	-4	102	11.03	9.44	10.19
Sep'26	10.63	16	-16	114	11.03	9.41	10.07
Mar'27	10.28	6	-12	89	10.74	9.16	9.81
Jun'27	10.23	3	-18	97	10.68	9.06	9.77
Mar'29	10.17	9	-15	110	10.55	9.01	9.65
May'29	10.07	11	-17	113	10.47	8.70	9.49
May'31	9.97	10	-24	103	10.42	8.70	9.49
May'33	9.97	11	-22	103	10.40	8.70	9.47
Nov'34	9.96	10	-24	101	10.41	8.70	9.47
Nov'36	9.97	13	-23	105	10.41	8.70	9.46
Nov'38	10.08	12	-20	104	10.46	8.80	9.53
Nov'42	10.13	13	-22	106	10.51	8.83	9.57
Nov'47	10.13	13	-20	105	10.49	8.81	9.54
Jul'53	10.13	13	-20	106	10.50	8.83	9.55
TIIE-IRS							
3-month (3x1)	11.20	0	-3	-26	11.55	11.16	11.40
6-month (6x1)	11.08	-1	-11	-20	11.55	11.05	11.31
9-month (9x1)	10.97	0	-15	-12	11.55	10.89	11.18
1-year (13x1)	10.82	2	-18	4	11.46	10.62	10.95
2-year (26x1)	10.29	0	-24	59	10.86	9.55	10.09
3-year (39x1)	9.93	3	-24	85	10.48	8.86	9.54
4-year (52x1)	9.70	2	-22	98	10.24	8.46	9.24
5-year (65x1)	9.58	3	-21	102	10.09	8.23	9.08
7-year (91x1)	9.50	5	-20	105	9.98	8.09	8.98
10-year (130x1)	9.49	8	-21	103	9.96	8.05	8.97
20-year (3x1)	9.51	4	-22	101	10.04	8.14	9.03
30-year (390x1)	9.47	7	-22	103	9.98	8.13	9.02
Udibonos							
Dec'25	6.65	4	-64	67	7.90	5.55	6.37
Dec'26	6.33	-3	-73	71	7.08	5.24	5.97
Nov'28	5.74	9	-5	126	5.96	4.42	5.06
Nov'31	5.40	7	-13	93	5.80	4.42	4.94
Aug'34[3]	5.38	7	-13	52	5.76	4.82	5.24
Nov'35	5.30	9	-15	93	5.60	4.25	4.76
Nov'40	5.27	13	-8	95	5.50	4.26	4.75
Nov'43	5.29	14	-6	96	5.51	4.25	4.77
Nov'46	5.17	22	-1	102	5.30	4.15	4.70
Nov'50	5.16	23	-1	93	5.32	4.23	4.72
Oct'54[4]	5.14	23	-4	13	5.31	4.88	5.10

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	5.33	-18	+87	4.60	-15	+17	73	-2	34	47
3Y	Mar'27	5.16	-18	+99	4.39	-16	+16	77	-1	35	64
5Y	May'29	5.33	-21	+55	4.22	-15	+22	111	-5	101	105
7Y	Apr'30	5.47	-24	+13	4.23	-15	+26	124	-9	122	143
10Y	May'33	5.82	-19	+26	4.27	-12	+40	154	-7	152	176
20Y	Mar'44	6.37	-19	-1	4.57	-9	+43	180	-10	182	--
30Y	May'54	6.64	-14	+25	4.47	-9	+51	217	-5	218	--

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 12-month Cetes, the 5-year Mbono (Mar'29), the 30-year Udibono (Oct'54), as well as 2- and 5-year Bondes F

- **Strong appetite for Cetes.** Next week, the market's attention will be focused on the release of the minutes from Banxico's last decision in search of further clues about the interest rate path. We anticipate a 25bps cut in September and another of the same magnitude in December, ending the year with a benchmark rate of 10.50%. Similarly, the market is pricing in a -47bps adjustment for the remainder of the year. In this context, we expect demand for Cetes to remain robust given the elevated rates. Specifically, real rates are very attractive, with maturities of 1, 3, 6, and 12 months at 6.87%, 6.96%, 7.10%, and 7.32%, respectively. All the latter are approximately 100bps above the average of the past two years. In the Mbonos' curve, we expect stable appetite for the 5-year benchmark, similar to the average of the last two auctions at 1.8x. This is considering a relatively fair valuation, when analyzing its yield relative to the curve and adjusted for modified duration. In real rates, the longest duration tenor (Oct'54) will be issued. For this 30-year Udibono, we anticipate moderate demand given a less attractive valuation compared to mid-term maturities. The 30-year breakeven inflation stands at 4.75%, which is 14bps above the 12-month average of 4.61%, while the 5-year breakeven remains 15bps below this average at 4.19%

Auction specifics (July 9th, 2024)

| Security	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	Aug-08-24	--	10,000	11.02
3m	Oct-10-24	--	10,000	11.11
6m	Jan-09-25	--	15,000	11.26
12m	Jun-26-25	--	15,000	11.35
Bondes F				
2Y	May-21-26	--	10,700	0.13
5Y	Apr-19-29	--	2,500	0.22
Bono M				
5Y	Mar-01-29	8.50	16,500	10.15
Udibono				
30Y	Oct-29-54	4.00	UDIS 1,150	5.15

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

3Q24 Government Securities Auction Calendar*

| Date	Cetes	Bonos M	Udibonos	Bondes F
2-Jul	1, 3, 6, and 24M	10Y (Nov'34)	10Y (Aug'34)	1 and 3Y
9-Jul	1, 3, 6, and 12M	5Y (Mar'29)	30Y (Oct'54)	2 and 5Y
16-Jul	1, 3, 6, and 24M	30Y (Jul'53)	3Y (Dec'26)	1, 3 and 7Y
23-Jul	1, 3, 6, and 12M	3Y (Sep'26)	10Y (Aug'34)	2, 5 and 10Y
30-Jul	1, 3, 6, and 24M	20Y (Nov'42)	20Y (Nov'43)	1 and 3Y
6-Aug	1, 3, 6, and 12M	10Y (Nov'34)	3Y (Dec'26)	2 and 5Y
13-Aug	1, 3, 6, and 24M	5Y (Mar'29)	10Y (Aug'34)	1, 3 and 7Y
20-Aug	1, 3, 6, and 12M	3Y (Sep'26)	30Y (Oct'54)	2, 5 and 10Y
27-Aug	1, 3, 6, and 24M	20Y (Nov'42)	3Y (Dec'26)	1 and 3Y
3-Sep	1, 3, 6, and 12M	30Y (Jul'53)	10Y (Aug'34)	2 and 5Y
10-Sep	1, 3, 6, and 24M	5Y (Mar'29)	20Y (Nov'43)	1, 3 and 7Y
17-Sep	1, 3, 6, and 12M	3Y (Sep'26)	3Y (Dec'26)	2, 5 and 10Y
24-Sep	1, 3, 6, and 24M	10Y (Nov'34)	30Y (Oct'54)	1 and 3Y

