

## Fixed-Income and FX Weekly

- **Rally in Fixed-Income and MXN.** This week, Mbonos' curve gained 28bps, on average, with the biggest adjustments at the long-end. The 10-year benchmark ended at 9.75% (-36bps w/w). In FX, the MXN closed at 17.47 per dollar, gaining 3.7% w/w
- **Investors will be digesting monetary policy information, with attention focused on Fed members' speeches and Banxico's decision.** During the week, the direction of the different financial asset classes was mainly driven by a reduction in the US government debt estimate for 4Q23. In addition, markets incorporated monetary policy decisions in the US, Brazil, Japan and the UK, hawkish comments from Jerome Powell, slowing labor market figures, and 3Q23 corporate results. As expected, the Fed chairman left the door open for an additional hike in December, although this will remain data-dependent. Meanwhile, the war in Israel remains on investors' minds due to the latent risk of an escalation in the region and its eventual impact on oil supply and global inflation. In this context, Treasuries ended with a flattening bias for gains of up to 27bps at the long-end. The dollar also weakened on flows migrating into risk assets. Locally, long-term Mbonos ended with a -32bps adjustment, on average, and the peso broke key resistances to close with a 3.7% w/w appreciation at 17.47 per dollar. Next week, the focus will be on speeches from Fed members, including Powell, where investors will be looking for clues as to how long interest rates will remain elevated before initiating an easing cycle. In addition, markets will incorporate decisions from the central banks of Australia, Poland, Peru, Romania, and Mexico. Although no changes in Banxico's reference rate are expected, the market will be attentive to the statement, particularly regarding the assessment of inflation risks. The US economic agenda includes trade balance, consumer credit, wholesale inventories, and consumer sentiment by the U. of Michigan. In Brazil, China and Mexico (Banorte 0.36% m/m) inflation for October will be released while in the Eurozone, 1- and 3-year ECB's inflation expectations will be published. In Mexico, the agenda also includes consumer confidence, wage negotiations, as well as industrial and manufacturing production

### 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 1.345 trillion (US\$ 76.6 billion), a market share equal to 31.7%, as of October 24<sup>th</sup>. Short positions in Mbono May'33 ended at MXN 102 million from MXN 20 million last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 517bps from 527bps the previous week, with the 12-month mean at 522bps

### Foreign Exchange

- **Market positioning and flows** – Since the beginning of the war in the Middle East, net long MXN positions have fallen 51% to US\$ 880 million. Mutual funds' flows to EM marked lower sales of US\$ 4.0 billion from US\$ 4.1 billion a week ago due to a decrease in equity sales concentrated in Europe
- **Technicals** – The spot left the depreciation channel in which it was trapped, reaching its best intraday level since September 22<sup>nd</sup> of 17.28 per dollar. Weekly trading range widened to 85 cents vs. 42 cents the previous week



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#### Foreign exchange

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#### Recommendations

##### Fixed-Income

- Next week, yield moves will be driven by the auction of Treasuries, as well as comments from Fed members, including Powell. Locally, we do not expect a material reaction after Banxico's decision as the market does not expect changes in the reference rate, in line with our call. Under an environment of high volatility, we reiterate our preference for relative value strategies. Finally, we expect the 10-year Mbono to trade between 9.70% and 10.00%

##### FX

- Next week, comments from Fed members could shape the dynamics of the USD. In a context where markets see low probability of a further Fed hike. The CPI report and Banxico's decision will weigh on MXN performance. We estimate a trading range between USD/MXN 17.25 and 17.75

# Fixed-Income Dynamics

## Mbonos performance

Maturity date	YTM Nov/03/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.58	+1	+76
Sep'24	11.32	-17	+123
Dec'24	11.04	-15	+117
Mar'25	10.68	-18	+75
Mar'26	10.40	-26	+117
Sep'26	10.29	-26	+89
Mar'27	9.99	-27	+80
Jun'27	9.95	-32	+87
Mar'29	9.80	-34	+43
May'29	9.76	-30	+69
May'31	9.79	-35	+77
May'33	9.75	-36	+73
Nov'34	9.74	-35	+68
Nov'36	9.74	-32	+69
Nov'38	9.79	-30	+70
Nov'42	9.79	-31	+68
Nov'47	9.74	-30	+67
Jul'53	9.75	-30	+69

Source: PIP, Banorte

## IRS (28-day TIIE) performance

Maturity date	YTM Nov/03/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	-2	+61
6-month (6x1)	11.50	-4	+46
9-month (9x1)	11.42	-8	+35
1-year (13x1)	11.23	-14	+32
2-year (26x1)	10.33	-28	+46
3-year (39x1)	9.77	-34	+59
4-year (52x1)	9.47	-35	+57
5-year (65x1)	9.30	-39	+48
7-year (91x1)	9.23	-36	+49
10-year (130x1)	9.24	-36	+50
20-year (260x1)	9.28	-37	+42

Source: PIP, Banorte

## CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Nov/03/2023	Weekly change (bps)	YTD (bps)
Nov'23	6.05	-51	-4
Dec'25	6.40	0	+163
Dic'26	6.17	-21	+150
Nov'28	5.29	-24	+98
Nov'31	5.14	-16	+97
Nov'35	4.81	-15	+60
Nov'40	4.87	-9	+68
Nov'43	4.87	-13	+37
Nov'46	4.84	-12	+65
Nov'50	4.86	-11	+63

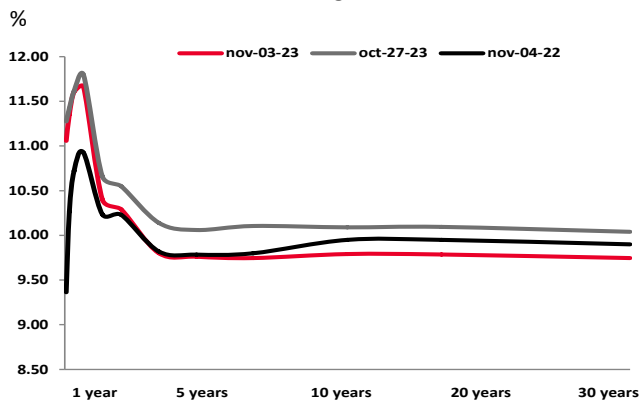
Source: PIP, Banorte

## Cetes performance

Maturity date	YTM Nov/03/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.06	-22	+97
Cetes 91	11.35	-7	+69
Cetes 182	11.60	-1	+73
Cetes 364	11.66	-13	+69
Cetes 728	11.44	-30	+63

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 Nov/03/2023	Weekly change (bps)	YTD (bps)	YTM Nov/03/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	5.03	-26	+56	4.83	-17	+41	20	-9	13	40
3Y	Mar'27	5.11	-35	+32	4.63	-21	+40	48	-14	37	57
5Y	Feb'28	5.45	-39	+66	4.49	-27	+48	96	-12	99	104
7Y	Apr'30	5.83	-41	+49	4.55	-29	+58	128	-12	131	145
10Y	May'33	6.16	-43	+60	4.56	-28	+68	160	-15	167	178
20Y	Mar'44	6.74	-48	+37	4.92	-29	+78	182	-19	201	--
30Y	May'53	7.01	-40	+62	4.74	-27	+78	227	-13	233	--

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 CPI-linked bond (Nov'43) –known as Udibono–, and 1- and 3-year Bondes F
- **Cetes purchases will continue to stand out given the attractive real rates.** We expect robust demand for Cetes since both the market and the consensus of analysts do not expect changes in the reference rate in the short term. In this way, these securities continue to be a good investment due to their real rates at historically high levels, with the 6- and 12-month terms at 7.28% and 7.43%, respectively. This week, Mbonos yields from 3-year maturity decreased 31bps driven by the rally of up to 27bps in long-term Treasuries. We expect moderate demand for the Mbono Sep'26 below 2.5x as it shows a valuation with no room for further correction according to duration-adjusted yield analysis. This bond closed the week at 10.29% (-26bps), after reaching 10.78% on October 25<sup>th</sup>. Additionally, it is worth noting that its pair on the real yield curve reflects greater attractiveness. The Udibono Dec'26 ended at 6.17% (-21bps) and the 3-year breakeven is below 4.00%. Regarding the 20-year Udibono, we anticipate a weak appetite as in its two previous placements of 1.6x. Although the breakeven of this term decreased to 4.69% from 4.86% last week, it remains at high levels and above the 12-month average

