

## Fixed-Income and FX Weekly

- **The MXN posted its largest weekly depreciation since November 2021.** This week, Mbonos' curve gained 5bps, on average. The 10-year benchmark ended at 9.84% (-3bps w/w). In addition, the MXN lost 4.1% w/w closing at 18.17 per dollar
- **Focus on the CPI report in the US and Mexico, as well as the Fed and Banxico's minutes.** In the week, investors remained concerned about the scenario of higher-for-longer rates and their eventual effect on economic activity. Markets were also monitoring the tone of Fed members' statements, including Jerome Powell for clues on the FOMC's next actions. Additionally, markets digested labor market data, reacting negatively to the JOLTS and non-farm payrolls report, which came in well above expectations. This data is highly relevant for the Fed's upcoming decision in November. As a result, sovereign bonds fell sharply, and the market recalibrated its expectations to incorporate a 25bps hike in the Fed funds rate with a probability of 30% (vs 19% the previous week). Treasuries' yield curve ended the week with a steepening bias due to losses of up to 27bps in long-term nodes. Locally, Mbonos recorded a relief with gains of 5bps, on average. In the FX market, the USD recorded mixed moves, while the Mexican peso breached short-term technical supports to close at 19.17 per dollar, equivalent to the biggest depreciation since November 2021 of 4.1% w/w. Next week, the main catalysts for the financial markets will be the US September inflation report and the Fed's minutes. In addition, investors will be attentive to speeches from central bank members. In Mexico, we will also receive the September inflation report and Banxico will publish the minutes of its last meeting, in which they raised their inflation forecasts and delayed the convergence towards the target. Mexico's economic agenda also includes ANTAD figures, wage negotiations, as well as industrial and manufacturing production. In events, the IMF and World Bank meetings will begin in Morocco, with the former releasing its World Economic Outlook document. On the energy front, we will have monthly reports from the three energy agencies (IEA, OPEC and EIA). It is worth remembering that the US bond market will be closed on Monday for Columbus Day

### Fixed-Income

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 24-month Cetes, the 3-year Mbono (Sep'26), the 20-year Udibono (Nov'43), and 1- and 3-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.339 trillion (US\$ 76.3 billion), a market share equal to 31.4%, as of September 26<sup>th</sup>. Short positions in Mbono May'33 ended at MXN 4.6 billion from MXN 3.2 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 504bps from 530bps the previous week, with the 12-month mean at 527bps

### Foreign Exchange

- **Market positioning and flows** – Net long position in USD (as of October 3<sup>rd</sup>) doubled to US\$ 9.72 billion, amid heavy losses across all assets. Mutual funds' flows to EM marked lower sales of US\$ 3.0 billion from US\$ 3.1 billion a week ago due to a decrease in bond sales
- **Technicals** – The spot recorded its wider weekly trading range since 2021 of 111 cents, reaching its weakest intraday level of 18.49 per dollar. In addition, the 1-month implied volatility boosted to 16.48%, reaching levels not seen since the banking turmoil



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#### Recommendations

##### Fixed-Income

- Next week, interest rates will be highly sensitive to the Fed's minutes and September CPI report in the US. Especially because the market is still discussing whether the Federal Reserve will make an additional hike before the end of 2023
- A positive surprise in inflation could generate a relief in the fixed-income market; however, we consider that it would not be a sufficient factor to take advantage of the cheaper securities given that the risks of rates increasing even more prevail
- Next week, we expect the 10-year Mbono to trade between 9.75% and 10.05%

##### FX

- The FX market trend next week will be defined by US inflation and the Fed's minutes. A negative inflation surprise would further strengthen the dollar. MXN will remain volatile as long as risk-off mood continues. We estimate a trading range between USD/MXN 17.90 and 18.50

Document for distribution among the general public

# Fixed-Income Dynamics

## Mbonos performance

Maturity date	YTM Oct/06/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.59	-1	+77
Sep'24	11.40	-7	+131
Dec'24	10.90	-4	+103
Mar'25	10.45	-6	+52
Mar'26	10.44	-4	+121
Sep'26	10.45	-4	+105
Mar'27	10.24	-4	+105
Jun'27	10.22	-5	+114
Mar'29	10.01	-12	+64
May'29	9.89	-4	+81
May'31	9.90	-3	+88
May'33	9.84	-3	+82
Nov'34	9.82	-4	+77
Nov'36	9.81	-5	+77
Nov'38	9.87	-8	+78
Nov'42	9.88	-10	+78
Nov'47	9.82	-7	+74
Jul'53	9.83	-4	+78

Source: PIP, Banorte

## IRS (28-day TIIE) performance

Maturity date	YTM Oct/06/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.53	+0	+63
6-month (6x1)	11.53	0	+49
9-month (9x1)	11.46	-3	+39
1-year (13x1)	11.32	-2	+41
2-year (26x1)	10.54	-8	+67
3-year (39x1)	10.01	-7	+83
4-year (52x1)	9.73	-6	+82
5-year (65x1)	9.56	-4	+74
7-year (91x1)	9.47	-4	+73
10-year (130x1)	9.49	+1	+75
20-year (260x1)	9.55	-1	+69

Source: PIP, Banorte

## CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Oct/06/2023	Weekly change (bps)	YTD (bps)
Nov'23	5.80	-1	-29
Dec'25	6.26	-4	+149
Dic'26	6.16	-11	+150
Nov'28	5.42	+5	+111
Nov'31	5.20	+4	+102
Nov'35	4.86	0	+65
Nov'40	4.86	+4	+67
Nov'43	4.91	+2	+41
Nov'46	4.88	+0	+70
Nov'50	4.89	-1	+65

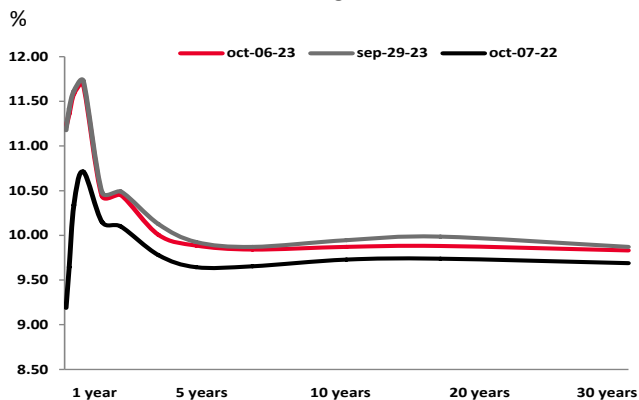
Source: PIP, Banorte

## Cetes performance

Maturity date	YTM Oct/06/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.22	+4	+113
Cetes 91	11.36	-5	+70
Cetes 182	11.59	-3	+72
Cetes 364	11.69	-4	+72
Cetes 728	11.54	-17	+73

Source: PIP, Banorte

## Mbonos curve at different closing dates



Source: PIP, Banorte

## 10-year Mbono benchmark



Source: PIP, Banorte

## Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

UMS					UST				Spreads		CDS
Term	Maturity date	YTM Oct/06/2023	Weekly change (bps)	YTD (bps)	YTM Oct/06/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.42	+9	+95	5.08	+4	+66	34	+5	13	59
3Y	May'26	4.86	+27	+6	4.89	+9	+66	-3	+19	40	79
5Y	Feb'28	5.88	+13	+110	4.76	+15	+75	113	-2	99	131
7Y	Apr'30	6.25	+24	+91	4.81	+19	+84	144	+5	134	174
10Y	May'33	6.53	+24	+97	4.80	+23	+93	173	+1	170	208
20Y	Mar'44	7.14	+26	+77	5.17	+27	+102	197	-1	206	--
30Y	May'53	7.31	+28	+92	4.97	+27	+100	234	+1	237	--

