Fixed-Income and FX Weekly

Market outlook

- **Positive performance in local assets.** Last week, the Mbonos' curve flattened with losses of up to 10bps at the short-end, while the 10-year benchmark closed at 8.85% (-2bps w/w). The USD/MXN ended at 18.05, printing an appreciation of 2.2% w/w

- **Focus on the US employment report and inflation in Mexico.** Last week, investors showed less concern about the US banking crisis, which resulted in a positive performance of riskier assets. However, the debate continues whether it will impact the economy and influence monetary policy. In the local market, Banxico raised the benchmark rate 25bps to 11.25%, acknowledging the volatility due to the international financial situation and giving itself flexibility on what it could decide at its next meeting. Considering the changes in the communiqué, we expect a terminal rate of 11.50% (previously 11.75%). Over the weekend, OPEC+ surprised with little more than 1 million barrels per day cut starting in May. This week, the markets' attention will be on economic data, particularly non-farm payrolls which could show a still strong labor market. However, we expect lower liquidity due to the Easter holiday in some countries. Also, the central banks of Israel, Australia, Chile, New Zealand, Poland, and India will publish their decision. Investors will be attentive to Fed members' speeches, the NATO foreign ministers' meeting, and French President Emmanuel Macron's visit to China to ask Beijing for help to end the conflict between Russia and Ukraine. In the US economic agenda, in addition to employment figures, we will see trade balance, factory orders and ISM services. In Germany, industrial production will be released (Feb), in Brazil the manufacturing PMI (Mar) and in China the Caixin services PMI (Mar). Mexico will report gross fixed investment and private consumption (Jan), as well as inflation and consumer confidence (Mar)

Fixed-Income

- **Supply** – Today, the MoF auctioned 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (May'33), the 20-year Udibono (Nov'35), as well as Bondes F

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.406 trillion (US$ 74.3 billion), a market share equal to 36.7%, as of March 22nd. Short positions in Mbono May'33 ended at MXN 4.0 billion from previous MXN 2.4 billion

- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 538bps from 549bps from the previous week, with the 12M mean at 566bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of March 28th) printed a lower net long of US$ 1.35 billion from US$ 1.38 billion a week ago. Mutual funds' flows to EM marked lower outflows of US$ 916 million from US$ 1.6 billion

- **Technicals** – The spot temporarily breached the technical floor of 18.00, gaining 8.1% year-to-date. The MXN 1-month volatility moved back to 11.5% from 17.8% at mid-month

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Recommendations

Fixed-Income
- Investors will continue to evaluate whether Banxico will raise the benchmark rate for the last time in May (+25bps) before ending the hiking cycle that started in June 2021 with a rate of 4.00%. As for the Fed, the market view points to the need for a cut of -76bps during 2H23. In our view, these cuts will not materialize so going forward we expect a yield curve more inverted
- Finally, we expect that the 10-year Mbono to trade between 8.75% and 8.95% this week

FX
- The FX market will continue to pay close attention to the release of economic data, particularly the U.S. employment report due to its importance for the Fed. In addition, attention will be paid to the decisions of several central banks as they continue to weigh the impact of the US banking crisis on the economy
- The MXN will be influenced by the March inflation reading. A better-than-expected reading could limit further appreciation as the market will continue to debate Banxico's next move

Due to holidays, next release on April 17th, 2023

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 03/31/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.39	+5	+57
Sep'24	10.73	+1	+64
Dec'24	10.41	+10	+54
Mar'25	10.34	+0	+41
Mar'26	9.56	-4	+32
Mar'27	9.11	-8	-8
Jun'27	8.94	-9	-15
May'29	8.82	-5	-26
May'31	8.81	-5	-21
May'33	8.85	-2	-17
Nov'34	8.80	-2	-25
Nov'36	8.80	-3	-25
Nov'38	8.99	-8	-10
Nov'42	9.09	-7	-2
Nov'47	9.09	-8	+2
Jul'53	9.07	-11	+1

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 03/31/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.57	+4	+67
6-month (6x1)	11.59	+3	+55
9-month (9x1)	11.53	-1	+46
1-year (13x1)	11.33	+7	+42
2-year (26x1)	10.02	+7	+15
3-year (39x1)	9.19	+8	+1
4-year (52x1)	8.76	+4	-15
5-year (65x1)	8.55	+2	-26
7-year (91x1)	8.42	-1	-33
10-year (130x1)	8.38	-2	-36
20-year (260x1)	8.49	-2	-37

Source: Bloomberg

Udibonos performance

Maturity date	YTM 03/31/2023	Weekly change (bps)	YTD (bps)
Nov'23	7.96	+24	+187
Dec'25	5.50	+1	+74
Dec'26	5.15	-8	+48
Nov'28	4.35	-20	+4
Nov'31	4.20	-17	+2
Nov'35	4.26	-13	+4
Nov'40	4.24	-17	+5
Nov'46	4.23	-14	+5
Nov'50	4.24	-16	+0

Source: PiP

Cetes performance

Maturity date	YTM 03/31/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.31	+8	+122
Cetes 91	11.50	-3	+84
Cetes 182	11.73	+7	+86
Cetes 364	11.67	0	+70
Cetes 728	10.99	-5	+18

Source: PiP

Mbonos curve at different closing dates
%
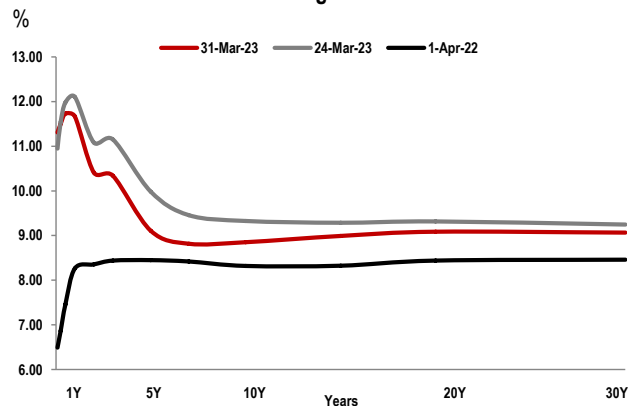
Source: PiP, Banorte

10-year Mbono benchmark
%



Source: PiP

Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

Term	UMS				UST			Spreads			CDS
	Maturity date	YTM 03/31/2023	Weekly change (bps)	YTD (bps)	YTM 03/31/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.47	+11	0	4.03	+26	-40	45	-15	38	48
3Y	May'26	4.66	+17	-14	3.79	+21	-44	87	-4	71	69
5Y	Feb'28	4.67	-2	-12	3.57	+17	-43	109	-18	103	120
7Y	Apr'30	4.99	-5	-34	3.53	+13	-43	146	-18	152	162
10Y	May'33	5.41	-6	-15	3.47	+9	-41	194	-15	182	197
20Y	Mar'44	6.00	-9	-38	3.79	+2	-35	220	-12	235	--
30Y	Feb'52	5.99	-10	-40	3.65	+1	-31	234	-11	263	--

Source: Bloomberg

5Y USD UMS
%
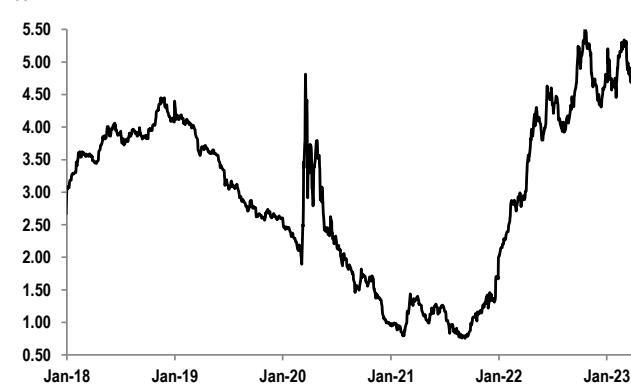
Source: Bloomberg
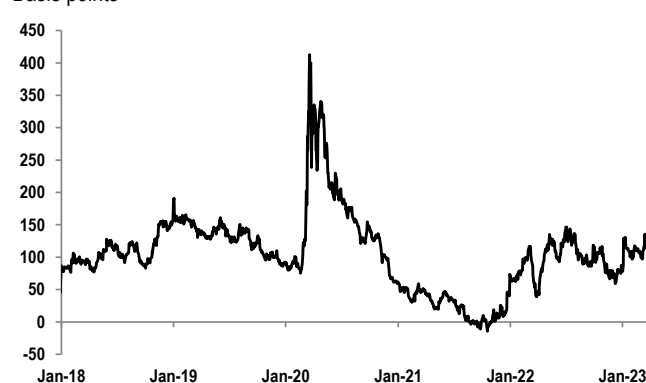
10Y USD UMS
%

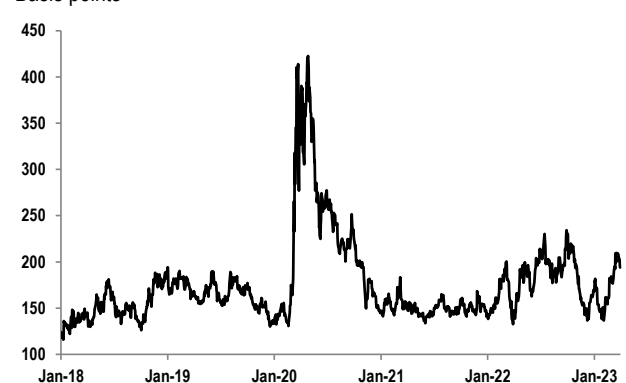Source: Bloomberg

5Y UMS-UST Spread
Basis points

Source: Bloomberg

10Y UMS-UST Spread
Basis points

Source: Bloomberg

Fixed-Income supply

- **Mexico's weekly auction.** Today, the MoF auctioned 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (May'33), the 20-year Udibono (Nov'35), as well as 2- and 5-year Bondes F. It is worth nothing that the MoF published the government securities auction calendar for 2Q23 on Friday, highlighting a decrease in the average amounts of most Mbonos and Udibonos

