Fixed-Income and FX Weekly

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Market outlook

- **MXN weakened deeply.** Last week, Mbonos' curve registered a bear steepening with losses of up to 19bps at the long-end. The 10-year benchmark ended at 9.32% (+8bps w/w). In addition, USD/MXN lost 2.0% w/w to 17.09

- **Speeches by Fed members and economic data will be the main focus.** Last week, financial markets digested a slew of economic data and continued to debate the Fed's terminal rate. Weakness in some figures led to a relief in Treasuries, lower volatility and appetite for risk assets. Likewise, the probability of a 25bps increase in the Fed funds rate at the November meeting decreased to 38% from 63% the previous week. In Mexico, the [Foreign Exchange Commission] announced a reduction of the non-deliverable FX forward program causing a negative reaction in the Mexican peso, [2Q23 GDP] was published and Banxico released its 2Q23 [Quarterly Report]. This week, the performance of financial assets will be determined by the speeches of several members of the Fed, as well as the release of relevant figures in some regions and the content of the Beige Book. With this information, investors will try to elucidate the Fed's next actions. However, today we will have lower trading volume due to the Labor Day holiday in the US. In monetary policy, we will also have the decisions of the central banks of Australia, Canada, Chile, Malaysia, Poland and Serbia. The US economic agenda includes ISM services, trade balance, factory orders and consumer credit. In other regions, Brazil and Germany will publish industrial production (Jul), and in the Eurozone, retail sales (Jul). In Mexico, the agenda includes consumer confidence, inflation (Banorte: 0.57% m/m) and wage negotiations. In addition, Friday 8th is the deadline for the MoF to deliver the 2024 Economic Package to Congress

Fixed-Income

- **Supply** – The MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 30-year Mbono (Jul'53), the 30-year Udibono (Nov'50), as well as 2-, 5-, and 10- year Bondes F. Moreover, extraordinary Cetes and Bondes F auction

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.364 trillion (US$ 81.2 billion), a market share equal to 32.4%, as of August 23rd. Short positions in Mbono May'33 ended at MXN 5.8 billion from MXN 4.6 billion last week

- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 514bps from 500bps the previous week, with the 12-month mean at 531bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of August 29th) recorded a higher net long of US$ 2.19 billion from US$ 2.18 billion a week ago. Mutual funds' flows to EM marked lower sales of US$ 2.7 billion from US$ 4.2 billion

- **Technicals** – The spot recorded a weekly trading range of 51 cents, hovering between 16.69 and 17.20 per dollar, vs. 34 last week. The next technical levels are 16.97 (resistance) and 17.20 (support)

Fixed-Income

Foreign exchange

Recommendations

Fixed-Income
- Longer-duration Mbonos are trading at attractive levels for long-term portfolios. In addition, TIIE-IRS payers at the front-end of the curve have benefited from the market correction due to lower bets of rate cuts this year, in line with our call, so we continue favoring these strategies
- We expect the 10-year Mbono to trade between 9.20% and 9.40%

FX
- The FX market dynamics will be mainly determined by speeches from Fed members and economic data. For MXN, we expect volatility to continue following the decision of the Foreign Exchange Commission. We estimate a weekly trading range between USD/MXN 16.90 and 17.40

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

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 09/01/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.58	+3	+76
Sep'24	11.13	+4	+104
Dec'24	10.87	+3	+100
Mar'25	10.28	-1	+35
Mar'26	10.05	+4	+81
Sep'26	10.01	-1	+61
Mar'27	9.72	+3	+53
Jun'27	9.69	+3	+61
Mar'29	9.48	-3	+11
May'29	9.41	+4	+33
May'31	9.40	+8	+39
May'33	9.32	+8	+30
Nov'34	9.32	+11	+27
Nov'36	9.34	+12	+30
Nov'38	9.46	+13	+37
Nov'42	9.46	+14	+36
Nov'47	9.41	+18	+34
Jul'53	9.43	+19	+38

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 09/01/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	+1	+61
6-month (6x1)	11.48	+0	+44
9-month (9x1)	11.39	+2	+32
1-year (13x1)	11.20	+8	+28
2-year (26x1)	10.15	+4	+28
3-year (39x1)	9.50	+4	+32
4-year (52x1)	9.15	+8	+24
5-year (65x1)	8.96	+9	+15
7-year (91x1)	8.85	+6	+11
10-year (130x1)	8.83	+9	+9
20-year (260x1)	8.89	+10	+4

Source: Bloomberg

Udibonos performance

Maturity date	YTM 09/01/2023	Weekly change (bps)	YTD (bps)
Nov'23	5.74	-3	-35
Dec'25	5.65	+2	+89
Dec'26	5.67	+3	+100
Nov'28	4.95	+5	+64
Nov'31	4.85	+5	+67
Nov'35	4.64	+12	+43
Nov'40	4.64	+11	+44
Nov'43	4.66	+9	+16
Nov'46	4.65	+10	+47
Nov'50	4.66	+9	+43

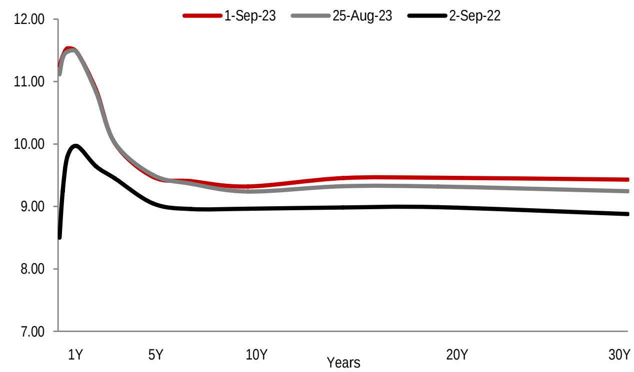
Source: PiP

Cetes performance

Maturity date	YTM 09/01/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.25	+13	+116
Cetes 91	11.40	+2	+74
Cetes 182	11.53	+5	+66
Cetes 364	11.47	0	+50
Cetes 728	11.21	+1	+40

Source: PiP

Mbonos curve at different closing dates
%



Source: PiP, Banortes

10-year Mbono benchmark
%

Source: PiP

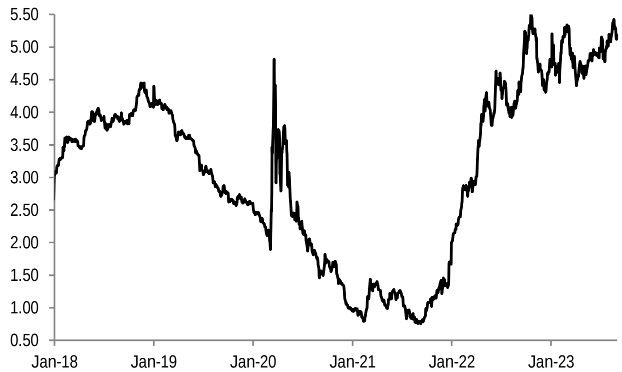
Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

Term	UMS				UST			Spreads			CDS
	Maturity date	YTM 09/01/2023	Weekly change (bps)	YTD (bps)	YTM 09/01/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.02	-10	+55	4.88	-20	+45	14	+10	14	29
3Y	May'26	4.30	-19	-50	4.58	-16	+35	-28	-3	50	48
5Y	Feb'28	5.18	-13	+40	4.30	-14	+29	89	+1	98	98
7Y	Apr'30	5.38	-12	+5	4.26	-10	+30	112	-2	137	141
10Y	May'33	5.65	-9	+9	4.18	-6	+30	147	-3	174	177
20Y	Mar'44	6.22	-7	-16	4.48	-1	+34	174	-6	212	--
30Y	May'53	6.41	-7	+1	4.29	+1	+33	211	-8	243	--

