

# Fixed-Income and FX Weekly

## Market outlook

- **Mixed performance in local assets.** Last week, the Mbonos' curve printed losses of 6bps, on average, with movements of up to +15bps at the short-end. The USD/MXN ended at 17.99, printing an appreciation of 0.2% w/w
- **Attention will focus on economic data and corporate results.** Last week, investors digested economic data and corporate results with a mixed balance as uncertainty continues with recession risks remain latent. In this context, sovereign bonds in both the US and Mexico recorded losses concentrated at the short-end and yield curves deepened their inversion. This week, in the absence of interventions from Fed members due to the period of silence prior to the May 3<sup>rd</sup> decision, markets will focus their attention on economic activity figures and a plethora of corporate results. Highlighting the release of 1Q23 GDP in the US, the Eurozone and Mexico. For the latter, we estimate 3.7% y/y growth (+1.0% q/q), higher than analysts' consensus. Likewise, it will be important to analyze companies' corporate reports in an environment where monetary policy transmission is still in process. On the other hand, the central banks of Japan, Colombia, Sweden, Turkey, Russia, and Bulgaria will publish their monetary policy decision and several ECB members will speak. In relevant events, the presidents of South Korea and the US will meet in Washington, in addition to the finance ministers and central bank governors of the European Union in Stockholm. The US economic agenda also includes reports on personal income and spending, the PCE deflator, housing data and consumer confidence, among others. In Mexico, the IGAE, trade balance, bank credit and the public finance report will be released. [Inflation](#) for the 1<sup>st</sup> half of April was -0.16% 2w/2w, slightly better vs. consensus

## Fixed-Income

- **Supply** – Tomorrow, the MoF auctioned 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Mar'25), the 3-year Udibono (Dec'26), as well as 1- and 3-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.407 trillion (US\$ 77.9 billion), a market share equal to 36.1%, as of April 12<sup>nd</sup>. Short positions in Mbono May'33 ended at MXN 4.1 billion from previous MXN 635 million
- **Technicals** – The spread between 10-year Mbonos and Treasuries remained unchanged at 535bps from the previous week, with the 12M mean at 563bps

## Foreign exchange

- **Market positioning and flows** – MXN position (as of April 21<sup>st</sup>) printed a lower net long of US\$ 1.56 billion from US\$ 1.66 billion a week ago. Mutual funds' flows to EM marked lower outflows of US\$ 308 million from US\$ 1.6 billion
- **Technicals** – The spot repeatedly breached the technical floor of 18.00 per dollar, reaching its strongest level at 17.93. In addition, the weekly trading range was 22 cents, just one cent above 1-year low

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## Fixed-Income

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## Foreign exchange

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## Recommendations

### Fixed-Income

- [In terms of strategy and considering our growth, inflation, and monetary policy forecasts](#), it is our take that short-term securities will see additional upward pressures and nominal yield curves will invert once again
- We believe that the Nov'38 and Nov'42 tenors will benefit from lower long-term inflation expectations following Banxico's largest cumulative tightening
- We reaffirm our preference for nominal vs real rates, as we foresee that headline inflation will keep moderating
- Finally, we expect that the 10-year Mbono to trade between 8.80% and 9.10% this week

### FX

- For the Mexican peso, we see balanced risks for the remainder of the year, between lower carry and higher GDP growth. After mixed adjustments to our economic outlook, [we reiterate our 2023 year-end USD/MXN estimate of 18.70 per dollar](#). Nevertheless, we see a narrower range, estimated between 17.50 and 19.00 (previous: 17.50 to 19.50)
- We estimate a trading range for this week between USD/MXN 17.80 and 18.25

Due to holidays, next release on May 2<sup>nd</sup>

# Fixed-Income dynamics

## Mbonos performance

Maturity date	YTM 04/21/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.46	-10	+63
Sep'24	11.15	+5	+106
Dec'24	10.89	+15	+102
Mar'25	10.64	+5	+71
Mar'26	9.80	+6	+56
Mar'27	9.32	+5	+13
Jun'27	9.22	+6	+14
May'29	9.01	+11	-6
May'31	8.92	+6	-10
May'33	8.93	+6	-9
Nov'34	8.88	+6	-17
Nov'36	8.87	+4	-18
Nov'38	9.10	+4	+1
Nov'42	9.13	+3	+2
Nov'47	9.09	+7	+2
Jul'53	9.10	+9	+4

Source: PiP

## Udibonos performance

Maturity date	YTM 04/21/2023	Weekly change (bps)	YTD (bps)
Nov'23	8.50	+12	+242
Dec'25	5.75	-1	+99
Dec'26	5.38	+13	+72
Nov'28	4.52	+10	+21
Nov'31	4.45	+7	+28
Nov'35	4.44	+10	+23
Nov'40	4.49	+13	+30
Nov'43	4.50	--	--
Nov'46	4.47	+17	+28
Nov'50	4.49	+15	+26

Source: PiP

## IRS (28-day TIE) performance

Maturity date	YTM 04/21/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.61	+2	+71
6-month (6x1)	11.63	+1	+59
9-month (9x1)	11.58	0	+51
1-year (13x1)	11.33	-3	+42
2-year (26x1)	10.10	-1	+23
3-year (39x1)	9.27	-3	+9
4-year (52x1)	8.88	-1	-2
5-year (65x1)	8.65	-3	-16
7-year (91x1)	8.51	-1	-23
10-year (130x1)	8.47	0	-26
20-year (260x1)	8.56	0	-30

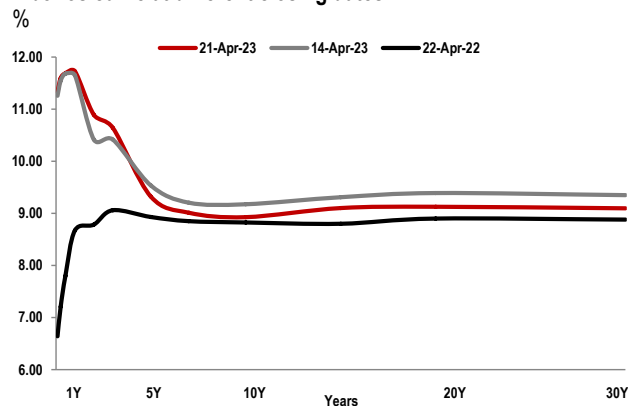
Source: Bloomberg

## Cetes performance

Maturity date	YTM 04/21/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.33	+6	+124
Cetes 91	11.60	+6	+93
Cetes 182	11.69	0	+82
Cetes 364	11.73	-3	+76
Cetes 728	11.38	+12	+57

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	Maturity date	UMS			UST			Spreads			CDS
		YTM 04/21/2023	Weekly change (bps)	YTD (bps)	YTM 04/21/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.58	+15	+10	4.18	+8	-24	40	+7	37	45
3Y	May'26	4.62	+1	-18	3.89	+6	-33	73	-5	76	68
5Y	Feb'28	4.75	+12	-4	3.66	+6	-34	109	+6	105	119
7Y	Apr'30	5.04	+8	-30	3.62	+6	-35	142	+2	153	163
10Y	May'33	5.44	+7	-12	3.57	+6	-30	187	+1	184	200
20Y	Mar'44	5.99	+3	-39	3.91	+6	-24	208	-3	234	--
30Y	Feb'52	6.01	+3	-38	3.78	+4	-19	223	-1	262	--

