Fixed-Income and FX Weekly

Market outlook

- **Rally in most financial assets.** Last week, Mbonos' curve gained 18bps, on average, with the 10-year benchmark closing at 8.74% (-20bps w/w). In addition, the USD/MXN appreciated 2.4% w/w to 16.75

- **Focus on consumer and industrial production figures in the US.** A week ended with widespread gains in most financial assets, with the S&P 500 and Nasdaq hitting 15-month highs. The optimism was triggered by a positive surprise in the US CPI report with the headline and core metric at 0.2% m/m. Sentiment will sharpen after the PPI also came out better than expected at 0.1% m/m. Despite this, Fed members maintained a hawkish tone, awaiting stronger signs of price slowdown. For its part, Canada increased the reference rate to 5.00% (+25bps), in line with the consensus, reaching its highest level in 22 years and leaving the door open for more hikes. This situation reinforces the possibility of growing divergences in monetary policy between emerging countries and developed countries. On the corporate front, the 2Q23 reporting season began in the US and Mexico. In the first, the results of the banking sector were better than expected. This week, Chinese economic data disappointed and Russia ended Ukraine grain-export-deal, heightening uncertainty over global food supplies and escalating tensions in the region. In data, the US will publish retail sales and industrial production. Also, there will be no intervention from Fed speakers due to the silence period before the monetary policy decision on July 26th. Meanwhile, South Africa, Turkey and Russia will announce their decisions. For their part, the United Kingdom and Japan will publish inflation. Locally, we will know retail sales, IOAE figures and the survey of expectations of the banking sector

Fixed-Income

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

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.374 trillion (US$ 80.2 billion), a market share equal to 33.5%, as of July 5th. Short positions in Mbono May'33 ended at MXN 2.1 billion from MXN 4.0 billion last week

- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 490bps from 487bps the previous week, with the 12M mean at 543bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of July 11th) printed a higher net long of US$ 2.82 billion from US$ 2.79 billion a week ago. Mutual funds' flows to EM marked lower sales of US$ 823 million from US$ 1.1 billion

- **Technicals** – The spot strengthened and breached the 16.80 zone, reaching its best intraday level since 2015 of 16.72 per dollar, while the dollar collapsed to 15-month lows

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Recommendations

Fixed-Income
- Regarding our 3Q23 Outlook and considering our monetary policy forecast, we expect the bear flattening bias in US Treasuries to reach its peak in coming months. In addition, we cut our preference for nominal vs. real rates, with breakevens declining sharply for all maturities. In more detail, it is our take that 3-year Udibonos look attractive because the breakeven fell below 4.00% (current: 3.89%)
- We expect the 10-year Mbono to trade between 8.55% and 8.90%

FX
- In our opinion, the carry trade will keep supporting the MXN. Considering the accumulated performance so far and other forecast changes, we adjust our USD/MXN estimates. For 2H23 we estimate a range between USD/MXN 16.30 & 18.20 and a year-end, at 17.90
- We estimate a weekly trading range between USD/MXN 16.50 and 17.00

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 07/14/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.30	+6	+48
Sep'24	10.93	+8	+84
Dec'24	10.51	-4	+64
Mar'25	10.04	-15	+11
Mar'26	9.50	-26	+27
Sep'26	9.47	-14	+7
Mar'27	9.22	-23	+3
Jun'27	9.12	-22	+4
May'29	8.75	-24	-33
May'31	8.74	-20	-28
May'33	8.74	-20	-29
Nov'34	8.74	-18	-32
Nov'36	8.73	-19	-32
Nov'38	8.84	-16	-25
Nov'42	8.87	-21	-24
Nov'47	8.84	-19	-23
Jul'53	8.88	-17	-18

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 07/14/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.50	-2	+60
6-month (6x1)	11.45	-2	+41
9-month (9x1)	11.28	-4	+21
1-year (13x1)	10.93	-11	+2
2-year (26x1)	9.65	-18	-22
3-year (39x1)	8.90	-23	-28
4-year (52x1)	8.49	-26	-41
5-year (65x1)	8.29	-25	-53
7-year (91x1)	8.10	-25	-64
10-year (130x1)	8.09	-21	-64
20-year (260x1)	8.18	-21	-68

Source: Bloomberg

Udibonos performance

Maturity date	YTM 07/14/2023	Weekly change (bps)	YTD (bps)
Nov'23	6.84	-26	+76
Dec'25	5.60	+4	+83
Dec'26	5.38	+12	+71
Nov'28	4.58	-4	+27
Nov'31	4.43	-11	+26
Nov'35	4.25	-14	+4
Nov'40	4.36	-12	+17
Nov'43	4.39	-11	-11
Nov'46	4.41	-9	+22
Nov'50	4.43	-8	+20

Source: PiP

Cetes performance

Maturity date	YTM 07/14/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.33	+4	+124
Cetes 91	11.37	+10	+70
Cetes 182	11.37	+3	+50
Cetes 364	11.29	+1	+32
Cetes 728	10.96	-8	+15

Source: PiP

Mbonos curve at different closing dates
%
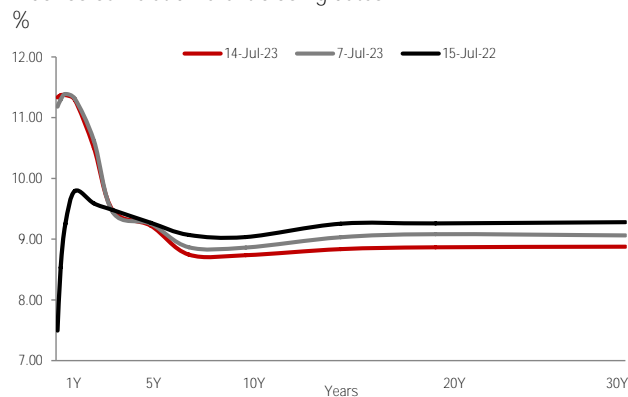
Source: PiP, Banorte

10-year Mbono benchmark
%

Source: PiP

Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

Term	UMS				UST			Spreads			CDS
	Maturity date	YTM 07/14/2023	Weekly change (bps)	YTD (bps)	YTM 07/14/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.76	-25	+29	4.77	-18	+34	0	-7	21	30
3Y	May'26	4.32	-27	-48	4.37	-29	+15	-6	+2	63	49
5Y	Feb'28	4.84	-32	+5	4.05	-31	+4	79	-1	101	99
7Y	Apr'30	5.02	-33	-32	3.94	-29	-3	108	-4	144	143
10Y	May'33	5.36	-27	-20	3.83	-23	-4	153	-4	180	180
20Y	Mar'44	5.88	-20	-50	4.11	-16	-3	176	-4	222	--
30Y	May'53	6.15	-16	-24	3.93	-12	-4	222	-4	252	--

Source: Bloomberg

5Y USD UMS
%

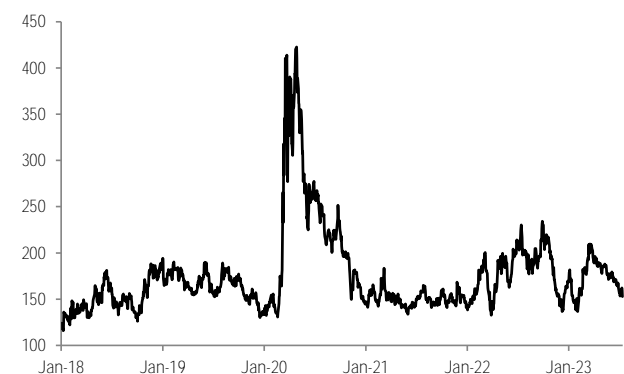

Source: Bloomberg

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 3-year Udibono (Dec'26), as well as 1-, and 3-year Bondes F

