

Fixed-Income and FX Weekly

Market outlook

- **Mixed performance in local assets.** Last week, Mbonos' curve recorded losses of 6bps, on average. The 10-year benchmark ended at 9.07% (+4bps w/w). In addition, the USD/MXN appreciated 0.4% w/w to 17.01
- **Attention on the content of the Fed minutes and economic data in the US and the Eurozone.** Last week, financial market performance was mainly driven by US inflation figures and comments from Fed members. In addition, investors were watching Treasury debt auctions to assess the appetite derived from the increase in the issuance program. Inflation readings for the month of July were mixed, with the producer price index surprising to the upside while most Treasury auctions resulted in good appetite. With this, the market continues to debate a 'soft landing' for the economy and is unconvinced of a 25bps Fed funds rate hike in September. On the contrary, our view includes a hike of this magnitude which would reach a terminal rate of 5.50%-5.75% to be held for the rest of the year. This week, the markets' attention will be on the content of the minutes of the Fed's last monetary policy meeting, looking for clues on the next actions given the lack of forward guidance. In addition, the spotlight will also be on 2Q23 GDP in the Eurozone and industrial production (Jun), a region with a complicated backdrop, so recession fears remain. The US economic agenda includes retail sales, housing starts, industrial production (Jul), and manufacturing indicators (Empire and Philly Fed). In the UK, the unemployment rate (Jun), and inflation (Jul) will be released, while in Germany, the ZEW survey will be published (Aug). In Mexico, the agenda is light with retail sales (Jun) and the *Timely Indicator of Economic Activity* (Jul)

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 1.376 trillion (US\$ 80.8 billion), a market share equal to 33.1%, as of August 2nd. Short positions in Mbono May'33 ended at MXN 3.1 billion from MXN 5.3 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 491bps from 499bps the previous week, with the 12-month mean at 536bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of August 8th) recorded a lower net long of US\$ 2.44 billion from US\$ 2.62 billion a week ago. Mutual funds' flows to EM marked lower sales of US\$ 1.7 billion from US\$ 2.0 billion
- **Technicals** –The 1-month USD/MXN implied volatility fell to 11.9%, after hitting its highest level since the financial turmoil of 14.7% a week ago. Hence, the spot stabilized at 17.00 per dollar with a lower trading weekly range of 37 cents

August 14, 2023

[@analisis_fundam](http://www.banorte.com/analisis-economico)

Alejandro Padilla Santana

Chief Economist and Head of Research
alejandro.padilla@banorte.com

Manuel Jiménez Zaldívar

Director of Market Strategy
manuel.jimenez@banorte.com

Leslie Thalía Orozco Vélez

Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com

Isaías Rodríguez Sobrino

Strategist, Fixed Income and FX
isaias.rodriguez.sobrino@banorte.com

Fixed-Income

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

Foreign exchange

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

Recommendations

Fixed-Income

- This week, all eyes will be on the Fed minutes for more information on the September decision. Considering our monetary policy trajectories, we maintain our preference for TIE-IRS payers at the front-end. Longer term Mbonos also look attractive; however, we do not favor directional positions
- We expect the 10-year Mbono to trade between 8.95% and 9.20%

FX

- The USD and other currencies' performance will also be determined by the Fed minutes. A hawkish tone could maintain the strengthening trend recently observed in the dollar. We believe the MXN will remain resilient in the face of solid fundamentals
- We estimate a weekly trading range between USD/MXN 16.75 and 17.20



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

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 08/11/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.45	-3	+63
Sep'24	11.00	+7	+91
Dec'24	10.63	+10	+76
Mar'25	10.12	-1	+19
Mar'26	9.64	+2	+41
Sep'26	9.67	+4	+27
Mar'27	9.49	+6	+30
Jun'27	9.41	+9	+33
May'29	9.09	+9	+2
May'31	9.08	+6	+6
May'33	9.07	+4	+4
Nov'34	9.06	+6	+0
Nov'36	9.06	+8	+2
Nov'38	9.17	+8	+8
Nov'42	9.21	+9	+10
Nov'47	9.14	+10	+7
Jul'53	9.15	+8	+9

Source: PiP

Udibonos performance

Maturity date	YTM 08/11/2023	Weekly change (bps)	YTD (bps)
Nov'23	6.32	+13	+24
Dec'25	5.74	-2	+98
Dec'26	5.55	+6	+89
Nov'28	4.74	+4	+43
Nov'31	4.58	0	+41
Nov'35	4.40	-1	+19
Nov'40	4.38	-3	+19
Nov'43	4.47	-3	-3
Nov'46	4.47	-5	+29
Nov'50	4.48	-5	+25

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 08/11/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	0	+62
6-month (6x1)	11.46	+3	+42
9-month (9x1)	11.32	+4	+25
1-year (13x1)	11.03	+5	+12
2-year (26x1)	9.93	+7	+6
3-year (39x1)	9.29	+7	+11
4-year (52x1)	8.95	+11	+4
5-year (65x1)	8.77	+15	-5
7-year (91x1)	8.65	+17	-9
10-year (130x1)	8.63	+8	-10
20-year (260x1)	8.70	+8	-16

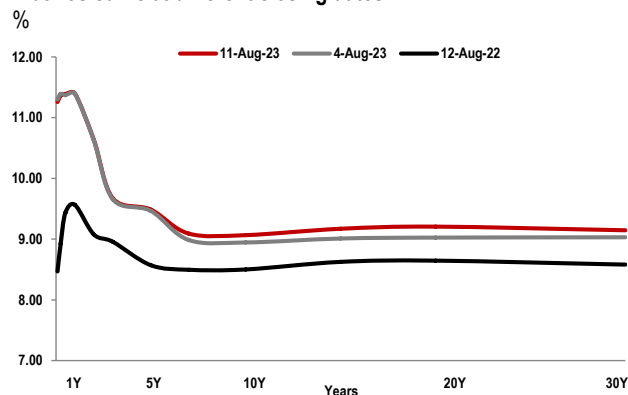
Source: Bloomberg

Cetes performance

Maturity date	YTM 08/11/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.26	+5	+117
Cetes 91	11.36	-2	+70
Cetes 182	11.39	+3	+52
Cetes 364	11.40	+12	+43
Cetes 728	10.88	+6	+7

Source: PiP

Mbonos curve at different closing dates



Source: PiP, Banorte

10-year Mbono benchmark



Source: PiP

Fixed-Income dynamics (continued)

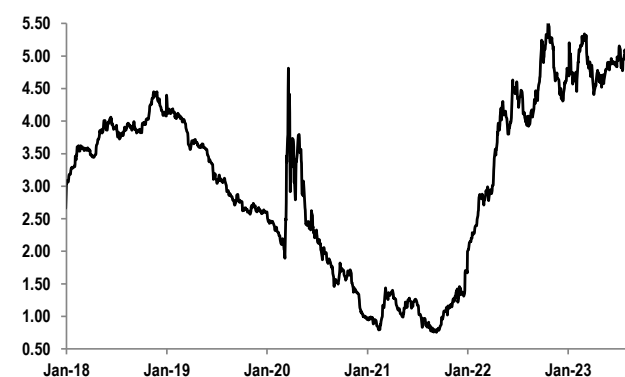
USD UMS and US Treasuries performance

Term	Maturity date	UMS			UST			Spreads			CDS
		YTM 08/11/2023	Weekly change (bps)	YTD (bps)	YTM 08/11/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	4.93	+8	+46	4.89	+13	+47	4	-5	16	34
3Y	May'26	4.46	+10	-34	4.58	+13	+35	-12	-3	55	53
5Y	Feb'28	5.16	+6	+37	4.30	+17	+30	86	-11	98	103
7Y	Apr'30	5.34	+1	+0	4.25	+16	+28	109	-15	139	147
10Y	May'33	5.60	+6	+4	4.15	+12	+28	144	-6	176	184
20Y	Mar'44	6.21	+7	-16	4.45	+8	+30	177	-1	216	--
30Y	May'53	6.41	+6	+2	4.26	+6	+30	215	0	246	--

