

Fixed-Income and FX Weekly

- **A deep sell-off in fixed-income assets.** This week, Mbonos' curve adjusted +20bps on average. The 10-year benchmark ended at 9.79% (+20bps w/w). In addition, MXN depreciated 0.7% w/w closing on the 100-day MA at 17.20 per dollar
- **Focus on Fed members' speeches, Eurozone inflation and Banxico's decision.** During the week, investors assimilated crucial monetary policy information in a backdrop of higher interest rates for longer and risks to economic activity due to higher energy prices, the auto sector strike and the possibility of a government shutdown in the US. The focus was on the Fed's decision and the update of the macroeconomic framework, including the dot plot. The tone of the statement and Jerome Powell was hawkish. In this regard, the Fed left the door open for a further hike and signaled through the dot plot that the terminal rate has not been reached. With this, the market adjusted its pricing and incorporated an implied hike of 25bps in November, with a probability of 20% (vs. 31% the previous week), which is our baseline scenario. This caused an appreciation in the dollar and losses of up to 11bps at the long-end of the Treasuries' curve. Meanwhile, the Mbonos' curve closed with an adjustment of 20bps, on average, and the Mexican peso depreciated 0.7% to 17.20 per dollar. We believe that the debate will continue on the timing of the Fed's first rate cut and the level of the neutral rate, after Powell indicated that it could be higher than the long-term rate. For this reason, next week's speeches by Fed members will be relevant –with Jerome Powell's speech standing out– as well as decisions by some central banks, including Banxico. We will be attentive to the Board of Governors' comments on the inflation trajectory and its balance of risks. In addition, relevant figures will be released, such as the PCE deflator and 2Q23 GDP in the US, inflation in the Eurozone and PMIs in China. Mexico's economic agenda includes trade balance, unemployment rate, bank credit and the public finance report. Also, the MoF will announce the government securities auctions calendar for 4Q23. Markets will continue to monitor the dynamics of crude-oil prices due to the risk it poses to growth, inflation and corporate earnings. We expect pressures to continue on short-term rates and for the dollar to extend its appreciation, as investors price-in an additional 25bps Fed funds rate hike

Fixed-Income

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'29), the 10-year Udibono (Nov'31), as well as 1-, 3- and 7-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.341 trillion (US\$ 78.2 billion), a market share equal to 31.6%, as of September 13th. Short positions in Mbono May'33 ended at MXN 3.5 billion from MXN 8.7 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 535bps from 525bps the previous week, with the 12-month mean at 529bps

Foreign Exchange

- **Market positioning and flows** – USD position (as of September 19th) became net long for the first time since November 2022 of US\$ 3.69 billion. Mutual funds' flows to EM marked lower sales of US\$ 2.4 billion from US\$ 2.5 billion a week ago due to deep sales in both bonds and equities
- **Technicals** – The USD/MXN hovered between the psychological level of 17.00 and 17.25, while the DXY and BBDXY indices suggested an uptrend for the dollar as the 50-day MA surpassed the 200-day MA ('Golden cross')



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Fixed-Income

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Foreign exchange

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Recommendations

Fixed-Income

- The market is already convinced that Banxico will keep the reference rate unchanged in 2023. This perspective was reinforced after the hawkish pause by the Federal Reserve and a more complex inflationary environment
- The active agenda of interventions by Fed's members will be a catalyst for the performance of rates, so we could observe more stressed levels
- We expect the 10-year Mbono to trade between 9.65% and 9.95% next week

FX

- Fed members' speeches and Eurozone inflation will define the direction of currencies. Signs of higher rates for longer would strengthen the USD. For the MXN, Banxico's statement will be relevant. We see it resilient as it continues to be supported by an attractive carry. We estimate a trading range between USD/MXN 16.90 and 17.40

Fixed-Income Dynamics

Mbonos performance

Maturity date	YTM Sep/22/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.59	+10	+77
Sep'24	11.34	+7	+125
Dec'24	10.85	+7	+98
Mar'25	10.57	+20	+64
Mar'26	10.45	+24	+122
Sep'26	10.35	+21	+95
Mar'27	10.13	+25	+94
Jun'27	10.12	+25	+104
Mar'29	9.95	+25	+58
May'29	9.82	+23	+75
May'31	9.80	+22	+79
May'33	9.79	+21	+77
Nov'34	9.77	+22	+72
Nov'36	9.76	+22	+72
Nov'38	9.84	+21	+75
Nov'42	9.87	+24	+76
Nov'47	9.78	+21	+71
Jul'53	9.81	+23	+76

Source: PIP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Sep/22/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.54	+2	+63
6-month (6x1)	11.52	+3	+48
9-month (9x1)	11.45	+5	+38
1-year (13x1)	11.26	+7	+34
2-year (26x1)	10.39	+16	+53
3-year (39x1)	9.82	+17	+64
4-year (52x1)	9.51	+20	+60
5-year (65x1)	9.34	+22	+53
7-year (91x1)	9.25	+23	+51
10-year (130x1)	9.25	+23	+51
20-year (260x1)	9.32	+23	+47

Source: PIP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Sep/22/2023	Weekly change (bps)	YTD (bps)
Nov'23	5.81	+2	-28
Dec'25	6.03	+20	+127
Dic'26	6.05	+18	+139
Nov'28	5.37	+34	+106
Nov'31	5.14	+26	+97
Nov'35	4.82	+15	+61
Nov'40	4.80	+15	+61
Nov'43	4.83	+13	+33
Nov'46	4.82	+12	+63
Nov'50	4.82	+12	+59

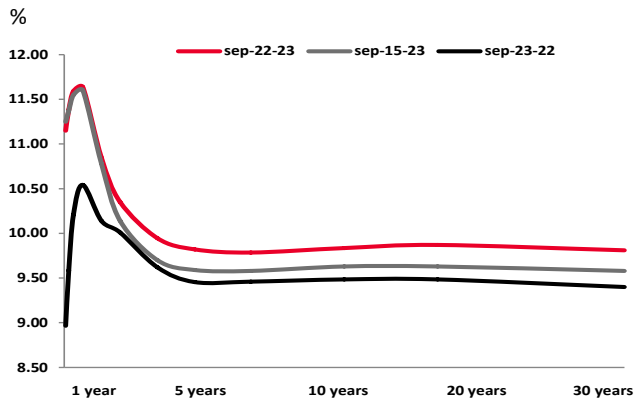
Source: PIP, Banorte

Cetes performance

Maturity date	YTM Sep/22/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.15	-10	+106
Cetes 91	11.38	+1	+72
Cetes 182	11.59	+4	+72
Cetes 364	11.64	+4	+67
Cetes 728	11.47	+13	+66

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

USD UMS and US Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM Sep/22/2023	Weekly change (bps)	YTD (bps)	YTM Sep/22/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.37	+12	+90	5.11	+7	+68	27	+5	13	52
3Y	May'26	4.55	+11	-25	4.80	+8	+57	-25	+4	45	71
5Y	Feb'28	5.58	+13	+80	4.56	+9	+55	103	+3	98	122
7Y	Apr'30	5.80	+12	+47	4.52	+10	+55	128	+2	135	165
10Y	May'33	6.07	+16	+51	4.43	+10	+56	163	+5	172	198
20Y	Mar'44	6.63	+13	+25	4.71	+11	+57	192	+2	209	--
30Y	May'53	6.82	+14	+43	4.53	+11	+56	229	+3	240	--

