



# Fixed-Income & FX Strategy

Weekly

## Fixed-Income and FX Weekly

- Last jobs report before the Fed.** Next week, all eyes will be August's employment figures set to be released in the US. We anticipate the creation of 170K new jobs (consensus: 165K, previous: 114K) with the unemployment rate holding at 4.2% (consensus: 4.2%, previous: 4.3%). With the Fed now focused on employment, these figures could be pivotal for market calibration ahead of the expected rate cut on September 18<sup>th</sup>. We expect the Fed to cut rates by 25bps, while the curve is currently pricing in a 66% probability (-33bps) for a 50bps cut. Recent economic activity data has shown some positive balance, reflected in a moderation of total rate cut expectations for this year. However, current pricing remains aggressive in our view, even though the -100bps currently priced in by the curve for the year-end has reduced from -116bps earlier this month. Overall, we expect the Fed to cut rates by -75bps in 2024
- We hold a 2s10s steepener in TIIE IRS.** The Mbonos' curve experienced an average sell-off of 14bps this week, vis-à-vis a 7bps sell-off in Treasuries, with both curves steepening. Spreads between these securities widened, with the 10-year mark moving to 574bps from 572bps a week ago, and retracing from 585bps on Thursday. The average reading since the end of May is 568bps. In local nominal rates, the short-end shows limited space to rally further, as the valuation for Banxico becomes more feasible, aligning with our expectation of two more 25bps cuts this year. Looking forward, our call of 200bps cuts is still to be fully priced in for next year. Meanwhile, both Mbonos and TIIEs are trading below their 90-day moving average, suggesting potential pressure for mid- and long-term tenors. This combination supports our expectation of a steeper curve ahead. As such, we hold 2s10s spread trade idea in TIIEs (current: -51bps, entry -84bps, target -30bps, stop-loss -100bps). Our recommendation has yielded a net gain of 26bps after discounting the negative carry-roll of 8bps over the 50 days it has been in place
- Waiting for USD purchases.** The USD stopped a full month of losses this week. These losses were largely driven by expectations that now factor more cuts for the Fed relative to other central banks. The correlation between LatAm currencies and the JPY has weakened, but it remains a particularly relevant factor for regional price action and the MXN. The peso added a second week of depreciation, closing at 19.73 per dollar (-3.1%). It also depreciated by 5.6% in August, leading losses among major currencies. We remain waiting for better conditions to buy USD. Implied ATM volatilities confirm our view of hedging and increased volatility in the coming months linked to the US presidential election
- Weekly ranges** – We expect the 10-year Mbono (Nov'34) to trade between 9.55% and 9.85%, and MXN between 19.35 and 20.50 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	10.78	1	-22	-67	11.45	10.74	11.13
28-days <sup>1</sup>	10.86	-6	-19	-45	11.33	10.86	11.19
91-days <sup>1</sup>	10.96	-6	-19	-46	11.45	10.96	11.30
182-days <sup>1</sup>	11.12	-6	-20	-47	11.61	11.12	11.47
<b>Cetes<sup>2</sup></b>							
28-days	10.60	-15	-40	-64	11.38	10.55	11.06
91-days	10.79	0	-30	-45	11.45	10.76	11.22
182-days	10.80	2	-34	-53	11.66	10.75	11.30
364-days	10.68	4	-32	-46	11.86	10.53	11.21
<b>Mbonos</b>							
Sep'24	10.98	0	-13	1	11.57	10.75	11.20
Dec'24	10.84	-4	-26	18	11.40	10.57	11.02
Mar'25	10.30	17	-9	41	11.15	9.80	10.42
Mar'26	10.12	4	-18	36	11.03	9.53	10.29
Sep'26	9.98	9	-17	49	11.03	9.41	10.16
Mar'27	9.68	15	-8	29	10.74	9.26	9.88
Jun'27	9.69	20	3	43	10.68	9.20	9.84
Mar'29	9.70	25	5	64	10.55	9.01	9.67
May'29	9.65	21	1	71	10.47	8.90	9.59
May'31	9.59	14	0	65	10.42	8.94	9.59
May'33	9.64	14	-1	70	10.40	8.94	9.58
Nov'34	9.65	13	-2	70	10.41	8.95	9.58
Nov'36	9.67	13	-1	74	10.41	8.92	9.57
Nov'38	9.83	16	5	79	10.46	9.04	9.65
Nov'42	10.00	18	10	93	10.51	9.06	9.70
Nov'47	10.01	20	9	93	10.49	9.04	9.67
Jul'53	10.02	20	9	95	10.50	9.04	9.69
<b>TIIE-IRS</b>							
3-month (3x1)	10.90	-4	-19	-56	11.55	10.90	11.33
6-month (6x1)	10.70	0	-17	-58	11.55	10.70	11.23
9-month (9x1)	10.49	1	-17	-60	11.55	10.49	11.09
1-year (13x1)	10.23	4	-16	-55	11.46	10.18	10.87
2-year (26x1)	9.61	14	-8	-9	10.86	9.48	10.08
3-year (39x1)	9.31	20	2	23	10.48	8.93	9.58
4-year (52x1)	9.16	23	4	44	10.24	8.61	9.31
5-year (65x1)	9.10	25	7	54	10.09	8.45	9.16
7-year (91x1)	9.06	23	6	61	9.98	8.37	9.07
10-year (130x1)	9.10	23	8	65	9.96	8.40	9.07
20-year (3x1)	9.17	21	12	67	10.04	8.45	9.13
30-year (390x1)	9.14	23	13	69	9.98	8.44	9.10
<b>Udibonos</b>							
Dec'25	6.48	3	13	49	7.90	5.64	6.49
Dec'26	6.01	11	-16	39	7.08	5.26	6.06
Nov'28	5.24	2	-13	76	5.96	4.42	5.16
Nov'31	5.21	12	14	74	5.80	4.44	5.02
Aug'34 <sup>3</sup>	5.26	13	19	40	5.76	4.82	5.22
Nov'35	5.21	9	13	83	5.60	4.31	4.87
Nov'40	5.22	11	15	90	5.50	4.26	4.85
Nov'43	5.24	12	6	91	5.51	4.25	4.87
Nov'46	5.18	6	7	103	5.30	4.15	4.80
Nov'50	5.18	7	9	96	5.32	4.23	4.82
Oct'54 <sup>4</sup>	5.16	9	10	15	5.31	4.80	5.09

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

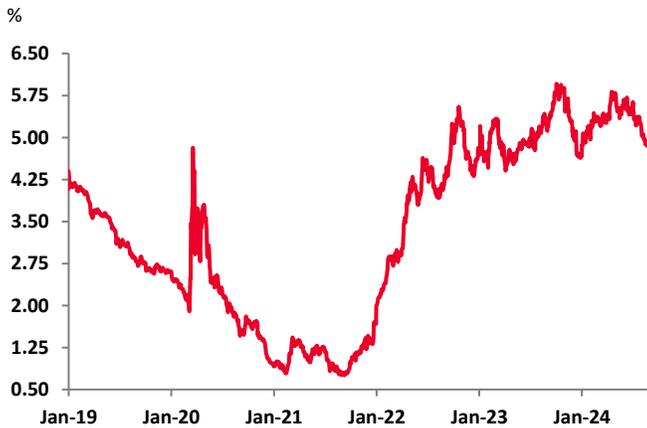
# Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

Term	Maturity date	UMS			UST			Spreads		CDS	
		YTM (%)	Weekly change (bps)	YTD (bps)	YTM (%)	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	4.71	+1	+25	3.92	+0	-51	79	+1	45	50
3Y	Mar'27	4.64	+12	+47	3.78	+5	-45	86	+6	52	69
5Y	May'29	4.98	+10	+20	3.70	+6	-30	128	+5	106	114
7Y	Apr'30	5.15	+14	-19	3.80	+10	-16	134	+3	124	152
10Y	May'33	5.61	+10	+5	3.91	+11	+3	170	-1	154	189
20Y	Mar'44	6.23	+12	-14	4.29	+11	+14	194	+1	183	--
30Y	May'54	6.46	+10	+7	4.20	+11	+24	226	-1	219	--

