

Fixed-Income and FX Weekly

Market outlook

- **MXN remains strong.** Last week, short-term Mbonos lost 9bps while the 10-year benchmark closed at 8.78% (-10bps w/w). In addition, the USD/MXN ended at 17.09 (+1.1% w/w), scoring four positive weeks
- **Attention to Banxico's monetary policy decision and the release of Mexico's inflation figures.** Last week, the focus was on the Fed's monetary policy decision. Also, the ECB and BoJ announced their decisions, with the latter differentiating itself by maintaining monetary stimulus. In line with expectations, the Fed paused the hiking cycle, albeit with a hawkish tone from both the statement and Jerome Powell at the press conference. In this context, the market recalibrated its expectations by giving a 72% probability of a 25bps hike in the July decision. Moreover, the FOMC's dot plot update left the door open for an additional hike. With this, sovereign bonds ended the week with a flattening, however, stock markets continued the rally. This week, markets will be attentive to the speeches of Fed members, including Powell in Congress, and to the monetary policy decisions of central banks in Brazil, Indonesia, Mexico, Switzerland, Norway, Turkey and the United Kingdom. We expect Banxico to keep its monetary policy stance unchanged, leaving the benchmark rate at 11.25% and a less hawkish tone amid an improving inflation outlook. Meanwhile, markets will be looking for clues as to when cuts could begin, especially after comments from some members of the Board. On the economic front, PMIs will be released in Germany, the Eurozone, the UK and the US. In the latter, data from the residential sector and initial jobless claims will be published. In Mexico, we expect inflation of +0.02% 2w/2w in the 1H of June and the agenda also includes retail sales (Apr), 1Q23 aggregate supply and demand and the banking sector expectations survey

Fixed-Income

- **Supply** – The MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Sep'26), the 30-year Udibono (Nov'50), as well as 1- and 3-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.337 trillion (US\$ 76.5 billion), a market share equal to 33.1%, as of June 7th. Short positions in Mbono May'33 ended at MXN 1.4 billion from MXN 6.1 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 502bps from 514bps the previous week, with the 12M mean at 551bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of June 13th) printed a lower net long of US\$ 2.29 billion from US\$ 2.35 billion a week ago. Mutual funds' flows to EM marked lower sales of US\$ 1.4 billion from US\$ 1.8 billion
- **Technicals** – The spot breached short-term resistance at 17.20 and 17.08, reaching its best level since the end of 2015 at 17.02 per dollar. In addition, 1-month implied volatility dropped to the lowest level since January 2022 at 9.4%

June 19, 2023

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Fixed-Income

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Foreign exchange

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Recommendations

Fixed-Income

- This week, the focus will be on speeches from Fed members, including Powell in Congress, as well as monetary policy decisions from several central banks. We expect Banxico to leave the rate unchanged at 11.25% with a less hawkish tone in light of the improving inflation outlook
- We expect the 10-year Mbono to trade between 8.65% and 8.90%

FX

- The FX market direction will also be defined by the tone of Fed members' comments. We see a consolidation process in the DXY and BBDXY indices
- We expect the Mexican peso to remain strong supported by an attractive carry, and it will continue to behave as a high beta dollar proxy. We estimate a weekly range between USD/MXN 16.80 and 17.40



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

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 06/16/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.32	+9	+50
Sep'24	10.92	+11	+82
Dec'24	10.64	+8	+77
Mar'25	10.29	+9	+36
Mar'26	9.67	+10	+44
Sep'26	9.45	+5	+5
Mar'27	9.22	-2	+3
Jun'27	9.13	-4	+4
May'29	8.80	-8	-27
May'31	8.79	-8	-23
May'33	8.78	-10	-24
Nov'34	8.76	-13	-29
Nov'36	8.77	-13	-28
Nov'38	8.98	-4	-11
Nov'42	9.01	-5	-10
Nov'47	8.96	-8	-11
Jul'53	9.00	-9	-6

Source: PiP

Udibonos performance

Maturity date	YTM 06/16/2023	Weekly change (bps)	YTD (bps)
Nov'23	6.99	-32	+91
Dec'25	5.60	+1	+84
Dec'26	5.43	-8	+77
Nov'28	4.58	-9	+27
Nov'31	4.32	-13	+15
Nov'35	4.25	-8	+4
Nov'40	4.34	-9	+15
Nov'43	4.43	-9	-7
Nov'46	4.46	-3	+27
Nov'50	4.48	-1	+25

Source: PiP

IRS (28-day TIE) performance

Maturity date	YTM 06/16/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.51	0	+61
6-month (6x1)	11.49	+0	+45
9-month (9x1)	11.30	+1	+23
1-year (13x1)	10.96	-2	+5
2-year (26x1)	9.80	+2	-6
3-year (39x1)	9.07	-2	-12
4-year (52x1)	8.69	-4	-22
5-year (65x1)	8.48	-3	-33
7-year (91x1)	8.33	-3	-41
10-year (130x1)	8.31	-4	-42
20-year (260x1)	8.41	-4	-45

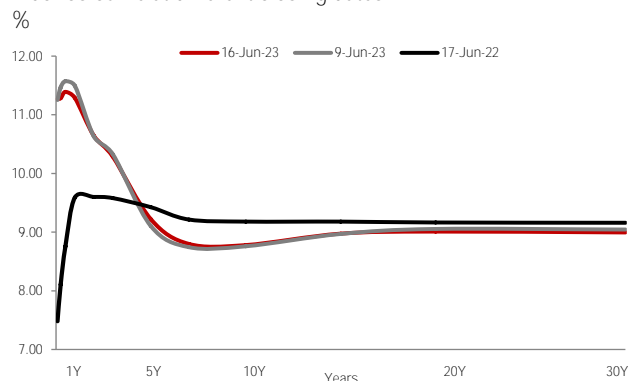
Source: Bloomberg

Cetes performance

Maturity date	YTM 06/16/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.27	-3	+118
Cetes 91	11.28	-7	+62
Cetes 182	11.39	+0	+52
Cetes 364	11.29	-3	+32
Cetes 728	10.88	-2	+7

Source: PiP

Mbonos curve at different closing dates



Source: PiP, Banorte

10-year Mbono benchmark



Source: PiP

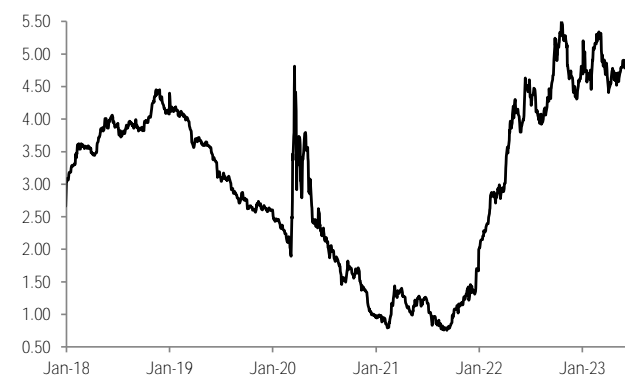
Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