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
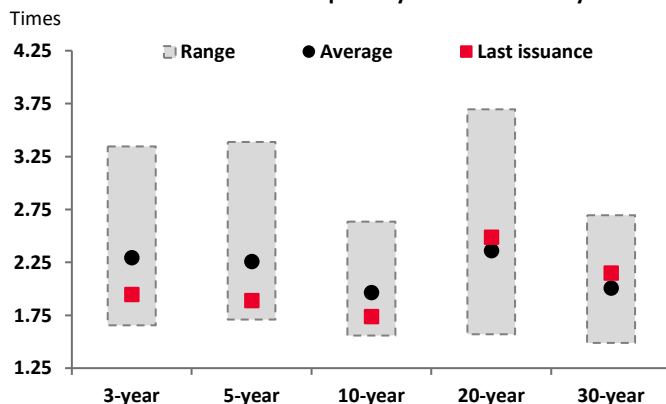
Source: Bloomberg, Banorte

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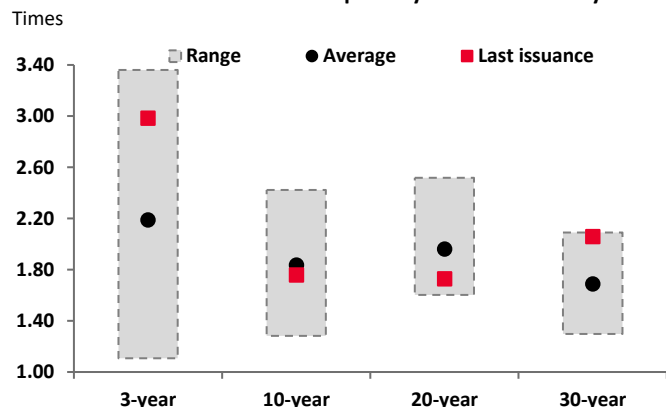
Source: Bloomberg, Banorte

BANORTE

Fixed–Income Demand

Government and IPAB securities holdings by type of investor
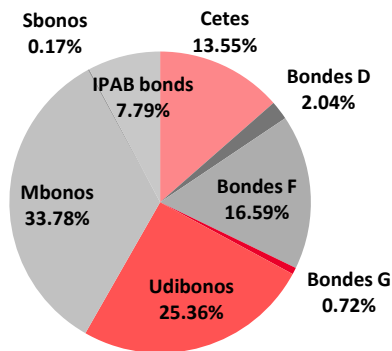US$ billion, *UDIS billion, data as of Jun/24/2024

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	102.58	12.94	13.11	17.30	5.13	13.59	1.09	2.82	-	36.60
Bondes D	15.42	0.00	0.51	7.90	0.14	2.03	0.23	-	-	4.60
Bondes F	125.63	0.01	4.30	67.47	2.20	12.28	3.00	2.79	-	33.57
Bondes G	5.48	0.00	0.31	2.05	0.37	0.61	1.16	-	-	0.98
Udibonos	191.97	8.95	105.42	6.63	34.75	5.62	1.35	0.24	-	29.02
Mbonos	255.74	75.23	61.52	9.04	7.52	36.08	15.33	0.58	0.83	49.61
Sbonos	1.28	0.64	0.34	0.01	0.03	0.03	-	-	-	0.24
Total	698.10	97.77	185.51	110.40	50.14	70.24	22.16	6.43	0.83	154.62
Udibonos*	424.30	19.78	233.01	14.66	76.79	12.42	2.98	0.53	-	64.13
IPAB bonds	58.99	0.02	0.35	19.68	0.17	9.56	6.33	0.66	-	22.23

Source: Banxico, Banorte

Government issuance by type of instrument
Total amount of US$ 757 billion (including IPAB bonds), % of total

Sbonos 0.17%
Cetes 13.55%
IPAB bonds 7.79%
Bondes D 2.04%
Mbonos 33.78%
Bondes F 16.59%
Udibonos 25.36%
Bondes G 0.72%

Source: Banxico, Banorte

Government issuance by type of investor
Total amount of US$ 757 billion (including IPAB bonds), % of total

Foreign investors 13%
Others 28%
Pension funds 25%
Banks 10%
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$ 757 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

BANORTE

Fixed–Income Demand (continued)

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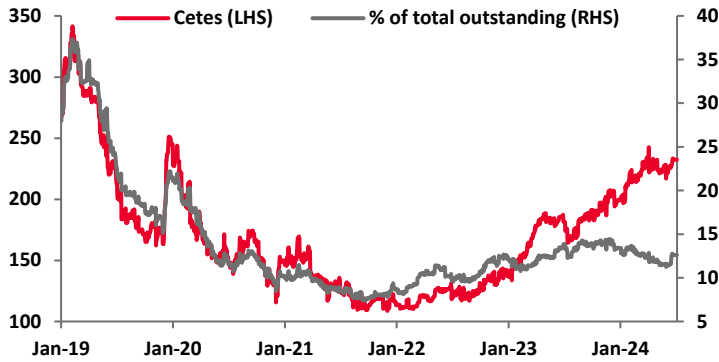
Source: Banxico, Banorte

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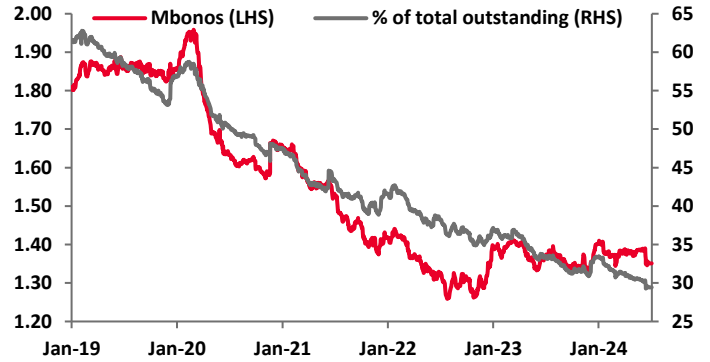
Source: Banxico, Banorte

Holdings of main investors by type of security
Data as of Jun/24/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	1.93	16.41	21.39	5.83	-13.10	47.66
Bondes F	-33.60	112.52	-14.53	-37.27	6.42	11.16
Udibonos	1.31	7.01	0.40	11.07	-10.77	-3.90
Mbonos	-2.39	-3.61	4.88	9.49	12.60	44.35

