

Fixed-Income and FX Weekly

- **Mbonos outperformed Treasuries but MXN weakened.** This week, short- and mid-term Mbonos rallied 25bps. Meanwhile, the 10-year benchmark ended at 9.64% (-11bps w/w). In FX, the MXN closed at 17.65 per dollar, printing a depreciation of 1.0% w/w
- **The most important drivers for markets will be October inflation in the US, speeches from Fed members and 3Q23 GDP in the Eurozone.** In the week, investors absorbed comments from Fed members highlighting Jerome Powell's hawkish tone. The Fed chairman said that he is not fully confident that they have reached a sufficiently restrictive level to ensure that inflation comes down to the 2% target. Hence, Powell left the door open for an additional 25bps Fed funds rate hike and the market recalibrated its bets by assigning a 14.3% probability in December (vs. 4.8% the previous week). In addition, long-term Treasuries recorded strong volatility in reaction to the 30-year UST auction which disappointed with lower demand and an allocation 5.3bps above the market level. On the week, the dollar strengthened, and Treasuries lost 14bps on average with the largest adjustments on the short-end reflecting Powell's hawkish tone. Locally, [Banxico](#) left the benchmark rate unchanged at 11.25% and the tone was less hawkish with changes in forward guidance and a downward revision in the inflation trajectory opening the door to rate cuts in 1Q24. In this sense, Mbonos ended the week with gains of 17bps with the largest adjustments in the short-end and belly, and the Mexican peso depreciated 1.0% w/w to 17.65 per dollar. Next week, the different asset classes will digest the US outlook change to negative from stable by Moody's, US CPI report, Fed members' speeches, and the 3Q23 GDP in the Eurozone. In addition, markets will keep an eye on crude-oil price swings, developments in the Middle East war and the final stretch of the 3Q23 corporate earnings season in the US. The US economic agenda also includes retail sales, manufacturing surveys, industrial and manufacturing production, among others. In the Eurozone, the ZEW expectations survey, inflation, employment and industrial production figures will also be published. In Mexico, only ANTAD sales figures for the month of October will be released

Fixed-Income

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 20-year Mbono (Nov'42), the 10-year Udibono (Nov'31), and 2- and 5-year Bondes F. Moreover, an extraordinary Cetes and Bondes F auction will take place on Wednesday
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.339 trillion (US\$ 76.2 billion), a market share equal to 31.6%, as of October 31st. Short positions in Mbono May'33 ended at MXN 103 million from MXN 102 million last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 498bps from 517bps the previous week, with the 12-month mean at 521bps

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\$ 1.2 billion from US\$ 4.0 billion a week ago due to a decrease in equity sales concentrated in Asia
- **Technicals** – The spot hovered between 17.41 and 17.94 per dollar, closing the week very near to 50-, and 200-day moving average. The next key technical levels are: 18.00, 18.10, and 18.17 (supports), as well as 17.60, 17.46, and 17.40 (resistances)

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Fixed-Income

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Foreign exchange

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Recommendations

Fixed-Income

- After a less hawkish tone by Banxico, the market recalibrated its expectations towards a lower reference rate by the end of the next year, moving closer to our call of 9.25%. Under this context, our recommendation of a 2s10s steepener on TIIE-IRS that we started on October 13th advanced to -97bps (entry: -114bps; target: -60bps) from -119bps before the statement. This is equivalent to a net gain of around 12bps. We expect the 10-year Mbono to trade between 9.50% and 9.85% next week

FX

- A higher-than-expected October inflation reading in the US and hawkish comments from Fed members could strengthen the USD. For MXN we see a negative bias with the market still digesting Banxico's less hawkish tone. We estimate a weekly trading range between USD/MXN 17.50 and 18.00

Fixed-Income Dynamics

Mbonos performance

Maturity date	YTM Nov/10/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.53	-5	+71
Sep'24	11.10	-22	+101
Dec'24	10.82	-23	+95
Mar'25	10.40	-28	+47
Mar'26	10.16	-25	+92
Sep'26	9.99	-31	+58
Mar'27	9.75	-25	+56
Jun'27	9.73	-23	+65
Mar'29	9.61	-19	+24
May'29	9.60	-16	+53
May'31	9.62	-17	+60
May'33	9.64	-11	+62
Nov'34	9.65	-8	+60
Nov'36	9.66	-7	+62
Nov'38	9.75	-4	+66
Nov'42	9.78	-1	+67
Nov'47	9.75	+0	+67
Jul'53	9.75	0	+69

Source: PIP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Nov/10/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.51	-1	+61
6-month (6x1)	11.44	-5	+40
9-month (9x1)	11.34	-8	+27
1-year (13x1)	11.07	-16	+16
2-year (26x1)	10.10	-23	+23
3-year (39x1)	9.55	-22	+37
4-year (52x1)	9.27	-20	+37
5-year (65x1)	9.13	-16	+32
7-year (91x1)	9.08	-15	+34
10-year (130x1)	9.13	-11	+40
20-year (260x1)	9.18	-10	+32

Source: PIP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Nov/10/2023	Weekly change (bps)	YTD (bps)
Nov'23	7.51	+146	+143
Dec'25	6.30	-9	+154
Dic'26	5.91	-26	+125
Nov'28	5.06	-23	+75
Nov'31	5.08	-6	+91
Nov'35	4.83	+2	+62
Nov'40	4.86	-1	+67
Nov'43	4.87	0	+37
Nov'46	4.86	+2	+67
Nov'50	4.87	+0	+64

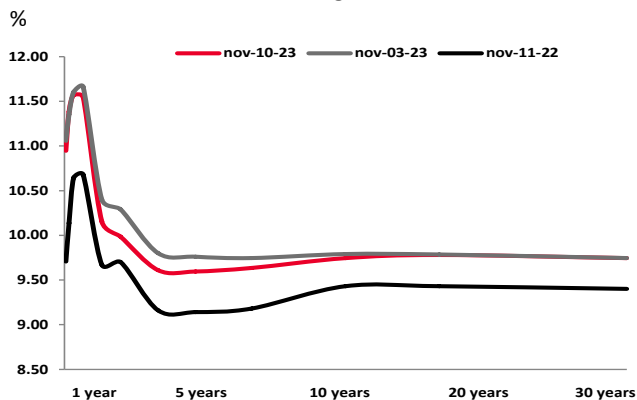
Source: PIP, Banorte

Cetes performance

Maturity date	YTM Nov/10/2023	Weekly change (bps)	YTD (bps)
Cetes 28	10.95	-11	+86
Cetes 91	11.38	+3	+72
Cetes 182	11.57	-3	+70
Cetes 364	11.55	-11	+58
Cetes 728	11.20	-24	+39