Source: Bloomberg

5Y USD UMS

%



Source: Bloomberg

10Y USD UMS

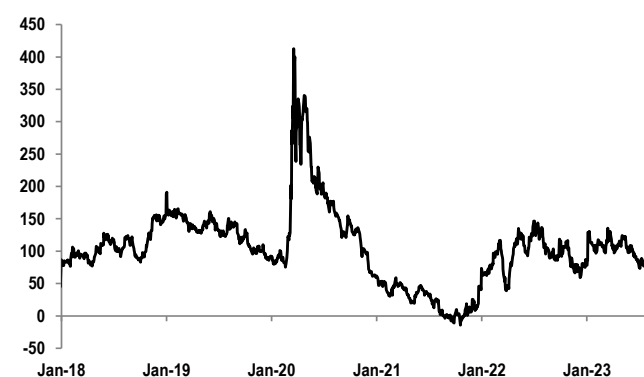
%



Source: Bloomberg

5Y UMS-UST Spread

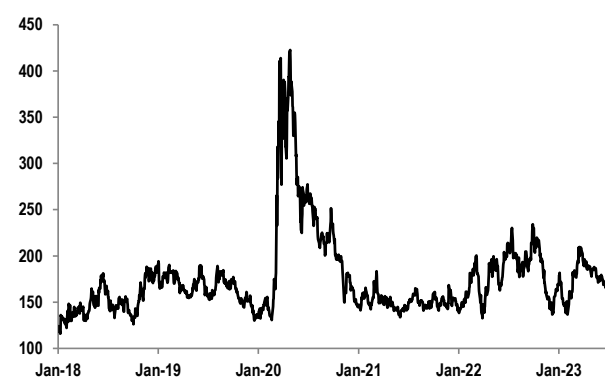
Basis points



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
- High demand for Cetes supported by the more hawkish tone of Banxico.** The central bank reiterated that it will be necessary to maintain the benchmark rate at its current level of 11.25% for a prolonged period to reach the 3% inflation target. This contrasts with the recent actions of other EM central banks that have begun their easing cycle. Under this backdrop, we expect the appetite for Cetes to remain high. In particular, the foreigners' holdings have increased 20% so far this year, extending the recovery of 23% in 2022, after the monumental sales during the pandemic. For the 3-year Mbono we expect a low demand like its last placement of 1.65x. In relative terms, we see more value in long-term Mbonos that are trading above 9.00% and $+2\sigma$ from their 90-day moving average; however, we do not recommend directional positions due to its high correlation with Treasuries and the greater debt issuance in the US. For the Dec'26 Udibono we anticipate a greater appetite compared to the Mbono of the same term driven by the fall in the breakeven, becoming below 4.0%. Historically, this level has triggered strong buying interest. The 3-year breakeven has remained around 3.90% during August, that is, 95bps below its 12-month average

Auction specifics (August 15, 2023)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	14-Sep-23	--	8,500	11.25
3m	16-Nov-23	--	7,500	11.19
6m	8-Feb-24	--	12,700	11.35
24m	10-Jul-25	--	9,500	10.77
Bondes F				
1y	15-Aug-24	--	5,500	0.12
3y	4-Jun-26	--	1,500	0.20
Mbono				
3y	3-Sep-26	7.00	13,500	9.45
Udibono				
3y	3-Dec-26	3.00	UDIS 700	5.36

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.

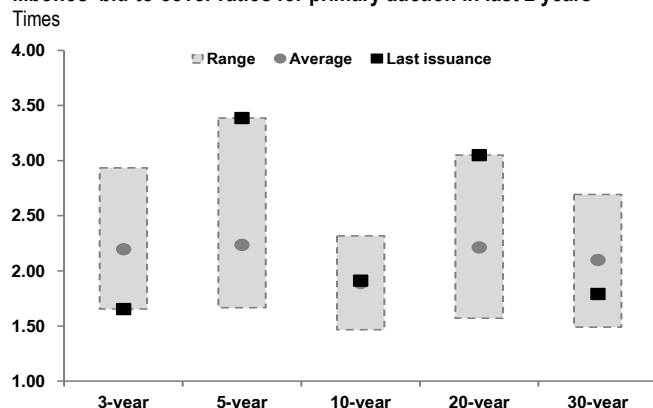
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

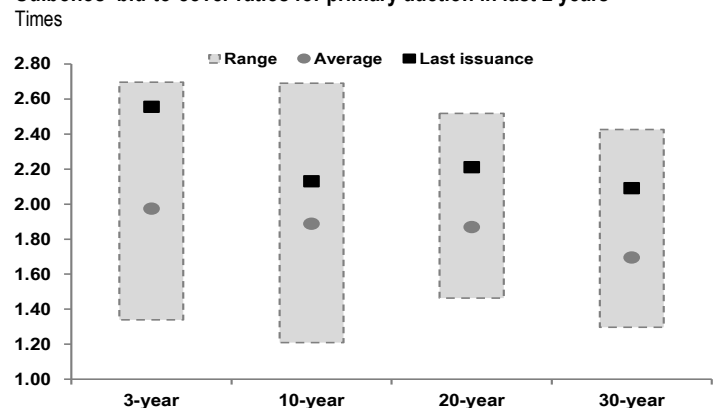
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

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

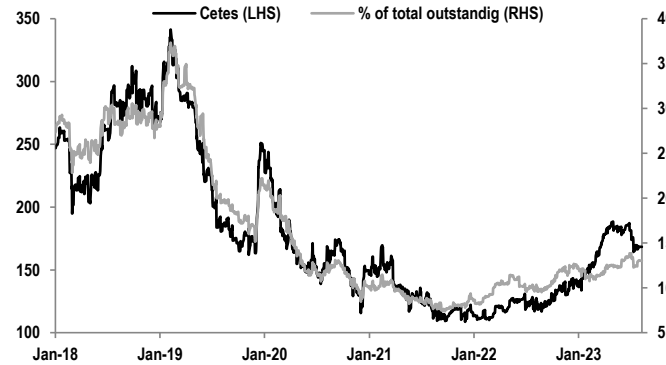


Source: Banxico, Banorte

Fixed-Income demand

Cetes held by foreigners

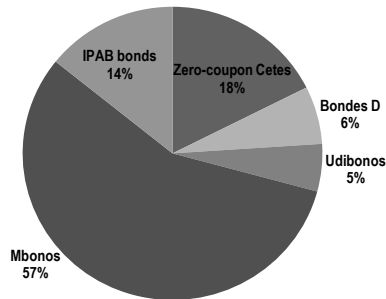
MXN billion, %



Source: Banxico

Government issuance by type of instrument

Total amount of US\$ 432 billion, % of total



Source: Banxico

Government bond holdings by type of investor

US\$ billion and %, data as of 08/02/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	76	13%	14%	15%	4%	11%	43%
Floating-rate Bonds D	28	0%	4%	42%	1%	17%	36%
Real-rate Udibonos	176	4%	54%	5%	19%	1%	16%
Fixed-rate Mbonos	244	33%	23%	3%	3%	16%	22%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds

US\$ billion

	08/02/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	9.9	9.9	-0.1	8.2	1.6
Floating-rate Bonds D	0.1	0.1	0.0	2.0	-1.9
Real-rate Udibonos	6.3	0.8	5.5	1.0	5.3
Fixed-rate Mbonos	80.8	80.7	0.1	82.1	-1.3

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds

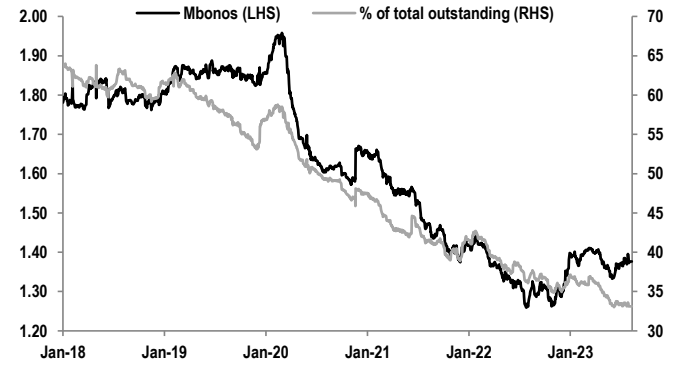
Percentage of total amount outstanding

	08/02/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	13.0%	12.4%	0.6%	12.4%	0.6%
Floating-rate Bonds D	0.2%	0.2%	0.0%	4.4%	-4.2%
Real-rate Udibonos	3.6%	3.6%	0.0%	5.0%	-1.4%
Fixed-rate Mbonos	33.1%	33.3%	-0.2%	37.1%	-4.0%

