

Fixed-Income and FX Weekly

- **Positive balance in local assets.** This week, Mbonos' curve registered a flattening bias with gains of 10bps at the long-end. The 10-year benchmark ended at 9.76% (-8bps w/w). In addition, the MXN appreciated 0.4% w/w closing at 18.09 per dollar
- **Fed members' speeches and Eurozone inflation will be the main catalysts.** In the week, financial market dynamics were mainly determined by: (1) US September inflation report being above expectations at the margin; (2) a less hawkish tone in the FOMC minutes, as the committee sees risks to the inflation target and employment more balanced; (3) a dovish tone from some Fed members alluding to tighter financial conditions amid rising long-term Treasury yields; (4) geopolitical risks from the Hamas attack on Israel; and (5) the start of the 3Q23 corporate earnings season. On the local front, investors also digested the September [inflation](#) report and the content of the [minutes of Banxico's last meeting](#). In addition, the government published a decree to stimulate nearshoring-related investments. In this context, investors preferred safe-haven assets. Treasuries ended with a flattening bias, resulting from 21bps gains on the long-end. The Mbonos' curve also ended with an appreciation of 10bps at the long-end. In the FX market, the USD strengthened; however, the MXN closed with a modest appreciation of 0.4% w/w at 18.09 per dollar. Next week, the direction of financial markets will be shaped primarily by the tone of speeches from various Fed members, including Powell, Harker and Barkin who will discuss monetary policy. Markets will be looking for clues as to how long interest rates will remain elevated under a still uncertain backdrop of geopolitical risks. Markets will also digest the Eurozone's September CPI report, as well as the release of 3Q23 GDP and other hard data in China to assess the economic recovery in such country. On the monetary front, the Indonesian and South Korean central banks will publish their decision while China will release its 1- and 5-year lending rates. Back to the economic agenda, the US will release manufacturing surveys (Empire and Philly Fed), retail sales, as well as industrial and manufacturing production. In Mexico, retail sales, *Timely Indicator of Economic Activity* and the banking sector expectations survey will be released

Fixed-Income

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 30-year Mbono (Jul'53), the 10-year Udibono (Nov'31), and 2- and 5-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.340 trillion (US\$ 76.3 billion), a market share equal to 31.2%, as of October 3rd. Short positions in Mbono May'33 ended at MXN 3.0 billion from MXN 4.6 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 514bps from 504bps the previous week, with the 12-month mean at 525bps

Foreign Exchange

- **Market positioning and flows** – Net long position in MXN (as of October 10th) fell 18% w/w to US\$ 1.47 billion, amid concerns about the war in Middle East. Mutual funds' flows to EM marked slightly bigger sales of US\$ 3.2 billion from US\$ 3.0 billion a week ago due to an increase on equity sales
- **Technicals** – The spot hovered between 17.75 and 18.42 per dollar, remaining above the 200-day Moving Average (17.77). The next key levels are: 17.77, 17.62, and 17.50 (resistances); and 18.24, 18.50, and 18.62 (supports)



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Fixed-Income

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Foreign exchange

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Recommendations

Fixed-Income

- [In strategy terms](#), we believe that floating rate bonds, known as Bondes F, remain appropriate and defensive. Despite the sharp cheapening of long-term Mbonos that could entice some investors to increase portfolio duration, the risks of higher rates persist. Under the current backdrop, relative value strategies are attractive, and we recommend a 2/10 steepener in TIIE-IRS
- Next week, we expect the 10-year Mbono to trade between 9.65% and 9.95%

FX

- Next week's FX market direction will be determined by Fed members' speeches and the Eurozone CPI report. The USD will remain strong amid a backdrop of higher-for-longer rates. We expect a volatile performance in the MXN. We estimate a trading range between USD/MXN 17.85 and 18.50

Document for distribution among the general public

Fixed-Income Dynamics

Mbonos performance

Maturity date	YTM Oct/13/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.57	-2	+75
Sep'24	11.48	+9	+139
Dec'24	11.16	+26	+129
Mar'25	10.71	+26	+78
Mar'26	10.63	+19	+139
Sep'26	10.52	+7	+112
Mar'27	10.28	+4	+109
Jun'27	10.27	+5	+119
Mar'29	10.00	-1	+63
May'29	9.84	-4	+77
May'31	9.84	-5	+82
May'33	9.76	-8	+74
Nov'34	9.72	-10	+67
Nov'36	9.73	-9	+68
Nov'38	9.77	-10	+68
Nov'42	9.78	-11	+67
Nov'47	9.72	-9	+65
Jul'53	9.73	-11	+67

Source: PIP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Oct/13/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.53	0	+62
6-month (6x1)	11.52	-1	+48
9-month (9x1)	11.48	+2	+40
1-year (13x1)	11.34	+2	+42
2-year (26x1)	10.59	+5	+73
3-year (39x1)	10.03	+2	+85
4-year (52x1)	9.71	-1	+81
5-year (65x1)	9.54	-2	+72
7-year (91x1)	9.42	-5	+68
10-year (130x1)	9.43	-5	+70
20-year (260x1)	9.47	-7	+62

Source: PIP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Oct/13/2023	Weekly change (bps)	YTD (bps)
Nov'23	6.01	+21	-8
Dec'25	6.16	-9	+140
Dic'26	6.12	-4	+145
Nov'28	5.44	+3	+113
Nov'31	5.19	0	+102
Nov'35	4.82	-4	+61
Nov'40	4.84	-3	+65
Nov'43	4.83	-8	+33
Nov'46	4.82	-6	+64
Nov'50	4.83	-6	+60

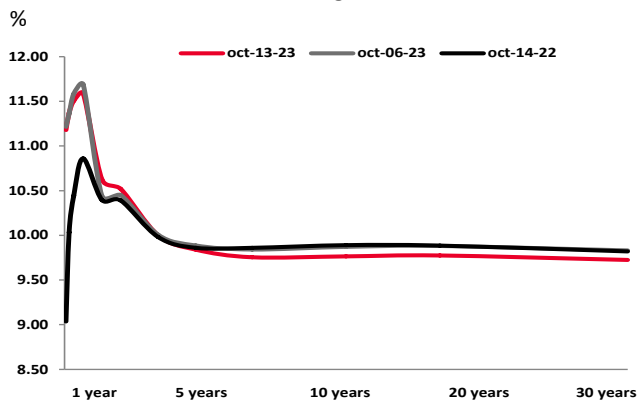
Source: PIP, Banorte

Cetes performance

Maturity date	YTM Oct/13/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.18	-4	+109
Cetes 91	11.37	+1	+71
Cetes 182	11.51	-8	+64
Cetes 364	11.59	-10	+62
Cetes 728	11.55	+1	+74

Source: PIP, Banorte

Mbonos curve at different closing dates



Source: PIP, Banorte

10-year Mbono benchmark



Source: PIP, Banorte

Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

USD UMS and US Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM Oct/13/2023	Weekly change (bps)	YTD (bps)	YTM Oct/13/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Abr'25	5.38	-4	+91	5.06	-3	+63	33	-2	13	52
3Y	May'26	4.90	+4	+10	4.82	-7	+59	8	+11	38	73
5Y	Feb'28	5.70	-18	+91	4.65	-11	+64	105	-7	99	127
7Y	Apr'30	6.02	-23	+68	4.66	-15	+69	136	-8	133	168
10Y	May'33	6.30	-23	+74	4.62	-18	+75	168	-5	169	202
20Y	Mar'44	6.92	-22	+54	4.98	-19	+83	195	-3	205	--
30Y	May'53	7.11	-19	+72	4.77	-20	+80	235	+1	236	--

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 12-month Cetes, the 30-year Mbono (Jul'53), the 10-year Udibono (Nov'31), and 2- and 5-year Bondes F
- **We expect a robust appetite for Cetes given a framework of high rates for longer.** After the release of Banxico's minutes, the market confirmed its expectations that Banxico will maintain the rate at 11.25% at least until May 2024. In this sense, we expect that the high demand for Cetes will persist for all maturities. In greater detail, appetite for 28- and 91-day Cetes in the second half of the year has remained around 3.3x. For the longer-term Mbono (Jul'53), we expect moderate demand in line with the average of its last four placements of 1.9x. Although the security is trading at attractive levels for investors with long-term portfolios, the risk of higher rates remains latent. Furthermore, the spread vs. the Treasury for the same term is at 497bps, which is below the average of the last 12 months of 523bps. The main holders of this Mbono are Pension and Mutual funds together with foreign investors with 45% and 32%, respectively, of the total amount outstanding. The former has moderated their exposure, while the latter has increased it from 57% and 29%, in the same order, at the end of 2022. Regarding real rates, the appetite for the 10-year CPI-linked bond (Udibono) will be impacted by a less attractive relative valuation. The breakeven for this term stands at 4.34% from 4.24% two months ago

