Fixed-Income and FX Weekly

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Market outlook

- **Strength in the MXN.** Last week, Mbonos' curve flattened as a result of losses of 4bps at the short-end, while the 10-year benchmark ended at 9.24% (-11bps w/w). In addition, the USD/MXN appreciated 1.8% w/w to 16.75

- **Focus on nonfarm payrolls, speeches by Fed members and Banxico's *Quarterly Report*.** Last week, investors' attention was centered on speeches by Jerome Powell (Fed) and Christine Lagarde (ECB) at the Jackson Hole symposium. Powell in a hawkish tone reiterated their commitment to bring inflation down to the 2% target and said they are ready to continue raising rates if necessary. He also commented that they will keep monetary policy tight until they are confident that inflation will head to target. Christine Lagarde also said that they will set rates as high as necessary. In this context, Treasury rates remained elevated, highlighting the 2-year tenor at 5.08% (+14bps) which approached two-decade highs and the dollar strengthened achieving six consecutive weeks with gains. This week, attention will be on the release of economic data, mainly the August non-farm payroll for which we estimate a creation of 190 thousand jobs (consensus: 168 thousand), as well as on the speeches of Fed members. In addition, the US agenda includes the PCE deflator -the Fed's preferred inflation metric-, 2Q23 GDP (2nd estimate), personal income and spending, as well as consumer confidence and trade balance (Jul). In Mexico, the economic agenda includes 2Q23 GDP (final, with base year revisions), IGAE, IMEF indicators and unemployment rate. Meanwhile, Banxico will release its 2Q23 *Quarterly Report* in which an upward revision in macroeconomic estimates is expected and we will be attentive to the press conference being relevant after the latest minutes. On September 1st, the ordinary session of Congress begins

Fixed-Income

- **Supply** – The MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'29), the 10-year Udibono (Nov'31), as well as 1-, 3-, and 7-year Bondes F

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.365 trillion (US$ 79.9 billion), a market share equal to 32.8%, as of August 16th. Short positions in Mbono May'33 ended at MXN 4.6 billion from MXN 4.8 billion last week

- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 500bps from 509bps the previous week, with the 12-month mean at 533bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of August 22nd) recorded a lower net long of US$ 2.18 billion from US$ 2.39 billion a week ago. Mutual funds' flows to EM marked bigger sales of US$ 4.2 billion from US$ 2.6 billion

- **Technicals** – The spot accelerated its appreciation, breaking the 17.00 and 16.80 per dollar resistances to reach its strongest intraday level of 16.74 with a longer weekly trading range of 34 cents vs. 24 last week

Recommendations

Fixed-Income

- Locally, the inflation report and the hawkish tone of Banxico's minutes caused the market to significantly lower its bets for interest rate cuts this year. We reiterate our preference on TIIE-IRS payers at the front-end. In our view, the high yields of longer duration Mbonos are really attractive for long-term portfolios, particularly the May'33, Nov'38 and Nov'42 maturities
- We expect the 10-year Mbono to trade between 9.15% and 9.45%

FX

- The FX market dynamics will be mainly defined by the release of US economic data, as well as speeches from Fed members. We expect a resilient performance for the MXN. We estimate a weekly trading range between USD/MXN 16.6[illegible] and 17.00

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

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 08/25/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.55	+4	+72
Sep'24	11.09	+4	+100
Dec'24	10.84	+2	+97
Mar'25	10.29	-3	+36
Mar'26	10.01	+11	+78
Sep'26	10.02	+5	+62
Mar'27	9.69	-9	+50
Jun'27	9.67	-9	+58
Mar'29	9.51	+4	+14
May'29	9.37	-4	+30
May'31	9.32	-5	+31
May'33	9.24	-11	+22
Nov'34	9.21	-11	+16
Nov'36	9.22	-8	+18
Nov'38	9.33	-8	+24
Nov'42	9.32	-10	+22
Nov'47	9.24	-7	+16
Jul'53	9.25	-6	+19

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 08/25/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.51	0	+60
6-month (6x1)	11.47	0	+43
9-month (9x1)	11.38	+1	+31
1-year (13x1)	11.12	-3	+21
2-year (26x1)	10.11	-2	+24
3-year (39x1)	9.46	-7	+28
4-year (52x1)	9.07	-15	+16
5-year (65x1)	8.88	-17	+6
7-year (91x1)	8.79	-15	+4
10-year (130x1)	8.73	-19	0
20-year (260x1)	8.80	-20	-6

Source: Bloomberg

Udibonos performance

Maturity date	YTM 08/25/2023	Weekly change (bps)	YTD (bps)
Nov'23	5.77	-36	-32
Dec'25	5.63	-7	+87
Dec'26	5.64	+2	+98
Nov'28	4.90	+9	+59
Nov'31	4.80	+16	+62
Nov'35	4.52	+9	+31
Nov'40	4.53	+10	+34
Nov'43	4.57	+2	+7
Nov'46	4.55	+2	+37
Nov'50	4.58	+4	+35

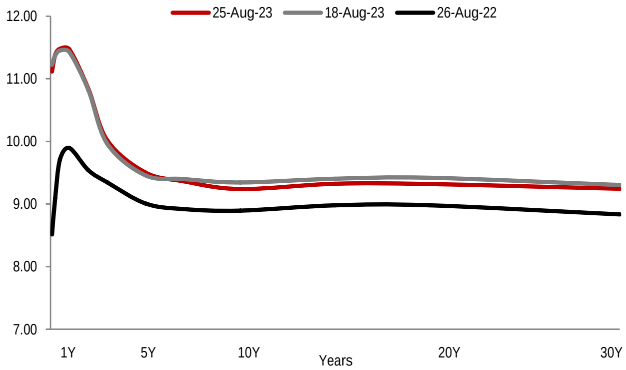
Source: PiP

Cetes performance

Maturity date	YTM 08/25/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.12	-11	+103
Cetes 91	11.38	+1	+72
Cetes 182	11.48	+3	+61
Cetes 364	11.47	+5	+50
Cetes 728	11.20	+3	+39

Source: PiP

Mbonos curve at different closing dates
%



Source: PiP, Banortes

10-year Mbono benchmark
%

Source: PiP

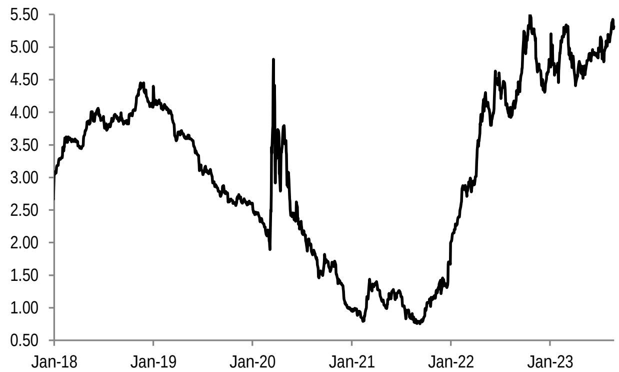
Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

	UMS				UST			Spreads			CDS
Term	Maturity date	YTM 08/25/2023	Weekly change (bps)	YTD (bps)	YTM 08/25/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.12	+2	+65	5.08	+14	+65	4	-11	15	37
3Y	May'26	4.49	+3	-30	4.74	+9	+52	-25	-6	52	57
5Y	Feb'28	5.31	-6	+53	4.44	+5	+43	87	-11	98	106
7Y	Apr'30	5.51	-8	+17	4.36	+2	+40	114	-9	138	150
10Y	May'33	5.74	-7	+18	4.24	-2	+36	150	-5	175	185
20Y	Mar'44	6.29	-14	-8	4.49	-7	+35	180	-7	214	--
30Y	May'53	6.48	-13	+9	4.28	-9	+32	219	-4	244	--