Source: Banorte with data from Banxico

Mbonos held by foreigners

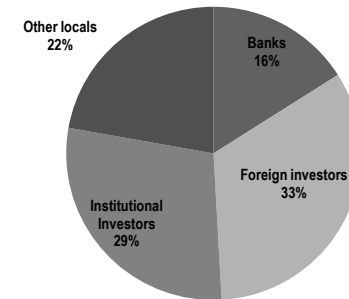
MXN trillion, %



Source: Banxico

Mbonos holdings by type of investor

Total amount of US\$ 244 billion, % of total



Source: Banxico

Mbonos holdings by type of investor

US\$ billion and %, data as of 07/27/2023

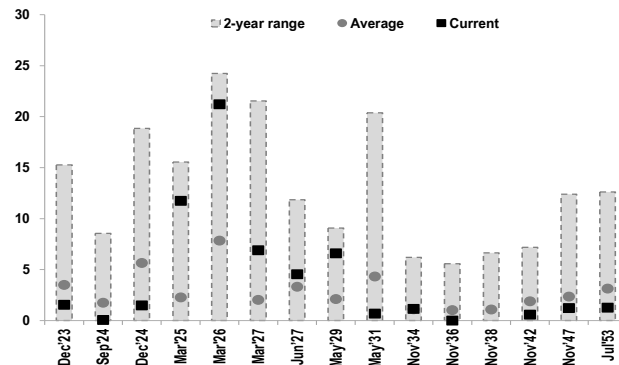
DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	10.0	28%	9%	26%	37%
Sep'24	17.2	17%	19%	11%	52%
Dec'24	13.9	25%	28%	8%	39%
Mar'25	10.6	31%	25%	19%	25%
Mar'26	27.4	39%	24%	16%	21%
Sep'26	3.2	8%	15%	23%	53%
Mar'27	20.9	15%	18%	15%	52%
Jun'27	21.1	10%	41%	27%	22%
May'29	16.2	3%	50%	24%	23%
May'31	25.7	4%	47%	33%	16%
May'33	11.5	3%	40%	33%	24%
Nov'34	5.6	1%	48%	39%	12%
Nov'36	4.3	2%	28%	40%	31%
Nov'38	13.0	1%	44%	38%	17%
Nov'42	17.6	2%	45%	39%	14%
Nov'47	15.6	2%	35%	43%	20%
Jul'53	9.2	3%	37%	43%	17%
Total	234.0	13%	34%	26%	27%

Source: Banxico

Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos

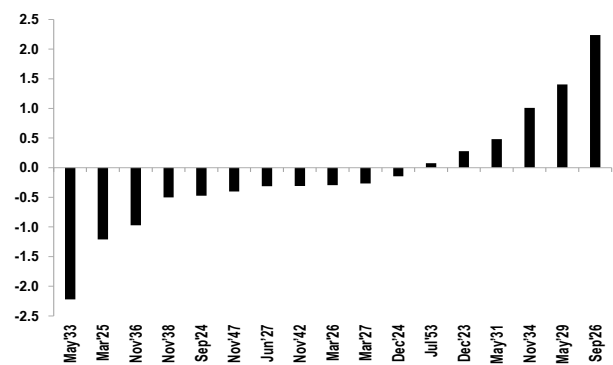
MXN billion



Source: Banxico

Weekly change in market makers' short positions on Mbonos

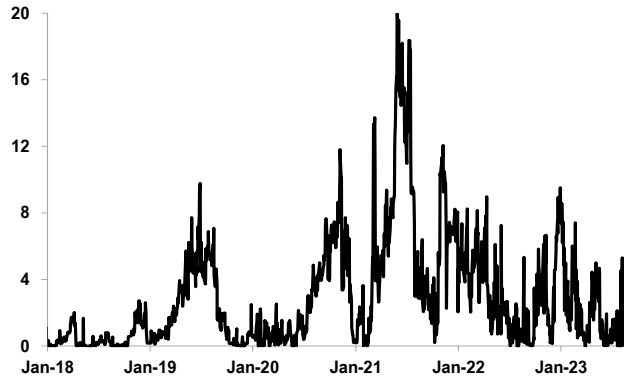
MXN billion



Source: Banxico

Market makers' short positions on Mbono May'31

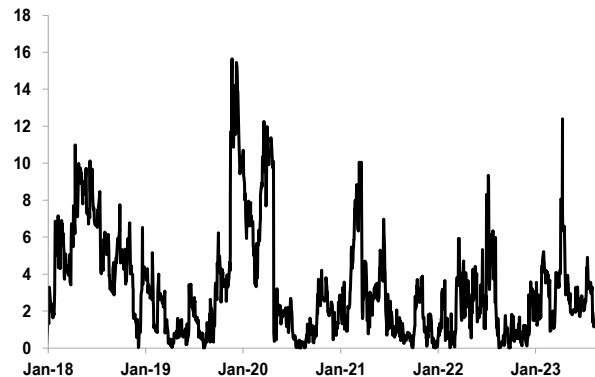
MXN billion



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 08/10/2023	08/10/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,917	91	75	7	91	337	0
Sep'24	16,994	4	32	94	14	324	0
Dec'24	13,947	88	97	111	40	460	0
Mar'25	12,152	690	762	610	53	914	0
Mar'26	27,285	1,247	1,264	1,317	282	1,425	106
Sep'26	3,363	159	27	35	0	1,269	0
Mar'27	21,741	406	422	0	283	1,267	0
Jun'27	20,954	267	286	262	88	640	39
May'29	16,675	388	306	331	62	534	46
May'31	25,548	41	13	21	26	435	0
May'33	12,636	184	315	46	0	443	3
Nov'34	5,647	68	8	27	35	362	0
Nov'36	4,304	0	57	21	180	327	0
Nov'38	12,771	0	29	68	24	162	0
Nov'42	17,405	35	53	339	127	339	0
Nov'47	15,351	73	97	251	13	729	53
Jul'53	9,099	75	71	89	235	402	0
Total	245,790	3,743	3,843	3,540	1,320		

Source: Banxico

Fixed-Income technicals

- **The carry at the short-end increased.** Spreads between Cetes and imp. forward rates stood at: 1-month at +71bps from +49bps, 3-month at -51bps from -52bps, 6-month at -79bps from -84bps, and 1-year at -75bps from -86bps
- **We expect Banxico's easing cycle will begin in the February 2024 decision contrary to the market expectations.** In a unanimous decision, the [Banxico's Board kept the reference rate unchanged at 11.25%](#), as was highly expected. We believe that the tone of the statement was more hawkish due to the upward adjustments in the short-term forecast for core inflation and a balance of risks still skewed to the upside. In this context, it is our take that the first rate cut will be in February of next year. On the contrary, the market is pricing-in a cut of 30bps in the remainder of the year, although this scenario has lost conviction since -50bps at the beginning of July

Spread between Cetes and Implied Forward Rates

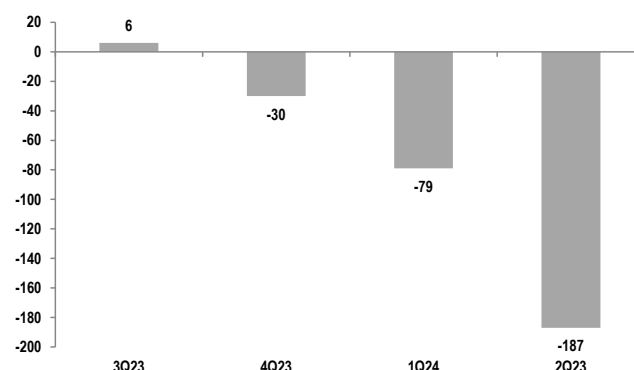
Basis Points

Tenor	Actual 08/11/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	71	49	52	0	489	-222
3 months	-51	-52	-67	-58	20	-150
6 months	-79	-84	-90	-71	2	-125
12 months	-75	-86	-88	-66	-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 reversed the previous week's move.** Markets digested inflation figures as the US terminal rate debate continues. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 491bps vs 499bps the previous week, while the average of the last twelve months stands at 536bps
- **The 3-month correlation between Mexican and US 10-year bonds remained unchanged vs. the previous week.** The reading closed Friday at +61%

