September 15, 2023

Fixed-Income and FX Weekly

Market Outlook

- **Strength in the MXN.** This week, Mbonos' curve steepened as a result of 7bps gains at the short-end, while the long-end lost 2bps. The 10-year benchmark ended at 9.58% (+4bps w/w). In addition, MXN appreciated 3.0% w/w to 17.08 per dollar
- **Fed and other central banks' monetary policy decisions will be the main catalysts.** During the week, investors weighed US economic activity data -mainly inflation-, being fundamental for the Fed's actions. In addition, they assimilated the ECB's monetary policy decision and new stimulus measures in China. Furthermore, the recent dynamics in energy prices is another factor that central banks will have to consider as it could translate into additional pressures for global inflation. The scenario of a soft landing in the US continues to gradually take shape. However, in some regions the rhetoric includes terms of stagflation or recession, generating a mixed performance in the markets. In this context, the Treasuries yield curve closed with +5bps adjustments and the 2-year note stood out by exceeding the 5.00% figure. Locally, Mbonos registered strong volatility and concluded with a steepening bias resulting from 7bps gains at the short-end. In addition, the Mexican peso strengthened 3.0% w/w after breaching relevant technical resistances. Next week will be intense in monetary policy information and the spotlight will be focused on the Fed's decision, the macroeconomic framework update, the dot plot and Jerome Powell's press conference. With this, investors will try to deduce how long the Fed funds rate will remain elevated, as well as its impact on economic activity and the different financial asset classes. The central banks of the United Kingdom, Japan, Brazil, Indonesia, Norway, the Philippines, South Africa, Sweden, Taiwan and Turkey will follow suit. The flow of information in the US is less abundant, although PMI indicators, manufacturing survey (Philly Fed) and residential sector figures are expected. Brazil will release economic activity data. In Mexico, the agenda includes inflation (Banorte: +0.21% 2w/2w), retail sales, IGAE, aggregate supply and demand, as well as the banking sector expectations survey. Additionally, the OECD is expected to release its Economic Outlook report

Fixed-Income

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (May'33), the 20-year Udibono (Nov'43), as well as 2- and 5-year Bondes F. Additionally, an extraordinary Bondes F auction will take place on Wednesday
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.362 trillion (US$ 78.2 billion), a market share equal to 32.0%, as of September 5th. Short positions in Mbono May'33 ended at MXN 8.7 billion from MXN 3.2 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 525bps from 528bps the previous week, with the 12-month mean at 530bps

Foreign Exchange

- **Market positioning and flows** – MXN position (as of September 12th) remained virtually unchanged vs the previous week with a net long of US$ 1.941 billion. Mutual funds' flows to EM marked bigger sales of US$ 2.5 billion from US$ 810 million a week ago due to deep sales in both bonds and equities
- **Technicals** – The spot recorded a weekly trading range between 17.05 and 17.59 per dollar, seeking to breach the psychological level of 17.00 although without achieving it. The 1-month implied volatility decreased sharply 3.9 vegas to 10.57% after surpassing 14% last week


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Recommendations

Fixed-Income

- We suggest taking profits to TIIE-IRS payers at the short-end of the curve, considering that bets of interest rate cuts by Banxico this year have been almost completely diluted, in line with our call
- A hawkish tone from the Fed and a dot plot that continues to show room for a more restrictive monetary stance (current median of 5.625% by the end of the year) would push rates to higher levels. We expect the 10-year Mbono to trade between 9.35% and 9.75% next week

FX

- The trend of currencies will be defined by the monetary policy decisions of the Fed and other central banks. The USD could strengthen, although we see some signs of exhaustion. MXN will continue to be supported by attractive carry and could breach resistance at 17.00 per dollar. We estimate a weekly trading range between USD/MXN 16.90 and 17.40

Fixed–Income Dynamics

Mbonos performance

Maturity date	YTM Sep/15/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.49	-9	+67
Sep'24	11.27	+1	+118
Dec'24	10.78	-16	+91
Mar'25	10.37	-7	+44
Mar'26	10.21	-5	+98
Sep'26	10.14	-10	+74
Mar'27	9.89	-5	+70
Jun'27	9.87	-5	+79
Mar'29	9.70	-2	+33
May'29	9.59	-1	+52
May'31	9.59	-2	+57
May'33	9.58	+4	+56
Nov'34	9.55	+2	+50
Nov'36	9.54	+2	+49
Nov'38	9.63	+2	+55
Nov'42	9.63	+2	+53
Nov'47	9.57	+1	+50
Jul'53	9.58	0	+53

Source: PiP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Sep/15/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	0	+61
6-month (6x1)	11.49	+1	+45
9-month (9x1)	11.40	-2	+32
1-year (13x1)	11.19	-3	+28
2-year (26x1)	10.24	-8	+37
3-year (39x1)	9.65	-7	+47
4-year (52x1)	9.31	-3	+40
5-year (65x1)	9.12	-6	+31
7-year (91x1)	9.02	-4	+28
10-year (130x1)	9.01	-1	+28
20-year (260x1)	9.09	+1	+23

Source: PiP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Sep/15/2023	Weekly change (bps)	YTD (bps)
Nov'23	5.79	0	-30
Dec'25	5.83	0	+107
Dic'26	5.88	+6	+121
Nov'28	5.03	+5	+72
Nov'31	4.89	-2	+71
Nov'35	4.67	0	+46
Nov'40	4.65	-1	+46
Nov'43	4.70	0	+20
Nov'46	4.70	+3	+51
Nov'50	4.70	0	+47

Source: PiP, Banorte

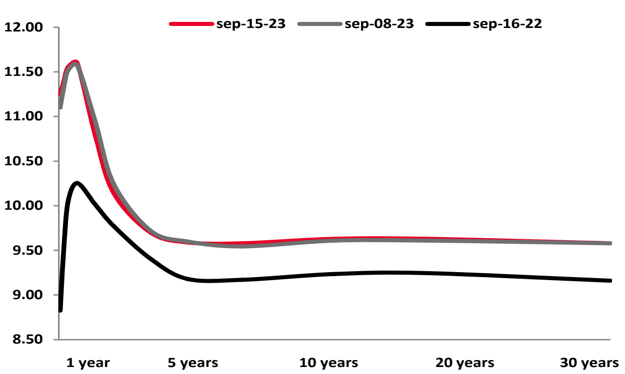
Cetes performance

Maturity date	YTM Sep/15/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.25	+15	+116
Cetes 91	11.37	+7	+71
Cetes 182	11.55	+3	+68
Cetes 364	11.60	+2	+63
Cetes 728	11.34	+4	+53

Source: PiP, Banorte

Mbonos curve at different closing dates

%



Source: PiP, Banorte

10-year Mbono benchmark

%

Source: PiP, Banorte

Fixed–Income Dynamics (continued)

USD UMS and US Treasuries performance

		UMS			UST			Spreads			CDS
Term	Maturity date	YTM Sep/14/2023	Weekly change (bps)	YTD (bps)	YTM Sep/14/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.18	+7	+70	4.96	+2	+54	22	+5	13	35
3Y	May'26	4.36	-1	-44	4.63	-4	+40	-27	+3	46	53
5Y	Feb'28	5.37	+3	+58	4.35	-2	+35	102	+5	98	105
7Y	Apr'30	5.62	+6	+28	4.30	-3	+34	132	+8	136	148
10Y	May'33	5.83	+2	+27	4.22	-3	+34	161	+4	173	183
20Y	Mar'44	6.42	+6	+4	4.51	-2	+36	191	+8	210	--
30Y	May'53	6.61	+7	+21	4.33	-1	+36	228	+8	241	--

