

Fixed-Income and FX Weekly

June 12, 2023

Market outlook

- **Positive performance in local assets.** Last week, short-term Mbonos advanced 16bps with the 10-year benchmark closing at 8.88% (+2bps w/w). In addition, the USD/MXN ended at 17.28 (+1.6% w/w), scoring three positive weeks
- **Inflation and monetary policy decision in the US will define market trends.** Last week, unexpected 25bps hikes in Australia and Canada central bank interest rates sparked speculation about what may be decided at the FOMC meeting. Despite hawkish rhetoric, initial jobless claims triggered appetite for risk assets. In this regard, the S&P500 extended gains confirming a bull market (over 20% return from its October low). Meanwhile, the Treasuries yield curve inverted further with losses on the short-end. This week, the focus will be on the US May inflation reading, as well as the Fed's monetary policy decision and Jerome Powell's comments. Markets are still pricing-in a pause in the tightening cycle, although this could be temporary as the debate continues as to whether or not there will be an additional hike in July. In addition, the Fed will update its macroeconomic forecasts and dot plot. The ECB and the central banks of Japan and Taiwan will also announce their decisions. For the former, markets are fully pricing-in a 25bps hike to 3.50%. Markets will also be attentive to Christine Lagarde's press conference. Besides inflation, the US economic agenda includes retail sales, manufacturing surveys (Empire and Philly Fed), University of Michigan consumer sentiment, as well as industrial and manufacturing production. In the Eurozone, we will be looking at trade balance, ZEW survey and industrial production, the latter of which will also be published in China. In Mexico, ANTAD figures and Banxico's Financial Stability report will be released

Fixed-Income

- **Supply** –The MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 30-year Mbono (Jul'53), the 3-year Udibono (Dec'26), as well as 2-, 5-, and 10-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.336 trillion (US\$ 75.5 billion), a market share equal to 33.3%, as of May 31st. Short positions in Mbono May'33 ended practically unchanged at MXN 6.1 billion
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 514bps from 517bps the previous week, with the 12M mean at 553bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of June 6th) printed a higher net long of US\$ 2.35 billion from US\$ 2.21 billion a week ago. Mutual funds' flows to EM marked lower sales of US\$ 1.8 billion from of US\$ 1.9 billion
- **Technicals** – The spot breached short-term resistance at 17.40 and 17.30, reaching a 7-year high of 17.26 per dollar. In addition, 1-month implied volatility dropped to the lowest level since January of 9.7%

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Fixed-Income

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Foreign exchange

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Recommendations

Fixed-Income

- This week, all eyes will be on US inflation as well as Fed and ECB decisions. With this, we could see more inverted yield curves as a result of further pressures on short-term bonds if hawkish rhetoric is maintained
- We expect the 10-year Mbono to trade between 8.80% and 9.00%

FX

- The FX market direction will also be defined by monetary policy decisions in the US, Eurozone and Japan. A hawkish tone in the Fed statement or in Jerome Powell's comments could be reflected in a stronger dollar
- The Mexican peso remains very resilient as it is supported by attractive carry. We estimate a trading range between USD/MXN 17.05 and 17.50



Winners of the 2023 award for best Mexico economic forecasters, granted by Focus Economics

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 06/09/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.23	-11	+41
Sep'24	10.80	-17	+71
Dec'24	10.56	-13	+69
Mar'25	10.20	-22	+27
Mar'26	9.57	-18	+34
Sep'26	9.40	--	--
Mar'27	9.25	-14	+5
Jun'27	9.17	-12	+8
May'29	8.89	-3	-19
May'31	8.87	0	-15
May'33	8.88	+2	-14
Nov'34	8.89	+3	-16
Nov'36	8.89	+4	-15
Nov'38	9.02	-4	-7
Nov'42	9.07	-4	-4
Nov'47	9.04	-2	-3
Jul'53	9.08	0	+3

Source: PiP

Udibonos performance

Maturity date	YTM 06/09/2023	Weekly change (bps)	YTD (bps)
Nov'23	7.32	-51	+123
Dec'25	5.59	0	+83
Dec'26	5.51	+9	+85
Nov'28	4.67	+6	+36
Nov'31	4.45	+4	+28
Nov'35	4.33	-4	+12
Nov'40	4.43	-10	+24
Nov'43	4.52	-5	+2
Nov'46	4.49	-2	+31
Nov'50	4.49	-3	+26

Source: PiP

IRS (28-day TIE) performance

Maturity date	YTM 06/09/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.51	-3	+61
6-month (6x1)	11.48	-5	+44
9-month (9x1)	11.29	-11	+22
1-year (13x1)	10.99	-16	+7
2-year (26x1)	9.79	-18	-8
3-year (39x1)	9.09	-14	-9
4-year (52x1)	8.72	-13	-18
5-year (65x1)	8.51	-13	-31
7-year (91x1)	8.36	-12	-38
10-year (130x1)	8.35	-10	-38
20-year (260x1)	8.45	-12	-41

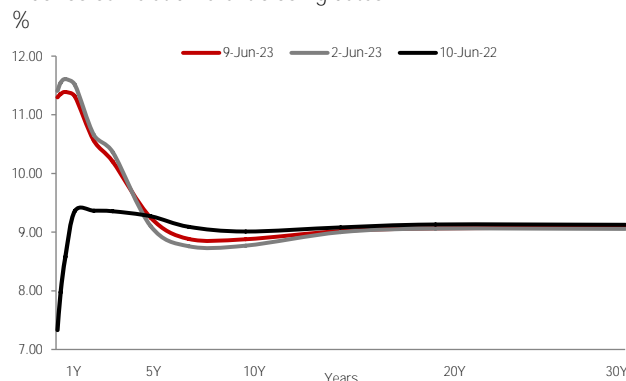
Source: Bloomberg

Cetes performance

Maturity date	YTM 06/09/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.30	+8	+121
Cetes 91	11.35	-7	+69
Cetes 182	11.39	-7	+52
Cetes 364	11.31	-13	+34
Cetes 728	10.91	-6	+9

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 06/09/2023	Weekly change (bps)	YTD (bps)	YTM 06/09/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.69	+6	+21	4.60	+10	+17	9	-4	28	37
3Y	May'26	4.46	-1	-34	4.24	+10	+2	21	-11	71	57
5Y	Feb'28	4.91	+6	+12	3.91	+7	-9	100	-1	105	107
7Y	Apr'30	5.17	+7	-17	3.83	+6	-13	134	+1	150	154
10Y	May'33	5.50	+7	-6	3.74	+5	-14	176	+3	184	189
20Y	Mar'44	6.10	+5	-28	4.05	+1	-9	205	+5	229	--
30Y	May'53	6.34	+6	-5	3.88	-1	-8	246	+7	258	--