Source: Bloomberg

### 5Y USD UMS

%



Source: Bloomberg

### 10Y USD UMS

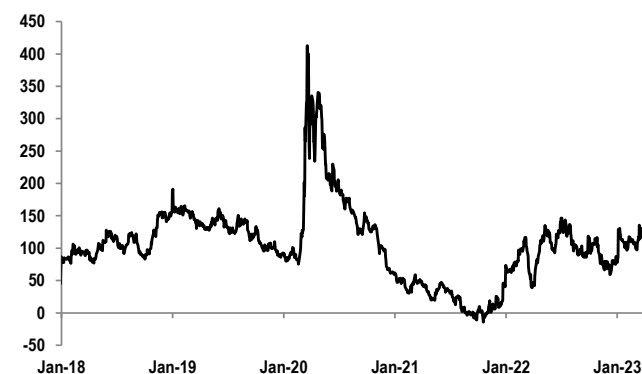
%



Source: Bloomberg

### 5Y UMS-UST Spread

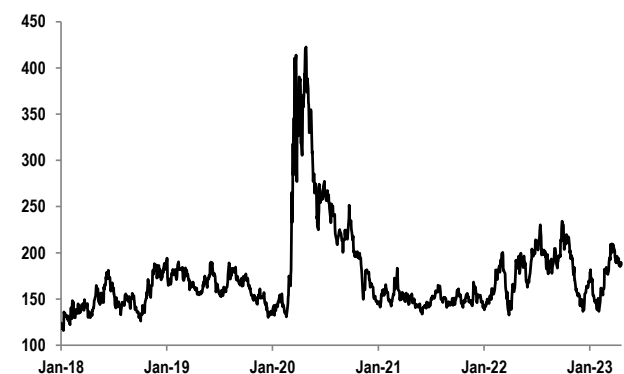
Basis points



Source: Bloomberg

### 10Y UMS-UST Spread

Basis points



Source: Bloomberg

# Fixed-Income supply

- Mexico's weekly auction.** Tomorrow, the MoF auctioned 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Mar'25), the 3-year Udibono (Dec'26), as well as 1- and 3-year Bondes F
- Strong demand for Cetes and higher appetite for Mbono vs Udibono.** We expect good demand for Cetes due to their attractive real rates. Inflation continues to ease, so the market expects the restrictive cycle to end as soon as May with a reference rate of 11.50%, in line with our expectations. For the 3-year Mbono, we anticipate a stable demand in line with the average of its last five auctions of 2.3x. This security trades at 10.64%, accumulating losses of 71bps so far this year. In this sense, we believe that long-term securities have a better relative valuation compared to other segments of the curve. It is worth noting that we expect additional pressures on short-term securities. Regarding the real interest rate curve, we foresee a lower appetite compared with the Mbono of the same maturity given a less attractive relative valuation. In the two previous auctions, the bid-to-cover was 1.8x. Moreover, the 3-year breakeven stands at 4.99% well above Banxico's target inflation

**Auction specifics (April 25, 2023)**

	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
<b>Cetes</b>				
1m	25-May-23	--	13,000	11.30
3m	27-Jul-23	--	12,500	11.58
6m	19-Oct-23	--	13,000	11.73
24m	20-Mar-25	--	8,500	11.24
<b>Bondes F</b>				
1y	14-Mar-24	--	5,500	0.12
3y	23-Oct-25	--	1,500	0.22
<b>Mbono</b>				
3y	6-Mar-25	5.00	13,000	10.57
<b>Udibono</b>				
3y	3-Dec-26	3.00	UDIS 900	5.26

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.

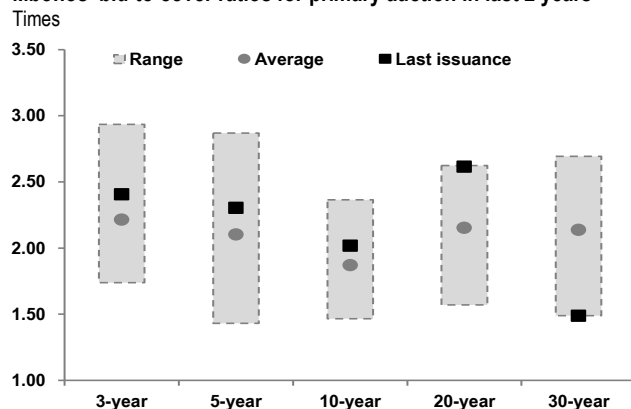
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

**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'43)	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'43)	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'43)	2-, and 5-year

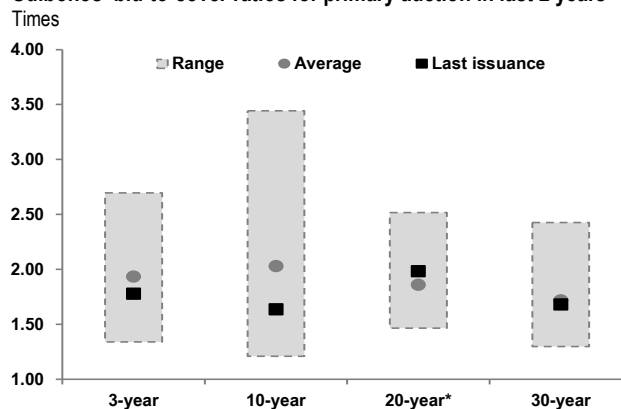
Source: Ministry of Finance \*In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

**Udibonos' bid-to-cover ratios for primary auction in last 2 years**

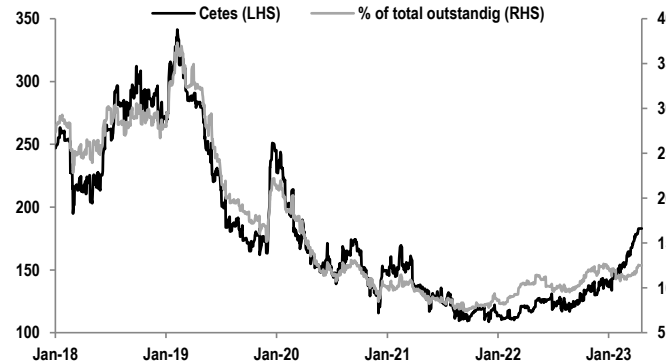


Source: Banxico, Banorte \*The 20-year maturity was reopened in April 2021

# Fixed-Income demand

## Cetes held by foreigners

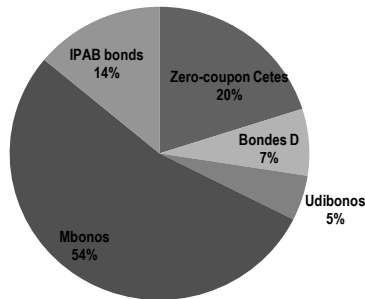
MXN billion, %



Source: Banxico

## Government issuance by type of instrument

Total amount of US\$ 403 billion, % of total



Source: Banxico

## Government bond holdings by type of investor

US\$ billion and %, data as of 04/12/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	81	13%	13%	19%	5%	10%	41%
Floating-rate Bondes D	30	3%	5%	36%	1%	21%	34%
Real-rate Udibonos	156	4%	53%	3%	19%	2%	18%
Fixed-rate Mbonos	216	36%	23%	2%	3%	13%	23%

Source: Banorte with data from Banxico

## Foreign investors holdings of government bonds

US\$ billion

	04/12/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.1	9.9	0.2	7.8	2.4
Floating-rate Bondes D	0.9	0.1	0.9	1.9	-1.0
Real-rate Udibonos	6.9	0.9	6.0	1.0	6.0
Fixed-rate Mbonos	77.9	77.7	0.1	77.4	0.5

Source: Banorte with data from Banxico

## Foreign investors holdings of government bonds

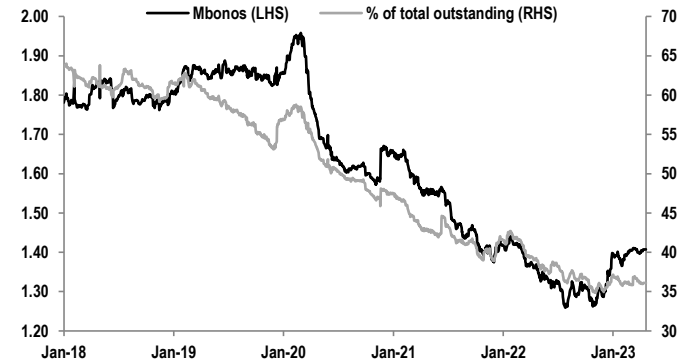
Percentage of total amount outstanding

	04/12/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	12.5%	12.2%	0.3%	12.4%	0.1%
Floating-rate Bondes D	3.1%	0.2%	2.9%	4.4%	-1.3%
Real-rate Udibonos	4.4%	4.5%	0.0%	5.0%	-0.6%
Fixed-rate Mbonos	36.1%	36.0%	0.1%	37.1%	-1.0%