Source: Bloomberg, Banorte

5Y USD UMS



Source: Bloomberg, Banorte

10Y USD UMS



Source: Bloomberg, Banorte

5Y UMS-UST Spread



Source: Bloomberg, Banorte

10Y UMS-UST Spread



Source: Bloomberg, Banorte

Fixed-Income Supply

- **Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'29), the 10-year Udibono (Nov'31), and 1-, 3- and 7-year Bondes F
- **Strong appetite for Cetes ahead of Banxico's decision on next Thursday.** The market is already convinced that Banxico will keep the reference rate unchanged at 11.25% for the remainder of the year. This perspective was reinforced due to the possibility that the Federal Reserve would make an additional interest rate hike before the end of 2023 and the more complex inflationary environment after the energy prices rally. We expect demand for Cetes to remain high driven by more attractive real rates following a moderation in [Mexico's headline inflation](#). In this sense, the holding of foreigners in Cetes continues to rise to levels close to the highs since March 2020 of MXN 187 billion (14% of the total amount outstanding). For the 5-year Mbono (May'29) we expect moderate demand below 2.2x as the security is perceived as overvalued with room for yield to reach higher levels despite the strong adjustment of +45bps so far this month. Currently, the May'29 tenor is trading at 9.82%, still below the levels seen in October 2022 of almost 10.00%. For the 10-year Udibono (Nov'31) we anticipate a weak appetite due to a less attractive valuation compared to the Mbonos of the same term. The 10-year breakeven has increased 17bps to 4.42% during Septiembre. It is worth remembering that next week, the MoF will release the 4Q23 government securities auction calendar

Auction specifics (September 26, 2023)

Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Oct-26-23	--	8,500	11.00
3m	Dec-28-23	--	7,500	11.40
6m	Mar-21-24	--	13,700	11.57
24m	Sep-04-25	--	10,500	11.50
Bondes F				
1Y	Aug-15-24	--	5,500	0.11
3Y	Jun-04-26	--	1,500	0.19
7Y	Oct-04-29	--	800	0.25
Bono M				
5Y	Mar-01-29	8.50	13,000	9.43
Udibono				
10Y	Nov-27-31	2.75	UDIS 1,300	4.79

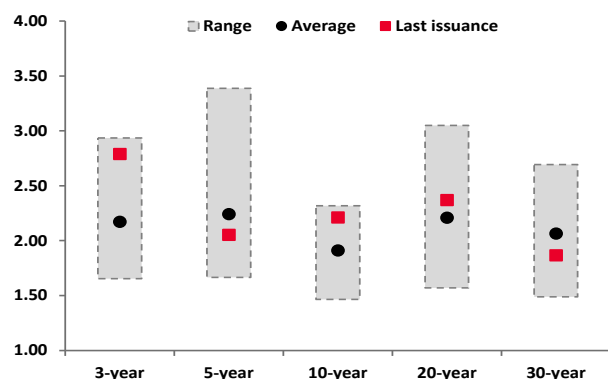
Source: Banxico, Banorte

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

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

Times



Source: Bloomberg, Banorte

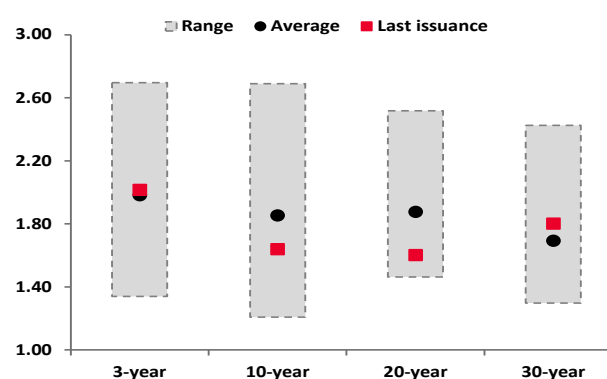
3Q23 Government Securities Auction Calendar*

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

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

Times

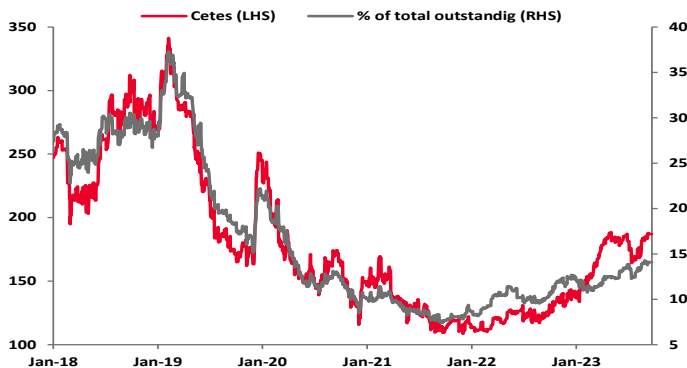


Source: Bloomberg, Banorte

Fixed-Income Demand

Cetes held by foreigners

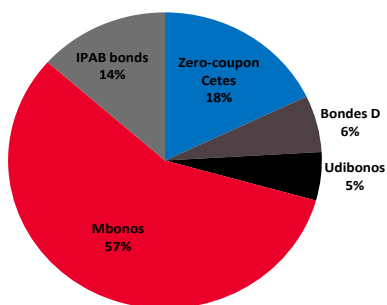
MXN billion, %



Source: Banxico, Banorte

Government issuance by type of instrument

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



Source: Banxico, Banorte

Government bond holdings by type of investor

US\$ billion and %, data as of Sep/13/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Total amount outstanding	77	27	179	247
Foreign investors	14%	0%	4%	32%
Pension funds	11%	4%	54%	23%
Mutual funds	14%	42%	5%	3%
Insurance companies	5%	2%	19%	3%
Banks	12%	19%	2%	16%
Others	44%	33%	16%	24%

Source: Banxico, Banorte

Foreign investors holdings of government bonds

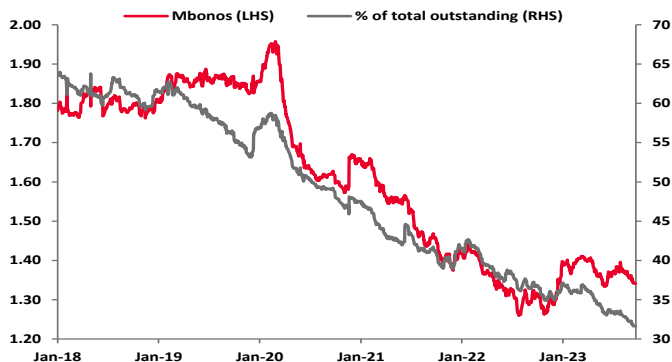
US\$ billion, data as of Sep/13/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Actual	10.9	0.1	6.8	78.2
Previous Week	10.8	0.1	0.9	78.8
Difference	0.1	0.0	5.9	-0.6
Dec/30/2023	8.2	2.0	1.0	81.5
Difference	2.7	-1.9	5.8	-3.3

Source: Banxico, Banorte

Mbonos held by foreigners

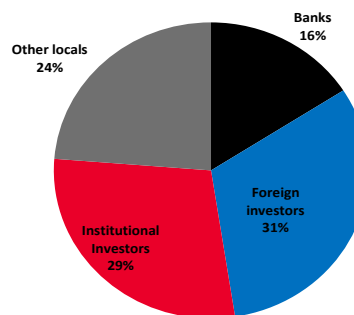
MXN trillion, %



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 242 billion, % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor

