# Fixed-Income and FX Weekly

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www.banorte.com

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com

Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com

Isaías Rodríguez Sobrino
Strategist, Fixed Income and FX
isaias.rodriguez.sobrino@banorte.com

## Market outlook

- **Mixed performance in local assets.** Last week, the Mbonos' curve registered gains of 6bps at the long-end. The 10-year benchmark closed at 8.79% (+2bps w/w). The USD/MXN ended at 17.59, printing an appreciation of 1.0% w/w

- **Focus on Banxico's decision and US debt ceiling negotiations.** Last week financial markets ended with mixed performances. The moderation in April inflation in the US and the Congressional impasse on raising the debt ceiling were the main catalysts for the market. Following the price dynamics, we maintain our expectation that the Fed has already reached the terminal rate, but we differ from the market on the cuts it is pricing-in for 2H23. Likewise, inflation in Mexico showed favorable seasonal effects and we believe that Banxico's restrictive cycle has already ended with the benchmark rate at 11.25%. This week the spotlight will be on Banxico's monetary policy decision in which we expect a relatively hawkish tone in the statement. We will also be watching for future guidance on the inflation outlook, including the trajectory update. In addition, markets will remain attentive to negotiations between President Biden and Congressional leaders on the debt ceiling with the critical June 1st date defined by Janet Yellen in mind. Additionally, investors will be watching for speeches from Fed members, including Chairman Powell. In economic data, the focus will be on 1Q23 GDP releases from the Eurozone and Japan while China will publish both production and consumption hard numbers. In the US, retail sales, industrial production, housing figures and the Phily Fed manufacturing indicator will be highlighted, while the corporate earnings season is in its final stretch. In Mexico, retail sales and the *Timely Indicator of Economic Activity* will be the highlights

## Fixed-Income

- **Supply** – Tomorrow, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (May'33), the 30-year Udibono (Nov'50), as well as 2-, 5-, and 10-year Bondes F

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.368 trillion (US$ 76.1 billion), a market share equal to 34.7%, as of May 3rd. Short positions in Mbono May'33 ended at MXN 7.1 billion from previous MXN 3.2 billion

- **Technicals** – The spread between 10-year Mbonos and Treasuries remained unchanged at 532bps respect to the previous week, with the 12M mean at 558bps

## Foreign exchange

- **Market positioning and flows** – MXN position (as of May 9th) printed a higher net long of US$ 1.97 billion from US$ 1.61 billion a week ago. Mutual funds' flows to EM marked purchases of US$ 311 million from outflows US$ 26 million

- **Technicals** – The spot reached its best intraday level since July 2017 at 17.54 per dollar, looking to reach the 17.45 resistance. In addition, the weekly trading range remained tight at 31 cents

Fixed-Income


Foreign exchange


### Recommendations

Fixed-Income
- This week, all attention will be on the Banxico's monetary policy decision, where the consensus does not expect changes in the benchmark rate, remaining at 11.25%, in line with our call. However, it is worth noting that rates have not fully incorporated this scenario as they maintain a 44% probability for a 25bps hike. In this sense, we do not rule out a slight breather in shortest-term tenors
- Finally, we expect that the 10-year Mbono to trade between 8.60% and 8.90% this week

FX
- This week, the dollar's performance will be mainly driven by the debt ceiling negotiations and speeches from Fed members
- For the MXN we expect the resilient performance to continue, with the focus on Banxico's monetary policy decision and the tone of the statement. We see a stronger level feasible, in case of a hawkish tone. We estimate a trading range for this week between USD/MXN 17.30 and 17.90

# Fixed-Income dynamics

Mbonos performance

| Maturity date | YTM 05/12/2023 | Weekly change (bps) | YTD (bps) |
|---|---|---|---|
| Dec'23 | 11.31 | +5 | +49 |
| **Sep'24** | 11.00 | -2 | +90 |
| Dec'24 | 10.70 | +1 | +83 |
| **Mar'25** | 10.39 | +4 | +46 |
| **Mar'26** | 9.60 | +6 | +36 |
| **Mar'27** | 9.11 | 0 | -8 |
| Jun'27 | 9.01 | +1 | -7 |
| May'29 | 8.76 | +2 | -32 |
| May'31 | 8.75 | -1 | -27 |
| **May'33** | 8.79 | +3 | -23 |
| **Nov'34** | 8.76 | 0 | -29 |
| Nov'36 | 8.76 | +1 | -29 |
| Nov'38 | 8.92 | -8 | -17 |
| Nov'42 | 8.99 | -7 | -12 |
| Nov'47 | 8.96 | -5 | -12 |
| **Jul'53** | 8.99 | -5 | -7 |

Source: PiP

IRS (28-day TIIE) performance

| Maturity date | YTM 05/12/2023 | Weekly change (bps) | YTD (bps) |
|---|---|---|---|
| 3-month (3x1) | 11.59 | -2 | +69 |
| 6-month (6x1) | 11.56 | -2 | +52 |
| 9-month (9x1) | 11.45 | +0 | +38 |
| 1-year (13x1) | 11.14 | -2 | +22 |
| 2-year (26x1) | 9.88 | -2 | +1 |
| 3-year (39x1) | 9.05 | +3 | -13 |
| 4-year (52x1) | 8.65 | +4 | -25 |
| 5-year (65x1) | 8.44 | +2 | -38 |
| 7-year (91x1) | 8.31 | -1 | -43 |
| 10-year (130x1) | 8.29 | -4 | -44 |
| 20-year (260x1) | 8.40 | -3 | -46 |

Source: Bloomberg

Udibonos performance

| Maturity date | YTM 05/12/2023 | Weekly change (bps) | YTD (bps) |
|---|---|---|---|
| Nov'23 | 8.54 | +16 | +246 |
| Dec'25 | 5.61 | -6 | +85 |
| Dec'26 | 5.37 | +2 | +71 |
| Nov'28 | 4.62 | +15 | +31 |
| Nov'31 | 4.50 | +6 | +33 |
| Nov'35 | 4.50 | +8 | +29 |
| Nov'40 | 4.60 | +9 | +41 |
| Nov'43 | 4.60 | +9 | +10 |
| Nov'46 | 4.58 | +9 | +40 |
| Nov'50 | 4.62 | +12 | +39 |

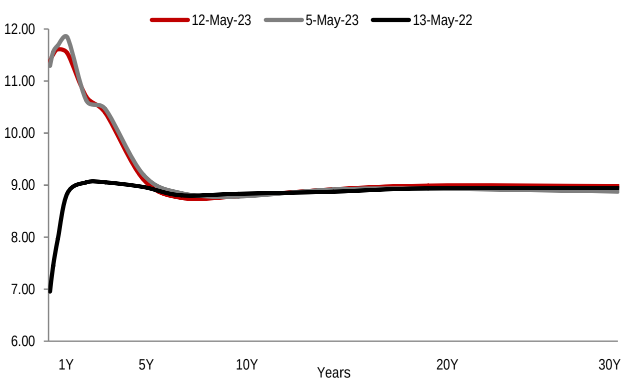
Source: PiP

Cetes performance

| Maturity date | YTM 05/12/2023 | Weekly change (bps) | YTD (bps) |
|---|---|---|---|
| Cetes 28 | 11.37 | -9 | +128 |
| Cetes 91 | 11.51 | -5 | +85 |
| Cetes 182 | 11.61 | +2 | +74 |
| Cetes 364 | 11.53 | +0 | +56 |
| Cetes 728 | 11.07 | -2 | +26 |

Source: PiP

Mbonos curve at different closing dates
%




Source: PiP, Banorte

10-year Mbono benchmark
%


Source: PiP

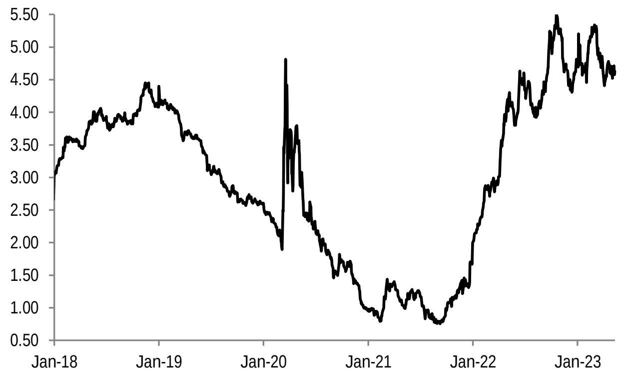
# Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

| | UMS | | | | UST | | | Spreads | | | CDS |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Term | Maturity date | YTM 05/12/2023 | Weekly change (bps) | YTD (bps) | YTM 05/12/2023 | Weekly change (bps) | YTD (bps) | Actual (bps) | Weekly change (bps) | 12m Average (bps) | bps |
| 2Y | Abr'25 | 4.37 | -8 | -10 | 3.99 | +7 | -44 | 38 | -15 | 34 | 50 |
| 3Y | May'26 | 4.04 | -1 | -76 | 3.66 | +1 | -57 | 38 | -3 | 77 | 70 |
| 5Y | Feb'28 | 4.63 | -2 | -16 | 3.45 | +4 | -56 | 118 | -6 | 106 | 122 |
| 7Y | Apr'30 | 4.98 | +7 | -36 | 3.45 | +4 | -51 | 152 | +3 | 152 | 166 |
| 10Y | May'33 | 5.31 | +1 | -25 | 3.46 | +3 | -41 | 185 | -1 | 184 | 203 |
| 20Y | Mar'44 | 6.01 | +5 | -37 | 3.88 | +4 | -27 | 213 | +1 | 232 | -- |
| 30Y | May'53 | 6.29 | +4 | -10 | 3.79 | +4 | -17 | 250 | +0 | 260 | -- |

Source: Bloomberg

5Y USD UMS
%

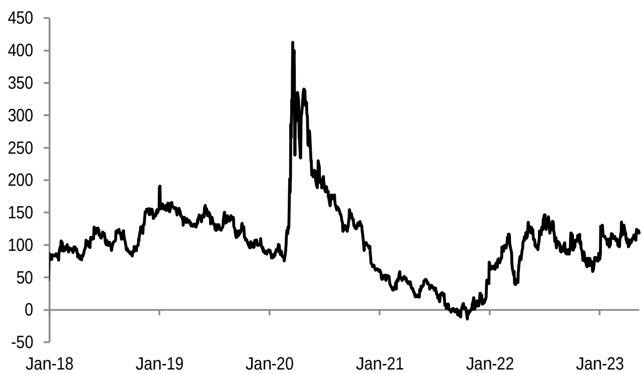



Source: Bloomberg

10Y USD UMS
%

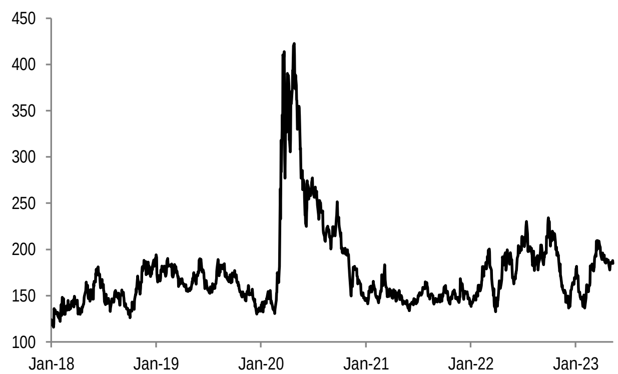

Source: Bloomberg

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 12-month Cetes, the 10-year Mbono (May'33), the 30-year Udibono (Nov'50), as well as 2-, 5-, and 10-year Bondes F