- **Greater appetite for short-term real vs. nominal rates.** We expect the demand for Cetes to remain high due to the attractive real rates. We reiterate our view that Banxico will keep the reference rate unchanged at 11.25% for the remainder of the year amid positive inflation surprises. We believe that appetite for Mbonos will moderate after last week's rally that was triggered by a further slowdown in US inflation. In this sense, the curve registered gains of 22bps and 14bps, in the belly and in the extremes, respectively. In particular, the 3-year Mbono (Sep'26) returned to trading below 9.50% after reaching its record level of 9.66% on July 10th. In this sense, we expect a slightly lower demand than the average of its last four placements of 2.4x. For the Udibono Dec'26 we anticipate a greater appetite with respect to the Mbono of the same maturity given the strong compression in the breakeven, falling below 4.0%. Historically, this level has triggered strong buying interest. The breakeven of this security decreased 24bps w/w, reaching levels not seen since April 2021 of 3.89%

Auction specifics (July 18, 2023)

	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	17-Ago-23	--	8,500	11.29
3m	19-Oct-23	--	7,500	11.40
6m	11-Ene-24	--	11,700	11.38
24m	10-Jul-25	--	8,500	10.90
Bondes F				
1y	23-May-24	--	5,500	0.12
3y	4-Jun-26	--	1,500	0.20
Mbono				
3y	3-Sep-26	7.00	13,500	9.42
Udibono				
3y	3-Dic-26	3.00	UDIS 700	5.50

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
Times
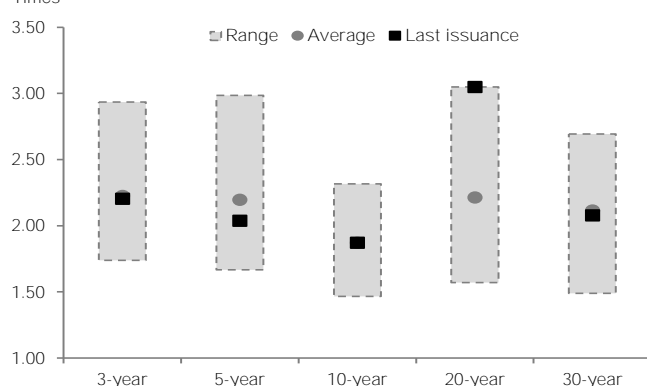
Source: Banxico, Banorte

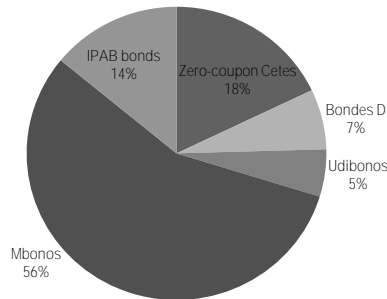Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times
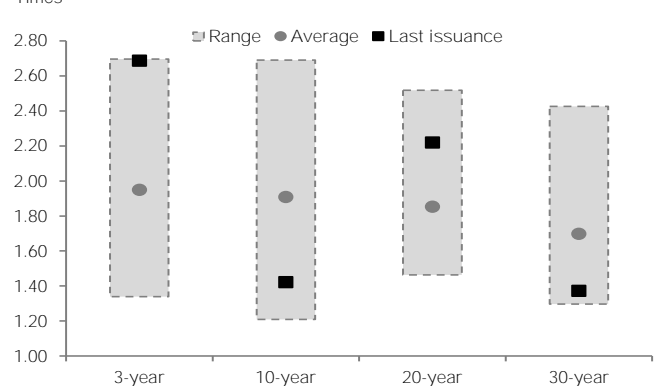
Source: Banxico, Banorte

Fixed-Income demand

Cetes held by foreigners
MXN billion, %

Source: Banxico

Mbonos held by foreigners
MXN trillion, %

Source: Banxico

Government issuance by type of instrument
Total amount of US$ 426 billion, % of total

Source: Banxico

Mbonos holdings by type of investor
Total amount of US$ 240 billion, % of total

Source: Banxico

Government bond holdings by type of investor
US$ billion and %, data as of 07/05/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	76	14%	15%	16%	4%	11%	41%
Floating-rate Bondes D	28	0%	4%	41%	2%	22%	31%
Real-rate Udibonos	173	4%	54%	4%	19%	2%	17%
Fixed-rate Mbonos	240	33%	23%	3%	3%	16%	22%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

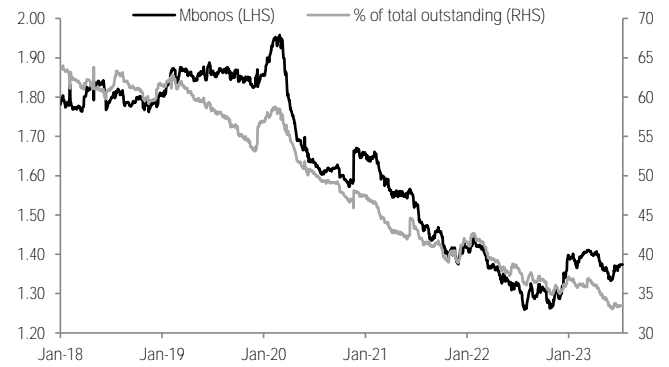|	07/05/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.6	10.9	-0.3	8.2	2.4
Floating-rate Bondes D	0.1	0.1	0.0	2.0	-1.9
Real-rate Udibonos	6.1	0.8	5.3	1.0	5.1
Fixed-rate Mbonos	80.2	79.8	0.4	81.6	-1.4

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	07/05/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	13.9%	13.5%	0.4%	12.4%	1.4%
Floating-rate Bondes D	0.3%	0.2%	0.1%	4.4%	-4.1%
Real-rate Udibonos	3.5%	3.6%	0.0%	5.0%	-1.5%
Fixed-rate Mbonos	33.5%	33.4%	0.1%	37.1%	-3.6%

Source: Banorte with data from Banxico

Mbonos holdings by type of investor
US$ billion and %, data as of 06/29/2023

| DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	11.7	24%	9%	19%	48%
Sep'24	18.3	21%	19%	12%	48%
Dec'24	13.9	33%	27%	9%	30%
Mar'25	13.9	32%	19%	18%	32%
Mar'26	26.9	21%	24%	18%	37%
Sep'26	2.2	12%	3%	43%	42%
Mar'27	16.0	22%	22%	18%	38%
Jun'27	20.8	18%	43%	27%	13%
May'29	15.8	4%	51%	23%	21%
May'31	25.3	4%	48%	31%	16%
May'33	10.5	4%	38%	35%	23%
Nov'34	5.5	2%	48%	36%	14%
Nov'36	4.1	0%	29%	40%	30%
Nov'38	12.7	1%	45%	38%	16%
Nov'42	16.9	0%	46%	38%	15%
Nov'47	15.1	1%	35%	43%	20%
Jul'53	8.1	2%	36%	46%	16%
Total	229.6	13%	34%	26%	27%