Source: Bloomberg

5Y USD UMS
%

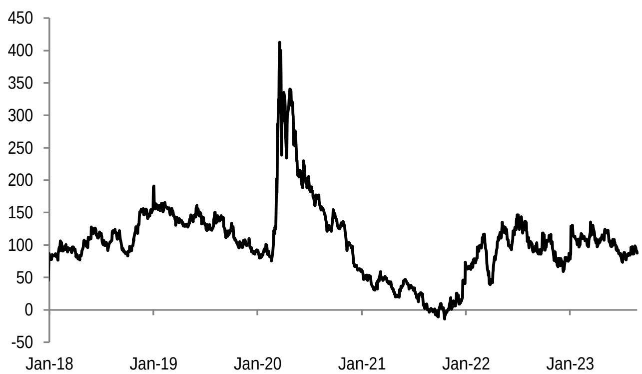


Source: Bloomberg

10Y USD UMS
%

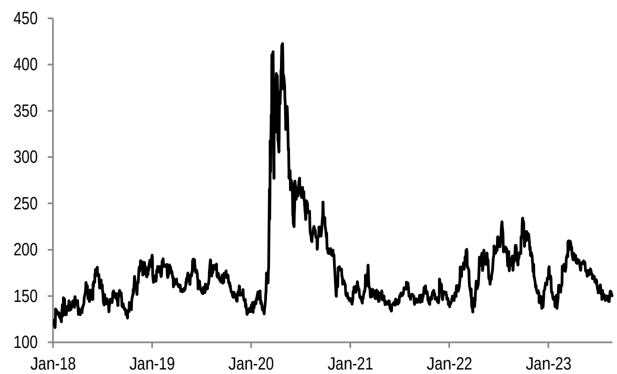
Source: Bloomberg

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'29), the 10-year Udibono (Nov'31), as well as 1-, 3-, and 7-year Bondes F

- **Holding Cetes held by foreigners rise given the attractive real rates.** We expect higher demand for Cetes amid an expectation of high rates for a longer period of time in Mexico, following the hawkish tone of the minutes published by Banxico last Thursday. The market significantly recalibrated its bets on rate cuts this year, slowly aligning to our view that the first adjustment will be until February 2024. It is worth noting that the holding Cetes held by foreigners has increased 22.6% so far this year, driven by attractive real rates. However, the percentage of the amount outstanding that they own (13%) is still well below the levels seen before the pandemic (36%). For the new 5-year benchmark in the nominal yield curve, we expect better demand than that observed in its syndicated auction of 1.04x. We believe that long-term Mbonos have a more attractive relative valuation for long-term portfolios, highlighting the May'33, Nov'38 and Nov'42 maturities. For the Udibono Nov'31 we anticipate a moderate appetite. The 10-year breakeven stands at 4.24% from 4.50% the previous week and 4.14% a month ago

Auction specifics (August 29, 2023)

	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	28-Sep-23	--	8,500	10.96
3m	30-Nov-23	--	7,500	11.40
6m	22-Feb-24	--	12,700	11.48
24m	10-Jul-25	--	9,500	11.05
Bondes F				
1y	15-Aug-24	--	5,500	0.13
3y	4-Jun-29	--	1,500	0.20
7y	4-Oct-29	--	800	0.27
Mbono				
5y	1-Mar-29	8.50	13,000	9.37
Udibono				
10y	27-Nov-31	2.75	UDIS 1,300	4.52

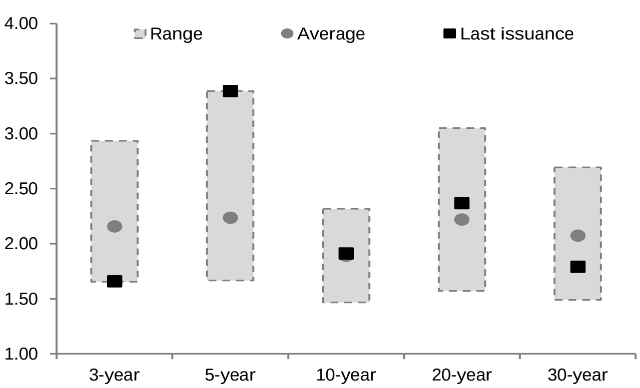
Source: Banorte with data from Banco de Mexico
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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'29)	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'29)	10-year (Nov'31)	1-, 3-, and 7-year

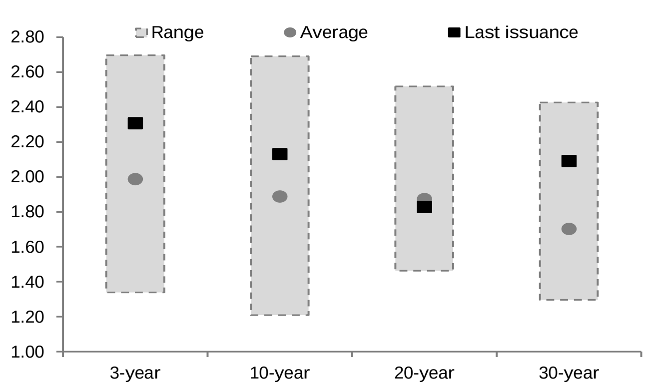
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

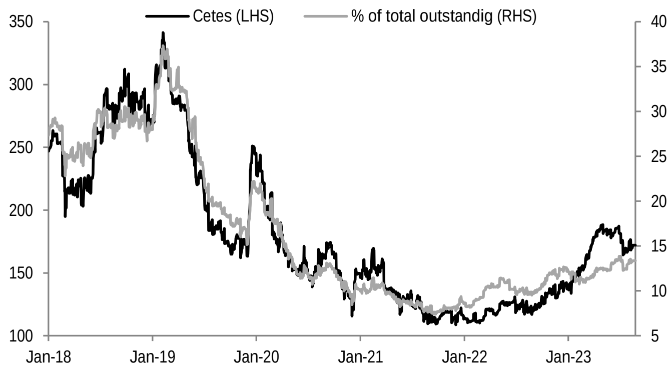
Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times



Source: Banxico, Banorte

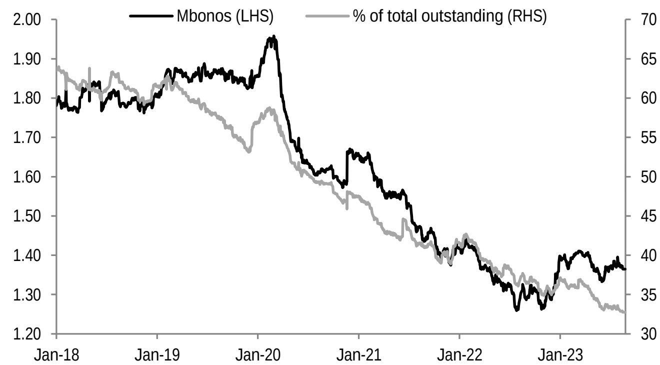
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



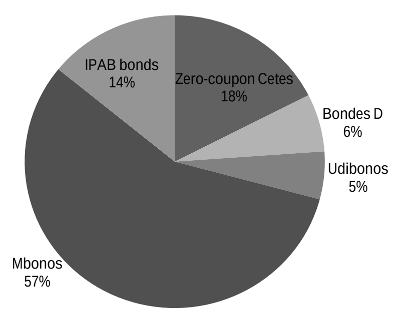
Source: Banxico

Mbonos held by foreigners
MXN trillion, %



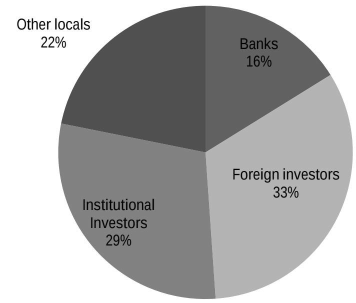
Source: Banxico

Government issuance by type of instrument
Total amount of US$ 430 billion, % of total



Source: Banxico

Mbonos holdings by type of investor
Total amount of US$ 244 billion, % of total



Source: Banxico

Government bond holdings by type of investor
US$ billion and %, data as of 08/16/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	75	13%	13%	14%	5%	12%	43%
Floating-rate Bondes D	27	1%	4%	41%	1%	20%	34%
Real-rate Udibonos	177	3%	54%	5%	19%	2%	17%
Fixed-rate Mbonos	244	33%	23%	3%	3%	16%	22%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

	08/16/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.1	10.3	-0.3	8.2	1.9
Floating-rate Bondes D	0.2	0.0	0.1	2.0	-1.8
Real-rate Udibonos	6.2	0.8	5.4	1.0	5.1
Fixed-rate Mbonos	79.9	80.2	-0.3	81.8	-2.0

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	08/16/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	13.4%	13.5%	-0.1%	12.4%	1.0%
Floating-rate Bondes D	0.6%	0.2%	0.4%	4.4%	-3.8%
Real-rate Udibonos	3.5%	3.6%	-0.1%	5.0%	-1.5%
Fixed-rate Mbonos	32.8%	32.9%	-0.1%	37.1%	-4.3%

