

Fixed-Income and FX Weekly

- **Mixed balance in local assets.** Mbonos averaged a 21bps sell-off this week, halting the almost 60bps rally in the previous four weeks. On the contrary, the MXN closed at 17.11 per dollar (+0.7% w/w), scoring two favorable weeks in a row
- **The spotlight will be on Eurozone inflation, the PCE deflator in the US and comments from Fed members.** During the week, financial markets recorded a mixed performance with lower trading volume due to the Thanksgiving holiday in the US and the Anniversary of the Mexican Revolution. Investors digested the hawkish tone of the Fed's minutes where most members considered keeping the monetary stance restrictive enough to bring inflation to the 2% target. Meanwhile, the content of [Banxico's minutes](#) was less hawkish, similar to the statement. The Board of Governors opened the door for the first rate cut to materialize in 1Q24, although it will be data-dependent. High volatility in crude-oil prices was highlighted due to Saudi Arabia's disagreement with OPEC+ production levels, which led to the delay of the Ministerial Meeting to November 30th. Additionally, PMI indicators in the Eurozone showed a probable recession. In this context, the Treasuries recorded modest losses of 3bps. Meanwhile, the dollar weakened with the BBDXY index adjusting -0.5% w/w. Locally, 10-year Mbono, May'33, posted losses of 20bps to 9.64%, and the Mexican peso appreciated 0.7% w/w to close at 17.11 per dollar. Next week, the performance of the financial asset classes will be driven mainly by inflation figures in the Eurozone, the PCE deflator in the US (being the Fed's preferred inflation metric) and the speeches of some Fed members, including Powell. In addition, the central banks of Israel, New Zealand, Thailand, and South Korea will announce their monetary policy decisions. Markets will continue to look for clues as to how long interest rates will remain elevated and when the first interest rate cuts by central banks in some developed countries and Mexico will begin. Investors will also digest a plethora of economic data to be released in the US, the Eurozone, China, Brazil, and Mexico. In addition, Banxico will release its Quarterly Report and the expectations survey

Fixed-Income

- **Supply** – On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 30-year Mbono (Jul'53), the 3-year Udibono (Dec'26), and 2-, 5-, and 10-year Bondes F. Moreover, an extraordinary Cetes and Bondes F auction will take place on Wednesday
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.371 trillion (US\$ 77.9 billion), a market share equal to 32.0%, as of November 13th. Short positions in Mbono May'33 ended at MXN 319 million from MXN 78 million last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 517bps from 501bps the previous week, with the 12-month mean at 520bps

Foreign Exchange

- **Market positioning and flows** – Net long MXN positions rose 43% to US\$ 1.3 billion from its lowest level during the year at the end of October. Mutual funds' flows to EM marked bigger sales of US\$ 2.3 billion from US\$ 2.1 billion a week ago due to an increase in equities sales concentrated in Asia
- **Technicals** – The spot recorded its lower weekly trading range in the last 5 months of 20 cents, hovering between 17.07 and 17.27 per dollar amid of lower trading volume and lower implied volatility



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Fixed-Income

Market dynamics.....	pg. 2
Supply.....	pg. 4
Demand.....	pg. 5
Technicals.....	pg. 7
Recommendations.....	pg. 9

Foreign exchange

Market dynamics.....	pg. 10
Market positioning and flows.....	pg. 11
Technicals.....	pg. 12
Recommendations.....	pg. 14

Recommendations

Fixed-Income

- Next week, rates will be highly sensitive to the Federal Reserve's favorite inflation data (PCE Deflator), as well as the outcome of OPEC+. We could see mixed effects if inflation delivers a positive surprise and OPEC+ deepens production cuts to provide support for crude-oil prices
- We expect the 10-year Mbono to trade between 9.50% and 9.85%

FX

- The FX market performance will be driven mainly by comments from Fed members and inflation figures in the Eurozone and US (PCE deflator). The MXN could press the psychological level of 17.00 per dollar
- We estimate a trading range between USD/MXN 16.90 and 17.40

Fixed-Income Dynamics

Mbonos performance

Maturity date	YTM Nov/24/2023	Weekly change (bps)	YTD (bps)
Dec'23	11.20	-19	+38
Sep'24	11.29	+21	+120
Dec'24	11.00	+17	+113
Mar'25	10.38	+16	+45
Mar'26	10.18	+25	+94
Sep'26	10.03	+20	+63
Mar'27	9.88	+22	+69
Jun'27	9.84	+21	+76
Mar'29	9.63	+21	+26
May'29	9.57	+19	+49
May'31	9.62	+18	+60
May'33	9.64	+20	+62
Nov'34	9.58	+17	+53
Nov'36	9.62	+17	+57
Nov'38	9.75	+22	+66
Nov'42	9.77	+23	+66
Nov'47	9.76	+25	+69
Jul'53	9.78	+26	+73

Source: PIP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Nov/24/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.52	+1	+61
6-month (6x1)	11.42	+1	+38
9-month (9x1)	11.26	0	+19
1-year (13x1)	11.03	+3	+12
2-year (26x1)	10.14	+13	+28
3-year (39x1)	9.58	+18	+40
4-year (52x1)	9.30	+23	+39
5-year (65x1)	9.13	+20	+31
7-year (91x1)	9.06	+21	+32
10-year (130x1)	9.11	+21	+38
20-year (260x1)	9.14	+21	+29