Source: Banorte with data from Banxico

## Mbonos held by foreigners

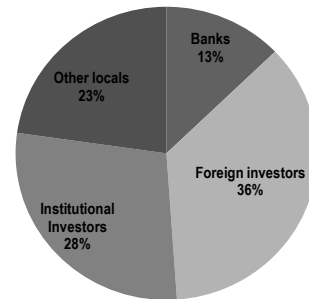
MXN trillion, %



Source: Banxico

## Mbonos holdings by type of investor

Total amount of US\$ 216 billion, % of total



Source: Banxico

## Mbonos holdings by type of investor

US\$ billion and %, data as of 04/05/2023

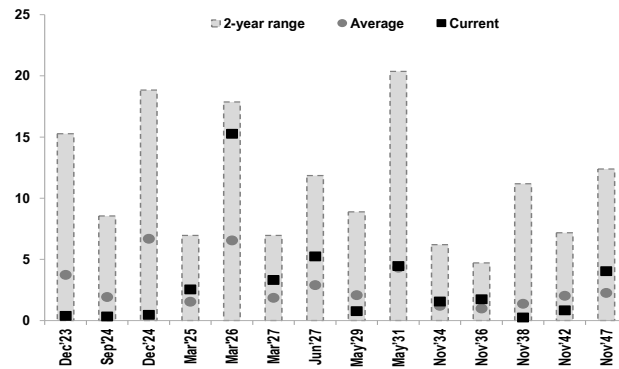
DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.2	22%	13%	17%	48%
Sep'24	17.1	22%	23%	10%	44%
Dec'24	12.9	32%	29%	7%	32%
Mar'25	11.2	29%	24%	18%	29%
Mar'26	24.8	29%	27%	19%	25%
Mar'27	12.2	12%	27%	18%	44%
Jun'27	19.2	17%	45%	27%	11%
May'29	14.8	4%	54%	21%	21%
May'31	23.4	5%	51%	30%	15%
May'33	7.1	9%	34%	40%	17%
Nov'34	4.8	0%	51%	37%	12%
Nov'36	3.9	0%	31%	39%	30%
Nov'38	11.7	2%	44%	40%	15%
Nov'42	15.0	1%	47%	39%	14%
Nov'47	14.3	1%	37%	44%	19%
Jul'53	6.2	3%	31%	50%	16%
Total	203.6	14%	36%	26%	24%

Source: Banxico

# Fixed-Income demand – Primary dealers

**Market makers' short positions on Mbonos**

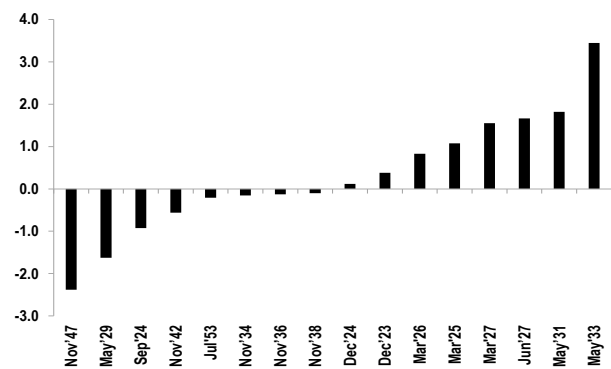
MXN billion



Source: Banxico \*Mar'25 issued in Dec'21

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

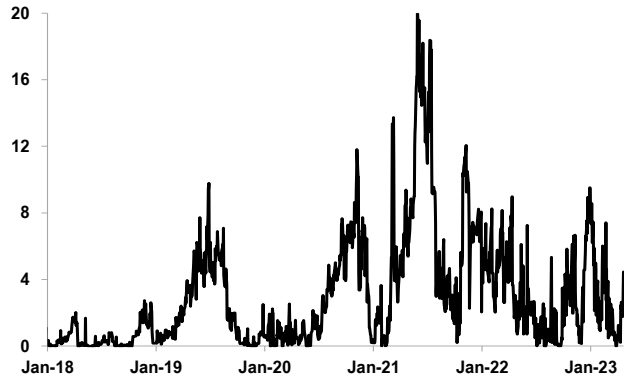
MXN billion



Source: Banxico

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

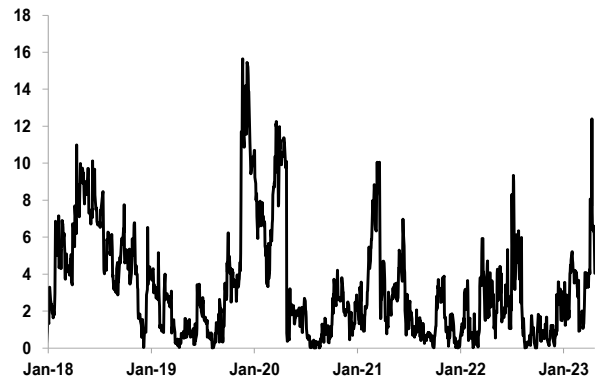
MXN billion



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 04/21/2023	04/21/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	11,591	22	1	85	22	400	0
Sep'24	17,554	19	71	137	382	306	2
Dec'24	13,545	27	20	90	130	440	0
Mar'25	11,672	142	82	40	74	328	0
Mar'26	25,591	849	803	538	263	993	134
Mar'27	13,621	185	98	11	223	387	0
Jun'27	19,852	292	200	165	309	659	16
May'29	15,132	44	134	103	2	346	0
May'31	24,366	248	147	47	85	529	0
May-33	7,444	227	35	69	0	323	0
Nov'34	4,988	87	95	59	0	161	23
Nov'36	4,001	97	104	82	21	218	0
Nov'38	12,090	15	20	28	102	136	0
Nov'42	15,787	47	78	25	15	156	0
Nov'47	14,500	225	357	195	163	689	6
Jul'53	6,414	94	106	207	0	702	0
<b>Total</b>	<b>218,147</b>	<b>2,524</b>	<b>2,245</b>	<b>1,674</b>	<b>1,789</b>		

Source: Banxico

# Fixed-Income technicals

- **The carry at the shortest-end registers a mixed balance.** Spreads between Cetes and imp. forward rates stood at: 1-month at -58bps from -28bps, 3-month at -89bps from -91bps, 6-month at -98bps from -105bps, and 1-year at -89bps from -87bps
- **The market expects a last 25bps hike by Banxico in May.** In a more favorable inflationary backdrop, although well above Banxico's target, the market expects the tightening cycle to end in the next monetary policy meeting. The curve is pricing-in a 25bps hike to reach a terminal rate of 11.50%, in line with our expectations. The last CPI report surprised again to the downside at -0.16% 2s/2s (previous: 0.07%) with the core component at 0.18% (previous: 0.29%). In this sense, [we continue to prefer real vs nominal rates](#) as we foresee that headline inflation will keep moderating

## Spread between Cetes and Implied Forward Rates

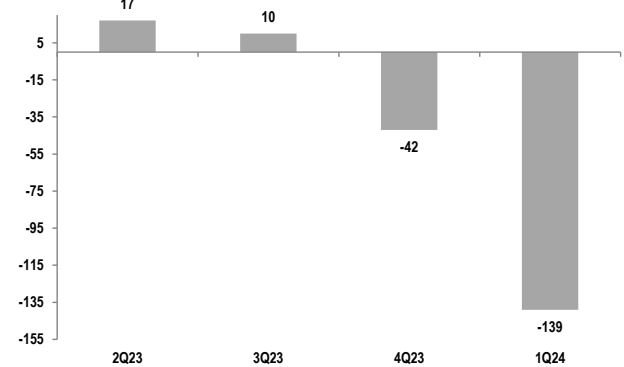
Basis Points

Tenor	Actual 04/21/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	-58	-28	-24	13	142	-106
3 months	-89	-91	-54	-50	27	-120
6 months	-98	-105	-84	-79	-10	-121
12 months	-89	-87	-73	-97	-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

- **Negative balance in bonds, however, the risk premium remained stable.** Markets digested hawkish comments from Fed members and mixed economic data. In this context, the 10-year spread between Mbonos and Treasuries closed on Friday at 535bps unchanged vs. the previous week, while the average of the last twelve months remains at 563bps
- **The 3-month correlation between benchmark Mexican and American bonds remained stable.** The reading closed Friday at +77% unchanged vs. previous week