US\$ billions and %, data as Sep/7/2023

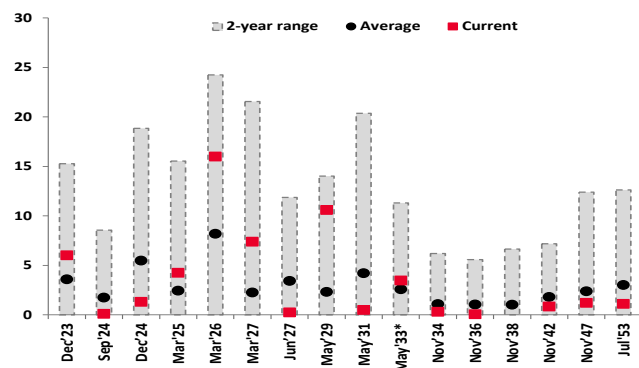
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	9.7	27%	8%	17%	48%
Sep'24	16.4	19%	18%	11%	52%
Dec'24	13.3	24%	27%	8%	40%
Mar'25	9.7	32%	19%	17%	32%
Mar'26	25.8	38%	24%	15%	24%
Sep'26	4.2	29%	25%	6%	40%
Mar'27	20.7	29%	18%	14%	39%
Jun'27	20.3	16%	40%	29%	15%
Mar'29	1.5	26%	8%	15%	50%
May'29	15.8	4%	51%	23%	21%
May'31	24.7	6%	44%	33%	17%
May'33	12.3	3%	39%	32%	26%
Nov'34	5.5	0%	52%	36%	12%
Nov'36	4.2	0%	30%	40%	30%
Nov'38	12.4	1%	42%	41%	16%
Nov'42	17.2	2%	43%	41%	14%
Nov'47	14.8	1%	35%	44%	20%
Jul'53	9.3	2%	31%	45%	21%
Total	228.5	15%	32%	26%	27%

Source: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

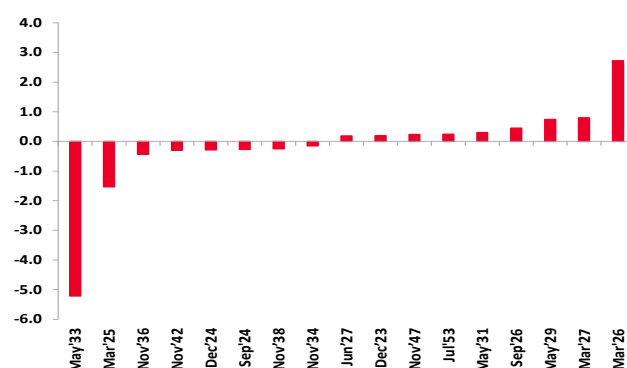
MXN billion



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

Weekly change in market makers' short positions on Mbonos

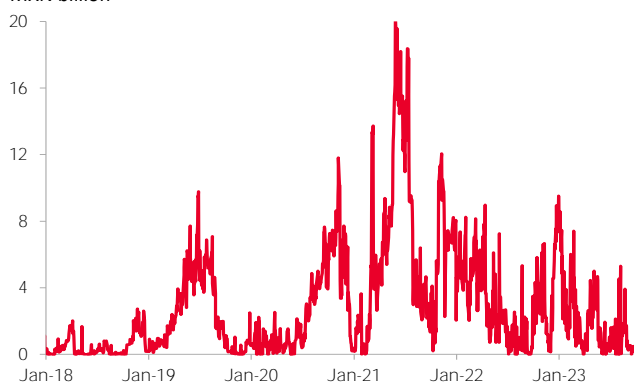
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

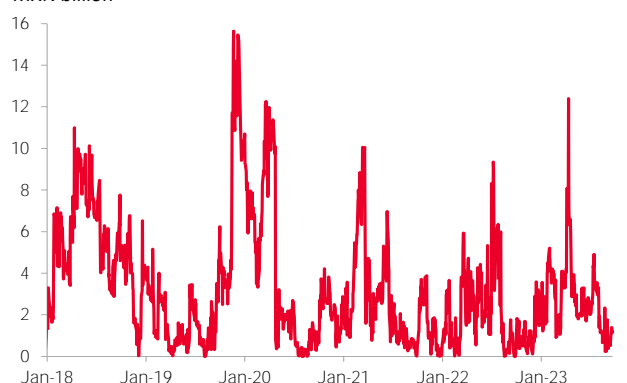
MXN billion



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/21/2023	Sep/21/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	10,120	351	340	97	351	381	0
Sep'24	16,897	6	22	7	103	322	0
Dec'24	13,854	76	93	146	220	191	0
Mar'25	11,643	248	338	268	7	909	0
Mar'26	26,820	935	776	1,080	270	1,417	106
Sep'26	5,317	274	248	61	0	1,261	0
Mar'27	21,642	432	385	328	39	1,260	0
Jun'27	20,579	14	3	209	88	636	0
Mar'29	1,570	49	40	0	0	95	0
May'29	16,810	619	575	619	86	820	46
May'31	25,386	28	11	230	29	310	0
May'33	13,433	203	508	190	0	660	3
Nov'34	5,564	18	27	34	97	360	0
Nov'36	4,281	3	28	37	200	325	0
Nov'38	12,697	0	15	0	9	161	0
Nov'42	17,679	49	67	81	17	337	0
Nov'47	15,259	70	57	40	5	725	13
Jul'53	9,597	65	50	259	319	400	0
Total	249,148	3,375	3,533	3,425	1,524		

Source: Banxico, Banorte

Fixed-Income Technicals

- **The carry at the short-end registered a mixed balance.** Spreads between Cetes and implied forward rates stood at: 1-month at +57bps from +61bps, 3-month at +7bps from -4bps, 6-month at -7bps from -22bps, and 1-year at -27bps from -40bps
- **All eyes will be on the tone of Banxico's decision.** The market erased odds of an easing cycle starting this year and delayed the first rate cut to March 2024 vs. February. In a similar fashion, bets on the start of cuts by the Federal Reserve were delayed to September 2024 vs. July after the hawkish pause that confirmed an outlook of higher rates for a longer period than anticipated. Under this backdrop, the cost of financing increased, reflecting greater credit risk, particularly for emerging economies. Locally, the 5-year CDS rebounded to 125bps after the Fed's decision, reaching 6-month highs from 106bps the previous week

Spread between Cetes and Implied Forward Rates

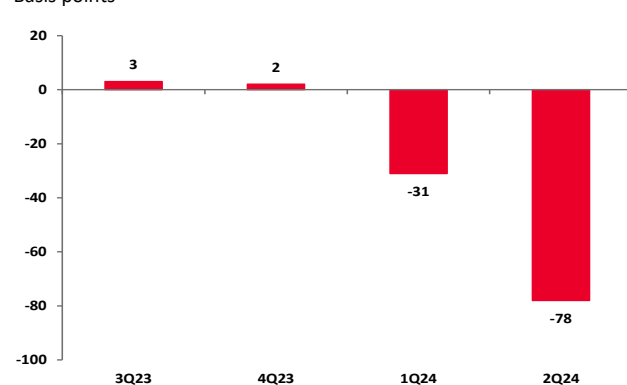
Basis points

Tenor	Actual Sep/22/2023	Previous Week	Mes previo	Promedio 6m	Max 6m	Min 6m
1 month	57	61	13	2	489	-222
3 months	7	-4	-35	-61	9	-150
6 months	-7	-22	-69	-76	-7	-125
12 months	-27	-40	-86	-72	-27	-98

Source: PiP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

Basis points



Source: Bloomberg, Banorte

- **The risk premium printed volatility after the Fed's decision.** Investors were cautious ahead of a scenario of higher rates for longer, uncertainty in energy and the possibility of a government shutdown in the US. As a result, the 10-year spread between Mbono and Treasuries closed Friday at 535bps vs 525bps the previous week, while the average of the last twelve months stands at 529bps
- **The 3-month correlation between Mexican and US 10-year bonds increased marginally.** The reading closed Friday at +63% vs +62% 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