Source: Bloomberg

5Y USD UMS
%

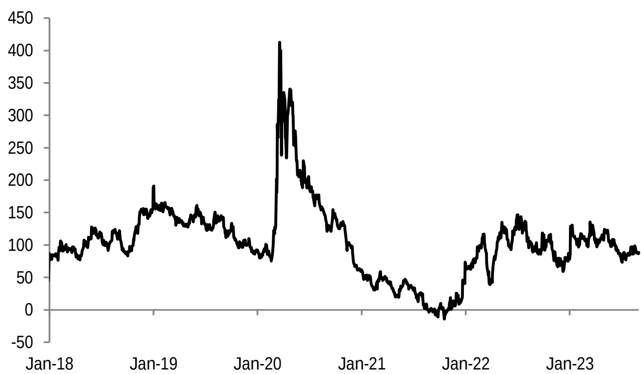


Source: Bloomberg

10Y USD UMS
%

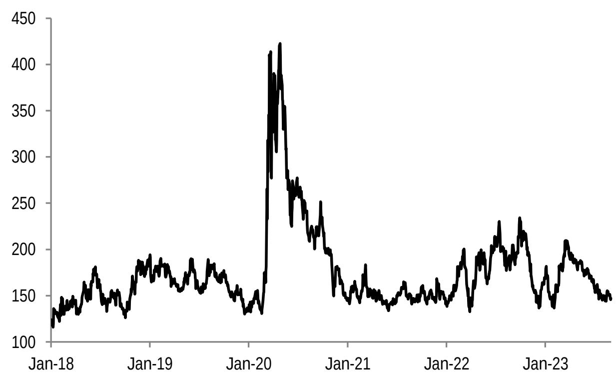
Source: Bloomberg

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 12-month Cetes, the 30-year Mbono (Jul'53), the 30-year Udibono (Nov'50), as well as 2-, 5-, and 10-year Bondes F. Additionally, an extraordinary Cetes and Bondes F auction will take place on Wednesday, considering 182-, 294-, 350-, and 560-days Cetes, as well as 343-, 1,001- and 1,743-days Bondes F for a total amount of up to MXN 25 billion

- **Strong demand for Cetes and greater appetite for long-term Mbonos vs. Udibonos.** It is our take that the first interest rate cut by Banxico will be until February of the following year, so the attractiveness of real Cetes rates remains high. In this sense, we expect a strong demand both in the primary auction and in the extraordinary auction on Wednesday. It is worth noting that foreigners' holding of Cetes has increased 30% during the year from 22.6% the previous week. For the 30-year Mbono, we anticipate greater demand compared to the Udibono of the same term given a more attractive relative valuation. We believe that the high rates of the longer-maturity Mbonos are an opportunity for long-term portfolios, highlighting the May'33 (9.32%), Nov'38 (9.46%) and Nov'42 (9.46%) maturities. For the Udibono Nov'53, we expect a bid-to-cover lower than 2.0x as the 30-year breakeven returned to its 12-month average of 4.56%, after rising 34bps since mid-July

Auction specifics (September 5, 2023)

	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	05-Oct-23	--	8,500	11.07
3m	07-Dec-23	--	7,500	11.40
6m	07-Mar-24	--	12,700	11.48
12m	22-Aug-24	--	9,500	11.48
Bondes F				
2y	22-May-25	--	5,000	0.17
5y	27-Jan-28	--	1,000	0.22
10y	21-Oct-32	--	750	0.30
Mbono				
30y	31-Jul-53	8.00	9,500	8.91
Udibono				
30y	03-Nov-50	4.00	UDIS 900	4.53

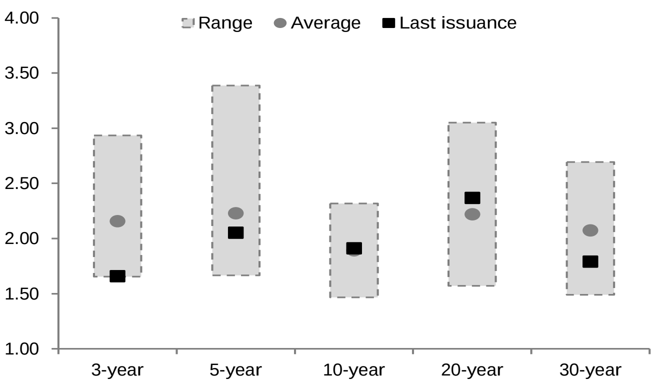
Source: Banorte with data from Banco de Mexico
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

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

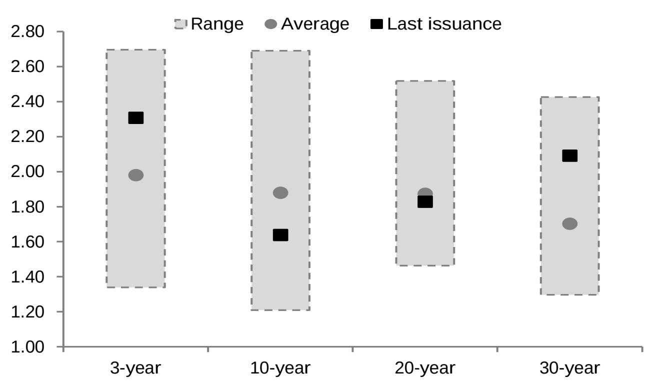
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

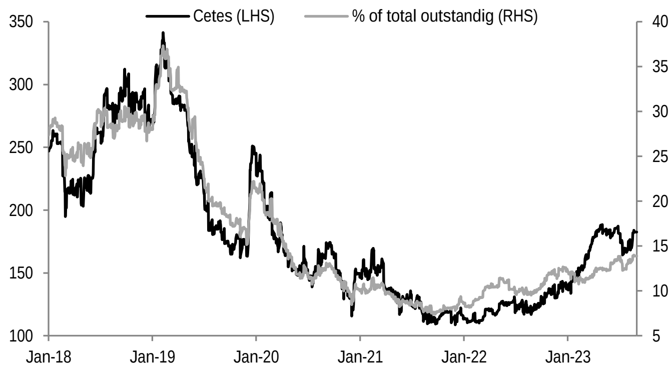
Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times



Source: Banxico, Banorte

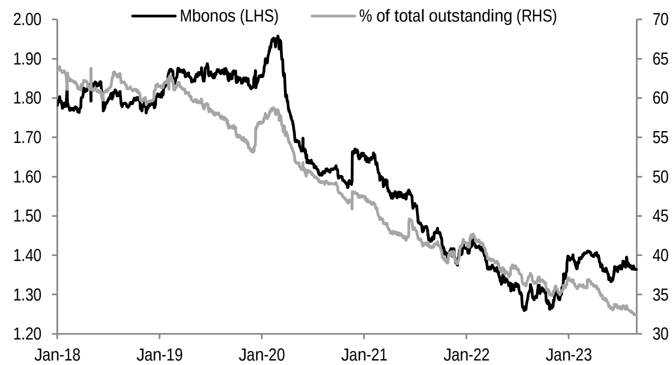
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



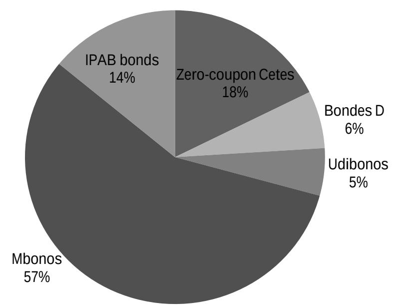
Source: Banxico

Mbonos held by foreigners
MXN trillion, %



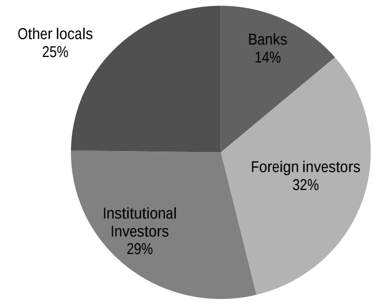
Source: Banxico

Government issuance by type of instrument
Total amount of US$ 442 billion, % of total



Source: Banxico

Mbonos holdings by type of investor
Total amount of US$ 251 billion, % of total



Source: Banxico

Government bond holdings by type of investor
US$ billion and %, data as of 08/23/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	78	14%	12%	14%	5%	10%	45%
Floating-rate Bondes D	28	1%	4%	45%	1%	19%	31%
Real-rate Udibonos	180	4%	54%	5%	19%	2%	17%
Fixed-rate Mbonos	251	32%	23%	3%	3%	14%	25%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

	08/23/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	10.9	10.2	0.6	8.4	2.5
Floating-rate Bondes D	0.2	0.2	0.0	2.0	-1.9
Real-rate Udibonos	6.4	0.8	5.6	1.0	5.3
Fixed-rate Mbonos	81.2	81.3	0.0	83.3	-2.0

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	08/23/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	13.9%	13.4%	0.5%	12.4%	1.5%
Floating-rate Bondes D	0.6%	0.6%	0.0%	4.4%	-3.8%
Real-rate Udibonos	3.5%	3.5%	0.0%	5.0%	-1.5%
Fixed-rate Mbonos	32.4%	32.8%	-0.3%	37.1%	-4.6%