Auction specifics (October 17, 2023)

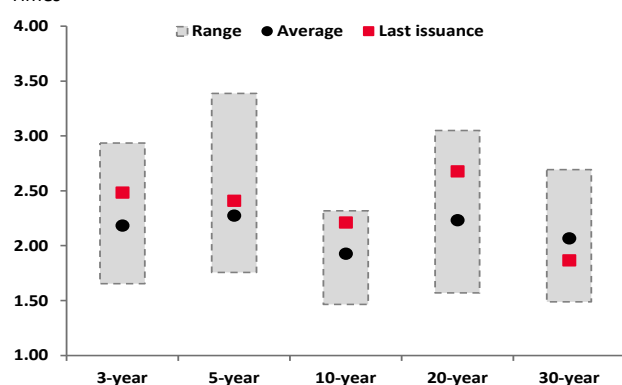
Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Nov-16-23	--	8,500	11.05
3m	Jan-18-24	--	7,500	11.40
6m	Apr-18-24	--	15,700	11.52
12m	Oct-17-24	--	13,700	11.73
Bondes F				
2Y	Oct-09-25	--	5,800	0.15
5Y	Jan-27-28	--	1,400	0.23
Bono M				
30Y	Jul-31-53	8.00	10,000	9.51
Udibono				
10Y	Nov-27-31	2.75	UDIS 1,200	5.22

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



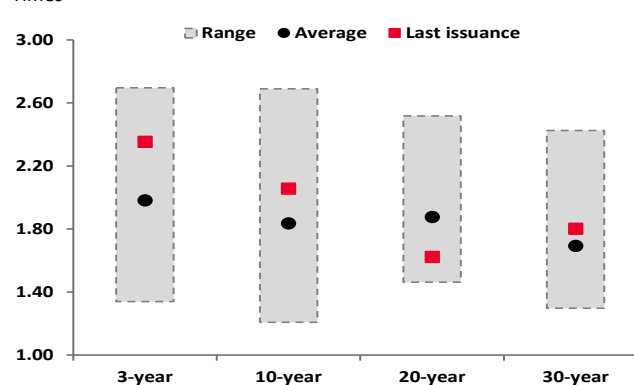
Source: Bloomberg, Banorte

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

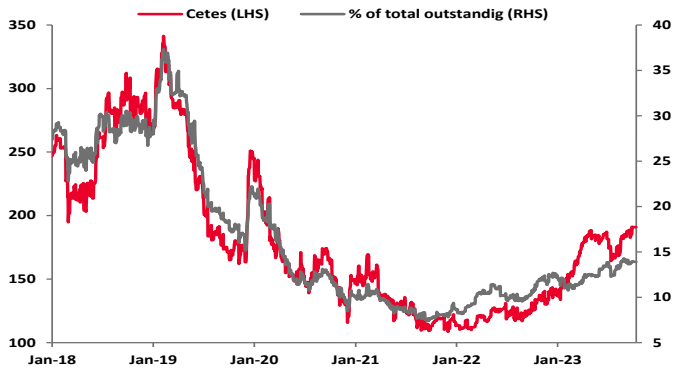


Source: Bloomberg, Banorte

Fixed-Income Demand

Cetes held by foreigners

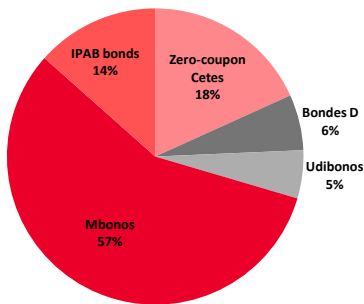
MXN billion, %



Source: Banxico, Banorte

Government issuance by type of instrument

Total amount of US\$ 429 billion, % of total



Source: Banxico, Banorte

Government bond holdings by type of investor

US\$ billion and %, data as of Oct/03/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Total amount outstanding	78	26	177	244
Foreign investors	14%	1%	4%	31%
Pension funds	12%	4%	54%	23%
Mutual funds	15%	42%	5%	3%
Insurance companies	5%	1%	19%	3%
Banks	10%	17%	2%	13%
Others	44%	35%	16%	27%

Source: Banxico, Banorte

Foreign investors holdings of government bonds

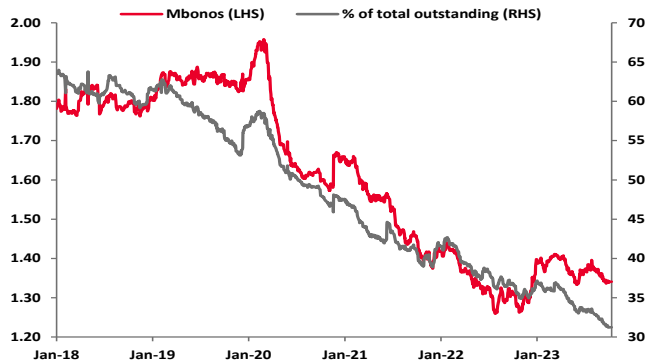
US\$ billion, data as of Oct/03/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Actual	10.9	0.4	7.3	76.3
Previous Week	10.6	0.2	0.9	76.2
Difference	0.3	0.1	6.4	0.1
Dec/30/2023	8.0	1.9	1.0	79.6
Difference	2.9	-1.6	6.3	-3.3

Source: Banxico, Banorte

Mbonos held by foreigners

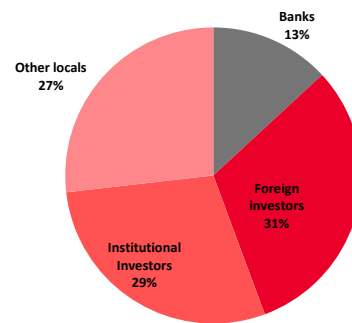
MXN trillion, %



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 244 billion, % of total



Source: Banxico, Banorte

Mbonos holdings by typ of investor

US\$ billions and %, data as Sep/28/2023

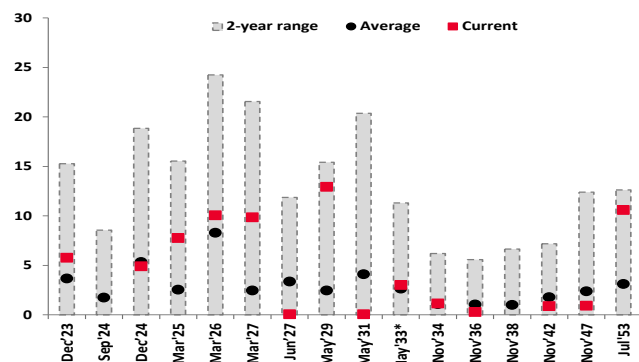
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	9.9	25%	7%	17%	51%
Sep'24	16.6	20%	19%	13%	49%
Dec'24	13.3	20%	27%	11%	43%
Mar'25	9.7	24%	15%	17%	43%
Mar'26	26.1	29%	25%	15%	30%
Sep'26	5.1	17%	23%	9%	50%
Mar'27	21.0	22%	16%	14%	47%
Jun'27	20.1	6%	37%	29%	28%
Mar'29	2.3	40%	8%	12%	39%
May'29	15.9	4%	52%	23%	21%
May'31	24.8	6%	43%	34%	17%
May'33	13.1	4%	38%	31%	26%
Nov'34	5.6	1%	50%	35%	14%
Nov'36	4.2	1%	29%	40%	30%
Nov'38	12.4	2%	41%	40%	17%
Nov'42	17.3	1%	43%	41%	15%
Nov'47	14.9	1%	36%	44%	19%
Jul'53	9.5	1%	32%	45%	22%
Total	232.2	12%	32%	26%	30%

Source: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

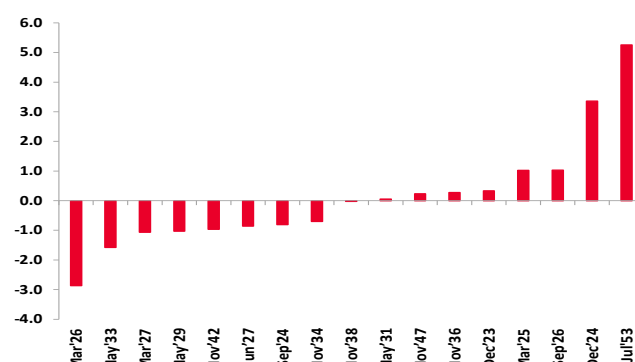
MXN billion



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

Weekly change in market makers' short positions on Mbonos

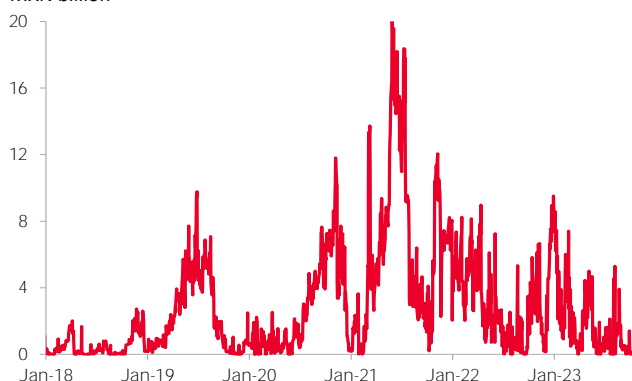
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