Term	Maturity date	UMS			UST			Spreads			CDS
		YTM 06/16/2023	Weekly change (bps)	YTD (bps)	YTM 06/16/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.77	+8	+29	4.71	+12	+29	5	-4	27	34
3Y	May'26	4.50	+4	-30	4.31	+7	+9	19	-2	70	55
5Y	Feb'28	4.89	-2	+11	3.98	+7	-2	91	-9	105	107
7Y	Apr'30	5.15	-3	-19	3.87	+4	-9	127	-6	149	152
10Y	May'33	5.46	-4	-10	3.76	+2	-11	170	-6	184	187
20Y	Mar'44	6.01	-9	-37	4.04	-1	-10	196	-9	228	--
30Y	May'53	6.24	-10	-15	3.85	-3	-11	239	-7	257	--

Source: Bloomberg

5Y USD UMS
%



Source: Bloomberg

10Y USD UMS
%



Source: Bloomberg

5Y UMS-UST Spread
Basis points



Source: Bloomberg

10Y UMS-UST Spread
Basis points



Source: Bloomberg

Fixed-Income supply

- Mexico's weekly auction.** Tomorrow, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Sep'26), the 30-year Udibono (Nov'50), as well as 1- and 3-year Bondes F
- Strong demand for Cetes ahead of Banxico's decision.** We expect demand for Cetes to remain strong, especially in the 3-month node which averages a bid-to-cover of 4.15x in the last four auctions. In our view, Banxico will keep the benchmark rate unchanged, and the focus will be on additional information about further cuts. We expect inflation in Mexico to continue on a clear downward trend, while the market price-in that Banxico will begin its accommodative cycle before the Fed. In this sense, we expect a positive surprise in inflation in the first half of June at 0.02% 2w/2w. In this way, real rates will provide further support to the appetite for Cetes. For the 3-year Mbono, the first auction will take place on Sep'26 since its placement two weeks ago. Thus, we expect moderate demand, in line with its 1.93x [syndicated auction](#). This instrument has adjusted +5bps since its placement, reaching a level of 9.45%. For the 30-year Udibono we anticipate weak appetite as the security is unattractive versus its nominal peers. The 30-year inflation breakeven has fallen 30bps so far this year, registering a level of 4.32%

Auction specifics (June 20, 2023)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	20-Jul-23	--	8,000	11.15
3m	21-Sep-23	--	7,500	11.27
6m	14-Dec-23	--	10,500	11.39
24m	15-May-25	--	8,500	11.01
Bondes F				
1y	23-May-24	--	5,500	0.13
3y	4-Jun-26	--	1,500	0.21
Mbono				
3y	3-Sep-26	7.00	13,000	9.40
Udibono				
30y	3-Nov-50	4.00	UDIS 1,000	4.67

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.

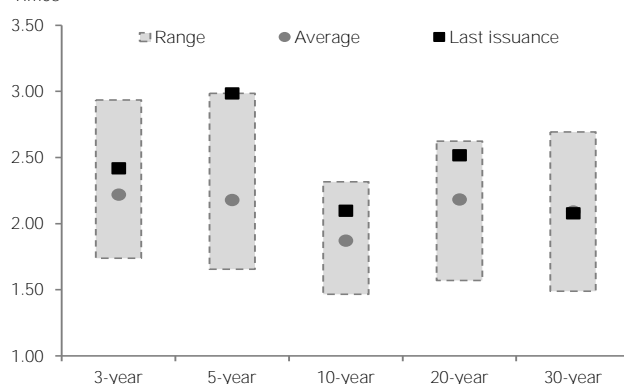
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

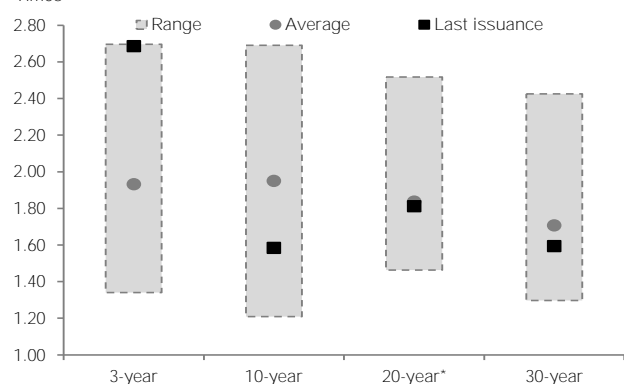
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

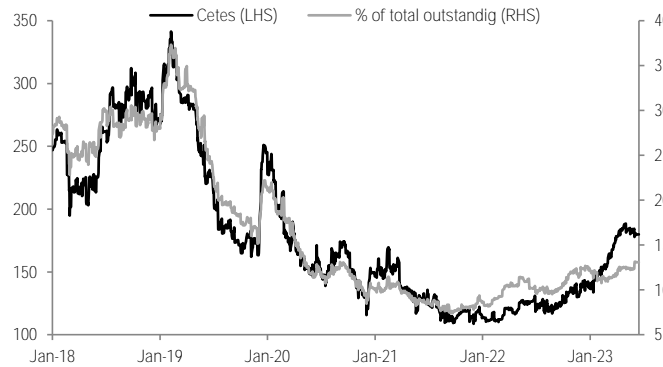
Udibonos' bid-to-cover ratios for primary auction in last 2 years



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

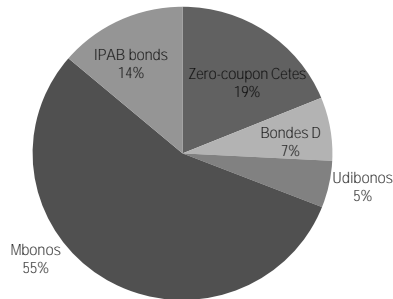
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



Source: Banxico

Government issuance by type of instrument
Total amount of US\$ 418 billion, % of total



Source: Banxico

Government bond holdings by type of investor
US\$ billion and %, data as of 06/07/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	79	13%	13%	19%	4%	8%	43%
Floating-rate Bondes D	29	0%	4%	38%	1%	22%	35%
Real-rate Udibonos	168	4%	53%	4%	19%	1%	18%
Fixed-rate Mbonos	231	33%	23%	3%	3%	12%	25%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US\$ billion

	06/07/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.3	10.6	-0.3	8.0	2.3
Floating-rate Bondes D	0.1	0.1	0.0	2.0	-1.9
Real-rate Udibonos	6.2	0.8	5.4	1.0	5.2
Fixed-rate Mbonos	76.5	76.5	0.1	80.0	-3.5

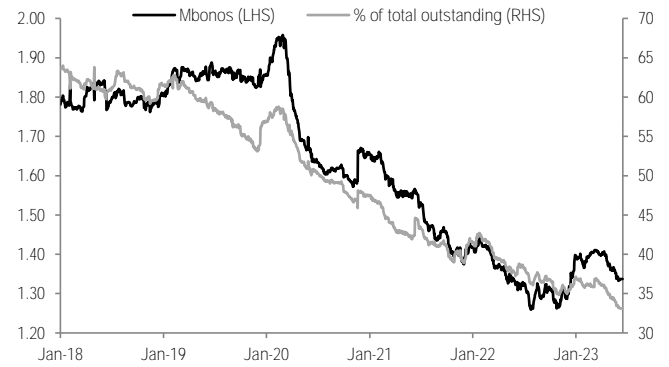
Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	06/07/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	13.1%	12.4%	0.7%	12.4%	0.7%
Floating-rate Bondes D	0.2%	0.3%	-0.1%	4.4%	-4.2%
Real-rate Udibonos	3.7%	3.8%	-0.1%	5.0%	-1.3%
Fixed-rate Mbonos	33.1%	33.3%	-0.2%	37.1%	-4.0%