Source: Banorte with data from Banxico

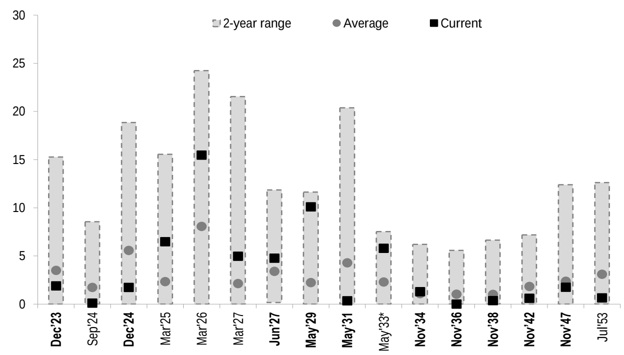
Mbonos holdings by type of investor
US$ billion and %, data as of 08/17/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	9.8	32%	9%	17%	42%
Sep'24	16.9	27%	18%	12%	43%
Dec'24	13.7	37%	28%	8%	26%
Mar'25	9.8	39%	20%	19%	22%
Mar'26	27.0	27%	24%	17%	32%
Sep'26	4.0	27%	24%	8%	41%
Mar'27	21.3	28%	17%	14%	41%
Jun'27	20.8	7%	40%	28%	26%
May'29	16.3	4%	52%	23%	21%
May'31	25.5	4%	46%	33%	17%
May'33	12.6	3%	39%	33%	25%
Nov'34	5.6	1%	50%	36%	13%
Nov'36	4.3	1%	30%	40%	29%
Nov'38	12.7	2%	41%	39%	17%
Nov'42	17.3	2%	44%	40%	14%
Nov'47	15.3	1%	35%	44%	20%
Jul'53	9.1	1%	37%	43%	19%
Total	232.9	15%	33%	26%	26%

Source: Banxico

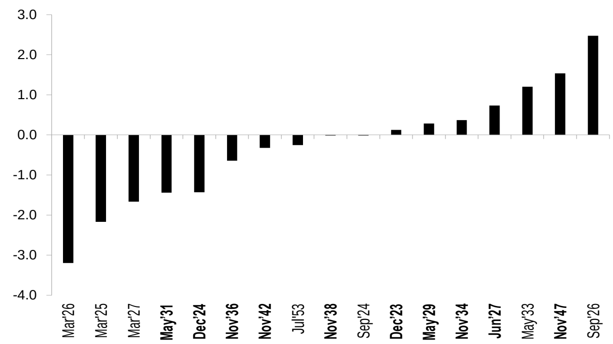
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



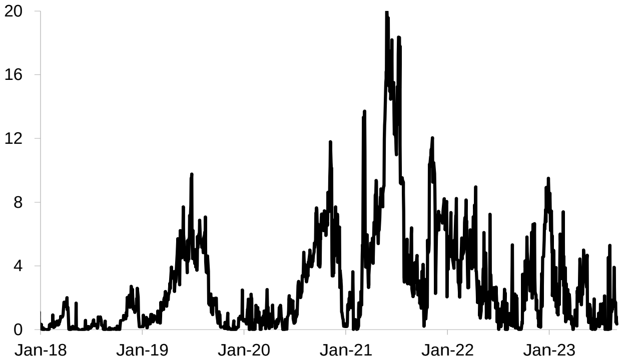
Source: Banxico *May'33 issued in December 2022

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



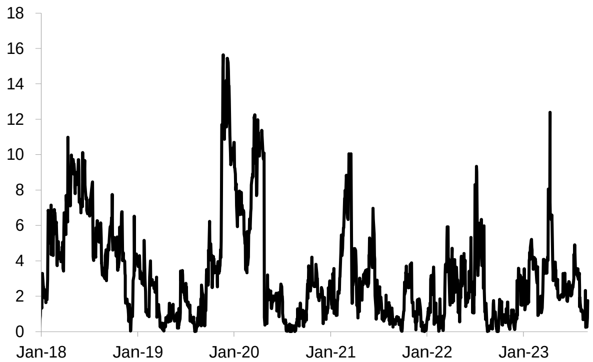
Source: Banxico

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 09/01/2023	09/01/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,890	111	103	0	111	174	0
Sep'24	16,917	6	7	0	58	322	0
Dec'24	13,896	101	185	74	113	330	0
Mar'25	11,788	379	506	62	145	910	0
Mar'26	26,822	906	1,093	106	181	1,418	106
Sep'26	4,229	248	103	866	0	1,263	0
Mar'27	21,526	291	389	1,261	313	1,261	0
Jun'27	20,869	280	237	112	365	637	38
Mar'29	1,527	4	20	0	0	95	0
May'29	16,801	591	574	531	66	681	46
May'31	25,408	20	104	266	87	311	0
May'33	12,732	339	269	311	0	441	3
Nov'34	5,629	76	54	0	97	361	0
Nov'36	4,284	1	38	326	153	326	0
Nov'38	12,733	21	22	16	5	161	0
Nov'42	17,687	36	55	55	202	338	0
Nov'47	15,310	103	13	81	45	725	13
Jul'53	9,020	38	53	45	355	400	0
Total	247,067	3,514	3,775	4,069	1,941		

Source: Banxico

Fixed-Income technicals

- **The carry at the short-end increased**. Spreads between Cetes and imp. forward rates stood at: 1-month at +39bps from +13bps, 3-month at -32bps from -35bps, 6-month at -55bps from -69bps, and 1-year at -77bps from -86bps

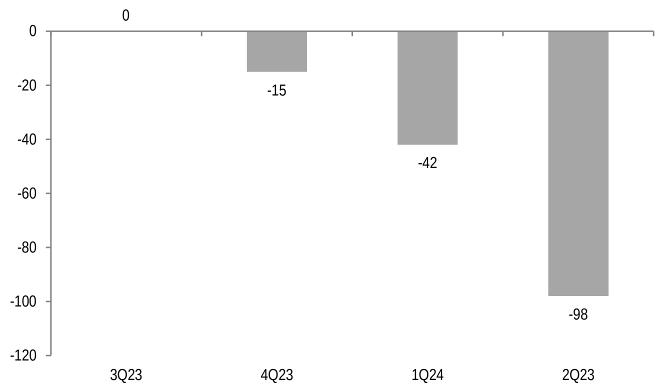
- **Market registers lower bets for rate cuts this year, in line with our call.** After Banxico's minutes and *Quarterly Report*, the market maintains lower bets for cut rates this year with the curve pricing-in -15bps in December. We rule out cuts this year with the first -25bps adjustment in February 2024. This week the attention will be focus on the inflation report due to its relevance for monetary policy. In the US, the market remains skeptical about an additional rate hike this year. The interest rate spread between Mexico and the US stands at 575bps

Spread between Cetes and Implied Forward Rates
Basis Points

Tenor	Actual 09/01/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	39	13	49	-1	489	-222
3 months	-32	-35	-52	-63	2	-150
6 months	-55	-69	-84	-77	-24	-125
12 months	-77	-86	-86	-71	-11	-98

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate
Basis points

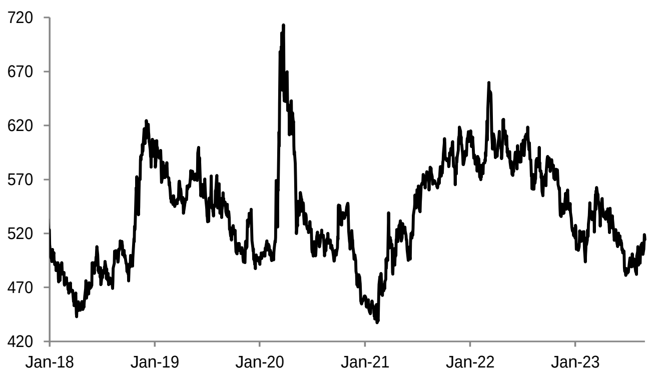


Source: Banorte with data from Bloomberg

- **Divergent performance among sovereign bonds pressured the risk premium.** Investors digested some negative surprises in economic data and the terminal rate debate continues. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 514bps vs 500bps the previous week, while the average of the last twelve months stands at 531bps