10-year Mbono and 10-year UST spread

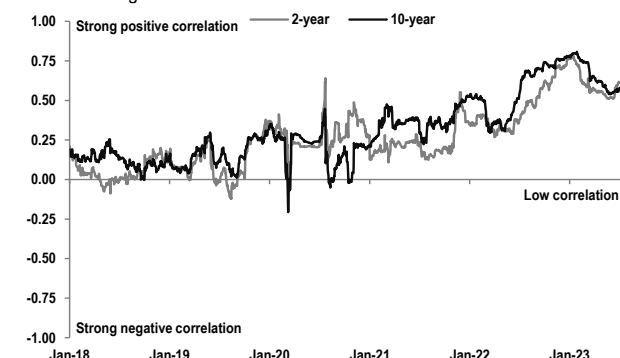
Basis points



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

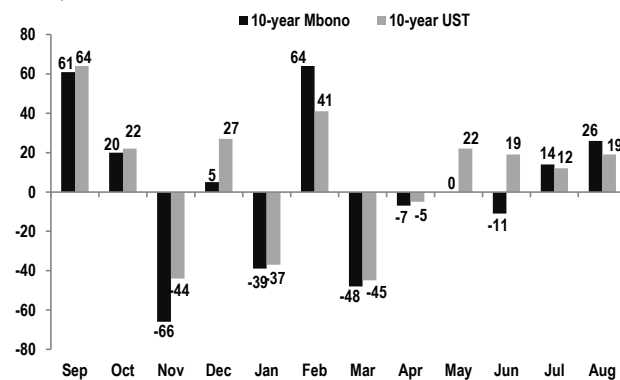
Basis points

Tenor	08/11/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-157	-151 (-6bps)	-173 (+16bps)	-57 (-100bps)	-47	-199	-132
Mbono 10s30s	8	4 (+4bps)	13 (-5bps)	8 (0bps)	35	-15	10
TIIE-Mbono 2-year	-70	-67 (-3bps)	-85 (+15bps)	-7 (-63bps)	8	-91	-44
TIIE-Mbono 10-year	-43	-47 (+4bps)	-63 (+20bps)	-31 (-12bps)	-17	-68	-45

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months

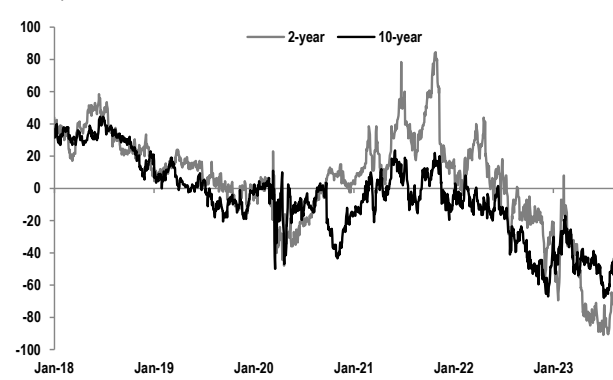
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

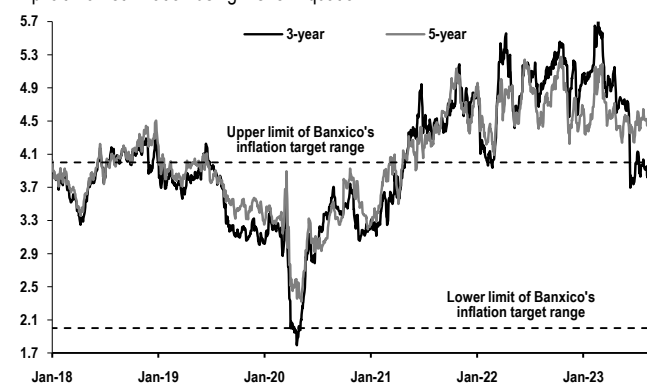
Implicit market inflation using Fisher Equation (%)

Date	08/11/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.90	3.92 (-2bps)	3.89 (+1bp)	4.93 (-103bps)	5.74	3.70	4.85
5Y	4.53	4.51 (+2bps)	4.44 (+9bps)	4.54 (-1bp)	5.28	4.23	4.64
10Y	4.29	4.24 (+5bps)	4.12 (+17bps)	4.44 (-15bps)	5.16	4.04	4.48
20y	4.53	4.42 (+11bps)	4.29 (+24bps)	4.53 (0bps)	5.15	4.15	4.58
30Y	4.46	4.33 (+13bps)	4.26 (+20bps)	4.42 (+4bps)	5.18	4.15	4.56

Source: PiP

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

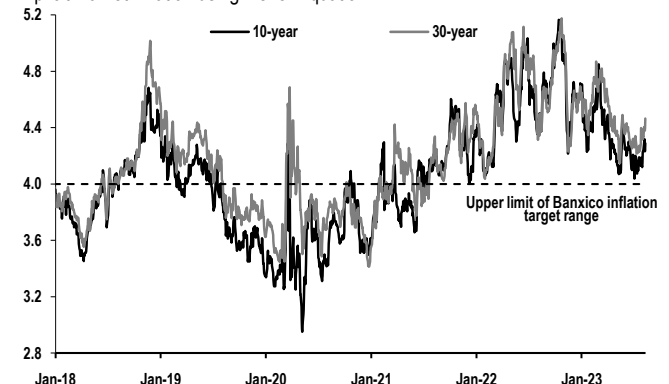
Implicit market inflation using Fisher Equation



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

- **Negative balance in sovereign bonds amid uncertainty about the Fed's terminal rate and increased Treasury supply.** Last week, sovereign bond dynamics were driven by mixed US inflation data and Treasury debt issuance. Regarding the first point, consumer prices remained in line with consensus; however, producer prices surprised to the upside. In this context, the market continues to assess how long the Fed will keep rates elevated. In our view, further monetary tightening will be necessary in September to reach a terminal rate of 5.50%-5.75%. It is worth noting that, although 1-year breakevens have already converged to the central bank's target level of 2%, longer-term breakevens are above 2.4%, suggesting that the downward trend could be transitory. Regarding the Treasury auctions, the increase in the amounts of the 3- and 10-year notes was well received by the market. On the contrary, the appetite for the 30-year Treasury was weak, settling at the highest rate since 2011 of 4.19%. Under these circumstances, the demand for hedging options for pressures in longer-term interest rates has risen significantly. Consequently, these options have become more expensive than hedges for interest rate declines. This is seen in the widening spread between call and put options on longer-term Treasury bond futures, reflecting the widest divergence since September
- Treasuries closed the week with losses of 11bps, on average, concentrated in the short- and mid-end. Locally, the Mbonos' curve registered pressures of 6bps. The reaction to Banxico's decision was very moderate as the rate remained unchanged as expected. However, the hawkish tone of the statement caused investors to modify their year-end rate cut expectations at the margin to -30bps from -36bps the previous week
- In a cautious backdrop, investors have recalibrated their portfolios by reducing emerging economy bond holdings. Year-to-date, sales are US\$ 12.53 billion with Asia accounting for 90% according to EPFR data. In Latam, Mexico has recorded outflows of US\$ 299 million, a smaller amount vs. peers such as Brazil (US\$ 342 million), most likely helped by the relative expectation of higher rates for longer
- This week, all eyes will be on the Fed minutes for more information on the September decision. Considering our monetary policy trajectories, we maintain our preference for TIEE-IRS payers at the front-end. Longer term Mbonos with yields above 9.00% also look attractive particularly Nov'42; however, we do not favor directional positions, due to the positive correlation with Treasuries and the higher supply of the latter. Shorter term Udibonos with breakevens below 4.00% reflect a better valuation in relative terms for long term positions. Finally, we believe that the 10-year Mbono, May'33, will trade between 8.95% and 9.20%

FX dynamics

- **The Mexican peso is back at the psychological 17.00 level.** The FX market reacted to mixed US inflation data. However, the MXN was one of the most resilient as it eased volatility recognizing its fundamentals. As a result, the MXN closed Friday at 17.01 per dollar (+0.4% w/w), after reaching its weakest intraday level of 17.28
- **The dollar strengthened for the fourth consecutive week.** The DXY and BBDXY indices appreciated while developed and most emerging currencies posted losses. In the former group, NOK (-2.7%) was the weakest and in the latter, COP (+2.4%) and RUB (-3.4%) were at the ends of the spectrum