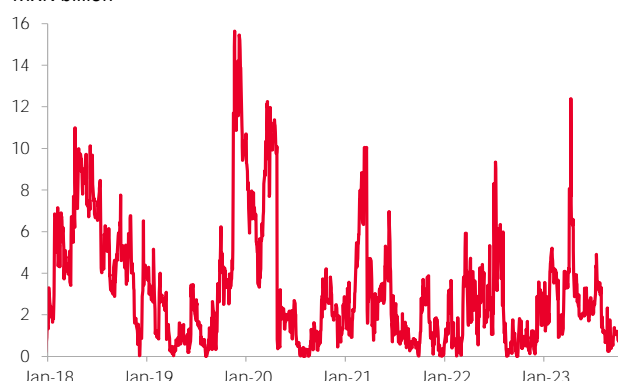
MXN billion



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/12/2023	Oct/12/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,615	320	302	302	320	363	0
Sep'24	15,885	0	45	19	180	180	0
Dec'24	12,833	273	86	46	237	294	1
Mar'25	8,565	431	374	475	0	865	24
Mar'26	25,136	559	718	663	422	1,348	101
Sep'26	5,703	237	180	398	0	1,200	0
Mar'27	20,728	548	607	318	60	1,198	0
Jun'27	19,571	3	51	48	19	605	0
Mar'29	2,299	128	193	12	0	193	0
May'29	16,125	720	777	546	0	857	44
May'31	24,131	3	0	29	221	295	0
May'33	12,756	167	254	207	0	628	3
Nov'34	5,341	64	103	71	55	343	0
Nov'36	4,086	15	0	2	0	310	0
Nov'38	12,081	0	1	7	23	153	0
Nov'42	17,166	49	102	38	89	321	0
Nov'47	14,503	51	38	29	32	367	13
Jul'53	9,659	589	297	19	202	589	0
Total	236,182	3,566	3,830	3,212	1,658		

Source: Banxico, Banorte

Fixed-Income Technicals

- **The carry at the short-end registered a mixed balance.** Spreads between Cetes and implied forward rates stood at: 1-month at +87bps from +51bps, 3-month at -6bps from 0bps, 6-month at -25bps from -11bps, and 1-year at -24bps from -29bps
- **More hawkish Banxico's minutes and negative surprise in US CPI report.** Market's expectations remain anchored about the beginning of rate cuts by Banxico. The curve is still pricing-in the first -25bps adjustment in May 2024, in line with our call. However, the speed of the rate cuts moderated towards a rate of 9.90% at the end of 2024 (+65bps vs Banorte) from 9.50% last week. Within the minutes, comments on the difficulties that next year's fiscal stimulus would represent for monetary policy stood out. On the other hand, the market continues to debate whether there is room for the Fed to make an additional 25bps hike before the end of the year. The probability of it happening in November collapsed after the conflict in the Middle East; however, for December it increased following the negative surprise in the September [inflation](#) report although it is less than 50%

Spread between Cetes and Implied Forward Rates

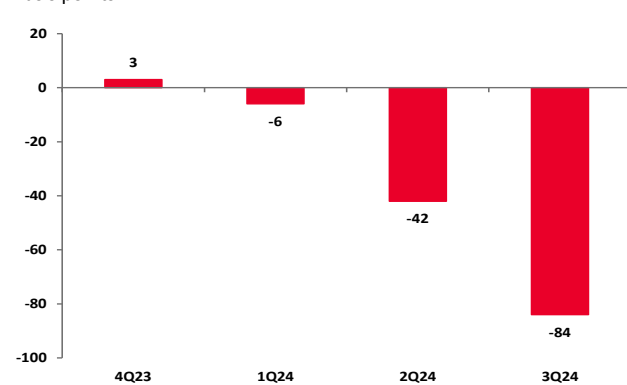
Basis points

Tenor	Actual Oct/13/2023	Previous Week	Mes previo	Promedio 6m	Max 6m	Min 6m
1 month	87	51	61	14	489	-222
3 months	-6	0	-4	-53	32	-150
6 months	-25	-11	-22	-69	10	-125
12 months	-24	-29	-40	-68	-19	-98

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

Basis points



Source: Bloomberg, Banorte

- **Higher for longer US rates scenario lifted the local risk premium.** The sell-off in Treasuries following a higher-than-expected US September inflation reading was reflected in a risk-off mood affecting Mexican bonds. As a result, the 10-year spread between Mbono and Treasuries closed on Friday at 514bps vs 504bps the previous week, while the average of the last twelve months stands at 525bps
- **The 3-month correlation between Mexican and US 10-year bonds decreased.** The reading closed Friday at +61% vs +63% the previous week. The performance of local bonds will continue to be highly influenced by the dynamics in Treasuries

10-year Mbono and 10-year UST spread

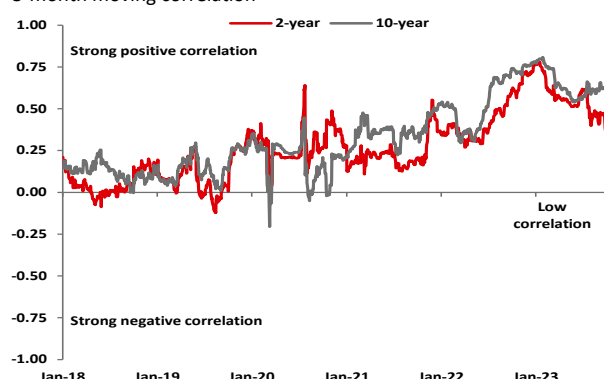
Basis points



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

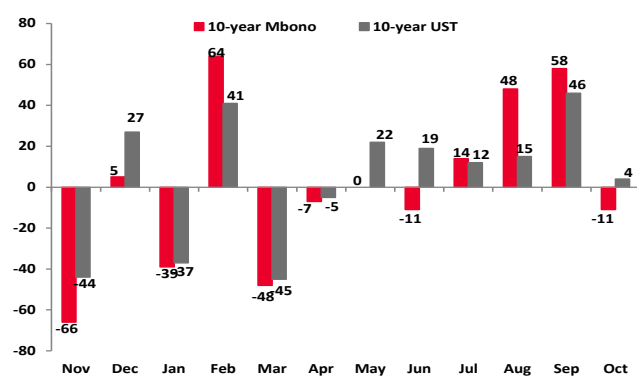
Basis points

Tenor	Oct/13/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-87	-60 (-27bps)	-120 (+33bps)	-62 (-25bps)	-47	-199	-140
Mbono 10s30s	-3	-1 (-2bps)	5 (-8bps)	-4 (+1bp)	35	-15	10
TIIE-Mbono 2-year	-4	10 (-14bps)	-56 (+52bps)	-19 (+15bps)	25	-91	-48
TIIE-Mbono 10-year	-32	-36 (+4bps)	-59 (+27bps)	-48 (+16bps)	-17	-68	-47

Source: Bloomberg, PiP, Banorte

Mexican and US rates performance, last 12 months

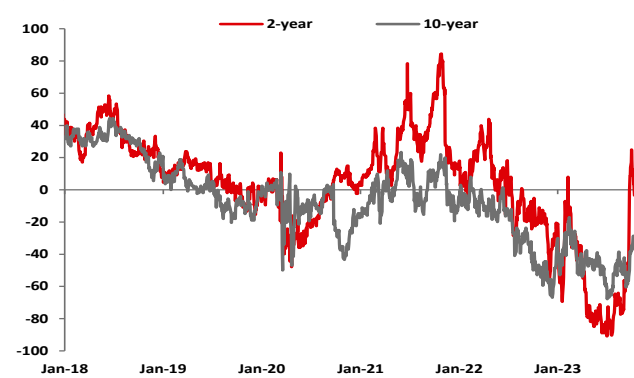
Basis points



Source: PiP, Bloomberg, Banorte

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

Basis points



Source: PiP, Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos

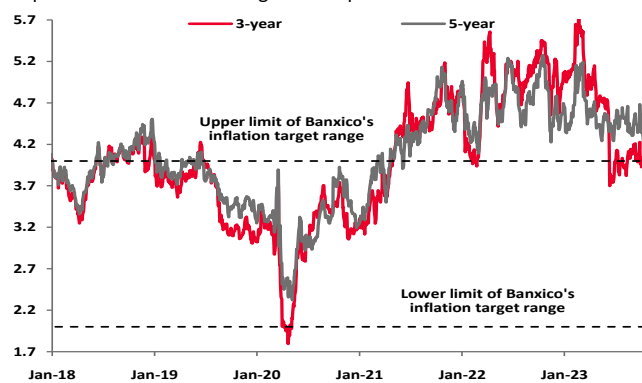
Implicit market inflation using Fisher Equation (%)