### Auction specifics (November 7, 2023)

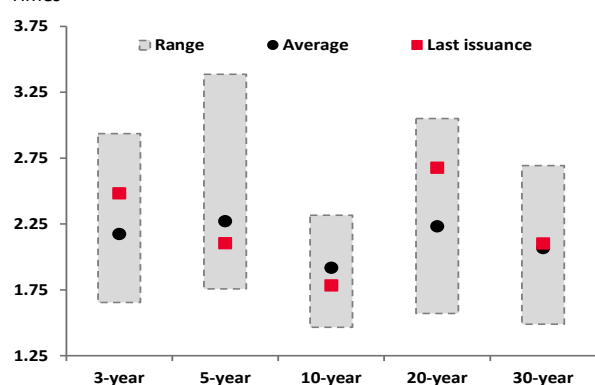
Security	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
<b>Cetes</b>				
1m	Dec-07-23	--	8,500	11.09
3m	Feb-08-24	--	7,500	11.39
6m	May-02-24	--	16,700	11.71
24m	Oct-30-25	--	10,800	11.77
<b>Bondes F</b>				
1Y	Nov-07-24	--	6,000	0.12
3Y	Jun-04-26	--	2,200	0.18
<b>Bono M</b>				
3Y	Sep-03-26	7.00	12,000	10.34
<b>Udibono</b>				
20Y	Nov-12-43	3.35	UDIS 700	4.93

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



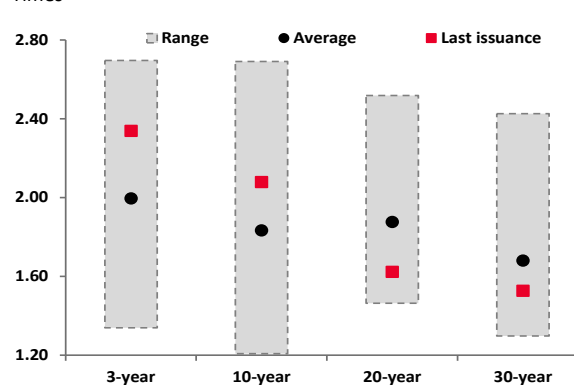
Source: Bloomberg, Banorte

### 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

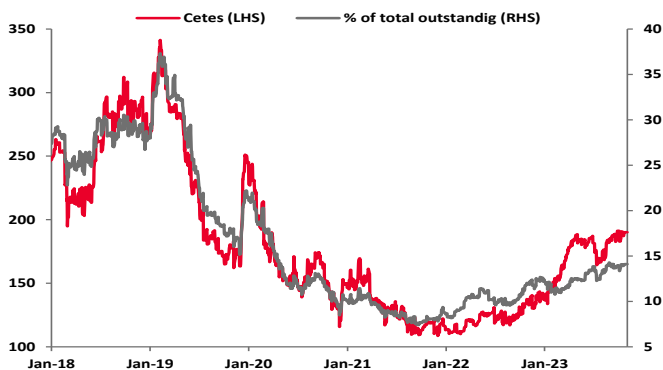


Source: Bloomberg, Banorte

## Fixed-Income Demand

### Cetes held by foreigners

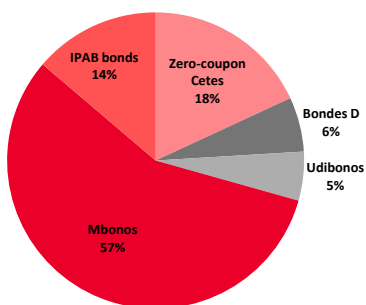
MXN billion, %



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 Oct/24/2023

	Cetes	Bondes D	Udibonos*	Bonos M
<b>Total amount outstanding</b>	77	25	179	241
<b>Foreign investors</b>	14%	1%	4%	32%
<b>Pension funds</b>	11%	3%	53%	23%
<b>Mutual funds</b>	15%	46%	5%	3%
<b>Insurance companies</b>	5%	1%	19%	3%
<b>Banks</b>	10%	18%	2%	13%
<b>Others</b>	44%	31%	17%	26%

Source: Banxico, Banorte

### Foreign investors holdings of government bonds

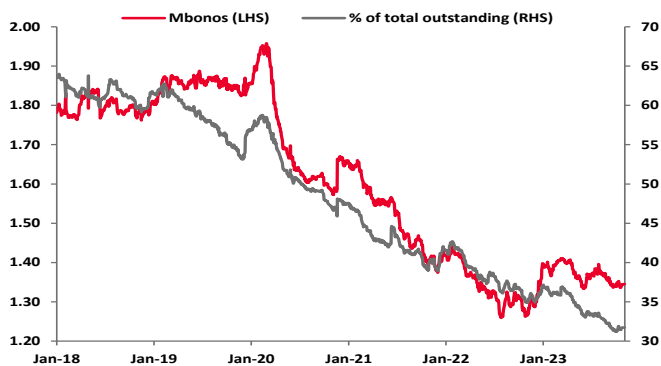
US\$ billion, data as of Oct/24/2023

	Cetes	Bondes D	Udibonos*	Bonos M
<b>Actual</b>	10.8	0.3	7.8	76.6
<b>Previous Week</b>	10.9	0.1	0.9	76.1
<b>Difference</b>	0.0	0.2	6.8	0.5
<b>Dec/30/2023</b>	8.0	1.9	1.0	79.6
<b>Difference</b>	2.8	-1.6	6.8	-3.0

Source: Banxico, Banorte

### Mbonos held by foreigners

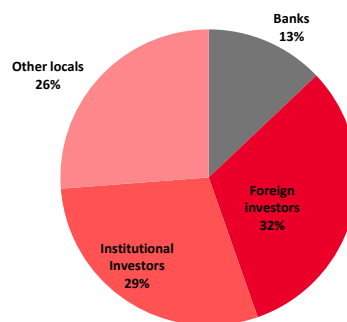
MXN trillion, %



Source: Banxico, Banorte

### Mbonos holdings by type of investor

Total amount of US\$ 241 billion, % of total



Source: Banxico, Banorte

### Mbonos holdings by typ of investor

US\$ billions and %, data as Oct/19/2023

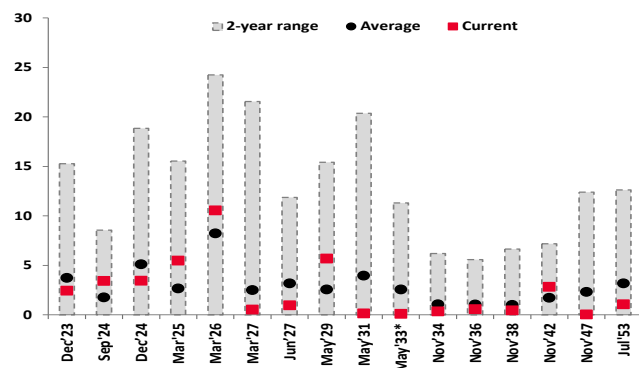
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
<b>Dec'23</b>	9.4	29%	7%	18%	46%
<b>Sep'24</b>	15.6	28%	14%	12%	47%
<b>Dec'24</b>	12.3	17%	27%	8%	48%
<b>Mar'25</b>	7.6	38%	18%	20%	25%
<b>Mar'26</b>	24.7	28%	25%	16%	31%
<b>Sep'26</b>	5.7	21%	20%	16%	43%
<b>Mar'27</b>	20.1	26%	16%	14%	44%
<b>Jun'27</b>	19.2	6%	36%	29%	29%
<b>Mar'29</b>	2.3	32%	19%	18%	32%
<b>May'29</b>	15.3	4%	53%	22%	21%
<b>May'31</b>	23.7	5%	44%	33%	18%
<b>May'33</b>	12.5	4%	37%	33%	25%
<b>Nov'34</b>	5.2	1%	50%	36%	13%
<b>Nov'36</b>	4.0	0%	29%	41%	30%
<b>Nov'38</b>	11.9	1%	40%	41%	17%
<b>Nov'42</b>	16.9	1%	42%	43%	14%
<b>Nov'47</b>	14.2	0%	38%	43%	19%
<b>Jul'53</b>	9.8	1%	34%	46%	19%
<b>Total</b>	<b>220.6</b>	<b>13%</b>	<b>32%</b>	<b>27%</b>	<b>29%</b>