Foreign Exchange market levels and historical return

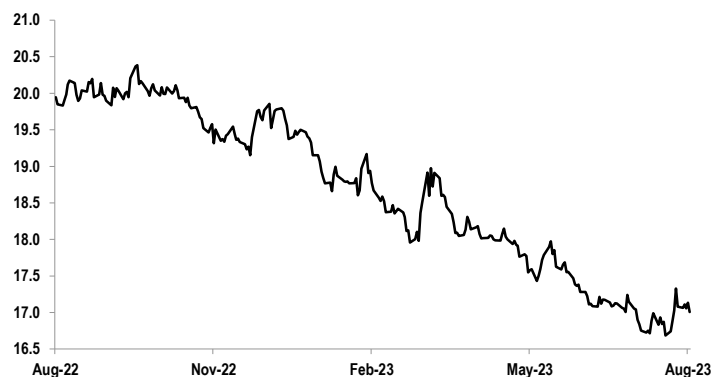
		Close at 08/11/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.91	-0.3	-0.7	-1.8	7.6
Chile	USD/CLP	859.35	-1.6	-0.8	-5.6	-1.0
Colombia	USD/COP	3,968.88	-0.4	2.4	4.0	22.3
Peru	USD/PEN	3.69	-0.6	0.0	-2.8	3.3
Hungary	USD/HUF	349.84	0.3	1.2	-3.6	6.7
Malaysia	USD/MYR	4.59	-0.4	-0.7	1.4	-4.0
Mexico	USD/MXN	17.01	0.7	0.4	-0.6	14.7
Poland	USD/PLN	4.05	0.0	-0.5	-1.5	8.0
Russia	USD/RUB	98.94	-1.7	-3.4	-8.6	-25.0
South Africa	USD/ZAR	18.95	-0.5	-2.6	-4.3	-10.1
Developed Markets						
Canada	USD/CAD	1.34	0.1	-0.5	-1.9	0.8
Great Britain	GBP/USD	1.27	0.2	-0.4	-2.2	5.1
Japan	USD/JPY	144.96	-0.1	-2.2	-4.5	-9.5
Eurozone	EUR/USD	1.0949	-0.3	-0.5	-1.6	2.3
Norway	USD/NOK	10.42	-1.0	-2.7	-2.9	-6.0
Denmark	USD/DKK	6.81	-0.3	-0.5	-1.6	2.1
Switzerland	USD/CHF	0.88	0.0	-0.5	-1.1	5.5
New Zealand	NZD/USD	0.60	-0.6	-1.8	-5.0	-5.8
Sweden	USD/SEK	10.77	-0.6	-1.8	-3.5	-3.1
Australia	AUD/USD	0.65	-0.3	-1.1	-4.3	-4.7

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

Source: Bloomberg

USD/MXN

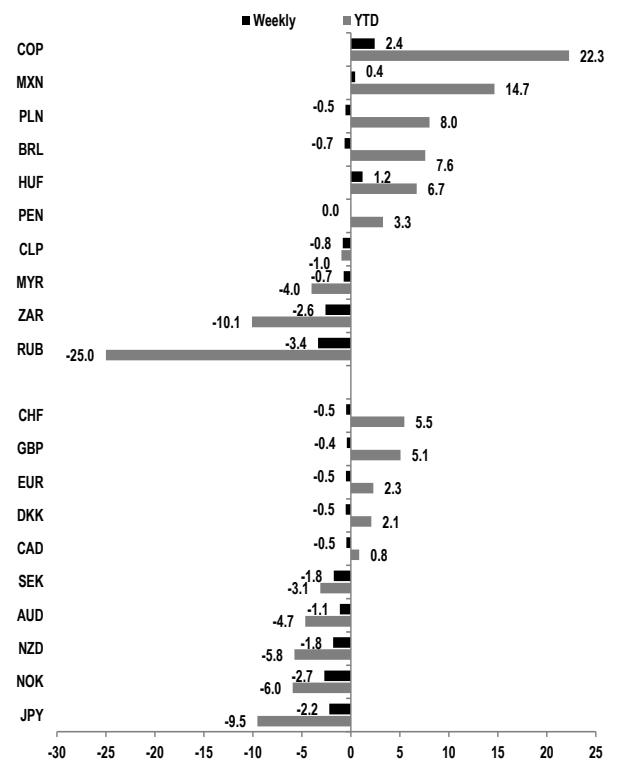
Last 12 months



Source: Bloomberg

FX performance

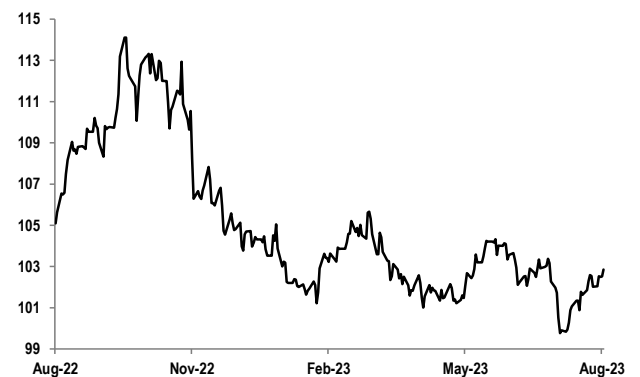
Against USD, %



Source: Bloomberg

DXY

Points



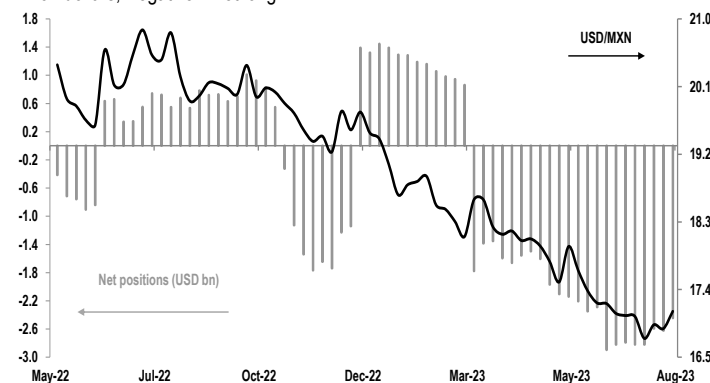
Source: Bloomberg, Banorte

FX positioning and flows

- **Net long positioning in MXN remains stable.** As of August 8th, the MXN position was net long US\$ 2.44 billion from US\$ 2.62 billion last week. Speculators maintain their bets on a resilient Mexican peso amid expectations of further interest rate cuts in other emerging economies and little conviction of an additional Fed rate hike in September, so the attractive carry remains the main support
- **Net short USD positions declined for a second week.** The USD IMM position was posted a lower net short position of US\$15.11 billion from US\$18.82 billion the previous week, amid heightened risk aversion that triggered appetite for safe assets. The move was the result of the largest weekly sell-off in EUR (-3.11 billion) since June 2022 ahead of the release of Eurozone growth and inflation figures this week
- **Sales moderated in EM while Mexico's negative flows increased.** Our EPFR aggregate recorded lower negative flows of US\$ 1.7 billion from US\$ 2.0 billion the previous week. Bond market sales decreased 32% to US\$ 662 million. Meanwhile, equities outflows slightly fall 2% to US\$ 1.0 billion. In Mexico, a negative flow of US\$ 124 million was recorded because of sales in both bonds and equities of US\$ 71 million and US\$ 52 million, respectively

IMM positioning in USD/MXN futures

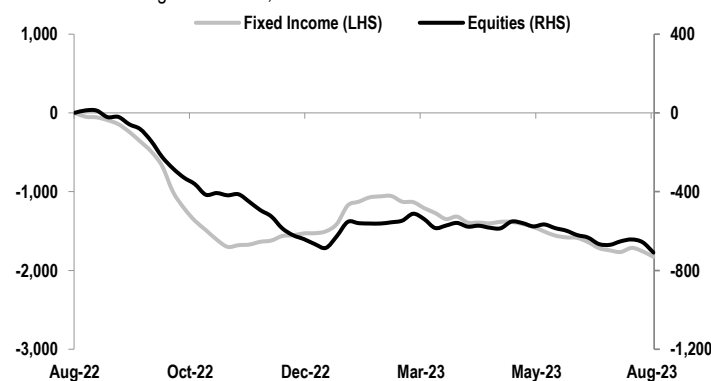
Billion dollars, Negative = net long in MXN



xSource: CME, Banorte

Foreign portfolio flows into Mexico

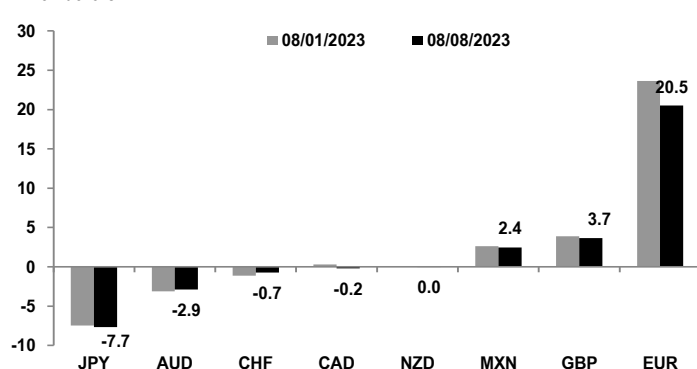
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