Date	Oct/13/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.15	4.04 (+11bps)	4.03 (+12bps)	5.45 (-130bps)	5.74	3.70	4.67
5Y	4.32	4.35 (-3bps)	4.45 (-13bps)	5.26 (-94bps)	5.28	4.22	4.57
10Y	4.34	4.42 (-8bps)	4.48 (-14bps)	5.16 (-82bps)	5.16	4.04	4.42
20Y	4.72	4.74 (-2bps)	4.71 (+1bp)	5.1 (-38bps)	5.15	4.15	4.57
30Y	4.67	4.71 (-4bps)	4.67 (0bps)	5.02 (-35bps)	5.18	4.15	4.55

Source: PiP, Banorte

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

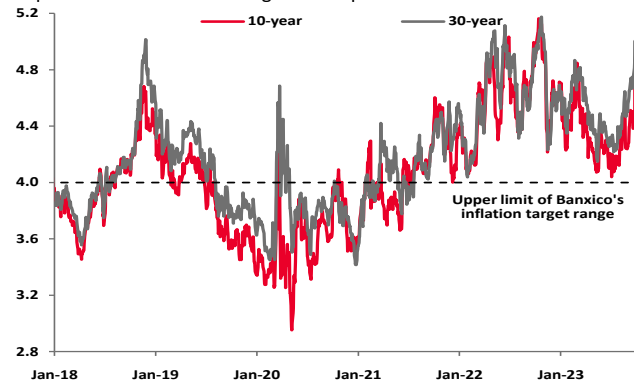
Implicit market inflation using Fisher Equation



Source: PiP, Banorte

10- and 30-year breakeven inflation using Mbonos & Udibonos

Implicit market inflation using Fisher Equation



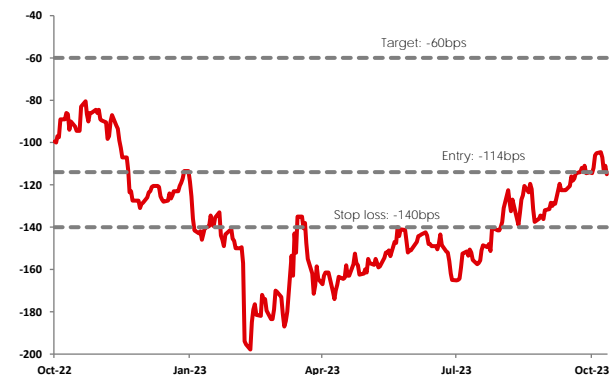
Source: PiP, Banorte

Fixed – Income trade recommendations

- **The drivers behind the sell-off will prevail in coming months.** At the beginning of the week, a relief in sovereign bonds was seen with the US 10-year yield moving from 4.80% to 4.55% due to concerns over the Hamas's surprise attack against Israel and a less hawkish tone from Fedspeakers. However, the [negative US CPI report](#) driven a rebound in yields of up to 17bps at the long-end. In sum, the Treasuries' curve closed the period with a flattening bias because of few changes at the short-end and gains of up to 21bps in long-term securities. The 10-year benchmark closed at 4.61% (-19bps). Locally, all eyes were on the more hawkish [Banxico's minutes](#) signaling that the reference rate could remain at high level for longer. The Mbonos' curve also flattened with assets with a duration longer than 10 years gaining 10bps, on average
- For the coming months, we expect that the drivers behind the massive sell-off persist along the financial markets. The adjustment was led by US Treasuries, affected by: (1) The risk of a higher long-run neutral real interest rate – known as r^* , currently at 0.5% based on the dot plot, and at 0.6% as of 2Q23 according to a New York Fed model, with a post-pandemic high of 1.3%; (2) more issuance of Treasury debt to finance a growing fiscal deficit; (3) the Fed's quantitative tightening; (4) the need for higher compensation for duration risk in long-term debt (first chart, right); (5) lower demand and holdings by major purchasers (e.g. China); and (6) positioning, with increased shorts for speculative and hedging purposes
- [In strategy terms](#), we believe that floating rate bonds, known as Bondes F, remain appropriate and defensive. Despite the sharp cheapening of long-term Mbonos that could entice some investors to increase portfolio duration, the risks of higher rates persist. In this context, the correlation with US Treasuries remains high and spreads vs these securities are below their 5-year averages. Meanwhile, we perceive short-term Mbonos as undervalued, highlighting the 3-year benchmark (Sep'26) based on an analysis of the duration-adjusted yield. Furthermore, we see some room for a downward correction at the short-end of the TIIE-IRS curve. Embedded expectations are consistent with a reference rate of 9.90% by the end of 2024 (+65bps vs Banorte). All in all, relative value strategies are attractive given elevated volatilities. Specifically, we recommend a 2/10 steepener in TIIE-IRS with an entry level of -114bps, target of -60bps, and stop loss of -140bps, despite a negative carry and roll-down of -5.6bps per month. On real rates, short-term Udibonos maintain an attractive valuation, especially after the long-end became more expensive and [our upward revision in inflation forecasts](#). The 3-year breakeven is at 4.15%, well below the 20- and 30-year readings of 4.72% and 4.67%, in the same order

2s/10s spread in TIIE-IRS

Basis points



Source: Bloomberg, Banorte

FX dynamics

- **The Mexican peso closed with a slight gain.** The FX market assimilated dovish comments from some Fed members that were contrasted by inflation that is still far from the central bank's target. Thus, the higher-for-longer rates scenario remains in investors' minds. The Mexican peso temporarily broke the psychological level of 18.00 per dollar, closing on Friday at 18.09 per dollar with an appreciation of 0.4% w/w
- **The USD showed greater strength vs. advanced economies' currencies.** The DXY and BBDXY indices advanced 0.6% and 0.3% w/w, in the same order. In G10 currencies, losses predominated with NZD (-1.8%) as the weakest. In emerging currencies, RUB (+3.3%) led the gains and CLP (-2.3%) was at the opposite end of the spectrum

Foreign Exchange market levels and historical return

		Close at Oct/13/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	5.08	-0.6	1.3	-3.2	4.0
Chile	USD/CLP	940.00	-0.1	-2.3	-6.1	-9.5
Colombia	USD/COP	4,237.16	-0.3	2.4	-6.8	14.5
Peru	USD/PEN	3.86	-0.5	-0.8	-4.0	-1.4
Hungary	USD/HUF	369.57	-0.5	-1.1	-3.2	1.0
Malaysia	USD/MYR	4.73	-0.3	-0.3	-1.0	-6.9
Mexico	USD/MXN	18.09	-0.6	0.4	-5.2	7.8
Poland	USD/PLN	4.31	-0.1	0.3	-0.1	1.4
Russia	USD/RUB	97.69	0.0	3.3	-1.5	-24.1
South Africa	USD/ZAR	19.00	0.1	1.6	-1.0	-10.3
Developed Markets						
Canada	USD/CAD	1.37	0.2	0.0	-0.8	-0.8
Great Britain	GBP/USD	1.21	-0.3	-0.8	-2.8	0.5
Japan	USD/JPY	149.57	0.2	-0.2	-1.4	-12.3
Eurozone	EUR/USD	1.0510	-0.2	-0.7	-2.1	-1.8
Norway	USD/NOK	10.95	0.3	-0.3	-2.1	-10.4
Denmark	USD/DKK	7.10	-0.2	-0.7	-2.0	-2.1
Switzerland	USD/CHF	0.90	0.7	0.9	-0.9	2.5
New Zealand	NZD/USD	0.59	-0.7	-1.8	-0.6	-7.3
Sweden	USD/SEK	11.03	-0.3	-0.6	0.9	-5.5
Australia	AUD/USD	0.63	-0.3	-1.4	-2.0	-7.6

