

Fixed-Income and FX Weekly

May 8, 2023

Market outlook

- **Positive performance in local assets.** Last week, the Mbonos' curve registered gains of 3bps, on average. The 10-year benchmark closed at 8.76% (-2bps w/w). The USD/MXN ended at 17.76, printing an appreciation of 1.3% w/w
- **The focus will be on the US inflation report and the BoE decision.** Last week, markets digested the Fed's decision and a more hawkish tone from Jerome Powell at the press conference vs. the statement. Investors also reacted cautiously to renewed uncertainty about US banks. However, US employment figures surprised by showing a strong labor market, supporting the idea of greater resilience of the economy, and diluting global recession fears. In addition, Treasury Secretary Janet Yellen warned that the funds could run out on June 1st. In this context, the market modified its expectations, and the Treasuries yield curve ended the week with a steepening bias. This week, market attention will focus on the April US inflation report due to its importance for future Fed decisions, the speeches by Williams and Bullard, as well as President Biden's meeting with congressional leaders to negotiate on the debt limit. In addition, the monetary policy decisions of the central banks of Poland, Romania, Peru, Chile, and the United Kingdom will be relevant. The latter will also update its economic forecasts in the face of persistent inflationary pressures. Additionally to inflation, the US economic agenda includes housing market figures, University of Michigan consumer sentiment, producer prices and jobless claims. In the UK, 1Q23 GDP, industrial and manufacturing production will be released, and in the Eurozone, investor confidence will be published. Mexico will also report inflation, ANTAD figures, wage negotiations, as well as industrial and manufacturing production

Fixed-Income

- **Supply** – Tomorrow, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'27), the 10-year Udibono (Nov'31), as well as 1-, 3-, and 7-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.374 trillion (US\$ 76.0 billion), a market share equal to 35.0%, as of April 25th. Short positions in Mbono May'33 ended at MXN 3.2 billion from previous MXN 2.4 billion
- **Technicals** – The spread between 10-year Mbonos and Treasuries decreased to 532bps from 535bps the previous week, with the 12M mean at 560bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of May 2nd) printed a higher net long of US\$ 1.61 billion from US\$ 1.50 billion a week ago. Mutual funds' flows to EM marked lower outflows of US\$ 26 million from US\$ 1.5 billion
- **Technicals** – The spot traded beyond the short-term resistance of 18.70 per dollar, reaching its best intraday level since 2017 at 17.75. Moreover, its weekly trading range was of 33 cents above 25 last week

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Fixed-Income

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Foreign exchange

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Recommendations

Fixed-Income

- We ruled out interest rate cuts by Banxico and the Fed in 2023, standing at 11.25% and 5.00%-5.25%, respectively. With this, we expect additional pressures in the short-end (maturities less than one year) to correct this situation. In addition, we see even more inverted yield curves
- This week, the focus will be on US and Mexican inflation as it will be key to confirm that the tightening cycles have culminated
- Finally, we expect that the 10-year Mbono to trade between 8.60% and 8.90% this week

FX

- The performance of the USD will be mainly driven by the US April inflation report and debt ceiling negotiations. Meanwhile, the market continues to see weakness with short positions
- In our view, the MXN will remain resilient after breaching key resistance at 17.90 being supported by a carry that remains attractive despite compressing to 600bp. We estimate a weekly trading range between USD/MXN 17.60 and 18.00

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 05/05/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.26	-4	+44
Sep'24	11.01	-1	+92
Dec'24	10.69	0	+82
Mar'25	10.35	-4	+42
Mar'26	9.54	-2	+31
Mar'27	9.11	0	-8
Jun'27	9.00	-2	-8
May'29	8.74	-2	-33
May'31	8.75	-2	-27
May'33	8.76	-2	-26
Nov'34	8.76	-5	-29
Nov'36	8.75	-4	-30
Nov'38	9.00	-2	-9
Nov'42	9.06	-2	-4
Nov'47	9.01	-4	-6
Jul'53	9.04	-6	-1

Source: PiP

Udibonos performance

Maturity date	YTM 05/05/2023	Weekly change (bps)	YTD (bps)
Nov'23	8.38	-19	+230
Dec'25	5.67	-10	+91
Dec'26	5.35	-13	+69
Nov'28	4.47	0	+16
Nov'31	4.44	+6	+27
Nov'35	4.42	+2	+21
Nov'40	4.51	-2	+32
Nov'43	4.51	-4	+1
Nov'46	4.49	-5	+31
Nov'50	4.50	-4	+27

Source: PiP

IRS (28-day TIE) performance

Maturity date	YTM 05/05/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.61	0	+70
6-month (6x1)	11.57	-2	+53
9-month (9x1)	11.45	-7	+38
1-year (13x1)	11.16	-9	+24
2-year (26x1)	9.90	-8	+3
3-year (39x1)	9.03	-10	-15
4-year (52x1)	8.61	-9	-30
5-year (65x1)	8.42	-7	-40
7-year (91x1)	8.33	-4	-42
10-year (130x1)	8.33	-3	-41
20-year (260x1)	8.43	-2	-43

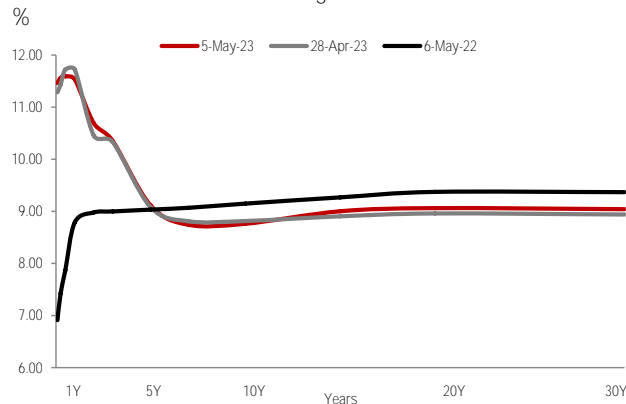
Source: Bloomberg

Cetes performance

Maturity date	YTM 05/05/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.46	+16	+137
Cetes 91	11.56	-1	+90
Cetes 182	11.59	-2	+72
Cetes 364	11.53	-5	+56
Cetes 728	11.09	-15	+28

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 05/05/2023	Weekly change (bps)	YTD (bps)	YTM 05/05/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.45	+1	-3	3.91	-9	-51	54	+10	35	46
3Y	May'26	4.05	-35	-75	3.64	-7	-58	41	-28	77	68
5Y	Feb'28	4.65	+6	-14	3.41	-7	-59	124	+13	106	120
7Y	Apr'30	4.90	+5	-43	3.41	-5	-55	149	+9	152	163
10Y	May'33	5.30	+5	-26	3.44	+1	-44	186	+4	184	202
20Y	Mar'44	5.96	+14	-42	3.84	+4	-30	212	+10	233	--
30Y	May'53	6.25	+14	-14	3.75	+8	-21	250	+6	261	--

