

## Fixed-Income and FX Weekly

### Market outlook

- **Mixed performance on local assets.** Last week, Mbonos' curve lost 14bps at the short- and mid-end. The 10-year benchmark closed at 8.67% (+8bps w/w). In addition, the USD/MXN appreciated 0.3% w/w to 17.12
- **Attention to the Fed and Banxico's minutes, as well as non-farm payrolls.** The first half of the year closed with a hawkish tone from the main central banks in developed countries, as the decline in inflation has been lower than expected. Powell (Fed), Lagarde (ECB) and Bailey (BoE) participated in the ECB's Annual Central Banking Forum emphasizing further increases in their respective benchmark rates. In addition, markets digested the US 1Q23 Final GDP reflecting a resilient economy and a PCE deflator that remains stagnant. In this context, the market raised its expectations and incorporated a second 25bps increase with a 50% probability. This week, markets will see lower trading volume due to the US Independence Day holiday and investors will digest the content of the Fed minutes looking for clues on the next decisions. In addition, the focus will be on US labor market figures, particularly non-farm payrolls, due to their relevance for the Fed. In the local market, the central bank will release the minutes of its latest decision in which we will be looking for further definition on the "extended period" that the rate could be kept at its current level of 11.25%. We will also keep an eye on June inflation (Banorte: 0.07% m/m) in which we expect a moderation in several non-core items. The global economic agenda also includes monetary policy decisions in Australia, Romania, Malaysia, and Poland. In the US, ISM indicators will be published, while in Mexico we will learn about IMEF indicators, gross fixed investment, consumer confidence and the banking sector survey

### Fixed-Income

- **Supply** –The MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'27), the 10-year Udibono (Nov'31), as well as 1-, 3-, and 7-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.369 trillion (US\$ 80.0 billion), a market share equal to 33.8%, as of June 21<sup>st</sup>. Short positions in Mbono May'33 ended at MXN 876 million from MXN 2.7 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 483bps from 485bps the previous week, with the 12M mean at 547bps

### Foreign exchange

- **Market positioning and flows** – MXN position (as of June 27<sup>th</sup>) printed a lower net long of US\$ 2.82 billion from US\$ 2.90 billion a week ago. Mutual funds' flows to EM marked lower sales of US\$ 915 million from US\$ 1.5 billion
- **Technicals** – The spot traded in a very narrow weekly range of 13 cents between 17.05 and 17.18 per dollar, in line with a 1-month implied volatility that has declined in the last 5 weeks to 21-month low of 9.1%

July 3, 2023

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#### Fixed-Income

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

#### Foreign exchange

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

#### Recommendations

##### Fixed-Income

- We reiterate our preference for nominal vs. real rates, as we expect inflation to moderate further. Also, we anticipate that Banxico will keep the interest rate at 11.25% in 2023. In this context, real interest rates remain attractive in absolute and relative terms, considering that swaps are pricing-in the beginning of a more aggressive accommodative cycle in other countries, such as Brazil and Chile
- We expect the 10-year Mbono to trade between 8.55% and 8.85%

##### FX

- The USD will incorporate the content of the Fed minutes. We anticipate a lateral movement as expectations about the next Fed funds rate moves are defined
- For the MXN, Banxico's minutes will also be relevant. We estimate a weekly trading range between USD/MXN 17.00 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 06/30/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.31	-1	+49
<b>Sep'24</b>	10.88	+13	+79
Dec'24	10.58	+15	+71
<b>Mar'25</b>	10.14	+13	+21
<b>Mar'26</b>	9.56	+13	+32
<b>Sep'26</b>	9.40	+15	0
<b>Mar'27</b>	9.12	+17	-7
Jun'27	9.04	+17	-4
May'29	8.72	+15	-35
May'31	8.68	+11	-34
<b>May'33</b>	8.67	+8	-35
<b>Nov'34</b>	8.66	+6	-40
Nov'36	8.63	+4	-41
Nov'38	8.79	-3	-30
Nov'42	8.86	0	-25
Nov'47	8.85	0	-23
<b>Jul'53</b>	8.87	-1	-19

Source: PiP

Udibonos performance

Maturity date	YTM 06/30/2023	Weekly change (bps)	YTD (bps)
Nov'23	7.26	+13	+117
Dec'25	5.56	-6	+80
Dec'26	5.20	-12	+54
Nov'28	4.43	-9	+12
Nov'31	4.32	+2	+15
Nov'35	4.18	-3	-3
Nov'40	4.34	-3	+15
Nov'43	4.36	-5	-14
Nov'46	4.37	-4	+18
Nov'50	4.37	-5	+14

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 06/30/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.51	+0	+61
6-month (6x1)	11.45	+4	+41
9-month (9x1)	11.29	+8	+22
1-year (13x1)	10.98	+16	+7
2-year (26x1)	9.74	+21	-13
3-year (39x1)	8.97	+19	-21
4-year (52x1)	8.56	+16	-35
5-year (65x1)	8.33	+14	-48
7-year (91x1)	8.15	+8	-60
10-year (130x1)	8.09	+4	-64
20-year (260x1)	8.19	+4	-67

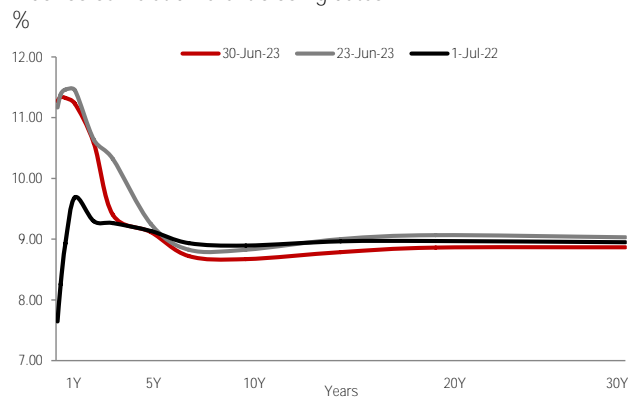
Source: Bloomberg

Cetes performance

Maturity date	YTM 06/30/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.27	+16	+118
Cetes 91	11.34	-2	+68
Cetes 182	11.33	0	+45
Cetes 364	11.23	+8	+26
Cetes 728	10.83	+15	+1

Source: PiP

Mbonos curve at different closing dates



Source: PiP, Banorte

10-year Mbono benchmark



Source: PiP

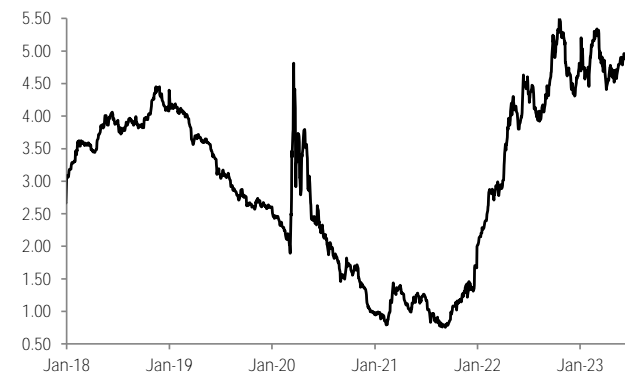
# Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

Term	Maturity date	UMS			UST			Spreads			CDS
		YTM 06/30/2023	Weekly change (bps)	YTD (bps)	YTM 06/30/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.85	+8	+37	4.90	+15	+47	-5	-8	24	33
3Y	May'26	4.41	+5	-39	4.53	+20	+30	-12	-15	66	52
5Y	Feb'28	4.97	+11	+18	4.16	+16	+15	81	-6	103	102
7Y	Apr'30	5.16	+5	-18	3.99	+13	+3	117	-8	147	146
10Y	May'33	5.46	+5	-10	3.84	+10	-4	162	-6	182	183
20Y	Mar'44	5.93	0	-45	4.07	+6	-7	185	-7	225	--
30Y	May'53	6.19	+1	-21	3.86	+5	-10	232	-4	255	--