Source: Bloomberg, Banorte

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

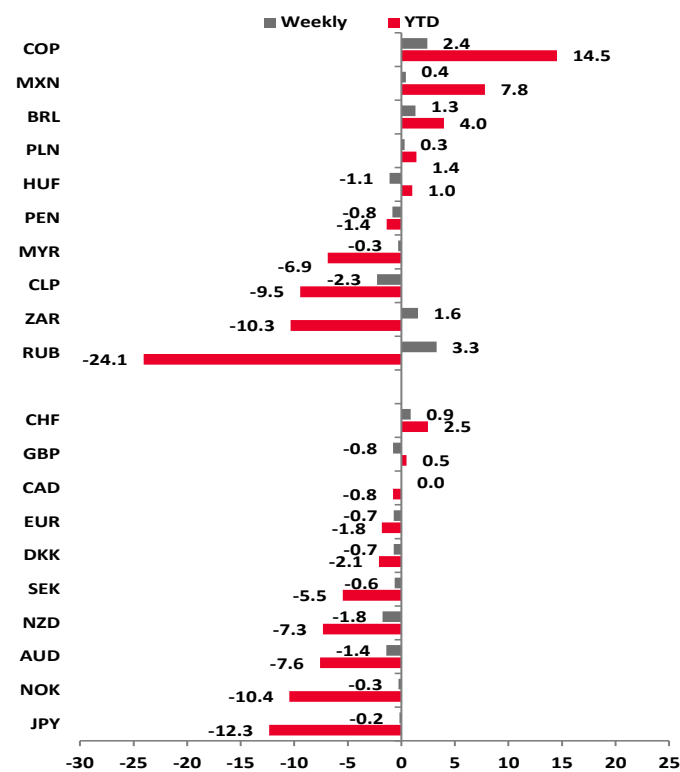
USD/MXN

Last 12 months



FX performance

Against USD, %



Source: Bloomberg, Banorte

DXY

Points

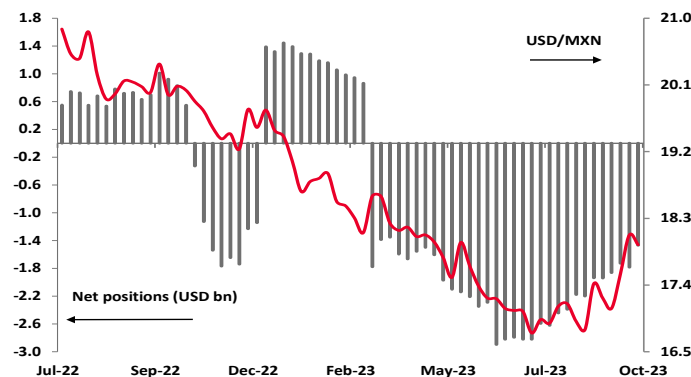


FX positioning and flows

- **Net long MXN positions fell 18% w/w.** As of October 10th, the MXN position recorded a lower net long of US\$ 1.47 billion from US\$ 1.78 billion last week, reaching a 7-month low. Furthermore, this adjustment is equivalent to the biggest weekly drop since 1Q23 due to migration of flows to safe-haven assets driven by the war in the Middle East. So far this year, speculators have fluctuated between net short positions of US\$ 1.45 billion in January and net long positions of US\$ 2.89 billion in June
- **Few changes in net long USD positioning.** The IMM USD position was net long US\$9.17 billion from US\$9.72 billion a week ago. It is worth remembering that during 2021 and 2022, the largest net long positioning in USD was approximately US\$25.6 billion, so there is room for speculators to continue betting in favor of the dollar. Meanwhile, the weekly adjustment was the result of purchases in most currencies, highlighting JPY (+1.44 billion), and marginal sales in EUR, CAD, and MXN. In particular, net long positions in EUR are at fresh 1-year lows of US\$10.01 billion, declining 60% from their peak in July
- **Sales slightly increased in EM while Mexico recorded 11 consecutive weeks with outflows.** Our EPFR aggregate recorded bigger negative flows of US\$ 3.2 billion from US\$ 3.0 billion the previous week. Bond market sales decreased 19% to US\$ 1.5 billion. In contrast, equities outflows soared 47% to US\$ 1.7 billion, concentrated in Asia. In Mexico, a negative flow of US\$ 103 million was recorded because of sales in both bonds and equities of US\$ 87 million and US\$ 16 million, respectively

IMM positioning in USD/MXN futures

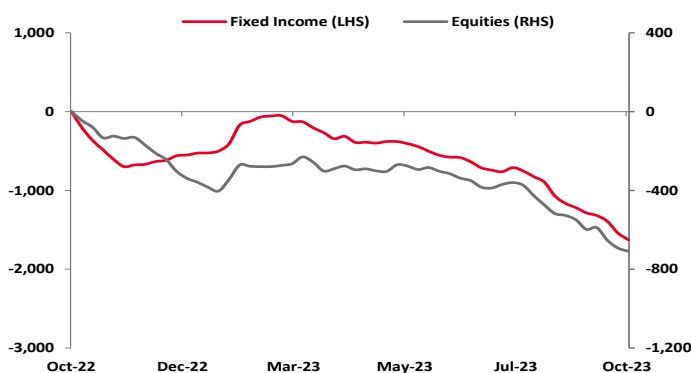
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

Foreign portfolio flows into Mexico

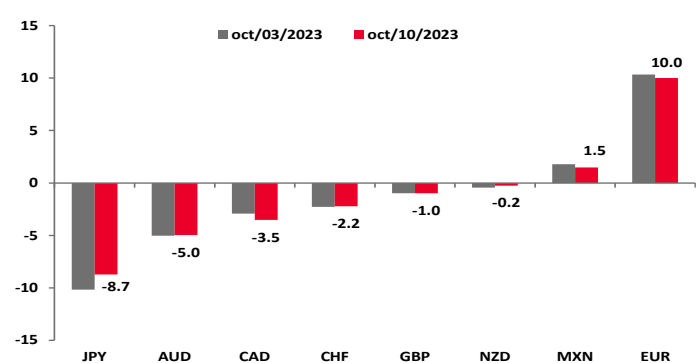
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

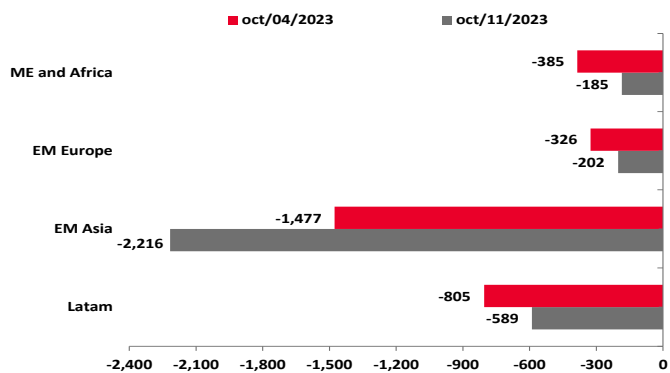


* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*

Weekly, million dollars



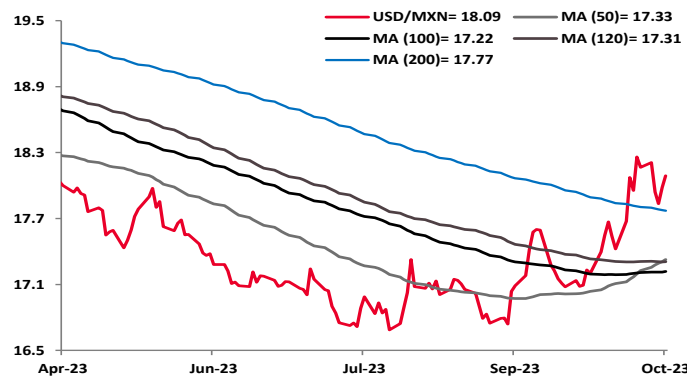
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- The Mexican peso will respect the 200-day MA.** Markets continue debating the higher-for-longer rate scenario and weighing the eventual impact that the war in Israel could have. As a result, investors continue to prefer safe-haven assets, albeit with less conviction this week. The MXN breached the psychological level of 18.00 per dollar and extended the price action until reaching resistance at the 200-day MA at 17.77 per dollar. This week, the trading range was 66 cents, significantly lower than the 111 cents of the previous week. Following this dynamic, the main short-term resistances are located at 17.77, 17.62 and 17.50 with supports at 18.24, 18.50 and 18.62. Next week, the direction of the currencies will be determined mainly by Fed members' speeches and the Eurozone CPI report