Source: Bloomberg, Banorte

5Y USD UMS

%

Source: Bloomberg, Banorte

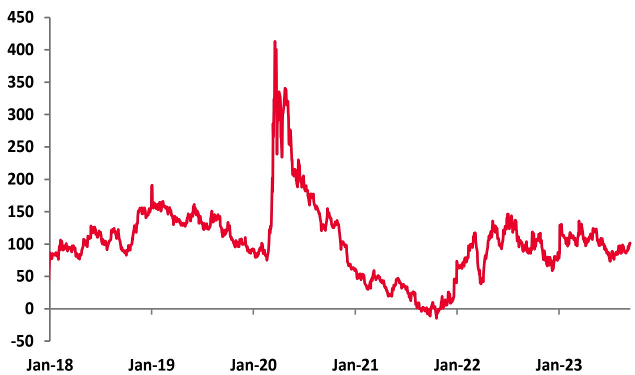
10Y USD UMS

%

Source: Bloomberg, Banorte

5Y UMS-UST Spread

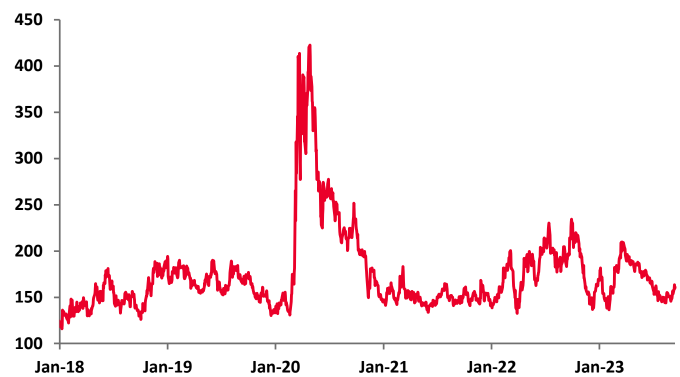
Basis points



Source: Bloomberg, Banorte

10Y UMS-UST Spread

Basis points



Source: Bloomberg, Banorte

Fixed–Income Supply

- **Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (May'33), the 20-year Udibono (Nov'43), and 2- and 5-year Bondes F. Additionally, an extraordinary Bondes F auction will take place on Wednesday, considering 329-, 987- and 1,729-days Bondes F for a total amount of up to MXN 10 billion
- **We expect a better bid-to-cover ratio for the 10-year Mbono.** We believe that the appetite for Cetes will remain robust as the market is certain that Banxico will keep the reference rate unchanged at 11.25% for the remainder of the year with the first rate cut until February 2024, in line with our call. For the 10-year Mbono (May'33), we anticipate a better demand relative to its last auction of 1.91x because it trades at attractive levels to investors with long-term portfolios. This week, this security reached 10-month highs of 9.86%, equivalent to a 31bps sell-off from previous Friday. However, it stabilized to close the week with losses of 4bps at 9.58%. If the correction continues, the next technical levels stand at 9.46% and 9.35%. Regarding real rates, we expect a moderate appetite for the 20-year Udibono (Nov'43) given a less attractive relative valuation of long-term Udibonos vs short-term ones. The 20-year and 30-year breakevens have increased around 20bps in the last month to 4.71% and 4.67%, respectively. On the contrary, the 3-year reading decreased 5bps, returning to attractive levels of 4.00%

Auction specifics (September 19, 2023)

Security	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	Oct-19-23	--	8,500	11.25
3m	Dec-21-23	--	7,500	11.40
6m	Mar-21-24	--	13,700	11.53
12m	Sep-19-24	--	10,500	11.57
Bondes F				
2Y	May-22-25	--	5,000	0.16
5Y	Jan-27-28	--	1,000	0.22
Bono M				
10Y	May-26-33	7.50	14,500	9.10
Udibono				
20Y	Nov-12-42	3.25	UDIS 600	4.61

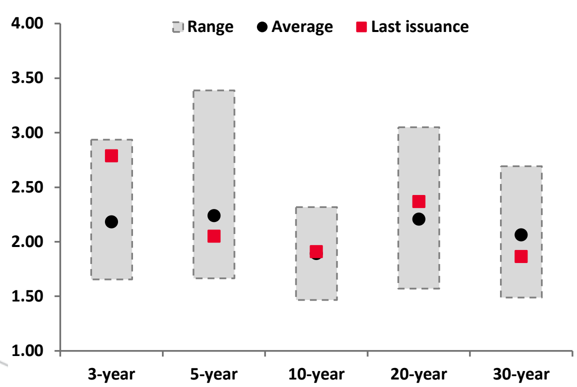
Source: Banxico, Banorte
1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

3Q23 Auction Calendar*

Date	Cetes	Bonos M	Udibonos	Bondes F
Jul-04	1, 3, 6 y 24M	5Y (Mar'27)	10Y (Nov'31)	1, 3, and 7Y
Jul-11	1, 3, 6 y 12M	20Y (Nov'42)	30Y (Nov'50)	2, 5, and 10Y
Jul-18	1, 3, 6 y 24M	3Y (Sep'26)	3Y (Dec'26)	1, and 3Y
Jul-25	1, 3, 6 y 12M	30Y (Jul'53)	20Y (Nov'43)	2, and 5Y
Aug-01	1, 3, 6 y 24M	5Y (Mar'27)	10Y (Nov'31)	1, 3, and 7Y
Aug-08	1, 3, 6 y 12M	10Y (May'33)	30Y (Nov'50)	2, 5, and 10Y
Aug-15	1, 3, 6 y 24M	3Y (Sep'26)	3Y (Dec'26)	1, and 3Y
Aug-22	1, 3, 6 y 12M	20Y (Nov'42)	20Y (Nov'43)	2, and 5Y
Aug-29	1, 3, 6 y 24M	5Y (Mar'29)	10Y (Nov'31)	1, 3, and 7Y
Sep-05	1, 3, 6 y 12M	30Y (Jul'53)	30Y (Nov'50)	2, 5, and 10Y
Sep-12	1, 3, 6 y 24M	3Y (Sep'26)	3Y (Dec'26)	1, and 3y
Sep-19	1, 3, 6 y 12M	10Y (May'33)	20Y (Nov'43)	2, and 5Y
Sep-26	1, 3, 6 y 24M	5Y (Mar'29)	10Y (Nov'31)	1, 3, and 7Y

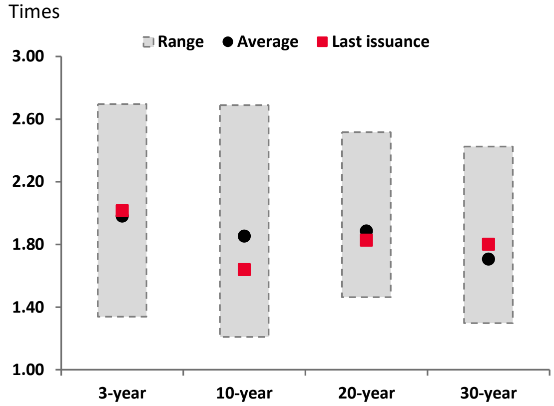
Source: SHCP *Ministry of Finance *In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

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



Source: Bloomberg, Banorte

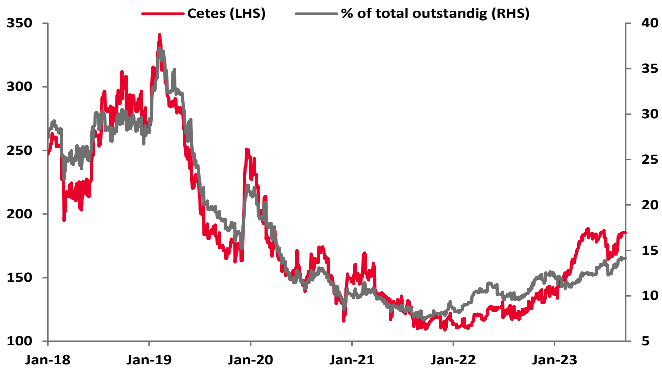
Udibonos' bid-to-cover ratios for primary auction in last 2 years
Times



Source: Bloomberg, Banorte

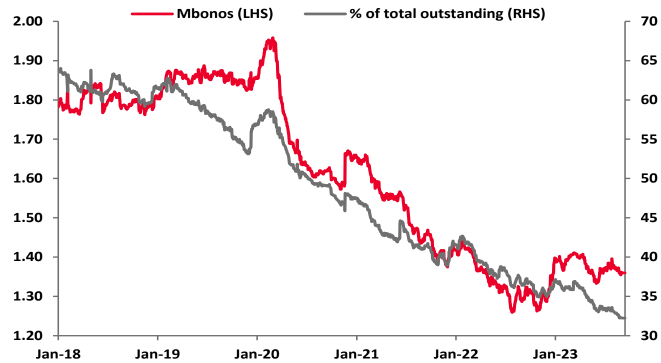
Fixed-Income Demand

Cetes held by foreigners
MXN billion, %



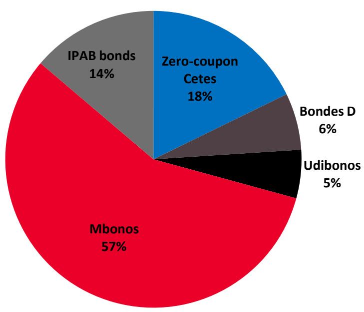
Source: Banxico, Banorte

Mbonos held by foreigners
MXN trillion, %



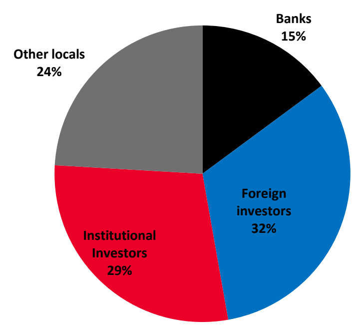
Source: Banxico, Banorte

Government issuance by type of instrument
Total amount of US$ 425 billion, % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor
Total amount of US$ 242 billion, % of total