- **Government auction results.** For details on today's transaction, please refer to: *"Weekly government auction results"*, published earlier

Auction specifics (April 3, 2023)

	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	4-May-23	--	15,000	11.34
3m	6-Jul-23	--	15,500	11.61
6m	5-Oct-23	--	13,000	11.78
12m	4-Apr-24	--	8,000	11.66
Bondes F				
2y	13-Mar-25	--	4,500	0.19
5y	14-Oct-27	--	1,000	0.27
Mbono				
10y	26-May-33	7.50	16,000	9.38
Udibono				
20y	22-Nov-35	4.50	UDIS 600	4.33

Source: Banorte with data from Banco de Mexico
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

2Q23 Auction Calendar*

| Date	Cetes	Mbonos	Udibonos	Bondes F
3-Apr	1, 3, 6, and 12M	10-year (May'33)	20-year (Nov'35)	2-, and 5-year
11-Apr	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year
18-Apr	1, 3, 6, and 12M	20-year (Nov'42)	30-year (Nov'50)	2-, 5-, and 10-year
25-Apr	1, 3, 6, and 24M	3-year (Mar'25)	3-year (Dec'26)	1-, and 3-year
2-May	1, 3, 6, and 12M	30-year (Jul'53)	20-year (Nov'35)	2-, and 5-year
9-May	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year
16-May	1, 3, 6, and 12M	10-year (May'33)	30-year (Nov'50)	2-, 5-, and 10-year
23-May	1, 3, 6, and 24M	3-year (Mar'25)	3-year (Dec'26)	1-, and 3-year
30-May	1, 3, 6, and 12M	20-year (Nov'42)	20-year (Nov'35)	2-, and 5-year
6-Jun	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year
13-Jun	1, 3, 6, and 12M	30-year (Jul'53)	3-year (Dec'26)	2-, 5-, and 10-year
20-Jun	1, 3, 6, and 24M	3-year (Mar'25)	30-year (Nov'50)	1-, and 3-year
27-Jun	1, 3, 6, and 12M	10-year (May'33)	20-year (Nov'35)	2-, and 5-year

Source: 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
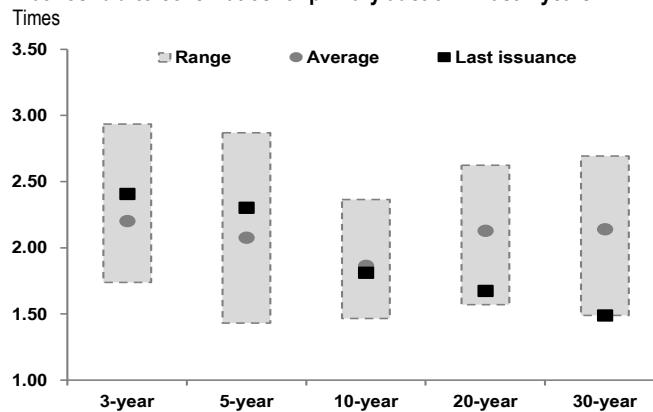
Source: Banxico, Banorte

Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times
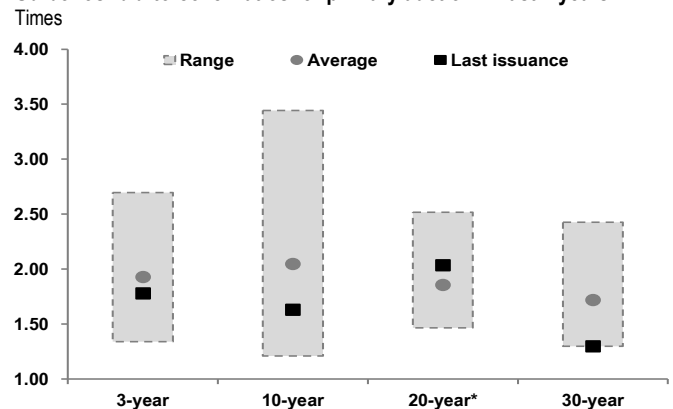
Source: Banxico, Banorte *The 20-year maturity was reopened in April 2021
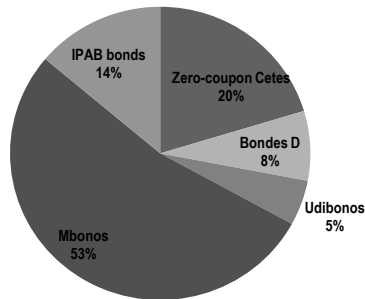
Fixed-Income demand

Cetes held by foreigners
MXN billion, %

Source: Banxico

Government issuance by type of instrument
Total amount of US$ 381 billion, % of total

Source: Banxico

Mbonos held by foreigners
MXN trillion, %

Source: Banxico

Mbonos holdings by type of investor
Total amount of US$ 203 billion, % of total

Source: Banxico

Government bond holdings by type of investor
US$ billion and %, data as of 03/22/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	78	12%	13%	19%	5%	12%	40%
Floating-rate Bondes D	29	0%	5%	35%	2%	21%	38%
Real-rate Udibonos	147	5%	53%	3%	20%	1%	18%
Fixed-rate Mbonos	203	37%	23%	3%	3%	15%	20%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

	03/22/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	9.0	8.6	0.5	7.4	1.6
Floating-rate Bondes D	0.1	0.1	-0.1	1.8	-1.7
Real-rate Udibonos	6.7	0.9	5.8	0.9	5.8
Fixed-rate Mbonos	74.3	74.4	-0.1	73.9	0.4

Source: Banorte with data from Banxico

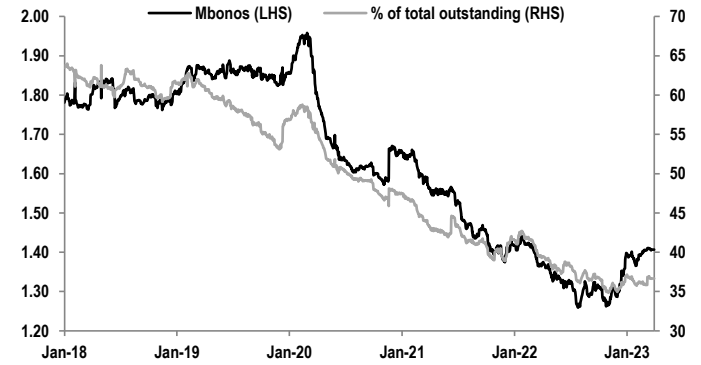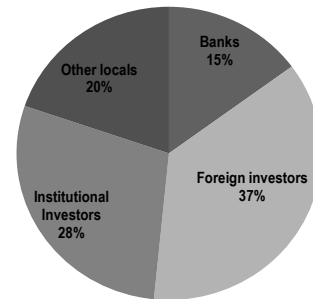### Foreign investors holdings of government bonds
Percentage of total amount outstanding

	03/22/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	11.7%	11.4%	0.2%	12.4%	-0.8%
Floating-rate Bondes D	0.2%	0.4%	-0.3%	4.4%	-4.2%
Real-rate Udibonos	4.5%	4.7%	-0.1%	5.0%	-0.5%
Fixed-rate Mbonos	36.7%	36.9%	-0.2%	37.1%	-0.4%

Source: Banorte with data from Banxico

Mbonos holdings by type of investor
US$ billion and %, data as of 03/16/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.4	29%	13%	15%	43%
Sep'24	17.2	30%	22%	11%	37%
Dec'24	13.2	32%	29%	8%	31%
Mar'25	10.3	34%	26%	17%	24%
Mar'26	24.8	28%	29%	18%	25%
Mar'27	12.3	34%	31%	13%	21%
Jun'27	19.4	12%	46%	26%	16%
May'29	15.0	5%	54%	21%	21%
May'31	23.7	4%	52%	30%	15%
May'33	6.0	7%	30%	45%	19%
Nov'34	4.9	1%	49%	37%	13%
Nov'36	3.9	0%	31%	39%	30%
Nov'38	11.9	2%	44%	40%	14%
Nov'42	15.1	1%	46%	38%	15%
Nov'47	14.2	0%	36%	45%	19%
Jul'53	5.7	2%	30%	53%	14%
Total	203.1	15%	37%	26%	22%

Source: Banxico

Fixed-Income demand – Primary dealers
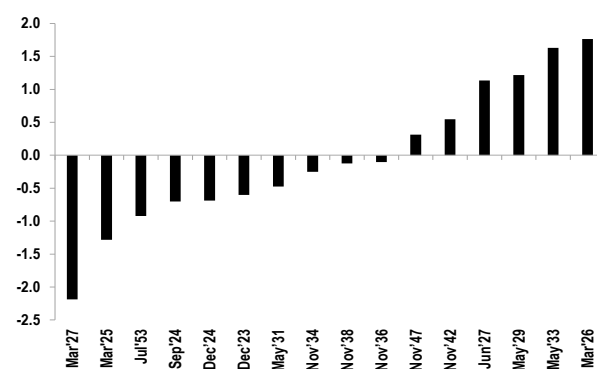
Market makers' short positions on Mbonos
MXN billion
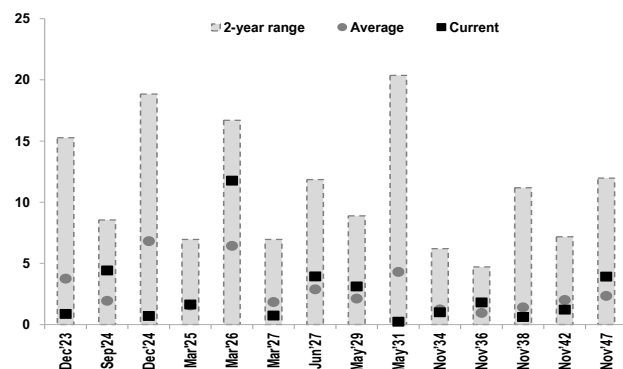
Source: Banxico *Mar'25 issued in Dec'21