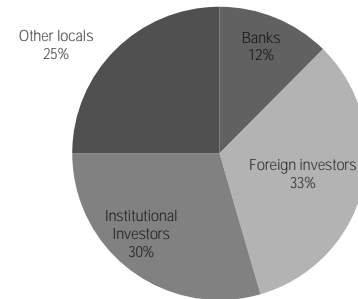
Source: Banorte with data from Banxico

Mbonos held by foreigners
MXN trillion, %



Source: Banxico

Mbonos holdings by type of investor
Total amount of US\$ 231 billion, % of total



Source: Banxico

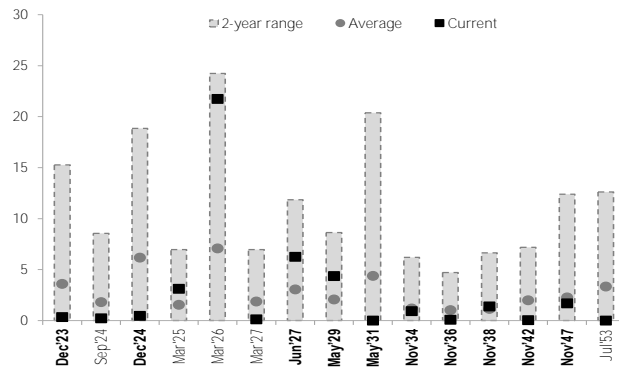
Mbonos holdings by type of investor
US\$ billion and %, data as of 06/01/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.7	20%	10%	17%	53%
Sep'24	17.7	26%	18%	12%	43%
Dec'24	13.4	20%	27%	9%	44%
Mar'25	13.6	25%	19%	19%	37%
Mar'26	26.3	24%	24%	18%	34%
Mar'27	14.6	18%	22%	16%	44%
Jun'27	19.9	15%	43%	27%	16%
May'29	15.1	3%	52%	23%	22%
May'31	24.3	6%	48%	31%	15%
May'33	8.7	3%	37%	40%	20%
Nov'34	5.0	3%	49%	35%	13%
Nov'36	3.9	0%	29%	40%	31%
Nov'38	12.2	1%	43%	39%	16%
Nov'42	16.2	2%	45%	38%	15%
Nov'47	14.5	1%	34%	44%	21%
Jul'53	7.3	0%	33%	51%	16%
Total	217.2	12%	33%	26%	28%

Source: Banxico

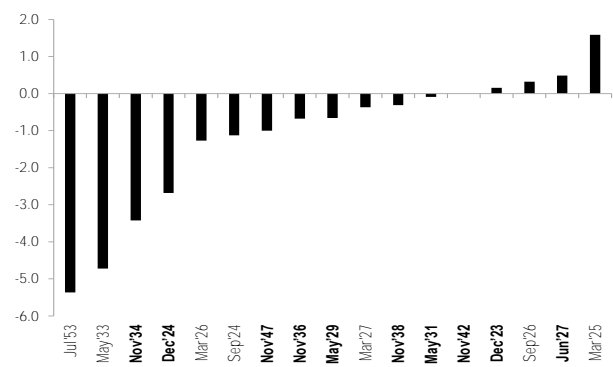
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



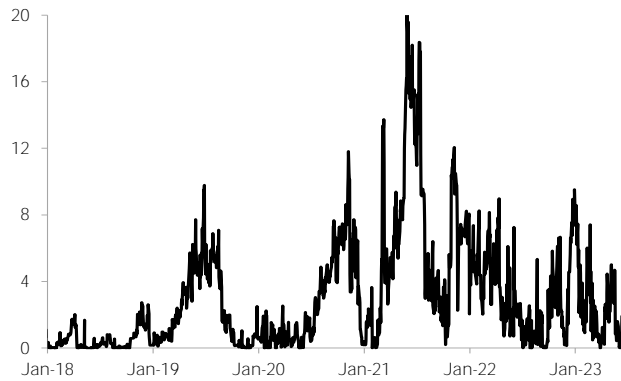
Source: Banxico *Mar'25 issued in Dec'21

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



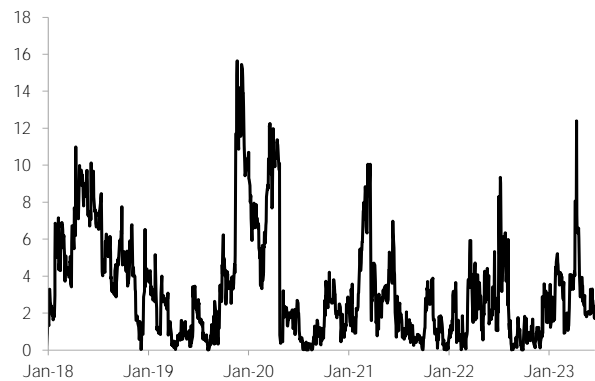
Source: Banxico

Market makers' short positions on Mbono May'31
MXN billion



Source: Banxico

Market makers' short positions on Mbono Nov'47
MXN billion



Source: Banxico

Market makers' short position on Mbonos
US\$ million

Maturity Date	Total amount outstanding as of 06/16/2023	06/16/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	11,750	21	12	23	21	421	0
Sep'24	18,407	13	79	20	142	322	0
Dec'24	14,232	27	185	21	69	458	0
Mar'25	13,788	183	90	83	88	345	0
Mar'26	27,188	1,272	1,346	826	246	1,418	141
Sep'26	1,151	19	0	0	0	27	0
Mar'27	16,213	8	30	1	38	408	0
Jun'27	20,956	366	338	200	88	694	23
May'29	16,138	256	295	144	59	505	14
May'31	25,388	0	6	275	114	557	0
May'33	9,596	80	357	330	0	415	0
Nov'34	5,589	54	255	144	115	255	25
Nov'36	4,115	6	45	37	112	229	0
Nov'38	12,793	81	99	44	0	161	0
Nov'42	16,932	3	3	23	69	164	0
Nov'47	15,127	99	158	105	133	725	53
Jul'53	8,119	0	314	95	0	344	0
Total	237,481	2,490	3,297	2,277	1,296		

Source: Banxico

Fixed-Income technicals

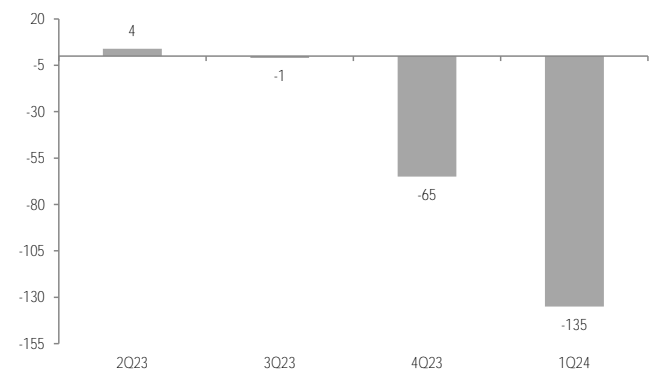
- **The carry at the shortest-end registered a mixed balance.** Spreads between Cetes and imp. forward rates stood at: 1-month at -41bps from -25bps, 3-month at -110bps from -112bps, 6-month at -128bps from -133bps, and 1-year at -117bps from -130bps
- **Attention to Banxico's policy rate and bi-weekly inflation report in Mexico.** The market and we expect no changes on the benchmark rate at 11.25%. However, the inflation report and the statement tone will give information to assess the moment at which the central bank will start cuts, anticipating a decoupling from the Fed. The latter maintain the *fed funds* range unchanged last week with a majority of members reaffirming that more hikes should come. In this sense, the dot plot median increased by 50bps