Source: Bloomberg

5Y USD UMS
%



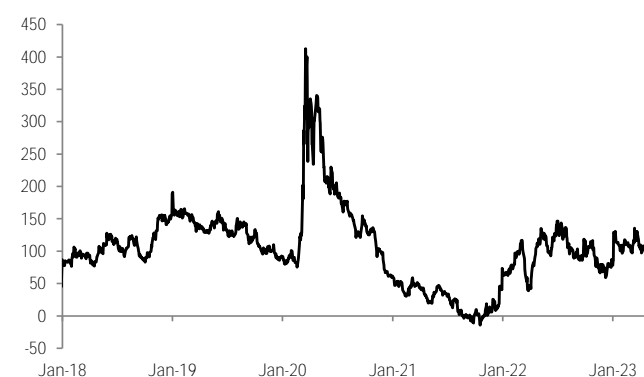
Source: Bloomberg

10Y USD UMS
%



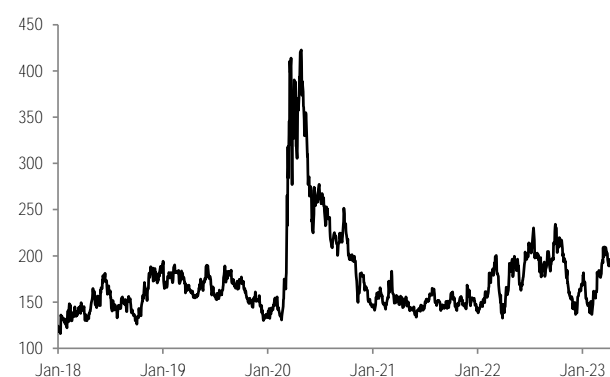
Source: Bloomberg

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 will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'27), the 10-year Udibono (Nov'31), as well as 1-, 3-, and 7-year Bondes F
- Higher appetite for Cetes vs other securities.** In the May 18th meeting, we expect Banxico to keep the reference rate unchanged at 11.25%, confirming that the restrictive cycle ended in March and that the lagged effect of monetary policy will be enough for inflation to eventually reach its target level. In this sense, Cetes' real rates continue to be very attractive, so we foresee a strong demand for these securities. In particular, the 1-month Cetes are trading very close to the figure of 11.50%, all-time highs. For the 5-year Mbono, we anticipate a good demand in line with the average of its last three auctions of 2.3x. Securities on the belly of the curve reflect a less attractive relative valuation compared to longer duration assets. However, this security has accumulated gains of 8bps so far this year vs. the 7-year benchmark that has gained 33bps. For the 10-year Udibono, we expect weak appetite around 1.6x, despite a decline in breakeven for the same term to a 12-month low of 4.14% (-22bps m/m)

Auction specifics (May 9, 2023)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	8-Jun-23	--	12,000	11.40
3m	10-Aug-23	--	12,000	11.59
6m	1-Nov-23	--	13,000	11.61
24m	20-Mar-25	--	8,500	11.31
Bondes F				
1y	14-Mar-24	--	5,500	0.13
3y	23-Oct-25	--	1,500	0.22
7y	4-Oct-29	--	800	0.29
Mbono				
5y	4-Mar-27	5.50	13,000	9.20
Udibono				
10y	27-Nov-31	2.75	UDIS 1,500	4.42

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.

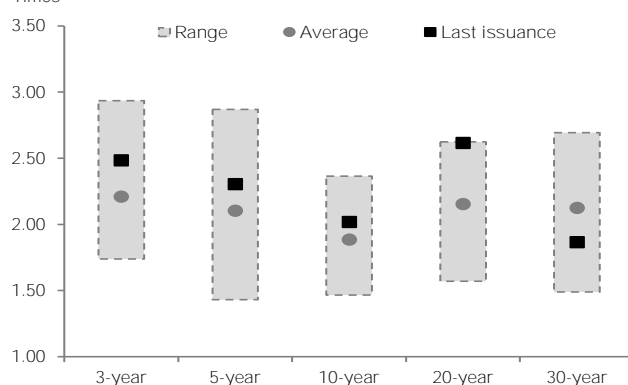
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

2023 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

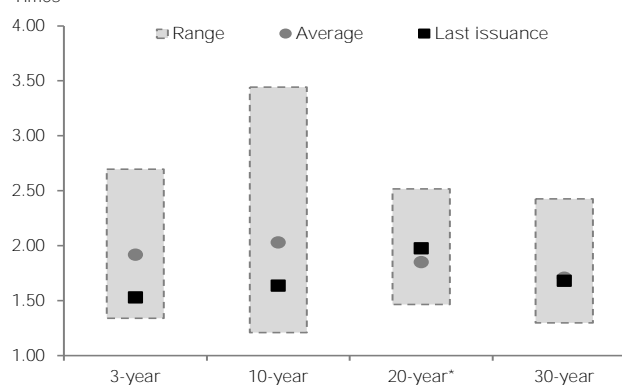
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

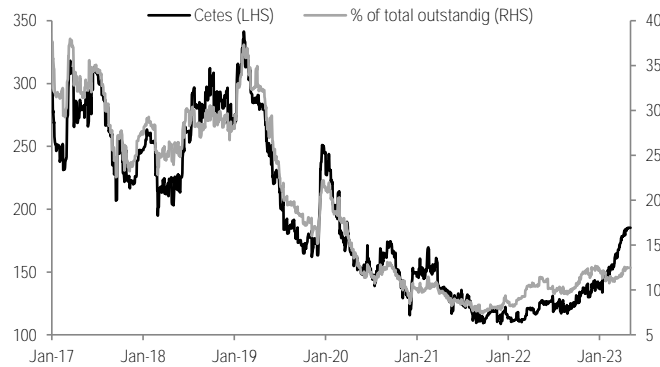
Udibonos' bid-to-cover ratios for primary auction in last 2 years



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

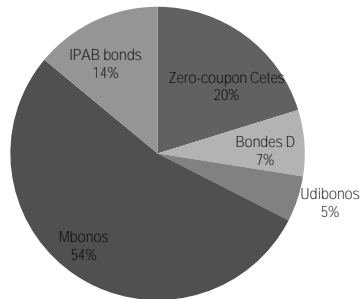
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



Source: Banxico

Government issuance by type of instrument
Total amount of US\$ 405 billion, % of total



Source: Banxico

Government bond holdings by type of investor
US\$ billion and %, data as of 04/25/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	82	12%	13%	20%	5%	9%	41%
Floating-rate Bondes D	30	0%	5%	36%	2%	21%	36%
Real-rate Udibonos	159	4%	53%	4%	19%	1%	18%
Fixed-rate Mbonos	217	35%	23%	3%	3%	11%	25%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds

US\$ billion

	04/25/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.2	10.2	0.1	7.8	2.5
Floating-rate Bondes D	0.1	0.4	-0.4	1.9	-1.8
Real-rate Udibonos	6.5	0.9	5.7	1.0	5.6
Fixed-rate Mbonos	76.0	77.4	-1.4	77.4	-1.4

Source: Banorte with data from Banxico

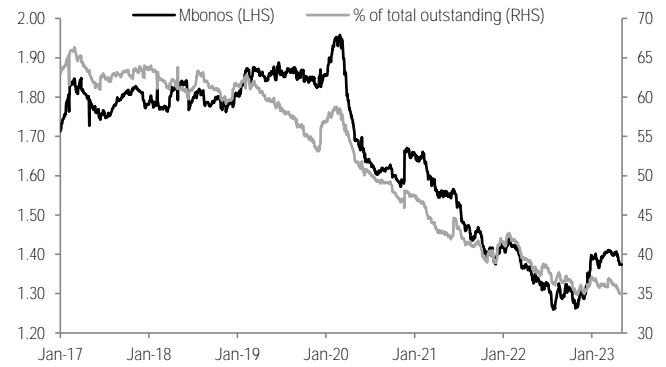
Foreign investors holdings of government bonds

Percentage of total amount outstanding

	04/25/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	12.5%	12.4%	0.0%	12.4%	0.1%
Floating-rate Bondes D	0.2%	1.5%	-1.2%	4.4%	-4.2%
Real-rate Udibonos	4.1%	4.4%	-0.3%	5.0%	-0.9%
Fixed-rate Mbonos	35.0%	35.8%	-0.8%	37.1%	-2.1%

