Fixed-Income and FX Weekly

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Market outlook

- **Mixed performance in local assets.** Last week, the Mbonos' curve adjusted -4bps and +12bps, at the extremes. The 10-year benchmark closed at 8.83% (+4bps w/w). The USD/MXN ended at 17.79, printing a depreciation of 1.1% w/w

- **Focus on Fed minutes, economic figures in several regions and the political situation in the US.** Last week, financial assets started with optimism on the possibility of an agreement on the U.S. debt limit, however, caution returned on Friday on the news of an abrupt impasse in the negotiations. Investors also digested hawkish comments from some Fed members, while Powell signaled a pause by mentioning that the cumulative hike and tighter credit conditions may allow them to analyze the data and make a careful assessment before a decision, and that these factors could offset further hikes. In Mexico, Banxico's Board of Governors left the benchmark rate unchanged at 11.25%, in line with our call. Considering the tone and guidance, previous speeches by some members, the recent evolution of inflation, we reiterate our estimate that the terminal rate will close this year at 11.25%, with cuts starting in 1Q24. This week, markets will be attentive to the content of the Fed's minutes to know the balance of opinions among its members. Attention will also be focused on the manufacturing and services PMI indicators in Germany, the Eurozone, the UK and the US, while the latter will also report 1Q23 GDP, the PCE deflator, home sales, trade balance and durable goods orders. In monetary policy, the central banks of South Korea, Indonesia, Israel, New Zealand, South Africa and Turkey will publish their decisions. In Mexico, the most relevant data will be the 1Q23 final GDP, inflation for the first half of May, IGAE for March, trade balance for April and the banking sector expectations survey

Fixed-Income

- **Supply** – Tomorrow, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Mar'25), the 3-year Udibono (Dec'26), as well as 1-, and 3-year Bondes F

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.361 trillion (US$ 75.7 billion), a market share equal to 34.5%, as of May 10th. Short positions in Mbono May'33 ended at MXN 56 million from previous MXN 7.1 billion

- **Technicals** – The spread between 10-year Mbonos and Treasuries decreased to 516bps from 533bps the previous week, with the 12M mean at 557bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of May 16th) printed a higher net long of US$ 2.10 billion from US$ 1.97 billion a week ago. Mutual funds' flows to EM marked sales of US$ 1.0 billion from purchases of US$ 311 million

- **Technicals** – The spot hovered between its best intraday level since 2016 at 17.42 and 17.79 per dollar, after Banxico's decision. With this, the 1-month implied volatility rose to 1-month highs of 11.17% (+1 vegas)

Recommendations

Fixed-Income

- The market began to moderate its expectations of rate cuts for 2H23. The curve now incorporates cuts of -60bps from -70bps last week, approximately three -25bps adjustments in the last meetings of the year. We believe the decision supported our view to keep the rate at 11.25% for the remainder of the year. Therefore, we expect very short-term rates to register additional pressures, resulting in more inverted yield curves
- Finally, we expect that the 10-year Mbono to trade between 8.70% and 8.95% this week

FX

- This week, the dollar's performance will be mainly determined by the debt ceiling negotiations, the content of the minutes of the Fed's last meeting, the tone of its members' speeches and the adjustment in market expectations
- The Mexican peso will continue to be immersed in international dynamics after assimilating Banxico's monetary policy decision. We estimate a trading range for this week between USD/MXN 17.60 and 18.20

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 05/19/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.31	-1	+48
Sep'24	10.95	-4	+86
Dec'24	10.67	-3	+80
Mar'25	10.38	-1	+45
Mar'26	9.63	+3	+39
Mar'27	9.20	+9	+1
Jun'27	9.14	+13	+5
May'29	8.81	+5	-26
May'31	8.81	+6	-21
May'33	8.83	+4	-19
Nov'34	8.80	+4	-25
Nov'36	8.80	+4	-24
Nov'38	9.05	+13	-4
Nov'42	9.12	+13	+1
Nov'47	9.07	+12	0
Jul'53	9.10	+12	+5

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 05/19/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.54	-5	+63
6-month (6x1)	11.52	-4	+48
9-month (9x1)	11.43	-2	+36
1-year (13x1)	11.14	+1	+23
2-year (26x1)	9.89	+1	+2
3-year (39x1)	9.09	+4	-9
4-year (52x1)	8.72	+7	-18
5-year (65x1)	8.52	+8	-30
7-year (91x1)	8.38	+7	-36
10-year (130x1)	8.35	+6	-38
20-year (260x1)	8.50	+10	-36

Source: Bloomberg

Udibonos performance

Maturity date	YTM 05/19/2023	Weekly change (bps)	YTD (bps)
Nov'23	8.36	-18	+228
Dec'25	5.56	-6	+79
Dec'26	5.40	+3	+74
Nov'28	4.57	-5	+26
Nov'31	4.45	-5	+28
Nov'35	4.46	-4	+25
Nov'40	4.56	-4	+37
Nov'43	4.60	0	+9
Nov'46	4.52	-6	+34
Nov'50	4.54	-9	+31

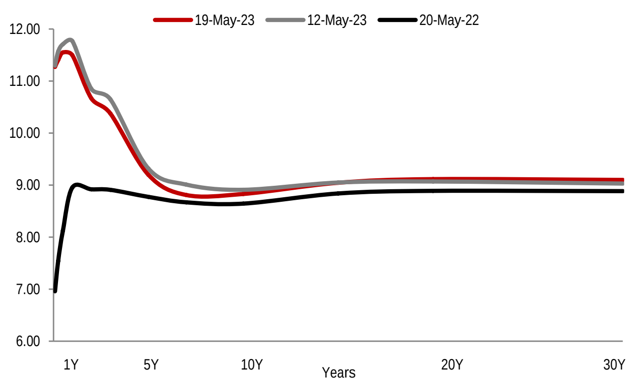
Source: PiP

Cetes performance

Maturity date	YTM 05/19/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.27	-10	+118
Cetes 91	11.40	-11	+74
Cetes 182	11.55	-6	+68
Cetes 364	11.49	-4	+52
Cetes 728	11.03	-4	+22

Source: PiP

Mbonos curve at different closing dates
%



Source: PiP, Banorte

10-year Mbono benchmark
%

Source: PiP

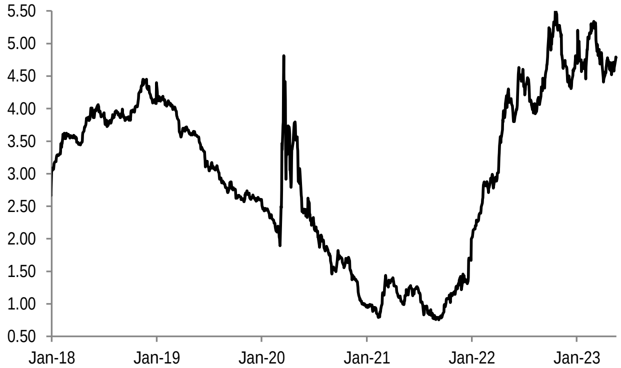
Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

	UMS				UST			Spreads			CDS
Term	Maturity date	YTM 05/19/2023	Weekly change (bps)	YTD (bps)	YTM 05/19/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.54	+17	+6	4.27	+28	-16	27	-11	32	47
3Y	May'26	4.30	+26	-50	3.95	+29	-27	35	-3	75	67
5Y	Feb'28	4.79	+16	+0	3.73	+29	-27	106	-13	105	119
7Y	Apr'30	5.12	+14	-22	3.71	+25	-26	141	-12	151	162
10Y	May'33	5.44	+13	-12	3.67	+21	-20	177	-8	184	200
20Y	Mar'44	6.15	+14	-23	4.06	+18	-9	209	-4	231	--
30Y	May'53	6.39	+10	0	3.93	+14	-4	246	-4	260	--