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

Term	Maturity date	UMS			UST			Spreads		CDS	
		YTM Nov/10/2023	Weekly change (bps)	YTD (bps)	YTM Nov/10/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	12m Average (bps)		
2Y	Jan'26	5.20	+16	+73	5.05	+21	+62	15	-5	14	40
3Y	Mar'27	5.25	+14	+46	4.82	+18	+59	44	-4	36	59
5Y	Feb'28	5.66	+20	+87	4.65	+15	+65	100	+5	99	107
7Y	Apr'30	6.00	+16	+66	4.68	+12	+71	132	+4	131	147
10Y	May'33	6.29	+11	+73	4.62	+5	+75	167	+7	167	182
20Y	Mar'44	6.88	+12	+51	4.95	+0	+80	193	+12	200	--
30Y	May'53	7.14	+10	+75	4.74	-3	+77	240	+14	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 12-month Cetes, the 20-year Mbono (Nov'42), the 10-year CPI-linked bond (Nov'31) –known as Udibono–, and 2- and 5-year Bondes F. Additionally, an extraordinary Cetes and Bondes F auction will take place on Wednesday, considering 196-, 252-, and 448-days Cetes, as well as 357-, 693- and 1,071-days Bondes F for a total amount of up to MXN 30 billion
- Greater demand for short-term vs. long-term securities.** While demand for Cetes has been robust since Banxico ended its hiking cycle, we expect investors to significantly increase their positions after [the central bank opened the door to cuts as early as 1Q24](#). In this sense, we anticipate that demand for all tenors will be above 3.0x given the attractive real rates. In addition, 1- and 2-year Cetes will most likely be the most in demand for the remainder of the year. For the Mbono Nov'42, we expect a moderate appetite around 2.5x. Despite the rally observed in the first days of the month, the risk that long-dated bonds will register new pressures remain latent given the high correlation with Treasuries and fears that the market could absorb the new debt issued by the United States. The Mbono accumulates gains of 36bps so far this month, trading at 9.78% after reaching highs not seen since the 2008 financial crisis at the end of October of 10.25%. In real rates, the demand for the 10-year Udibono Nov'31 could improve compared to its last two auctions of 2.0x due to a better price. The breakeven for this term fell to 3-month lows of 4.33% from 4.50% in its last placement. However, it continues to reflect a less attractive relative valuation compared to shorter-term Udibonos. For example, the 3-year breakeven stands at 3.85%

Auction specifics (November 14, 2023)

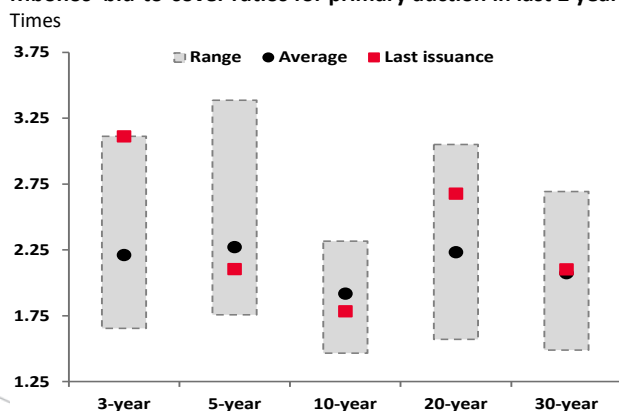
Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Dec-14-23	--	8,500	10.95
3m	Feb-15-24	--	7,500	11.41
6m	May-16-24	--	12,700	11.63
12m	Nov-14-24	--	9,200	11.87
Bondes F				
2Y	Oct-09-25	--	5,800	0.16
5Y	Jan-27-28	--	1,400	0.22
Bono M				
20Y	Nov-13-42	7.75	4,500	10.05
Udibono				
10Y	Nov-27-31	2.75	UDIS 1,200	5.28

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



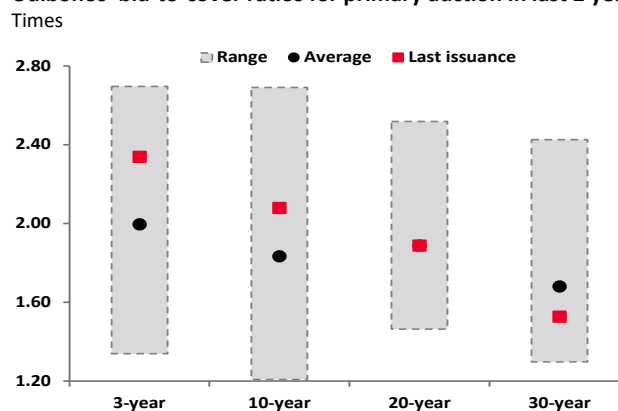
Source: Bloomberg, Banorte

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

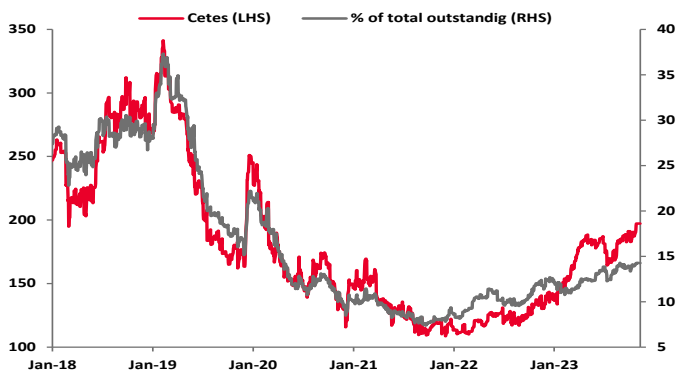


Source: Bloomberg, Banorte

Fixed-Income Demand

Cetes held by foreigners

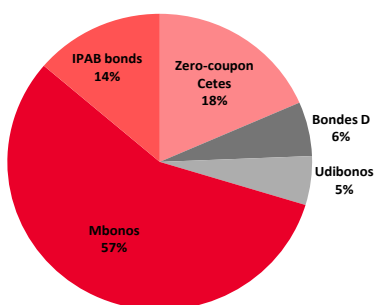
MXN billion, %



Source: Banxico, Banorte

Government issuance by type of instrument

Total amount of US\$ 427 billion, % of total



Source: Banxico, Banorte

Government bond holdings by type of investor

US\$ billion and %, data as of Oct/31/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Total amount outstanding	79	25	179	241
Foreign investors	14%	0%	4%	32%
Pension funds	11%	4%	53%	23%
Mutual funds	15%	43%	5%	3%
Insurance companies	5%	1%	19%	3%
Banks	11%	17%	2%	15%
Others	44%	34%	17%	25%

Source: Banxico, Banorte

Foreign investors holdings of government bonds

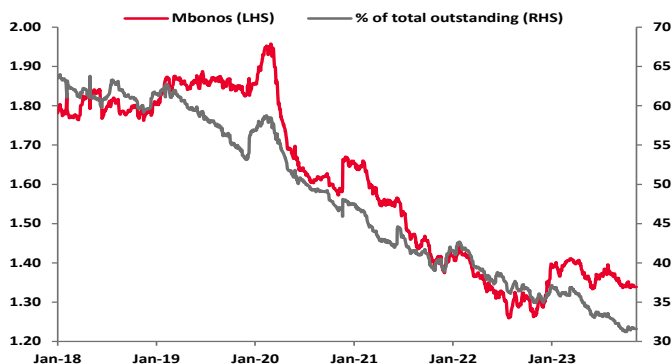
US\$ billion, data as of Oct/31/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Actual	11.2	0.1	7.8	76.2
Previous Week	10.8	0.3	1.0	76.6
Difference	0.4	-0.2	6.9	-0.4
Dec/30/2023	8.0	1.9	1.0	79.6
Difference	3.2	-1.9	6.8	-3.4

