Fixed-Income and FX Weekly

Market outlook

- **MXN reached a new best intraday level in 8 years.** Last week, Mbonos' curve lost 8bps, excluding the short-end. The 10-year benchmark closing at 8.86% (+7bps w/w). In addition, the USD/MXN appreciated 1.8% w/w to 16.69

- **The main catalysts will be the US employment report as well as inflation and 2Q23 GDP in the Eurozone.** Last week, investors digested crucial monetary policy information. In line with expectations, the Fed and the ECB raised their benchmark rates by 25bps. Additionally, both Powell and Lagarde refrained from giving forward guidance leaving the door open for an increase or a pause. In addition, both mentioned that the following decisions will be data dependent. Also, the perception of a 'soft landing' of the US economy gained traction after the release of 2Q23 preliminary GDP, reflecting in appetite for risky assets. On Friday, after market close, Chile's central bank surprised the market with a 100bps interest rate cut to 10.25% (vs. 10.50% of consensus). In this sense, it will be relevant to observe the reaction of the FX market to the beginning of the rate cut cycle in emerging markets. This week, the spotlight will be on the US employment report, as well as 2Q23 inflation and GDP in the Eurozone. For July non-farm payrolls, we estimate a 225K job creation with the unemployment rate remaining at 3.6% which would imply a strong labor market despite the tightening cycle. Should this materialize, it would support our expectation for an additional 25bps Fed funds rate hike at the September meeting. In monetary policy, the central banks of Australia, Brazil, Colombia, the Czech Republic, Thailand, and the UK will announce their decision. For the BoE, a 25bps hike is expected, but a 50bps increase is not ruled out. OPEC will hold its monitoring committee, where they are expected to extend production cuts

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 1.373 trillion (US$ 80.1 billion), a market share equal to 33.3%, as of July 19th. Short positions in Mbono May'33 ended at MXN 5.4 billion from MXN 1.7 billion last week

- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 491bps from 496bps the previous week, with the 12-month mean at 539bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of July 25th) recorded a lower net long of US$ 2.59 billion from US$ 2.82 billion a week ago. Mutual funds' flows to EM marked lower sales of US$ 92 million from US$ 923 million

- **Technicals** – The 1-month USD/MXN implied volatility rose for the second month to 10.4%, reaching a 1-month high; however, it remains below the 12-month average of 11.1%

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Recommendations
Fixed-Income
- This week, bonds will be sensitive to the US employment report and Eurozone inflation especially after both the Fed and ECB failed to provide forward guidance
- In terms of strategy, we recognize that the attractiveness of paying very short-term TIIE-IRS has been drastically reduced. On a relative basis, we continue to see more value on the front-end of the Udibonos' yield curve
- We expect the 10-year Mbono to trade between 8.70% and 9.05%

FX
- This week, it will be interesting to observe the first market reactions to the beginning of rate cuts in emerging countries, particularly in the CLP
- In our view, MXN will continue to be supported by attractive carry, considering the high rates through 2023, and solid macro fundamentals
- We estimate a weekly trading range between USD/MXN 16.50 and 16.90

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

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 07/28/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.42	-6	+60
Sep'24	10.91	-2	+81
Dec'24	10.53	-2	+66
Mar'25	10.16	+10	+23
Mar'26	9.66	+13	+42
Sep'26	9.62	+8	+22
Mar'27	9.42	+11	+23
Jun'27	9.30	+11	+22
May'29	8.89	+6	-19
May'31	8.87	+8	-15
May'33	8.86	+7	-16
Nov'34	8.83	+6	-22
Nov'36	8.82	+5	-23
Nov'38	8.91	+6	-18
Nov'42	8.95	+8	-16
Nov'47	8.93	+10	-14
Jul'53	8.95	+9	-11

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 07/28/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	+2	+61
6-month (6x1)	11.42	-1	+38
9-month (9x1)	11.26	+2	+19
1-year (13x1)	10.91	+3	0
2-year (26x1)	9.75	+10	-12
3-year (39x1)	9.09	+14	-9
4-year (52x1)	8.72	+20	-18
5-year (65x1)	8.52	+18	-30
7-year (91x1)	8.38	+16	-36
10-year (130x1)	8.34	+18	-39
20-year (260x1)	8.42	+15	-44

Source: Bloomberg

Udibonos performance

Maturity date	YTM 07/28/2023	Weekly change (bps)	YTD (bps)
Nov'23	6.15	-19	+7
Dec'25	5.65	+8	+89
Dec'26	5.44	+6	+77
Nov'28	4.63	+4	+32
Nov'31	4.53	+8	+36
Nov'35	4.29	+0	+8
Nov'40	4.28	-5	+9
Nov'43	4.36	-8	-14
Nov'46	4.36	-6	+18
Nov'50	4.36	-8	+13

Source: PiP

Cetes performance

Maturity date	YTM 07/28/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.13	-7	+104
Cetes 91	11.30	-9	+63
Cetes 182	11.37	-3	+50
Cetes 364	11.24	-4	+27
Cetes 728	10.79	-5	-2

Source: PiP

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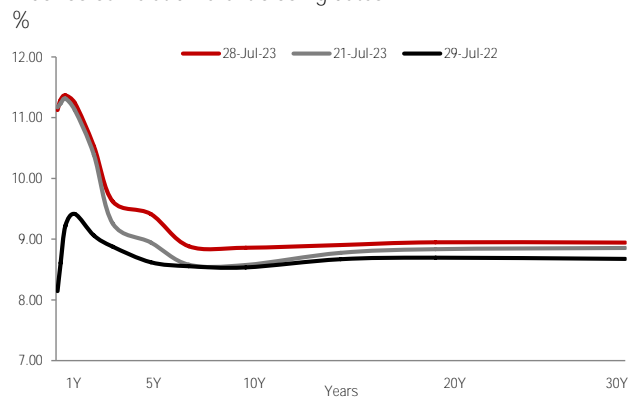
Source: PiP, Banorte

10-year Mbono benchmark
%

Source: PiP

Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

	UMS				UST			Spreads			CDS
Term	Maturity date	YTM 07/28/2023	Weekly change (bps)	YTD (bps)	YTM 07/28/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.86	+1	+38	4.87	+4	+45	-1	-3	18	31
3Y	May'26	4.35	+9	-45	4.52	+8	+29	-17	+1	59	50
5Y	Feb'28	5.05	+11	+27	4.18	+8	+17	87	+2	100	100
7Y	Apr'30	5.22	+12	-12	4.08	+11	+11	115	+1	142	145
10Y	May'33	5.43	+6	-13	3.95	+12	+8	148	-5	178	181
20Y	Mar'44	5.94	+7	-43	4.21	+12	+7	173	-5	219	--
30Y	May'53	6.19	+4	-20	4.01	+11	+5	218	-7	249	--