Source: Bloomberg

5Y USD UMS  
%



Source: Bloomberg

10Y USD UMS  
%



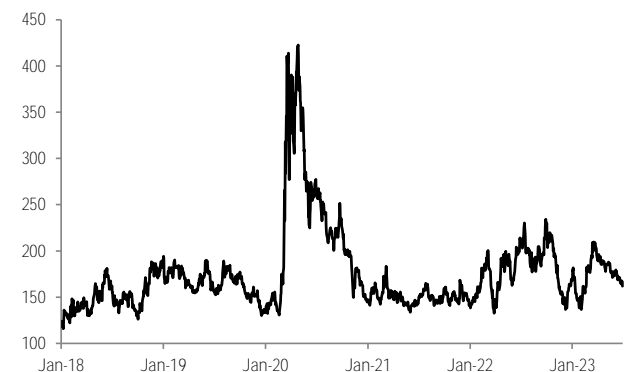
Source: Bloomberg

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 5-year Mbono (Mar'27), the 10-year Udibono (Nov'31), as well as 1-, 3-, and 7-year Bondes F
- The MoF released the [3Q23 government securities auction calendar](#).** For Cetes, issuance ranges and periodicity remained unchanged. We believe that the demand for these securities will prevail strong due to the attractive real rates. This week, all eyes will be on Banxico's minutes to find out clues about the moment and/or the conditions that need to materialize for cuts to begin. With the data we have so far, we reiterate our view that cuts will begin until February 2024. It is worth noting that the market has recalibrated its expectations towards lower cuts in the remainder of the year. For the 5-year Mbono, we expect a good demand around 2.5x, in line with the average of its last five placements. This security rallied 12bps in June, amid a backdrop of favorable inflation prints. For the 10-year Udibono, the average amount to be auctioned was reduced from UDIS 1.5 billion the previous quarter to UDIS 1.3 billion due to a weak bid-to-cover. In this sense, we anticipate poor appetite close to 1.5x, persisting below the 2-year average (2.0x). The 10-year reading stands at 4.17%, just 10bps above the 12-month low

Auction specifics (July 6, 2023)

	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
Cetes				
1m	3-Aug-23	--	8,500	11.02
3m	5-Oct-23	--	7,500	11.20
6m	28-Dec-23	--	11,700	11.31
24m	15-May-25	--	8,000	10.92
Bondes F				
1y	23-May-24	--	5,500	0.13
3y	4-Jun-26	--	1,500	0.20
7y	4-Oct-29	--	800	0.28
Mbono				
5y	4-Mar-27	5.50	13,000	9.30
Udibono				
10y	27-Nov-31	2.75	UDIS 1,300	4.45

Source: Banorte with data from Banco de Mexico

1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.

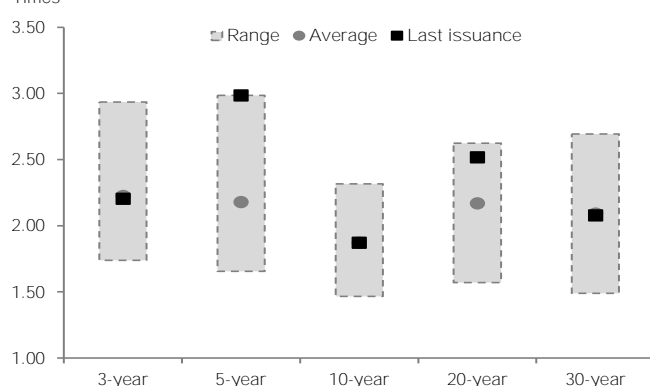
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

3Q23 Auction Calendar\*

Date	Cetes	Mbonos	Udibonos	Bondes F
4-Jul	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year
11-Jul	1, 3, 6, and 12M	20-year (Nov'42)	30-year (Nov'50)	2-, 5-, and 10-year
18-Jul	1, 3, 6, and 24M	3-year (Sep'26)	3-year (Dec'26)	1-, and 3-year
25-Jul	1, 3, 6, and 12M	30-year (Jul'53)	20-year (Nov'42)	2-, and 5-year
1-Aug	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year
8-Aug	1, 3, 6, and 12M	10-year (May'33)	30-year (Nov'50)	2-, 5-, and 10-year
15-Aug	1, 3, 6, and 24M	3-year (Sep'26)	3-year (Dec'26)	1-, and 3-year
22-Aug	1, 3, 6, and 12M	20-year (Nov'42)	20-year (Nov'42)	2-, and 5-year
29-Aug	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year
5-Sep	1, 3, 6, and 12M	30-year (Jul'53)	30-year (Nov'50)	2-, 5-, and 10-year
12-Sep	1, 3, 6, and 24M	3-year (Sep'26)	3-year (Dec'26)	1-, and 3-year
19-Sep	1, 3, 6, and 12M	10-year (May'33)	20-year (Nov'42)	2-, and 5-year
26-Sep	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year

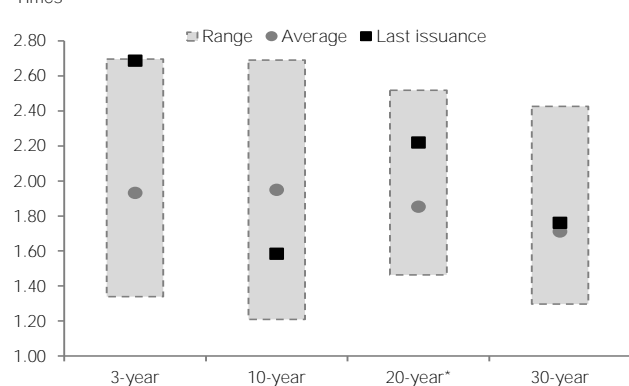
Source: Ministry of Finance \*In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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

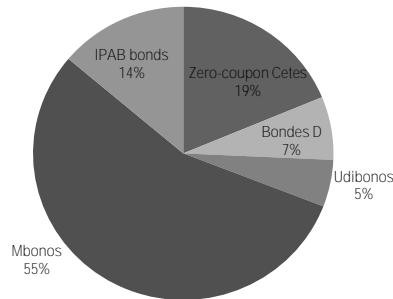
# Fixed-Income demand

Cetes held by foreigners  
MXN billion, %



Source: Banxico

Government issuance by type of instrument  
Total amount of US\$ 429 billion, % of total



Source: Banxico

Government bond holdings by type of investor  
US\$ billion and %, data as of 06/21/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	80	13%	14%	17%	4%	10%	41%
Floating-rate Bondes D	30	0%	5%	41%	1%	19%	33%
Real-rate Udbonos	172	4%	53%	4%	19%	2%	18%
Fixed-rate Mbonos	237	34%	23%	3%	3%	13%	24%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds  
US\$ billion

	06/21/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.8	10.7	0.2	8.2	2.6
Floating-rate Bondes D	0.1	0.1	0.1	2.0	-1.9
Real-rate Udbonos	6.4	0.8	5.6	1.0	5.4
Fixed-rate Mbonos	80.0	79.2	0.8	81.7	-1.7

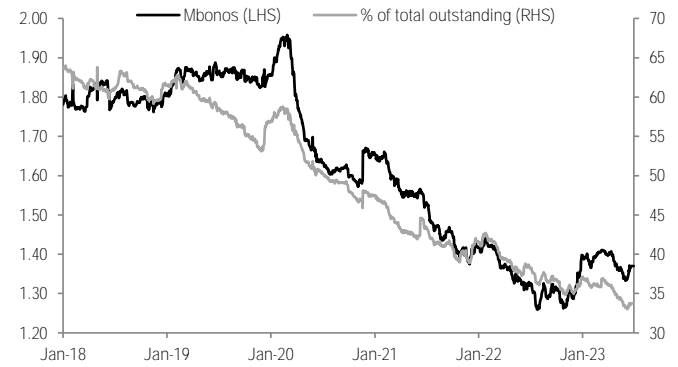
Source: Banorte with data from Banxico

Foreign investors holdings of government bonds  
Percentage of total amount outstanding