Source: Banxico, Banorte

Government bond holdings by type of investor
US$ billion and %, data as of Sep/05/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Total amount outstanding	76	26	175	242
Foreign investors	14%	0%	4%	32%
Pension funds	12%	5%	54%	23%
Mutual funds	14%	44%	5%	3%
Insurance companies	5%	1%	19%	3%
Banks	10%	16%	2%	15%
Others	44%	34%	17%	24%

Source: Banxico, Banorte

Foreign investors holdings of government bonds
US$ billion, data as of Sep/05/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Actual	10.7	0.0	6.9	78.2
Previous Week	10.6	0.2	0.8	77.8
Difference	0.1	-0.1	6.1	0.4
Dec/30/2023	8.1	2.0	1.0	80.3
Difference	2.6	-1.9	5.9	-2.1

Source: Banxico, Banorte

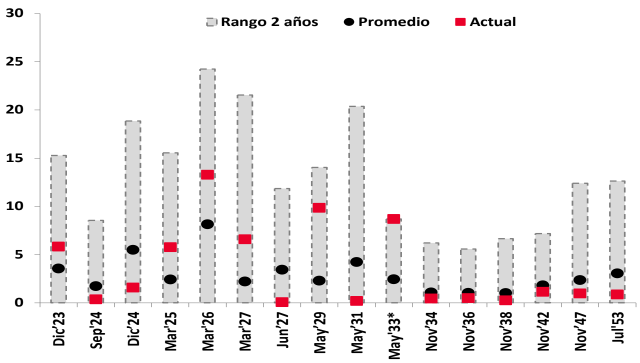
Mbonos holdings by typ of investor
US$ billions and %, data as Aug/31/2023

Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	168,765	27%	8%	17%	48%
Sep'24	289,108	33%	18%	12%	37%
Dec'24	233,937	38%	28%	8%	26%
Mar'25	171,162	32%	20%	18%	30%
Mar'26	452,922	39%	24%	16%	21%
Sep'26	70,865	25%	26%	11%	38%
Mar'27	364,652	34%	17%	15%	34%
Jun'27	357,389	8%	40%	29%	23%
Mar'29	26,438	11%	9%	19%	60%
May'29	278,392	4%	51%	23%	22%
May'31	434,365	4%	46%	33%	17%
May'33	217,288	4%	39%	32%	26%
Nov'34	95,589	1%	52%	35%	12%
Nov'36	73,202	1%	30%	40%	30%
Nov'38	217,503	1%	42%	40%	17%
Nov'42	302,432	2%	43%	41%	15%
Nov'47	260,660	1%	35%	44%	20%
Jul'53	154,364	1%	34%	45%	20%
Total	**4,169,034**	**16%**	**33%**	**26%**	**25%**

Source: Banxico, Banorte

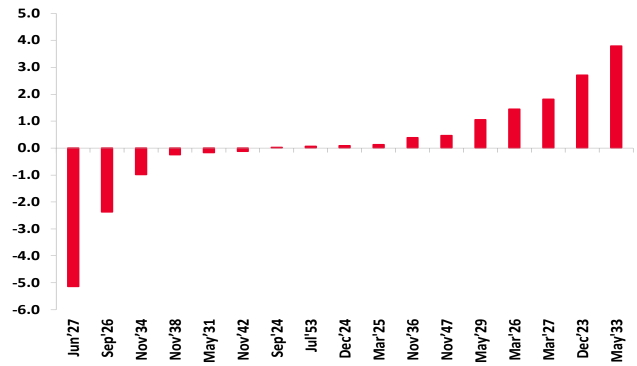
Fixed–Income Demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



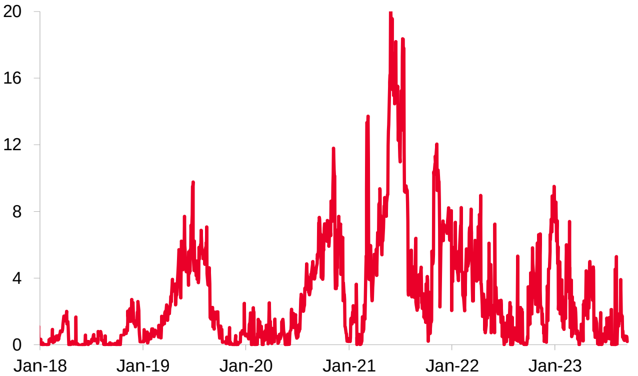
Source: Banxico, Banorte *May'33 issued in December 2022

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



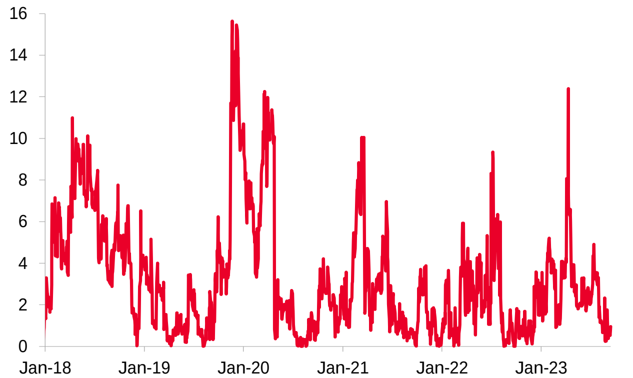
Source: Banxico, Banorte

Market makers' short positions on Mbono May'31
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono Nov'47
MXN billion



Source: Banxico, Banorte

Market makers' position on Mbonos
US$ million

Maturity date	Total amount outstanding as of Sep/14/2023	Sep/14/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	10,109	340	182	85	340	340	0
Sep'24	16,913	22	20	4	71	322	0
Dec'24	13,871	93	88	53	168	277	0
Mar'25	11,733	338	330	230	18	909	0
Mar'26	26,662	776	691	1,158	376	1,417	106
Sep'26	5,291	248	387	97	0	1,261	0
Mar'27	21,595	385	279	288	196	1,260	0
Jun'27	20,569	3	303	209	182	636	0
Mar'29	1,561	40	15	0	0	95	0
May'29	16,767	575	514	528	240	820	46
May'31	25,369	11	21	109	5	310	0
May'33	12,887	508	286	121	0	508	3
Nov'34	5,573	27	84	68	77	360	0
Nov'36	4,306	28	5	11	183	325	0
Nov'38	12,711	15	29	0	24	161	0
Nov'42	17,697	67	74	25	132	337	0
Nov'47	15,245	57	30	39	16	725	13
Jul'53	9,583	50	47	127	254	400	0
Total	**248,441**	**3,533**	**3,339**	**3,025**	**2,027**		

Source: Banxico, Banorte

Fixed–Income Technicals

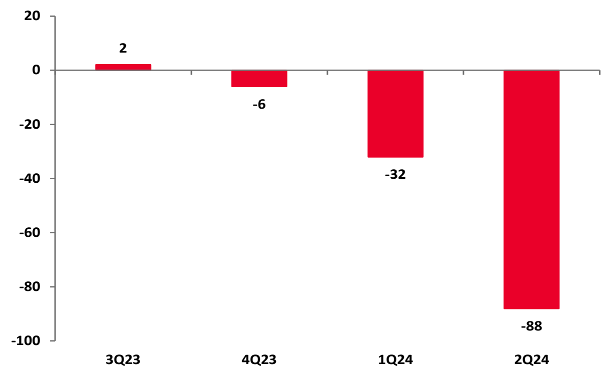
- **The carry at the short-end increased.** Spreads between Cetes and implied forward rates stood at: 1-month at +61bps from +47bps, 3-month at -4bps from -17bps, 6-month at -22bps from -36bps, and 1-year at -40bps from -53bps
- **Attention to the Fed's decision and Jerome Powell's conference next week.** Both the market and we expect the benchmark rate unchanged at the September 20th decision. However, in contrast to our view, the market is not yet convinced about an additional 25bps hike in November, so the TIIE-IRS curve is pricing-in a 36% probability to this scenario. Therefore, Jerome Powell's conference will be key to assess the trajectory of the Fed funds. Locally, the market virtually rules out rate cuts this year with the curve pricing-in -6bps from -12bps last week

Spread between Cetes and Implied Forward Rates
Basis points

Tenor	Actual Sep/15/2023	Previous Week	Mes previo	Promedio 6m	Max 6m	Min 6m
1 month	61	47	61	2	489	-222
3 months	-4	-17	-43	-63	4	-150
6 months	-22	-36	-72	-77	-22	-125
12 months	-40	-53	-81	-72	-18	-98