Spread between Cetes and Implied Forward Rates
Basis Points

Tenor	Actual 06/16/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	-41	-25	-43	-8	142	-234
3 months	-110	-112	-124	-67	27	-181
6 months	-128	-138	-133	-88	-10	-163
12 months	-117	-130	-96	-91	-48	-130

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate
Basis points



Source: Banorte with data from Bloomberg

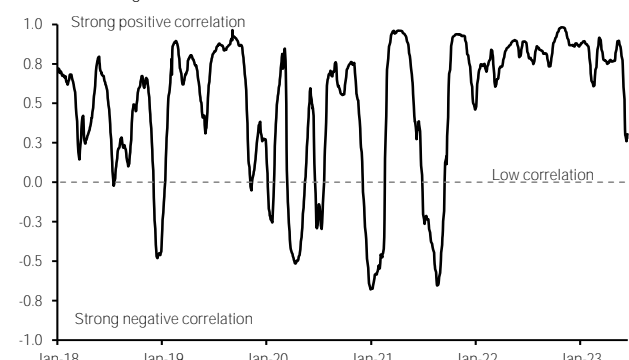
- **The local risk premium moved closer to its 12-month low.** Investors digested a scenario of higher rates for longer after the Fed's decision. In this context, the 10-year spread between Mbonos and Treasuries closed Friday at 502bps vs. 514bps the previous week, while the average of the last twelve months stands at 551bps
- **The 3-month correlation between Mexican and American 10-year bonds remained stable.** The reading closed Friday at +30% unchanged vs 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

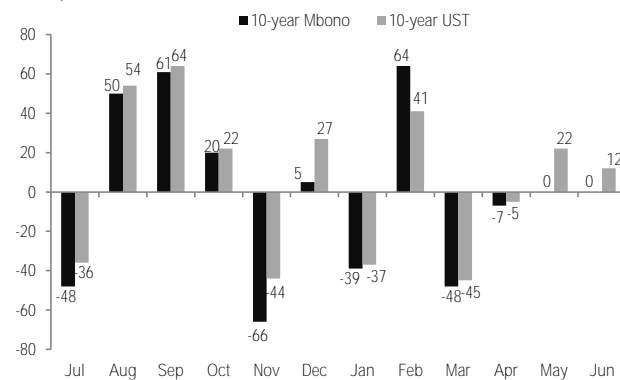
Basis points

Tenor	06/16/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-186	-168 (-18bps)	-188 (+2bps)	-42 (-144bps)	-26	-199	-113
Mbono 10s30s	22	20 (+2bps)	29 (-7bps)	-2 (+24bps)	35	-15	9
TIIE-Mbono 2-year	-84	-78 (-6bps)	-85 (+1bp)	9 (-93bps)	18	-89	-32
TIIE-Mbono 10-year	-47	-53 (+6bps)	-49 (+2bps)	-13 (-34bps)	-6	-67	-39

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months

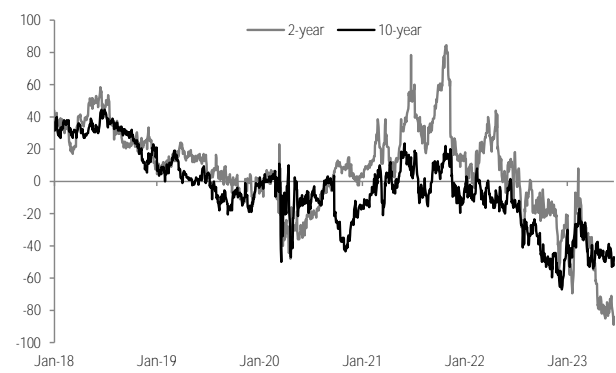
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

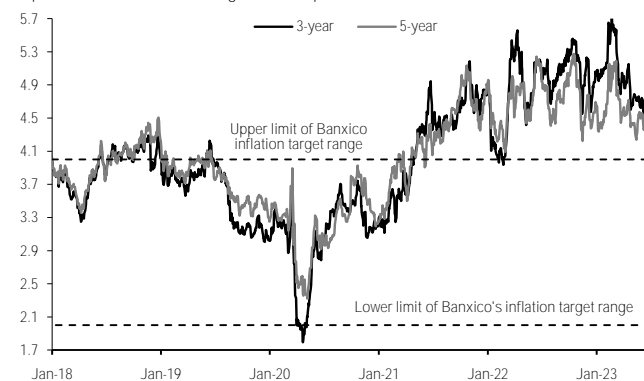
Implicit market inflation using Fisher Equation (%)

Date	06/16/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.60	4.45 (+15bps)	4.72 (-12bps)	5.16 (-56bps)	5.74	4.45	5.03
5Y	4.43	4.37 (+6bps)	4.43 (0bps)	5.15 (-72bps)	5.28	4.23	4.70
10Y	4.27	4.24 (+3bps)	4.19 (+8bps)	4.92 (-65bps)	5.16	4.07	4.55
20y	4.38	4.35 (+3bps)	4.32 (+6bps)	4.85 (-47bps)	5.15	4.15	4.65
30Y	4.32	4.39 (-7bps)	4.37 (-5bps)	4.93 (-61bps)	5.18	4.15	4.62

Source: PiP

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

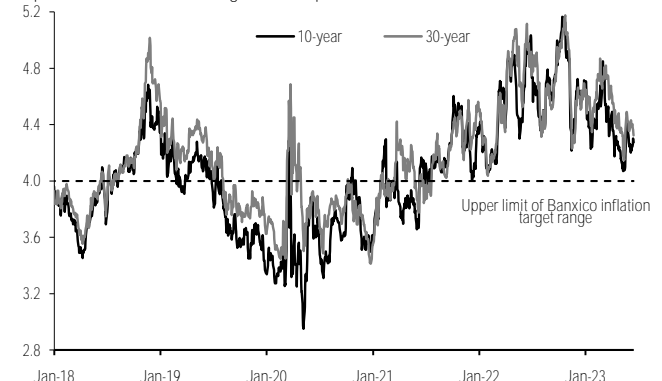
Implicit market inflation using Fisher Equation