USD/MXN – Moving averages

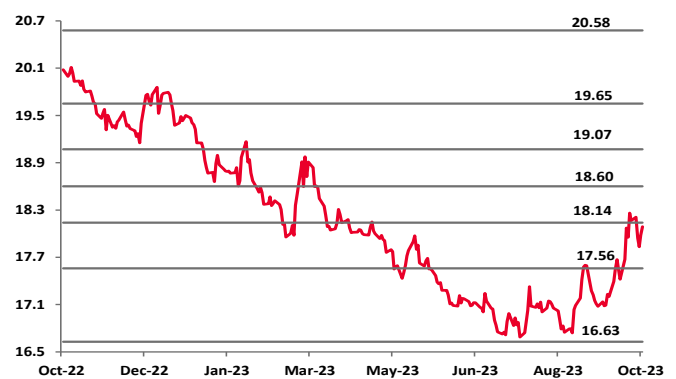
Last 120 trading days



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	41	38	1	65	29
CAD	18	26	7	63	32
ZAR	77	72	4	78	43
BRL	79	77	19	82	57
HUF	57	56	4	70	48
RUB	14	40	-34	53	10

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

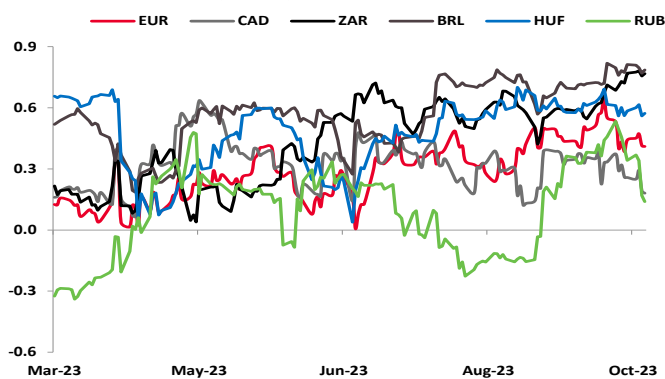
USD/MXN – 1-month correlation with other assets *

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	48	40	14	89	45
SPX	52	44	5	71	39
GSCI	-7	-4	-22	49	22
Oro	34	32	-57	51	7

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

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

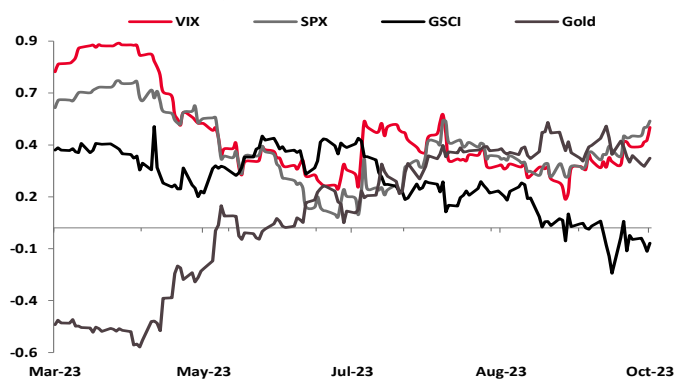
Based on daily percentage changes



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

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

Based on daily percentage changes

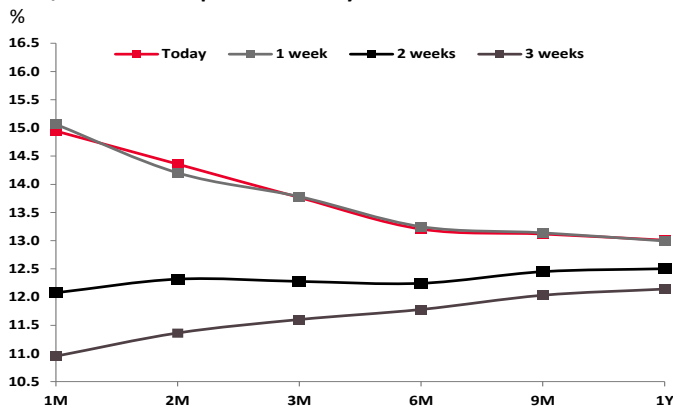


* Positive: appreciation of MXN and corresponding asset except VIX
 Source: Bloomberg, Banorte

FX technicals (continued)

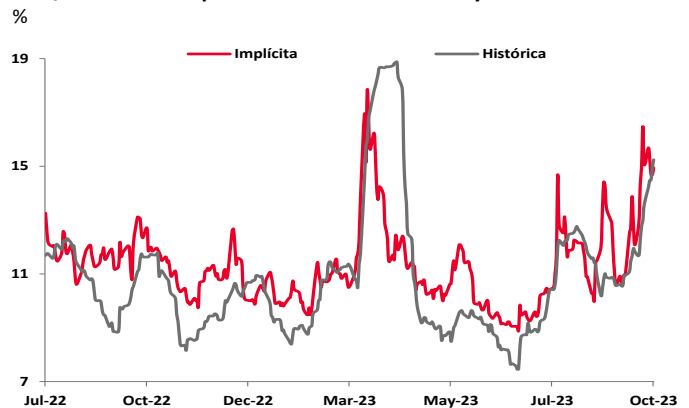
- Concerns that the conflict in the Middle East would escalate kept the MXN ATM implied volatility curve at high levels and inverted. 1-month implied volatility remained around 15.0%, reaching 15.7% at the beginning of the week. The 3-month and 1-year readings closed virtually unchanged at 13.77% and 13.01%, respectively. The volatility curve continues to reflect greater uncertainty in the short term. On the other hand, the 1- and 3-month risk reversals decreased to 3.63 vols and 3.72 vols, respectively, after reaching levels not seen since the start of the war in Ukraine of 4.15 vols and 3.99 vols, in the same order. Despite the moderation, investors continue to favor further strengthening of the dollar vs. the peso

USD/MXN – ATM options volatility curve



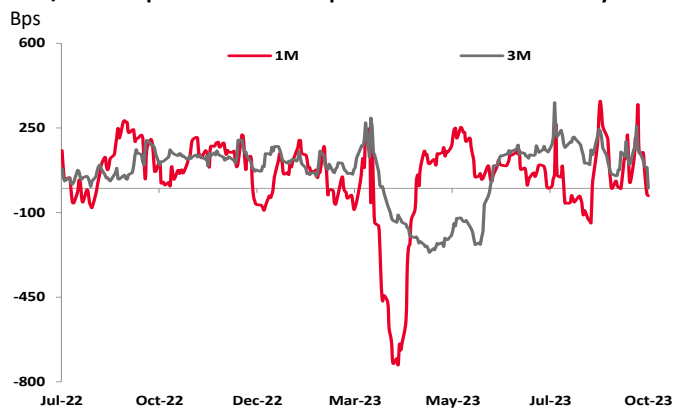
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

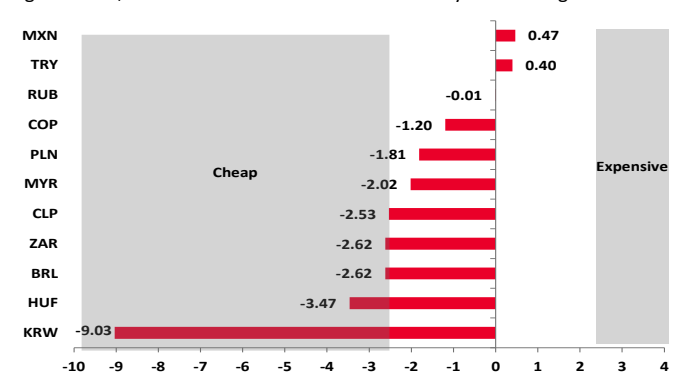
USD/MXN – Spread between implicit and historical volatility



Source: Bloomberg, Banorte

Emerging markets one-month ATM options volatility

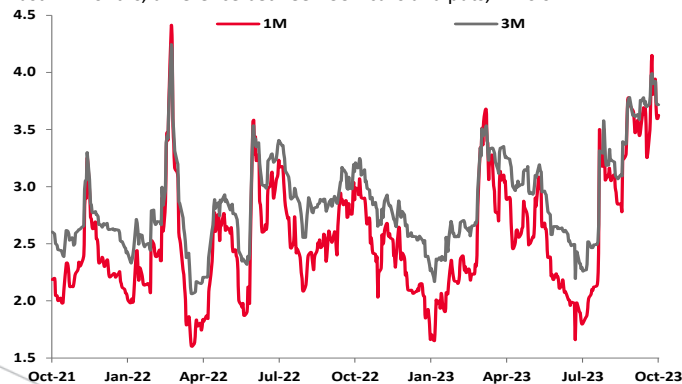
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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