- **Cetes have attractive real rates.** We expect a good demand for Cetes ahead of Banxico's monetary policy decision on Thursday where we foresee the reference rate to remain 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. However, it will be very important to identify the factors that indicate how long the reference rate will remain high and the beginning of cuts, considering that the market anticipates a total cut of -70bps for the 2H23. For the 10-year Mbono, we anticipate a stable demand in line with the average of its last three auctions of 2.0x. However, in relative terms, we continue to see that long-term securities show a more attractive valuation. For the 30-year Udibono, we expect weak appetite around 1.6x. We reaffirm our preference for nominal vs real rates despite a decline in breakevens on most terms. The 30-year reading dipped to 12-month low of 4.17% (-30bps m/m)

Auction specifics (May 16, 2023)

| | Maturity | Coupon rate, % | To be auctioned[1] | Previous yield[2] |
|---|---|---|---|---|
| Cetes | | | | |
| 1m | 15-Jun-23 | -- | 8,000 | 11.39 |
| 3m | 17-Ago-23 | -- | 7,500 | 11.55 |
| 6m | 16-Nov-23 | -- | 8,000 | 11.61 |
| 12m | 2-May-24 | -- | 8,000 | 11.57 |
| Bondes F | | | | |
| 2y | 13-Mar-25 | -- | 4,500 | 0.19 |
| 5y | 14-Oct-27 | -- | 1,000 | 0.25 |
| 10y | 21-Oct-32 | | 750 | 0.32 |
| Mbono | | | | |
| 10y | 26-May-33 | 7.50 | 16,000 | 8.89 |
| Udibono | | | | |
| 30y | 3-Nov-50 | 4.00 | UDIS 1,000 | 4.45 |

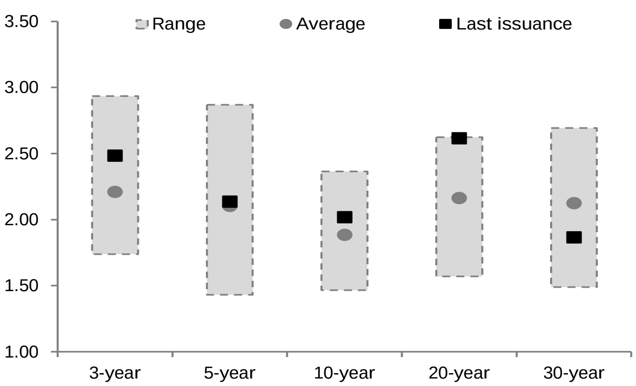
Source: Banorte with data from Banco de Mexico
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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 |

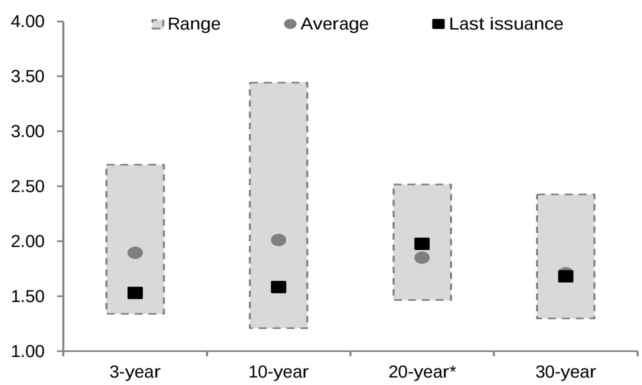
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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




Source: Banxico, Banorte

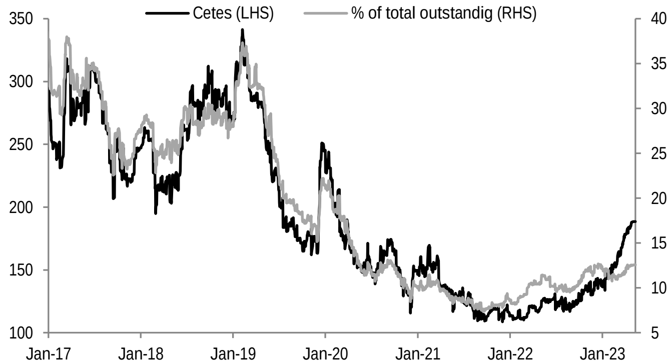
Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times




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

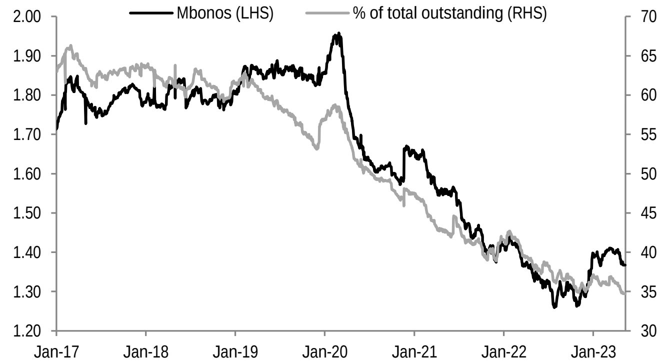
# Fixed-Income demand

Cetes held by foreigners
MXN billion, %



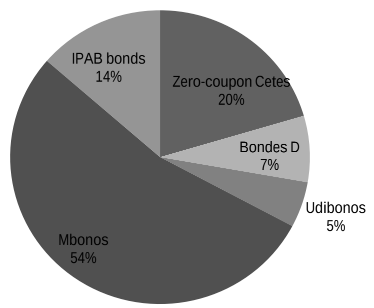

Source: Banxico

Mbonos held by foreigners
MXN trillion, %



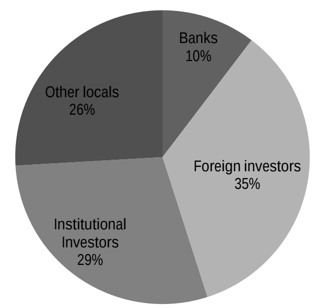

Source: Banxico

Government issuance by type of instrument
Total amount of US$ 409 billion, % of total




Source: Banxico

Mbonos holdings by type of investor
Total amount of US$ 219 billion, % of total




Source: Banxico

Government bond holdings by type of investor
US$ billion and %, data as of 05/03/2023

| | Total amount outstanding | % of total amount outstanding | | | | | |
|---|---|---|---|---|---|---|---|
| | | Foreign investors | Pension funds | Mutual funds | Insurance companies | Banks | Other |
| Zero-coupon Cetes | 84 | 13% | 12% | 20% | 4% | 10% | 41% |
| Floating-rate Bondes D | 30 | 0% | 3% | 35% | 2% | 23% | 38% |
| Real-rate Udibonos | 160 | 4% | 53% | 4% | 19% | 2% | 18% |
| Fixed-rate Mbonos | 219 | 35% | 23% | 3% | 3% | 10% | 26% |

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

| | 05/03/2023 | Previous Week | Difference | 12/30/2022 | Difference |
|---|---|---|---|---|---|
| Zero-coupon Cetes | 10.5 | 10.4 | 0.1 | 7.8 | 2.7 |
| Floating-rate Bondes D | 0.1 | 0.4 | -0.4 | 1.9 | -1.8 |
| Real-rate Udibonos | 6.5 | 0.8 | 5.7 | 1.0 | 5.6 |
| Fixed-rate Mbonos | 76.1 | 76.2 | -0.1 | 77.8 | -1.7 |

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

| | 05/03/2023 | Previous Week | Difference | 12/30/2022 | Difference |
|---|---|---|---|---|---|
| Zero-coupon Cetes | 12.6% | 12.6% | 0.0% | 12.4% | 0.1% |
| Floating-rate Bondes D | 0.2% | 1.4% | -1.2% | 4.4% | -4.2% |
| Real-rate Udibonos | 4.1% | 4.1% | 0.0% | 5.0% | -0.9% |
| Fixed-rate Mbonos | 34.7% | 34.9% | -0.2% | 37.1% | -2.3% |

Source: Banorte with data from Banxico

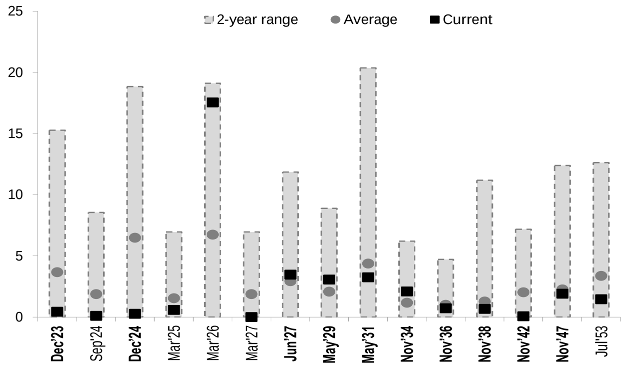
Mbonos holdings by type of investor
US$ billion and %, data as of 04/27/2023

| DTM | Total amount | Local Banks | Foreign investors | Pension and Mutual | Other |
|---|---|---|---|---|---|
| Dec'23 | 11.6 | 22% | 11% | 17% | 50% |
| Sep'24 | 17.5 | 19% | 20% | 11% | 50% |
| Dec'24 | 13.4 | 24% | 28% | 8% | 41% |
| Mar'25 | 12.6 | 14% | 23% | 18% | 45% |
| Mar'26 | 25.7 | 28% | 25% | 17% | 30% |
| Mar'27 | 13.6 | 18% | 24% | 14% | 44% |
| Jun'27 | 19.7 | 8% | 44% | 28% | 19% |
| May'29 | 15.1 | 4% | 52% | 22% | 23% |
| May'31 | 24.2 | 4% | 50% | 31% | 15% |
| May'33 | 7.4 | 3% | 38% | 38% | 20% |
| Nov'34 | 5.0 | 0% | 50% | 37% | 13% |
| Nov'36 | 4.0 | 0% | 30% | 39% | 31% |
| Nov'38 | 12.1 | 1% | 43% | 40% | 16% |
| Nov'42 | 15.7 | 1% | 47% | 37% | 15% |
| Nov'47 | 14.4 | 0% | 36% | 44% | 20% |
| Jul'53 | 6.4 | 1% | 32% | 51% | 16% |
| Total | 211.9 | 11% | 35% | 26% | 28% |