Source: Banxico

Fixed-Income demand – Primary dealers

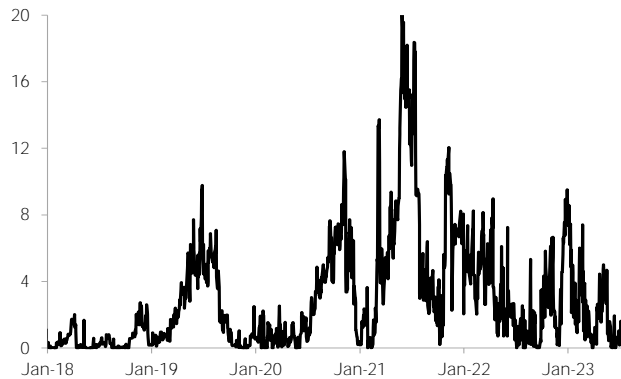Market makers' short positions on Mbonos
MXN billion
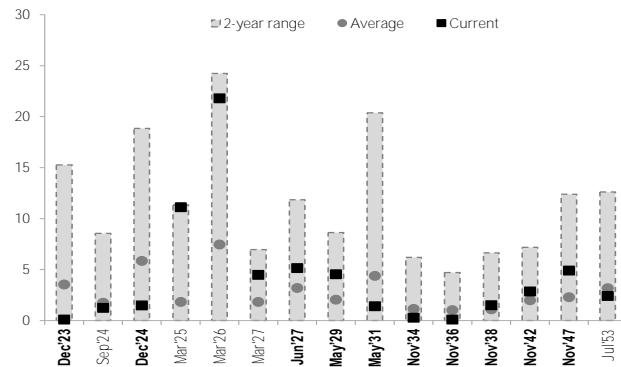
Source: Banxico

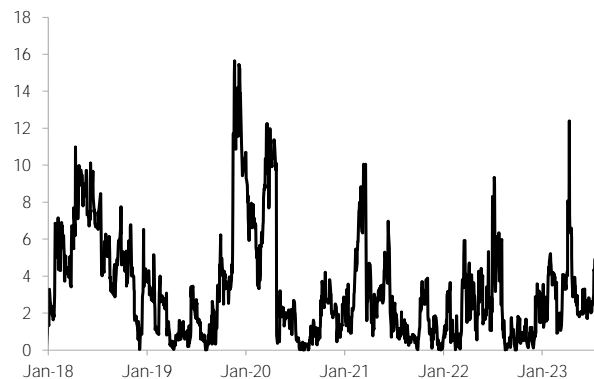Weekly change in market makers' short positions on Mbonos
MXN billion
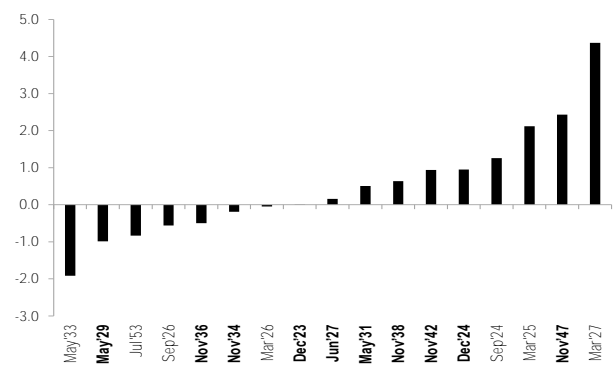
Source: Banxico

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 07/14/2023	07/14/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,985	6	6	45	6	429	0
Sep'24	17,329	75	0	23	27	329	0
Dec'24	14,164	90	33	19	22	468	0
Mar'25	12,304	664	537	178	45	678	0
Mar'26	27,744	1,301	1,304	1,327	505	1,447	144
Sep'26	2,460	15	48	27	0	87	0
Mar'27	21,156	268	7	6	26	392	0
Jun'27	21,315	307	298	398	15	417	24
May'29	16,810	271	330	326	106	515	47
May'31	25,987	84	54	0	71	442	0
May'33	11,599	126	241	15	0	423	0
Nov'34	5,683	17	29	84	36	260	17
Nov'36	4,377	7	37	1	94	161	0
Nov'38	13,060	91	53	47	4	164	0
Nov'42	17,811	171	115	7	226	345	0
Nov'47	15,809	294	149	104	333	740	54
Jul'53	8,706	144	194	351	11	351	0
Total	246,299	3,788	3,241	2,608	1,516		

Source: Banxico

Fixed-Income technicals

- **The carry at the short-end registered a mixed balance**. Spreads between Cetes and imp. forward rates stood at: 1-month at +40bps from +44bps, 3-month at -100bps from -103bps, 6-month at -119bps from -121bps, and 1-year at -126bps from -121bps

- **Ahead of the Fed's decision next week.** There will be no speeches from Fed members this week due to the silence period prior to the decision. Despite the strong rally in the Treasuries and the positive surprise in US inflation, the market remains pricing-in a 25bps hike in July and investors have maintained their bets with few changes for a second hike. In this regard, swaps discount a +33bps cumulative hike heading into the November meeting from +35bps a week earlier

Spread between Cetes and Implied Forward Rates
Basis Points

Tenor	Actual 07/14/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	40	44	-41	-14	142	-234
3 months	-100	-103	-110	-76	27	-181
6 months	-119	-121	-128	-94	-10	-163
12 months	-126	-121	-117	-93	-48	-130

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate
Basis points
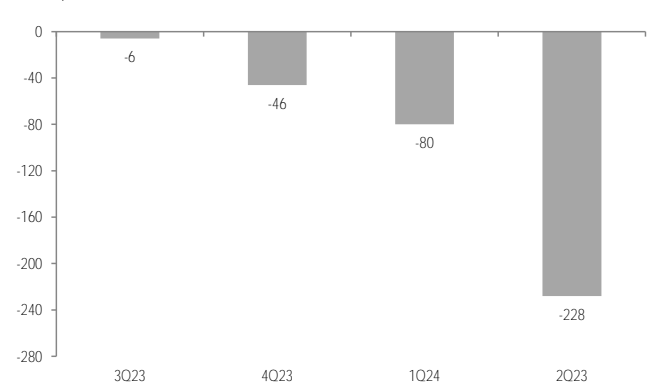
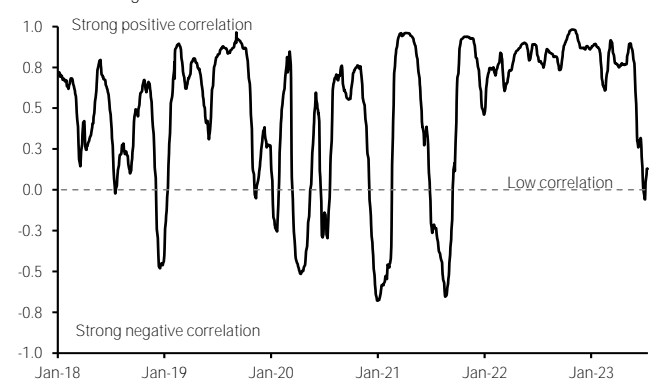Source: Banorte with data from Bloomberg

- **Local risk premium increased moderately**. The 10-year Treasury gained 23bps last week, following the positive surprise in the US inflation data, but limited by strong consumer confidence. In this context, the 10-year spread between Mbonos and Treasuries closed on Friday at 490bps vs 487bps the previous week, while the average of the last twelve months stands at 543bps

- **The 3-month correlation between Mexican and American 10-year bonds increased.** The reading closed Friday at +13% vs +4% 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
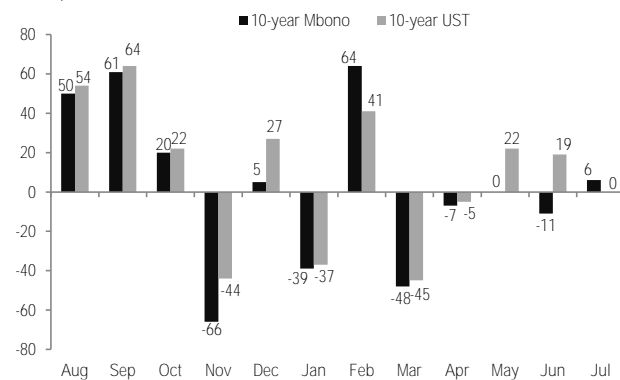
Basis points