Source: Bloomberg

5Y USD UMS
%



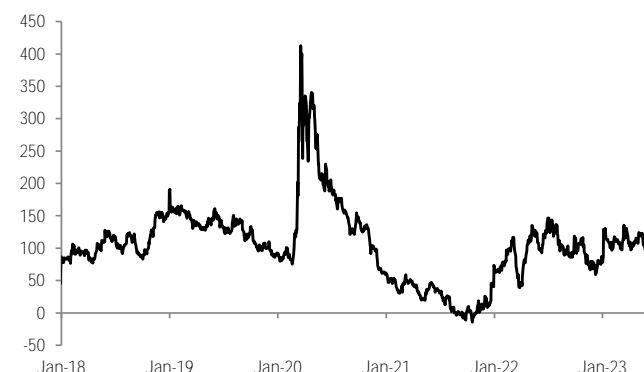
Source: Bloomberg

10Y USD UMS
%



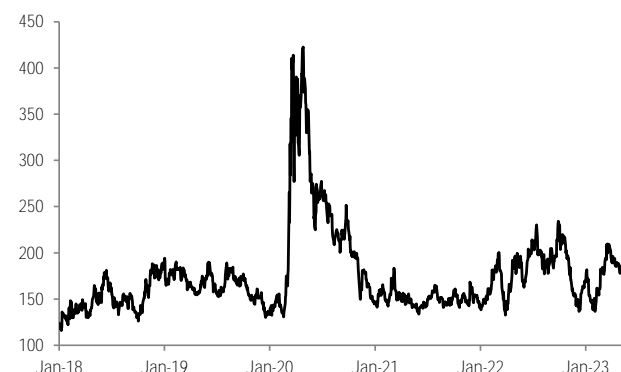
Source: Bloomberg

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 30-year Mbono (Jul'53), the 3-year Udibono (Dec'26), as well as 2-, 5-, and 10-year Bondes F
- Cetes are attractive given our call for Banxico.** We expect demand for Cetes to remain strong amid attractive real rates given Banxico's high benchmark rate and the downward trend in inflation. In our view, the benchmark rate will remain unchanged at 11.25% for the remainder of the year; however, the market expects Banxico to start cutting rates earlier and by a larger amount vs. the Fed. The curve is pricing-in for the former a -75bps adjustment in 4Q23, while for the latter -25bps in the last meeting of the year. In addition, this week the Fed's decision will be very relevant, in which both the market and we expect no change in the rate, but we do not rule out further rate hikes in the future. For the 30-year Mbono, we expect moderate demand in line with the average of the last four auctions of 1.8x despite a slight undervaluation. This security has remained relatively unchanged since April, trading around 9.08%. For the 3-year Udibono we anticipate weak appetite as the carry embedded in the security is unattractive. The 3-year inflation breakeven fell 29bps in the week, reaching 12-month lows

Auction specifics (June 13, 2023)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	13-Jul-23	--	8,000	11.32
3m	14-Sep-23	--	7,500	11.35
6m	14-Dec-23	--	10,500	11.42
12m	30-May-24	--	8,000	11.45
Bondes F				
2y	13-Mar-25	--	4,500	0.18
5y	14-Oct-27	--	1,000	0.24
10y	21-Oct-32	--	750	0.32
Mbono				
30y	31-Jul-53	8.00	9,200	9.12
Udibono				
3y	3-Dec-26	3.00	UDIS 900	5.43

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.

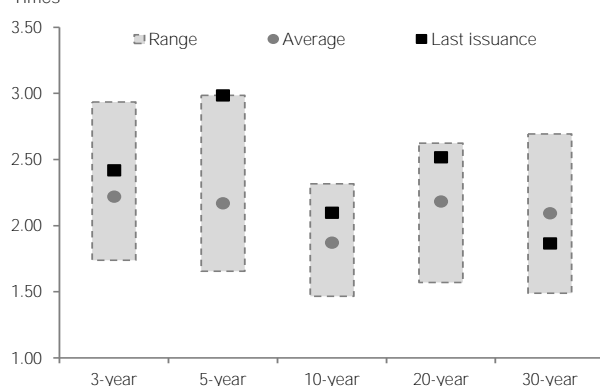
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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 (Sep'26)	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

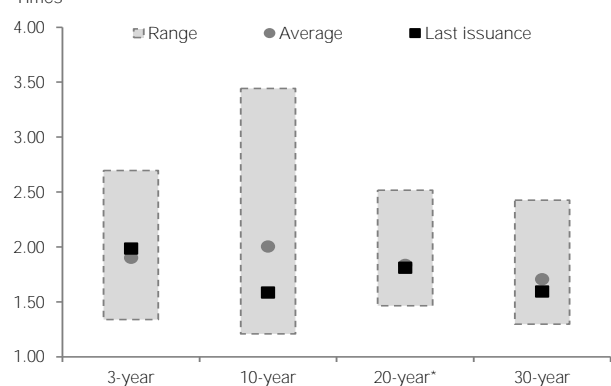
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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

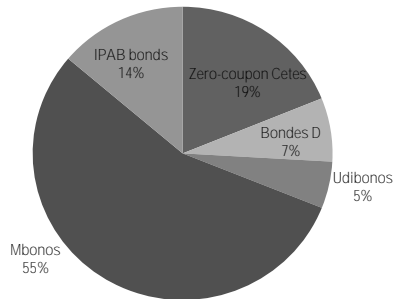
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



Source: Banxico

Government issuance by type of instrument
Total amount of US\$ 415 billion, % of total



Source: Banxico

Government bond holdings by type of investor
US\$ billion and %, data as of 05/31/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	84	12%	12%	20%	4%	11%	40%
Floating-rate Bondes D	29	0%	5%	37%	1%	20%	37%
Real-rate Udibonos	165	4%	53%	4%	19%	2%	18%
Fixed-rate Mbonos	227	33%	23%	4%	3%	12%	25%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US\$ billion

	05/31/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.4	10.2	0.2	7.9	2.5
Floating-rate Bondes D	0.1	0.1	0.0	1.9	-1.8
Real-rate Udibonos	6.3	0.8	5.5	1.0	5.3
Fixed-rate Mbonos	75.5	76.4	-0.9	79.1	-3.5

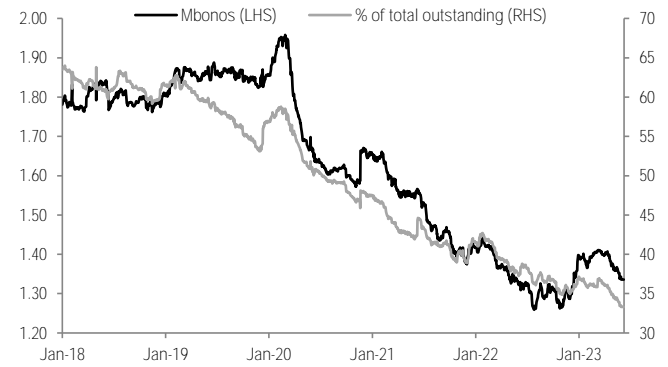
Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	05/31/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	12.4%	12.3%	0.1%	12.4%	-0.1%
Floating-rate Bondes D	0.3%	0.4%	-0.1%	4.4%	-4.1%
Real-rate Udibonos	3.8%	4.0%	-0.2%	5.0%	-1.2%
Fixed-rate Mbonos	33.3%	33.9%	-0.6%	37.1%	-3.8%