Source: Banxico, Banorte

## Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

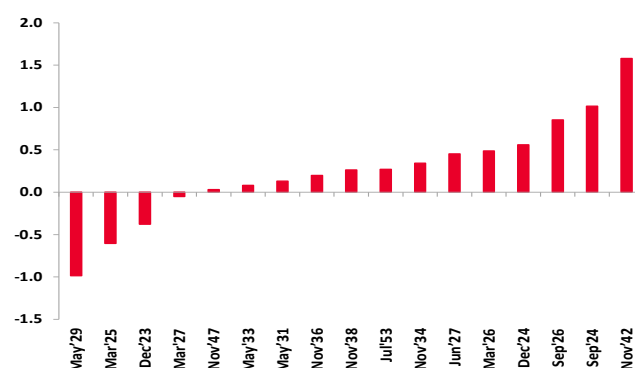
MXN billion



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

Weekly change in market makers' short positions on Mbonos

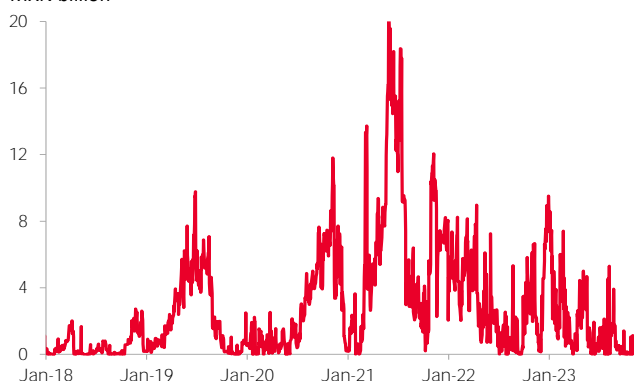
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

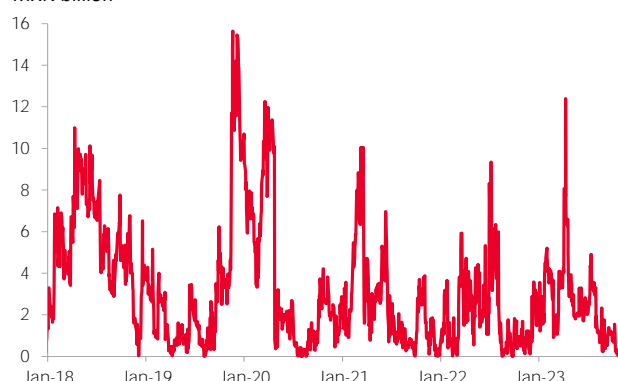
MXN billion



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 Nov/01/2023	Nov/01/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,319	154	295	323	154	358	0
Sep'24	14,913	132	0	5	167	178	0
Dec'24	12,543	158	181	62	434	326	1
Mar'25	8,353	333	435	250	26	853	24
Mar'26	24,784	552	623	894	346	1,329	99
Sep'26	5,715	325	338	229	0	1,183	0
Mar'27	19,930	32	485	385	33	1,182	0
Jun'27	19,322	28	1	7	168	597	0
Mar'29	2,959	158	197	84	0	395	0
May'29	15,890	365	693	611	38	845	60
May'31	23,229	0	0	0	336	291	0
May'33	12,825	1	146	123	0	619	1
Nov'34	5,204	0	9	34	50	338	0
Nov'36	4,034	21	41	2	0	305	0
Nov'38	11,706	10	5	2	37	151	0
Nov'42	17,021	68	120	32	40	316	0
Nov'47	14,249	0	9	67	51	270	0
Jul'53	10,069	43	309	65	332	587	0
<b>Total</b>	<b>232,065</b>	<b>2,337</b>	<b>3,578</b>	<b>3,111</b>	<b>1,880</b>		

Source: Banxico, Banorte



## Fixed-Income Technicals

- **The carry at the short-end increased.** Spreads between Cetes and implied forward rates stood at: 1-month at +80bps from +68bps, 3-month at +26bps from +7bps, 6-month at +7bps from -5bps, and 1-year at -1bp from -8bps
- **Attention to Banxico's decision, but market expectations remain anchored that the rate will remain at 11.25% at least until the end of 1Q24.** Banxico's penultimate monetary policy decision of the year will take place next Thursday after the Federal Reserve left the Fed funds range unchanged at 5.25%-5.50% last Wednesday. Likewise, investors do not expect changes so the rate would remain at 11.25% as in the four previous meetings. With this, investors will be waiting for the publication of the minutes on November 23<sup>rd</sup> to learn more details about how long rates will remain high

### Spread between Cetes and Implied Forward Rates

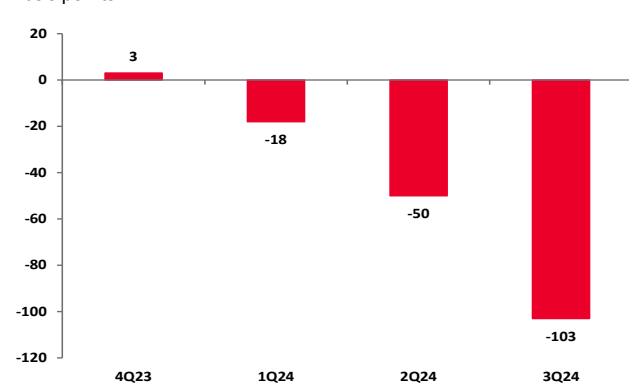
Basis points

Tenor	Actual Nov/03/2023	Previous Week	Previous month	Average 6m	Max 6m	Min 6m
1 month	80	68	51	22	489	-222
3 months	26	7	0	-44	32	-150
6 months	7	-5	-11	-60	10	-125
12 months	-1	-8	-29	-62	5	-98

Source: PiP, Bloomberg, Banorte

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

Basis points



Source: Bloomberg, Banorte

- **A better performance in Mbonos vs Treasuries reduced the local risk premium.** The strong performance in Treasuries following the US government's 4Q23 debt plan announcement and slowing labor market data weighed on the local risk premium. As a result, the 10-year spread between Mbonos and Treasuries closed on Friday at 517bps vs 527bps the previous week, while the average of the last twelve months stands at 522bps
- **The 3-month correlation between Mexican and US 10-year bonds increased.** The reading closed Friday at +66% vs +64% the previous week

