Banorte FI/FX Strategy

Mexico

Fixed-Income and FX Weekly

Market outlook

- **Negative performance in local assets.** Last week, Mbonos' curve adjusted +17bps on average with losses of up to 25bps at the belly. The 10-year benchmark ended at 9.55% (+23bps w/w). In addition, USD/MXN lost 2.9% w/w to 17.59

- **Focus on US inflation and ECB monetary policy decision.** Last week, investors were cautious following Saudi Arabia and Russia's decision to extend their production and export cuts, respectively, to keep oil market prices high. In addition, markets absorbed mixed economic data as tensions between China and the US spiked in the technology sector, leading to a migration of flows into safe-haven assets. In this context, the Treasuries yield curve recorded a bear flattening, stock markets fell and the dollar strengthened. It is worth mentioning that the BBDXY accumulated eight consecutive weeks with gains, a record since the beginning of 2005. This week, the dynamics of financial assets will be defined mainly by the publication of economic activity indicators, including August CPI in the US, which we estimate at +0.6% m/m. This is a key data for the Fed's next actions as decisions will be data-dependent and the market debates how long the Fed funds rate will remain high. Additionally, the focus will be on the ECB monetary policy decision and Christine Lagarde's press conference, while the market assigns a 38% probability for a 25bps rate hike. The US economic agenda includes retail sales, producer prices, industrial production (Aug), as well as the Empire Manufacturing and U. of Michigan consumer confidence indicators (Sep). In the UK, the unemployment rate will be published, and in the Eurozone, industrial production (Jul). In the stock markets, we anticipate volatility due to *Triple Witching Day* and S&P DJI semi-annual rebalancing

Fixed-Income

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

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.354 trillion (US$ 80.9 billion), a market share equal to 32.3%, as of August 30th. Short positions in Mbono May'33 ended at MXN 3.2 billion from MXN 5.8 billion last week

- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 528bps from 514bps the previous week, with the 12-month mean at 530bps

Foreign exchange

- **Market positioning and flows** – MXN position (as of September 5th) recorded a lower net long of US$ 1.93 billion from US$ 2.19 billion a week ago. Mutual funds' flows to EM marked lower sales of US$ 810 million from US$ 2.7 billion

- **Technicals** – The spot recorded a weekly trading range of 66 cents. On Wednesday, it reached its weakest intraday level since May of 17.70 per dollar and the 1-month implied volatility boosted to 1-month highs of 14.40%

September 11, 2023

www.banorte.com/analisiseconomico
@analisis_fundam

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

Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com

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

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

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

Recommendations

Fixed-Income

- We continue to see attractiveness in long-term Mbonos with yields above 9.55%. However, we maintain a cautious bias as relevant data will be published in the United States this week, including inflation. The evolution of the figures with respect to consensus expectations will be key to determine the dynamics of financial assets
- We expect the 10-year Mbono to trade between 9.45% and 9.80%

FX

- The FX market dynamics will be mainly determined by the US August inflation and the ECB decision. A higher-than-expected reading would extend USD strength and keep volatility in EM. We estimate a weekly trading range between USD/MXN 17.00 and 17.60

FOCUS ECONOMICS ANALYST FORECAST AWARDS 2023 #1 OVERALL FORECASTER - MEXICO

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

Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 09/08/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.58	0	+76
Sep'24	11.26	+13	+117
Dec'24	10.94	+7	+107
Mar'25	10.44	+16	+51
Mar'26	10.26	+22	+103
Sep'26	10.24	+23	+84
Mar'27	9.94	+22	+75
Jun'27	9.92	+23	+84
Mar'29	9.72	+25	+35
May'29	9.60	+20	+53
May'31	9.61	+21	+59
May'33	9.55	+23	+53
Nov'34	9.54	+22	+48
Nov'36	9.52	+18	+48
Nov'38	9.61	+15	+52
Nov'42	9.61	+15	+50
Nov'47	9.56	+15	+49
Jul'53	9.58	+15	+53

Source: PiP

IRS (28-day TIIE) performance

Maturity date	YTM 09/08/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	0	+61
6-month (6x1)	11.49	+1	+45
9-month (9x1)	11.42	+2	+34
1-year (13x1)	11.22	+3	+31
2-year (26x1)	10.31	+17	+45
3-year (39x1)	9.71	+22	+53
4-year (52x1)	9.34	+19	+43
5-year (65x1)	9.18	+22	+36
7-year (91x1)	9.06	+21	+32
10-year (130x1)	9.02	+20	+29
20-year (260x1)	9.08	+19	+23

Source: Bloomberg

Udibonos performance

Maturity date	YTM 09/08/2023	Weekly change (bps)	YTD (bps)
Nov'23	5.79	+5	-30
Dec'25	5.84	+19	+107
Dec'26	5.82	+15	+115
Nov'28	4.98	+3	+67
Nov'31	4.90	+6	+73
Nov'35	4.67	+3	+46
Nov'40	4.67	+3	+48
Nov'43	4.70	+4	+20
Nov'46	4.67	+2	+49
Nov'50	4.70	+4	+47

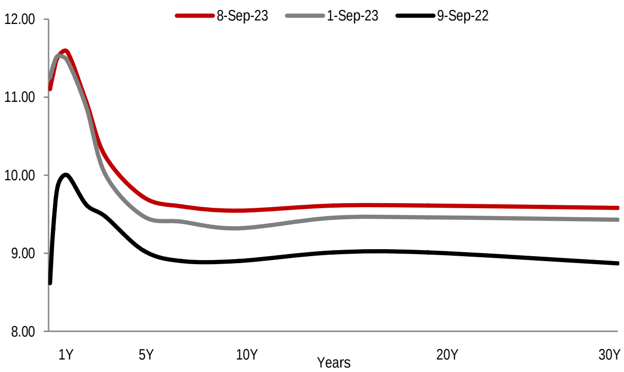
Source: PiP

Cetes performance

Maturity date	YTM 09/08/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.10	-15	+101
Cetes 91	11.30	-10	+63
Cetes 182	11.52	-1	+64
Cetes 364	11.58	+11	+61
Cetes 728	11.30	+10	+49

Source: PiP

Mbonos curve at different closing dates
%



Source: PiP, Banortes

10-year Mbono benchmark
%

Source: PiP

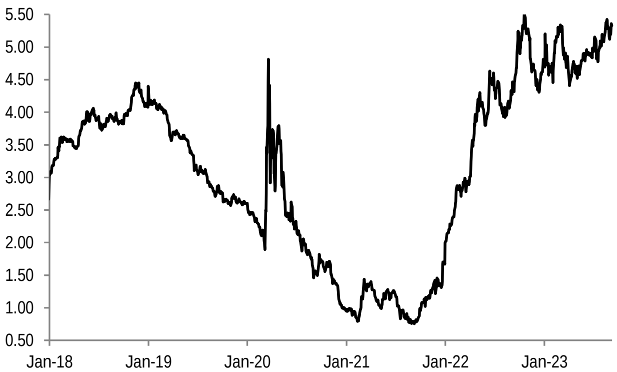
Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

	UMS				UST			Spreads			CDS
Term	Maturity date	YTM 09/08/2023	Weekly change (bps)	YTD (bps)	YTM 09/08/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.12	+10	+64	4.99	+11	+56	13	-2	13	32
3Y	May'26	4.37	+7	-43	4.70	+12	+47	-33	-5	48	51
5Y	Feb'28	5.33	+15	+54	4.40	+11	+40	93	+4	98	101
7Y	Apr'30	5.55	+17	+22	4.35	+9	+39	120	+8	136	145
10Y	May'33	5.80	+15	+24	4.26	+9	+39	154	+7	173	181
20Y	Mar'44	6.34	+12	-4	4.53	+5	+39	181	+7	211	--
30Y	May'53	6.52	+11	+13	4.34	+4	+37	218	+7	242	--