Source: Banxico, Banorte

Mbonos held by foreigners

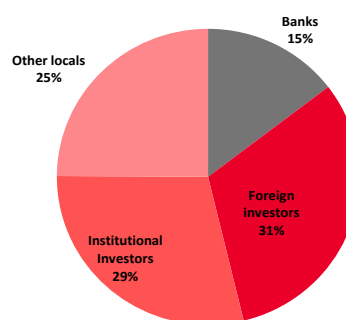
MXN trillion, %



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/26/2023

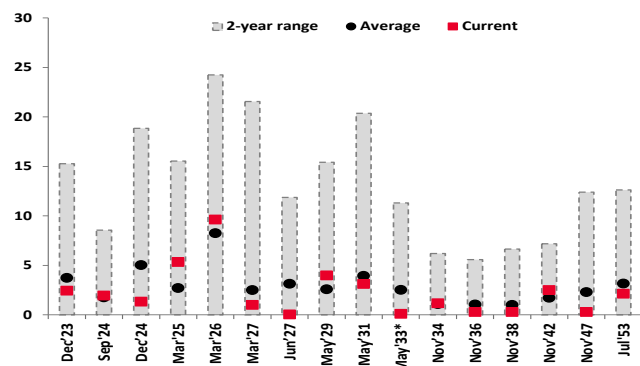
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	9.3	37%	7%	19%	37%
Sep'24	14.8	24%	14%	10%	52%
Dec'24	12.3	16%	27%	9%	48%
Mar'25	7.5	33%	18%	19%	30%
Mar'26	24.7	21%	27%	12%	40%
Sep'26	5.7	30%	22%	15%	33%
Mar'27	19.7	17%	17%	13%	54%
Jun'27	19.2	6%	37%	28%	30%
Mar'29	2.9	33%	17%	20%	29%
May'29	15.1	4%	54%	21%	22%
May'31	23.1	4%	44%	33%	18%
May'33	12.8	6%	36%	31%	26%
Nov'34	5.2	1%	50%	36%	13%
Nov'36	4.0	0%	30%	40%	30%
Nov'38	11.7	1%	41%	42%	17%
Nov'42	16.9	1%	41%	44%	14%
Nov'47	14.2	0%	38%	44%	19%
Jul'53	10.0	2%	33%	45%	20%
Total	219.1	12%	32%	26%	31%

Source: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

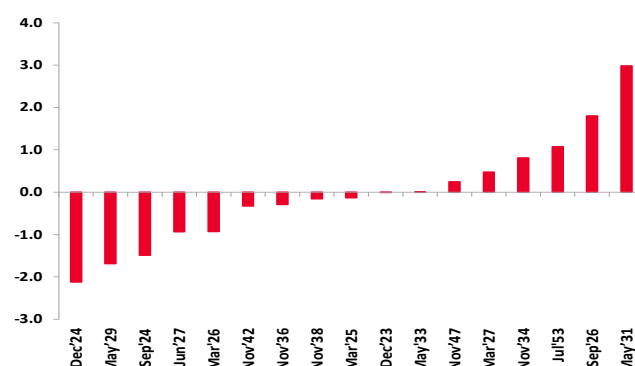
MXN billion



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

Weekly change in market makers' short positions on Mbonos

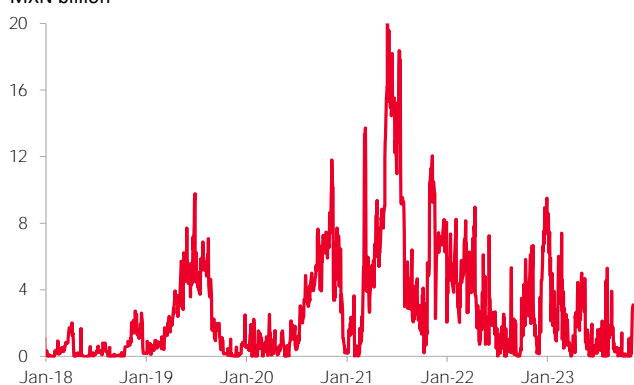
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

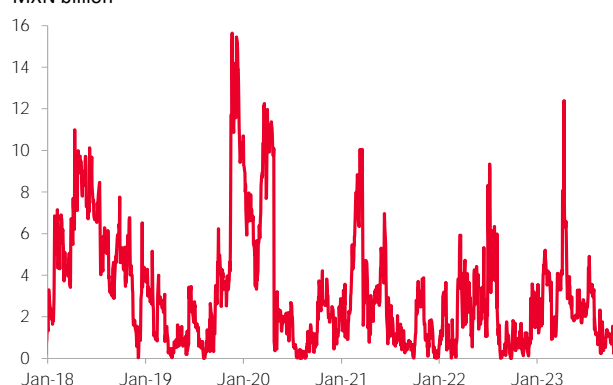
MXN billion



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/10/2023	Nov/10/2023	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
Total	232,065	2,337	3,578	3,111	1,880		

Source: Banxico, Banorte

Fixed-Income Technicals

- The carry at the short-end decreased.** Spreads between Cetes and implied forward rates stood at: 1-month at +48bps from +80bps, 3-month at +18bps from +26bps, 6-month at -2bps from +7bps, and 1-year at -13bps from -1bp
- Banxico surprised the market with a less restrictive statement, contrasting with the more restrictive stance from Fed officials.** Although the [central bank](#) kept the reference rate at 11.25% as widely expected, they opened the door for interest rate cuts to begin in the first quarter of next year. The TIE-IRS curve shifts downward; however, the 2-year benchmark (26x1) recorded the largest gain with the yield moving to almost 3-month intraday lows of 9.98% (-34bps w/w). In this sense, the market recalibrated its expectations by bringing forward the first 25bps rate cut to March and the probability of it happening in February increased to 50% vs. the previous scenario that reflected the first adjustment in May. On the contrary, Fed speakers keep the door open for another hike before the end of the year, although the market is not convinced of this scenario, assigning it a low probability

Spread between Cetes and Implied Forward Rates

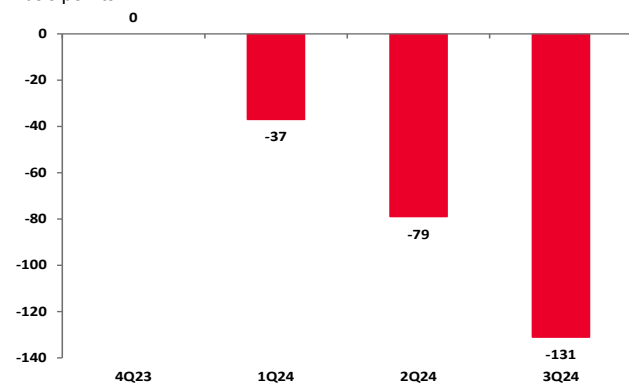
Basis points

Tenor	Actual Nov/10/2023	Previous Week	Previous month	Average 6m	Max 6m	Min 6m
1 month	48	80	87	29	489	-127
3 months	18	26	-6	-39	32	-112
6 months	-2	7	-25	-56	10	-104
12 months	-13	-1	-24	-59	5	-98

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

Basis points



Source: Bloomberg, Banorte

- The signals from Powell and Banxico were reflected in a lower local risk premium.** Sovereign bonds reacted to diverging monetary stances and Treasury auction results, in a still uncertain backdrop. As a result, the 10-year spread between Mbonos and Treasuries closed on Friday at 498bps vs 517bps the previous week, while the average of the last twelve months stands at 521bps
- The 3-month correlation between Mexican and US 10-year bonds remained stable.** The reading closed Friday at +63% unchanged vs the previous week