Source: Bloomberg

5Y USD UMS
%

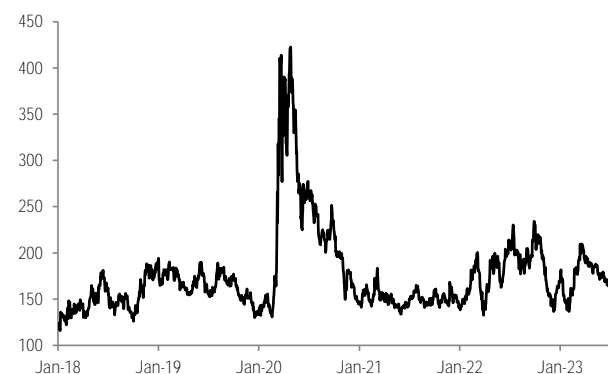Source: Bloomberg

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

- **More attractive very short-term rates in Mexico vs. other emerging markets.** We expect high demand for Cetes driven by attractive real rates amid uncertainty about the Federal Reserve's terminal rate with market betting more heavily on a September pause, while other emerging central banks begin to reduce their interest rates. In this sense, Chile surprised the market with a larger-than-expected cut of 100bps to 10.25% (vs. 10.50%e) on Friday, after keeping the rate unchanged for almost ten months at 11.25%. This week, Brazil will announce its monetary policy decision and investors are discussing a reduction in the Selic rate of 25bps or 50bps. Moreover, we expect moderate demand for the 5-year Mbonos, like its last placement of 2.0x. This security accumulates the biggest losses so far this month of 30bps, trading very close to +2σ from its 90-day moving average at 9.42%. With this, the spread vs. the Treasury for the same maturity increased to 524bps from 496bps at the end of June, although it remains below the 12-month average of 550bps. For the 10-year Udibonos, we anticipate weak appetite around 1.5x. The breakeven for this term has remained relatively stable in the last four weeks around 4.13%

Auction specifics (August 1, 2023)

	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	31-Aug-23	--	8,500	11.09
3m	1-Nov-23	--	7,500	11.30
6m	25-Jan-24	--	11,700	11.43
24m	10-Jul-25	--	8,500	10.92
Bondes F				
1y	23-May-24	--	5,500	0.12
3y	4-Jun-26	--	1,500	0.19
7y	4-Oct-29	--	800	0.28
Mbono				
5y	4-Mar-27	5.50	13,000	9.21
Udibono				
10y	27-Nov-31	2.75	UDIS 1,300	4.50

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'43)	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'43)	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'43)	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
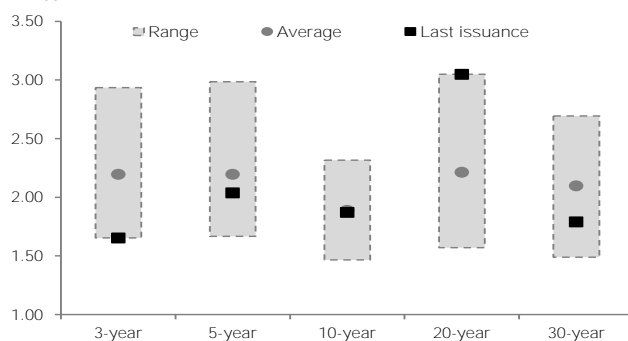
Source: Banxico, Banorte

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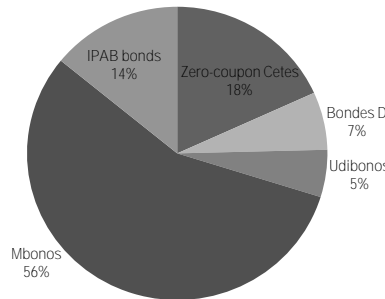Times
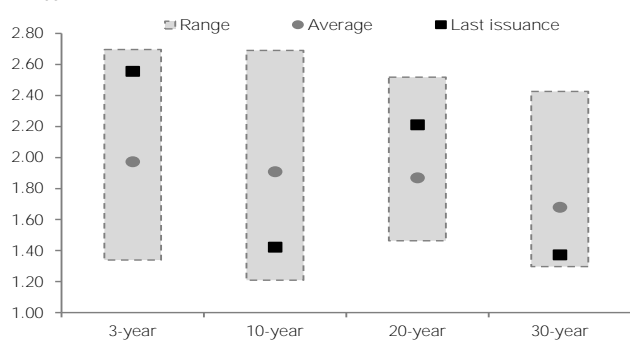
Source: Banxico, Banorte

Fixed-Income demand

Cetes held by foreigners
MXN billion, %

Source: Banxico

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

IPAB bonds 14%
Zero-coupon Cetes 18%
Bondes D 7%
Udibonos 5%
Mbonos 56%
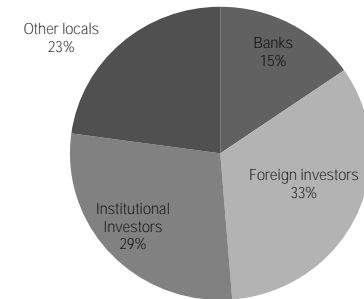
Source: Banxico

Mbonos held by foreigners
MXN trillion, %
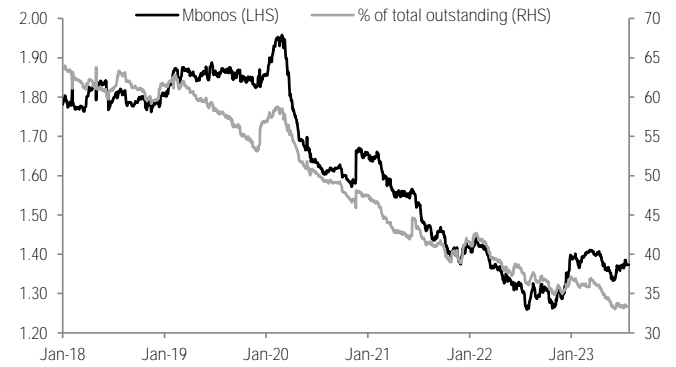
Source: Banxico

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

Other locals 23%
Banks 15%
Foreign investors 33%
Institutional Investors 29%

Source: Banxico

Government bond holdings by type of investor
US$ billion and %, data as of 07/19/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	78	12%	14%	16%	4%	10%	44%
Floating-rate Bondes D	27	1%	5%	42%	1%	19%	33%
Real-rate Udibonos	173	4%	54%	4%	19%	2%	17%
Fixed-rate Mbonos	240	33%	23%	3%	3%	15%	23%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

	07/19/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	9.7	10.2	-0.4	8.2	1.5
Floating-rate Bondes D	0.2	0.1	0.1	2.0	-1.8
Real-rate Udibonos	6.4	0.8	5.6	1.0	5.4
Fixed-rate Mbonos	80.1	80.0	0.1	81.6	-1.5

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	07/19/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	12.4%	13.0%	-0.6%	12.4%	0.0%
Floating-rate Bondes D	0.6%	0.3%	0.4%	4.4%	-3.8%
Real-rate Udibonos	3.7%	3.6%	0.0%	5.0%	-1.3%
Fixed-rate Mbonos	33.3%	33.3%	0.0%	37.1%	-3.7%

Source: Banorte with data from Banxico

Mbonos holdings by type of investor
US$ billion and %, data as of 07/13/2023

| DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	9.7	21%	10%	17%	52%
Sep'24	16.8	28%	20%	12%	41%
Dec'24	13.6	30%	28%	9%	33%
Mar'25	10.2	33%	24%	18%	24%
Mar'26	27.0	34%	25%	18%	24%
Sep'26	2.4	28%	17%	7%	48%
Mar'27	20.2	32%	18%	15%	35%
Jun'27	20.7	10%	42%	28%	21%
May'29	16.0	4%	49%	23%	24%
May'31	25.3	4%	48%	32%	16%
May'33	11.2	5%	38%	33%	24%
Nov'34	5.5	3%	49%	35%	13%
Nov'36	4.3	1%	27%	39%	34%
Nov'38	12.7	2%	44%	38%	16%
Nov'42	17.4	2%	44%	38%	16%
Nov'47	15.3	2%	35%	43%	19%
Jul'53	8.4	2%	37%	44%	17%
Total	228.2	15%	34%	26%	25%