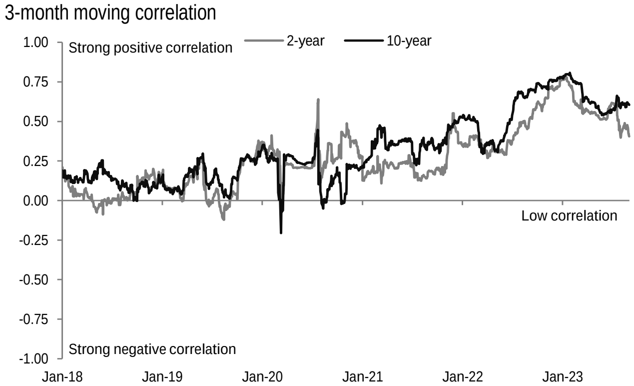
- **The 3-month correlation between Mexican and US 10-year bonds decreased.** The reading closed Friday at +60% vs +62% the previous week

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)

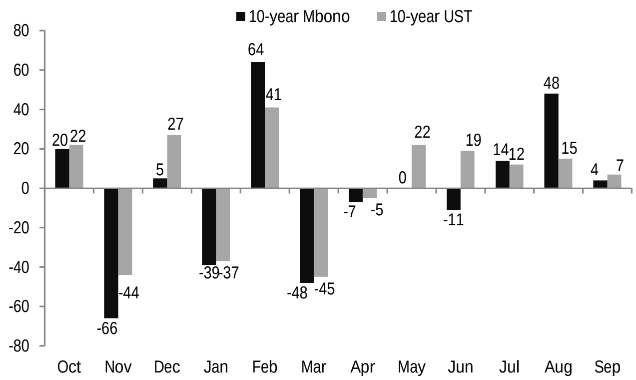
Selected Spreads

Basis points

Tenor	09/01/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-155	-160 (+5bps)	-159 (+4bps)	-68 (-87bps)	-47	-199	-137
Mbono 10s30s	11	0 (+11bps)	6 (+5bps)	-8 (+19bps)	35	-15	10
TIIE-Mbono 2-year	-73	-73 (0bps)	-71 (-2bps)	-18 (-55bps)	8	-91	-48
TIIE-Mbono 10-year	-50	-51 (+1bp)	-52 (+2bps)	-25 (-25bps)	-17	-68	-46

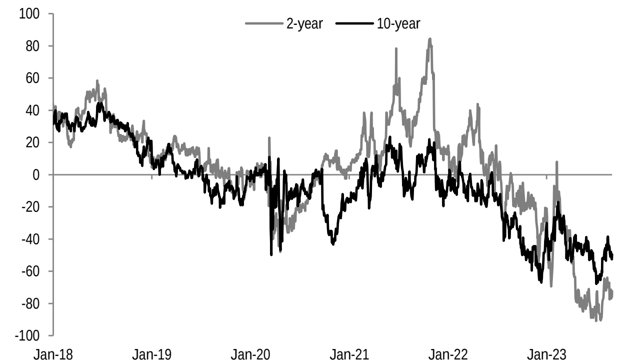
Source: Bloomberg and PiP

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

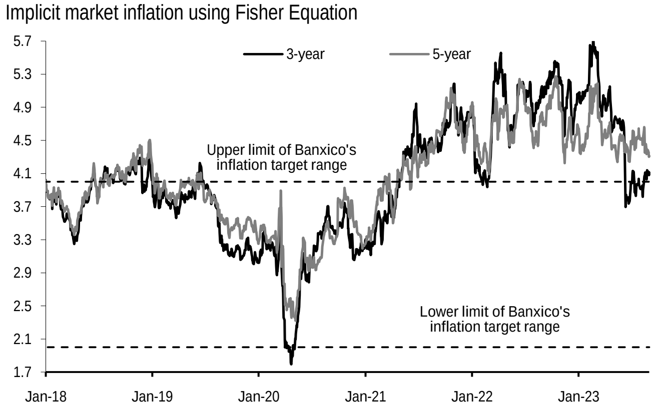
Breakeven inflation using Mbonos & Udibonos

Implicit market inflation using Fisher Equation (%)

Date	09/01/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.11	4.14 (-3bps)	3.92 (+19bps)	5.02 (-91bps)	5.74	3.70	4.80
5Y	4.31	4.39 (-8bps)	4.51 (-20bps)	4.68 (-37bps)	5.28	4.23	4.63
10Y	4.27	4.24 (+3bps)	4.24 (+3bps)	4.59 (-32bps)	5.16	4.04	4.46
20y	4.59	4.54 (+5bps)	4.42 (+17bps)	4.6 (-1bp)	5.15	4.15	4.58
30Y	4.56	4.47 (+9bps)	4.33 (+23bps)	4.54 (+2bps)	5.18	4.15	4.55

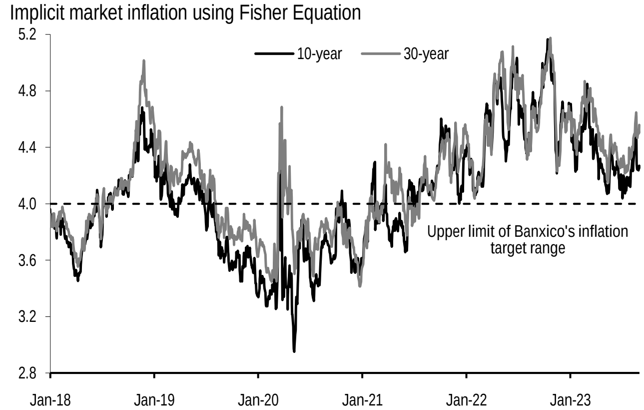
Source: PiP

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

- **Attractive levels of longer maturity Mbonos for long-term portfolios and we continue to favor paying TIIE-IRS at the front-end of the curve.** The week ended with a breather in Treasuries after sharp losses throughout August. The yield curve registered a bull steepening as the securities that benefited the most were the short-end of the curve as they digested economic data that disappointed the market. The 2-year Treasury Note rallied 20bps, closing at 4.88%, after trading at a nearly two-decade high of 5.08% last week. Meanwhile, the 10- and 30-year benchmarks concluded at 4.18% (-6bps) and 4.30% (+1bp), respectively, after reaching multi-year highs of 4.34% and 4.45%, in the same order, the previous week. In this backdrop, swaps linked to the Fed's monetary policy decisions reflect a 38% probability for an additional 25bps hike in November from 63% on the previous Friday, favoring a pause in the tightening cycle with a Fed funds range of 5.25%-5.50%

- Conversely, the Mexican yield curve marked a bear steepening, as long-term Mbonos registered the highest pressures of up to 19bps. On a monthly basis, this segment accumulated losses of 50bps, while short-term securities adjusted +35bps, on average. As a result of these adjustments, longer-duration Mbonos are trading at attractive levels for long-term portfolios. In particular, we highlight the May'33, Nov'38 and Nov'42 maturities. However, the highly volatile backdrop makes directional positions difficult, considering the high correlation with Treasuries that could induce additional pressures. For example, 10-, 20-, and 30-year Treasuries posted 8bps losses on Friday, following a better-than-expected manufacturing report and higher oil prices. In this regard, the WTI benchmark surpassed the 85 $/bbl figure for the first time since November, marking an 8.5% rally since August 23rd. Despite little new information in Banxico's Quarterly Report, market expectations of higher interest rates for longer consolidated. With this, bets that the first-rate cut will be in December have been strongly diluted (-15bps vs -42bps at the beginning of August). In line with our view, TIIE-IRS payers at the front-end of the curve have benefited from this correction. For example, the 1-year maturity (13x1) is trading at 11.21%, +30bps since the beginning of August. We expect very short-term rates to extend their upward adjustment to fully dilute the December cut. Therefore, we continue to favor paying TIIE-IRS on this section of the curve

- This week will start with low trading volume due to the closing of US markets. Subsequently, rates will be sensitive to the tone of Fed members' comments. Locally, Udibonos will assimilate inflation figures. These securities lost around 30bps in August. On a relative basis, short-term Udibonos with inflation breakevens below 4.00% reflect an attractive valuation for long-term positions. Finally, we believe that the 10-year Mbono, May'33, will trade between 9.20% and 9.40%

