

Fixed-Income and FX Weekly

May 29, 2023

Market outlook

- **Mixed performance in local assets.** Last week, the Mbonos' curve lost 8bps, on average. The 10-year benchmark closed at 8.93% (+10bps w/w). The USD/MXN ended at 17.63, printing an appreciation of 0.9% w/w
- **Focus on US labor market report, speeches by Fed members and ECB minutes.** Last week, the performance of financial assets was mainly determined by the news and evolution of the negotiations to raise the US debt ceiling. In addition, markets incorporated US economic data –showing a resilient economy and signs of inflationary pressures– in combination with a hawkish tone in both the FOMC minutes and in some of the Fed members' speeches. This was mirrored by a high probability for a 25bps hike in the Fed funds rate in June or July. In Mexico, markets absorbed a positive surprise in [inflation in the first half of May](#). This week begins with lower trading volume due to the holiday in the US, the UK, Germany and Switzerland. With the agreement reached over the weekend between President Biden and Kevin McCarthy to raise the debt limit, the legislative process in Congress remains pending. This must be completed by June 5th to avoid a default. Markets will focus on economic data, mainly US nonfarm payrolls, PMI indicators in several regions and inflation in the Eurozone. On the monetary policy front, Thailand's central bank will announce its decision and we will be attentive to the speeches from several Fed members and the ECB's Christine Lagarde. The US economic agenda also includes home prices (March), ADP private employment, ISM manufacturing and consumer confidence (May). In Mexico, bank credit, public finance and remittances reports, as well as Banxico's minutes, Quarterly Report and expectations survey will be released

Fixed-Income

- **Supply** – Tomorrow, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 20-year Mbono (Nov'42), the 20-year Udibono (Nov'43), as well as 2-, and 5-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.360 trillion (US\$ 75.6 billion), a market share equal to 34.3%, as of May 17th. Short positions in Mbono May'33 ended at MXN 4.3 billion from previous MXN 56 million
- **Technicals** – The spread between 10-year Mbonos and Treasuries decreased to 513bps from 516bps the previous week, with the 12M mean at 556bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of May 23rd) printed a higher net long of US\$ 2.14 billion from US\$ 2.10 billion a week ago. Mutual funds' flows to EM marked bigger sales of US\$ 2.3 billion from of US\$ 1.0 billion
- **Technicals** – The spot returned to the area of 17.60 per dollar, after trading very close to the psychological level of 18.00. With this, the Mexican peso remains as the strongest against the dollar, with year-to-date gains of 10.6%

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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.orocho.velez@banorte.com

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

Fixed-Income

Market dynamics.....	pg. 2
Supply.....	pg. 4
Demand.....	pg. 5
Technicals.....	pg. 7
Recommendations.....	pg. 9

Foreign exchange

Market dynamics.....	pg. 10
Market positioning and flows.....	pg. 11
Technicals.....	pg. 12
Recommendations.....	pg. 14

Recommendations

Fixed-Income

- The market significantly adjusted its expectations, recognizing the Federal Reserve will continue with the hiking cycle. Swaps linked to monetary policy meetings fully price-in a 25bps hike by July at the latest. The employment report will be key for investors to **evaluate the Fed's next actions**
- **Local attention will be on Banxico's minutes and Quarterly Report** for more information on how long the benchmark rate will remain elevated. In our view, it will remain at 11.25% for the remainder of the year
- Finally, we expect that the 10-year Mbono to trade between 8.70% and 9.10% this week

FX

- The performance of currencies will be mainly determined by the US Non-Farm Payrolls report, given its importance for the Fed's next decisions. The dollar may also remain strong amid the recent adjustment in the market pricing for Fed funds rate
- The Mexican peso could extend gains as it continues to be supported by an attractive carry and positive beta with the DXY. We estimate a trading range for this week between USD/MXN 17.30 and 17.80

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 05/26/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.32	+1	+49
Sep'24	10.98	+3	+89
Dec'24	10.74	+7	+87
Mar'25	10.40	+3	+47
Mar'26	9.72	+10	+49
Mar'27	9.34	+14	+15
Jun'27	9.26	+12	+18
May'29	8.94	+13	-13
May'31	8.93	+13	-9
May'33	8.93	+10	-9
Nov'34	8.90	+10	-15
Nov'36	8.92	+11	-13
Nov'38	9.08	+3	-1
Nov'42	9.17	+5	+6
Nov'47	9.14	+6	+6
Jul'53	9.14	+4	+8

Source: PiP

Udibonos performance

Maturity date	YTM 05/26/2023	Weekly change (bps)	YTD (bps)
Nov'23	8.21	-15	+212
Dec'25	5.62	+6	+85
Dec'26	5.50	+9	+83
Nov'28	4.60	+3	+29
Nov'31	4.37	-8	+20
Nov'35	4.37	-9	+16
Nov'40	4.52	-4	+33
Nov'43	4.56	-4	+5
Nov'46	4.49	-3	+31
Nov'50	4.51	-3	+27

Source: PiP

IRS (28-day TIE) performance

Maturity date	YTM 05/26/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	-2	+62
6-month (6x1)	11.52	0	+48
9-month (9x1)	11.41	-2	+34
1-year (13x1)	11.11	-3	+20
2-year (26x1)	9.90	+2	+4
3-year (39x1)	9.19	+10	+1
4-year (52x1)	8.85	+13	-6
5-year (65x1)	8.66	+14	-15
7-year (91x1)	8.51	+13	-23
10-year (130x1)	8.49	+14	-24
20-year (260x1)	8.61	+11	-25

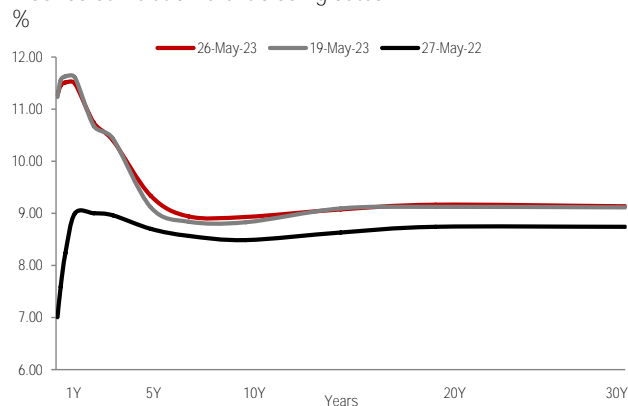
Source: Bloomberg

Cetes performance

Maturity date	YTM 05/26/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.27	+0	+118
Cetes 91	11.45	+5	+79
Cetes 182	11.51	-4	+64
Cetes 364	11.49	0	+52
Cetes 728	11.04	+1	+23

Source: PiP

Mbonos curve at different closing dates



Source: PiP, Banorte

10-year Mbono benchmark



Source: PiP

Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

Term	Maturity date	UMS			UST			Spreads			CDS
		YTM 05/26/2023	Weekly change (bps)	YTD (bps)	YTM 05/26/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.69	+15	+22	4.56	+30	+14	13	-14	30	41
3Y	May'26	4.50	+20	-30	4.24	+29	+1	26	-9	73	63
5Y	Feb'28	4.90	+12	+12	3.93	+20	-8	98	-8	105	115
7Y	Apr'30	5.21	+10	-12	3.87	+16	-10	135	-6	150	161
10Y	May'33	5.52	+8	-4	3.80	+13	-8	172	-5	184	199
20Y	Mar'44	6.16	+1	-22	4.14	+8	0	202	-8	230	--
30Y	May'53	6.38	-1	-1	3.96	+3	0	242	-4	259	--