Source: Banxico, Banorte

Government securities issuance
USD Billions

Fuente: Banxico, Banorte

Mbonos holdings by type of investor
US$ billions and %, data as Jun/20/2024

Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	14.9	22%	4%	21%	53%
Dec'24	11.0	32%	10%	16%	42%
Mar'25	6.1	26%	13%	23%	38%
Mar'26	22.0	33%	25%	10%	31%
Sep'26	14.3	27%	32%	16%	25%
Mar'27	21.0	19%	17%	10%	54%
Jun'27	18.0	18%	33%	22%	27%
Mar'29	10.6	16%	34%	16%	34%
May'29	15.0	6%	47%	22%	25%
May'31	21.9	5%	43%	34%	19%
May'33	17.3	6%	37%	30%	26%
Nov'34	8.5	3%	48%	33%	15%
Nov'36	4.3	2%	22%	49%	27%
Nov'38	11.6	1%	37%	46%	16%
Nov'42	19.4	2%	36%	46%	16%
Nov'47	14.3	1%	31%	49%	19%
Jul'53	15.3	3%	28%	49%	20%
Total	230.1	14%	30%	28%	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

Fixed–Income Demand – Primary dealers

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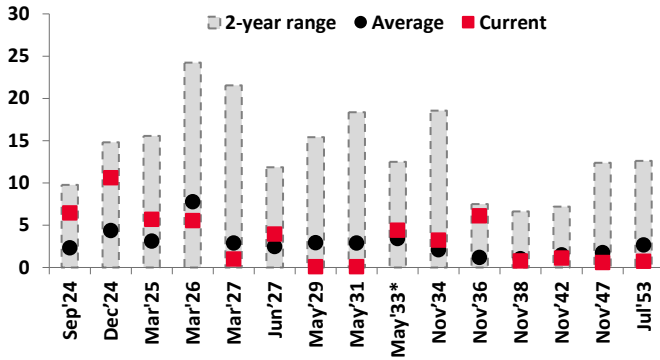
Source: Banxico, Banorte *May'33 issued in December 2022

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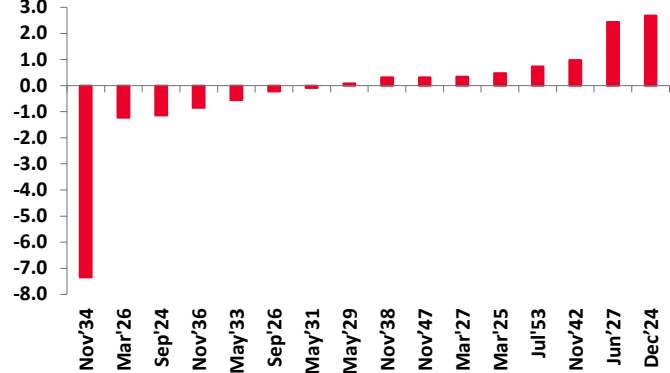
Source: Banxico, Banorte

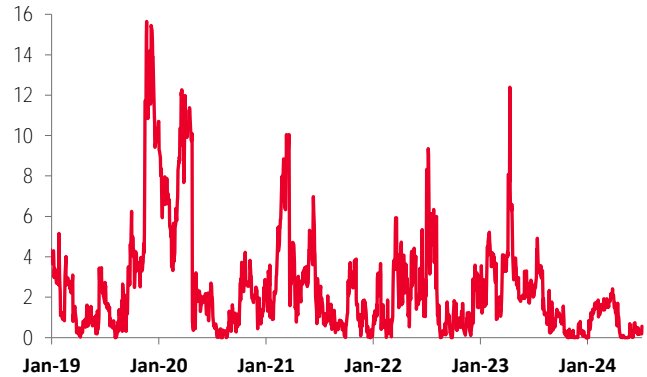**Market makers' short positions on Mbono May'31**
MXN billion
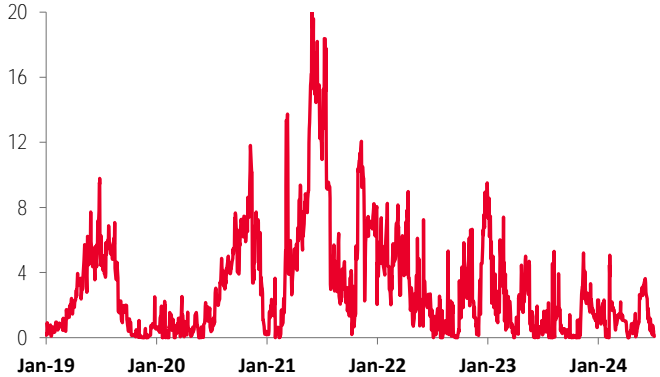
Source: Banxico, Banorte

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 Jul/04/2024	Jul/04/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	14,991	355	418	513	0	540	87
Dec'24	11,529	586	438	439	65	603	48
Mar'25	7,121	313	287	93	335	406	16
Mar'26	22,335	307	374	198	1,157	629	50
Sep'26	14,484	461	473	461	81	755	119
Mar'27	21,468	54	35	30	8	823	0
Jun'27	18,609	217	83	214	220	299	0
Mar'29	11,998	461	449	378	0	883	0
May'29	16,316	5	0	134	339	450	0
May'31	22,303	5	9	201	41	280	0
May'33	17,842	244	274	192	194	690	0
Nov'34	10,675	178	584	254	33	1,025	0
Nov'36	4,441	338	385	271	14	415	8
Nov'38	11,889	42	24	48	96	172	2
Nov'42	19,829	60	6	14	123	194	0
Nov'47	14,491	31	14	0	166	134	0
Jul'53	15,530	41	0	100	183	373	0
Total	**255,850**	**3,657**	**3,854**	**3,441**	**2,870**		

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	102	106	77	71	152	-7
3 months	35	45	27	28	71	-8
6 months	32	28	20	19	46	-7
12 months	45	32	24	4	45	-40

Source: PiP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate
Basis points
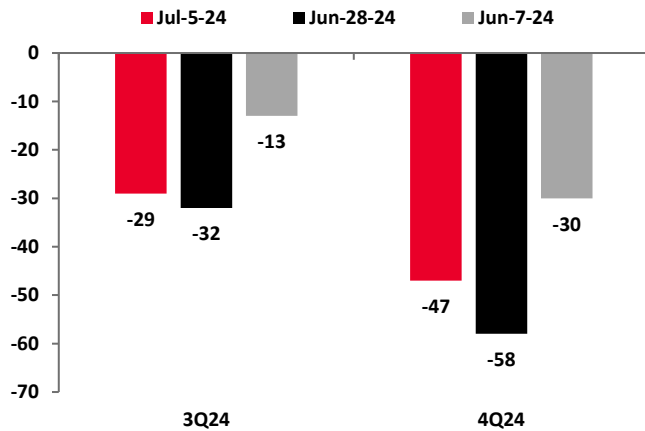
Source: Bloomberg, Banorte