Source: Banxico

Fixed-Income demand – Primary dealers

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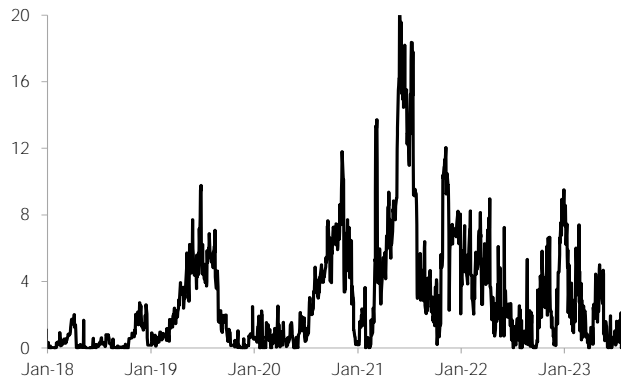MXN billion
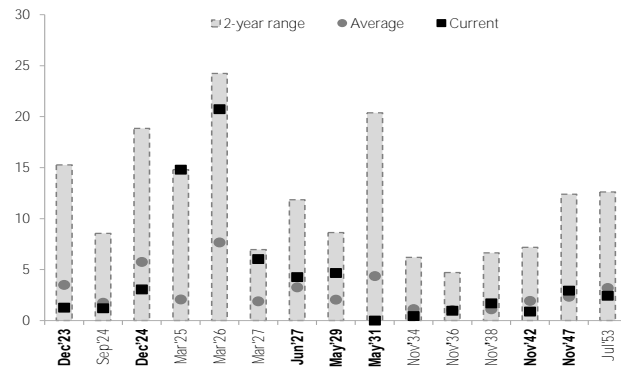
Source: Banxico

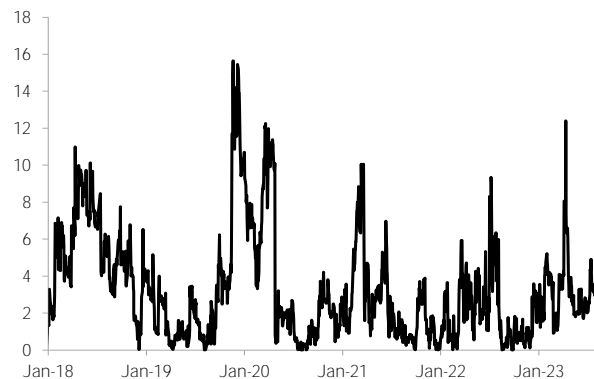Weekly change in market makers' short positions on Mbonos
MXN billion
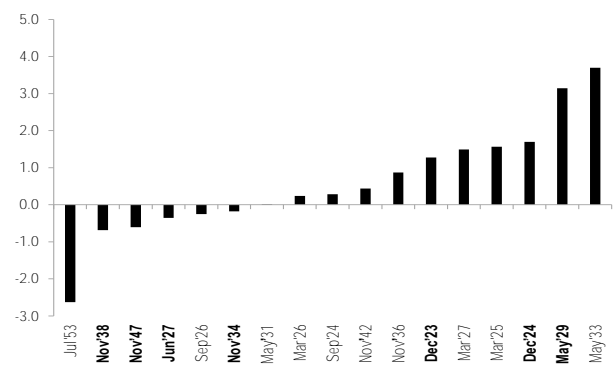
Source: Banxico

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 07/28/2023	07/28/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	10,091	76	0	12	76	344	0
Sep'24	17,388	72	55	24	28	330	0
Dec'24	14,308	183	82	52	134	469	0
Mar'25	12,569	887	793	680	324	887	0
Mar'26	27,780	1,242	1,228	1,223	470	1,452	228
Sep'26	3,265	0	15	11	0	87	0
Mar'27	21,325	362	273	0	204	394	0
Jun'27	21,339	256	277	373	122	419	24
May'29	16,879	280	92	300	34	517	47
May'31	25,997	1	0	63	100	444	0
May'33	11,840	326	105	230	0	425	3
Nov'34	5,713	27	37	33	25	261	15
Nov'36	4,444	58	6	16	147	161	0
Nov'38	13,118	102	143	64	9	165	0
Nov'42	17,756	53	27	90	186	346	0
Nov'47	15,747	176	213	137	146	743	54
Jul'53	9,344	146	304	7	140	410	0
Total	248,903	4,103	3,346	3,308	2,007		

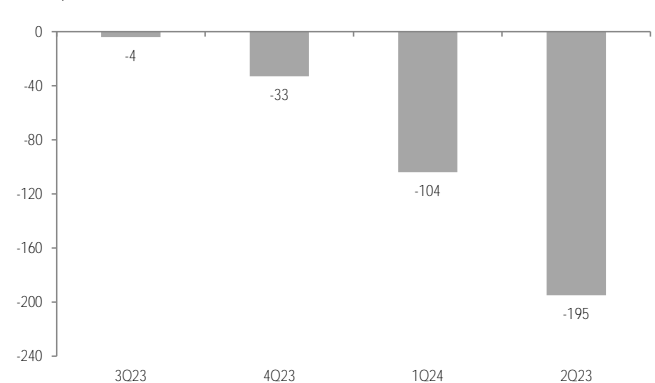Source: Banxico

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 +61bps from +33bps, 3-month at -57bps from -59bps, 6-month at -83bps from -78bps, and 1-year at -91bps from -80bps

- **Fed and ECB will analyze decision by decision, considering the evolution of the economic data.** The US and Eurozone central banks kept the most flexibility for the next decision by not providing a forward guidance. Locally, the market has less conviction that Banxico will cut interest rates in the remainder of the year. Currently, the curve is pricing-in a total adjustment of -33bps by December vs. a scenario of two 25bps cuts in the last meetings of the year (-49bps) forecast last week

Spread between Cetes and Implied Forward Rates
Basis Points

Tenor	Actual 07/28/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	61	33	11	3	489	-222
3 months	-57	-59	-46	-54	25	-150
6 months	-83	-78	-68	-66	2	-125
12 months	-91	-80	-70	-64	-8	-98

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 decreased as the Mbono outperformed.** Investors assimilated new monetary policy information and economic data. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 491bps vs 496bps the previous week, while the average of the last twelve months stands at 539bps

- **The 3-month correlation between Mexican and American 10-year bonds decreased.** The reading closed Friday at +61% vs +65% the previous week

10-year Mbono and 10-year UST spread
Basis points

Source: PiP and Bloomberg

Mexico and US 2- and 10-year bonds correlation
3-month moving correlation
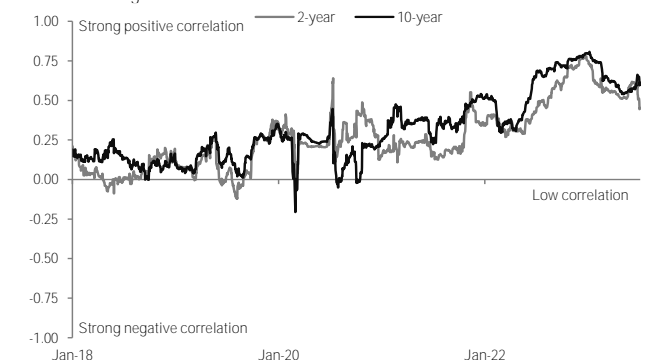
Source: Banorte with data from Bloomberg

Fixed-Income technical (continued)

Selected Spreads

Basis points

Tenor	07/28/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-167	-176 (+9bps)	-183 (+16bps)	-53 (-114bps)	-47	-199	-128
Mbono 10s30s	9	7 (+2bps)	25 (-16bps)	14 (-5bps)	35	-15	10
TIIE-Mbono 2-year	-79	-91 (+12bps)	-85 (+6bps)	-29 (-50bps)	8	-91	-42
TIIE-Mbono 10-year	-52	-63 (+11bps)	-58 (+6bps)	-40 (-12bps)	-17	-68	-44