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 20-year Mbono (Nov'42), the 20-year Udibono (Nov'43), as well as 2-, and 5-year Bondes F
- Higher appetite for short-term assets vs longer duration.** For Cetes, we expect a robust demand given the attractive real rates, considering that [Banxico](#) raised the reference rate to unprecedented levels of 11.25% and indicated that a disinflation process has begun. We believe that Banxico will keep the rate unchanged for the rest of the year, contrary to the market that anticipates a total reduction of 51bps in 4Q23. For the 20-year Mbono, we expect a bid-to-cover ratio in line with the average of the last four auctions of 2.3x. This security returned to trading above the 9.00% level after the losses led by Treasuries due to the expectation of a higher terminal rate from the Federal Reserve. In relative terms, we consider longer duration Mbonos to be more attractive relative to the belly of the curve as they could benefit more from the disinflationary process in Mexico. For the 20-year Udibono, we anticipate lower demand compared to the same-term Mbono. The 20-year breakeven rose to 4.41% (+9bps s/s). Considering the latest inflation data and our expectation that prices will keep moderating, we reiterate our preference for nominal vs real rates

Auction specifics (May 30, 2023)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	29-Jun-23	--	8,000	11.25
3m	31-Aug-23	--	7,500	11.46
6m	30-Nov-23	--	8,000	11.57
12m	30-May-24	--	8,000	11.15
Bondes F				
2y	13-Mar-25	--	4,500	0.13
5y	14-Oct-27	--	1,000	0.21
Mbono				
20y	13-Nov-42	7.75	4,500	10.50
Udibono				
20y	12-Nov-43	3.25	UDIS 600	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.

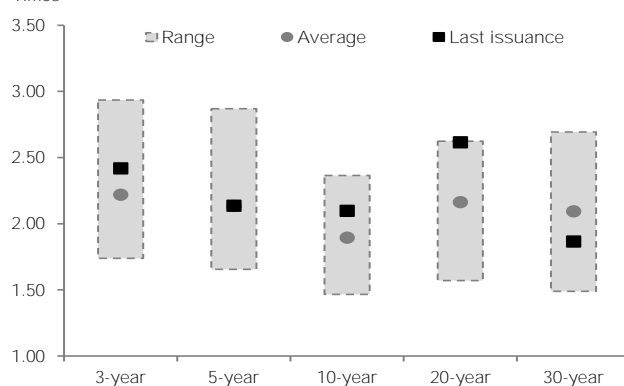
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

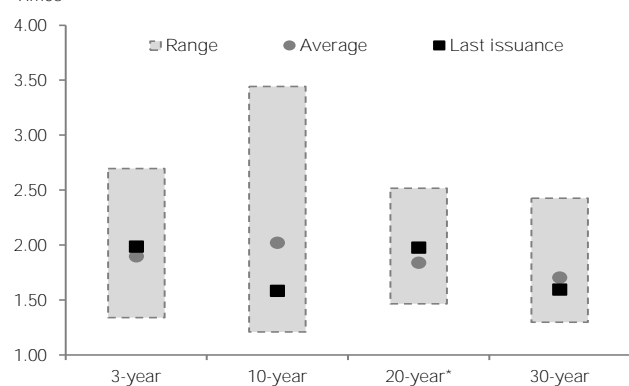
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

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



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

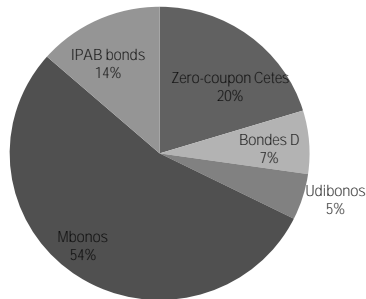
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



Source: Banxico

Government issuance by type of instrument
Total amount of US\$ 406 billion, % of total



Source: Banxico

Government bond holdings by type of investor
US\$ billion and %, data as of 05/17/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	83	12%	12%	21%	4%	10%	41%
Floating-rate Bonds D	28	0%	5%	37%	1%	23%	34%
Real-rate Udbonos	161	4%	53%	4%	19%	2%	18%
Fixed-rate Mbonos	221	34%	23%	3%	3%	14%	23%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US\$ billion

	05/17/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.3	10.2	0.1	7.8	2.5
Floating-rate Bonds D	0.1	0.4	-0.4	1.9	-1.8
Real-rate Udbonos	6.5	0.8	5.7	1.0	5.5
Fixed-rate Mbonos	75.6	75.7	-0.1	77.8	-2.1

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	05/17/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	12.4%	12.5%	0.0%	12.4%	0.0%
Floating-rate Bonds D	0.2%	1.5%	-1.3%	4.4%	-4.2%
Real-rate Udbonos	4.0%	4.0%	0.0%	5.0%	-1.0%
Fixed-rate Mbonos	34.3%	34.5%	-0.2%	37.1%	-2.8%

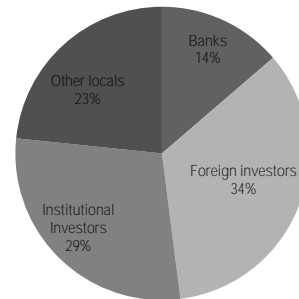
Source: Banorte with data from Banxico

Mbonos held by foreigners
MXN trillion, %



Source: Banxico

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



Source: Banxico

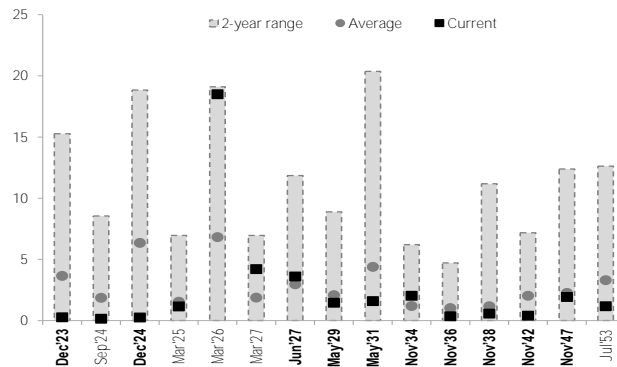
Mbonos holdings by type of investor
US\$ billion and %, data as of 05/11/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.6	24%	11%	15%	50%
Sep'24	17.6	26%	19%	12%	44%
Dec'24	13.4	25%	27%	8%	40%
Mar'25	12.6	24%	21%	21%	34%
Mar'26	25.7	24%	25%	17%	34%
Mar'27	14.5	19%	22%	15%	44%
Jun'27	19.8	12%	44%	27%	17%
May'29	15.2	5%	51%	21%	23%
May'31	24.4	5%	50%	31%	14%
May'33	7.5	2%	37%	41%	20%
Nov'34	5.0	0%	51%	36%	13%
Nov'36	4.0	2%	30%	39%	30%
Nov'38	12.2	1%	44%	39%	15%
Nov'42	15.8	3%	46%	38%	13%
Nov'47	14.4	2%	35%	43%	20%
Jul'53	7.1	3%	34%	47%	17%
Total	213.9	13%	34%	26%	27%