Source: Bloomberg

5Y USD UMS
%

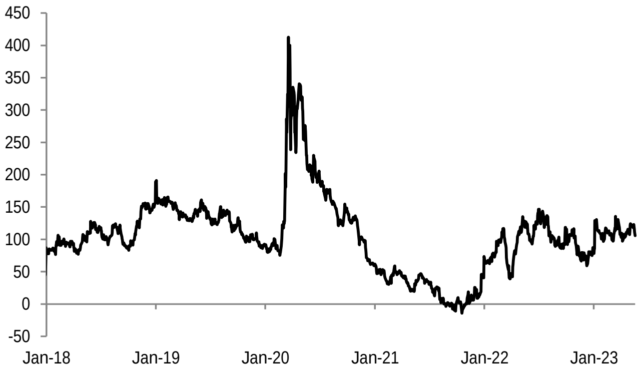


Source: Bloomberg

10Y USD UMS
%

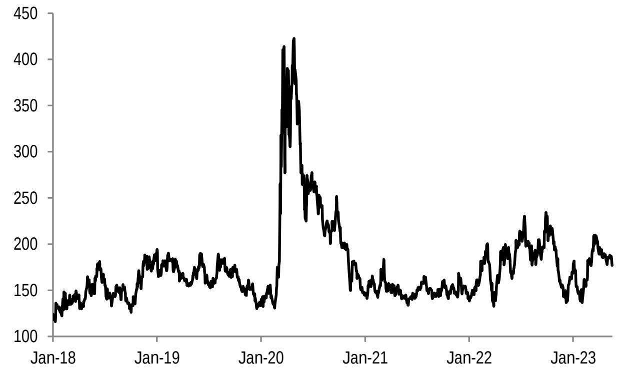
Source: Bloomberg

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 24-month Cetes, the 3-year Mbono (Mar'25), the 3-year Udibono (Dec'26), as well as 1-, and 3-year Bondes F

- **Strong demand for Cetes and greater appetite for Mbonos vs Udibonos of the same maturity.** In the last decision, Banxico confirmed the end of the tightening cycle by keeping the reference rate unchanged at 11.25% (+725bps from June 2021 to March 2023). We expect the benchmark rate to remain at this level for the rest of the year. Furthermore, the latest inflation reports indicate a downward trend, so the attractive real rates on Cetes support a healthy demand, as seen in the last 4 auctions. Likewise, the market considers the hiking cycle in the US to be over. Thus, the spread between Banxico and the Fed is 600bps. For the 3-year Mbono, we expect a stable demand and in line with the average of its auctions during 2023 of 2.5x. This security currently trades at 10.38%, registering losses of 45bps so far this year. For the 3-year Udibono, we anticipate demand below 2.0x, as seen in its last 3 auctions. Despite the 3-year breakeven has decreased 31bps so far this year, we still don't see it attractive enough to compete with its nominal peers

Auction specifics (May 23, 2023)

	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	22-Jun-23	--	8,000	11.25
3m	24-Aug-23	--	7,500	11.46
6m	16-Nov-23	--	8,000	11.57
24m	15-May-25	--	8,500	11.15
Bondes F				
1y	23-May-24	--	5,500	0.13
3y	23-Oct-25	--	1,500	0.21
Mbono				
3y	6-Mar-25	5.00	13,000	10.50
Udibono				
3y	3-Dec-26	3.00	UDIS 900	5.58

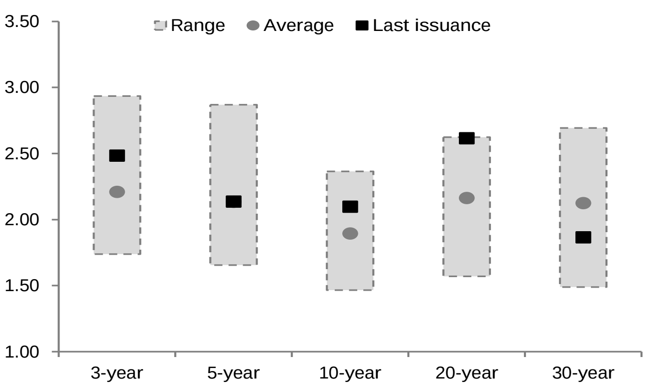
Source: Banorte with data from Banco de Mexico
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

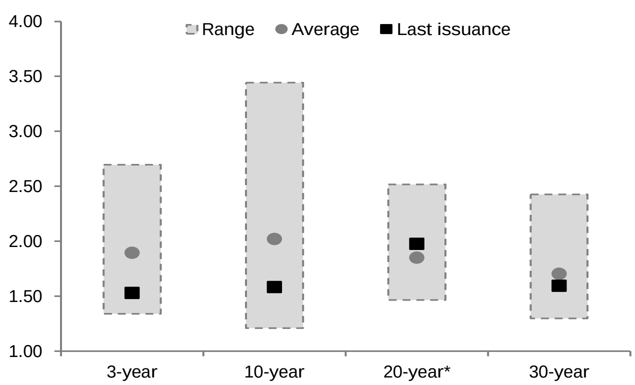
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

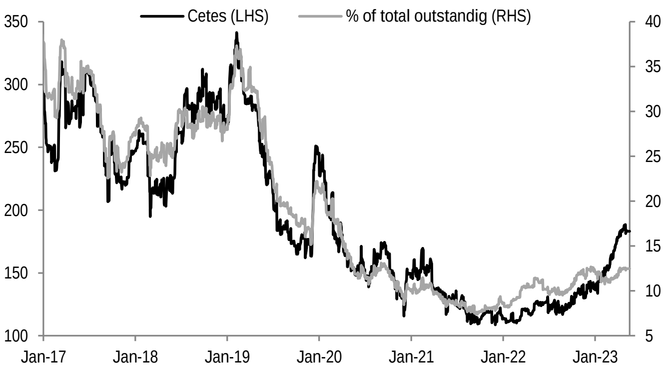
Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times



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

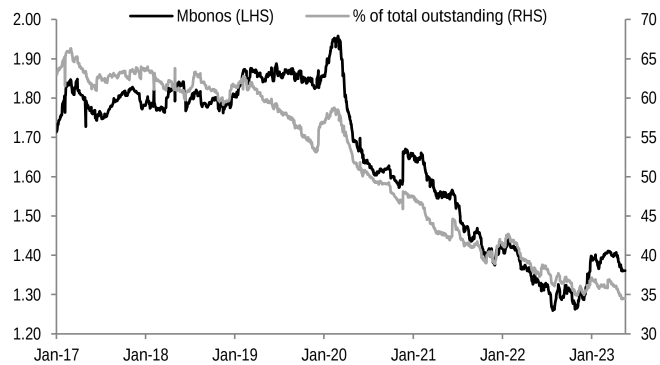
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



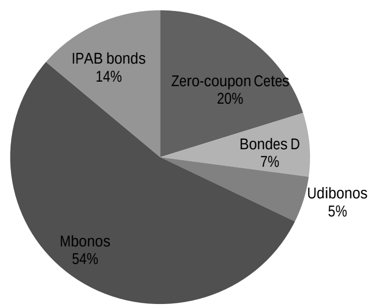
Source: Banxico

Mbonos held by foreigners
MXN trillion, %



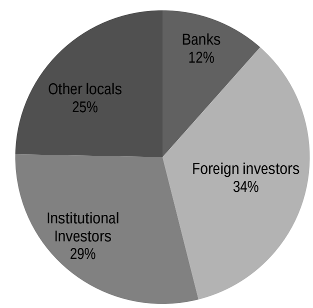
Source: Banxico

Government issuance by type of instrument
Total amount of US$ 406 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 05/10/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	82	12%	12%	21%	4%	10%	40%
Floating-rate Bondes D	28	2%	3%	40%	1%	22%	32%
Real-rate Udibonos	160	4%	53%	4%	19%	2%	18%
Fixed-rate Mbonos	219	35%	23%	3%	3%	12%	25%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

	05/10/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.2	10.5	-0.3	7.8	2.4
Floating-rate Bondes D	0.4	0.1	0.4	1.9	-1.5
Real-rate Udibonos	6.4	0.8	5.5	1.0	5.4
Fixed-rate Mbonos	75.7	76.1	-0.4	77.8	-2.1