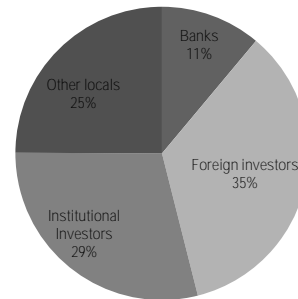
Source: Banorte with data from Banxico

Mbonos held by foreigners
MXN trillion, %



Source: Banxico

Mbonos holdings by type of investor
Total amount of US\$ 217 billion, % of total



Source: Banxico

Mbonos holdings by type of investor

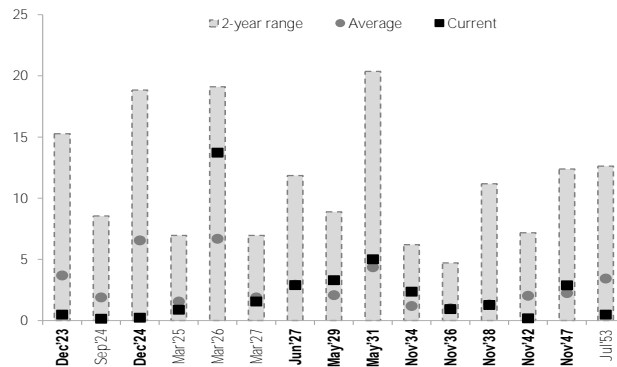
US\$ billion and %, data as of 04/20/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.6	21%	11%	17%	51%
Sep'24	17.5	17%	21%	13%	49%
Dec'24	13.3	16%	28%	8%	49%
Mar'25	11.8	15%	22%	20%	43%
Mar'26	25.5	22%	27%	17%	34%
Mar'27	13.5	13%	25%	15%	46%
Jun'27	19.7	11%	45%	27%	16%
May'29	15.2	4%	53%	22%	21%
May'31	24.3	4%	51%	31%	14%
May'33	7.4	3%	39%	40%	19%
Nov'34	5.0	0%	51%	36%	12%
Nov'36	4.0	1%	31%	39%	30%
Nov'38	12.1	1%	43%	39%	16%
Nov'42	15.7	1%	47%	38%	14%
Nov'47	14.5	0%	36%	43%	20%
Jul'53	6.4	3%	32%	50%	15%
Total	211.1	10%	36%	26%	29%

Source: Banxico

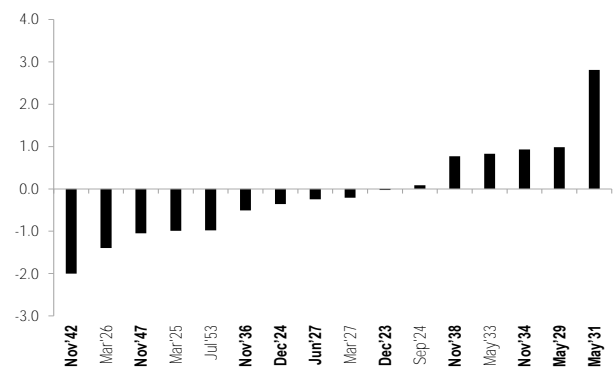
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



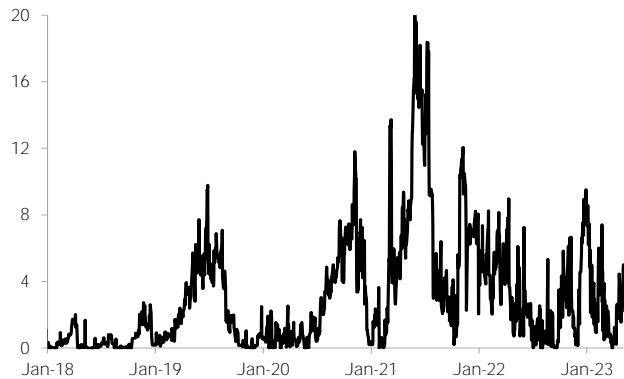
Source: Banxico *Mar'25 issued in Dec'21

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



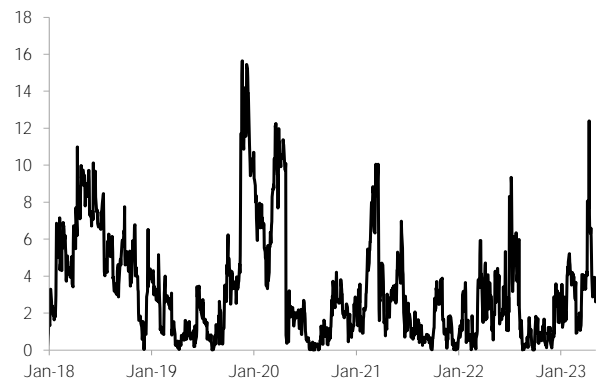
Source: Banxico

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 05/05/2023	05/05/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	11,747	28	29	0	28	405	0
Sep'24	17,771	9	4	83	102	310	0
Dec'24	13,707	13	33	9	235	441	0
Mar'25	12,721	50	106	56	48	332	0
Mar'26	25,836	773	852	920	330	1,076	136
Mar'27	13,699	89	100	168	71	392	0
Jun'27	19,976	164	177	244	182	668	22
May'29	15,470	187	131	203	144	351	0
May'31	24,712	282	124	71	100	536	0
May'33	7,492	182	135	96	0	328	0
Nov'34	5,098	134	81	98	23	164	24
Nov'36	4,007	53	82	118	42	221	0
Nov'38	12,304	72	29	41	72	138	0
Nov'42	15,955	11	123	12	3	158	0
Nov'47	14,623	163	222	454	228	698	6
Jul'53	7,133	27	82	116	0	711	0
Total	222,250	2,208	2,228	2,572	1,608		

Source: Banxico

Fixed-Income technicals

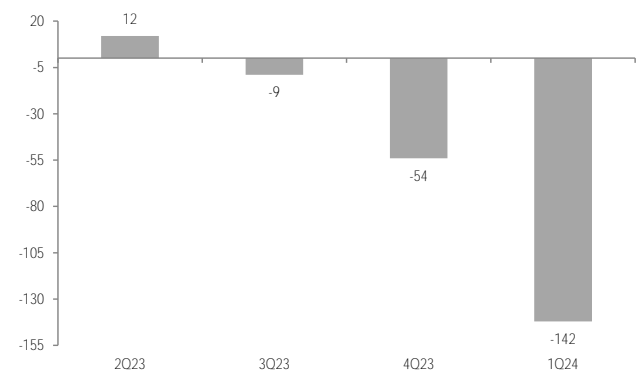
- **The carry at the shortest-end recorded a mixed balance.** Spreads between Cetes and imp. forward rates stood at: 1-month at +27bps from -50bps, 3-month at -89bps from -90bps, 6-month at -104bps from -105bps, and 1-year at -92bps from -83bps
- **The market maintains an accommodative vision for the second half of the year in the US and Mexico, contrary to our expectations.** Market participants consider that Banxico and the Fed have completed their hiking cycles with rates of 11.25% and 5.00%-5.25%, respectively; however, the inflation figures to be published this week will be key to consolidating this vision. In addition, the market anticipates that both banks will initiate interest rate cuts in 2H23 due to fears of recession. The curve prices-in cuts of 66bps and 75bps, respectively, contrary to our expectations

Spread between Cetes and Implied Forward Rates
Basis Points

Tenor	Actual 05/05/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	27	-50	-10	10	142	-106
3 months	-89	-90	-86	-51	27	-120
6 months	-104	-105	-92	-80	-10	-121
12 months	-92	-83	-98	-94	-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

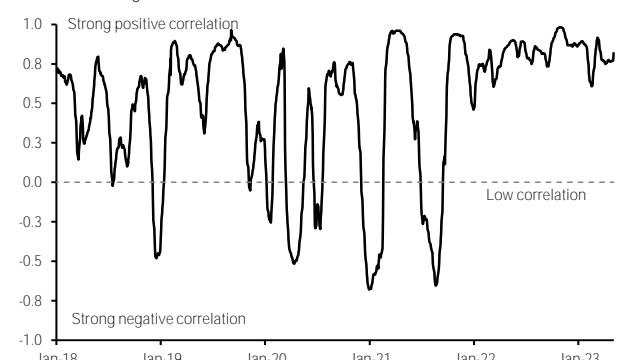
- **The local risk premium decreased slightly, although it was more volatile than previous weeks.** Sovereign bonds reacted to the Fed's monetary policy decision and US employment data. In this context, the 10-year spread between Mbonos and Treasuries closed Friday at 532bps vs. 535bps the previous week, while the average of the last twelve months stands at 560bps
- **The 3-month correlation between benchmark Mexican and American bonds increased.** The reading closed Friday at +82% vs. +77% 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

