

# **Fixed-Income & FX Strategy**

**W e e k l y**

## Fixed-Income and FX Weekly

- **Markets consolidated expectations for Fed rate cuts.** The downside surprise in June's inflation in the US and a cautious yet optimistic tone on the price trajectory from Powell triggered a sharp rally in rates this week, impacting global performance. Treasuries rallied by an average of 12bps w/w, with the short-end outperforming. The US yield curve steepened modestly, closing the week pricing in implied cuts of -62bps this year, and fully factoring the first cut in September, in line with our expectations. Mexican rates also experienced a positive impact from this context, further supported by a more dovish tone in [Banxico minutes](#), from which we expect a 25bps cut on August 8<sup>th</sup>. Mbonos closed with gains of 19bps w/w. Next week, watch for a busy Fedspeak schedule, US hard data for June, and the ECB decision. Additionally, attention will remain on the US political front amid pressures for President Biden to step down from the presidential candidacy. In terms of strategy, given the aggressive pricing for the Fed, we anticipate a correction in expectations, impacting short-term Treasuries. However, [we continue to foresee a steeper yield curve](#). Furthermore, we expect correlations between Mexican and US rates to strengthen, exerting pressure on local rates, particularly on longer durations. On the short end of the local curve, we see room for the market to price in a lower rate trajectory for Banxico. With this in mind, we recommend a 2s10s steepener in TIIE-28 IRS. Despite the strategy's negative carry and roll of -4.5bps per month, we see room for the spread to move towards -35bps from -83bps as of Thursday's close (stop-loss: -100bps). This quarter could also be more favorable for real rates vis-à-vis nominal ones. UDI's carry and the seasonality of demand from local institutional investors are factors that could benefit Udibonos. Considering relative valuations across maturities and inflation breakevens, [we hold long positions in the Udibono Nov'35](#) as a directional strategy. In the FX market, the global context resulted in a weaker USD this week. The DXY fell 0.8% w/w, marking its second consecutive week of losses. The MXN appreciated 2.8% w/w to 17.62 per dollar, amid strong performance in EM currencies, particularly LatAm. Looking ahead, we expect the [second half of the year](#) to be characterized by increased volatility linked to geopolitical factors, notably the US presidential election in November. We estimate USD/MXN to close 2024 at 18.90, within a range of 17.50 to 20.50. Our trajectory anticipates this upper level in October, coinciding with the peak of election-related volatility. We recognize that recent environment has significantly benefited performance of EM assets, including the MXN; however, given the anticipated period of heightened volatility ahead, we recommend buying USD/MXN below 18.00
- **Weekly ranges** – We expect the 10-year Mbono (Nov'34) to trade between 9.65% and 9.90%, and MXN between 17.45 and 18.00 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 (%)
<b>Overnight TIIE funding rate</b>							
1-day	11.00	0	0	-45	11.45	10.98	11.18
28-days <sup>1</sup>	11.06	0	1	-25	11.33	11.05	11.23
91-days <sup>1</sup>	11.17	0	1	-26	11.45	11.15	11.34
182-days <sup>1</sup>	11.32	0	1	-26	11.61	11.31	11.51
<b>Cetes<sup>2</sup></b>							
28-days	10.98	-2	-6	-26	11.38	10.55	11.11
91-days	11.11	-2	-4	-13	11.45	11.08	11.27
182-days	11.22	-3	-1	-11	11.66	11.16	11.35
364-days	11.25	-10	2	11	11.86	10.53	11.26
<b>Mbonos</b>							
Sep'24	11.27	4	-10	30	11.57	10.75	11.18
Dec'24	11.23	-2	-6	57	11.40	10.40	10.96
Mar'25	10.58	2	-8	69	11.15	9.80	10.39
Mar'26	10.51	-27	-45	75	11.03	9.44	10.20
Sep'26	10.36	-28	-53	86	11.03	9.41	10.08
Mar'27	10.00	-28	-59	61	10.74	9.16	9.83
Jun'27	9.96	-27	-63	70	10.68	9.06	9.79
Mar'29	9.86	-31	-50	80	10.55	9.01	9.65
May'29	9.77	-31	-50	83	10.47	8.70	9.51
May'31	9.73	-25	-52	79	10.42	8.70	9.50
May'33	9.76	-21	-42	82	10.40	8.70	9.49
Nov'34	9.74	-22	-43	79	10.41	8.70	9.48
Nov'36	9.75	-22	-42	83	10.41	8.70	9.48
Nov'38	9.87	-21	-35	83	10.46	8.80	9.55
Nov'42	9.95	-19	-30	87	10.51	8.83	9.59
Nov'47	9.97	-16	-28	89	10.49	8.81	9.56
Jul'53	9.97	-16	-28	90	10.50	8.83	9.57
<b>TIIE-IRS</b>							
3-month (3x1)	11.14	-6	-9	-32	11.55	11.14	11.39
6-month (6x1)	11.00	-8	-21	-28	11.55	11.00	11.30
9-month (9x1)	10.85	-12	-28	-23	11.55	10.85	11.17
1-year (13x1)	10.66	-16	-40	-13	11.46	10.62	10.95
2-year (26x1)	10.01	-28	-61	31	10.86	9.55	10.10
3-year (39x1)	9.61	-32	-61	53	10.48	8.86	9.56
4-year (52x1)	9.37	-33	-59	65	10.24	8.46	9.26
5-year (65x1)	9.26	-32	-55	70	10.09	8.23	9.10
7-year (91x1)	9.18	-32	-51	73	9.98	8.09	9.00
10-year (130x1)	9.17	-32	-48	72	9.96	8.05	8.99
20-year (3x1)	9.24	-27	-45	73	10.04	8.14	9.05
30-year (390x1)	9.16	-31	-48	72	9.98	8.13	9.04
<b>Udibonos</b>							
Dec'25	6.46	-19	-88	48	7.90	5.55	6.39
Dec'26	6.13	-20	-91	51	7.08	5.26	5.99
Nov'28	5.48	-26	-43	100	5.96	4.42	5.08
Nov'31	5.12	-27	-60	65	5.80	4.42	4.95
Aug'34 <sup>3</sup>	5.09	-29	-55	23	5.52	4.82	5.11
Nov'35	5.11	-19	-38	73	5.60	4.25	4.78
Nov'40	5.11	-16	-31	79	5.50	4.26	4.76
Nov'43	5.17	-12	-24	84	5.51	4.25	4.78
Nov'46	5.13	-4	-9	98	5.30	4.15	4.71
Nov'50	5.12	-4	-9	90	5.32	4.23	4.73
Oct'54 <sup>4</sup>	5.09	-5	-11	8	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 14<sup>th</sup>, 2024

4: Udibono Oct'54 issued on May 17<sup>th</sup>, 2024

## Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

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	5.24	-9	+79	4.46	-15	+3	79	+6	35	42
3Y	Mar'27	5.02	-14	+85	4.23	-17	+1	79	+3	37	59
5Y	May'29	5.22	-11	+43	4.11	-12	+10	111	+1	102	100
7Y	Apr'30	5.36	-11	+2	4.13	-10	+16	123	-1	122	137
10Y	May'33	5.71	-11	+15	4.18	-9	+31	153	-1	152	171
20Y	Mar'44	6.28	-10	-10	4.50	-8	+36	177	-2	181	--
30Y	May'54	6.54	-11	+15	4.40	-8	+43	214	-3	218	--