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	05/10/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	12.5%	12.6%	-0.1%	12.4%	0.1%
Floating-rate Bondes D	1.5%	0.2%	1.3%	4.4%	-2.9%
Real-rate Udibonos	4.0%	4.1%	-0.1%	5.0%	-1.0%
Fixed-rate Mbonos	34.5%	34.7%	-0.2%	37.1%	-2.5%

Source: Banorte with data from Banxico

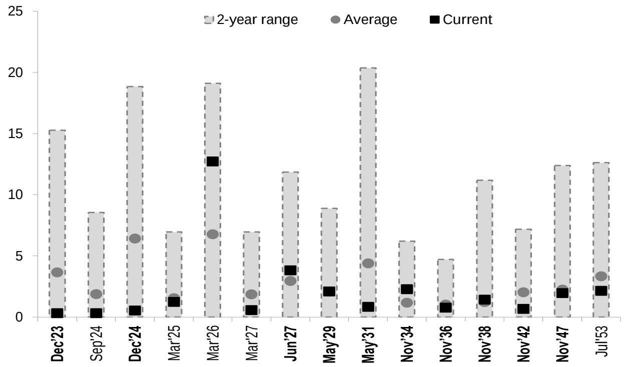
Mbonos holdings by type of investor
US$ billion and %, data as of 05/04/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.6	23%	11%	17%	49%
Sep'24	17.6	20%	19%	13%	48%
Dec'24	13.4	22%	28%	8%	43%
Mar'25	12.6	26%	21%	18%	36%
Mar'26	25.8	27%	25%	16%	32%
Mar'27	13.6	16%	24%	17%	42%
Jun'27	19.8	9%	45%	26%	20%
May'29	15.2	5%	51%	22%	22%
May'31	24.5	5%	50%	32%	14%
May'33	7.4	3%	37%	41%	20%
Nov'34	5.0	2%	47%	38%	13%
Nov'36	4.0	2%	30%	39%	30%
Nov'38	12.2	1%	44%	39%	17%
Nov'42	15.8	1%	47%	38%	14%
Nov'47	14.5	1%	36%	43%	20%
Jul'53	7.1	4%	29%	49%	18%
Total	213.1	12%	34%	26%	28%

Source: Banxico

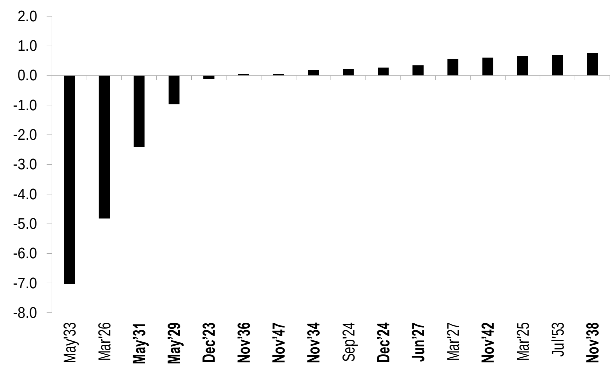
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



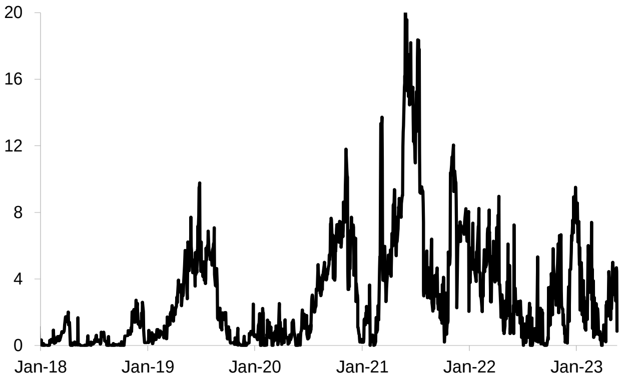
Source: Banxico *Mar'25 issued in Dec'21

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



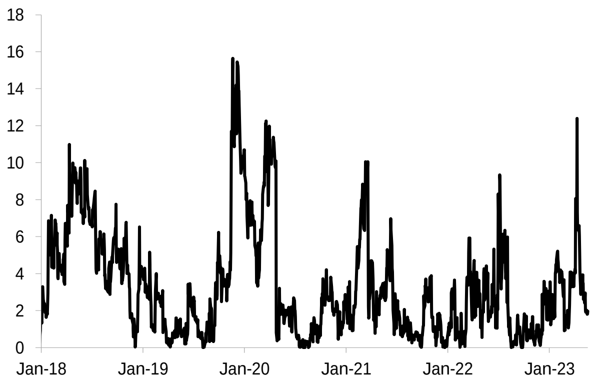
Source: Banxico

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 05/19/2023	05/19/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	11,718	18	25	22	18	404	0
Sep'24	17,751	18	6	23	143	310	0
Dec'24	13,702	31	16	25	133	440	0
Mar'25	12,720	70	34	122	127	332	0
Mar'26	25,735	715	986	788	245	1,074	135
Mar'27	14,609	32	0	73	38	392	0
Jun'27	19,994	215	196	230	80	667	22
May'29	15,375	118	172	76	35	350	8
May'31	24,436	48	183	107	106	535	0
May-33	8,519	3	399	154	0	399	0
Nov'34	5,084	129	118	92	31	145	24
Nov'36	3,992	44	41	118	42	220	4
Nov'38	12,292	81	38	5	12	137	0
Nov'42	15,955	38	4	49	35	157	0
Nov'47	14,547	111	107	341	204	697	6
Jul'53	7,215	121	82	98	0	710	0
Total	223,643	1,670	2,325	2,225	1,250		

Source: Banxico

Fixed-Income technicals

- **The carry at the shortest-end decreased**. Spreads between Cetes and imp. forward rates stood at: 1-month at -43bps from +25bps, 3-month at -124bps from -105bps, 6-month at -133bps from -120bps, and 1-year at -96bps from -99bps

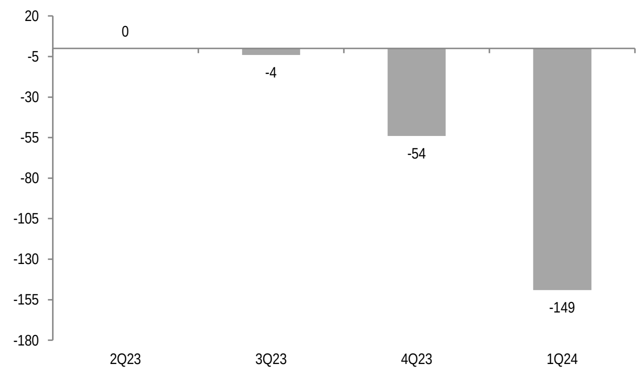
- **Attention to the minutes of the Federal Reserve.** After Banco de México did not follow the Fed by keeping the reference rate unchanged and with it the interest rate differential returned to 600bps from a temporary level of 625bps, attention will be on the Fed minutes. Investors will look for clues on the next central bank actions. The market maintains a vision that the terminal rate has already been reached at 5.00%-5.25%; however, it anticipates cuts in the second half of the year. On the other hand, comments from Fed speakers have made it clear that there is no room for rate cuts for the remainder of the year

Spread between Cetes and Implied Forward Rates
Basis Points

Tenor	Actual 05/19/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	-43	25	-58	7	142	-114
3 months	-124	-105	-89	-54	27	-137
6 months	-133	-120	-98	-82	-10	-140
12 months	-96	-99	-89	-91	-48	-137