Source: PiP, Bloomberg, Banorte

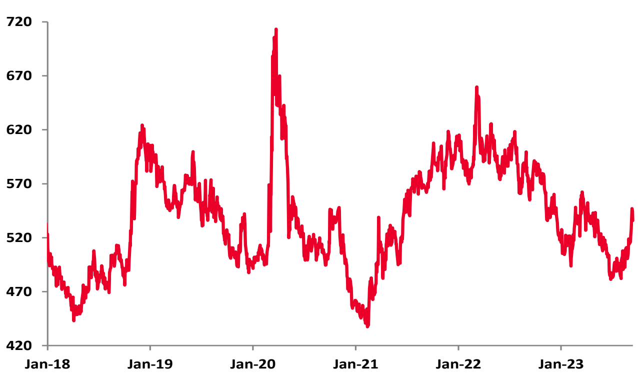
Cumulative implied moves in Banxico's repo rate
Basis points



Source: Bloomberg, Banorte

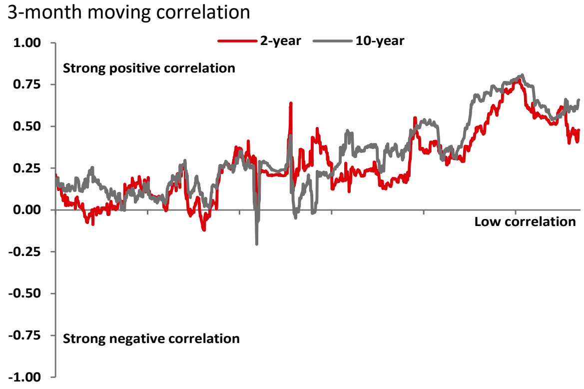
- **The risk premium decreased slightly after strong volatility in local bonds.** During the week, local curves registered volatility with investors questioning the length of the tightening cycle in developed economies and the effects of rising energy prices. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 525bps vs 528bps 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 remains elevated.** The reading closed Friday at +62% vs +66% the previous week. We believe that the increased supply of Treasuries and a further Fed funds rate hike in November could weigh on local bonds, so we see the risk of additional pressures stemming from the high correlation

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



Source: PiP, Banorte

Mexico and US 2- and 10-year bonds correlation
3-month moving correlation



Source: Bloomberg, Banorte

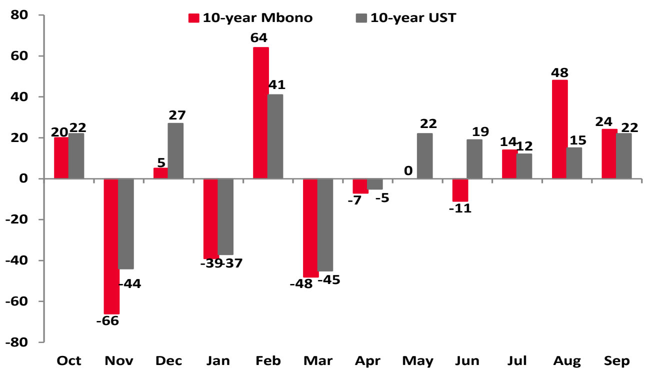
Fixed–Income Technicals (continued)

Selected Spreads
Basis points

Tenor	Sep/14/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-120	-143 (+23bps)	-161 (+41bps)	-84 (-36bps)	-47	-199	-140
Mbono 10s30s	5	4 (+1bp)	3 (+2bps)	-1 (+6bps)	35	-15	10
TIIE-Mbono 2-year	-59	-64 (+5bps)	-67 (+8bps)	-14 (-45bps)	8	-91	-49
TIIE-Mbono 10-year	-62	-49 (-13bps)	-40 (-22bps)	-34 (-28bps)	-17	-68	-47

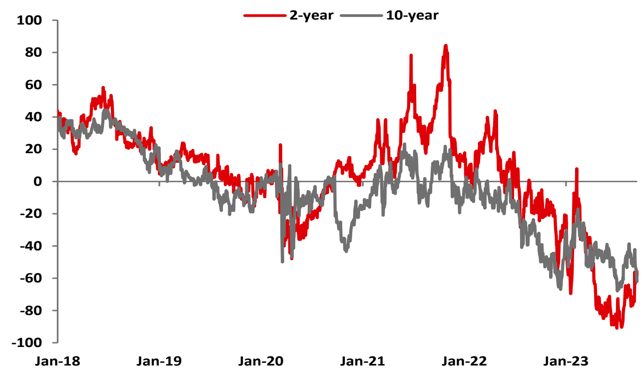
Source: Bloomberg, PiP, Banorte

Mexican and US rates performance, last 12 months
Basis points



Source: PiP, Bloomberg, Banorte

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



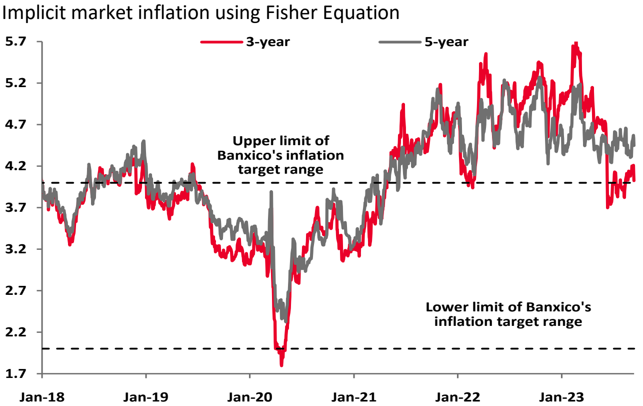
Source: PiP, Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation (%)

Date	Sep/15/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.03	4.18 (-15bps)	4.11 (-8bps)	5.2 (-117bps)	5.74	3.70	4.76
5Y	4.45	4.52 (-7bps)	4.43 (+2bps)	4.91 (-46bps)	5.28	4.23	4.62
10Y	4.48	4.43 (+5bps)	4.50 (-2bps)	4.72 (-24bps)	5.16	4.04	4.45
20Y	4.71	4.69 (+2bps)	4.66 (+5bps)	4.73 (-2bps)	5.15	4.15	4.58
30Y	4.67	4.67 (0bps)	4.57 (+10bps)	4.67 (0bps)	5.18	4.15	4.56

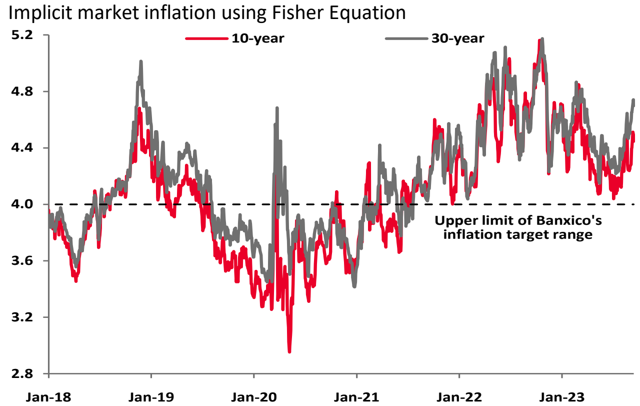
Source: PiP, Banorte

3- and 5-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation



Source: PiP, Banorte

10- and 30-year breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation



Source: PiP, Banorte

Fixed – Income trade recommendations

- **We suggest taking profits to TIIE-IRS payers at the front-end of the curve.** Sovereign bonds ended the week with a mostly negative balance, led by European securities. In this regard, the European Central Bank increased the benchmark rate by 25bps, surprising both the market and the analysts' consensus, who did not expect any changes. With this, the deposit rate reached a record level of 4.00%, making ten consecutive increases. Consequently, the yield curve marked a bear flattening with 2-year rates increasing 12bps w/w. Given the risks of stagflation in the Eurozone, the market assimilated that the ECB has already reached its terminal rate and is debating how long rates will remain elevated to reach the 2.0% inflation target. In the US, Treasuries lost 5bps, on average. The 2-year tenor reached 5.07% after the inflation report; however, the reaction was diluted closing at 5.03%. Meanwhile, the 10-year Treasury yield ended very close to the highs of the year at 4.33%. This security has maintained a sustained position above the 4.00% figure since the beginning of August and, in the current backdrop, we expect it to continue to respect this resistance for the remainder of the year
- Locally, mid- and long-term Mbonos started the week with a 20bps sell-off, amid a more volatile backdrop. The 10-year benchmark traded intraday at highs not seen since November last year at 9.86% from 9.55% at the previous Friday's close. United Mexican States Bonds (UMS) also traded at 10-month highs. The 10-year maturity reached 5.92%, although it remains well below the levels observed in 2022 of 6.75%. A correction was observed in subsequent sessions. The Mbonos' curve ended with a steepening bias as a result of 7bps gains on the short-end and 2bps losses on the long-end. Therefore, the risk premium calculated as the spread between 10-year bonds between Mexico and the US closed little changed at 525bps, after rebounding in Monday's session to a 6-month high of 547bps
- We suggest taking profits to TIIE-IRS payers at the front-end of the curve, considering that bets of interest rate cuts by Banxico this year have been almost completely diluted, in line with our call. Currently, the curve is pricing-in -6bps by the end of the year vs -12bps last week and -42bps at the beginning of August. In this regard, the 1-year TIIE-IRS (13x1) increased 28bps in the last month and a half, closing the week at 11.19%. Additionally, we continue to believe that the current levels of long-term Mbonos show value as we observe a significant deviation from duration-adjusted yields and consider that inflation will keep moderating despite some risks to the non-core component. We highlight the May'33 (9.58%), Nov'38 (9.63%) and Nov'42 (9.63%) maturities. However, high volatility limits their attractiveness coupled with higher global rate risks, so we prefer to maintain a cautious bias. Next week, no changes are expected in the Fed's decision; however, the tone of the statement will be relevant, as well as the update of the dot plot that reflects a median of 5.625% by the end of 2023. In contrast, the market has reduced the probability of an additional hike in November to 35% from 48% last week so a hawkish tone and a dot plot that continues to show room for a tighter monetary stance would push rates higher. Finally, we expect the 10-year Mbono, May'33, to trade between 9.35% and 9.75%