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

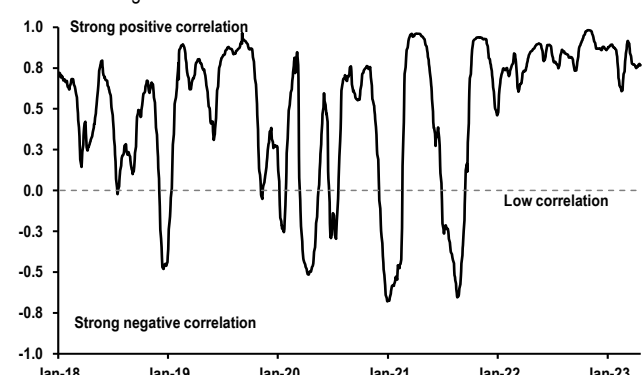
Basis points



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

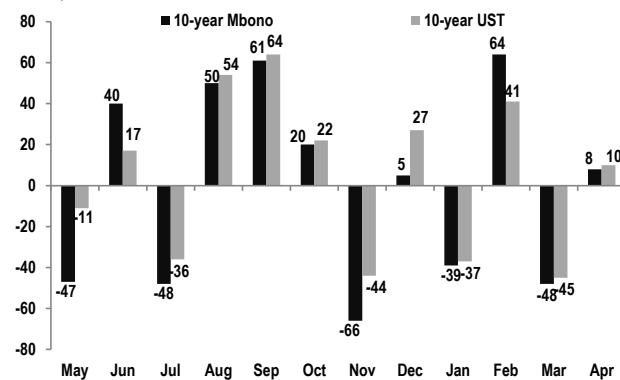
Basis points

Tenor	04/21/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-197	-188 (-9bps)	-125 (-72bps)	4 (-201bps)	26	-199	-87
Mbono 10s30s	17	14 (+3bps)	25 (-8bps)	6 (+11bps)	32	-15	8
TIIE-Mbono 2-year	-79	-64 (-15bps)	-35 (-44bps)	44 (-123bps)	44	-79	-19
TIIE-Mbono 10-year	-46	-39 (-7bps)	-48 (+2bps)	-5 (-41bps)	1	-67	-34

Source: Bloomberg and PiP

## Mexican and US rates performance, last 12 months

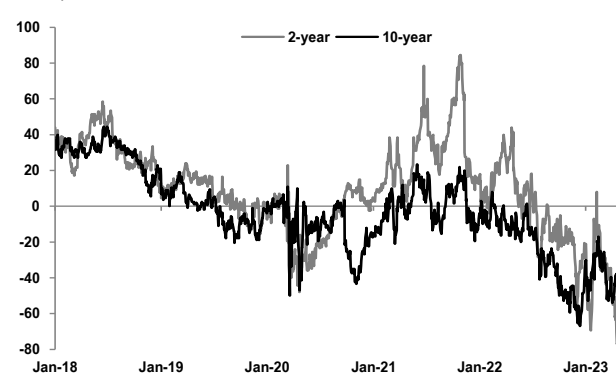
Basis points



Source: PiP and Bloomberg

## 2- and 10-year TIIE-IRS and Mbono spreads

Basis points



Source: Bloomberg

## Breakeven inflation using Mbonos & Udibonos

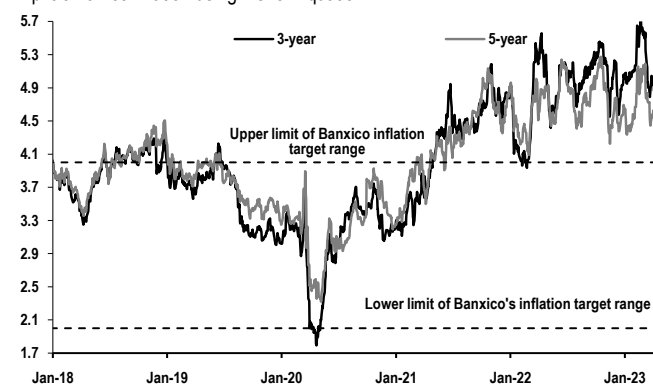
Implicit market inflation using Fisher Equation (%)

Date	04/21/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.99	5.07 (-8bps)	4.86 (+13bps)	5.27 (-28bps)	5.74	4.41	5.06
5Y	4.59	4.64 (-5bps)	4.44 (+15bps)	4.92 (-33bps)	5.28	4.23	4.75
10Y	4.28	4.30 (-2bps)	4.32 (-4bps)	4.81 (-53bps)	5.16	4.17	4.62
20y	4.43	4.56 (-13bps)	4.57 (-14bps)	4.87 (-44bps)	5.15	4.32	4.72
30Y	4.41	4.47 (-6bps)	4.58 (-17bps)	4.82 (-41bps)	5.18	4.23	4.70

Source: PiP

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

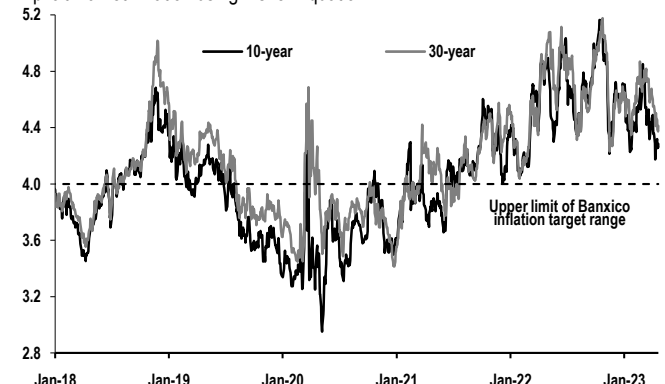
Implicit market inflation using Fisher Equation



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

- **Greater pressures on short-term vs. long-term securities.** Last week, investors digested hawkish comments from Fed members and US economic data that pointed to higher inflation. In this sense, sovereign bonds recorded a negative balance with shorter maturities accumulating the biggest losses. As a result, yield curves in both the US and Mexico deepened their inversion. For example, the spread between the 2- and 10-year Mbonos widened to unprecedented levels of nearly -200bps from -188bps last week. On a one-off basis, the short-end of the curve marked losses of up to 15bps vs. modest adjustments on the long-end. In real rates, Udibonos lost 11bps, on average. In addition, the MoF through Banxico issued the [new 20-year benchmark \(Nov'43\)](#) with a rate of 4.50% and subsequently carried out an [exchange auction](#) to strengthen the liquidity of the issue. Previously, the market had priced-in a view of sharp cuts in 2H23 for the Fed and Banxico as concerns about financial contagion exacerbated fears of a global recession. However, this scenario has lost steam. The curve incorporates cuts of -52bps from -106bps for the former and -59bps from -117bps for the latter. [In terms of strategy and considering our growth, inflation, and monetary policy forecasts](#), it is our take that short-term securities will see additional upward pressures until said scenario dilutes completely. Hence, nominal yield curves will invert once again. This call favors paying TIE-IRS swaps in the front-end of the curve and flatteners. For example, the 1-year node (13x1) trades at 11.36% after reaching all-time highs of 11.90% before the banking crisis. However, high volatility keeps hindering the possibility of opening directional trades, especially as we approach the end of restrictive cycles and, eventually, interest rate cuts. On the other hand, the belly of the Mbonos' curve (5- to 7-year maturities) shows a less attractive relative valuation after gaining about 20bps q/q. Meanwhile, long-term securities closed with few changes. Based on our view of a more inverted yield curve, we believe that the Nov'38 and Nov'42 tenors will benefit from lower long-term inflation expectations following Banxico's largest cumulative tightening in recent history (+750bps by May). We see a similar situation for the Nov'47 and Dec'53 nodes, albeit with less conviction. Lastly, we reaffirm our preference for nominal vs real rates, as we foresee that headline inflation will keep moderating. Furthermore, inflation breakevens remain quite high, mainly in short-term maturities. For example, the 3-year reading stands at 4.99%, well above Banxico's inflation target
- This week, the fixed-income market will assimilate growth figures in the US, the Eurozone and Mexico, which, if they remain in line with consensus, would strengthen the outlook for higher interest rates by central banks. Specifically, favoring our call of two 25bps hikes by the Fed at the May and June meetings. In this regard, we could see greater pressures on shorter-dated securities, resulting in more inverted yield curves. Finally, we expect the 10-year Mbono, May'33, to trade between 8.80% and 9.10%

# FX dynamics

- **The Mexican peso remains supported by an attractive carry.** The MXN continues to be one of the best performing currencies in the year, as it is supported by solid fundamentals and an attractive carry. The local currency closed the week at 17.99 per dollar with an appreciation of 0.2% w/w
- **The dollar strengthened, halting 5 consecutive weeks of losses.** The USD closed the week with slight gains, supported by hawkish comments from Fed members. Meanwhile, most G-10 and EM currencies ended with a negative bias. In the former group, NOK (-1.9%) was the weakest. In the second, trading was capped by RUB (+0.9%) and BRL (-2.8%)