10-year Mbono and 10-year UST spread

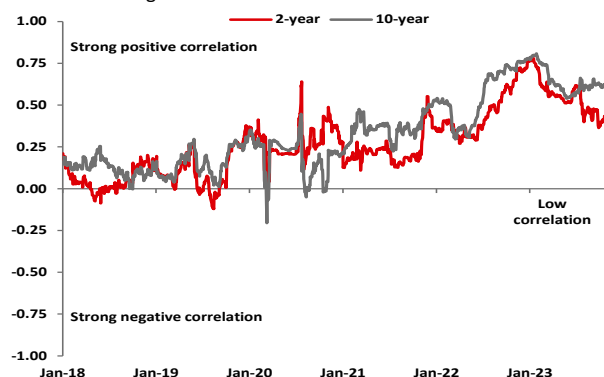
Basis points



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

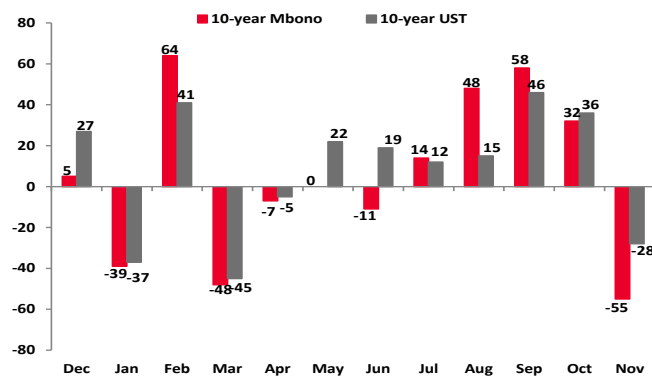
Basis points

Tenor	Nov/10/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-52	-66 (+14bps)	-74 (+22bps)	-60 (+8bps)	-51	-199	-141
Mbono 10s30s	11	0 (+11bps)	-5 (+16bps)	22 (-11bps)	35	-15	9
TIIE-Mbono 2-year	-6	-8 (+2bps)	4 (-10bps)	-7 (+1bp)	25	-57	-25
TIIE-Mbono 10-year	-51	-51 (0bps)	-36 (-15bps)	-45 (-6bps)	-17	-68	-46

Source: Bloomberg, PIP, Banorte

Mexican and US rates performance, last 12 months

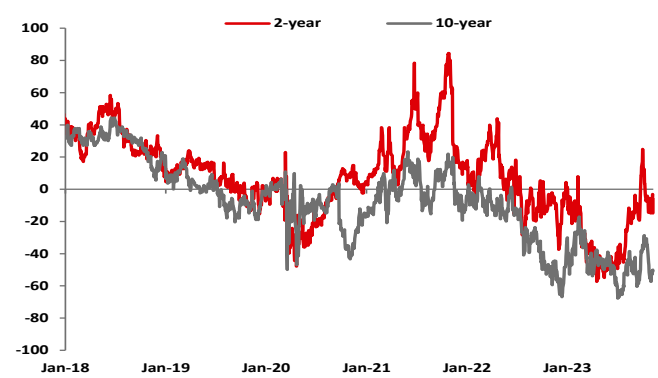
Basis points



Source: PIP, Bloomberg, Banorte

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

Basis points



Source: PIP, Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos

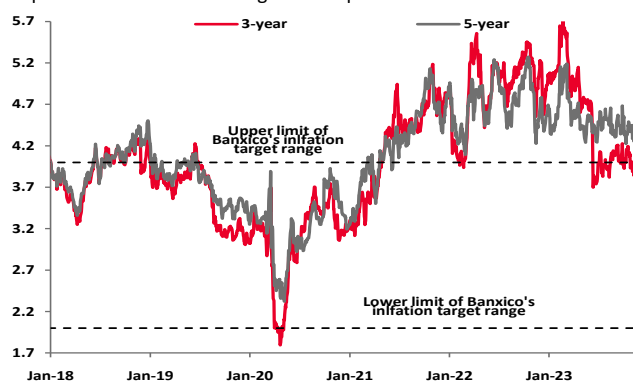
Implicit market inflation using Fisher Equation (%)

Date	Nov/10/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.85	3.89 (-4bps)	4.15 (-30bps)	4.58 (-73bps)	5.74	3.70	4.57
5Y	4.33	4.28 (+5bps)	4.32 (+1bp)	4.36 (-3bps)	5.19	4.22	4.53
10Y	4.33	4.38 (-5bps)	4.34 (-1bp)	4.38 (-5bps)	4.85	4.04	4.38
20Y	4.68	4.69 (-1bp)	4.72 (-4bps)	4.63 (+5bps)	5.08	4.15	4.55
30Y	4.65	4.66 (-1bp)	4.67 (-2bps)	4.6 (+5bps)	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



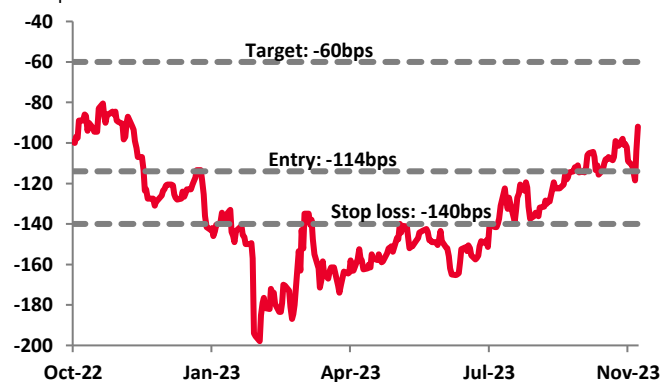
Source: PIP, Banorte

Fixed – Income trade recommendations

- **We hold our recommendation of a 2s10s steepener in TIIE-IRS.** Pressures on sovereign bonds returned with more restrictive signals from the president of the Federal Reserve and concerns that the market will be able to absorb the new US debt. Regarding the first point, Powell indicated that they will not hesitate to tighten monetary policy, if necessary, triggering the 2-year Treasury to trade again above 5.00% (+22bps w/w). Regarding the second point, the 30-year Treasury auction had fairly weak demand, with the yield of this term recording the largest one-day jump since June 2022 of 17bps. Locally, [Banxico](#) left the reference rate unchanged; however, it surprised the market with a less restrictive tone. Expectations embedded in TIIE-IRS now reflect a high probability for the first 25bps cut to occur in March 2024; that is, a meeting earlier than expected last week. Likewise, they anticipate a significantly lower rate at the end of next year of 9.37% vs. 9.67% the previous week, although it remains above our estimate of 9.25%. Under this context, our recommendation of a 2s10s steepener on TIIE-IRS that we opened on October 13th advanced to -97bps (entry: -114bps; target: -60bps) from -119bps before the statement. This is equivalent to a net gain of around 12bps considering the negative carry and roll-down of 5.6bps per month. We maintain our recommendation since we recognize that there is room for the market to continue correcting its expectations about the path of monetary policy and we do not rule out further increases in long-term rates given their high correlation with Treasuries and the lack of a structural change to achieve a turning point in the following months

2s10s spread in TIIE-IRS

Basis points



Source: Bloomberg, Banorte

- Next week, episodes of volatility will remain latent as uncertainty persists on several economic, geopolitical and monetary policy fronts. Rates will be sensitive to the evolution of economic figures since it has become clear that the Fed's next decisions are data-dependent, highlighting October US CPI. If price pressure continues to slow, the market will further consolidate its bets that rates will remain unchanged in December which currently has a probability of 86% (vs. 95% the previous week). This would cause modest gains in the short-end of the curve that could be quickly diluted by the plethora of Fed members speeches that will likely maintain Powell's hawkish tone. On the nominal yield curve, we expect the 10-year reference, Mbono May'33, to trade between 9.50% and 9.85%