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate
Basis points

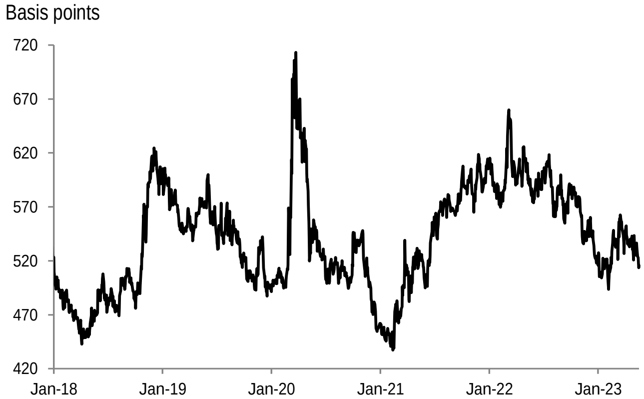


Source: Banorte with data from Bloomberg

- **The local risk premium declined to levels not seen since February.** Investors were very attentive to the US debt limit negotiations. In this context, the 10-year spread between Mbonos and Treasuries closed Friday at 516bps vs. 533bps the previous week, while the average of the last twelve months stands at 557bps

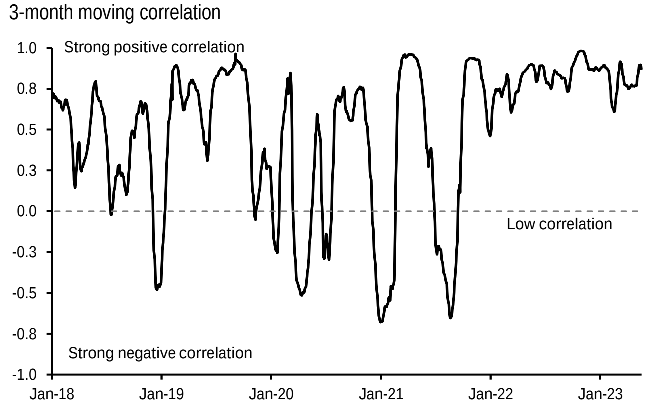
- **3-month correlation between benchmark Mexican and American bonds decreased.** The reading closed Friday at +87% vs. +89% the previous week

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

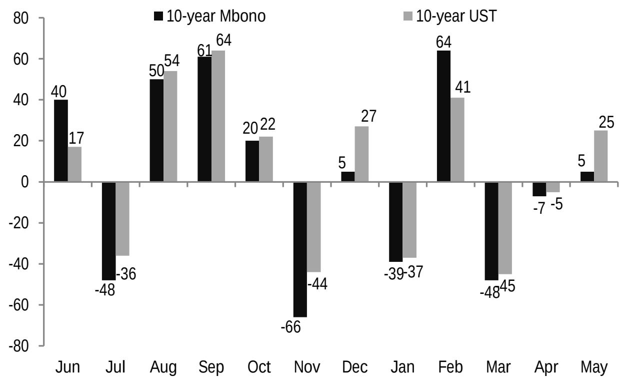
Basis points

Tenor	05/19/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-184	-191 (+7bps)	-198 (+14bps)	-28 (-156bps)	-17	-199	-102
Mbono 10s30s	27	20 (+7bps)	12 (+15bps)	24 (+3bps)	35	-15	9
TIIE-Mbono 2-year	-78	-82 (+4bps)	-77 (-1bp)	2 (-80bps)	18	-85	-26
TIIE-Mbono 10-year	-48	-50 (+2bps)	-38 (-10bps)	-18 (-30bps)	1	-67	-37

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months

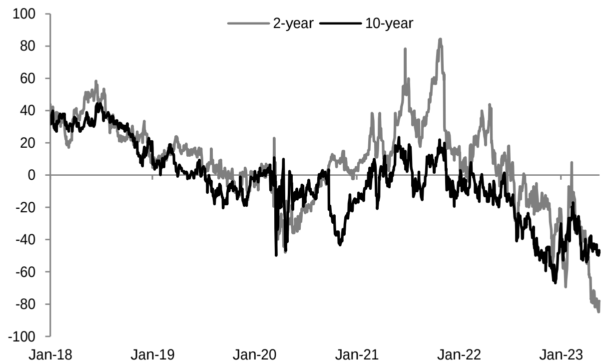
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

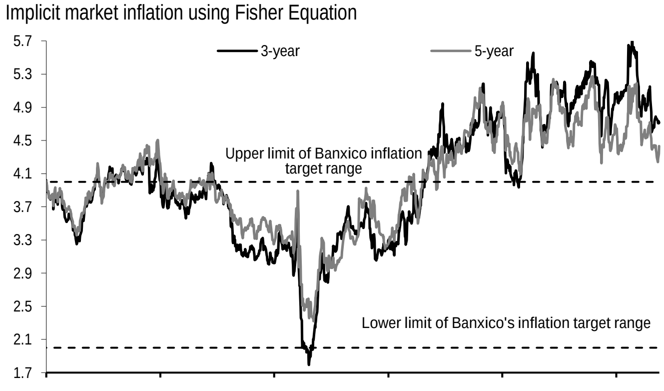
Implicit market inflation using Fisher Equation (%)

Date	05/19/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.72	4.76 (-4bps)	4.99 (-27bps)	4.61 (+11bps)	5.74	4.55	5.05
5Y	4.43	4.29 (+14bps)	4.59 (-16bps)	4.47 (-4bps)	5.28	4.23	4.72
10Y	4.19	4.10 (+9bps)	4.28 (-9bps)	4.30 (-11bps)	5.16	4.07	4.58
20y	4.32	4.2 (+12bps)	4.43 (-11bps)	4.67 (-35bps)	5.15	4.15	4.68
30Y	4.37	4.17 (+20bps)	4.41 (-4bps)	4.67 (-30bps)	5.18	4.15	4.65

Source: PiP

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

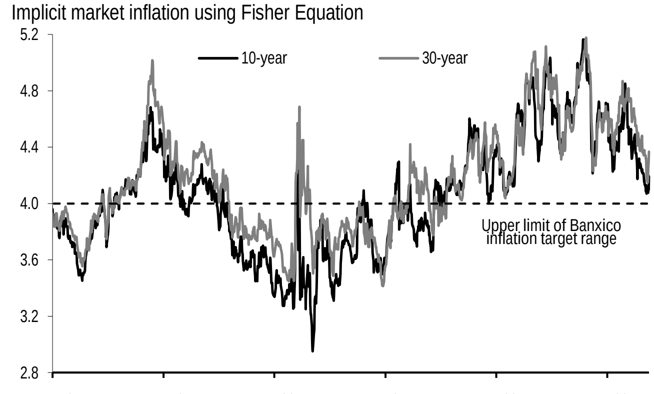
Implicit market inflation using Fisher Equation



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

- **The market is attentive to the evolution of the discussions to increase the US debt ceiling and avoid a default.** The fixed-income market ended last week with a negative bias amid mixed signals to reach an agreement on the US debt ceiling. However, on Friday, Republicans announced an abrupt pause in negotiations with the White House, noting that they were not productive, and that the administration had made unreasonable requests. At this juncture, fears increased that the US could default on its obligations in early June. This situation has pushed the 1-year CDS to record highs of 178 points at the beginning of the month. On brief optimism, the metric declined to 154 points; however, it remains at fairly high levels, even above emerging economies. For example, Mexico's 1-year CDS is significantly below the US metric at 33 points, in stark contrast to historical dynamics. In this sense, Treasuries retreated 23bps, on average, with the largest adjustments in the shorter maturities. The 2-year benchmark returned to trade above 4.00%, closing at 4.27% (+28bps) and the 2s10s spread moved to -60bps from -53bps last week. It is worth noting that net speculative short positions in Treasury futures have steadily increased since July last year and accelerated in early April to record levels

- Locally, the focus was on Banxico's decision to leave the benchmark rate unchanged at 11.25%, in line with expectations. Inside the communiqué, it was highlighted the signal that the rate will remain unchanged for a prolonged period of time. In this sense, the market began to moderate its expectations of rate cuts for 2H23. The curve now incorporates cuts of -60bps from -70bps last week, approximately three -25bps adjustments in the last meetings of the year. We believe the decision supported our view to keep the rate at 11.25% for the remainder of the year. Therefore, we expect very short-term rates to register additional pressures, resulting in more inverted yield curves