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 12-month Cetes, the 30-year Mbono (Jul'53), the 10-year Udibono (Aug'34), as well as 2- and 5-year Bondes F
- Stable demand for Cetes.** With still attractive real rates and expectations of further Banxico cuts ahead, the market will hold robust demand for Cetes. This week's issuance depicted some moderation in appetite for the 1-, 3-, and 6-month tenors, though all but the 3-month one remained above YTD averages. We expect these dynamics to persist, with the primary appetite focused on shorter durations. The 30-year Mbono (Jul'53) looks relatively expensive when adjusting its rate by modified duration against the rest of the curve, despite accumulated pressures at the long-end. This context, along with a similar steepening in USTs driven by long-end pressures, will likely result in limited appetite for this security. Its last issuance resulted in an oversubscription of 1.79x, with a 2-year average at 1.95x. The 10-year Udibono (Aug'34) may see a better reception relative to the 30-year Mbono. The breakeven inflation rate for this bond is at 4.17%, an attractive level considering the 12-month average of 4.35% and potential improvements in the UDI's carry in the coming weeks

### Auction specifics (September 3<sup>rd</sup>, 2024)

Security	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
<b>Cetes</b>				
1m	Oct-03-24	--	10,000	10.65
3m	Dec-05-24	--	10,000	10.80
6m	Mar-06-25	--	16,900	10.83
12m	Aug-21-25	--	18,600	10.75
<b>Bondes F</b>				
2Y	Jul-23-26	--	10,700	0.14
5Y	Jul-19-29	--	2,500	0.23
<b>Bono M</b>				
30Y	Jul-31-53	8.00	13,200	9.93
<b>Udibono</b>				
10Y	Aug-24-34	4.00	UDIS 900	4.97

Source: Banxico, Banorte

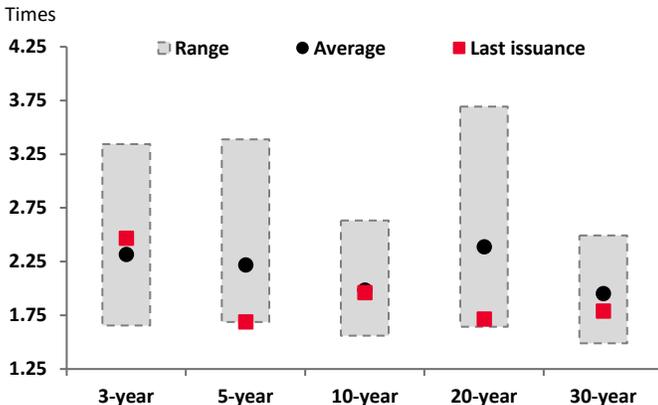
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.  
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

### 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

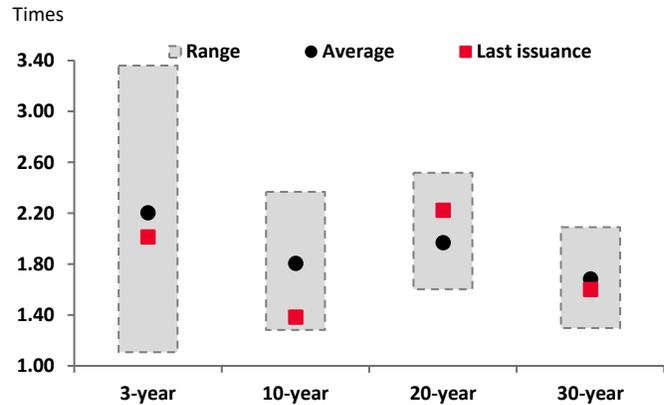
Source: SHCP \*Ministry of Finance \*In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



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

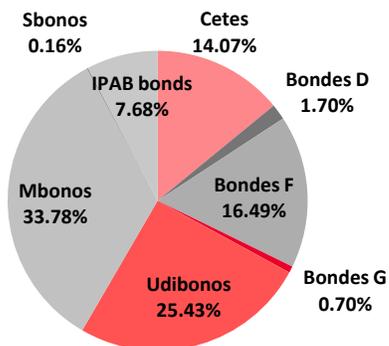
US\$ billion, \*UDIS billion, data as of Aug/19/2024

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	105.92	11.98	14.55	18.21	5.26	11.99	5.49	2.81	-	35.62
Bondes D	12.76	0.00	0.91	6.02	0.34	1.99	-	-	-	3.50
Bondes F	124.10	0.02	3.89	68.36	2.18	12.64	2.49	1.71	-	32.82
Bondes G	5.27	0.00	0.06	2.12	0.35	0.61	1.10	-	-	1.02
Udibonos	191.44	8.70	106.04	6.09	34.40	5.60	0.89	0.23	-	29.49
Mbonos	254.30	74.80	58.07	10.16	7.78	41.41	10.55	1.03	0.80	49.71
Sbonos	1.23	0.58	0.34	0.01	0.03	0.04	-	-	-	0.23
<b>Total</b>	<b>695.03</b>	<b>96.09</b>	<b>183.87</b>	<b>110.97</b>	<b>50.34</b>	<b>74.26</b>	<b>20.52</b>	<b>5.78</b>	<b>0.80</b>	<b>152.40</b>
Udibonos*	433.46	19.70	240.10	13.78	77.88	12.67	2.02	0.52	-	66.77
IPAB bonds	57.78	0.02	0.87	18.10	0.26	9.61	6.67	1.21	-	21.05

Source: Banxico, Banorte

## Government issuance by type of instrument

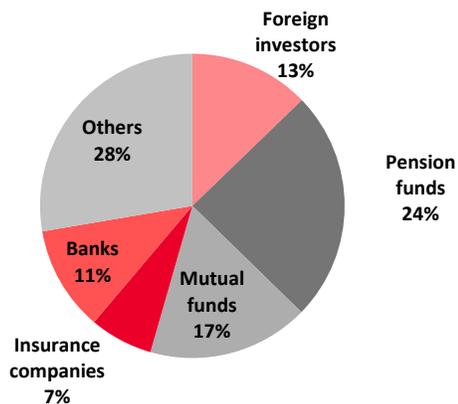
Total amount of US\$ 753 billion (including IPAB bonds), % of total



Source: Banxico, Banorte

## Government issuance by type of investor

Total amount of US\$ 753 billion (including IPAB bonds), % of total

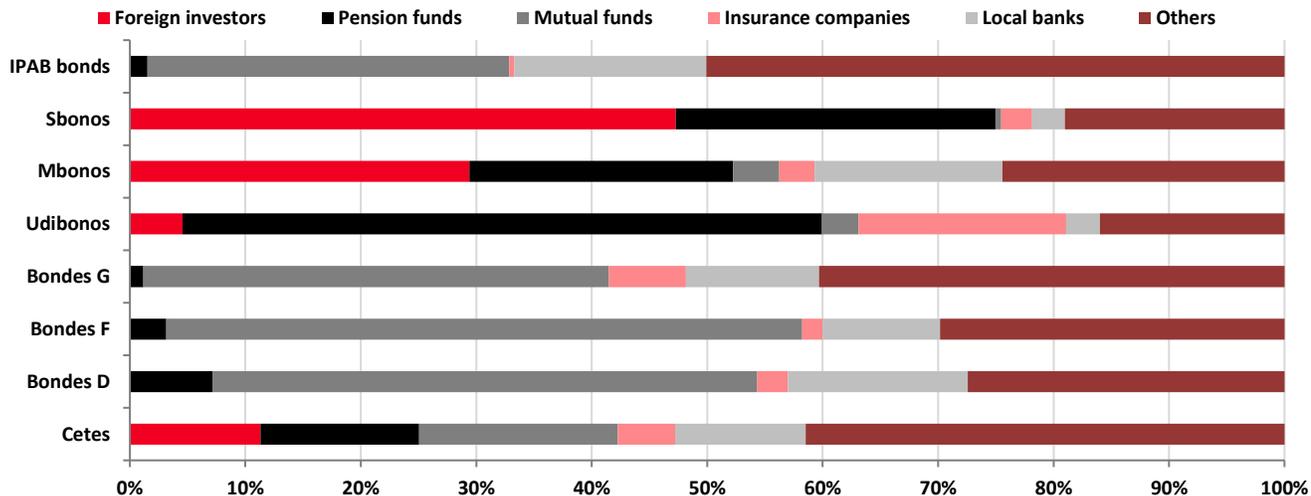


Source: Banxico, Banorte

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\$ 753 billion (including IPAB bonds), % of total