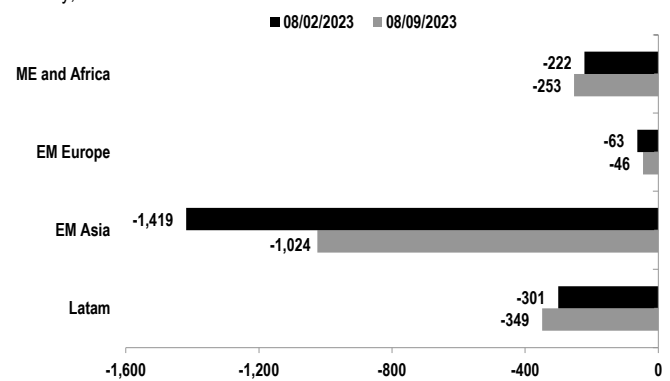


* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*

Weekly, million dollars



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

FX technicals

- **The Mexican peso could look for stronger levels.** The local currency quickly returned to the psychological level of 17.00 per dollar, being the third strongest among its peers. On this occasion, the weekly trading range was 37 cents, significantly lower than the previous week. 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 17.00, 16.93, and 16.83, with supports at 17.18, 17.30, and 17.37. This week, the dynamics in the FX market will be determined by the content of the minutes of the last FOMC meeting –while the debate on the terminal rate continues– and other economic data. At the local level, there is little relevant data

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	34	40	-7	72	28
CAD	20	35	1	63	34
ZAR	50	64	4	85	41
BRL	73	77	19	77	47
HUF	53	63	-3	70	43
RUB	-23	-4	-34	54	13

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

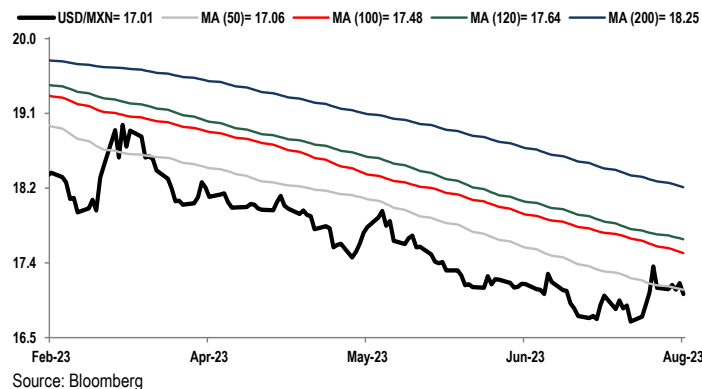
USD/MXN – 1-month correlation with other assets*

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	35	32	19	89	49
SPX	42	41	5	71	43
GSCI	16	11	2	49	29
Gold	37	37	-57	64	3

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

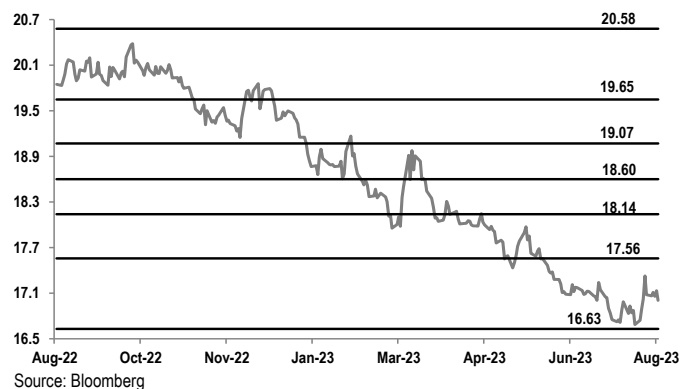
USD/MXN – Moving averages

Last 120 trading days



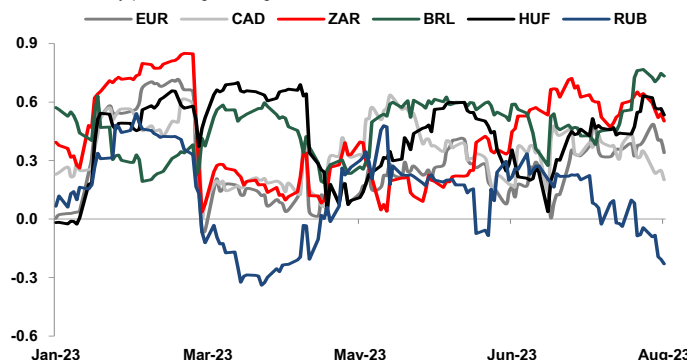
USD/MXN – Fibonacci retracement

Last 12 months



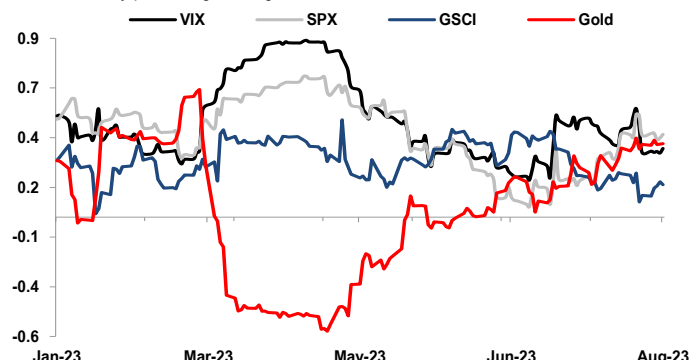
USD/MXN – 1-month correlation with other currencies*

Based on daily percentage changes



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

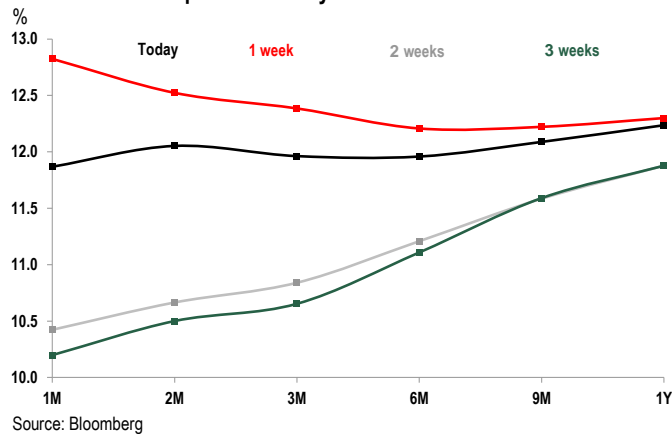
Based on daily percentage changes



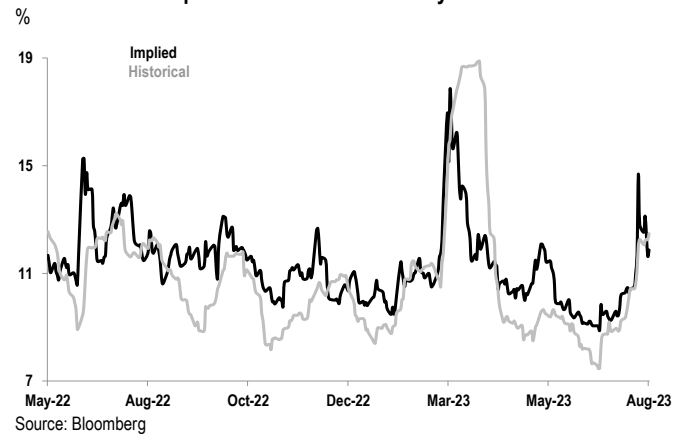
FX technicals (continued)