Source: Banxico

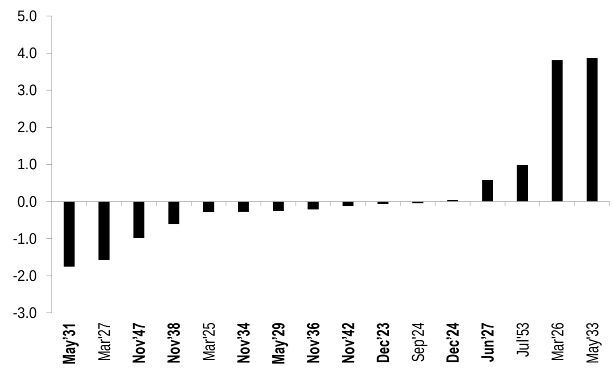
# Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



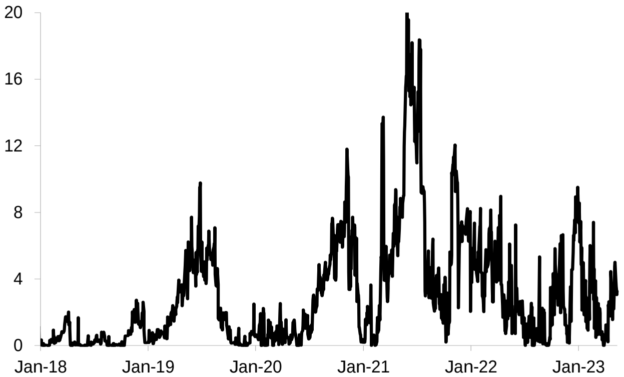

Source: Banxico *Mar'25 issued in Dec'21

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



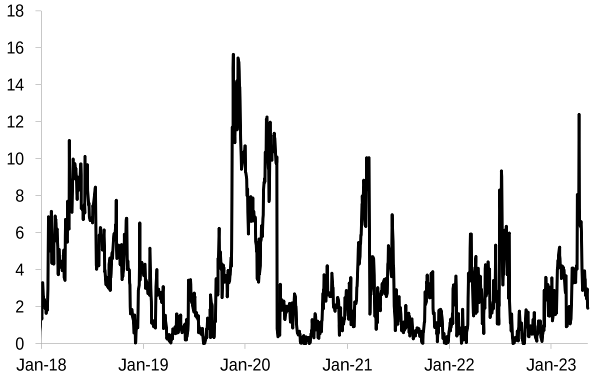

Source: Banxico

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 05/12/2023 | 05/12/2023 | Previous Week | Previous Month | Previous Year | 6-month MAX | 6-month MIN |
|---|---|---|---|---|---|---|---|
| Dec'23 | 11,857 | 25 | 28 | 0 | 25 | 409 | 0 |
| Sep'24 | 17,940 | 6 | 9 | 55 | 30 | 313 | 0 |
| Dec'24 | 13,842 | 16 | 13 | 0 | 122 | 445 | 0 |
| Mar'25 | 12,827 | 34 | 50 | 9 | 15 | 336 | 0 |
| Mar'26 | 26,302 | 998 | 781 | 836 | 270 | 1,086 | 137 |
| Mar'27 | 14,743 | 0 | 89 | 281 | 32 | 396 | 0 |
| Jun'27 | 20,202 | 198 | 165 | 193 | 211 | 674 | 22 |
| May'29 | 15,605 | 174 | 188 | 320 | 50 | 354 | 8 |
| May'31 | 24,851 | 185 | 285 | 139 | 171 | 541 | 0 |
| May-33 | 7,784 | 403 | 183 | 49 | 0 | 403 | 0 |
| Nov'34 | 5,131 | 119 | 135 | 52 | 2 | 165 | 24 |
| Nov'36 | 4,034 | 41 | 53 | 103 | 26 | 223 | 0 |
| Nov'38 | 12,388 | 38 | 73 | 2 | 43 | 139 | 0 |
| Nov'42 | 16,102 | 4 | 11 | 0 | 38 | 159 | 0 |
| Nov'47 | 14,709 | 109 | 164 | 415 | 167 | 705 | 6 |
| Jul'53 | 7,258 | 83 | 28 | 107 | 0 | 718 | 0 |
| Total | 225,577 | 2,351 | 2,229 | 2,453 | 1,202 | | |

Source: Banxico

# Fixed-Income technicals

- **The carry at the shortest-end decreased**. Spreads between Cetes and imp. forward rates stood at: 1-month at +25bps from +27bps, 3-month at -105bps from -89bps, 6-month at -120bps from -104bps, and 1-year at -99bps from -92bps

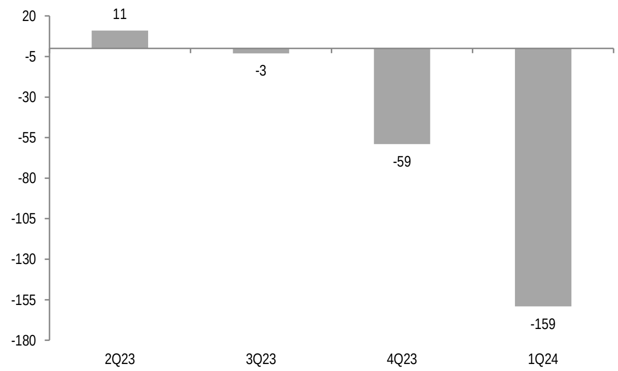
- **Attention to Banxico's monetary policy decision, in which we expect the reference rate unchanged.** After positive inflation reports in March and April, indicating a clear downward trend, the market reduced to 44% the probability of a hike in May vs. 68% at the beginning of April. With this, Banxico's terminal rate would stand at 11.25%, after accumulating hikes of +725bps during the tightening cycle, making it the highest in history, both in terms of the level reached and the accumulated increases. Similarly, the market no longer expects increases in the fed funds range, concluding at 5.00%-5.25%

Spread between Cetes and Implied Forward Rates
Basis Points

| Tenor | Actual 05/12/2023 | Previous Week | Previous Month | 6-month Avg | 6-month Max | 6-month Min |
|---|---|---|---|---|---|---|
| 1-month | 25 | 27 | -28 | 11 | 142 | -106 |
| 3 months | -105 | -89 | -91 | -52 | 27 | -120 |
| 6 months | -120 | -104 | -105 | -80 | -10 | -121 |
| 12 months | -99 | -92 | -87 | -92 | -48 | -137 |

Source: Banorte with data from PiP and Bloomberg

**Cumulative implied moves in Banxico's repo rate**
Basis points

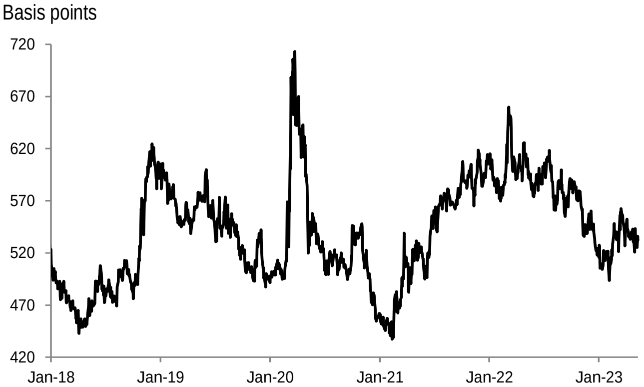



Source: Banorte with data from Bloomberg

- **The local risk premium closed the week unchanged.** Investors digested the ECB's comments and were attentive to the US debt ceiling negotiations. In this context, the 10-year spread between Mbonos and Treasuries closed Friday at 532bps unchanged vs. the previous week, while the average of the last twelve months stands at 558bps

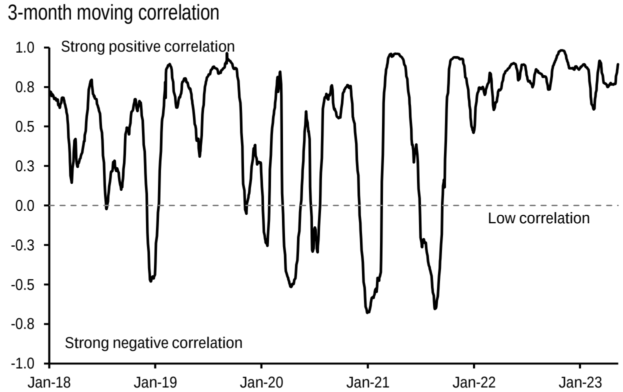
- **3-month correlation between benchmark Mexican and American bonds increased.** The reading closed Friday at +89% vs. +82% the previous week

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)

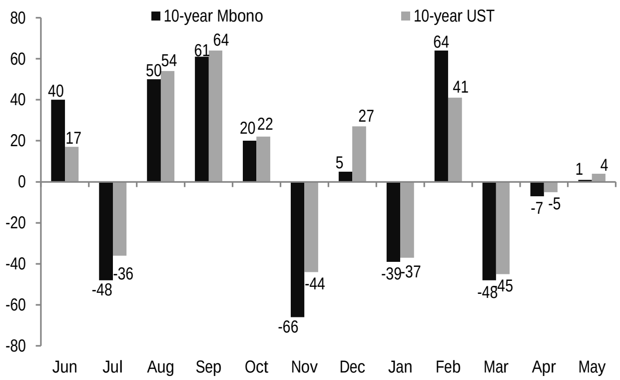
Selected Spreads

Basis points

| Tenor | 05/12/2023 | Previous Week | Previous Month | Previous Year | 12m Max | 12m Min | 12m Average |
|---|---|---|---|---|---|---|---|
| Mbono 2s10s | -191 | -193 (+2bps) | -189 (-2bps) | -22 (-169bps) | -8 | -199 | -99 |
| Mbono 10s30s | 20 | 28 (-8bps) | 16 (+4bps) | 11 (+9bps) | 35 | -15 | 9 |
| TIIE-Mbono 2-year | -82 | -80 (-2bps) | -62 (-20bps) | 4 (-86bps) | 18 | -82 | -24 |
| TIIE-Mbono 10-year | -50 | -44 (-6bps) | -43 (-7bps) | -14 (-36bps) | 1 | -67 | -36 |