Cumulative implied moves in Fed funds
Basis points
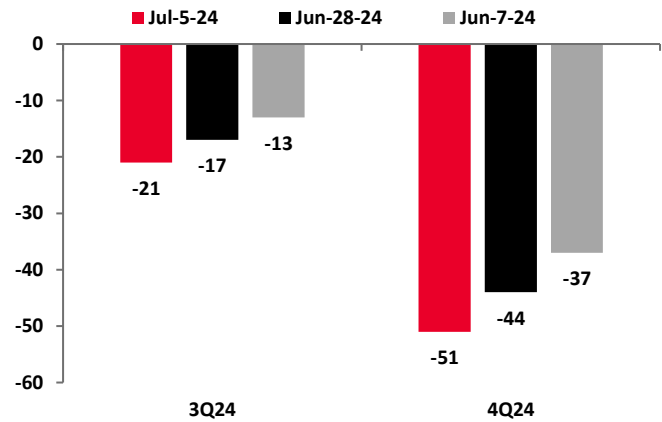
Source: Bloomberg, Banorte

Spreads between Mbonos and UST
Basis ponts

Spread	Actual	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
2 year	617	27	24	67	627	497	550
5 year	594	24	9	72	623	489	529
10 year	568	22	-9	62	602	482	518
20 year	555	21	-15	67	590	464	499
30 year	565	21	-12	61	596	477	512

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
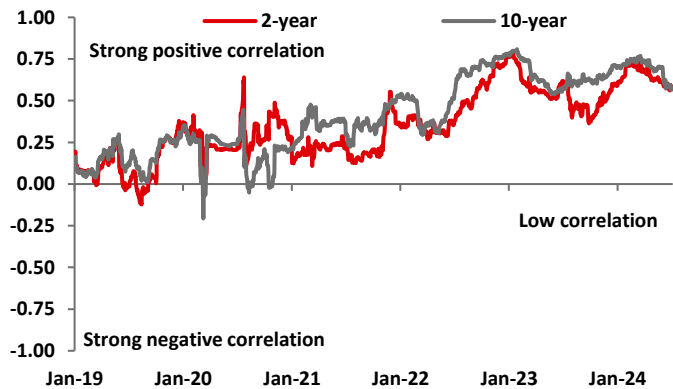
Source: Bloomberg, Banorte

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	-61	-3	-11	8	-31	-94	-65
2/10	-82	-2	-21	0	-40	-140	-80
2/30	-65	0	-16	4	-25	-128	-72
5/10	-21	1	-9	-8	10	-59	-15
10/30	18	3	4	4	22	-11	8
TIIE IRS							
3m/2Y	-91	0	-21	85	-41	-191	-131
2/5	-71	2	3	43	-71	-141	-101
2/10	-81	8	3	44	-81	-159	-111
2/30	-82	6	2	44	-73	-152	-107
5/10	-10	5	0	1	-1	-26	-11
10/30	-1	-1	-1	0	23	-6	4
TIIE IRS – Mbonos							
2 year	-49	-12	-20	-43	25	-49	-17
5 year	-58	-6	-6	-8	-5	-100	-53
10 year	-47	-2	4	1	-7	-67	-49
20 year	-63	-9	0	-5	-10	-73	-53
30 year	-66	-6	-2	-4	-14	-74	-53
TIIE IRS – SOFR							
2 year	583	16	7	20	624	488	544
5 year	563	17	5	60	602	437	500
10 year	563	20	-1	65	602	446	502
20 year	565	14	-8	64	609	467	511
30 year	580	15	-9	67	625	487	529

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	4.05	18	55	-8	4.37	3.39	3.86
5Y	4.19	0	-9	-43	4.68	3.94	4.34
10Y	4.35	3	-10	15	4.67	4.04	4.33
20Y	4.60	-2	-15	23	5.08	4.24	4.59
30Y	4.75	-10	-15	41	5.01	4.22	4.61

Source: Bloomberg, Banorte

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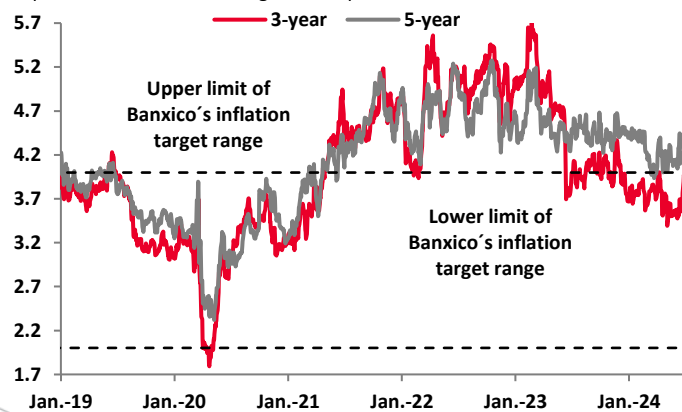
Source: PiP, Banorte

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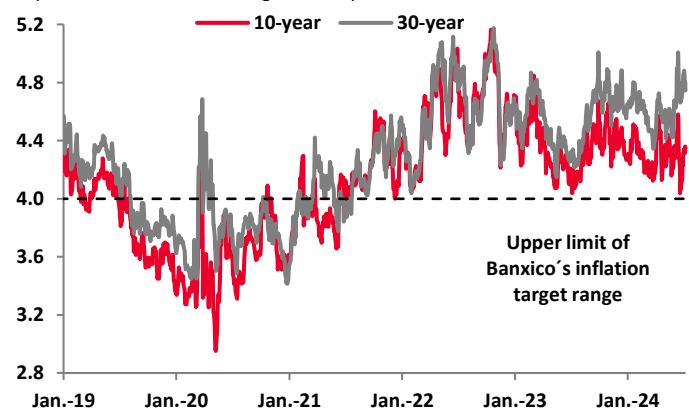
Source: PiP, Banorte