Source: Banorte with data from Banxico

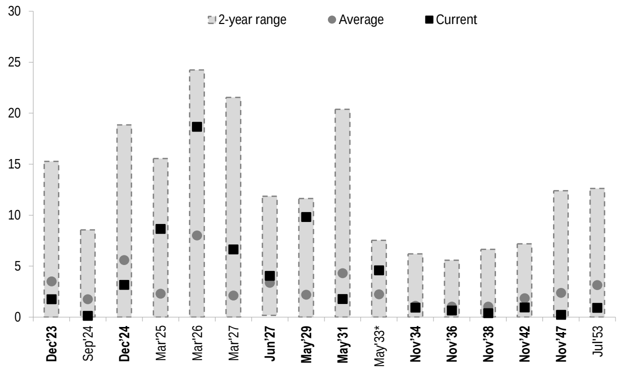
Mbonos holdings by type of investor
US$ billion and %, data as of 08/10/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	9.8	33%	9%	22%	36%
Sep'24	16.9	22%	18%	14%	45%
Dec'24	13.6	28%	28%	8%	36%
Mar'25	10.3	33%	21%	18%	28%
Mar'26	27.1	41%	24%	17%	18%
Sep'26	3.3	20%	27%	8%	46%
Mar'27	21.4	31%	18%	13%	38%
Jun'27	20.8	11%	41%	28%	20%
May'29	16.2	4%	51%	23%	22%
May'31	25.4	4%	46%	33%	18%
May'33	12.5	3%	38%	32%	27%
Nov'34	5.6	2%	50%	36%	12%
Nov'36	4.3	0%	30%	40%	30%
Nov'38	12.7	2%	43%	39%	16%
Nov'42	17.3	2%	44%	40%	15%
Nov'47	15.2	1%	35%	44%	20%
Jul'53	9.0	2%	37%	44%	18%
Total	232.5	16%	33%	26%	25%

Source: Banxico

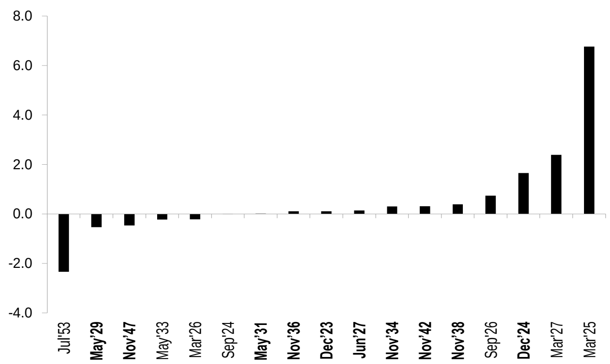
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



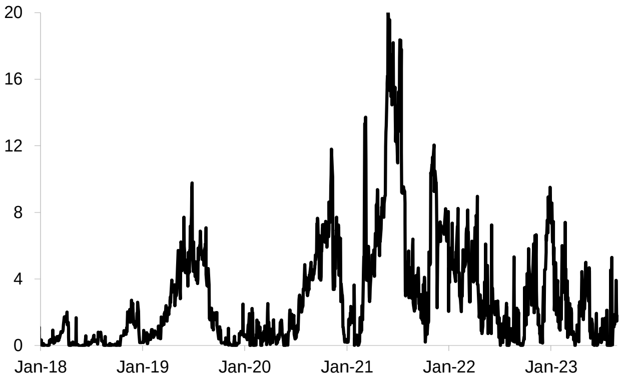
Source: Banxico *May'33 issued in December 2022

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



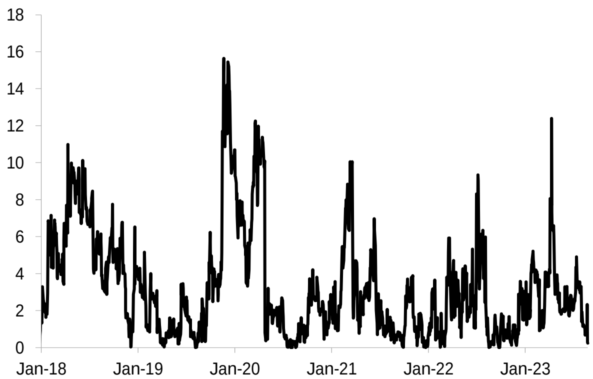
Source: Banxico

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 08/25/2023	08/25/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	10,084	105	99	76	105	282	0
Sep'24	17,261	7	7	14	23	329	0
Dec'24	14,263	189	90	113	17	468	0
Mar'25	12,156	516	112	680	112	928	0
Mar'26	27,557	1,115	1,128	987	418	1,447	108
Sep'26	4,167	106	62	0	0	1,288	0
Mar'27	22,062	397	254	245	80	1,287	0
Jun'27	21,249	242	233	260	197	650	39
May'29	17,125	586	618	192	20	695	47
May'31	26,010	107	106	26	113	317	0
May'33	12,919	274	288	184	0	450	3
Nov'34	5,721	55	37	15	61	368	0
Nov'36	4,409	39	33	18	141	332	0
Nov'38	12,992	23	0	118	51	164	0
Nov'42	18,066	56	38	31	188	345	0
Nov'47	15,529	14	42	212	22	740	14
Jul'53	9,218	54	194	408	289	408	0
Total	250,790	3,831	3,149	3,173	1,548		

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 +13bps from +61bps, 3-month at -35bps from -43bps, 6-month at -69bps from -72bps, and 1-year at -86bps from -81bps

- **Attention to Banxico's *Quarterly Report*.** The market recalibrated its expectations towards lower rate cuts this year after the hawkish tone of the minutes, even bets of a single rate cut in December weakened. This week, the focus will be on [*Banxico's Quarterly Report*]() where we expect an upward revision in the 2023 GDP forecast – currently at 2.3%– and that both the document and the presentation reinforce the tone in the last statement and minutes. With the information available so far, we reiterate our call that the first interest rate cut will be until February 2024

Spread between Cetes and Implied Forward Rates

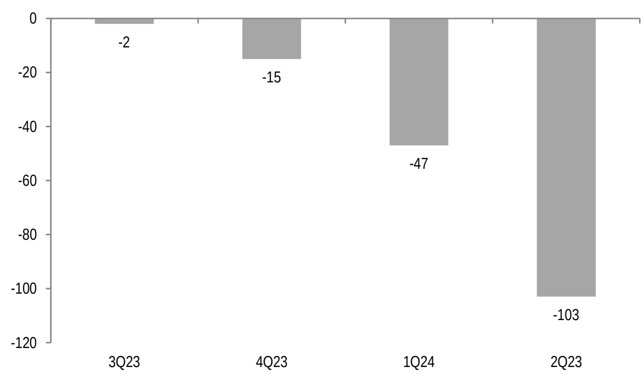
Basis Points

Tenor	Actual 08/25/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	13	61	61	-1	489	-222
3 months	-35	-43	-57	-62	2	-150
6 months	-69	-72	-83	-75	2	-125
12 months	-86	-81	-91	-69	-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

- **Speculation of one more Fed funds rate hike.** Sovereign bond pressures continued due to uncertainty over the US terminal rate and Powell's hawkish tone at Jackson Hole. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 500bps vs 509bps the previous week, while the average of the last twelve months stands at 533bps

- **The 3-month correlation between Mexican and US 10-year bonds increased.** The reading closed Friday at +62% vs +59% the previous week