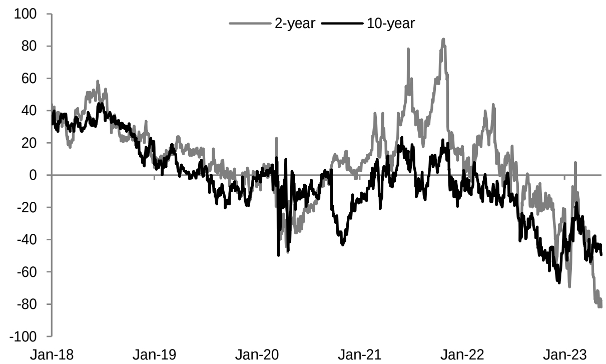
Source: Bloomberg and PiP

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

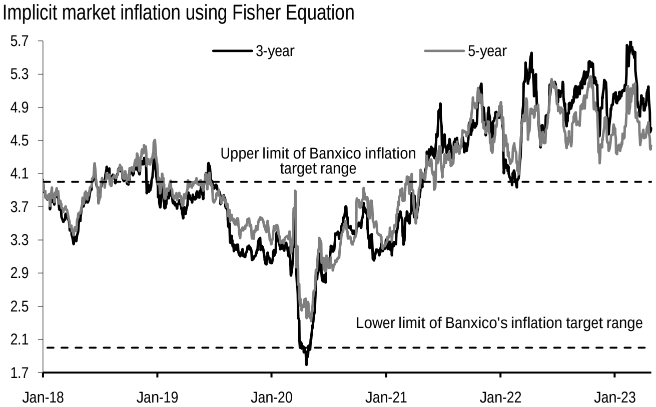
Breakeven inflation using Mbonos & Udibonos

Implicit market inflation using Fisher Equation (%)

| Date | 05/12/2023 | Previous week | Previous month | Previous year | 12m Max | 12m Min | 12m Average |
|---|---|---|---|---|---|---|---|
| 3Y | 4.76 | 4.75 (+1bp) | 5.07 (-31bps) | 4.68 (+8bps) | 5.74 | 4.55 | 5.05 |
| 5Y | 4.29 | 4.44 (-15bps) | 4.64 (-35bps) | 4.59 (-30bps) | 5.28 | 4.23 | 4.73 |
| 10Y | 4.10 | 4.14 (-4bps) | 4.30 (-20bps) | 4.46 (-36bps) | 5.16 | 4.07 | 4.58 |
| 20y | 4.20 | 4.35 (-15bps) | 4.56 (-36bps) | 4.72 (-52bps) | 5.15 | 4.19 | 4.69 |
| 30Y | 4.17 | 4.34 (-17bps) | 4.47 (-30bps) | 4.82 (-65bps) | 5.18 | 4.17 | 4.66 |

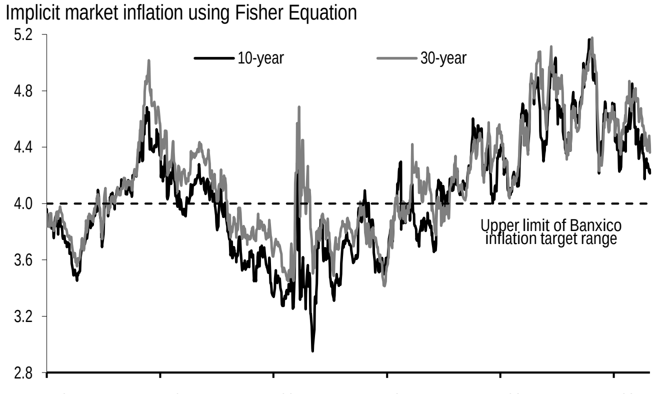
Source: PiP

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

- **Investors await Banxico's decision with no changes expected.** Sovereign bonds closed the week with a negative bias, led by European assets on signs that the ECB could extend its hiking cycle. However, the slowdown in US and Mexican inflation supported the view that central banks have already concluded their monetary tightening cycles. Meanwhile, concerns of a recession remain on investors' minds, especially in the face of increased skepticism about the recovery of the world's second largest economy. China recorded an unexpected drop in imports and slower export growth. In this regard, the gold/copper ratio increased to 5.4x, its highest level since January 2021 reflecting a greater appetite for assets considered as a safe-haven and an expectation of slower economic growth. Specifically, gold accumulated a gain of 11.0% in the year, trading above 2,000 dollars per troy ounce, while copper collapsed to 5-month lows. Discussions also continued at the White House to increase the debt ceiling, although an agreement has not yet been reached. Meanwhile, the New York Fed indicates that the probability of a recession in the United States during the next 12 months has increased to 68% from 47% at the end of 2022. Against this backdrop, investors are convinced that the Fed will lower interest rates in 2H23 through -25bps adjustments in the last three decisions of the year

- Locally, the Mbonos' curve posted modest gains of 6bps w/w at the long-end, while the belly marked slight pressures. Meanwhile, the ends of the TIIE-28 swaps curve registered few changes, with the 3- to 5-year segment losing as much as 4bps w/w. The movements reflected that investors' bets remain anchored on the central bank having already reached its terminal rate. On the other hand, inflation-linked bonds (Udibonos) depreciated 9bps w/w, except for the Dec'25 node which gained 6bps w/w. As a result, inflation breakevens continue to decline with most maturities approaching 12-month lows, except for the 3-year reading which stands at 4.76%, which is 21bps above said low. Despite this adjustment, we do not see enough value in Udibonos, at least for now

- This week, all attention will be on the Bank of Mexico's monetary policy decision, where the consensus does not expect changes in the benchmark rate, remaining at 11.25%, in line with our call. However, it is worth noting that rates have not fully incorporated this scenario as they maintain a 44% probability for a 25bps hike. In this sense, we do not rule out a slight breather in shortest-term tenors. In addition, we will keep an eye on factors that indicate how long the rate will remain elevated and the start of cuts, considering that the market anticipates a further cumulative decline in the interest rate of -70bps in 2H23 from -66bps the previous week. Finally, we expect the 10-year Mbono, May'33, to trade between 8.60% and 8.90%

# FX dynamics

- **Inflows to Mexico continue to strengthen the currency.** The Mexican peso closed the week at 17.59 per dollar +1.0% w/w while being the strongest among EMs for the year with a gain of 10.8%. This performance contrasted with the weakness of other currencies due to the risk of a US default

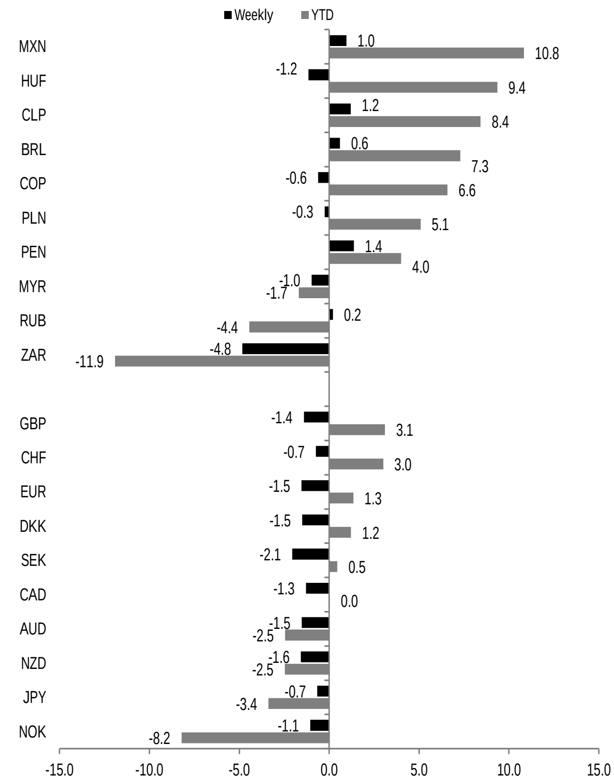
- **USD rebounded amid the impasse in Congress.** The spotlight was focused on the debt limit negotiations, which strengthened the dollar and was reflected in an advance in the DXY and BBDXY indices. Meanwhile, G-10 and emerging market currencies ended with a negative bias. In the first group, SEK (-2.1%) was the weakest. In the second, ZAR (-4.8%) led the decliners

Foreign Exchange market levels and historical return

| | | Close at 05/12/2023 | Daily Change (%)[1] | Weekly change (%)[1] | Monthly change (%)[1] | YTD[1] (%) |
|---|---|---|---|---|---|---|
| Emerging Markets | | | | | | |
| Brazil | USD/BRL | 4.92 | 0.2 | 0.6 | 0.0 | 7.3 |
| Chile | USD/CLP | 785.00 | 1.1 | 1.2 | 2.4 | 8.4 |
| Colombia | USD/COP | 4,552.89 | 0.3 | -0.6 | -2.2 | 6.6 |
| Peru | USD/PEN | 3.66 | 0.1 | 1.4 | 3.2 | 4.0 |
| Hungary | USD/HUF | 341.41 | -0.4 | -1.2 | -0.2 | 9.4 |
| Malaysia | USD/MYR | 4.48 | -0.4 | -1.0 | -1.6 | -1.7 |
| Mexico | USD/MXN | 17.59 | -0.1 | 1.0 | 2.7 | 10.8 |
| Poland | USD/PLN | 4.16 | -0.1 | -0.3 | 1.7 | 5.1 |
| Russia | USD/RUB | 77.64 | -1.0 | 0.2 | 5.9 | -4.4 |
| South Africa | USD/ZAR | 19.34 | -0.7 | -4.8 | -4.8 | -11.9 |
| Developed Markets | | | | | | |
| Canada | USD/CAD | 1.36 | -0.4 | -1.3 | -0.8 | 0.0 |
| Great Britain | GBP/USD | 1.25 | -0.4 | -1.4 | -0.2 | 3.1 |
| Japan | USD/JPY | 135.70 | -0.9 | -0.7 | -1.9 | -3.4 |
| Eurozone | EUR/USD | 1.0849 | -0.6 | -1.5 | -1.3 | 1.3 |
| Norway | USD/NOK | 10.68 | 0.0 | -1.1 | -2.2 | -8.2 |
| Denmark | USD/DKK | 6.86 | -0.6 | -1.5 | -1.2 | 1.2 |
| Switzerland | USD/CHF | 0.90 | -0.4 | -0.7 | -0.2 | 3.0 |
| New Zealand | NZD/USD | 0.62 | -1.7 | -1.6 | -0.3 | -2.5 |
| Sweden | USD/SEK | 10.38 | -0.4 | -2.1 | -0.3 | 0.5 |
| Australia | AUD/USD | 0.66 | -0.8 | -1.5 | -0.7 | -2.5 |