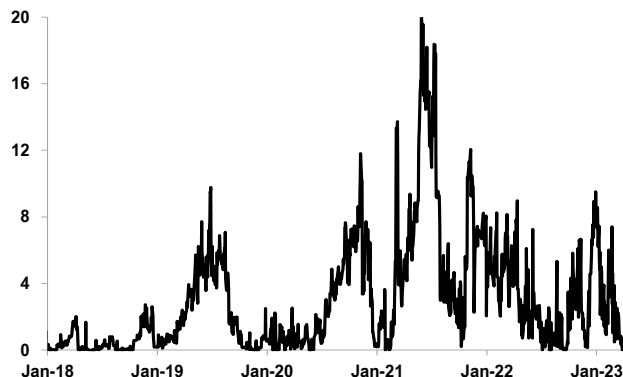**Weekly change in market makers' short positions on Mbonos**
MXN billion

Source: Banxico

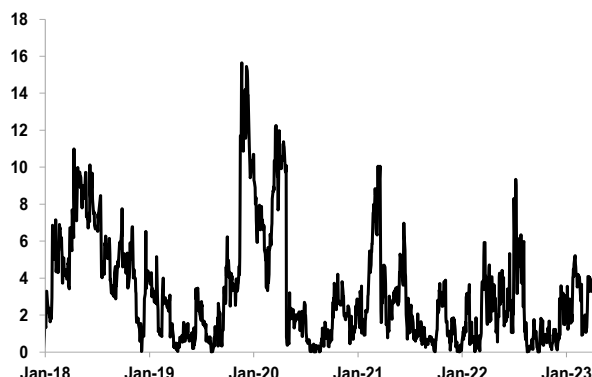**Market makers' short positions on Mbono May'31**
MXN billion

Source: Banxico

Market makers' short positions on Mbono Nov'47
MXN billion

Source: Banxico

Market makers' short position on Mbonos
US$ million

Maturity Date	Total amount outstanding as of 03/31/2023	03/31/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	11,580	49	82	248	49	398	0
Sep'24	17,722	245	284	54	343	305	2
Dec'24	13,513	39	77	424	299	438	23
Mar'25	11,583	92	163	79	214	327	0
Mar'26	25,312	652	554	437	163	848	133
Mar'27	12,458	42	163	191	212	386	0
Jun'27	19,713	219	156	56	307	657	16
May'29	15,210	173	105	135	69	345	0
May'31	24,051	13	39	26	217	527	0
May-33	6,218	223	133	32	0	256	0
Nov'34	4,940	56	70	35	138	161	23
Nov'36	3,992	101	106	37	133	217	0
Nov'38	12,070	35	42	95	261	135	0
Nov'42	15,466	68	38	139	54	323	0
Nov'47	14,445	217	200	96	254	289	6
Jul'53	6,317	18	69	114	0	699	0
Total	**214,589**	**2,223**	**2,212**	**2,085**	**2,711**		

Source: Banxico

Fixed-Income technicals

- **The carry at the shortest-end increased**. Spreads between Cetes and imp. forward rates stood at: 1-month at +24bps from -24bps, 3-month at -55bps from -54bps, 6-month at -64bps from -84bps, and 1-year at -63bps from -73bps

- **The market sees the end of the hiking cycle very near in both the US and Mexico.** Amid more calm in financial markets and inflation levels still above their objectives, investors continue to assess the next moves by central banks. The expectations drawn from fixed-income securities show a 56% probability that the Federal Reserve will hike its rate for the last time to 5.00%-5.25% (+25bps). While for Banxico, the probability of an additional hike is 68%, reaching a terminal rate of 11.50% (+25bps). Those scenarios vs a pause in the tightening cycle
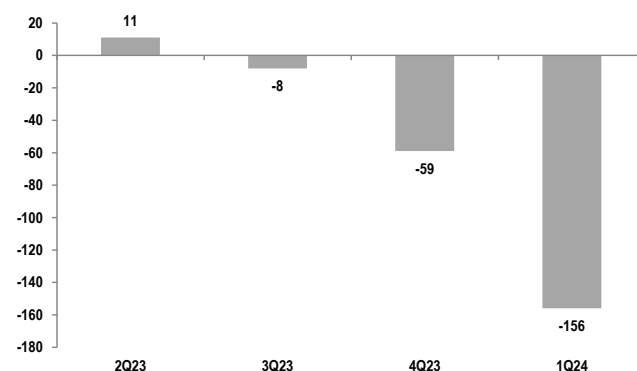
Spread between Cetes and Implied Forward Rates

Basis Points

Tenor	Actual 03/31/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	24	-24	9	13	142	-134
3 months	-55	-54	-21	-49	27	-109
6 months	-64	-84	-42	-80	-10	-121
12 months	-63	-73	-72	-103	-48	-150

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate
Basis points

Source: Banorte with data from Bloomberg

- **Appetite for risk assets was reflected in a lower risk premium.** Markets are assimilating that banking sector risks are contained and have gradually reversed pressures. In this context, the 10-year spread between Mbonos and Treasuries closed on Friday at 538bps vs 549bps the previous week, while the average of the last twelve months remains at 566bps

- **The 3-month correlation between benchmark Mexican and American bonds decreased.** The reading closed Friday at +77% from +78% the previous week
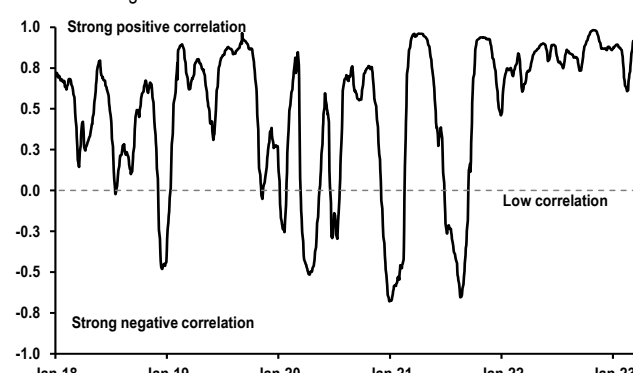
10-year Mbono and 10-year UST spread
Basis points

Source: PiP and Bloomberg

Mexico and U.S. 10-year bonds correlation
3-month moving correlation

Source: Banorte with data from Bloomberg

# Fixed-Income technical (continued)

Selected Spreads

Basis points

Tenor	03/31/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-156	-144 (-12bps)	-172 (+16bps)	-4 (-152bps)	37	-197	-76
Mbono 10s30s	22	31 (-9bps)	-12 (+34bps)	14 (+8bps)	32	-15	8
TIIE-Mbono 2-year	-39	-37 (-2bps)	-28 (-11bps)	29 (-68bps)	44	-70	-14
TIIE-Mbono 10-year	-48	-48 (0bps)	-35 (-13bps)	-9 (-39bps)	1	-67	-32

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months
Basis points
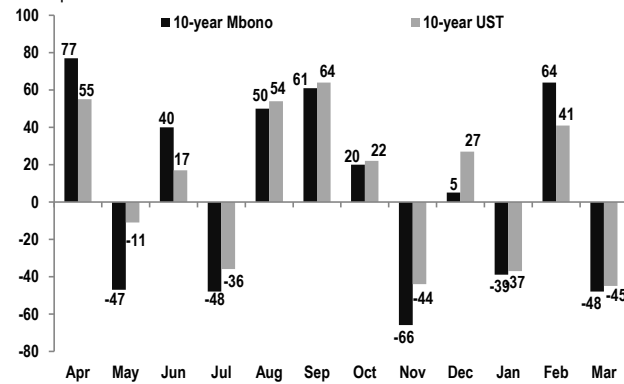
Source: PiP and Bloomberg

2- and 10-year TIIE-IRS and Mbono spreads
Basis points
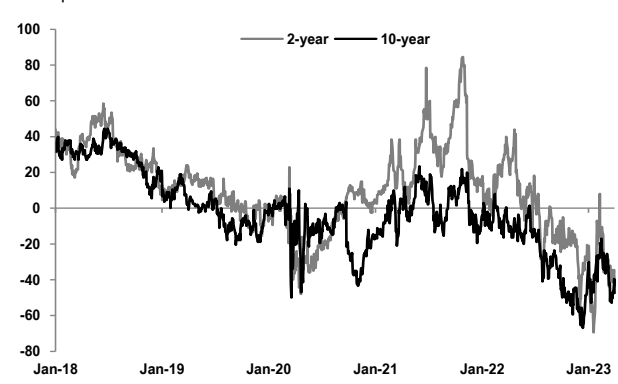
Source: Bloomberg

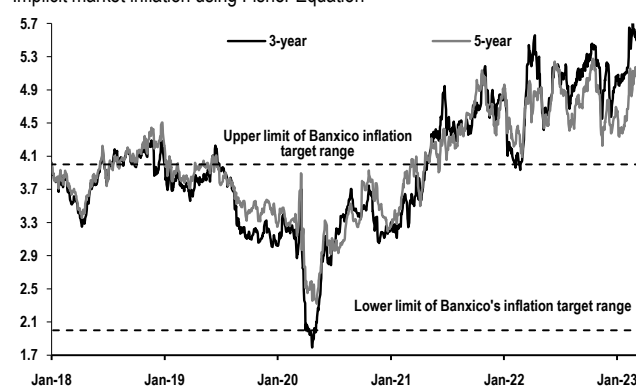**Breakeven inflation using Mbonos & Udibonos**