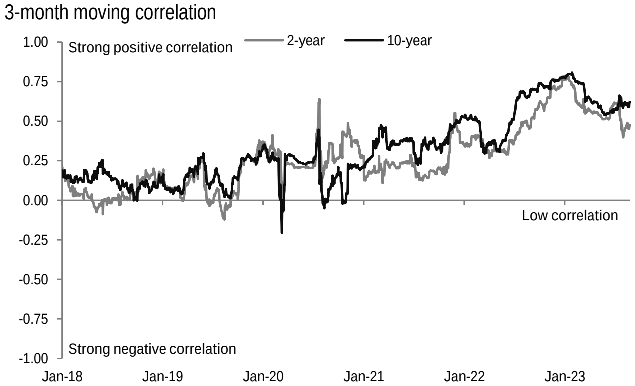
10-year Mbono and 10-year UST spread

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

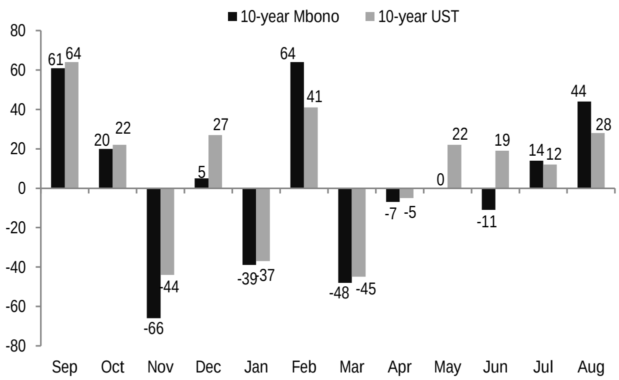
Basis points

Tenor	08/25/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-160	-148 (-12bps)	-173 (+13bps)	-65 (-95bps)	-47	-199	-136
Mbono 10s30s	0	-4 (+4bps)	7 (-7bps)	-6 (+6bps)	35	-15	9
TIIE-Mbono 2-year	-73	-70 (-3bps)	-82 (+9bps)	-5 (-68bps)	8	-91	-46
TIIE-Mbono 10-year	-51	-43 (-8bps)	-61 (+10bps)	-30 (-21bps)	-17	-68	-45

Source: Bloomberg and PiP

Mexican and US rates performance, last 12 months

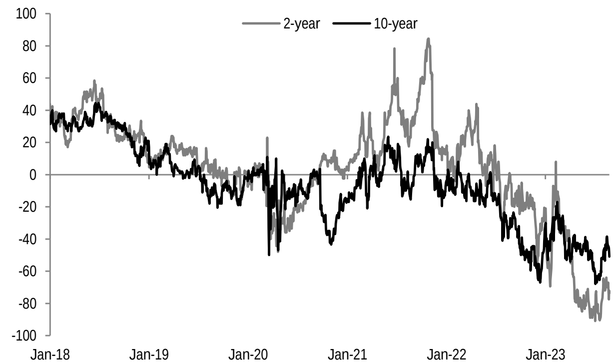
Basis points



Source: PiP and Bloomberg

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

Basis points



Source: Bloomberg

Breakeven inflation using Mbonos & Udibonos

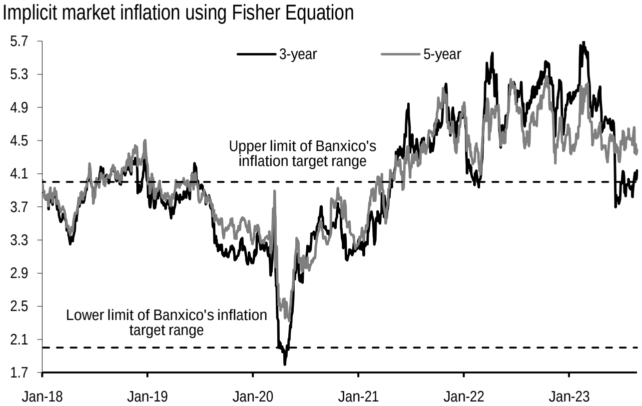
Implicit market inflation using Fisher Equation (%)

Date	08/25/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.14	4.11 (+3bps)	3.97 (+17bps)	5.11 (-97bps)	5.74	3.70	4.82
5Y	4.39	4.43 (-4bps)	4.58 (-19bps)	4.82 (-43bps)	5.28	4.23	4.64
10Y	4.24	4.50 (-26bps)	4.14 (+10bps)	4.69 (-45bps)	5.16	4.04	4.47
20y	4.54	4.66 (-12bps)	4.40 (+14bps)	4.76 (-22bps)	5.15	4.15	4.58
30Y	4.47	4.57 (-10bps)	4.39 (+8bps)	4.61 (-14bps)	5.18	4.15	4.56

Source: PiP

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

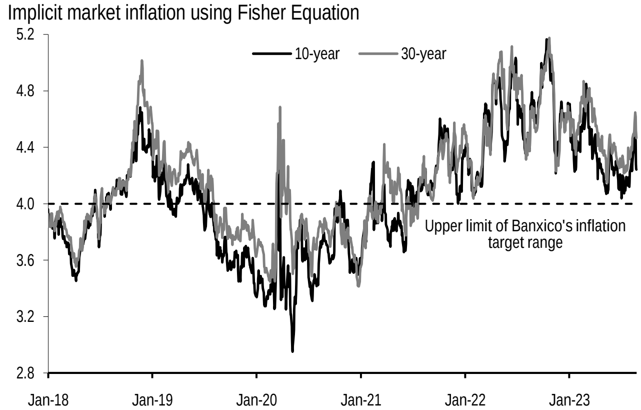
Implicit market inflation using Fisher Equation



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

- **Bets on higher US interest rates increase.** The spotlight was on the radical adjustments in the fixed-income market. Last week began with a massive sell-off in Treasuries, mainly in those with the longest maturities, amid greater financing needs in the United States and lower risks of recession. The 10-year benchmark reached levels not seen since late 2007 at 4.34%, while the 30-year benchmark hit a 12-year high of 4.45%. Despite a mid-week relief, rates remained elevated following Jerome Powell's speech at the Jackson Hole symposium, signaling that they may raise the Fed funds rate if necessary and will maintain the tightening stance until inflation is certainly headed to the 2.00% target. With this, the 2-year Treasury closed the week at 5.08% (+14bps), very close to almost two-decade highs. Meanwhile, the 10-year and 30-year benchmarks ended at 4.24% (-2bps) and 4.28% (-9bps), respectively. Local rates followed the dynamics of their US peers, with the yield of the 10-year benchmark, Mbono May'33, reaching highs not seen since November of 9.45%, while longer-term yields traded above 9.50%, moving about 3.5 standard deviations away from their 90-day MA. However, losses moderated, and the curve ended with a flattening bias resulting from 4bps losses on the short-end and 9bps gains on the long-end

- Locally, the inflation report and the hawkish tone of Banxico's minutes caused the market to significantly lower its bets for interest rate cuts this year. Now, the curve incorporates a -15bps adjustment from -37bps at the last policy meeting and -50bps at the beginning of July. As a result, payer positions in very short-term TIIE-28 swaps have benefited. We reiterate our preference for these strategies as we continue to believe that Banxico will keep the rate unchanged at 11.25% for the remainder of the year. In our view, the high yields of longer duration Mbonos are really attractive for long-term portfolios, particularly the May'33, Nov'38 and Nov'42 nodes which are trading at 9.24% (-11bps), 9.33% (-8bps) and 9.32% (-10bps), in the same order. However, we prefer to opt for a cautious bias in a high volatility backdrop, considering that this segment of the curve has a high correlation with Treasuries (+60%) so the latter could continue to induce additional pressures amid higher US debt supply and uncertainty over the Fed's terminal rate. Following Powell's hawkish comments, the probability of a 25bps hike in November rose to 63% from 36% the previous week

- This week, rate dynamics will be determined by the US employment report and the Fed's preferred inflation metrics which could favor the scenario of an additional hike in November, in line with our expectations. Finally, we believe that the 10-year Mbono, May'33, will trade between 9.15% and 9.45%

FX dynamics

- **The Mexican peso continues to show resilient performance.** The FX market digested Powell's hawkish comments at the Jackson Hole symposium, as well as the prospect of high rates for longer in both the US and Mexico. In addition, investors were attentive to risks and stimulus measures in China. In this sense, the MXN closed Friday at 16.75 per dollar (+1.8% w/w) being the fifth strongest among its EM peers