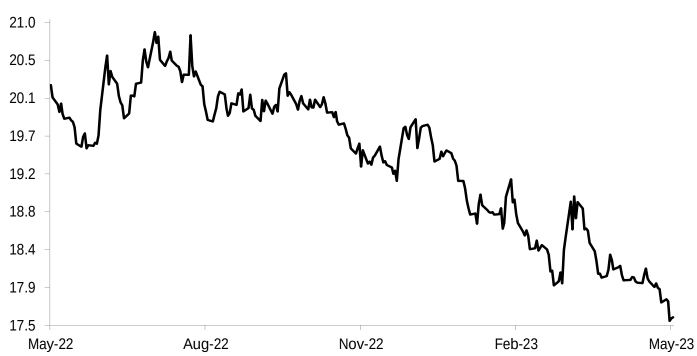
Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.
Source: Bloomberg

FX performance
Against USD, %




Source: Bloomberg

USD/MXN
Last 12 months




Source: Bloomberg

DXY
Points


Source: Bloomberg, Banorte

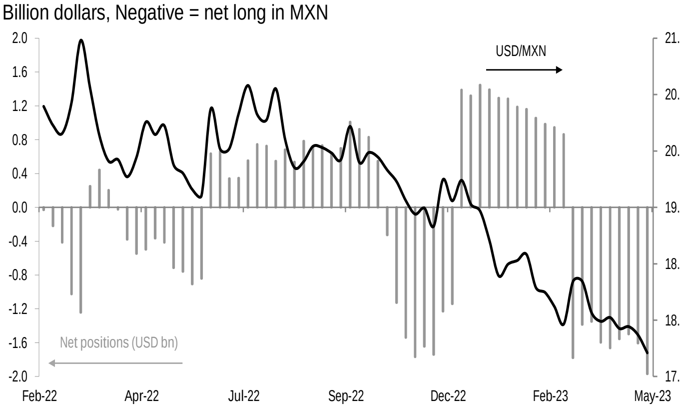
# FX positioning and flows

- **Net long positioning in MXN increased.** As of May 9th, the MXN position recorded a higher net long position of US$ 1.97 billion from US$ 1.61 billion, reaching a high since March 2020. The MXN became the strongest currency among its EM peers with a year-to-date appreciation of 10.8%. The currency has surprised with its resilience so we do not rule out that it could breach the 17.45 resistance and with it a higher volume of net long positions considering that in 2020 it reached levels of US$ 4.55 billion

- **Net short USD positions increased to levels not seen since June 2021.** The USD IMM position posted a higher net short position of US$ 13.4 billion from US$ 11.06 billion the previous week on expectations that the Fed has reached its terminal rate. This was the result of purchases in most currencies, with JPY (+990 million), EUR (+733 million) and CAD (+671 million) standing out

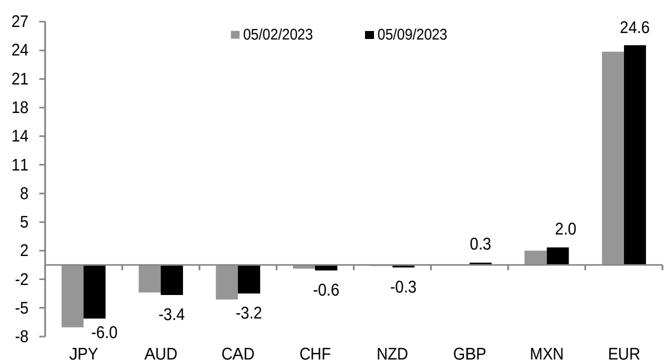
- **Inflows in EM return after 4 weeks with sales, while Mexico increased purchases.** Our EPFR aggregate recorded positive flows of US$ 311 million from outflows of US$ 26 million the previous week. Bond market flows turn negative to US$ 169 million from +US$ 279 million. While equities posted inflows of US$ 479 million from outflows of US$ 305 million. In Mexico, positive flows of US$ 33 million were recorded because of sales in bonds of US$ 1 million and purchases in equities of US$ 34 million

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



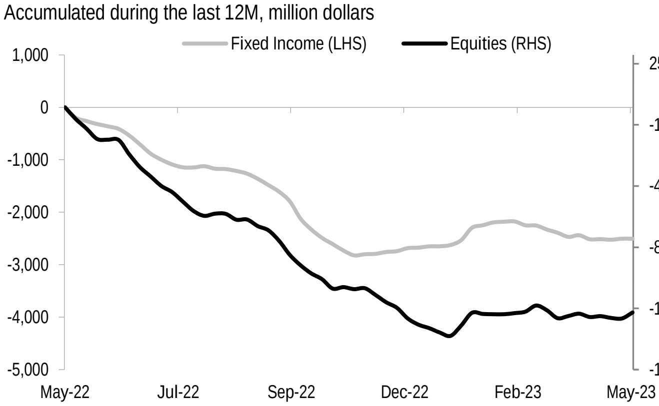

Source: CME, Banorte

IMM positioning by currency*
Billion dollars



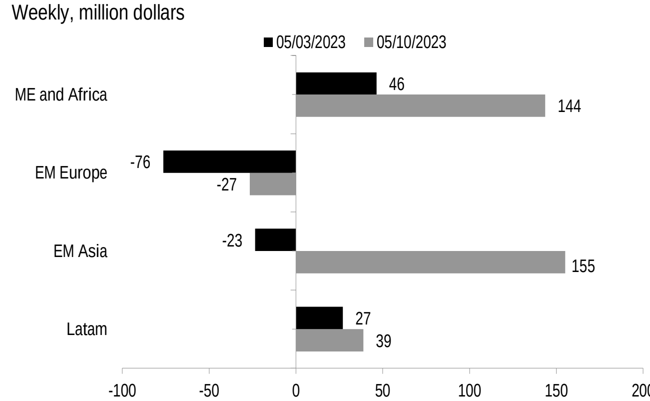

* Positive: Net long in the corresponding currency
Source: CME, Banorte

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




Source: EPFR Global, Banorte

Net foreign portfolio flows by region*
Weekly, million dollars




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

# FX technicals

- **The Mexican peso remains resilient and could seek stronger levels.** The Mexican peso's carry remains very attractive vs. its emerging peers and is the main driver of its performance. If the local currency breaches the 17.45 level, it will look for the levels recorded in April 2016. The main short-term resistances stand at 17.50, 17.40, and 17.24, with supports at 17.85, 17.97, and 18.10. Meanwhile, the weekly trading range marked 31 cents, lower than the average of the last 4 weeks of 28 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 | 18 | 15 | -7 | 72 | 30 |
| CAD | 59 | 57 | 1 | 68 | 37 |
| ZAR | 5 | 21 | 3 | 85 | 37 |
| BRL | 56 | 50 | -48 | 66 | 30 |
| HUF | 26 | 24 | -5 | 70 | 37 |
| RUB | 57 | 21 | -34 | 57 | 13 |

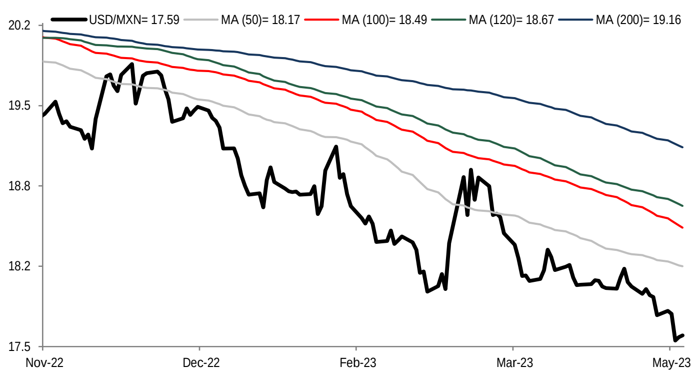
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

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

| | Actual (%) | Previous week | 6m Min | 6m Max | 6m Average |
|---|---|---|---|---|---|
| VIX | 50 | 56 | 8 | 89 | 51 |
| SPX | 53 | 56 | 23 | 71 | 48 |
| GSCI | 17 | 29 | 2 | 65 | 32 |
| Gold | -20 | -25 | -57 | 67 | 18 |

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

USD/MXN – Moving averages
Last 120 trading days

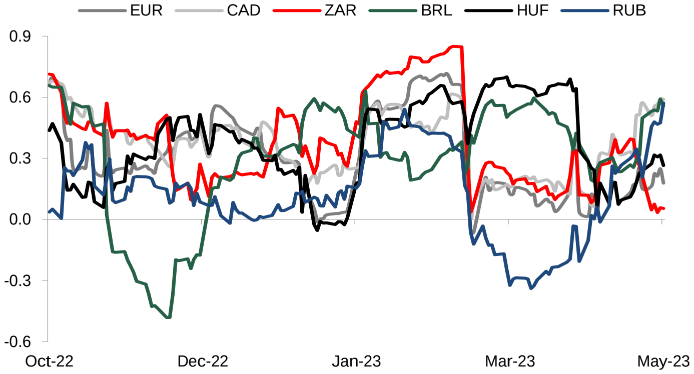



Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months

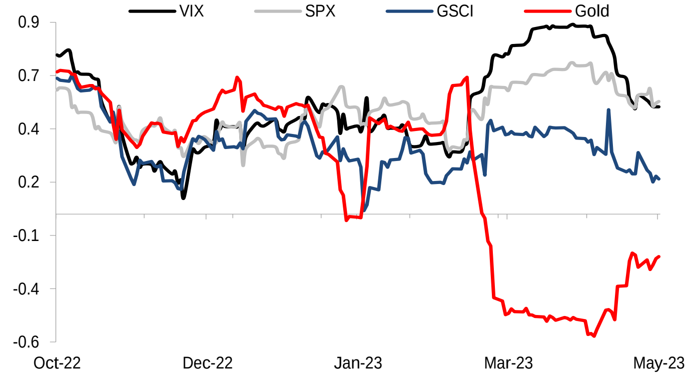

Source: Bloomberg

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

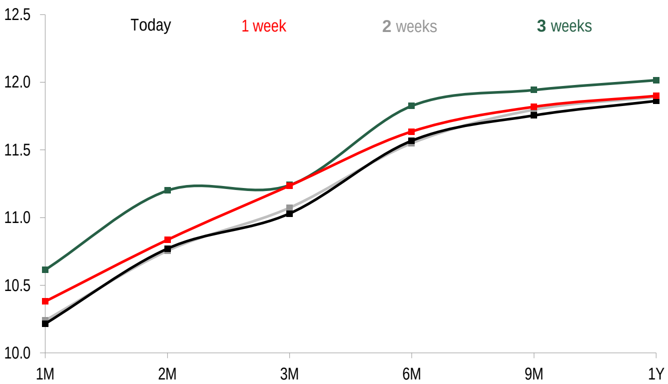



* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

# FX technicals (continued)

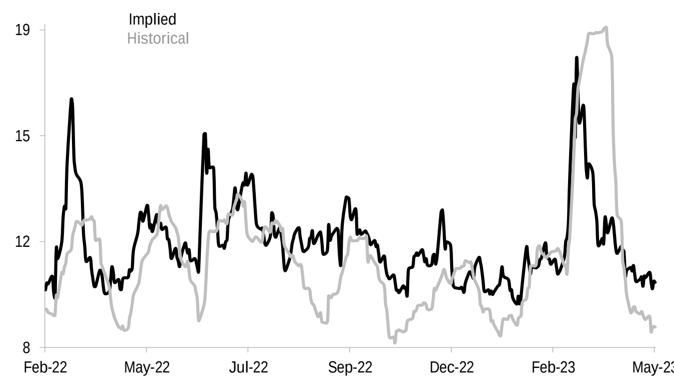
- **For the second consecutive week, the MXN ATM implied volatility curve registered very little change and remains steep.** The node marking the largest movement was the 3-month implied volatility which declined 0.2 vegas to 11.03%, returning to pre-SVB bankruptcy levels. The 1-year reading remained unchanged at 11.86%. The currency has maintained muted volatility compared to its emerging market peers. The 1-month risk reversal decreased to 2.50% from 2.82% the previous week and the 3-month reading decreased to 2.95% from 3.15%