FX dynamics

- **The Foreign Exchange Commission's decision impacted the Mexican peso.** The FX market continued to evaluate the economic data and comments from Fed members. Meanwhile, the Mexican peso reacted to the FEC's announcement of the gradual reduction of non-deliverable FX forwards. In this sense, the MXN closed Friday at 17.09 per dollar, representing a 2.0% w/w depreciation

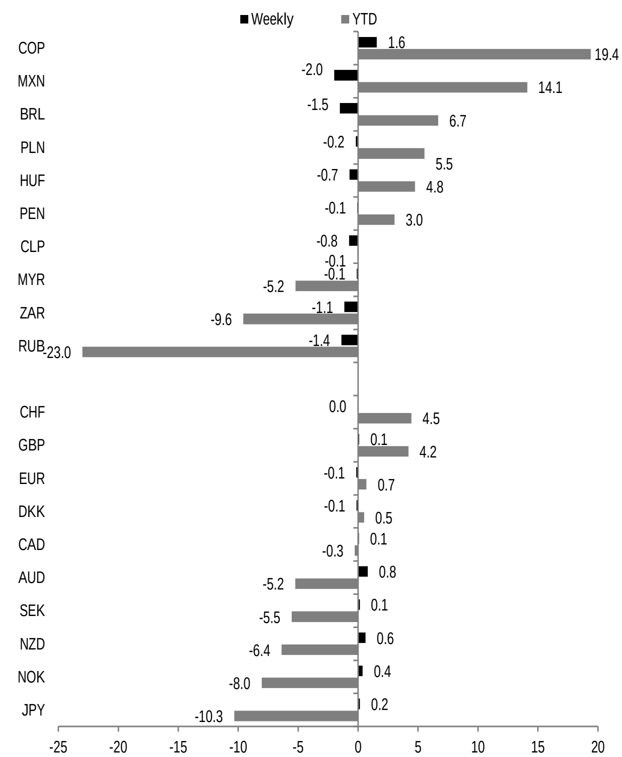
- **The USD continues to strengthen.** The DXY and BBDXY indices extended gains while G10 and EM currencies registered a mixed performance. In the former group, trading was capped by AUD (+0.8%) and EUR (-0.2%) was the weakest and in the latter, COP (+1.6%) and MXN (-2.0%) were at the ends of the spectrum

Foreign Exchange market levels and historical return

		Close at 09/01/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.95	0.1	-1.5	-2.8	6.7
Chile	USD/CLP	851.68	0.1	-0.8	-0.3	-0.1
Colombia	USD/COP	4,064.00	0.8	1.6	-0.2	19.4
Peru	USD/PEN	3.69	-0.1	-0.1	-0.9	3.0
Hungary	USD/HUF	356.40	-1.4	-0.7	-0.3	4.8
Malaysia	USD/MYR	4.65	-0.2	-0.1	-2.2	-5.2
Mexico	USD/MXN	17.09	-0.3	-2.0	-0.4	14.1
Poland	USD/PLN	4.15	-0.5	-0.2	-1.9	5.5
Russia	USD/RUB	96.33	-0.7	-1.4	-2.4	-23.0
South Africa	USD/ZAR	18.84	0.2	-1.1	-2.0	-9.6
Developed Markets						
Canada	USD/CAD	1.36	-0.6	0.1	-1.8	-0.3
Great Britain	GBP/USD	1.26	-0.7	0.1	-1.0	4.2
Japan	USD/JPY	146.22	-0.5	0.2	-2.0	-10.3
Eurozone	EUR/USD	1.0780	-0.6	-0.1	-1.4	0.7
Norway	USD/NOK	10.66	-0.3	0.4	-3.4	-8.0
Denmark	USD/DKK	6.91	-0.6	-0.1	-1.4	0.5
Switzerland	USD/CHF	0.89	-0.2	0.0	-0.9	4.5
New Zealand	NZD/USD	0.59	-0.4	0.6	-2.2	-6.4
Sweden	USD/SEK	11.04	-0.8	0.1	-2.9	-5.5
Australia	AUD/USD	0.65	-0.4	0.8	-1.3	-5.2

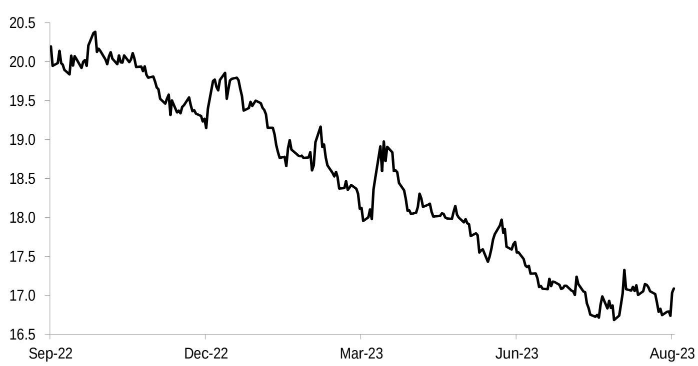
Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.
Source: Bloomberg

FX performance
Against USD, %



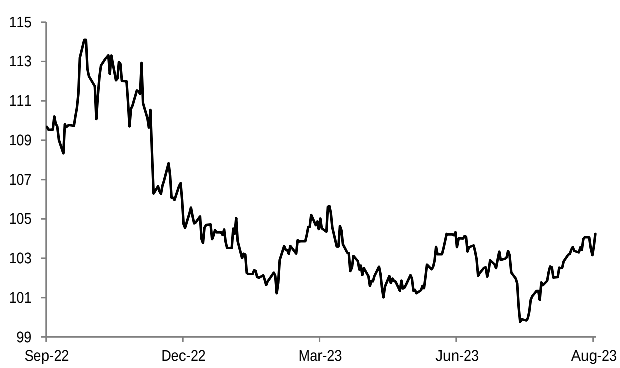
Source: Bloomberg

USD/MXN
Last 12 months



Source: Bloomberg

DXY
Points



Source: Bloomberg, Banorte

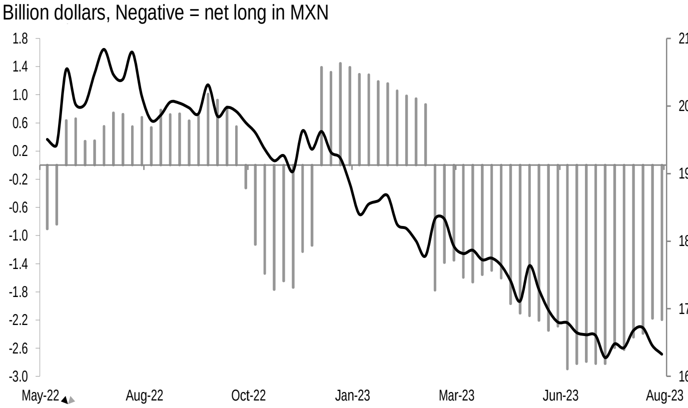
FX positioning and flows

- **Modest increase in net long MXN positions.** As of August 29th, the MXN position recorded a net long US$ 2.20 billion from US$ 2.18 billion last week. We believe that, following the recent weakening of the currency, there is an opportunity for speculators to increase their net long positions considering the MXN's attractive volatility-adjusted carry and the country's solid macroeconomic fundamentals

- **Net short USD positions declined 28% w/w to 2-months lows.** The USD IMM position was net short US$ 9.57 billion, equivalent to a 55% reduction over the last five weeks, following further strengthening of the dollar with gains of 3.8% from its low of the year seen in July. The adjustment was the result of selling led by EUR (-1.58 billion) and GBP (-839 million), while the only bought was MXN

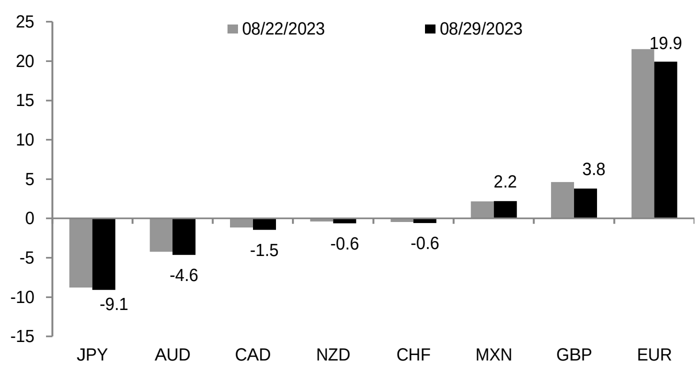
- **Sales moderated in EM while Mexico recorded 5 consecutive weeks with outflows.** Our EPFR aggregate recorded lower negative flows of US$ 2.7 billion from US$ 4.2 billion the previous week. Bond market sales decreased 36% to US$ 1.6 billion, concentrated in Asia and LATAM. Meanwhile, equities outflows fall 37% to US$ 1.1 billion. In Mexico, a negative flow of US$ 104 million was recorded because of sales in both bonds and equities of US$ 95 million and US$ 9 million, respectively