FX dynamics

Foreign Exchange market levels and historical return

		Close at Jul/05/24	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD (%)[1]
Emerging Markets						
Brazil	USD/BRL	5.46	0.5	2.5	-3.0	-11.0
Chile	USD/CLP	937.38	-0.3	0.3	-3.0	-6.2
Colombia	USD/COP	4,087.41	0.2	1.6	-3.7	-5.7
Peru	USD/PEN	3.79	0.0	1.4	-1.1	-2.3
Hungary	USD/HUF	362.09	0.4	1.9	-0.7	-4.1
Malaysia	USD/MYR	4.71	0.0	0.2	-0.2	-2.4
Mexico	**USD/MXN**	**18.11**	**0.0**	**1.2**	**-3.2**	**-6.3**
Poland	USD/PLN	3.95	0.2	1.8	-0.1	-0.4
Russia	USD/RUB	87.92	1.2	-2.5	1.3	1.8
South Africa	USD/ZAR	18.18	0.4	0.1	4.2	1.0
Developed Markets						
Canada	USD/CAD	1.36	-0.2	0.3	0.4	-2.9
Great Britain	GBP/USD	1.28	0.4	1.3	0.2	0.7
Japan	USD/JPY	160.75	0.3	0.1	-2.9	-12.3
Eurozone	EUR/USD	1.0840	0.3	1.2	-0.3	-1.8
Norway	USD/NOK	10.56	0.1	1.1	0.2	-3.7
Denmark	USD/DKK	6.88	0.2	1.2	-0.3	-1.9
Switzerland	USD/CHF	0.90	0.5	0.3	-0.2	-6.1
New Zealand	NZD/USD	0.61	0.5	0.9	-0.8	-2.8
Sweden	USD/SEK	10.48	0.2	1.1	-0.8	-3.9
Australia	AUD/USD	0.67	0.3	1.2	1.5	-0.9

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
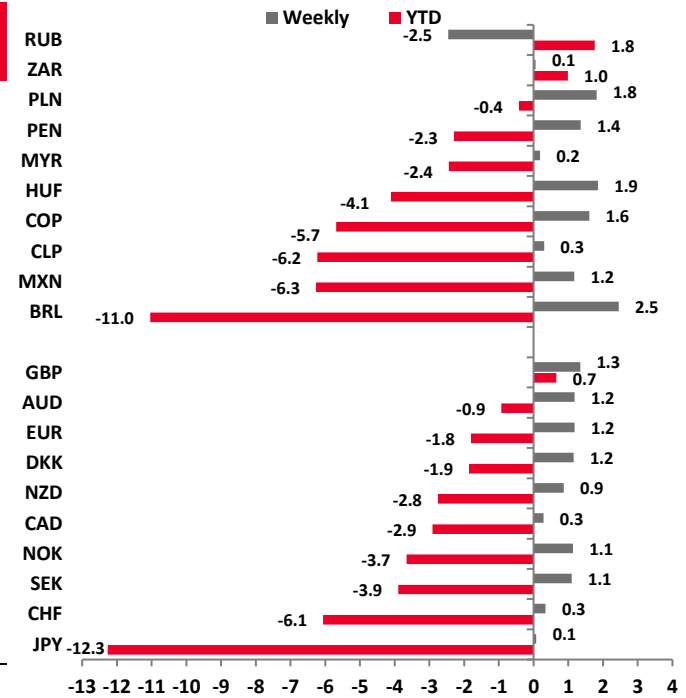
Source: Bloomberg, Banorte

BBDXY
Points

Source: Bloomberg, Banorte
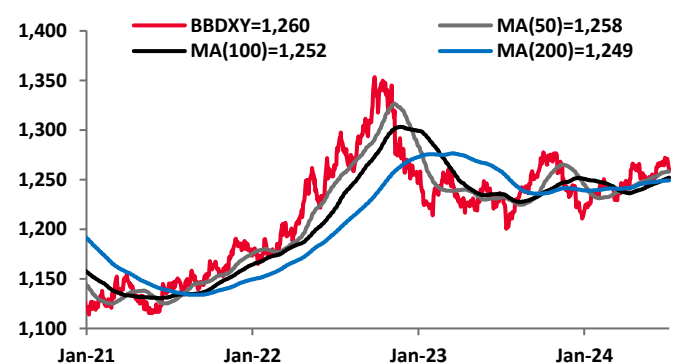
USD/MXN
Last 60 days

Source: Bloomberg, Banorte

Euro
Dollar per euro
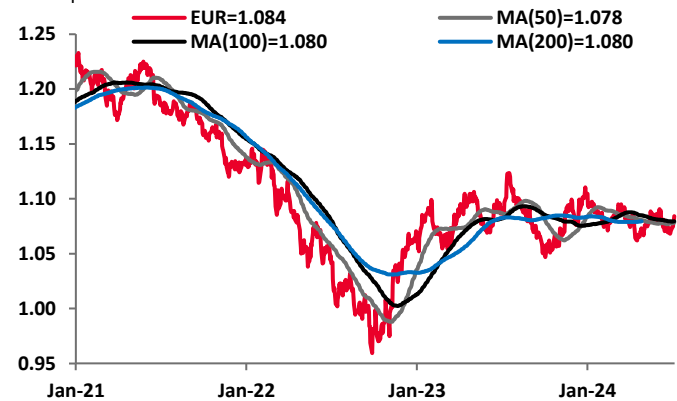
Source: Bloomberg, Banorte

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FX positioning and flows

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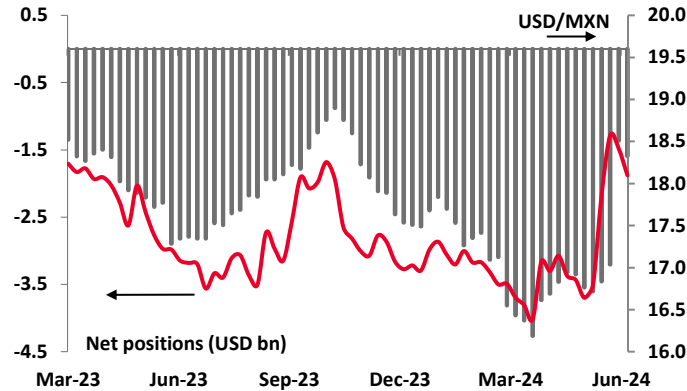
Source: CME, Banorte

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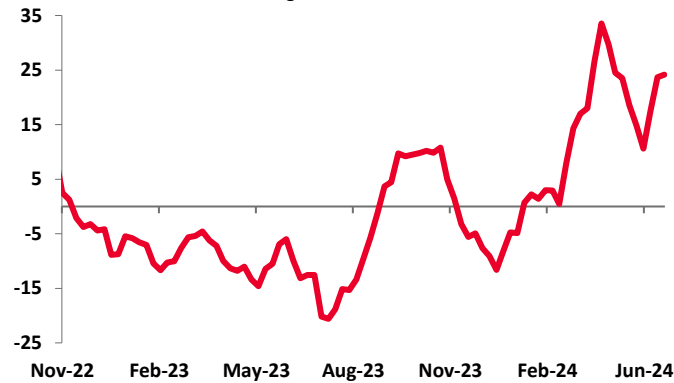
*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF
Source: CME, Banorte