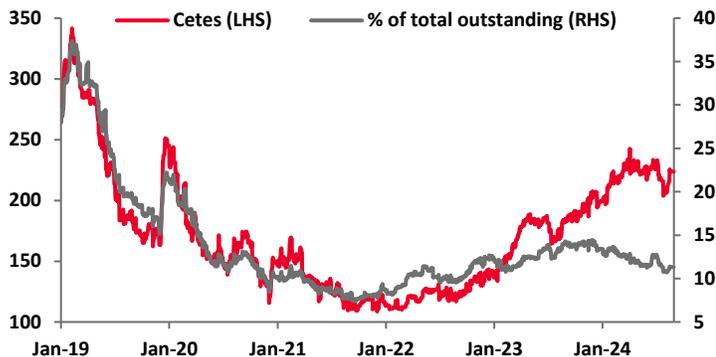
Source: Banxico, Banorte

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

## Fixed-Income Demand (continued)

### Cetes held by foreigners

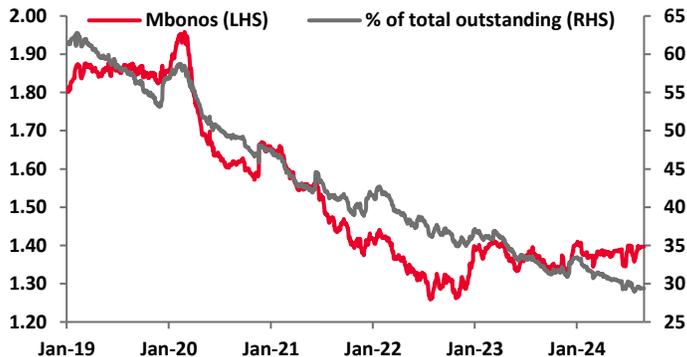
MXN billion, %



Source: Banxico, Banorte

### Mbonos held by foreigners

MXN trillion, %



Source: Banxico, Banorte

### Holdings of main investors by type of security

Data as of Aug/19/2024

	Foreign investors		Pension funds		Mutual funds	
	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)	Δ last 4 weeks (%)	YTD (%)
Cetes	3.58	12.07	13.34	22.15	-1.69	61.71
Bondes F	-12.24	206.58	-9.10	-40.88	3.23	17.13
Udibonos	-1.03	8.25	2.41	16.20	-8.52	-8.27
Mbonos	2.46	-0.33	-1.20	7.49	3.89	68.73

Source: Banxico, Banorte

### Mbonos holdings by type of investor

US\$ billions and %, data as Aug/15/2024

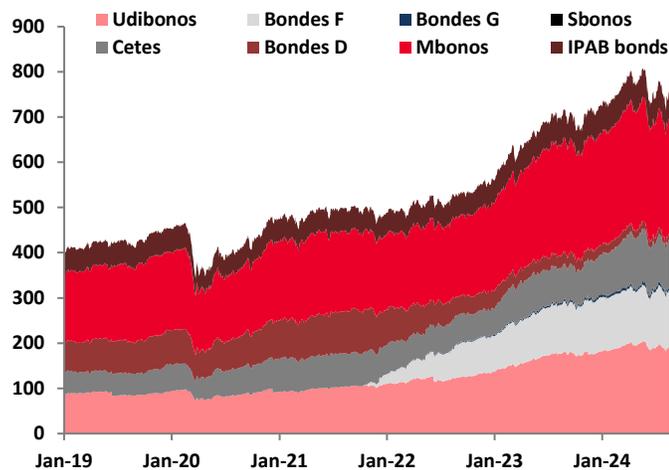
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pension and Mutual funds	Others
Sep'24	13.5	34%	3%	18%	45%
Dec'24	9.9	23%	13%	21%	43%
Mar'25	5.7	28%	12%	13%	46%
Mar'26	21.6	40%	27%	8%	25%
Sep'26	15.2	20%	31%	20%	29%
Mar'27	21.7	26%	17%	8%	48%
Jun'27	18.2	28%	30%	20%	22%
Mar'29	14.0	19%	35%	15%	31%
May'29	16.3	8%	41%	25%	27%
May'31	21.6	4%	44%	32%	19%
May'33	17.2	7%	36%	30%	26%
Nov'34	9.9	5%	46%	31%	18%
Nov'36	4.4	2%	22%	48%	27%
Nov'38	11.4	2%	34%	47%	17%
Nov'42	19.7	1%	36%	47%	16%
Nov'47	14.1	1%	32%	48%	20%
Jul'53	15.8	1%	28%	52%	20%
<b>Total</b>	<b>234.3</b>	<b>15%</b>	<b>30%</b>	<b>27%</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