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

- **In the local market, the focus will be on Banxico's decision and inflation.** The dynamic of the fixed-income market was determined by the monetary policy decisions of the Federal Reserve and, to a lesser extent, the ECB. Following Wednesday's decision, Treasuries registered widespread pressures, reversing gains and inverting the curve further. In addition, the market priced-in an intraday 25bps hike in July with a probability of 69% vs. 59% the previous day. By Friday's close, this probability reached almost 72%. The 2-year node, which is more sensitive to monetary policy, lost up to 11bps on the intraday at a level of 4.80%. In addition, the 2s10s spread went from -86bps to -96bps (minimum since March 8th). In the weekly balance, the curve flattened in the face of 7bps pressure on the short-end and few changes on the long-end. Given a backdrop of higher rates for longer, we believe that volatility in the short-end of the curve will continue, although rates will remain anchored at elevated levels. Locally, the Mbonos curve flattened by losing 9bps on the short-end and gaining 9bps from the 5-year benchmark. Likewise, the local risk premium (10-year spread with the UST) closed at 502bps vs 514bps the previous week. It is worth mentioning that the correlation between the 2-year UST and the Mbonos of the same term has decreased to levels of 58% vs 77% at the beginning of the year. However, it remains quite high relative to its history, alluding to Mexico's high interdependence to US cycles
- This week, the focus will be on Banxico's decision and inflation for the 1st half of June. Markets will be looking for clues as to how long the terminal rate could remain at 11.25%, following recent comments from the members of the Board of Governors. In our view, it is quite clear that Banxico will no longer follow the Fed, although doubts remain about the timing and magnitude of eventual cuts. Considering the high correlation with the US, rate dynamics in that country will continue to influence the performance of Mexican assets despite the greater divergence between the two countries' monetary policies. In this context, we see a 'tactical' opportunity (for short-term trading) in long positions on the 2-year Mbonos. In particular, we estimate a positive surprise in June fortnight inflation, with our estimate at 0.02% 2w/2w vs. consensus (as of press time) at 0.14%. In this context, we continue to prefer nominal vs. real rates. This security trades at 10.64%, accumulating pressure of 77bps so far this year and above its 12-month average (10.09%). Furthermore, according to our duration-adjusted yield analysis, this node shows a slight undervaluation. Moreover, the 2s10s spread on Mbonos widened to -186bps, approaching its 12-month low of -199bps. A favorable reaction to inflation could compress it. However, given the hawkish tone of the Fed, it is important to stress that the positive reaction –should our inflation estimate materialize– would only be very short-term. Finally, we expect the 10-year Mbono, May'33, between 8.65% and 8.90%

FX dynamics

- **The Mexican peso continues to perform robustly.** The Mexican peso extended gains for the 4th consecutive week as it reacted favorably to the Fed's decision. In this context, the local currency marked an intraday high of 17.02, not seen since late 2015. The MXN closed Friday at 17.09 per dollar representing a 1.1% w/w appreciation
- **The dollar extended losses despite the hawkish tone from the Fed.** USD indices weakened again while, most G-10 currencies showed a positive bias and in EM ended with mixed changes. In the first group, AUD (+2.0%) was the strongest and in the second, ZAR (+3.1%) led the gains

Foreign Exchange market levels and historical return

		Close at 06/16/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.82	-0.2	1.2	2.4	9.5
Chile	USD/CLP	794.50	-0.1	-0.7	-0.1	7.1
Colombia	USD/COP	4,162.25	-0.2	0.2	8.3	16.6
Peru	USD/PEN	3.63	0.5	0.6	1.9	4.9
Hungary	USD/HUF	341.75	-0.2	0.3	-0.2	9.2
Malaysia	USD/MYR	4.62	0.2	0.0	-1.9	-4.6
Mexico	USD/MXN	17.09	0.2	1.1	3.0	14.1
Poland	USD/PLN	4.08	-0.5	1.2	2.1	7.2
Russia	USD/RUB	83.91	-0.5	-1.5	-4.3	-11.6
South Africa	USD/ZAR	18.19	0.2	3.1	5.9	-6.3
Developed Markets						
Canada	USD/CAD	1.32	0.2	1.1	1.9	2.7
Great Britain	GBP/USD	1.28	0.3	1.9	2.6	6.1
Japan	USD/JPY	141.82	-1.1	-1.7	-2.9	-7.5
Eurozone	EUR/USD	1.0937	-0.1	1.7	0.9	2.2
Norway	USD/NOK	10.57	-0.7	1.9	2.0	-7.2
Denmark	USD/DKK	6.81	0.0	1.8	0.9	2.0
Switzerland	USD/CHF	0.89	-0.2	1.1	0.5	3.4
New Zealand	NZD/USD	0.62	0.0	1.7	-0.2	-1.8
Sweden	USD/SEK	10.66	-0.4	1.6	-2.0	-2.1
Australia	AUD/USD	0.69	-0.1	2.0	3.2	0.9