- MXN ATM implied volatility curve remains flat despite a correction at the short end.** The 1-month implied vol declined to 11.9% after reaching its highest point since the banking crisis (17.8%) from 14.7% last week. Meanwhile, the 3-month and 1-year readings remained little changed at around 12.0%. Moreover, the 1-month and 3-month risk reversals compressed to 3.07% and 3.19%, respectively, after reaching their highest levels since March of 3.5% and 3.3%, in the same order, last week. The market expects the currency to maintain a resilient performance going forward

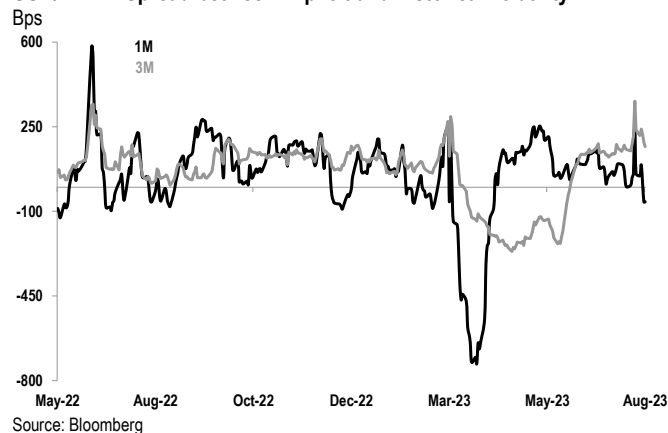
USD/MXN – ATM options volatility curve



USD/MXN – 1M implied and historical volatility

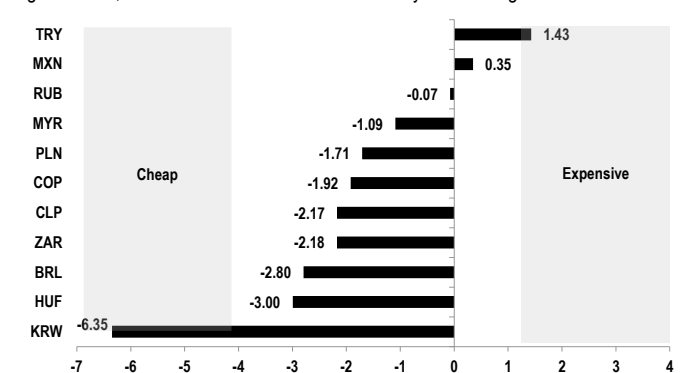


USD/MXN – Spread between implicit and historical volatility



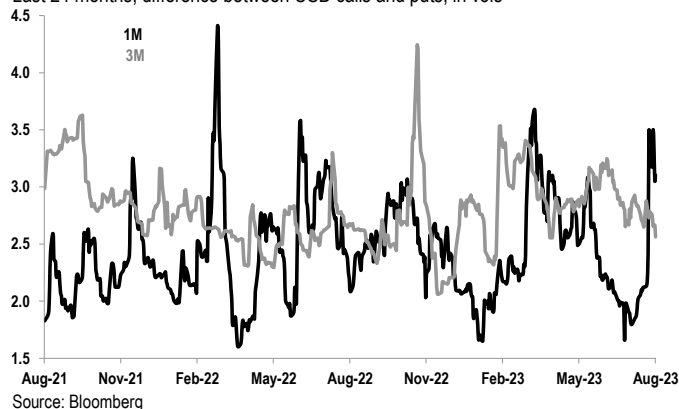
Emerging markets one-month ATM options volatility

Against USD, in standard deviations relative to last year's average



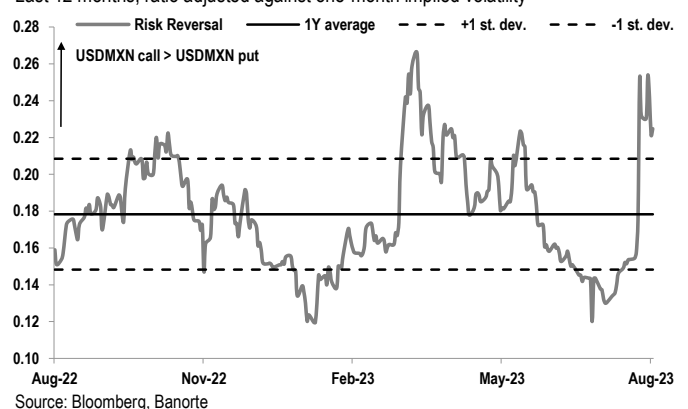
USD/MXN – 1-month and 3-month 25D risk reversals

Last 24 months, difference between USD calls and puts, in vols



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

Last 12 months, ratio adjusted against one-month implied volatility

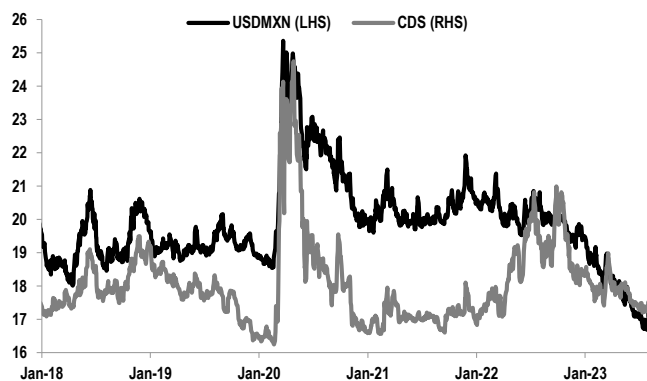


FX trade recommendations

- The dollar posts four consecutive weeks of gains.** Last week, the FX market trend was determined by the movement in the US yield curve, as well as economic data and comments from Fed members. Inflation data in the US generated volatility in the dollar. On the one hand, the CPI report represented a breather for investors and a weakening in the currency as it came in line with expectations. However, the producer price index strengthened it by showing greater pressures than expected. In addition, Treasury pressures and a hawkish tone from some Fed members added to this last move. As a result, the DXY and BBDXY indices ended the week with gains of +0.8% and +0.7% w/w, respectively. Meanwhile, the G10 currencies and most of the EM currencies ended with negative variations. In the former group, NOK (-2.7%) was the weakest, while GBP (-0.4%) showed the best relative performance derived from the positive surprise in the UK 2Q23 GDP. In emerging markets, trading was capped by COP (+2.4%) and RUB (-3.4%). It was noteworthy that Russia's central bank suspended the purchase of foreign currencies in the domestic market to support its currency and reduce volatility, however, this had little effect as can be appreciated. The Mexican peso showed a resilient performance being the third strongest among its peers, given the prospect of an attractive carry for longer after Banxico's hawkish tone combined with lower implied volatility and solid fundamentals. In this sense, the MXN closed Friday at 17.01 per dollar with an appreciation of 0.4% w/w and a trading range of 37 cents, almost half of that observed in the previous week
- This week, the performance of the dollar and the rest of the currencies will be determined by the content of the FOMC minutes and the Eurozone's 2Q23 GDP. Markets will be looking for additional clues on the Fed's next actions and will continue to debate about a 'soft landing'. For MXN we expect lower volatility and see it likely to reach stronger levels. We estimate a trading range between USD/MXN 16.75 and 17.20