- This week, fixed-income market dynamics will depend on the tone of the Fed minutes, speeches from Fed speakers and the evolution of the talks to raise the US debt limit. At the local level, 1Q23 inflation and growth will be relevant. Finally, we expect the 10-year Mbono, May'33, to trade between 8.70% and 8.95%

FX dynamics

- **The Mexican peso assimilated Banxico's monetary policy decision.** At the beginning of the week, the MXN marked its strongest level at 17.42 per dollar, however, this was short-lived under a dynamic marked by the negotiations on the US debt ceiling and the confirmation of the end of Banxico's restrictive cycle. The Mexican peso closed the week at 17.79 per dollar (-1.1% w/w)

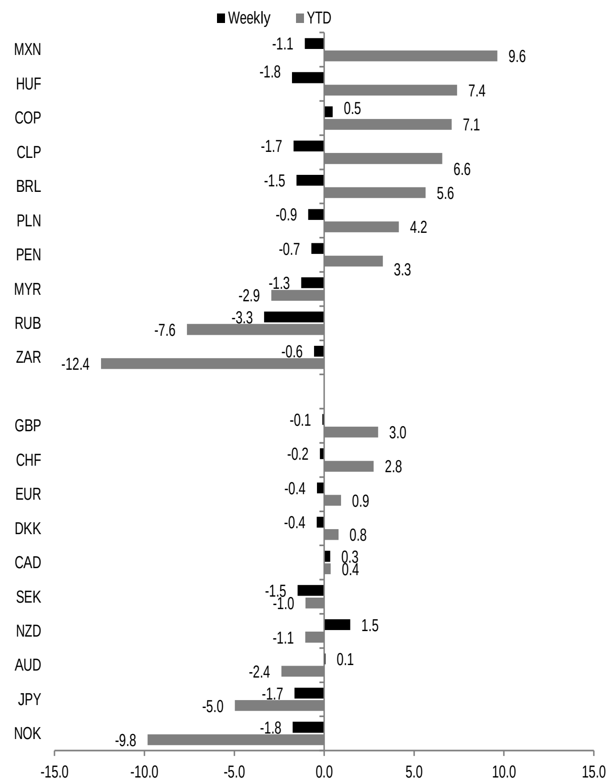
- **The dollar extended gains on political and monetary uncertainty.** The USD strengthened for the second consecutive week. Meanwhile, G-10 and EM currencies ended with a negative bias. In the first group, NOK (-1.8%) was the weakest. In the second, RUB (-3.3%) led the declines

Foreign Exchange market levels and historical return

		Close at 05/19/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	5.00	-0.7	-1.5	1.6	5.6
Chile	USD/CLP	798.64	-0.4	-1.7	-0.6	6.6
Colombia	USD/COP	4,531.19	-0.2	0.5	-0.2	7.1
Peru	USD/PEN	3.69	0.3	-0.7	2.4	3.3
Hungary	USD/HUF	347.62	0.3	-1.8	-0.5	7.4
Malaysia	USD/MYR	4.54	0.0	-1.3	-2.1	-2.9
Mexico	USD/MXN	17.79	-0.4	-1.1	1.5	9.6
Poland	USD/PLN	4.20	0.4	-0.9	0.4	4.2
Russia	USD/RUB	80.32	0.1	-3.3	1.8	-7.6
South Africa	USD/ZAR	19.45	-0.6	-0.6	-6.4	-12.4
Developed Markets						
Canada	USD/CAD	1.35	0.0	0.3	-0.3	0.4
Great Britain	GBP/USD	1.24	0.3	-0.1	0.0	3.0
Japan	USD/JPY	137.98	0.5	-1.7	-2.4	-5.0
Eurozone	EUR/USD	1.0805	0.3	-0.4	-1.4	0.9
Norway	USD/NOK	10.87	0.4	-1.8	-2.7	-9.8
Denmark	USD/DKK	6.89	0.3	-0.4	-1.3	0.8
Switzerland	USD/CHF	0.90	0.6	-0.2	-0.2	2.8
New Zealand	NZD/USD	0.63	0.9	1.5	1.3	-1.1
Sweden	USD/SEK	10.54	0.3	-1.5	-1.7	-1.0
Australia	AUD/USD	0.67	0.4	0.1	-0.9	-2.4

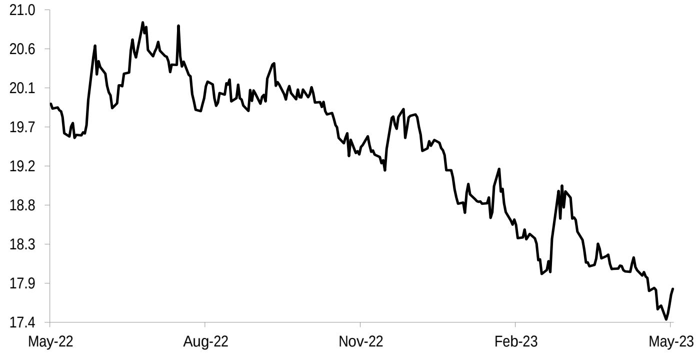
Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.
Source: Bloomberg

FX performance
Against USD, %



Source: Bloomberg

USD/MXN
Last 12 months



Source: Bloomberg

DXY
Points

Source: Bloomberg, Banorte

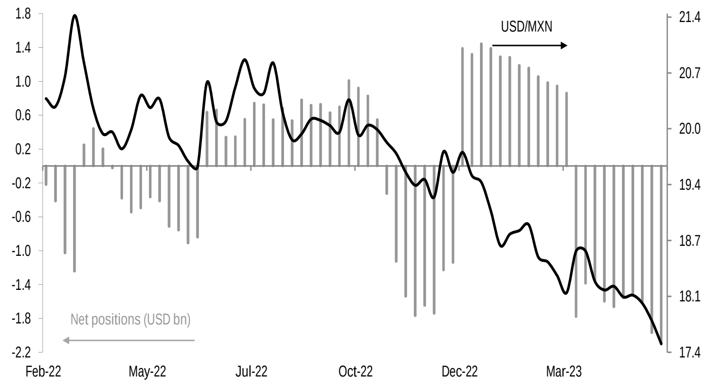
FX positioning and flows

- **Net long positioning in MXN increased for the fourth consecutive week.** As of May 16th, the MXN position recorded a higher net long position of US$ 2.10 billion from US$ 1.97 billion, reaching a high since March 2020. It is worth noting that the MXN assimilated well the end of Banco de México's tightening cycle, stabilizing in the 17.70 zone. With this, it remains the strongest currency in the universe of emerging currencies, with a year-to-date appreciation of 9.6%, followed by the Hungarian forint (+7.4%)

- **Net short USD positions continue to grow and reach a new high since June 2021.** The USD IMM position posted a higher net short position of US$ 14.6 billion from US$ 13.4 billion the previous week, accumulating a 24% increase so far in May. This was the result of purchases in most currencies, highlighting EUR (+817 million), GBP (+674 million), and CHF (+317 million)

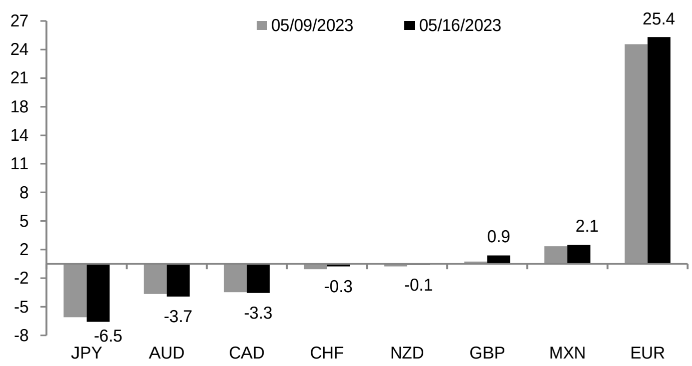
- **Sales in both EM and Mexico were recorded.** Our EPFR aggregate recorded positive outflows of US$ 1.0 billion from inflows of US$ 311 million the previous week. Bond market sales increase to US$ 526 million from US$ 169 million. While equities flows turn negative to US$ 492 million from +US$ 479 million. In Mexico, negative flows of US$ 34 million were recorded because of sales in both bonds and equities of US$ 27 million and US$ 7 million, respectively

