Fixed-Income and FX Weekly

- **Negative balance in local assets.** This week, Mbonos' curve adjusted +10bps, on average, with the largest movements at the belly. The 10-year benchmark ended at 9.87% (+8bps w/w). In addition, MXN depreciated 1.3% w/w closing at 17.42 per dollar

- **Focus on labor market figures and speeches by Fed members.** We ended September with a negative balance in the financial markets and high volatility. Investors continue to be concerned about a restrictive monetary policy that could remain in place for longer in developed countries and the impact that higher crude-oil prices will have on inflation expectations. The markets also reflected uncertainty regarding a possible government shutdown in the US due to the legislative impasse and the potential effects of the strike in the automotive sector. Fed members struck a hawkish tone, hinting at the possibility of a +25bps hike in the Fed funds rate, which is our baseline scenario. However, the market assigns this scenario a 19% probability and has pushed back the start of the easing cycle to July 2024 vs. May 2024 a month ago. In this context, the Treasuries yield curve reached multi-year highs and closed with a steepening, resulting from adjustments of up to +19bps w/w on the long-end. The dollar strengthened against most currencies, marking its highest level since November 2022. Locally, Banxico maintained its benchmark rate at 11.25% with a unanimous vote and revised upwards its inflation forecasts. Mbonos' curve ended the week with losses of 10bps on average and a steepening bias. Meanwhile, the Mexican peso depreciated 1.3% w/w to 17.42 per dollar, the fourth weakest in EM. Next week, the direction of financial assets could be defined by the tone of Fed members' remarks, including Powell, and economic data, among which employment figures will stand out for their implications on the monetary stance and other economic activity indicators such as PMIs in some regions. Additionally, the central banks of Australia, India, New Zealand, Poland, Peru and Romania will publish their monetary policy decision. Furthermore, the US agenda includes ISM indicators, factory orders, trade balance and unemployment rate, among the most relevant. In Mexico, PMI manufacturing, IMEF figures, family remittances, gross fixed investment, consumer confidence, as well as the expectations survey from both the banking sector and Banxico will be published. We expect Treasury yields to continue moving higher as the market incorporates a further Fed hike and the USD to remain strong

Fixed-Income

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 20-year Mbono (Nov'42), the 3-year Udibono (Dec'26), and 2-, 5- and 10-year Bondes F

- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.345 trillion (US$ 78.6 billion), a market share equal to 31.6%, as of September 19th. Short positions in Mbono May'33 ended at MXN 3.2 billion from MXN 3.5 billion last week

- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 530bps from 535bps the previous week, with the 12-month mean at 528bps

Foreign Exchange

- **Market positioning and flows** – Net long position in USD (as of September 26th) rose 20% w/w to US$ 4.44 billion, highlighting as the best safe-haven currency. Mutual funds' flows to EM marked bigger sales of US$ 3.1 billion from US$ 2.4 billion a week ago due to an increase in equities sales

- **Technicals** – The spot breached easily key resistances at 17.25, 17.50, and 17.70, reaching its weakest intraday level since the end of May at 17.82 per dollar. With this, it recorded a weekly trading range of 64 cents vs 25 cents last week

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

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com

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

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

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

Recommendations
Fixed-Income
- Market convinced that Banxico will keep interest rates high for longer. The curve now prices-in the first rate cut of 25bps until May 2024 vs March 2024 last week
- We expect sovereign bond yields to continue to be driven higher as the market fully priced-in our call of an additional hike in November (+5bps vs +25bps)
- Next week, we expect the 10-year Mbono to trade between 9.70% and 10.10%

FX
- The USD could extend its appreciation trend as the market incorporates a higher-for-longer rate scenario for a longer horizon. In this context, the MXN could remain volatile, although the attractive carry should make it more resilient vs. its peers. We estimate a trading range between USD/MXN 17.25 and 17.75

Fixed–Income Dynamics

Mbonos performance

Maturity date	YTM Sep/29/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.60	+1	+78
Sep'24	11.47	+13	+138
Dec'24	10.93	+8	+106
Mar'25	10.51	-6	+58
Mar'26	10.48	+3	+125
Sep'26	10.49	+14	+109
Mar'27	10.28	+15	+109
Jun'27	10.28	+16	+120
Mar'29	10.13	+18	+76
May'29	9.93	+11	+86
May'31	9.92	+12	+90
May'33	9.87	+8	+85
Nov'34	9.86	+9	+81
Nov'36	9.86	+10	+81
Nov'38	9.95	+11	+86
Nov'42	9.99	+12	+88
Nov'47	9.89	+11	+81
Jul'53	9.87	+6	+82

Source: PiP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Sep/29/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.53	-1	+62
6-month (6x1)	11.53	+1	+49
9-month (9x1)	11.48	+3	+41
1-year (13x1)	11.34	+8	+43
2-year (26x1)	10.62	+23	+75
3-year (39x1)	10.08	+27	+90
4-year (52x1)	9.79	+28	+89
5-year (65x1)	9.60	+26	+78
7-year (91x1)	9.51	+26	+77
10-year (130x1)	9.48	+23	+74
20-year (260x1)	9.55	+23	+70

Source: PiP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Sep/29/2023	Weekly change (bps)	YTD (bps)
Dec'25	6.30	+27	+154
Dic'26	6.27	+22	+161
Nov'28	5.36	0	+105
Nov'31	5.16	+2	+99
Nov'35	4.87	+5	+66
Nov'40	4.82	+2	+63
Nov'43	4.90	+7	+40
Nov'46	4.88	+6	+69
Nov'50	4.90	+8	+66

Source: PiP, Banorte

Cetes performance

Maturity date	YTM Sep/29/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.18	+3	+109
Cetes 91	11.42	+3	+75
Cetes 182	11.61	+2	+74
Cetes 364	11.73	+9	+76
Cetes 728	11.71	+24	+90

Source: PiP, Banorte

Mbonos curve at different closing dates
%
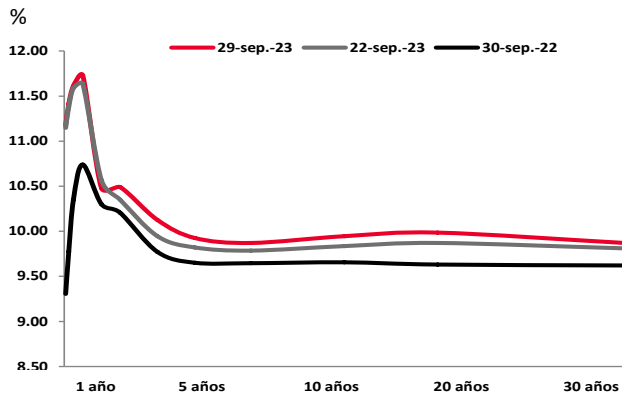
Source: PiP, Banorte

10-year Mbono benchmark
%

Source: PiP, Banorte

BANORTE

Fixed–Income Dynamics (continued)

USD UMS and US Treasuries performance

		UMS			UST			Spreads			CDS
Term	Maturity date	YTM Sep/29/2023	Weekly change (bps)	YTD (bps)	YTM Sep/29/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.34	-4	+86	5.04	-7	+62	29	+3	13	55
3Y	May'26	4.58	+4	-21	4.80	+0	+57	-22	+4	43	75
5Y	Feb'28	5.75	+17	+96	4.61	+5	+61	114	+12	99	128
7Y	Apr'30	6.00	+20	+67	4.61	+9	+65	139	+11	135	169
10Y	May'33	6.29	+23	+73	4.57	+14	+70	172	+9	171	204
20Y	Mar'44	6.88	+25	+50	4.90	+19	+75	198	+6	207	--
30Y	May'53	7.03	+22	+64	4.70	+17	+74	233	+4	238	--