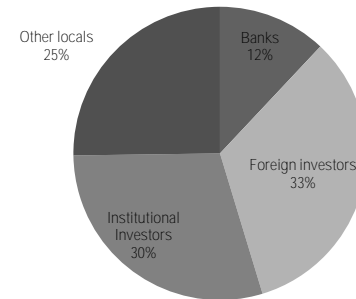
Source: Banorte with data from Banxico

Mbonos held by foreigners
MXN trillion, %



Source: Banxico

Mbonos holdings by type of investor
Total amount of US\$ 227 billion, % of total



Source: Banxico

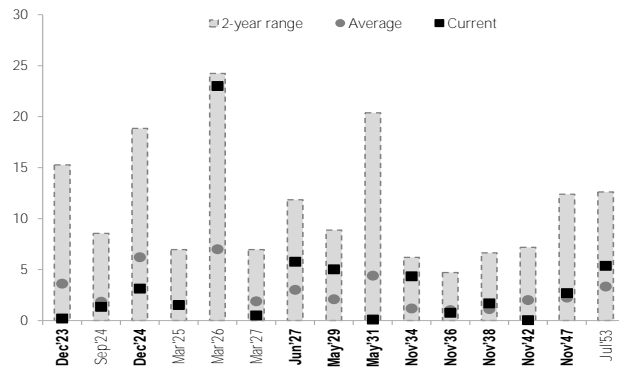
Mbonos holdings by type of investor
US\$ billion and %, data as of 05/25/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.7	15%	11%	16%	58%
Sep'24	17.7	21%	18%	13%	47%
Dec'24	13.4	16%	27%	9%	47%
Mar'25	13.7	26%	18%	20%	35%
Mar'26	25.7	21%	25%	18%	36%
Mar'27	14.7	14%	22%	16%	48%
Jun'27	19.9	8%	43%	28%	21%
May'29	15.2	5%	52%	21%	22%
May'31	24.4	5%	48%	32%	15%
May'33	8.7	5%	35%	39%	21%
Nov'34	5.1	1%	49%	36%	14%
Nov'36	4.0	0%	30%	40%	30%
Nov'38	12.2	1%	43%	39%	17%
Nov'42	15.9	2%	46%	39%	14%
Nov'47	14.5	1%	34%	43%	22%
Jul'53	7.1	1%	33%	48%	17%
Total	216.7	10%	33%	26%	30%

Source: Banxico

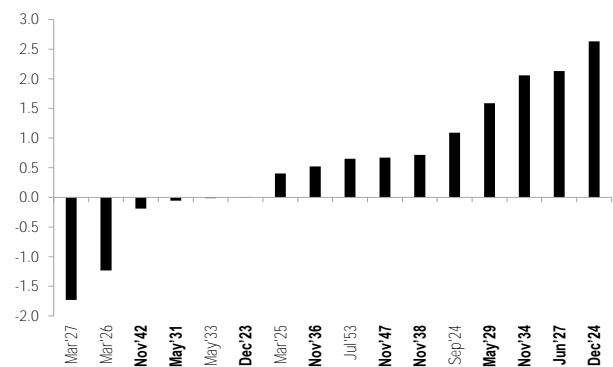
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



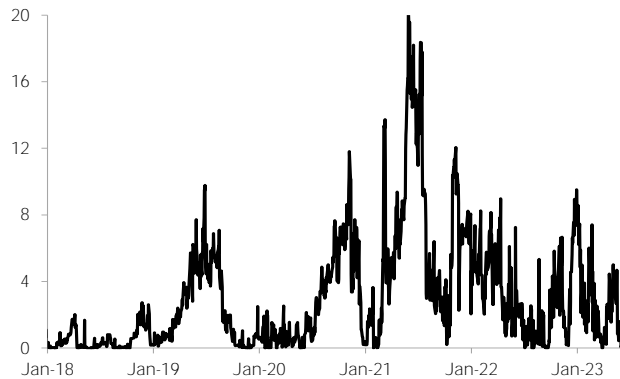
Source: Banxico *Mar'25 issued in Dec'21

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



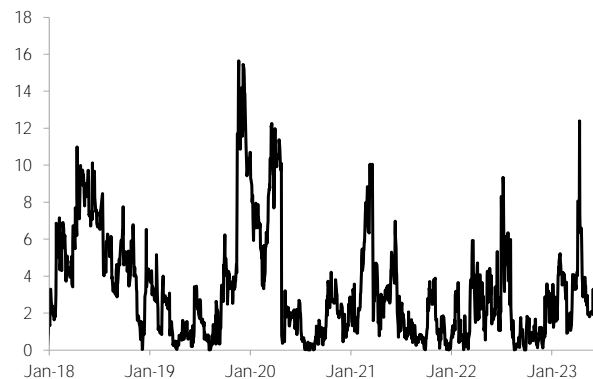
Source: Banxico

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 06/09/2023	06/09/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	12,056	12	12	25	12	416	0
Sep'24	18,334	78	15	0	94	319	0
Dec'24	14,257	183	30	25	110	453	0
Mar'25	14,133	89	66	25	132	342	0
Mar'26	27,090	1,331	1,403	472	237	1,403	139
Mar'27	16,056	29	129	106	29	403	0
Jun'27	20,697	334	211	215	87	686	23
May'29	15,999	291	199	146	65	499	14
May'31	25,114	6	9	195	107	551	0
May-33	9,120	353	354	192	0	410	0
Nov'34	5,354	252	133	127	172	252	24
Nov'36	4,109	45	15	50	124	227	9
Nov'38	12,670	98	57	60	0	159	0
Nov'42	16,746	3	14	9	66	162	0
Nov'47	15,018	156	117	172	138	717	52
Jul'53	7,614	311	273	116	0	340	0
Total	234,368	3,260	2,764	1,820	1,372		

Source: Banxico

Fixed-Income technicals

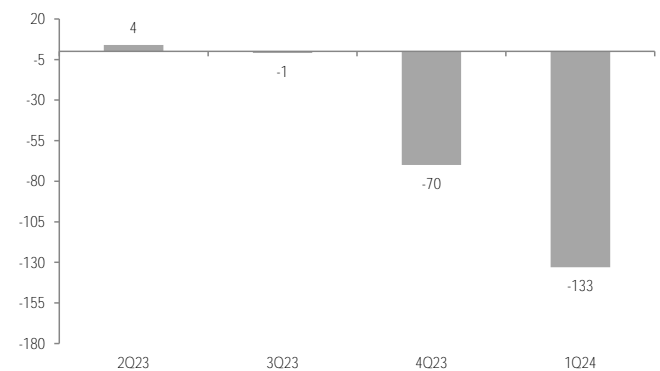
- **The carry at the shortest-end registered a mixed balance.** Spreads between Cetes and imp. forward rates stood at: 1-month at -25bps from -46bps, 3-month at -112bps from -101bps, 6-month at -138bps from -118bps, and 1-year at -130bps from -103bps
- **Attention to the US inflation report and the Fed's decision.** May inflation will be released on Tuesday with consensus expecting 4.1% y/y from a previous 4.9% y/y, although it remains above target. A day later, the Fed will announce its decision in which we expect no changes; however, in Powell's press conference and dot plot update we could see clearer signals of higher interest rates in the future. For its part, the market expects the Fed to pause in June and hike by 25bps in July, while it is convinced that Banxico has already ended the tightening cycle

Spread between Cetes and Implied Forward Rates
Basis Points

Tenor	Actual 06/09/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	-25	-46	25	-6	142	-234
3 months	-112	-101	-105	-63	27	-181
6 months	-138	-118	-120	-86	-10	-163
12 months	-130	-103	-99	-90	-48	-133