Source: Banxico

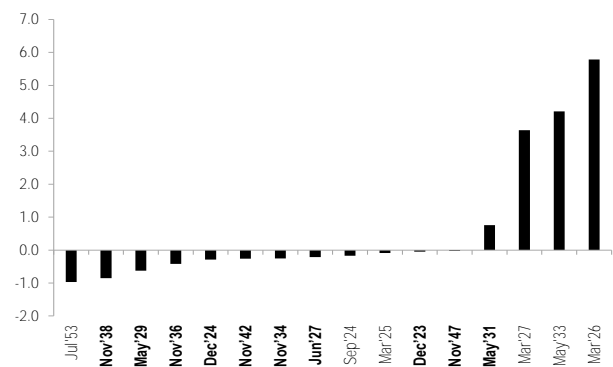
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



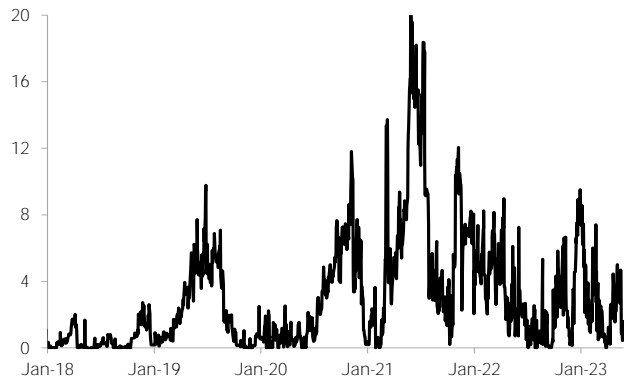
Source: Banxico *Mar'25 issued in Dec'21

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



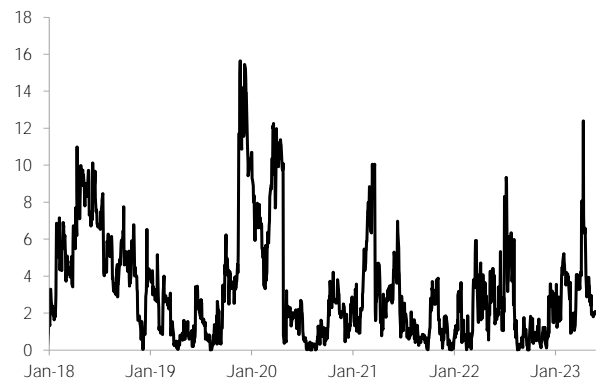
Source: Banxico

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 05/26/2023	05/26/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	11,822	16	19	26	16	408	0
Sep'24	17,902	9	19	45	111	313	0
Dec'24	13,810	15	31	95	46	444	0
Mar'25	13,831	66	71	171	14	335	0
Mar'26	26,297	1,050	722	935	212	1,084	137
Mar'27	14,948	239	32	233	100	395	0
Jun'27	20,164	205	217	209	56	673	22
May'29	15,479	83	119	149	9	353	8
May'31	24,701	91	48	143	137	540	0
May-33	8,835	242	3	129	0	402	0
Nov'34	5,116	115	130	90	167	166	24
Nov'36	4,004	21	44	108	120	222	4
Nov'38	12,355	33	81	9	99	139	0
Nov'42	16,085	24	38	6	60	159	0
Nov'47	14,677	110	112	221	101	703	6
Jul'53	7,225	67	122	82	0	716	0
Total	227,251	2,318	1,686	2,570	1,248		

Source: Banxico

Fixed-Income technicals

- **The carry at the shortest-end registered a mixed balance.** Spreads between Cetes and imp. forward rates stood at: 1-month at -72bps from -43bps, 3-month at -117bps from -124bps, 6-month at -125bps from -133bps, and 1-year at -108bps from -96bps
- **Market will be focused on the Banxico's minutes.** On Thursday, Banxico will publish the minutes of the last decision in which it kept the reference rate unchanged at 11.25%, confirming the end of the restrictive cycle and indicating that the disinflation process has already begun. Investors will look for signals to know how long rates will remain high. In our opinion, the benchmark rate of 11.25% will be maintained throughout 2023; however, the market anticipates cuts of -51bps in the last quarter of the year, although this view has moderated since the middle of the month (-75bps)

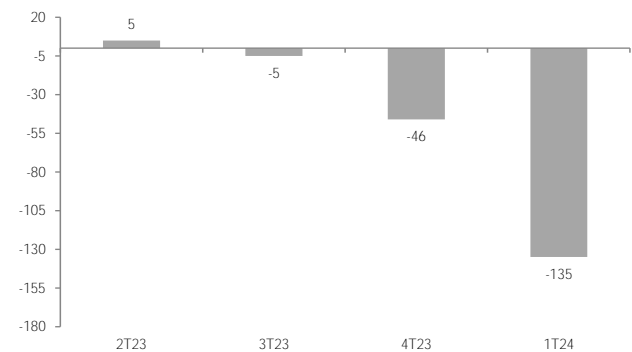
Spread between Cetes and Implied Forward Rates

Basis Points

Tenor	Actual 05/26/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	-72	-43	-50	0	142	-234
3 months	-117	-124	-90	-59	27	-181
6 months	-125	-133	-105	-84	-10	-163
12 months	-108	-96	-83	-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

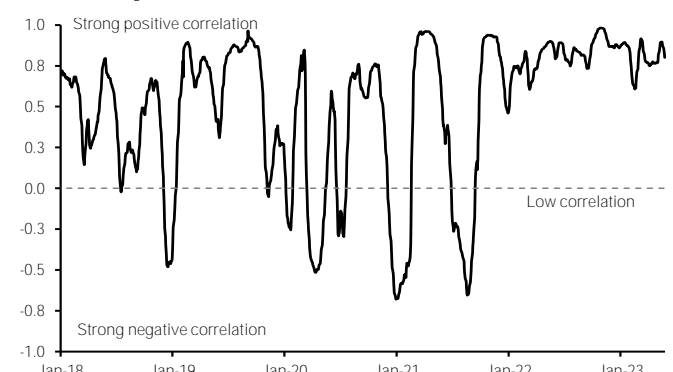
- **The local risk premium is at 12-month lows.** Sovereign bonds assimilated an expectation of higher rates amid data showing a resilient economy and inflationary pressures in the US. In this context, the 10-year spread between Mbonos and Treasuries closed Friday at 513bps vs. 516bps the previous week, while the average of the last twelve months stands at 556bps
- **3-month correlation between benchmark Mexican and American bonds decreased.** The reading closed Friday at +80% vs. +87% 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