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

Source: Bloomberg

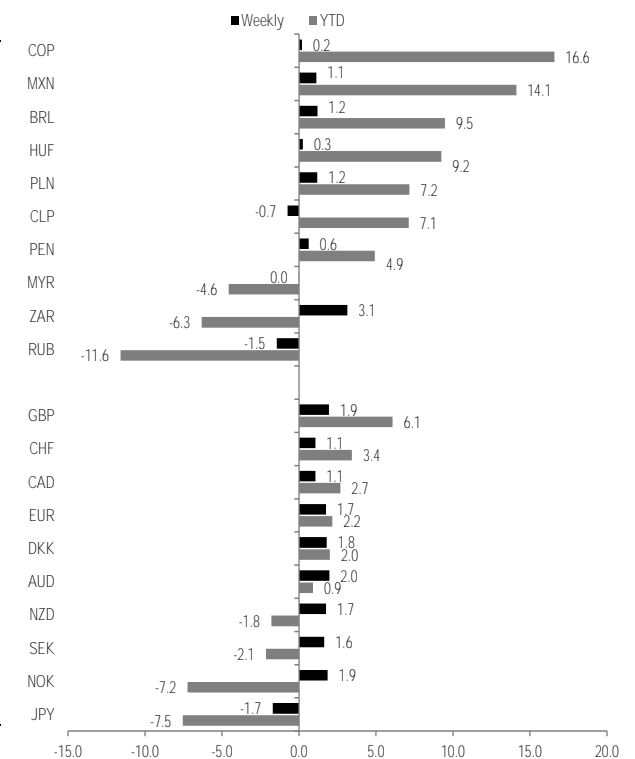
USD/MXN

Last 12 months



Source: Bloomberg

FX performance
Against USD, %



Source: Bloomberg

DXI

Points

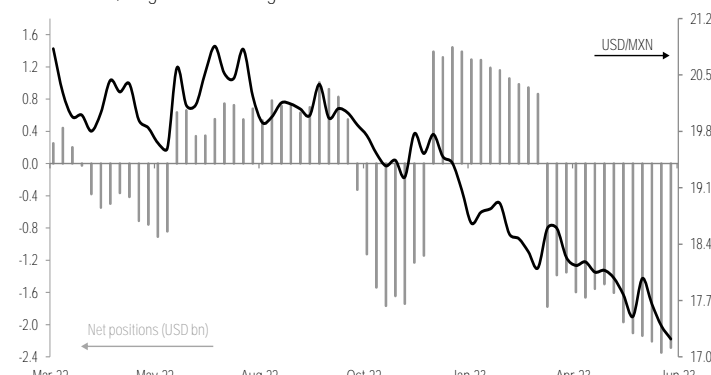


Source: Bloomberg, Banorte

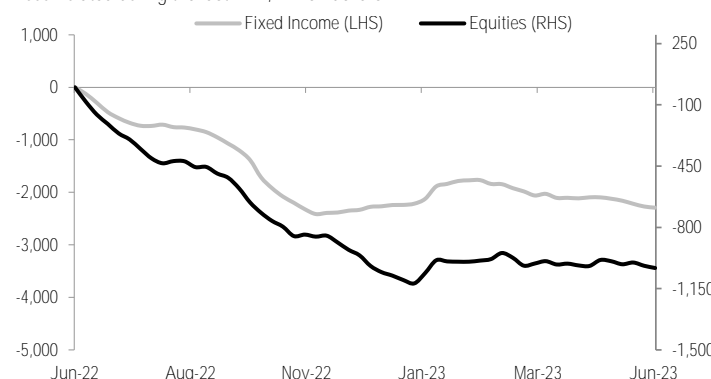
FX positioning and flows

- **Net long positioning in MXN moderated its upward trend.** As of June 13th, the MXN position recorded a lower net long of US\$ 2.29 billion from US\$ 2.35 billion. Despite this decrease, speculators continue with firm expectations of further appreciations with a view to break the 17.00 per dollar level. In this sense, the Mexican peso reacted positively to the Fed's decision, registering new intraday lows since 2015 at 17.02 per dollar
- **Net short USD positions declined 13% w/w following a hawkish tone in the Fed decision.** The USD IMM position posted a lower net short of US\$ 5.98 billion from US\$ 6.91 billion the previous week. Following the Fed's decision, the market priced-in cuts for 2023 declined to 9bps from 24bps at the start of the week. The move was the result of selling in most currencies led by EUR (-692 million) and CHF (-564 million)
- **Selling continued in both EM and Mexico, recording five negative weeks in a row.** Our EPFR aggregate recorded negative flows of US\$ 1.4 billion from US\$ 1.8 billion the previous week. Bond market sales decrease 62% to US\$ 260 billion. However, outflows in equities increased 3% to US\$ 1.2 billion, concentrated in Asia. In Mexico, a negative flow of US\$ 35 million was recorded because of sales in both bonds and equities of US\$ 23 million and US\$ 12 million, respectively

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

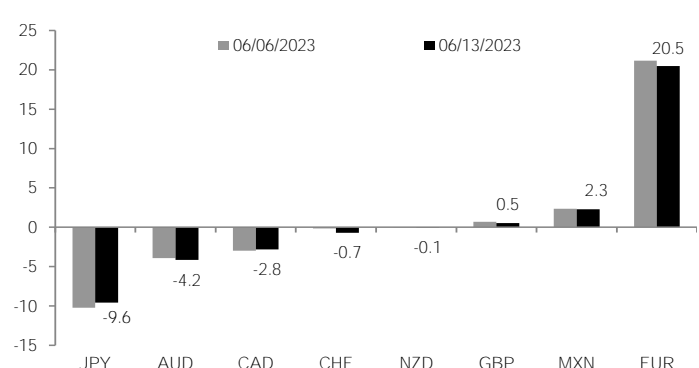


Source: CME, Banorte
Foreign portfolio flows into Mexico
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

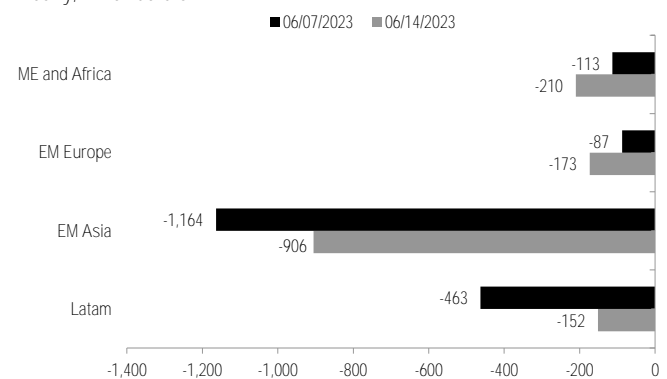
IMM positioning by currency*
Billion dollars



* 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 could breach the psychological level of 17.00.** Appetite for risk assets remained despite Jerome Powell's and other Fed members' hawkish tone. The Mexican peso has behaved as a high-beta dollar proxy and has been resilient to volatility. With this, the MXN breached 17.20 resistance and marked its strongest level at 17.02. The main short-term resistances stand at 16.95, 16.88, and 16.70, with supports at 17.25, 17.40, and 17.50. The weekly trading range marked 31 cents being lower than the average of the last 4 weeks of 36 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	13	26	-7	72	29
CAD	18	34	1	63	35
ZAR	29	39	4	85	33
BRL	58	56	-48	63	37
HUF	43	51	-5	70	41
RUB	17	-7	-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	25	29	8	89	49
SPX	10	24	10	71	46
GSCI	26	37	2	49	31
Gold	12	0	-57	64	10

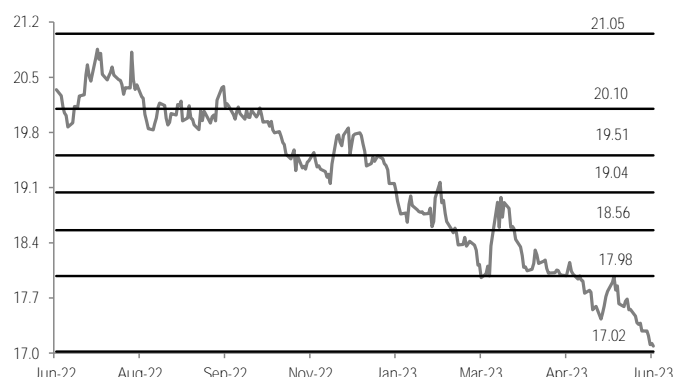
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



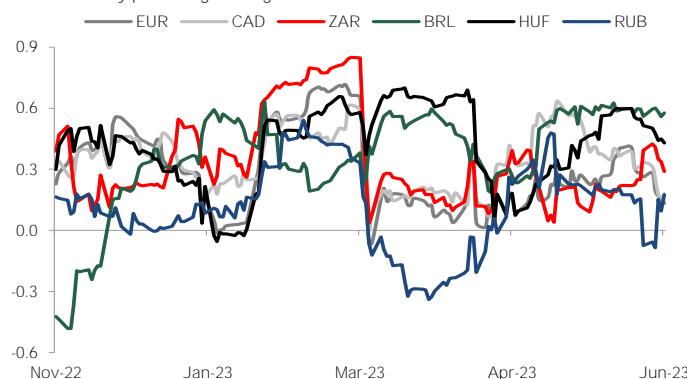
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