Tenor	07/14/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-177	-162 (-15bps)	-181 (+4bps)	-56 (-121bps)	-47	-199	-124
Mbono 10s30s	14	12 (+2bps)	19 (-5bps)	24 (-10bps)	35	-15	10
TIIE-Mbono 2-year	-86	-73 (-13bps)	-85 (-1bp)	-2 (-84bps)	8	-91	-39
TIIE-Mbono 10-year	-65	-63 (-2bps)	-53 (-12bps)	-17 (-48bps)	-12	-68	-43

Source: Bloomberg and PiP
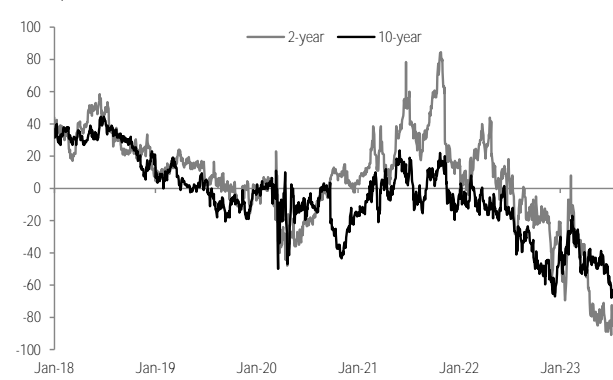
Mexican and US rates performance, last 12 months
Basis points

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	07/14/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.89	4.13 (-24bps)	3.81 (+8bps)	5.08 (-119bps)	5.74	3.70	4.93
5Y	4.44	4.62 (-18bps)	4.43 (+1bp)	4.85 (-41bps)	5.28	4.23	4.65
10Y	4.12	4.20 (-8bps)	4.27 (-15bps)	4.61 (-49bps)	5.16	4.04	4.50
20y	4.29	4.37 (-8bps)	4.38 (-9bps)	4.83 (-54bps)	5.15	4.15	4.61
30Y	4.26	4.34 (-8bps)	4.32 (-6bps)	4.87 (-61bps)	5.18	4.15	4.58

Source: PiP

3- and 5-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation
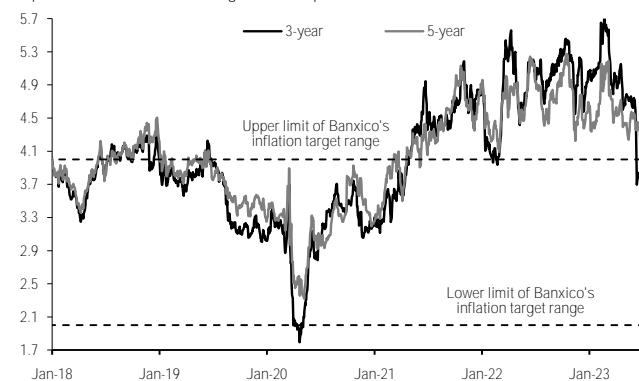
Source: Banorte with data from PiP

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

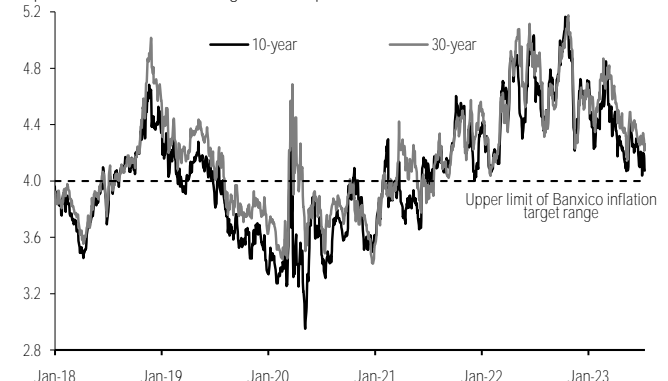- **Widespread gains in sovereign bonds amid greater optimism.** Last week ended with a rally in sovereign bonds driven by optimism that the Federal Reserve is very close to ending its tightening cycle after a further slowdown in inflation. However, policymakers remain cautious until more data confirms that inflation will return to the 2.00% target, while other economic data reflected that the Fed could keep high rates for longer. Considering the latter, the Treasuries stopped the rally averaging losses of 8bps on Friday. However, the curve closed the week with gains of 30bps in the belly and 14bps in the extremes. The 2-year Treasury closed at 4.77% (-18bps) after trading above 5.00% at its highest since 2007 last week. Following mixed signals, the market is still debating whether the Fed will raise interest rates just once (+25bps) or twice (+50bps), with the curve incorporating +33bps into November. In parallel, Mbonos advanced 18bps, on average, with mid-term securities benefiting the most (-22bps). Meanwhile, TIIE-28 swaps over 3 years gained 23bps. After these adjustments, the local risk premium increased modestly to 490bps from 487bps the previous week

- Regarding our 3Q23 Outlook and considering our monetary policy forecast, we expect the bear flattening bias in US Treasuries to reach its peak in coming months. In addition, we continue to believe that the market's view about Banxico's easing cycle remains very aggressive, even after its recent moderation to -46bps of cumulative cuts by the end of 2023 from -75bps back in June. In this sense, we foresee higher short-term rates. This framework favors paying 3- to 12-month TIIE-IRS, although only for tactical purposes as gains could be constrained because of the downtrend in short-term inflation prints. Historically, mid-term Mbonos have benefited the most relative to long-term tenors when Banxico keeps the rate unchanged at restrictive levels. For example, in the three months after the end of the 2018 hiking cycle, 5- and 7-year Mbonos rallied 90bps, while 10- and 30-year bonds gained only 65bps. Replicating the same exercise this time around, the former has had few changes, while the latter advanced around 20bps. However, due to the sharp inversion of the yield curve, low spreads, uncertainty about interest rate cuts, and the strong correlation with US Treasuries, we are skeptical about the belly. Lastly, we cut our preference for nominal vs. real rates, with breakevens declining sharply for all maturities. In more detail, it is our take that 3-year Udibonos look attractive because the breakeven fell below 4.00% (current: 3.89%). Historically, said level has triggered strong buying interest

- This week, the fixed-income market will be attentive to inflation in the United Kingdom since on the last occasion the disappointing report forced the BoE to accelerate its hiking cycle from 25 to 50bps. In this sense, we do not rule out higher European rates since the curve (+44bps) still does not fully price-in the 50bps hike in August. This dynamic could spread to other regions together with a correction of the recent rally. Finally, we believe that the 10-year Mbonos, May'33, will trade between 8.55% and 8.90%

FX dynamics

- **MXN reached its best level in 8 years.** Given a greater appetite for risk assets, the Mexican peso traded at its best intraday level since 2015 of 16.72 per dollar. The local currency closed on Friday at 16.75 per dollar, equivalent to a weekly appreciation of 2.4%, accumulating gains of 16.4% so far this year

- **Dollar collapsed to 15-month lows.** A feeling of optimism prevailed that triggered a rally in all the developed currencies and in most of the emerging ones. In the first group, SEK (+5.7%) led gains, while EUR and GBP hit more than a year high. In EM, HUF (+5.3%) was the strongest followed by ZAR (+4.2%) and the only ones in negative territory were TRY, CLP, and ARS