FX dynamics

- The Mexican peso weakened on a less hawkish tone from Banxico.** The FX market direction was guided by comments from Fed members, particularly Jerome Powell's hawkish tone. The Mexican peso also weakened following Banxico's decision that opened the door for rate cuts in 1Q24. As a result, the market increased selling volume in the MXN to its weakest intraday level of 17.94 per dollar. The MXN ended the week at 17.65 per dollar with a depreciation of 1.0%, the sixth weakest among its EM peers
- Powell boosted the dollar.** The DXY and BBDXY indices gained 0.8% w/w. Both indices pressured the 50-day MA. In G10 currencies, AUD (-2.3%) led declines. In EM, trading was capped by KRW (+0.4%) and CLP (-4.2%)

Foreign Exchange market levels and historical return

		Close at Nov/10/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.91	0.6	-0.1	2.9	7.6
Chile	USD/CLP	913.25	-0.1	-4.2	1.7	-6.8
Colombia	USD/COP	4,035.00	-0.2	-1.4	4.8	20.3
Peru	USD/PEN	3.81	-0.1	-1.7	0.8	0.0
Hungary	USD/HUF	353.03	0.8	0.2	3.0	5.8
Malaysia	USD/MYR	4.71	-0.3	0.4	0.2	-6.5
Mexico	USD/MXN	17.65	1.0	-1.0	1.1	10.5
Poland	USD/PLN	4.14	0.4	0.2	2.9	5.6
Russia	USD/RUB	92.33	-0.5	0.4	6.5	-19.7
South Africa	USD/ZAR	18.73	-0.4	-2.5	0.5	-9.0
Developed Markets						
Canada	USD/CAD	1.38	0.1	-1.0	-1.5	-1.8
Great Britain	GBP/USD	1.22	0.0	-1.2	-0.7	1.2
Japan	USD/JPY	151.52	-0.1	-1.4	-1.6	-13.5
Eurozone	EUR/USD	1.0686	0.2	-0.4	0.6	-0.2
Norway	USD/NOK	11.11	1.0	-0.6	-2.3	-11.8
Denmark	USD/DKK	6.98	0.2	-0.4	0.6	-0.5
Switzerland	USD/CHF	0.90	0.0	-0.4	-0.1	2.4
New Zealand	NZD/USD	0.59	-0.1	-1.8	-2.1	-7.2
Sweden	USD/SEK	10.90	0.3	0.0	0.1	-4.3
Australia	AUD/USD	0.64	-0.1	-2.3	-0.8	-6.6

Source: Bloomberg, Banorte

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

USD/MXN

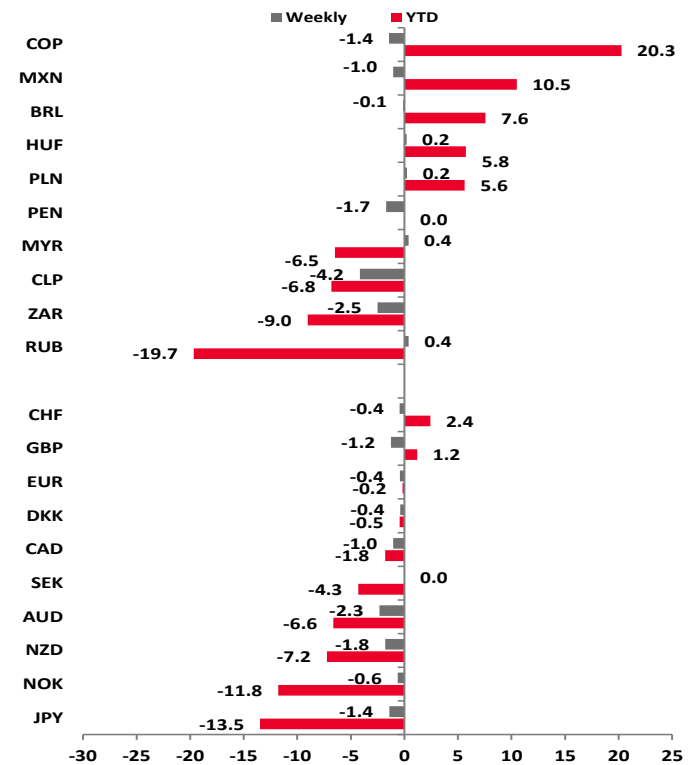
Last 12 months



Source: Bloomberg, Banorte

FX performance

Against USD, %



Source: Bloomberg, Banorte

DXY

Points



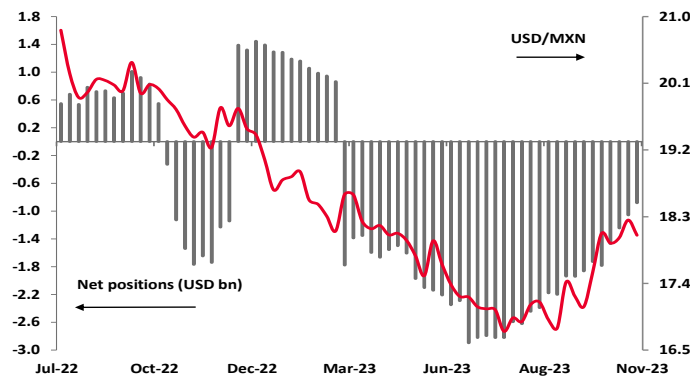
Source: Bloomberg, Banorte

FX positioning and flows

- Net long positions in MXN collapsed to seven-month lows.** As of October 21st, 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. *The data for November 7th, which would usually be known today, will be published next Monday, November 13th, due to a US Federal holiday: Veterans' Day*
- 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 fell sharply in EM while Mexico recorded 15 consecutive weeks with outflows.** Our EPFR aggregate recorded lower negative flows of US\$ 1.9 billion from US\$ 4.0 billion the previous week. Bond market sales decreased 56% to US\$ 776 million. In the same way, equities outflows fell to US\$ 1.1 billion from US\$ 2.2 billion, because of lower sales in Asia. In Mexico, a negative flow of US\$ 83 million was recorded because of sales in both bonds and equities of US\$ 72 million and US\$ 11 million, respectively

IMM positioning in USD/MXN futures

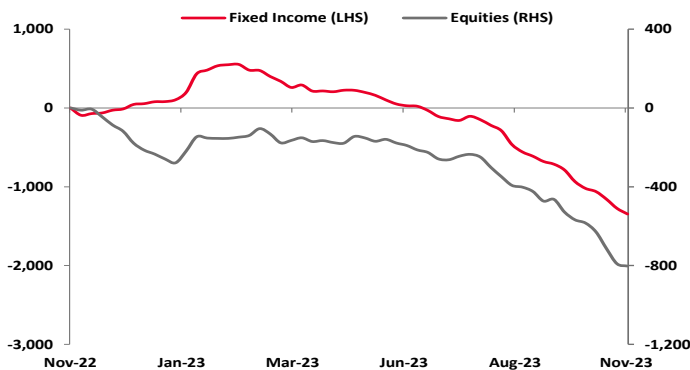
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

Foreign portfolio flows into Mexico

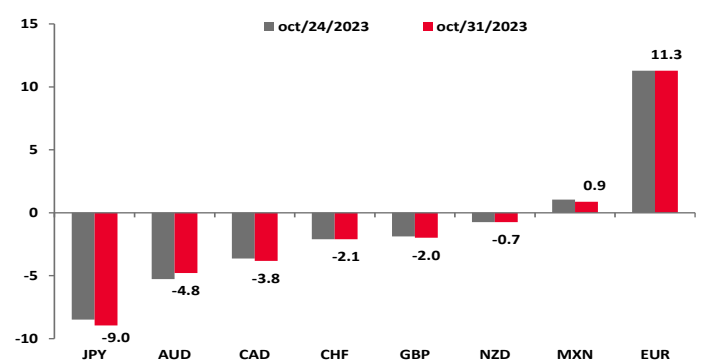
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