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate
Basis points



Source: Banorte with data from Bloomberg

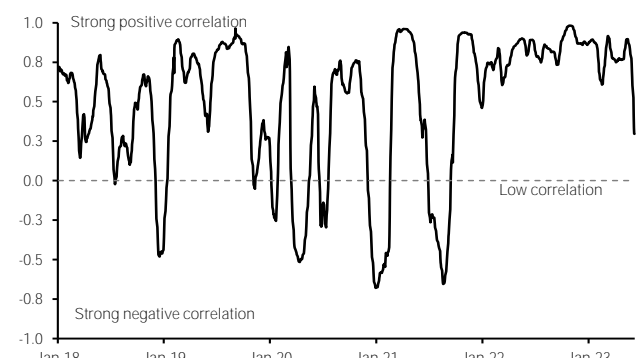
- **The local risk premium is near 12-month lows.** Mbonos showed relative outperformance as other sovereign bonds reacted to the hawkish tone in Australia and Canada. In this context, the 10-year spread between Mbonos and Treasuries closed Friday at 514bps vs. 517bps the previous week, while the average of the last twelve months stands at 554bps
- **Another sharp decline in the 3-month correlation between Mexican and American 10-year bonds.** The reading closed Friday at +30% vs. +60% 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

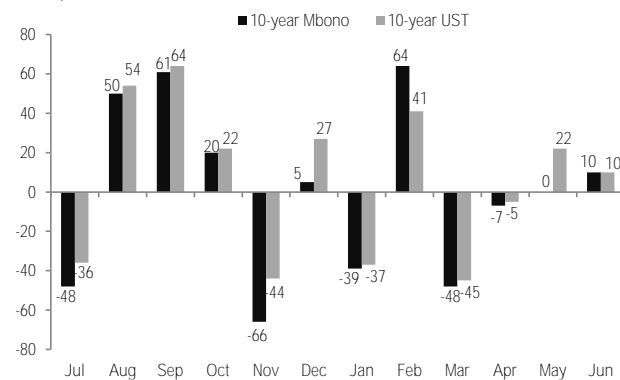
Basis points

Tenor	06/09/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-168	-183 (+15bps)	-187 (+19bps)	-36 (-132bps)	-26	-199	-111
Mbono 10s30s	20	22 (-2bps)	29 (-9bps)	12 (+8bps)	35	-15	9
TIIE-Mbono 2-year	-78	-73 (-5bps)	-78 (0bps)	11 (-89bps)	18	-85	-31
TIIE-Mbono 10-year	-53	-41 (-12bps)	-48 (-5bps)	0 (-53bps)	1	-67	-38

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months

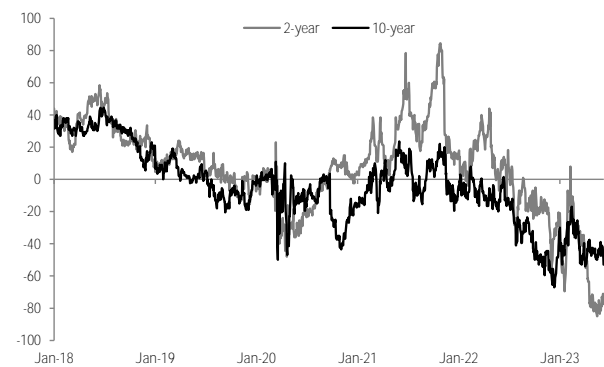
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

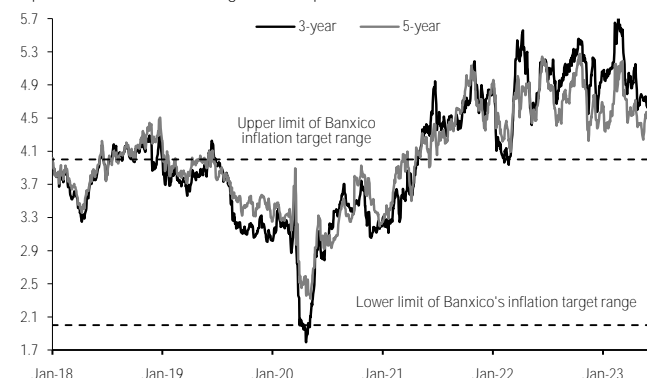
Implicit market inflation using Fisher Equation (%)

Date	06/09/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.45	4.74 (-29bps)	4.76 (-31bps)	5.05 (-60bps)	5.74	4.45	5.04
5Y	4.37	4.56 (-19bps)	4.29 (+8bps)	5.08 (-71bps)	5.28	4.23	4.71
10Y	4.24	4.26 (-2bps)	4.10 (+14bps)	4.82 (-58bps)	5.16	4.07	4.56
20y	4.35	4.33 (+2bps)	4.2 (+15bps)	4.93 (-58bps)	5.15	4.15	4.66
30Y	4.39	4.36 (+3bps)	4.17 (+22bps)	4.95 (-56bps)	5.18	4.15	4.63

Source: PiP

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

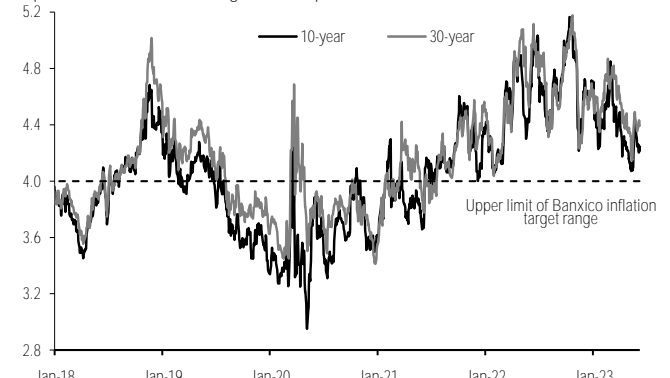
Implicit market inflation using Fisher Equation



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

- **Market assesses central banks' next actions after unexpected hikes in Canada and Australia.** Last week, investors' attention returned to the monetary policy front after the central banks of Canada and Australia raised their interest rates by 25bps to 4.75% and 4.10%, respectively, contrary to expectations of keeping them unchanged. In particular, the former resumed the tightening cycle after a pause at the March and April meetings. This situation reignited uncertainty that the Fed and the ECB will continue to raise rates. Currently, the market expects the Fed to pause in June, to assess the level of monetary tightening achieved and its impact on inflation, as well as credit conditions in the aftermath of the financial crisis; and then resume the restrictive cycle in July, bringing the Fed funds range to 5.25%-5.50%. For the ECB, bets have remained anchored with hikes of 25bps in the next two meetings. On the weekly balance, the Treasuries yield curve became more inverted as a result of further losses at the short-end. The 2-year benchmark, which is the most sensitive to central bank moves, rebounded to 3-month highs at 4.60% (+10bps), conversely, long-term tenors gained 1bp. Hence, the 2s30s spread moved to -71bps from -54bps in May, although it remains far from the March low of -118bps. Locally, Mbonos outperformed their US peers with short- and mid-term Mbonos gaining 15bps on average, while long-term Mbonos were little changed. As a result, spreads between Mexican and US bonds across most maturities declined. In particular, the local risk premium (10-year spread) closed at 514bps from 543bps at the beginning of May, approaching 12-month lows (494bps) and the -2σ metric (502bps). Likewise, the correlation between the two bonds collapsed to 30%, the lowest since September 2021, from 60% the previous week, making it a four-week low. Meanwhile, The MoF held a [syndicated auction for the issuance of the new 3-year benchmark](#) maturing on September 3, 2026. The security was placed at a rate of 9.40% and will replace the Mbono Mar'25. Additionally, an [exchange auction](#) of Mbonos and Udibonos was carried out to smooth the maturity profile and strengthen the liquidity of the issues. In economic data, inflation supported the market perception that the tightening cycle is over despite a high probability of higher rates in the US
- This week, the focus will be on US inflation as well as Fed and ECB decisions. As such, we could see more inverted yield curves as a result of further pressures on short-term bonds if hawkish rhetoric is maintained. In particular, the 2s10s spread on Treasuries would widen, although remaining above the four-decade low reached before the banking crisis of -109bps (current: -85bps). In terms of strategy, we continue to prefer nominal vs. real rates as short-term carry in Udibonos is not attractive considering the downward trend in inflation. Finally, we expect the 10-year Mbono, May'33, to trade between 8.80% and 9.00%