FX dynamics

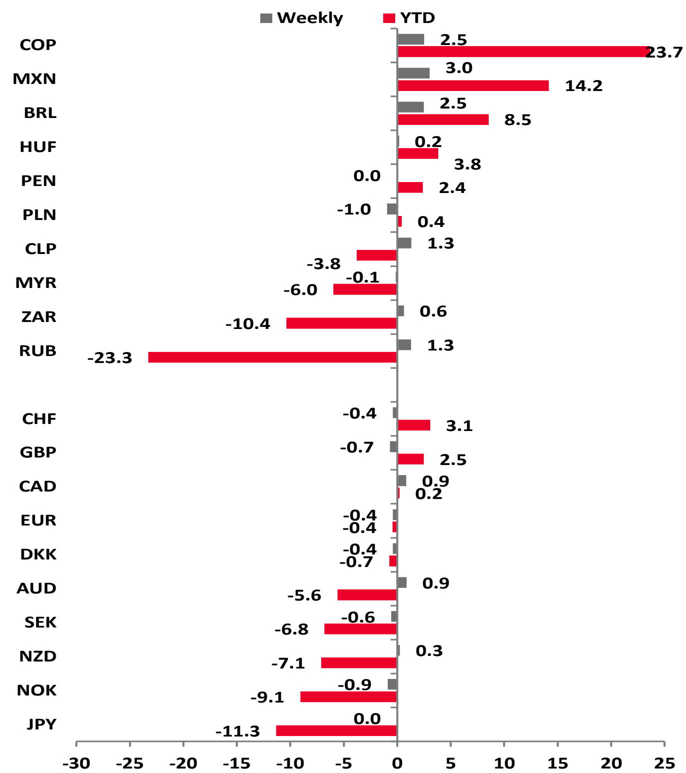
- **Investors digested US inflation and continue to debate the duration of elevated rates.** Currencies were influenced by economic data reflecting a resilient US economy, the ECB's decision and volatility in energy prices. The Mexican peso strengthened due to greater interest in carry trade strategies and solid fundamentals. In this sense, the MXN closed at 17.08 per dollar, recording the largest weekly appreciation since December 2021 at 3.0%
- **USD stabilizes after a record winning streak.** The DXY and BBDXY indices registered changes of +0.2% and -0.4% w/w, in the same order. In G10 currencies, trading was capped by AUD (+0.9%) and NOK (-0.9%). In emerging markets, MXN (+3.0%) was the strongest while CZK (-1.1%) was at the opposite end of the spectrum

Foreign Exchange market levels and historical return

		Close at Sep/15/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	4.86	0.1	2.5	2.6	8.5
Chile	USD/CLP	884.65	0.5	1.3	-1.7	-3.8
Colombia	USD/COP	3,924.17	-0.1	2.5	5.3	23.7
Peru	USD/PEN	3.72	-0.1	0.0	0.2	2.4
Hungary	USD/HUF	359.60	0.4	0.2	-1.1	3.8
Malaysia	USD/MYR	4.68	0.0	-0.1	-1.2	-6.0
Mexico	**USD/MXN**	**17.08**	**0.2**	**3.0**	**0.4**	**14.2**
Poland	USD/PLN	4.36	-0.1	-1.0	-5.7	0.4
Russia	USD/RUB	96.70	-0.3	1.3	-1.1	-23.3
South Africa	USD/ZAR	19.01	0.0	0.6	0.9	-10.4
Developed Markets						
Canada	USD/CAD	1.35	-0.1	0.9	0.1	0.2
Great Britain	GBP/USD	1.24	-0.2	-0.7	-2.7	2.5
Japan	USD/JPY	147.85	-0.3	0.0	-1.0	-11.3
Eurozone	EUR/USD	1.0657	0.1	-0.4	-2.0	-0.4
Norway	USD/NOK	10.78	-0.4	-0.9	-1.6	-9.1
Denmark	USD/DKK	7.00	0.1	-0.4	-2.1	-0.7
Switzerland	USD/CHF	0.90	-0.1	-0.4	-1.9	3.1
New Zealand	NZD/USD	0.59	-0.2	0.3	-0.7	-7.1
Sweden	USD/SEK	11.19	0.0	-0.6	-2.5	-6.8
Australia	AUD/USD	0.64	-0.1	0.9	0.1	-5.6

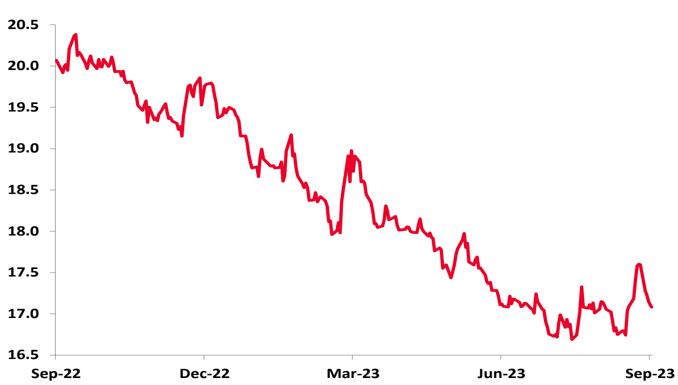
Source: Bloomberg, Banorte
1. Positive (negative) changes mean appreciation (depreciation) of the corresponding currency against the USD.