	06/21/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	13.5%	13.2%	0.3%	12.4%	1.1%
Floating-rate Bondes D	0.4%	0.2%	0.2%	4.4%	-4.0%
Real-rate Udbonos	3.7%	3.7%	0.0%	5.0%	-1.3%
Fixed-rate Mbonos	33.8%	33.4%	0.3%	37.1%	-3.3%

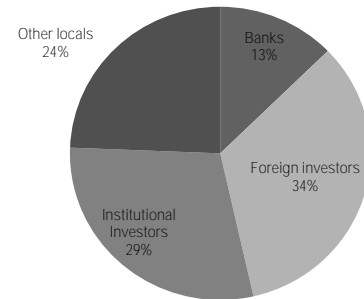
Source: Banorte with data from Banxico

Mbonos held by foreigners  
MXN trillion, %



Source: Banxico

Mbonos holdings by type of investor  
Total amount of US\$ 237 billion, % of total



Source: Banxico

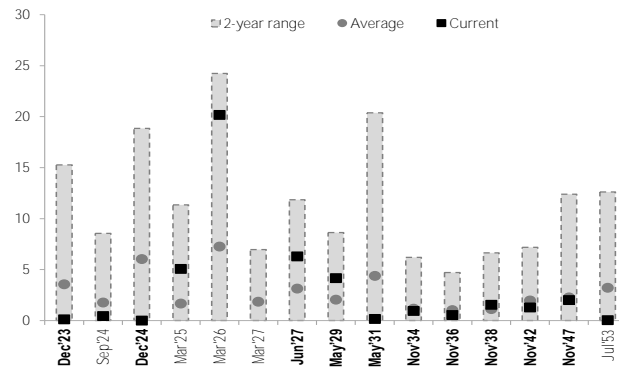
Mbonos holdings by type of investor  
US\$ billion and %, data as of 06/15/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.7	35%	9%	16%	40%
Sep'24	18.4	28%	19%	12%	42%
Dec'24	14.0	35%	28%	9%	28%
Mar'25	13.7	31%	21%	19%	29%
Mar'26	27.2	27%	24%	18%	32%
Sep'26	1.2	34%	11%	13%	42%
Mar'27	16.2	33%	21%	17%	29%
Jun'27	21.0	12%	43%	27%	18%
May'29	15.9	3%	52%	22%	23%
May'31	25.3	6%	48%	32%	14%
May'33	9.6	2%	40%	38%	19%
Nov'34	5.6	1%	51%	35%	13%
Nov'36	4.1	0%	29%	40%	32%
Nov'38	12.8	2%	44%	39%	16%
Nov'42	16.9	1%	45%	39%	16%
Nov'47	15.1	1%	35%	43%	20%
Jul'53	8.2	2%	35%	45%	17%
Total	228.5	16%	34%	26%	24%

Source: Banxico

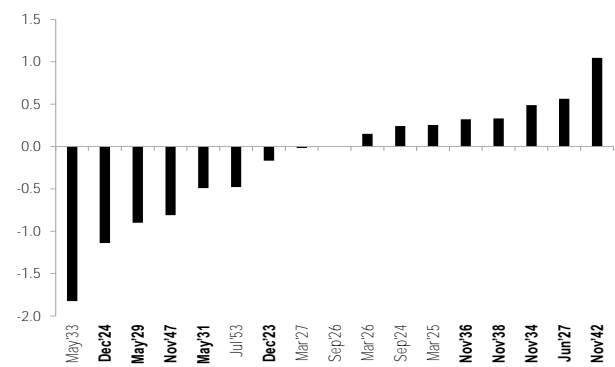
# Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos  
MXN billion



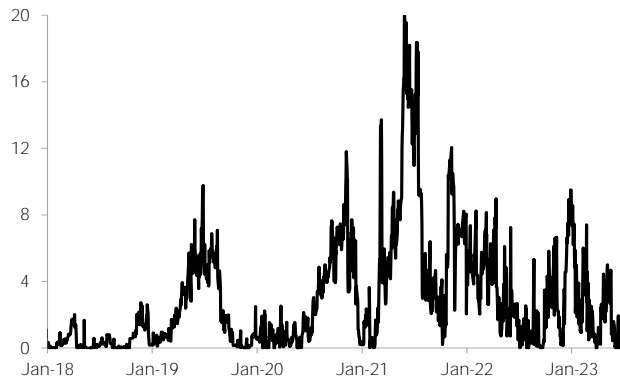
Source: Banxico \*Mar'25 issued in Dec'21

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



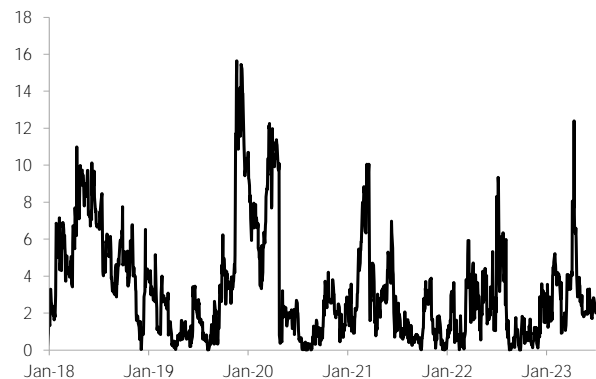
Source: Banxico

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 06/30/2023	06/30/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	11,715	7	17	6	7	420	0
Sep'24	18,388	26	12	62	82	322	0
Dec'24	14,180	1	67	6	79	457	0
Mar'25	13,878	296	282	39	41	663	0
Mar'26	27,049	1,179	1,170	1,227	499	1,416	141
Sep'26	2,158	0	0	0	0	69	0
Mar'27	16,176	0	1	161	15	407	0
Jun'27	20,922	369	336	217	74	693	23
May'29	16,098	243	296	136	49	504	28
May'31	25,353	10	39	42	39	513	0
May'33	10,485	51	158	330	0	414	0
Nov'34	5,580	55	27	85	87	254	21
Nov'36	4,134	32	13	21	172	229	0
Nov'38	12,780	90	71	61	0	161	0
Nov'42	16,976	76	15	2	180	163	0
Nov'47	15,119	117	165	192	429	724	53
Jul'53	8,107	3	31	170	1	343	0
Total	239,098	2,553	2,667	2,587	1,754		

Source: Banxico

## Fixed-Income technicals

- **The carry at the short-end increased.** Spreads between Cetes and imp. forward rates stood at: 1-month at -3bps from -46bps, 3-month at -85bps from -115bps, 6-month at -101bps from -134bps, and 1-year at -101bps from -125bps
- **Attention to the minutes of the last monetary policy decision of the Fed and Banxico.** The Federal Reserve will release its minutes on Wednesday with the market looking for signs of how high the terminal rate will be to consolidate the scenario of two additional 25bps hikes (+50bps vs +33bps priced-in by swaps). A day later, Banxico will also publish its minutes with attention focused on clues to understand what it means to keep rates at the current level for an "extended period". It is worth noting that the market has moderated its bets for cuts in the benchmark rate for the remainder of the year to -46bps from -88bps the previous week

Spread between Cetes and Implied Forward Rates

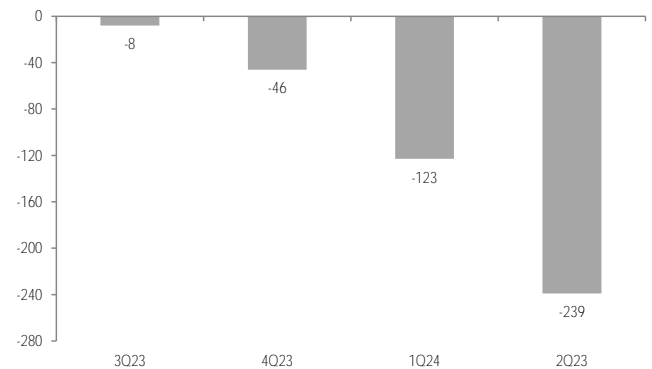
Basis Points

Tenor	Actual 06/30/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	-3	-46	-46	-13	142	-234
3 months	-85	-115	-101	-72	27	-181
6 months	-101	-134	-118	-91	-10	-163
12 months	-101	-125	-103	-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 reached a new low since March 2021.** Mbonos continue to be defensive due to a diverging monetary stance. In this context, the 10-year spread between Mbonos and Treasuries closed Friday at 483bps vs. 485bps the previous week, while the average of the last twelve months stands at 547bps
- **The 3-month correlation between Mexican and American 10-year bonds turned negative.** The reading closed Friday at -1% vs +20% the previous week