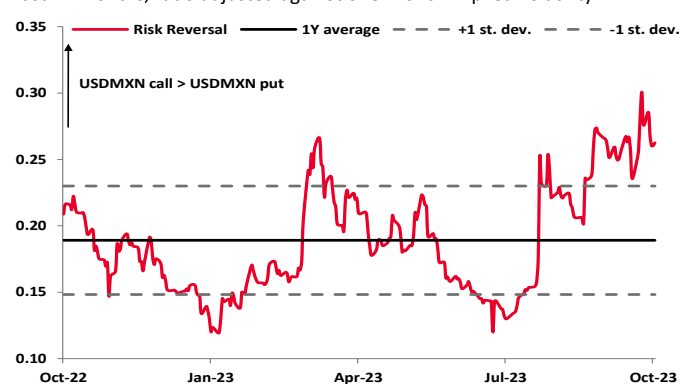
Last 24 months, difference between USD calls and puts, in vols



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 Mexican peso will hover around 18.00 per dollar.** During the week, the USD's performance was mainly driven by the price action in Treasuries and resumed its appreciation bias when incorporating the September CPI report in the US. As a result, the DXY and BBDXY indices ended the week with gains of 0.6% and 0.3% w/w, in the same order. We expect the USD to remain strong due to: (1) The Fed's 'higher-for-longer' signal for interest rates; (2) a US 'soft landing' vs. possible 'stagflation' in Europe, a slow Chinese recovery –with financial stability risks–, and easing cycles in some emerging economies; and (3) higher demand for safe-haven assets due to geopolitical risks. Meanwhile, developed and EM currencies ended the week with mixed changes. In the G10, losses predominated with NZD (-1.8%) as the weakest. In emerging currencies, trading was capped by RUB (+3.3%) and CLP (-2.3%). The performance of the Russian currency is related to the reimposition of exchange controls by the government, measures that will be extended for six months
- The Mexican peso showed better relative performance as risk appetite partially returned, however, it respected the resistance located at the 200-day MA (17.77). The MXN closed Friday with an appreciation of 0.4% w/w at 18.09 per dollar. The trading range was 66 cents, significantly lower than the 111 cents of the previous week. Our base case remains that the MXN will be resilient. However, since the [Foreign Exchange Commission](#) announced the end of the non-deliverable FX forwards program, volatility has increased. Speculation remains as to whether a reserve accumulation mechanism will be announced, with the sale of USD/MXN put options as an alternative. In our view, this will not happen soon. First, it is necessary to evaluate the conditions under which the [IMF's Flexible Credit Line](#) could be renewed, with an announcement expected for November and probably for a lower amount. There is also no rush considering that Mexico has healthy international reserves. In our view, it is more feasible that such a mechanism could be approved until 2H24
- [The pace of carry compression will determine the dynamism of MXN in 2024.](#)** Among its favorable fundamentals, we note: (1) Higher GDP growth in Mexico, mainly in 1H24; (2) a delayed start relative to market expectations of Banxico's rate cuts, until May 2024; and (3) nearshoring flows. On the contrary, the spread vs. the *Fed funds* rate would decline from 550bps in 2023 to 450bps at the end of 2024. With the US still strong, we believe the main risk for the peso is that a 'soft landing' does not materialize, or that volatility spikes because of financial stability issues driven by high interest rates. We reiterate our USD/MXN forecasts, expecting a year-end at 17.90 per dollar for 2023 and 19.20 for 2024. We expect a trading range for next year between USD/MXN 17.90 and 20.50

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 20, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 16	05:00	EZ	Trade balance*	Aug	EURbn	--	--	2.9
	08:30	US	Empire manufacturing*	Oct	index	-4.0	-6.0	1.9
	08:30	US	Fed's Harker Speaks on the Economic Outlook					
Tue 17	05:00	GER	ZEW Survey (Expectations)	Oct	index	--	-9.5	-11.4
	08:00	US	Fed's Williams Moderates Discussion at Economic Club of NY					
	08:30	US	Advance retail sales*	Sep	% m/m	0.5	0.3	0.6
	08:30	US	Ex autos & gas*	Sep	% m/m	--	0.1	0.2
	08:30	US	Control group*	Sep	% m/m	0.1	-0.1	0.1
	09:15	US	Industrial production*	Sep	% m/m	0.1	0.0	0.4
	09:15	US	Manufacturing production*	Sep	% m/m	0.0	0.0	0.1
	09:20	US	Fed's Bowman Speaks on Innovation in Payments					
	10:45	US	Fed's Barkin Speaks on the Economic Outlook					
	11:00	MX	International reserves	Oct 13	US\$bn	--	--	203.5
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes; 30-year Mbono (Jul'53), 10-year Udibono (Nov'31) and 2-, and 5-year Bondes F					
	17:00	US	Fed's Kashkari Participates in a Moderated Discussion					
	21:00	CHI	Gross domestic product	3Q23	% y/y	--	4.5	6.3
	21:00	CHI	Industrial production	Sep	% y/y	--	4.3	4.5
Wed 18	21:00	CHI	Retail sales	Sep	% y/y	--	4.9	4.6
	21:00	CHI	Gross fixed investment (YTD)	Sep	% y/y	--	3.2	3.2
	02:00	UK	Consumer prices	Sep	% y/y	--	6.6	6.7
	02:00	UK	Core	Sep	% y/y	--	6.0	6.2
	05:00	EZ	Consumer prices	Sep (F)	% y/y	--	4.3	4.3
	05:00	EZ	Core	Sep (F)	% y/y	--	4.5	4.5
	08:00	BZ	Retail sales	Aug	% y/y	--	1.1	2.4
	08:00	BZ	Retail sales*	Aug	% m/m	--	-0.8	0.7
	08:30	US	Housing starts**	Sep	thousands	--	1,380	1,283
	08:30	US	Building permits**	Sep	thousands	--	1,458	1,541
	12:00	US	Fed's Waller Speaks About Economic Outlook in London					
	12:30	US	Fed's Williams Participates in Moderated Discussion					
	14:00	US	Beige Book					
	15:15	US	Fed's Harker Speaks on Workforce Challenges					
Thu 19	18:55	US	Fed's Cook Speaks About the Fed's Mandate					
		SK	Monetary policy decision (Central bank of South Korea)	Oct 9	%	--	3.50	3.50
	04:00	EZ	Current account*	Aug	EURbn	--	--	20.9
	08:00	MX	Timely Indicator of Economic Activity*	Sep	% y/y	--	--	3.4
	08:00	BZ	Economic activity	Aug	% y/y	--	1.5	0.7
	08:00	BZ	Economic activity*	Aug	% m/m	--	-0.4	0.4
	08:30	US	Initial jobless claims*	Oct 14	thousands	218	212	209
	08:30	US	Philadelphia Fed*	Oct	index	-7.0	-7.0	-13.5
	09:00	US	Fed's Jefferson Delivers Welcoming Remarks					
	10:00	US	Existing home sales**	Sep	millions	--	3.9	4.0
	12:00	US	Fed's Powell Speaks at the Economic Club of New York					
	13:20	US	Fed's Goolsbee Participates in Moderated Q&A					
	13:30	US	Fed's Barr Speaks About Stress Testing					
	16:00	US	Fed's Bostic Speaks at the New School Univeristy Center					
Fri 20	17:30	US	Fed's Harker Speaks on Economic Outlook					
	19:00	US	Fed's Logan Speaks in New York					
	21:15	CHI	1-Year Loan Prime Rate	Oct 20	%	--	3.45	3.45
	21:15	CHI	5-Year Loan Prime Rate	Oct 20	%	--	4.20	4.20
		MX	Limit date for the approval of the Revenue Law in the Lower House					
	08:00	MX	Retail sales	Aug	% y/y	4.5	4.2	5.1
	08:00	MX	Retail sales*	Aug	% m/m	0.3	--	0.2
	09:00	US	Fed's Harker Speaks on Economic Outlook					
	12:15	US	Fed's Mester Speaks at Manhattan Institute for Policy Research					
	16:30	MX	Survey of expectations (Citibanamex)					

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

For the week ending October 13, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
			IMF / World Bank fall meetings begin in Marrakech, Morocco					
	02:00	GER	Industrial production*	Aug	% m/m	--	-0.2	-0.6
	08:00	MX	Consumer prices	Sep	% m/m	0.50	0.44	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	4.45	4.64
	08:00	MX	Core	Sep	% y/y	5.76	5.76	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	--	203.5	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 Udi bono (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	--	4.8	3.1
		MX	Wage negotiations	Sep	% y/y	--	5.1	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	--	0.26	0.23
	08:00	BZ	Consumer prices	Sep	% y/y	--	5.19	4.61
	08:30	US	Producer prices*	Sep	% m/m	--	0.5	0.7
	08:30	US	Ex. food & energy*	Sep	% m/m	--	0.3	0.2
	14:00	US	FOMC Meeting Minutes					
	02:00	UK	Industrial production*	Aug	% m/m	--	-0.7	-1.1 (R)
	08:00	MX	Industrial production	Aug	% y/y	4.9	5.2	4.8
	08:00	MX	Industrial production*	Aug	% m/m	0.2	0.3	0.5
	08:00	MX	Manufacturing output	Aug	% y/y	0.2	-0.6	0.8
	08:30	US	Initial jobless claims*	Oct 7	thousands	215	209	209
Thu 12	08:30	US	Consumer prices*	Sep	% m/m	0.3	0.4	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	3.7	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	--	0.0	0.1
	23:00	CHI	Trade balance	Sep	USD bn	--	77.7	68.2
	23:00	CHI	Exports	Sep	% y/y	--	-6.2	-8.8
	23:00	CHI	Imports	Sep	% y/y	--	-6.2	-7.3
	05:00	EZ	Industrial production*	Aug	% m/m	--	0.6	-1.3
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	63.0	68.1