Source: Bloomberg

5Y USD UMS
%

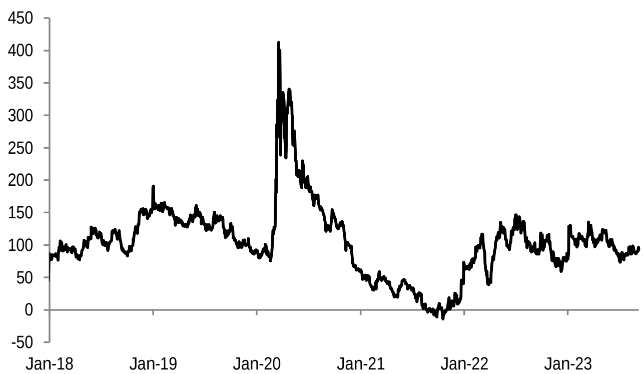


Source: Bloomberg

10Y USD UMS
%

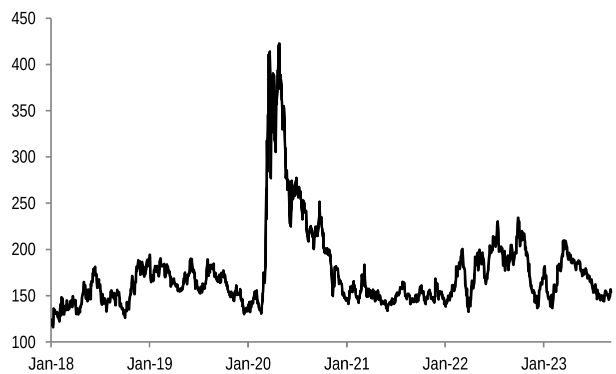
Source: Bloomberg

5Y UMS-UST Spread
Basis points



Source: Bloomberg

10Y UMS-UST Spread
Basis points



Source: Bloomberg

Fixed-Income supply

- **Mexico's weekly auction.** Tomorrow, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Sep'26), the 3-year Udibono (Dec'26), as well as 1- and 3-year Bondes F

- **Strong appetite for Cetes and higher demand for 3-year Udibonos vs. Mbonos.** We reiterate the attractiveness of Cetes, considering our view that Banxico will keep the reference rate unchanged at 11.25% for the remainder of the year and headline inflation will keep moderating. With this, we expect a robust appetite for all maturities between 2.50x and 3.50x. Moreover, foreigners' holding of Cetes has been rising to MXN 183.7 billion, equivalent to an increase of 30.8% this year. For the 3-year Mbono, we anticipate a moderated demand in a similar fashion than its two previous placements of 1.66x given a lower attractive valuation compared with securities of longer maturity. We still believe that long-term Mbonos are attractive; however, we expect better entry levels after the busy US economic agenda this week. Highlighting May'33 (9.55%), Nov'38 (9.61%), and Nov'42 (9.61%) maturities. For the 3-year Udibono, we foresee greater appetite relative to the Mbono of the same maturity around 2.50x. The 3-year breakeven stands at 4.18%; that is, 18bps above the level we had identified as attractive for long-term positions, up from 3.90% a month ago

Auction specifics (September 12, 2023)

	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	12-Oct-23	--	8,500	11.00
3m	14-Dec-23	--	7,500	11.30
6m	07-Mar-24	--	13,700	11.56
24m	04-Sep-25	--	10,500	11.20
Bondes F				
1y	15-Aug-24	--	5,500	0.12
3y	04-Jun-26	--	1,500	0.19
Mbono				
3y	03-Sep-26	7.00	13,500	9.77
Udibono				
3y	03-Dec-26	3.00	UDIS 700	5.50

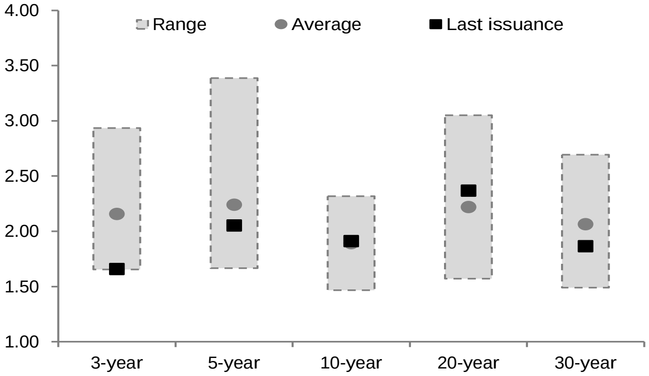
Source: Banorte with data from Banco de Mexico
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

3Q23 Auction Calendar*

Date	Cetes	Mbonos	Udibonos	Bondes F
4-Jul	1, 3, 6, and 24M	5-year (Mar'27)	10-year (Nov'31)	1-, 3-, and 7-year
11-Jul	1, 3, 6, and 12M	20-year (Nov'42)	30-year (Nov'50)	2-, 5-, and 10-year
18-Jul	1, 3, 6, and 24M	3-year (Sep'26)	3-year (Dec'26)	1-, and 3-year
25-Jul	1, 3, 6, and 12M	30-year (Jul'53)	20-year (Nov'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

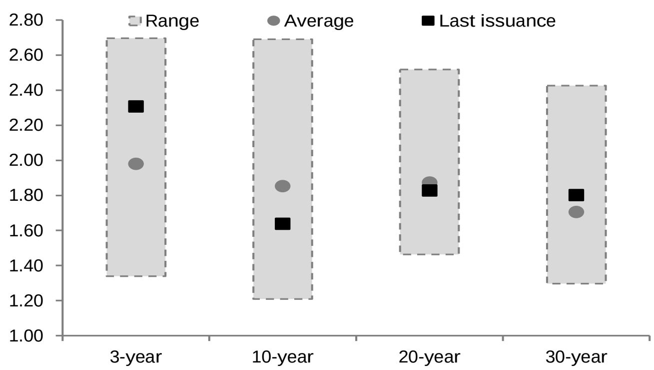
Source: Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Banxico, Banorte

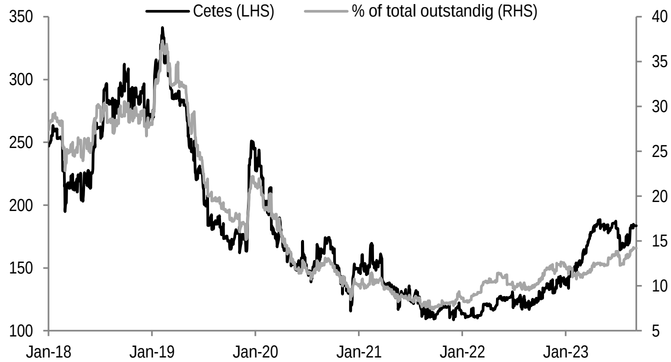
Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times



Source: Banxico, Banorte

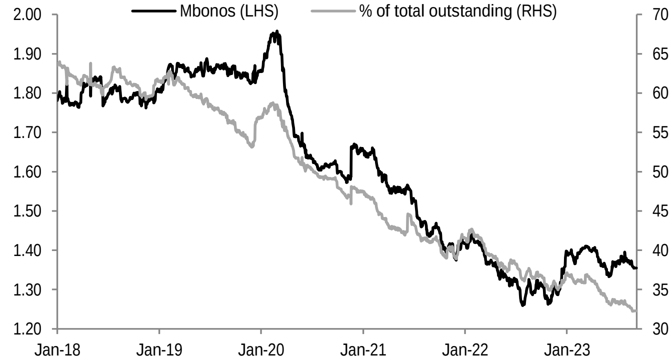
Fixed-Income demand

Cetes held by foreigners
MXN billion, %



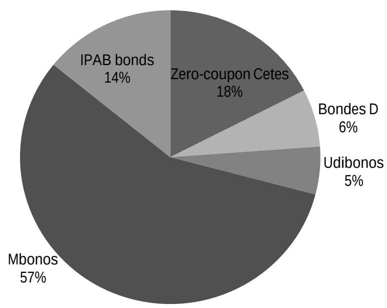
Source: Banxico

Mbonos held by foreigners
MXN trillion, %



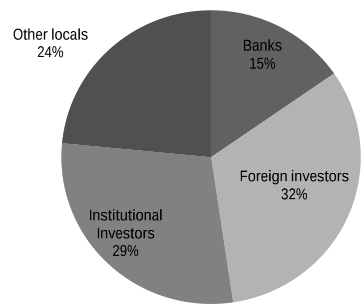
Source: Banxico

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 08/30/2023

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	77	14%	12%	14%	5%	10%	44%
Floating-rate Bondes D	28	1%	4%	43%	1%	18%	32%
Real-rate Udibonos	182	4%	54%	5%	19%	2%	16%
Fixed-rate Mbonos	251	32%	23%	3%	3%	15%	23%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
US$ billion