10-year Mbono and 10-year UST spread

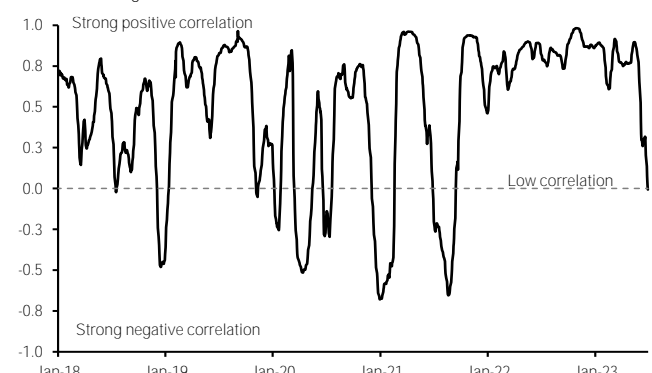
Basis points



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

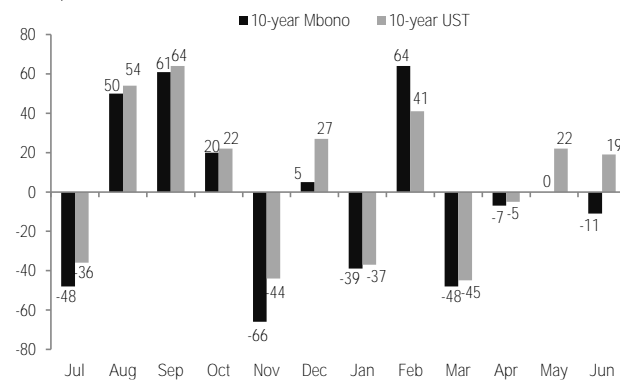
Basis points

Tenor	06/30/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-191	-184 (-7bps)	-185 (-6bps)	-40 (-151bps)	-35	-199	-119
Mbono 10s30s	20	29 (-9bps)	24 (-4bps)	5 (+15bps)	35	-15	10
TIIE-Mbono 2-year	-84	-89 (+5bps)	-78 (-6bps)	8 (-92bps)	13	-89	-36
TIIE-Mbono 10-year	-58	-54 (-4bps)	-45 (-13bps)	-14 (-44bps)	-12	-67	-41

Source: Bloomberg and PiP

## Mexican and US rates performance, last 12 months

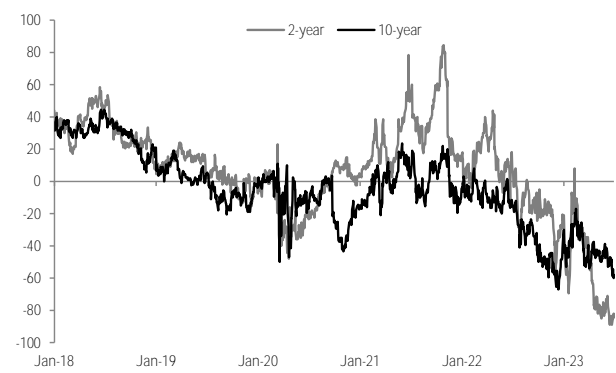
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

## Breakeven inflation using Mbonos & Udibonos

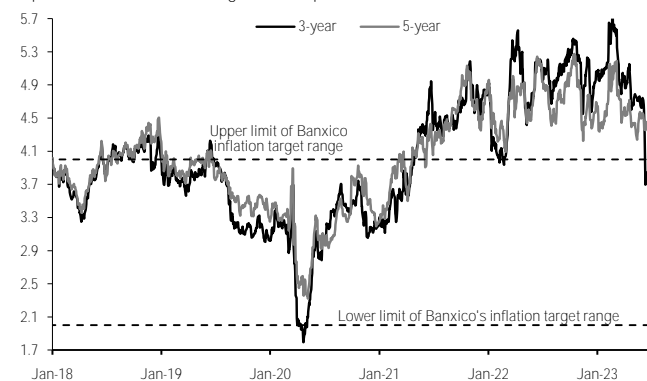
Implicit market inflation using Fisher Equation (%)

Date	06/30/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.99	3.74 (+25bps)	4.74 (-75bps)	4.97 (-98bps)	5.74	3.70	4.97
5Y	4.49	4.25 (+24bps)	4.56 (-7bps)	4.94 (-45bps)	5.28	4.23	4.67
10Y	4.17	4.11 (+6bps)	4.26 (-9bps)	4.73 (-56bps)	5.16	4.07	4.52
20y	4.31	4.26 (+5bps)	4.33 (-2bps)	4.79 (-48bps)	5.15	4.15	4.63
30Y	4.31	4.27 (+4bps)	4.36 (-5bps)	4.75 (-44bps)	5.18	4.15	4.60

Source: PiP

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

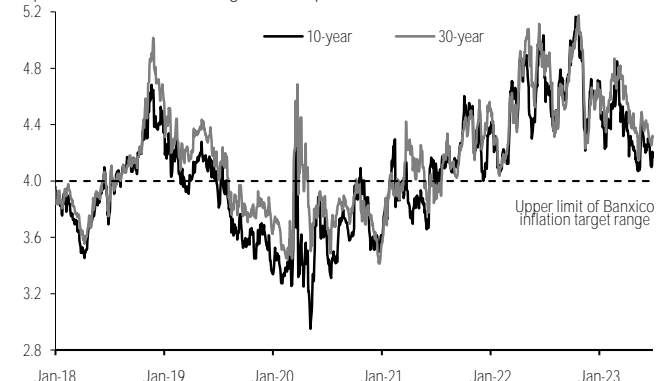
Implicit market inflation using Fisher Equation



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

- **2Q23 ends with better performance in Mbonos vs. Treasuries.** Last week, the main catalysts for the fixed-income market were the tightening comments by Powell (Fed), Lagarde (ECB) and Bailey (BoE) at the ECB's Annual Central Banking Forum, as well as data reflecting a resilient economy and stagnant inflation in the US. Thus, the first half of the year concluded with a clear divergence in monetary policies between developed and emerging countries, particularly those in Latin America. The former countries have reiterated the need to continue raising interest rates to combat inflation, while the latter are beginning to evaluate the start of an accommodative cycle following more favorable price dynamics. According to Bloomberg figures, the market anticipates an increase in benchmark rates in the UK (+119bps), the Eurozone (+47bps) and the US (+33bps); while it expects cuts in Chile (-309bps), Brazil (-193bps) and Mexico (-35bps) over the next 6 months. In particular, the market recalibrated its expectations for the Fed from only pricing-in a 25bps hike to assigning a 50% probability for a second hike, following a significant upward revision in Q1 GDP. As a result, the market began to align with the view of monetary policymakers. Consequently, the Treasuries yield curve registered bear flattening with losses of 16bps w/w on the short- and mid-end. In this sense, the 2-year yield rose 49bps in the month to 4.90%, approaching multi-year highs of 5.07% seen before the banking crisis
- In Mexico, Mbonos followed the dynamics of Treasuries losing 14bps w/w, except for the long-end. However, these securities showed a better performance during the quarter, with gains in the mid- and long-end of 20bps; contrasting with the sharp losses of Treasuries that averaged 55bps, and those of shorter duration adjusted up to +80bps. Meanwhile, the MoF published the government securities [auction calendar for 3Q23](#) where it highlighted a reduction in the average amounts to be auctioned in most of the Udibonos as it considered the low demand in 2Q23 in a context of positive inflation surprises
- In terms of strategy, we reiterate our preference for nominal vs. real rates, as we expect inflation to moderate further. In addition, we anticipate that Banxico will keep the interest rate at 11.25% for the remainder of the year. In this context, real interest rates remain attractive in absolute and relative terms, considering that swaps are pricing-in the beginning of a more aggressive accommodative cycle in other countries, such as Brazil and Chile
- This week, we will be attentive to the employment report and the Fed's minutes, which will most likely help to consolidate market expectations, so we expect more pressures concentrated in short-term Treasuries until the scenario of two 25bps hikes is fully incorporated. In Mexico, the minutes will also be published where the most relevant will be the clues as to how long rates will remain high. Considering our monetary policy trajectory, we continue to expect an upward adjustment in short-term rates. Finally, we believe that the 10-year Mbono, May'33, will trade between 8.55% and 8.85%