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

BANORTE

Fixed–Income Supply

- **Mexico's weekly auction.** The MoF published the [4Q23 government securities auction calendar](#), increasing the amount offered in Bondes F by 16% q/q, while the supply of fixed-rate securities fell 7% t/t. Moreover, the institution said that this quarter Mbonos and Udibonos' syndicated auctions will not be held and the issuance of ASG securities will be evaluated. On Tuesday, 1-, 3-, 6-, and 12-month Cetes, the 20-year Mbono (Nov'42), the 3-year Udibono (Dec'26), and 2-, 5- and 10-year Bondes F will be auctioned

- **We expect robust demand for Cetes to prevail amid high interest rates for longer.** [After Banxico's decision yesterday](#), we modified our monetary policy call. We now see the first 25bps rate cut in May 2024, three months later than our previous view. We also anticipate the level at the end of next year at 9.25%, 100bps higher than before. In this context, we believe that investors will reiterate their preference for Cetes due their attractive real rates. The 20-year Mbono is trading at 9.99% with a loss of 113bps in 3Q23. After these adjustments, the security is perceived as undervalued according to the duration-adjusted return analysis. Hence, it could be attractive to investors with long-term portfolios. With this, we expect good demand around 2.5x. In real rates, we anticipate moderate appetite for the 3-year Udibono (Dec'26) given a more attractive relative valuation. The 3-year breakeven is again below the level that historically triggers greater buying appetite (4.00%) at 3.97% from 4.11% the previous month

Auction specifics (October 3, 2023)

| Security	Maturity	Coupon rate, %	To be auctioned[1]	Previous yield[2]
Cetes				
1m	Nov-01-23	--	8,500	11.05
3m	Jan-04-24	--	7,600	11.39
6m	Apr-04-24	--	12,700	11.60
12m	Sep-19-24	--	9,200	11.66
Bondes F				
2Y	May-22-25	--	5,800	0.16
5Y	Jan-27-28	--	1,400	0.22
10Y	Oct-21-32	--	800	0.30
Bono M				
20Y	Nov-13-42	7.75	4,500	9.57
Udibono				
3Y	Dec-03-26	3.00	UDIS 700	5.96

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
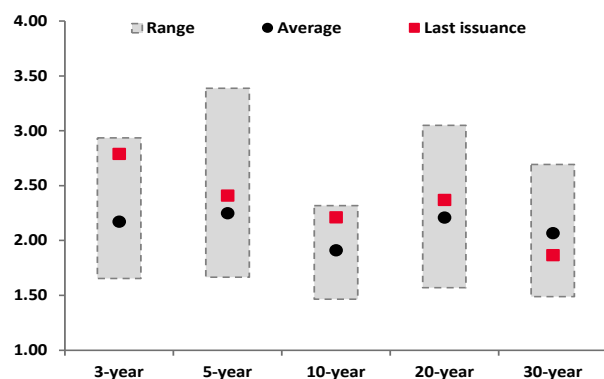
4Q23 Government Securities Auction Calendar*

Date	Cetes	Bonos M	Udibonos	Bondes F
Oct-03	1, 3, 6, and 12M	20Y (Nov'42)	3Y (Dec'26)	2, 5, and 10Y
Oct-10	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, and 3Y
Oct-17	1, 3, 6, and 12M	30Y (Jul'53)	10Y (Nov'31)	2, and 5Y
Oct-24	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, 3, and 7Y
Oct-30	1, 3, 6, and 12M	10Y (May'33)	3Y (Dec'26)	2, 5, and 10Y
Nov-07	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, and 3Y
Nov-14	1, 3, 6, and 12M	20Y (Nov'42)	10Y (Nov'31)	2, and 5Y
Nov-21	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, 3, and 7Y
Nov-28	1, 3, 6, and 12M	30Y (Jul'53)	3Y (Dec'26)	2, 5, and 10Y
Dec-05	1, 3, 6, and 24M	3Y (Sep'26)	20Y (Nov'43)	1, and 3Y
Dec-11	1, 3, 6, and 12M	10Y (May'33)	10Y (Nov'31)	2, and 5Y
Dec-19	1, 3, 6, and 24M	5Y (Mar'29)	30Y (Nov'50)	1, 3, and 7Y
Dec-26	1, 3, 6, and 12M	20Y (Nov'42)	3Y (Dec'26)	2, 5, and 10Y

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
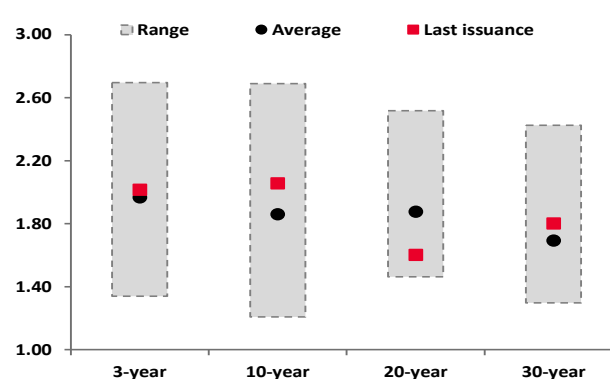
Source: Bloomberg, Banorte

Fixed–Income Demand

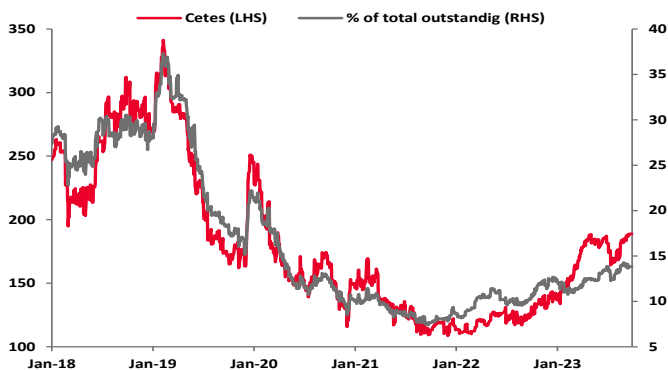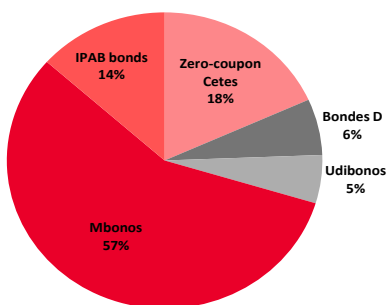**Cetes held by foreigners**
MXN billion, %

Source: Banxico, Banorte

Mbonos held by foreigners
MXN trillion, %

Source: Banxico, Banorte

Government issuance by type of instrument
Total amount of US$ 436 billion, % of total

- IPAB bonds 14%
- Zero-coupon Cetes 18%
- Bondes D 6%
- Udibonos 5%
- Mbonos 57%
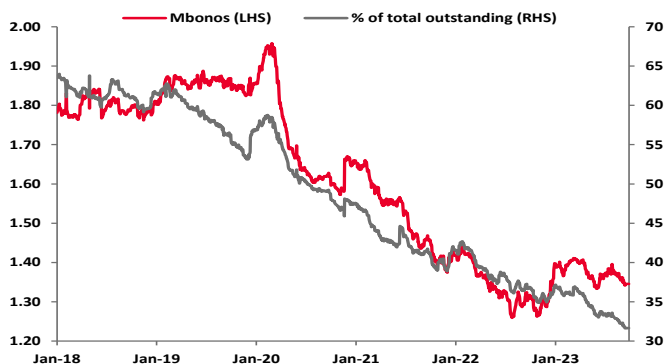
Source: Banxico, Banorte