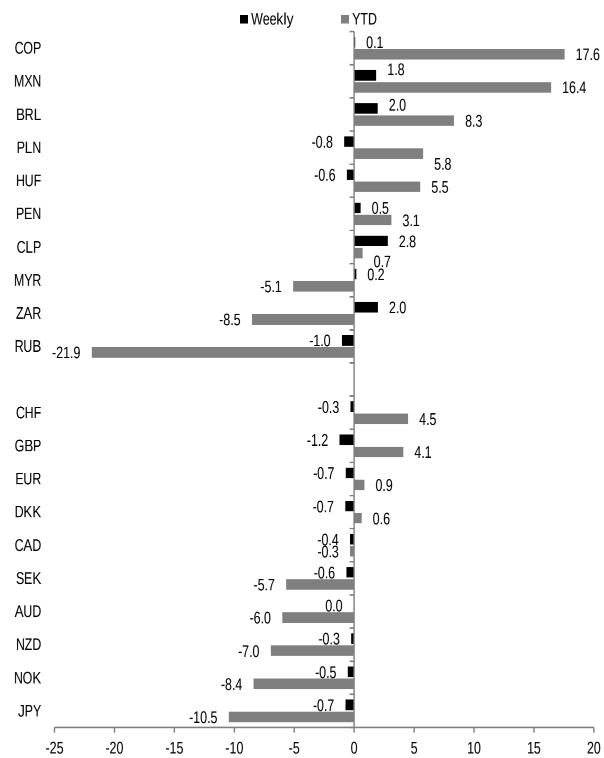
- **The USD accumulated a six-week rally.** The DXY and BBDXY indices extended gains while G10 currencies posted losses and EM currencies a mixed performance. In the former group, GBP (-1.2%) was the weakest and in the latter, CLP (+2.8%) and RUB (-1.0%) were at the ends of the spectrum

Foreign Exchange market levels and historical return

		Close at 08/25/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.87	0.2	2.0	-2.8	8.3
Chile	USD/CLP	845.20	-0.1	2.8	-2.6	0.7
Colombia	USD/COP	4,127.58	-1.0	0.1	-4.4	17.6
Peru	USD/PEN	3.69	-0.1	0.5	-2.5	3.1
Hungary	USD/HUF	353.84	0.4	-0.6	-2.7	5.5
Malaysia	USD/MYR	4.64	0.1	0.2	-2.0	-5.1
Mexico	USD/MXN	16.75	0.5	1.8	0.6	16.4
Poland	USD/PLN	4.14	0.2	-0.8	-3.5	5.8
Russia	USD/RUB	94.99	-0.5	-1.0	-5.3	-21.9
South Africa	USD/ZAR	18.63	1.0	2.0	-5.4	-8.5
Developed Markets						
Canada	USD/CAD	1.36	-0.1	-0.4	-2.9	-0.3
Great Britain	GBP/USD	1.26	-0.2	-1.2	-2.8	4.1
Japan	USD/JPY	146.44	-0.4	-0.7	-4.2	-10.5
Eurozone	EUR/USD	1.0796	-0.1	-0.7	-2.6	0.9
Norway	USD/NOK	10.70	0.1	-0.5	-5.5	-8.4
Denmark	USD/DKK	6.90	-0.1	-0.7	-2.6	0.6
Switzerland	USD/CHF	0.88	0.0	-0.3	-2.7	4.5
New Zealand	NZD/USD	0.59	-0.3	-0.3	-4.8	-7.0
Sweden	USD/SEK	11.06	-0.6	-0.6	-5.8	-5.7
Australia	AUD/USD	0.64	-0.2	0.0	-5.2	-6.0

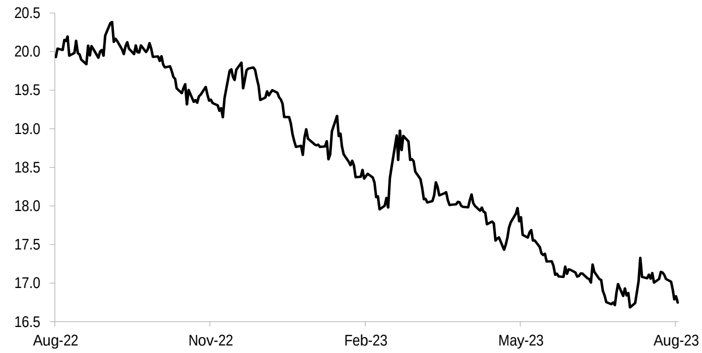
Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.
Source: Bloomberg

FX performance
Against USD, %



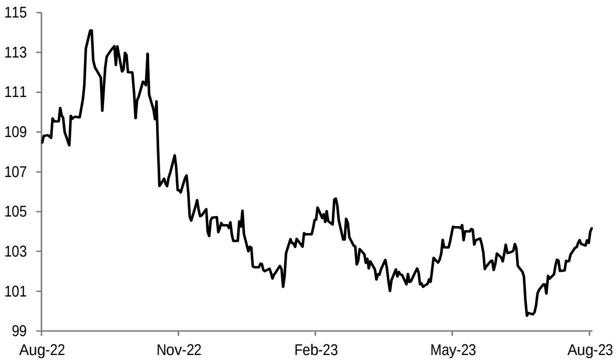
Source: Bloomberg

USD/MXN
Last 12 months



Source: Bloomberg

DXY
Points



Source: Bloomberg, Banorte

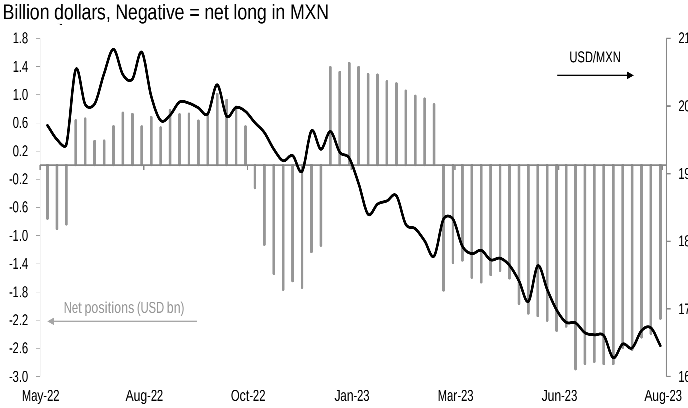
FX positioning and flows

- **Net long positioning in MXN has remained above US$ 2 billion over the last four months.** As of August 22nd, the MXN position was net long US$ 2.18 billion from US$ 2.39 billion last week. Speculators could increase their positions amid expectations of higher interest rates for longer. In this regard, the Mexican peso leads the EM group, with a 19% advance over the last 12 months

- **Net short USD positions declined 13% w/w to 1-month lows.** The USD IMM position was net short US$ 15.35 billion, down 35% y/y over the past four weeks amid heightened risk aversion and increased bets on higher rates. The move was the result of widespread selling, highlighting the largest weekly JPY outflow in the last three months of US$ 1.25 billion

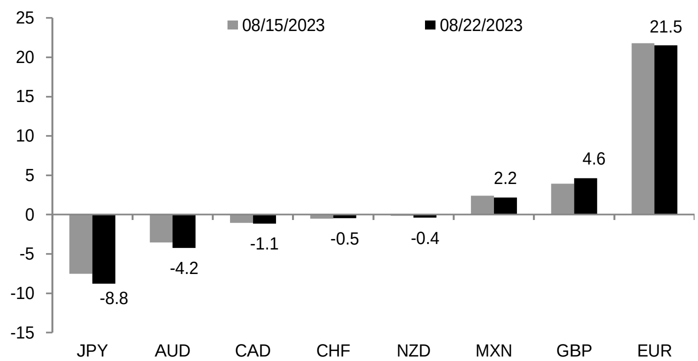
- **Sales increased in EM while Mexico recorded outflows not seen since October 2022.** Our EPFR aggregate recorded bigger negative flows of US$ 4.2 billion from US$ 2.6 billion the previous week. Bond market sales rose to US$ 2.5 billion from US$ 1.1 billion. Meanwhile, equities outflows increased 15% to US$ 1.7 billion. In Mexico, a negative flow of US$ 219 million was recorded because of sales in both bonds and equities of US$ 175 million and US$ 44 million, respectively