USD/MXN – ATM options volatility curve
%



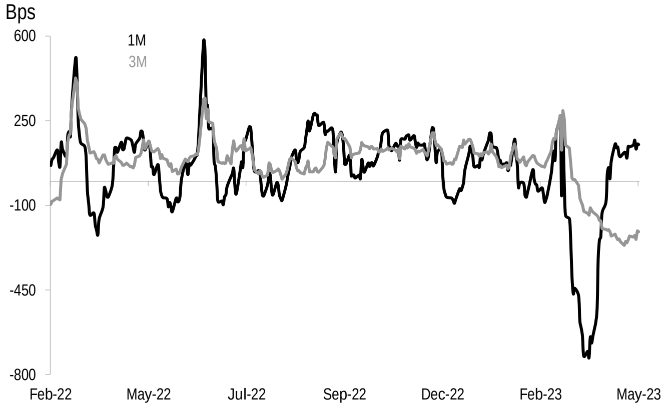

Source: Bloomberg

USD/MXN – 1M implied and historical volatility
%



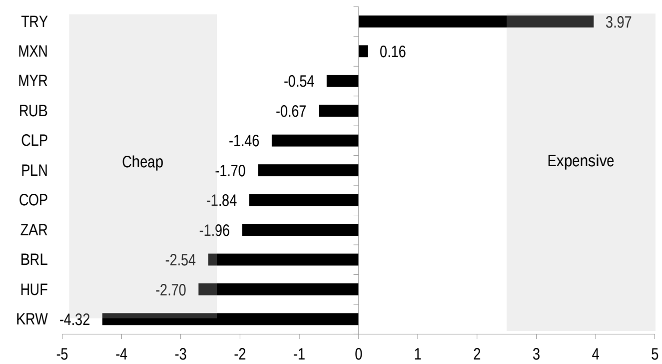

Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility
Bps



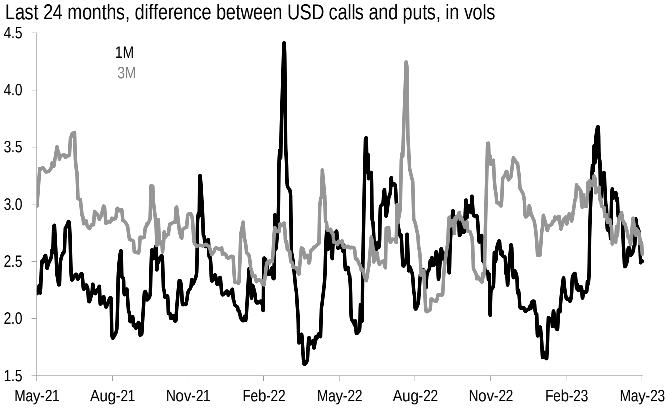

Source: Bloomberg

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



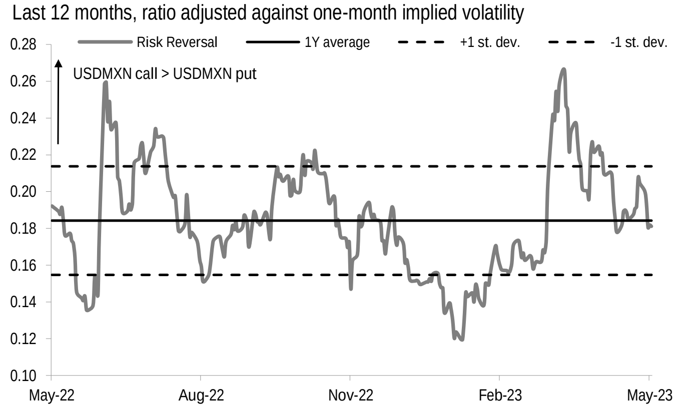

Source: Bloomberg, Banorte

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




Source: Bloomberg

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



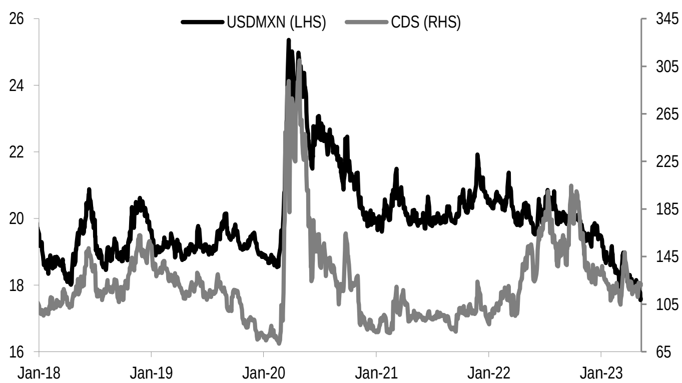

Source: Bloomberg, Banorte

# FX trade recommendations

- **The Mexican peso marked its best level since July 2017, despite a strengthening dollar.** Last week, the currency universe reacted to the release of US inflation and other economic figures in combination with recession risks from restrictive monetary policy and risks of a default in the face of the Congressional impasse. In this sense, the dollar strengthened with the DXY and BBDXY indices increasing 1.5% and 1.0% w/w, respectively. It is worth mentioning that the DXY after a four-week consolidation period –where it validated the February lows–, gained strength in the face of the aforementioned uncertainty and closed the week pressing the technical levels defined by the 50- and 100-day MA. Meanwhile, developed currencies registered losses and the emerging currencies showed a negative bias. In the former group, SEK (-2.1%) was the weakest following the central bank governor's comments that inflation will fall *'significantly'* this year. Among the emerging currencies, ZAR (-4.8%) led the declines marking its weakest level against the dollar. The South African currency weakened following accusations by the US ambassador that the country is providing weapons to Russia

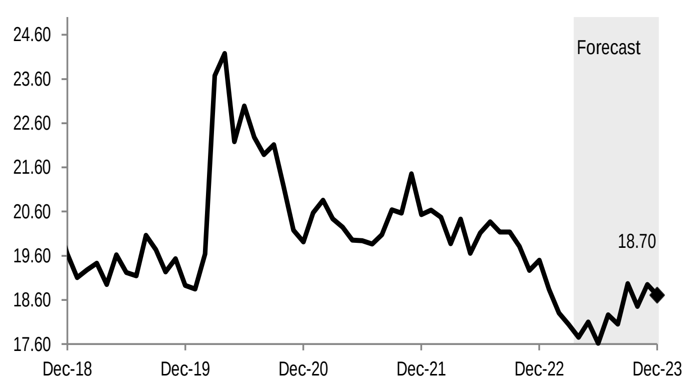
- The Mexican peso continues to show resilient performance. On Wednesday, the MXN reacted strongly to the US inflation figures marking its best level at 17.54 per dollar bringing it close to the intraday low (17.47) of July 2017. Thus, the MXN closed Friday at 17.59 with an appreciation of 1.0% w/w and a trading range of 31 cents, slightly above the 4-week average of 28 cents. This week, the Mexican currency will assimilate the tone of Banxico's statement. With our expectation for rates, the spread with the Fed will remain at 600bps being an attractive carry vs. its emerging peers. Furthermore, a correction in the cuts that the market is pricing-in for 2H23, would be an additional support for our currency. In this sense, we could see an extension of gains, it could even breach the 17.50 floor as volatility remains relatively contained. We expect a trading range between USD/MXN of 17.30 to 17.90