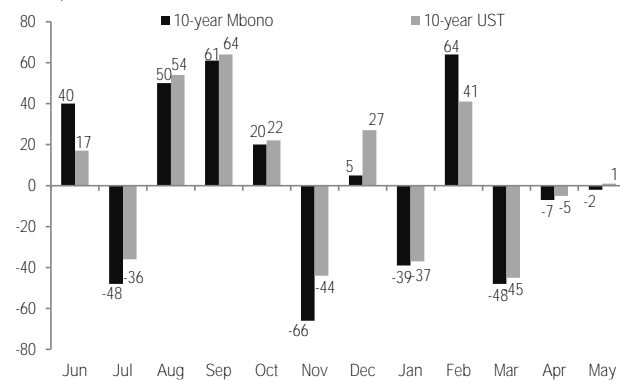
Basis points

Tenor	05/05/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-193	-192 (-1bp)	-164 (-29bps)	17 (-210bps)	21	-199	-95
Mbono 10s30s	28	32 (-4bps)	13 (+15bps)	22 (+6bps)	35	-15	9
TIIE-Mbono 2-year	-80	-72 (-8bps)	-55 (-25bps)	15 (-95bps)	18	-82	-23
TIIE-Mbono 10-year	-44	-43 (-1bp)	-53 (+9bps)	-4 (-40bps)	1	-67	-35

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months

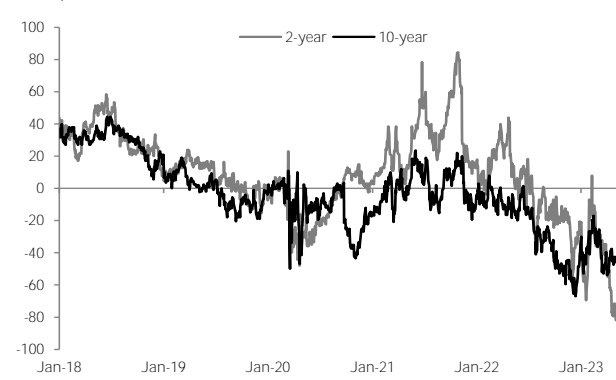
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

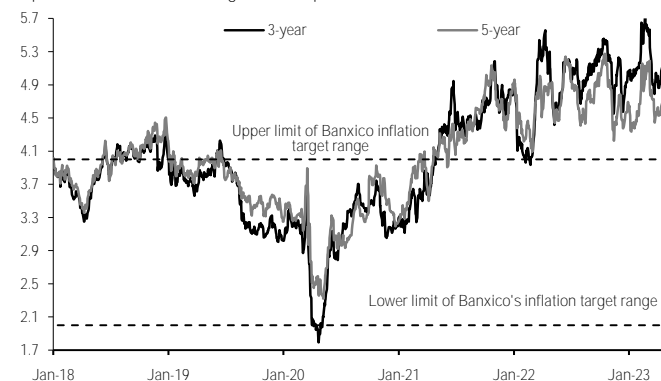
Implicit market inflation using Fisher Equation (%)

Date	05/05/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.75	4.65 (+10bps)	4.86 (-11bps)	4.61 (+14bps)	5.74	4.41	5.04
5Y	4.44	4.44 (0bps)	4.53 (-9bps)	4.65 (-21bps)	5.28	4.23	4.73
10Y	4.14	4.21 (-7bps)	4.36 (-22bps)	4.74 (-60bps)	5.16	4.14	4.59
20y	4.35	4.33 (+2bps)	4.51 (-16bps)	5.08 (-73bps)	5.15	4.32	4.70
30Y	4.34	4.36 (-2bps)	4.55 (-21bps)	5.07 (-73bps)	5.18	4.23	4.68

Source: PiP

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

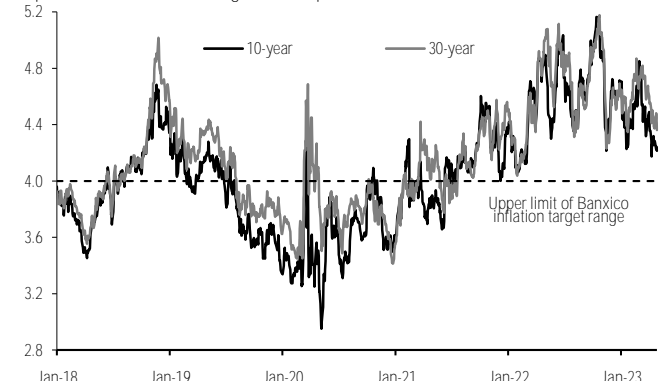
Implicit market inflation using Fisher Equation



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

- **Markets digest the end of the Fed's tightening cycle.** Last week ended with elevated volatility in the fixed income market, with the MOVE index –a metric reflecting volatility in 1-month US bond options– reaching one-month highs of 140 points from 122 the previous week. Lower term rates reflected erratic movements incorporating new information on the monetary front and economic data. In particular, short-term Treasuries registered a 20bps rally during the first days of the week following the Fed's decision, where the market assessed that the terminal rate of 5.00%-5.25% was already reached, and greater uncertainty about a recession coupled with the fragility of some regional banks in the US that could share the same fate of First Republic Bank and Silicon Valley Bank. Meanwhile, swaps linked to monetary policy meetings pointed to interest rate cuts of 25bps in July, September, November and December. However, the strong US jobs report diluted some of the recession fears and tempered expectations for the Fed to keep rates higher for longer. As a result, the view of cuts was pushed back to September with a cumulative decrease for the remainder of the year of 75bps. In addition, short-term Treasuries lost around 12bps without completely diluting the advance of the previous days, so the curve ended the week with a steepening bias. Another issue of concern has been the possible default of the US government in view of the impasse in Congress to raise the debt ceiling. In this regard, Janet Yellen, Secretary of the Treasury, warned that funds could run out on June 1st. Against this backdrop, the 1-year CDS in the US has steadily increased to a record high of 177 points at the beginning of the month, ending the week at 165 points. The higher risk of a credit default is also reflected in a much higher yield on T-Bills as of Janet Yellen's key date (June 1st). In particular, the four-week T-Bill auction maturing on June 6th was placed at 5.84%, equivalent to an all-time high and 201bps higher vs. previous auction. It is worth mentioning that even very short-term Treasury yields have come to outperform some corporate bonds
- Locally, yield curves closed last week with modest gains and the local risk premium remained stable closing at 532bps. The market continues to anticipate that Banxico will no longer hike on May 18th. Should this materialize, the spread vs. the Fed would remain at 600bps from 625bps. As for the Fed, the curve is pricing-in 66bps cuts in 2H23. We believe neither will cut rates in 2023, remaining at 11.25% and 5.00%-5.25%, respectively. With this, we expect additional pressures in the short-end (maturities less than one year) to correct this situation. In addition, we see even more inverted yield curves. This week, the focus will be on US and Mexican inflation as it will be key to confirm that the tightening cycles have culminated. Finally, we expect the 10-year Mbono, May'33, to trade between 8.55% and 8.80%

FX dynamics

- **The Mexican peso reached its best level since September 2017.** Despite the strength of the US labor market and Jerome Powell's hawkish tone, the MXN strengthened as it was supported by an attractive carry and solid fundamentals. The local currency closed the week at 17.76 per dollar with an appreciation of 1.3% w/w
- **Signals of the end of the rate hike cycle weakened the USD.** After incorporating the Fed's monetary policy decision, the dollar weakened and the DXY and BBDXY indices retreated. Meanwhile, G-10 and emerging market currencies ended with a positive bias. In the first group, AUD (+2.0%) was the strongest. In the second, trading was capped by COP (+3.8%) and ARS (-1.6%)