FX dynamics

- **The Mexican peso continues as the second strongest.** Investors assimilated a hawkish tone from some central banks, however, the Mexican peso extended gains and marked its strongest level at 17.26 per dollar, a level not seen since May 2016. The MXN closed Friday at 17.28 per dollar (+1.6% w/w) while accumulating an appreciation of 12.8% on the year
- **The dollar extended losses on signs of slowdown.** The USD indices weakened while the G-10 currencies showed a positive bias and the EM currencies ended with mixed variations. In the first group, NOK (+2.3%) was the strongest and in the second, COP (+4.3%) led the gains

Foreign Exchange market levels and historical return

		Close at 06/09/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.88	0.9	1.6	1.3	8.2
Chile	USD/CLP	788.59	-0.2	1.4	0.0	7.9
Colombia	USD/COP	4,170.08	0.0	4.3	9.0	16.4
Peru	USD/PEN	3.65	0.1	1.0	0.5	4.3
Hungary	USD/HUF	342.62	-0.1	0.8	-1.8	9.0
Malaysia	USD/MYR	4.61	0.1	-0.8	-3.4	-4.6
Mexico	USD/MXN	17.28	0.6	1.6	1.6	12.8
Poland	USD/PLN	4.13	0.4	1.5	-0.4	5.9
Russia	USD/RUB	82.69	-0.1	-2.0	-7.9	-10.3
South Africa	USD/ZAR	18.76	0.4	4.1	0.6	-9.2
Developed Markets						
Canada	USD/CAD	1.33	0.1	0.6	0.2	1.6
Great Britain	GBP/USD	1.26	0.1	1.0	-0.4	4.0
Japan	USD/JPY	139.40	-0.3	0.4	-3.6	-5.9
Eurozone	EUR/USD	1.0749	-0.3	0.4	-2.1	0.4
Norway	USD/NOK	10.76	1.2	2.3	-2.4	-8.9
Denmark	USD/DKK	6.93	-0.3	0.3	-2.2	0.2
Switzerland	USD/CHF	0.90	-0.5	0.6	-1.5	2.3
New Zealand	NZD/USD	0.61	0.6	1.0	-3.7	-3.5
Sweden	USD/SEK	10.83	-0.3	-0.6	-5.7	-3.7
Australia	AUD/USD	0.67	0.4	2.0	-0.5	-1.0

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

Source: Bloomberg

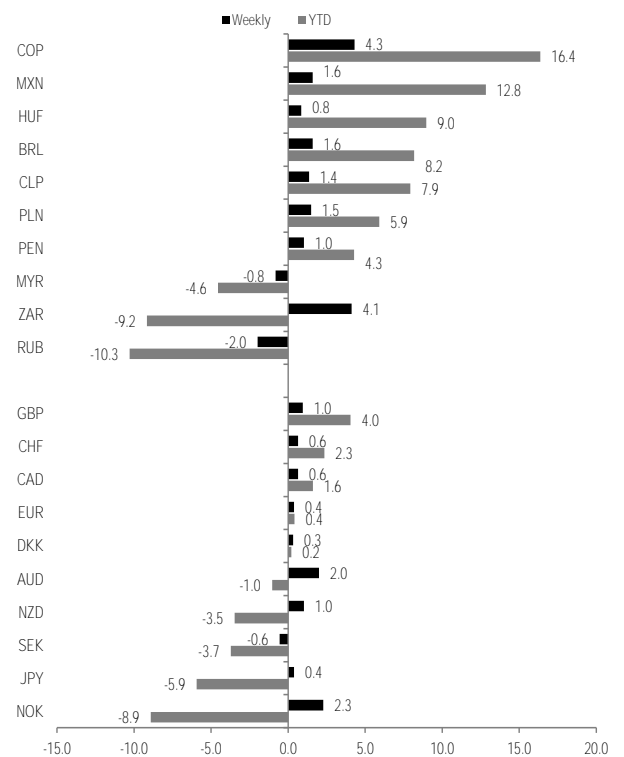
USD/MXN

Last 12 months



Source: Bloomberg

FX performance
Against USD, %



Source: Bloomberg

DXI

Points

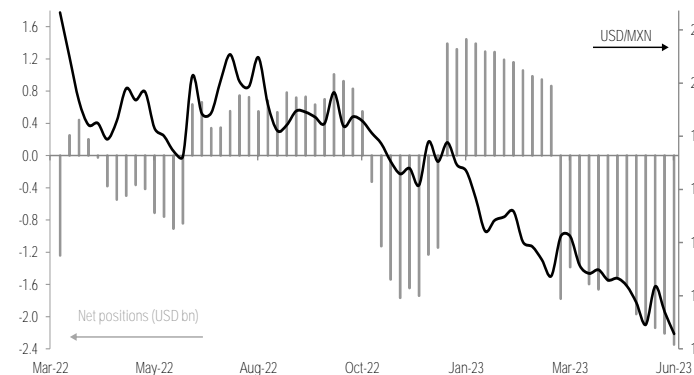


Source: Bloomberg, Banorte

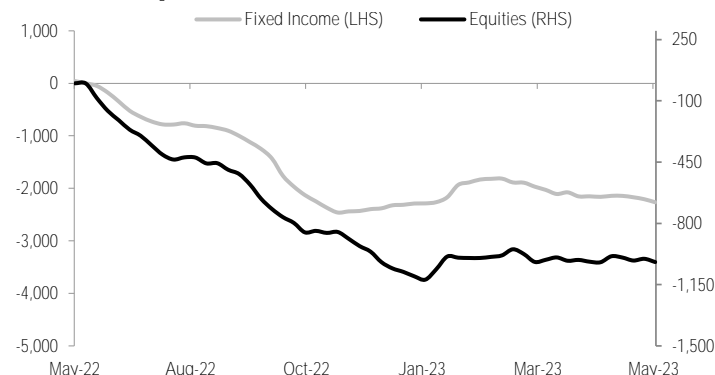
FX positioning and flows

- **Net long positioning in MXN rises for the sixth week.** As of June 6th, the MXN position recorded a higher net long of US\$ 2.35 billion from US\$ 2.21 billion, again reaching a high since March 2020. Speculators are keeping bets on further peso appreciation towards the best intraday level since 2016 of 17.05. This is despite a possible reduction in the rate differential between Banxico and the Fed to 575bps from 600bps in July given the high probability of higher US interest rates
- **Net short USD positions fell 34% w/w on the expectation of a 25bps hike in July.** The USD IMM position posted a lower net short position of US\$ 6.91 billion from US\$ 10.53 billion the previous week, ahead of the Fed meeting next Wednesday where a pause is widely priced-in, and the restrictive cycle is expected to resume in July. The change was the result of selling in all currencies excluding the MXN
- **Selling continued in both EM and Mexico, mainly in equities.** Our EPFR aggregate recorded negative flows of US\$ 1.8 billion from US\$ 1.9 billion the previous week, making it four negative weeks. Bond market sales decrease 44% to US\$ 686 billion, concentrated in Latam and Asia. However, outflows in equities increased 63% to US\$ 1.1 billion. In Mexico, a negative flow of US\$ 70 million was recorded because of sales in both bonds and equities of US\$ 51 million and US\$ 19 million, respectively