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



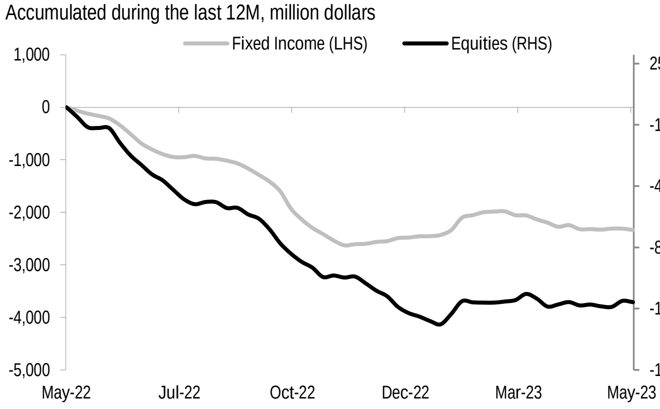
Source: CME, Banorte

IMM positioning by currency*
Billion dollars



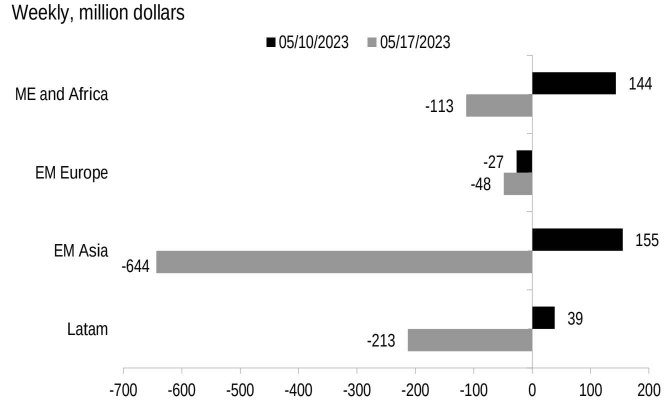
* Positive: Net long in the corresponding currency
Source: CME, Banorte

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 weakened after briefly breaching its resistance.** The weekly performance of the currency universe, including the Mexican peso, was mainly determined by the political situation in the US, as well as hawkish comments from some Fed members. The main short-term resistances stand at 17.78, 17.60, and 17.50, with supports at 18.08, 18.20, and 18.37. Meanwhile, the weekly trading range marked 37 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	33	23	-7	72	30
CAD	59	62	1	63	37
ZAR	25	20	4	85	36
BRL	67	60	-48	67	30
HUF	51	30	-5	70	37
RUB	23	27	-34	54	13

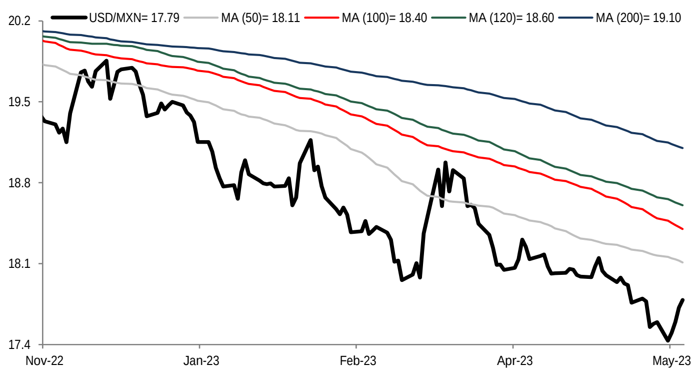
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	35	50	8	89	50
SPX	34	53	23	71	47
GSCI	30	17	2	60	31
Gold	11	-20	-57	64	16

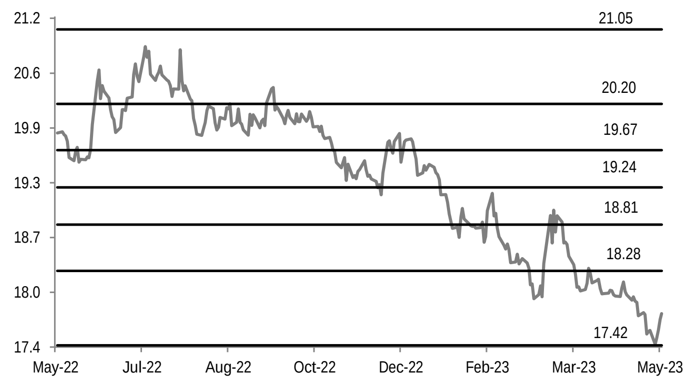
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



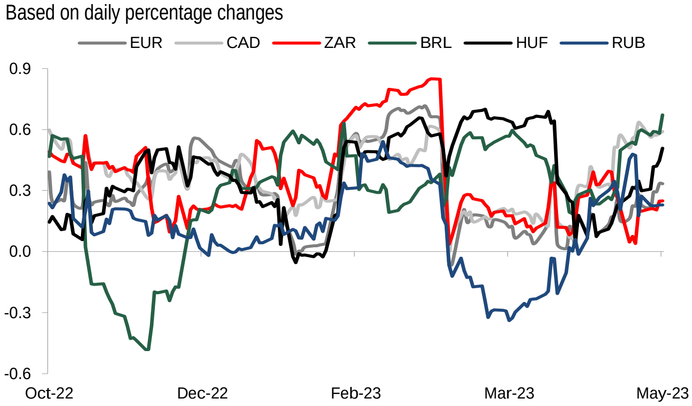
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



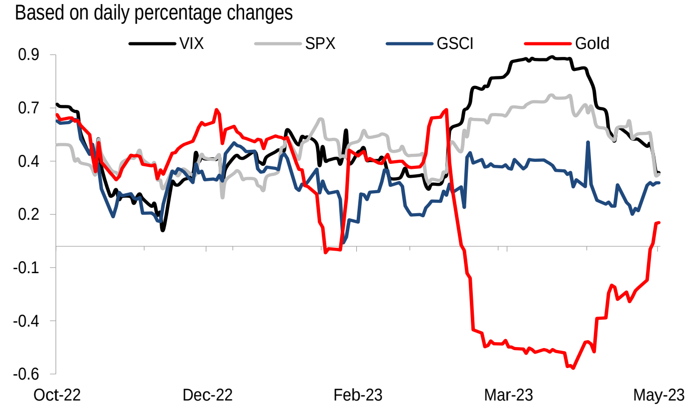
Source: Bloomberg

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

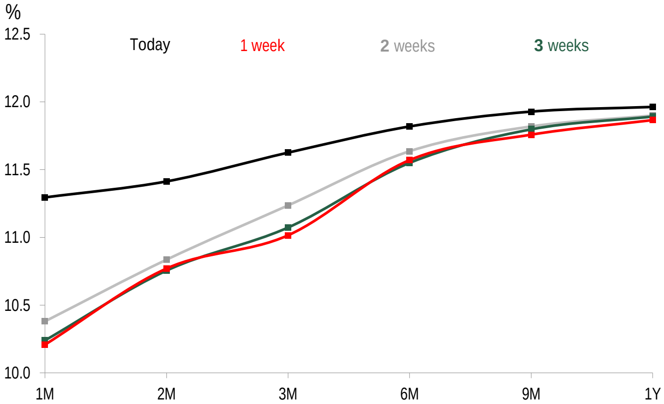


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

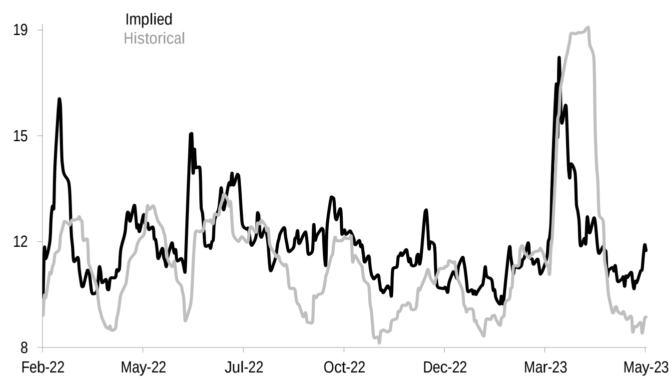
- **Rally in the short-end of the MXN implied volatility curve.** The 1-month implied vol rose to 11.17% (+1 vegas), returning to 1-month highs as it incorporated Banxico's confirmation of the end of the tightening cycle. However, the move was capped when considering the wide spread vs. the Fed of 600bps. Meanwhile, the 1-year reading remained unchanged at 12.00%. This resulted in a flatter curve. The 1-month risk reversal rose to 2.83% from 2.50% the previous week and the 3-month reading moved to 3.09% from 2.95%