Foreign Exchange market levels and historical return

		Close at 05/05/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.95	0.7	0.7	1.7	6.7
Chile	USD/CLP	794.38	0.5	1.6	2.0	7.1
Colombia	USD/COP	4,524.86	1.7	3.8	1.0	7.2
Peru	USD/PEN	3.71	0.2	-0.1	1.6	2.6
Hungary	USD/HUF	337.47	0.4	0.3	2.2	10.6
Malaysia	USD/MYR	4.44	0.4	0.6	-0.8	-0.7
Mexico	USD/MXN	17.76	0.9	1.3	3.1	9.8
Poland	USD/PLN	4.15	0.4	0.2	3.5	5.4
Russia	USD/RUB	77.80	0.8	2.7	2.9	-4.6
South Africa	USD/ZAR	18.41	-0.7	-0.6	-2.0	-7.4
Developed Markets						
Canada	USD/CAD	1.34	1.2	1.3	0.6	1.3
Great Britain	GBP/USD	1.26	0.5	0.5	1.4	4.6
Japan	USD/JPY	134.80	-0.4	1.1	-2.6	-2.7
Eurozone	EUR/USD	1.1019	0.1	0.0	1.1	2.9
Norway	USD/NOK	10.57	1.3	0.8	-1.2	-7.2
Denmark	USD/DKK	6.76	0.1	0.1	1.1	2.8
Switzerland	USD/CHF	0.89	-0.6	0.4	1.8	3.8
New Zealand	NZD/USD	0.63	0.2	1.8	-0.4	-0.9
Sweden	USD/SEK	10.17	0.8	1.0	2.3	2.6
Australia	AUD/USD	0.67	0.8	2.0	0.4	-0.9

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

Source: Bloomberg

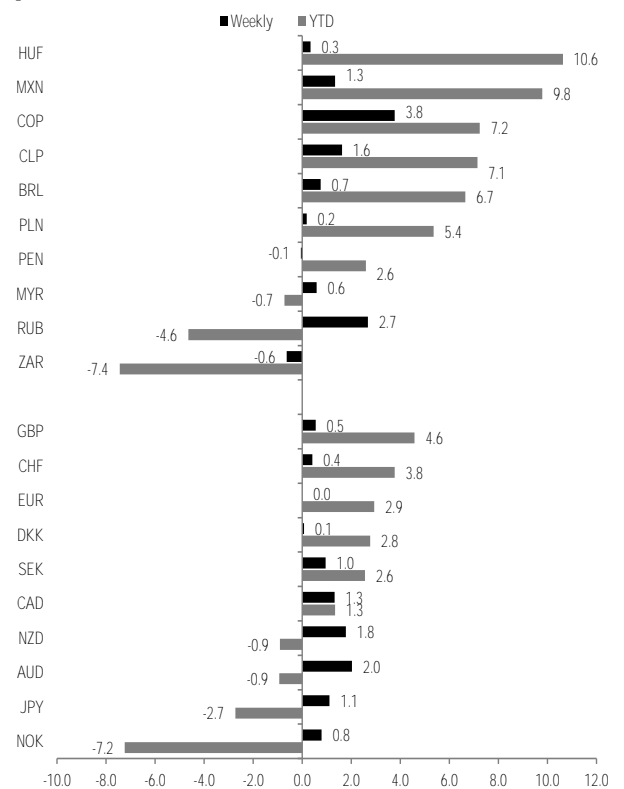
USD/MXN

Last 12 months



Source: Bloomberg

FX performance
Against USD, %



Source: Bloomberg

DXY

Points

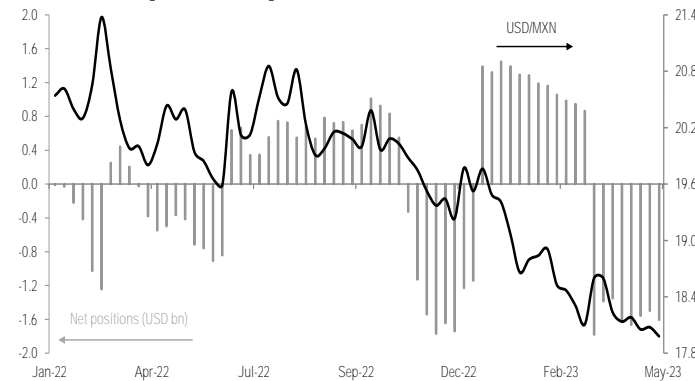


Source: Bloomberg, Banorte

FX positioning and flows

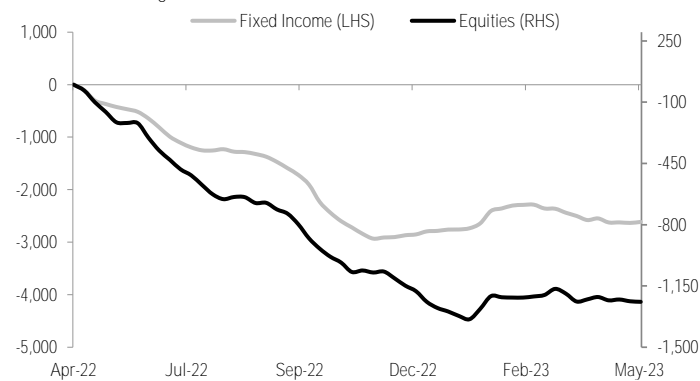
- **Net long positioning in MXN remains stable.** As of May 2nd, the MXN position is a net long of US\$ 1.60 billion from US\$ 1.50 billion. The volume of positions has remained stable at around US\$ 1.55 billion over the last 2 months. In EM, the currency remains the second strongest with a year-to-date gain of 9.8%, behind only the Hungarian forint. However, we believe that the room for further appreciation is limited so speculators could take profits
- **Investors retain net short USD positions in excess of US\$ 11 billion.** The USD IMM position was a lower net short of US\$ 11.06 billion from US\$ 11.79 billion the previous week. This was the result of increased selling, with CAD (-469 million), GBP (-391 million), AUD (-376 million) and JPY (-369 million) diluting purchases of EUR (+617 million) and MXN (+108 million)
- **Sales in EM moderated, while Mexico posted purchases.** Our EPFR aggregate recorded lower negative flows of US\$ 26 million from US\$ 1.5 billion the previous week. Bond market flows turn positive to US\$ 279 million from -US\$ 762 million. While equities outflows decrease to US\$ 305 million from US\$ 763 million. In Mexico, positive flows of US\$ 16 million were recorded because of purchases in bonds of US\$ 19 million and sales in equities of US\$ 3 million

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



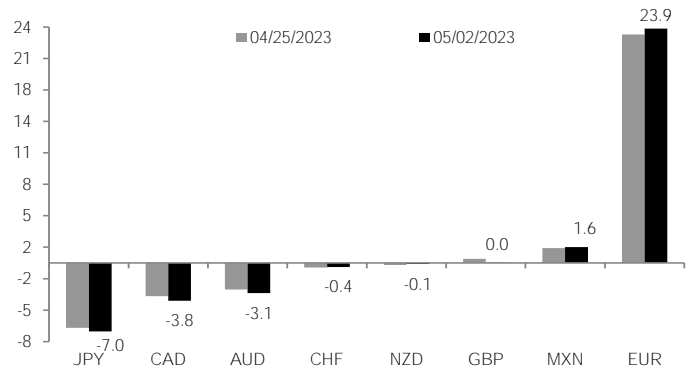
Source: CME, Banorte

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



Source: EPFR Global, Banorte

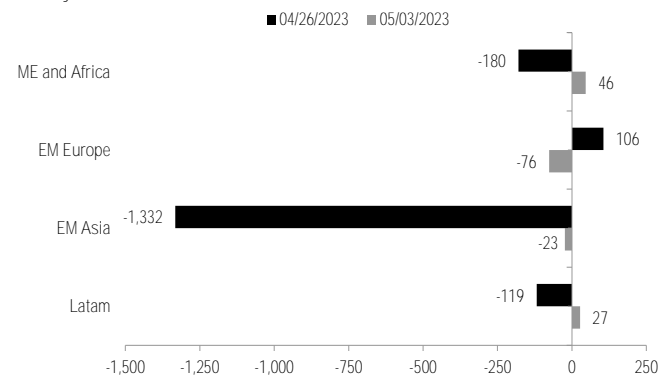
IMM positioning by currency*
Billion dollars