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



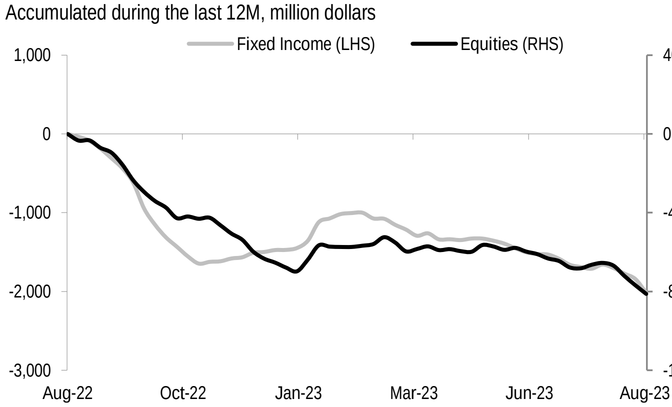
xSource: CME, Banorte

IMM positioning by currency*
Billion dollars



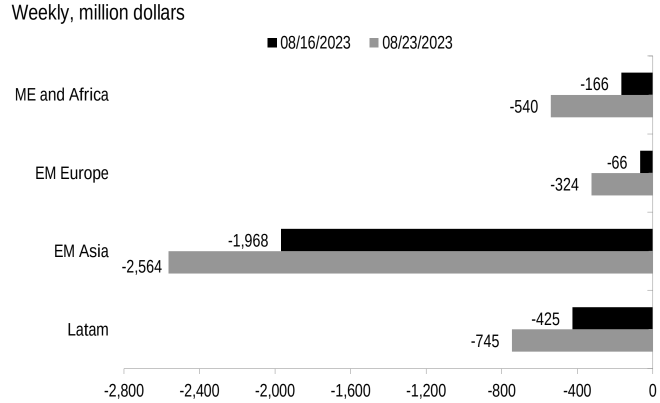
* Positive: Net long in the corresponding currency
Source: CME, Banorte

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

- **The Mexican peso could reach levels not seen since 2015.** Following the hawkish tone in Banxico's minutes, the peso breached relevant short-term technical resistances and marked its strongest level at 16.74 per dollar. The weekly trading range was 34 cents, lower than four-week average (44 cents). 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 16.62, 16.50, and 16.43, with supports at 16.90, 17.00, and 17.15. This week, the performance in the FX market will be mainly determined by the release of the Nonfarm payrolls, the Fed's preferred inflation metric and the speeches of its members

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	34	28	-7	72	29
CAD	35	33	1	63	35
ZAR	70	59	4	85	43
BRL	77	72	19	79	49
HUF	64	59	4	70	47
RUB	-15	-16	-34	54	11

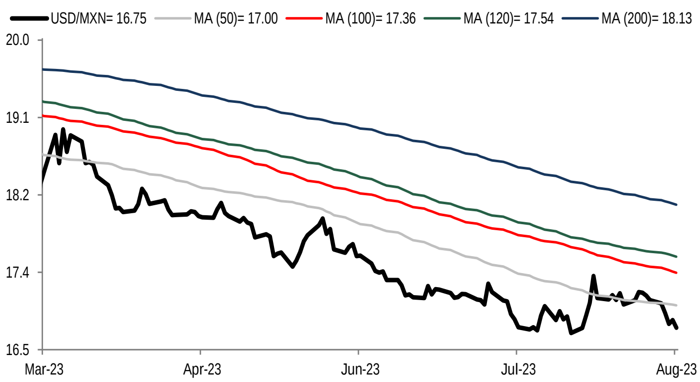
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	30	29	19	89	48
SPX	35	35	5	71	42
GSCI	15	17	4	49	28
Gold	36	37	-57	64	5

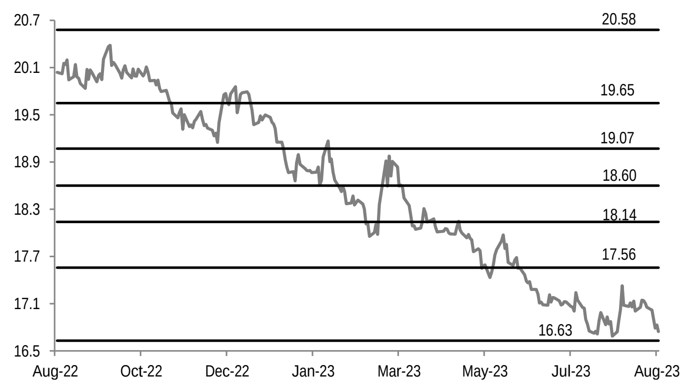
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



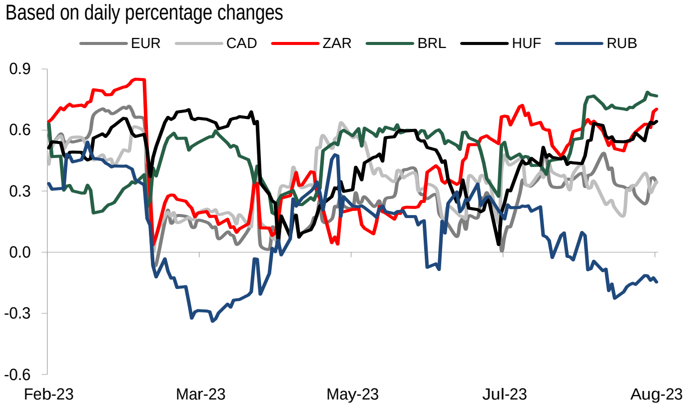
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



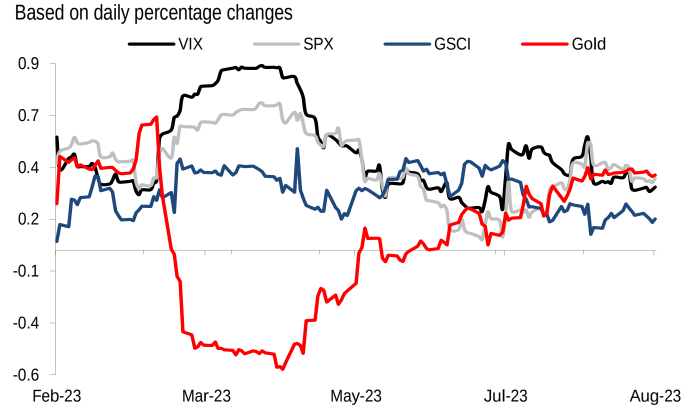
Source: Bloomberg

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



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

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

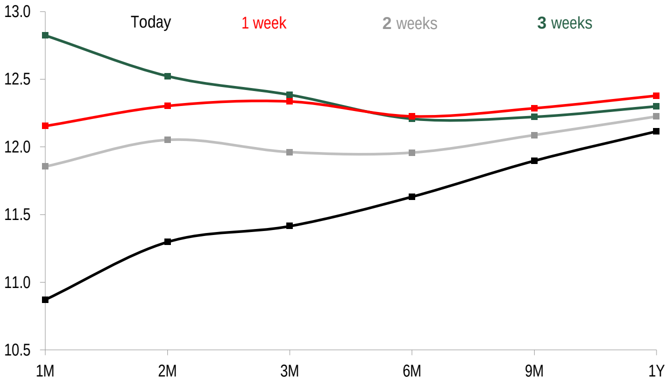


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

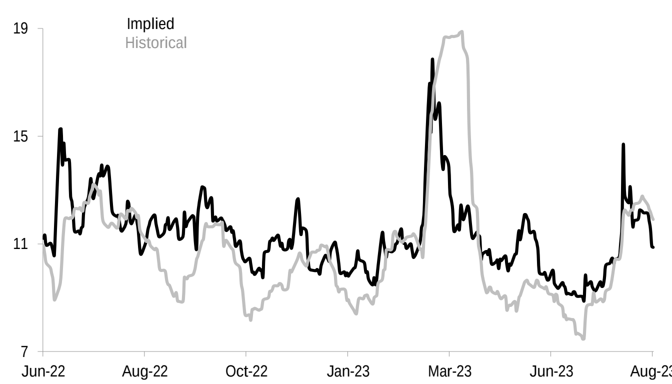
- **The MXN ATM implied volatility curve recorded a steepening bias due to adjustments at the short-end.** The 1-month implied vol declined to 1-month lows of 11.0% from 12.2% last week. Meanwhile, the 3-month and 1-year readings fell by a smaller 0.9 vegas and 0.2 vegas, respectively to 11.4% and 12.1%, in the same order, after trading at the same level over the past few weeks. Meanwhile, the 1-month risk reversals declined to 2.84% from 3.07% and the 3-month reading moved to 3.07% from 3.23% last week, reflecting the expectation of a stronger currency