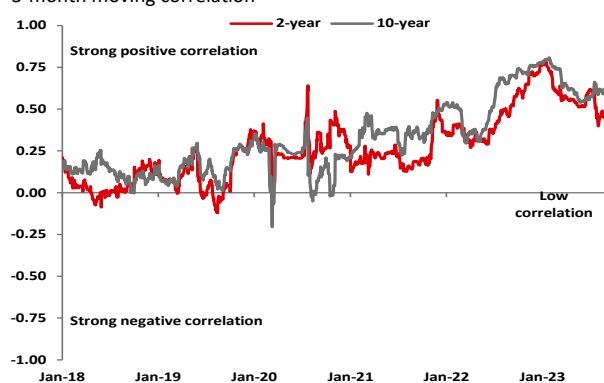
Basis points



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

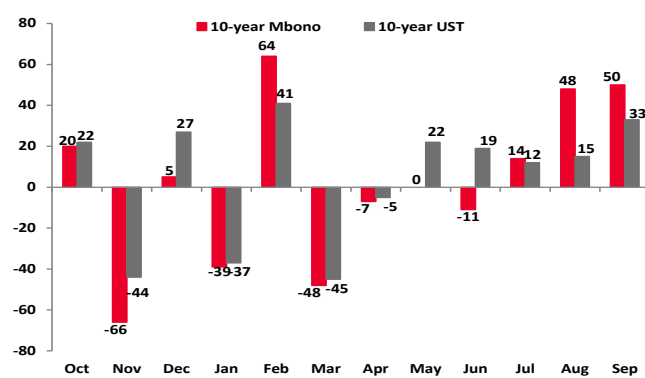
Basis points

Tenor	Sep/22/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-106	-120 (+14bps)	-154 (+48bps)	-79 (-27bps)	-47	-199	-140
Mbono 10s30s	3	0 (+3bps)	4 (-1bp)	-6 (+9bps)	35	-15	10
TIIE-Mbono 2-year	-46	-55 (+9bps)	-78 (+32bps)	-13 (-33bps)	8	-91	-50
TIIE-Mbono 10-year	-54	-57 (+3bps)	-46 (-8bps)	-38 (-16bps)	-17	-68	-47

Source: Bloomberg, PiP, Banorte

Mexican and US rates performance, last 12 months

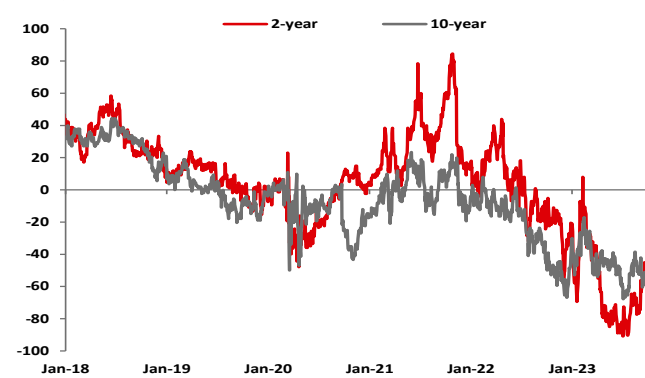
Basis points



Source: PiP, Bloomberg, Banorte

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

Basis points



Source: PiP, Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos

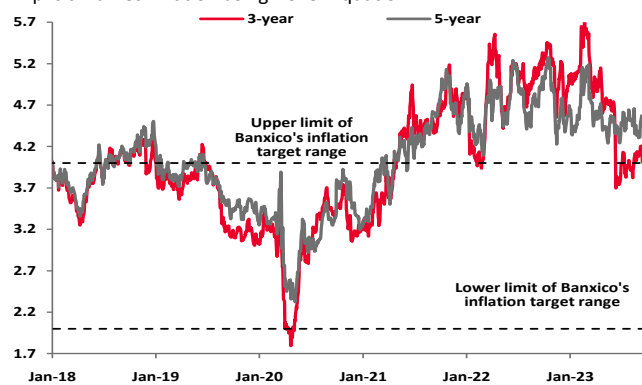
Implicit market inflation using Fisher Equation (%)

Date	Sep/22/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.05	4.03 (+2bps)	4.14 (-9bps)	5.25 (-120bps)	5.74	3.70	4.74
5Y	4.35	4.45 (-10bps)	4.39 (-4bps)	4.96 (-61bps)	5.28	4.23	4.61
10Y	4.42	4.48 (-6bps)	4.24 (+18bps)	4.83 (-41bps)	5.16	4.04	4.45
20Y	4.81	4.71 (+10bps)	4.54 (+27bps)	4.85 (-4bps)	5.15	4.15	4.58
30Y	4.77	4.67 (+10bps)	4.47 (+30bps)	4.79 (-2bps)	5.18	4.15	4.56

Source: PiP, Banorte

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

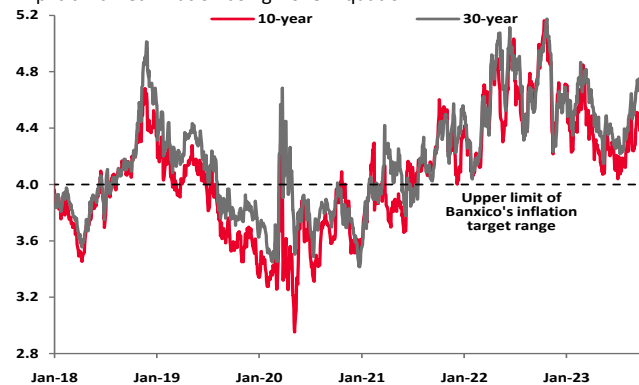
Implicit market inflation using Fisher Equation



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

- **Global outlook of higher interest rates for longer.** [As we anticipated in our previous edition](#), sovereign bond yields rose rapidly, incorporating the Federal Reserve's decision. While the central bank left the Fed funds range unchanged at 5.25%-5.50% as widely expected, the tone of the statement was hawkish as well as Jerome Powell's comments, leaving the door open for an additional hike. In particular, the dot plot—a scatter chart that reflects the projections on the interest rates of each Fed's member— validated an expectation of higher rates for longer, preserving a median for the end of 2023 at 5.625% (midpoint of the range), and pointing out that the terminal rate has not yet been reached. Additionally, the median was revised upwards for 2024 and 2025 to 5.125% (+50bps) and 3.875% (+50bps), respectively
- Treasuries traded at new multi-year highs. The 2-year yield reached levels not seen since 2006 of 5.18%, the 10-year yield rebounded to 16-year highs of 4.49% and the longer-term reference reached highs in more than a decade of 4.57%. However, Treasuries halted losses on Friday's session with gains of 6bps. The yield curve closed the week with a steepening bias as a result of a 11bps w/w sell-off at the long-end
- When analyzing the terminal rate of the last three tightening cycles, we can see that the yield on 2-year Treasuries remained very close to or above the upper range of the Fed funds. Specifically: (1) In May 2000, the spread was +40bps; (2) in June 2006 both rates were at 5.25%; and (3) in December 2018, the 2-year yield exceeded the terminal rate of 2.50% by 10bps. However, currently, the 2-year yield is around 40bps below said upper range, alluding to the fact that there is room for an adjustment according to the usual pattern and even broader (~+65bps) if the Fed makes a final interest rate hike to a range of 5.50%-5.75%. Faced with the risks of a massive sell-off, market participants increased their short positions, with greater emphasis on the 2-year zone, also contributing to a new reality of higher rates for a longer period than anticipated
- This dynamic spread to local rates. The Mbonos' curve ended the week with losses of 20bps, on average. Maturities greater than 10 years returned to trading around 9.80%, showing an attractive relative valuation compared to short-term securities, according to the duration-adjusted yield analysis. Although the levels show value, the volatile environment and its high correlation with Treasuries reduce the attractiveness to execute any directional position. Regarding real rates, CPI-linked bonds (Udibonos) averaged losses of 18bps with short-term yields trading at historical highs on Thursday. For example, the 3- and 5-year benchmarks reached 6.07% and 5.36%, respectively from 5.67% and 4.95% in the same order at the end of August
- Regarding market expectations, bets on rate cuts this year have been completely diluted. However, Banxico's decision next Thursday will be relevant to extract clues about the moment and/or the conditions necessary for the accommodative cycle to begin. Currently, investors are evaluating that the first-rate cut could be delayed until March 2024 in the face of a complex environment where high energy prices could set back the efforts of central banks to achieve inflation targets. Additionally, the active agenda of interventions by Fedspeakers will be a catalyst for the performance of rates, so we could observe more stressed levels. Finally, we expect the 10-year Mbono, May'33, to trade between 9.65% and 9.95%