## Foreign Exchange market levels and historical return

		Close at 04/21/2023	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	5.05	0.0	-2.8	3.8	4.57
Chile	USD/CLP	802.58	-1.2	-0.7	0.9	6.05
Colombia	USD/COP	4,514.30	0.5	-2.2	5.6	7.49
Peru	USD/PEN	3.76	0.1	0.4	0.2	1.20
Hungary	USD/HUF	342.20	0.2	-0.7	4.3	9.10
Malaysia	USD/MYR	4.44	0.0	-0.8	0.4	-0.75
<b>Mexico</b>	<b>USD/MXN</b>	<b>17.99</b>	<b>0.1</b>	<b>0.2</b>	<b>3.4</b>	<b>8.40</b>
Poland	USD/PLN	4.20	-0.2	0.6	2.9	4.22
Russia	USD/RUB	81.57	0.0	0.9	-5.6	-9.05
South Africa	USD/ZAR	18.11	-0.4	-0.1	1.0	-5.91
<b>Developed Markets</b>						
Canada	USD/CAD	1.35	-0.4	-1.2	1.4	0.1
Great Britain	GBP/USD	1.24	-0.1	0.2	1.3	2.9
Japan	USD/JPY	134.16	0.1	-0.3	-2.0	-2.3
Eurozone	EUR/USD	1.0986	0.1	-0.1	1.2	2.6
Norway	USD/NOK	10.59	0.0	-1.9	-1.2	-7.4
Denmark	USD/DKK	6.78	0.1	-0.1	1.1	2.4
Switzerland	USD/CHF	0.89	0.0	0.2	2.8	3.6
New Zealand	NZD/USD	0.61	-0.6	-1.1	-1.3	-3.3
Sweden	USD/SEK	10.30	0.2	0.3	0.1	1.3
Australia	AUD/USD	0.67	-0.8	-0.2	0.1	-1.8

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

Source: Bloomberg

### USD/MXN

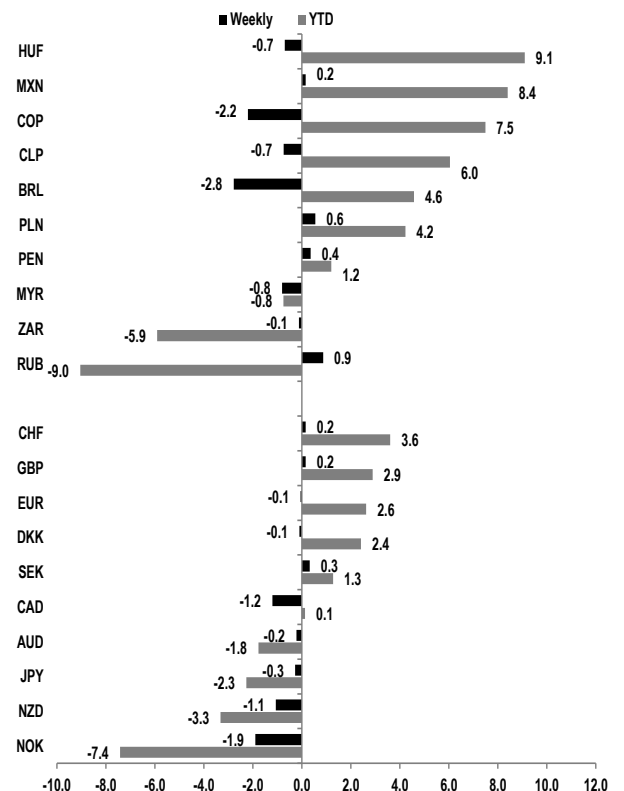
Last 12 months



Source: Bloomberg

## FX performance

Against USD, %



Source: Bloomberg

### DXI

Points



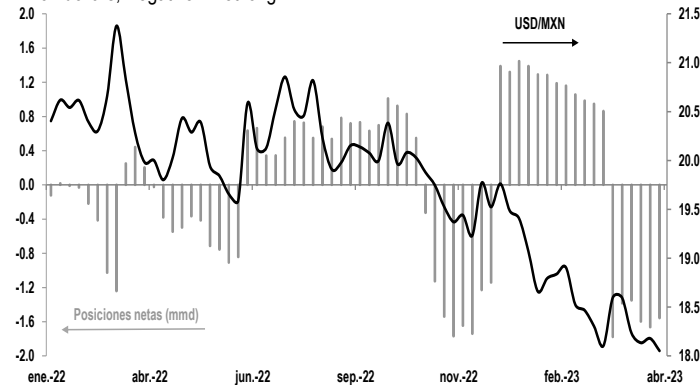
Source: Bloomberg, Banorte

# FX positioning and flows

- **Six weeks of net long MXN positions were recorded.** As of April 18<sup>th</sup>, the MXN position recorded a net long of US\$ 1.56 billion, slightly lower than the previous week of US\$ 1.66 billion. Speculators expect further appreciation of the peso, although the volume of positions has remained stable around US\$ 1.55 billion in the last 6 weeks. The currency has room for further net long positioning, considering that during 2017 and early 2020, it reached levels of up to US\$4.5 billion
- **For the fourth consecutive week, investors increased net short USD positions.** The USD IMM position placed a net short of US\$ 11.32 billion, equivalent to a 13.1% increase from the previous week. The adjustment was mainly the result of purchases of CAD, followed by GBP, CHF, EUR, JPY and NZD, while MXN and AUD were the only sellers. CAD net short positions were down 18% w/w.
- **Sales in EM moderated, while Mexico posted inflows.** Our EPFR aggregate recorded minor negative flows of US\$ 308 million from US\$ 1.6 billion the previous week. Bond market sales fell to US\$ 49 million from US\$ 1.0 billion. While equities outflows decrease 56% to US\$ 259 million from US\$ 589 million. In Mexico, positive flows of US\$ 6 million were recorded because of purchases in both bonds and equities of US\$ 1 million and US\$ 5 million, respectively

## IMM positioning in USD/MXN futures

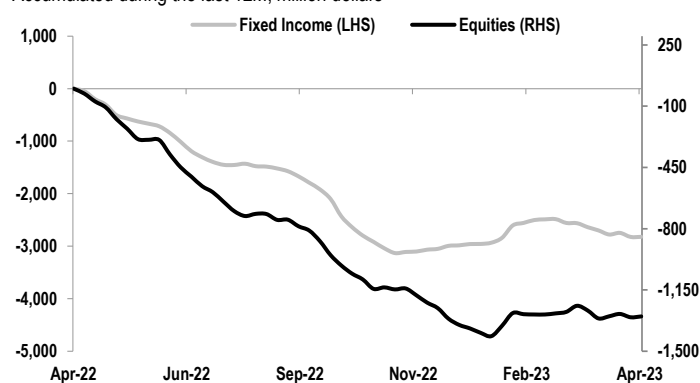
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

## Foreign portfolio flows into Mexico

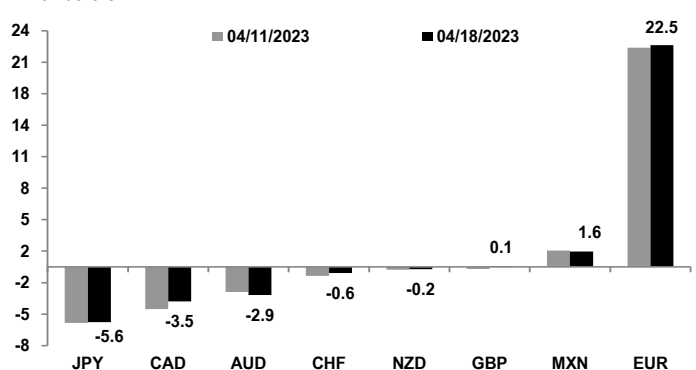
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

## IMM positioning by currency\*

Billion dollars

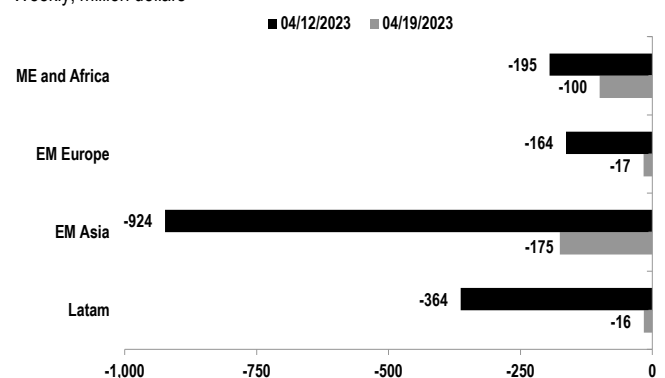


\* Positive: Net long in the corresponding currency

Source: CME, Banorte

## Net foreign portfolio flows by region\*

Weekly, million dollars



Source: EPFR Global, Banorte \* Including only mutual funds' investments

# FX technicals

- **The Mexican peso could seek new highs.** Our view of a terminal rate from Banxico for longer than the market is pricing in will be a supportive factor for the Mexican currency. In this sense, we see further appreciation as feasible. The main short-term resistances stand at 17.90, 17.75 and 17.60, with supports at 18.20, 18.30 and 18.40. Meanwhile, the weekly trading range marked 22 cents, lower than the average of the last 4 weeks of 52 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	4	-7	75	36
CAD	22	15	1	75	39
ZAR	20	12	4	85	42
BRL	25	37	-48	73	33
HUF	9	34	-5	70	40
RUB	8	-21	-34	54	8