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 3-year Mbono (Sep'26), the 20-year Udibono (Nov'43), and 1- and 3-year Bondes F
- **We anticipate better demand for the 3-year Mbonos vs. the 20-year Udibono.** Given the expectations that Banxico will maintain the rate at 11.25% for a prolonged period to achieve the inflation target of 3.0%, the Cetes continue to be a safe bet for investors given the attractiveness of real rates. With this, we expect that demand will remain robust in all terms. It is worth noting that during 3Q23, Cetes holdings by banks and insurance companies increased 10% and 36%, respectively. Meanwhile, the pension funds reduced their exposure by 25% and foreign investors and mutual funds maintained virtually unchanged. In recent sessions, high volatility has been observed in the fixed-income market, with the MOVE index even reaching 4-month highs. The Mbono Sep'26 is perceived as undervalued according to the duration-adjusted yield analysis after a sell-off along the curve. In this sense, we expect high demand in a similar fashion to its last placement of 2.8x. For the 20-year Udibono (Nov'43), we anticipate a weak appetite around 1.5x. This is because this security prints an expensive valuation relative to shorter-term Udibonos. The 20-year breakeven is at 4.74%, that is, 16bps above the 12-month average, while the 3-year reading is 65bps below said average at 4.04%

### Auction specifics (October 10, 2023)

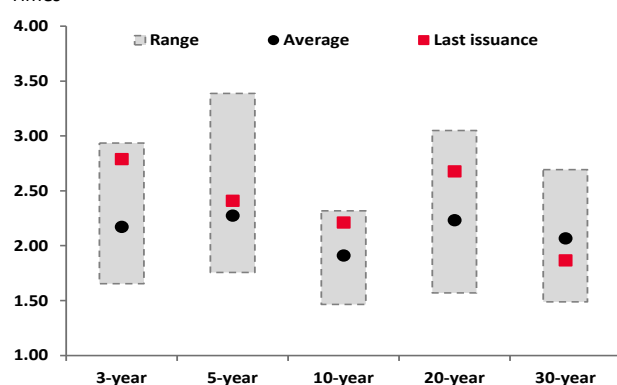
Security	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
<b>Cetes</b>				
1m	Nov-09-23	--	8,500	11.05
3m	Jan-11-24	--	7,500	11.30
6m	Apr-04-24	--	12,700	11.65
24m	Sep-04-25	--	7,800	11.75
<b>Bondes F</b>				
1Y	Aug-15-24	--	6,000	0.12
3Y	Jun-04-26	--	2,200	0.19
<b>Bono M</b>				
3Y	Sep-03-26	7.00	12,000	10.39
<b>Udibono</b>				
20Y	Nov-12-43	3.25	UDIS 700	4.80

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



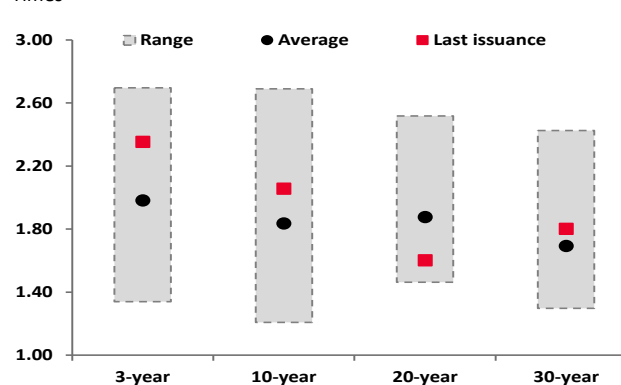
Source: Bloomberg, Banorte

### 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

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

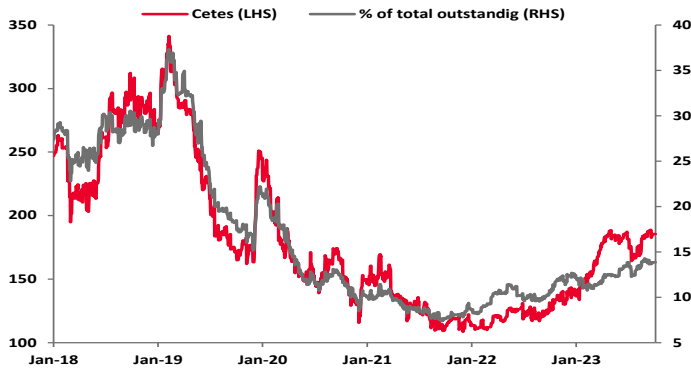


Source: Bloomberg, Banorte

# Fixed-Income Demand

## Cetes held by foreigners

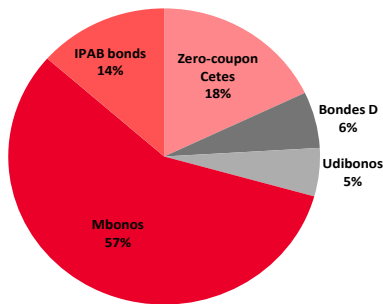
MXN billion, %



Source: Banxico, Banorte

## Government issuance by type of instrument

Total amount of US\$ 425 billion, % of total



Source: Banxico, Banorte

## Government bond holdings by type of investor

US\$ billion and %, data as of Sep/26/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Total amount outstanding	76	26	176	243
Foreign investors	14%	1%	4%	31%
Pension funds	11%	4%	54%	23%
Mutual funds	16%	42%	5%	3%
Insurance companies	5%	1%	19%	3%
Banks	11%	17%	2%	13%
Others	44%	35%	17%	27%

Source: Banxico, Banorte

## Foreign investors holdings of government bonds

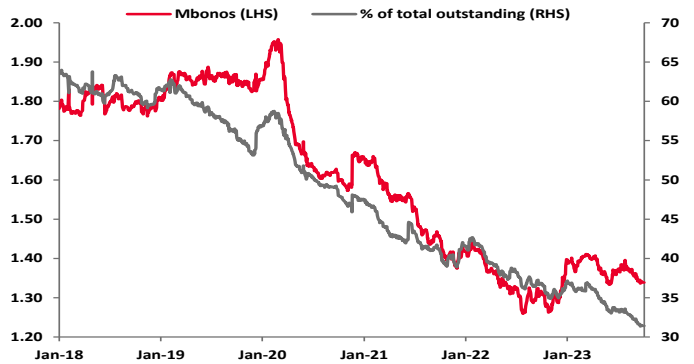
US\$ billion, data as of Sep/26/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Actual	10.6	0.2	6.9	76.3
Previous Week	10.8	0.1	0.9	76.7
Difference	-0.2	0.1	6.0	-0.4
Dec/30/2023	8.0	1.9	1.0	79.7
Difference	2.6	-1.7	5.9	-3.4