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

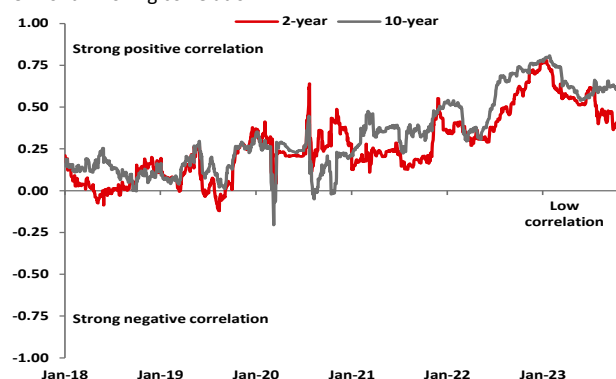
Basis points



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

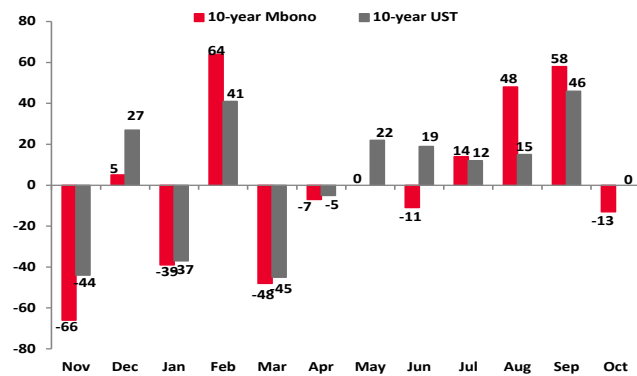
Basis points

Tenor	Nov/03/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-66	-56 (-10bps)	-55 (-11bps)	-54 (-12bps)	-51	-199	-141
Mbono 10s30s	0	-7 (+7bps)	2 (-2bps)	10 (-10bps)	35	-15	9
TIIE-Mbono 2-year	-8	-5 (-3bps)	20 (-28bps)	-6 (-2bps)	25	-57	-25
TIIE-Mbono 10-year	-51	-52 (+1bp)	-38 (-13bps)	-53 (+2bps)	-17	-68	-46

Source: Bloomberg, PiP, Banorte

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

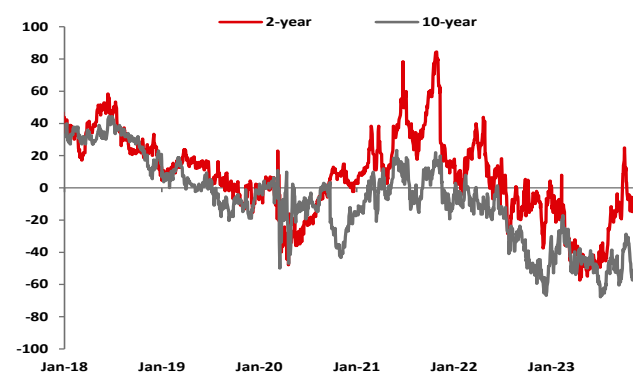
Basis points



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	Nov/03/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.89	3.93 (-4bps)	4.04 (-15bps)	5.17 (-128bps)	5.74	3.70	4.60
5Y	4.28	4.37 (-9bps)	4.35 (-7bps)	4.85 (-57bps)	5.19	4.22	4.54
10Y	4.38	4.56 (-18bps)	4.42 (-4bps)	4.85 (-47bps)	4.89	4.04	4.39
20Y	4.69	4.86 (-17bps)	4.74 (-5bps)	4.98 (-29bps)	5.08	4.15	4.56
30Y	4.66	4.83 (-17bps)	4.71 (-5bps)	4.94 (-28bps)	5.01	4.15	4.53

Source: PiP, Banorte

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

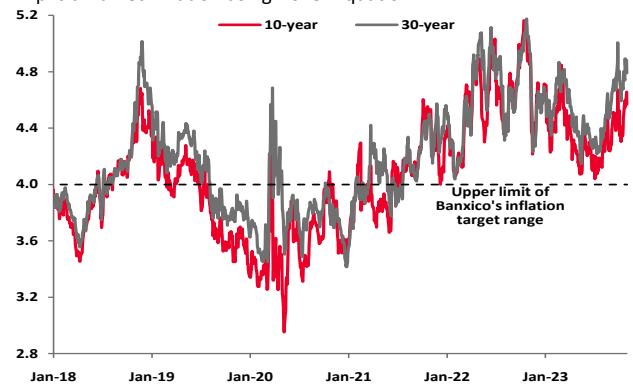
Implicit market inflation using Fisher Equation



Source: PiP, Banorte

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

Implicit market inflation using Fisher Equation



Source: PiP, Banorte

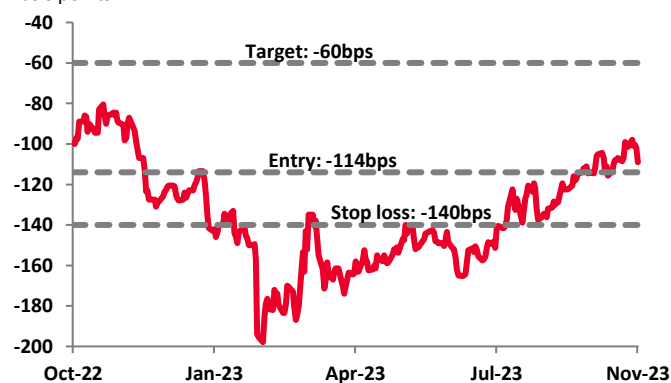


## Fixed – Income trade recommendations

- **Rally in sovereign bonds, with broader gains in longer duration bonds.** This week, bond yields headed lower, led by long-term Treasuries. In particular, the 10-year rate hovered between 4.48% and 4.93%, ending at 4.57% (-26bps). Meanwhile, the 30-year rate closed at 4.77% (-25bps) after reaching 5.10% at the end of October. This rally was driven by decisions of the US Treasury and the Federal Reserve. The former unexpectedly reduced its debt estimate for 4Q23 to US\$776 billion vs. the previous estimate of US\$852 billion. In addition, the department also increased to a lesser extent the amount of 10-year and 30-year debt. The latter announced its monetary policy decision, with the market reducing bets for a further hike despite Jerome Powell's hawkish comments. Finally, the more moderate labor report also supported the yields retreated, although more strongly in the short-end of the curve
- **Volatility will prevail in the financial markets, with erratic movements in rates.** Next week, yield moves will be driven by the auction of 3-, 10- and 30-year Treasuries, as well as comments from Fed members, including Powell. On the one hand, strong demand would reflect that bond buyers see opportunity, reducing rates further. On the other hand, in his last intervention, Powell pointed out that the board is wondering if rates should be raised further and the [drivers that triggered the pressures on long-term rates are still latent](#), highlighting the resilient economy in the United States and the 10-year term premium is at highs not seen since 2015. Locally, we do not expect a material reaction after Banxico's decision since the market widely expects the benchmark rate to remain at 11.25%. Under the current backdrop, we reiterate our preference for relative value strategies, so we maintain our recommendation of a 2s10s steepener in TIIE-IRS that closed at -109bps (entry: -114bps; target: -60bps) from -102bps the previous week. On the nominal yield curve, we expect the 10-year reference, Mbono May'33, to trade between 9.70% and 10.00%. Finally, the dynamics of the CPI-linked bonds (Udibonos) will be influenced by the October's CPI report. We continue to see appeal in shorter-term securities with breakevens below 4.00%. The 3-year breakeven is at 3.89% vs. the longer term breakeven at 4.66%

2s/10s spread in TIIE-IRS

Basis points



Source: Bloomberg, Banorte

## FX dynamics

- **The Mexican peso recorded its best weekly performance since June 2021 ...** The FX market reflected a strong appetite for risk assets after digesting the US Treasury announcement, the Fed's monetary policy decision, and labor market figures. As a result, investors put aside geopolitical risks from the Middle East. The Mexican peso extended the previous week's appreciation and accumulated seven consecutive days of gains, which we attribute to its attractive carry and solid fundamentals. On Friday, the MXN closed at 17.47 per dollar with an appreciation of 3.7% w/w
- **... and the dollar fell sharply.** The DXY and BBDXY indices retreated 1.4% and 1.5% w/w, in the same order, reaching a 1-month low. In G10 currencies, NZD (+3.2%) was the strongest. In emerging markets, CLP (+6.6%) led gains and TRY (-0.7%) was the weakest