USD/MXN – ATM options volatility curve
%



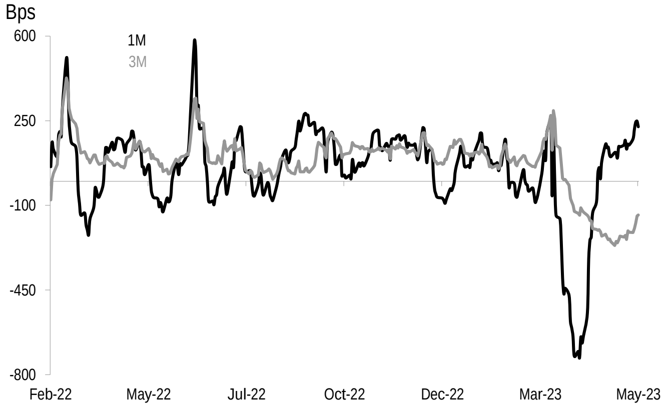
Source: Bloomberg

USD/MXN – 1M implied and historical volatility
%



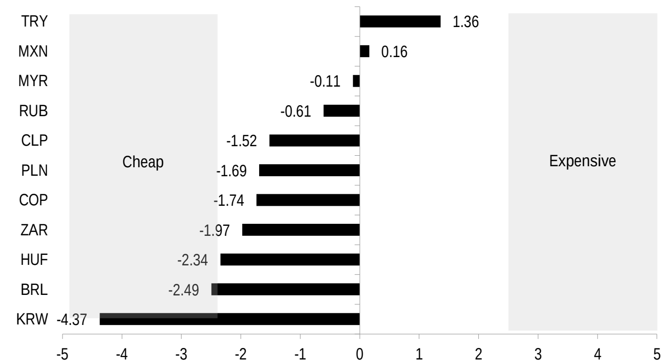
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility
Bps



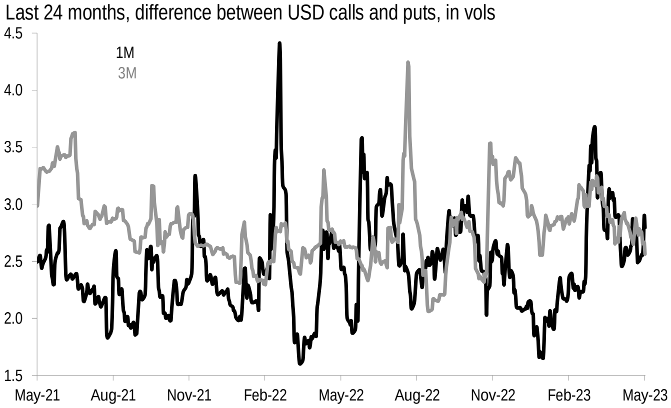
Source: Bloomberg

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



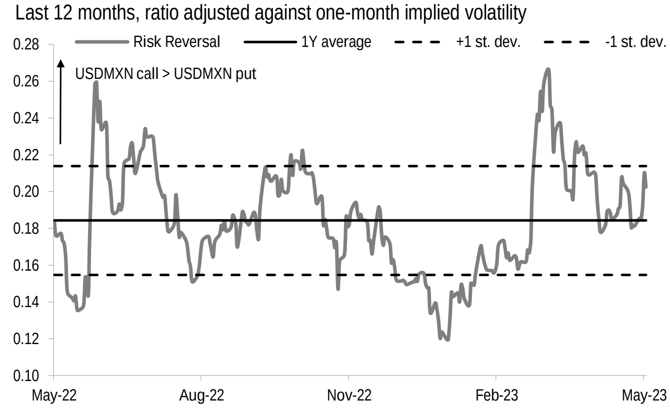
Source: Bloomberg, Banorte

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



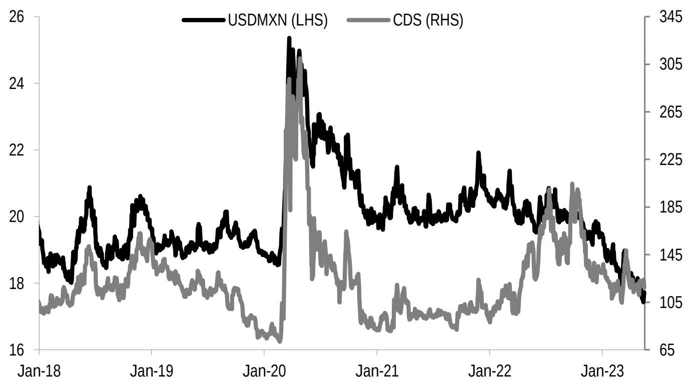
Source: Bloomberg, Banorte

FX trade recommendations

- **MXN carry will continue to be the main catalyst for the currency for the remainder of the year.** The FX market last week reflected uncertainty about the debt ceiling and incorporated comments from some Fed members and the adjustment in expectations about the next Fed funds rate moves. In this context, the dollar strengthened for the second consecutive week and the DXY and BBDXY indices advanced 0.5% and 0.4% w/w, respectively. The rest of the currencies showed a negative bias. In developed currencies, NOK (-1.8%) was the weakest and in EM, RUB (-3.3%) led the declines. At the beginning of the week, the Mexican peso marked its strongest level at 17.42 per dollar, a level not seen since late April 2016. Subsequently, markets assimilated the end of Banxico's tightening cycle, the spread with the Fed returned to 600bps from 625bps (prior to the Fed's May 3 decision). On Friday, the MXN closed at 17.79 per dollar depreciating 1.1% w/w with a trading range of 37 cents, higher than the 4-week average of 28 cents. The implied 3-month volatility stood at 11.5% vs. 11.0% the previous week

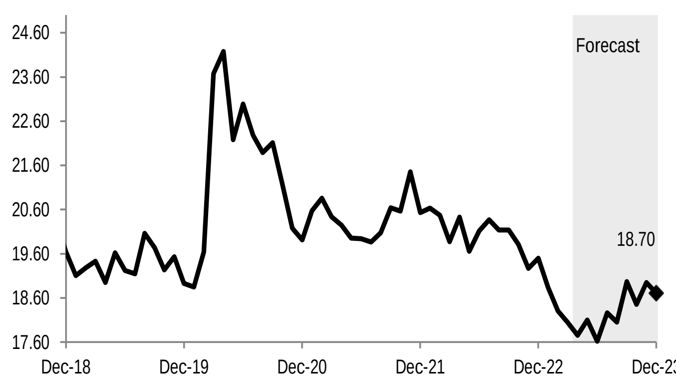
- Since 2022, the spread in central bank rates has been the main catalyst for the Mexican currency to be the strongest among its EM peers with a cumulative year-to-date appreciation of 9.6%. Despite this slight compression of the spread, the carry remains at attractive levels at 7.50% (annualized rate calculated with three-month forwards) being higher than most of its peers. Likewise, if this metric is adjusted for volatility, the Mexican peso looks even more attractive as it has maintained a more stable dynamic. It is worth mentioning that, in the face of external shocks, the currency and 3-month implied volatility have been able to recover quickly, as we saw with the recent U.S. banking crisis. In this context, we expect the MXN to maintain a defensive performance in 2023 as it is supported by high real rates, the spread with the Fed, solid macroeconomic fundamentals, lower geopolitical risks and growing inflows from exports, remittances, tourism and investment. For this week, we estimate a trading range between USD/MXN 17.60 and 18.20