	08/30/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	11.0	10.9	0.1	8.4	2.6
Floating-rate Bondes D	0.2	0.2	0.0	2.0	-1.9
Real-rate Udibonos	6.9	0.8	6.1	1.0	5.8
Fixed-rate Mbonos	80.9	81.5	-0.6	83.5	-2.6

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds
Percentage of total amount outstanding

	08/30/2023	Previous Week	Difference	12/30/2022	Difference
Zero-coupon Cetes	14.2%	13.9%	0.3%	12.4%	1.8%
Floating-rate Bondes D	0.6%	0.6%	0.0%	4.4%	-3.8%
Real-rate Udibonos	3.8%	3.5%	0.3%	5.0%	-1.2%
Fixed-rate Mbonos	32.3%	32.4%	-0.1%	37.1%	-4.8%

Source: Banorte with data from Banxico

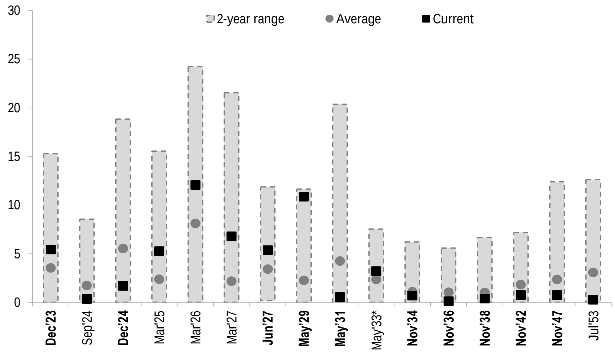
Mbonos holdings by type of investor
US$ billion and %, data as of 08/24/2023

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Dec'23	9.9	36%	8%	19%	37%
Sep'24	16.9	23%	18%	11%	48%
Dec'24	13.7	21%	28%	8%	42%
Mar'25	9.9	33%	20%	18%	29%
Mar'26	27.0	40%	25%	16%	20%
Sep'26	4.0	20%	26%	11%	43%
Mar'27	21.4	17%	17%	14%	51%
Jun'27	20.8	7%	40%	28%	25%
Mar'29	0.8	4%	4%	29%	63%
May'29	16.3	4%	51%	23%	21%
May'31	25.4	4%	45%	33%	18%
May'33	12.7	3%	38%	33%	26%
Nov'34	5.6	1%	50%	35%	13%
Nov'36	4.3	1%	30%	39%	30%
Nov'38	12.8	2%	42%	39%	17%
Nov'42	17.7	2%	42%	40%	15%
Nov'47	15.2	1%	35%	44%	20%
Jul'53	9.1	1%	34%	44%	21%
Total	234.3	14%	33%	26%	28%

Source: Banxico

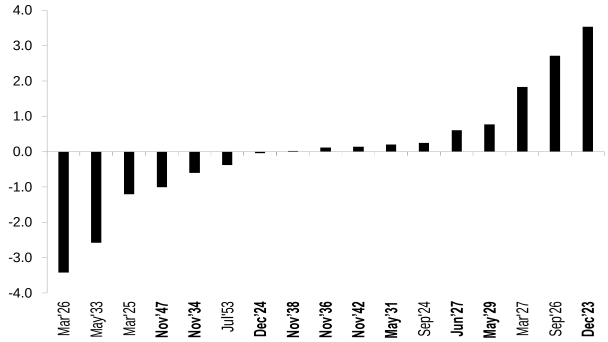
Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



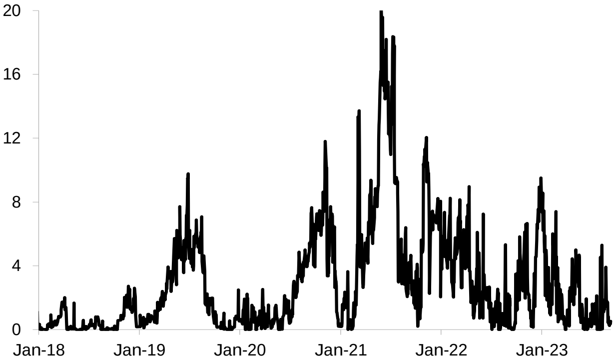
Source: Banxico *May'33 issued in December 2022

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



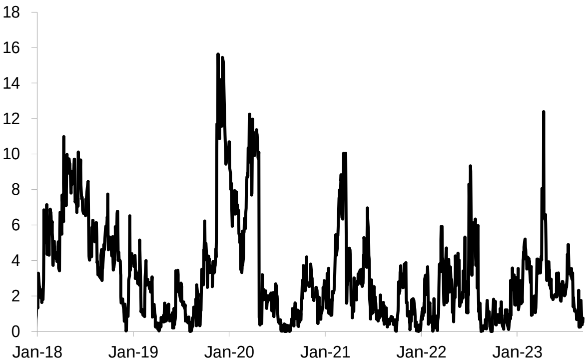
Source: Banxico

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 09/08/2023	09/08/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,808	308	107	88	308	308	0
Sep'24	16,446	20	6	2	3	313	0
Dec'24	13,495	96	98	140	269	274	0
Mar'25	11,381	300	368	748	25	884	0
Mar'26	25,858	685	880	1,136	528	1,378	103
Sep'26	4,262	395	241	181	0	1,227	0
Mar'27	21,013	387	283	516	181	1,225	0
Jun'27	20,305	306	272	254	316	618	109
Mar'29	1,500	21	4	0	0	93	0
May'29	16,363	618	574	238	152	661	44
May'31	24,691	31	19	2	1	302	0
May'33	12,221	183	329	428	0	428	3
Nov'34	5,433	40	74	15	95	350	0
Nov'36	4,168	7	1	0	142	317	0
Nov'38	12,369	22	21	4	8	156	0
Nov'42	17,188	43	35	58	197	328	0
Nov'47	14,813	43	100	71	42	705	13
Jul'53	9,285	15	37	134	277	389	0
Total	240,596	3,504	3,413	3,883	2,267		

Source: Banxico

Fixed-Income technicals

- **The carry at the short-end increased**. Spreads between Cetes and imp. forward rates stood at: 1-month at +47bps from +39bps, 3-month at -17bps from -32bps, 6-month at -36bps from -55bps, and 1-year at -53bps from -77bps

- **All eyes on US CPI and PPI reports for August.** The market is convinced that the Fed will keep the reference rate unchanged in September; however, bets on an additional 25bps hike in November have strengthened. The curve is pricing-in a probability of 50% for this scenario vs. 38% the previous week. In this context, inflation figures compared to what is expected by the consensus will be key to recalibrate market expectations. Locally, the market maintains lower bets on rate cuts this year with the curve pricing-in -12bps in December

Spread between Cetes and Implied Forward Rates

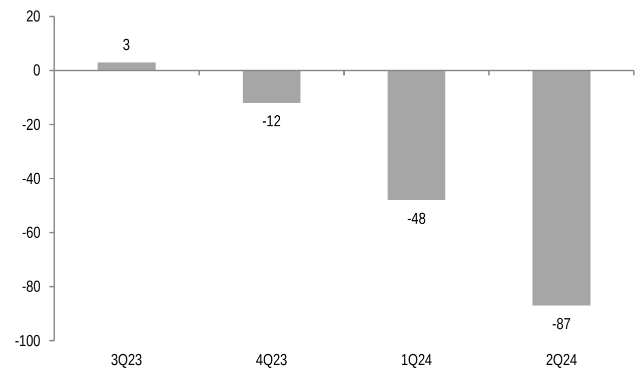
Basis Points

Tenor	Actual 09/08/2023	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	47	39	71	0	489	-222
3 months	-17	-32	-51	-63	-9	-150
6 months	-36	-55	-79	-77	-24	-125
12 months	-53	-77	-75	-72	-18	-98