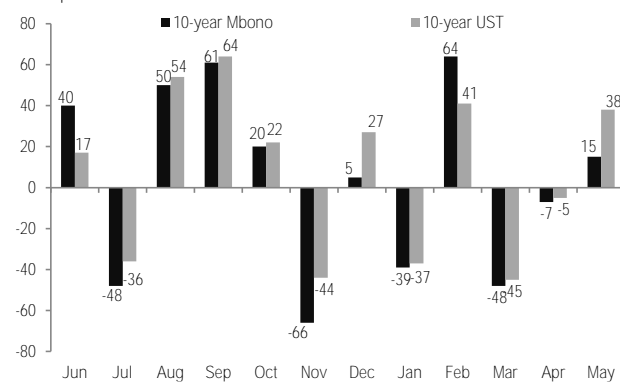
Basis points

Tenor	05/26/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-181	-184 (+3bps)	-187 (+6bps)	-52 (-129bps)	-26	-199	-105
Mbono 10s30s	21	27 (-6bps)	34 (-13bps)	26 (-5bps)	35	-15	9
TIIE-Mbono 2-year	-83	-78 (-5bps)	-73 (-10bps)	-7 (-76bps)	18	-85	-28
TIIE-Mbono 10-year	-44	-48 (+4bps)	-42 (-2bps)	-13 (-31bps)	1	-67	-37

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months

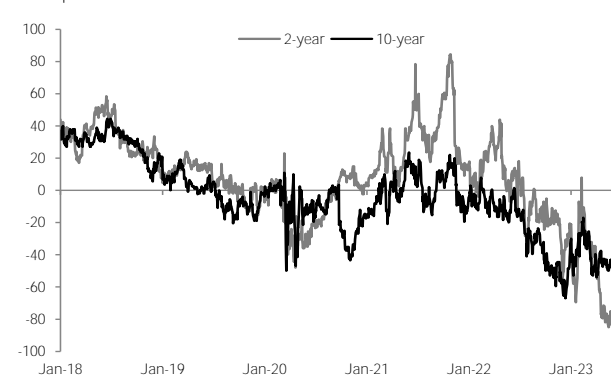
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

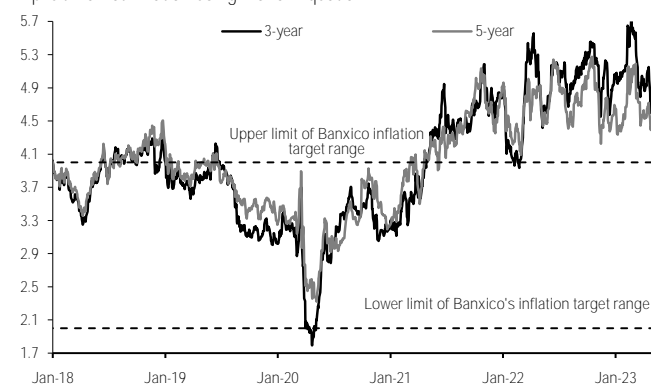
Implicit market inflation using Fisher Equation (%)

Date	05/26/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.65	4.72 (-7bps)	4.65 (0bps)	4.8 (-15bps)	5.74	4.55	5.05
5Y	4.53	4.43 (+10bps)	4.44 (+9bps)	4.63 (-10bps)	5.28	4.23	4.72
10Y	4.37	4.19 (+18bps)	4.21 (+16bps)	4.42 (-5bps)	5.16	4.07	4.58
20y	4.41	4.32 (+9bps)	4.33 (+8bps)	4.60 (-19bps)	5.15	4.15	4.67
30Y	4.43	4.37 (+6bps)	4.36 (+7bps)	4.58 (-15bps)	5.18	4.15	4.65

Source: PiP

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

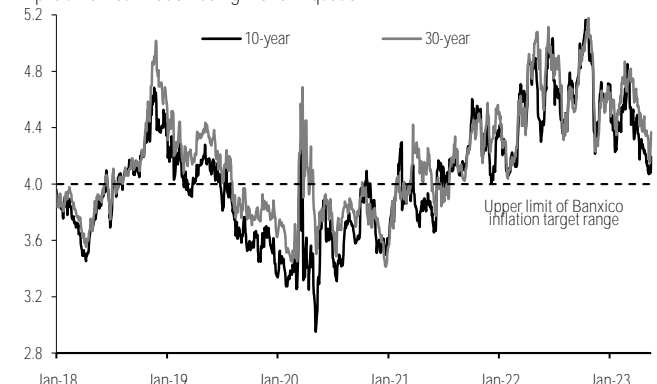
Implicit market inflation using Fisher Equation



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 assesses more hikes from the Federal Reserve.** Sovereign bonds ended last week with a negative balance. In particular, the Treasuries yield curve recorded a bear flattening as it incorporated comments from Fed members suggesting higher interest rates, a slightly hawkish tone in the latest minutes and higher-than-expected inflation data. With this, the 2-year Treasury note rebounded to two-month highs at 4.56% (+30bps w/w), snapping eleven consecutive sessions of losses, while the 30-year benchmark only lost 3bps w/w. Thus, the market significantly adjusted its expectations, recognizing that the Fed will continue with the hiking cycle. Swaps linked to monetary policy meetings fully price-in a 25bps hike by July at the latest. This is contrary to the view at the beginning of the month when the terminal rate was considered to have already been reached at 5.00%-5.25%. T-Bill yields adjusted downward on increased optimism about a possible agreement to raise the US debt ceiling. The largest adjustments were observed in securities maturing in June, which traded at historical highs due to their high sensitivity to a default. T-Bills maturing on June 1st and 6th –the Treasury secretary signaled that the US will be able to meet its obligations until June 5th, 4 days longer than her previous estimate– are trading at ~5.28%, equivalent to a reduction of almost 170bps from their peak reached two days earlier. Locally, Mbonos marked a more defensive weekly performance relative to their US peers, averaging losses of 8bps. As a result, the local risk premium remains near 12-month lows at 513bps. Meanwhile, the TIIE-28 derivatives curve registered a steepening bias as a result of few changes in the short-end and 15bps pressure in the long-end. With this, market expectations remain anchored to the fact that Banco de México has already reached its terminal rate despite the new vision for the Fed. In addition, rate cut expectations have moderated to -51bps from -62bps the previous week and -75bps at mid-month. Regarding real rates, shorter-dated Udibonos lost 6bps, while longer-dated Udibonos advanced 3bps. Additionally, the [inflation report](#) was better than expected by the consensus, so the relative valuation of Mbonos versus Udibonos continues to be more attractive. This has been reflected in the levels of demand in the primary auctions. In this context, we reiterate our preference for nominal vs. real rates
- This week, the employment report will be key for investors to evaluate the Fed's next actions. Meanwhile, local attention will be on Banxico's minutes and Quarterly Report for more information on how long the benchmark rate will remain elevated. In our view, it will remain at 11.25% for the remainder of the year. Therefore, we expect very short-term rates to register additional pressures to correct the market scenario. Finally, we expect the 10-year Mbono, May'33, to trade between 8.70% and 9.10%

FX dynamics

- **The Mexican peso recovered as it continued to be supported by a very attractive carry.** At the beginning of the week, the MXN marked its weakest level at 18.00 per dollar on the back of adjusted expectations. However, the MXN managed to recover driven by the carry and solid fundamentals. As a result, the peso finished as the third strongest among EM and closed Friday at 17.63 per dollar (+0.9% w/w)
- **The dollar extended gains on expectations for the Fed.** The USD strengthened for the third consecutive week. Meanwhile, G-10 currencies lost ground and EM ended with mixed movements. In the first group, NZD (-3.7%) was the weakest and in the second, MYR (-1.4%) led the declines