# FX dynamics

- **MXN will continue to stand out among its peers.** The Mexican peso will continue to be supported by an attractive carry, with the benchmark rate at 11.25% for the remainder of the year and low volatility, amid diverging monetary policies and solid macroeconomic fundamentals. The local currency closed on Friday at 17.12 per dollar with an appreciation of 0.3% w/w
- **The dollar traded between losses and gains.** The FX universe digested resilient US economic data and a hawkish tone from central bankers. In advanced economies, NOK (+0.8%) and SEK (-0.9%) were at the extremes and in EM, PHP (+1.0%) led the gains and RUB (-5.4%) was the weakest

Foreign Exchange market levels and historical return

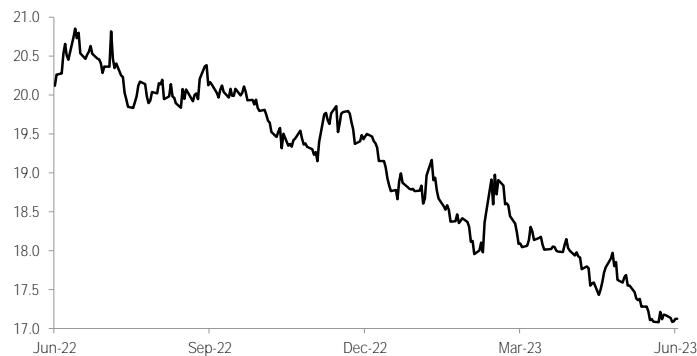
		Close at 06/30/2023	Daily Change (%) <sup>1</sup>	Weekly change (%) <sup>1</sup>	Monthly change (%) <sup>1</sup>	YTD <sup>1</sup> (%)
<b>Emerging Markets</b>						
Brazil	USD/BRL	4.79	1.5	0.0	5.6	10.3
Chile	USD/CLP	802.25	0.1	0.5	0.9	6.1
Colombia	USD/COP	4,171.70	-0.1	0.4	6.7	16.3
Peru	USD/PEN	3.63	0.2	0.3	1.2	5.0
Hungary	USD/HUF	341.63	0.0	-0.5	1.5	9.3
Malaysia	USD/MYR	4.67	0.1	0.3	-1.1	-5.6
Mexico	USD/MXN	17.12	0.0	0.3	3.3	13.9
Poland	USD/PLN	4.06	0.7	0.3	4.2	7.7
Russia	USD/RUB	89.31	-2.3	-5.4	-9.0	-16.9
South Africa	USD/ZAR	18.85	-0.4	-0.5	4.7	-9.6
<b>Developed Markets</b>						
Canada	USD/CAD	1.32	0.1	-0.4	2.5	2.4
Great Britain	GBP/USD	1.27	0.7	-0.1	2.1	5.1
Japan	USD/JPY	144.31	0.3	-0.4	-3.4	-9.1
Eurozone	EUR/USD	1.0909	0.4	0.1	2.1	1.9
Norway	USD/NOK	10.74	0.6	0.8	3.3	-8.7
Denmark	USD/DKK	6.82	0.4	0.2	2.1	1.8
Switzerland	USD/CHF	0.90	0.4	0.2	1.7	3.2
New Zealand	NZD/USD	0.61	0.9	-0.3	1.7	-3.5
Sweden	USD/SEK	10.80	0.7	-0.8	0.5	-3.4
Australia	AUD/USD	0.67	0.7	-0.2	2.5	-2.2

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

Source: Bloomberg

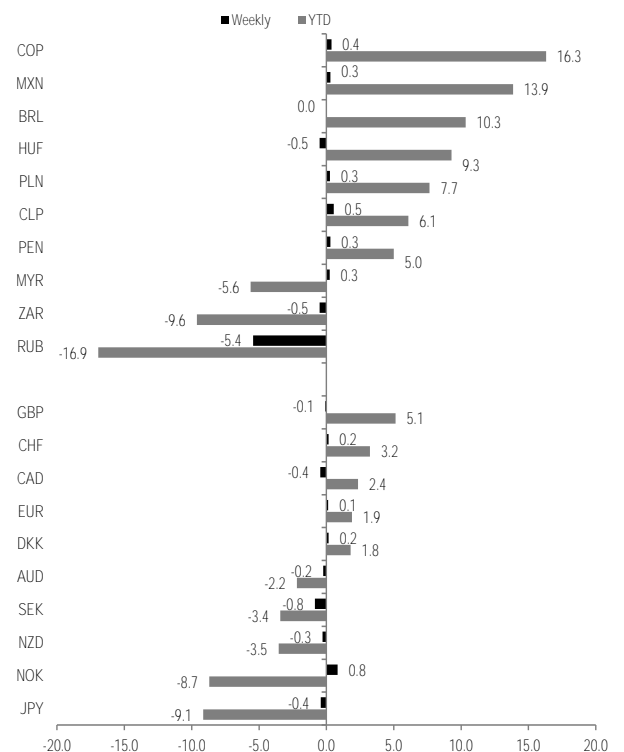
USD/MXN

Last 12 months



Source: Bloomberg

FX performance  
Against USD, %



Source: Bloomberg

DXI

Points

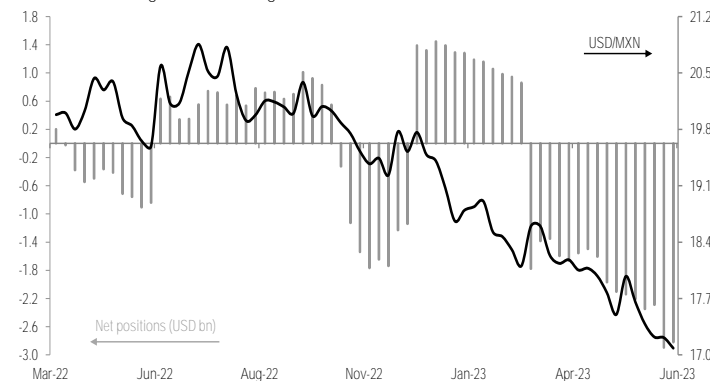


Source: Bloomberg, Banorte

# FX positioning and flows

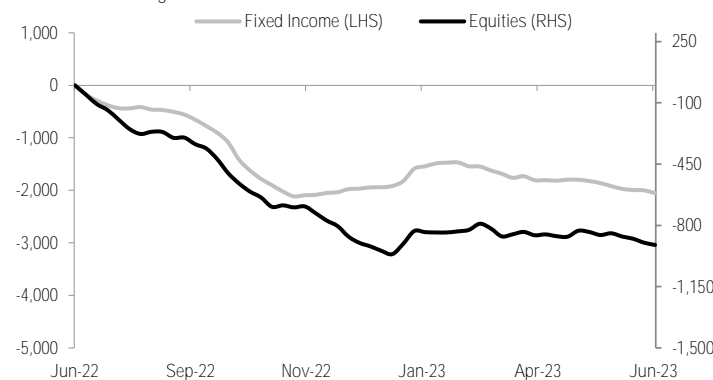
- **Net long positioning in MXN moderated marginally.** As of June 27<sup>th</sup>, the MXN position recorded a lower net long of US\$ 2.82 billion from US\$ 2.90 billion. Speculators maintain their bets on a defensive peso dynamic, which is positioned as the second strongest in EM, supported by attractive interest rates and an expectation that other Latam central banks will begin an aggressive cycle of interest rate cuts
- **Net short USD positions increased for the second consecutive week.** The USD IMM position posted a higher net short of US\$ 13.15 billion from US\$ 9.90 billion the previous week, extending the +66% adjustment a week earlier. The shift was the result of purchases in most currencies, mainly CAD (+2.33 billion) followed by AUD (+856 million). In the former, net short positioning was almost completely diluted to US\$ 245 million from US\$ 2.57 billion
- **Selling continued in both EM and Mexico, recording seven negative weeks in a row.** Our EPFR aggregate recorded negative flows of US\$ 915 million from US\$ 1.5 billion the previous week. Bond market sales increase 64% to US\$ 1.5 billion, concentrated in Asia. However, Equities flows turn positive to US\$ 609 million from -US\$ 585 million. In Mexico, a negative flow of US\$ 66 million was recorded because of sales in both bonds and equities of US\$ 53 million and US\$ 13 million, respectively