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



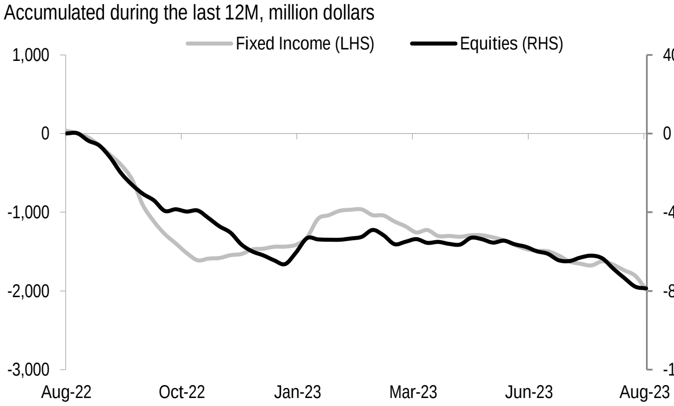
Source: CME, Banorte

IMM positioning by currency*
Billion dollars



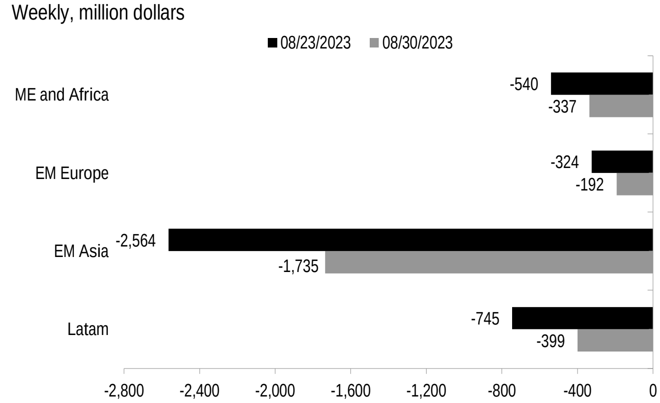
* Positive: Net long in the corresponding currency
Source: CME, Banorte

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 breached relevant technical supports.** Following the Foreign Exchange Commission's decision, the peso breached relevant short-term technical supports and marked its weakest intraday level at 17.20 per dollar. The weekly trading range was 51 cents, higher than four-week average (43 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 16.97, 16.88, and 16.70, with supports at 17.20, 17.30, and 17.43. This week, the FX market dynamics will be mainly determined by the speeches of Fed members and economic data, including the US services ISM, China's Caixin PMI and Mexican CPI report

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	38	28	-7	72	29
CAD	7	29	1	63	34
ZAR	56	68	4	85	42
BRL	74	75	19	79	50
HUF	68	59	4	70	47
RUB	-24	-14	-34	54	9

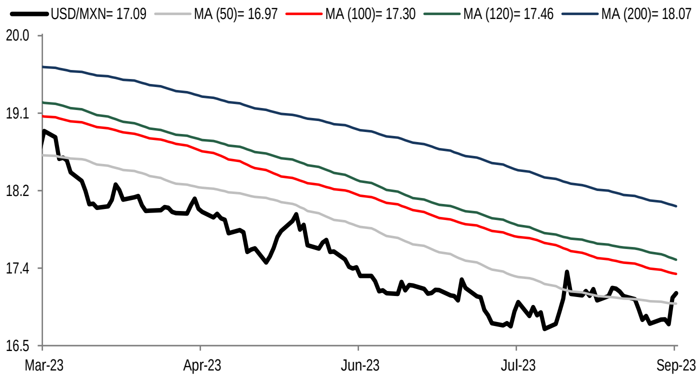
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	25	31	19	89	47
SPX	27	35	5	71	41
GSCI	17	18	8	49	28
Gold	33	36	-57	64	5

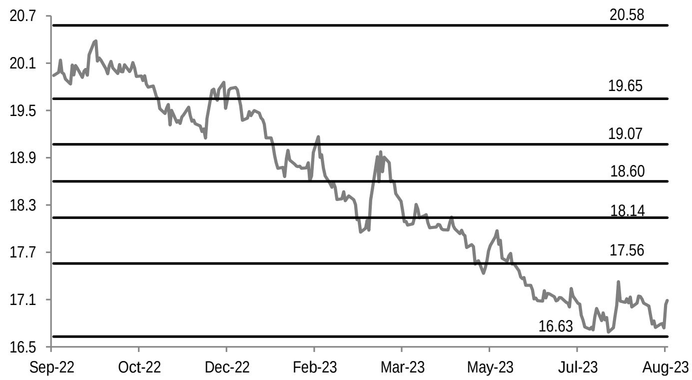
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



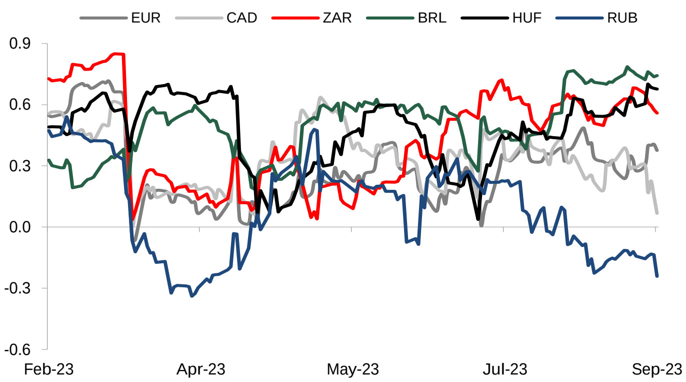
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



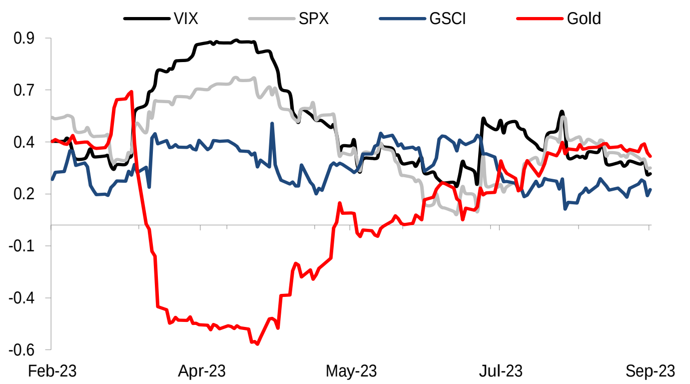
Source: Bloomberg

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

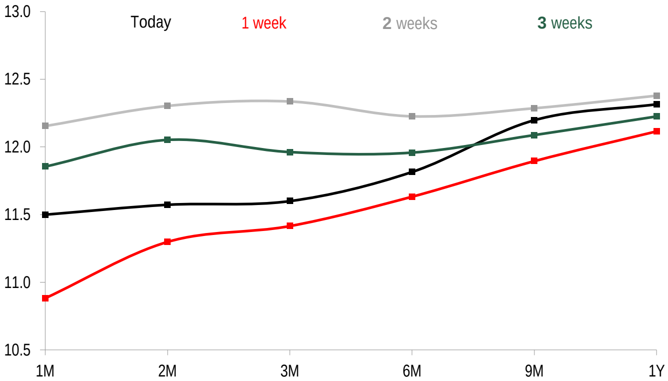


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

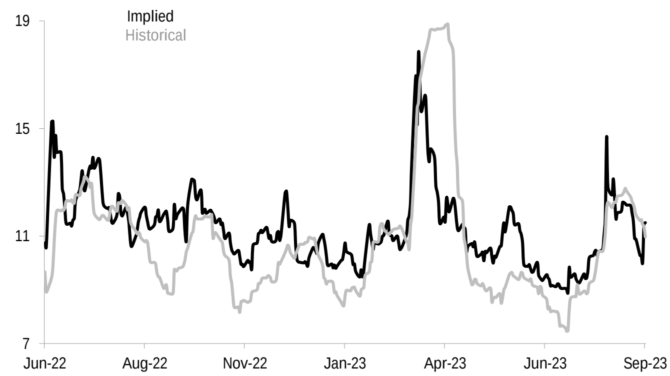
- **MXN ATM implied vol curve at higher levels following the FEC announcement.** The 1-month implied vol rebounded to 11.5% from 1-month lows of 10.0% reached on Wednesday following the announcement of the reduction in the FX hedging program. The 3-month and 1-year readings moved to 11.6% (+0.2 vegas) and 12.3% (+0.2 vegas), respectively. Similarly, the 1-month risk reversals rose to 3.24% from 2.85% and the 3-month reading increased to 3.37% from 3.07% last week, although they remained below the August highs of 3.50% and 3.60%, respectively