Foreign Exchange market levels and historical return

		Close at 05/26/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.99	0.9	0.1	1.0	5.7
Chile	USD/CLP	798.99	1.2	0.0	0.8	6.5
Colombia	USD/COP	4,445.77	1.0	1.9	2.0	9.1
Peru	USD/PEN	3.68	0.3	0.3	1.8	3.5
Hungary	USD/HUF	346.07	0.4	0.4	-2.1	7.9
Malaysia	USD/MYR	4.60	0.6	-1.4	-3.1	-4.3
Mexico	USD/MXN	17.63	1.3	0.9	3.0	10.6
Poland	USD/PLN	4.22	-0.6	-0.6	-1.7	3.6
Russia	USD/RUB	79.37	0.8	1.2	3.4	-6.5
South Africa	USD/ZAR	19.65	0.8	-1.0	-6.4	-13.3
Developed Markets						
Canada	USD/CAD	1.36	0.2	-0.8	0.2	-0.4
Great Britain	GBP/USD	1.23	0.2	-0.8	-1.0	2.2
Japan	USD/JPY	140.60	-0.4	-1.9	-4.9	-6.7
Eurozone	EUR/USD	1.0723	0.0	-0.8	-2.9	0.2
Norway	USD/NOK	11.08	-0.2	-1.9	-3.9	-11.5
Denmark	USD/DKK	6.95	0.0	-0.8	-2.8	0.0
Switzerland	USD/CHF	0.91	0.0	-0.7	-1.6	2.1
New Zealand	NZD/USD	0.61	-0.2	-3.7	-1.1	-4.7
Sweden	USD/SEK	10.81	0.1	-2.5	-4.5	-3.5
Australia	AUD/USD	0.65	0.2	-2.0	-1.3	-4.3

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

Source: Bloomberg

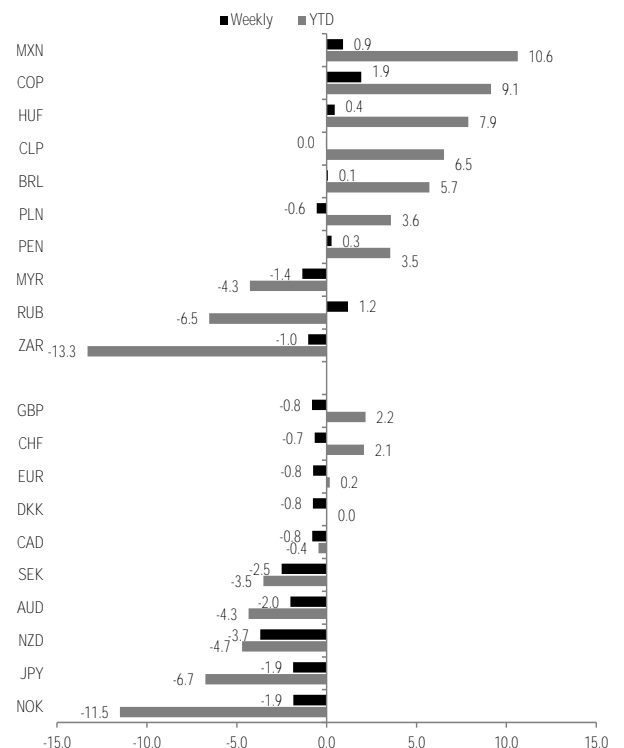
USD/MXN

Last 12 months



Source: Bloomberg

FX performance
Against USD, %



Source: Bloomberg

DXI

Points



Source: Bloomberg, Banorte

FX positioning and flows

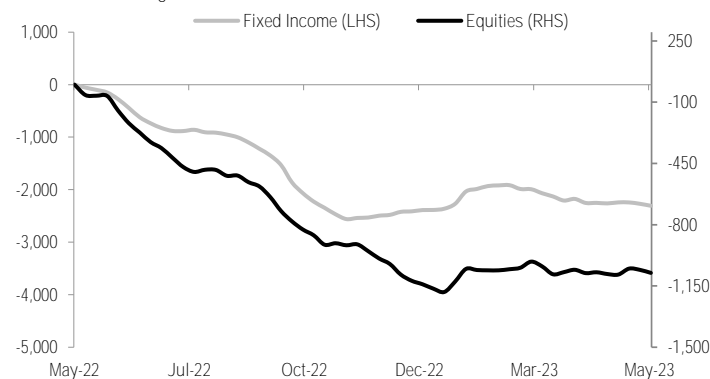
- **Net long positioning in MXN increased slightly.** As of May 23rd, the MXN position recorded a higher net long of US\$ 2.14 billion from US\$ 2.10 billion, reaching a new high since March 2020. The Mexican peso recovered quickly supported by an attractive carry, after trading near the psychological 18.00 level early last week. Speculators continue to hold a favorable view for the MXN as it increasingly separates itself from its emerging market peers with a year-to-date gain of 10.6%
- **Net short USD positions decreased, although they remain above US\$10 billion.** The USD IMM position posted a lower net short position of US\$ 11.461 billion from US\$ 14.595 billion the previous week, on expectations of a 25bps higher terminal rate by July at the latest. The move was the result of higher sales in EUR (-2.01bn) and JPY (-1.5bn) that diluted purchases in CHF, AUD, NZD, and MXN
- **Sales in both EM and Mexico increased, recording 2 consecutive weeks of outflows.** Our EPFR aggregate recorded negative flows of US\$ 2.3 billion from US\$ 1.0 billion the previous week. Bond market sales increase 33% to US\$ 702 million. While equities posted outflows of US\$ 1.6 billion from US\$ 492 million. In Mexico, negative flows of US\$ 54 million were recorded because of sales in both bonds and equities of US\$ 37 million and US\$ 17 million, respectively

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



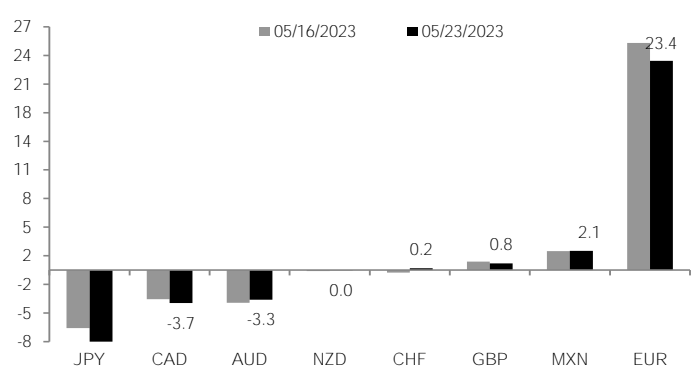
Source: CME, Banorte

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



Source: EPFR Global, Banorte

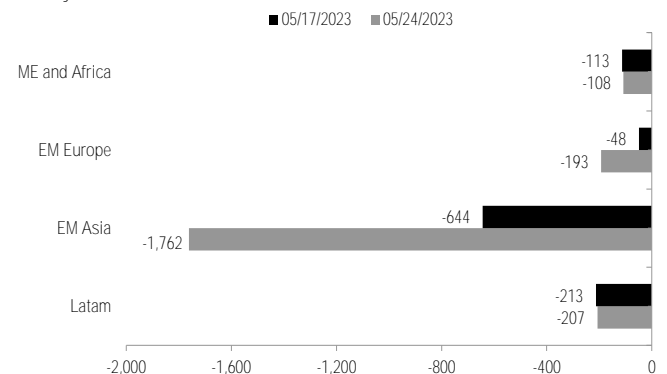
IMM positioning by currency*
Billion dollars



* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*
Weekly, million dollars



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

FX technicals

- **The Mexican peso respected the psychological level of 18.00 per dollar.** Most currencies weakened against the USD as expectations of further Fed funds rate hikes were priced-in. MXN recovered quickly as appetite for risk assets returned. In addition, its beta against the DXY has increased in recent months. The main short-term resistances stand at 17.40, 17.30, and 17.24, with supports at 17.78, 17.90, and 18.00. Meanwhile, the weekly trading range marked 38 cents, lower than the average of the last 4 weeks of 31 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	27	-7	72	29
CAD	37	54	1	63	36
ZAR	19	12	4	85	35
BRL	63	61	-48	63	30
HUF	63	44	-5	70	38
RUB	18	22	-34	54	12

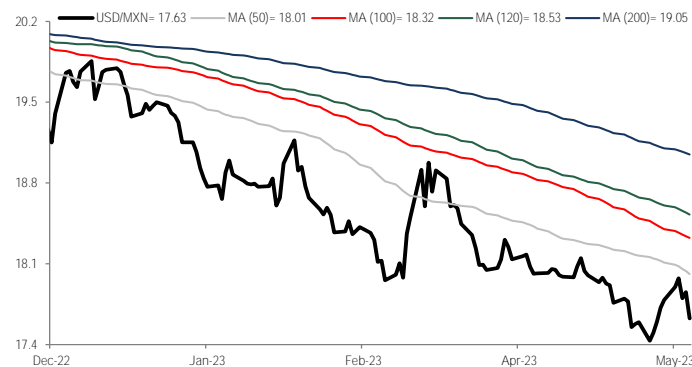
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	31	38	8	89	49
SPX	34	35	23	71	47
GSCI	29	29	2	59	30
Gold	-2	6	-57	64	14

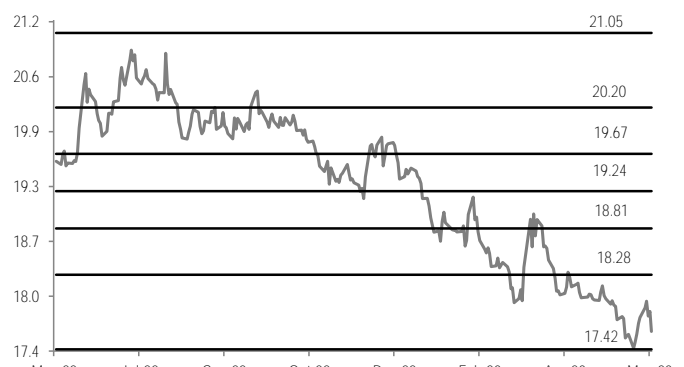
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



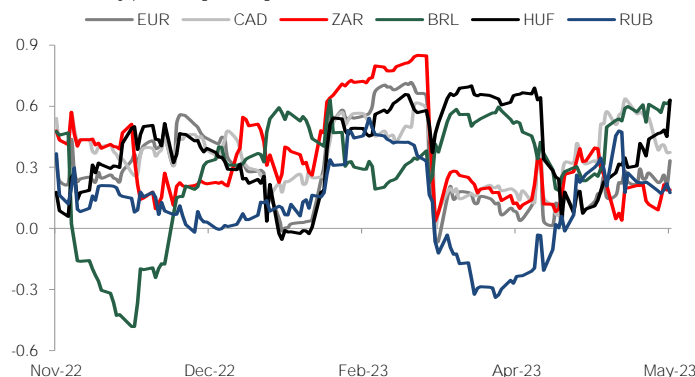
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



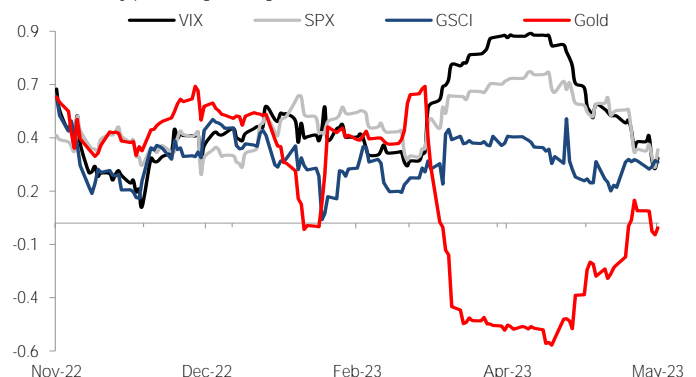
Source: Bloomberg

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



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

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

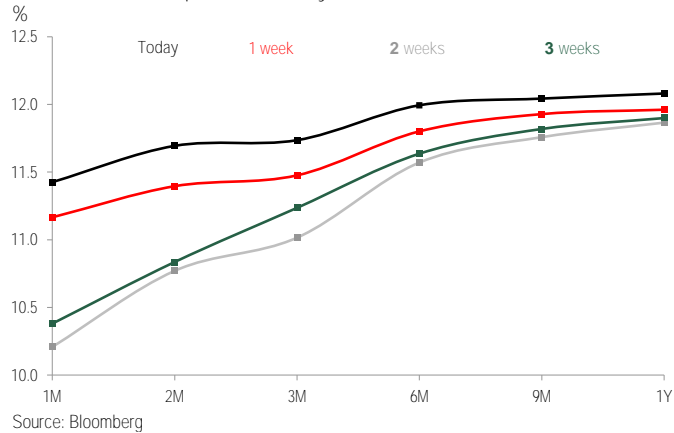


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

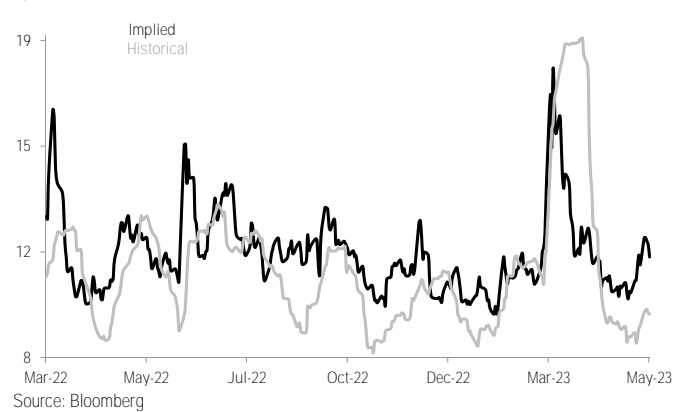
FX technicals (continued)

- The level of the MXN implied volatility curve increased.** The 1-month implied vol rose to 11.46% (+0.3 vegas), back to 1-month highs. This was mainly due to the market starting to assess an additional hike for the Fed in July or June, while Congressional approval on raising the US debt ceiling is pending. The 1-year reading increased slightly to 12.08%. The 1-month risk reversal fell to 2.65% from 2.83% the previous week and the 3-month reading moved to 2.97% from 3.07%