Source: Bloomberg and PiP

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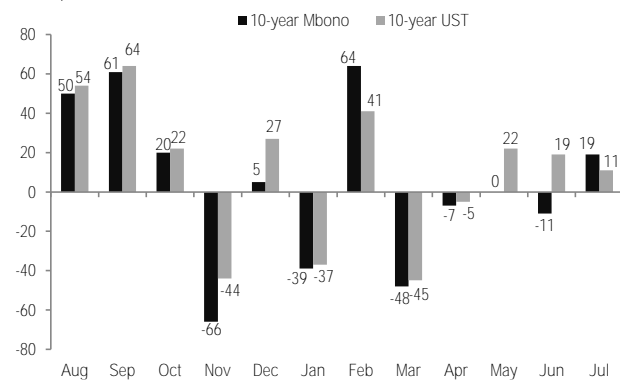
Source: PiP and Bloomberg

2- and 10-year TIIE-IRS and Mbono spreads
Basis points
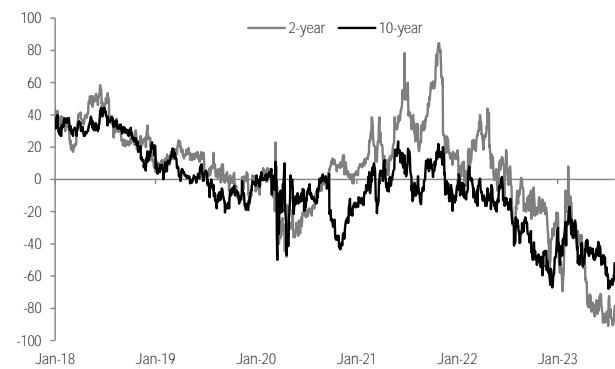
Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

Implicit market inflation using Fisher Equation (%)

Date	07/28/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.97	3.96 (+1bp)	3.99 (-2bps)	4.75 (-78bps)	5.74	3.70	4.89
5Y	4.58	4.51 (+7bps)	4.49 (+9bps)	4.49 (+9bps)	5.28	4.23	4.64
10Y	4.14	4.16 (-2bps)	4.17 (-3bps)	4.40 (-26bps)	5.16	4.04	4.48
20y	4.40	4.24 (+16bps)	4.31 (+9bps)	4.52 (-12bps)	5.15	4.15	4.59
30Y	4.39	4.23 (+16bps)	4.31 (+8bps)	4.48 (-9bps)	5.18	4.15	4.56

Source: PiP

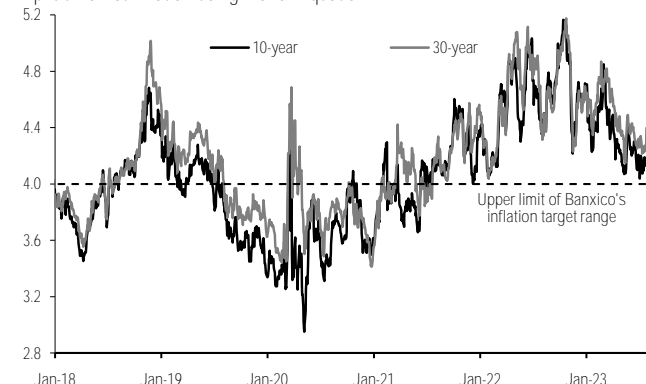### 3- and 5-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation
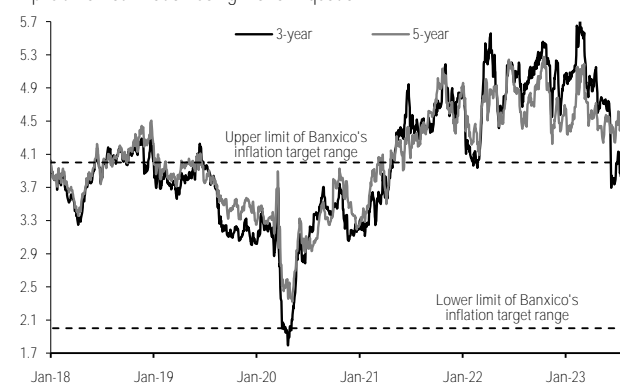
Source: Banorte with data from PiP

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

- **Sovereign bond losses amid signs that increase the likelihood of a 'soft landing' in the US.** Last week, the market showed greater optimism after economic data strengthened the view of a 'soft landing' for the US economy. Additionally, the Federal Reserve abandoned its recession forecast and left the door open for a rate hike or pause in the next interest rate decision subject to the evolution of economic data. It is worth noting that the first scenario lost even more steam after a slowdown in inflation

- In this context, the Treasuries' yield curve marked a steepening bias as a result of further losses at the long-end of up to 12bps. In particular, the 10-year benchmark traded between 3.79% and back above 4.00%, closing at 3.95% (+12bps). As a result, the 2s10s spread compressed to -93bps from -102bps last week

- Locally, the Mbonos curve registered pressures of 8bps, on average, excluding the short-end which gained modestly. Losses were concentrated in mid-term Mbonos with adjustments of up to +13bps. With this, this segment of the curve trades at elevated levels at +2σ of its 90-day MA. In particular, the Mar'27 and Jun'27 nodes trade at 9.42% and 9.30%, respectively, accumulating the most losses in the month of 30bps and 27bps in the same order. Meanwhile, TIIE-28 derivatives under 1-year closed practically unchanged, while the rest of the curve averaged losses of 16bps. As for real rates, Udibonos reflected a mixed balance. Securities with maturities from 2025 to 2031 lost 7bps, while those from 2035 to 2050 gained 5bps. Following losses in Mbonos, inflation breakevens increased moderately. However, the 3-year metric remained slightly below 4.00%, being 85bps lower than the 12-month average

- This week, bonds will be sensitive to the US employment report and Eurozone inflation especially after both the Fed and ECB failed to provide forward guidance for the September decision. In terms of strategy, we recognize that the attractiveness of paying very short-term TIIE-IRS has been drastically reduced given the elevated uncertainty over the Fed's terminal rate and the positive correlation between US and Mexican fixed-income securities. On a relative basis, we continue to see more value on the front-end of the Udibonos' yield curve. Finally, we believe that the 10-year Mbono, May'33, will trade between 8.70% and 9.05%

FX dynamics

- **The Mexican peso recorded its strongest level in 8 years.** The perception of a 'soft landing' in the US economy gave a boost to risk assets. With that, the peso closed Friday at 16.69 per dollar (+1.8% w/w), after reaching its best level since late 2015 of 16.63

- **The USD showed a positive bias, although the gain was moderate.** Most developed currencies lost ground and emerging currencies posted mixed movements. In the former group, SEK (-1.6%) traded as the weakest. In EM, ZAR (+1.9%) led the gains, while HUF (-2.3%) was at the opposite end of the spectrum