FX dynamics

- Investors digested the monetary policy decisions of the Fed and other central banks. The divergence between central banks' positions was reflected in currencies. In addition, risk-off mood was exacerbated by the risks posed by rising energy prices and a possible government shutdown in the US. The Mexican peso weakened, although it outperformed its LATAM peers. The MXN closed at 17.20 per dollar, printing a 0.7% depreciation
- USD closed the week stable despite the Fed's hawkish tone. Both the DXY and BBDXY indices advanced 0.3% w/w. In G10 currencies, trading was capped by NZD (+1.0%) and CHF (-1.1%). In emerging markets, ZAR (+1.4%) was the strongest while HUF (-1.7%) led the decliners

Foreign Exchange market levels and historical return

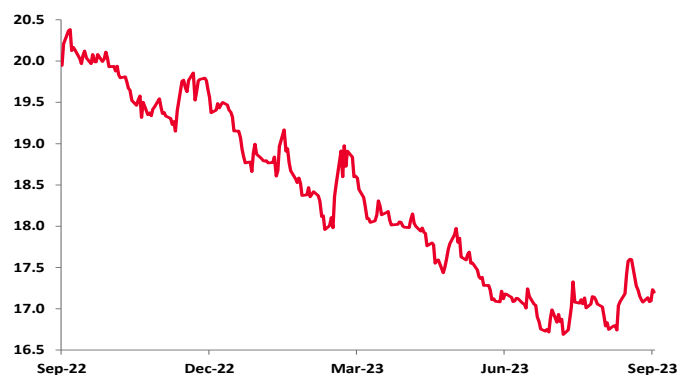
		Close at Sep/22/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.94	0.0	-1.5	-1.6	7.0
Chile	USD/CLP	893.26	-0.5	-1.0	-4.2	-4.7
Colombia	USD/COP	3,978.84	-1.4	-1.4	2.7	22.0
Peru	USD/PEN	3.75	-0.2	-0.8	-1.0	1.5
Hungary	USD/HUF	365.70	-0.5	-1.7	-3.7	2.1
Malaysia	USD/MYR	4.69	0.1	-0.1	-0.6	-6.1
Mexico	USD/MXN	17.20	0.2	-0.7	-2.4	13.4
Poland	USD/PLN	4.32	0.1	0.8	-4.9	1.2
Russia	USD/RUB	95.78	0.3	1.0	-1.7	-22.5
South Africa	USD/ZAR	18.76	1.1	1.4	-1.5	-9.2
Developed Markets						
Canada	USD/CAD	1.35	0.0	0.3	0.3	0.5
Great Britain	GBP/USD	1.22	-0.5	-1.1	-3.8	1.3
Japan	USD/JPY	148.37	-0.5	-0.4	-2.4	-11.6
Eurozone	EUR/USD	1.0653	-0.1	0.0	-1.9	-0.5
Norway	USD/NOK	10.76	0.2	0.2	-1.5	-8.9
Denmark	USD/DKK	7.00	-0.1	0.0	-2.0	-0.7
Switzerland	USD/CHF	0.91	-0.2	-1.1	-3.2	2.0
New Zealand	NZD/USD	0.60	0.5	1.0	-0.3	-6.1
Sweden	USD/SEK	11.12	0.5	0.6	-2.0	-6.2
Australia	AUD/USD	0.64	0.4	0.1	-0.6	-5.5

Source: Bloomberg, Banorte

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

USD/MXN

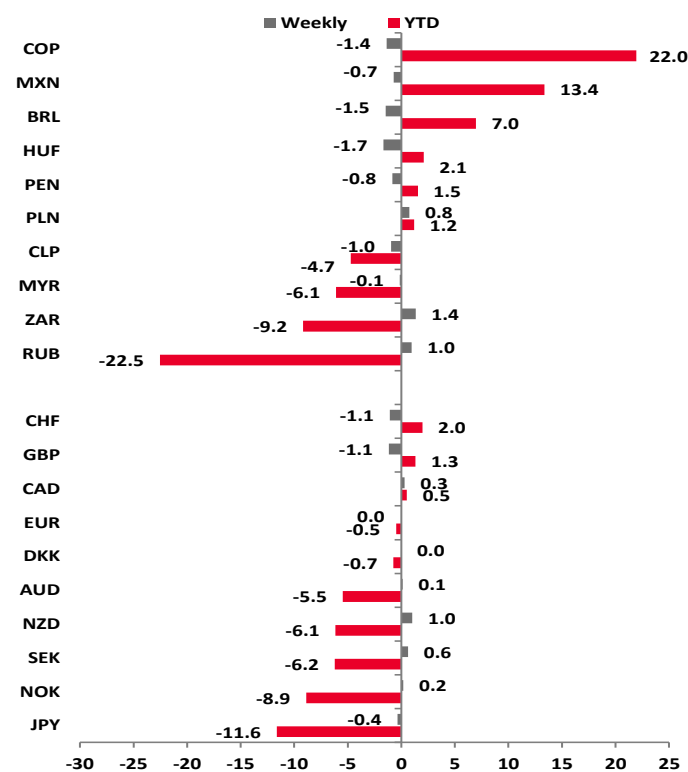
Last 12 months



Source: Bloomberg, Banorte

FX performance

Against USD, %



Source: Bloomberg, Banorte

DXY

Points



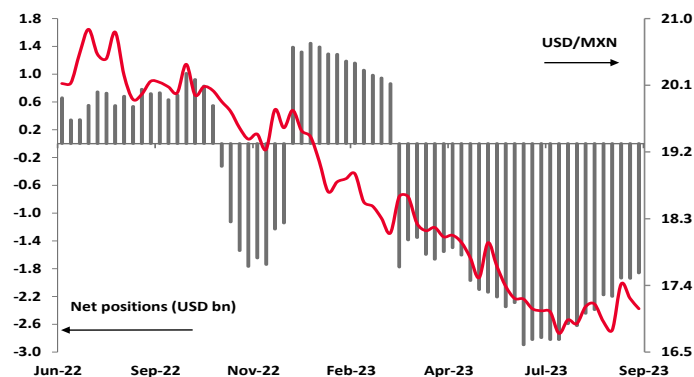
Source: Bloomberg, Banorte

FX positioning and flows

- **Marginal reduction in net long MXN positions.** As of September 19th, the MXN position recorded a net long of US\$ 1.862 billion from US\$ 1.941 billion last week. Speculators have been betting on a defensive performance since mid-March, recording their largest net long position of US\$ 2.896 billion in the middle of the year. Despite the volatile environment and monetary policymakers' vision of an additional interest rate hike in the US before the end of the year, the MXN's carry continues to stand out for its attractiveness compared to its emerging peers
- **Net long USD positions were recorded for the first time since November 2022.** The USD IMM position was net long US\$ 3.692 billion, after steadily reducing net short positions in the last two months from US\$ 20.6 billion. This reflected that investors expect further strengthening going forward. The adjustment was the result of massive sales, led again by EUR (-1.588 billion) with net long positioning declining for the fifth consecutive week to 10-month lows
- **Sales decreased marginally in EM while Mexico recorded 2 consecutive months with outflows.** Our EPFR aggregate recorded lower negative flows of US\$ 2.4 billion from US\$ 2.5 billion the previous week. Bond market sales fell 9% to US\$ 1.1 billion. In contrast, equities outflows increased 6% to US\$ 1.4 billion, concentrated in Asia. In Mexico, a negative flow of US\$ 26 million was recorded because of sales in bonds of US\$ 35 million and purchases in equities of US\$ 9 million