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



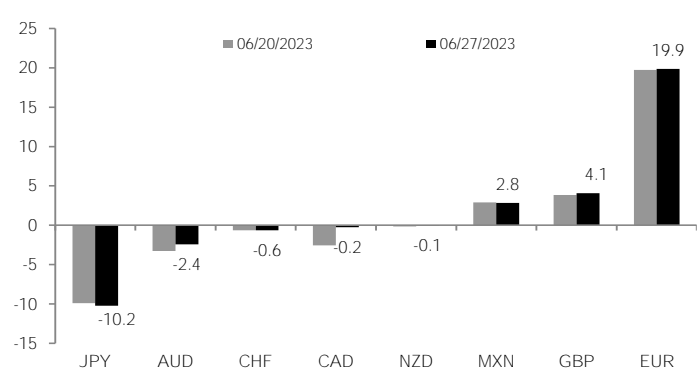
Source: CME, Banorte

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



Source: EPFR Global, Banorte

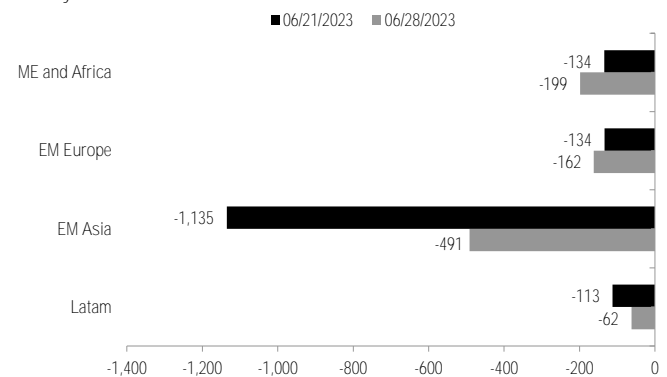
IMM positioning by currency\*  
Billion dollars



\* 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

- **Mexican peso performance will be determined by Banxico's minutes.** We await further information from the Board of Governors on the definition of "extended period", this could influence MXN performance and outlook, as well as investor positioning. The Mexican peso extended the consolidation trend near the psychological level of 17.00 per dollar. The main short-term resistances stand at 16.95, 16.88, and 16.80, with supports at 17.25, 17.35, and 17.40. The weekly trading range marked 13 cents, which has not been seen since September 2021. Meanwhile, the weekly range registered a high of 94 cents so far this year

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	26	18	-7	72	28
CAD	37	37	1	63	35
ZAR	56	53	4	85	35
BRL	40	56	-18	63	42
HUF	26	22	-5	70	40
RUB	26	25	-34	54	13

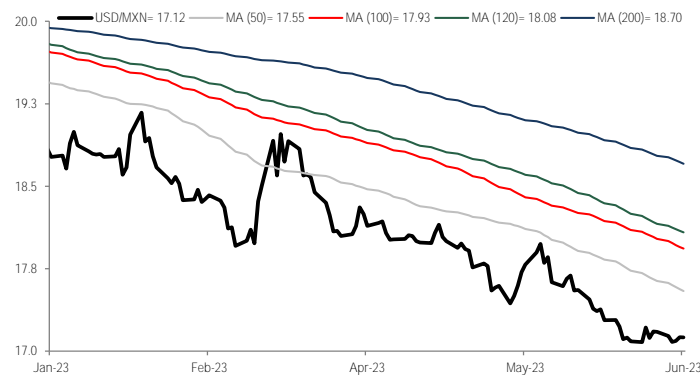
\* Positive: appreciation of MXN and corresponding currency  
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	27	20	19	89	49
SPX	15	8	5	71	44
GSCI	40	43	2	49	32
Gold	8	20	-57	64	8

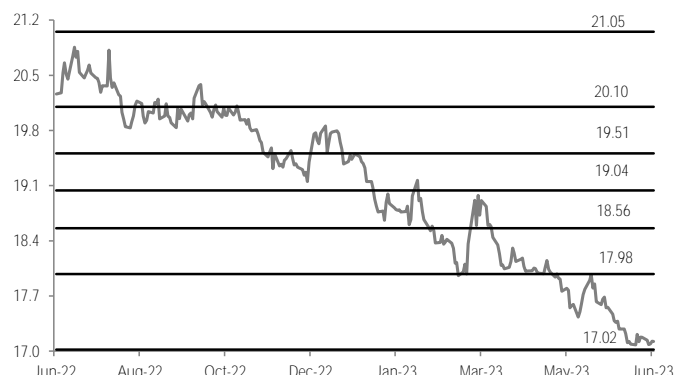
\* Positive: appreciation of MXN and corresponding asset except VIX  
Source: Bloomberg, Banorte

USD/MXN – Moving averages  
Last 120 trading days



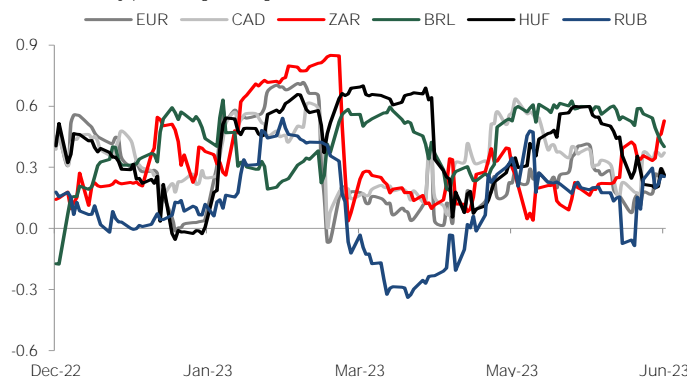
Source: Bloomberg

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

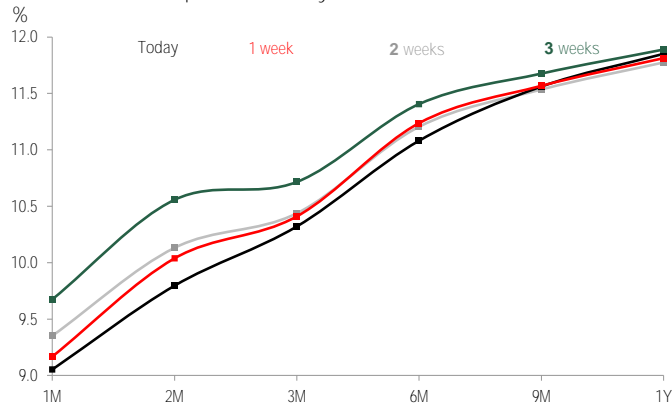


\* Positive: appreciation of MXN and corresponding asset except VIX  
Source: Bloomberg, Banorte

## FX technicals (continued)

- The MXN ATM implied volatility curve has remained stable over the last three weeks.** The 1-month implied vol fell modestly for the fifth consecutive week to 9.1% from 9.2% last week, reflecting that the currency will remain relatively stable. Similarly, the 3-month and 1-year readings were little changed at 10.3% and 11.8%, respectively. Meanwhile, the 1-month risk reversal moved to 1.98% from 2.08% the previous week and the 3-month reading moved to 2.48% from 2.62%. As a result of these adjustments, both metrics are at 5-month lows