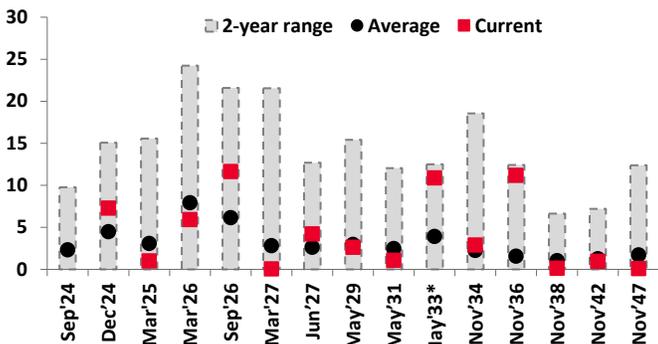


Fuente: Banxico, Banorte

# Fixed-Income Demand – Primary dealers

## Market makers' short positions on Mbonos

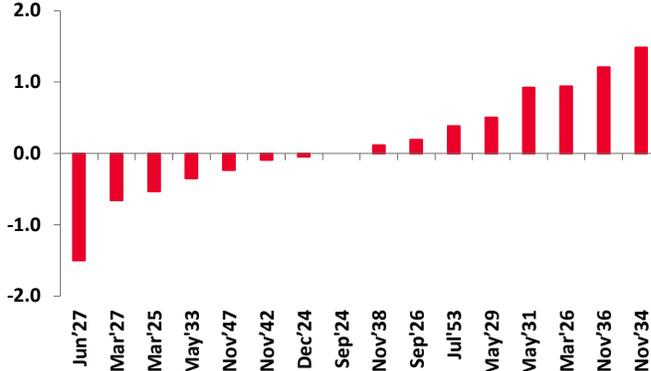
MXN billion



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

## Weekly change in market makers' short positions on Mbonos

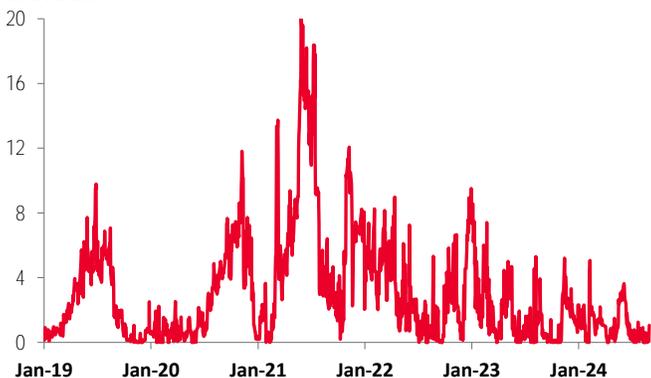
MXN billion



Source: Banxico, Banorte

## Market makers' short positions on Mbono May'31

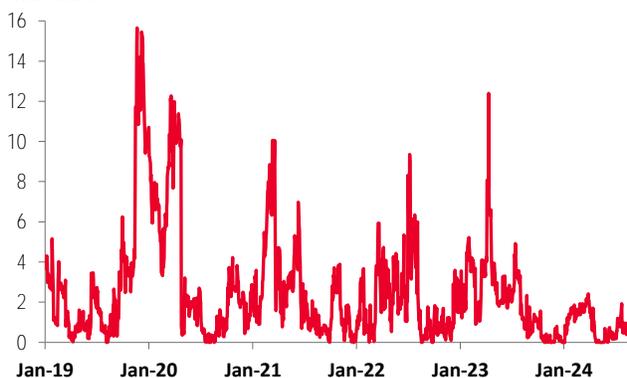
MXN billion



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 Aug/29/2024	Aug/29/2024	Previous Week	Previous Month	Previous Year	6m Max	6m Min
Sep'24	12,586	0	0	270	19	493	0
Dec'24	9,516	366	368	652	87	760	338
Mar'25	5,559	50	77	87	290	370	15
Mar'26	20,390	297	250	194	656	471	46
Sep'26	15,218	585	576	613	217	688	247
Mar'27	20,535	3	36	183	239	751	0
Jun'27	17,253	212	288	317	244	640	0
Mar'29	13,101	148	162	206	14	805	98
May'29	16,367	132	106	526	457	526	0
May'31	20,392	53	7	10	12	183	0
May'33	16,599	548	565	352	289	618	0
Nov'34	10,945	145	70	256	29	935	0
Nov'36	4,305	563	502	293	1	626	23
Nov'38	10,812	6	0	7	12	152	0
Nov'42	18,919	48	53	106	11	167	0
Nov'47	13,194	5	17	48	22	122	0
Jul'53	14,877	78	59	1	60	340	0
<b>Total</b>	<b>240,567</b>	<b>3,160</b>	<b>3,076</b>	<b>4,121</b>	<b>2,597</b>		

Source: Banxico, Banorte

# Fixed-Income Technicals

## Spread between Cetes and Implied Forward Rates

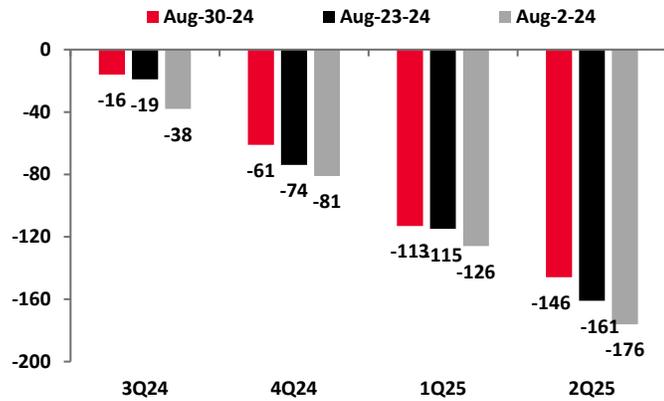
Basis points

Tenor	Actual	Weekly change	Δ last 4 weeks	6m average	6m Max	6m Min
1 month	60	86	113	74	152	-7
3 months	46	38	63	30	71	-8
6 months	55	43	77	28	89	-7
12 months	65	55	91	22	91	-40

Source: PIP, Bloomberg, Banorte

## Cumulative implied moves in Banxico's repo rate

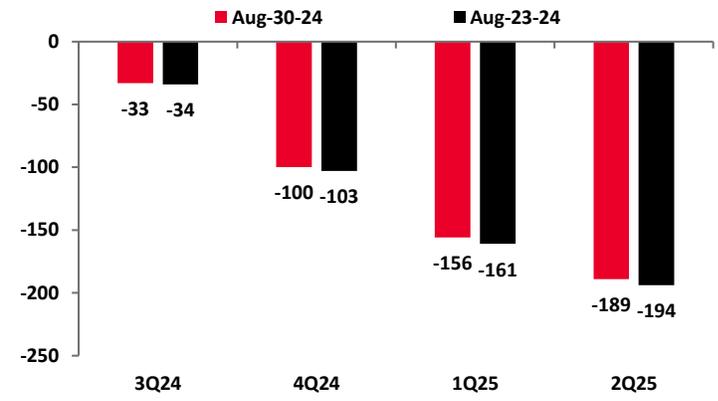
Basis points



Source: Bloomberg, Banorte

## Cumulative implied moves in Fed funds

Basis points



Source: Bloomberg, Banorte

## Spreads between Mbonos and UST

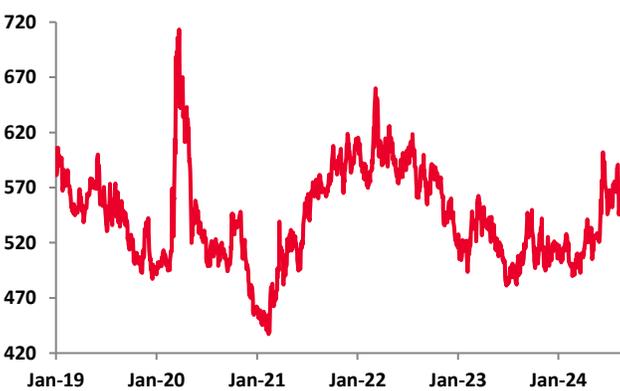
Basis points

Spread	Actual	Weekly change	Δ last 4 weeks	YTD	12m Max	12m Min	12m Average
2 year	620	4	-22	69	644	497	564
5 year	600	20	-4	78	623	489	539
10 year	574	2	-13	69	602	490	528
20 year	572	7	-1	83	590	464	511
30 year	582	10	0	78	596	479	523

Source: Bloomberg, Banorte

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

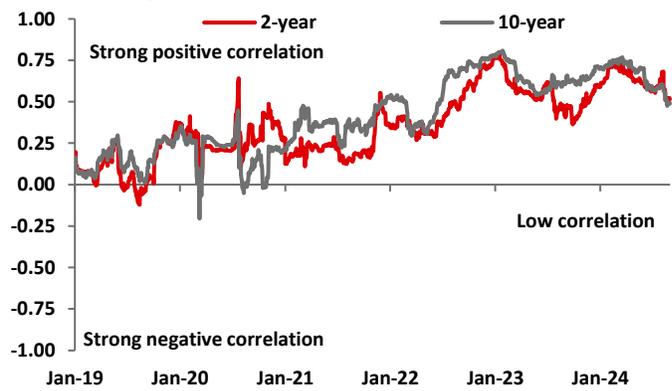
Basis points



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	-42	21	23	28	-31	-82	-63
2/10	-47	8	16	35	-40	-101	-73
2/30	-10	16	27	59	-10	-97	-62
5/10	-5	-13	-6	7	10	-28	-9
10/30	37	8	11	24	38	-11	11
<b>TIIE IRS</b>							
3m/2Y	-129	17	11	47	-41	-189	-125
2/5	-51	11	14	63	-51	-126	-93
2/10	-51	10	16	73	-51	-137	-102
2/30	-47	9	20	78	-47	-135	-98
5/10	0	-2	2	11	4	-21	-9
10/30	4	0	4	5	23	-6	3
<b>TIIE IRS – Mbonos</b>							
2 year	-51	9	10	-45	25	-65	-21
5 year	-60	0	2	-10	-5	-69	-51
10 year	-55	11	10	-6	-7	-70	-50
20 year	-83	3	2	-25	-10	-94	-57
30 year	-88	3	4	-25	-14	-95	-58
<b>TIIE IRS – SOFR</b>							
2 year	589	13	-10	26	624	516	556
5 year	570	20	0	67	602	465	514
10 year	566	16	1	68	602	472	515
20 year	565	12	3	64	609	476	521
30 year	576	14	5	63	625	490	538

Source: Bloomberg, Banorte

### Breakeven inflation using Mbonos & Udibonos

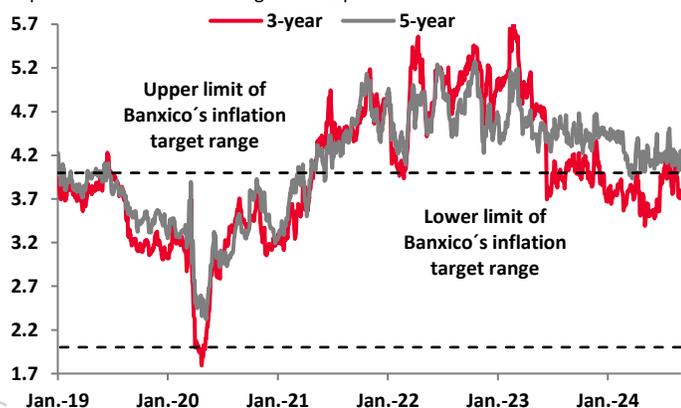
%, Implicit market inflation using Fisher Equation