Foreign Exchange market levels and historical return

		Close at 07/28/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.73	0.2	1.1	2.5	11.6
Chile	USD/CLP	829.25	0.1	-0.8	-3.5	2.6
Colombia	USD/COP	3,916.00	0.5	1.0	5.9	23.9
Peru	USD/PEN	3.60	0.0	-0.2	1.0	5.8
Hungary	USD/HUF	348.87	-0.2	-2.3	-2.5	7.0
Malaysia	USD/MYR	4.56	-0.7	0.2	2.6	-3.3
Mexico	USD/MXN	16.69	1.1	1.8	2.4	16.9
Poland	USD/PLN	4.01	0.6	0.1	2.4	9.2
Russia	USD/RUB	91.87	-1.3	-1.3	-6.1	-19.2
South Africa	USD/ZAR	17.63	1.2	1.9	5.8	-3.4
Developed Markets						
Canada	USD/CAD	1.32	-0.1	-0.1	0.2	2.4
Great Britain	GBP/USD	1.29	0.4	0.0	1.7	6.4
Japan	USD/JPY	141.16	-1.2	0.4	2.4	-7.1
Eurozone	EUR/USD	1.1016	0.3	-1.0	0.9	2.9
Norway	USD/NOK	10.20	-0.1	-1.2	5.5	-3.9
Denmark	USD/DKK	6.77	0.3	-1.0	0.9	2.7
Switzerland	USD/CHF	0.87	-0.1	-0.5	3.1	6.3
New Zealand	NZD/USD	0.62	-0.4	-0.1	1.4	-3.0
Sweden	USD/SEK	10.55	-0.3	-1.6	2.2	-1.2
Australia	AUD/USD	0.67	-0.9	-1.2	0.8	-2.4

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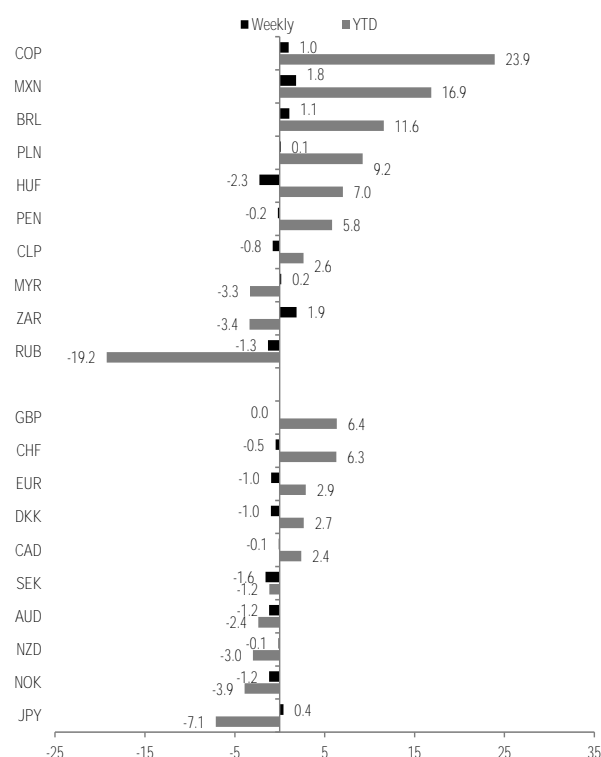Source: Bloomberg

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 decreased marginally.** As of July 25th, the MXN recorded a lower net long of US$ 2.59 billion from US$ 2.82 billion the previous week. Given the lack of forward guidance by the Federal Reserve and the begin of interest rate cuts in other emerging countries (e.g., Chile), speculators remain bets on a resilient Mexican peso

- **Net short USD positions reached new highs since March 2021.** The USD IMM position posted a higher net short of US$ 20.60 billion from US$ 20.17 billion the previous week. The shift was mainly due to purchases in JPY (+997 Million). Whit this, the net short positioning in JPY has been reduced by 33% in the last four weeks following the perception that the BoJ may soon modify its ultra-loose stance.

- **Sales moderated in EM while Mexico recorded positive flows.** Our EPFR aggregate recorded lower negative flows of US$ 92 million from US$ 923 million the previous week. Bond market sales decrease to US$ 32 million from US$ 331 million. Meanwhile, equities outflows fall to US$ 60 million from US$ 592 million. In Mexico, a positive flow of US$ 62 million was recorded because of purchases in both bonds and equities of US$ 52 million and US$ 10 million, respectively

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

xSource: CME, Banorte

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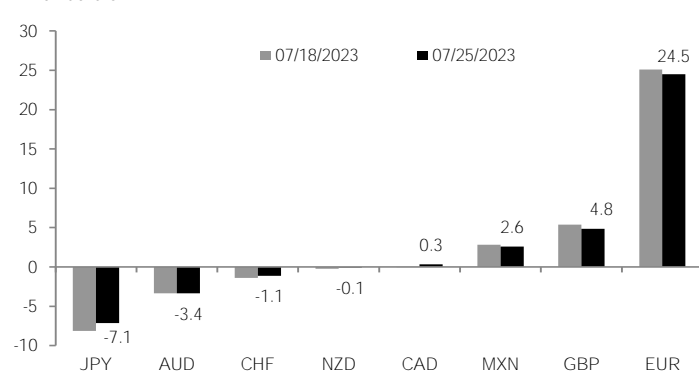
* Positive: Net long in the corresponding currency
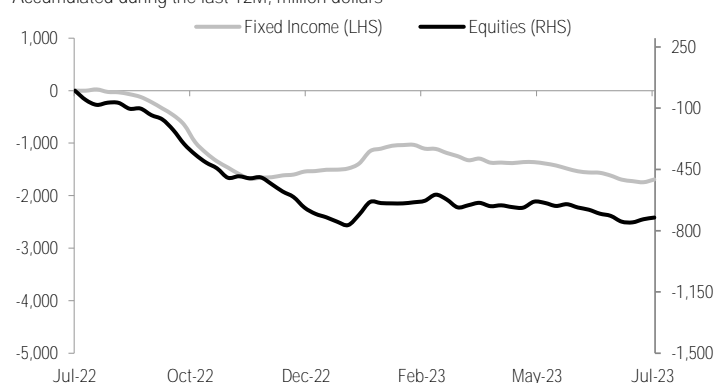Source: CME, Banorte

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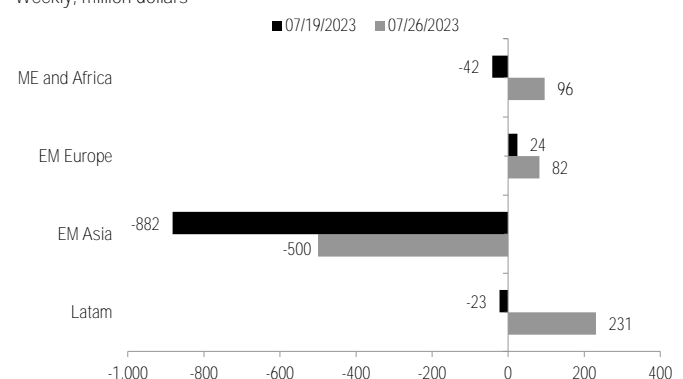
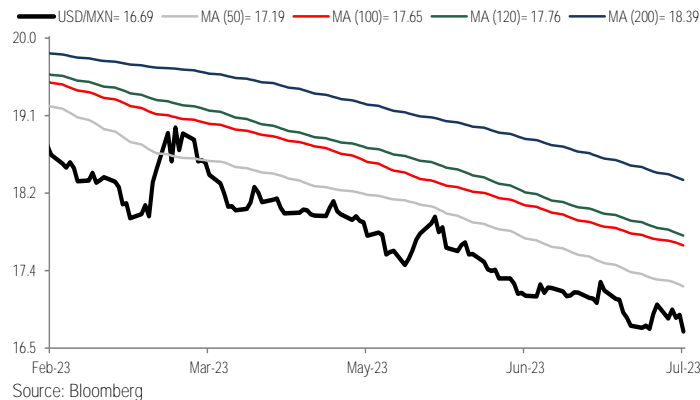Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- **Another intraday low since 2015, now at 16.63 per dollar.** After opening the week at the psychological 17.00 level, the Mexican peso breached 16.80 resistance and marked its best intraday level since late 2015 at 16.63 per dollar. The weekly trading range was 38 cents, higher than previous week of 36. Meanwhile, the weekly range registered a low of 13 cents and a high of 94 cents so far this year. Currently, the main short-term resistances stand at 16.50, 16.42, and 16.28, with supports at 16.93, 17.10, and 17.20. This week, the peso dynamics will be influenced by the US employment report and Eurozone inflation. In addition, currencies will react to the beginning of rate cutting cycles in emerging countries, particularly CLP