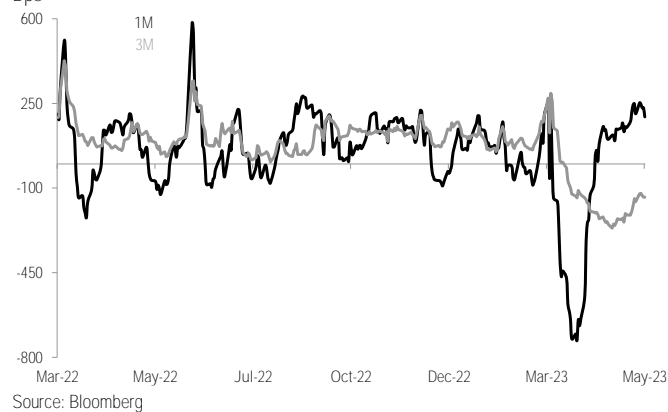
USD/MXN – ATM options volatility curve



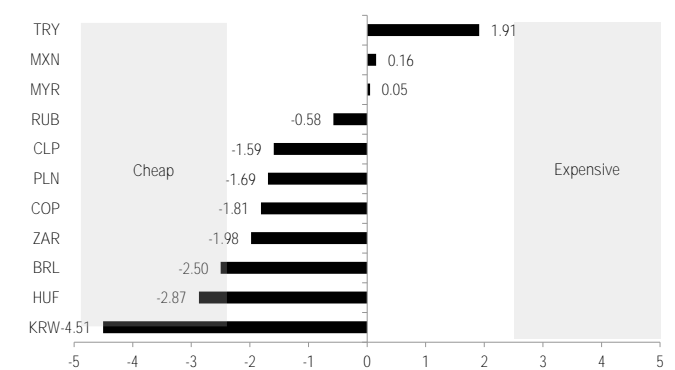
USD/MXN – 1M implied and historical volatility



USD/MXN – Spread between implicit and historical volatility

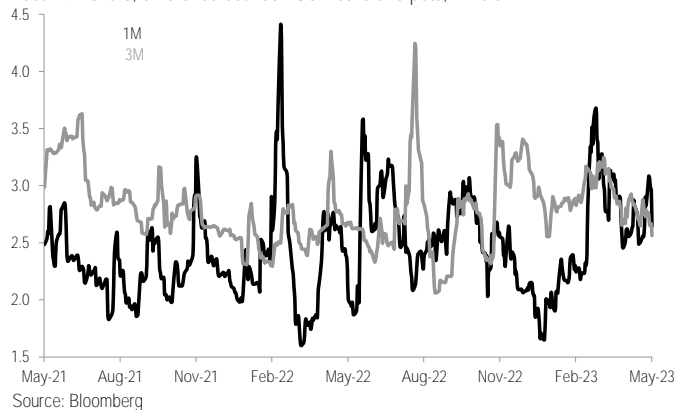


Emerging markets one-month ATM options volatility
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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



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



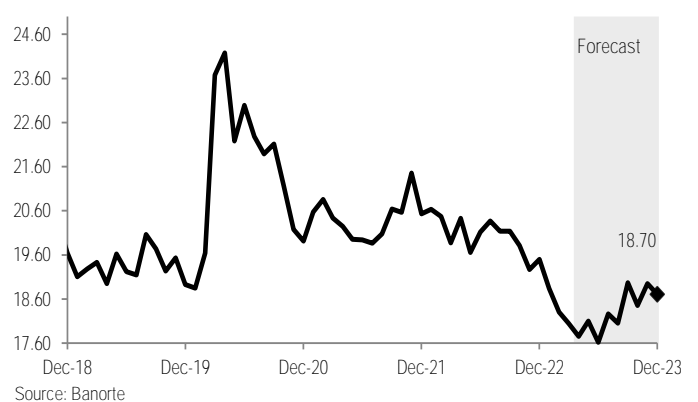
FX trade recommendations

- Strengthening of the USD as the debate over the path of monetary policy continues.** The FX market's performance last week reflected the adjustment in expectations about US monetary policy. Investors also followed news about negotiations to raise the debt ceiling and avoid a default, digested mixed economic data and incorporated comments from central bankers in different latitudes. Against this backdrop, the dollar strengthened with the DXY and BBDXY advancing 1.0% and 0.7% w/w, respectively. The DXY extended the rally after validating the breach of its 100-day MA. So far this month, the DXY has accumulated a gain of 2.6%, reaching levels not seen since March. Meanwhile, the G10 currencies ended the week in negative territory, with NZD (-3.7%) as the weakest. This currency reacted downwards as it was confirmed that New Zealand's central bank has concluded its tightening cycle and anticipates a recession as of 2Q23. In emerging currencies, movements were mixed, with COP (+1.9%) and MYR (-1.4%) at the ends of the spectrum. The Colombian currency was mainly influenced by the rebound in crude-oil prices. The Mexican peso, after marking its weakest level at 18.00 per dollar, gained strength and even managed to counteract the strengthening of the dollar as of Wednesday. We attribute this dynamic to an attractive carry that will continue to be supportive in the coming months, considering our monetary policy paths for Banxico and the Fed. In this context, the MXN closed Friday at 17.63 per dollar, equivalent to a 0.9% w/w appreciation. The trading range was 38 cents vs. 31 cents the previous week, while 3-month implied volatility increased to 11.7% from 11.5% a week earlier
- This week, the FX market trend will be defined mainly by the US employment report, given its relevance for the Fed's next decision, as well as the preliminary May inflation report in the Eurozone. The consensus expects the creation of 190,000 new non-farm payroll jobs, a higher-than-expected figure would give an additional boost to the dollar. We expect a weekly trading range between USD/MXN 17.30 and 17.80