FX performance
Against USD, %



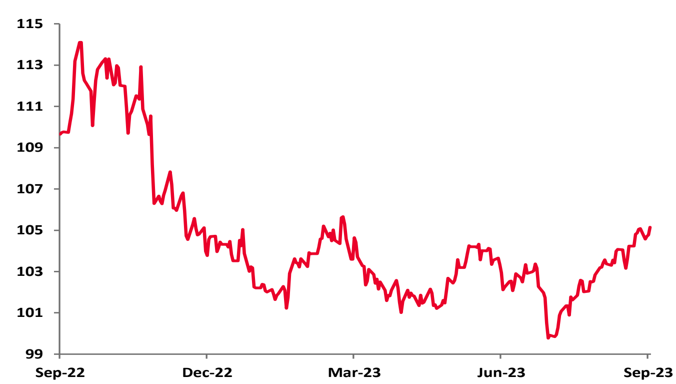
Source: Bloomberg, Banorte

USD/MXN
Last 12 months



Source: Bloomberg, Banorte

DXY
Points

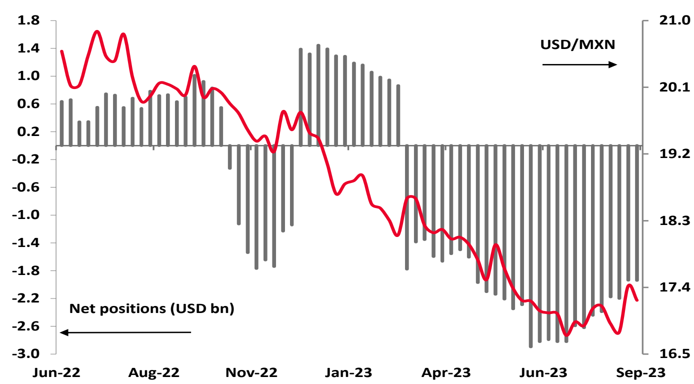


Source: Bloomberg, Banorte

FX positioning and flows

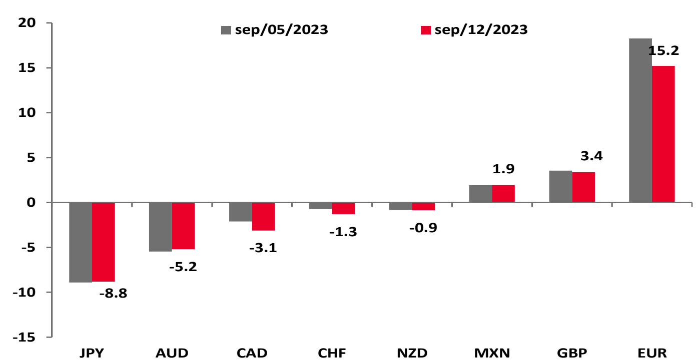
- **Net long MXN positions remained virtually unchanged.** As of September 12th, the MXN position recorded a net long of US$ 1.941 billion from US$ 1.937 billion last week. At the beginning of the month, the Mexican peso weakened to levels of 17.71 per dollar; however, from that point it has appreciated 3.6%, approaching the psychological level of 17.00. We believe that net long positions could return to levels above US$ 2 billion given a much more attractive volatility-adjusted carry vs its EM peers. In this sense, the MXN has an annualized carry of 54bps per unit of volatility, significantly higher than that of the BRL and CLP of 36bps and 21bps, respectively, based in 3-month forwards
- **Net short USD positions collapsed to lows not seen since November 2022.** The USD IMM position was net short US$ 1.211 billion, equivalent to a reduction of 80% compared with the previous week. With this, speculators expect that the currency will extend its recent strengthening amid a volatile environment and uncertainty about the Federal Reserve's terminal rate. The adjustment was reflected in massive sales of the EUR as it assimilated signals that the ECB concluded its restrictive cycle. Net long EUR positions are at the lowest level of the year at US$ 15.201 billion (-17% w/w)
- **Sales increased in EM while Mexico recorded 7 consecutive weeks with outflows.** Our EPFR aggregate recorded bigger negative flows of US$ 2.5 million from US$ 811 million the previous week. Bond market sales grew to US$ 1.2 billion from US$ 598 million. Likewise, equities outflows jumped to US$ 1.3 billion from US$ 212 million, concentrated in Emerging Europe. In Mexico, a negative flow of US$ 115 million was recorded because of sales in both bonds and equities of US$ 66 million and US$ 49 million, respectively

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



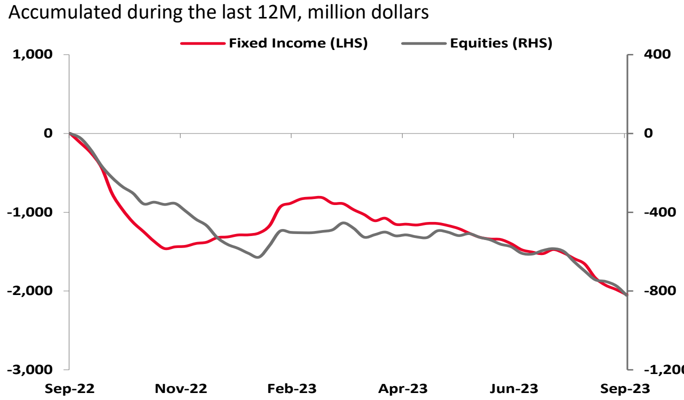
Source: CME, Banorte

IMM positioning by currency*
Billion dollars



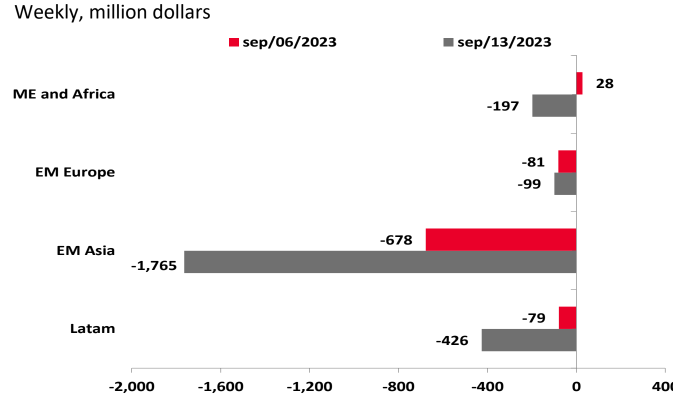
* Positive: Net long in the corresponding currency
Source: CME, Banorte

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

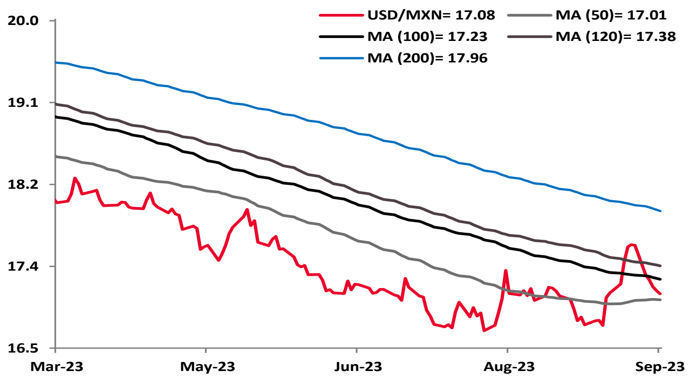


Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- **The Mexican peso could breach the psychological level of 17.00 per dollar.** The Mexican peso reversed the previous week's sell-off and breached relevant technical levels. The weekly trading range was 54 cents, higher than the four-week average (44 cents). Meanwhile, the weekly range registered a low of 13 cents and a high of 94 cents so far this year. Currently, the main short-term resistances stand at 17.00, 16.88 and 16.80, with supports at 17.23, 17.30 and 17.40. Next week, the direction of the FX market will be mainly determined by the Fed's monetary policy decision, the update of the macroeconomic framework and the dot plot, as well as comments from Jerome Powell. Decisions by other central banks will also influence performance. Investors will be looking for clues as to how long interest rates will remain at elevated levels

USD/MXN – Moving averages
Last 120 trading days



Source: Bloomberg, Banorte

USD/MXN – Fibonacci retracement
Last 12 months

Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	50	50	-7	72	28
CAD	36	39	1	63	33
ZAR	60	55	4	85	41
BRL	72	66	19	79	52
HUF	61	61	4	70	48
RUB	34	19	-34	48	7

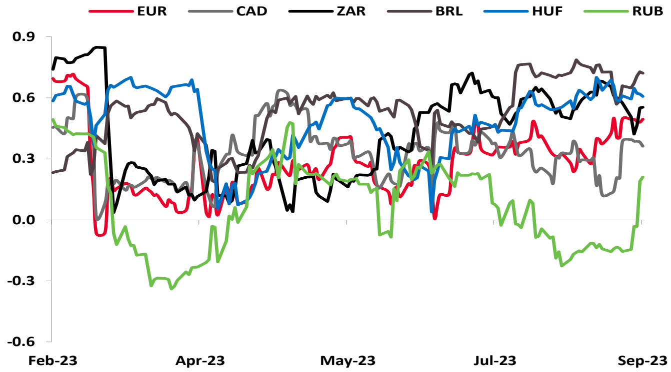
* Positive: appreciation of MXN and corresponding currency
Source: Bloomberg, Banorte

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	17	29	14	89	46
SPX	25	31	5	71	40
GSCI	5	3	-6	49	27
Oro	41	51	-57	64	5

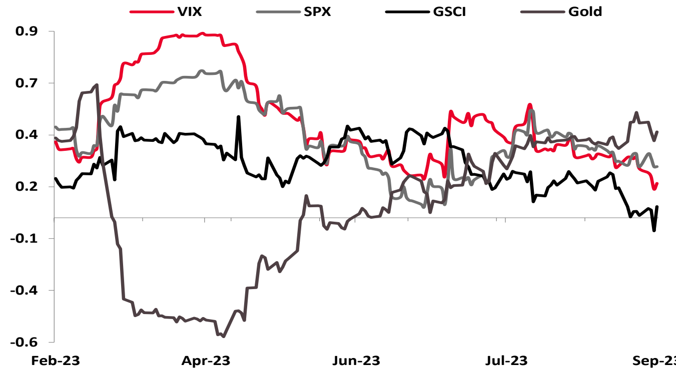
* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