* 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 strongly breached a key resistance.** After pressing the 17.90 per dollar level for several days, the MXN managed to breach it with force as fears of a global recession receded. In our view, the local currency will remain resilient in the face of an attractive carry vs. other emerging market peers. The main short-term resistances stand at 17.70, 17.60, and 17.48, with supports at 18.00, 18.10, and 18.20. Meanwhile, the weekly trading range marked 33 cents, lower than the average of the last 4 weeks of 30 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	14	9	-7	72	32
CAD	55	32	1	68	37
ZAR	29	33	4	85	40
BRL	50	23	-48	70	30
HUF	23	10	-5	70	37
RUB	29	27	-34	54	11

* 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	54	66	8	89	52
SPX	54	56	23	71	48
GSCI	19	22	2	65	33
Gold	-24	-34	-57	67	22

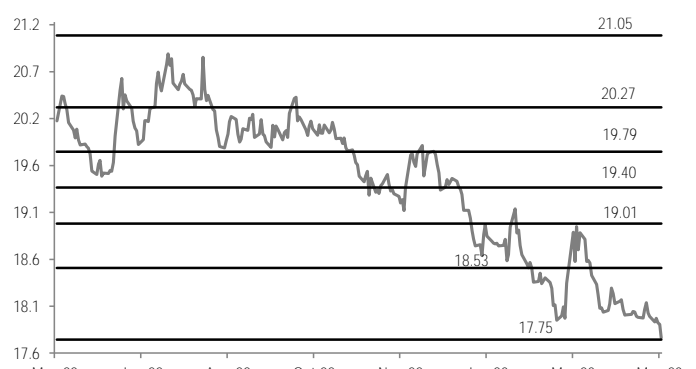
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



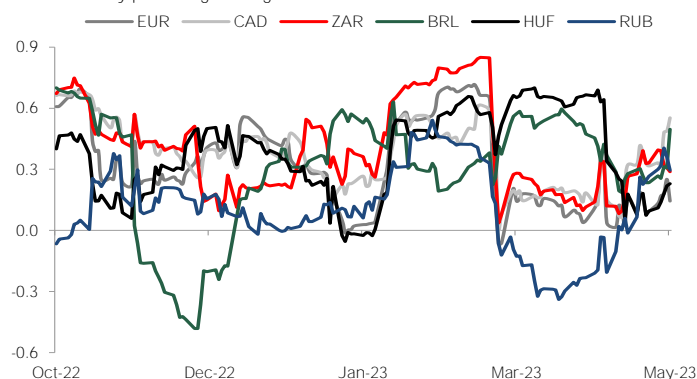
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



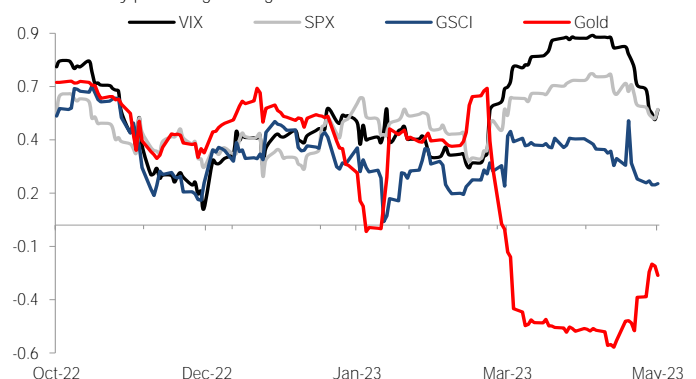
Source: Bloomberg

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

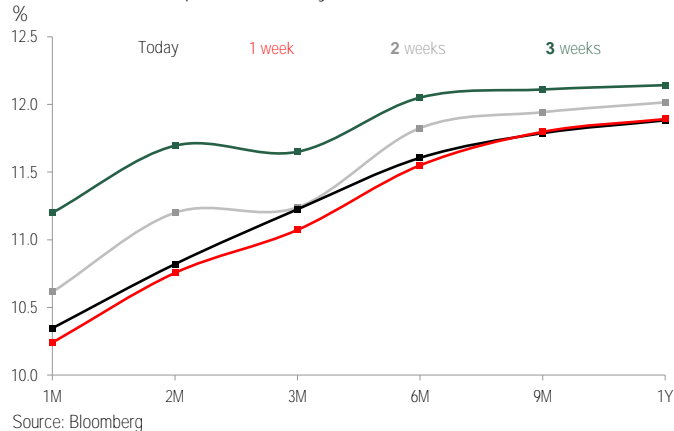


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

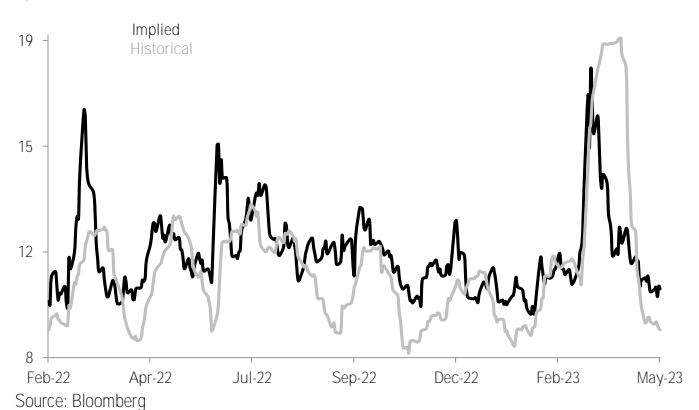
FX technicals (continued)

- The MXN ATM implied volatility curve remains steep with few changes vs. the previous week.** Despite an uncertain backdrop, MXN implied volatility closed little changed. The 1-month reading rose to 10.43% on Thursday; however, it ended Friday virtually unchanged vs. the previous week at 10.35%. Similarly, the 1-year benchmark remained at 11.88%. The 1-month risk reversal increased to 2.82% from 2.56% the previous week and the 3-month reading rose to 3.15% from 3.00%

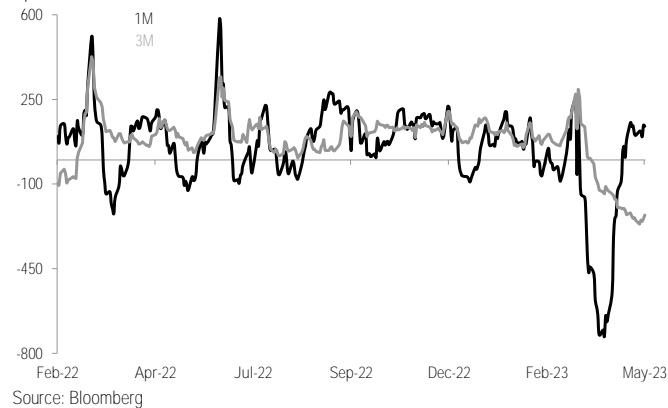
USD/MXN – ATM options volatility curve



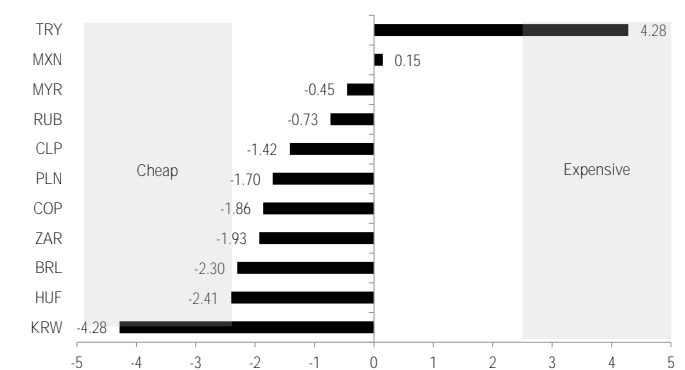
USD/MXN – 1M implied and historical volatility