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 May 19, 2023

| | Time | | Event | Period | Unit | Banorte | Survey | Previous |
|---|---|---|---|---|---|---|---|---|
| Mon 15 | 05:00 | EZ | Industrial production* | Mar | % m/m | -- | -2.4 | 1.5 |
| | 05:00 | EZ | European Commission economic forecasts | | | | | |
| | 08:30 | US | Empire manufacturing* | May | index | 0.0 | -3.9 | 10.8 |
| | 08:45 | US | Fed's Bostic Has Opening Remarks at Financial Markets Conference | | | | | |
| | 09:15 | US | Fed's Kashkari Takes Part in a Moderated Discussion | | | | | |
| | 17:00 | US | Fed's Cook Gives Commencement Address at UC Berkeley | | | | | |
| | 22:00 | CHI | Industrial production | Apr | % y/y | -- | 10.8 | 3.9 |
| | 22:00 | CHI | Retail sales | Apr | % y/y | -- | 22.0 | 10.6 |
| | 22:00 | CHI | Gross fixed investment (YTD) | Apr | % y/y | -- | 5.7 | 5.1 |
| Tue 16 | 02:00 | UK | Unemployment rate* | Mar | % | -- | 3.8 | 3.8 |
| | 05:00 | GER | ZEW Survey (Expectations) | May | index | -- | -5.5 | 4.1 |
| | 05:00 | EZ | Gross domestic product | 1Q23 (P) | % y/y | -- | 1.3 | 1.3 |
| | 05:00 | EZ | Gross domestic product* | 1Q23 (P) | % q/q | -- | 0.1 | 0.1 |
| | 05:00 | EC | Trade balance* | Mar | EURbn | -- | -- | -0.1 |
| | 08:15 | US | Fed's Mester Discusses the economic and Policy Outlook | | | | | |
| | 08:30 | US | Advance retail sales* | Apr | % m/m | 0.8 | 0.8 | -0.6 |
| | 08:30 | US | Ex autos & gas* | Apr | % m/m | -- | 0.2 | -0.3 |
| | 08:30 | US | Control group* | Apr | % m/m | 0.2 | 0.4 | -0.3 |
| | 09:15 | US | Industrial production* | Apr | % m/m | 0.0 | 0.0 | 0.4 |
| | 09:15 | US | Manufacturing production* | Apr | % m/m | 0.1 | 0.1 | -0.5 |
| | 10:00 | US | Fed's Barr Testifies Before House Financial Services Committee | | | | | |
| | 11:00 | MX | International reserves | May 12 | US$bn | -- | -- | 203.5 |
| | 12:15 | US | Fed's Williams Discusses Economic Outlook and Monetary Policy | | | | | |
| | 13:30 | MX | Government weekly auction: 1-, 3-, 6-, 12- month CETES; 10-year Mbono (May'33); 30-year Udibono (Nov'50) and 2-, 5-, and 10-year Bondes F | | | | | |
| | 15:15 | US | Fed's Logan Moderates Panel Discussion at Atlanta Fed | | | | | |
| | 19:00 | US | Fed's Bostic and Goolsbee Discuss the Economic Outlook | | | | | |
| | 19:50 | JN | Gross domestic product* | 1Q23 (P) | % q/q | -- | 0.2 | 0.0 |
| Wed 17 | 05:00 | EZ | Consumer prices | Apr (F) | % y/y | -- | 7.0 | 6.9 |
| | 05:00 | EZ | Core | Apr (F) | % y/y | -- | 5.6 | 5.6 |
| | 08:00 | BZ | Retail sales | Mar | % y/y | -- | 1.3 | 1.0 |
| | 08:00 | BZ | Retail sales* | Mar | % m/m | -- | -0.1 | -0.1 |
| | 08:30 | US | Housing starts** | Apr | thousands | -- | 1,400 | 1,420 |
| | 08:30 | US | Building permits** | Apr | thousands | -- | 1,430 | 1,430 |
| Thu 18 | 08:00 | MX | Timely Indicator of Economic Activity* | Apr | % y/y | -- | -- | 3.8 |
| | 08:30 | US | Initial jobless claims* | May 13 | thousands | 250 | 250 | 264 |
| | 08:30 | US | Philadelphia Fed* | May | index | -25.0 | -19.4 | -31.3 |
| | 09:05 | US | Fed's Jefferson Gives Speech on Economic Outlook | | | | | |
| | 09:30 | US | Fed's Barr Testifies Before Senate Banking Committee | | | | | |
| | 10:00 | US | Fed's Logan Speaks at Texas Bankers Association Convention | | | | | |
| | 10:00 | US | Existing home sales** | Apr | thousands | -- | 4.3 | 4.4 |
| | 15:00 | MX | Monetary policy decision (Banxico) | May 18 | % | 11.25 | 11.25 | 11.25 |
| Fri 19 | 08:00 | MX | Retail sales | Mar | % y/y | 2.9 | -- | 3.4 |
| | 08:00 | MX | Retail sales* | Mar | % m/m | 0.2 | -- | -0.3 |
| | 08:00 | BZ | Economic activity | Mar | % y/y | -- | 4.0 | 2.8 |
| | 08:00 | BZ | Economic activity* | Mar | % m/m | -- | -0.5 | 3.3 |
| | 08:45 | US | Fed's Williams Speaks at Monetary Policy Conference | | | | | |
| | 09:00 | US | Fed's Bowman Takes part in a discussion at the Texas Bankers Association | | | | | |
| | 11:00 | US | Fed Chair Powell, Former Chair Bernanke Speak on Policy Panel | | | | | |

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

For the week ending May 12, 2023

| | Time | | Event | Period | Unit | Banorte | Actual | Previous |
|---|---|---|---|---|---|---|---|---|
| Mon 8 | 02:00 | GER | Industrial Production* | Mar | % m/m | -- | -3.4 | 2.1 (R) |
| | 23:00 | CHI | Trade balance | Apr | USDbn | -- | 90.2 | 88.2 |
| | 23:00 | CHI | Exports | Apr | % y/y | -- | 16.8 | 23.4 |
| | 23:00 | CHI | Imports | Apr | % y/y | -- | -0.8 | 6.1 |
| Tue 9 | 07:00 | BZ | Monetary policy decision (Central bank of Brazil) | | | | | |
| | 08:00 | MX | Consumer prices | Apr | % m/m | 0.02 | -0.02 | 0.27 |
| | 08:00 | MX | Core | Apr | % m/m | 0.43 | 0.39 | 0.52 |
| | 08:00 | MX | Consumer prices | Apr | % y/y | 6.29 | 6.25 | 6.85 |
| | 08:00 | MX | Core | Apr | % y/y | 7.71 | 7.67 | 8.09 |
| | 08:30 | US | Fed's Jefferson Speaks to Atlanta Black Chamber | | | | | |
| | 11:00 | MX | International reserves | May 5 | US$bn | -- | 203.5 | 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 | -- | 0.9 | -2.4 |
| | 08:00 | BZ | Industrial production* | Mar | % m/m | -- | 1.1 | -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 | 0.4 | 0.4 |
| | 08:30 | US | Consumer prices | Apr | % y/y | 5.0 | 4.9 | 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 | -- | 0.1 | 0.7 |
| | | MX | Wage negotiations | Apr | % y/y | -- | 9.3 | 9.3 (R) |
| | | MX | ANTAD same-store sales | Apr | % y/y | -- | 6.2 | 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 | 264 | 242 |
| | 08:30 | US | Producer prices* | Apr | % m/m | -- | 0.2 | -0.4 (R) |
| | 08:30 | US | Ex. food & energy* | Apr | % m/m | -- | 0.2 | 0.0 |
| | 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 | -- | 0.7 | -0.1 (R) |
| | 08:00 | MX | Industrial production | Mar | % y/y | 2.9 | 1.6 | 3.3 (R) |
| | 08:00 | MX | Industrial production* | Mar | % m/m | -0.2 | -0.9 | 0.5 (R) |
| | 08:00 | MX | Manufacturing output | Mar | % y/y | 2.9 | 1.1 | 2.4 |
| | 08:00 | BZ | Consumer prices | Apr | % m/m | -- | 0.61 | 0.71 |
| | 08:00 | BZ | Consumer prices | Apr | % y/y | -- | 4.18 | 4.65 |
| | 10:00 | US | U. of Michigan confidence* | May (P) | index | 62.5 | 57.7 | 63.5 |
| | 18:00 | CL | Monetary policy decision (BCCh) | 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

Recent trade ideas

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

P = Profit, L = Loss

Track of directional fixed-income trade recommendations

| Trade idea | Entry | Target | Stop-loss | Closed | P/L | Initial date | End date |
|---|---|---|---|---|---|---|---|
| Long Udibono Dec'20 | 3.05% | 2.90% | 3.15% | 3.15% | L | 9-Aug-17 | 6-Oct-17 |
| 5y10y TIIE-IRS steepener | 28bps | 43bps | 18bps | 31bps | P[2] | 15-Feb-17 | 15-Mar-17 |
| 5y10y TIIE-IRS steepener | 35bps | 50bps | 25bps | 47bps | P | 5-Oct-16 | 19-Oct-16 |
| Long Mbono Jun'21 | 5.60% | 5.35% | 5.80% | 5.43% | P | 13-Jul-16 | 16-Aug-16 |
| Long Udibono Jun'19 | 1.95% | 1.65% | 2.10% | 2.10% | L | 13-Jul-16 | 16-Aug-16 |
| Receive 1-year TIIE-IRS (13x1) | 3.92% | 3.67% | 4.10% | 3.87% [1] | P | 12-Nov-15 | 8-Feb-16 |
| Long spread 10-year TIIE-IRS *vs* US Libor | 436bps | 410bps | 456bps | 410bps | P | 30-Sep-15 | 23-Oct-15 |
| Receive 9-month TIIE-IRS (9x1) | 3.85% | 3.65% | 4.00% | 3.65% | P | 3-Sep-15 | 18-Sep-15 |
| Spread TIIE 2/10 yrs (flattening) | 230bps | 200bps | 250bps | 200bps | P | 26-Jun-15 | 29-Jul-15 |
| Long Mbono Dec'24 | 6.12% | 5.89% | 6.27% | 5.83% | P | 13-Mar-15 | 19-Mar-15 |
| Relative-value trade, long 10-year Mbono (Dec'24) / flattening of the curve | | | | | P | 22-Dec-14 | 6-Feb-15 |
| Pay 3-month TIIE-IRS (3x1) | 3.24% | 3.32% | 3.20% | 3.30% | P | 29-Jan-15 | 29-Jan-15 |
| Pay 9-month TIIE-IRS (9x1) | 3.28% | 3.38% | 3.20% | 3.38% | P | 29-Jan-15 | 29-Jan-15 |
| Pay 5-year TIIE-IRS (65x1) | 5.25% | 5.39% | 5.14% | 5.14% | L | 4-Nov-14 | 14-Nov-14 |
| Long Udibono Dec'17 | 0.66% | 0.45% | 0.82% | 0.82% | L | 4-Jul-14 | 26-Sep-14 |
| Relative-value trade, long Mbonos 5-to-10-year | | | | | P | 5-May-14 | 26-Sep-14 |
| Receive 2-year TIIE-IRS (26x1) | 3.75% | 3.55% | 3.90% | 3.90% | L | 11-Jul-14 | 10-Sep-14 |
| Receive 1-year TIIE-IRS (13x1) | 4.04% | 3.85% | 4.20% | 3.85% | P | 6-Feb-14 | 10-Apr-14 |
| Long Udibono Jun'16 | 0.70% | 0.45% | 0.90% | 0.90% | L | 6-Jan-14 | 4-Feb-14 |
| Long Mbono Jun'16 | 4.47% | 3.90% | 4.67% | 4.06% | P | 7-Jun-13 | 21-Nov-13 |
| Receive 6-month TIIE-IRS (6x1) | 3.83% | 3.65% | 4.00% | 3.81% | P | 10-Oct-13 | 25-Oct-13 |
| Receive 1-year TIIE-IRS (13x1) | 3.85% | 3.55% | 4.00% | 3.85% | -- | 10-Oct-13 | 25-Oct-13 |
| Long Udibono Dec'17 | 1.13% | 0.95% | 1.28% | 1.35% | L | 9-Aug-13 | 10-Sep-13 |
| Receive 9-month TIIE-IRS (9x1) | 4.50% | 4.32% | 4.65% | 4.31% | P | 21-Jun-13 | 12-Jul-13 |
| Spread TIIE-Libor (10-year) | 390bps | 365bps | 410bps | 412bps | L | 7-Jun-13 | 11-Jun-13 |
| Receive 1-year TIIE-IRS (13x1) | 4.22% | 4.00% | 4.30% | 4.30% | L | 19-Apr-13 | 31-May-13 |
| Long Udibono Jun'22 | 1.40% | 1.20% | 1.55% | 0.97% | P | 15-Mar-13 | 3-May-13 |
| Receive 1-year TIIE-IRS (13x1) | 4.60% | 4.45% | 4.70% | 4.45% | P | 1-Feb-13 | 7-Mar-13 |
| Long Mbono Nov'42 | 6.22% | 5.97% | 6.40% | 5.89% | P | 1-Feb-13 | 7-Mar-13 |
| Long Udibono Dec'13 | 1.21% | 0.80% | 1.40% | 1.40% | L | 1-Feb-13 | 15-Apr-13 |
| Receive 1-year TIIE-IRS (13x1) | 4.87% | 4.70% | 5.00% | 4.69% | P | 11-Jan-13 | 24-Jan-13 |
| Receive TIIE Pay Mbono (10-year) | 46bps | 35bps | 54bps | 54bps | L | 19-Oct-12 | 8-Mar-13 |
| Spread TIIE-Libor (10-year) | 410bps | 385bps | 430bps | 342bps | P | 21-Sep-13 | 8-Mar-13 |
| Long Udibono Dec'12 | +0.97% | -1.50% | +1.20% | -6.50% | P | 1-May-12 | 27-Nov-12 |
| Long Udibono Dec'13 | +1.06% | 0.90% | +1.35% | 0.90% | P | 1-May-12 | 14-Dec-12 |