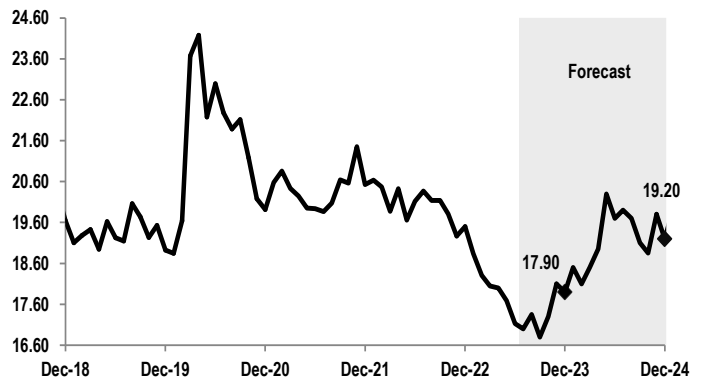
USD/MXN and Mexico 5Y CDS

Pesos per dollar and bps, respectively



USD/MXN Forecast for 2023

Pesos per dollar



Weekly economic calendar

For the week ending August 18, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 14	19:50	JP	Gross domestic product*	2Q23 (P)	% q/q	--	0.7	0.7
	22:00	CHI	Industrial production	Jul	% y/y	--	4.3	4.4
	22:00	CHI	Retail sales	Jul	% y/y	--	4.2	3.1
	22:00	CHI	Gross fixed investment (YTD)	Jul	% y/y	--	3.8	3.8
Tue 15	02:00	UK	Unemployment rate*	Jun	%	--	4.0	4.0
	05:00	GER	ZEW Survey (Expectations)	Aug	index	--	-15.0	-14.7
	08:30	US	Retail sales*	Jul	% m/m	0.4	0.4	0.2
	08:30	US	Ex autos & gas*	Jul	% m/m	--	0.4	0.3
	08:30	US	Control group*	Jul	% m/m	0.4	0.5	0.6
	08:30	US	Empire manufacturing*	Aug	index	2.5	-1.0	1.1
	11:00	US	Fed's Kashkari speaks at API conference					
	11:00	MX	International reserves	Aug 11	US\$bn	--	--	203.9
	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 16	02:00	UK	Consumer prices	Jul	% y/y	--	6.8	7.9
	02:00	UK	Core	Jul	% y/y	--	6.8	6.9
	05:00	EZ	Gross domestic product	2Q23	% y/y	--	0.6	0.6
	05:00	EZ	Gross domestic product*	2Q23	% q/q	--	0.3	0.3
	05:00	EZ	Industrial production*	Jun	% m/m	--	0.0	0.2
	08:30	US	Housing starts**	Jul	thousands	--	1,445	1,434
	08:30	US	Building permits**	Jul	thousands	--	1,469	1,441
	09:15	US	Industrial production*	Jul	% m/m	0.4	0.3	-0.5
	09:15	US	Manufacturing production*	Jul	% m/m	0.1	0.0	-0.3
Thu 17	14:00	US	FOMC Meeting Minutes					
	05:00	EZ	Trade balance*	Jun	EURbn	--	--	-0.9
	08:30	US	Initial jobless claims*	Aug 12	thousands	235	240	248
Fri 18	08:30	US	Philadelphia Fed*	Aug	index	-12.0	-10.5	-13.5
	05:00	EZ	Consumer prices	Jul (F)	% y/y	--	5.3	5.3
	05:00	EZ	Core	Jul (F)	% y/y	--	5.5	5.5
	08:00	MX	Retail sales	Jun	% y/y	4.9	3.0	2.6
	08:00	MX	Retail sales*	Jun	% m/m	1.7	--	-0.5
	08:00	MX	Timely Indicator of Economic Activity*	Jul	% y/y	--	--	4.0

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

For the week ending August 11, 2023

	Time	Event	Period	Unit	Banorte	Actual	Previous
Mon 7	02:00	GER Industrial Production*	Jun	% m/m	--	-1.5	-0.1 (R)
	08:00	MX Consumer confidence*	Jul	index	45.0	46.2	45.3 (R)
	08:30	US Fed's Bostic Speaks at Fed Listens Event					
	08:30	US Fed's Bowman Speaks at Fed Listens Event					
	15:00	US Consumer credit*	Jun	USDbn	--	17.8	9.5 (R)
	16:30	MX Survey of expectations (Citibanamex)					
	23:00	CHI Trade balance	Jul	USDbn	--	80.6	70.6
	23:00	CHI Exports	Jul	% y/y	--	-14.5	-12.4
	23:00	CHI Imports	Jul	% y/y	--	-12.4	-6.8
		MX Wage negotiations	Jul	% y/y	--	7.4	7.3
Tue 8	02:00	GER Consumer prices	Jul (F)	% y/y	--	6.2	6.2
	07:00	BZ COPOM minutes					
	08:15	US Fed's Harker Speaks on Economic Outlook in Philadelphia					
	08:30	US Trade balance*	Jun	US\$bn	--	-65.5	-68.3 (R)
	11:00	MX International reserves	Aug 4	US\$bn	--	203.9	204.2
	13:30	MX Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 10-year Mbono (May'33); 30-year Udibono (Nov'50) and 2-, 5-, and 10-year Bondes F					
	21:30	CHI Consumer Prices	Jul	% y/y	--	-0.3	0.0
Wed 9	08:00	BZ Retail sales	Jun	% m/m	--	0.0	-1.7 (R)
	08:00	BZ Retail sales*	Jun	% y/y	--	1.3	-1.1 (R)
	08:00	MX Consumer prices	Jul	% m/m	0.50	0.48	0.10
	08:00	MX Core	Jul	% y/y	0.43	0.39	0.30
	08:00	MX Consumer prices	Jul	% y/y	4.81	4.79	5.06
	08:00	MX Core	Jul	% y/y	6.68	6.64	6.89
Thu 10	08:30	US Consumer prices*	Jul	% m/m	0.2	0.2	0.2
	08:30	US Ex. food & energy*	Jul	% m/m	0.2	0.2	0.2
	08:30	US Consumer prices	Jul	% y/y	3.2	3.2	3.0
	08:30	US Ex. food & energy	Jul	% y/y	4.8	4.7	4.8
	08:30	US Initial jobless claims*	Aug 5	thousands	227	248	227
	15:00	MX Monetary policy decision (Banxico)	Aug 10	%	11.25	11.25	11.25
	15:00	US Fed's Bostic Gives Remarks at Event About Employment					
	16:15	US Fed's Harker Speaks on Employment					
	19:00	PE Monetary policy decision (BCRP)	Aug 10	%	--	7.75	7.75
		MX ANTAD same-store sales	Jul	% y/y	--	6.3	9.3
Fri 11	02:00	UK Industrial production*	Jun	% m/m	--	1.8	-0.6
	02:00	UK Gross domestic product	2Q23 (P)	% y/y	--	0.4	0.2
	02:00	UK Gross domestic product*	2Q23 (P)	% q/q	--	0.2	0.1
	08:00	BZ Consumer prices	Jul	% m/m	--	0.12	-0.08
	08:00	BZ Consumer prices	Jul	% y/y	--	3.99	3.16
	08:00	BZ Economic activity	Jun	% y/y	--	--	2.2
	08:00	BZ Economic activity*	Jun	% m/m	--	--	-2.0
	08:00	MX Industrial production	Jun	% y/y	2.9	3.7	3.9
	08:00	MX Industrial production*	Jun	% m/m	0.1	0.6	0.9
	08:00	MX Manufacturing output	Jun	% y/y	1.7	0.8	1.9
	08:30	US Producer prices*	Jul	% m/m	--	0.3	0.0 (R)
	08:30	US Ex. food & energy*	Jul	% m/m	--	0.3	-0.1 (R)
	10:00	US U. of Michigan confidence*	Aug (P)	index	70.0	71.2	71.6

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

Recent trade ideas

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

P = Profit, L = Loss

Track of directional fixed-income trade recommendations

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

1. Carry + roll-down gains of 17bps

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

Short-term tactical trades

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

Source: Banorte

Track of the directional FX trade recommendations*

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

* Total return does not consider carry gain/losses

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

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalia Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuatencos 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte Ixe and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
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.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V. since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

The information contained hereby has been obtained from sources that we consider to be reliable, but we make no representation as to its accuracy or completeness. The information, estimations and recommendations included in this document are valid as of the issue date, but are subject to modifications and changes without prior notice; Grupo Financiero Banorte S.A.B. of C.V. does not commit to communicate the changes and also to keep the content of this document updated. Grupo Financiero Banorte S.A.B. of C.V. takes no responsibility for any loss arising from the use of this report or its content. This document may not be photocopied, quoted, disclosed, used, or reproduced in whole or in part without prior written authorization from Grupo Financiero Banorte S.A.B. of C.V.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
Economic Research			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
Market Strategy			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
Fixed income and FX Strategy			
Leslie Thalía Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
Equity Strategy			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Juan Carlos Mercado Garduño	Strategist, Equity	juan.mercado.garduno@banorte.com	(55) 1103 - 4000 x 1746
Corporate Debt			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
Quantitative Analysis			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Senior Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Jazmín Daniela Cuautencos Mora	Strategist, Quantitative Analysis	jazmin.cuautencos.mora@banorte.com	(55) 1103 - 4000
Andrea Muñoz Sánchez	Analyst, Quantitative Analysis	andrea.munoz.sanchez@banorte.com	(55) 1103 - 4000
Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebaltos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899