Date	Breakevens (%)	Weekly change (bps)	Δ last 4 weeks (bps)	YTD (bps)	12m Max (%)	12m Min (%)	12m Average (%)
3Y	3.74	-3	-2	-37	4.37	3.39	3.86
5Y	4.24	22	17	-7	4.68	3.94	4.29
10Y	4.17	-1	-20	-10	4.67	4.04	4.35
20Y	4.52	5	3	-7	5.08	4.27	4.60
30Y	4.62	10	-2	6	5.01	4.34	4.65

Source: Bloomberg, Banorte

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

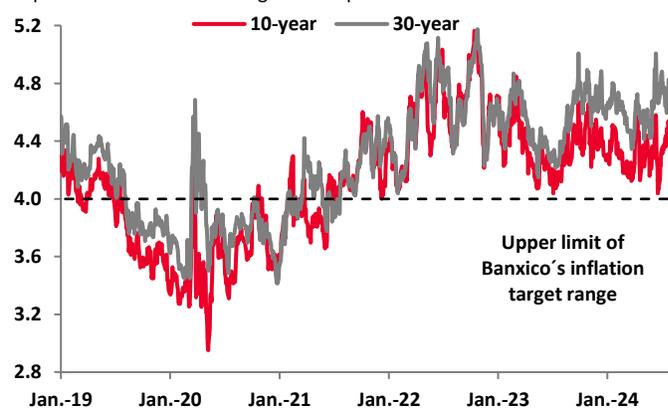
Implicit market inflation using Fisher Equation



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

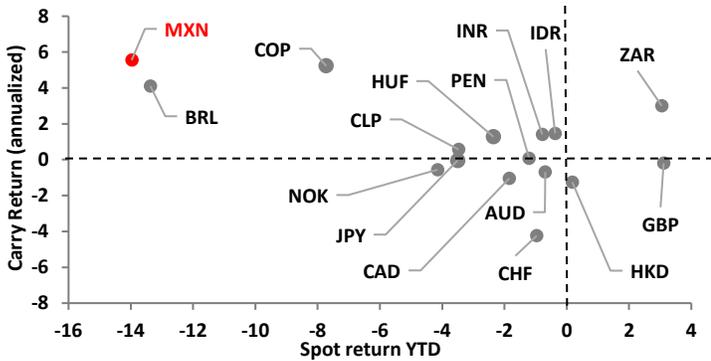
		Close at Aug/30/24	Daily Change (%) <sup>1</sup>	Weekly change (%) <sup>1</sup>	Monthly change (%) <sup>1</sup>	YTD (%) <sup>1</sup>
<b>Emerging Markets</b>						
Brazil	USD/BRL	5.61	0.4	-2.2	0.8	-13.4
Chile	USD/CLP	910.68	0.1	-0.3	3.4	-3.5
Colombia	USD/COP	4,177.58	-1.4	-3.6	-2.7	-7.7
Peru	USD/PEN	3.75	0.0	0.0	-0.6	-1.2
Hungary	USD/HUF	355.60	-0.3	-1.1	2.4	-2.4
Malaysia	USD/MYR	4.32	-0.2	1.3	6.2	6.3
<b>Mexico</b>	<b>USD/MXN</b>	<b>19.73</b>	<b>0.6</b>	<b>-3.1</b>	<b>-5.6</b>	<b>-14.0</b>
Poland	USD/PLN	3.88	-0.2	-1.7	2.2	1.5
Russia	USD/RUB	90.47	1.7	1.1	-5.0	-1.1
South Africa	USD/ZAR	17.82	-0.4	-0.6	2.2	3.1
<b>Developed Markets</b>						
Canada	USD/CAD	1.35	-0.1	0.1	2.3	-1.8
Great Britain	GBP/USD	1.31	-0.3	-0.7	2.1	3.1
Japan	USD/JPY	146.17	-0.8	-1.2	2.6	-3.5
Eurozone	EUR/USD	1.1048	-0.3	-1.3	2.1	0.1
Norway	USD/NOK	10.61	-1.1	-1.4	2.8	-4.1
Denmark	USD/DKK	6.75	-0.3	-1.3	2.1	0.0
Switzerland	USD/CHF	0.85	-0.3	-0.2	3.3	-1.0
New Zealand	NZD/USD	0.62	-0.1	0.3	5.0	-1.1
Sweden	USD/SEK	10.27	-0.5	-0.9	4.1	-2.0
Australia	AUD/USD	0.68	-0.5	-0.4	3.4	-0.7