Implicit market inflation using Fisher Equation (%)

Date	03/31/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.94	4.86 (+8bps)	5.54 (-60bps)	5.23 (-29bps)	5.74	4.41	5.08
5Y	4.56	4.44 (+12bps)	5.11 (-55bps)	4.59 (-3bps)	5.28	4.23	4.76
10Y	4.47	4.32 (+15bps)	4.82 (-35bps)	4.41 (+6bps)	5.16	4.22	4.64
20y	4.63	4.57 (+6bps)	4.78 (-15bps)	4.47 (+16bps)	5.15	4.32	4.74
30Y	4.63	4.58 (+5bps)	4.71 (-8bps)	4.47 (+16bps)	5.18	4.23	4.71

Source: PiP

3- and 5-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation

Source: Banorte with data from PiP

10- and 30-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation

Source: Banorte with data from PiP

Fixed-Income trade recommendations

- **Negative performance in the fixed-income market amid greater calm in the banking sector and risk appetite.** During the last week of March, appetite for risk assets returned to financial markets. As a result, sovereign bonds registered losses, mainly those of shorter maturities, diluting part of the large gains triggered by the financial turmoil. These movements caused yield curves in both the US and Mexico to partially correct the sudden steepening observed in the previous two weeks, generating a more inverted slope. The Treasuries yield curve flattened with pressures of 31bps and 2bps at the extremes. As a result, the spread between the 2- and 10-year securities ended at -56bps from -40bps the previous week after reaching a four-decade low of -109bps at the beginning of the month. Similarly, the Mbonos' curve flattened after adjustments of up to +10bps on the short-end and gains of 9bps on the long-end. The 2s10s spread on Mbonos ended at -156bps from -128bps two weeks earlier. Given a more optimistic outlook for the banking sector, expectations extracted from swaps linked to Fed meetings pointed to a higher probability of an additional 25bps hike in May (56%) vs a pause in the monetary tightening cycle (44%). This would bring the terminal rate for Fed funds to the 5.00%-5.25% range. Importantly, during the financial turmoil, the curve incorporated a view of benchmark rate cuts for the second half of 2023 of up to -106bps around the middle of the month. However, this outlook has been fading to only -60bps.

- In Mexico, Banxico raised the benchmark rate to 11.25% (+25bps), as widely expected. However, the tone of the statement was interpreted by the market as less restrictive, triggering a rally in short-term securities of up to 18bps. In this sense, investors will continue to evaluate whether Banxico will raise the benchmark rate for the last time in May (+25bps) before ending the hiking cycle that started in June 2021 with a rate of 4.00%. As for the Fed, the market view points to the need for a cut in the benchmark rate of -76bps during 2H23 from -102bps at mid-month. In our view these cuts will not materialize so going forward we expect rates to continue to correct this scenario. With this, we anticipate the yield curve to return to being more inverted, largely diluting the steepening triggered by SVB's bankruptcy. The spread between 2- and 30-year Mbonos closed at -135bps after falling to -107bps during the banking crisis, vs. the levels we observed at the beginning of the month of -184bps. The expected movements favor paying short-term TIIE-28 swaps; however, uncertainty on the monetary front limits the attractiveness so we do not recommend directional positions

- For this week, we expect few changes in the financial markets due to the holiday period. However, Udibonos dynamics will be influenced by inflation in the second half of March, which will also be relevant to guide Banxico's next actions. Finally, we expect the 10-year Mbono, May'33, to trade between 8.75% and 8.95%

FX dynamics

- **The Mexican peso was the third strongest among EM.** The MXN extended the previous week's gains, even temporarily breaching the psychological level of 18.00 in Friday's trading. The local currency closed the week at 18.05 per dollar with a 2.2% w/w appreciation

- **The USD weakened again on expectations of a lower terminal rate.** The USD lost ground against the currency universe as the market readjusted its pricing on the Fed's next moves. Meanwhile, G10 and EM currencies ended the week with a positive bias. In the former group, NOK (+2.0%) was the strongest while NZD (-1.1%) was the weakest. In the second, trading was capped by HUF (+4.3%) and ARS (-1.2%)

Foreign Exchange market levels and historical return

		Close at 03/31/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	5.06	0.6	3.6	2.3	4.29
Chile	USD/CLP	795.47	-0.7	1.9	1.9	7.00
Colombia	USD/COP	4,623.09	0.0	2.4	4.5	4.96
Peru	USD/PEN	3.76	-0.1	0.3	0.4	1.14
Hungary	USD/HUF	350.56	-0.6	2.0	-0.2	6.50
Malaysia	USD/MYR	4.42	0.1	0.3	1.3	-0.25
Mexico	**USD/MXN**	**18.05**	**0.3**	**2.2**	**0.4**	**8.06**
Poland	USD/PLN	4.32	-0.7	0.9	1.5	1.35
Russia	USD/RUB	77.72	-0.6	-0.6	-3.4	-4.55
South Africa	USD/ZAR	17.80	0.1	2.0	1.8	-4.26
Developed Markets						
Canada	USD/CAD	1.35	0.1	1.7	0.6	0.3
Great Britain	GBP/USD	1.23	-0.4	0.9	2.6	2.1
Japan	USD/JPY	132.86	-0.1	-1.6	2.5	-1.3
Eurozone	EUR/USD	1.0839	-0.6	0.7	1.6	1.3
Norway	USD/NOK	10.47	-0.8	0.1	-0.9	-6.4
Denmark	USD/DKK	6.87	-0.6	0.8	1.5	1.1
Switzerland	USD/CHF	0.92	-0.2	0.5	2.7	1.0
New Zealand	NZD/USD	0.63	-0.1	0.9	0.0	-1.4
Sweden	USD/SEK	10.40	-0.4	0.2	0.3	0.2
Australia	AUD/USD	0.67	-0.4	0.6	-1.1	-1.9

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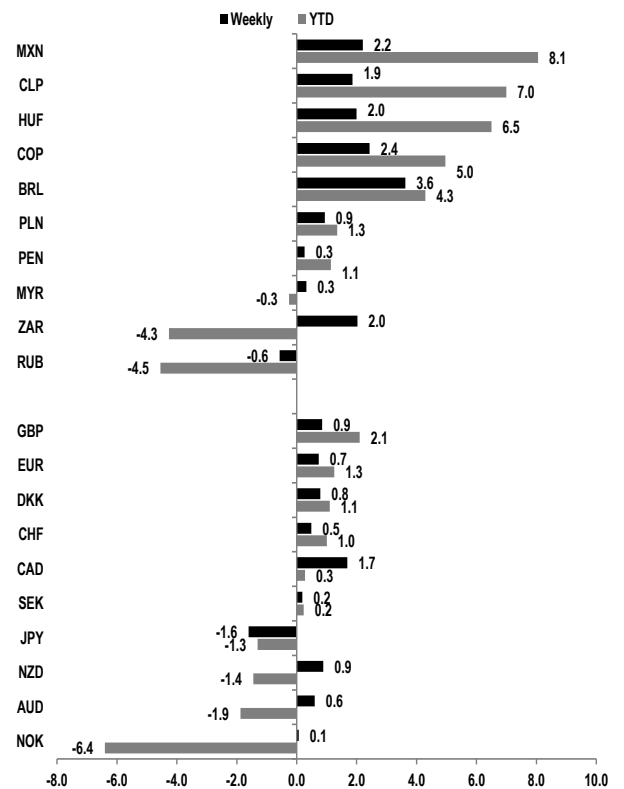Source: Bloomberg

FX performance
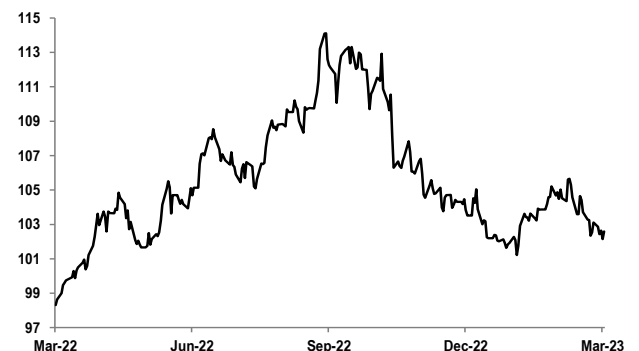Against USD, %

Source: Bloomberg

USD/MXN
Last 12 months

Source: Bloomberg

DXY
Points



Source: Bloomberg, Banorte

FX positioning and flows

- **Three weeks of net long MXN positions were recorded.** As of March 28th, the MXN position marked a lower net long position of US$1.35 billion from US$ 1.39 billion last week. The Mexican peso remains the strongest currency in the EM universe with a YTD gain of 8.1%, temporarily breaching the 18.00 technical floor. If the currency's defensive performance is maintained in a calmer market backdrop, we see room for net long positioning to increase considering that during 2017 and early 2020, it reached levels of up to US$ 4.5 billion

- **In the light of a greater appetite for risk, investors increased short USD positions.** The USD IMM position placed a higher net short of US$ 6.25 billion from US$ 4.56 billion last week. The adjustment was the result of widespread buying, led by JPY. EUR posted a larger net long position supported by an expectation of higher rates