Foreign Exchange market levels and historical return

		Close at 07/14/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.79	0.3	1.7	0.5	10.3
Chile	USD/CLP	814.70	-0.5	-0.8	-1.7	4.5
Colombia	USD/COP	4,071.52	0.6	2.1	2.5	19.2
Peru	USD/PEN	3.56	0.4	2.4	2.9	7.0
Hungary	USD/HUF	333.23	-0.1	5.3	2.9	12.0
Malaysia	USD/MYR	4.53	1.2	3.1	2.1	-2.7
Mexico	USD/MXN	16.75	0.5	2.4	2.1	16.4
Poland	USD/PLN	3.97	-0.2	2.4	3.6	10.3
Russia	USD/RUB	90.33	-0.2	1.2	-7.0	-17.9
South Africa	USD/ZAR	18.11	-1.0	4.2	1.3	-5.9
Developed Markets						
Canada	USD/CAD	1.32	-0.8	0.4	0.8	2.6
Great Britain	GBP/USD	1.31	-0.3	2.0	3.4	8.4
Japan	USD/JPY	138.80	-0.5	2.5	0.9	-5.5
Eurozone	EUR/USD	1.1228	0.0	2.4	3.7	4.9
Norway	USD/NOK	10.05	-0.9	5.7	6.0	-2.4
Denmark	USD/DKK	6.63	0.0	2.4	3.7	4.7
Switzerland	USD/CHF	0.86	-0.4	3.1	4.5	7.3
New Zealand	NZD/USD	0.64	-0.4	2.6	2.6	0.3
Sweden	USD/SEK	10.24	-0.3	5.7	4.7	1.9
Australia	AUD/USD	0.68	-0.7	2.2	0.6	0.4

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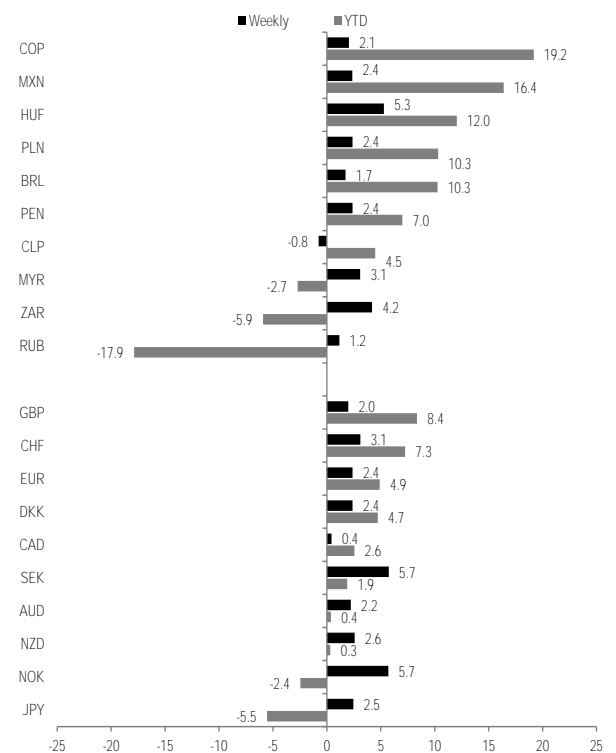Source: Bloomberg

FX performance
Against USD, %

Source: Bloomberg

USD/MXN
Last 12 months


Source: Bloomberg

DXY
Points

Source: Bloomberg, Banorte

FX positioning and flows

- **Net long positioning in MXN increased slightly.** As of July 11th, the MXN position recorded a higher net long of US$ 2.82 billion from US$ 2.79 billion. Speculators continue to bet on further appreciation, increasing their positions 60% from March. Since then, the currency has gained 11.7%, remaining as the second strongest in EM (+16.4% YTD)

- **Net short USD positions remained high.** The USD IMM position remained virtually unchanged from the previous week in net short of US$ 12.57 billion. The shift was the result of sales in CHF (+605 million), AUD (-254 million), and EUR (-136 million) which were offset by purchases in GBP (+971 million), and JPY (+144 million). Net long GBP positions hit highest since 2014

- **Selling continued in both EM and Mexico, recording nine negative weeks in a row.** Our EPFR aggregate recorded negative flows of US$ 823 million from US$ 1.1 billion the previous week. Bond market sales decrease 13% to US$ 396 million. In the same way, equities outflows fall 35% to US$ 427 million. In Mexico, a negative flow of US$ 33 million was recorded because of sales in both bonds and equities of US$ 29 million and US$ 4 million, respectively

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

xSource: CME, Banorte
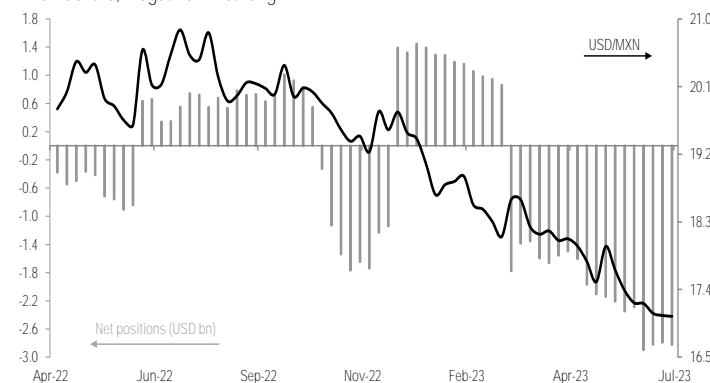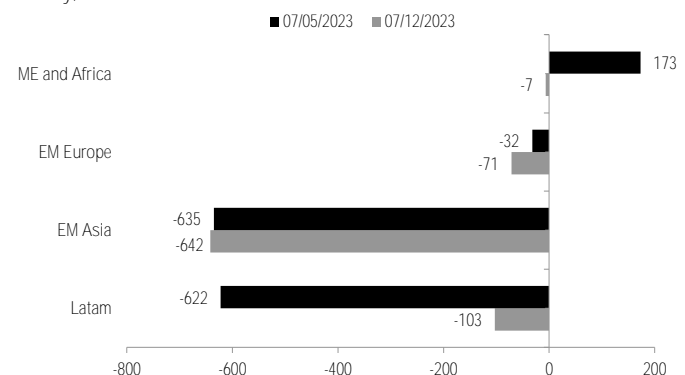
IMM positioning by currency*
Billion dollars
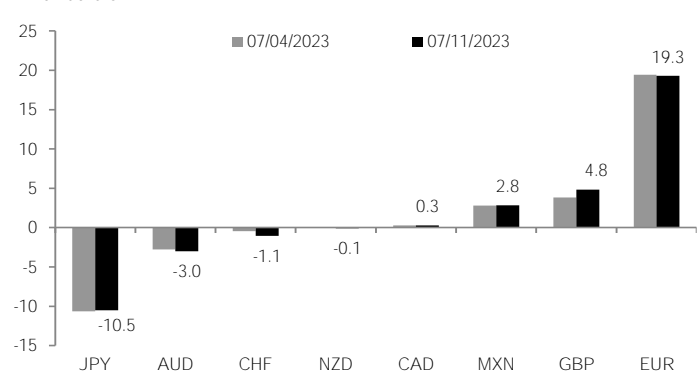
* Positive: Net long in the corresponding currency
Source: CME, Banorte

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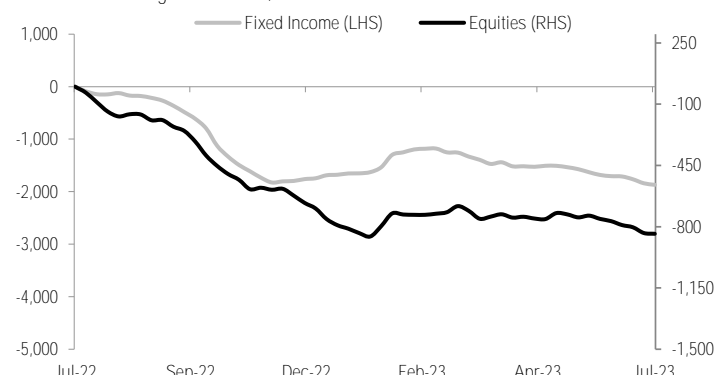Accumulated during the last 12M, million dollars