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

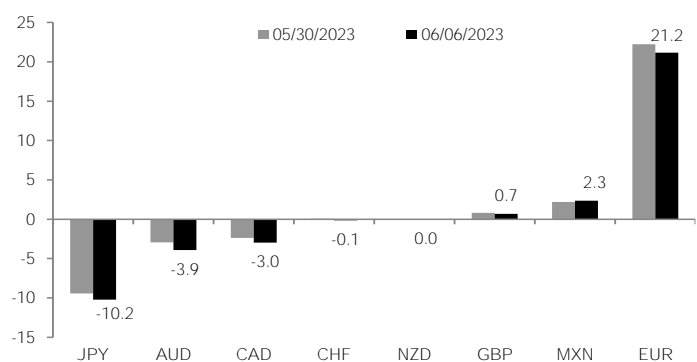


Source: CME, Banorte
Foreign portfolio flows into Mexico
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

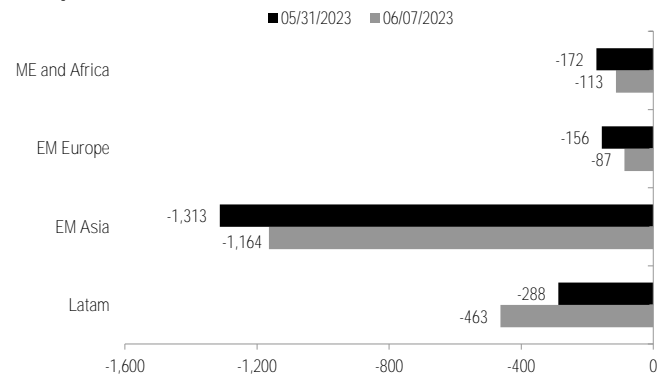
IMM positioning by currency*
Billion dollars



* 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 FX market is awaiting the Fed's decision.** Currency dynamics will be defined by the tone of the Fed statement and Jerome Powell's comments with investors looking for clues on the next decisions. Meanwhile, we see a resilient Mexican peso being supported by an attractive carry with further appreciation being feasible. The main short-term resistances stand at 17.20, 17.08, and 16.90, with supports at 17.50, 17.60, and 17.70. Meanwhile, the weekly trading range marked 34 cents, slightly below the average of the last 4 weeks. 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	25	41	-7	72	30
CAD	32	37	1	63	35
ZAR	42	22	4	85	34
BRL	57	60	-48	63	34
HUF	51	60	-5	70	41
RUB	-8	18	-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	29	38	8	89	48
SPX	24	37	23	71	46
GSCI	39	42	2	49	30
Gold	0	-1	-57	64	11

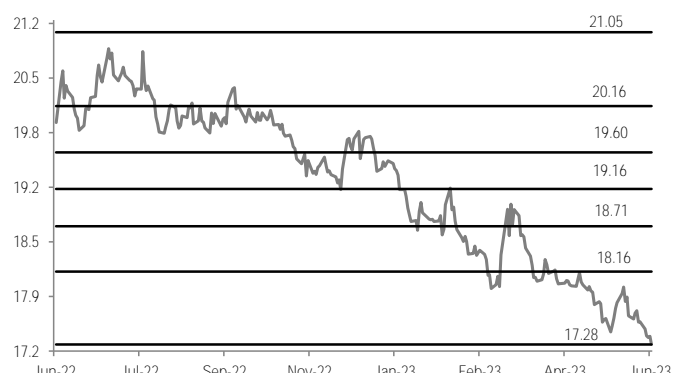
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



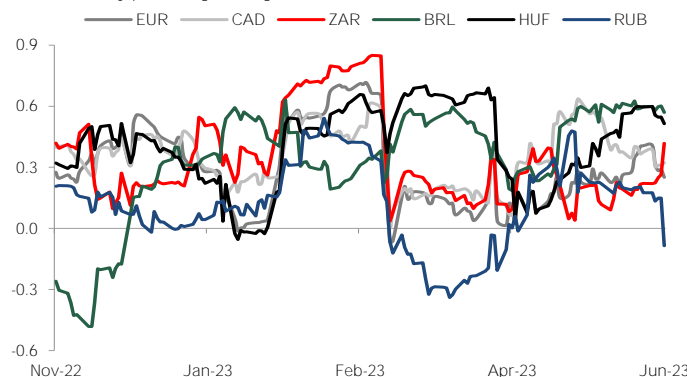
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



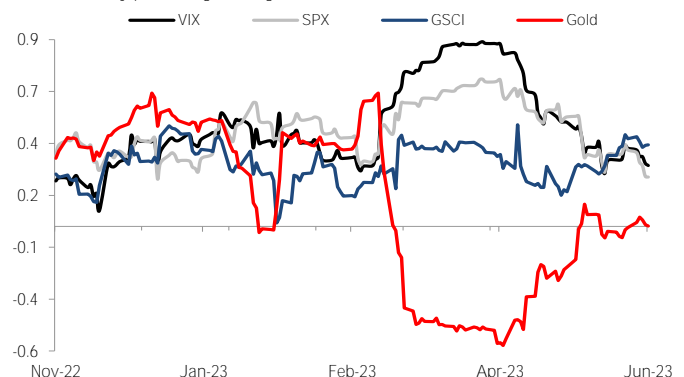
Source: Bloomberg

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

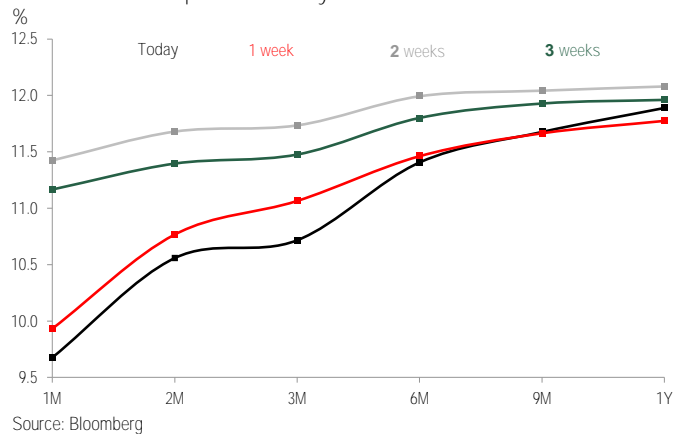


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

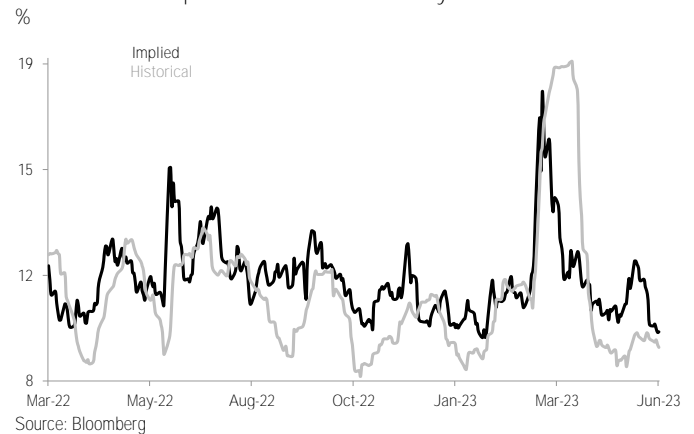
FX technicals (continued)