Source: Banxico, Banorte

## Mbonos held by foreigners

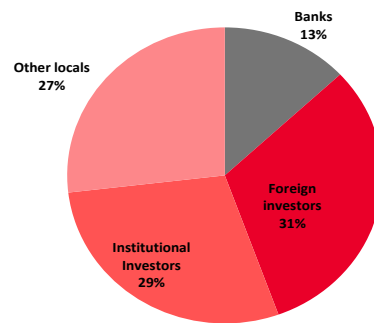
MXN trillion, %



Source: Banxico, Banorte

## Mbonos holdings by type of investor

Total amount of US\$ 248 billion, % of total



Source: Banxico, Banorte

## Mbonos holdings by type of investor

US\$ billions and %, data as Sep/21/2023

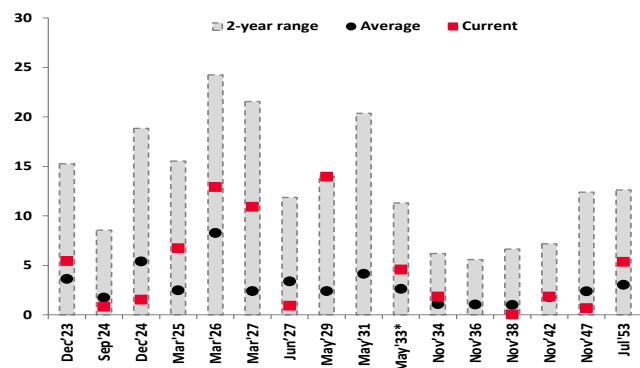
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	10.0	31%	8%	22%	39%
Sep'24	16.8	20%	19%	11%	50%
Dec'24	13.5	17%	27%	8%	48%
Mar'25	9.8	23%	15%	17%	45%
Mar'26	26.6	28%	25%	15%	32%
Sep'26	5.3	26%	25%	9%	40%
Mar'27	21.3	25%	16%	15%	44%
Jun'27	20.4	7%	38%	29%	27%
Mar'29	1.6	35%	6%	12%	47%
May'29	16.2	4%	51%	23%	22%
May'31	25.2	5%	44%	34%	17%
May'33	13.3	5%	38%	32%	26%
Nov'34	5.5	1%	49%	36%	15%
Nov'36	4.3	0%	30%	40%	30%
Nov'38	12.6	3%	41%	40%	16%
Nov'42	17.6	1%	43%	41%	15%
Nov'47	15.1	3%	34%	44%	19%
Jul'53	9.5	1%	32%	46%	21%
Total	235.2	13%	32%	26%	30%

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

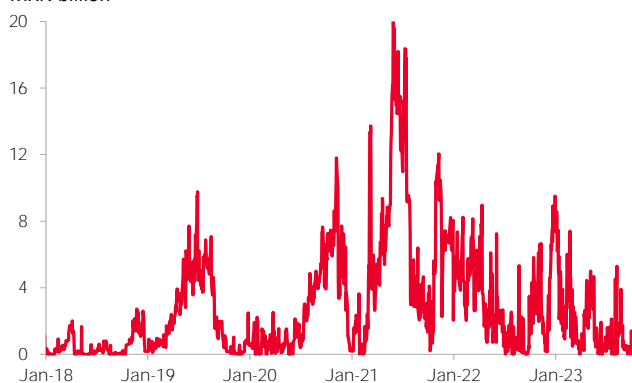
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

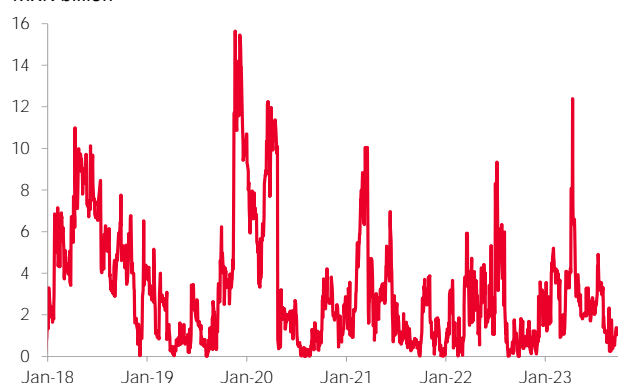
MXN billion



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 Oct/05/2023	Oct/05/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,450	297	323	169	297	357	0
Sep'24	15,870	44	93	21	109	178	0
Dec'24	12,994	84	49	39	331	179	0
Mar'25	11,045	369	220	326	30	851	5
Mar'26	24,961	707	849	365	311	1,327	99
Sep'26	4,902	177	211	262	0	1,182	0
Mar'27	20,470	598	508	319	72	1,180	0
Jun'27	19,319	50	17	272	206	596	0
Mar'29	2,328	190	85	10	0	190	0
May'29	15,935	765	643	570	296	768	43
May'31	23,759	0	78	29	177	291	0
May'33	12,647	251	174	249	0	619	3
Nov'34	5,298	101	139	30	48	337	0
Nov'36	4,009	0	2	6	147	305	0
Nov'38	11,897	1	3	20	39	151	0
Nov'42	16,957	101	57	5	320	316	0
Nov'47	14,268	37	63	20	93	679	12
Jul'53	9,224	293	195	87	205	374	0
<b>Total</b>	<b>235,334</b>	<b>3,772</b>	<b>3,513</b>	<b>2,712</b>	<b>2,474</b>		

Source: Banxico, Banorte



## Fixed-Income Technicals

- **The carry at the short-end decreased.** Spreads between Cetes and implied forward rates stood at: 1-month at +51bps from +87bps, 3-month at 0bp from +16bps, 6-month at -11bps from -7bps, and 1-year at -29bps from -20bps
- **All eyes on Banxico's minutes.** On Thursday, Banco de México will publish the minutes of last decision (September 29<sup>th</sup>) where it decided to keep the rate unchanged at 11.25% for the fourth consecutive time. Investors and analysts will look for clues to answer the main question about how long it will be necessary to maintain the rate at restrictive levels. The curve prices in the first 25bps rate cut in May 2024, in line with our estimates. Likewise, the Fed's minutes to be published a day earlier will be very relevant since the market still assigns a low probability for the central bank to make an additional hike before the end of the year (30% in November and 50% in December) despite employment numbers vastly exceeding expectations (336K vs consensus of 170K). In this sense, the US inflation report will also be a catalyst that could cause investors to recalibrate their expectations

### Spread between Cetes and Implied Forward Rates

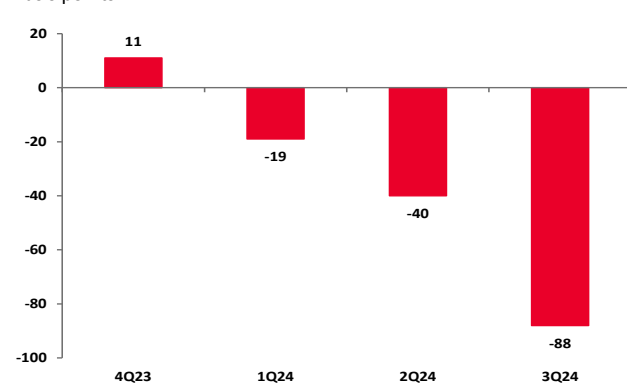
Basis points

Tenor	Actual Oct/06/2023	Previous Week	Mes previo	Promedio 6m	Max 6m	Min 6m
1 month	51	87	47	11	489	-222
3 months	0	16	-17	-55	32	-150
6 months	-11	-7	-36	-71	10	-125
12 months	-29	-20	-53	-69	-19	-98

Source: PIP, Bloomberg, Banorte

### Cumulative implied moves in Banxico's repo rate

Basis points



Source: Bloomberg, Banorte

- **Wide swings in sovereign bonds lead to a reduction in the local risk premium.** In a complex backdrop, investors continue to adjust their monetary policy expectations ahead of the next decision in November. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 504bps vs 530bps the previous week, while the average of the last twelve months stands at 527bps
- **The 3-month correlation between Mexican and US 10-year bonds remained stable again.** The reading closed Friday at +63% unchanged vs the previous weeks. Hence, local bonds will continue to be influenced by the performance of Treasuries