### Foreign Exchange market levels and historical return

		Close at Nov/03/2023	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	4.90	1.1	2.3	5.2	7.7
Chile	USD/CLP	875.23	1.5	6.6	4.6	-2.8
Colombia	USD/COP	3,977.38	1.7	3.3	7.2	22.0
Peru	USD/PEN	3.74	0.7	3.0	1.9	1.7
Hungary	USD/HUF	353.74	1.7	2.7	4.2	5.5
Malaysia	USD/MYR	4.73	0.5	1.1	0.1	-6.8
<b>Mexico</b>	<b>USD/MXN</b>	<b>17.47</b>	<b>0.3</b>	<b>3.7</b>	<b>2.8</b>	<b>11.7</b>
Poland	USD/PLN	4.15	0.9	1.8	5.6	5.4
Russia	USD/RUB	92.69	0.6	1.8	7.9	-20.0
South Africa	USD/ZAR	18.26	0.9	3.2	5.9	-6.7
<b>Developed Markets</b>						
Canada	USD/CAD	1.37	0.6	1.6	0.6	-0.8
Great Britain	GBP/USD	1.24	1.5	2.1	2.0	2.5
Japan	USD/JPY	149.39	0.7	0.2	-0.2	-12.2
Eurozone	EUR/USD	1.0731	1.0	1.6	2.2	0.2
Norway	USD/NOK	11.04	1.1	1.3	-0.4	-11.2
Denmark	USD/DKK	6.95	1.1	1.6	2.1	-0.1
Switzerland	USD/CHF	0.90	0.8	0.4	2.0	2.9
New Zealand	NZD/USD	0.60	1.7	3.2	1.4	-5.5
Sweden	USD/SEK	10.90	2.0	2.3	1.6	-4.3
Australia	AUD/USD	0.65	1.2	2.8	3.0	-4.4

Source: Bloomberg, Banorte

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

### USD/MXN

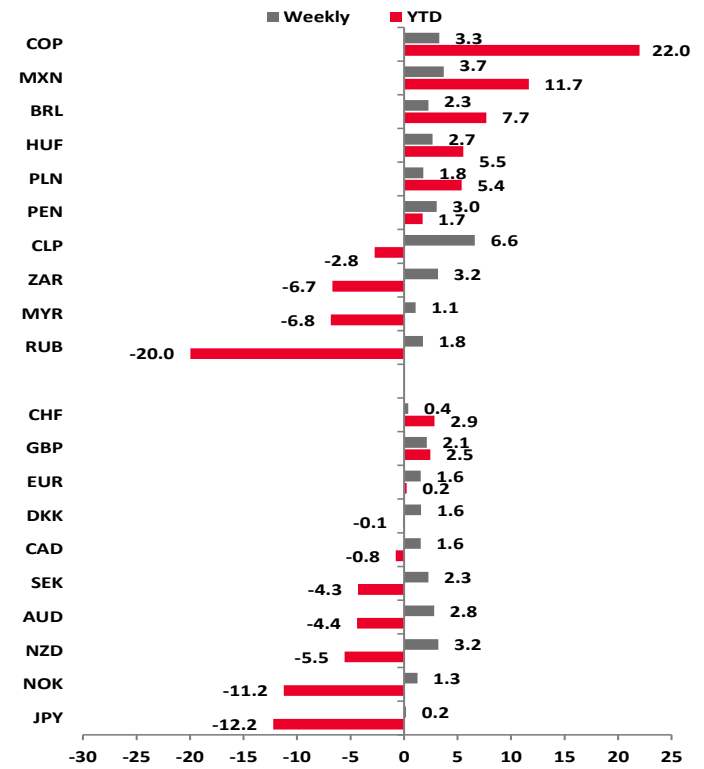
Last 12 months



Source: Bloomberg, Banorte

### FX performance

Against USD, %



Source: Bloomberg, Banorte

### DXY

Points



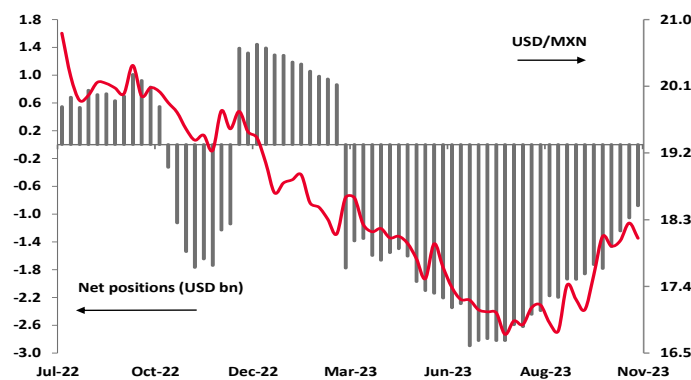
Source: Bloomberg, Banorte

## FX positioning and flows

- **Net long positions in MXN collapsed to seven-month lows.** As of October 21<sup>st</sup>, the MXN position registered a lower net long of US\$ 880 million from US\$ 1.05 billion last week, accumulating a drop of 51% since the beginning of the war in the Middle East. However, the conflict remains contained and the expectation that the Federal Reserve has ended its hiking cycle provided a strong rally for the MXN. Consequently, the currency returned to trading around the psychological level of 17.50 per dollar after reaching an intraday level of 18.46 in mid-October. In this sense, MXN sales could stop given its attractive volatility-adjusted carry and solid macroeconomic fundamentals
- **More demand for USD amid high volatility.** The IMM USD net long position increased to new 1-year highs of US\$ 10.2 billion from US\$ 9.8 billion a week ago. The adjustment was the result of strong sales of the Japanese yen as it recorded its worst level in 33 years. Thus, net short positioning increased 5.6% to US\$ 8.9 billion. Other currencies sold were the Canadian dollar, the Mexican peso, and the pound sterling, although the amount was marginal. However, bets in favor of a further weakening of the GBP increased to levels not seen since the beginning of the year of US\$ 1.9 billion
- **Sales slightly decreased in EM while Mexico recorded 14 consecutive weeks with outflows.** Our EPFR aggregate recorded lower negative flows of US\$ 4.0 billion from US\$ 4.1 billion the previous week. Bond market sales remains practically unchanged at US\$ 1.8 billion. While equities outflows decreased 2% to US\$ 2.2 billion, because of more sales in Europe. In Mexico, a negative flow of US\$ 193 million was recorded because of sales in both bonds and equities of US\$ 116 million and US\$ 77 million, respectively

### IMM positioning in USD/MXN futures

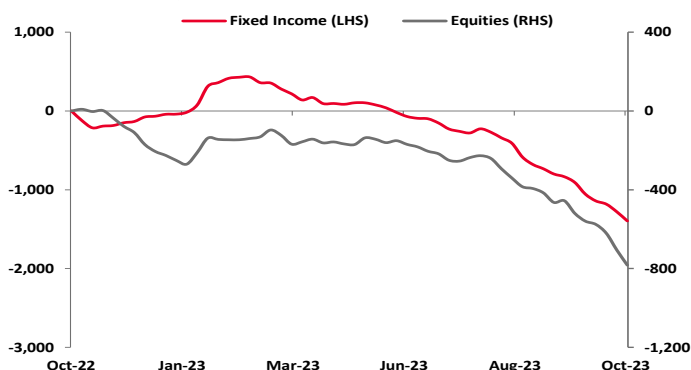
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

### Foreign portfolio flows into Mexico

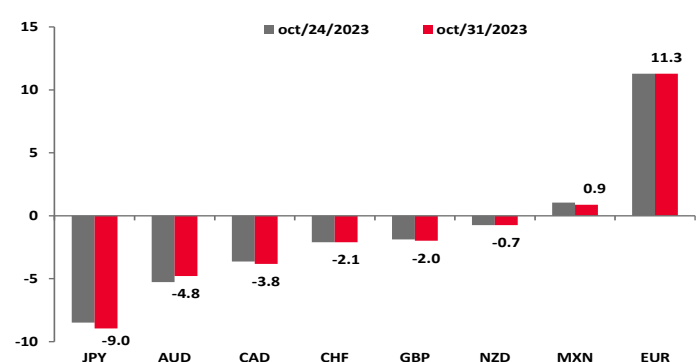
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