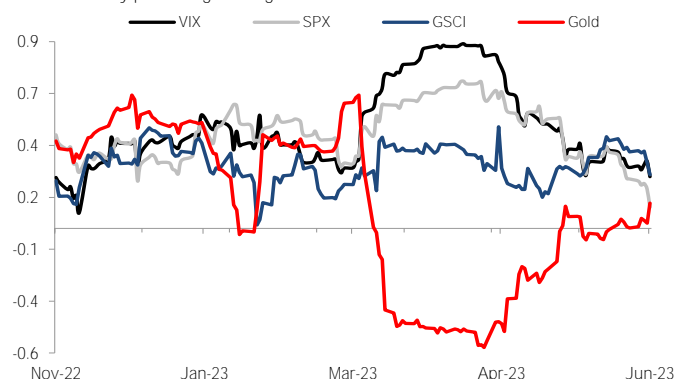
Source: Bloomberg

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



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

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

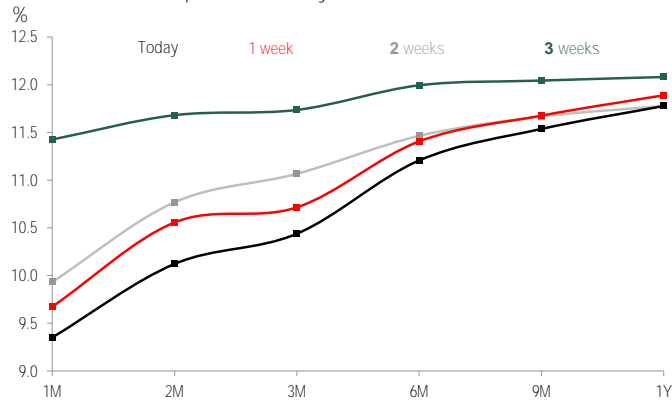


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

- The MXN ATM implied volatility curve continues to steepen.** The 1-month implied vol declined for the third consecutive week to the lowest since January 2022 to 9.4% from 9.7% last week. Similarly, the 3-month reading compressed 0.3 vegas to 10.4%, reflecting stability despite the hawkish tone in the Fed's decision. Meanwhile, the 1-year reading declined 0.1 vegas to 11.8%. The 1-month risk reversal declined to 2.11% from 2.19% the previous week and the 3-month reading moved to 2.63% from 2.65%

USD/MXN – ATM options volatility curve



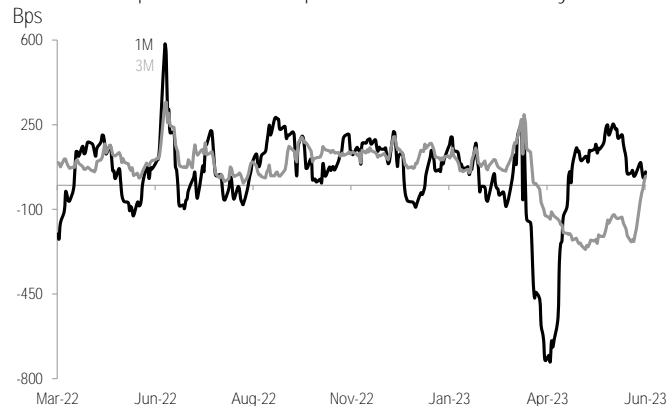
Source: Bloomberg

USD/MXN – 1M implied and historical volatility



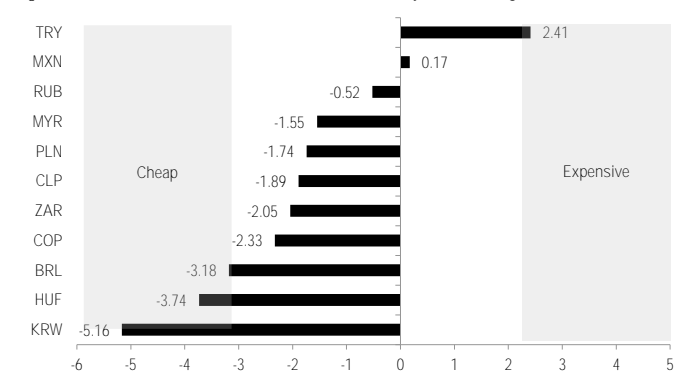
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility



Source: Bloomberg

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



Source: Bloomberg, Banorte

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



Source: Bloomberg

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

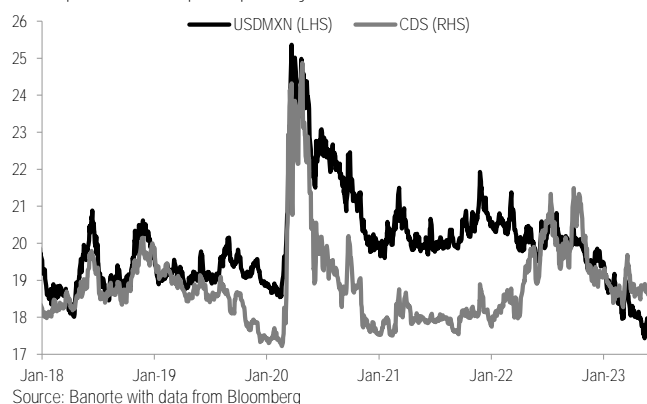


Source: Bloomberg, Banorte

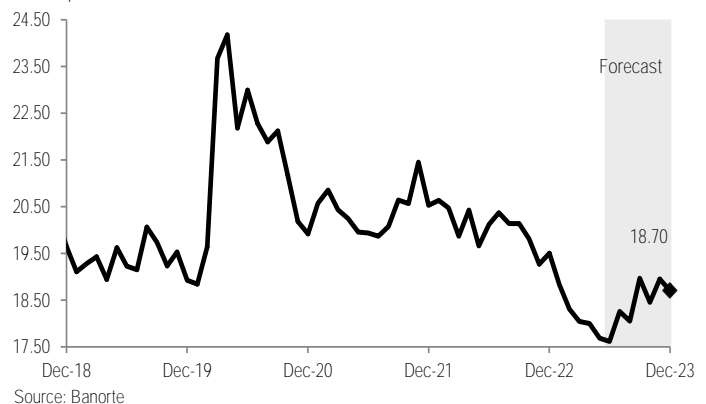
FX trade recommendations

- The Mexican peso posted four consecutive weeks of gains.** The FX market dynamics were also determined by diverging monetary policy decisions among some central banks. In this context, the dollar weakened for the third consecutive week while the DXY and BBDXY indices registered adjustments of -1.2% and -1.0% w/w, respectively. Meanwhile, most developed currencies showed a positive bias, AUD (+2.0%) was the strongest and JPY (-1.7%) the only one with losses. The Japanese currency registered a sell-off after the BoJ kept its accommodative monetary policy unchanged. Conversely, on a hawkish tone from Christine Lagarde and market expectation of two additional ECB rate hikes, EUR appreciated 1.8% w/w to 1.0937 and breached the 50-day and 100-day MA with ease. In EM, the trading range was wider with ZAR (+3.1%) and ARS (-1.8%) at the ends of the spectrum. The Mexican peso remained stable during the beginning of the week oscillating around 17.29 per dollar. Following the Fed's decision, the peso gained strength and breached the 17.20 resistance, extending gains to mark its strongest level since late 2015 at 17.02. MXN closed at 17.09 per dollar equivalent to an appreciation of 1.1% w/w, with a trading range of 31 cents
- This week, the USD/MXN trend could be determined by clues from Banxico on the duration of the terminal rate and by the inflation report. Despite a possible further decoupling with the Fed, the MXN has remained strong as it is supported by an attractive carry, even behaving as a high beta dollar proxy to other currencies' fluctuations. This dynamism is structurally different from other periods where it behaves as a hedge of investors' exposure to other emerging markets. In addition, the MXN has been more resilient to global volatility than in the past. We continue to believe that the main risk to the peso would be an event originating in the US (e.g., new banking crisis, or recession in that country). However, our base case is that the US will remain resilient. Therefore, we see the MXN as likely to breach the psychological level of 17.00 per dollar and look for new resistance. We estimate a weekly trading range between USD/MXN 16.80 and 17.40