Source: Bloomberg, Banorte

5Y USD UMS



Source: Bloomberg, Banorte

10Y USD UMS



Source: Bloomberg, Banorte

5Y UMS-UST Spread



Source: Bloomberg, Banorte

10Y UMS-UST Spread



Source: Bloomberg, Banorte

## Fixed-Income Supply

- **Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 30-year Mbono (Jul'53), the 3-year Udibono (Dec'26), as well as 1-, 3- and 7-year Bonos F
- **Strong demand for Cetes ahead of rate cuts by Banxico in August.** Following the release of [Banxico's minutes](#), we now foresee a 25bps cut on August 8<sup>th</sup>, bringing the rate to 10.75%. After this, we expect pauses in September and November, with another 25bps cut in December. With this, we continue to expect the rate to close the year at 10.50%. At this juncture, we anticipate that investors maintain high demand for Cetes given the attractive real rates. The longest-term benchmark on the nominal yield curve (Jul'53) will be placed. We expect a healthy appetite and possibly above 2.0x, just like the previous auction. It is worth remembering that for this node [the amount to be placed was reduced by MXN 11 billion compared to 2Q24](#). Now, this security trades below the 10.00% figure for the first time in 30 days, accumulating a 16bps gain so far this month and showing a relatively fair valuation according to duration-adjusted yield analysis. In real rates, we expect strong demand for the 3-year Udibono (Dec'26) driven by the latest inflation reading. In its last three placements, demand greatly exceeded its 2-year average (2.2x), standing around 3.0x. Additionally, this term's breakeven has remained relatively stable over the past two weeks around 4.00%, slightly above its 12-month average of 3.86%

### Auction specifics (July 16<sup>th</sup>, 2024)

Security	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
<b>Cetes</b>				
1m	Aug-15-24	--	10,000	10.90
3m	Oct-17-24	--	10,000	11.12
6m	Jan-09-25	--	15,700	11.29
24m	Jun-11-26	--	15,400	11.48
<b>Bonos F</b>				
1Y	Jul-03-25	--	10,200	0.09
3Y	May-20-27	--	5,300	0.20
7Y	Mar-20-31	--	800	0.22
<b>Bono M</b>				
30Y	Jul-31-53	8.00	13,200	10.16
<b>Udibono</b>				
3Y	Dec-03-26	3.00	UDIS 900	6.37

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.

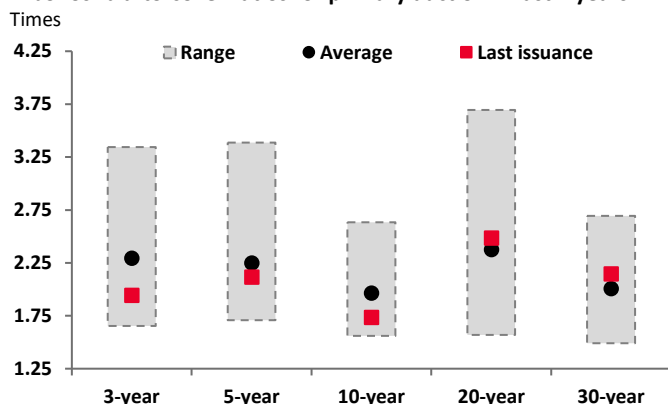
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

### 3Q24 Government Securities Auction Calendar\*

Date	Cetes	Bonos M	Udibonos	Bonos 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

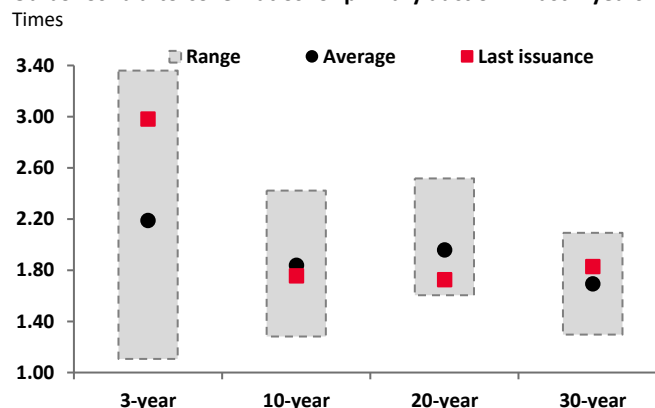
Source: SHCP \*Ministry of Finance \*In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

### Mbonos' bid-to-cover ratios for primary auction in last 2 years



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

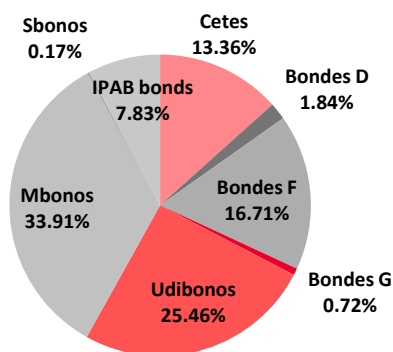
US\$ billion, \*UDIS billion, data as of Jul/2/2024

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	99.45	12.68	13.32	17.38	4.94	11.72	2.63	2.38	-	34.40
Bon-des D	13.71	0.00	0.59	6.65	0.17	2.34	0.23	-	-	3.73
Bon-des F	124.39	0.62	4.61	67.11	2.10	11.66	2.78	2.50	-	33.01
Bon-des G	5.39	0.00	0.29	1.67	0.39	0.49	1.06	-	-	1.50
Udibonos	189.51	9.35	104.25	6.84	34.41	5.36	0.47	0.43	-	28.40
Mbonos	252.45	75.86	59.75	9.67	7.31	38.39	9.83	0.73	0.82	50.09
Sbonos	1.26	0.64	0.33	0.01	0.03	0.01	-	-	-	0.24
<b>Total</b>	<b>686.15</b>	<b>99.16</b>	<b>183.14</b>	<b>109.33</b>	<b>49.36</b>	<b>69.96</b>	<b>16.99</b>	<b>6.03</b>	<b>0.82</b>	<b>151.37</b>
Udibonos*	425.65	21.00	234.16	15.36	77.28	12.04	1.06	0.96	-	63.79
IPAB bonds	58.27	0.31	0.49	19.53	0.30	9.81	5.26	0.64	-	21.93

Source: Banxico, Banorte

### Government issuance by type of instrument

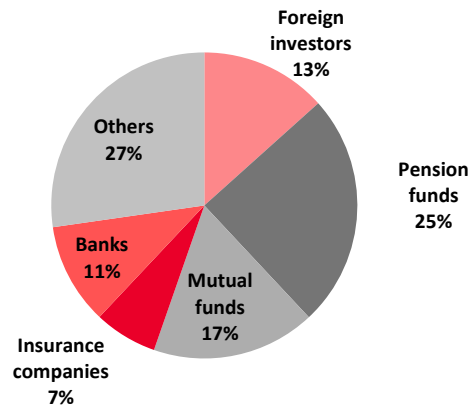
Total amount of US\$ 744 billion (including IPAB bonds), % of total



Source: Banxico, Banorte

### Government issuance by type of investor

Total amount of US\$ 744 billion (including IPAB bonds), % of total

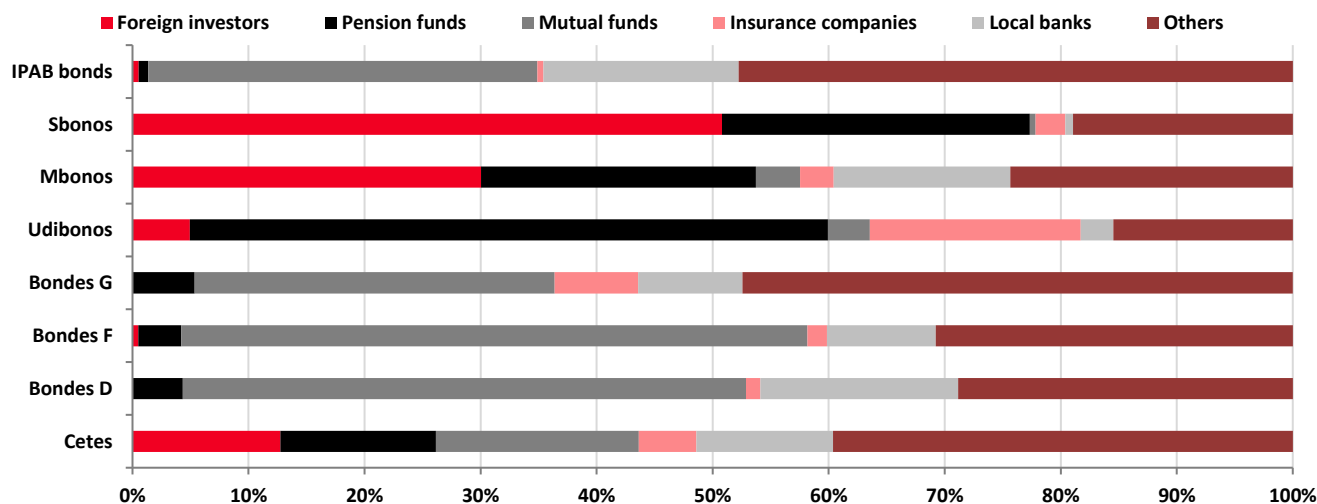


Source: Banxico, Banorte

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\$ 744 billion (including IPAB bonds), % of total