Mbonos holdings by type of investor
Total amount of US$ 248 billion, % of total

- Other locals 24%
- Banks 15%
- Foreign investors 32%
- Institutional Investors 29%

Source: Banxico, Banorte

Government bond holdings by type of investor
US$ billion and %, data as of Sep/19/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Total amount outstanding	80	27	180	248
Foreign investors	14%	0%	4%	32%
Pension funds	11%	6%	54%	23%
Mutual funds	15%	45%	5%	3%
Insurance companies	6%	1%	19%	3%
Banks	13%	17%	2%	15%
Others	42%	31%	16%	24%

Source: Banxico, Banorte

Foreign investors holdings of government bonds
US$ billion, data as of Sep/19/2023

|	Cetes	Bondes D	Udibonos*	Bonos M
Actual	11.0	0.1	6.9	78.6
Previous Week	10.9	0.1	0.9	78.6
Difference	0.1	0.0	6.0	0.0
Dec/30/2023	8.2	2.0	1.0	81.7
Difference	2.8	-1.9	5.9	-3.1

Source: Banxico, Banorte

Mbonos holdings by typ of investor
US$ billions and %, data as Sep/14/2023

| Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	10.1	28%	8%	17%	47%
Sep'24	16.9	17%	19%	11%	53%
Dec'24	13.7	28%	27%	8%	37%
Mar'25	10.0	29%	17%	17%	37%
Mar'26	26.7	34%	24%	16%	26%
Sep'26	5.3	27%	30%	10%	34%
Mar'27	21.4	29%	17%	14%	40%
Jun'27	20.6	16%	39%	29%	16%
Mar'29	1.6	36%	5%	11%	47%
May'29	16.3	4%	51%	23%	22%
May'31	25.4	7%	43%	33%	16%
May'33	12.9	4%	38%	32%	26%
Nov'34	5.6	0%	51%	36%	13%
Nov'36	4.3	0%	30%	39%	31%
Nov'38	12.7	2%	41%	40%	17%
Nov'42	17.7	2%	43%	41%	15%
Nov'47	15.2	2%	35%	44%	19%
Jul'53	9.6	1%	33%	44%	21%
Total	**236.2**	**15%**	**32%**	**26%**	**27%**

Source: Banxico, Banorte

BANORTE

Fixed–Income Demand – Primary dealers

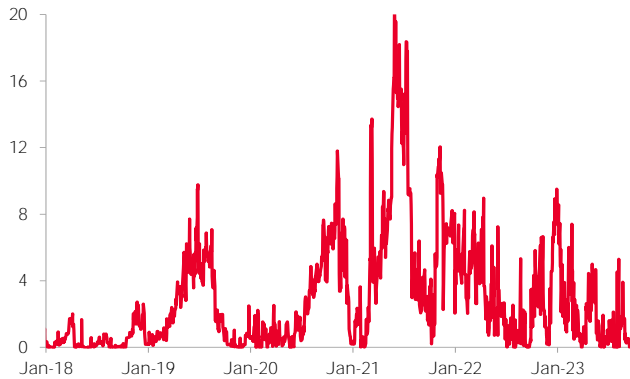**Market makers' short positions on Mbonos**
MXN billion
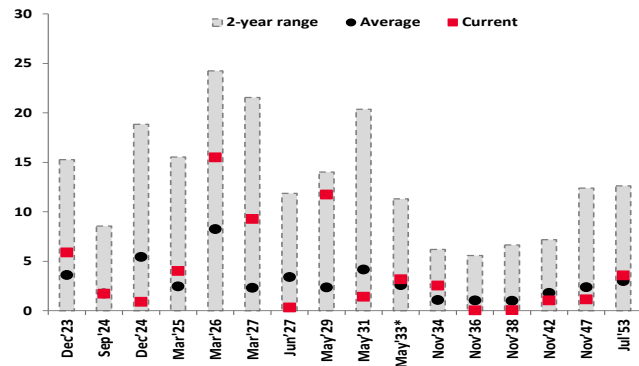
Source: Banxico, Banorte *May'33 issued in December 2022

Weekly change in market makers' short positions on Mbonos
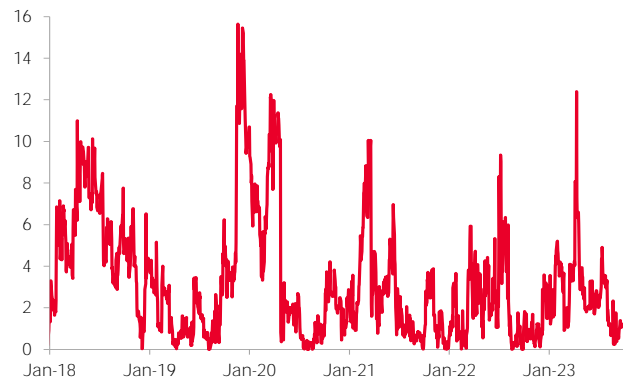MXN billion
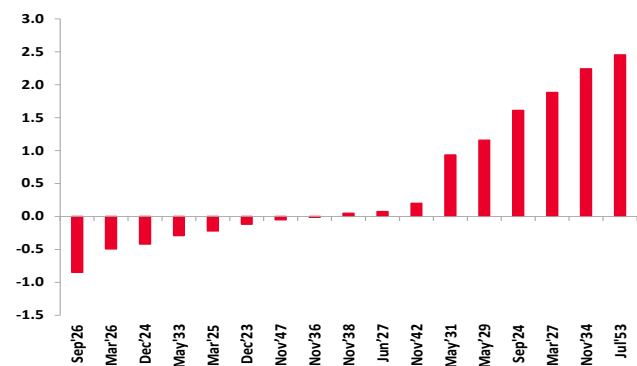
Source: Banxico, Banorte

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/28/2023	Sep/28/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,865	336	343	101	336	372	0
Sep'24	16,574	97	6	7	134	252	0
Dec'24	13,491	51	74	112	422	187	0
Mar'25	11,345	230	242	249	15	886	0
Mar'26	26,135	884	912	1,028	336	1,382	103
Sep'26	5,138	219	268	1	0	1,230	0
Mar'27	21,219	528	421	259	71	1,229	0
Jun'27	20,079	18	14	221	140	620	0
Mar'29	2,315	89	48	42	0	105	0
May'29	16,464	669	603	483	178	800	45
May'31	24,817	81	28	25	97	303	0
May'33	13,087	181	198	231	0	644	3
Nov'34	5,556	145	17	14	37	351	0
Nov'36	4,175	2	3	0	207	318	0
Nov'38	12,388	3	0	40	31	157	0
Nov'42	17,257	59	48	13	181	329	0
Nov'47	14,882	65	68	14	104	707	13
Jul'53	9,501	203	63	52	204	390	0
Total	**244,289**	**3,658**	**3,292**	**2,841**	**2,290**		

Source: Banxico, Banorte

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 +87bps from +57bps, 3-month at +16bps from +7bps, 6-month remains unchanged at -7bps, and 1-year at -20bps from -27bps

- **Market convinced that Banxico will keep interest rates high for a longer time.** Investors recalibrated their expectations, delaying the start of interest rate cuts by Banxico as they assimilated the Federal Reserve's hawkish pause and a more complex inflationary environment following the ~10% rally in crude-oil prices in September. In this sense, the TIIE-IRS curve steepened with adjustments of +8bps in the 1-year node (13X1) and +25bps in the rest of the maturities. With this, the curve now prices-in the first rate cut of 25bps until May 2024 vs March 2024 last week. In the US, the market is still skeptical about an additional hike despite the hawkish comments from Fed speakers, so it assigns a probability of 19% in November and 38% in case the hike is delayed to December