Source: Bloomberg, Banorte

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

### Performance of selected currencies

%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

### USD/MXN

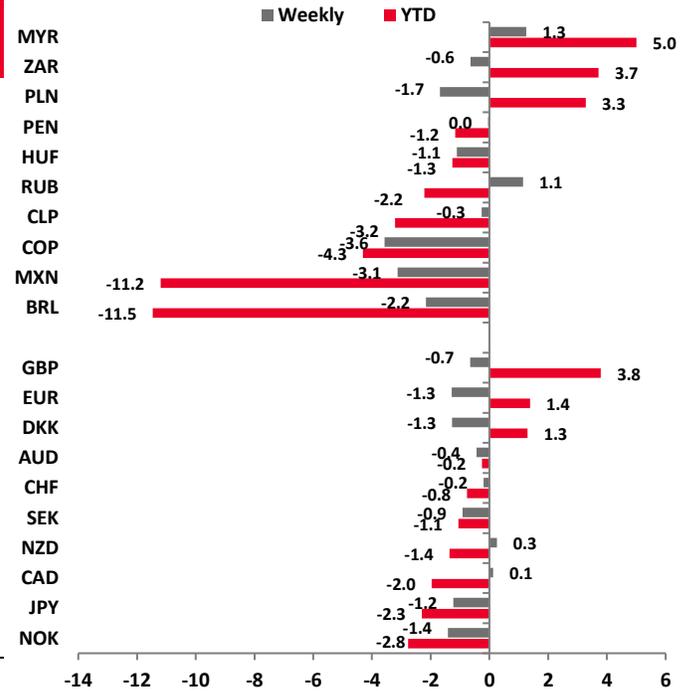
Last 60 days



Source: Bloomberg, Banorte

## FX performance

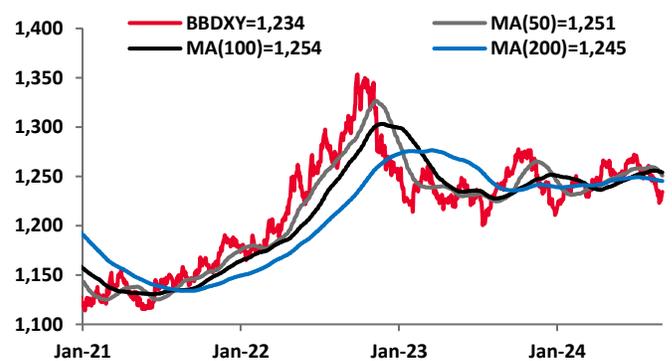
Against USD, %



Source: Bloomberg, Banorte

### BBDXY

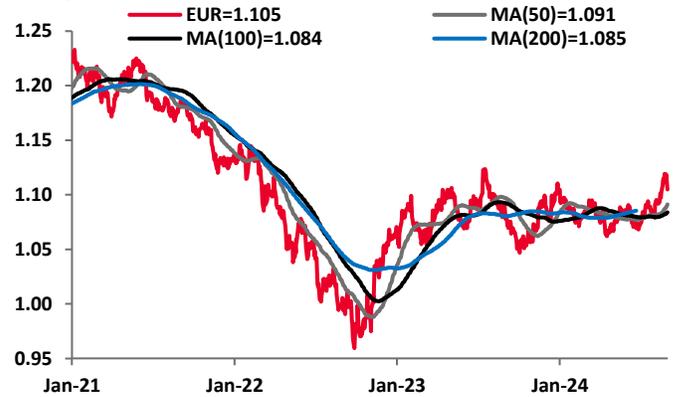
Points



Source: Bloomberg, Banorte

### Euro

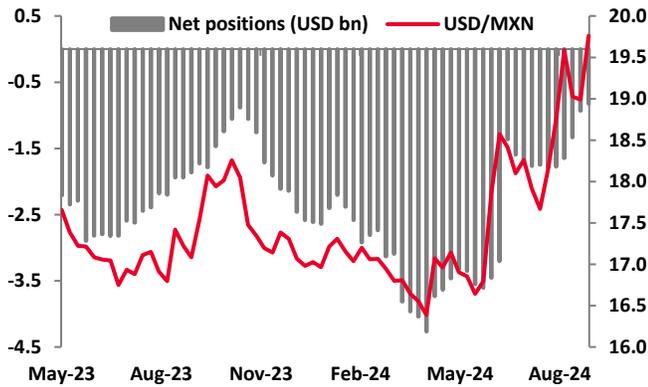
Dollar per euro



Source: Bloomberg, Banorte

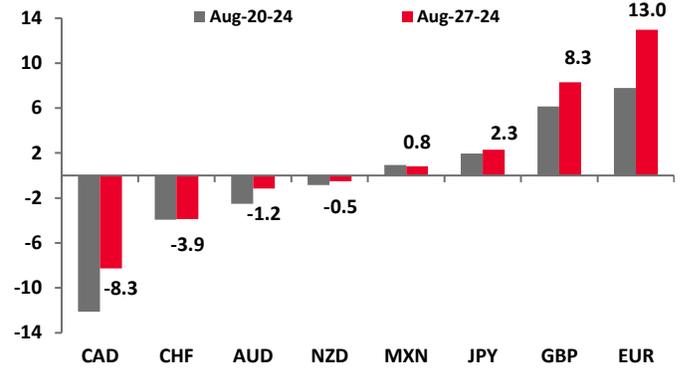
# FX positioning and flows

**IMM positioning in USD/MXN futures**  
Billion dollars, Negative = net long in MXN



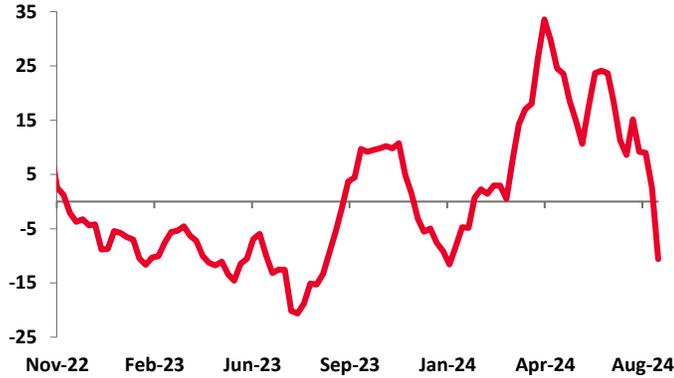
Source: CME, Banorte

**IMM positioning by currency\***  
Billion dollars



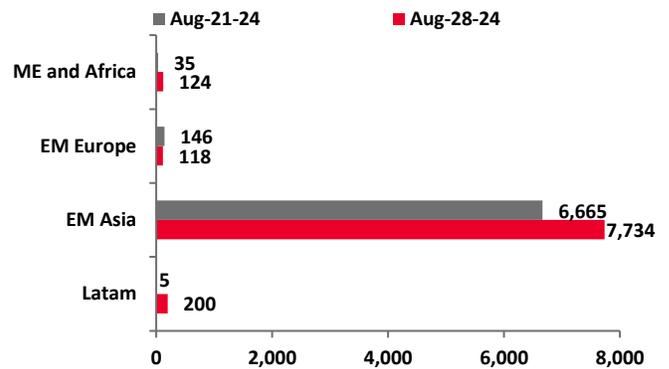
\* Positive: Net long in the corresponding currency  
Source: CME, Banorte

**IMM positioning in USD futures\***  
Billion dollars, Positive = net long in USD



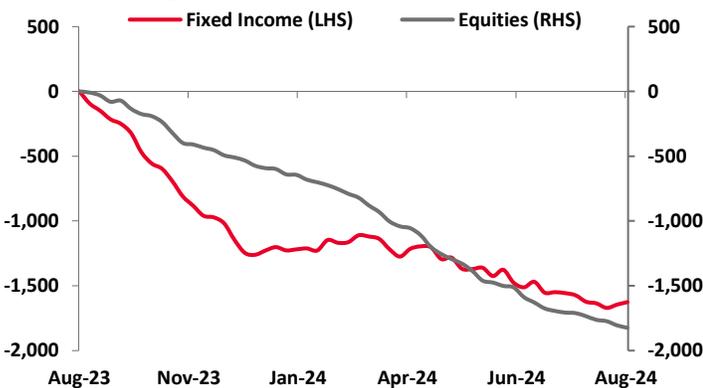
\*Respect to EUR, AUD, GBP, NZD, MXN, CAD, JPY, and CHF  
Source: CME, Banorte