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate

Basis points



Source: Banorte with data from Bloomberg

- **The risk premium widened as the sell-off in the fixed-income market continued.** Investors acted cautiously amid rising crude-oil prices and trade tensions between China and the US. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 528bps vs 514bps the previous week, while the average of the last twelve months stands at 530bps

- **The 3-month correlation between Mexican and US 10-year bonds increased.** The reading closed Friday at +66% vs +60% the previous week

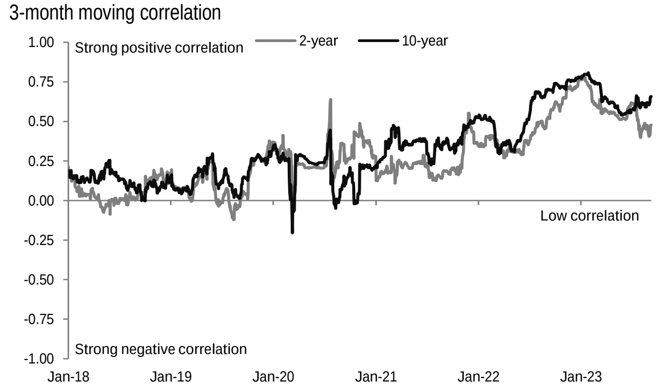
10-year Mbono and 10-year UST spread

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)

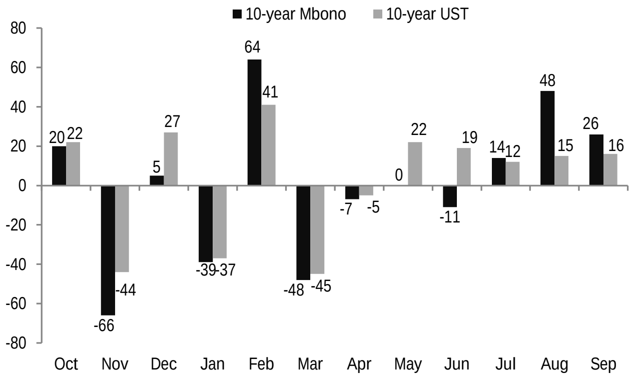
Selected Spreads

Basis points

Tenor	09/08/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-139	-155 (+16bps)	-151 (+12bps)	-72 (-67bps)	-47	-199	-139
Mbono 10s30s	4	11 (-7bps)	4 (0bps)	-3 (+7bps)	35	-15	10
TIIE-Mbono 2-year	-63	-73 (+10bps)	-72 (+9bps)	-20 (-43bps)	8	-91	-49
TIIE-Mbono 10-year	-53	-50 (-3bps)	-53 (0bps)	-26 (-27bps)	-17	-68	-46

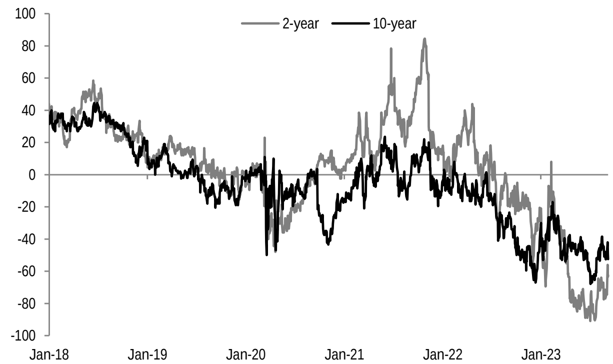
Source: Bloomberg and PiP

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

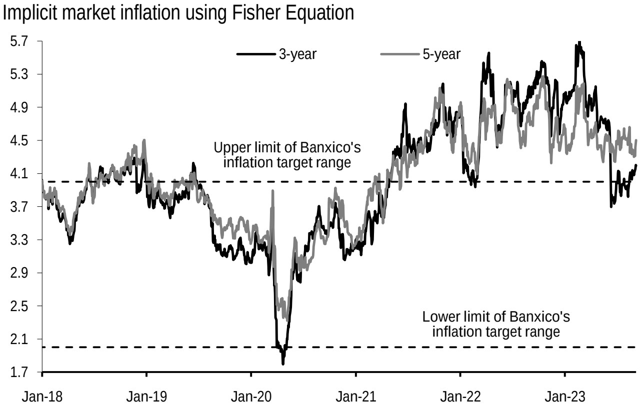
Breakeven inflation using Mbonos & Udibonos

Implicit market inflation using Fisher Equation (%)

Date	09/08/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.18	4.11 (+7bps)	3.90 (+28bps)	5.12 (-94bps)	5.74	3.70	4.78
5Y	4.52	4.31 (+21bps)	4.53 (-1bp)	4.71 (-19bps)	5.28	4.23	4.62
10Y	4.43	4.27 (+16bps)	4.29 (+14bps)	4.57 (-14bps)	5.16	4.04	4.46
20Y	4.69	4.59 (+10bps)	4.53 (+16bps)	4.63 (+6bps)	5.15	4.15	4.58
30Y	4.67	4.56 (+11bps)	4.46 (+21bps)	4.52 (+15bps)	5.18	4.15	4.55

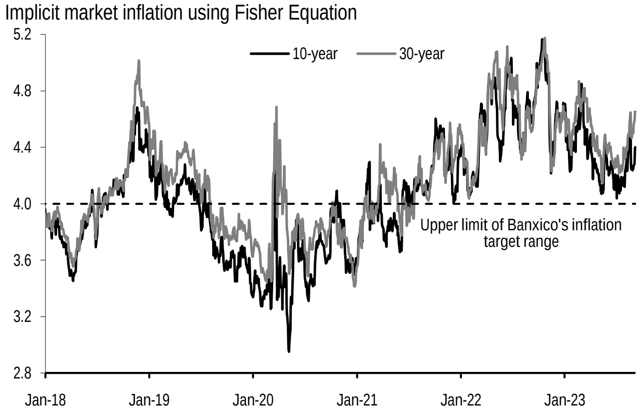
Source: PiP

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

- **Sell-off continues in the fixed-income market and we still favor paying TIIE-IRS at the short-end of the curve as we rule out rate cuts this year.** The fixed-income market closed last week with a negative balance. The Treasuries yield curve recorded a 'bear flattening', i.e., short-term rates (+11bps) increased at a faster pace relative to longer duration rates (+4bps). The 2-year Treasury returned to trade temporarily above the 5.00% figure, closing at 4.99% and the 10-year benchmark ended at 4.26%

- Losses widened in emerging economy securities. In Mexico, the Mbonos' curve averaged a +17bps adjustment with pressures of up to 25bps in the mid-end. In particular, long-term yields are at highs since last November when they reached levels of 10.00%. The 10-year Mbonos (May'33) surpassed the 9.50% figure, closing at 9.55% (+23bps) and accumulating losses of 75bps since the beginning of August. Regarding real rates, the short maturity Udibonos registered 13bps losses, assimilating the CPI report, while the longer maturities recorded marginal changes. The 3-year Udibonos closed at an all-time high of 5.82% (+15bps). As a result of a further increase in nominal vs. real rates, inflation breakevens continue to rise. The 3-year metric stands at 4.18%; that is, 18bps above the level we had identified as attractive for long-term positions, up from 3.90% a month ago. Despite this adjustment, short-term Udibonos continue to reflect a better valuation in relative terms

- With respect to market expectations, interest rate cut bets for the remainder of the year have increasingly lost momentum. Currently, the curve is pricing-in a December adjustment of -12bps from -42bps at the beginning of August. TIIE-IRS payers at the front-end of the curve have been benefited from this move, in line with our expectations as we rule out cuts this year. The 1-year swap (13x1) is trading at 11.22%, equivalent to a 31bps increase since early August. In this regard, we reiterate our preference for these strategies, although we recognize that they are close to realizing their potential with little room for additional gains as the December cut is fully diluted