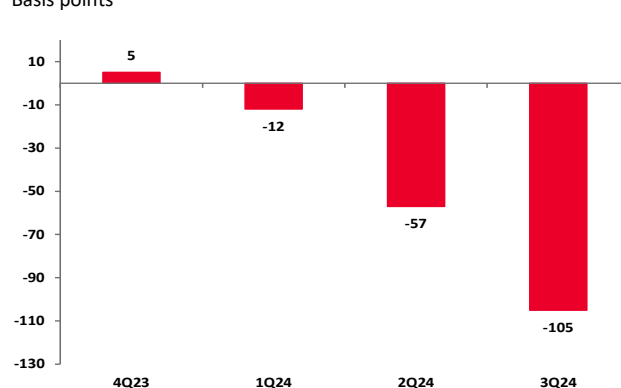**Spread between Cetes and Implied Forward Rates**
Basis points

Tenor	Actual Sep/29/2023	Previous Week	Mes previo	Promedio 6m	Max 6m	Min 6m
1 month	87	57	39	6	489	-222
3 months	16	7	-32	-59	32	-150
6 months	-7	-7	-55	-74	10	-125
12 months	-20	-27	-77	-71	-19	-98

Source: PiP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate
Basis points

Source: Bloomberg, Banorte

- **In light of strong bond fluctuations, the risk premium decreased marginally.** Investors showed greater preference for safe-haven assets in a complex backdrop with risks to growth from rising energy prices and a legislative impasse in the US that could impact credit ratings. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 530bps vs 535bps the previous week, while the average of the last twelve months stands at 528bps

- **The 3-month correlation between Mexican and US 10-year bonds remained stable.** The reading closed Friday at +63% unchanged vs the previous week. Thus, local bonds will continue to be influenced by the performance of Treasuries
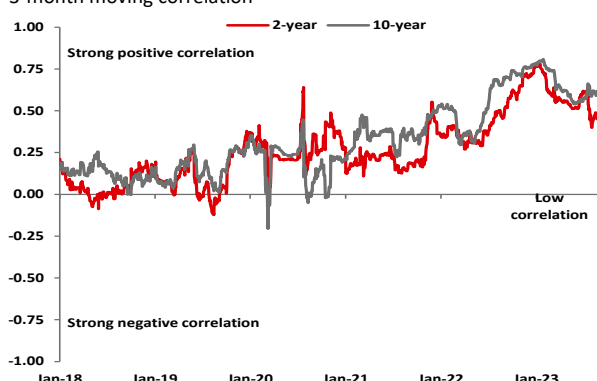
10-year Mbono and 10-year UST spread
Basis points

Source: PiP, Banorte

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

Source: Bloomberg, Banorte

Fixed–Income Technicals (continued)
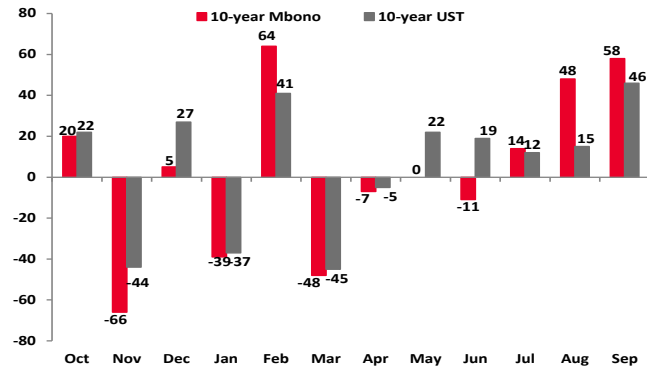
Selected Spreads
Basis points

Tenor	Sep/29/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-61	-106 (+45bps)	-155 (+94bps)	-70 (+9bps)	-47	-199	-140
Mbono 10s30s	0	3 (-3bps)	8 (-8bps)	-3 (+3bps)	35	-15	10
TIIE-Mbono 2-year	14	-46 (+60bps)	-73 (+87bps)	-20 (+34bps)	14	-91	-49
TIIE-Mbono 10-year	-40	-54 (+14bps)	-52 (+12bps)	-45 (+5bps)	-17	-68	-47

Source: Bloomberg, PiP, Banorte

Mexican and US rates performance, last 12 months
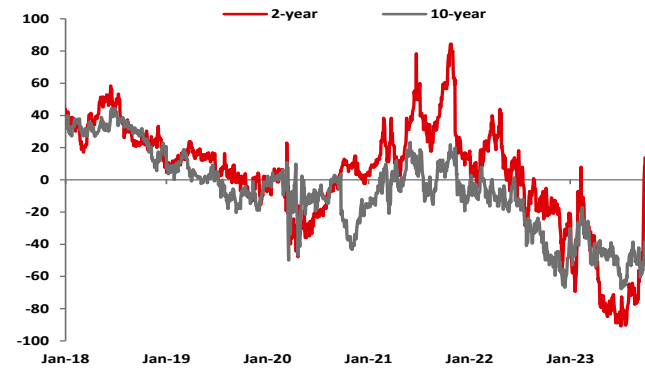Basis points

Source: PiP, Bloomberg, Banorte

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

Source: PiP, Bloomberg, Banorte
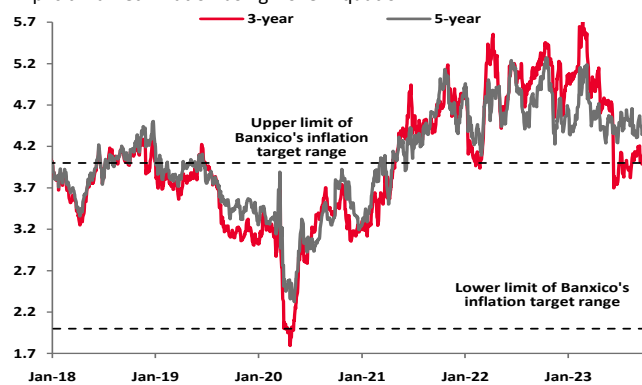
Breakeven inflation using Mbonos & Udibonos
Implicit market inflation using Fisher Equation (%)

Date	Sep/29/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.97	4.05 (-8bps)	4.11 (-14bps)	5.23 (-126bps)	5.74	3.70	4.72
5Y	4.52	4.35 (+17bps)	4.31 (+21bps)	5.04 (-52bps)	5.28	4.23	4.60
10Y	4.48	4.42 (+6bps)	4.27 (+21bps)	4.93 (-45bps)	5.16	4.04	4.44
20Y	4.85	4.81 (+4bps)	4.59 (+26bps)	4.86 (-1bp)	5.15	4.15	4.58
30Y	4.74	4.77 (-3bps)	4.56 (+18bps)	4.86 (-12bps)	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

- **Investors are seeking more compensation to hold long-term debt.** Sovereign bonds ended September with a massive sell-off, led by Treasuries, as investors assessed a higher-for-longer-rate scenario. In this sense, the latest comments from Fed speakers supported the possibility of an additional hike before the end of 2023

- In this context, long-term Treasury yields reached new multi-year highs. The 10-year rate rose to levels not seen since 2007 of 4.61%, while the 30-year rate reached highs since 2011 of 4.72%. In this sense, investors are looking for more compensation to hold long-term debt; that is, a higher term premium. This week, 10-year term premium became positive for the first time since June 2021 according to the Federal Reserve Bank of New York. The index estimates the amount by which Treasury yields exceed the expected path of short-term rates. This adjustment implies a signal of even higher long-term rates. It is worth remembering that this movement was also driven by greater Treasury supply during the quarter to finance the government deficit