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

|	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	35	32	-7	72	26
CAD	35	40	1	63	34
ZAR	52	52	4	85	40
BRL	50	45	19	63	45
HUF	42	47	-5	70	40
RUB	-2	-3	-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	44	42	19	89	49
SPX	42	30	5	71	42
GSCI	19	14	2	49	30
Gold	35	31	-57	64	4

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

USD/MXN **–** Moving averages
Last 120 trading days

USD/MXN= 16.69   MA (50)= 17.19   MA (100)= 17.65   MA (120)= 17.76   MA (200)= 18.39

Source: Bloomberg

USD/MXN **–** Fibonacci retracement
Last 12 months

Source: Bloomberg

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

EUR   CAD   ZAR   BRL   HUF   RUB

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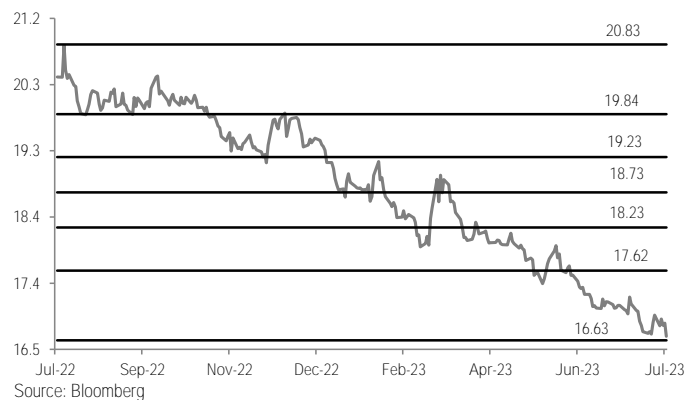
USD/MXN **–** 1-month correlation with other assets*
Based on daily percentage changes
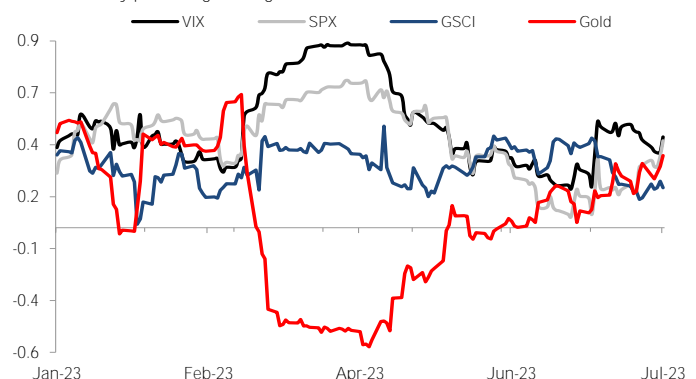
VIX   SPX   GSCI   Gold

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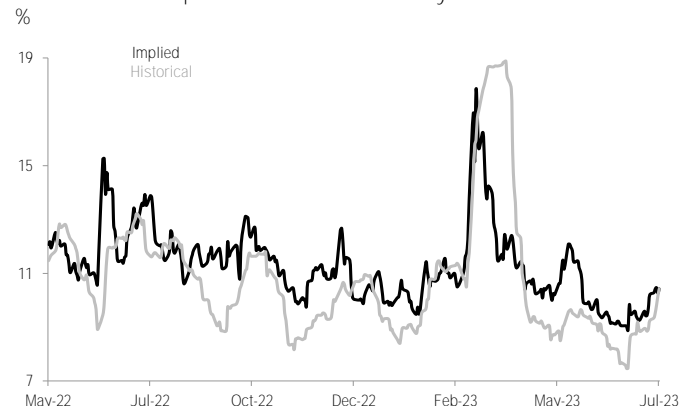Source: Bloomberg, Banorte

FX technicals (continued)

- **The MXN ATM implied volatility curve increased again at the short-end, while the long-end remained anchored.** The 1-month implied vol rose to 10.4% from 10.2% last week, hitting 1-month highs; however, it remains below the 12-month average of 11.1%. In a similar fashion, the 3-month reading adjusted higher to 10.8% (+0.2 vegas), while the 1-year reading remained virtually unchanged at 11.9%. In this sense, the 1-month risk reversal rose to 2.1% from 2.0% a week earlier but the 3-month risk reversal closed at the same level as the last week at 2.5%

USD/MXN – ATM options volatility curve
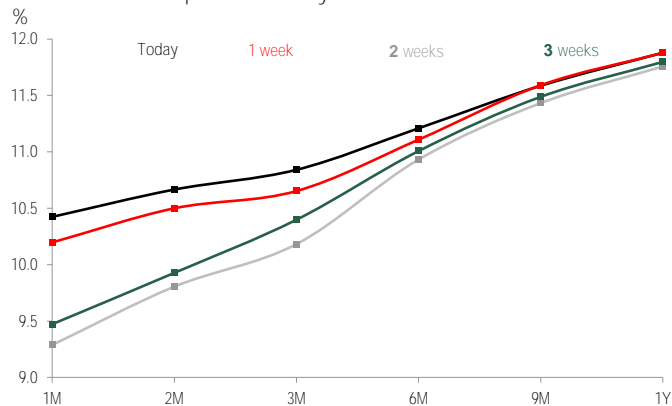
Source: Bloomberg

USD/MXN – 1M implied and historical volatility

Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility
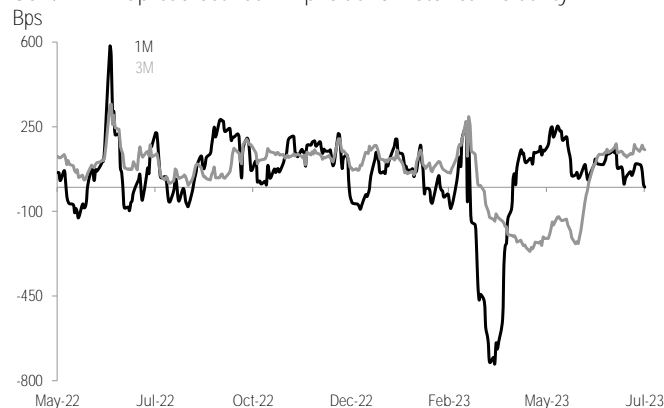
Source: Bloomberg

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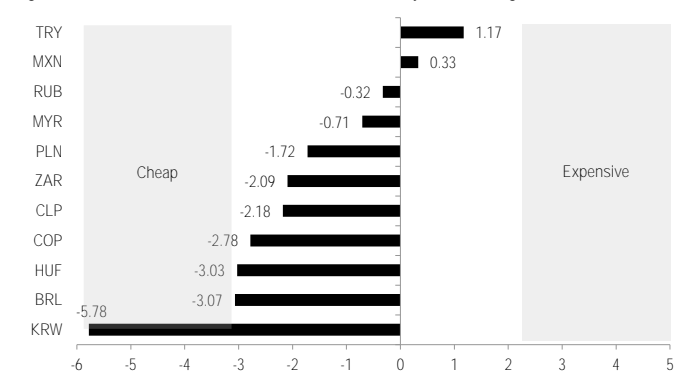
Source: Bloomberg, Banorte