- We continue to see appeal in long-term Mbonos with yields at levels that show value and significant deviation from duration-adjusted yield in this segment of the curve. In particular, we highlight May'33 (9.55%), Nov'38 (9.61%) and Nov'42 (9.61%). However, we remain with a cautious bias as hard data will be released this week in the US, including inflation. The evolution of the figures relative to consensus expectations will be crucial in determining the dynamics of financial assets. In particular, if inflation disappoints the market (0.6% m/m) we would see higher interest rates and bets of a more restrictive stance by the Fed would gain momentum (+25bps in November). In this regard, we expect the 10-year Mbono, May'33, to trade between 9.45% and 9.80%

FX dynamics

- **The outlook of higher rates for longer weighed on the FX universe.** The FX market assimilated economic data with a mixed balance and reflected the risks of higher crude-oil prices in the middle of geopolitical tensions. The Mexican peso was the third weakest among its peers due to profit taking in carry trades. In this sense, the MXN closed Friday at 17.59 per dollar, representing a 2.9% w/w depreciation

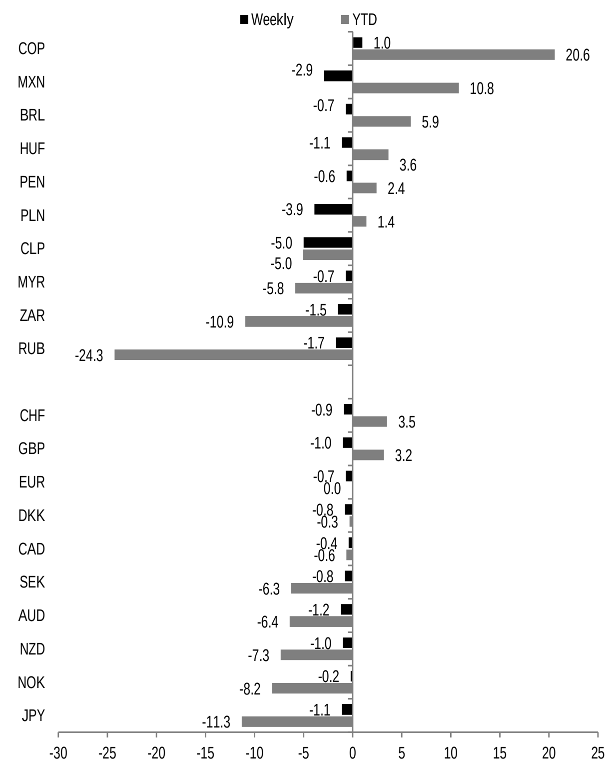
- **USD extended its rally to eight weeks.** The DXY and BBDXY indices advanced again while G10 and most emerging currencies posted negative changes. In the first group, AUD (-1.2%) was the weakest and in the second, COP (+1.0%) and CLP (-5.0%) were at the ends of the spectrum

Foreign Exchange market levels and historical return

		Close at 09/08/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.99	-0.1	-0.7	-1.6	5.9
Chile	USD/CLP	896.25	-1.3	-5.0	-3.8	-5.0
Colombia	USD/COP	4,023.50	0.4	1.0	-0.2	20.6
Peru	USD/PEN	3.72	-0.2	-0.6	-0.6	2.4
Hungary	USD/HUF	360.22	0.4	-1.1	-1.7	3.6
Malaysia	USD/MYR	4.68	0.0	-0.7	-2.2	-5.8
Mexico	USD/MXN	17.59	0.0	-2.9	-3.0	10.8
Poland	USD/PLN	4.31	0.3	-3.9	-5.7	1.4
Russia	USD/RUB	97.95	0.4	-1.7	-1.1	-24.3
South Africa	USD/ZAR	19.13	0.2	-1.5	-0.8	-10.9
Developed Markets						
Canada	USD/CAD	1.36	0.3	-0.4	-1.6	-0.6
Great Britain	GBP/USD	1.25	0.0	-1.0	-2.0	3.2
Japan	USD/JPY	147.83	-0.4	-1.1	-2.8	-11.3
Eurozone	EUR/USD	1.0700	0.0	-0.7	-2.5	0.0
Norway	USD/NOK	10.68	0.3	-0.2	-4.5	-8.2
Denmark	USD/DKK	6.97	0.1	-0.8	-2.6	-0.3
Switzerland	USD/CHF	0.89	0.0	-0.9	-1.8	3.5
New Zealand	NZD/USD	0.59	0.2	-1.0	-2.8	-7.3
Sweden	USD/SEK	11.13	0.2	-0.8	-4.0	-6.3
Australia	AUD/USD	0.64	0.0	-1.2	-2.3	-6.4

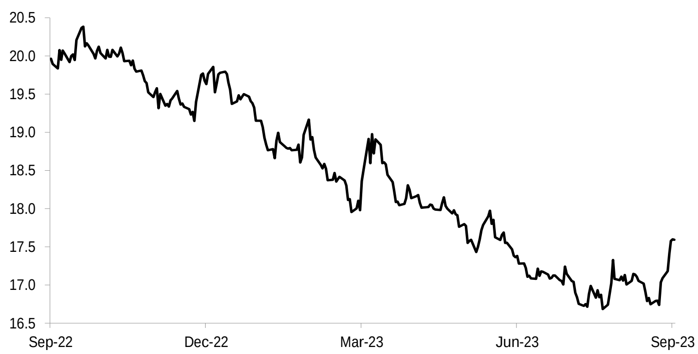
Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.
Source: Bloomberg

FX performance
Against USD, %



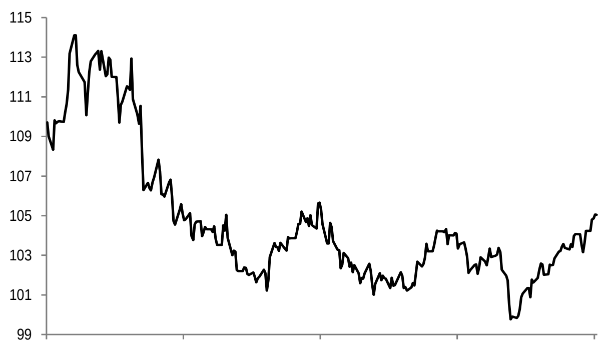
Source: Bloomberg

USD/MXN
Last 12 months



Source: Bloomberg

DXY
Points



Source: Bloomberg, Banorte

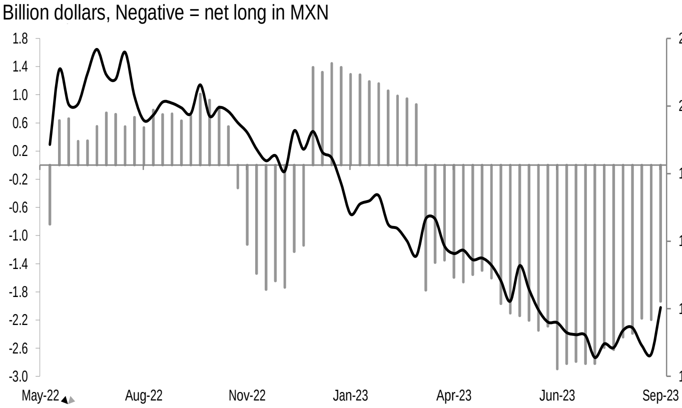
FX positioning and flows

- **12% reduction in net long MXN positions.** As of September 5th, the MXN position recorded a net long of US$ 1.94 billion from US$ 2.20 billion last week, dropping below US$ 2.0 billion for the first time in four months. This reduction reflects the impact of the Foreign Exchange Commission's announcement, as the currency has depreciated 5.1% since then. The volatile backdrop could lead to a greater recalibration of portfolios by migrating to safe-haven assets

- **Net short USD positions declined sharply (-40% w/w).** The USD IMM position was net short US$ 5.70 billion, equivalent to a reduction of 72% over the last six weeks amid a further strengthening of the dollar. The adjustment was the result of widespread selling, led again by EUR (-1.69 billion) ahead of the ECB decision