IMM positioning in USD/MXN futures

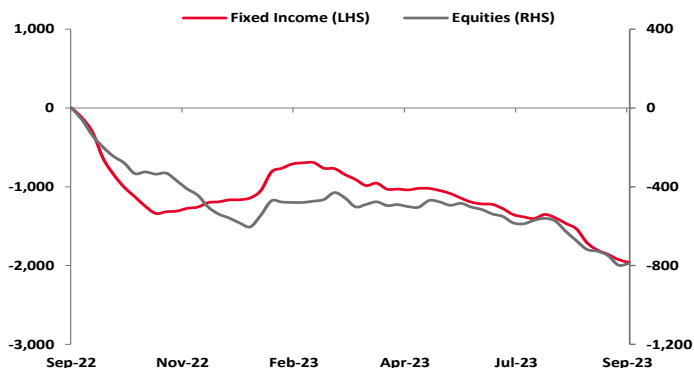
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

Foreign portfolio flows into Mexico

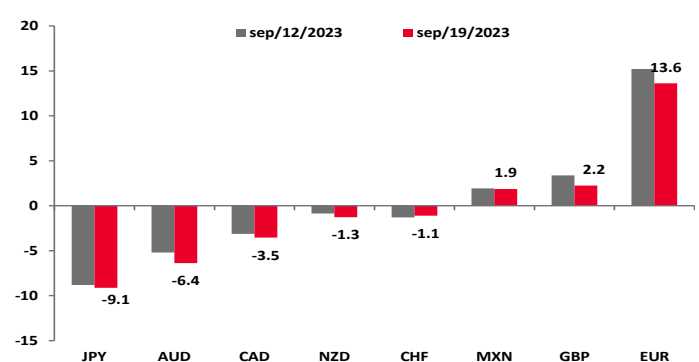
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

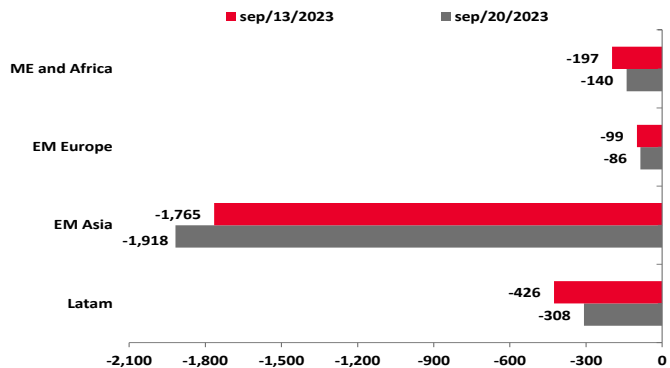


* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*

Weekly, million dollars



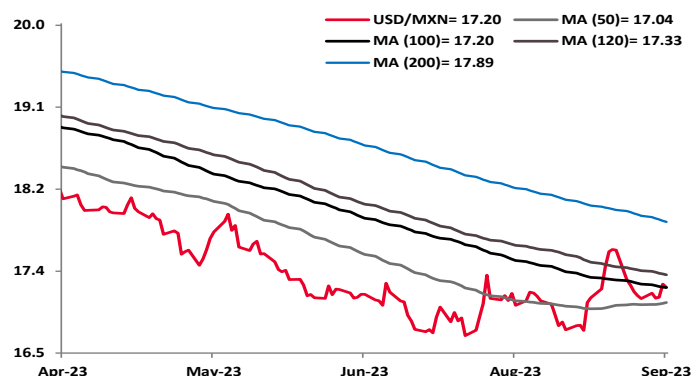
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- The Mexican peso is starting a consolidation process between moving averages.** The MXN slowed the previous week's appreciation pace by reaching the 50-day MA (17.04 per dollar). We identified a first technical reference at the 100-day MA (17.20), however, this has been easily breached on several occasions. Currently, the main short-term resistances are located at 17.10, 17.00 and 16.88, with supports at 17.25, 17.35 and 17.50. This week, the trading range was 25 cents, significantly lower than the four-week average (51 cents). Next week, the dynamics of the FX market will be determined by the speeches of Fed members, Banxico's decision and the Eurozone inflation release. Investors will continue to look for clues of how long interest rates will remain elevated in a backdrop of growth risks due to the dynamics in fuels and the strike in the automotive industry

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	47	44	-7	72	27
CAD	40	32	1	63	32
ZAR	57	59	4	85	40
BRL	70	71	19	79	54
HUF	62	58	4	70	48
RUB	35	33	-34	48	7

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

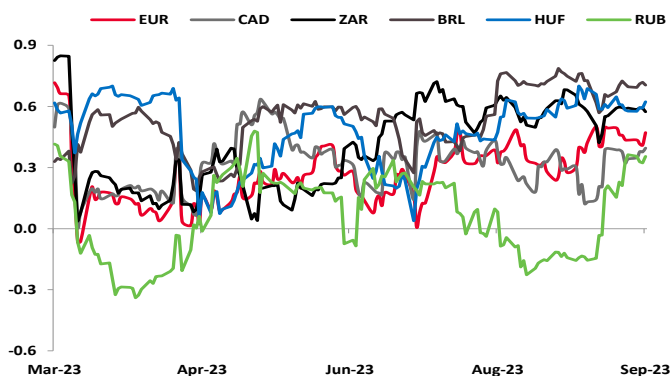
USD/MXN – 1-month correlation with other assets *

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	35	17	14	89	46
SPX	36	25	5	71	39
GSCI	-3	7	-6	49	26
Oro	39	42	-57	64	5

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

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

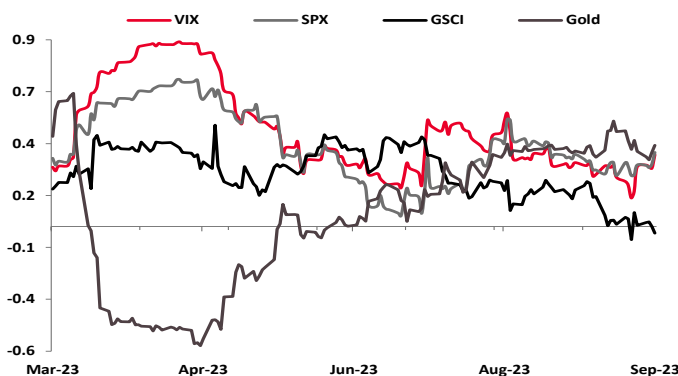
Based on daily percentage changes



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

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

Based on daily percentage changes

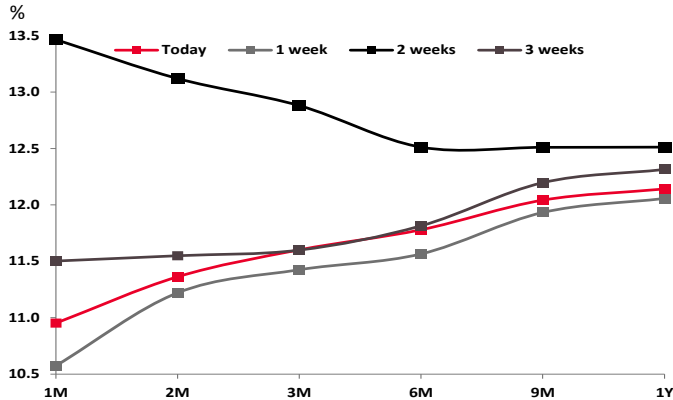


* Positive: appreciation of MXN and corresponding asset except VIX
 Source: Bloomberg, Banorte