### IMM positioning by currency\*

Billion dollars

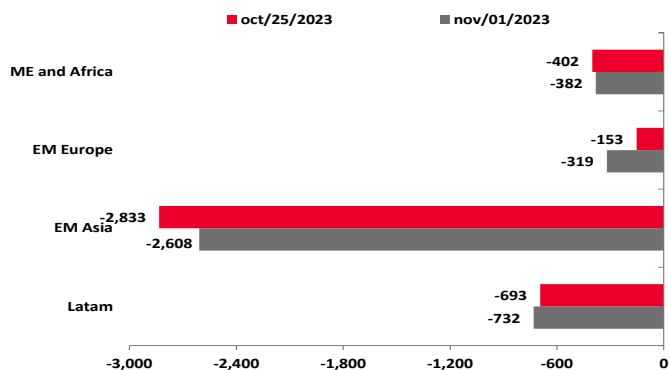


\* Positive: Net long in the corresponding currency

Source: CME, Banorte

### Net foreign portfolio flows by region\*

Weekly, million dollars



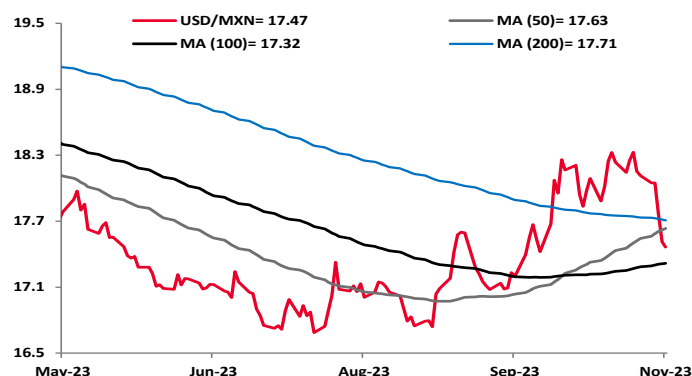
Source: EPFR Global, Banorte \* Including only mutual funds' investments

## FX technicals

- The Mexican peso breached very important technical levels.** The flood of information received during the week and the rally in sovereign bonds triggered a strong appetite for risk assets, which was reflected in the currencies of emerging countries. With this dynamic, the Mexican peso accelerated its appreciation momentum and breached technical levels, including the base of the depreciation channel that had acted as a resistance. If this holds, the MXN could pressure the 100-day MA (17.31 per dollar). The weekly trading range was 85 cents, higher than the four-week average of 70 cents. The main short-term resistances are located at 17.24, 17.15 and 17.10 with supports at 17.55, 17.70 and 17.80. Moreover, the correlation of MXN with ZAR, BRL and HUF remains high at 83%, 62% and 48%, in the same order

### 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	43	51	1	65	33
CAD	44	30	7	63	33
ZAR	83	84	4	87	51
BRL	62	73	19	82	60
HUF	48	61	4	70	47
RUB	0	20	-23	53	15

\* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

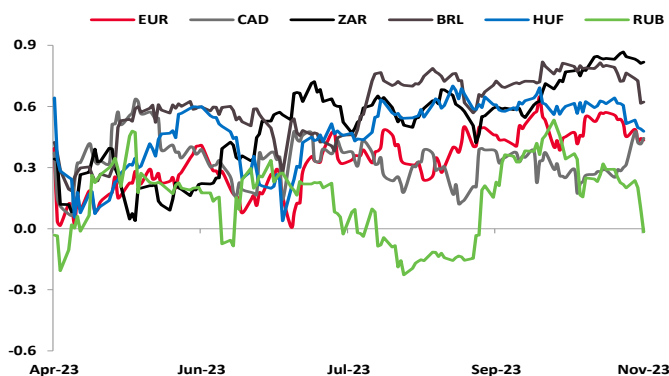
	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	59	53	14	89	41
SPX	53	40	5	71	37
GSCI	-17	-24	-27	49	16
Oro	-2	1	-57	51	13

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

Source: Bloomberg, Banorte

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

Based on daily percentage changes

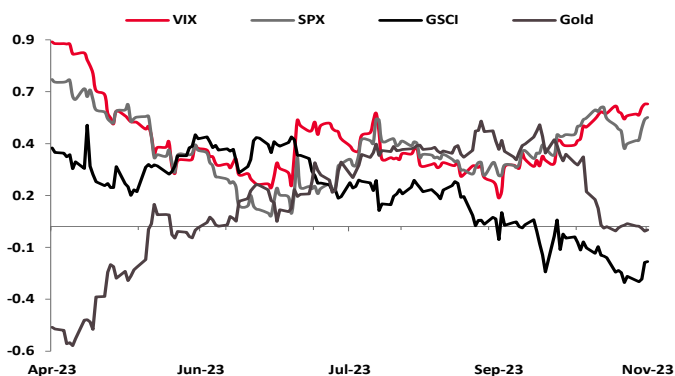


\* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

Based on daily percentage changes



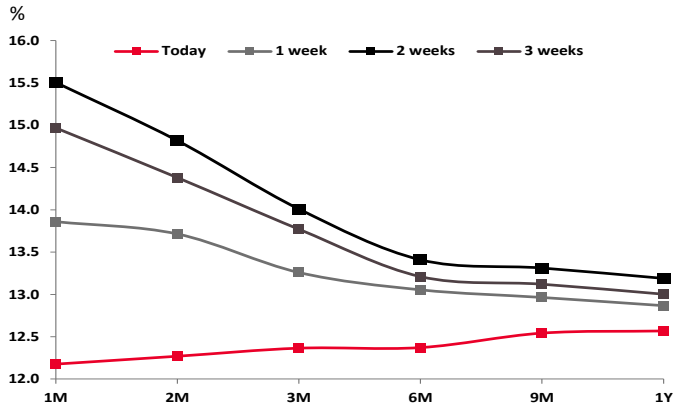
\* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

## FX technicals (continued)

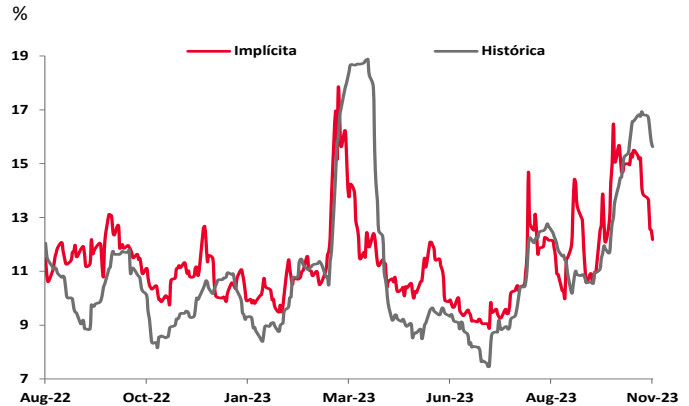
- The MXN ATM implied volatility curve recorded a positive slope after closing with a pattern known as backwardation during the last four weeks.** All the curve trades at less stressed levels. The 1-month volatility recorded the biggest adjustment of -2 vegas to 12.2%, scoring four weeks with a downward trend in a row after reaching 6-month highs of 16.5% at the beginning of the Israel-Hamas war. Meanwhile, the 3-month and 1-year readings moved to 12.4% (-0.9 vegas) and 12.6% (-0.3 vegas), respectively. In addition, the 1-month risk reversals collapsed to 2.54 vols, fresh lows not seen since August, from 2.70 vols the previous week. Moreover, the 3-month reading fell to 3.10 vols from 3.28 vols