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 26, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 21	21:15	CHI	Rate decision 1-year Loan Prime Rate	May 22	%	--	3.65	3.65
	21:15	CHI	Rate decision 5-year Loan Prime Rate	May 22	%	--	4.30	4.30
Mon 22	08:30	US	Fed's Bullard Speaks on US Economy and Monetary Policy					
	10:00	EZ	Consumer confidence*	May (P)	index	--	-16.8	-17.5
	11:05	US	Fed’s Bostic and Barkin Discuss Technology-Enabled Disruption					
	11:05	US	Fed's Daly Speaks at NABE/Bank of France Economic Symposium					
	14:30	MX	Survey of expectations (Citibanamex)					
Tue 23	03:30	GER	Manufacturing PMI*	May (P)	index	--	45.0	44.5
	03:30	GER	Services PMI*	May (P)	index	--	55.0	56.0
	03:30	GER	Composite PMI*	May (P)	index	--	53.2	54.2
	04:00	EZ	Manufacturing PMI*	May (P)	index	--	46.0	45.8
	04:00	EZ	Services PMI*	May (P)	index	--	55.5	56.2
	04:00	EZ	Composite PMI*	May (P)	index	--	53.5	54.1
	04:00	EZ	Current account*	Mar	EURbn	--	--	24.3
	04:30	UK	Manufacturing PMI*	May (P)	index	--	48.0	47.8
	04:30	UK	Services PMI*	May (P)	index	--	55.5	55.9
	09:00	US	Fed’s Logan Gives Welcoming Remarks at Conference on Technology-Enabled Disruption					
	09:45	US	Manufacturing PMI*	May (P)	index	49.9	50.0	50.2
	09:45	US	Services PMI*	May (P)	index	--	52.5	53.6
	09:45	US	Composite PMI*	May (P)	index	--	--	53.4
	10:00	US	New home sales**	Apr	thousands	--	663	683
	11:00	MX	International reserves	May 19	US$bn	--	--	203.5
	13:30	MX	Government weekly auction: 1-, 3-, 6-, 24- month CETES; 3-year Mbono (Mar'25); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F					
Wed 24	02:00	UK	Consumer prices	Apr	% y/y	--	8.2	10.1
	02:00	UK	Core	Apr	% y/y	--	6.2	6.2
	04:00	GER	IFO Survey (business climate)*	May	index	--	93.0	93.6
	08:00	MX	Consumer prices	May 15	% m/m	-0.20	-0.20	0.21
	08:00	MX	Core	May 15	% m/m	0.19	0.21	0.12
	08:00	MX	Consumer prices	May 15	% y/y	6.13	6.10	6.27
	08:00	MX	Core	May 15	% y/y	7.47	7.40	7.59
	12:10	US	Fed’s Waller Discusses the Economic Outlook					
	14:00	US	FOMC Meeting Minutes					
		SK	Monetary policy decision (Central bank of South Korea)	May 25	%	--	3.50	3.50
Jue 25	02:00	GER	Gross domestic product*	1Q23 (F)	% q/q	--	0.0	0.0
	07:00	TUR	Monetary policy decision (Central Bank of Turkey)	May 25	%	--	8.50	8.50
	08:00	MX	Trade balance	Apr	US$mn	-414.1	-1,719.8	1,168.7
	08:00	BZ	Consumer prices	May	% m/m	--	0.61	0.57
	08:00	BZ	Consumer prices	May	% y/y	--	4.18	4.16
	08:30	US	Initial jobless claims*	May 20	thousands	245	250	242
	08:30	US	Gross domestic product**	1Q23 (F)	% q/q	1.1	1.1	1.1
	08:30	US	Personal consumption**	1Q23 (F)	% q/q	3.7	3.7	3.7
	10:30	US	Fed's Collins Speaks at Community College of Rhode Island					
	11:00	MX	Current account	1Q23	US$bn	-7.9	--	4.6
		SA	Monetary policy decision (South African Reserve Bank)	May 25	%	--	8.25	7.75
Fri 26	08:00	MX	Gross domestic product	1Q23 (F)	% y/y	3.7	3.8	3.9
	08:00	MX	Gross domestic product*	1Q23 (F)	% q/q	1.0	1.1	1.1
	08:00	MX	Economic activity indicator (IGAE)	Mar	% y/y	2.8	3.1	3.8
	08:00	MX	Economic activity indicator (IGAE)*	Mar	% m/m	-0.3	0.1	0.1
	08:30	US	Trade balance*	Apr	US$bn	--	-85.6	-84.6
	08:30	US	Personal income*	Apr	% m/m	--	0.4	0.3
	08:30	US	Personal spending*	Apr	% m/m	--	0.4	0.0
	08:30	US	Real personal spending*	Apr	% m/m	0.3	0.3	0.0
	08:30	US	PCE Deflator*	Apr	% m/m	--	0.3	0.1
	08:30	US	Core*	Apr	% m/m	0.3	0.3	0.3
	08:30	US	PCE Deflator	Apr	% y/y	--	4.3	4.2
	08:30	US	Core	Apr	% y/y	4.5	4.6	4.6
	08:30	US	Durable goods orders*	Apr (P)	% m/m	--	-1.0	3.2
	08:30	US	Ex transportation*	Apr (P)	% m/m	--	-0.1	0.2
	10:00	US	U. of Michigan confidence*	May (F)	index	57.7	58.0	57.7

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

For the week ending May 19, 2023

Day	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 15	05:00	EZ	Industrial production*	Mar	% m/m	--	-4.1	1.5
	05:00	EZ	European Commission economic forecasts					
	08:30	US	Empire manufacturing*	May	index	0.0	-31.8	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	--	5.6	3.9
	22:00	CHI	Retail sales	Apr	% y/y	--	18.4	10.6
	22:00	CHI	Gross fixed investment (YTD)	Apr	% y/y	--	4.7	5.1
Tue 16	02:00	UK	Unemployment rate*	Mar	%	--	3.9	3.8
	05:00	GER	ZEW Survey (Expectations)	May	index	--	-10.7	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	--	17	-0.2
	08:15	US	Fed's Mester Discusses the economic and Policy Outlook					
	08:30	US	Advance retail sales*	Apr	% m/m	0.8	0.4	-0.7 (R)
	08:30	US	Ex autos & gas*	Apr	% m/m	--	0.6	-0.5 (R)
	08:30	US	Control group*	Apr	% m/m	0.2	0.7	-0.4 (R)
	09:15	US	Industrial production*	Apr	% m/m	0.0	0.5	0.0 (R)
	09:15	US	Manufacturing production*	Apr	% m/m	0.1	1.0	-0.8
	10:00	US	Fed's Barr Testifies Before House Financial Services Committee					
	11:00	MX	International reserves	May 12	US$bn	--	203.4	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	--	0.4	0.0
Wed 17	05:00	EZ	Consumer prices	Apr (F)	% y/y	--	7.0	7.0
	05:00	EZ	Core	Apr (F)	% y/y	--	5.6	5.6
	08:00	BZ	Retail sales	Mar	% y/y	--	3.2	1.1 (R)
	08:00	BZ	Retail sales*	Mar	% m/m	--	0.8	0.0 (R)
	08:30	US	Housing starts**	Apr	thousands	--	1,401	1,371 (R)
	08:30	US	Building permits**	Apr	thousands	--	1,416	1,437 (R)
Thu 18	08:00	MX	Timely Indicator of Economic Activity*	Apr	% y/y	--	0.4	2.6 (R)
	08:30	US	Initial jobless claims*	May 13	thousands	250	242	264
	08:30	US	Philadelphia Fed*	May	index	-25.0	-10.4	-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	2.5	3.4
	08:00	MX	Retail sales*	Mar	% m/m	0.2	-0.0	-0.3
	08:00	BZ	Economic activity	Mar	% y/y	--	5.5	2.8
	08:00	BZ	Economic activity*	Mar	% m/m	--	-0.2	2.5 (R)
	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

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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