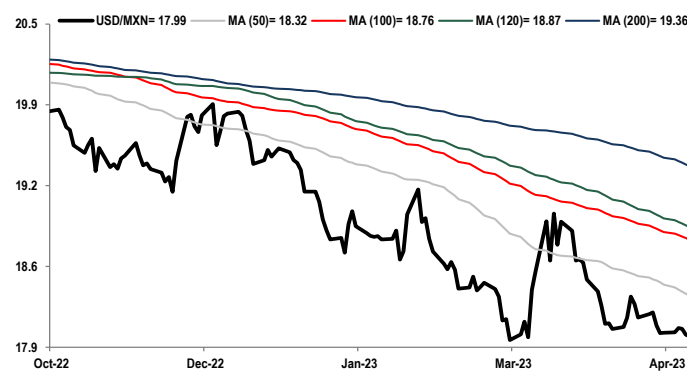
\* Positive: appreciation of MXN and corresponding currency  
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	83	88	8	89	52
SPX	61	70	23	71	48
GSCI	31	36	2	65	35
Gold	-54	-49	-57	81	29

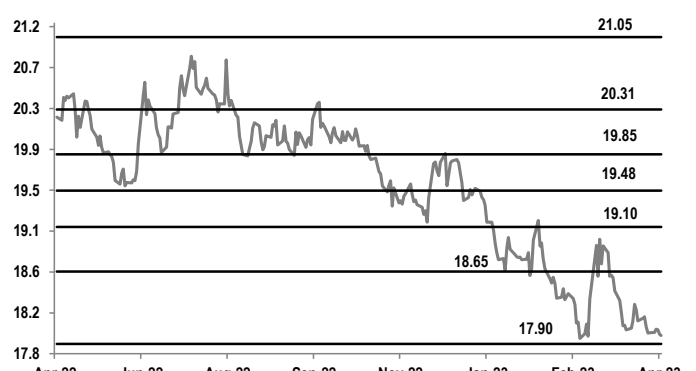
\* Positive: appreciation of MXN and corresponding asset except VIX  
Source: Bloomberg, Banorte

**USD/MXN – Moving averages**  
Last 120 trading days



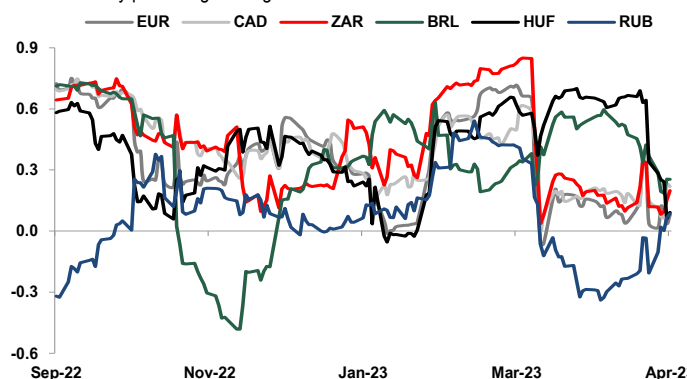
Source: Bloomberg

**USD/MXN – Fibonacci retracement**  
Last 12 months



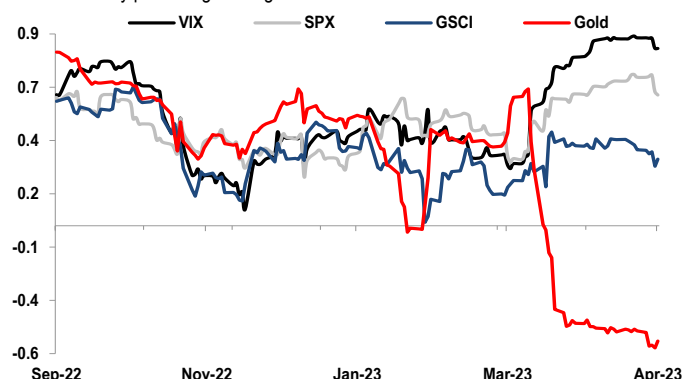
Source: Bloomberg

**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

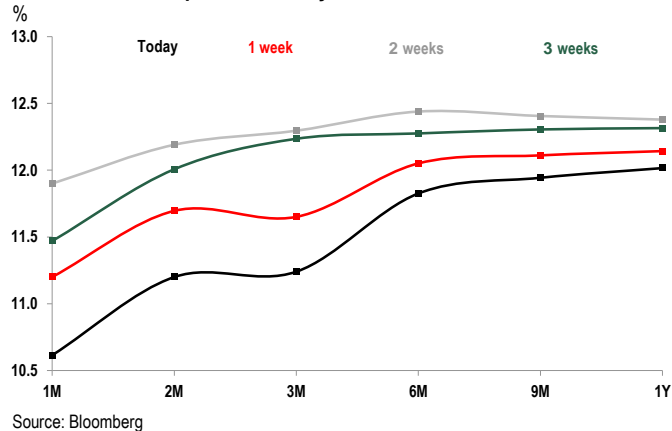


\* Positive: appreciation of MXN and corresponding asset except VIX  
Source: Bloomberg, Banorte

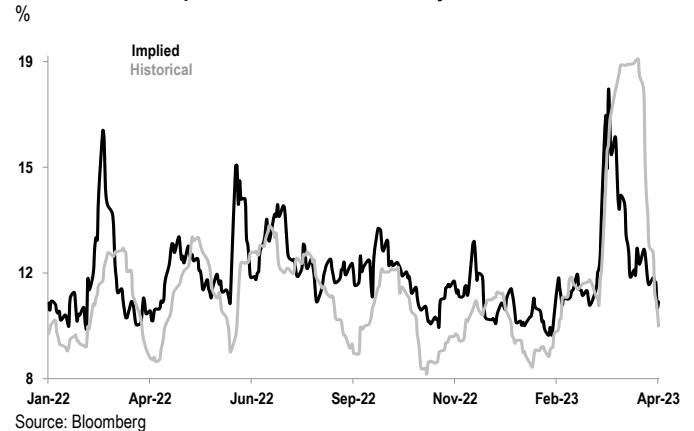
## FX technicals (continued)

- **Shorter-term volatility continued to decline, completely diluting the banking stress episode.** The MXN ATM implied volatility curve marked a further steepening bias. This as a result of a steeper drop in the 1-month reading to 10.6% (-0.6 vegas), while the 1-year metric dropped only 0.1 vegas to 12.0%. The 1-month risk reversal decreased to 1-month lows at 2.46% from 2.89% the previous week and the 3-month reading moved to 3.00% from 3.25%