10-year Treasury term premium
%

Source: Fed de Nueva York, Banorte

10-year *Treasury*
%

Source: Bloomberg, Banorte

- During 3Q23, the Treasuries' curve registered a "bear steepening" cause by long-term rates (+80bps) increasing at a faster pace than short-term rates (+16bps). Although the curve remains inverted, a significant correction was observed with the 2s/10s spread closing at -48bps from -106bps in June. In Mexico, the Mbonos' curve replicated these movements, although with broader adjustments. Long-term Mbonos lost 114bps, short-term ones lost 54bps and the 2s/10s spread ended at -61bps from -147bps. In particular, the yield of the 10-year Mbono (May'33) rose to highs not seen since the 2008 financial crisis of 10.11%. For their part, CPI-linked bonds (Udibonos) averaged losses of 70bps. Amid an environment of heightened uncertainty, the local risk premium rose to 530bps (+47bps q/q) and the 5-year CDS reached 6-month highs of 128bps (+26bps q/q)

- The fixed-income market will start October absorbing comments from Fed members, including Powell, as well as the US employment report. We expect sovereign bond yields to continue to be driven higher as the market fully priced-in our expectation of an additional hike in November (+5bps vs +25bps) amid a rebound in energy prices and is convinced that a "soft landing" of the economy will be achieved. In this sense, we expect the 10-year Mbono to trade between 9.70% and 10.10%

FX dynamics

- **Migration of flows into safe-haven assets determined the FX market trend.** The Fed's restrictive monetary policy, divergence with other central banks, risks to global growth and a sell-off in sovereign bonds have been the main catalysts in the FX market. In this sense, the Mexican peso recorded two weeks of losses in a row with investors leaving aside the solid fundamentals. The MXN closed Friday at 17.42 to the dollar, representing a 1.3% w/w depreciation

- **USD racked up ten consecutive weeks of gains on the DXY.** Both the DXY index and the BBDXY recorded gains of 0.6% w/w. In G10 currencies, trading was capped by SEK (+1.9%) and CHF (-1.0%). In emerging currencies, PHP (+0.4%) was the strongest and at the opposite end of the spectrum was COP (-2.2%)

Foreign Exchange market levels and historical return

		Close at Sep/29/2023	Daily Change (%)[1]	Weekly change (%)[1]	Monthly change (%)[1]	YTD[1] (%)
Emerging Markets						
Brazil	USD/BRL	5.03	0.0	-1.9	-2.9	4.9
Chile	USD/CLP	891.53	1.7	0.2	-4.4	-4.5
Colombia	USD/COP	4,067.88	0.2	-2.2	0.6	19.3
Peru	USD/PEN	3.78	0.4	-1.0	-2.6	0.6
Hungary	USD/HUF	368.42	0.7	-0.7	-5.7	1.3
Malaysia	USD/MYR	4.70	0.3	-0.1	-1.2	-6.2
Mexico	**USD/MXN**	**17.42**	**0.7**	**-1.3**	**-3.9**	**11.9**
Poland	USD/PLN	4.37	0.4	-1.2	-6.5	0.0
Russia	USD/RUB	97.55	-0.8	-1.8	-1.5	-24.0
South Africa	USD/ZAR	18.92	0.3	-0.9	-1.3	-10.0
Developed Markets						
Canada	USD/CAD	1.36	-0.7	-0.7	-0.3	-0.2
Great Britain	GBP/USD	1.22	0.0	-0.3	-4.1	1.0
Japan	USD/JPY	149.37	0.0	-0.7	-2.1	-12.2
Eurozone	EUR/USD	1.0573	0.1	-0.8	-3.2	-1.2
Norway	USD/NOK	10.70	0.3	0.6	-1.0	-8.3
Denmark	USD/DKK	7.05	0.1	-0.8	-3.3	-1.5
Switzerland	USD/CHF	0.92	0.0	-1.0	-4.0	1.0
New Zealand	NZD/USD	0.60	0.6	0.6	0.7	-5.5
Sweden	USD/SEK	10.91	0.1	1.9	-0.6	-4.4
Australia	AUD/USD	0.64	0.1	-0.1	-0.6	-5.5

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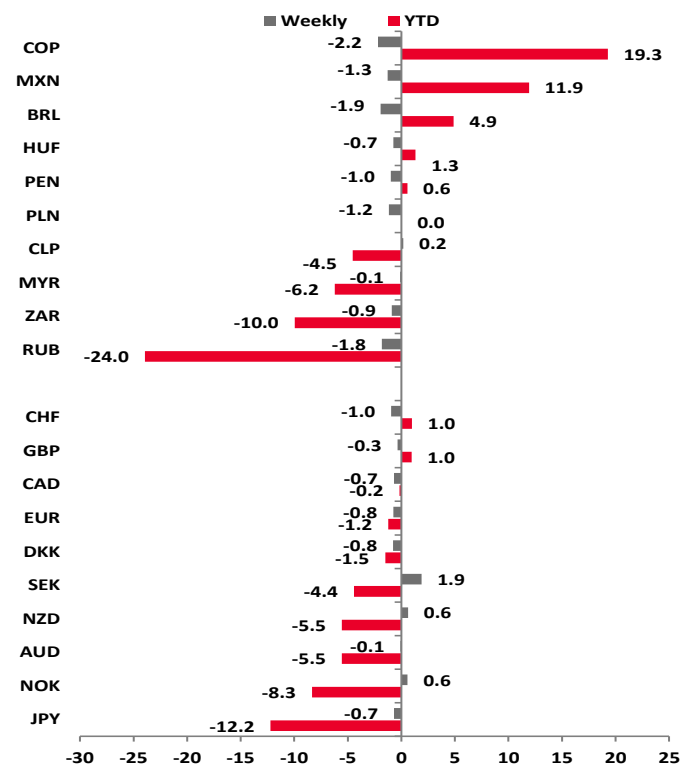
FX performance
Against USD, %

Source: Bloomberg, Banorte

USD/MXN
Last 12 months

Source: Bloomberg, Banorte

DXY
Points

Source: Bloomberg, Banorte

FX positioning and flows

- **Marginal reduction in net long MXN positions.** As of September 26th, the MXN position recorded a net long of US$ 1.727 billion from US$ 1.862 billion last week. Despite high volatility in financial markets, speculators still bet on a defensive performance of the MXN as the market expects that Banxico will delay the beginning of rate cuts and the attractive volatility-adjusted carry vs. its emerging peers

- **Greater net long positioning in USD, standing out as the best safe-haven currency.** The USD IMM position was net long US$ 4.437 billion from US$ 3.692 billion, due to greater demand for assets considered as safe-haven driven by the possibility of a US government shutdown. The adjustment was the result of sales in GBP (-1.502 billion), JPY (-636 million) and EUR (-610 million), despite purchases in CAD (+1.143 billion) and AUD (+795 million). It is worth remembering that during 2021 and 2022, the largest net long positioning in USD was approximately US$25.6 billion

- **Sales increased in EM while Mexico recorded 9 consecutive weeks with outflows.** Our EPFR aggregate recorded bigger negative flows of US$ 3.1 billion from US$ 2.4 billion the previous week. Bond market sales fell 2% to US$ 1.1 billion. In contrast, equities outflows increased 49% to US$ 2.0 billion, concentrated in Asia and LATAM. In Mexico, a negative flow of US$ 137 million was recorded because of sales in both bonds and equities of US$ 73 million and US$ 64 million, respectively