### 10-year Mbono and 10-year UST spread

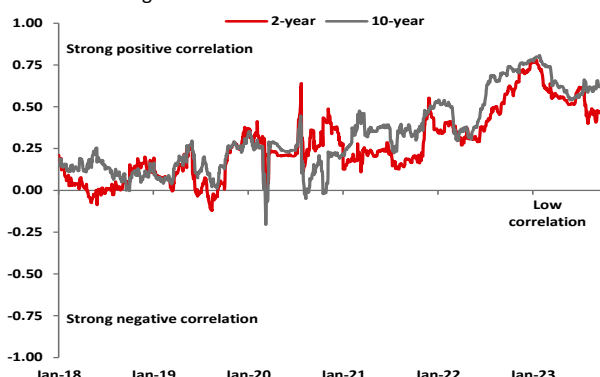
Basis points



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

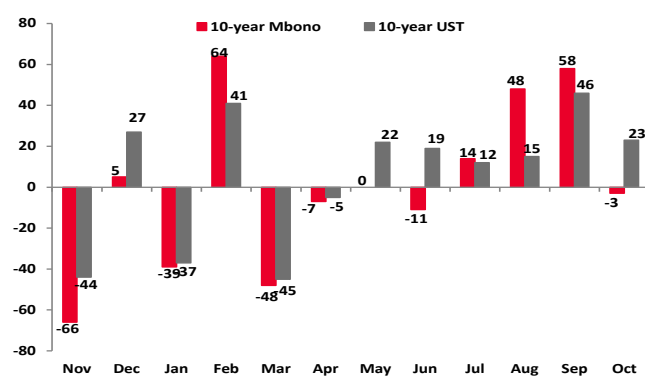
Basis points

Tenor	Oct/06/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-60	-61 (+1bp)	-144 (+84bps)	-59 (-1bp)	-47	-199	-140
Mbono 10s30s	-1	0 (-1bp)	5 (-6bps)	4 (-5bps)	35	-15	10
TIIE-Mbono 2-year	10	14 (-4bps)	-56 (+66bps)	-9 (+19bps)	25	-91	-49
TIIE-Mbono 10-year	-36	-40 (+4bps)	-42 (+6bps)	-39 (+3bps)	-17	-68	-47

Source: Bloomberg, PiP, Banorte

### Mexican and US rates performance, last 12 months

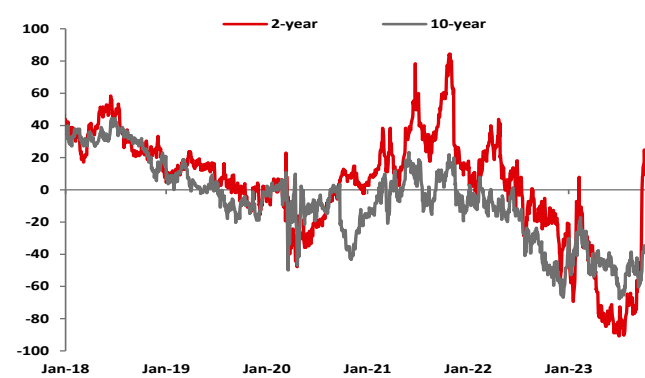
Basis points



Source: PiP, Bloomberg, Banorte

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

Basis points



Source: PiP, Bloomberg, Banorte

### Breakeven inflation using Mbonos & Udibonos

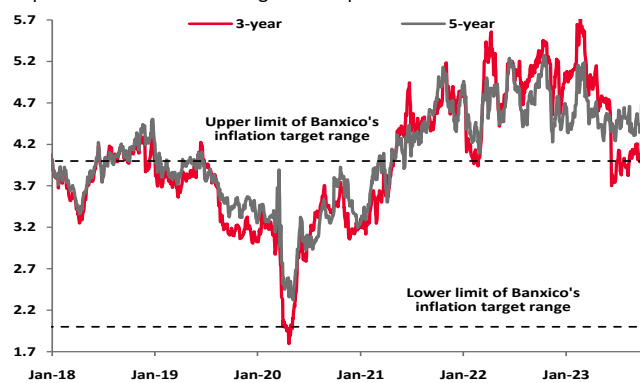
Implicit market inflation using Fisher Equation (%)

Date	Oct/06/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.04	3.97 (+7bps)	4.18 (-14bps)	5.28 (-124bps)	5.74	3.70	4.69
5Y	4.35	4.52 (-17bps)	4.52 (-17bps)	5.1 (-75bps)	5.28	4.23	4.59
10Y	4.42	4.48 (-6bps)	4.43 (-1bp)	5 (-58bps)	5.16	4.04	4.43
20Y	4.74	4.85 (-11bps)	4.69 (+5bps)	5.01 (-27bps)	5.15	4.15	4.58
30Y	4.71	4.74 (-3bps)	4.67 (+4bps)	4.97 (-26bps)	5.18	4.15	4.56

Source: PiP, Banorte

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

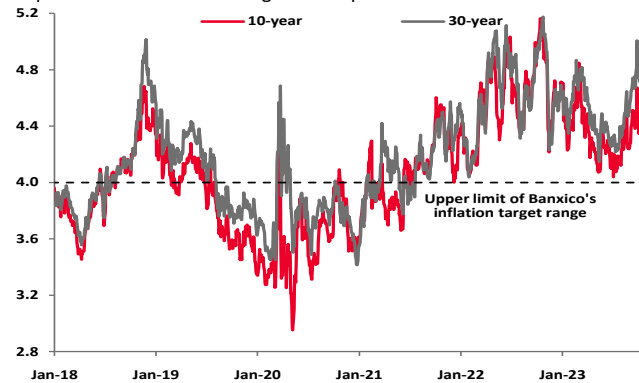
Implicit market inflation using Fisher Equation



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

- **Risk aversion driven by concerns about higher interest rates for longer.** October began with a renewed massive sell-off in sovereign bonds globally after a last-minute deal in the United States to avoid a government shutdown. Again, long-term Treasury yields rebounded to highs not seen since 2007. The 10-year yield broke through the 4.80% support, while the 30-year yield reached the 5.00% figure. Although the levels are seen as an opportunity for long-term investors, the drivers for the recent sell-off are still present in the financial markets with risks of rates reaching higher levels. In particular, the possibility that the US Treasury issue more debt to finance the growing government deficit has led investors to seek more compensation for the risk of holding long-term debt. As we discussed in the [previous edition](#), the 10-year term premium turned positive for the first time since June 2021 and in recent days has rebounded strongly to reach its highest point since said year at 0.33%. In addition, demand for hedging options against high long-term interest rates continues to rise

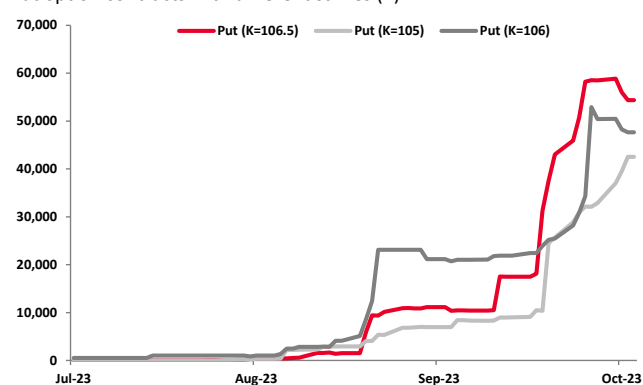
**10-year Treasury term premium**



Source: Fed de Nueva York, Banorte

**Hedging against higher yields on 10-year Treasuries**

Put option contracts with different strikes (K)



Source: Bloomberg, Banorte

- In the weekly balance, Treasuries sell-off rekindled after the nonfarm payrolls report showed employers quickened the pace of hiring. Shorter-term rates rose 6bps, while long-term rates increased up to 27bps. Locally, a relief was observed, Mbonos gained 5bps, on average. Given this contrasting dynamic, the risk premium decreased to 504bps from 530bps last week
- Next week, interest rates will be highly sensitive to the Fed's minutes and September CPI report in the United States. Especially because after the latest labor figures the market is still discussing whether the Federal Reserve will make an additional 25bps hike before the end of the year. A positive surprise in inflation could generate a relief in the fixed-income market; however, we consider that it would not be a sufficient factor to take advantage of the cheaper securities given that the risks of rates increasing even more prevail as we commented at the beginning of this essay. In fact, 10-year Mbonos according to the duration-adjusted yield model are perceived as overvalued despite recent adjustments. In this sense, we expect the 10-year Mbono to trade between 9.75% and 10.05%. The inflation report in Mexico will also be relevant. In relative terms, short-term Udibonos increased their attractiveness with breakevens well close to 4.00%, contrasting with the expensive 20- and 30-year Udibonos after a sustained rise in breakevens to 4.74% and 4.71%, respectively