FX technicals (continued)

- The MXN ATM implied volatility curve shifted modestly upwards.** The 1-month implied volatility rose 0.4 vegas to 11.00%, although remaining well below the levels observed two weeks ago of up to 14.40%. The 3-month and 1-year readings also increased, although to a lesser extent, to 11.60% (+0.2 vegas) and 12.14% (+0.1 vegas), respectively. The 1- and 3-month risk reversals moved to 3.53 vols and 3.75 vols, respectively, modestly above the levels seen the previous week of 3.47 vols and 3.61 vols, in the same order

USD/MXN – ATM options volatility curve



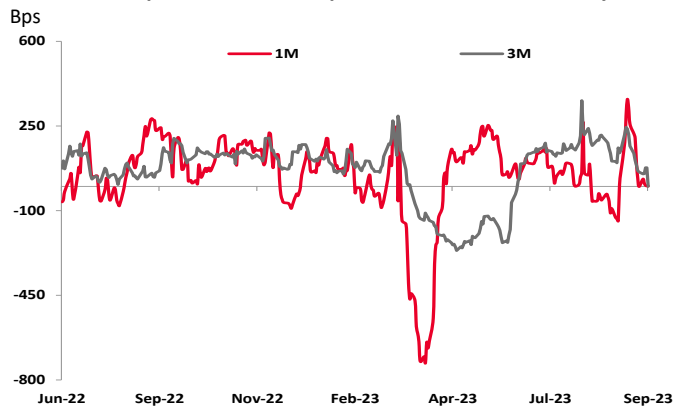
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

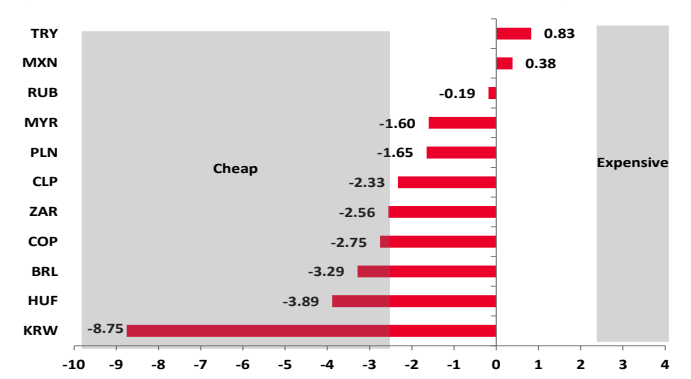
USD/MXN – Spread between implicit and historical volatility



Source: Bloomberg, Banorte

Emerging markets one-month ATM options volatility

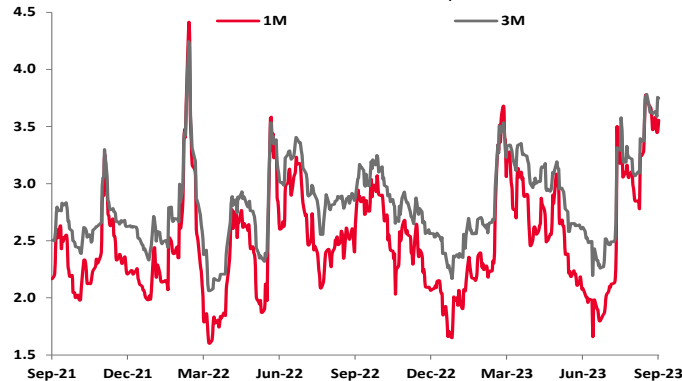
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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

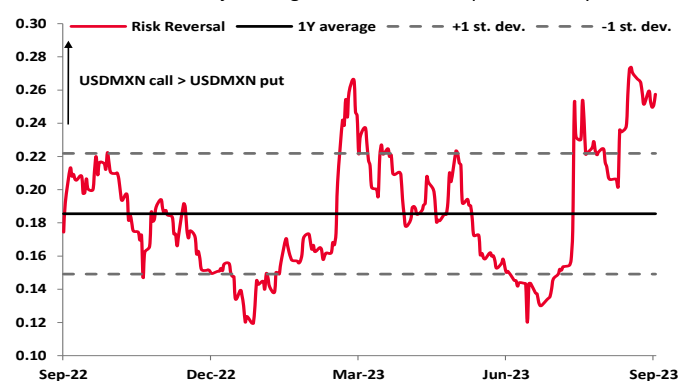
Last 24 months, difference between USD calls and puts, in vols