USD/MXN – ATM options volatility curve
%



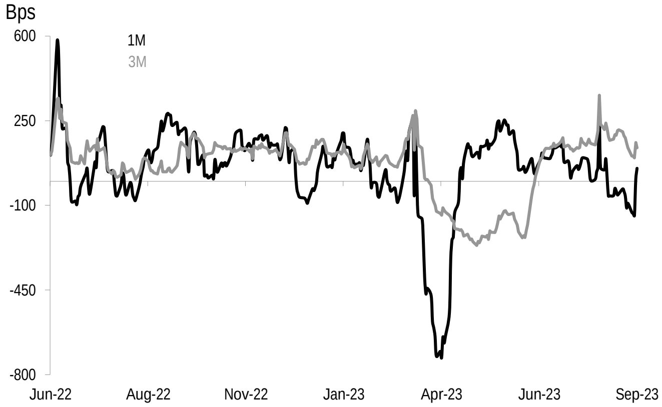
Source: Bloomberg

USD/MXN – 1M implied and historical volatility
%



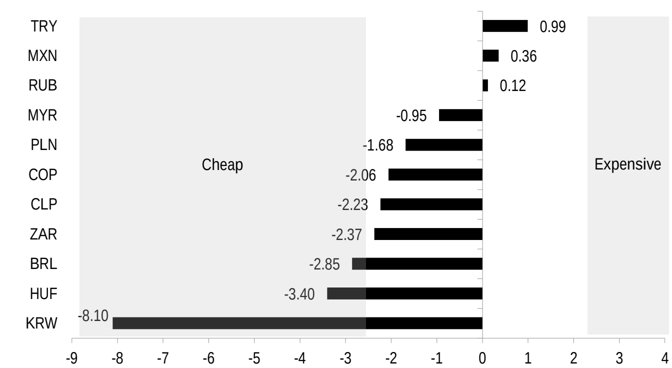
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility
Bps



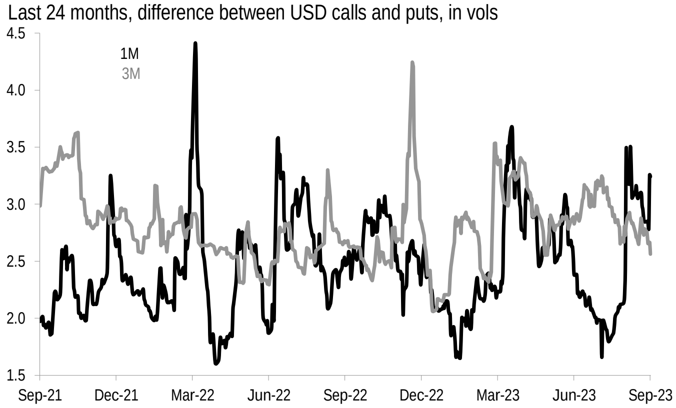
Source: Bloomberg

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



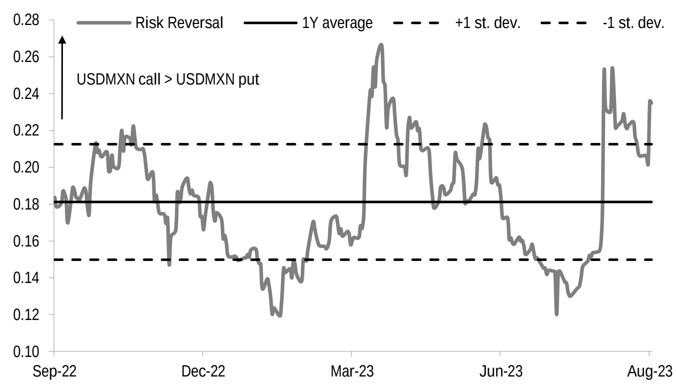
Source: Bloomberg, Banorte

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

- **A correction in the Mexican peso after the Foreign Exchange Commission's announcement was highlighted.** The FX market showed a mixed performance last week. Investors' minds are still very much focused on the fact that the next monetary policy decisions in the US and the Eurozone will depend on economic data. This is why the figures released this week were closely scrutinized. In addition, government stimulus measures in China and volatility in the Japanese yen influenced the currency universe. As a result, the dollar swung between losses and gains, but closed the week in positive territory with the DXY and BBDXY indices advancing 0.2% w/w. Developed currencies were predominantly gainers, with AUD (+0.8%) leading the appreciation and EUR (-0.2%) at the opposite end of the spectrum. Conversely, in emerging currencies the bias was mostly negative. Although one of the exceptions was COP (+1.6%) as it was boosted by a rise in commodity prices, particularly copper which gained 1.7% w/w. At the other end, the Mexican peso was the weakest as it closed at 17.09 per dollar (-2.0% w/w) with a trading range of 51 cents vs. 34 cents the previous week. In addition, 1-month implied volatility ended at 11.5% vs. 10.9% a week earlier

- The main reason behind the MXN weakness was the Foreign Exchange Commission's (FEC) announcement to reduce gradually the amount outstanding of the non-deliverable of FX forwards. Currently, the balance is US$ 7.49 billion in outstanding securities. Considering the established mechanics and the upcoming maturities, the program would reach a zero balance at the end of February 2024. In our view, the decision is adequate as this facility is not indispensable for market participants to efficiently hedge their FX risks. This is because there are several other hedging instruments for investors at competitive prices and in deeply liquid markets. In addition, it happens in a backdrop in which FX volatility has been relatively contained and the peso has traded defensively, outperforming EM peers. So far this year, the MXN has appreciated 14.1%, second only to COP (+19.4%)

- We see the cross correction following the FEC announcement as an opportunity for long MXN positions for short-term trading purposes at better entry levels. In our view, the currency will remain supported by: (1) an attractive volatility-adjusted carry, given Banxico's caution stance about possible cuts this year, and (2) solid macroeconomic fundamentals (*e.g.* economic growth, fiscal and external accounts balances, optimism stemming from nearshoring, etc.) that maintain the Mexican peso as one of the most attractive currencies in EM

- This week, the FX market dynamics will be mainly driven by comments from Fed members and to a lesser extent by the release of economic data in the US and other regions. However, we expect lower trading volume due to the Labor Day holiday in the US. For the Mexican peso, the August inflation report and the delivery of the 2024 Economic Package to Congress will be relevant. We estimate a trading range between USD/MXN 16.90 and 17.40