USD/MXN – Spread between implicit and historical volatility

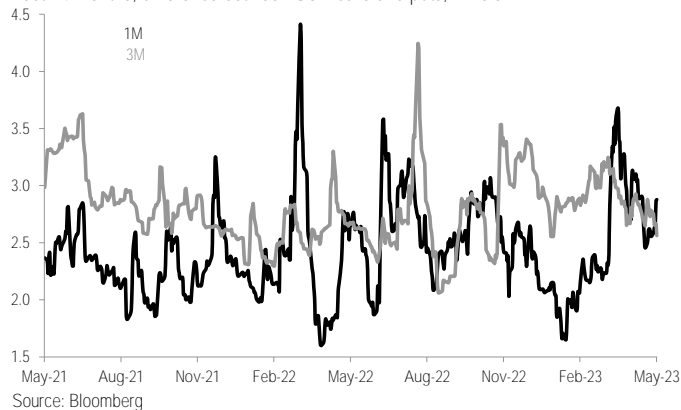


Emerging markets one-month ATM options volatility
Against USD, in standard deviations relative to last year's average

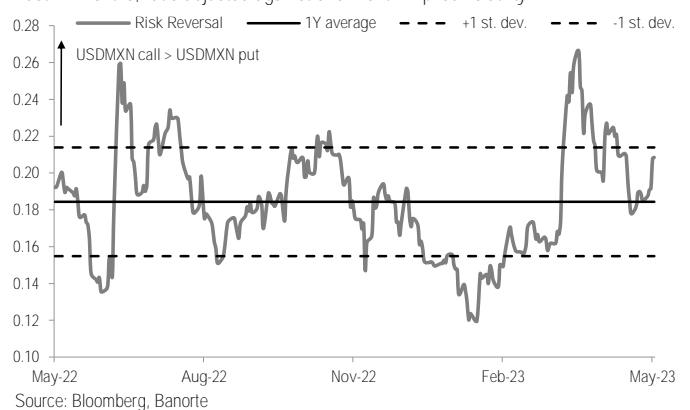


Source: Bloomberg, Banorte

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



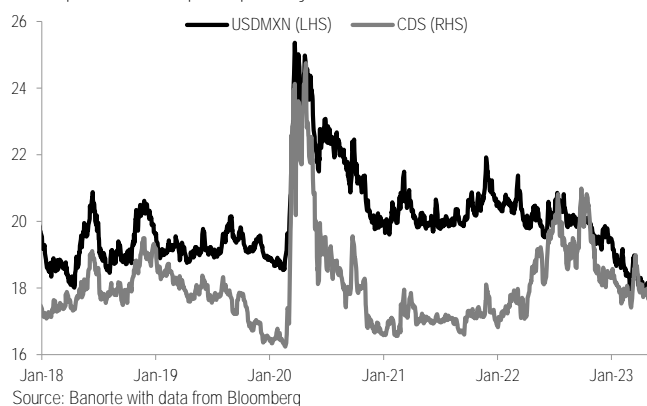
USD/MXN – 1-month 25D volatility-adjusted risk reversal
Last 12 months, ratio adjusted against one-month implied volatility



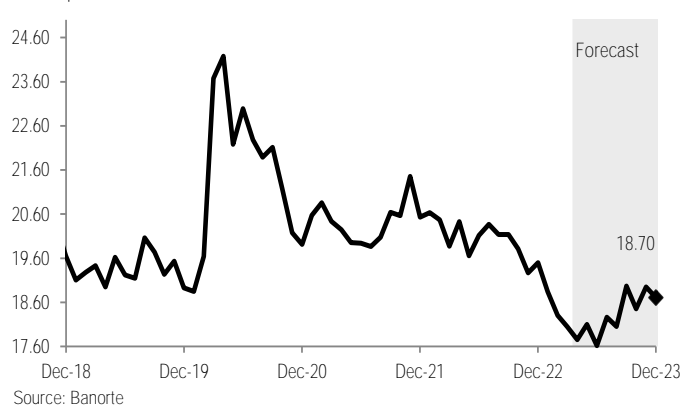
FX trade recommendations

- The Mexican peso marked levels not seen since September 2017.** The FX market assimilated last week's monetary policy decisions in the US, Brazil and the Eurozone, as well as Jerome Powell's hawkish comments vs. the Fed statement and US labor market figures that surprised by exceeding expectations. Currencies were also more volatile due to the uncertainty generated by the US banking crisis and the impact that tighter credit conditions will have on the economy. In this context, the USD fluctuated between gains and losses with the DXY and BBDXY indices retreating 0.4% and 1.7% w/w, respectively. Meanwhile, developed currencies ended the week with gains across the board and AUD (+2.0%) was the strongest. In emerging currencies, the positive bias predominated, with COP (+3.8%) and ARS (-1.6%), the latter impacted by the economic and political uncertainty in the South American nation, which is suffering from a shortage of international reserves, among other situations. The Mexican peso was the fourth strongest currency among emerging currencies, several days it pressured the 17.90 resistance and on Friday it breached it with force to mark its strongest level since September 2017 at 17.75 per dollar and close at 17.76 with an appreciation of 1.3% w/w. The trading range was 33 cents, slightly above the 4-week average of 30 cents
- This week, inflation readings for the month of April in several countries, including the US and Mexico will define the direction of currencies as they are relevant data for upcoming central bank decisions. Price dynamics could consolidate the expectation that the restrictive cycle is over for the Fed and Banxico. Despite the recent compression from 625bps to 600bps in the spread between the two institutions' benchmark rates, we believe MXN carry remains very attractive. This is the main reason why the Mexican currency remains the second strongest currency of the year, with an appreciation of 9.8%. Even short EUR/MXN strategies have been successful resulting in a 6.2% return for the year, following very different dynamics in economies and monetary stances. We estimate a trading range between USD/MXN 17.60 and 18.00