USD/MXN – ATM options volatility curve



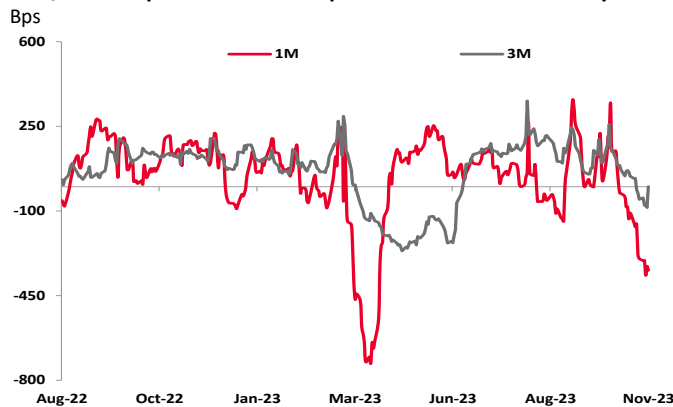
Source: Bloomberg, Banorte

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

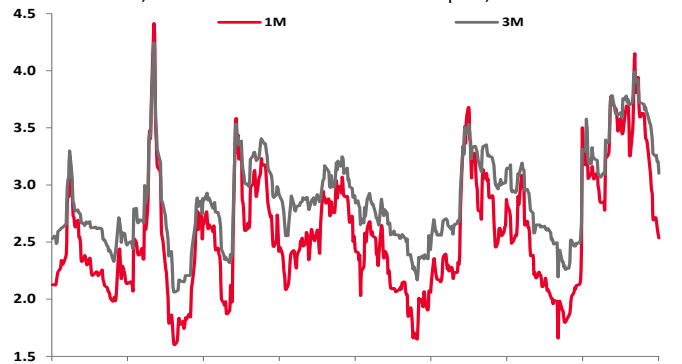
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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

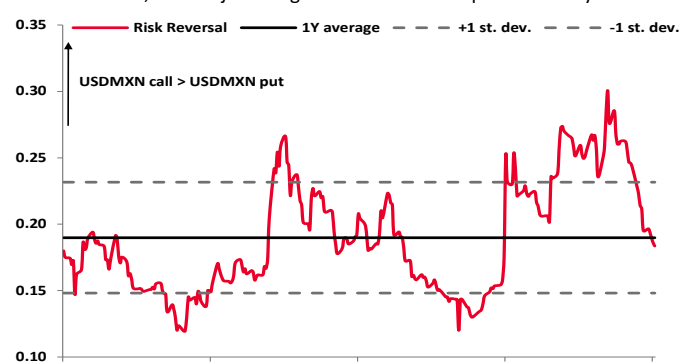
Last 24 months, difference between USD calls and puts, in vols



Source: Bloomberg, Banorte

USD/MXN – 1-month 25D volatility-adjusted risk reversal

Last 12 months, ratio adjusted against one-month implied volatility



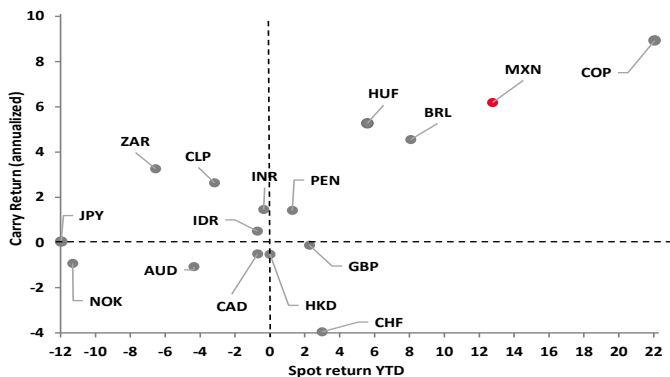
Source: Bloomberg, Banorte

## FX trade recommendations

- Comments from Fed members and other central bankers will continue to influence the direction of currencies.** The FX market reflected appetite for risk assets during the week. Currencies also reacted to the slower pace of US government borrowing and digested employment data pointing to a slowdown in the labor market. Another catalyst was the Fed's monetary policy decision and the hawkish tone of comments during the press conference. Although Jerome Powell left the door open for an additional 25bps hike in December; however, the market shows little conviction that it will materialize based on the pricing of decision-linked futures. In this sense, the dollar weakened with the DXY and BBDXY indices falling 1.4% and 1.5% w/w, in the same order. We believe that the USD trajectory will continue to be driven by comments from Fed speakers, especially on how long rates will remain high and whether the monetary stance is restrictive enough to bring inflation to target
- In advanced economy currencies, positive bias dominated, trading was capped by NZD (+3.2%) and JPY (+0.2%). The BoJ disappointed the market with a more flexible approach to curve control, suggesting caution to normalize monetary policy from very loose levels. With this, the Japanese yen marked its weakest intraday level in 33 years at 151.72 per dollar. In emerging markets, CLP (+6.6%) led the gains while TRY (-0.7%) was one of the few to finish in negative territory
- The Mexican peso was one of the clear risk appetite winners being the second strongest among its peers. On Friday, the MXN closed at 17.47 per dollar, representing an appreciation of 3.7% w/w –its best weekly performance since June 2021– and a trading range of 85 cents. With this dynamic, the peso breached relevant technical levels including the 50- and 200-day MA and abandoned the depreciation channel in which it was trapped. It is worth remembering that the current balance of non-deliverable FX forwards program is US\$ 2.54 billion from US\$ 7.40 billion before the [Foreign Exchange Commission's announcement](#). There will be no renewals next week, while US\$ 415 million will be left to mature, an amount that should not have a significant effect on the operation. In our view, the Mexican peso will continue to benefit from its attractive carry (see chart below), growing flows of remittances and nearshoring-related investment, as well as solid macroeconomic fundamentals. The Mexican peso carry at 6.03% is one of the most attractive among its emerging market peers, behind only the Colombian peso carry of 8.71%. Thus, we estimate a trading range between USD/MXN 17.25 and 17.75

### Performance of selected currencies

%, annualized rate based in 3M forwards



Source: Bloomberg, Banorte

# Weekly economic calendar

For the week ending November 10, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Sun 5		US	Daylight savings time ends in the US					
Mon 6	03:55	GER	Services PMI*	Oct (F)	index	--	48.0	48.0
	03:55	GER	Composite PMI*	Oct (F)	index	--	45.8	45.8
	04:00	EZ	Services PMI*	Oct (F)	index	--	47.8	47.8
	04:00	EZ	Composite PMI*	Oct (F)	index	--	46.5	46.5
	07:00	MX	Consumer confidence*	Oct	index	47.0	--	46.8
	22:00	CHI	Trade balance	Oct	USDbn	--	84.2	77.8
	22:00	CHI	Exports	Oct	% y/y	--	-2.9	-6.2
	22:00	CHI	Imports	Oct	% y/y	--	--	-6.3
Tue 7	02:00	GER	Industrial production*	Sep	% m/m	----	-0.2	-0.2
	08:30	US	Trade balance*	Sep	US\$bn	--	-60.1	-58.3
	10:00	MX	International reserves	Nov 3	US\$bn	--	--	204.2
	11:00	US	Fed's Waller speaks at St. Louis Fed's conference					
	12:30	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					
	10:00	US	Fed's Williams moderates discussion in New York					
	13:25	US	Fed's Logan Participates in Moderated Discussion					
	13:30	US	Fed's Logan Speaks at Dallas/Kansas City Fed Energy Conference					
	15:00	US	Consumer credit*	Sep	US\$bn	--	9.5	-15.6
Wed 8	15:30	MX	Survey of expectations (Citibanamex)					
	02:00	GER	Consumer prices	Oct (F)	% y/y	--	3.8	3.0
	05:00	EZ	Retail sales*	Sep	% m/m	--	-0.2	-1.2
	06:15	US	Fed's Cook speaks on financial stability					
	07:00	BZ	Retail sales	Sep	% y/y	--	2.7	2.3
	07:00	BZ	Retail sales*	Sep	% m/m	--	0.3	-0.2
	10:15	US	Fed's Powell delivers opening remarks					
	20:30	CHI	Consumer Prices	Oct	% y/y	--	-0.2	0.0
Thu 9	07:00	MX	Consumer prices	Oct	% m/m	0.36	0.40	0.44
	07:00	MX	Core	Oct	% m/m	0.39	0.38	0.36
	07:00	MX	Consumer prices	Oct	% y/y	4.24	4.28	4.45
	07:00	MX	Core	Oct	% y/y	5.51	5.49	5.76
	08:30	US	Initial jobless claims*	Nov 4	thousands	215	217	217
	10:30	US	Fed's Bostic and Barkin Speak on Survey Data					
	13:00	US	Fed's Paese speaks about the economy and monetary policy					
	14:00	MX	Monetary policy decision (Banxico)	Nov 9	%	11.25	11.25	11.25
	15:00	US	Fed's Powell Speaks on Panel at IMF Conference					
Fri 10	18:00	PER	Monetary policy decision (BCRP)	Nov 9	%	--	7.00	7.25
	02:00	UK	Industrial production*	Sep	% m/m	--	-0.1	-0.7
	02:00	UK	Gross domestic product	3Q23 (P)	% y/y	--	0.5	0.6
	02:00	UK	Gross domestic product*	3Q23 (P)	% q/a	--	-0.1	0.2
	07:00	BZ	Consumer prices	Oct	% m/m	--	0.30	0.26
	07:00	BZ	Consumer prices	Oct	% y/y	--	4.88	5.19
	07:00	MX	Industrial production	Sep	% y/y	3.8	4.0	5.2
	07:00	MX	Industrial production*	Sep	% m/m	0.1	0.2	0.3
	07:00	MX	Manufacturing output	Sep	% y/y	-2.2	--	-0.6
	08:30	US	Fed's Logan Speaks at ECB Money Markets Conference					
	10:00	US	Fed's Bostic Speaks About Economic Mobility					
	10:00	US	U. of Michigan Confidence*	Dec (P)	index	62.0	63.3	63.8
		MX	Wage negotiations	Oct	% y/y	--	--	5.1