Source: EPFR Global, Banorte

Net foreign portfolio flows by region*
Weekly, million dollars

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

FX technicals

▪ **Mexican peso breached the 16.80 resistance.** Amid global dollar weakness, the peso strengthened and breached the 16.80 zone, reaching its best intraday level since 2015 of 16.72 per dollar. The last time these levels were seen was during October and November of 2015, when the currency hovered between 16.30 and 16.75, and then closed the year at 17.21 per dollar. Nowadays, the main short-term resistances stand at 16.65, 16.50, and 16.42, with supports at 17.10, 17.20, and 17.34. The weekly trading range marked 43 cents, like the previous week. Meanwhile, the weekly range registered a low of 13 cents and 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	31	13	-7	72	26
CAD	31	43	1	63	34
ZAR	65	62	4	85	38
BRL	43	46	19	63	45
HUF	45	30	-5	70	39
RUB	21	22	-34	54	14

* 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	49	49	19	89	49
SPX	17	19	5	71	43
GSCI	22	34	2	49	32
Gold	23	16	-57	64	6

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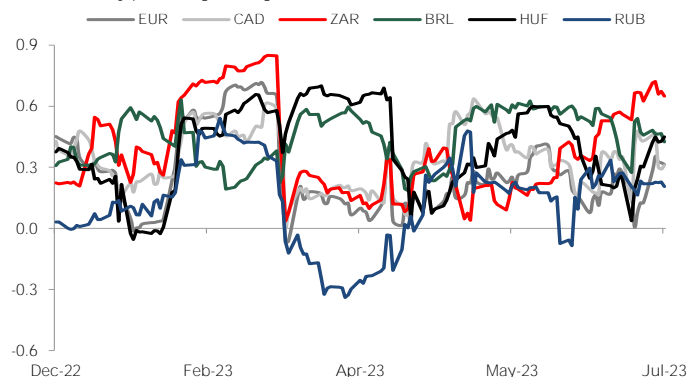
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

USD/MXN **–** 1-month correlation with other assets*
Based on daily percentage changes
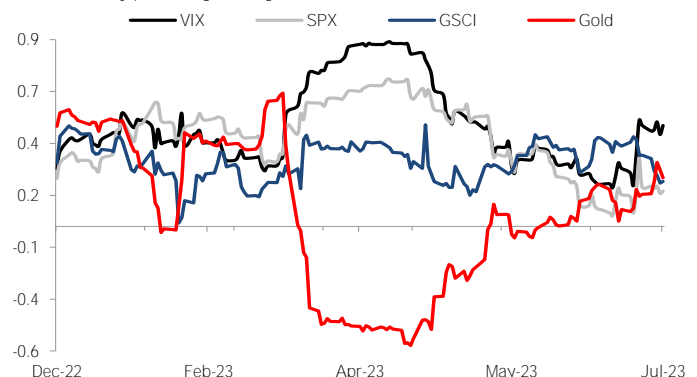
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

- **The MXN ATM implied volatility curve slightly decreased at the short-end.** The 1-month implied vol declined to 9.3% from 9.5% last week. This move was driven by signs of lower price pressures in the US. Similarly, the 3-month reading adjusted positively to 10.2% (-0.2 vegas), while the 1-year remained stable at 11.8%. In this sense, the 1-month risk reversal closed at 1.8% from 2.0% a week earlier. Likewise, the 3-month risk reversal adjusted downward, albeit more moderately at 2.3% from 2.4% last week

USD/MXN – ATM options volatility curve

%
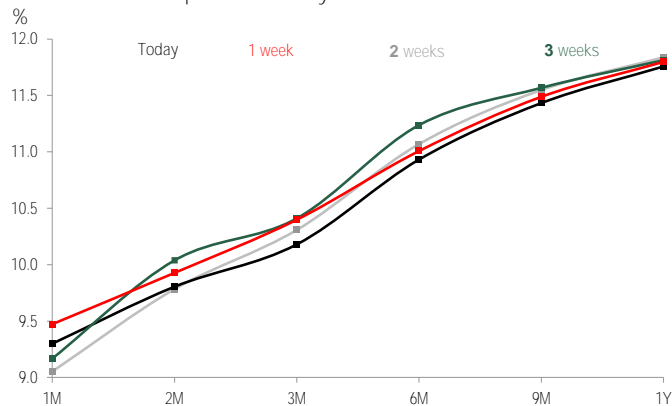
Source: Bloomberg

USD/MXN – 1M implied and historical volatility

%
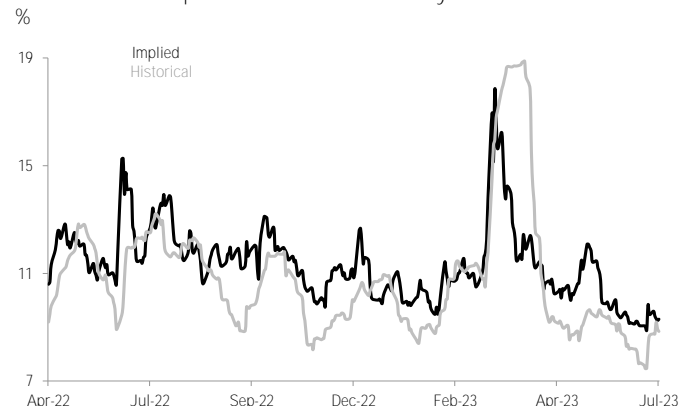
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility

Bps
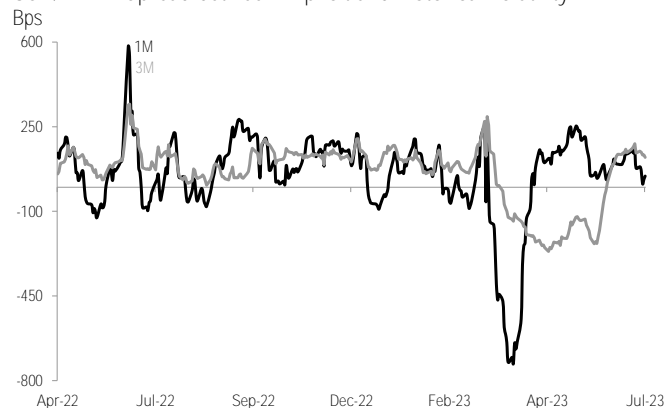
Source: Bloomberg

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

TRY	0.77
MXN	0.27
MYR	0.17
RUB	-0.36
PLN	-1.73
CLP	-2.01
ZAR	-2.07
COP	-2.65
BRL	-2.99
HUF	-3.60
KRW	-5.61

Cheap · Expensive
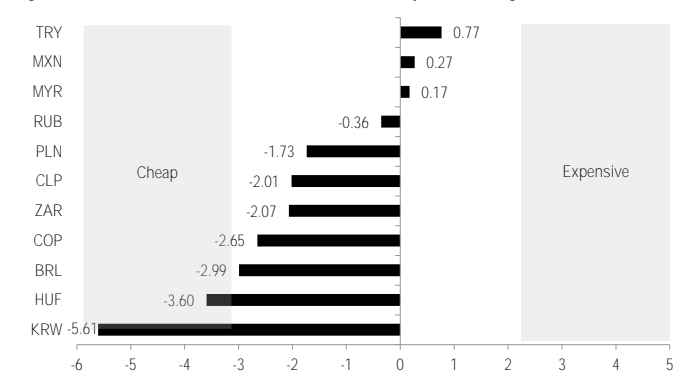
Source: Bloomberg, Banorte