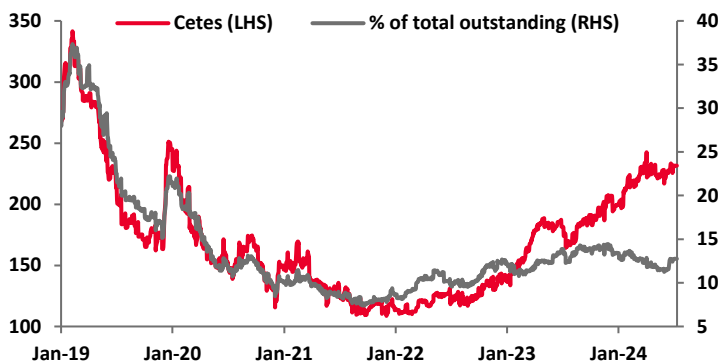
Source: Banxico, Banorte

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

## Fixed-Income Demand (continued)

### Cetes held by foreigners

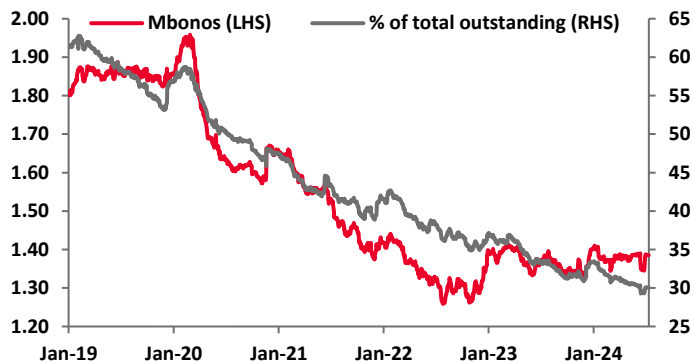
MXN billion, %



Source: Banxico, Banorte

### Mbonos held by foreigners

MXN trillion, %



Source: Banxico, Banorte

### Holdings of main investors by type of security

Data as of Jul/2/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	4.32	16.02	26.20	9.36	-4.30	50.89
Bondef F	5,488.48	9,974.17	-21.88	-31.59	4.75	12.45
Udibonos	9.35	13.74	0.13	11.72	-8.92	0.76
Mbonos	-0.12	-1.14	2.32	8.16	14.95	56.95

Source: Banxico, Banorte

### Mbonos holdings by type of investor

US\$ billions and %, data as Jun/27/2024

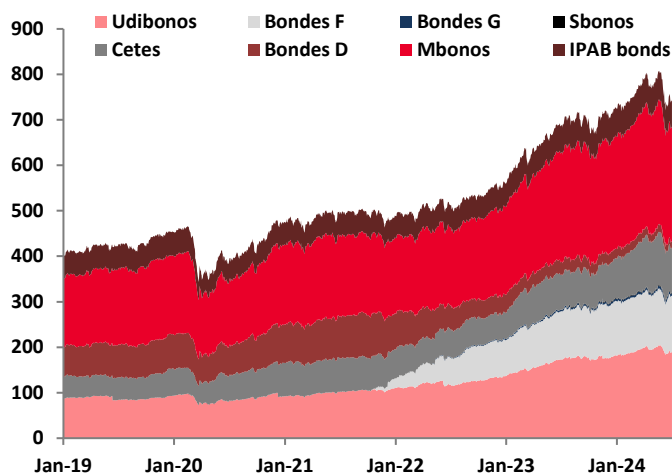
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	14.8	32%	4%	20%	44%
Dec'24	11.0	25%	10%	20%	44%
Mar'25	6.1	27%	12%	20%	41%
Mar'26	22.0	37%	26%	13%	24%
Sep'26	14.2	32%	34%	13%	21%
Mar'27	20.9	23%	17%	13%	46%
Jun'27	18.0	20%	32%	21%	27%
Mar'29	11.8	20%	33%	15%	32%
May'29	14.9	6%	47%	22%	25%
May'31	21.8	6%	43%	33%	18%
May'33	17.2	6%	38%	30%	26%
Nov'34	8.5	4%	49%	32%	15%
Nov'36	4.4	3%	22%	49%	27%
Nov'38	11.5	2%	36%	45%	16%
Nov'42	19.3	2%	37%	46%	16%
Nov'47	14.2	0%	32%	48%	19%
Jul'53	15.2	5%	25%	51%	20%
<b>Total</b>	<b>230.7</b>	<b>15%</b>	<b>30%</b>	<b>28%</b>	<b>27%</b>

Source: Banxico, Banorte

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

### Government securities issuance

USD Billions

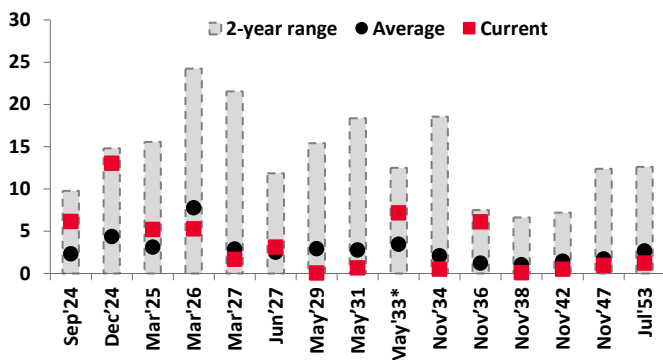


Fuente: Banxico, Banorte

## Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

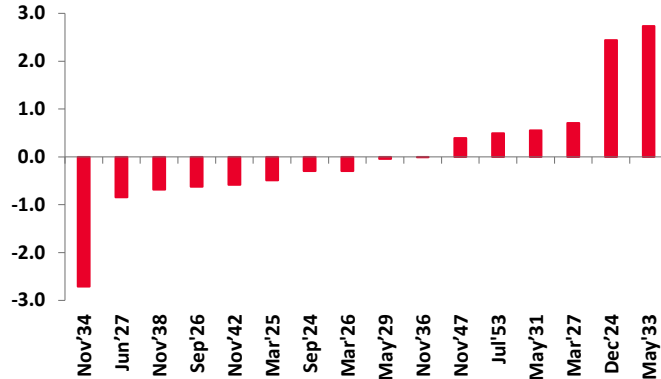
MXN billion



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

Weekly change in market makers' short positions on Mbonos

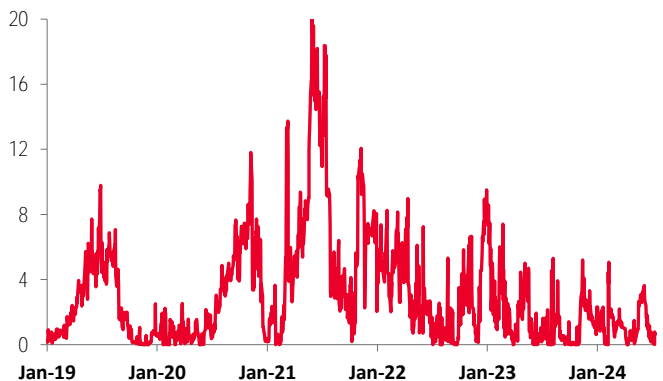
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