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 23, 2023

	Hora		Evento	Periodo	Unidad	Banorte	Consenso	Previo
Mon 19	08:00	MX	Timely Indicator of Economic Activity*	May	% y/y	--	--	2.6
	18:00	CHL	Monetary policy decision (BCCh)	Jun 19	%	--	11.25	11.25
	21:15	CHI	Rate decision 1-year Loan Prime Rate	Jun 20	%	--	3.55	3.65
	21:15	CHI	Rate decision 5-year Loan Prime Rate	Jun 20	%	--	4.20	4.30
Tue 20	04:00	EZ	Current account*	Apr	EURbn	--	--	31.2
	06:30	US	Fed's Bullard Speaks at Barcelona School of Economics					
	08:00	MX	Retail sales	Apr	% y/y	1.8	2.5	2.5
	08:00	MX	Retail sales*	Apr	% m/m	0.2	--	0.0
	08:30	US	Housing starts**	May	thousands	--	1,400	1,401
	08:30	US	Building permits**	May	thousands	--	1,425	1,417
	11:00	MX	International reserves	Jun 16	US\$bn	--	--	203.0
	11:45	US	Fed's Williams Speaks on Leadership at NY Fed Event					
	13:00	MX	Government weekly auction: 1-, 3-, 6-, 24- month CETES; 3-year Mbono (Sep'26); 30-year Udibono (Nov'50) and 1-, and 3-year Bondes F					
	16:30	MX	Survey of expectations (Citibanamex)					
Wed 21	02:00	UK	Consumer prices	May	% y/y	--	8.4	8.7
	02:00	UK	Core	May	% y/y	--	6.8	6.8
	08:00	MX	Aggregate supply and demand	1Q23	% y/y	4.6	--	4.1
	10:00	US	Fed's Powell Appears Before House Financial Services Panel					
	12:25	US	Fed's Goolsbee Speaks at Global Food Forum					
Thu 22	17:30	BZ	Monetary policy decision (Central bank of Brazil)	Jun 21	%	13.75	13.75	13.75
	04:00	UK	Fed's Waller Speaks at Central Bank of Ireland Conference					
	07:00	UK	Monetary policy decision (BoE)	Jun 22	%	--	4.75	4.50
	07:00	TUR	Monetary policy decision (Central Bank of Turkey)	Jun 22	%	--	20.0	8.50
	08:00	MX	Consumer prices	Jun 15	% 2w/2w	0.02	0.14	-0.01
	08:00	MX	Core	Jun 15	% 2w/2w	0.19	0.22	0.17
	08:00	MX	Consumer price	Jun 15	% y/y	5.17	5.30	5.67
	08:00	MX	Core	Jun 15	% y/y	6.99	7.04	7.32
	08:30	US	Initial jobless claims*	Jun 17	thousands	261	255	262
	09:55	US	Fed's Bowman Speaks at Fed Listens Event in Cleveland					
	10:00	US	Fed Chair Powell Appears Before Senate Banking Panel					
	10:00	US	Fed's Mester Speaks on the Economic Outlook in Cleveland					
	10:00	US	Existing home sales**	May	millions	--	4.3	4.3
	10:00	EZ	Consumer Confidence*	Jun (P)	index	--	-17.0	-17.4
	15:00	MX	Monetary policy decision (Banxico)	Jun 22	%	11.25	11.25	11.25
	16:30	US	Fed's Barkin Speaks at Risk Management Association					
Fri 23	03:30	GE	Manufacturing PMI*	Jun (P)	index	--	43.5	43.2
	03:30	GE	Services PMI*	Jun (P)	index	--	56.2	57.2
	03:30	GE	Composite PMI*	Jun (P)	index	--	53.3	53.9
	04:00	EZ	Manufacturing PMI*	Jun (P)	index	--	44.8	44.8
	04:00	EZ	Services PMI*	Jun (P)	index	--	54.4	55.1
	04:00	EZ	Composite PMI*	Jun (P)	index	--	52.5	52.8
	04:30	UK	Manufacturing PMI*	Jun (P)	index	--	46.8	47.1
	04:30	UK	Services PMI*	Jun (P)	index	--	54.9	55.2
	05:15	US	Fed's Bullard Speaks at Central Bank of Ireland Conference					
	09:45	US	Manufacturing PMI*	Jun (P)	index	48.9	48.5	48.4
	09:45	US	Services PMI*	Jun (P)	index	54.2	54.0	54.9
	09:45	US	Composite PMI*	Jun (P)	index	--	53.5	54.3
	13:40	US	Fed's Mester Delivers Closing Remarks at Policy Summit					

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

For the week ending June 16, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 12		MX	ANTAD same-store sales	May	% y/y	--	1.3	6.2
	02:00	UK	Unemployment rate*	Apr	%	--	4.0	3.9
	02:00	GER	Consumer prices	May (F)	% y/y	--	6.3	6.3
	05:00	GER	ZEW Survey (Expectations)	Jun	index	--	-8.5	-10.7
Tue 13	08:30	US	Consumer prices*	May	% m/m	0.2	0.1	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	4.0	4.9
	08:30	US	Ex. food & energy	May	% y/y	5.3	5.3	5.5
	11:00	MX	International reserves	Jun 9	US\$bn	--	202.9	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					
		MX	Banxico's Financial Stability Report					
	02:00	UK	Industrial production*	Apr	% m/m	--	-0.3	0.7
	05:00	EZ	Industrial production*	Apr	% m/m	--	1.0	-3.8
	08:00	BZ	Retail sales	Apr	% y/y	--	0.5	3.3 (R)
	08:00	BZ	Retail sales*	Apr	% m/m	--	0.1	0.8
	08:30	US	Producer prices*	May	% m/m	--	-0.3	0.2
	08:30	US	Ex. food & energy*	May	% m/m	--	0.2	0.2
Wed 14	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	--	12.7	18.4
	22:00	CHI	Gross fixed investment (YTD)	May	% y/y	--	4.0	4.7
	05:00	EZ	Trade balance*	Apr	EURbn	--	-7.1	14.0 (R)
	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	0.3	0.4
	08:30	US	Ex autos & gas*	May	% m/m	--	0.1	0.5 (R)
	08:30	US	Control group*	May	% m/m	0.1	0.2	0.6 (R)
Thu 15	08:30	US	Initial jobless claims*	Jun 10	thousands	251	262	262
	08:30	US	Empire manufacturing*	Jun	index	-10.0	6.6	-31.8
	08:30	US	Philadelphia Fed*	Jun	index	-11.0	-13.7	-10.4
	08:45	EZ	ECB President Christine Lagarde Holds Press Conference					
	09:15	US	Industrial production*	May	% m/m	0.1	-0.2	0.5
	09:15	US	Manufacturing production*	May	% m/m	0.0	0.1	0.9 (R)
		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
Fri 16	08:00	BZ	Economic activity	Apr	% y/y	--	3.3	5.7 (R)
	08:00	BZ	Economic activity*	Apr	% m/m	--	0.6	-0.1 (R)
	10:00	US	U. of Michigan confidence*	Jun (P)	index	61.0	63.9	59.2

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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