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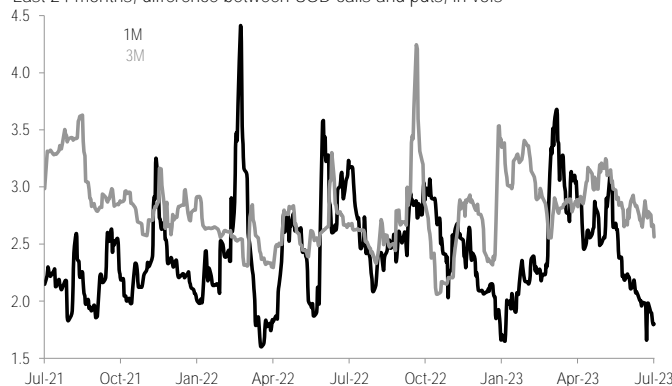
Source: Bloomberg

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

Risk Reversal — 1Y average — - +1 st. dev. — - -1 st. dev.

USDMXN call > USDMXN put

Source: Bloomberg, Banorte

FX trade recommendations

- **The Mexican peso returned to levels of 16.75, during a global weakness of the dollar.** Over the past week, strong optimism prevailed among investors following a further slowdown in US inflation. This sparked a rally in most financial assets. In the foreign exchange market, the dollar collapsed to a 15-month low, marking its biggest weekly loss (BBDXY: -2.0% and DXY: -2.2%), since November of last year. This allowed an advance in all G-10 and in most EM currencies. In the first group, the Norwegian krone (+5.7%) was the strongest. The pound sterling (+2.0%) rebounded to the highest since April last year and stands as the strongest with a gain of 8.5% on the year. The currency is supported by the BoE's restrictive stance where the market anticipates an adjustment of at least +100bps in the remainder of the year. Other currencies that also stood out were the Swiss franc (+3.1%) at its highest since 2015 and the euro (+2.4%) at its best level in more than a year. Turning to emerging markets, the Mexican peso strengthened until breaking through resistance at 16.80 and even traded intraday at 16.72 per dollar, its best level since 2015. The USD/MXN closed at 16.75 with a weekly appreciation of 2.4%, remaining the second stronger with a gain of 16.4% so far this year, only behind the Colombian peso (+19.2%)

- In our opinion, the carry trade will keep supporting the MXN, even with Banxico already at the terminal rate. Considering the accumulated performance so far and other forecast changes, we adjust our USD/MXN estimates. On the negative side, we now see a compression of the rate spread with the Fed, from 600bps in 2022 to 550bps. However, we believe it will be more than compensated by: (1) Higher Mexican GDP growth; and (2) more attractiveness relative to regional peers as carry in other Latam currencies will likely decline even more, with the BRL, CLP, and COP initiating rate cuts faster and more aggressively than Banxico. All in all, for 2H23 we estimate a range between USD/MXN 16.30 and 18.20 and a lower year-end, at 17.90 (previous 18.70). For 2024 with a scenario of accelerated cuts by Banxico and a lower spread with the Fed, we estimate a year-end level of 19.20 per dollar (previous 19.40). This week, there will be no interventions from Fed speakers due to the silence period before the July 26th decision. Finally, we estimate a trading range between USD/MXN 16.50 and 17.00

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

Source: Banorte with data from Bloomberg
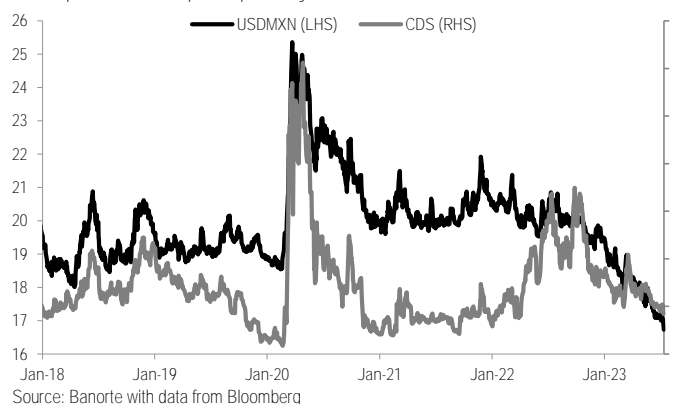
USD/MXN Forecast for 2023
Pesos per dollar

Source: Banorte
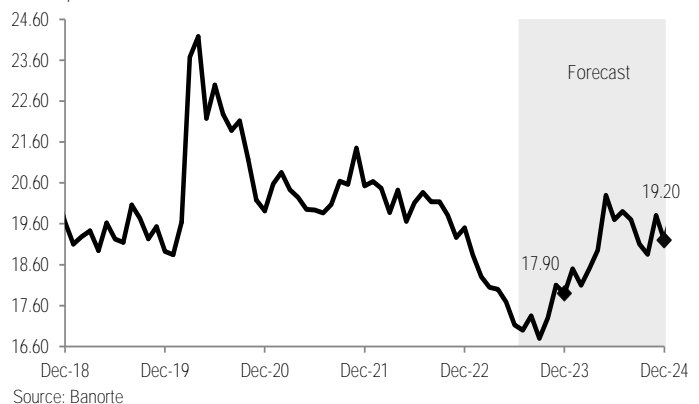
Weekly economic calendar

For the week ending July 21, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 16	22:00	CHI	Gross domestic product	2Q23	% y/y	--	7.1	4.5
	22:00	CHI	Industrial production	Jun	% y/y	--	2.5	3.5
	22:00	CHI	Retail sales	Jun	% y/y	--	3.3	12.7
	22:00	CHI	Gross fixed investment (YTD)	Jun	% y/y	--	3.4	4.0
Mon 17	08:00	BZ	Economic activity	May	% y/y	--	4.0	3.3
	08:00	BZ	Economic activity*	May	% m/m	--	-0.1	0.6
	08:30	US	Empire manufacturing*	Jul	index	4.0	-3.4	6.6
Tue 18	08:30	US	Advance retail sales*	Jun	% m/m	0.5	0.5	0.3
	08:30	US	Ex autos & gas*	Jun	% m/m	--	0.4	0.4
	08:30	US	Control group*	Jun	% m/m	0.4	0.3	0.2
	09:15	US	Industrial production*	Jun	% m/m	0.0	0.0	-0.2
	09:15	US	Manufacturing production*	Jun	% m/m	0.0	0.0	0.1
	11:00	MX	International reserves	Jul 14	US$bn	--	--	203.1
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 3-year Mbono (Sep'26); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F					
Wed 19	02:00	UK	Consumer prices	Jun	% y/y	--	8.2	8.7
	02:00	UK	Core	Jun	% y/y	--	7.1	7.1
	05:00	EZ	Consumer prices	Jun (F)	% y/y	--	5.5	6.1
	05:00	EZ	Core	Jun (F)	% y/y	--	5.4	5.4
	08:30	US	Housing starts**	Jun	thousands	--	1,475	1,631
	08:30	US	Building permits**	Jun	thousands	--	1,490	1,496
	21:15	CHI	Rate decision 1-year Loan Prime Rate	Jul 20	%	--	3.55	3.55
	21:15	CHI	Rate decision 5-year Loan Prime Rate	Jul 20	%	--	4.20	4.20
Thu 20	04:00	EZ	Current account*	May	EURbn	--	--	3.6
	07:00	TUR	Monetary policy decision (Central Bank of Turkey)	Jul 20	%	--	18.00	15.00
	08:00	MX	Timely Indicator of Economic Activity*	Jun	% y/y	--	--	2.5
	08:00	MX	Retail sales	May	% y/y	3.1	3.5	3.8
	08:00	MX	Retail sales*	May	% m/m	-0.3	--	1.5
	08:30	US	Initial jobless claims*	Jul 15	thousands	238	241	237
	08:30	US	Philadelphia Fed*	Jul	index	-10.0	-10.0	-13.7
	10:00	US	Existing home sales**	Jun	thousands	--	4.2	4.3
	10:00	EZ	Consumer confidence*	Jul (P)	index	--	-15.8	-16.1
	16:30	MX	Survey of expectations (Citibanamex)					
		SA	Monetary policy decision (South African Reserve Bank)	Jul 20	%	--	8.50	8.25
Fri 21			Without relevant economic data					