- **Flows in EM and Mexico registered three consecutive weeks with outflows.** Our EPFR aggregate recorded lower negative flows of US$ 916 million from US$ 1.6 billion the previous week. Bonds sales increased 59% to US$ 1.6 billion. While equities flows turn positive to US$ 690 million from outflows of US$ 565 million. In Mexico, negative flows of US$ 66 million were recorded because of sales in bonds of US$ 78 million and purchases in equities of US$ 12 million
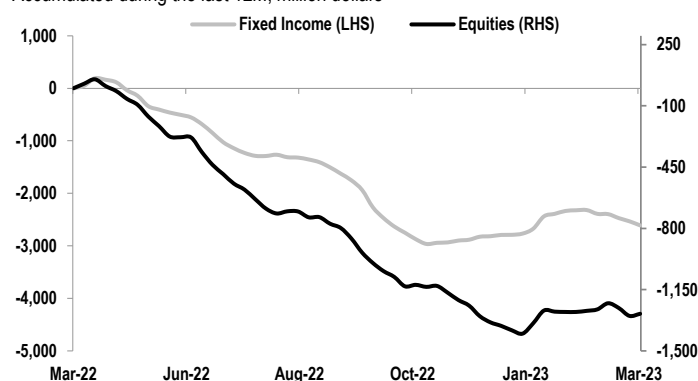
IMM positioning in USD/MXN futures
Billion dollars, Negative = net long in MXN

Source: CME, Banorte

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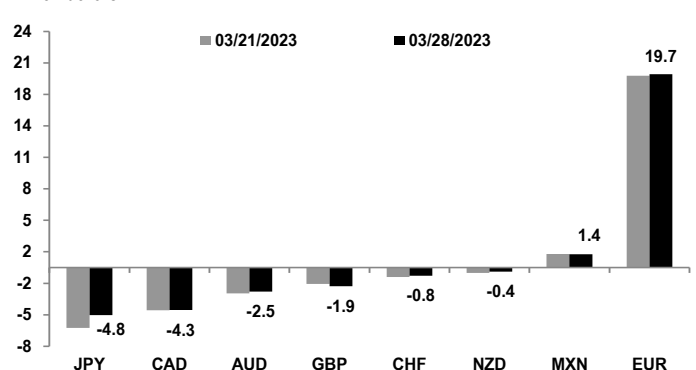Billion dollars
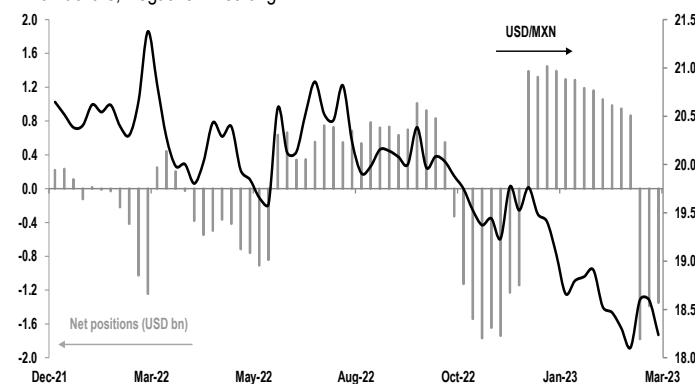
* Positive: Net long in the corresponding currency
Source: CME, Banorte

Foreign portfolio flows into Mexico
Accumulated during the last 12M, million dollars

Source: EPFR Global, Banorte

Net foreign portfolio flows by region*
Weekly, million dollars
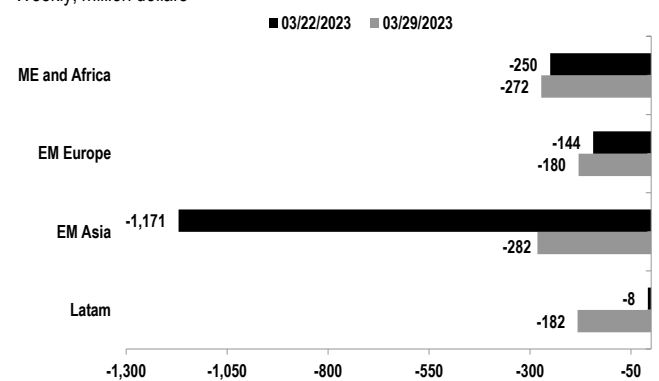
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- **We do not rule out further appreciation in the MXN although it could be limited.** Volatility in the Mexican peso has moderated as concerns about the banking sector have abated. We believe that high real rates continue to be a support for the currency, so we do not rule out a trade below USD/MXN 18.00. We see main short-term resistances at 17.90, 17.80 and 17.68, with supports at 18.20, 18.30 and 18.45. Meanwhile, the weekly trading range marked 48 cents, lower than the average of the last 4 weeks of 74 cents. So far this year, the weekly range registers a maximum of 94 cents, while the minimum range is 21 cents

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	8	16	-7	75	40
CAD	20	19	1	80	45
ZAR	13	19	4	85	46
BRL	58	54	-48	80	36
HUF	63	66	-5	70	39
RUB	-35	-29	-62	54	4

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

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	87	79	8	87	48
SPX	66	62	23	66	46
GSCI	41	38	2	65	35
Gold	-48	-46	-48	81	41

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

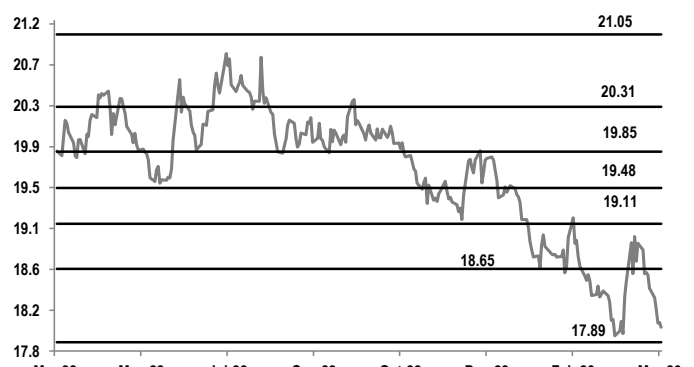**USD/MXN – Moving averages**
Last 120 trading days
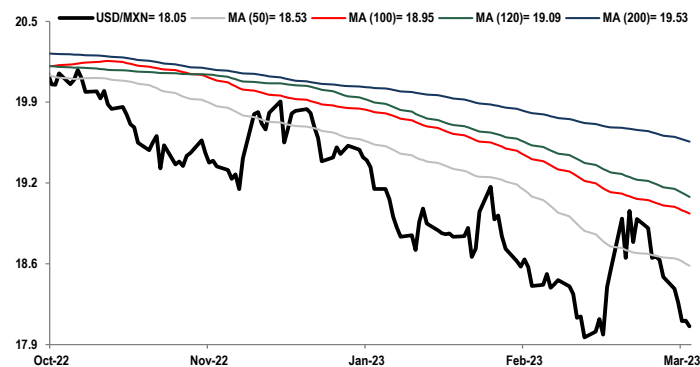
Source: Bloomberg
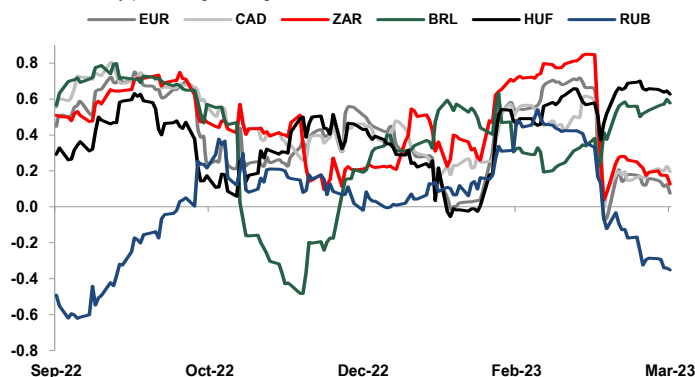
USD/MXN – Fibonacci retracement
Last 12 months

Source: Bloomberg

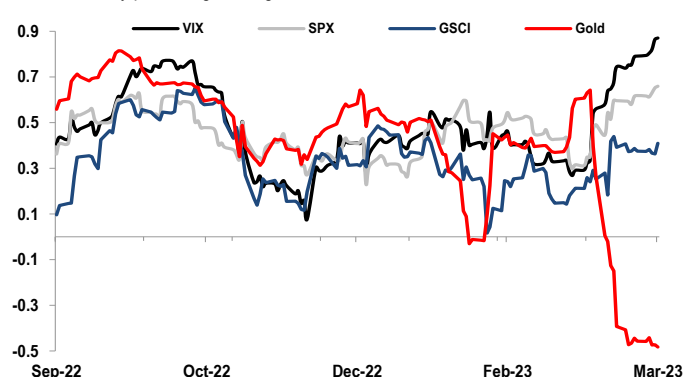**USD/MXN – 1-month correlation with other currencies***
Based on daily percentage changes

* 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)

▪ **Shorter-term volatility continued to decline, reflecting a less uncertain backdrop.** The MXN ATM implied volatility curve recorded a steepening bias as a result of a decrease in the short-end. The 1-month reading decreased significantly to 11.5% from 14.3% the previous week and after reaching two-year highs of 17.8% by mid-month. The 1-month and 3-month risk reversals moderated to 2.78% and 3.22%, respectively from 3.20% and 3.33% in the same order last week
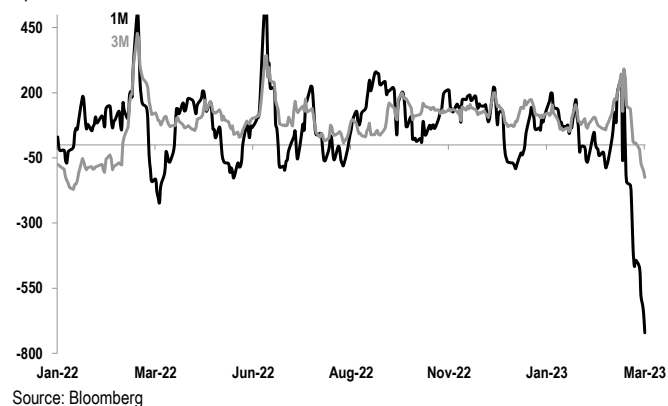
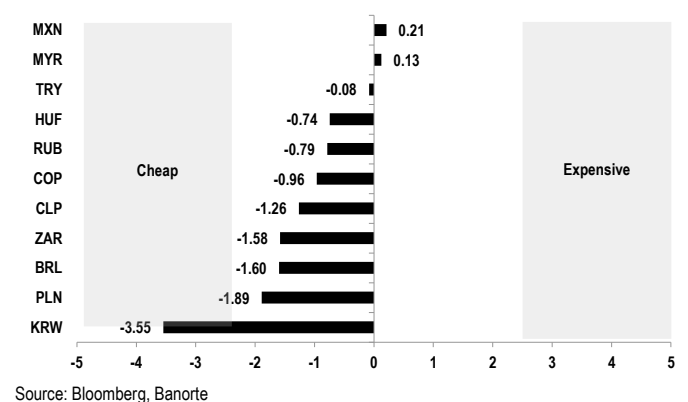**USD/MXN – ATM options volatility curve**
%