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

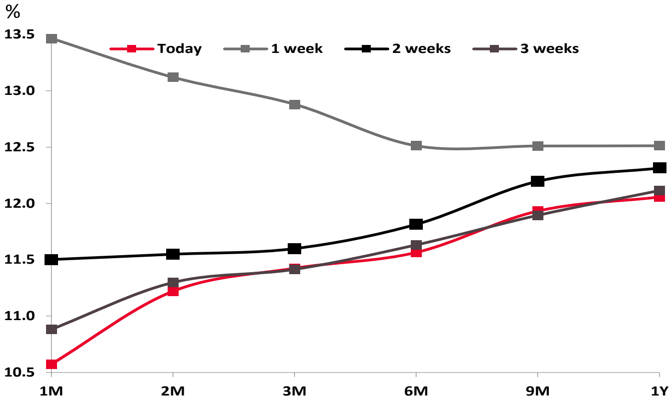


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

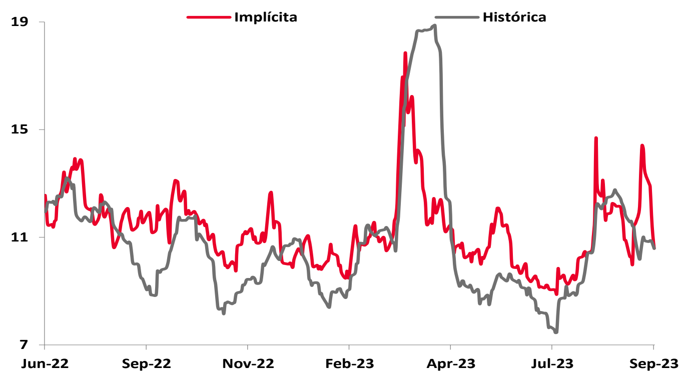
- **Strong contraction throughout the MXN ATM implied volatility curve, returning to a positive slope.** The 1-month implied vol dropped to lowest level in the month of 10.5% (-2.9 vegas). The 3-month and 1-year readings also decreased, although to a lesser extent, to 11.43% (-1.5 vegas) and 12.06% (-0.5 vegas), respectively. As a result, the curve returned to a positive slope after trading inverted. Similarly, the 1-month and 3-month risk reversals fell to 3.47 vols and 3.61 vols, respectively, after reaching the highest levels since March 2022 of 3.73 vols and 3.78 vols, in the same order the previous week

USD/MXN – ATM options volatility curve
%



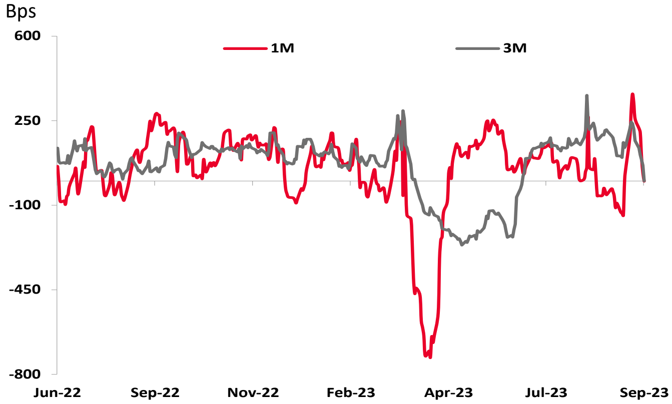
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility
%



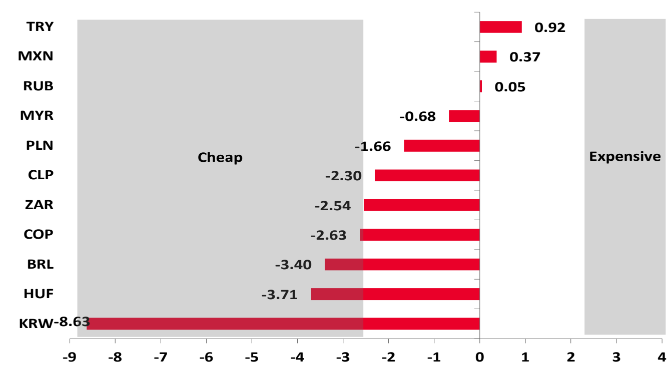
Source: Bloomberg, Banorte

USD/MXN – Spread between implicit and historical volatility
Bps



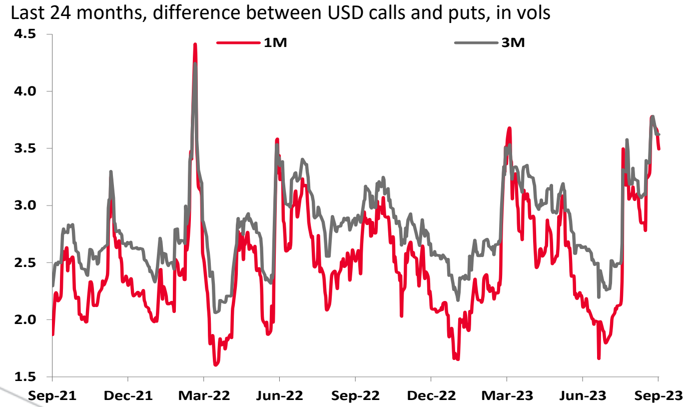
Source: Bloomberg, Banorte

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



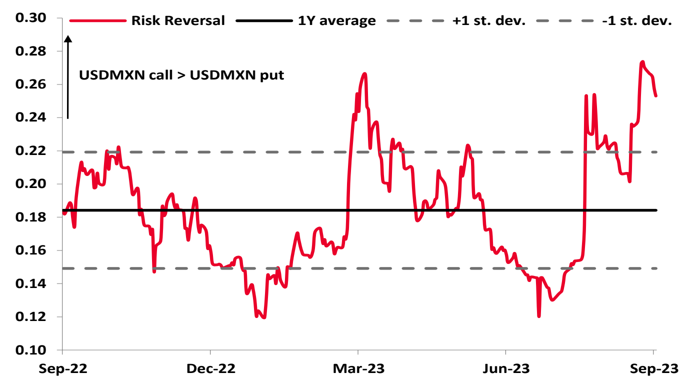
Source: Bloomberg, Banorte

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



Source: Bloomberg, Banorte

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



Source: Bloomberg, Banorte

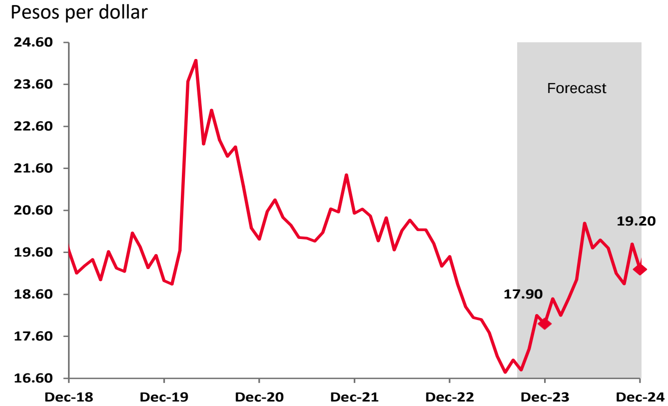
FX trade recommendations

- **The Mexican peso strengthened amid a return of appetite for carry trades.** The FX market dynamics during the week were mainly driven by the US August inflation reading and other economic data, the ECB's monetary policy decision, as well as stimulus measures in China. Additionally, crude-oil futures turned on the yellow flags as they surpassed levels of 90 $/bbl due to their implications for fuel prices, economic activity and the monetary stance of central banks. In this context, the USD registered a mixed performance with changes of +0.2% and -0.4% w/w in the DXY and BBDXY indices, in the same order. The balance in the currency universe was also mixed. In developed currencies, trading was defined by the ECB decision, hawkish comments from Christine Lagarde and weak UK figures. In the Eurozone, the risk of stagflation and the interpretation that the central bank has reached the peak of the tightening cycle weakened the EUR to close with a depreciation of -0.4% at 1.0657. In our view, we see room for further losses in EUR/USD and the cross is likely to head to 1.05 (March low) after breaching the inflection point recorded at the end of May. GBP (-0.7%) also weakened on signs of recession, while the market adjusted the probability of a 25bps BoE hike on Thursday, September 21st to 71% from 89% at the end of August
- In emerging currencies, returns were mixed, with European bloc currencies CZK (-1.1%) and PLN (-1.0%) among the weakest on growth risks. In contrast, Latin American currencies outperformed and were driven by risk appetite. Thus, the Mexican peso led the gains and was followed by BRL (+2.5%) and COP (+2.5%). The local currency quickly recovered from the previous week's losses on the perception of higher interest rates for longer. The MXN closed Friday at 17.08 per dollar (+3.0% w/w) and a trading range of 54 cents vs. 66 cents of the previous week. Lower 1-month implied volatility at 10.5% (vs. the previous week's high of 14.4%) will allow for a return of long strategies as volatility-adjusted carry improved, making it one of the most attractive vs. its peers
- Next week, the information that can be extracted from the Fed's monetary policy decision and Powell's comments will set the tone for the FX market. We believe the central bank will leave the door open for a 25bps hike in November, although the decision will be data-dependent. A hawkish tone could benefit the USD, however, it is already perceived as overbought after the rally that started in mid-July. The MXN will also be influenced by the inflation report for the first half of September. With a positive surprise, it could breach the psychological 17.00 per dollar as it continues to be supported by an attractive carry. Based on the above, we estimate a weekly trading range between USD/MXN 16.90 and 17.40