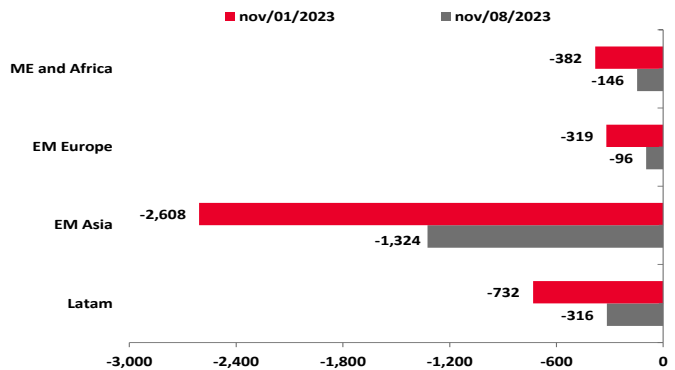


* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*

Weekly, million dollars



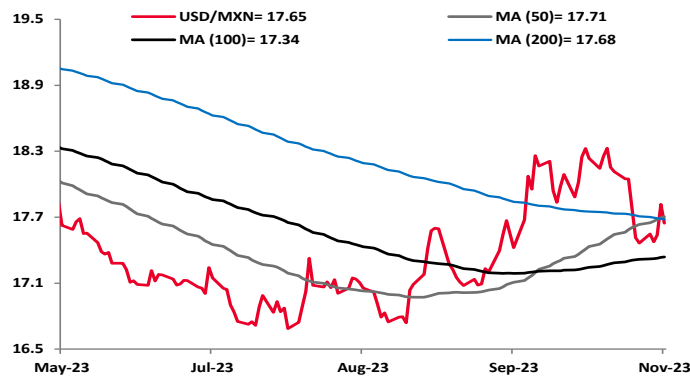
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- The Mexican peso oscillated around the 50- and 200-day MAs.** Uncertainty about the next monetary policy actions in the US triggered a migration of flows into the USD. Adding to this dynamic was Banxico's less hawkish tone. In this context, the Mexican peso weakened and entered the depreciation channel after breaching relevant technical levels. However, with the relief observed on Friday, the peso left the channel. It is worth noting that the 50-day MA trades above the 200-day, being a pattern that represent a signal of potential additional weakness. The weekly trading range was 53 cents, below the four-week average of 63 cents. The main short-term resistances are located at 17.60, 17.46 and 17.40 with supports at 18.00, 18.10 and 18.17. Additionally, MXN correlation with EUR, and CAD increased vs the previous week

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	52	39	1	65	34
CAD	57	40	12	63	35
ZAR	71	81	4	87	53
BRL	59	59	23	82	61
HUF	55	45	4	70	48
RUB	0	0	-23	53	15

* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

%

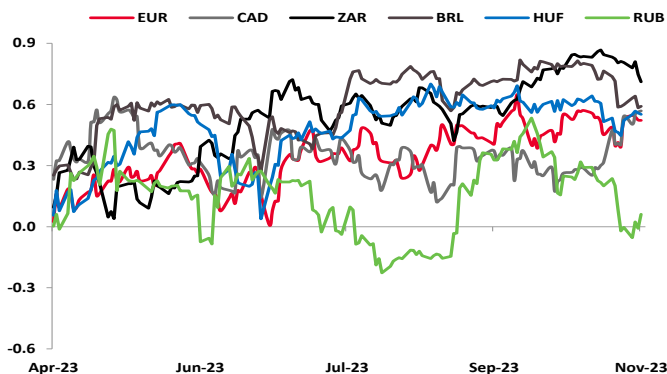
	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	64	59	14	84	41
SPX	58	52	5	66	36
GSCI	-14	-18	-27	49	14
Oro	-11	-2	-57	51	14

* 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

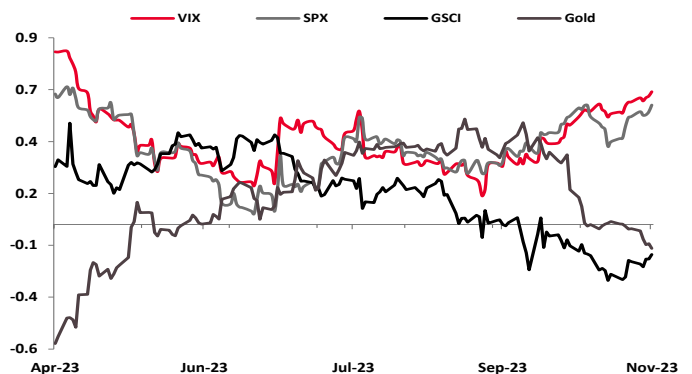


* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

Based on daily percentage changes



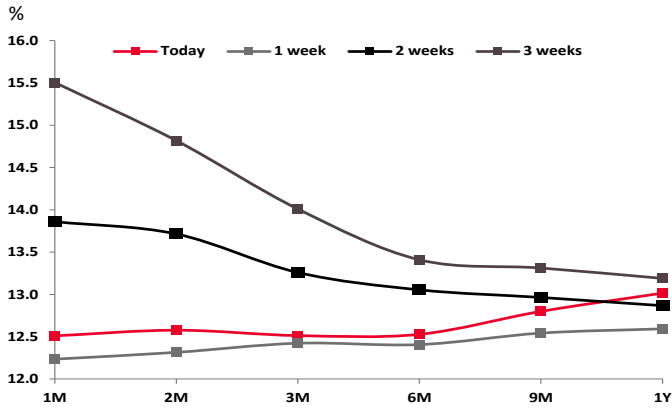
* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

FX technicals (continued)

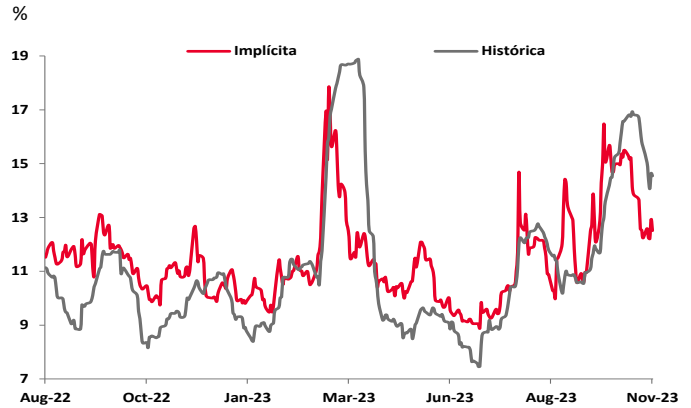
- The MXN ATM implied volatility curve marked a steeper slope.** On this occasion, 1-year volatility recorded the largest increase of 0.5 vegas to 13.00%, reflecting greater uncertainty in the future vs. the near short-term. Meanwhile, the 1-month reading rose 0.3 vegas to 12.5%, although it remains well below the average seen in October of 14.8%. On the other hand, 1-month risk reversals rose to 2.77 vols from 3-month lows of 2.54 vols last week. This reflected a greater appetite for USD/MXN call options vs puts given a divergence in the monetary policy stances of both countries that provided a boost to the dollar but weakened the peso. Meanwhile, the 3-month reading recorded few changes at 3.13 vols