- MXN ATM implied volatility curve steeper after decline in the short-end.** The 1-month implied vol declined for the second consecutive week to the lowest since January to 9.7% from 9.9% last week. Similarly, the 3-month reading compressed 0.3 vegas to 10.7%, reflecting lower uncertainty relative to other EM currencies. Meanwhile, the 1-year reading was little changed at 11.9%. The 1-month risk reversal decreased to 2.19% from 2.38% the previous week and the 3-month reading moved to 2.65% from 2.78%

USD/MXN – ATM options volatility curve



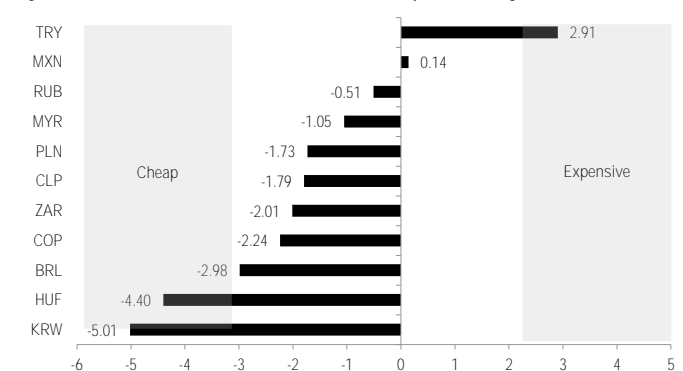
USD/MXN – 1M implied and historical volatility



USD/MXN – Spread between implicit and historical volatility

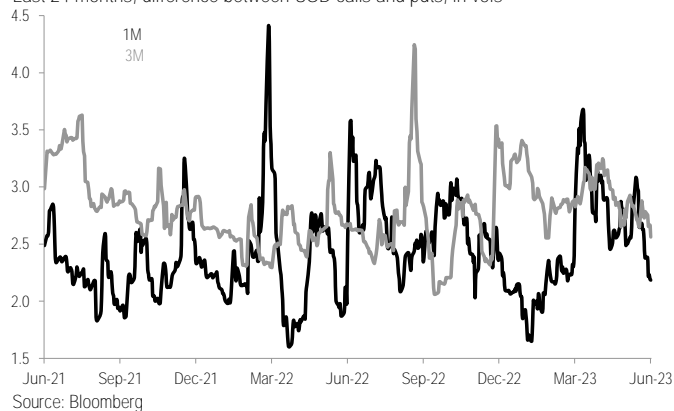


Emerging markets one-month ATM options volatility
Against USD, in standard deviations relative to last year's average



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



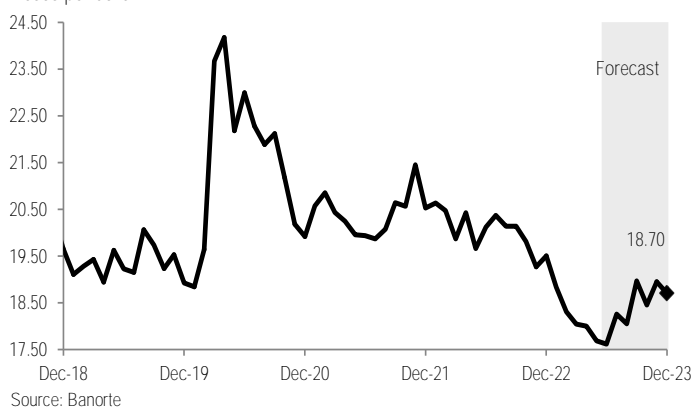
FX trade recommendations

- MXN strength continues and could seek the lows of May 2016.** The FX market last week incorporated news on the monetary policy front and economic data with signs of slowdown in the US. Initially, the USD traded with a positive bias with investors speculating on the next Fed decision. Surprise hikes by the central bank in Australia and Canada fueled speculation of a June hike, although the probability remained low, and the dollar's reaction was subdued. Higher-than-expected initial jobless claims set the market trend. In this regard, the dollar weakened with the DXY and BBDXY indices adjusting -0.4% and -0.6% w/w, respectively. In the G-10 currencies, positive bias predominated with NOK (+2.3%) and SEK (-0.6%) at the ends of the spectrum. It is worth mentioning that EUR after a ~4.1% correction has consolidated around 1.07, settling below its 100-day MA (1.0808). Markets anticipate two more 25bps hikes from the ECB while for the Fed they expect a pause and 1 hike in July. With this, net long positioning in EUR has remained around US\$23 billion over the past 8 weeks. In case of a more hawkish tone from the ECB next week, the EUR could attempt a break of the MA
- In EM, trading was capped by COP (+4.3%) and TRY (-10.6%), the latter reacting to increased political risks from government and central bank changes. The Mexican peso showed a clear appreciation trend, although with less strength vs. other Latam currencies (COP and BRL). The MXN closed at 17.28 per dollar with an appreciation of 1.6% w/w, a trading range of 34 cents and 3-month implied volatility continued to decline to 10.7% vs. 11.1% the previous week
- This week, FX market dynamics will be defined by the Fed's decision in which investors will be looking for clues as to whether or not the Fed will raise the rate in July. A hawkish tone would tend to strengthen the USD as speculation on a higher terminal rate will continue. Meanwhile, the MXN will remain strong considering the fundamentals we have mentioned on several occasions. We estimate a trading range between USD/MXN 17.05 and 17.50