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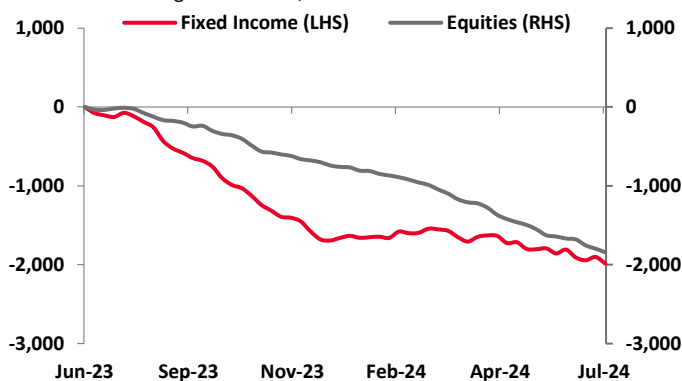
Source: EPFR Global, Banorte

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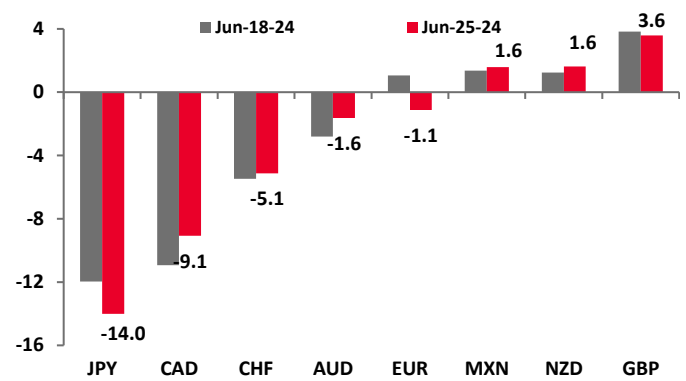
* Positive: Net long in the corresponding currency
Source: CME, Banorte

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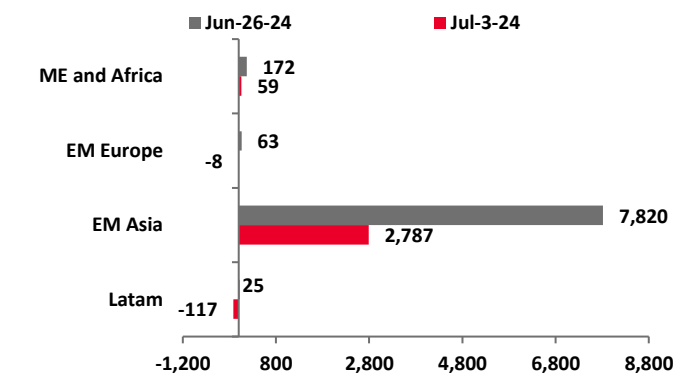
Source: EPFR Global, Banorte

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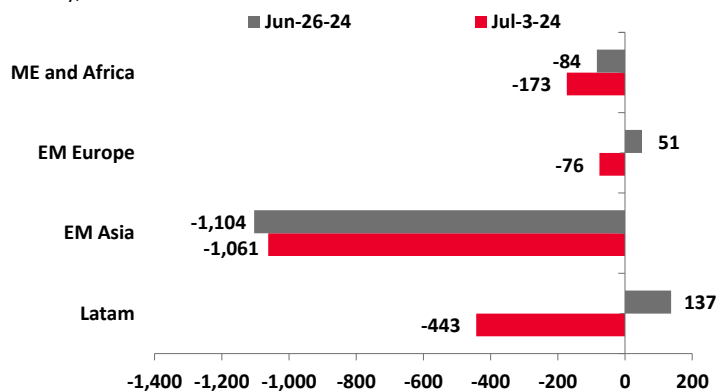
Source: EPFR Global, Banorte

FX technicals

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

Legend: USD/MXN= 18.11 | MA (50)= 17.53 | MA (100)= 17.18 | MA (200)= 17.28

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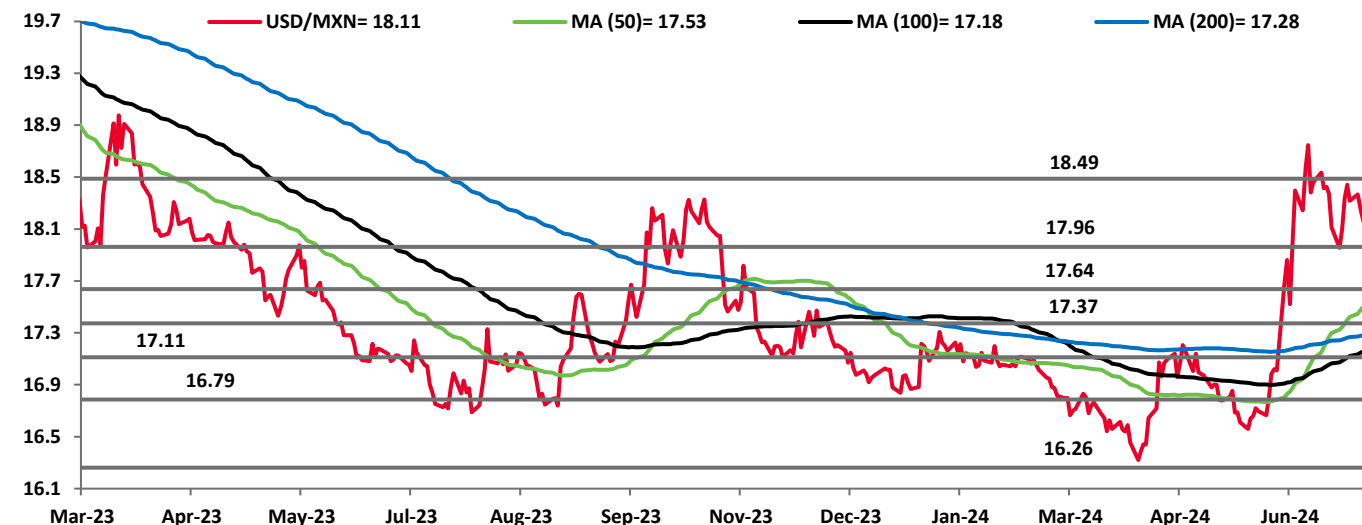
Source: Bloomberg, Banorte

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	-8	-13	-14	69	44
CAD	27	22	20	59	43
JPY	-36	-40	-42	62	22
BRL	26	20	-4	73	48
CLP	-6	-9	-12	53	29
ZAR	-18	-20	-28	77	38
VIX	5	6	5	54	33
SPX	17	13	-12	57	31
GSCI	20	20	-21	33	1
Gold	11	8	7	58	34