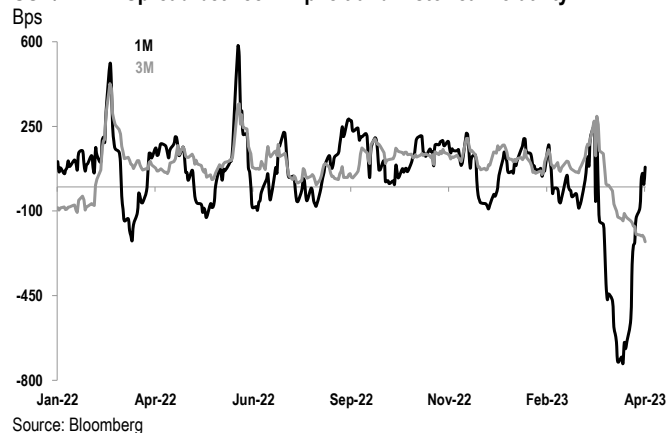
USD/MXN – ATM options volatility curve



USD/MXN – 1M implied and historical volatility

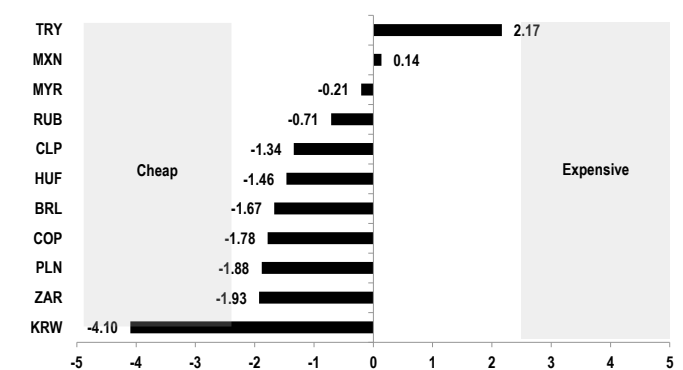


USD/MXN – Spread between implicit and historical volatility



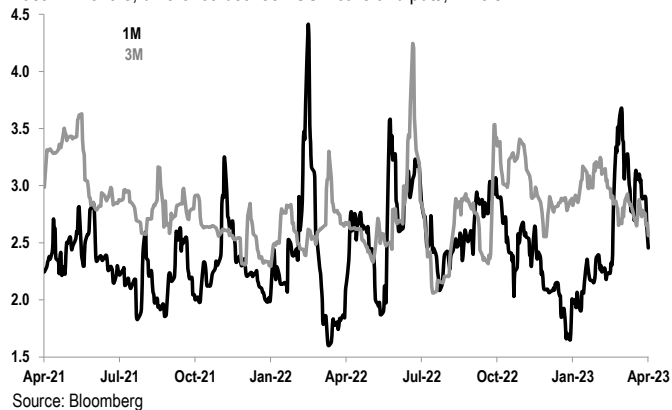
Emerging markets one-month ATM options volatility

Against USD, in standard deviations relative to last year's average



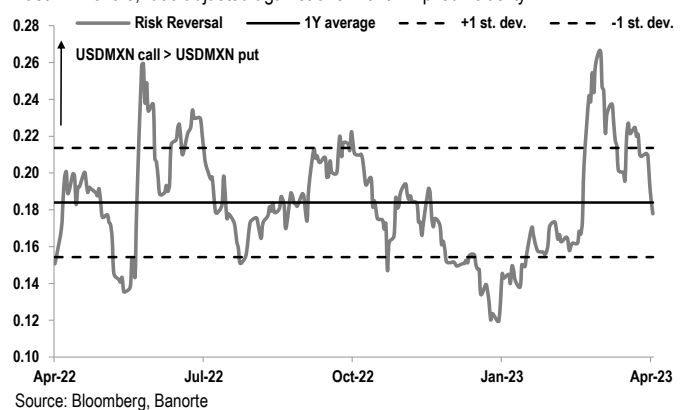
USD/MXN – 1-month and 3-month 25D risk reversals

Last 24 months, difference between USD calls and puts, in vols



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

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

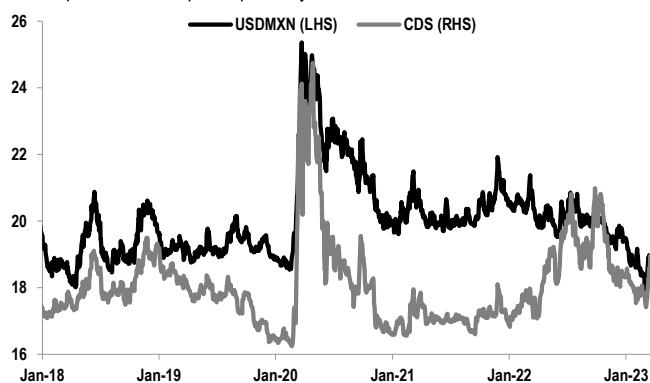


## FX trade recommendations

- The dollar strengthened, halting five consecutive weeks of declines.** The FX market digested mixed economic data, speeches from Fed members, mixed corporate results, and geopolitical tensions. In this context, the USD strengthened and stopped 5 consecutive weeks of declines. The DXY and BBDXY indices gained 0.2% and 0.3% w/w, respectively. Meanwhile, most G-10 and emerging currencies ended with a negative bias. In the former group, SEK (+0.3%) and NOK (-1.9%) were at the ends of the spectrum and in the latter, trading was capped by RUB (+0.9%) and BRL (-2.8%). The Brazilian real was impacted mainly by political paralysis in congress. The Mexican peso repeatedly breached the 18.00 figure, marking its strongest level at 17.93 to close with a 0.2% w/w appreciation at 17.99 per dollar. The trading range was 22 cents, only 1 cent above the low of the year and below the 4-week average of 52 cents. In addition, 3-month implied volatility declined to 11.3% vs. 11.7% of the previous week as the impact of the banking crisis in the US and Europe has dissipated
- For the Mexican peso, we see balanced risks for the remainder of the year, between lower carry and higher GDP growth. In our view, the main reason behind MXN strength (+8.4% vs. 2022) remains a very attractive carry, going through the recent bout of volatility relatively unscathed. Our view of a 600bps interest rate spread vs. its current level of 625bps (based on reference rates in the US and Mexico) would imply a weakening bias for the MXN, at least at the margin. More favorably though, the prospect of stronger GDP growth in both the US and Mexico could eventually be reflected in higher inflows from exports, remittances, tourism, and investment –the latter in the context of persistent interest in [nearshoring](#) efforts. After mixed adjustments to our economic outlook, [we reiterate our 2023 year-end USD/MXN estimate of 18.70 per dollar](#). Nevertheless, we see a narrower range, estimated between 17.50 and 19.00 (previous: 17.50 to 19.50). Lastly, it is our take that risks appear broadly balanced due to some idiosyncratic factors, especially the eventual resolution of current USMCA disputes. For this week, we estimate a trading range between USD/MXN of 17.80 and 18.25