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

- **Divergence in monetary positions shaped the dynamics of the FX market.** During the week, the FX market reacted to a plethora of information from central banks, mixed economic figures in several regions, as well as uncertainty generated by the rise in energy prices and the US auto sector strike. The spotlight was focused on the FOMC statement, the update of the macroeconomic framework and Jerome Powell's comments. The Fed's tone was hawkish, leaving the door open for a further hike in the Fed funds rate in November. Other central banks also released their decisions, highlighting the BoE's pause in a split decision. Under this backdrop, the dollar oscillated between losses and gains; however, ended in positive domain with the DXY and BBDXY indices advancing 0.3% w/w. Analyzing the trading of both indices, we identified an incipient crossover of the 50-day over the 200-day MA, a favorable technical signal called 'Golden cross', which could extend the uptrend. Should this reading be confirmed, both indices could seek the December highs. Under this backdrop, the technical positioning in the IMM in USD changed to net longs for first time since November 2022
- Against this backdrop, the dynamics in the FX universe were mixed. Developed currencies ended the week with NZD (+1.0%) and CHF (-1.1%) at the ends. The Swiss franc reacted to a surprise decision by the central bank to leave the benchmark rate unchanged at 1.75% (vs +25bps from consensus). Although, the monetary authority signaled that it has more to do to control inflation, the market acted on a narrower rate spread with the ECB. In EM currencies, the negative bias prevailed, with BRL (-1.5%) as the second weakest and ZAR (+1.4%) at the opposite end of the spectrum. The dynamics in the Brazilian currency were a consequence of the more accommodative bias of the Copom and an adjustment in market's pricing of the Selic rate going forward. Meanwhile, the Mexican peso, after momentarily breaching the psychological 17.00 per dollar and following the Fed's decision, followed the trend of its LATAM peers. The MXN closed Friday at 17.20 per dollar (-0.7% w/w) ranking as the seventh weakest in EM. The trading range stood at 25 cents and 1-month implied volatility ended at 11.0%, higher than the previous week (10.6%)
- Next week, speeches from Fed members will set the tone for the dollar and the market will be looking for clues to figure out how long the Fed funds rate could remain elevated. Also, the release of August inflation in the Eurozone will be a key data point to confirm whether the ECB has indeed reached the terminal rate. Locally, the tone of Banxico's decision statement could further support our view that the easing cycle will start in February 2024. With this, the Mexican peso could continue to consolidate around the 100-day MA (17.20). In this sense, we estimate a USD/MXN trading range between 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 29, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 25	04:00	GER	IFO Survey (business climate)*	Sep	index	--	85.2	85.7
	18:00	US	Fed's Kashkari Speaks at Wharton					
Tue 26	07:30	BZ	Central Bank Meeting Minutes					
	08:00	BZ	Consumer prices	Sep	% m/m	--	0.39	0.28
	08:00	BZ	Consumer prices	Sep	% y/y	--	5.02	4.24
	09:00	US	S&P/CoreLogic housing prices	Jul	% y/y	--	--	-1.2
	10:00	US	New home sales**	Aug	thousands	--	700	714
	10:00	US	Consumer confidence*	Sep	index	106.0	105.5	106.1
	11:00	MX	International reserves	Sep 22	US\$bn	--	--	204.2
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'29); 10-year Udibono (Nov'31) 1-, 3-, and 7-year Bonds F					
Wed 27	04:00	EZ	Monetary aggregates (M3)*	Aug	EURbn	--	-1.1	-0.4
	08:00	MX	Trade balance	Aug	US\$m	-1,704.6	-1,007.5	-881.2
	08:30	US	Durable goods orders*	Aug (P)	% m/m	--	-0.5	-5.2
	08:30	US	Ex transportation*	Aug (P)	% m/m	--	0.2	0.4
Thu 28	05:00	EZ	Consumer confidence*	Sep (F)	index	--	--	-17.8
	05:00	EZ	Economic confidence*	Sep	index	--	92.4	93.3
	08:00	MX	Unemployment rate	Aug	%	3.17		3.13
	08:00	GER	Consumer prices	Sep (P)	% y/y	--	4.6	6.1
	08:30	US	Revisions: GDP/National Economic Accounts					
	08:30	US	Initial jobless claims*	Sep 23	thousands	210	215	201
	08:30	US	Gross domestic product**	2Q23 (F)	% q/q	2.3	2.3	2.1
	08:30	US	Personal consumption**	2Q23 (F)	% q/q	1.7	1.7	1.7
	09:00	US	Fed's Goolsbee Speaks at Peterson Institute in Washington					
	13:00	US	Fed's Cook Speaks at Minorities in Banking Forum					
	15:00	MX	Monetary policy decision (Banxico)	Sep 28	%	11.25	11.25	11.25
	16:00	US	Fed's Powell Hosts Town Hall With Educators					
	19:00	US	Fed's Barkin Gives Speech on Monetary Policy Outlook					
Fri 29	02:00	UK	Gross domestic product	2Q23 (F)	% y/y	--	0.4	0.4
	02:00	UK	Gross domestic product*	2Q23 (F)	% q/q	--	0.2	0.2
	05:00	EZ	Consumer prices	Sep (P)	% y/y	--	4.5	5.2
	05:00	EZ	Core	Sep (P)	% y/y	--	4.8	5.3
	08:00	BZ	Unemployment rate	Aug	%	--	7.8	7.9
	08:30	US	Trade balance*	Aug	US\$bn	--	-91.2	-90.9
	08:30	US	Personal income*	Aug	% m/m	--	0.4	0.2
	08:30	US	Personal spending*	Aug	% m/m	--	0.4	0.8
	08:30	US	Real personal spending*	Aug	% m/m	0.2	0.0	0.6
	08:30	US	PCE Deflator*	Aug	% m/m	0.4	0.5	0.2
	08:30	US	Core*	Aug	% m/m	0.2	0.2	0.2
	08:30	US	PCE Deflator	Aug	% y/y	3.4	3.5	3.3
	08:30	US	Core	Aug	% y/y	3.9	3.9	4.2
	10:00	US	U. of Michigan confidence*	Sep (F)	index	67.7	67.7	67.7
	11:00	MX	Banking credit	Aug	% y/y	5.6	--	5.7
	12:45	US	Fed's Williams to Speak on Monetary Policy					
	14:00	COL	Monetary policy decision (BanRep)	Sep 29	%	--	13.25	13.25
	16:30	MX	Public finances (PSBR, year-to-date)	Aug	MXNmn	--	--	-608.0
	21:30	CHI	Manufacturing PMI*	Sep	index	--	50.2	49.7
	21:30	CHI	Non-manufacturing PMI*	Sep	index	--	51.5	51.0
	21:30	CHI	Composite PMI*	Sep	index	--	--	51.3

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

For the week ending September 22, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 18	08:00	MX	Aggregate supply and demand	2Q23	% q/q	4.2	4.8	5.2
Tue 19	04:00	EZ	Current account*	Jul	EURbn	--	20.9	35.8
	05:00	EZ	Consumer prices	Aug (F)	% y/y	--	5.2	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	3.4
	08:00	BZ	Economic activity	Jul	% y/y	--	0.7	2.4 (R)
	08:00	BZ	Economic activity*	Jul	% m/m	--	0.4	0.2 (R)
	08:30	US	Housing starts**	Aug	thousands	--	1,283	1,447 (R)
	08:30	US	Building permits**	Aug	thousands	--	1,543	1,443
	11:00	MX	International reserves	Sep 15	US\$bn	--	204.2	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	--	6.7	6.8
	02:00	UK	Core	Aug	% y/y	--	6.2	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	5.25	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	5.1	5.9
	08:00	MX	Retail sales*	Jul	% m/m	0.2	0.2	2.2 (R)
	08:30	US	Initial jobless claims*	Sep 16	thousands	226	201	221 (R)
	08:30	US	Philadelphia Fed*	Sep	index	2.0	-13.5	12.0
	10:00	US	Existing home sales**	Aug	thousands	--	4.0	4.1
	10:00	EZ	Consumer confidence*	Sep (P)	index	--	-17.8	-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	-0.10
Fri 22	03:30	GER	Manufacturing PMI*	Sep (P)	index	--	39.8	39.1
	03:30	GER	Services PMI*	Sep (P)	index	--	49.8	47.3
	03:30	GER	Composite PMI*	Sep (P)	index	--	46.2	44.6
	04:00	EZ	Manufacturing PMI*	Sep (P)	index	--	43.4	43.5
	04:00	EZ	Services PMI*	Sep (P)	index	--	48.4	47.9
	04:00	EZ	Composite PMI*	Sep (P)	index	--	47.1	46.7
	04:30	UK	Manufacturing PMI*	Sep (P)	index	--	44.2	43.0
	04:30	UK	Services PMI*	Sep (P)	index	--	47.2	49.5
	08:00	MX	Consumer prices	Sep 15	% m/m	0.21	0.25	0.26
	08:00	MX	Core	Sep 15	% m/m	0.19	0.27	0.08
	08:00	MX	Consumer prices	Sep 15	% y/y	4.40	4.44	4.60
	08:00	MX	Core	Sep 15	% y/y	5.70	5.78	5.96
	08:00	MX	GDP-proxy IGAE	Jul	% y/y	3.5	3.2	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	48.9	47.9
	09:45	US	Services PMI*	Sep (P)	index	--	50.2	50.5
	09:45	US	Composite PMI*	Sep (P)	index	--	50.1	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

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 TIE-IRS steepener	28bps	43bps	18bps	31bps	P ²	Feb-15-17	Mar-15-17	
5y10y TIE-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 TIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% ¹	P	Nov-12-15	Feb-8-16	
Long spread 10-year TIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15	
Receive 9-month TIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15	
Spread TIE 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 TIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15	
Pay 9-month TIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15	
Pay 5-year TIE-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 TIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14	
Receive 1-year TIE-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 TIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13	
Receive 1-year TIE-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 TIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13	
Spread TIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13	
Receive 1-year TIE-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 TIE-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 TIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13	
Receive TIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13	
Spread TIE-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

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