Source: Bloomberg
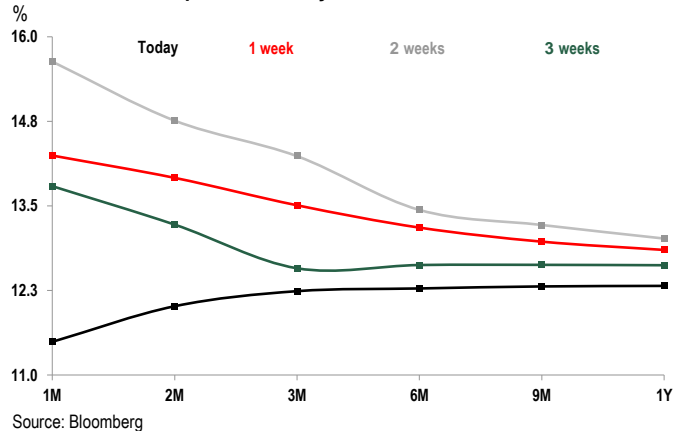
USD/MXN – 1M implied and historical volatility
%

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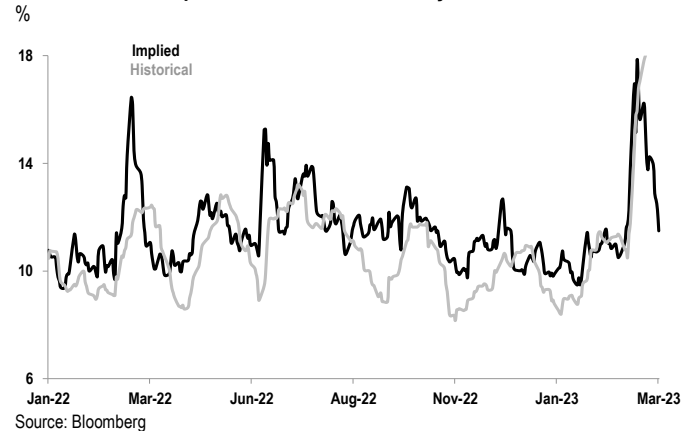
USD/MXN – Spread between implicit and historical volatility
Bps

Source: Bloomberg

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

MXN	0.21
MYR	0.13
TRY	-0.08
HUF	-0.74
RUB	-0.79
COP	-0.96
CLP	-1.26
ZAR	-1.58
BRL	-1.60
PLN	-1.89
KRW	-3.55

Source: Bloomberg, Banorte

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

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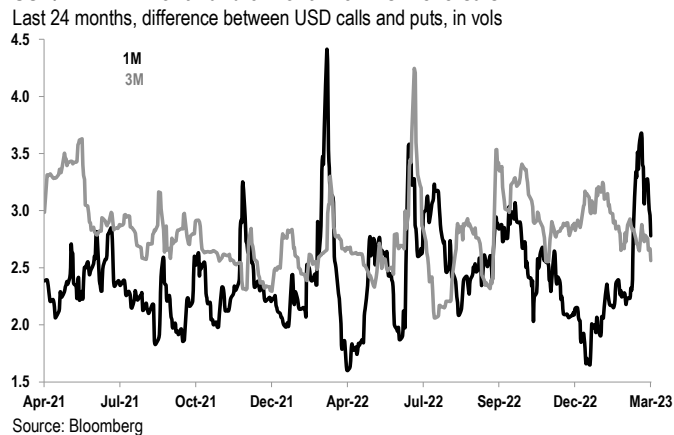
USD/MXN – 1-month 25D volatility-adjusted risk reversal
Last 12 months, ratio adjusted against one-month implied volatility

Source: Bloomberg, Banorte
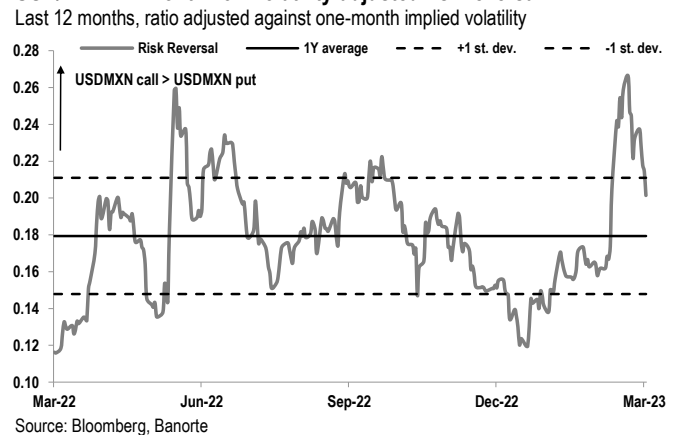
FX trade recommendations

- **The peso extended the previous week's gains, approaching the technical figure of 18.00 per dollar.** The FX market's performance last week reflected an appetite for risk assets as fears about the banking crisis diminished. In this context, the dollar weakened for the second consecutive week and the DXY and BBDXY indices registered losses of 0.5% and 0.6% w/w, respectively. This move supports our view of further short-term losses in the dollar as it trades below the 50-day MA. However, the risk is that the market modifies its expectation of rate cuts for 2H23. Most developed currencies posted positive performance and emerging currencies ended with mixed movements. CAD (+1.7%) led rallies among G10 currencies and JPY (-1.6%) was at the opposite end of the spectrum. Despite the recent moderation in German energy costs, February inflation came in above expectations, supporting a view of higher rates in the Eurozone. In this sense, the EUR (+0.7%) appreciated to 1.0839 per dollar, approaching its February high (1.0990). In emerging markets, trading was capped by BRL (+3.6%) and ARS (-1.5%). Likewise, the Mexican peso showed a moderate reaction to Banxico's monetary policy decision and the less hawkish tone of the statement. In this context, the local currency was the third strongest among emerging markets, closing Friday at 18.05 per dollar, appreciating 2.2% w/w with a trading range of 48 cents. The 3-month implied volatility stood at 12.2% vs. 13.5% of the previous week, although still above the 11.7% of March 8th (SVB collapse). With this price action, the local currency has almost completely reversed the losses accumulated since the beginning of the banking crisis. In our view, the main catalysts for the MXN have been the interest rate and its differential with the Fed, as well as other economic and political fundamentals that denote greater stability versus its peers. Furthermore, we attribute the currency's rapid return to the 18.00 per dollar figure largely to a rebound in volatility-adjusted carry, making it attractive against other Latam currencies

- This week we will be attentive to the March CPI release (Banorte: 0.25% m/m) in which we expect further moderation. We believe that the Mexican peso could enter a short-term consolidation process, around USD/MXN 18.00, and limit further appreciation if inflation turns out lower than expected. A reading in this sense would represent less pressure for Banxico and the market would continue to debate whether or not the central bank will raise the benchmark rate at the May meeting. In addition, we do not rule out profit-taking derived from a long position of more than US$ 1.35 billion that the market has held since March 14th. We estimate a trading range between USD/MXN 17.85 and 18.35