USD/MXN – ATM options volatility curve



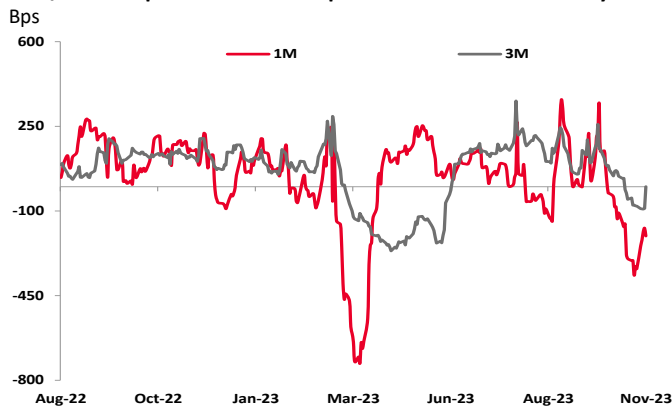
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

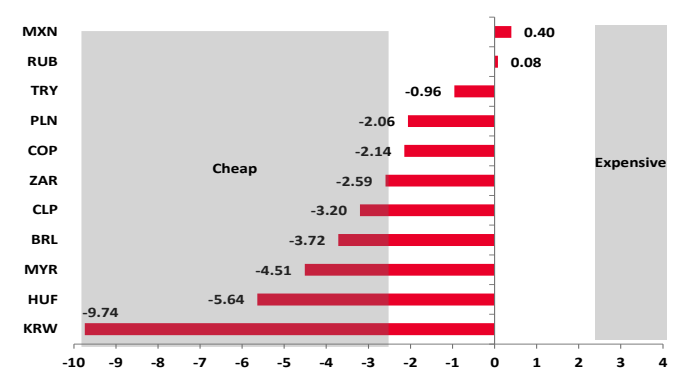
USD/MXN – Spread between implicit and historical volatility



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

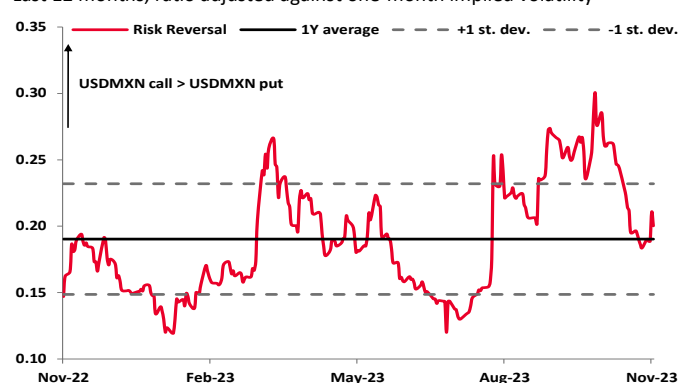
Last 24 months, difference between USD calls and puts, in vols



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

- **The USD could extend its gains if Fed members maintain the hawkish tone.** The FX market performance remains shaped by monetary policy divergence between advanced and emerging economies. In addition, we observed spikes in volatility reflecting geopolitical risks, mixed economic figures releases, fluctuating commodity prices and tighter financial conditions in a still challenging backdrop. On this occasion, Jerome Powell's hawkish tone was influential, leaving the door open for an additional increase in the Fed funds rate if necessary. At the risk of being repetitive, it is worth noting that the Fed Chairman *'is not fully confident that they have reached a sufficiently restrictive level to bring inflation to the 2% target'*, a phrase that caused widespread volatility in the FX market. Against this backdrop, the dollar strengthened with the DXY and BBDXY indices advancing 0.8% w/w. The BBDXY index recorded four out of five days with gains and breached the 50-day MA (1,264pts), being a favorable technical signal for further appreciation. We continue to see a trajectory for the USD driven by Fed members' comments. In addition, an above-consensus October inflation reading would strengthen the USD and keep the debate over the Fed's future actions alive
- G-10 currencies weakened, with AUD (-2.3%) leading decliners. Although Australia's central bank raised its benchmark rate to 4.35% (+25bps), the market does not anticipate further hikes, which is the reason for the currency's weakening. In emerging markets, losses predominated; trading was capped by KRW (+0.9%) and CLP (-4.2%). The correction in the Chilean peso stood out, indirectly reflecting the weakness of China's trade balance and the fall in commodity prices. In addition, October inflation was lower than expected, which was another element of pressure on the currency
- The Mexican peso reversed part of the previous week's appreciation and was the sixth weakest among its peers. Investors reacted to a less hawkish tone from Banxico, changes in forward guidance and a downward revision in the near-term inflation trajectory. In our view, it increased the probability that the easing cycle could start in 1Q24. As a result, the MXN reached its weakest level at 17.94 per dollar (from 17.47 prior to the decision) and breached the 50-day and 200-day MAs, both at 17.69. On Friday, the local currency closed at 17.65 per dollar (-1.0% w/w). The trading range was 53 cents and 1-month implied volatility ended at 12.5% (vs. 12.2% the previous week). Next week, the MXN will be immersed in the dynamics defined by US inflation, 3Q23 GDP in the Eurozone and comments from Federal Reserve members. Additionally, investors will continue to weigh Banxico's tone and its possible implications for the interest rate trajectory. We estimate a trading range between USD/MXN 17.50 and 18.00