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

Source: CME, Banorte

IMM positioning by currency*
Billion dollars
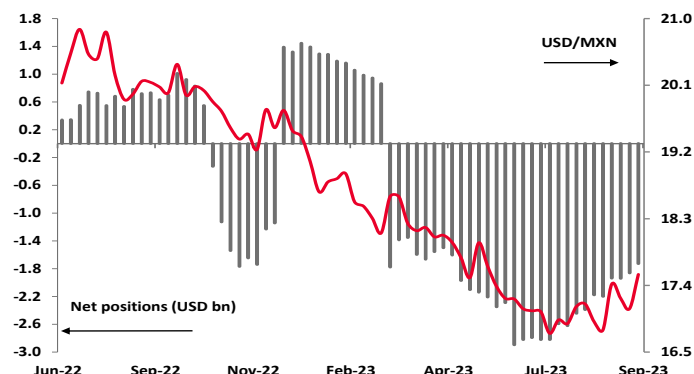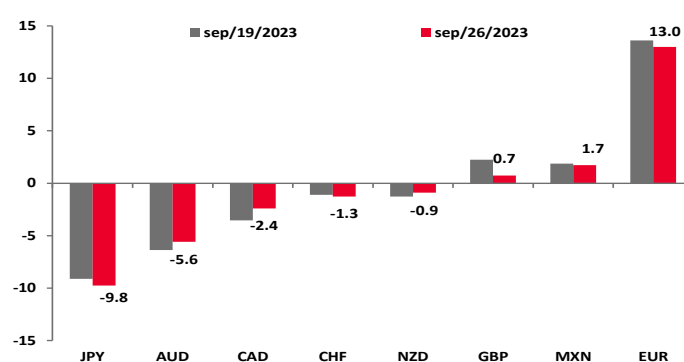
* Positive: Net long in the corresponding currency
Source: CME, Banorte

Foreign portfolio flows into Mexico
Accumulated during the last 12M, million dollars

Source: EPFR Global, Banorte

**Net foreign portfolio flows by region***
Weekly, million dollars
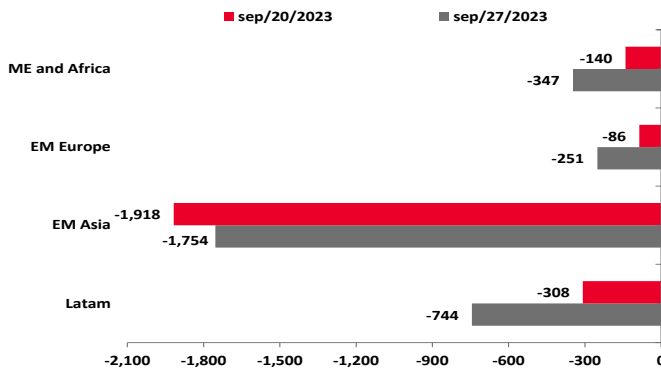
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- **The Mexican peso breached relevant technical references.** The risk-off mood and outflows to safe-haven assets triggered a rapid adjustment in the MXN. With this bias, the peso breached relevant technical levels, reaching its weakest intraday level since late May of 17.82 per dollar. However, by the end of the week, the MXN recovered part of the losses. Currently, the main short-term resistances are located at 17.36, 17.25 and 17.10, with supports at 17.62, 17.73 and 17.84. This week, the trading range was 64 cents, higher than the four-week average (49 cents). Next week, the dynamics of the FX market will be mainly driven by Fed members' speeches, including Powell and the release of labor market figures in the US. At the local level, we will be watching for the release of economic activity indicators and Banxico's expectations survey

USD/MXN – Moving averages
Last 120 trading days

USD/MXN= 17.42 MA (50)= 17.11
MA (100)= 17.19 MA (120)= 17.31
MA (200)= 17.84
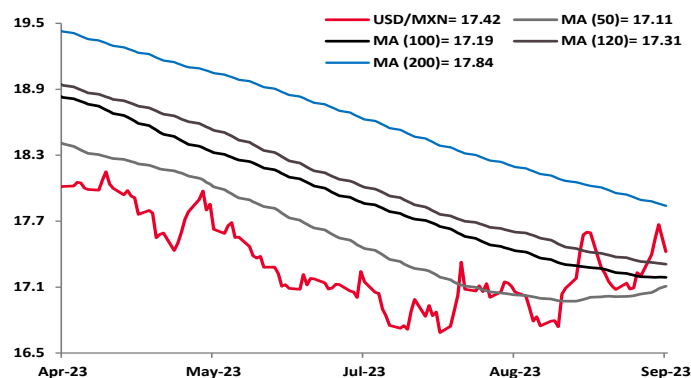
Source: Bloomberg, Banorte

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	56	51	-7	56	27
CAD	38	33	1	63	31
ZAR	59	56	4	72	40
BRL	72	71	19	79	55
HUF	65	62	4	70	48
RUB	42	35	-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	32	35	14	89	46
SPX	38	36	5	71	39
GSCI	-10	-1	-10	49	25
Oro	46	39	-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

EUR CAD ZAR BRL HUF RUB

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

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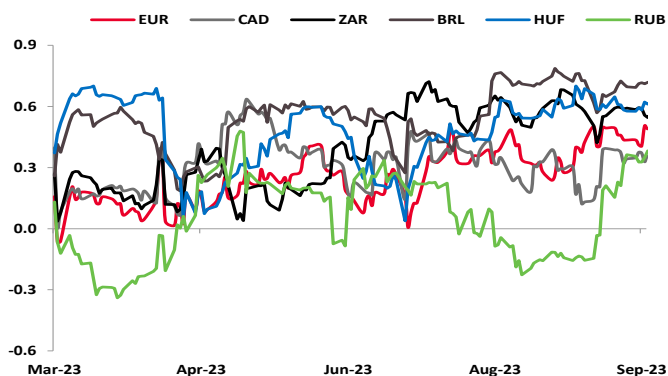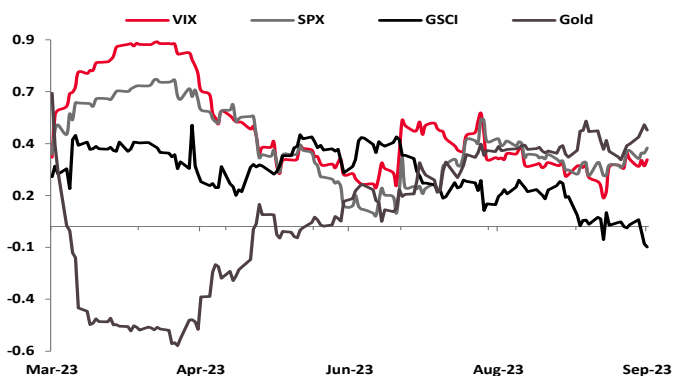Based on daily percentage changes

VIX SPX GSCI Gold

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

BANORTE

FX technicals (continued)

- **Boost at the short-end of the MXN ATM implied volatility curve amid a risk-off sentiment.** The 1-month implied volatility rose this week 1.1 vegas to 12.08%, although the reading remains below the same metric for their EM peers like BRL at 13.36% (+1.0 vegas), CLP at 15.33% (+0.1 vegas), and COP en 16.44% (+0.9 vegas). This adjustment shows concerns about China's growth and US interest rates higher for longer. For their part, the 1- and 3-month risk reversals declined modestly to 3.25 vols and 3.70 vols, respectively, although they remain close to historical highs after the MXN's depreciation of 3.9% in the last two months