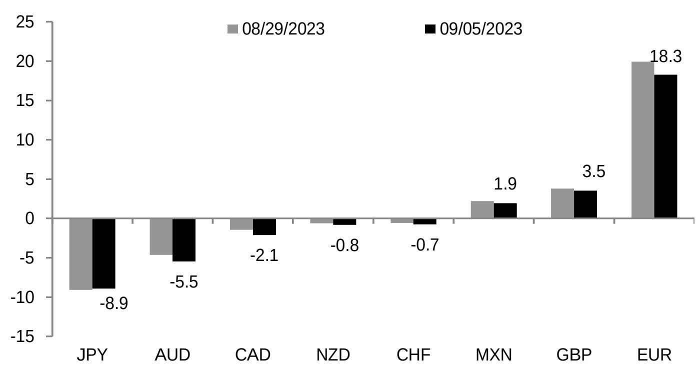
- **Sales moderated in EM while Mexico recorded 6 consecutive weeks with outflows.** Our EPFR aggregate recorded lower negative flows of US$ 810 million from US$ 2.7 billion the previous week. Bond market sales decreased 63% to US$ 598 million, concentrated in Asia and Europe. Meanwhile, equities outflows fall 80% to US$ 212 million. In Mexico, a negative flow of US$ 76 million was recorded because of sales in both bonds and equities of US$ 54 million and US$ 22 million, respectively

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



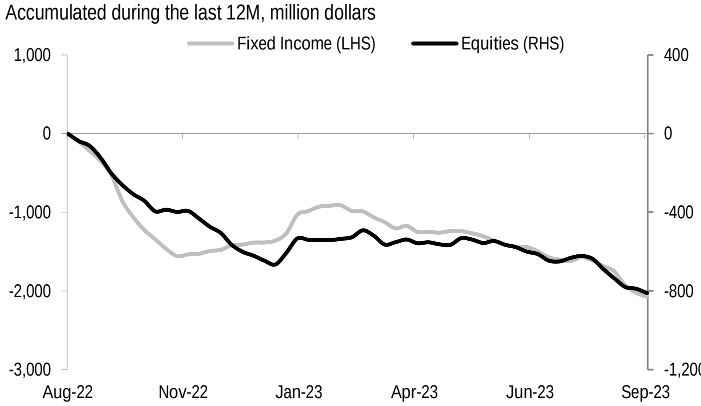
Source: CME, Banorte

IMM positioning by currency*
Billion dollars



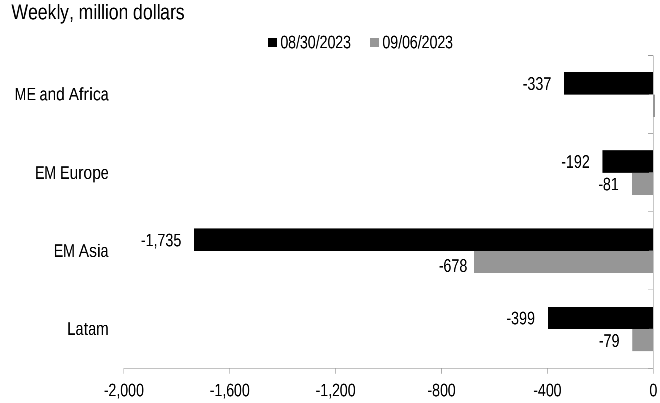
* Positive: Net long in the corresponding currency
Source: CME, Banorte

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 keeps pushing relevant technical supports.** The Mexican peso extended the sell-off and reached a relevant technical level (Fibonacci 23.6%). The weekly trading range was 66 cents, higher than the four-week average (37 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 17.35, 17.27, and 17.10, with supports at 17.70, 18.00, and 18.10. This week, the FX market dynamics will be mainly defined by the August CPI report and retail sales in the US, as well as the ECB monetary policy decision amid a complex outlook

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	39	43	-7	72	28
CAD	20	13	1	63	33
ZAR	49	58	4	85	42
BRL	60	73	19	79	51
HUF	58	69	4	70	48
RUB	-4	-15	-34	49	7

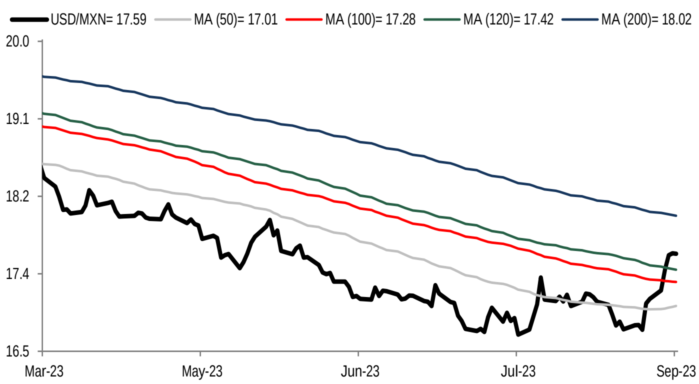
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	23	25	19	89	47
SPX	24	27	5	71	40
GSCI	1	15	0	49	27
Gold	46	33	-57	64	5

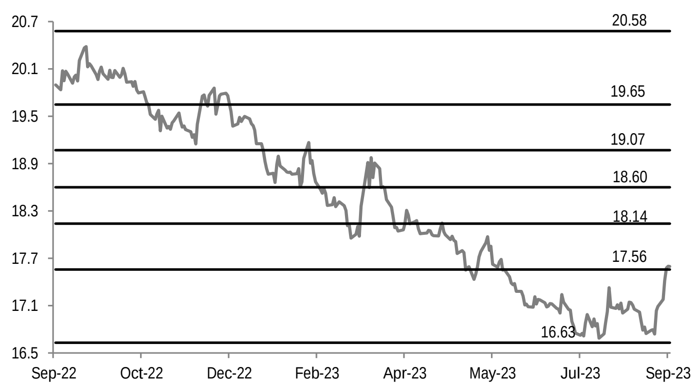
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