## FX dynamics

- **The MXN was the second weakest among EM currencies.** The Investors digested economic data showing a resilient US economy and some hawkish comments from Fed members. This reaffirms a scenario of higher for longer rates being a driver for the USD. The Mexican peso followed the trend of its peers extending the losses of the previous two weeks. The MXN closed Friday at 18.17 per dollar, representing a depreciation of 4.1% w/w
- **The dollar posted a mixed balance.** The DXY index registered a marginal loss, ending an 11-week rally in a row, while the BBDXY index advanced 0.4%. In G10 currencies, trading was capped by CHF (+0.6%) and NOK (-2.0%). In emerging currencies, PLN (+1.1%) led the gains and COP (-6.3%) was the weakest

### Foreign Exchange market levels and historical return

		Close at Oct/06/2023	Daily Change (%) <sup>1</sup>	Weekly change (%) <sup>1</sup>	Monthly change (%) <sup>1</sup>	YTD <sup>1</sup> (%)
<b>Emerging Markets</b>						
Brazil	USD/BRL	5.15	0.4	-2.2	-3.3	2.6
Chile	USD/CLP	918.74	-0.5	-3.0	-5.0	-7.4
Colombia	USD/COP	4,339.40	0.2	-6.3	-6.1	11.8
Peru	USD/PEN	3.83	-0.1	-1.1	-3.2	-0.5
Hungary	USD/HUF	365.48	0.6	0.8	-0.7	2.2
Malaysia	USD/MYR	4.71	0.3	-0.4	-0.8	-6.6
<b>Mexico</b>	<b>USD/MXN</b>	<b>18.17</b>	<b>0.5</b>	<b>-4.1</b>	<b>-3.2</b>	<b>7.3</b>
Poland	USD/PLN	4.33	0.8	1.1	-1.6	1.1
Russia	USD/RUB	100.90	-0.8	-3.3	-2.7	-26.5
South Africa	USD/ZAR	19.30	1.1	-2.0	-0.5	-11.7
<b>Developed Markets</b>						
Canada	USD/CAD	1.37	0.3	-0.6	-0.2	-0.8
Great Britain	GBP/USD	1.22	0.4	0.3	-2.2	1.3
Japan	USD/JPY	149.32	-0.5	0.0	-1.1	-12.2
Eurozone	EUR/USD	1.0586	0.3	0.1	-1.3	-1.1
Norway	USD/NOK	10.92	0.4	-2.0	-1.8	-10.2
Denmark	USD/DKK	7.04	0.3	0.1	-1.3	-1.4
Switzerland	USD/CHF	0.91	0.3	0.6	-2.1	1.6
New Zealand	NZD/USD	0.60	0.4	-0.1	2.0	-5.7
Sweden	USD/SEK	10.96	0.4	-0.5	1.4	-4.9
Australia	AUD/USD	0.64	0.3	-0.8	0.1	-6.3

Source: Bloomberg, Banorte

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

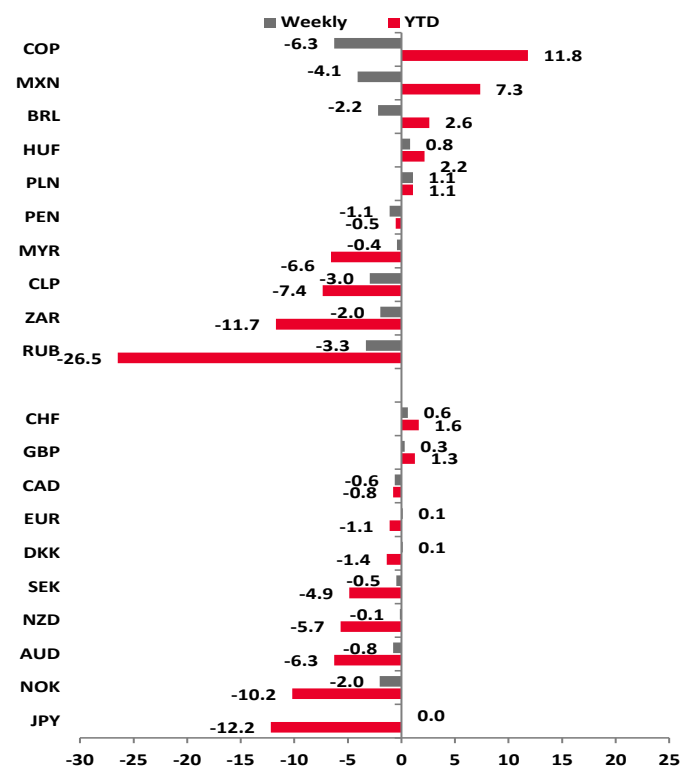
### USD/MXN

Last 12 months



### FX performance

Against USD, %



Source: Bloomberg, Banorte

### DXY

Points

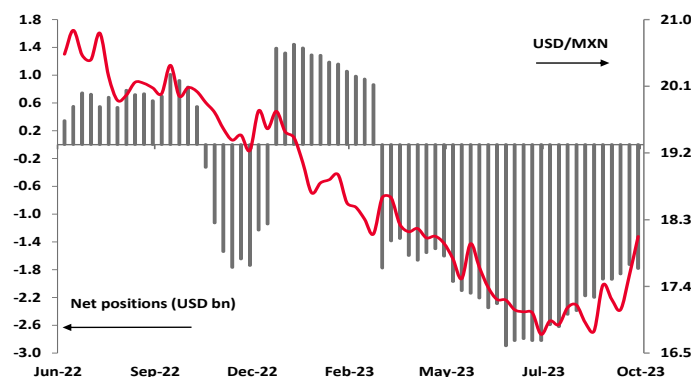


## FX positioning and flows

- **Net long MXN positions remained virtually unchanged.** As of October 3<sup>rd</sup>, the MXN position recorded a net long of US\$ 1.783 billion from US\$ 1.727 billion last week. This week, the Mexican peso (+56 million) was one of the few currencies that did not register sales despite a broad depreciation along with AUD (+559 million) and NZD (+450 million). The MXN continues to stand out among its peers due to its attractive carry and solid macroeconomic fundamentals. Even more so given the expectation that Banxico will delay interest rate cuts until 2Q23
- **Substantial increase in net long positioning in USD, in the face of losses in all asset classes.** The USD IMM position was net long US\$ 9.72 billion from US\$ 4.44 billion amid high volatility in financial markets and greater demand for assets considered as safe-haven. It is worth remembering that during 2021 and 2022, the largest net long positioning in USD was approximately US\$ 25.6 billion. Meanwhile, the weekly adjustment was the result of sales in most currencies, highlighting EUR (-2.67 billion), GBP (-1.73 billion) and CHF (-1.02 billion). In particular, net long EUR positions are at 1-year lows of US\$ 10.33 billion from US\$ 25.10 billion two months ago
- **Sales slightly decreased in EM while Mexico recorded 10 consecutive weeks with outflows.** Our EPFR aggregate recorded lower negative flows of US\$ 3.0 billion from US\$ 3.1 billion the previous week. Bond market sales increased US\$ 1.8 billion from US\$ 1.1 billion. In contrast, equities outflows fell 42% to US\$ 1.2 billion, concentrated in Asia and LATAM. In Mexico, a negative flow of US\$ 187 million was recorded because of sales in both bonds and equities of US\$ 148 million and US\$ 39 million, respectively

### IMM positioning in USD/MXN futures

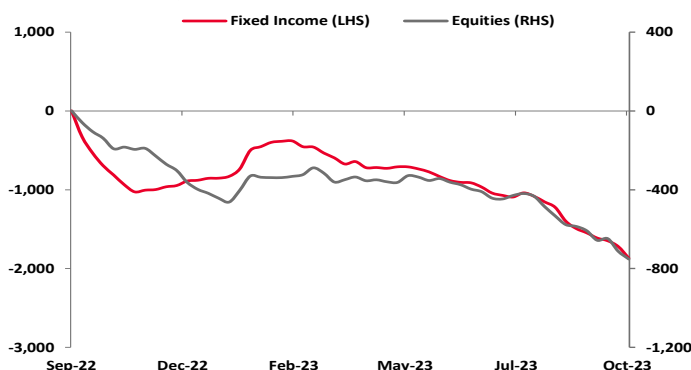
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