USD/MXN – ATM options volatility curve
%
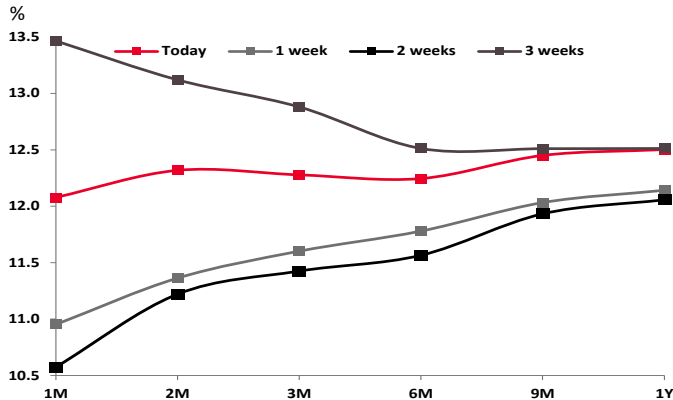
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility
%
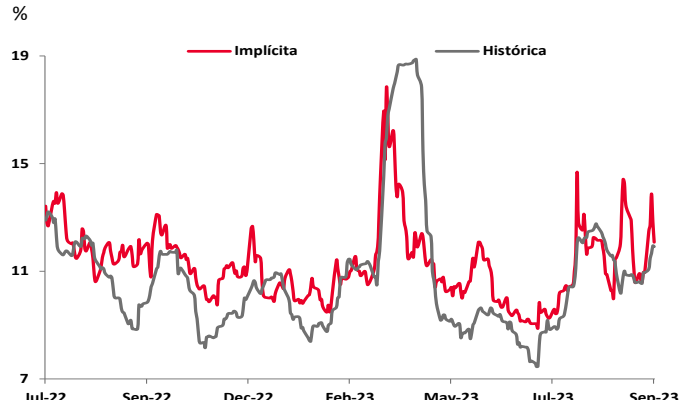
Source: Bloomberg, Banorte

USD/MXN – Spread between implicit and historical volatility
Bps
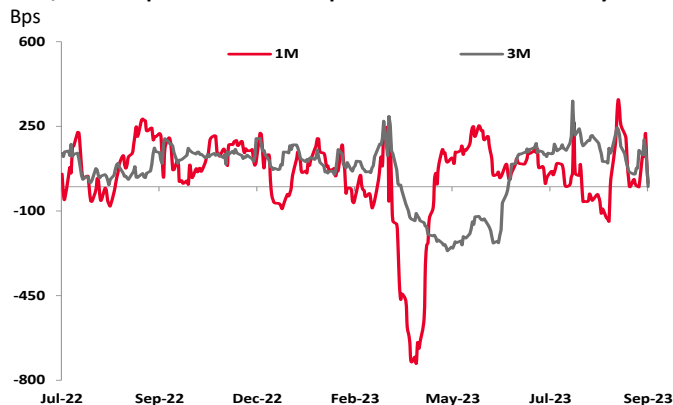
Source: Bloomberg, Banorte

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
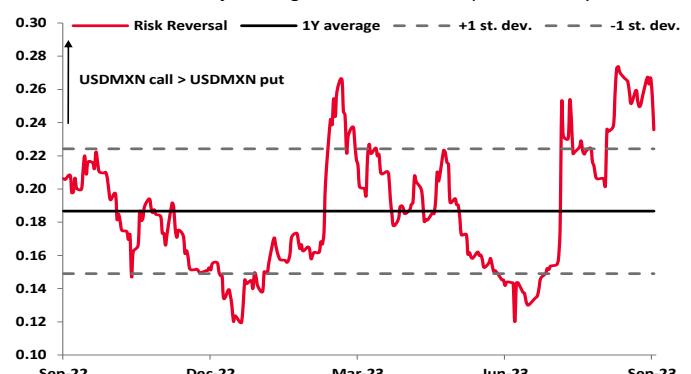
Source: Bloomberg, Banorte

BANORTE

FX trade recommendations

- **We expect a strong USD due to a higher-for-longer-rate scenario.** The FX market's performance during the week reflected investors' concerns about the Fed's tightening monetary stance and its permanence at elevated levels. In addition, some central bankers reiterated in a hawkish tone the possibility of further increases in the Fed funds rate, if necessary. This under a dynamic of rising crude-oil futures reflecting a shortage in supply that could impact inflation expectations. In this sense, the dollar strengthened reaching highs since November 2022 while, both the DXY and BBDXY indices advanced 0.6% w/w. As we anticipated in our previous edition, the crossing of the 50-day MA over the 200-day MA would be a favorable technical signal (Golden cross) that would allow extending the uptrend. As this pattern is confirmed in the BBDXY, the next technical resistance defined with the 61.8% of Fibonacci (1,300 points) would imply a potential appreciation of 2.7%

- Monetary policy among central banks turned out to be more divergent than we expected at the end of June, with faster rate cuts in some emerging countries and a still hawkish tone in developed countries. In addition, stagflation risks worsened in Europe and China's economic recovery did not materialize, causing greater volatility and migration of flows towards safe-haven assets such as the dollar. At the local level, Banxico also maintained a hawkish tone, with signs of caution in the face of upside risks to inflation. In 3Q23, G10 currencies declined, with GBP (-4.0% q/q) being the weakest. Losses also predominated in EM, with ARS (-26.7% q/q) plunging after the devaluation decreed by the government and CLP (-10.0% q/q) being the second weakest. It is worth mentioning that COP (+2.6% q/q) was the only one with gains. The Mexican peso recorded a more moderate relative performance, although it was not exempt from wide volatility. Thus, the MXN ended the quarter at 17.42 per dollar with a depreciation of 1.7% q/q and a trading range between USD/MXN 16.63 and 17.82. It is worth mentioning that in cumulative terms, the MXN (+11.9% vs. 2022) is still the second-best performer for the year behind COP (+19.3%)

- Next week, the US September employment report will be the main catalyst for currencies. Secondly, there will be central bank decisions from Australia, India, New Zealand, Poland, Peru and Romania, as well as speeches from Fed members, including Powell. In addition, a dynamic of additional pressures on short-term rates as a further 25bps hike in the Fed funds rate is incorporated could maintain the dollar's appreciation bias. For the Mexican peso, we anticipate additional volatility, but it should be lower in relative terms with its LATAM peers as it has an attractive carry and solid fundamentals. In this context, we expect a trading range between USD/MXN 17.25 and 17.75