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



USD/MXN Forecast for 2023
Pesos per dollar



Weekly economic calendar

For the week ending June 2, 2023

	Time	Event	Period	Unit	Banorte	Survey	Previous
Mon 29	US	Markets closed in remembrance of Memorial Day					
	04:00	EZ Monetary aggregates (M3)*	Apr	EURbn	--	2.0	2.5
	05:00	EZ Consumer confidence*	May (F)	index	--	--	-17.4
	05:00	EZ Economic confidence*	May	index	--	98.8	99.3
	09:00	US S&P/CoreLogic housing prices	Mar	% y/y	--	-1.7	0.4
	10:00	US Consumer confidence*	May	index	98.0	99.0	101.3
	11:00	MX International reserves	May 26	US\$bn	--	--	202.8
Tue 30	13:00	US Fed's Barkin Speaks on Monetary Policy					
	13:30	MX Government weekly auction: 1-, 3-, 6-, 12- month CETES; 20-year Mbono (Nov'42); 20-year Udibono (Nov'43) and 2-, and 5-year Bondes F					
	21:30	CHI Manufacturing PMI*	May	index	--	49.5	49.2
	21:30	CHI Non-manufacturing PMI*	May	index	--	55.0	56.4
	21:30	CHI Composite PMI*	May	index	--	--	54.4
	14:30	MX Public finances (PSBR, year-to-date)	Apr	MXNmn	--	--	-125.2
	08:00	GER Consumer prices	May (P)	% y/y	--	6.4	7.2
	08:00	BZ Unemployment rate	Apr	%	--	8.9	8.8
	08:50	US Collins, Bowman Give Opening Remarks at Fed Listens Event					
	11:00	MX Banking credit	Apr	% y/y	5.5	--	5.6
	12:20	US Fed's Collins Gives Closing Remarks at Fed Listens Event					
	12:30	US Fed's Harker Speaks on Macroeconomic, Monetary Conditions					
	13:30	US Fed's Jefferson Speaks on Financial Stability and US Economy					
	14:00	US Beige Book					
	14:30	MX Banxico's Quarterly Report					
	21:45	CHI Manufacturing PMI (Caixin)*	May	index	--	49.5	49.5
	03:55	GER Manufacturing PMI*	May (F)	index	--	42.9	42.9
	04:00	EZ Manufacturing PMI*	May (F)	index	--	44.6	44.6
	04:30	UK Manufacturing PMI*	May (F)	index	--	46.9	46.9
	05:00	EZ Unemployment rate*	Apr	%	--	6.5	6.5
	05:00	EZ Consumer prices	May (P)	% y/y	--	6.3	7.0
	05:00	EZ Core	May (P)	% y/y	--	5.5	5.6
	07:30	EZ ECB's minutes					
	08:00	BZ Gross domestic product	1Q23	% y/y	--	2.9	1.9
	08:00	BZ Gross domestic product*	1Q23	% q/q	--	1.2	-0.2
	08:15	US ADP employment*	May	thousands	195	165	296
	08:30	US Initial jobless claims*	May 27	thousands	225	235	229
	09:00	BZ Manufacturing PMI*	May	index	--	--	44.3
	09:45	US Manufacturing PMI*	May (F)	index	48.5	48.5	48.5
	10:00	US ISM manufacturing*	May	index	47.2	47.0	47.1
	11:00	MX Family remittances	Apr	US\$bn	5,114.3	--	5,193.8
	11:00	MX Banxico's minutes					
	11:00	MX Survey of expectations (Banxico)					
	13:00	US Fed's Harker Speaks on Economic Outlook					
	14:00	MX PMI manufacturing (IMEF)*	May	index	50.1	--	50.6
	14:00	MX PMI non-manufacturing (IMEF)*	May	index	51.5	--	52.2
		US Total vehicle sales**	May	millions	--	15.3	15.9
	08:00	MX Unemployment rate	Apr	%	2.79	2.50	2.39
	08:00	BZ Industrial production	Apr	% y/y	--	-1.7	0.9
	08:00	BZ Industrial production*	Apr	% m/m	--	0.0	1.1
	08:30	US Nonfarm payrolls*	May	thousands	175	190	253
	08:30	US Unemployment rate*	May	%	3.5	3.5	3.4

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

For the week ending May 26, 2023

	Time		Event	Period	Unit	Banorte	Actual	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	May (P)	index	--	-17.4	-17.5
	10:00	EZ	Consumer confidence*					
	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					
Tue 23	14:30	MX	Survey of expectations (Citibanamex)					
	03:30	GER	Manufacturing PMI*	May (P)	index	--	42.9	44.5
	03:30	GER	Services PMI*	May (P)	index	--	57.8	56.0
	03:30	GER	Composite PMI*	May (P)	index	--	54.3	54.2
	04:00	EZ	Manufacturing PMI*	May (P)	index	--	44.6	45.8
	04:00	EZ	Services PMI*	May (P)	index	--	55.9	56.2
	04:00	EZ	Composite PMI*	May (P)	index	--	53.3	54.1
	04:00	EZ	Current account*	Mar	EURbn	--	31.2	24.5
	04:30	UK	Manufacturing PMI*	May (P)	index	--	46.9	47.8
	04:30	UK	Services PMI*	May (P)	index	--	55.1	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	48.5	50.2
	09:45	US	Services PMI*	May (P)	index	--	55.1	53.6
	09:45	US	Composite PMI*	May (P)	index	--	54.5	53.4
	10:00	US	New home sales**	Apr	thousands	--	683	656 (R)
	11:00	MX	International reserves	May 19	US\$bn	--	202.8	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	--	8.7	10.1
	02:00	UK	Core	Apr	% y/y	--	6.8	6.2
	04:00	GER	IFO Survey (business climate)*	May	index	--	91.7	93.4 (R)
	08:00	MX	Consumer prices	May 15	% m/m	-0.20	-0.32	0.21
	08:00	MX	Core	May 15	% m/m	0.19	0.18	0.12
	08:00	MX	Consumer prices	May 15	% y/y	6.13	6.00	6.27
	08:00	MX	Core	May 15	% y/y	7.47	7.45	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	--	-0.3	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\$m	-414.1	-1,508.5	1,168.7
	08:00	BZ	Consumer prices	May	% m/m	--	0.51	0.57
	08:00	BZ	Consumer prices	May	% y/y	--	4.07	4.16
	08:30	US	Initial jobless claims*	May 20	thousands	245	229	225 (R)
	08:30	US	Gross domestic product**	1Q23 (F)	% q/q	1.1	1.3	1.1
	08:30	US	Personal consumption**	1Q23 (F)	% q/q	3.7	3.8	3.7
	10:30	US	Fed's Collins Speaks at Community College of Rhode Island					
Fri 26	11:00	MX	Current account	1Q23	US\$bn	-7.9	-14.2	2.6 (R)
		SA	Monetary policy decision (South African Reserve Bank)	May 25	%	--	8.25	7.75
	08:00	MX	Gross domestic product	1Q23 (F)	% y/y	3.7	3.7	3.9
	08:00	MX	Gross domestic product*	1Q23 (F)	% q/q	1.0	1.0	1.1
	08:00	MX	Economic activity indicator (IGAE)	Mar	% y/y	2.8	2.7	3.8
	08:00	MX	Economic activity indicator (IGAE)*	Mar	% m/m	-0.3	-0.3	0.1
	08:30	US	Trade balance*	Apr	US\$bn	--	-96.8	-82.7 (R)
	08:30	US	Personal income*	Apr	% m/m	--	0.4	0.3
	08:30	US	Personal spending*	Apr	% m/m	--	0.8	0.1 (R)
	08:30	US	Real personal spending*	Apr	% m/m	0.3	0.5	0.0
	08:30	US	PCE Deflator*	Apr	% m/m	--	0.4	0.1
	08:30	US	Core*	Apr	% m/m	0.3	0.4	0.3
	08:30	US	PCE Deflator	Apr	% y/y	--	4.4	4.2
	08:30	US	Core	Apr	% y/y	4.5	4.7	4.6
	08:30	US	Durable goods orders*	Apr (P)	% m/m	--	1.1	3.3 (R)
	08:30	US	Ex transportation*	Apr (P)	% m/m	--	-0.2	0.3 (R)
	10:00	US	U. of Michigan confidence*	May (F)	index	57.7	59.2	57.7

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

Recent trade ideas

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

P = Profit, L = Loss

Track of directional fixed-income trade recommendations

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

¹ Carry + roll-down gains of 17bps

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

Short-term tactical trades

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

Source: Banorte

Track of the directional FX trade recommendations*

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

* Total return does not consider carry gain/losses

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

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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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 Godínez	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
Katía Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmin 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 Zaldivar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalia 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	hugo.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.cebaldos@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.rolan.ferrer@banorte.com	(55) 1670 - 1899