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



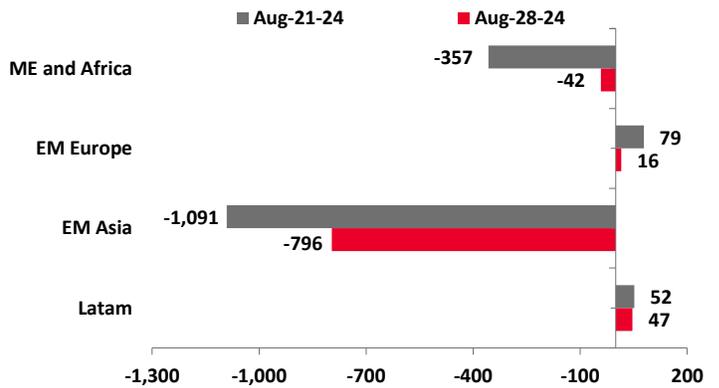
Source: EPFR Global, Banorte

**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

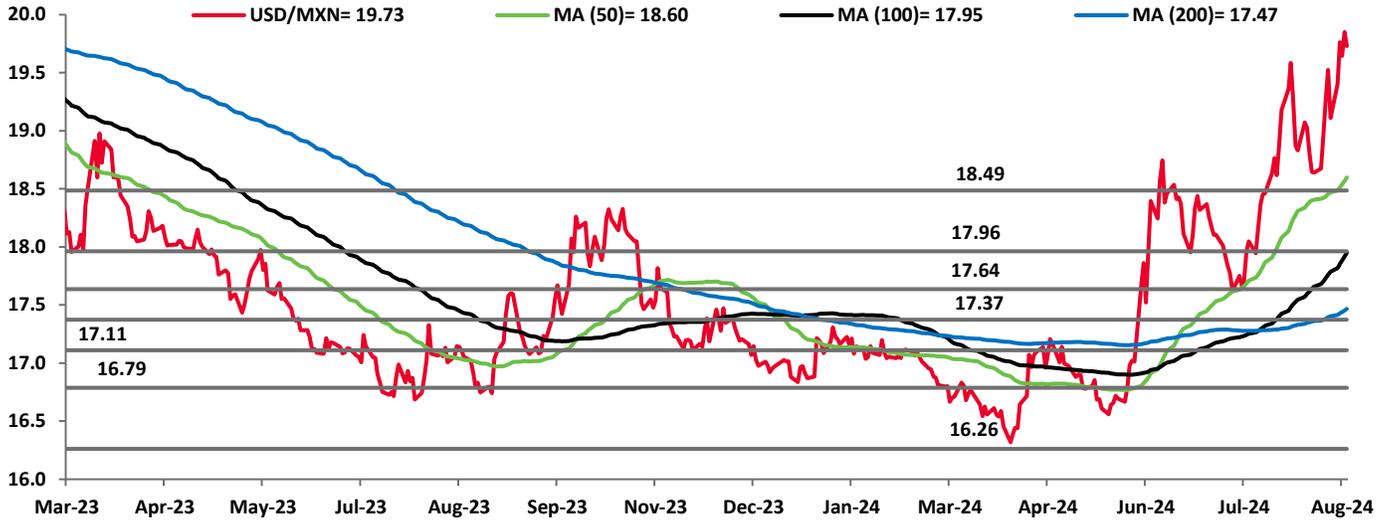


Source: EPFR Global, Banorte

# 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

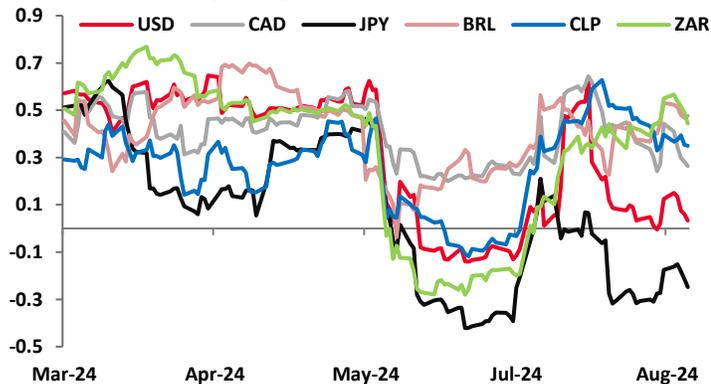
Based on daily percentage changes

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	3	15	-14	65	31
CAD	27	41	20	64	40
JPY	-25	-16	-42	62	7
BRL	48	52	-4	70	41
CLP	35	37	-12	63	27
ZAR	44	57	-28	77	34
VIX	38	47	-12	58	31
SPX	55	58	-12	60	33
GSCI	31	42	-21	45	7
Gold	21	34	-4	58	27

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

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

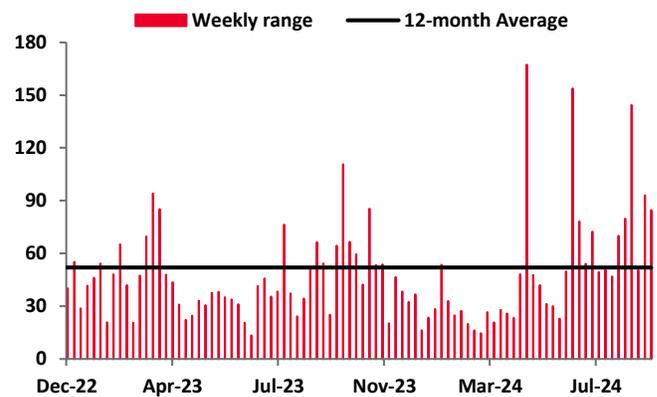
Based on daily percentage changes



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

## USD/MXN – Weekly trading range

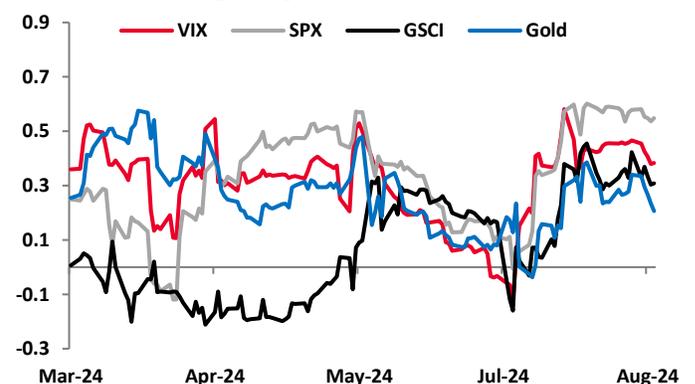
MXN cents with last 12 month average



Source: Bloomberg, Banorte

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

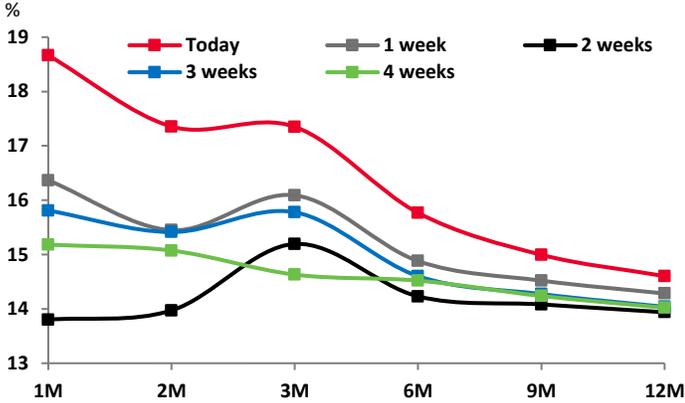
Based on daily percentage changes



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

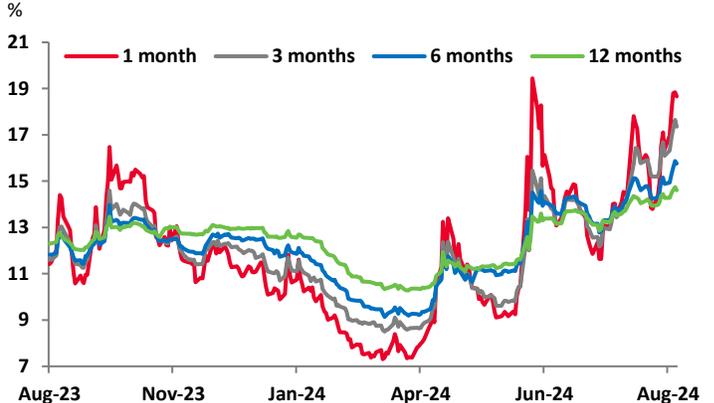
# FX technicals (continued)