USD/MXN – ATM options volatility curve



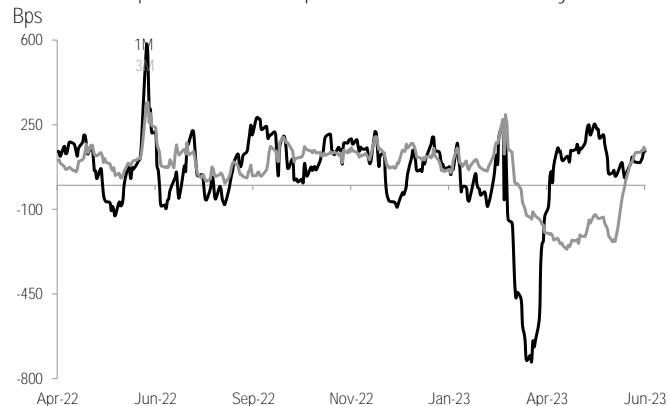
Source: Bloomberg

USD/MXN – 1M implied and historical volatility



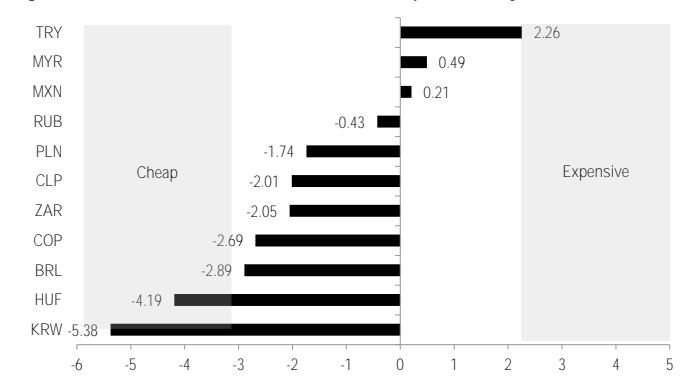
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility



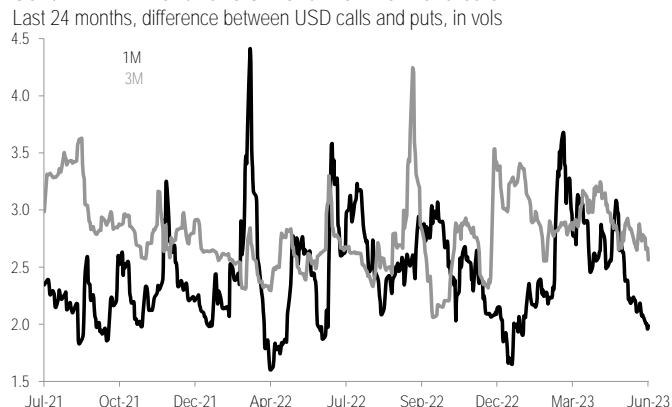
Source: Bloomberg

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



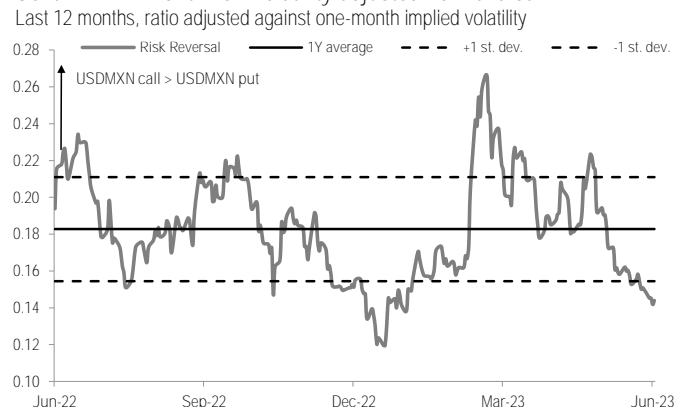
Source: Bloomberg, Banorte

USD/MXN – 1-month and 3-month 25D risk reversals



Source: Bloomberg

USD/MXN – 1-month 25D volatility-adjusted risk reversal



Source: Bloomberg, Banorte

## FX trade recommendations

- **In 2H23, divergent monetary policies will be the main driver for currencies.** The first half of the year ended, and the dynamics of the FX market continue to be shaped by tight monetary policy, uncertainty about its effects on economic activity and recession risks. The hawkish tone in comments by Powell (Fed), Lagarde (ECB) and Bailey (BoE) at a panel at the ECB's Annual Central Banking Forum, as well as the PCE deflator influenced the performance of currencies
- The dollar swung between losses and gains ending little changed on the DXY and up 0.1% w/w on the BBDXY. Between Wednesday and Thursday both indices breached the 50- and 100-day MA. From a technical point of view, these are immersed in a symmetrical triangle; rarely is this pattern defined by a change in trend so we would expect some laterality while the debate on monetary policy continues
- Meanwhile, the defensive performance of the MXN was notorious in recent days, validating once again our view that the currency behaves as a high beta proxy of the USD. The Mexican peso closed Friday at 17.12 per dollar with an appreciation of 0.3% w/w and trading narrowly between USD/MXN 17.05 and 17.18. Three-month implied volatility remained virtually unchanged at 10.3% compared to the previous week
- Extending the horizon to a six-month snapshot, G10 currencies posted mixed movements with GBP (+5.1%) and JPY (-9.1%) at the ends of the spectrum. In our view, the cumulative performance in both currencies is a clear reflection of divergent currency stances. In emerging markets the range was significantly wider, with COP (+16.3%) as the strongest and ARS (-31.0%) leading the declines. The MXN appreciated 13.9%, the second strongest among EMs. Volatility-adjusted carry is its main catalyst, which continues to generate portfolio inflows
- In 2H23, investors will remain attentive to the evolution of economic activity and inflation, as well as to monetary policy, which will be divergent, with developed central banks probably reaching the terminal rate and some emerging markets starting a cycle of cuts, after having driven benchmark rates to very high levels. With this, we would expect to see a FX market with different dynamics as rate differentials will continue to be the main driver of flows
- This week, the US employment report and Fed minutes could influence the USD price action as they could consolidate expectations about the next movements. Locally, the minutes of the latest Banxico meeting will influence MXN as they could give more clues on how long the benchmark rate will remain at 11.25%. In this sense, we expect a trading range between USD/MXN 17.00 and 17.40