### Foreign portfolio flows into Mexico

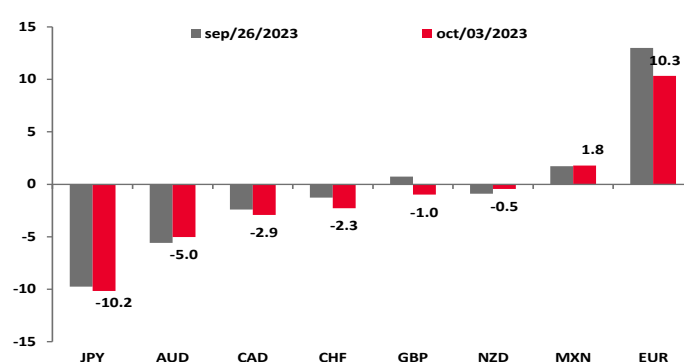
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

### IMM positioning by currency\*

Billion dollars

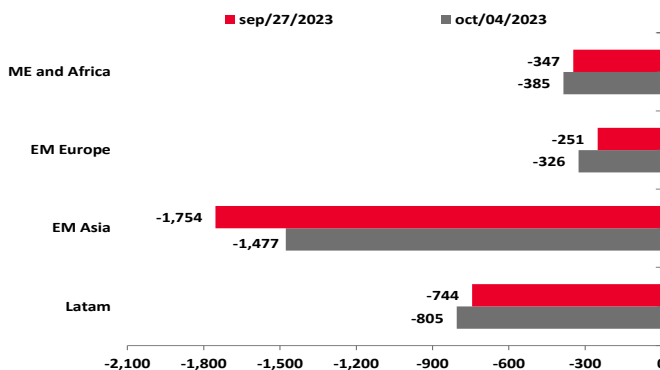


\* Positive: Net long in the corresponding currency

Source: CME, Banorte

### Net foreign portfolio flows by region\*

Weekly, million dollars



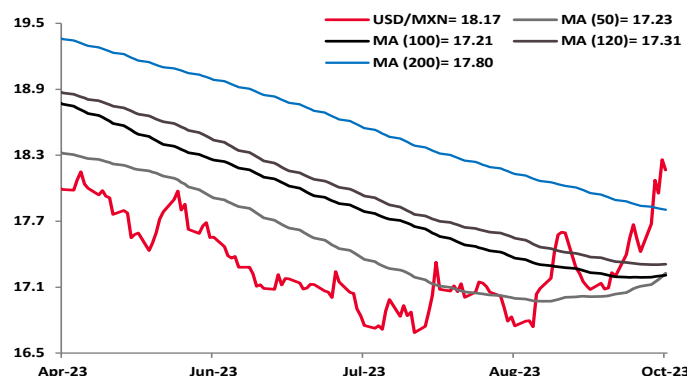
Source: EPFR Global, Banorte \* Including only mutual funds' investments

## FX technicals

- The Mexican peso briefly breached the upper part of the depreciation channel.** The risk-off mood triggered a sharp adjustment in the currency universe and the Mexican peso was no exception. The MXN easily breached relevant technical levels, including the top of a depreciation channel. The local currency registered its weakest level at 18.49 per dollar and in case it continues with this momentum, it could seek levels of 18.60. Currently, the main short-term resistances are located at 18.10, 17.95 and 17.90, with supports at 18.50, 18.62 and 18.75. This week, the trading range was 111 cents, a new high for the year. The FX market dynamics for next week will be mainly driven by the release of the US September inflation figure, the content of the Fed minutes and speeches from its members. Locally, we will be attentive to inflation and Banxico's minutes

### 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	36	65	1	65	28
CAD	25	33	7	63	32
ZAR	71	67	4	72	42
BRL	77	72	19	82	56
HUF	56	69	4	70	48
RUB	46	44	-34	53	9

\* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

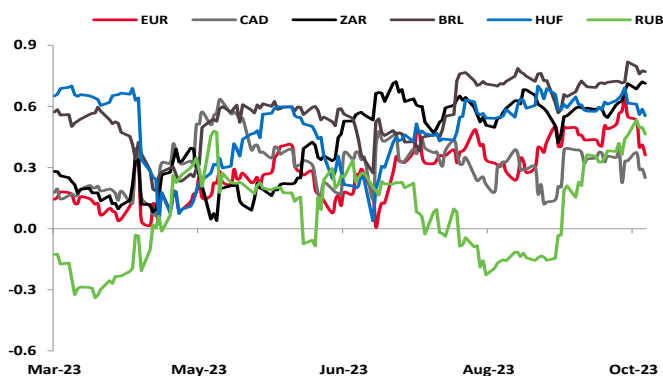
	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	40	34	14	89	46
SPX	44	39	5	71	39
GSCI	-4	-14	-22	49	24
Oro	32	44	-57	51	5

\* 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

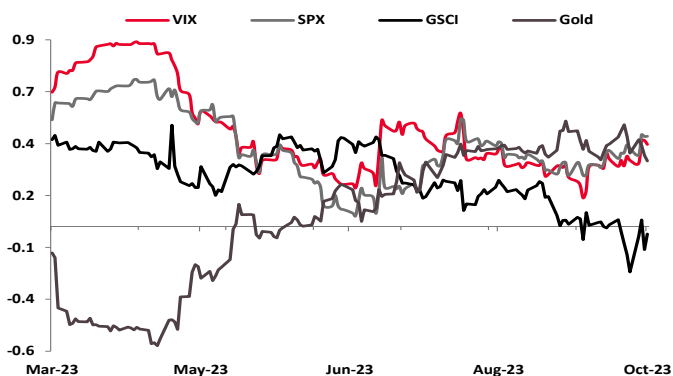


\* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

Based on daily percentage changes



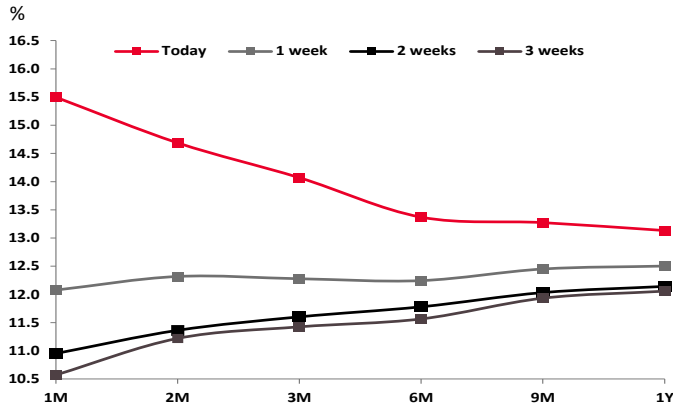
\* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

## FX technicals (continued)

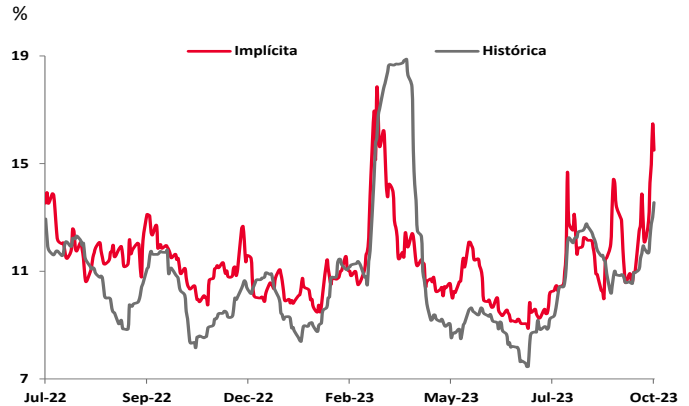
- Concerns about the interest rate environment triggered a change in the structure of the **MXN ATM implied volatility curve**. 1-month implied volatility rebounded to 16.48%, levels not seen since the banking crisis, and closed at 15.5% (+3.5 vegas). The 3-month and 1-year readings also hit 6-month highs, closing at 13.78% (+1.5 vegas) and 13.00% (+0.5 vegas), respectively. As a result of these adjustments, the volatility curve inverted, reflecting greater uncertainty in the short term. Additionally, 1- and 3-month risk reversals returned to the levels seen at the start of the war in Ukraine of 4.15 vols and 3.99 vols, respectively, as investors significantly raised bets on further strengthening of the dollar vs. the peso