* 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
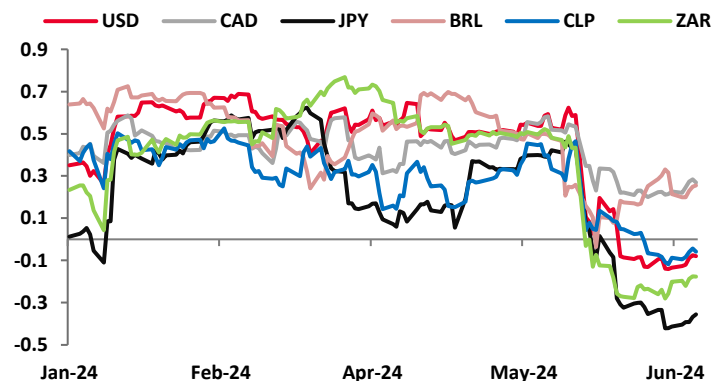
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte
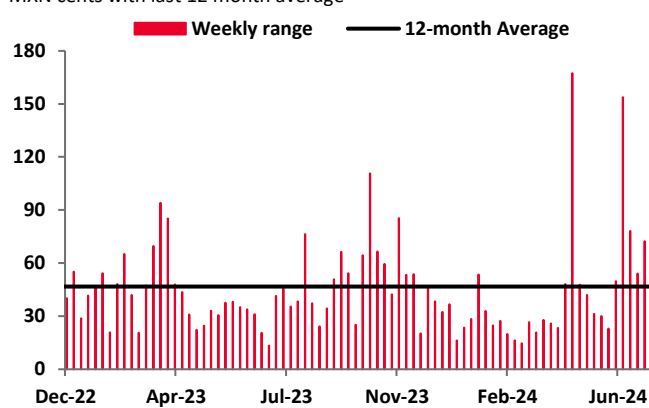
USD/MXN – 1-month correlation with other assets*
Based on daily percentage changes
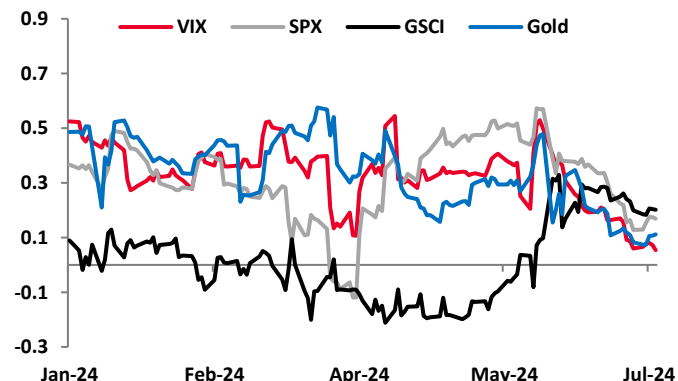
Legend: VIX | SPX | GSCI | Gold

* 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
%

Legend: Today, 1 week, 2 weeks, 3 weeks, 4 weeks

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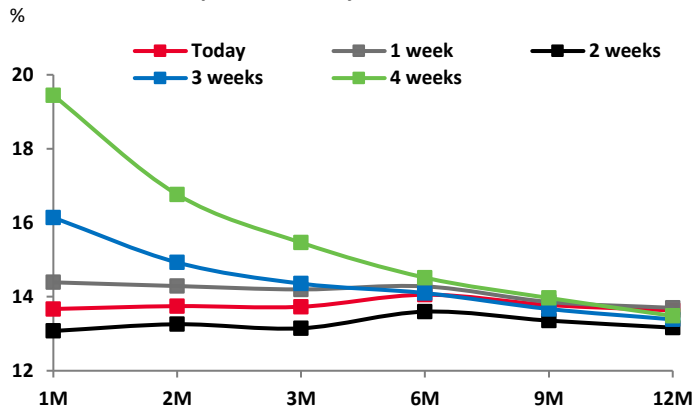
USD/MXN – Implied volatility
%

Legend: 1 month, 3 months, 6 months, 12 months

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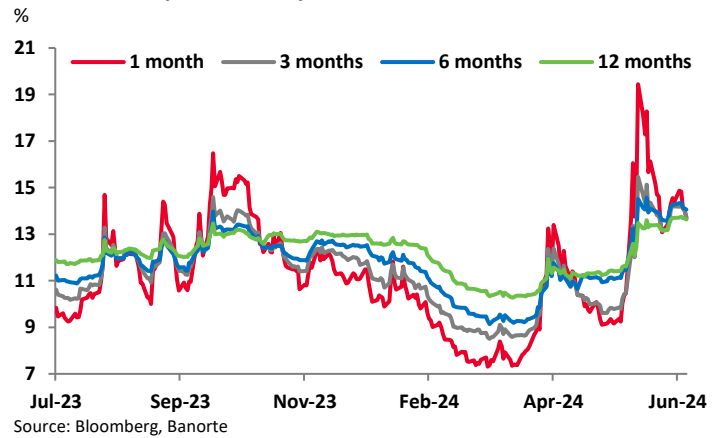
USD/MXN – Spread between implicit and historical volatility
Bps

Legend: 1M, 3M

Source: Bloomberg, Banorte
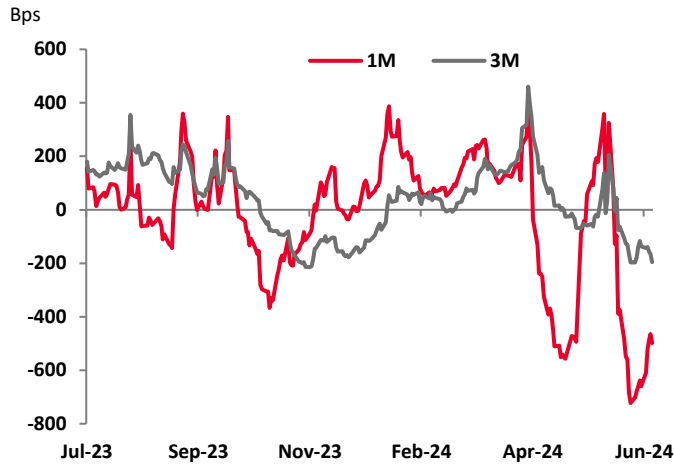
Emerging markets 1-month ATM options volatility
Against USD, in σ relative to last year's average

Currency	Value
MXN	1.02
BRL	0.89
MYR	-0.08
TRY	-0.08
ZAR	-0.27
COP	-0.53
CLP	-0.89
HUF	-0.96
PLN	-0.98
RUB	-1.01
KRW	-1.79

Cheap — Expensive

Source: Bloomberg, Banorte
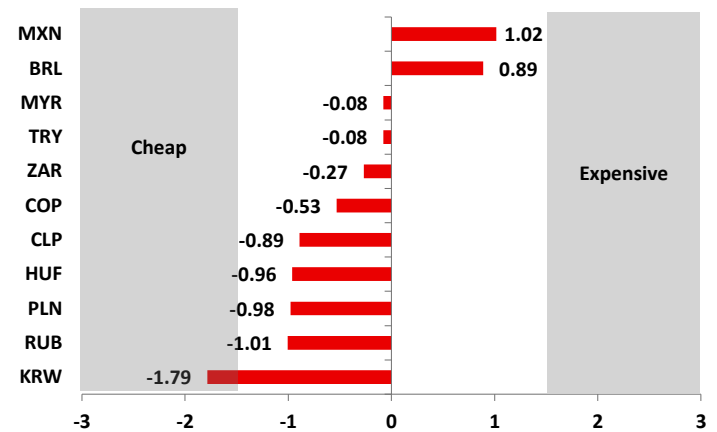
USD/MXN – 25D risk reversals
Last 12 months, difference between USD calls and puts, in vols