Weekly economic calendar

For the week ending November 17, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 13		MX	ANTAD same-store sales	Oct	% y/y			4.8
	05:00	GER	ZEW Survey (Expectations)	Nov	index	--	5.0	-1.1
Tue 14	05:00	EZ	Gross domestic product	3Q23 (P)	% y/y	--	0.1	0.1
	05:00	EZ	Gross domestic product*	3Q23 (P)	% q/q	--	-0.1	-0.1
	08:30	US	Consumer prices*	Oct	% m/m	0.1	0.1	0.4
	08:30	US	Ex. food & energy*	Oct	% m/m	0.3	0.3	0.3
	08:30	US	Consumer prices	Oct	% y/y	3.5	3.3	3.7
	08:30	US	Ex. food & energy	Oct	% y/y	4.1	4.1	4.1
	10:00	MX	International reserves	Nov 10	US\$bn	--	--	205.0
	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 20-year Mbono (Nov'42), 10-year Udibono (Nov'31) and 2-, and 5-year Bondes F					
	12:45	US	Fed's Goolsbee Speaks on Economy and Monetary Policy					
	18:45	JN	Gross domestic product*	3Q23 (P)	% q/q	--	-0.1	1.2
	21:00	CHI	Industrial production	Oct	% y/y	--	4.5	4.5
	21:00	CHI	Retail sales	Oct	% y/y	--	7.0	5.5
	21:00	CHI	Gross fixed investment (YTD)	Oct	% y/y	--	3.1	3.1
	01:00	US	Fed's Philip Jefferson and SNB's Thomas Jordan Speak in Zurich					
Wed 15	02:00	UK	Consumer prices	Oct	% y/y	--	4.7	6.7
	02:00	UK	Core	Oct	% y/y	--	5.7	6.1
	05:00	EZ	Industrial production*	Sep	% m/m	--	-0.9	0.6
	05:00	EZ	Trade balance*	Sep	EURbn	--	--	11.9
	05:00	EZ	European Commission economic growth forecasts					
	08:30	US	Advance retail sales*	Oct	% m/m	-0.2	-0.3	0.7
	08:30	US	Ex autos & gas*	Oct	% m/m	--	0.2	0.6
	08:30	US	Control group*	Oct	% m/m	0.1	0.2	0.6
	08:30	US	Producer prices*	Oct	% m/m	--	0.1	0.5
	08:30	US	Ex. food & energy*	Oct	% m/m	--	0.3	0.3
Thu 16	08:30	US	Empire manufacturing*	Nov	index	-3.5	-3.0	-4.6
	06:30	EZ	ECB's Lagarde speaks at ESRB conference					
	07:00	BZ	Economic activity	Sep	% y/y	--	0.8	1.3
	07:00	BZ	Economic activity*	Sep	% m/m	--	0.1	-0.8
	07:30	US	Fed's Mester Delivers Opening Remarks in Financial Stability Conference					
	08:30	US	Fed's Mester Delivers Opening Remarks					
	08:30	US	Initial jobless claims*	Nov 11	thousands	220	222	217
	08:30	US	Philadelphia Fed*	Nov	index	-12.0	-10.3	-9.0
	09:15	US	Industrial production*	Oct	% m/m	--	-0.3	0.3
	09:15	US	Manufacturing production*	Oct	% m/m	-0.3	-0.3	0.4
09:25	US	Fed's Williams Speaks at US Treasury Market Conference						
09:35	US	Fed's Barr Speaks at US Treasury Market Conference						
Fri 17	03:00	EZ	ECB's Lagarde speaks in Frankfurt					
	04:00	EZ	Current account*	Sep	EURbn	--	--	27.7
	05:00	EZ	Consumer prices	Oct (F)	% y/y	--	2.9	4.3
	05:00	EZ	Core	Oct (F)	% y/y	--	4.2	4.2
	08:30	US	Housing starts**	Oct	thousands	--	1,347	1,358
	08:30	US	Building permits**	Oct	thousands	--	1,450	1,471
	08:45	US	Fed's Collins Delivers Welcoming Remarks in labor market conference					
	09:45	US	Fed's Goolsbee Speaks on Economy					
10:00	US	Fed's Daly Speaks in Frankfurt						

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

For the week ending November 10, 2023

	Time	Event	Period	Unit	Banorte	Actual	Previous
Sun 5	US	Daylight savings time ends in the US					
	03:55	GER Services PMI*	Oct (F)	index	--	48.2	48.0
	03:55	GER Composite PMI*	Oct (F)	index	--	45.9	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
Mon 6	07:00	MX Consumer confidence*	Oct	index	47.0	46.0	46.8
	22:00	CHI Trade balance	Oct	USDbn	--	56.5	77.8
	22:00	CHI Exports	Oct	% y/y	--	3.0	-6.3 (R)
	22:00	CHI Imports	Oct	% y/y	--	3.0	-6.3
	02:00	GER Industrial production*	Sep	% m/m	----	-1.4	-0.1 (R)
	08:30	US Trade balance*	Sep	US\$bn	--	-61.5	-58.7 (R)
	10:00	MX International reserves	Nov 3	US\$bn	--	204.9	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					
Tue 7	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	--	9.0	-15.8 (R)
	15:30	MX Survey of expectations (Citibanamex)					
	02:00	GER Consumer prices	Oct (F)	% y/y	--	3.0	3.0
	05:00	EZ Retail sales*	Sep	% m/m	--	-0.3	-0.7 (R)
	06:15	US Fed's Cook speaks on financial stability					
Wed 8	07:00	BZ Retail sales	Sep	% y/y	--	3.3	2.4 (R)
	07:00	BZ Retail sales*	Sep	% m/m	--	0.6	-0.1 (R)
	10:15	US Fed's Powell delivers opening remarks					
	20:30	CHI Consumer Prices	Oct	% y/y	--	-0.2	0.0
	07:00	MX Consumer prices	Oct	% m/m	0.36	0.38	0.44
	07:00	MX Core	Oct	% m/m	0.39	0.39	0.36
	07:00	MX Consumer prices	Oct	% y/y	4.24	4.26	4.45
	07:00	MX Core	Oct	% y/y	5.51	5.50	5.76
	08:30	US Initial jobless claims*	Nov 4	thousands	215	217	220 (R)
	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					
	18:00	PER Monetary policy decision (BCRP)	Nov 9	%	--	7.00	7.25
	02:00	UK Industrial production*	Sep	% m/m	--	0.0	-0.5 (R)
	02:00	UK Gross domestic product	3Q23 (P)	% y/y	--	0.6	0.6
	02:00	UK Gross domestic product*	3Q23 (P)	% q/a	--	0.0	0.2
	07:00	BZ Consumer prices	Oct	% m/m	--	0.24	0.26
	07:00	BZ Consumer prices	Oct	% y/y	--	4.82	5.19
	07:00	MX Industrial production	Sep	% y/y	3.8	3.9	4.7 (R)
	07:00	MX Industrial production*	Sep	% m/m	0.1	0.2	0.3
	07:00	MX Manufacturing output	Sep	% y/y	-2.2	0.8	-1.1
	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	60.4	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

Recent trade ideas				
Trade idea	P/L	Initial date	End date	
2y10y TIIIE-IRS steepener		Oct-13-23		
Long positions in Mbono Dec'24	P	Jun-16-23	Jun-22-23	
Pay TIIIE-IRS (26x1), receive 2-year SOFR	L	Aug-18-22	Oct-28-22	
Pay 2-year TIIIE-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 TIIIE-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 TIIIE-28 IRS	P	Mar-20-20	Apr-24-20	
Long positions in Udibono Nov'28	P	Jan-31-20	Feb-12-20	
Long positions in Udibono Jun'22	P	Jan-9-20	Jan-22-20	
Long positions in Mbono Nov'47	L	Oct-25-19	Nov-20-19	
Long positions in Mbonos Nov'36 & Nov'42	P	Aug-16-19	Sep-24-19	
Long positions in the short-end of Mbonos curve	P	Jul-19-19	Aug-2-19	
Long positions in Mbonos Nov'42	L	Jul-5-19	Jul-12-19	
Long positions in Mbonos Nov'36 & Nov'38	P	Jun-10-19	Jun-14-19	
Long positions in Mbonos Jun'22 & Dec'23	P	Jan-9-19	Feb-12-19	
Long floating-rate Bondes D	P	Oct-31-18	Jan-3-19	
Long CPI-linkded Udibono Jun'22	L	Aug-7-18	Oct-31-18	
Long floating-rate Bondes D	P	Apr-30-18	Aug-3-18	
Long 20- to 30-year Mbonos	P	Jun-25-18	Jul-9-18	
Short Mbonos	P	Jun-11-18	Jun-25-18	
Long CPI-linkded Udibono Jun'19	P	May-7-18	May-14-18	
Long 7- to 10-year Mbonos	L	Mar-26-18	Apr-23-18	
Long CPI-linkded Udibono Jun'19	P	Mar-20-18	Mar-26-18	
Long 5- to 10-year Mbonos	P	Mar-5-18	Mar-20-18	
Long floating-rate Bondes D	P	Jan-15-18	Mar-12-18	
Long 10-year UMS Nov'28 (USD)	L	Jan-15-18	Feb-2-18	

P = Profit, L = Loss

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

* Total return does not consider carry gain/losses

P = Profit, L = Loss

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

1. Carry + roll-down gains of 17bps

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

P = Profit, L = Loss

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

* Total return does not consider carry gain/losses

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

P = Profit, L = Loss

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, 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, Jazmín 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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