Weekly economic calendar

For the week ending April 7, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sat 1		MX	Deadline for the release of the 2024 Preliminary Policy Criteria					
Sun 2	21:45	CHI	Manufacturing PMI (Caixin)*	Mar	index	--	51.4	51.6
Mon 3	03:55	GER	Manufacturing PMI*	Mar (F)	index	--	44.4	44.4
	04:00	EZ	Manufacturing PMI*	Mar (F)	index	--	47.1	47.1
	04:30	UK	Manufacturing PMI*	Mar (F)	index	--	48.0	48.0
	09:00	BZ	Manufacturing PMI*	Mar	index	--	--	49.2
	09:45	US	Manufacturing PMI*	Mar (F)	index	47.7	47.5	47.7
	10:00	US	ISM manufacturing*	Mar	index	--	49.3	49.3
	11:00	MX	Family remittances	Feb	US$bn	4,502.6	4,365.1	4,406.1
	11:00	MX	Survey of expectations (Banxico)					
	13:30	MX	Government weekly auction: 1-, 3-, 6-, 12- month CETES; 10-year Mbono (May'33); 20-year Udibono (Nov'35) and 2- and 5-year Bondes F					
	14:00	MX	PMI manufacturing (IMEF)*	Mar	index	51.5	--	51.3
	14:00	MX	PMI non-manufacturing (IMEF)*	Mar	index	53.6	--	52.9
	16:15	US	Fed´s Cook discusses the U.S. economic outlook and monetary policy					
		US	Total vehicle sales**	Mar	millions	--	14.7	14.9
		MX	Survey of expectations (Citibanamex)					
Tue 4	02:00	GER	Trade balance	Feb	EURbn	--	16.6	16.0
	10:00	US	Factory orders*	Feb	% m/m	--	-0.5	-1.6
	10:00	US	Ex transportation*	Feb	% m/m	--	--	1.2
	10:00	US	Durable goods orders*	Feb (F)	% m/m	--	--	-1.0
	10:00	US	Ex transportation*	Feb (F)	% m/m	--	--	0.0
	11:00	MX	International reserves	Mar 31	US$mn	--	--	202.5
	13:30	US	Fed´s Cook makes introductory remarks at a Fed conference on exploring careers in economics					
	18:00	CL	Monetary policy decision (BCCh)	Apr 4	%	--	11.25	11.25
	18:15	US	Fed's Mester Speaks in New York					
Wed 5	03:55	GER	Services PMI*	Mar (F)	index	--	53.9	53.9
	03:55	GER	Composite PMI*	Mar (F)	index	--	52.6	52.6
	04:00	EZ	Services PMI*	Mar (F)	index	--	55.6	55.6
	04:00	EZ	Composite PMI*	Mar (F)	index	--	54.1	54.1
	04:30	UK	Services PMI*	Mar (F)	index	--	52.8	52.8
	08:00	MX	Consumer prices	Mar	% m/m	0.25	0.30	0.56
	08:00	MX	Core	Mar	% m/m	0.51	0.50	0.61
	08:00	MX	Consumer prices	Mar	% y/y	6.83	6.90	7.62
	08:00	MX	Core	Mar	% y/y	8.07	8.07	8.29
	08:00	MX	Consumer confidence*	Mar	index	45.1	--	44.8
	08:00	MX	Gross fixed investment	Jan	% y/y	7.4	8.5	9.4
	08:00	MX	Gross fixed investment*	Jan	% m/m	-1.5	--	2.7
	08:00	MX	Private consumption	Jan	% y/y	6.2	--	3.3
	08:00	MX	Private consumption*	Jan	% m/m	1.2	--	1.0
	08:15	US	ADP employment*	Mar	thousands	210	210	242
	08:30	US	Trade balance*	Feb	US$bn	--	-68.5	-68.3
	09:45	US	Services PMI*	Mar (F)	index	--	53.8	53.8
	09:45	US	Composite PMI*	Mar (F)	index	--	53.3	53.3
	10:00	US	Services PMI*	Mar	index	--	54.5	55.1
	21:45	CHI	Services PMI (Caixin)*	Mar	index	--	55.0	55.0
	21:45	CHI	Composite PMI (Caixin)*	Mar	index	--	--	54.2
Thu 6		MX	Markets closed for Holy Thursday					
	02:00	GER	Industrial Production*	Feb	% m/m	--	-0.3	3.5
	08:30	US	Initial jobless claims*	Apr 1	thousands	199	200	198
	10:00	US	Fed's Bullard Discusses the Economic Outlook					
Fri 7		MX	Markets closed for Good Friday					
	08:30	US	Nonfarm payrolls*	Mar	thousands	240	240	311
	08:30	US	Unemployment Rate*	Mar	%	3.6	3.6	3.6

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

BANORTE

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 10	15:00	US	Consumer Credit*	Feb	USDbn	--	18.0	14.8
	21:00	CHI	Consumer Prices	Mar	% y/y	--	--	1.0
		SK	Monetary policy decision (Central bank of South Korea)	Apr 13	%	--	--	3.50
Tue 11	05:00	EZ	Retail sales*	Feb	% m/m	--	--	0.3
	08:00	MX	Industrial production	Feb	% y/y	--	--	2.8
	08:00	MX	Industrial production*	Feb	% m/m	--	--	0.0
	08:00	MX	Manufacturing output	Feb	% y/y	--	--	4.8
	08:00	BZ	Consumer prices	Mar	% m/m	--	--	0.84
	08:00	BZ	Consumer prices	Mar	% y/y	--	--	5.60
	11:00	MX	International reserves	Apr 5	US$mn	--	--	--
	13:30	MX	Government weekly auction: 1-, 3-, 6-, 24- month CETES; 5-year Mbono (Mar'27); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F					
	13:30	US	Chicago Fed's Goolsbee Speaks at Economic Club of Chicago					
	17:30	US	Fed's Kashkari Speaks in Town-Hall Event					
		MX	Wage negotiations	Mar	% y/y	--	--	8.4
Wed 12	08:00	BZ	Retail sales	Jan	% y/y	--	--	0.4
	08:00	BZ	Retail sales*	Jan	% m/m	--	--	-2.6
	08:30	US	Consumer prices*	Mar	% m/m	0.4	0.3	0.4
	08:30	US	Ex. food & energy*	Mar	% m/m	0.4	0.4	0.5
	08:30	US	Consumer prices	Mar	% y/y	5.2	--	6.0
	08:30	US	Ex. food & energy	Mar	% y/y	5.6	5.6	5.5
	14:00	US	FOMC Meeting Minutes					
	23:00	CHI	Trade balance	Mar	USDbn	--	--	77.6
	23:00	CHI	Exports	Mar	% y/y	--	--	-9.9
	23:00	CHI	Imports	Mar	% y/y	--	--	-7.5
Thu 13	02:00	UK	Industrial production*	Feb	% m/m	--	--	-0.3
	02:00	GER	Consumer prices	Mar (F)	% y/y	--	--	7.4
	05:00	EZ	Industrial production*	Feb	% m/m	--	--	0.7
	08:30	US	Initial jobless claims*	Apr 8	thousands	201	--	--
	08:30	US	Producer prices*	Mar	% m/m	--	0.2	-0.1
	08:30	US	Ex. food & energy*	Mar	% m/m	--	0.4	0.0
	11:00	MX	Central Bank Monetary Policy Minutes					
	18:00	PER	Monetary policy decision (BCRP)	Apr 13	%	--	--	7.75
		MX	ANTAD same-store sales	Mar	% y/y	--	--	6.5
Fri 14	08:30	US	Advance retail sales*	Mar	% m/m	0.1	0.2	-0.4
	08:30	US	Ex autos & gas*	Mar	% m/m	--	--	0.0
	08:30	US	Control group*	Mar	% m/m	0.0	--	0.5
	09:15	US	Industrial production*	Mar	% m/m	--	0.3	0.0
	09:15	US	Manufacturing production*	Mar	% m/m	0.1	--	0.1
	10:00	US	U. of Michigan Confidence*	Apr (P)	index	61.0	--	62.0

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

For the week ending March 31, 2023

	Time		Event	Period	Unit	Banorte	**Actual**	Previous
Mon 27	04:00	GER	IFO Survey (business climate)*	Mar	index	--	**93.3**	91.1
	04:00	EZ	Monetary aggregates (M3)*	Feb	% y/y	--	**2.9**	3.5
	08:00	MX	Trade balance	Feb	US$mn	1,520.3	**1,844.4**	-4,125.1
	17:00	US	Fed´s Jefferson discusses monetary policy					
Tue 28	07:00	BZ	COPOM minutes					
	08:30	US	Trade balance*	Feb	US$bn	--	**-91.6**	-91.1 (R)
	09:00	US	S&P/CoreLogic housing prices	Jan	% y/y	--	**2.6**	4.6 (R)
	10:00	US	Fed´s Barr testifies before the Senate Banking Committee					
	10:00	US	Consumer confidence*	Mar	index	99.0	**104.2**	103.4 (R)
	11:00	MX	International reserves	Mar 24	US$bn	--	**202.4**	202.0
	13:30	MX	Government weekly auction: 1-, 3-, 6-, 24- month CETES; 3-year Mbono (Mar'25); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F					
Wed 29	10:00	US	Fed´s Barr testifies before the House Financial Services Committee					
Thu 30	05:00	EZ	Consumer confidence*	Mar (F)	index	--	**-19.2**	-19.2
	05:00	EZ	Economic confidence*	Mar	index	--	**99.3**	99.6 (R)
	07:00	BZ	Central Bank quarterly inflation report					
	08:00	BZ	Industrial production	Jan	% y/y	--	**0.3**	-1.3
	08:00	BZ	Industrial production*	Jan	% m/m	--	**-0.3**	0.0
	08:00	GER	Consumer prices	Mar (P)	% y/y	--	**7.4**	8.7
	08:30	US	Initial jobless claims*	Mar 25	thousands	197	**198**	191
	08:30	US	Gross domestic product**	4Q22	% q/q	2.8	**2.6**	2.7
	08:30	US	Personal consumption**	4Q22	% q/q	1.5	**1.0**	1.4
	12:45	US	Fed's Barkin speaks at Virginia Council of CEOs Event					
	12:45	US	Fed´S Collins speaks at the annual NABE conference in Washington					
	14:00	COL	Monetary policy decision (BanRep)	Mar 30	%	--	**13.00**	12.75
	15:00	MX	Monetary policy decision (Banxico)	Mar 30	%	11.25	**11.25**	11.00
	21:30	CHI	Manufacturing PMI*	Mar	index	--	**51.9**	52.6
	21:30	CHI	Non-manufacturing PMI*	Mar	index	--	**58.2**	56.3
	21:30	CHI	Composite PMI*	Mar	index	--	**57.0**	56.4
	16:30	MX	Public finances (PSBR, year-to-date)	Feb	MXNmn	--	**-101.3**	-17.1 (R)
		SAR	Monetary policy decision (South African Reserve Bank)	Mar 30	%	--	**7.75**	7.25
Fri 31	02:00	UK	Gross domestic product	4Q22 (F)	% y/y	--	**0.1**	0.0
	05:00	EZ	Unemployment rate*	Feb	%	--	**6.6**	6.6
	05:00	EZ	Consumer prices	Mar	% y/y	--	**6.9**	8.5
	05:00	EZ	Core	Mar (P)	% y/y	--	**5.7**	5.6
	08:00	MX	Unemployment rate	Feb	%	3.02	**2.72**	3.00
	08:00	BZ	Unemployment rate	Feb	%	--	**8.6**	8.4
	08:30	US	Personal income*	Feb	% m/m	--	**0.3**	0.6
	08:30	US	Personal spending*	Feb	% m/m	--	**0.2**	2.0
	08:30	US	Real personal spending*	Feb	% m/m	-0.2	**-0.1**	1.5 (R)
	08:30	US	PCE Deflator*	Feb	% m/m	--	**0.3**	0.6
	08:30	US	Core*	Feb	% m/m	--	**0.3**	0.6
	08:30	US	PCE Deflator	Feb	% y/y	--	**5.0**	5.3 (R)
	08:30	US	Core	Feb	% y/y	--	**4.6**	4.7
	10:00	US	U. of Michigan confidence*	Mar (F)	index	62.8	**62.0**	63.4
	11:00	MX	Banking credit	Feb	% y/y	4.7	**5.2**	4.8
	15:00	US	Fed's Williams speaks about monetary policy and the economic outlook					
	16:00	US	Fed´s Waller discusses the Phillips curve					
	15:00	US	Fed's Cook discusses US economy and monetary policy					
Sat 1		MX	Deadline for the release of the 2024 Preliminary Policy Criteria					