USD/MXN – Moving averages
Last 120 trading days



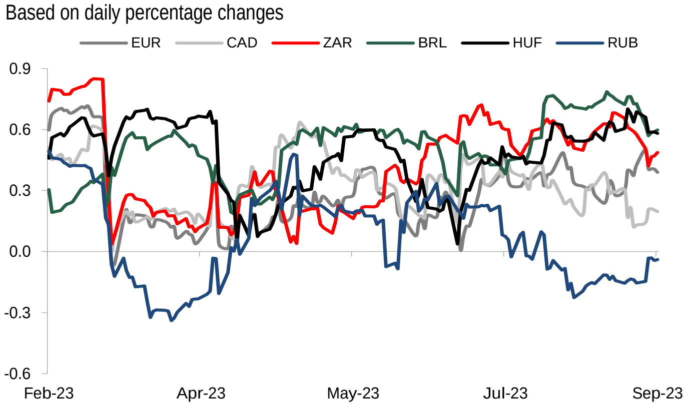
Source: Bloomberg

USD/MXN – Fibonacci retracement
Last 12 months



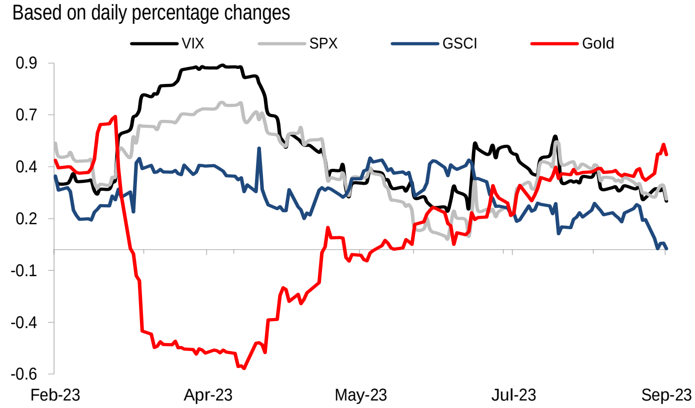
Source: Bloomberg

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

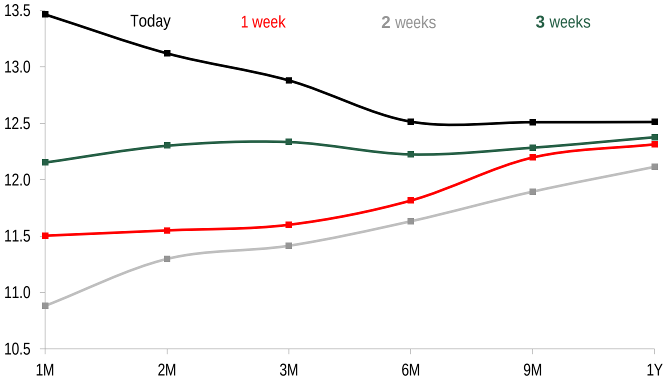


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

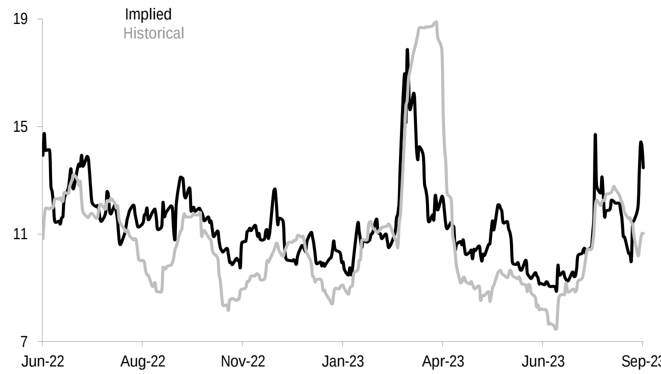
- **MXN ATM implied volatility curve at higher levels highlighting further adjustment at the short term.** The 1-month implied vol increased for the 2nd week in a row, reaching levels of 14.40% on Wednesday from 10.00% before the FX Commission announcement. The 3-month and 1-year readings moved to 12.8% (+1.3 vegas) and 12.5% (+0.2 vegas), respectively. Similarly, the 1-month and 3-month risk reversals reached the highest levels since March 2022 of 3.73 vols and 3.78 vols, respectively, up from 3.24 vols and 3.37 vols the previous week

USD/MXN – ATM options volatility curve
%



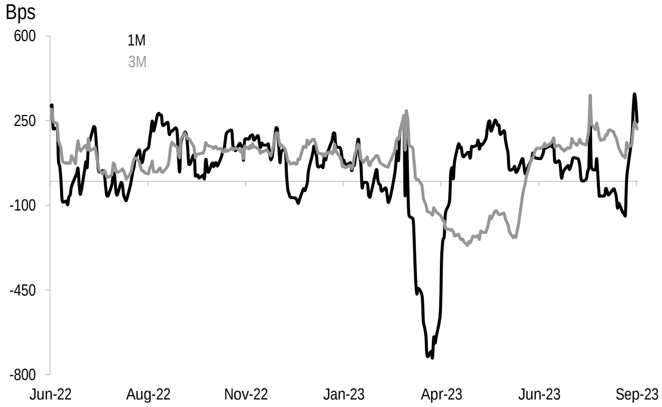
Source: Bloomberg

USD/MXN – 1M implied and historical volatility
%



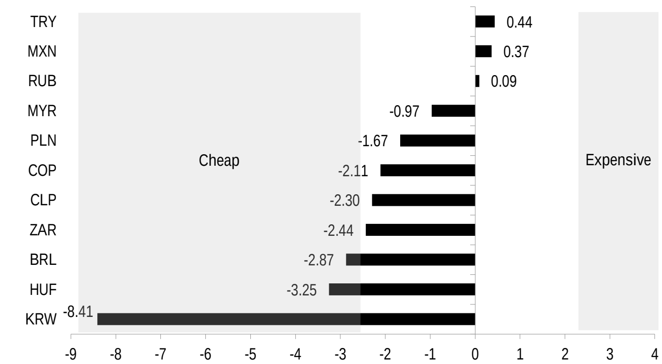
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility
Bps



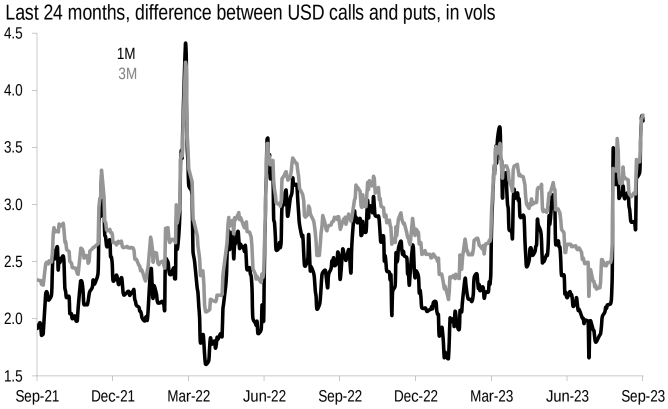
Source: Bloomberg

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



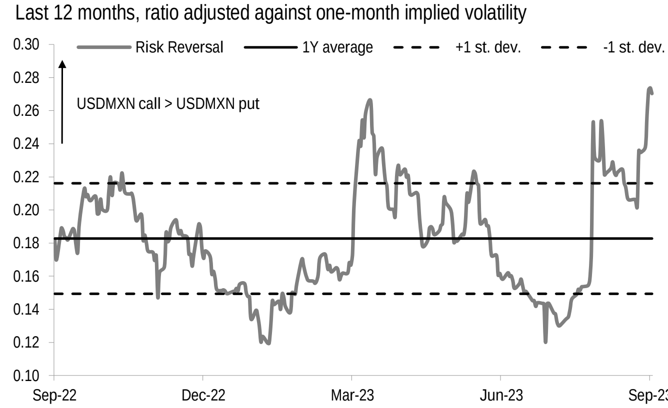
Source: Bloomberg, Banorte

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



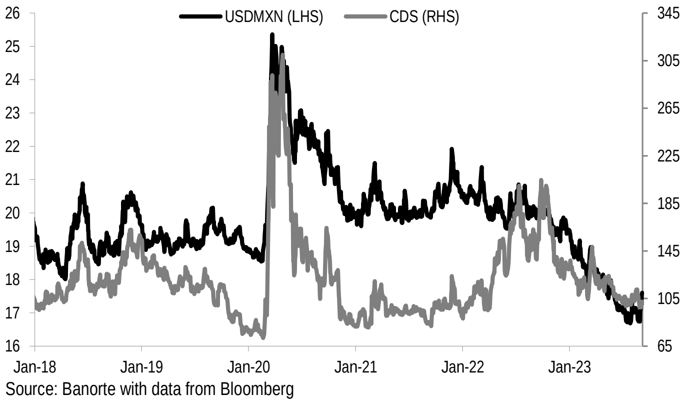
Source: Bloomberg, Banorte

FX trade recommendations

- **Eight consecutive weeks of gains in the dollar is a record since 2005.** Last week, currencies' performance was mainly driven by: (1) speeches from Federal Reserve members; (2) mixed economic data releases in several regions; (3) extension of Saudi Arabia's crude-oil production cuts and Russia's exports until December; (4) new trade tensions between China and the US; and (5) a strike in Australia affecting natural gas supply. In addition, the market continues to debate the Fed's next monetary policy actions and reflects fears of stagflation risks in Europe. In this context, the dollar strengthened, accumulating a rally of eight consecutive weeks. The DXY and BBDXY indices ended with gains of 0.8% and 1.0% w/w, respectively. Meanwhile, most G10 currencies posted losses with AUD (-1.2%) as the weakest. In EM currencies, the performance was negative with CLP (-4.9%) leading the declines while COP (+1.0%) was at the opposite end of the spectrum. The latter strengthened in the face of a slower deceleration in inflation, which influenced expectations of cuts in the reference rate. The Mexican peso extended last week's decline, still showing some effects of the recent decision of the Foreign Exchange Commission, and followed the performance of its EM peers, ranking as the third weakest. On Friday it closed at 17.59 per dollar, equivalent to a 2.9% w/w depreciation. The trading range was 66 cents vs. 51 cents the previous week. In addition, 3-month implied volatility increased to 13.0% on Wednesday from 11.6% the previous week, encouraging profit taking in carry trades