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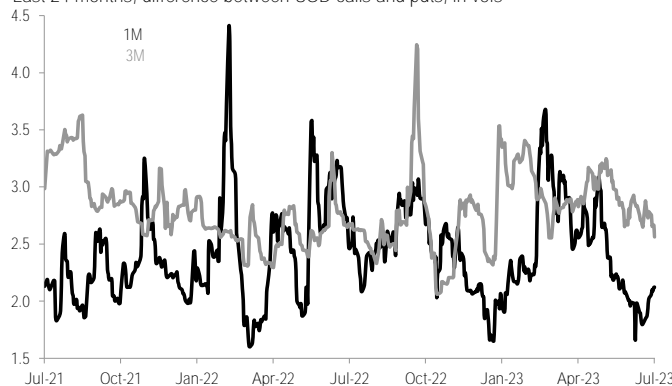
Source: Bloomberg

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


Source: Bloomberg, Banorte

FX trade recommendations

- **Volatile currencies after digesting the Fed's decision and figures showing a resilient economy.** The FX market was volatile after digesting the tone of the Fed's statement, as well as figures showing a resilient economy. In addition, the ECB and BoJ monetary policy decisions also influenced currency dynamics. Since Thursday's session, speculation about the possibility of changes in the BoJ's control of the curve generated volatility and increased demand for protection (one-week risk reversals) against a JPY rally. Against this backdrop, the dollar strengthened with the DXY index adjusting +0.6% w/w, although the BBDXY closed little changed. In the G10 currencies, negative bias predominated, with SEK (-1.6%) leading losses, while JPY (+0.4%) was the exception as it was boosted by the perception that the BoJ may soon modify its ultra-loose stance. Emerging currencies saw mixed movements, the weakest being HUF (-2.3%). Hungary's central bank continued its monetary easing by lowering the overnight deposit rate by 100bps to 15.00%, this adjustment was in line with market consensus, but generated weakness in the currency. Meanwhile, the MXN was the second strongest behind ZAR. The peso started the week trading around the psychological level of 17.00 per dollar and maintained an appreciating trend due to an expectation of a 'soft landing' in the US economy. With this, the MXN reached its strongest intraday level of 16.63, not seen since late 2015. The peso closed Friday at 16.69 per dollar, equivalent to an appreciation of 1.8% w/w, a trading range of 38 cents and a 3-month implied volatility at 10.84% vs. 10.65% of the previous week

- This week, in addition to the US employment and Eurozone inflation data, it will be interesting to observe the first market reactions to the beginning of rate cuts in emerging countries, particularly in the CLP. Chile's central bank surprised the market with a 100bps cut in its rate to 10.25% from 11.25% after the close on Friday vs 10.50%e. In our view, MXN will continue to be supported by attractive carry, considering the high rates through 2023, and solid macro fundamentals. We expect a trading range between USD/MXN 16.50 and 16.90

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

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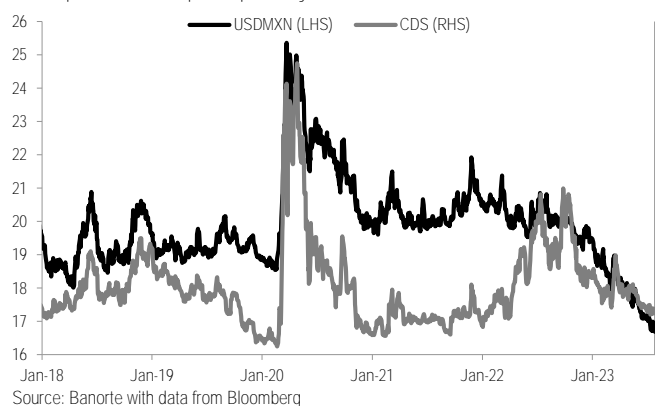
USD/MXN Forecast for 2023
Pesos per dollar

Source: Banorte
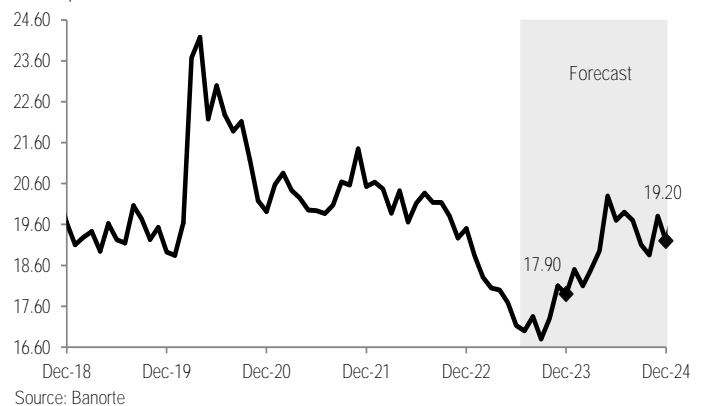
Weekly economic calendar
For the week ending August 4, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 30	21:30	CHI	Manufacturing PMI*	Jul	index	--	48.9	49.0
	21:30	CHI	Non-manufacturing PMI*	Jul	index	--	53.0	53.2
	21:30	CHI	Composite PMI*	Jul	index	--	--	52.3
Mon 31	05:00	EZ	Gross domestic product	2Q23 (P)	% y/y	--	0.5	1.1
	05:00	EZ	Gross domestic product*	2Q23 (P)	% q/q	--	0.2	0.0
	05:00	EZ	Consumer prices	Jul (P)	% y/y	--	5.3	5.5
	05:00	EZ	Core	Jul (P)	% y/y	--	5.4	5.5
	08:00	MX	Gross domestic product	2Q23 (P)	% y/y	3.6	3.2	3.7
	08:00	MX	Gross domestic product*	2Q23 (P)	% q/q	0.9	0.6	1.0
	09:20	US	Fed's Goolsbee speaks on Yahoo Finance Live					
	11:00	MX	Banking credit	Jun	% y/y	5.0	--	5.1
	14:00	US	Senior Loan Officer Opinion Survey on Bank Lending Practices					
	14:00	COL	Monetary policy decision (BanRep)	Jul 31	%	--	13.25	13.25
	21:45	CHI	Manufacturing PMI (Caixin)*	Jul	index	--	50.1	50.5
Tue 1	03:55	GER	Manufacturing PMI*	Jul (F)	index	--	38.8	38.8
	04:00	EZ	Manufacturing PMI*	Jul (F)	index	--	42.7	42.7
	04:30	UK	Manufacturing PMI*	Jul (F)	index	--	45.0	45.0
	05:00	EZ	Unemployment rate*	Jun	%	--	6.5	6.5
	08:00	BZ	Industrial production	Jun	% y/y	--	--	1.9
	08:00	BZ	Industrial production*	Jun	% m/m	--	--	0.3
	09:00	BZ	Manufacturing PMI*	Jul	index	--	--	46.6
	09:45	US	Manufacturing PMI*	Jul	index	49.0	49.0	49.0
	10:00	US	Fed's Goolsbee gives welcoming remarks					
	10:00	US	ISM manufacturing*	Jul (F)	index	46.0	46.9	46.0
	11:00	MX	International reserves	Jul 28	US$bn	--	--	204.1
	11:00	MX	Family remittances	Jun	US$bn	5,532.7	--	5,693.1
	11:00	MX	Survey of expectations (Banxico)					
	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					
	14:00	MX	PMI manufacturing (IMEF)*	Jul	index	51.3	--	50.9
	14:00	MX	PMI non-manufacturing (IMEF)*	Jul	index	51.9	--	51.5
		US	Total vehicle sales**	Jul	thousands	--	15.8	15.7
Wed 2	08:15	US	ADP employment*	Jul	thousands	270	185	497
	17:30	BZ	Monetary policy decision (Central bank of Brazil)	Aug 2	%	13.50	13.38	13.75
	21:45	CHI	Services PMI (Caixin)*	Jul	index	--	52.4	53.9
	21:45	CHI	Composite PMI (Caixin)*	Jul	index	--	--	52.5
Thu 3	02:00	GER	Trade balance	Jun	EURbn	--	15.0	14.6
	03:55	GER	Services PMI*	Jul (F)	index	--	52.0	52.0
	03:55	GER	Composite PMI*	Jul (F)	index	--	48.3	48.3
	04:00	EZ	Services PMI*	Jul (F)	index	--	51.1	51.1
	04:00	EZ	Composite PMI*	Jul (F)	index	--	48.9	48.9
	04:30	UK	Services PMI*	Jul (F)	index	--	51.5	51.5
	07:00	UK	Monetary policy decision (BoE)	Aug 3	%	--	5.25	5.00
	08:30	US	Fed's Barkin Speaks on Economy					
	08:30	US	Initial jobless claims*	Jul 29	thousands	230	227	221
	09:45	US	Services PMI*	Jul (F)	index	52.4	52.4	52.4
	09:45	US	Composite PMI*	Jul (F)	index	52.0	--	52.0
	10:00	US	Factory orders*	Jun	% m/m	--	2.0	0.3
	10:00	US	Ex transportation*	Jun	% m/m	--	--	-0.5
	10:00	US	Durable goods orders*	Jul (F)	% m/m	--	--	4.7
	10:00	US	Ex transportation*	Jul (F)	% m/m	--	--	0.6
	10:00	US	ISM services*	Jul	index	54.0	53.0	53.9
Fri 4	05:00	EZ	Retail sales*	Jun	% m/m	--	0.3	0.0
	08:00	MX	Gross fixed investment	May	% y/y	14.8	--	6.1
	08:00	MX	Gross fixed investment*	May	% m/m	2.6	--	-0.3
	08:00	MX	Private consumption	May	% y/y	5.1	--	2.5
	08:00	MX	Private consumption*	May	% m/m	0.2	--	0.5
	08:30	US	Nonfarm payrolls*	Jul	thousands	225	200	209
	08:30	US	Unemployment Rate*	Jul	%	3.6	3.6	3.6