**USD/MXN and Mexico 5Y CDS**

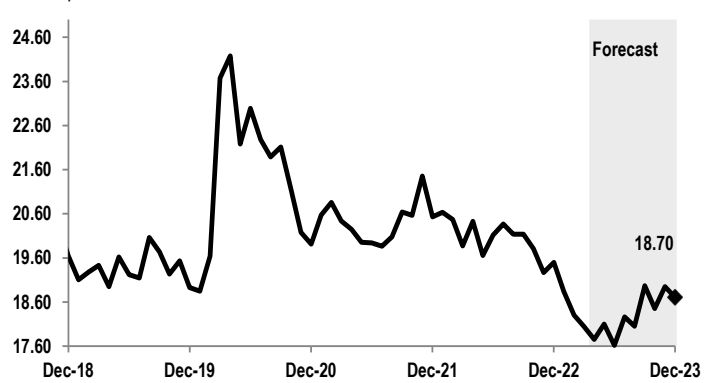
Pesos per dollar and bps, respectively



Source: Banorte with data from Bloomberg

**USD/MXN Forecast for 2023**

Pesos per dollar



Source: Banorte

# Weekly economic calendar

For the week ending April 29, 2023

	Time	Event	Period	Unit	Banorte	Survey	Previous
Mon 24	04:00	GER IFO Survey (business climate)*	Apr	index	--	93.4	93.3
	08:00	MX Consumer prices	Apr 15	% m/m	-0.09	-0.15	0.07
	08:00	MX Core	Apr 15	% m/m	0.24	0.22	0.29
	08:00	MX Consumer prices	Apr 15	% y/y	6.31	6.28	6.58
	08:00	MX Core	Apr 15	% y/y	7.80	7.76	8.03
Tue 25	08:00	MX Economic activity indicator (IGAE)	Feb	% y/y	3.7	4.0	4.4
	08:00	MX Economic activity indicator (IGAE)*	Feb	% m/m	0.1	0.3	0.6
	08:00	BZ Retail sales	Feb	% y/y	--	0.9	2.6
	08:00	BZ Retail sales*	Feb	% m/m	--	0.1	3.8
	09:00	US S&P/CoreLogic housing prices	Feb	% y/y	--	-0.1	2.6
	10:00	US New home sales**	Mar	thousands	--	630	640
	10:00	US Consumer confidence*	Apr	index	105.0	104.0	104.2
	11:00	MX International reserves	Apr 21	US\$bn	--	--	203.0
	13:30	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 26	08:00	BZ Consumer prices	Apr	% m/m	--	0.62	0.69
	08:00	BZ Consumer prices	Apr	% y/y	--	4.21	5.36
	08:30	US Trade balance*	Mar	US\$bn	--	-90.0	-91.6
	08:30	US Durable goods orders*	Mar (P)	% m/m	--	0.8	-1.0
	08:30	US Ex transportation*	Mar (P)	% m/m	--	-0.2	-0.1
Thu 27	05:00	EZ Consumer confidence*	Apr (F)	index	--	--	-17.5
	05:00	EZ Economic confidence*	Apr	index	--	99.9	99.3
	07:00	TUR Monetary policy decision (Central Bank of Turkey)	Apr 27	%	--	8.50	8.50
	08:00	MX Trade balance	Mar	US\$mn	-1,330.7	-712.0	-1,844.4
	08:30	US Initial jobless claims*	Apr 22	thousands	250	250	245
	08:30	US Gross domestic product**	1Q23 (F)	% q/q	2.2	2.0	2.6
	08:30	US Personal consumption**	1Q23 (F)	% q/q	4.1	4.0	1.0
		JN Monetary policy decision (BoJ)	Apr 28	%	--	-0.10	-0.10
Fri 28	04:00	GER Gross domestic product*	1Q23 (P)	% q/q	--	0.2	-0.4
	05:00	EZ Gross domestic product	1Q23 (P)	% y/y	--	1.4	1.8
	05:00	EZ Gross domestic product*	1Q23 (P)	% q/q	--	0.2	0.0
	08:00	MX Gross domestic product	1Q23 (P)	% y/y	3.7	3.3	3.6
	08:00	MX Gross domestic product*	1Q23 (P)	% q/q	1.0	0.8	0.5
	08:00	BZ Unemployment rate	Mar	%	--	8.9	8.6
	08:00	BZ Economic activity	Feb	% y/y	--	0.8	3.0
	08:00	BZ Economic activity*	Feb	% m/m	--	0.9	0.0
	08:00	GER Consumer prices	Apr (P)	% y/y	--	7.3	7.4
	08:30	US Personal income*	Mar	% m/m	--	0.2	0.3
	08:30	US Personal spending*	Mar	% m/m	--	-0.1	0.2
	08:30	US Real personal spending*	Mar	% m/m	-0.3	-0.1	-0.1
	08:30	US PCE Deflator*	Mar	% m/m	--	0.1	0.3
	08:30	US Core*	Mar	% m/m	--	0.3	0.3
	08:30	US PCE Deflator	Mar	% y/y	--	4.1	5.0
	08:30	US Core	Mar	% y/y	--	4.5	4.6
	10:00	US U. of Michigan confidence*	Apr (F)	index	63.5	63.5	63.5
	11:00	MX Banking credit	Mar	% y/y	5.4	--	5.2
	14:00	COL Monetary policy decision (BanRep)	Apr 28	%	--	13.00	13.00
	16:30	MX Public finances (PSBR, year-to-date)	Mar	MXNmn	--	--	-135.1
Sat 29	21:30	CHI Manufacturing PMI*	Apr	Index	--	51.5	51.9
	21:30	CHI Non-manufacturing PMI*	Apr	Index	--	--	58.2
	21:30	CHI Composite PMI*	Apr	index	--	--	57.0

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



**For the week ending April 21, 2023**

	Time	Event	Period	Unit	Banorte	Actual	Previous
Mon 17		EZ European Commission economic growth forecasts					
	08:00	BZ Economic activity	Jan	% y/y	--	3.0	1.4
	08:00	BZ Economic activity*	Jan	% m/m	--	0.0	0.5 (R)
	08:30	US Empire manufacturing*	Apr	index	-18.0	10.8	-24.6
	22:00	CHI Gross domestic product	1Q23	% y/y	--	4.5	2.9
	22:00	CHI Industrial production	Mar	% y/y	--	3.9	--
	22:00	CHI Retail sales	Mar	% y/y	--	10.6	--
	22:00	CHI Gross fixed investment (YTD)	Mar	% y/y	--	5.1	5.5
Tue 18	02:00	UK Unemployment rate*	Feb	%	--	3.8	3.7
	05:00	GER ZEW Survey (Expectations)	Apr	index	--	4.1	13.0
	05:00	EZ Trade balance*	Feb	EURbn	--	-0.1	-11.3
	08:00	MX Timely Indicator of Economic Activity*	Mar	% y/y	--	3.8	3.5
	08:30	US Housing starts**	Mar	thousands	--	1,420	1,432 (R)
	08:30	US Building permits**	Mar	thousands	--	1,413	1,550
	11:00	MX International reserves	Apr 14	US\$bn	--	202.9	203.1
	13:00	US Fed's Bowman Discusses Central Bank Digital Currencies					
Wed 19	13:30	MX Government weekly auction: 1-, 3-, 6-, 12- month CETES; 20-year Mbono (Nov'42); 30-year Udibono (Nov'50) and 2-, 5-, and 10-year Bondes F					
	02:00	UK Consumer prices	Mar	% y/y	--	10.1	10.4
	02:00	UK Core	Mar	% y/y	--	6.2	6.2
	04:00	EZ Current account*	Feb	EURbn	--	24.3	18.6 (R)
	05:00	EZ Consumer prices	Mar (F)	% y/y	--	6.9	8.5 (R)
	05:00	EZ Core	Mar (F)	% y/y	--	5.7	5.7
	08:00	BZ Industrial production	Feb	% y/y	--	-2.4	0.3
	08:00	BZ Industrial production*	Feb	% m/m	--	-0.2	-0.3
	14:00	US Beige Book					
	17:30	US Fed's Goolsbee Interviewed on Marketplace					
	19:00	US Fed's Williams Speaks in New York					
	21:15	CHI Rate decision 1-year Loan Prime Rate	Apr 20	%	--	3.65	3.65
	21:15	CHI Rate decision 5-year Loan Prime Rate	Apr 20	%	--	4.30	4.30
Thu 20	08:00	MX Retail sales	Feb	% y/y	3.6	3.4	5.3
	08:00	MX Retail sales*	Feb	% m/m	-0.1	-0.3	1.6
	08:30	US Initial jobless claims*	Apr 15	thousands	239	245	240 (R)
	08:30	US Philadelphia Fed*	Apr	index	-23.0	-31.3	-23.2
	10:00	US Existing home sales**	Mar	millions	--	4.4	4.6
	10:00	EZ Consumer confidence*	Apr (P)	index	--	-17.5	-19.1 (R)
	12:00	US Fed's Waller Discusses Financial Innovation					
	12:20	US Fed's Mester Discusses the Economic and Policy Outlook					
Fri 21	15:00	US Fed's Bowman Takes Part in Fed Listens Event					
	17:00	US Fed's Bostic Discusses Economic Conditions					
	19:45	US Fed's Harker Discusses the Economic Outlook					
		MX Survey of expectations (Citibanamex)					
	03:30	GER Manufacturing PMI*	Apr (P)	index	--	44.0	44.7
	03:30	GER Services PMI*	Apr (P)	index	--	55.7	53.7
	03:30	GER Composite PMI*	Apr (P)	index	--	53.9	52.6
	04:00	EZ Manufacturing PMI*	Apr (P)	index	--	45.5	47.3
	04:00	EZ Services PMI*	Apr (P)	index	--	56.6	55.0
	04:00	EZ Composite PMI*	Apr (P)	index	--	54.4	53.7
	04:30	UK Manufacturing PMI*	Apr (P)	index	--	46.6	47.9
	04:30	UK Services PMI*	Apr (P)	index	--	54.9	52.9
	09:45	US Manufacturing PMI*	Apr (P)	index	48.5	50.4	49.2
	09:45	US Services PMI*	Apr (P)	index	--	53.7	52.6
	09:45	US Composite PMI*	Apr (P)	index	--	53.5	52.3
	16:35	US Fed's Cook Discusses Economic Research					

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 TIE-IRS (26x1), receive 2-year SOFR	L	18-Aug-22	28-Oct-22
Pay 2-year TIE-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 TIE-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 TIE-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-linked 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-linked 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 TIE-IRS steepener	28bps	43bps	18bps	31bps	P <sup>2</sup>	15-Feb-17	15-Mar-17
5y10y TIE-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 TIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% <sup>1</sup>	P	12-Nov-15	8-Feb-16
Long spread 10-year TIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	30-Sep-15	23-Oct-15
Receive 9-month TIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	3-Sep-15	18-Sep-15
Spread TIE 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 TIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	29-Jan-15	29-Jan-15
Pay 9-month TIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	29-Jan-15	29-Jan-15
Pay 5-year TIE-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 TIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	11-Jul-14	10-Sep-14
Receive 1-year TIE-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 TIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	10-Oct-13	25-Oct-13
Receive 1-year TIE-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 TIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	21-Jun-13	12-Jul-13
Spread TIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	7-Jun-13	11-Jun-13
Receive 1-year TIE-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 TIE-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 TIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	11-Jan-13	24-Jan-13
Receive TIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	19-Oct-12	8-Mar-13
Spread TIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	21-Sep-12	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

<sup>1</sup> Carry + roll-down gains of 17bps

<sup>2</sup> 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

## Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, 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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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
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