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

Recent trade ideas

Trade idea	P/L	Initial date	End date
Pay TIIE-IRS (26x1), receive 2-year SOFR	L	18-Aug-22	28-Oct-22
Pay 2-year TIIE-IRS (26x1)	P	4-Feb-22	4-Mar-22
Tactical longs in Mbono Mar'26	P	14-May-21	7-Jun-21
Receive 6-month TIIE-IRS (6x1)	P	17-Dec-20	3-Mar-21
Long positions in Udibono Nov'23	L	11-Feb-21	26-Feb-21
Long positions in Mbono May'29 & Nov'38	P	7-Sep-20	18-Sep-20
Long positions in Udibono Dec'25	P	23-Jul-20	10-Aug-20
Long positions in Udibono Nov'35	P	22-May-20	12-Jun-20
Long positions in Mbono May'29	P	5-May-20	22-May-20
Tactical longs in 1- & 2-year TIIE-28 IRS	P	20-Mar-20	24-Apr-20
Long positions in Udibono Nov'28	P	31-Jan-20	12-Feb-20
Long positions in Udibono Jun'22	P	9-Jan-20	22-Jan-20
Long positions in Mbono Nov'47	L	25-Oct-19	20-Nov-19
Long positions in Mbonos Nov'36 & Nov'42	P	16-Aug-19	24-Sep-19
Long positions in the short-end of Mbonos curve	P	19-Jul-19	2-Aug-19
Long positions in Mbonos Nov'42	L	5-Jul-19	12-Jul-19
Long positions in Mbonos Nov'36 & Nov'38	P	10-Jun-19	14-Jun-19
Long positions in Mbonos Jun'22 & Dec'23	P	9-Jan-19	12-Feb-19
Long floating-rate Bondes D	P	31-Oct-18	3-Jan-19
Long CPI-linked Udibono Jun'22	L	7-Aug-18	31-Oct-18
Long floating-rate Bondes D	P	30-Apr-18	3-Aug-18
Long 20- to 30-year Mbonos	P	25-Jun-18	9-Jul-18
Short Mbonos	P	11-Jun-18	25-Jun-18
Long CPI-linkded Udibono Jun'19	P	7-May-18	14-May-18
Long 7- to 10-year Mbonos	L	26-Mar-18	23-Apr-18
Long CPI-linkded Udibono Jun'19	P	20-Mar-18	26-Mar-18
Long 5- to 10-year Mbonos	P	5-Mar-18	20-Mar-18
Long floating-rate Bondes D	P	15-Jan-18	12-Mar-18
Long 10-year UMS Nov'28 (USD)	L	15-Jan-18	2-Feb-18

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	9-Aug-17	6-Oct-17
5y10y TIIE-IRS steepener	28bps	43bps	18bps	31bps	P[2]	15-Feb-17	15-Mar-17
5y10y TIIE-IRS steepener	35bps	50bps	25bps	47bps	P	5-Oct-16	19-Oct-16
Long Mbono Jun'21	5.60%	5.35%	5.80%	5.43%	P	13-Jul-16	16-Aug-16
Long Udibono Jun'19	1.95%	1.65%	2.10%	2.10%	L	13-Jul-16	16-Aug-16
Receive 1-year TIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87%[1]	P	12-Nov-15	8-Feb-16
Long spread 10-year TIIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	30-Sep-15	23-Oct-15
Receive 9-month TIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	3-Sep-15	18-Sep-15
Spread TIIE 2/10 yrs (flattening)	230bps	200bps	250bps	200bps	P	26-Jun-15	29-Jul-15
Long Mbono Dec'24	6.12%	5.89%	6.27%	5.83%	P	13-Mar-15	19-Mar-15
Relative-value trade, long 10-year Mbono (Dec'24) / flattening of the curve					P	22-Dec-14	6-Feb-15
Pay 3-month TIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	29-Jan-15	29-Jan-15
Pay 9-month TIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	29-Jan-15	29-Jan-15
Pay 5-year TIIE-IRS (65x1)	5.25%	5.39%	5.14%	5.14%	L	4-Nov-14	14-Nov-14
Long Udibono Dec'17	0.66%	0.45%	0.82%	0.82%	L	4-Jul-14	26-Sep-14
Relative-value trade, long Mbonos 5-to-10-year					P	5-May-14	26-Sep-14
Receive 2-year TIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	11-Jul-14	10-Sep-14
Receive 1-year TIIE-IRS (13x1)	4.04%	3.85%	4.20%	3.85%	P	6-Feb-14	10-Apr-14
Long Udibono Jun'16	0.70%	0.45%	0.90%	0.90%	L	6-Jan-14	4-Feb-14
Long Mbono Jun'16	4.47%	3.90%	4.67%	4.06%	P	7-Jun-13	21-Nov-13
Receive 6-month TIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	10-Oct-13	25-Oct-13
Receive 1-year TIIE-IRS (13x1)	3.85%	3.55%	4.00%	3.85%	--	10-Oct-13	25-Oct-13
Long Udibono Dec'17	1.13%	0.95%	1.28%	1.35%	L	9-Aug-13	10-Sep-13
Receive 9-month TIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	21-Jun-13	12-Jul-13
Spread TIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	7-Jun-13	11-Jun-13
Receive 1-year TIIE-IRS (13x1)	4.22%	4.00%	4.30%	4.30%	L	19-Apr-13	31-May-13
Long Udibono Jun'22	1.40%	1.20%	1.55%	0.97%	P	15-Mar-13	3-May-13
Receive 1-year TIIE-IRS (13x1)	4.60%	4.45%	4.70%	4.45%	P	1-Feb-13	7-Mar-13
Long Mbono Nov'42	6.22%	5.97%	6.40%	5.89%	P	1-Feb-13	7-Mar-13
Long Udibono Dec'13	1.21%	0.80%	1.40%	1.40%	L	1-Feb-13	15-Apr-13
Receive 1-year TIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	11-Jan-13	24-Jan-13
Receive TIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	19-Oct-12	8-Mar-13
Spread TIIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	21-Sep-13	8-Mar-13
Long Udibono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	1-May-12	27-Nov-12
Long Udibono Dec'13	+1.06%	0.90%	+1.35%	0.90%	P	1-May-12	14-Dec-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.

Short-term tactical trades

Trade Idea	P/L*	Entry	Exit	Initial Date	End date
Long USD/MXN	P	19.30	19.50	11-Oct-19	20-Nov-19
Long USD/MXN	P	18.89	19.35	20-Mar-19	27-Mar-19
Long USD/MXN	P	18.99	19.28	15-Jan-19	11-Feb-19
Long USD/MXN	P	18.70	19.63	16-Oct-18	3-Jan-19
Short USD/MXN	P	20.00	18.85	2-Jul-18	24-Jul-18
Long USD/MXN	P	19.55	19.95	28-May-18	4-Jun-18
Long USD/MXN	P	18.70	19.40	23-Apr-18	14-May-18
Long USD/MXN	P	18.56	19.20	27-Nov-17	13-Dec-17
Long USD/MXN	L	19.20	18.91	6-Nov-17	17-Nov-17
Long USD/MXN	P	18.58	19.00	9-Oct-17	23-Oct-17
Short USD/MXN	L	17.80	18.24	4-Sep-17	25-Sep-17
Long USD/MXN	P	14.40	14.85	15-Dec-14	5-Jan-15
Long USD/MXN	P	13.62	14.11	21-Nov-14	3-Dec-14
Short EUR/MXN	P	17.20	17.03	27-Aug-14	4-Sep-14
Short USD/MXN	L	12.70	13.00	26-Jul-13	21-Aug-13

Source: Banorte

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	19-Jan-18	2-Apr-18
Long USD/MXN	14.98	15.50	14.60	15.43	P	20-Mar-15	20-Apr-15
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	5-Jan-15	15-Jan-15
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	10-Sep-14	26-Sep-14
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	6-May-14	13-Jun-14
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	31-Oct-13	8-Nov-13
Limit short USD/MXN	13.25	12.90	13.46	--	--	11-Oct-13	17-Oct-13
Short EUR/MXN	16.05	15.70	16.40	15.69	P	29-Apr-13	9-May-13
Long USD/MXN	12.60	12.90	12.40	12.40	L	11-Mar-13	13-Mar-13
Long USD/MXN	12.60	12.90	12.40	12.85	P	11-Jan-13	27-Feb-13
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	10-Dec-12	17-Dec-12
Short EUR/MXN	16.64	16.10	16.90	16.94	L	03-Oct-12	30-Oct-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

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