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
Mon 24	03:30	GER	Manufacturing PMI*	Jul (P)	index	--	38.8	40.6
	03:30	GER	Services PMI*	Jul (P)	index	--	52.0	54.1
	03:30	GER	Composite PMI*	Jul (P)	index	--	48.3	50.6
	04:00	EZ	Manufacturing PMI*	Jul (P)	index	--	42.7	43.4
	04:00	EZ	Services PMI*	Jul (P)	index	--	51.1	52.0
	04:00	EZ	Composite PMI*	Jul (P)	index	--	48.9	49.9
	04:30	UK	Manufacturing PMI*	Jul (P)	index	--	5.0	46.5
	04:30	UK	Services PMI*	Jul (P)	index	--	51.5	53.7
	08:00	MX	Consumer prices	Jul 15	% 2w/2w	0.28	0.29	0.16
	08:00	MX	Core	Jul 15	% 2w/2w	0.26	0.24	0.21
	08:00	MX	Consumer prices	Jul 15	% y/y	4.78	4.79	4.93
	08:00	MX	Core	Jul 15	% y/y	6.77	6.76	6.86
	09:45	US	Manufacturing PMI*	Jul (P)	index	46.0	49.0	46.3
	09:45	US	Services PMI*	Jul (P)	index	53.8	52.4	54.4
	09:45	US	Composite PMI*	Jul (P)	index	--	52.0	53.2
Tue 25	04:00	GER	IFO Survey (business climate)*	Jul	index	--	87.3	88.6
	08:00	BZ	Consumer prices	Jul	% m/m	--	-0.07	0.04
	08:00	BZ	Consumer prices	Jul	% y/y	--	3.19	3.40
	08:00	MX	Economic activity indicator (IGAE)	May	% y/y	3.8	4.3	2.6 (R)
	08:00	MX	Economic activity indicator (IGAE)*	May	% m/m	-0.2	-0.3	0.9 (R)
	09:00		The IMF publishes its World Economic Outlook document					
	09:00	US	S&P/CoreLogic housing prices	May	% y/y	--	-1.7	-1.7
	10:00	US	Consumer confidence*	Jul	index	111.5	117.0	110.1 (R)
	11:00	MX	International reserves	Jul 21	US$bn	--	204.2	204.1
	07:12	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 30-year Mbono (Jul'53); 20-year Udibono (Nov'43) and 2-, and 5-year Bondes F					
Wed 26	04:00	EZ	Monetary aggregates (M3)*	Jun	EURbn	--	0.6	1.0 (R)
	10:00	US	New home sales**	Jun	thousands	--	697	715 (R)
	14:00	US	FOMC Rate Decision (Upper Bound)	Jul 26	%	5.50	5.50	5.25
	14:00	US	FOMC Rate Decision (Lower Bound)	Jul 26	%	5.25	5.25	5.00
	14:00	US	Interest Rate on Excess Reserves (IOER)	Jul 26	%	5.40	5.40	5.15
	14:30	US	Fed Chair Holds Press Conference Following FOMC Meeting					
Thu 27	08:00	MX	Unemployment rate	Jun	%	3.03	2.65	2.93
	08:00	MX	Trade balance	Jun	US$mn	220.6	38.2	-74.1
	08:15	EZ	Monetary policy decision (ECB)	Jul 27	%	3.75	3.75	3.50
	08:30	US	Durable goods orders*	Jun (P)	% m/m	--	4.7	2.0
	08:30	US	Ex transportation*	Jun (P)	% m/m	--	0.6	0.7
	08:30	US	Gross domestic product**	2Q23	% q/q	1.7	2.4	2.0
	08:30	US	Personal consumption**	2Q23	% q/q	--	1.6	4.2
	08:30	US	Initial jobless claims*	Jul 22	thousands	226	221	228
	08:30	US	Trade balance*	Jun	US$bn	--	-87.8	-91.9
	08:45	EZ	ECB President Christine Lagarde Holds Press Conference					
		JN	Monetary policy decision (BoJ)	Jul 28	%	--	-0.10	-0.10
Fri 28	05:00	EZ	Consumer confidence*	Jul (F)	index	--	-15.1	-15.1
	05:00	EZ	Economic confidence*	Jul	index	--	94.5	95.3
	08:00	BZ	Unemployment rate	Jun	%	--	8.0	8.3
	08:00	GER	Consumer prices	Jul (P)	% y/y	--	6.2	6.4
	08:30	US	Personal income*	Jun	% m/m	--	0.3	0.5 (R)
	08:30	US	Personal spending*	Jun	% m/m	--	0.5	0.2 (R)
	08:30	US	Real personal spending*	Jun	% m/m	--	0.4	0.1 (R)
	08:30	US	PCE Deflator*	Jun	% m/m	--	0.2	0.1
	08:30	US	Core*	Jun	% m/m	--	0.2	0.3
	08:30	US	PCE Deflator	Jun	% y/y	--	3.0	3.8
	08:30	US	Core	Jun	% y/y	--	4.1	4.6
	10:00	US	U. of Michigan confidence*	Jul (F)	index	72.6	71.6	72.6
	16:30	MX	Public finances (PSBR, year-to-date)	Jun	MXNmn	--	-420	-154.0
	18:00	CHL	Monetary policy decision (BCCh)	Jul 28	%	--	10.25	11.25

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

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