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

Source: Bloomberg, Banorte

USD/MXN Forecast for 2023
Pesos per dollar



Source: Banorte

Weekly economic calendar

For the week ending September 22, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 18	08:00	MX	Aggregate supply and demand	2Q23	% q/q	4.2	4.4	5.2
Tue 19	04:00	EZ	Current account*	Jul	EURbn	--	--	35.8
	05:00	EZ	Consumer prices	Aug (F)	% y/y	--	5.3	5.3
	05:00	EZ	Core	Aug (F)	% y/y	--	5.3	5.3
	08:00	MX	Timely Indicator of Economic Activity*	Aug	% y/y	--	--	3.4
	08:00	BZ	Economic activity	Jul	% y/y	--	0.85	2.10
	08:00	BZ	Economic activity*	Jul	% m/m	--	0.4	0.6
	08:30	US	Housing starts**	Aug	thousands	--	1,438	1,452
	08:30	US	Building permits**	Aug	thousands	--	1,440	1,443
	11:00	MX	International reserves	Sep 15	US$bn	--	--	203.9
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 10-year Mbono (May'33); 20-year Udibono (Nov'43) and 2-, and 5-year Bondes F					
	21:15	CHI	Rate decision 1-year Loan Prime Rate	Sep 20	%	--	3.45	3.45
	21:15	CHI	Rate decision 5-year Loan Prime Rate	Sep 20	%	--	4.20	4.20
Wed 20	02:00	UK	Consumer prices	Aug	% y/y	--	7.1	6.8
	02:00	UK	Core	Aug	% y/y	--	6.8	6.9
	14:00	US	FOMC Rate Decision (Upper Bound)	Sep 20	%	5.50	5.50	5.50
	14:00	US	FOMC Rate Decision (Lower Bound)	Sep 20	%	5.25	5.25	5.25
	14:00	US	Interest Rate on Excess Reserves (IOER)	Sep 21	%	5.40	5.40	5.40
	14:30	US	Fed Chair Jerome Powell Holds Press Conference Following FOMC Meeting					
	16:30	MX	Survey of expectations (Citibanamex)					
	17:30	BZ	Monetary policy decision (Central Bank of Brazil)	Sep 20	%	12.75	12.75	13.25
Thu 21	07:00	UK	Monetary policy decision (BoE)	Sep 21	%	5.50	5.50	5.25
	07:00	TUR	Monetary policy decision (Central Bank of Turkey)	Sep 21	%	--	30.00	25.00
	08:00	MX	Retail sales	Jul	% y/y	5.1	4.8	5.9
	08:00	MX	Retail sales*	Jul	% m/m	0.2	0.0	2.3
	08:30	US	Initial jobless claims*	Sep 16	thousands	226	225	220
	08:30	US	Philadelphia Fed*	Sep	index	2.0	-1.0	12.0
	10:00	US	Existing home sales**	Aug	thousands	--	4.1	4.1
	10:00	EZ	Consumer confidence*	Sep (P)	index	--	-16.5	-16.0
		SA	Monetary policy decision (South African Reserve Bank)	Sep 21	%	--	8.25	8.25
		JN	Monetary policy decision (BoJ)	Sep 22	%	--	--	-0.10
Fri 22	03:30	GER	Manufacturing PMI*	Sep (P)	index	--	39.5	39.1
	03:30	GER	Services PMI*	Sep (P)	index	--	47.2	47.3
	03:30	GER	Composite PMI*	Sep (P)	index	--	44.9	44.6
	04:00	EZ	Manufacturing PMI*	Sep (P)	index	--	44.0	43.5
	04:00	EZ	Services PMI*	Sep (P)	index	--	47.7	47.9
	04:00	EZ	Composite PMI*	Sep (P)	index	--	46.6	46.7
	04:30	UK	Manufacturing PMI*	Sep (P)	index	--	43.4	43.0
	04:30	UK	Services PMI*	Sep (P)	index	--	49.0	49.5
	08:00	MX	Consumer prices	Sep 15	% m/m	0.21	0.29	0.26
	08:00	MX	Core	Sep 15	% m/m	0.19	0.26	0.08
	08:00	MX	Consumer prices	Sep 15	% y/y	4.40	4.50	4.60
	08:00	MX	Core	Sep 15	% y/y	5.70	5.77	5.96
	08:00	MX	GDP-proxy IGAE	Jul	% y/y	3.5	3.9	4.1
	08:00	MX	GDP-proxy IGAE*	Jul	% m/m	0.3	0.2	0.5
	08:50	US	Fed´s Cook speaks at NBER conference					
	09:45	US	Manufacturing PMI*	Sep (P)	index	48.3	48.2	47.9
	09:45	US	Services PMI*	Sep (P)	index	--	50.6	50.5
	09:45	US	Composite PMI*	Sep (P)	index	--	50.3	50.2
	13:00	US	Fed´s Daly to discuss monetary policy, economy					

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

For the week ending September 15, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 11		MX	ANTAD same-store sales	Aug	% y/y	--	**3.1**	6.3
	08:00	MX	Industrial production	Jul	% y/y	4.5	**4.8**	3.7
	08:00	MX	Industrial production*	Jul	% m/m	0.3	**0.5**	0.6
	08:00	MX	Manufacturing output	Jul	% y/y	1.1	**0.8**	0.8
Tue 12	02:00	UK	Unemployment rate*	Jul	%	--	**4.3**	4.2
	05:00	GER	ZEW Survey (Expectations)	Sep	index	--	**-11.4**	-12.3
	08:00	BZ	Consumer prices	Aug	% m/m	--	**0.23**	0.12
	08:00	BZ	Consumer prices	Aug	% y/y	--	**4.61**	3.99
	11:00	MX	International reserves	Sep 8	US$bn	--	**203.9**	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	--	**-0.7**	1.8
	05:00	EZ	Industrial Production*	Jul	% m/m	--	**-1.1**	0.4 (R)
	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	**0.3**	0.2
	08:30	US	Consumer prices	Aug	% y/y	3.8	**3.7**	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	**4.00**	3.75
	08:30	US	Advance retail sales*	Aug	% m/m	0.2	**0.6**	0.5 (R)
	08:30	US	Ex autos & gas*	Aug	% m/m	--	**0.2**	0.7 (R)
	08:30	US	Control group*	Aug	% m/m	0.0	**0.1**	0.7 (R)
	08:30	US	Producer prices*	Aug	% m/m	--	**0.7**	0.4(R)
	08:30	US	Ex. food & energy*	Aug	% m/m	--	**0.3**	0.3 (R)
	08:30	US	Initial jobless claims*	Sep 9	thousands	225	**220**	217
	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	--	**4.5**	3.7
	22:00	CHI	Retail sales	Aug	% y/y	--	**4.6**	2.5
	22:00	CHI	Gross fixed investment (YTD)	Aug	% y/y	--	**3.2**	3.4
Fir 15	05:00	EZ	Trade balance*	Jul	EURbn	--	**2.9**	8.6 (R)
	08:00	BZ	Retail sales	Jul	% y/y	--	**2.4**	1.4 (R)
	08:00	BZ	Retail sales*	Jul	% m/m	--	**0.7**	0.1 (R)
	08:30	US	Empire manufacturing*	Sep	index	-14.0	**1.9**	-19.0
	09:15	US	Industrial production*	Aug	% m/m	0.1	**0.4**	0.7 (R)
	09:15	US	Manufacturing production *	Aug	% m/m	0.0	**0.1**	0.4 (R)
	10:00	US	U. of Michigan Confidence*	Sep (P)	index	69.0	**67.7**	69.5

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

P = Profit, L = Loss

Short-term tactical trades

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

* Total return does not consider carry gain/losses

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

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.

P = Profit, L = Loss

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	Jan-19-18	Apr-2-18
Long USD/MXN	14.98	15.50	14.60	15.43	P	Mar-20-15	Apr-20-15
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	Jan-5-15	Jan-15-15
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	Sep-10-14	Sep-26-14
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	May-6-14	Jun-13-14
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	Oct-31-13	Nov-8-13
Limit short USD/MXN	13.25	12.90	13.46	--	--	Oct-11-13	Oct-17-13
Short EUR/MXN	16.05	15.70	16.40	15.69	P	Apr-29-13	May-9-13
Long USD/MXN	12.60	12.90	12.40	12.40	L	Mar-11-13	Mar-13-13
Long USD/MXN	12.60	12.90	12.40	12.85	P	Jan-11-13	Feb-27-13
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	Dec-10-12	Dec-17-12
Short EUR/MXN	16.64	16.10	16.90	16.94	L	Oct-3-12	Oct-30-12

* 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

P = Profit, L = Loss

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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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.

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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.

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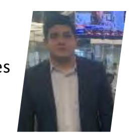

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