1. Carry + roll-down gains of 17bps

2. Closed below target and before the proposed horizon date due to changes in market conditions that have differed from our expectations.

Short-term tactical trades

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

Source: Banorte

Track of the directional FX trade recommendations*

| Trade Idea | Entry | Target | Stop-loss | Closed | P/L* | Initial Date | End date |
|---|---|---|---|---|---|---|---|
| Long USD/MXN | 18.57 | 19.50 | 18.20 | 18.20 | L | 19-Jan-18 | 2-Apr-18 |
| Long USD/MXN | 14.98 | 15.50 | 14.60 | 15.43 | P | 20-Mar-15 | 20-Apr-15 |
| Short EUR/MXN | 17.70 | n.a. | n.a. | 16.90 | P | 5-Jan-15 | 15-Jan-15 |
| Short USD/MXN | 13.21 | n.a. | n.a. | 13.64 | L | 10-Sep-14 | 26-Sep-14 |
| USD/MXN call spread** | 12.99 | 13.30 | n.a. | 13.02 | L | 6-May-14 | 13-Jun-14 |
| Directional short USD/MXN | 13.00 | 12.70 | 13.25 | 13.28 | L | 31-Oct-13 | 8-Nov-13 |
| Limit short USD/MXN | 13.25 | 12.90 | 13.46 | -- | -- | 11-Oct-13 | 17-Oct-13 |
| Short EUR/MXN | 16.05 | 15.70 | 16.40 | 15.69 | P | 29-Apr-13 | 9-May-13 |
| Long USD/MXN | 12.60 | 12.90 | 12.40 | 12.40 | L | 11-Mar-13 | 13-Mar-13 |
| Long USD/MXN | 12.60 | 12.90 | 12.40 | 12.85 | P | 11-Jan-13 | 27-Feb-13 |
| Tactical limit short USD/MXN | 12.90 | 12.75 | 13.05 | -- | -- | 10-Dec-12 | 17-Dec-12 |
| Short EUR/MXN | 16.64 | 16.10 | 16.90 | 16.94 | L | 03-Oct-12 | 30-Oct-12 |

** Total return does not consider carry gain/losses*

*** Low strike (long call) at 13.00, high strike (short call) at 13.30 for a premium of 0.718% of notional amount*

## 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 Thalía 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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| | ***Reference*** |
|---|---|
| ***BUY*** | *When the share expected performance is greater than the MEXBOL estimated performance.* |
| ***HOLD*** | *When the share expected performance is similar to the MEXBOL estimated performance.* |
| ***SELL*** | *When the share expected performance is lower than the MEXBOL estimated performance.* |

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.

| Research and Strategy | | | |
|---|---|---|---|
| Alejandro Padilla Santana | Chief Economist and Head of Research | alejandro.padilla@banorte.com | (55) 1103 - 4043 |
| Raquel Vázquez Godinez | Assistant | raquel.vazquez@banorte.com | (55) 1670 - 2967 |
| Itzel Martínez Rojas | Analyst | itzel.martinez.rojas@banorte.com | (55) 1670 - 2251 |
| Lourdes Calvo Fernández | Analyst (Edition) | lourdes.calvo@banorte.com | (55) 1103 - 4000 x 2611 |
| María Fernanda Vargas Santoyo | Analyst | maria.vargas.santoyo@banorte.com | (55) 1103 - 4000 |
| **Economic Research** | | | |
| Juan Carlos Alderete Macal, CFA | Executive Director of Economic Research and Financial Markets Strategy | juan.alderete.macal@banorte.com | (55) 1103 - 4046 |
| Francisco José Flores Serrano | Director of Economic Research, Mexico | francisco.flores.serrano@banorte.com | (55) 1670 - 2957 |
| Katia Celina Goya Ostos | Director of Economic Research, Global | katia.goya@banorte.com | (55) 1670 - 1821 |
| Yazmín Selene Pérez Enríquez | Senior Economist, Mexico | yazmin.perez.enriquez@banorte.com | (55) 5268 - 1694 |
| Cintia Gisela Nava Roa | Senior Economist, Mexico | cintia.nava.roa@banorte.com | (55) 1103 - 4000 |
| Luis Leopoldo López Salinas | Manager Global Economist | luis.lopez.salinas@banorte.com | (55) 1103 - 4000 x 2707 |
| **Market Strategy** | | | |
| Manuel Jiménez Zaldívar | Director of Market Strategy | manuel.jimenez@banorte.com | (55) 5268 - 1671 |
| **Fixed income and FX Strategy** | | | |
| Leslie Thalía Orozco Vélez | Senior Strategist, Fixed Income and FX | leslie.orozco.velez@banorte.com | (55) 5268 - 1698 |
| Isaías Rodríguez Sobrino | Strategist, Fixed Income, FX and Commodities | isaias.rodriguez.sobrino@banorte.com | (55) 1670 - 2144 |
| **Equity Strategy** | | | |
| Marissa Garza Ostos | Director of Equity Strategy | marissa.garza@banorte.com | (55) 1670 - 1719 |
| José Itzamna Espitia Hernández | Senior Strategist, Equity | jose.espitia@banorte.com | (55) 1670 - 2249 |
| Carlos Hernández García | Senior Strategist, Equity | carlos.hernandez.garcia@banorte.com | (55) 1670 - 2250 |
| Víctor Hugo Cortes Castro | Senior Strategist, Technical | victorh.cortes@banorte.com | (55) 1670 - 1800 |
| Paola Soto Leal | Strategist, Equity | paola.soto.leal@banorte.com | (55) 1103 - 4000 x 1746 |
| **Corporate Debt** | | | |
| Hugo Armando Gómez Solís | Senior Analyst, Corporate Debt | hugoa.gomez@banorte.com | (55) 1670 - 2247 |
| Gerardo Daniel Valle Trujillo | Analyst, Corporate Debt | gerardo.valle.trujillo@banorte.com | (55) 1670 - 2248 |
| **Quantitative Analysis** | | | |
| Alejandro Cervantes Llamas | Executive Director of Quantitative Analysis | alejandro.cervantes@banorte.com | (55) 1670 - 2972 |
| José Luis García Casales | Director of Quantitative Analysis | jose.garcia.casales@banorte.com | (55) 8510 - 4608 |
| Miguel Alejandro Calvo Domínguez | Senior Analyst, Quantitative Analysis | miguel.calvo@banorte.com | (55) 1670 - 2220 |
| José De Jesús Ramírez Martínez | Senior Analyst, Quantitative Analysis | jose.ramirez.martinez@banorte.com | (55) 1103 - 4000 |
| Daniel Sebastián Sosa Aguilar | Senior Analyst, Quantitative Analysis | daniel.sosa@banorte.com | (55) 1103 - 4000 |
| Andrea Muñoz Sánchez | Analyst, Quantitative Analysis | andrea.munoz.sanchez@banorte.com | (55) 1103 - 4000 |
| **Wholesale Banking** | | | |
| Armando Rodal Espinosa | Head of Wholesale Banking | armando.rodal@banorte.com | (55) 1670 - 1889 |
| Alejandro Aguilar Ceballos | Head of Asset Management | alejandro.aguilar.ceballos@banorte.com | (55) 5004 - 1282 |
| Alejandro Eric Faesi Puente | Head of Global Markets and Institutional Sales | alejandro.faesi@banorte.com | (55) 5268 - 1640 |
| Alejandro Frigolet Vázquez Vela | Head of Sólida Banorte | alejandro.frigolet.vazquezvela@banorte.com | (55) 5268 - 1656 |
| Arturo Monroy Ballesteros | Head of Investment Banking and Structured Finance | arturo.monroy.ballesteros@banorte.com | (55) 5004 - 5140 |
| Carlos Alberto Arciniega Navarro | Head of Treasury Services | carlos.arciniega@banorte.com | (81) 1103 - 4091 |
| Gerardo Zamora Nanez | Head of Transactional Banking, Leasing and Factoring | gerardo.zamora@banorte.com | (81) 8173 - 9127 |
| Jorge de la Vega Grajales | Head of Government Banking | jorge.delavega@banorte.com | (55) 5004 - 5121 |
| Luis Pietrini Sheridan | Head of Private Banking | luis.pietrini@banorte.com | (55) 5249 - 6423 |
| Lizza Velarde Torres | Executive Director of Wholesale Banking | lizza.velarde@banorte.com | (55) 4433 - 4676 |
| Osvaldo Brondo Menchaca | Head of Specialized Banking Services | osvaldo.brondo@banorte.com | (55) 5004 - 1423 |
| Raúl Alejandro Arauzo Romero | Head of Transactional Banking | alejandro.arauzo@banorte.com | (55) 5261 - 4910 |
| René Gerardo Pimentel Ibarrola | Head of Corporate Banking | pimentelr@banorte.com | (55) 5004 - 1051 |
| Ricardo Velázquez Rodríguez | Head of International Banking | rvelazquez@banorte.com | (55) 5004 - 5279 |
| Víctor Antonio Roldan Ferrer | Head of Commercial Banking | victor.roldan.ferrer@banorte.com | (55) 1670 - 1899 |