Legend: 1 month, 3 months

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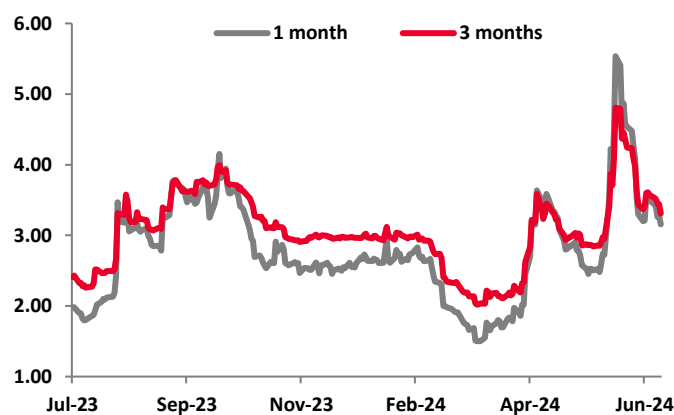
USD/MXN – 1-month 25D volatility-adjusted risk reversal
Last 12 months, ratio adjusted against 1-month implied volatility

Legend: 1M RR Adjusted, 1-year average, +/-1σ

USDMXN call > USDMXN put

Source: Bloomberg, Banorte
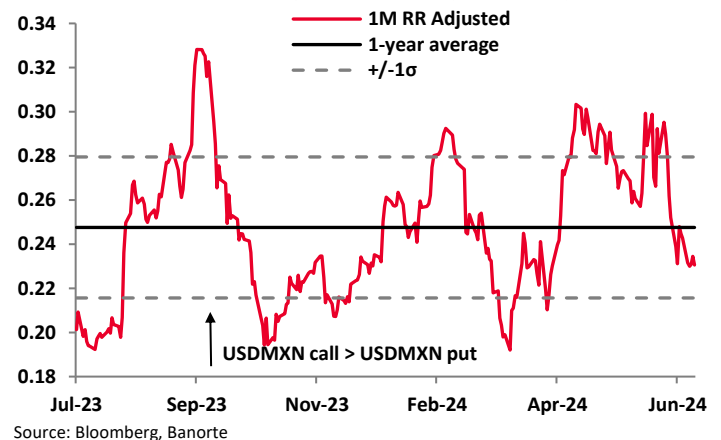
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Weekly economic calendar

For the week ending July 14th, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 8	02:00	GER	Trade balance	May	EURbn	--	19.9	22.2
	11:00	US	New York Fed 1-yr inflation expectations	Jun	%	--	--	3.2
	15:00	US	Consumer credit*	May	US$bn	--	9.0	6.4
Tue 9	08:00	MX	Consumer prices	Jun	% m/m	0.28	0.29	-0.19
	08:00	MX	Core	Jun	% m/m	0.22	0.23	0.17
	08:00	MX	Consumer prices	Jun	% y/y	4.87	4.87	4.69
	08:00	MX	Core	Jun	% y/y	4.13	4.14	4.21
	08:00	MX	Consumer confidence*	Jun	index	48.9	--	46.7
	10:00	US	Fed's Powell Testifies to Senate Banking					
	11:00	MX	International reserves	Jul 5	US$bn	--	--	220.0
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 5-year Mbono (Mar'29), 30-year Udibono (Oct'54) and 2-, and 5-year Bondes F					
	21:30	CHI	Consumer Prices	Jun	% y/y	--	0.4	0.3
Wed 10	08:00	BZ	Consumer prices	Jun	% m/m	--	0.30	0.46
	08:00	BZ	Consumer prices	Jun	% y/y	--	4.3	3.9
	10:00	US	Fed's Powell Testifies to House Financial Services					
	14:30	US	Fed's Goolsbee, Bowman Give Opening Remarks at Childcare Event					
		MX	ANTAD same-store sales	Jun	% y/y	--	--	8.1
		MX	Wage negotiations	Jun	% y/y	--	--	9.2
		SK	Monetary policy decision (Central bank of South Korea)	Jul 11	%	--	3.50	3.50
Thu 11	02:00	GER	Consumer prices	Jun (F)	% y/y	--	2.2	2.2
	02:00	UK	Industrial production*	May	% m/m	--	0.2	-0.9
	08:00	BZ	Retail sales	May	% y/y	--	4.0	2.2
	08:00	BZ	Retail sales*	May	% m/m	--	-0.8	0.9
	08:30	US	Consumer prices*	Jun	% m/m	0.1	0.1	0.0
	08:30	US	Ex. food & energy*	Jun	% m/m	0.3	0.2	0.2
	08:30	US	Consumer prices	Jun	% y/y	3.1	3.1	3.3
	08:30	US	Ex. food & energy	Jun	% y/y	3.5	3.4	3.4
	08:30	US	Initial jobless claims*	Jul 6	thousands	235	239	239
	11:00	MX	Banxico's minutes					
	11:30	US	Fed's Bostic Speaks in Moderated Q&A					
	13:00	US	Fed's Musalem Speaks in Q&A on Economy					
	19:00	PER	Monetary policy decision (BCRP)	Jul 11	%	--	5.75	5.75
	23:00	CHI	Trade balance	Jun	USDbn	--	85.1	82.6
	23:00	CHI	Exports	Jun	% y/y	--	8.0	7.6
	23:00	CHI	Imports	Jun	% y/y	--	2.7	1.8
Fri 12	08:00	MX	Industrial production	May	% y/y	1.4	1.0	5.1
	08:00	MX	Industrial production*	May	% m/m	0.9	0.5	-0.5
	08:00	MX	Manufacturing output	May	% y/y	0.1	--	3.8
	08:30	US	Producer prices*	Jun	% m/m	--	0.1	-0.2
	08:30	US	Ex. food & energy*	Jun	% m/m	--	0.2	0.0
	10:00	US	U. of Michigan confidence*	Jul (P)	index	68.0	68.2	68.2
Sun 14	22:00	CHI	Gross domestic product	2Q24	% y/y	--	5.0	5.3
	22:00	CHI	Industrial production	Jun	% y/y	--	5.0	5.6
	22:00	CHI	Retail sales	Jun	% y/y	--	3.3	3.7
	22:00	CHI	Gross fixed investment (YTD)	Jun	% y/y	--	3.8	4.0

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 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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