USD/MXN – ATM options volatility curve



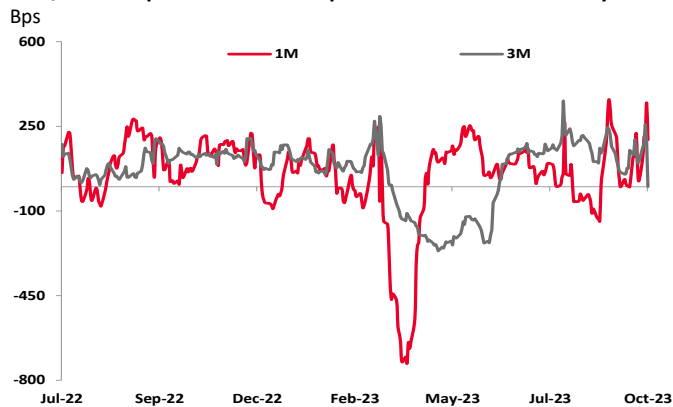
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

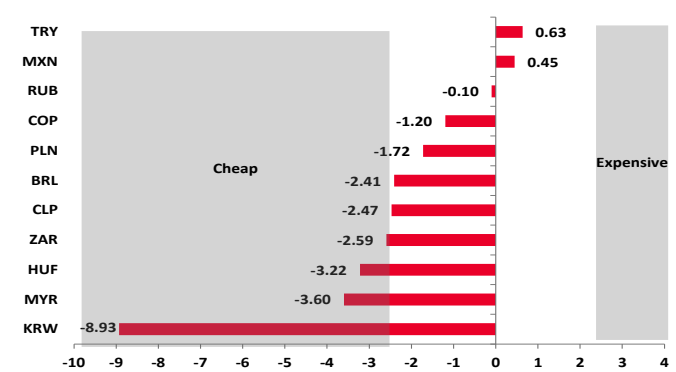
USD/MXN – Spread between implicit and historical volatility



Source: Bloomberg, Banorte

Emerging markets one-month ATM options volatility

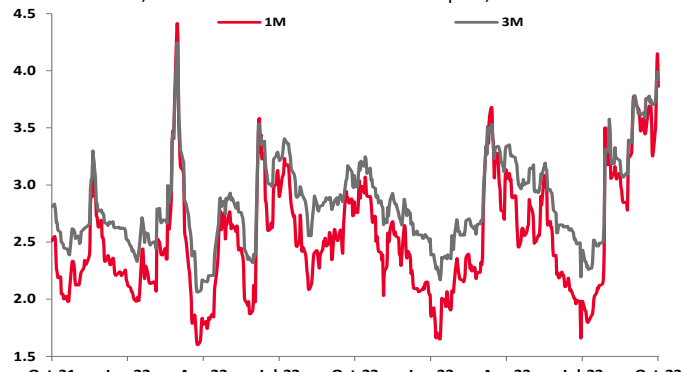
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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

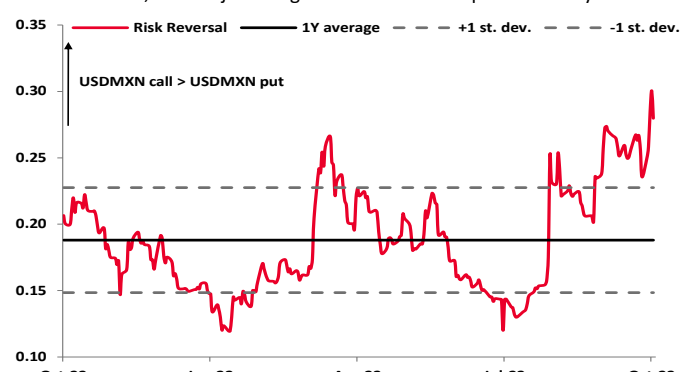
Last 24 months, difference between USD calls and puts, in vols



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

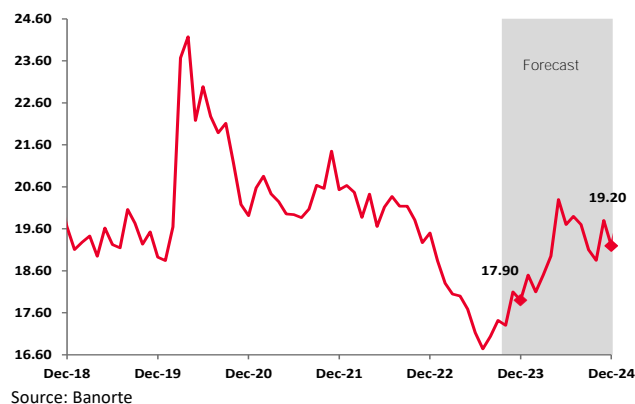
## FX trade recommendations

- The USD will remain strong as the market incorporates one more Fed hike.** The FX market's dynamism continues to be mainly driven by the performance of Treasuries, under a scenario of higher-for-longer rates and a government deficit that has elevated the supply of these securities. Moreover, the approval of short-term financing avoided a government shutdown in the US but exacerbated the migration of flows towards safe-haven assets. In addition, mixed labor market data and other economic data pointing to a resilient economy also caused volatility in currencies. Friday's initial market reaction to the non-farm payroll release was negative as it pointed to a still strong labor market. However, as the session progressed the dollar diluted some of the previous days' gains. Despite this price action, speculators significantly extended their long positions following the preference for safe-haven assets. The DXY index ended marginally lower and the BBDXY advanced 0.4%
- Against this backdrop, developed and EM currencies ended the week with a very negative bias. In the former group, CHF (+0.6%) and NOK (-2.0%) were at the ends of the spectrum. The Japanese currency reached 150 yen per dollar intraday on Tuesday, a level that triggered speculations about a possible intervention by the government, which reversed the depreciation movement. Volatility in this currency has a direct impact on global speculative positions, as it is one of the main funding currencies. In the second, trading was limited by PLN (+1.1%) and COP (-6.3%). The Mexican peso extended the losses of the previous two weeks and was the second weakest among its peers. The MXN was influenced by idiosyncratic factors that added to a strengthening dollar. As a result, the local currency easily breached relevant technical references and marked its weakest level at 18.49 per dollar. The MXN closed Friday at 18.17 per dollar, equivalent to a 4.1% w/w depreciation. This was the peso's sharpest weekly decline since late November 2021. The weekly trading range was 111 cents, surpassing the previous high of the year (94 cents)
- Next week, the direction of the FX market will be defined by the release of September inflation in the US as well as the content of the FOMC's minutes and various speeches from Fed members. Most will speak before inflation is known; however, the market will be looking for more clues on their view of the monetary stance. A lower-than-expected reading would cut bets for an additional 25bps hike in the Fed funds rate in November and weaken the dollar. The Mexican peso will also be influenced by the inflation reading and the content of Banxico's minutes. We estimate a weekly trading range between USD/MXN 17.90 and 18.50