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

	Time		Event	Period	Unit	Banorte	Actual	Previous
Sun 9	21:30	CHI	Consumer prices	Jun	% y/y	--	0.0	0.2
Mon 10	10:00	US	Fed's Barr Speaks on Bank Supervision and Capital Rules					
	11:00	US	Fed's Daly to Discuss Inflation and Banking					
	11:00	US	Fed's Mester Speaks on Economic and Policy Outlook					
	12:00	US	Fed's Bostic Speaks on US, Atlanta Economies					
	15:00	US	Consumer credit*	May	USDbn	--	7.2	20.3 (R)
		MX	Wage negotiations	Jun	%	--	7.3	9.1 (R)
Tue 11	02:00	UK	Unemployment rate*	May	%	--	4.0	3.8
	02:00	GER	Consumer prices	Jun (F)	% y/y	--	6.4	6.4
	05:00	GER	ZEW Survey (Expectations)	Jul	index	--	-14.7	-8.5
	08:00	BZ	Consumer prices	Jun	% m/m	--	-0.01	0.23
	08:00	BZ	Consumer prices	Jun	% y/y	--	3.16	3.94
	11:00	MX	International reserves	Jul 7	US$bn	--	203.1	203.2
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 20-year Mbono (Nov'42); 30-year Udibono (Nov'50) and 2-, 5-, and 10-year Bondes F					
		MX	ANTAD same-store sales	Jun	% y/y	--	9.3	1.3
Wed 12	08:00	MX	Industrial production	May	% y/y	2.2	3.9	0.7
	08:00	MX	Industrial production*	May	% m/m	-0.1	1.0	0.5 (R)
	08:00	MX	Manufacturing output	May	% y/y	3.0	1.9	1.4
	08:30	US	Fed's Barkin Speaks on Inflation					
	08:30	US	Consumer prices*	Jun	% m/m	0.2	0.2	0.1
	08:30	US	Ex. food & energy*	Jun	% m/m	0.3	0.2	0.4
	08:30	US	Consumer prices	Jun	% y/y	3.0	3.0	4.0
	08:30	US	Ex. food & energy	Jun	% y/y	5.0	4.8	5.3
	09:45	US	Fed's Kashkari Discusses Monetary Policy, Banking Solvency					
	13:00	US	Fed's Bostic Speaks at Atlanta Fed Payments Forum					
	14:00	US	Beige Book					
	16:00	US	Fed's Mester Speaks on FedNow					
	23:00	CHI	Trade balance	Jun		--	70.6	65.8
	23:00	CHI	Exports	Jun	% y/y	--	-12.4	-7.5
	23:00	CHI	Imports	Jun	% y/y	--	-6.8	-4.5
		SK	Monetary policy decision (Central bank of South Korea)	Jul 13	%	--	3.50	3.50
Thu 13	02:00	UK	Industrial production*	May	% m/m	--	-0.6	-0.2 (R)
	05:00	EZ	Industrial production*	May	% m/m	--	0.2	1.0
	08:30	US	Producer prices*	Jun	% m/m	--	0.1	-0.4 (R)
	08:30	US	Ex. food & energy*	Jun	% m/m	--	0.1	0.1 (R)
	08:30	US	Initial jobless claims*	Jul 8	thousands	245	237	249 (R)
	18:45	US	Fed's Waller Speaks on Economic Outlook					
	19:00	PER	Monetary policy decision (BCRP)	Jul 13	%	--	7.75	7.75
Fri 14	05:00	EZ	Trade balance*	May	EURbn	--	-0.9	-8.0 (R)
	08:00	BZ	Retail sales	May	% y/y	--	-1.0	0.5
	08:00	BZ	Retail sales*	May	% m/m	--	-1.0	-0.1 (R)
	10:00	US	U. of Michigan Confidence*	Jul (P)	index	66.0	72.6	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 TIIE-IRS (26x1), receive 2-year SOFR	L	18-Aug-22	28-Oct-22
Pay 2-year TIIE-IRS (26x1)	P	4-Feb-22	4-Mar-22
Tactical longs in Mbono Mar'26	P	14-May-21	7-Jun-21
Receive 6-month TIIE-IRS (6x1)	P	17-Dec-20	3-Mar-21
Long positions in Udibono Nov'23	L	11-Feb-21	26-Feb-21
Long positions in Mbono May'29 & Nov'38	P	7-Sep-20	18-Sep-20
Long positions in Udibono Dec'25	P	23-Jul-20	10-Aug-20
Long positions in Udibono Nov'35	P	22-May-20	12-Jun-20
Long positions in Mbono May'29	P	5-May-20	22-May-20
Tactical longs in 1- & 2-year TIIE-28 IRS	P	20-Mar-20	24-Apr-20
Long positions in Udibono Nov'28	P	31-Jan-20	12-Feb-20
Long positions in Udibono Jun'22	P	9-Jan-20	22-Jan-20
Long positions in Mbono Nov'47	L	25-Oct-19	20-Nov-19
Long positions in Mbonos Nov'36 & Nov'42	P	16-Aug-19	24-Sep-19
Long positions in the short-end of Mbonos curve	P	19-Jul-19	2-Aug-19
Long positions in Mbonos Nov'42	L	5-Jul-19	12-Jul-19
Long positions in Mbonos Nov'36 & Nov'38	P	10-Jun-19	14-Jun-19
Long positions in Mbonos Jun'22 & Dec'23	P	9-Jan-19	12-Feb-19
Long floating-rate Bondes D	P	31-Oct-18	3-Jan-19
Long CPI-linkded Udibono Jun'22	L	7-Aug-18	31-Oct-18
Long floating-rate Bondes D	P	30-Apr-18	3-Aug-18
Long 20- to 30-year Mbonos	P	25-Jun-18	9-Jul-18
Short Mbonos	P	11-Jun-18	25-Jun-18
Long CPI-linkded Udibono Jun'19	P	7-May-18	14-May-18
Long 7- to 10-year Mbonos	L	26-Mar-18	23-Apr-18
Long CPI-linkded Udibono Jun'19	P	20-Mar-18	26-Mar-18
Long 5- to 10-year Mbonos	P	5-Mar-18	20-Mar-18
Long floating-rate Bondes D	P	15-Jan-18	12-Mar-18
Long 10-year UMS Nov'28 (USD)	L	15-Jan-18	2-Feb-18

P = Profit, L = Loss

Track of directional fixed-income trade recommendations

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

1. Carry + roll-down gains of 17bps

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

Short-term tactical trades

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

Source: Banorte

Track of the directional FX trade recommendations*

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

* Total return does not consider carry gain/losses

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

Analyst Certification

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

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