USD/MXN and Mexico 5Y CDS
Pesos per dollar and bps, respectively



USD/MXN Forecast for 2023
Pesos per dollar



Weekly economic calendar

For the week ending May 12, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 8	02:00	GER	Industrial Production*	Mar	% m/m	--	-1.5	2.0
	23:00	CHI	Trade balance	Apr	USDbn	--	70.3	88.2
	23:00	CHI	Exports	Apr	% y/y	--	--	23.4
	23:00	CHI	Imports	Apr	% y/y	--	--	6.1
Tue 9	07:00	BZ	Monetary policy decision (Central bank of Brazil)					
	08:00	MX	Consumer prices	Apr	% m/m	0.02	-0.05	0.27
	08:00	MX	Core	Apr	% m/m	0.43	0.41	0.52
	08:00	MX	Consumer prices	Apr	% y/y	6.29	6.22	6.85
	08:00	MX	Core	Apr	% y/y	7.71	7.69	8.09
	08:30	US	Fed's Jefferson Speaks to Atlanta Black Chamber					
	11:00	MX	International reserves	May 5	US\$bn	--	--	203.1
	12:05	US	Fed's Williams Speaks to Economic Club of New York					
	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					
Wed 10	02:00	GER	Consumer prices	Apr (F)	% y/y	--	7.2	7.2
	08:00	BZ	Industrial production	Mar	% y/y	--	0.5	-2.4
	08:00	BZ	Industrial production*	Mar	% m/m	--	0.8	-0.2
	08:30	US	Consumer prices*	Apr	% m/m	0.4	0.4	0.1
	08:30	US	Ex. food & energy*	Apr	% m/m	0.3	0.3	0.4
	08:30	US	Consumer prices	Apr	% y/y	5.0	5.0	5.0
	08:30	US	Ex. food & energy	Apr	% y/y	5.4	5.5	5.6
	21:30	CHI	Consumer Prices	Apr	% y/y	--	0.3	0.7
		MX	Wage negotiations	Apr	% y/y	--	--	9.2
		MX	ANTAD same-store sales	Apr	% y/y	--	--	4.1
Thu 11	07:00	UK	Monetary policy decision (BoE)	May	%	--	4.50	4.25
	08:30	US	Initial jobless claims*	May 6	thousands	245	245	242
	08:30	US	Producer prices*	Apr	% m/m	--	0.3	-0.5
	08:30	US	Ex. food & energy*	Apr	% m/m	--	0.2	-0.1
	10:15	US	Fed's Waller Discusses Financial Stability and Climate change					
	19:00	PER	Monetary policy decision (BCRP)	May 11	%	--	7.75	7.75
Fri 12	02:00	UK	Gross domestic product	1Q23 (P)	% y/y	--	0.2	0.6
	02:00	UK	Gross domestic product*	1Q23 (P)	% q/q	--	0.1	0.1
	02:00	UK	Industrial production*	Mar	% m/m	--	0.0	-0.2
	08:00	MX	Industrial production	Mar	% y/y	2.9	2.5	3.5
	08:00	MX	Industrial production*	Mar	% m/m	-0.2	-0.2	0.7
	08:00	MX	Manufacturing output	Mar	% y/y	2.9	2.9	2.4
	08:00	BZ	Consumer prices	Apr	% m/m	--	0.54	0.71
	08:00	BZ	Consumer prices	Apr	% y/y	--	4.11	4.65
	10:00	US	U. of Michigan confidence*	May (P)	index	62.5	63.0	63.5
	18:00	CL	Monetary policy decision (BCCCh)	May 12	%	--	11.25	11.25
	19:45	US	Fed's Bullard and Jefferson Take Part in Panel Discussion					

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

For the week ending May 5, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Sat 29	21:30	CHI	Manufacturing PMI*	Apr	index	--	49.2	51.9
	21:30	CHI	Non-manufacturing PMI*	Apr	index	--	56.4	58.2
	21:30	CHI	Composite PMI*	Apr	index	--	54.4	57.0
Mon 1		MX	Markets closed for Labor Day					
	09:45	US	Manufacturing PMI*	Apr (F)	index	50.4	50.2	50.4
	10:00	US	ISM manufacturing*	Apr	index	46.5	47.1	46.3
Tue 2	03:55	GER	Manufacturing PMI*	Apr (F)	index	--	44.5	44.0
	03:00	EZ	Manufacturing PMI*	Apr (F)	index	--	45.8	45.5 (R)
	04:00	EZ	Monetary aggregates (M3)*	Mar	% y/y	--	2.5	2.9
	04:30	UK	Manufacturing PMI*	Apr (F)	index	--	47.8	46.6
	05:00	EZ	Consumer prices	Apr (P)	% y/y	--	7.0	6.9
	05:00	EZ	Core	Apr (P)	% y/y	--	5.6	5.7
	09:00	BZ	Manufacturing PMI*	Apr	index	--	44.3	47.0
	10:00	US	Factory orders*	Mar	% m/m	--	0.9	-1.1
	10:00	US	Ex transportation*	Mar	% m/m	--	-0.7	-0.7 (R)
	10:00	US	Durable goods orders*	Mar (F)	% m/m	--	3.2	3.2
	10:00	US	Ex transportation*	Mar (F)	% m/m	--	0.2	0.3
	11:00	MX	Family remittances	Mar	US\$bn	5,261.3	5,193.8	4,348.4
	11:00	MX	Survey of expectations (Banxico)					
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12- month CETES; 30-year Mbono (Jul'53); 20-year Udibono (Nov'35) and 2-, and 5-year Bondes F					
	14:00	MX	PMI manufacturing (IMEF)*	Apr	index	50.5	50.6	49.6 (R)
	14:00	MX	PMI non-manufacturing (IMEF)*	Apr	index	53.2	54.0	53.5
		US	Total vehicle sales**	Apr	millions	--	15.9	14.8
	05:00	EZ	Unemployment rate*	Mar	%	--	6.5	6.6
	08:15	US	ADP employment*	Apr	thousands	140	296	142 (R)
Wed 3	09:45	US	Services PMI*	Apr (F)	index	53.7	53.6	53.7
	09:45	US	Composite PMI*	Apr (F)	index	53.5	53.4	53.5
	10:00	US	ISM services*	Apr	index	51.5	51.9	51.2
	11:00	MX	International reserves	Apr 28	US\$bn	--	203.1	202.7
	14:00	US	FOMC Rate Decision (Upper Bound)	May 3	%	5.25	5.25	5.00
	14:00	US	FOMC Rate Decision (Lower Bound)	May 3	%	5.00	5.00	4.75
	14:00	US	Interest Rate on Excess Reserves IOER)	May 3	%	--	5.15	4.90
	14:30	US	Fed Chair Holds Press Conference Following FOMC Meeting					
	17:30	BZ	Monetary policy decision (Central bank of Brazil)	May 3	%	13.75	13.75	13.75
	21:45	CHI	Manufacturing PMI (Caixin)*	Apr	index	--	49.5	50.0
Thu 4	02:00	GER	Trade balance	Mar	EURbn	--	16.7	16.1
	03:55	GER	Services PMI*	Apr (F)	index	--	56.0	55.7
	03:55	GER	Composite PMI*	Apr (F)	index	--	54.2	53.9
	04:00	EZ	Services PMI*	Apr (F)	index	--	56.2	56.6
	04:00	EZ	Composite PMI*	Apr (F)	index	--	54.1	54.4
	04:30	UK	Services PMI*	Apr (F)	index	--	55.9	54.9
	08:00	MX	Unemployment rate	Mar	%	2.53	2.39	2.72
	08:00	MX	Gross fixed investment	Feb	% y/y	10.8	12.7	7.8 (R)
	08:00	MX	Gross fixed investment*	Feb	% m/m	1.5	1.9	-0.2 (R)
	08:00	MX	Private consumption	Feb	% y/y	4.5	3.6	7.3
	08:00	MX	Private consumption*	Feb	% m/m	0.1	-0.4	1.8
	08:00	MX	Consumer confidence	Apr	index	44.7	44.1	44.4
	08:15	EZ	Monetary policy decision (ECB)	May 4	%	3.25	3.25	3.00
	08:30	US	Trade balance*	Mar	US\$bn	--	-64.2	-70.6 (R)
	08:30	US	Initial jobless claims*	Apr 29	thousands	238	242	229
	08:45	EZ	ECB President Christine Lagarde Holds Press Conference					
	21:45	CHI	Services PMI (Caixin)*	Apr	index	--	56.4	57.8
	21:45	CHI	Composite PMI (Caixin)*	Apr	index	--	53.6	54.5
Fri 5	05:00	EZ	Retail sales*	Mar	% m/m	--	-1.2	-0.2 (R)
	08:30	US	Nonfarm payrolls*	Apr	thousands	195	253	165 (R)
	08:30	US	Unemployment rate*	Apr	%	3.6	3.4	3.5
	13:00	US	Fed's Bullard Discusses the Economic Outlook					
	13:00	US	Fed's Cook Gives Commencement Address					
	15:00	US	Consumer credit*	Mar	US\$bn	--	26.5	15.0 (R)
	16:30	MX	Survey of expectations (Citibanamex)					

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 Mbonos 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 ²	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% ¹	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-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

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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