Weekly economic calendar

For the week ending September 8, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 4		US	Markets closed for Labor Day					
	02:00	GER	Trade balance	Jul	EURbn	--	17.8	18.7
	08:00	MX	Gross fixed investment	Jun	% y/y	28.5	24.4	22.5
	08:00	MX	Gross fixed investment*	Jun	% m/m	2.6	2.4	6.0
	08:00	MX	Private consumption	Jun	% y/y	5.1	5.1	5.5
	08:00	MX	Private consumption*	Jun	% m/m	0.7	--	0.1
	21:45	CHI	Services PMI (Caixin)*	Aug	index	--	53.7	54.1
	21:45	CHI	Composite PMI (Caixin)*	Aug	index	--	--	51.9
Tue 5	03:55	GER	Services PMI*	Aug (F)	index	--	47.3	47.3
	03:55	GER	Composite PMI*	Aug (F)	index	--	44.7	44.7
	04:00	EZ	Services PMI*	Aug (F)	index	--	48.3	48.3
	04:00	EZ	Composite PMI*	Aug (F)	index	--	47.0	47.0
	04:30	UK	Services PMI*	Aug (F)	index	--	48.7	48.7
	08:00	BZ	Industrial production	Jul	% y/y	--	-0.4	0.3
	08:00	BZ	Industrial production*	Jul	% m/m	--	-0.3	0.1
	08:00	MX	Consumer confidence*	Aug	index	45.9	46.8	46.2
	10:00	US	Factory orders*	Jul	% m/m	--	-2.5	2.3
	10:00	US	Ex transportation*	Jul	% m/m	--	0.1	0.2
	10:00	US	Durable goods orders*	Jul (F)	% m/m	--	--	-5.2
	10:00	US	Ex transportation*	Jul (F)	% m/m	--	--	0.5
	11:00	MX	International reserves	Sep 1	US$bn	--	--	203.7
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 30-year Mbono (Jul'53); 30-year Udibono (Nov'50) and 2-, 5-, and 10-year Bondes F					
	17:00	CL	Monetary policy decision (BCCh)	Sep 5	%	--	9.25	10.25
	16:30	MX	Survey of expectations (Citibanamex)					
Wed 6	05:00	EZ	Retail sales*	Jul	% m/m	--	-0.1	-0.3
	08:30	US	Fed's Collins Speaks on Economy, Policymaking					
	08:30	US	Trade balance*	Jul	US$bn	--	-68.0	-65.5
	09:45	US	Services PMI*	Aug (F)	index	51.0	51.2	51.0
	09:45	US	Composite PMI*	Aug (F)	index	50.4	--	50.4
	10:00	US	ISM services*	Aug	index	52.7	52.5	52.7
	14:00	US	Beige Book					
	15:00	US	Fed's Logan Takes Part in Community Listening Session					
	23:00	CHI	Trade balance	Aug	USDbn	--	67.7	80.6
	23:00	CHI	Exports	Aug	% y/y	--	-9.8	-14.5
	23:00	CHI	Imports	Aug	% y/y	--	-9.0	-12.4
Thu 7	02:00	GER	Industrial production*	Jul	% m/m	--	-0.5	-1.5
	05:00	EZ	Gross domestic product	2Q23 (F)	% y/y	--	0.6	0.6
	05:00	EZ	Gross domestic product*	2Q23 (F)	% q/q	--	0.3	0.3
	08:00	MX	Consumer prices	Aug	% m/m	0.57	0.54	0.48
	08:00	MX	Core	Aug	% m/m	0.32	0.30	0.39
	08:00	MX	Consumer prices	Aug	% y/y	4.65	4.64	4.79
	08:00	MX	Core	Aug	% y/y	6.13	6.11	6.64
	08:30	US	Initial jobless claims*	Sep 2	thousands	230	234	228
	10:00	US	Fed's Harker Speaks on Future of Fintech					
	15:30	US	Fed's Williams Speaks at Bloomberg Market Forum					
	15:45	US	Fed's Bostic Speaks on Economic Outlook					
	19:00	US	Fed's Bostic Speaks on Economic Mobility					
	19:05	US	Fed's Logan Speaks on Monetary Policy in Dallas					
	19:50	JN	Gross domestic product*	2Q23 (F)	% q/q	--	1.4	1.5
Fri 8		MX	Deadline for the delivery of the 2024 Budget Proposal to Congress					
	02:00	GER	Consumer prices	Aug (F)	% y/y	--	6.4	6.4
	15:00	US	Consumer credit*	Jul	USDbn	--	17.0	17.8
	21:30	CHI	Consumer Prices	Aug	% y/y	--	--	-0.3
		MX	Wage negotiations	Aug	% y/y			8.9

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

For the week ending September 1, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 28	04:00	EZ	Monetary aggregates (M3)*	Jul	EURbn	--	-0.4	0.6
	08:00	MX	Trade balance	Jul	US$mn	-1,676.9	-881.2	38.2
	12:30	US	Fed's Barr Speaks About Banking Services					
Tue 29	08:00	MX	Gross domestic product	2Q23 (F)	% y/y	3.7	3.6	3.6 (R)
	08:00	MX	Gross domestic product*	2Q23 (F)	& q/q	1.0	0.8	0.9
	08:00	MX	Economic activity indicator (IGAE)	Jun	% y/y	4.2	4.1	4.3
	08:00	MX	Economic activity indicator (IGAE)*	Jun	% m/m	0.5	0.5	0.2 (R)
	09:00	US	S&P/CoreLogic housing prices	Jun	% y/y	--	-1.2	-1.7
	10:00	US	Consumer confidence*	Aug	index	118.0	106.1	114.0
	11:00	MX	International reserves	Aug 25	US$bn	--	203.7	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	--	6.1	6.2
	05:00	EZ	Consumer Confidence*	Aug (F)	index	--	-16.0	-16.0
	05:00	EZ	Economic confidence*	Aug	index	--	93.3	94.5
	08:15	US	ADP employment*	Aug	thousands	250	177	371 (R)
	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	1.7	1.6
	08:30	US	Trade balance*	Jul	US$bn	--	-91.2	-88.8
	14:30	MX	Banxico's Quarterly Report					
	16:30	MX	Public finances (PSBR, year-to-date)	Jul	MXNmn	--	-489.3	-420.0
	21:30	CHI	Manufacturing PMI*	Aug	index	--	49.7	49.3
	21:30	CHI	Non-manufacturing PMI*	Aug	index	--	51.0	51.5
	21:30	CHI	Composite PMI*	Aug	index	--	51.0	59.2
Thu 31	03:15	US	Fed's Bostic Gives Speech in South Africa					
	05:00	EZ	Consumer prices	Aug (P)	% y/y	--	5.3	5.3
	05:00	EZ	Core	Aug (P)	% y/y	--	5.3	5.5
	05:00	EZ	Unemployment rate*	Jul	%	--	6.4	6.4
	07:30	EZ	ECB´s minutes					
	08:00	MX	Unemployment rate	Jul	%	2.93	3.13	2.65
	08:00	BZ	Unemployment rate	Jul	%	--	7.9	8.0
	08:30	US	Personal income*	Jul	% m/m	--	0.2	0.3
	08:30	US	Personal spending*	Jul	% m/m	--	0.8	0.6 (R)
	08:30	US	Real personal spending*	Jul	% m/m	0.4	0.6	0.4
	08:30	US	PCE Deflator*	Jul	% m/m	0.2	0.2	0.2
	08:30	US	Core*	Jul	% m/m	0.2	0.2	0.2
	08:30	US	PCE Deflator	Jul	% y/y	3.3	3.3	3.0
	08:30	US	Core	Jul	% y/y	4.2	4.2	4.1
	08:30	US	Initial jobless claims*	Aug 26	thousands	233	228	232 (R)
	09:00	US	Fed's Collins speaks on Community Colleges					
	11:00	MX	Banking credit	Jul	% y/y	5.0	5.7	5.1 (R)
	21:45	CHI	Manufacturing PMI (Caixin)*	Aug	index	--	51.0	49.2
Fri 1		MX	Congress' Summer Break ends					
	03:55	GER	Manufacturing PMI*	Aug (F)	index	--	39.1	39.1
	04:00	EZ	Manufacturing PMI*	Aug (F)	index	--	43.5	43.7
	04:30	UK	Manufacturing PMI*	Aug (F)	index	--	43.0	42.5
	06:00	US	Fed's Bostic Speaks on US Monetary Policy					
	08:00	BZ	Gross domestic product	2Q23	% y/y	--	3.4	4.0
	08:00	BZ	Gross domestic product*	2Q23	& q/q	--	0.9	1.8 (R)
	08:30	US	Nonfarm payrolls*	Aug	thousands	190	187	157 (R)
	08:30	US	Unemployment Rate*	Aug	%	3.5	3.8	3.5
	09:00	BZ	Manufacturing PMI*	Aug	index	--	50.1	47.8
	09:45	US	Manufacturing PMI*	Aug (F)	index	47.0	47.9	47.0
	09:45	US	Fed's Mester Speaks on Inflation					
	10:00	US	ISM manufacturing*	Aug	index	--	47.6	46.4
	11:00	MX	Family remittances	Jul	US$bn	5,676.8	5,651.5	5,571.5
	11:00	MX	Survey of expectations (Banxico)					
	14:00	MX	PMI manufacturing (IMEF)*	Aug	index	50.7	52.3	51.3 (R)
	14:00	MX	PMI non-manufacturing (IMEF)*	Aug	index	51.4	52.1	52.1 (R)
		US	Total vehicle sales**	Aug	thousands	--	15.0	15.7

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
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.*

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