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

BANORTE

Weekly economic calendar

For the week ending October 6, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 1	21:45	CHI	Manufacturing PMI (Caixin)*	Sep	index	--	51.2	51.0
	21:45	CHI	Services PMI (Caixin)*	Sep	index	--	52.0	51.8
	21:45	CHI	Composite PMI (Caixin)*	Sep	index	--	--	51.7
Mon 2	03:55	GER	Manufacturing PMI*	Sep (F)	index	--	39.8	39.8
	04:00	EZ	Manufacturing PMI*	Sep (F)	index	--	43.4	43.4
	04:30	UK	Manufacturing PMI*	Sep (F)	index	--	44.2	44.2
	05:00	EZ	Unemployment rate*	Aug	%	--	6.4	6.4
	09:00	BZ	Manufacturing PMI*	Sep	index	--	--	50.1
	09:45	US	Manufacturing PMI*	Sep (F)	index	48.9	48.9	48.9
	10:00	US	ISM manufacturing*	Sep	index	--	47.8	47.6
	11:00	US	Fed's Powell and Harker Participate in Roundtable Discussion					
	11:00	MX	Family remittances	Aug	US$bn	5,563.2	--	5,651.5
	11:00	MX	Survey of expectations (Banxico)					
	13:30	US	Fed's Williams Moderates Discussion on Climate Risk					
	14:00	MX	PMI manufacturing (IMEF)*	Sep	index	51.5	--	52.3
	14:00	MX	PMI non-manufacturing (IMEF)*	Sep	index	52.9	--	52.1
	19:30	US	Fed's Mester Speaks on Economic Outlook					
Tue 3	08:00	US	Fed's Bostic Speaks on Economic Outlook, Inflation					
	08:00	BZ	Industrial production	Aug	% y/y	--	1.1	-1.1
	08:00	BZ	Industrial production*	Aug	% m/m	--	0.5	-0.6
	08:00	MX	Gross fixed investment	Jul	% y/y	29.9	28.0	28.8
	08:00	MX	Gross fixed investment*	Jul	% m/m	1.0	0.0	3.1
	08:00	MX	Private consumption	Jul	% y/y	4.1	4.8	4.3
	08:00	MX	Private consumption*	Jul	% m/m	0.1	--	0.3
	11:00	MX	International reserves	Sep 29	US$bn	--	--	204.1
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 20-year Mbono (Nov'42); 3-year Udibono Dec'26) 2-, 5-, and 10-year Bondes F					
	--	US	Total vehicle sales**	Sep	thousands	--	15.4	15.0
Wed 4	03:55	GER	Services PMI*	Sep (F)	index	--	49.8	49.8
	03:55	GER	Composite PMI*	Sep (F)	index	--	46.2	46.2
	04:00	EZ	Services PMI*	Sep (F)	index	--	48.4	48.4
	04:00	EZ	Composite PMI*	Sep (F)	index	--	47.1	47.1
	04:30	UK	Services PMI*	Sep (F)	index	--	47.2	47.2
	04:30	EZ	Retail sales*	Aug	% m/m	--	-0.5	-0.2
	08:15	US	ADP employment*	Sep	thousands	150	130	177
	09:45	US	Services PMI*	Sep (F)	index	50.2	50.2	50.2
	09:45	US	Composite PMI*	Sep (F)	index	50.1	--	50.1
	10:25	US	Fed's Bowman Speaks at Community Banking Research Conference					
	10:30	US	Fed's Goolsbee Speaks at Chicago Payments Symposium					
	10:00	US	Factory Orders*	Aug	% m/m	--	0.4	-2.1
	10:00	US	Ex transportation*	Aug	% m/m	--	--	0.8
	10:00	US	Durable Goods Orders*	Aug (F)	% m/m	--	--	0.2
	10:00	US	Ex transportation*	Aug (F)	% m/m	--	--	0.4
	10:00	US	ISM services*	Sep	index	--	53.6	54.5
		US	Fed's Goolsbee Moderates Discussion With Raghuram Rajan					
Thu 5	02:00	GER	Trade Balance	Aug	EURbn	--	15.8	17.7
	08:00	MX	Consumer confidence*	Sep	index	46.8	--	46.7
	08:30	US	Initial jobless claims*	Sep 30	thousands	--	210	204
	08:30	US	Trade balance*	Aug	USDbn	--	-62.0	-65.0
	09:00	US	Fed's Mester Speaks at Chicago Payments Symposium					
	12:00	US	Fed's Daly Speaks at Economic Club of New York					
	12:15	US	Fed's Barr Speaks on Cyber Risk in the Banking Sector					
	16:30	MX	Survey of expectations (Citibanamex)					
	19:00	PER	Monetary policy decision (BCRP)	Oct 5	%	--	7.25	7.50
Fri 6	08:30	US	Nonfarm payrolls*	Sep	thousands	150	170	187
	08:30	US	Unemployment Rate*	Sep	%	3.7	3.7	3.8
	12:00	US	Fed's Waller Speaks About Payments System					
	15:00	US	Consumer credit*	Aug	USDbn	--	14.5	10.4

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

BANORTE

For the week ending September 29, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 25	04:00	GER	IFO Survey (business climate)*	Sep	index	--	**85.7**	85.8 (R)
	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	--	**0.35**	0.28
	08:00	BZ	Consumer prices	Sep	% y/y	--	**5.00**	4.24
	09:00	US	S&P/CoreLogic housing prices	Jul	% y/y	--	**0.1**	-1.2
	10:00	US	New home sales**	Aug	thousands	--	**675**	739 (R)
	10:00	US	Consumer confidence*	Sep	index	106.0	**103.0**	108.7 (R)
	11:00	MX	International reserves	Sep 22	US$bn	--	**204.4**	204.2
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 5-year Mbono (Mar'29); 10-year Udibono (Nov'31) 1-, 3-, and 7-year Bondes F					
	13:30	US	Fed's Bowman Delivers Welcoming Remarks					
Wed 27	04:00	EZ	Monetary aggregates (M3)*	Aug	EURbn	--	**-1.3**	-0.4
	08:00	MX	Trade balance	Aug	US$mn	-1,704.6	**-1,377.1**	-881.2
	08:30	US	Durable goods orders*	Aug (P)	% m/m	--	**0.2**	-5.6 (R)
	08:30	US	Ex transportation*	Aug (P)	% m/m	--	**0.4**	0.1 (R)
Thu 28	05:00	EZ	Consumer confidence*	Sep (F)	index	--	**-17.8**	-17.8
	05:00	EZ	Economic confidence*	Sep	index	--	**93.3**	93.6 (R)
	08:00	MX	Unemployment rate	Aug	%	3.17	**2.96**	3.13
	08:00	GER	Consumer prices	Sep (P)	% y/y	--	**4.5**	6.1
	08:30	US	Revisions: GDP/National Economic Accounts					
	08:30	US	Initial jobless claims*	Sep 23	thousands	210	**204**	202 (R)
	08:30	US	Gross domestic product**	2Q23 (F)	% q/q	2.3	**2.1**	2.1
	08:30	US	Personal consumption**	2Q23 (F)	% q/q	1.7	**0.8**	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	--	**0.6**	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	--	**4.3**	5.2
	05:00	EZ	Core	Sep (P)	% y/y	--	**4.5**	5.3
	08:00	BZ	Unemployment rate	Aug	%	--	**7.8**	7.9
	08:30	US	Trade balance*	Aug	US$bn	--	**-84.3**	-90.9
	08:30	US	Personal income*	Aug	% m/m	--	**0.4**	0.2
	08:30	US	Personal spending*	Aug	% m/m	--	**0.4**	0.9 (R)
	08:30	US	Real personal spending*	Aug	% m/m	0.2	**0.1**	0.6
	08:30	US	PCE Deflator*	Aug	% m/m	0.4	**0.4**	0.2
	08:30	US	Core*	Aug	% m/m	0.2	**0.1**	0.2
	08:30	US	PCE Deflator	Aug	% y/y	3.4	**3.5**	3.4 (R)
	08:30	US	Core	Aug	% y/y	3.9	**3.9**	4.3 (R)
	10:00	US	U. of Michigan confidence*	Sep (F)	index	67.7	**68.1**	67.7
	11:00	MX	Banking credit	Aug	% y/y	5.6	**6.0**	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	--	**-524.4**	-489.3
	21:30	CHI	Manufacturing PMI*	Sep	index	--	**--**	49.7
	21:30	CHI	Non-manufacturing PMI*	Sep	index	--	**--**	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

BANORTE

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

BANORTE

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.

Relevant statements.

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

Compensation of Analysts.

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

Last-twelve-month activities of the business areas.

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

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

Activities of the business areas during the next three months.

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

Securities holdings and other disclosures.

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

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

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

Guide for investment recommendations.

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

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

Determination of Target Prices

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

BANORTE

Directory
Research and Strategy

Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043

Raquel Vázquez Godinez
Assistant
raquel.vazquez@banorte.com
(55) 1670 – 2967

Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251

Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611

María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research

Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046

Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957

Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821

Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000

Luis Leopoldo López Salinas
Economist, Global Internacional
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707

Market Strategy

Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com
(55) 5268 - 1671

Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719

Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800

José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249

Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com (55) 1670 - 2250

Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247

Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698

Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144

Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248

Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis

Alejandro Cervantes Llamas Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972

José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608

Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220

José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000

Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124

Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000

Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000

BANORTE