# Weekly economic calendar

For the week ending July 7, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 2	21:45	CHI	Manufacturing PMI (Caixin)*	Jun	index	--	50.0	50.9
Mon 3		EZ	European Commission economic growth forecasts					
	03:55	GER	Manufacturing PMI*	Jun (F)	index	--	41.0	41.0
	04:00	EZ	Manufacturing PMI*	Jun (F)	index	--	43.6	43.6
	04:30	UK	Manufacturing PMI*	Jun (F)	index	--	46.2	46.2
	09:00	BZ	Manufacturing PMI*	Jun	index	--	--	47.1
	09:45	US	Manufacturing PMI*	Jun (F)	index	46.3	46.3	46.3
	10:00	US	ISM manufacturing*	Jun	index	47.5	47.2	46.9
	11:00	MX	Family remittances	May	US\$bn	5,583.4	5,425.0	5,003.3
	11:00	MX	Survey of expectations (Banxico)					
	14:00	MX	PMI manufacturing (IMEF)*	Jun	index	50.3	--	49.8
	14:00	MX	PMI non-manufacturing (IMEF)*	Jun	index	51.6	--	51.1
		US	Total vehicle sales**	Jun	millions	--	15.3	15.1
Tue 4	02:00	GER	Trade balance	May	EURbn	--	17.5	17.2
	08:00	BZ	Industrial production	May	% y/y	--	--	-2.7
	08:00	BZ	Industrial production*	May	% m/m	--	--	-0.6
	11:00	MX	International reserves	Jun 30	US\$bn	--	--	203.3
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'27); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F					
	21:45	CHI	Services PMI (Caixin)*	Jun	index	--	56.2	57.1
	21:45	CHI	Composite PMI (Caixin)*	Jun	index	--	--	55.6
Wed 5	03:55	GER	Services PMI*	Jun (F)	index	--	54.1	54.1
	03:55	GER	Composite PMI*	Jun (F)	index	--	50.8	50.8
	04:00	EZ	Services PMI*	Jun (F)	index	--	52.4	52.4
	04:00	EZ	Composite PMI*	Jun (F)	index	--	50.3	50.3
	04:30	UK	Services PMI*	Jun (F)	index	--	53.7	53.7
	08:00	MX	Consumer confidence*	Jun	index	44.8	--	44.4
	08:00	MX	Gross fixed investment	Apr	% y/y	4.4	6.9	9.1
	08:00	MX	Gross fixed investment*	Apr	% m/m	-1.2	-0.5	0.5
	08:00	MX	Private consumption	Apr	% y/y	4.1	--	3.4
	08:00	MX	Private consumption*	Apr	% m/m	1.4	--	0.3
	10:00	US	Factory orders*	May	% m/m	--	0.8	0.4
	10:00	US	Ex transportation*	May	% m/m	--	--	-0.2
	10:00	US	Durable goods orders*	May (F)	% m/m	--	1.7	1.7
	10:00	US	Ex transportation*	May (F)	% m/m	--	--	0.6
	14:00	US	FOMC Meeting Minutes					
	16:00	US	Fed's Williams Speaks at Central Bank Research Association Mtg					
	16:30	MX	Survey of expectations (Citibanamex)					
Thu 6	05:00	EZ	Retail sales*	May	% m/m	--	0.2	0.0
	08:15	US	ADP employment*	Jun	thousands	225	240	278
	08:30	US	Trade balance*	May	US\$bn	--	-69.0	-74.6
	08:30	US	Initial jobless claims*	Jul 1	thousands	250	245	239
	08:45	US	Fed's Logan Speaks on Policy Challenges for Central Banks					
	09:45	US	Services PMI*	Jun (F)	index	54.1	54.1	54.1
	09:45	US	Composite PMI*	Jun (F)	index	53.0	--	53.0
	10:00	US	ISM services*	Jun	index	50.0	51.3	50.3
	11:00	MX	Banxico's minutes					
Fri 7	02:00	GER	Industrial Production*	May	% m/m	--	0.0	0.3
	08:00	MX	Consumer prices	Jun	% m/m	0.07	0.09	-0.22
	08:00	MX	Core	Jun	% m/m	0.29	0.29	0.32
	08:00	MX	Consumer prices	Jun	% y/y	5.02	5.07	5.84
	08:00	MX	Core	Jun	% y/y	6.87	6.87	7.39
	08:30	US	Nonfarm payrolls*	Jun	thousands	200	225	339
	08:30	US	Unemployment Rate*	Jun	%	3.7	3.6	3.7

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

For the week ending June 30, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Sun 25	09:15	US	Fed's Williams Speaks at Bank for International Settlements					
		EZ	ECB Forum on Central Banking in Sintra, Portugal begins					
Mon 26	04:00	GER	IFO Survey (business climate)*	Jun	index	--	88.5	91.5 (R)
	08:00	MX	Economic activity indicator (IGAE)	Apr	% y/y	1.9	2.5	2.7
	08:00	MX	Economic activity indicator (IGAE)*	Apr	% m/m	0.5	0.8	-0.2
	07:00	BZ	COPOM minutes					
	08:00	MX	Trade balance	May	US\$m	-1,028.4	-74.1	-1,508.5
	08:00	BZ	Consumer prices	Jun	% m/m	--	0.04	0.51
	08:00	BZ	Consumer prices	Jun	% y/y	--	3.40	4.07
Tue 27	08:30	US	Durable goods orders*	May (P)	% m/m	--	1.7	1.2 (R)
	08:30	US	Ex transportation*	May (P)	% m/m	--	0.6	-0.6 (R)
	09:00	US	S&P/CoreLogic housing prices	Apr	% y/y	--	-1.7	-1.1 (R)
	10:00	US	New home sales**	May	thousands	--	763	680 (R)
	10:00	US	Consumer confidence*	Jun	index	103.4	109.7	102.5
	11:00	MX	International reserves	Jun 23	US\$bn	--	203.3	203.3
	13:30	MX	Government weekly auction: 1-, 3-, 6-, 12- month CETES; 10-year Mbono (May'33); 20-year Udibono (Nov'43) and 2-, and 5-year Bondes F					
Wed 28	04:00	EZ	Monetary aggregates (M3)*	May	EURbn	--	1.4	1.9
	08:30	US	Trade balance*	May	US\$bn	--	-91.1	-97.1 (R)
	09:30		Fed's Powell, ECB's Lagarde, BOJ's Ueda, BOE's Bailey: Sintra					
	02:30	US	<b>Fed's Powell Takes Part in a Discussion at the Bank of Spain</b>					
	05:00	EZ	Consumer confidence*	Jun (F)	index	--	-16.1	-16.1
	05:00	EZ	Economic confidence*	Jun	index	--	95.3	96.4
	06:00	US	Fed's Bostic Speaks on US Economic Outlook					
	07:00	BZ	Central Bank Quarterly Inflation Report					
Thu 29	08:00	GER	Consumer prices	Jun (P)	% y/y	--	6.4	6.1
	08:30	US	Gross domestic product**	1Q23	% q/q	1.3	2.0	1.3
	08:30	US	Personal consumption**	1Q23	% q/q	--	4.2	3.8
	08:30	US	Initial jobless claims*	Jun 24	thousands	263	239	265 (R)
	21:30	CHI	Manufacturing PMI*	Jun	index	--	49.0	48.8
	21:30	CHI	Non-manufacturing PMI*	Jun	index	--	53.2	54.5
	21:30	CHI	Composite PMI*	Jun	index	--	52.3	52.9
	02:00	UK	Gross domestic product	1Q23 (F)	% y/y	--	0.2	0.2
	02:00	UK	Gross domestic product*	1Q23 (F)	% q/q	--	0.1	0.1
	05:00	EZ	Consumer prices	Jun (P)	% y/y	--	5.5	6.1
	05:00	EZ	Core	Jun (P)	% y/y	--	5.4	5.3
	05:00	EZ	Unemployment rate*	may	%	--	6.5	6.5
	08:00	MX	Unemployment rate	May	%	2.88	2.93	2.82
	08:00	BZ	Unemployment rate	May	%	--	8.3	8.5
	08:30	US	Personal income*	May	% m/m	--	0.4	0.3 (R)
	08:30	US	Personal spending*	May	% m/m	0.3	0.1	0.6 (R)
	08:30	US	Real personal spending*	May	% m/m	0.2	0.0	0.2 (R)
	08:30	US	PCE Deflator*	May	% m/m	0.1	0.1	0.4
	08:30	US	Core*	May	% m/m	0.4	0.3	0.4
	08:30	US	PCE Deflator	May	% y/y	3.8	2.8	4.3 (R)
	08:30	US	Core	May	% y/y	4.7	4.6	4.7
	10:00	US	U. of Michigan confidence*	Jun (F)	index	63.9	64.4	63.9
	11:00	MX	Banking credit	May	% y/y	5.4	5.1	5.5
	14:00	COL	Monetary policy decision (Banco de la República)	Jun 30	%	--	13.25	13.25
	16:30	MX	Public finances (PSBR, year-to-date)	May	MXNmn	--	-152.2	-64.4

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
Long positions in Mbono Dec'24	P	16-Jun-23	22-Jun-23
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 Udbono 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 Udbono Dec'25	P	23-Jul-20	10-Aug-20
Long positions in Udbono 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 Udbono Nov'28	P	31-Jan-20	12-Feb-20
Long positions in Udbono 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 Udbono 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 Udbono 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 Udbono 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 Udbono 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 <sup>2</sup>	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 Udbono 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% <sup>1</sup>	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 Udbono 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 Udbono 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 Udbono 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 Udbono 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 Udbono 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 Udbono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	1-May-12	27-Nov-12
Long Udbono 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

#### 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

Source: Banorte

## Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora 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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<b>HOLD</b>	When the share expected performance is similar to the MEXBOL estimated performance.
<b>SELL</b>	When the share expected performance is lower than the MEXBOL estimated performance.

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