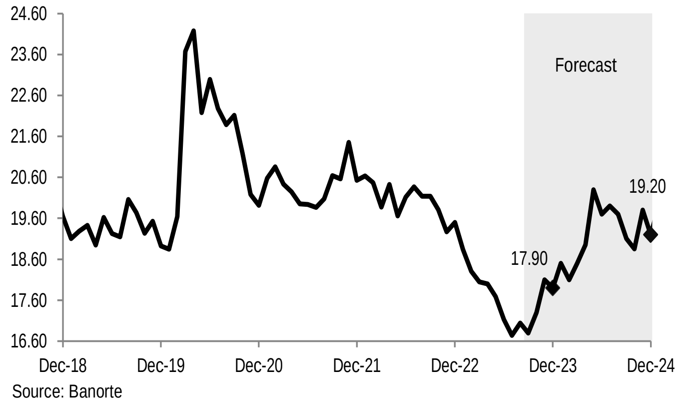
- This week, the dynamics in the FX market will be defined by the US August inflation reading and the ECB monetary policy decision, as well as the release of other economic data in several regions. A negative surprise in consumer prices would extend the strengthening of the dollar as the market would consolidate the expectation of higher rates for longer. We estimate a weekly trading range between USD/MXN 17.00 and 17.60

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 15, 2023

Day	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 11		MX	ANTAD same-store sales	Aug	% y/y	--	--	6.3
	08:00	MX	Industrial production	Jul	% y/y	4.5	3.7	3.7
	08:00	MX	Industrial production*	Jul	% m/m	0.3	--	0.6
	08:00	MX	Manufacturing output	Jul	% y/y	1.1	--	0.8
Tue 12	02:00	UK	Unemployment rate*	Jul	%	--	4.3	4.2
	05:00	GER	ZEW Survey (Expectations)	Sep	index	--	-15.0	-12.3
	08:00	BZ	Consumer prices	Aug	% m/m	--	0.28	0.12
	08:00	BZ	Consumer prices	Aug	% y/y	--	4.66	3.99
	11:00	MX	International reserves	Sep 8	US$bn	--	--	204.2
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 3-year Mbono (Sep'26); 3-year Udibono (Dec'26) and 1-, and 3-year Bondes F					
Wed 13	02:00	UK	Industrial production*	Jul	% m/m	--	-0.6	1.8
	05:00	EZ	Industrial Production*	Jul	% m/m	--	-0.9	0.5
	08:30	US	Consumer prices*	Aug	% m/m	0.6	0.6	0.2
	08:30	US	Ex. food & energy*	Aug	% m/m	0.2	0.2	0.2
	08:30	US	Consumer prices	Aug	% y/y	3.8	3.6	3.2
	08:30	US	Ex. food & energy	Aug	% y/y	4.3	4.3	4.7
Thu 14	08:15	EZ	Monetary policy decision (ECB)	Sep 14	%	4.00	3.75	3.75
	08:30	US	Advance retail sales*	Aug	% m/m	0.2	0.1	0.7
	08:30	US	Ex autos & gas*	Aug	% m/m	--	-0.1	1.0
	08:30	US	Control group*	Aug	% m/m	0.0	-0.1	1.0
	08:30	US	Producer prices*	Aug	% m/m	--	0.2	0.3
	08:30	US	Ex. food & energy*	Aug	% m/m	--	0.2	0.2
	08:30	US	Initial jobless claims*	Sep 9	thousands	225	227	216
	08:45	EZ	ECB President Christine Lagarde Holds Press Conference					
	19:00	PER	Monetary policy decision (BCRP)	Sep 14	%	--	7.50	7.75
	22:00	CHI	Industrial production	Aug	% y/y	--	3.9	3.7
	22:00	CHI	Retail sales	Aug	% y/y	--	3.0	2.5
	22:00	CHI	Gross fixed investment (YTD)	Aug	% y/y	--	3.3	3.4
Fri 15	05:00	EZ	Trade balance*	Jul	EURbn	--	--	12.5
	08:00	BZ	Retail sales	Jul	% y/y	--	2.0	1.3
	08:00	BZ	Retail sales*	Jul	% m/m	--	0.5	0.0
	08:30	US	Empire manufacturing*	Sep	index	-14.0	-10.0	-19.0
	09:15	US	Industrial production*	Aug	% m/m	0.1	0.1	1.0
	09:15	US	Manufacturing production *	Aug	% m/m	0.0	0.1	0.5
	10:00	US	U. of Michigan Confidence*	Sep (P)	index	69.0	69.2	69.5

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

For the week ending September 8, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 4		US	Markets closed for Labor Day					
	02:00	GER	Trade balance	Jul	EURbn	--	15.9	18.7
	08:00	MX	Gross fixed investment	Jun	% y/y	28.5	28.8	25.2 (R)
	08:00	MX	Gross fixed investment*	Jun	% m/m	2.6	3.1	5.3 (R)
	08:00	MX	Private consumption	Jun	% y/y	5.1	4.3	5.2 (R)
	08:00	MX	Private consumption*	Jun	% m/m	0.7	0.3	0.1
	21:45	CHI	Services PMI (Caixin)*	Aug	index	--	51.8	54.1
	21:45	CHI	Composite PMI (Caixin)*	Aug	index	--	51.7	51.9
Tue 5	03:55	GER	Services PMI*	Aug (F)	index	--	47.3	47.3
	03:55	GER	Composite PMI*	Aug (F)	index	--	44.6	44.7
	04:00	EZ	Services PMI*	Aug (F)	index	--	47.9	48.3
	04:00	EZ	Composite PMI*	Aug (F)	index	--	46.7	47.0
	04:30	UK	Services PMI*	Aug (F)	index	--	49.5	48.7
	08:00	BZ	Industrial production	Jul	% y/y	--	-1.1	0.2
	08:00	BZ	Industrial production*	Jul	% m/m	--	-0.6	0.0 (R)
	08:00	MX	Consumer confidence*	Aug	index	45.9	46.7	46.3 (R)
	10:00	US	Factory orders*	Jul	% m/m	--	-2.1	2.3
	10:00	US	Ex transportation*	Jul	% m/m	--	0.8	0.3 (R)
	10:00	US	Durable goods orders*	Jul (F)	% m/m	--	-5.2	-5.2
	10:00	US	Ex transportation*	Jul (F)	% m/m	--	0.4	0.5
	11:00	MX	International reserves	Sep 1	US$bn	--	204.2	203.7
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 30-year Mbono (Jul'53); 30-year Udibono (Nov'50) and 2-, 5-, and 10-year Bondes F					
	17:00	CL	Monetary policy decision (BCCh)	Sep 5	%	--	9.50	10.25
	16:30	MX	Survey of expectations (Citibanamex)					
Wed 6	05:00	EZ	Retail sales*	Jul	% m/m	--	-0.2	0.2 (R)
	08:30	US	Fed's Collins Speaks on Economy, Policymaking					
	08:30	US	Trade balance*	Jul	US$bn	--	-65.0	-63.7 (R)
	09:45	US	Services PMI*	Aug (F)	index	51.0	50.5	51.0
	09:45	US	Composite PMI*	Aug (F)	index	50.4	50.2	50.4
	10:00	US	ISM services*	Aug	index	52.7	54.5	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	--	68.4	80.6
	23:00	CHI	Exports	Aug	% y/y	--	-8.8	-14.5
	23:00	CHI	Imports	Aug	% y/y	--	-7.3	-12.4
Thu 7	02:00	GER	Industrial production*	Jul	% m/m	--	-0.8	-1.4 (R)
	05:00	EZ	Gross domestic product	2Q23 (F)	% y/y	--	0.5	0.6
	05:00	EZ	Gross domestic product*	2Q23 (F)	% q/q	--	0.1	0.3
	08:00	MX	Consumer prices	Aug	% m/m	0.57	0.55	0.48
	08:00	MX	Core	Aug	% m/m	0.32	0.27	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	6.08	6.64
	08:30	US	Initial jobless claims*	Sep 2	thousands	230	216	229 (R)
	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	--	1.2	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	--	10.4	14.0 (R)
	21:30	CHI	Consumer Prices	Aug	% y/y	--	0.1	-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

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.

Relevant statements.

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

Compensation of Analysts.

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

Last-twelve-month activities of the business areas.

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

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

Activities of the business areas during the next three months.

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

Securities holdings and other disclosures.

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

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

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

Guide for investment recommendations.

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

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

Determination of Target Prices

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

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

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