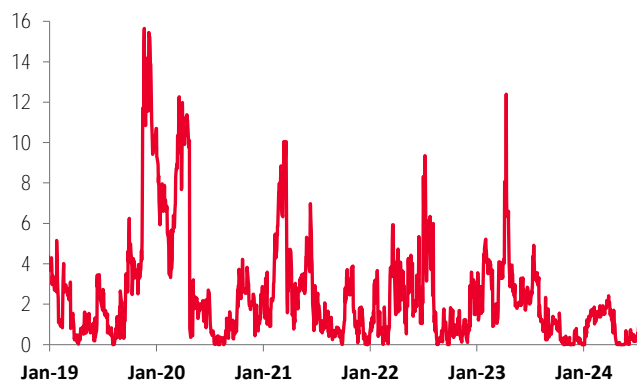
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono Nov'47

MXN billion



Source: Banxico, Banorte

Market makers' position on Mbonos

US\$ million

Maturity date	Total amount outstanding as of Jul/11/2024	Jul/11/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	15,252	345	362	378	182	550	89
Dec'24	11,880	734	597	446	57	734	49
Mar'25	7,225	291	319	91	697	414	16
Mar'26	22,733	296	312	200	1,347	640	51
Sep'26	14,718	434	469	565	14	769	182
Mar'27	21,905	95	55	6	224	839	0
Jun'27	18,906	174	222	1	307	323	0
Mar'29	13,417	412	470	438	0	899	12
May'29	16,616	3	5	101	261	415	0
May'31	22,747	36	5	93	19	285	0
May'33	18,327	402	249	264	116	702	0
Nov'34	10,720	29	182	234	31	1,044	0
Nov'36	4,523	344	344	218	7	422	8
Nov'38	12,071	4	43	2	104	176	2
Nov'42	20,163	28	61	0	93	198	0
Nov'47	14,782	54	32	15	184	136	0
Jul'53	15,846	69	41	231	125	380	0
<b>Total</b>	<b>261,833</b>	<b>3,681</b>	<b>3,725</b>	<b>3,051</b>	<b>3,643</b>		

Source: Banxico, Banorte

# Fixed-Income Technicals

## Spread between Cetes and Implied Forward Rates

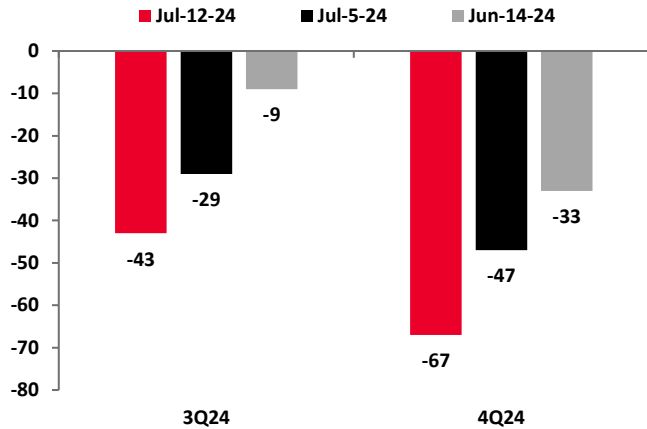
Basis points

Tenor	Actual	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	108	102	96	73	152	-7
3 months	43	35	22	29	71	-8
6 months	46	32	7	20	46	-7
12 months	53	45	-2	6	53	-40

Source: PIP, Bloomberg, Banorte

## Cumulative implied moves in Banxico's repo rate

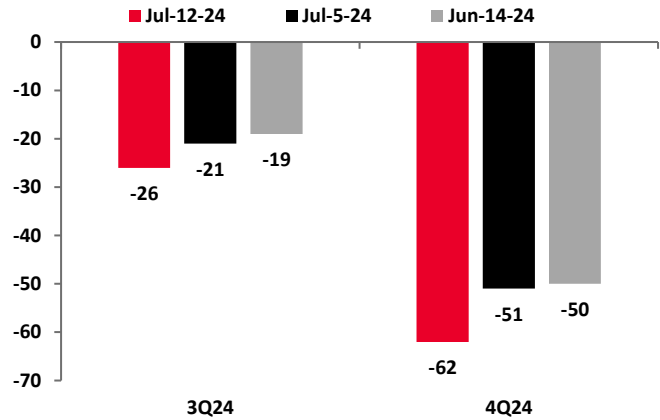
Basis points



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	606	-11	-20	55	627	497	552
5 year	576	-18	-36	54	623	489	530
10 year	555	-12	-39	50	602	482	519
20 year	544	-11	-33	56	590	464	500
30 year	557	-8	-33	53	596	477	513

Source: Bloomberg, Banorte

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

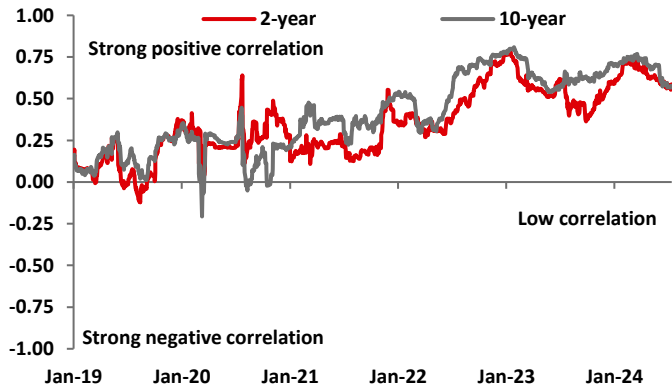
Basis points



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
<b>Mbonos</b>							
2/5	-65	-4	-5	4	-31	-94	-65
2/10	-78	5	3	5	-40	-136	-79
2/30	-54	11	17	15	-25	-128	-71
5/10	-13	8	7	0	10	-59	-14
10/30	24	6	15	10	23	-11	8
<b>TIIE IRS</b>							
3m/2Y	-113	-22	-52	63	-41	-191	-130
2/5	-75	-4	6	39	-71	-141	-100
2/10	-84	-4	12	40	-81	-158	-110
2/30	-85	-3	12	40	-73	-150	-106
5/10	-9	1	6	2	-1	-23	-10
10/30	-1	0	0	0	23	-6	4
<b>TIIE IRS – Mbonos</b>							
2 year	-50	-1	-15	-44	25	-53	-17
5 year	-60	-2	-4	-10	-5	-100	-52
10 year	-57	-9	-6	-8	-7	-66	-49
20 year	-71	-9	-16	-14	-10	-71	-53
30 year	-81	-15	-21	-19	-14	-81	-53
<b>TIIE IRS – SOFR</b>							
2 year	573	-11	-35	9	624	488	546
5 year	545	-18	-39	42	602	445	502
10 year	542	-21	-42	44	602	451	504
20 year	546	-19	-45	45	609	467	513
30 year	555	-25	-52	42	625	487	530

Source: Bloomberg, Banorte

### Breakeven inflation using Mbonos & Udibonos

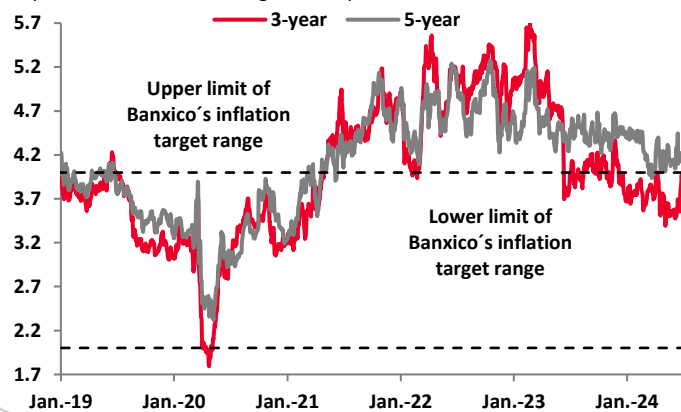
%, Implicit market inflation using Fisher Equation