USD/MXN – ATM options volatility curve
%



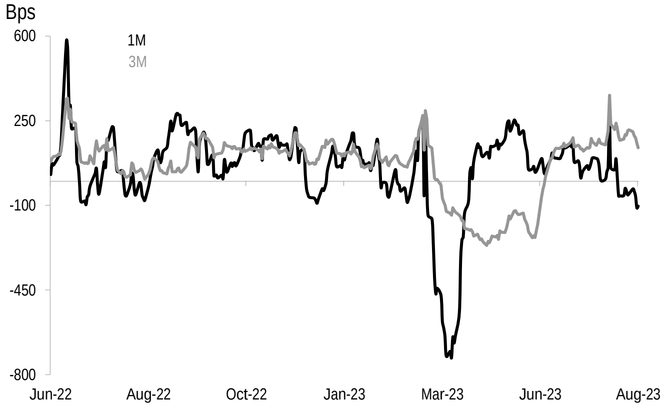
Source: Bloomberg

USD/MXN – 1M implied and historical volatility
%



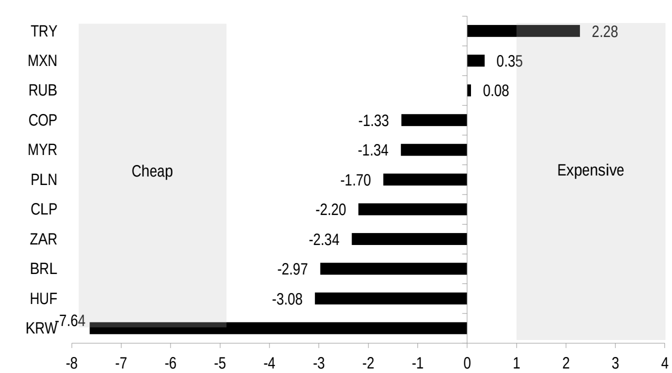
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility
Bps



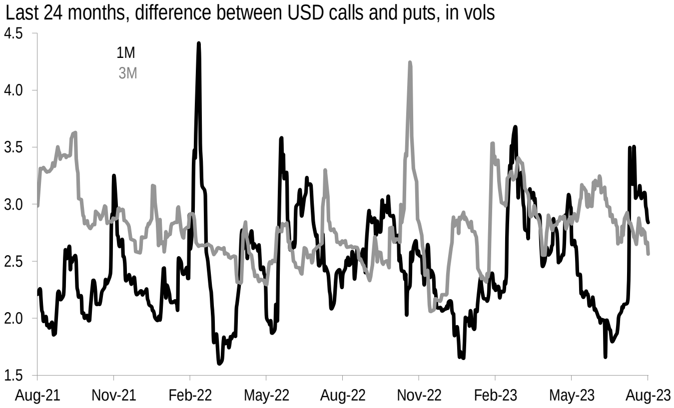
Source: Bloomberg

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



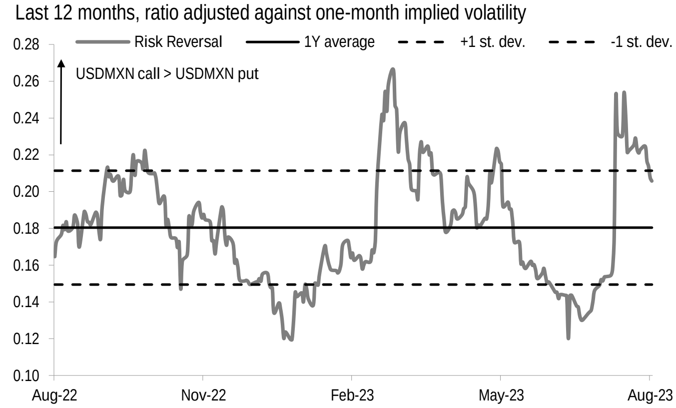
Source: Bloomberg, Banorte

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



Source: Bloomberg

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



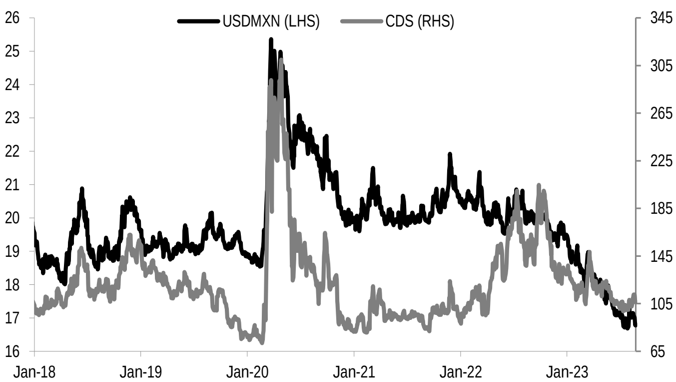
Source: Bloomberg, Banorte

FX trade recommendations

- **The perspective of higher rates for longer in Mexico supported the peso.** The FX market dynamics continue to be determined by the restrictive monetary stance of central banks in developed countries. On Friday, the spotlight focused on the speeches of the Fed's Jerome Powell and the ECB's Christine Lagarde at the Jackson Hole symposium to try to figure out their next actions. Powell kept the door open for one more Fed funds rate hike being data dependent. In this regard, the dollar strengthened and snapped six consecutive weeks with gains and the DXY and BBDXY indices concluded with gains of 0.8% and 0.2% w/w, respectively. Meanwhile, developed currencies ended in negative territory with GBP (-1.2%) the weakest. In emerging currencies, performance was mixed and with wide volatility, trading was capped by CLP (+2.8%) and RUB (-1.0%). It is worth mentioning that TRY (+2.2%) posted strong swings in reaction to the surprise 750bps hike in the benchmark rate to 25.00% (consensus: 20%) and recalling that three new Board members were recently appointed. With this, the currency was the second strongest among its peers. We believe it is likely to maintain a positive performance given that the market expects a benchmark rate at 30.00% by the end of the year

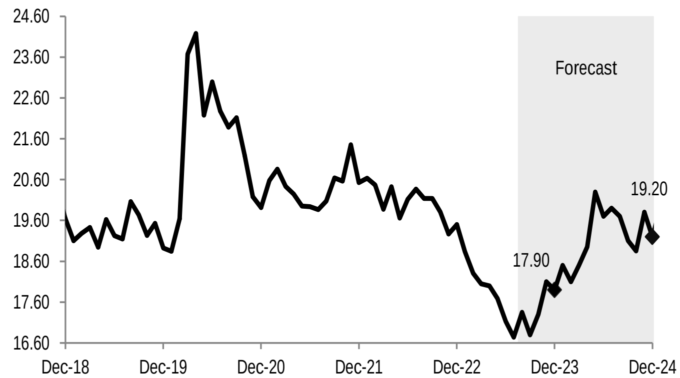
- Locally, investors incorporated the hawkish tone of [Banxico's minutes], which was favorable for the Mexican peso as expectations of interest rate cuts this year moderated. Thus, the MXN breached relevant short-term technical resistance and marked its strongest intraday level at 16.74 per dollar. The local currency closed Friday at 16.75 per dollar (+1.8% w/w) with a trading range of 34 cents and 3-month implied volatility at 11.4% (vs. 12.3% the previous week). This week, US employment data and speeches from Fed members could influence the performance of the dollar and the rest of the currencies. For the MXN we anticipate a defensive performance supported by an attractive volatility-adjusted carry, as well as solid fundamentals and the prospect of growing flows from exports, tourism, remittances and investment. We estimate a trading range between USD/MXN 16.65 and 17.00