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	
2y10y TIIE-IRS steepener		Oct-13-23		
Long positions in Mbono Dec'24	P	Jun-16-23	Jun-22-23	
Pay TIIE-IRS (26x1), receive 2-year SOFR	L	Aug-18-22	Oct-28-22	
Pay 2-year TIIE-IRS (26x1)	P	Feb-4-22	Mar-4-22	
Tactical longs in Mbono Mar'26	P	May-14-21	Jun-7-21	
Receive 6-month TIIE-IRS (6x1)	P	Dec-17-20	Mar-3-21	
Long positions in Udibono Nov'23	L	Feb-11-21	Feb-26-21	
Long positions in Mbono May'29 & Nov'38	P	Sep-7-20	Sep-18-20	
Long positions in Udibono Dec'25	P	Jul-23-20	Aug-10-20	
Long positions in Udibono Nov'35	P	May-22-20	Jun-12-20	
Long positions in Mbono May'29	P	May-5-20	May-22-20	
Tactical longs in 1- & 2-year TIIE-28 IRS	P	Mar-20-20	Apr-24-20	
Long positions in Udibono Nov'28	P	Jan-31-20	Feb-12-20	
Long positions in Udibono Jun'22	P	Jan-9-20	Jan-22-20	
Long positions in Mbono Nov'47	L	Oct-25-19	Nov-20-19	
Long positions in Mbonos Nov'36 & Nov'42	P	Aug-16-19	Sep-24-19	
Long positions in the short-end of Mbonos curve	P	Jul-19-19	Aug-2-19	
Long positions in Mbonos Nov'42	L	Jul-5-19	Jul-12-19	
Long positions in Mbonos Nov'36 & Nov'38	P	Jun-10-19	Jun-14-19	
Long positions in Mbonos Jun'22 & Dec'23	P	Jan-9-19	Feb-12-19	
Long floating-rate Bondes D	P	Oct-31-18	Jan-3-19	
Long CPI-linkded Udibono Jun'22	L	Aug-7-18	Oct-31-18	
Long floating-rate Bondes D	P	Apr-30-18	Aug-3-18	
Long 20- to 30-year Mbonos	P	Jun-25-18	Jul-9-18	
Short Mbonos	P	Jun-11-18	Jun-25-18	
Long CPI-linkded Udibono Jun'19	P	May-7-18	May-14-18	
Long 7- to 10-year Mbonos	L	Mar-26-18	Apr-23-18	
Long CPI-linkded Udibono Jun'19	P	Mar-20-18	Mar-26-18	
Long 5- to 10-year Mbonos	P	Mar-5-18	Mar-20-18	
Long floating-rate Bondes D	P	Jan-15-18	Mar-12-18	
Long 10-year UMS Nov'28 (USD)	L	Jan-15-18	Feb-2-18	

P = Profit, L = Loss

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

* Total return does not consider carry gain/losses

P = Profit, L = Loss

Track of directional fixed-income trade recommendations								
Trade idea	Entry	Target	Stop-loss	Closed	P/L	Initial date	End date	
Long Udibono Dec'20	3.05%	2.90%	3.15%	3.15%	L	Aug-9-17	Oct-6-17	
5y10y TIIE-IRS steepener	28bps	43bps	18bps	31bps	P ²	Feb-15-17	Mar-15-17	
5y10y TIIE-IRS steepener	35bps	50bps	25bps	47bps	P	Oct-5-16	Oct-19-16	
Long Mbono Jun'21	5.60%	5.35%	5.80%	5.43%	P	Jul-13-16	Aug-16-16	
Long Udibono Jun'19	1.95%	1.65%	2.10%	2.10%	L	Jul-13-16	Aug-16-16	
Receive 1-year TIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% ¹	P	Nov-12-15	Feb-8-16	
Long spread 10-year TIIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15	
Receive 9-month TIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15	
Spread TIIE 2/10 yrs (flattening)	230bps	200bps	250bps	200bps	P	Jun-26-15	Jul-29-15	
Long Mbono Dec'24	6.12%	5.89%	6.27%	5.83%	P	Mar-13-15	Mar-19-15	
Relative-value trade, long 10-year Mbono (Dec'24) / flattening of the curve					P	Dec-22-14	Feb-6-15	
Pay 3-month TIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15	
Pay 9-month TIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15	
Pay 5-year TIIE-IRS (65x1)	5.25%	5.39%	5.14%	5.14%	L	Nov-4-14	Nov-14-14	
Long Udibono Dec'17	0.66%	0.45%	0.82%	0.82%	L	Jul-4-14	Sep-26-14	
Relative-value trade, long Mbonos 5-to-10-year					P	May-5-14	Sep-26-14	
Receive 2-year TIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14	
Receive 1-year TIIE-IRS (13x1)	4.04%	3.85%	4.20%	3.85%	P	Feb-6-14	Apr-10-14	
Long Udibono Jun'16	0.70%	0.45%	0.90%	0.90%	L	Jan-6-14	Feb-4-14	
Long Mbono Jun'16	4.47%	3.90%	4.67%	4.06%	P	Jun-7-13	Nov-21-13	
Receive 6-month TIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13	
Receive 1-year TIIE-IRS (13x1)	3.85%	3.55%	4.00%	3.85%	--	Oct-10-13	Oct-25-13	
Long Udibono Dec'17	1.13%	0.95%	1.28%	1.35%	L	Aug-9-13	Sep-10-13	
Receive 9-month TIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13	
Spread TIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13	
Receive 1-year TIIE-IRS (13x1)	4.22%	4.00%	4.30%	4.30%	L	Apr-19-13	May-31-13	
Long Udibono Jun'22	1.40%	1.20%	1.55%	0.97%	P	Mar-15-13	May-3-13	
Receive 1-year TIIE-IRS (13x1)	4.60%	4.45%	4.70%	4.45%	P	Feb-1-13	Mar-7-13	
Long Mbono Nov'42	6.22%	5.97%	6.40%	5.89%	P	Feb-1-13	Mar-7-13	
Long Udibono Dec'13	1.21%	0.80%	1.40%	1.40%	L	Feb-1-13	Apr-15-13	
Receive 1-year TIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13	
Receive TIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13	
Spread TIIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	Sep-21-13	Mar-8-13	
Long Udibono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	May-1-12	Nov-27-12	
Long Udibono Dec'13	+1.06%	0.90%	+1.35%	0.90%	P	May-1-12	Dec-14-12	

1. Carry + roll-down gains of 17bps

2. Closed below target and before the proposed horizon date due to changes in market conditions that have differed from our expectations.

P = Profit, L = Loss

Track of the directional FX trade recommendations								
Trade idea	Entry	Target	Stop-loss	Closed	P/L*	Initial Date	End date	
Long USD/MXN	18.57	19.50	18.20	18.20	L	Jan-19-18	Apr-2-18	
Long USD/MXN	14.98	15.50	14.60	15.43	P	Mar-20-15	Apr-20-15	
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	Jan-5-15	Jan-15-15	
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	Sep-10-14	Sep-26-14	
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	May-6-14	Jun-13-14	
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	Oct-31-13	Nov-8-13	
Limit short USD/MXN	13.25	12.90	13.46	--	--	Oct-11-13	Oct-17-13	
Short EUR/MXN	16.05	15.70	16.40	15.69	P	Apr-29-13	May-9-13	
Long USD/MXN	12.60	12.90	12.40	12.40	L	Mar-11-13	Mar-13-13	
Long USD/MXN	12.60	12.90	12.40	12.85	P	Jan-11-13	Feb-27-13	
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	Dec-10-12	Dec-17-12	
Short EUR/MXN	16.64	16.10	16.90	16.94	L	Oct-3-12	Oct-30-12	

* Total return does not consider carry gain/losses

** Low strike (long call) at 13.00, high strike (short call) at 13.30 for a premium of 0.718% of notional amount

P = Profit, L = Loss

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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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