Date	Breakevens (%)	Weekly change (bps)	Δ last 4 weeks (bps)	YTD (bps)	12m Max (%)	12m Min (%)	12m Average (%)
3Y	3.98	-7	39	9	4.37	3.39	3.86
5Y	4.16	-3	-5	-28	4.68	3.94	4.33
10Y	4.42	7	14	30	4.67	4.04	4.34
20Y	4.55	-5	-4	26	5.08	4.24	4.59
30Y	4.64	-11	-16	38	5.01	4.22	4.62

Source: Bloomberg, Banorte

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

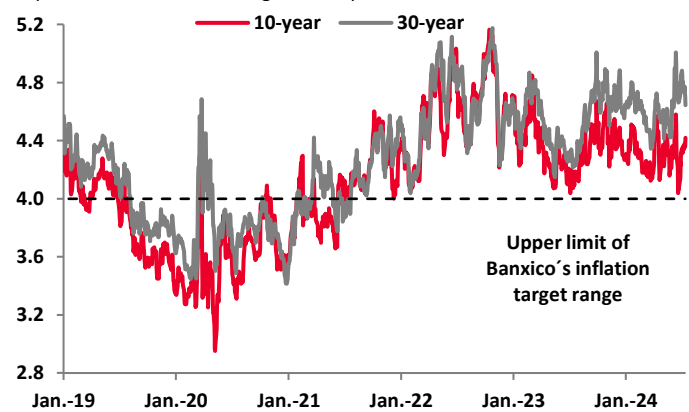
Implicit market inflation using Fisher Equation



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

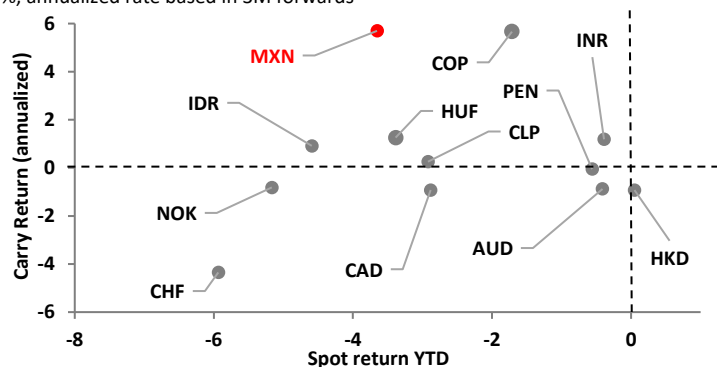
		Close at Jul/12/24	Daily Change (%) <sup>1</sup>	Weekly change (%) <sup>1</sup>	Monthly change (%) <sup>1</sup>	YTD (%) <sup>1</sup>
<b>Emerging Markets</b>						
Brazil	USD/BRL	5.43	0.2	0.6	-0.3	-10.5
Chile	USD/CLP	905.45	0.8	3.5	1.2	-2.9
Colombia	USD/COP	3,922.10	1.4	4.2	2.7	-1.7
Peru	USD/PEN	3.73	0.9	1.8	1.3	-0.6
Hungary	USD/HUF	359.35	0.9	0.8	1.7	-3.4
Malaysia	USD/MYR	4.67	0.3	0.8	1.0	-1.7
<b>Mexico</b>	<b>USD/MXN</b>	<b>17.62</b>	<b>0.9</b>	<b>2.8</b>	<b>6.4</b>	<b>-3.7</b>
Poland	USD/PLN	3.90	0.5	1.3	2.8	0.9
Russia	USD/RUB	87.88	-0.2	0.0	1.3	1.8
South Africa	USD/ZAR	17.95	0.3	1.3	2.4	2.3
<b>Developed Markets</b>						
Canada	USD/CAD	1.36	0.0	0.0	0.6	-2.9
Great Britain	GBP/USD	1.30	0.6	1.3	1.5	2.0
Japan	USD/JPY	157.83	0.6	1.9	-0.7	-10.6
Eurozone	EUR/USD	1.0907	0.4	0.6	0.9	-1.2
Norway	USD/NOK	10.70	0.1	-1.3	-1.1	-4.9
Denmark	USD/DKK	6.84	0.3	0.6	0.9	-1.3
Switzerland	USD/CHF	0.89	0.2	0.1	0.0	-5.9
New Zealand	NZD/USD	0.61	0.4	-0.4	-1.1	-3.2
Sweden	USD/SEK	10.51	-0.2	-0.3	-1.4	-4.2
Australia	AUD/USD	0.68	0.4	0.5	1.8	-0.4

Source: Bloomberg, Banorte

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

## Performance of selected currencies

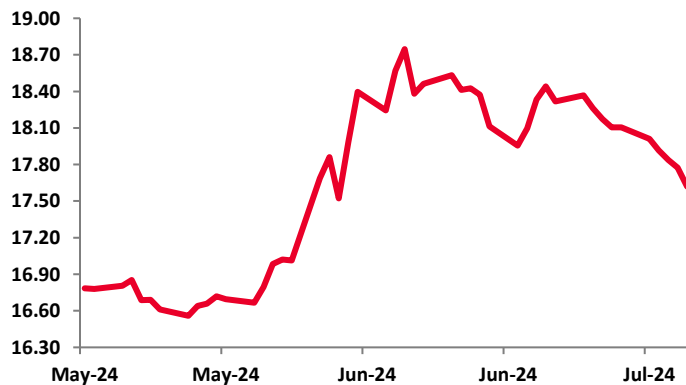
%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