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



**USD/MXN Forecast for 2023 and 2024**  
Pesos per dollar



# Weekly economic calendar

For the week ending October 13, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
			IMF / World Bank fall meetings begin in Marrakech, Morocco					
	02:00	GER	Industrial production*	Aug	% m/m	--	-0.1	-0.8
	08:00	MX	Consumer prices	Sep	% m/m	0.50	0.47	0.55
	08:00	MX	Core	Sep	% m/m	0.37	0.36	0.27
Mon 9	08:00	MX	Consumer prices	Sep	% y/y	4.52	4.48	4.64
	08:00	MX	Core	Sep	% y/y	5.76	5.75	6.08
	08:00	US	Fed's Barr Speaks at American Bankers Association Conference					
	09:00	US	Fed's Logan Speaks on US Outlook, Monetary Policy					
	12:50	US	Fed's Jefferson Speaks at NABE Conference					
		US	Bond markets closed for the Columbus Day holiday					
			The IMF releases its 'World Economic Outlook'					
	09:30	US	Bostic Speaks on the Outlook for US Economy					
Tue 10	11:00	MX	International reserves	Oct 6	US\$bn	--	--	203.8
	13:00	US	Fed's Waller Speaks at Monetary Policy Conference					
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes; 3-year Mbono (Sep'26); 20-year Udibono (Nov'43) and 1-, and 3-year Bondes F					
	18:00	US	Fed's Daly Speaks At Chicago Council on Global Affairs					
		MX	ANTAD same-store sales	Sep	% y/y	--	--	3.1
		MX	Wage negotiations	Sep	% y/y	--	--	8.2
	02:00	GER	Consumer prices	Sep (F)	% y/y	--	4.5	4.5
	04:15	US	Fed's Bowman Speaks in Morocco					
Wed 11	08:00	BZ	Consumer prices	Sep	% m/m	--	0.34	0.23
	08:00	BZ	Consumer prices	Sep	% y/y	--	5.26	4.61
	08:30	US	Producer prices*	Sep	% m/m	--	0.3	0.7
	08:30	US	Ex. food & energy*	Sep	% m/m	--	0.2	0.2
	14:00	US	FOMC Meeting Minutes					
	02:00	UK	Industrial production*	Aug	% m/m	--	-0.2	-0.7
	08:00	MX	Industrial production	Aug	% y/y	4.9	4.6	4.8
	08:00	MX	Industrial production*	Aug	% m/m	0.2	0.4	0.5
	08:00	MX	Manufacturing output	Aug	% y/y	0.2	--	0.8
	08:30	US	Initial jobless claims*	Oct 7	thousands	215	210	207
Thu 12	08:30	US	Consumer prices*	Sep	% m/m	0.3	0.3	0.6
	08:30	US	Ex. food & energy*	Sep	% m/m	0.3	0.3	0.3
	08:30	US	Consumer prices	Sep	% y/y	3.6	3.6	3.7
	08:30	US	Ex. food & energy	Sep	% y/y	4.1	4.1	4.3
	11:00	MX	Banxico's minutes					
	21:00	CHI	Consumer Prices	Sep	% y/y	--	0.2	0.1
	23:00	CHI	Trade balance	Sep	USDbn	--	73.7	68.2
	23:00	CHI	Exports	Sep	% y/y	--	-7.1	-8.8
	23:00	CHI	Imports	Sep	% y/y	--	-6.0	-7.3
	05:00	EZ	Industrial production*	Aug	% m/m	--	0.1	-1.1
Fri 13	09:00	US	Fed's Harker Speaks on the 2023 Economic Outlook					
	10:00	US	U. of Michigan confidence*	Oct (P)	index	67.0	67.0	68.1

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



For the week ending October 6, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 1	21:45	CHI	Manufacturing PMI (Caixin)*	Sep	index	--	<b>51.7</b>	51.0
	21:45	CHI	Services PMI (Caixin)*	Sep	index	--	<b>50.2</b>	51.8
	21:45	CHI	Composite PMI (Caixin)*	Sep	index	--	<b>50.9</b>	51.7
Mon 2	03:55	GER	Manufacturing PMI*	Sep (F)	index	--	<b>39.6</b>	39.8
	04:00	EZ	Manufacturing PMI*	Sep (F)	index	--	<b>43.4</b>	43.4
	04:30	UK	Manufacturing PMI*	Sep (F)	index	--	<b>44.3</b>	44.2
	05:00	EZ	Unemployment rate*	Aug	%	--	<b>6.4</b>	6.5 (R)
	09:00	BZ	Manufacturing PMI*	Sep	index	--	<b>49.0</b>	50.1
	09:45	US	Manufacturing PMI*	Sep (F)	index	48.9	<b>49.8</b>	48.9
	10:00	US	ISM manufacturing*	Sep	index	--	<b>49.0</b>	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	<b>5,563.3</b>	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	<b>51.5</b>	52.2
	14:00	MX	PMI non-manufacturing (IMEF)*	Sep	index	52.9	<b>53.3</b>	52.4
	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	--	<b>0.5</b>	-1.1
	08:00	BZ	Industrial production*	Aug	% m/m	--	<b>0.4</b>	-0.6
	08:00	MX	Gross fixed investment	Jul	% y/y	29.9	<b>29.1</b>	28.8
	08:00	MX	Gross fixed investment*	Jul	% m/m	1.0	<b>0.5</b>	3.3 (R)
	08:00	MX	Private consumption	Jul	% y/y	4.1	<b>4.0</b>	4.3
	08:00	MX	Private consumption*	Jul	% m/m	0.1	<b>0.0</b>	0.3
	11:00	MX	International reserves	Sep 29	US\$bn	--	<b>203.8</b>	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	--	<b>15.7</b>	15.0
Wed 4	03:55	GER	Services PMI*	Sep (F)	index	--	<b>40.3</b>	49.8
	03:55	GER	Composite PMI*	Sep (F)	index	--	<b>46.4</b>	46.2
	04:00	EZ	Services PMI*	Sep (F)	index	--	<b>48.7</b>	48.4
	04:00	EZ	Composite PMI*	Sep (F)	index	--	<b>47.2</b>	47.1
	04:30	UK	Services PMI*	Sep (F)	index	--	<b>49.3</b>	47.2
	04:30	EZ	Retail sales*	Aug	% m/m	--	<b>-1.2</b>	-0.1 (R)
	08:15	US	ADP employment*	Sep	thousands	150	<b>89</b>	180
	09:45	US	Services PMI*	Sep (F)	index	50.2	<b>50.1</b>	50.2
	09:45	US	Composite PMI*	Sep (F)	index	50.1	<b>50.2</b>	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	--	<b>1.2</b>	-2.1
	10:00	US	Ex transportation*	Aug	% m/m	--	<b>1.4</b>	0.9 (R)
	10:00	US	Durable Goods Orders*	Aug (F)	% m/m	--	<b>0.1</b>	0.2
	10:00	US	Ex transportation*	Aug (F)	% m/m	--	<b>0.4</b>	0.4
	10:00	US	ISM services*	Sep	index	--	<b>53.6</b>	54.5
		US	Fed's Goolsbee Moderates Discussion With Raghuram Rajan					
Thu 5	02:00	GER	Trade Balance	Aug	EURbn	--	<b>16.6</b>	17.7
	08:00	MX	Consumer confidence*	Sep	index	46.8	<b>46.8</b>	46.8 (R)
	08:30	US	Initial jobless claims*	Sep 30	thousands	--	<b>207</b>	205 (R)
	08:30	US	Trade balance*	Aug	USDbn	--	<b>-58.3</b>	-64.7 (R)
	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)					
Fri 6	19:00	PER	Monetary policy decision (BCRP)	Oct 5	%	--	<b>7.25</b>	7.50
	08:30	US	Nonfarm payrolls*	Sep	thousands	150	<b>336</b>	227
	08:30	US	Unemployment Rate*	Sep	%	3.7	<b>3.8</b>	3.8
	12:00	US	Fed's Waller Speaks About Payments System					
	15:00	US	Consumer credit*	Aug	USDbn	--	<b>-16.6</b>	10.4

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 <sup>2</sup>	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% <sup>1</sup>	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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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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