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 16, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 12		MX	ANTAD same-store sales	May	% y/y	--	--	6.2
	02:00	UK	Unemployment rate*	Apr	%	--	4.0	3.9
Tue 13	02:00	GER	Consumer prices	May (F)	% y/y	--	6.3	6.3
	05:00	GER	ZEW Survey (Expectations)	Jun	index	--	-13.1	-10.7
	08:30	US	Consumer prices*	May	% m/m	0.2	0.2	0.4
	08:30	US	Ex. food & energy*	May	% m/m	0.4	0.4	0.4
	08:30	US	Consumer prices	May	% y/y	4.2	4.1	4.9
	08:30	US	Ex. food & energy	May	% y/y	5.3	5.2	5.5
	11:00	MX	International reserves	Jun 9	US\$bn	--	--	203.0
	13:30	MX	Government weekly auction: 1-, 3-, 6-, 12- month CETES; 30-year Mbono (Jul'53); 3-year Udibono (Dec'26) and 2-, 5-, and 10-year Bondes F					
Wed 14		MX	Banxico's Financial Stability Report					
	02:00	UK	Industrial production*	Apr	% m/m	--	-0.1	0.7
	05:00	EZ	Industrial production*	Apr	% m/m	--	0.9	-4.1
	08:00	BZ	Retail sales	Apr	% y/y	--	1.2	3.2
	08:00	BZ	Retail sales*	Apr	% m/m	--	0.5	0.8
	08:30	US	Producer prices*	May	% m/m	--	-0.1	0.2
	08:30	US	Ex. food & energy*	May	% m/m	--	0.2	0.2
	14:00	US	FOMC Rate Decision (Upper Bound)	Jun 14	%	5.25	5.25	5.25
	14:00	US	FOMC Rate Decision (Lower Bound)	Jun 14	%	5.00	5.00	5.00
	14:00	US	Interest Rate on Excess Reserves (IOER)	Jun 14	%	--	5.15	5.15
	14:30	US	Fed Chair Holds Press Conference Following FOMC Meeting					
	22:00	CHI	Industrial production	May	% y/y	--	3.5	5.6
	22:00	CHI	Retail sales	May	% y/y	--	13.7	18.4
	22:00	CHI	Gross fixed investment (YTD)	May	% y/y	--	4.4	4.7
Thu 15	05:00	EZ	Trade balance*	Apr	EURbn	--	5.0	17.0
	08:15	EZ	Monetary policy decision (ECB)	Jun 15	%	3.50	3.50	3.25
	08:30	US	Advance retail sales*	May	% m/m	-0.1	-0.1	0.4
	08:30	US	Ex autos & gas*	May	% m/m	--	0.3	0.6
	08:30	US	Control group*	May	% m/m	0.1	0.2	0.7
	08:30	US	Initial jobless claims*	Jun 10	thousands	251	250	261
	08:30	US	Empire manufacturing*	Jun	index	-10.0	-15.1	-31.8
	08:30	US	Philadelphia Fed*	Jun	index	-11.0	-13.0	-10.4
	08:45	EZ	ECB President Christine Lagarde Holds Press Conference					
	09:15	US	Industrial production*	May	% m/m	0.1	0.1	0.5
	09:15	US	Manufacturing production*	May	% m/m	0.0	0.0	1.0
Fri 16		JN	Monetary policy decision (BoJ)	Jun 16	%	--	-0.1	-0.1
	05:00	EZ	Consumer prices	May (F)	% y/y	--	6.1	6.1
	05:00	EZ	Core	May (F)	% y/y	--	5.3	5.3
	08:00	BZ	Economic activity	Apr	% y/y	--	1.5	5.5
	08:00	BZ	Economic activity*	Apr	% m/m	--	0.1	-0.2
	10:00	US	U. of Michigan confidence*	Jun (P)	index	61.0	60.1	59.2

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

For the week ending June 9, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Sun 4	21:45	CHI	Services PMI (Caixin)*	May	index	--	55.6	56.4
	21:45	CHI	Composite PMI (Caixin)*	May	index	--	57.1	53.6
Mon 5	02:00	GER	Trade balance	Apr	EURbn	--	18.4	14.9
	03:55	GER	Services PMI*	May (F)	index	--	57.2	57.8
	03:55	GER	Composite PMI*	May (F)	index	--	53.9	54.3
	04:00	EZ	Services PMI*	May (F)	index	--	55.1	55.9
	04:00	EZ	Composite PMI*	May (F)	index	--	52.8	53.3
	04:30	UK	Services PMI*	May (F)	index	--	55.2	55.1
	08:00	MX	Consumer confidence*	May	index	44.5	44.4	44.1
	08:00	MX	Gross fixed investment	Mar	% y/y	9.5	9.1	11.8 (R)
	08:00	MX	Gross fixed investment*	Mar	% m/m	0.4	0.5	1.8 (R)
	08:00	MX	Private consumption	Mar	% y/y	2.2	3.4	3.5 (R)
	08:00	MX	Private consumption*	Mar	% m/m	-0.4	0.3	-0.4
	09:45	US	Services PMI*	May (F)	index	55.1	54.9	55.1
	09:45	US	Composite PMI*	May (F)	index	54.5	54.3	54.5
	10:00	US	ISM services*	May	index	52.2	50.3	51.9
	10:00	US	Factory orders*	Apr	% m/m	--	0.4	0.6 (R)
	10:00	US	Ex transportation*	Apr	% m/m	--	-0.2	-1.0
	10:00	US	Durable goods orders*	Apr (F)	% m/m	--	1.1	1.1
	10:00	US	Ex transportation*	Apr (F)	% m/m	--	-0.3	-0.2
Tue 6	05:00	EZ	Retail sales*	Apr	% m/m	--	0.0	-0.4 (R)
	11:00	MX	International reserves	Jun 2	US\$bn	--	203.0	202.5
	13:30	MX	Government weekly auction: 1-, 3-, 6-, 24- month CETES; 5-year Mbono (Mar'27); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F					
	16:30	MX	Survey of expectations (Citibanamex)					
	23:00	CHI	Trade balance	May	USDbn	--	65.8	90.2
	23:00	CHI	Exports	May	% y/y	--	-7.5	8.5
	23:00	CHI	Imports	May	% y/y	--	-4.5	-7.9
Wed 7		EZ	OECD Publishes Interim Economic Outlook					
	02:00	GER	Industrial production*	Apr	% m/m	--	0.3	-2.1 (R)
	08:00	BZ	Consumer prices	May	% m/m	--	0.23	0.61
	08:00	BZ	Consumer prices	May	% y/y	--	3.94	4.18
	08:30	US	Trade balance*	Apr	US\$bn	--	-74.6	-60.6 (R)
	15:00	US	Consumer credit*	Apr	USDbn	--	23.0	22.8 (R)
	19:50	JN	Gross domestic product*	1Q23 (F)	% q/q	--	0.7	0.4
Thu 8	05:00	EZ	Gross domestic product	1Q23 (F)	% y/y	--	1.0	1.3
	05:00	EZ	Gross domestic product*	1Q23 (F)	% q/q	--	-0.1	0.1
	08:00	MX	Consumer prices	May	% m/m	-0.20	-0.22	-0.02
	08:00	MX	Core	May	% m/m	0.33	0.32	0.39
	08:00	MX	Consumer prices	May	% y/y	5.86	5.84	6.25
	08:00	MX	Core	May	% y/y	7.39	7.39	7.67
	08:30	US	Initial jobless claims*	Jun 3	thousands	230	261	233 (R)
	19:00	PER	Monetary policy decision (BCRP)	Jun 8	%	--	7.75	7.75
	21:30	CHI	Consumer prices	May	% y/y	--	0.2	0.1
	08:00	MX	Industrial production	Apr	% y/y	1.0	0.7	1.5 (R)
Fri 9	08:00	MX	Industrial production*	Apr	% m/m	0.6	0.4	-0.9
	08:00	MX	Manufacturing output	Apr	% y/y	-0.6	1.4	1.1
	08:00	MX	Wage negotiations	May	% y/y	--	--	9.3

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

Recent trade ideas

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

P = Profit, L = Loss

Track of directional fixed-income trade recommendations

Trade idea	Entry	Target	Stop-loss	Closed	P/L	Initial date	End date
Long Udibono Dec'20	3.05%	2.90%	3.15%	3.15%	L	9-Aug-17	6-Oct-17
5y10y TIE-IRS steepener	28bps	43bps	18bps	31bps	P 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 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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