## USD/MXN

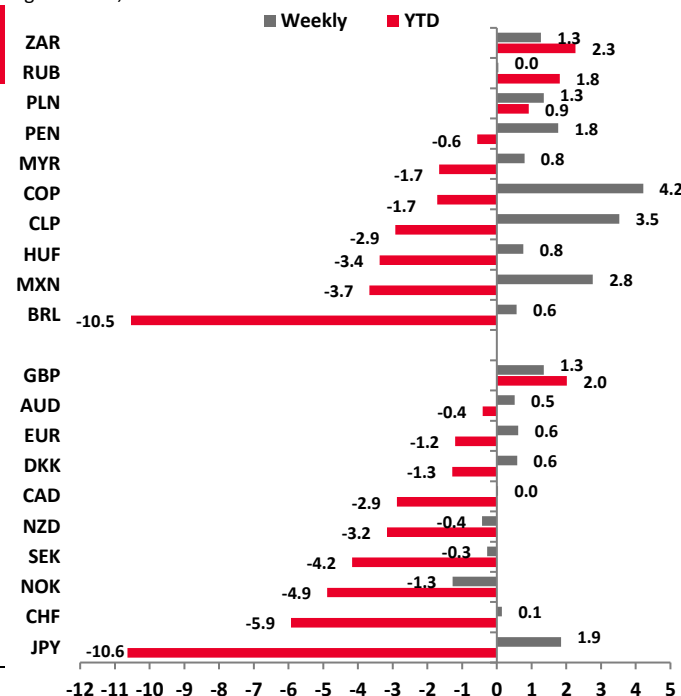
Last 60 days



Source: Bloomberg, Banorte

## FX performance

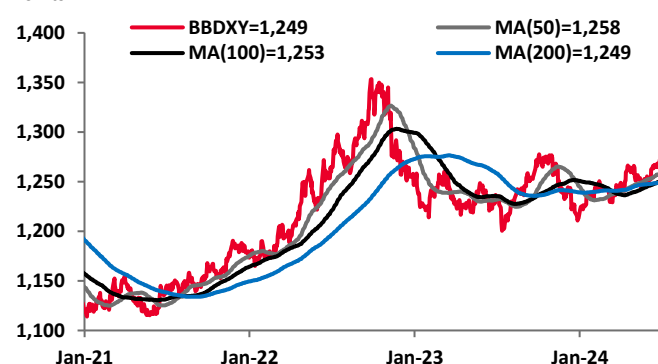
Against USD, %



Source: Bloomberg, Banorte

## BBDXY

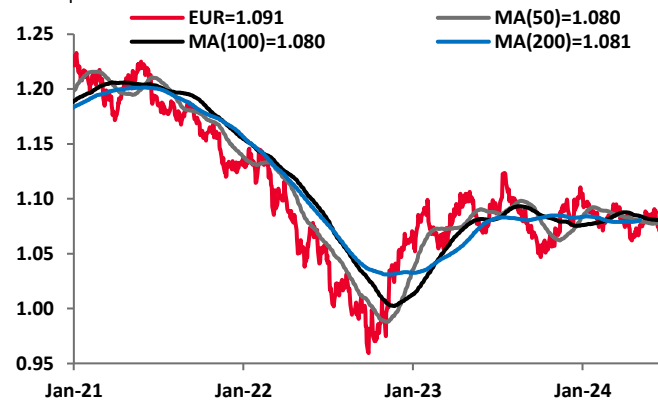
Points



Source: Bloomberg, Banorte

## Euro

Dollar per euro

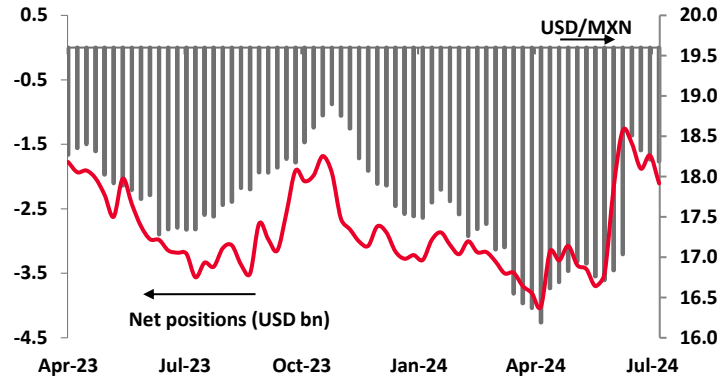


Source: Bloomberg, Banorte

## FX positioning and flows

### IMM positioning in USD/MXN futures

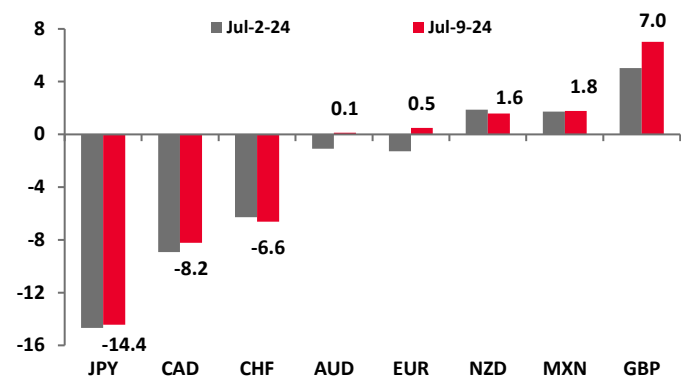
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

### IMM positioning by currency\*

Billion dollars

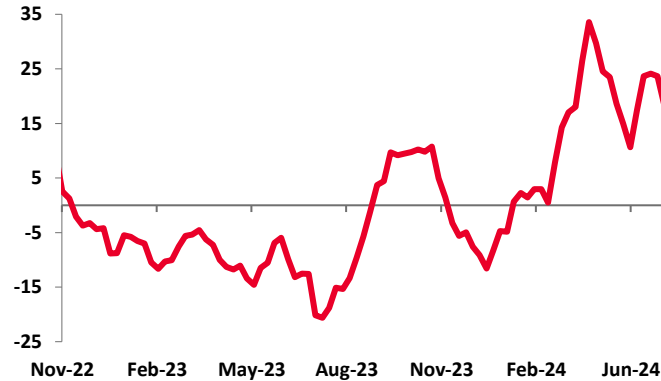


\* Positive: Net long in the corresponding currency

Source: CME, Banorte

### IMM positioning in USD futures\*

Billion dollars, Positive = net long in USD

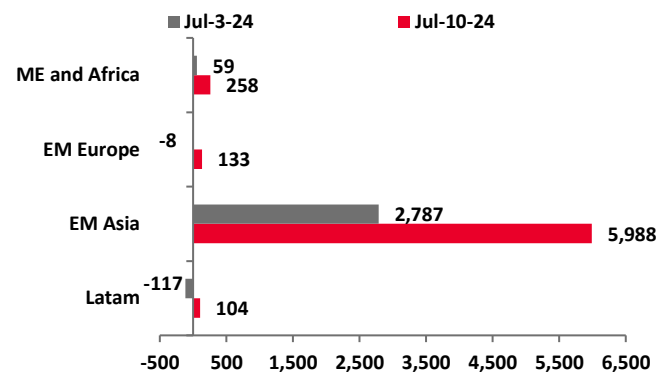


\* Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF

Source: CME, Banorte

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

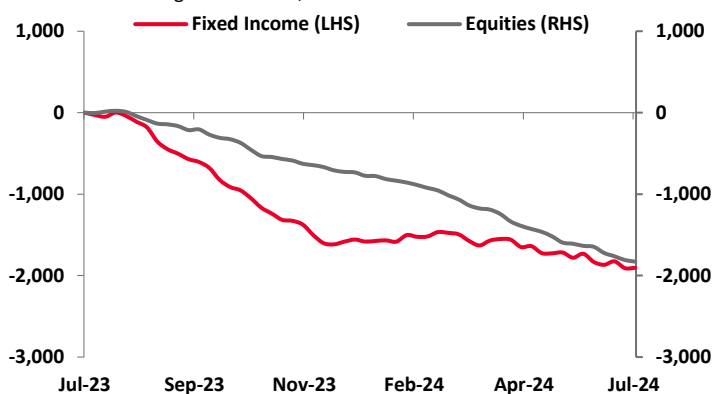
Billion dollars



Source: EPFR Global, Banorte

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

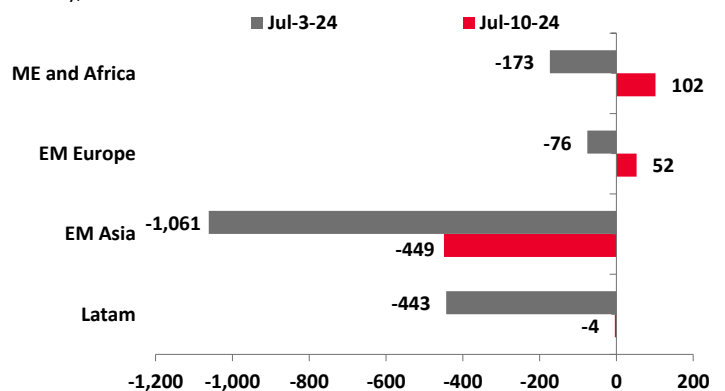
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