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



For the week ending November 3, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 30	05:00	GER	Gross domestic product*	3Q23 (P)	% q/q	--	-0.1	0.1 (R)
	06:00	EZ	Consumer confidence*	Oct (F)	index	--	-17.9	-17.9
	06:00	EZ	Economic confidence*	Oct	index	--	93.3	93.4
	09:00	GER	Consumer prices	Oct (P)	% y/y	--	3.0	4.3
	13:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 10-year Mbono (May'33), 3-year Udibono (Dec'26) and 2-, 5-, and 10-year Bondes F	Sep	MXNmn	--	-665.2	-524.4
	14:30	MX	Public finances (PSBR, year-to-date)	Oct	index	--	49.5	50.2
	21:30	CHI	Manufacturing PMI*	Oct	index	--	50.6	51.7
	21:30	CHI	Non-manufacturing PMI*	Oct	index	--	50.7	52.0
	21:30	CHI	Composite PMI*	Oct	index	--	50.7	52.0
Tue 31		JN	Monetary policy decision (BoJ)	Oct 31	%	--	-0.10	-0.10
	06:00	EZ	Gross domestic product	3Q23 (P)	% y/y	--	0.1	0.5
	06:00	EZ	Gross domestic product*	3Q23 (P)	% q/q	--	-0.1	0.2 (R)
	06:00	EZ	Consumer prices	Oct (P)	% y/y	--	2.9	4.3
	06:00	EZ	Core	Oct (P)	% y/y	--	4.2	4.5
	08:00	BZ	Unemployment rate	Sep	%	--	7.7	7.8
	08:00	MX	Gross domestic product	3Q23 (P)	% y/y	3.2	3.3	3.6
	08:00	MX	Gross domestic product*	3Q23 (P)	% q/q	0.8	-0.9	0.8
	09:00	US	S&P/CoreLogic housing prices	Aug	% y/y	--	2.6	1.0
Wed 1	10:00	US	Consumer confidence*	Oct	index	100.0	102.6	104.3 (R)
	11:00	MX	International reserves	Oct 27	US\$bn	--	204.2	204.1
	11:00	MX	Banking credit	Sep	% y/y	6.0	5.8	5.5 (R)
	14:00	COL	Monetary policy decision (BanRep)	Oct 31	%	--	13.25	13.25
	21:45	CHI	Manufacturing PMI (Caixin)*	Oct	index	--	49.5	50.6
	05:30	UK	Manufacturing PMI*	Oct (F)	index	--	44.8	45.2
	08:00	BZ	Industrial production	Sep	% y/y	--	0.6	0.5
	08:00	BZ	Industrial production*	Sep	% m/m	--	0.1	0.2 (R)
	08:15	US	ADP employment*	Oct	thousands	120	113	89
	09:00	BZ	Manufacturing PMI*	Oct	index	--	48.6	49.0
	09:45	US	Manufacturing PMI*	Oct (F)	index	50.0	50.0	50.0
	10:00	US	ISM manufacturing*	Oct	index	49.2	46.7	49.0
	11:00	MX	Family remittances	Sep	US\$bn	5,454.8	5,612.6	5,563.3
	11:00	MX	Survey of expectations (Banxico)					
	14:00	US	FOMC Rate Decision (Upper Bound)	Nov 1	%	5.50	5.50	5.50
	14:00	US	FOMC Rate Decision (Lower Bound)	Nov 1	%	5.25	5.25	5.25
	14:00	US	Interest Rate on Excess Reserves (IOER)	Nov 2	%	5.40	5.40	5.40
	14:00	MX	PMI manufacturing (IMEF)*	Oct	index	50.7	50.5	51.1 (R)
	14:00	MX	PMI non-manufacturing (IMEF)*	Oct	index	52.4	52.2	52.9 (R)
	14:30	US	Fed Chair Holds Press Conference Following FOMC Meeting					
	17:30	BZ	Monetary policy decision (Central bank of Brazil)	Nov 1	%	12.35	12.25	12.75
		US	Total vehicle sales**	Oct	thousands	--	15.5	15.7
Thu 2		MX	Markets closed for Day of the Dead					
	04:55	GER	Manufacturing PMI*	Oct (F)	index	--	40.8	40.7
	05:00	EZ	Manufacturing PMI*	Oct (F)	index	--	43.1	43.0
	08:00	UK	Monetary policy decision (BoE)	Nov 2	%	5.25	5.25	5.25
	08:30	US	Initial jobless claims	Oct 28	thousands	210	217	212 (R)
	10:00	US	Factory orders*	Sep	% m/m	--	2.8	1.0 (R)
	10:00	US	Ex transportation*	Sep	% m/m	--	0.8	1.5 (R)
	10:00	US	Durable goods orders*	Sep (F)	% m/m	--	4.6	4.7
	10:00	US	Ex transportation*	Sep (F)	% m/m	--	0.4	0.5
Fri 3	21:45	CHI	Services PMI (Caixin)*	Oct	index	--	50.4	50.2
	21:45	CHI	Composite PMI (Caixin)*	Oct	index	--	50.0	50.9
	03:00	GER	Trade balance	Sep	EURbn	--	16.5	17.7 (R)
	05:30	UK	Services PMI*	Oct (F)	index	--	49.5	49.2
	06:00	EZ	Unemployment rate*	Sep	%	--	6.5	6.4
	08:00	MX	Gross fixed investment	Aug	% y/y	29.3	32.0	29.1
	08:00	MX	Gross fixed investment*	Aug	% m/m	1.9	3.1	0.7 (R)
	08:00	MX	Private consumption	Aug	% y/y	4.2	4.1	4.0
	08:00	MX	Private consumption*	Aug	% m/m	0.5	0.0	0.0
	08:30	US	Nonfarm payrolls*	Oct	thousands	145	150	297 (R)
	08:30	US	Unemployment Rate*	Oct	%	3.8	3.9	3.8
	09:45	US	Services PMI*	Oct (F)	index	--	50.6	50.9
	09:45	US	Composite PMI*	Oct (F)	index	--	50.7	51.0
	10:00	US	ISM services*	Oct	index	53.5	51.8	53.6

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 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

## Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie 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, Paula Lozoya Valadez, Daniel Sebastián Sosa Aguilar, Jazmin Daniela Cautencos 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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