USD/MXN – ATM options volatility curve



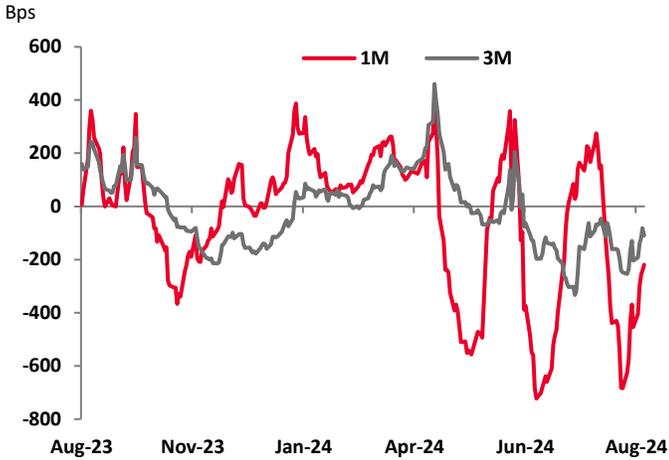
Source: Bloomberg, Banorte

USD/MXN – Implied volatility



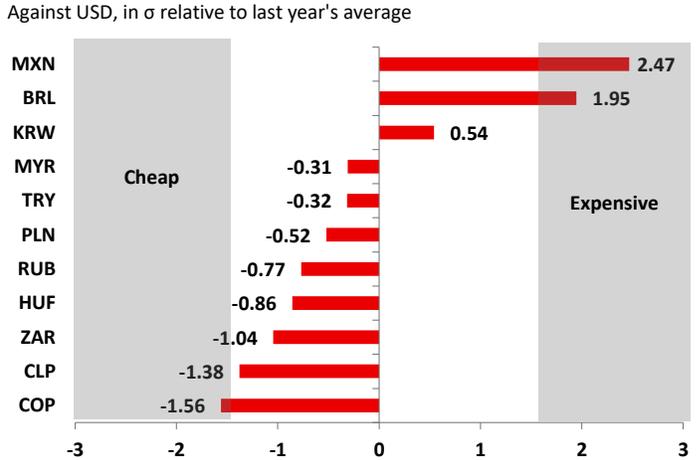
Source: Bloomberg, Banorte

USD/MXN – Spread between implicit and historical volatility



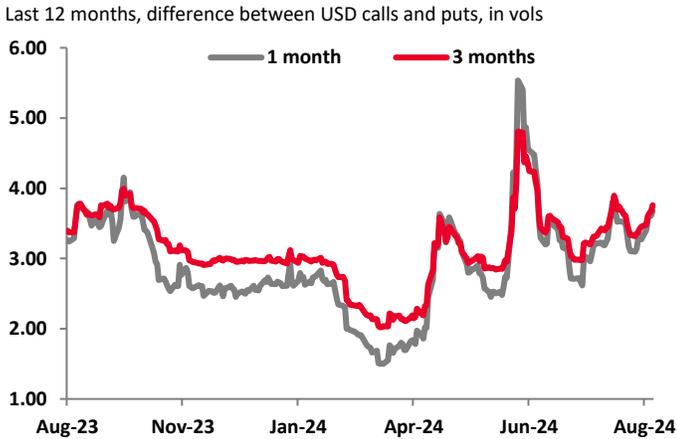
Source: Bloomberg, Banorte

Emerging markets 1-month ATM options volatility



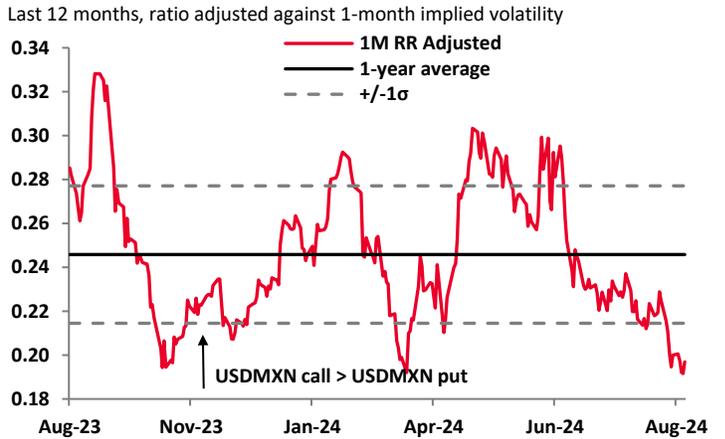
Source: Bloomberg, Banorte

USD/MXN – 25D risk reversals



Source: Bloomberg, Banorte

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



Source: Bloomberg, Banorte

# Weekly economic calendar

For the week ending September 8<sup>th</sup>, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous	
		US	Markets closed for Labor Day						
Mon 2	03:55	GER	Manufacturing PMI*	Aug (F)	index	--	42.1	42.1	
	04:00	EZ	Manufacturing PMI*	Aug (F)	index	--	45.6	45.6	
	04:30	UK	Manufacturing PMI*	Aug (F)	index	--	52.5	52.5	
	09:00	BZ	Manufacturing PMI*	Aug	index	--	--	54.0	
	11:00	MX	Family remittances	Jul	US\$bn	5,927.2	5,927.2	6,213.2	
	11:00	MX	Survey of expectations (Banxico)						
	14:00	MX	Manufacturing PMI (IMEF)*	Aug	index	<u>47.6</u>	--	47.1	
	14:00	MX	Non-manufacturing PMI (IMEF)*	Aug	index	<u>50.4</u>	--	50.9	
Tue 3	08:00	BZ	Gross domestic product*	2Q24	% q/q	--	0.9	0.8	
	08:00	MX	Unemployment rate	Jul	%	3.09	3:00	2.78	
	08:00	MX	Gross fixed investment	Jun	% y/y	-1.2	-0.8	6.0	
	08:00	MX	Gross fixed investment*	Jun	% m/m	-1.0	0.0	0.7	
	08:00	MX	Private consumption	Jun	% y/y	-0.8	1.2	2.6	
	08:00	MX	Private consumption*	Jun	% m/m	-0.8	--	-0.4	
	09:45	US	Manufacturing PMI*	Aug (F)	index	48.0	48.1	48.0	
	10:00	US	ISM manufacturing*	Aug	index	46.8	48.0	46.8	
	11:00	MX	International reserves	Aug 30	US\$bn	--	--	224.7	
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 30-year Mbono (Jul'53), 10-year Udibono (Aug'34) and 2-, and 5-year Bondes F						
	18:00	CL	Monetary policy decision (BCCh)	Sep 3	%	--	5.50	5.75	
	21:45	CHI	Services PMI (Caixin)*	Aug	index	--	52.1	52.1	
	21:45	CHI	Composite PMI (Caixin)*	Aug	index	--	--	51.2	
	Wed 4	03:55	GER	Services PMI*	Aug (F)	index	--	51.4	51.4
		03:55	GER	Composite PMI*	Aug (F)	index	--	48.5	48.5
04:00		EZ	Services PMI*	Aug (F)	index	--	53.3	53.3	
04:00		EZ	Composite PMI*	Aug (F)	index	--	51.2	51.2	
04:30		UK	Services PMI*	Aug (F)	index	--	53.3	53.3	
08:00		BZ	Industrial production	Jul	% y/y	--	6.5	3.2	
08:00		BZ	Industrial production*	Jul	% m/m	--	-0.9	4.1	
08:30		US	Trade balance*	Jul	US\$bn	--	-78.9	-73.1	
08:00		US	JOLTS Job Openings	Jul	thousands	--	8,100	8,184	
08:00		US	Factory orders*	Jul	% m/m	--	4.7	-3.3	
08:00		US	Ex transportation*	Jul	% m/m	--	--	0.1	
08:00		US	Durable goods orders*	Jul (F)	% m/m	--	--	9.9	
08:00		US	Ex transportation*	Jul (F)	% m/m	--	--	-0.2	
14:00		US	Beige Book						
			US	Total vehicle sales**	Aug	millions	--	15.4	15.8
Thu 5	05:00	EZ	Retail sales*	Jul	% m/m	--	0.2	-0.3	
	08:15	US	ADP employment*	Aug	thousands	120	138	122	
	08:30	US	Initial jobless claims*	Aug 31	thousands	230	228	231	
	09:45	US	Services PMI*	Aug (F)	index	--	--	55.2	
	09:45	US	Composite PMI*	Aug (F)	index	--	--	54.1	
	10:00	US	ISM services*	Aug	index	--	50.9	51.4	
	16:30	MX	Citibanamex Survey of Economists						
Fri 6	02:00	GER	Industrial production*	Jul	% m/m	--	-0.4	1.4	
	02:00	GER	Trade balance	Jul	EURbn	--	20.8	20.4	
	05:00	EZ	Gross domestic product	2Q24 (F)	% y/y	--	0.6	0.6	
	05:00	EZ	Gross domestic product*	2Q24 (F)	% q/q	--	0.3	0.3	
	08:30	US	Nonfarm payrolls*	Aug	thousands	170	160	114	
	08:30	US	Unemployment Rate*	Aug	%	4.2	4.2	4.3	
08:45	US	Fed's Williams Gives Keynote Remarks							
11:00	US	Fed's Waller Gives Speech on Economic Outlook							
Sun 8	19:50	JN	Gross domestic product*	2Q24 (F)	% q/q	--	--	0.8	
	21:30	CHI	Consumer prices	Aug	% y/y	--	--	0.5	

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 TIE-IRS steepener		Jul-11-24		
Tactical longs in Udibono Nov'35	P	Jul-5-24	Aug-02-24	
Tactical longs in Udibono Dec'26	P	Feb-16-24	Mar-08-24	
Pay 1-year TIE-IRS (13x1)	P	Jan-12-24	Jan-19-24	
2y10y TIE-IRS steepener	L	Oct-13-23	Feb-23-24	
Long positions in Mbono Dec'24	P	Jun-16-23	Jun-22-23	
Pay TIE-IRS (26x1), receive 2-year SOFR	L	Aug-18-22	Oct-28-22	
Pay 2-year TIE-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 TIE-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 TIE-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-linked 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-linked 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-linked 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 TIIIE-IRS steepener	28bps	43bps	18bps	31bps	P <sup>2</sup>	Feb-15-17	Mar-15-17	
5y10y TIIIE-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 TIIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% <sup>1</sup>	P	Nov-12-15	Feb-8-16	
Long spread 10-year TIIIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15	
Receive 9-month TIIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15	
Spread TIIIE 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 TIIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15	
Pay 9-month TIIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15	
Pay 5-year TIIIE-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 TIIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14	
Receive 1-year TIIIE-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 TIIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13	
Receive 1-year TIIIE-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 TIIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13	
Spread TIIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13	
Receive 1-year TIIIE-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 TIIIE-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 TIIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13	
Receive TIIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13	
Spread TIIIE-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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	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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