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

Weekly, million dollars

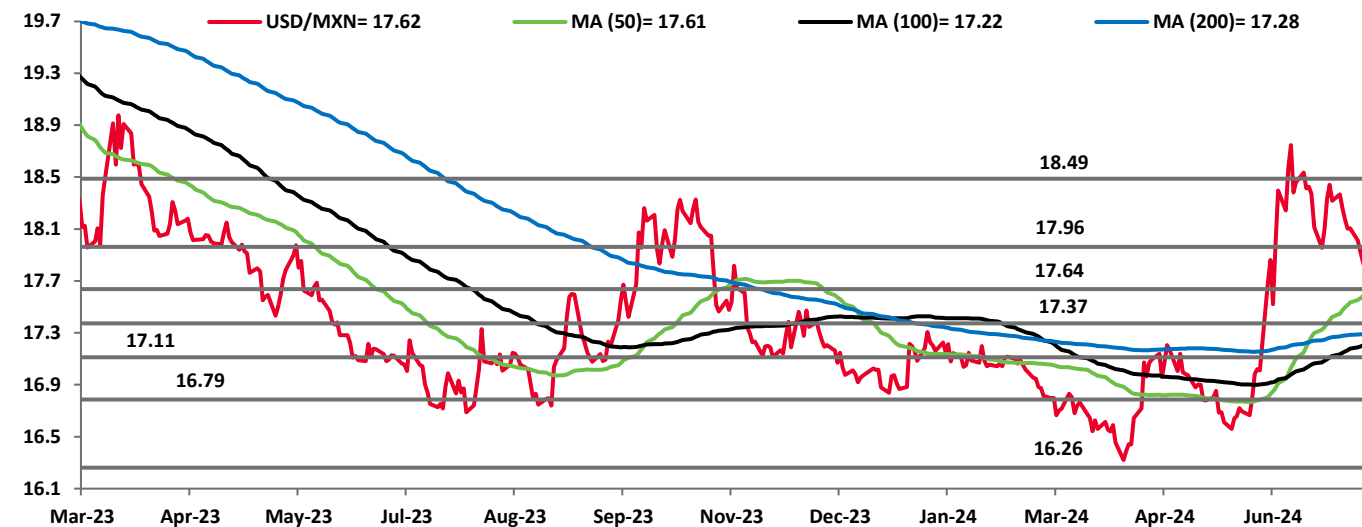


Source: EPFR Global, Banorte

## FX technicals

### USD/MXN – Moving averages and Fibonacci retracement

Last 12 months



Source: Bloomberg, Banorte

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

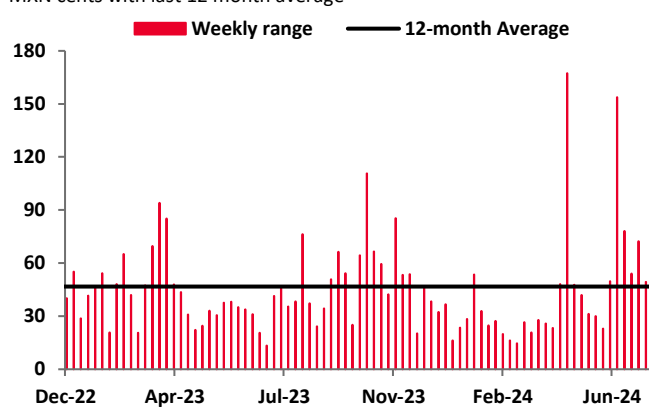
Based on daily percentage changes

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	-9	-9	-14	69	42
CAD	23	26	20	59	42
JPY	-21	-36	-42	62	21
BRL	27	25	-4	73	47
CLP	-1	-7	-12	53	27
ZAR	-19	-17	-28	77	36
VIX	-3	5	-4	54	31
SPX	11	17	-12	57	31
GSCI	18	20	-21	33	2
Gold	8	11	7	58	32

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

### USD/MXN – Weekly trading range

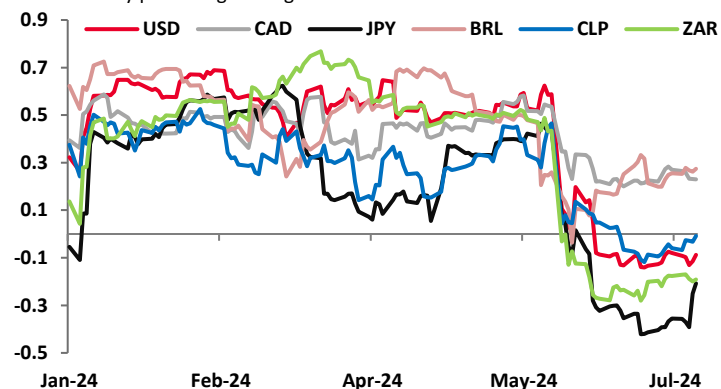
MXN cents with last 12 month average



Source: Bloomberg, Banorte

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

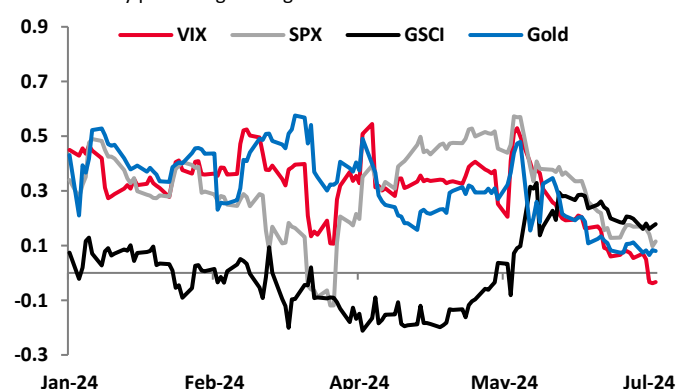
Based on daily percentage changes



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

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

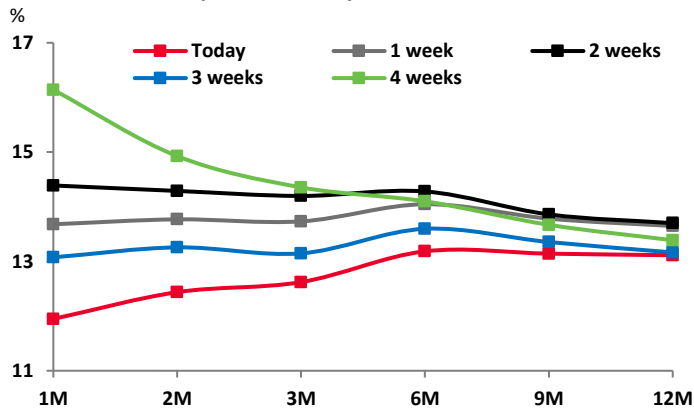
Based on daily percentage changes



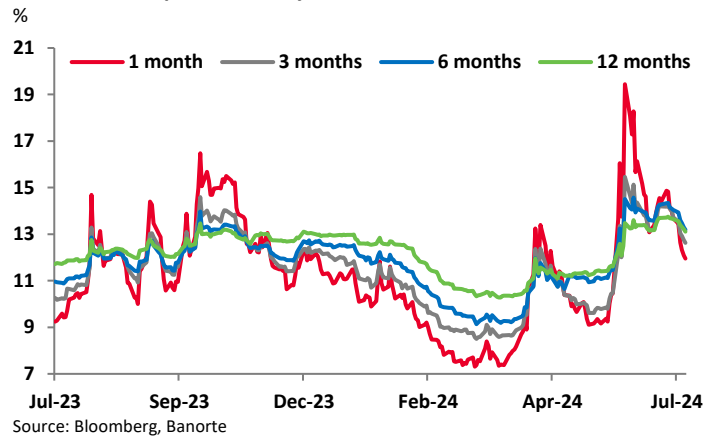
\* Positive: appreciation of MXN and corresponding asset except VIX  
Source: Bloomberg, Banorte