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



Source: Banorte with data from Bloomberg

USD/MXN Forecast for 2023
Pesos per dollar



Source: Banorte

Weekly economic calendar

For the week ending September 1, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 28	04:00	EZ	Monetary aggregates (M3)*	Jul	EURbn	--	0.0	0.6
	08:00	MX	Trade balance	Jul	US$mn	-1,676.9	-1,660.0	38.2
	12:30	US	Fed's Barr Speaks About Banking Services					
Tue 29	08:00	MX	Gross domestic product	2Q23 (F)	% y/y	3.7	3.5	3.7
	08:00	MX	Gross domestic product*	2Q23 (F)	& q/q	1.0	1.0	0.9
	08:00	MX	Economic activity indicator (IGAE)	Jun	% y/y	4.2	4.4	4.3
	08:00	MX	Economic activity indicator (IGAE)*	Jun	% m/m	0.5	0.5	0.0
	09:00	US	S&P/CoreLogic housing prices	Jun	% y/y	--	-1.7	-1.7
	10:00	US	Consumer confidence*	Aug	index	118.0	116.4	117.0
	11:00	MX	International reserves	Aug 25	US$bn	--	--	203.5
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'29); 10-year Udibono (Nov'31) and 1-, 3-, and 7-year Bondes F					
	15:00	US	Fed's Barr Speaks About Banking Services					
Wed 30	05:00	GER	Consumer prices	Aug (P)	% y/y	--	6.0	6.2
	05:00	EZ	Consumer Confidence*	Aug (F)	index	--	--	-16.0
	05:00	EZ	Economic confidence*	Aug	index	--	93.5	94.5
	08:15	US	ADP employment*	Aug	thousands	250	198	324
	08:30	US	Gross domestic product**	2Q23	& q/q	2.4	2.4	2.4
	08:30	US	Personal consumption**	2Q23	& q/q	1.6	1.8	1.6
	08:30	US	Trade balance*	Jul	US$bn	--	-90.0	-88.8
	14:30	MX	Banxico's Quarterly Report					
	16:30	MX	Public finances (PSBR, year-to-date)	Jul	MXNmn	--	--	-496.9
	21:30	CHI	Manufacturing PMI*	Aug	index	--	49.1	49.3
	21:30	CHI	Non-manufacturing PMI*	Aug	index	--	51.0	51.5
	21:30	CHI	Composite PMI*	Aug	index	--	--	51.1
Thu 31	03:15	US	Fed's Bostic Gives Speech in South Africa					
	05:00	EZ	Consumer prices	Aug (P)	% y/y	--	5.1	5.3
	05:00	EZ	Core	Aug (P)	% y/y	--	5.3	5.5
	05:00	EZ	Unemployment rate*	Jul	%	--	6.4	6.4
	07:30	EZ	ECB´s minutes					
	08:00	MX	Unemployment rate	Jul	%	2.93	2.90	2.65
	08:00	BZ	Unemployment rate	Jul	%	--	8.0	8.0
	08:30	US	Personal income*	Jul	% m/m	--	0.3	0.3
	08:30	US	Personal spending*	Jul	% m/m	--	0.7	0.5
	08:30	US	Real personal spending*	Jul	% m/m	0.4	0.4	0.4
	08:30	US	PCE Deflator*	Jul	% m/m	0.2	0.2	0.2
	08:30	US	Core*	Jul	% m/m	0.2	0.2	0.2
	08:30	US	PCE Deflator	Jul	% y/y	3.3	3.3	3.0
	08:30	US	Core	Jul	% y/y	4.2	4.2	4.1
	08:30	US	Initial jobless claims*	Aug 26	thousands	233	235	230
	09:00	US	Fed's Collins speaks on Community Colleges					
	11:00	MX	Banking credit	Jul	% y/y	5.0	--	5.0
	21:45	CHI	Manufacturing PMI (Caixin)*	Aug	index	--	49.2	49.2
Fri 1		MX	Congress' Summer Break ends					
	03:55	GER	Manufacturing PMI*	Aug (F)	index	--	39.1	39.1
	04:00	EZ	Manufacturing PMI*	Aug (F)	index	--	43.7	43.7
	04:30	UK	Manufacturing PMI*	Aug (F)	index	--	42.5	42.5
	06:00	US	Fed's Bostic Speaks on US Monetary Policy					
	08:00	BZ	Gross domestic product	2Q23	% y/y	--	2.7	4.0
	08:00	BZ	Gross domestic product*	2Q23	& q/q	--	0.3	1.9
	08:30	US	Nonfarm payrolls*	Aug	thousands	190	168	187
	08:30	US	Unemployment Rate*	Aug	%	3.5	3.5	3.5
	09:00	BZ	Manufacturing PMI*	Aug	index	--	--	47.8
	09:45	US	Manufacturing PMI*	Aug (F)	index	47.0	47.0	47.0
	09:45	US	Fed's Mester Speaks on Inflation					
	10:00	US	ISM manufacturing*	Aug	index	--	47.0	46.4
	11:00	MX	Family remittances	Jul	US$bn	5,676.8	--	5,571.5
	11:00	MX	Survey of expectations (Banxico)					
	14:00	MX	PMI manufacturing (IMEF)*	Aug	index	50.7	--	51.8
	14:00	MX	PMI non-manufacturing (IMEF)*	Aug	index	51.4	--	51.7
		US	Total vehicle sales**	Aug	thousands	--	15.5	15.7

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

For the week ending August 25, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Sun 20	21:15	CHI	Rate decision 1-year Loan Prime Rate	Aug 21	%	--	3.45	3.55
	21:15	CHI	Rate decision 5-year Loan Prime Rate	Aug 21	%	--	4.20	4.20
Mon 21			Without relevant economic data					
Tue 22	04:00	EZ	Current account*	Jun	EURbn	--	35.8	7.9 (R)
	10:00	US	Existing home sales**	Jul	millions	--	4.07	4.16
	11:00	MX	International reserves	Aug 18	US$bn		203.5	203.9 (R)
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 20-year Mbono (Nov'42); 20-year Udibono (Nov'43) and 2-, and 5-year Bondes F					
	14:30	US	Fed's Goolsbee Gives Welcome Remarks in 'Fed Listens' event					
	16:00	MX	Survey of expectations (Citibanamex)					
Wed 23	03:30	GER	Manufacturing PMI*	Aug (P)	index	--	39.1	38.8
	03:30	GER	Services PMI*	Aug (P)	index	--	47.3	52.3
	03:30	GER	Composite PMI*	Aug (P)	index	--	44.7	48.5
	04:00	EZ	Manufacturing PMI*	Aug (P)	index	--	43.7	42.7
	04:00	EZ	Services PMI*	Aug (P)	index	--	48.3	50.9
	04:00	EZ	Composite PMI*	Aug (P)	index	--	47.0	48.6
	04:30	UK	Manufacturing PMI*	Aug (P)	index	--	42.5	45.3
	04:30	UK	Services PMI*	Aug (P)	index	--	48.7	51.5
	09:45	US	Manufacturing PMI*	Aug (P)	index	48.8	47.0	49.0
	09:45	US	Services PMI*	Aug (P)	index	--	51.0	52.3
	09:45	US	Composite PMI*	Aug (P)	index	--	50.4	52.0
	10:00	US	Preliminary benchmark Revision to Establishment Survey Data					
	10:00	US	New home sales**	Jul	thousands	--	714	684 (R)
	10:00	EZ	Consumer confidence*	Aug (P)	index	--	-16.0	-15.1
		SK	Monetary policy decision (Central bank of South Korea)	Aug 24	%	--	3.50	3.50
Thu 24	07:00	TUR	Monetary policy decision (Central Bank of Turkey)	Aug 24	%	--	25.00	17.50
	08:00	MX	Consumer prices	Aug 15	% m/m	0.31	0.32	0.21
	08:00	MX	Core	Aug 15	% m/m	0.19	0.19	0.09
	08:00	MX	Consumer prices	Aug 15	% y/y	4.67	4.67	4.78
	08:00	MX	Core	Aug 15	% y/y	6.21	6.21	6.52
	08:30	US	Durable goods orders*	Jul (P)	% m/m	--	-5.2	4.4 (R)
	08:30	US	Ex transportation*	Jul (P)	% m/m	--	0.5	0.2 (R)
	08:30	US	Initial jobless claims*	Aug 19	thousands	236	230	240 (R)
	11:00	MX	Banxico's minutes					
	12:00	US	Fed's Harker interview with CNBC					
Fri 25	02:00	GER	Gross domestic product*	2Q23 (F)	% q/q	--	0.0	0.0
	04:00	GER	IFO Survey (business climate)*	Aug	index	--	85.7	87.4 (R)
	08:00	BZ	Consumer prices	Aug	% m/m	--	0.28	-0.07
	08:00	BZ	Consumer prices	Aug	% y/y	--	4.24	3.19
	09:00	US	Fed's Harker interview with Bloomberg					
	10:00	US	U. of Michigan Confidence*	Aug (F)	index	71.2	69.5	71.2
	10:05	US	Fed's Powell speaks at Jackson Hole Symposium					
	11:00	MX	Current account	2Q23	US$bn	4.3	6.3	-20.3 (R)

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

Recent trade ideas

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

P = Profit, L = Loss

Track of directional fixed-income trade recommendations

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

1. Carry + roll-down gains of 17bps

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

Short-term tactical trades

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

Source: Banorte

Track of the directional FX trade recommendations*

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

** Total return does not consider carry gain/losses*

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

Analyst Certification

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Juan Carlos Mercado Garduño, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cuautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
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HOLD	*When the share expected performance is similar to the MEXBOL estimated performance.*
SELL	*When the share expected performance is lower than the MEXBOL estimated performance.*

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