## FX technicals (continued)

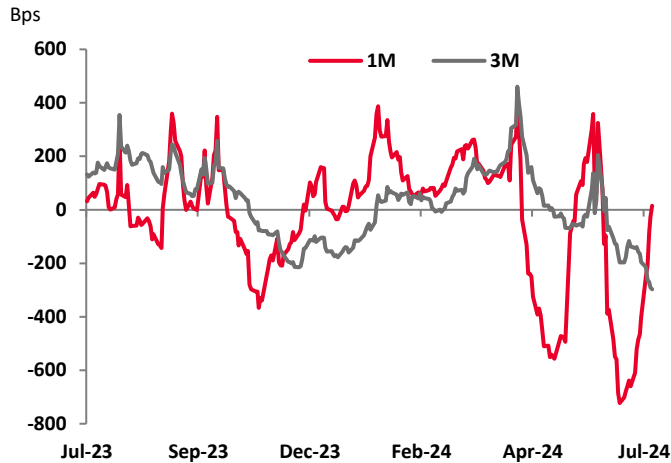
USD/MXN – ATM options volatility curve



USD/MXN – Implied volatility

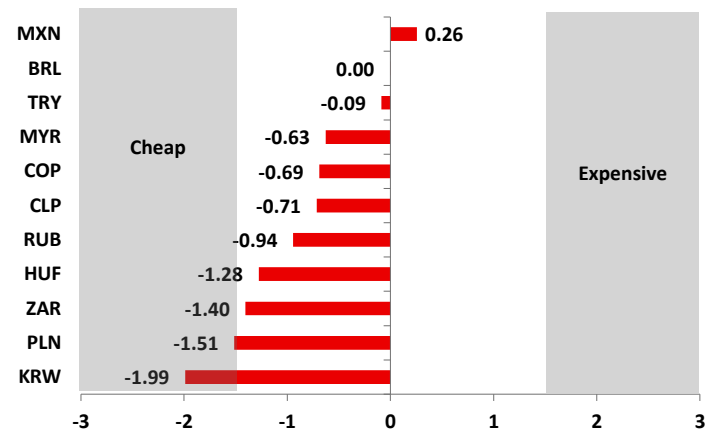


USD/MXN – Spread between implicit and historical volatility



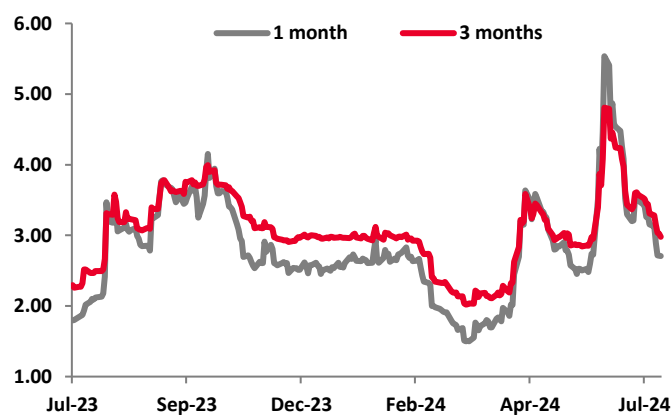
Emerging markets 1-month ATM options volatility

Against USD, in  $\sigma$  relative to last year's average



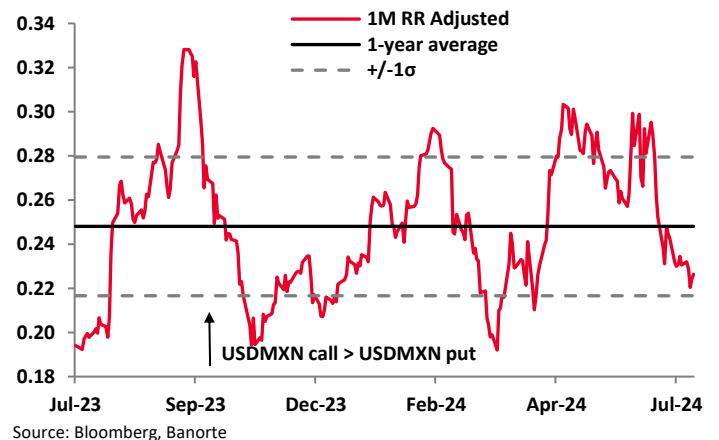
USD/MXN – 25D risk reversals

Last 12 months, difference between USD calls and puts, in vols



USD/MXN – 1-month 25D volatility-adjusted risk reversal

Last 12 months, ratio adjusted against 1-month implied volatility



# Weekly economic calendar

For the week ending July 21<sup>st</sup>, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 15	--	US	The Republican National Convention is held in Milwaukee (through July 18)					
	05:00	EZ	Industrial production*	May	% m/m	--	-0.8	-0.1
	08:00	BZ	Economic activity	May	% y/y	--	1.0	4.0
	08:00	BZ	Economic activity*	May	% m/m	--	0.3	0.0
	08:30	US	Empire manufacturing*	Jul	index	-5.0	-6.0	-6.0
	12:00	US	Fed's Powell Interviewed by David Rubenstein					
	12:00	US	Fed's Daly Speaks in Q&A on Economy, Tech					
Tue 16	05:00	GER	ZEW Survey (Expectations)	Jul	index	--	41.0	47.5
	05:00	EZ	Trade balance*	May	EURbn	--	17.0	19.4
	08:30	US	Advance retail sales*	Jun	% m/m	-0.3	-0.2	0.1
	08:30	US	Ex autos & gas*	Jun	% m/m	--	0.3	0.1
	08:30	US	Control group*	Jun	% m/m	0.0	0.2	0.4
	11:00	MX	International reserves	Jul 12	US\$bn	--	--	220.4
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 30-year Mbono (Jul'53), 3-year Udibono (Dec'26) and 1-, 3-, and 7-year Bondes F					
Wed 17	14:45	US	Fed's Kugler Speaks at NABE Conference					
	--	UK	The King's Speech will introduce new UK Prime Minister Keir Starmer's government legislative agenda					
	02:00	UK	Consumer prices	Jun	% y/y	--	1.9	2.0
	02:00	UK	Core	Jun	% y/y	--	3.5	3.5
	05:00	EZ	Consumer prices	Jun (F)	% y/y	--	2.5	2.5
	05:00	EZ	Core	Jun (F)	% y/y	--	2.9	2.9
	08:30	US	Housing starts**	Jun	thousands	--	1,300	1,277
	08:30	US	Building permits**	Jun	thousands	--	1,400	1,399
	09:00	US	Fed's Barkin Speaks on Economy, Q&A					
	09:15	US	Industrial production*	Jun	% m/m	0.3	0.3	0.7
	09:15	US	Manufacturing production*	Jun	% m/m	0.0	0.0	0.9
	09:35	US	Fed's Waller Speaks on Economic Outlook					
Thu 18	14:00	US	Beige Book					
	02:00	UK	Unemployment rate*	May	%	--	4.4	4.4
	08:15	EZ	Monetary policy decision (ECB)	Jul 18	%	3.75	3.75	3.75
	08:30	US	Initial jobless claims*	Jul 13	thousands	230	228	222
	08:30	US	Philadelphia Fed*	Jul	index	3.0	2.0	1.3
	08:24	EZ	ECB President Christine Lagarde Holds Press Conference					
	13:45	US	Fed's Logan Gives Opening Remarks					
	18:05	US	Fed's Daly participates in fireside chat at a conference by the Federal Reserve Banks of Dallas and Atlanta					
Fri 19	19:30	US	Fed's Bowman Gives Keynote Address					
		SA	Monetary policy decision (South African Reserve Bank)	Jul 18	%	--	8.25	8.25
	04:00	EZ	Current account*	May	EURbn	--	--	38.6
	08:00	MX	Timely Indicator of Economic Activity*	Jun	% y/y	--	--	2.0
Sun 21	10:40	US	Fed's Williams Speaks on Panel on Monetary Policy					
	13:00	US	Fed's Bostic Gives Closing Remarks					
	21:15	CHI	Rate decision 1-year Loan Prime Rate	Jul 22	%	--	3.45	3.45
	21:15	CHI	Rate decision 5-year Loan Prime Rate	Jul 22	%	--	3.95	3.95

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	
2y10y TIIE-IRS steepener		Jul-11-24		
Tactical longs in Udibono Nov'35		Jul-5-24		
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 TIEE-IRS steepener	28bps	43bps	18bps	31bps	P <sup>2</sup>	Feb-15-17	Mar-15-17	
5y10y TIEE-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 TIEE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% <sup>1</sup>	P	Nov-12-15	Feb-8-16	
Long spread 10-year TIEE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15	
Receive 9-month TIEE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15	
Spread TIEE 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 TIEE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15	
Pay 9-month TIEE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15	
Pay 5-year TIEE-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 TIEE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14	
Receive 1-year TIEE-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 TIEE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13	
Receive 1-year TIEE-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 TIEE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13	
Spread TIEE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13	
Receive 1-year TIEE-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 TIEE-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 TIEE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13	
Receive TIEE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13	
Spread TIEE-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, 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, Jazmín Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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## Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
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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