Source: PIP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Nov/24/2023	Weekly change (bps)	YTD (bps)
Dec'25	5.95	+13	+119
Dic'26	5.45	+19	+79
Nov'28	4.75	+19	+44
Nov'31	4.87	+16	+70
Nov'35	4.82	+16	+61
Nov'40	4.80	+13	+61
Nov'43	4.81	+15	+31
Nov'46	4.74	+15	+56
Nov'50	4.77	+12	+54

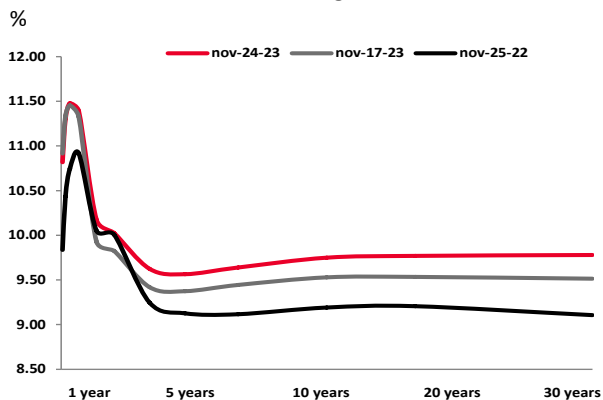
Source: PIP, Banorte

Cetes performance

Maturity date	YTM Nov/24/2023	Weekly change (bps)	YTD (bps)
Cetes 28	5.95	+13	+119
Cetes 91	5.45	+19	+79
Cetes 182	4.75	+19	+44
Cetes 364	4.87	+16	+70
Cetes 728	4.82	+16	+61

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/24/2023	Weekly change (bps)	YTD (bps)	YTM Nov/24/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	4.94	-3	+47	4.94	+6	+52	0	-9	14	33
3Y	Mar'27	5.09	+1	+30	4.66	+4	+44	43	-3	34	50
5Y	Feb'28	5.32	-5	+53	4.49	+4	+48	84	-10	99	98
7Y	Apr'30	5.68	-5	+34	4.51	+4	+54	117	-9	131	139
10Y	May'33	5.97	-9	+41	4.47	+3	+59	150	-12	167	173
20Y	Mar'44	6.57	-9	+19	4.80	0	+65	177	-9	199	--
30Y	May'53	6.80	-10	+41	4.60	+1	+64	220	-11	232	--

Source: Bloomberg, Banorte

5Y USD UMS



Source: Bloomberg, Banorte

10Y USD UMS



Source: Bloomberg, Banorte

5Y UMS-UST Spread



Source: Bloomberg, Banorte

10Y UMS-UST Spread



Source: Bloomberg, Banorte

Fixed-Income Supply

- Mexico's weekly auction.** On Tuesday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 30-year Mbono (Jul'53), the 3-year CPI-linked bond (Dec'26) –known as Udibono–, and 2-, 5-, and 10-year Bondes F. Additionally, an extraordinary Cetes and Bondes F auction will take place on Wednesday, considering 182-, 266-, 350-, and 700-days Cetes, as well as 343-, 679- and 1,057-days Bondes F for a total amount of up to MXN 30 billion
- Greater demand for short-term vs. long-term securities.** After a less restrictive tone in [Banxico's minutes](#) pointing out that rate cuts could begin in 1Q24, the attractive Cetes yields will continue to trigger strong demand. The real rates of the 28-, 91-, 182-, and 362- day Cetes are very close to unprecedented highs at 6.42%, 6.98%, 7.11%, and 6.71%, in the same order. The above has been reflected in a requested amount significantly higher than that offered in the last primary auctions, placing the bid-to-cover ratio above the 2-year average for all terms. In our opinion, Banxico will carry out the first rate cut in March to 11.00% (-25bps), with a level of 9.25% (-200bps) at the end of 2024. For the longer-term reference in the nominal yield curve, Mbono Jul'53, we expect moderate demand around 1.9x. This after accumulating gains of 61bps from trading at its highest rate in the last 15 years of 10.13% at the end of October. These gains were reduced by losses of 26bps this week to 9.78%. Regarding real rates, we anticipate a lower appetite compared to the last two placements of 2.3x. Although the relative valuation continues to appear attractive, its value has decreased after accumulating gains of 93bps during this month, with a breakeven that went to 4.34% from being 11bps below 4.00% at the beginning of the month, a level that we had identified as attractive for long positions

Auction specifics (November 28, 2023)

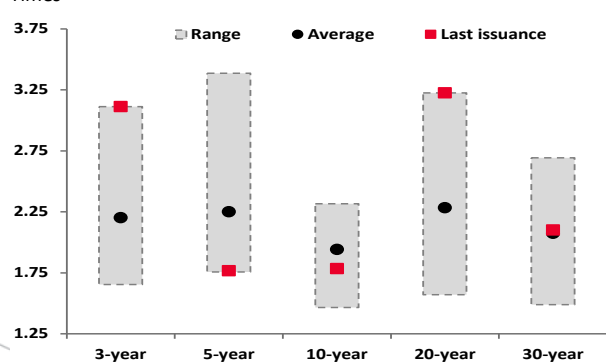
Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Dec-28-23	--	8,500	10.75
3m	Feb-29-24	--	7,500	11.33
6m	May-30-24	--	12,700	11.47
12m	Nov-14-24	--	9,200	11.32
Bondes F				
2Y	Oct-09-25	--	5,800	0.16
5Y	Jan-27-28	--	1,400	0.22
10Y	Oct-21-32	--	800	0.28
Bono M				
30Y	Jul-31-53	8.00	10,000	9.80
Udibono				
3Y	Dec-03-26	3.00	UDIS 700	6.38

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



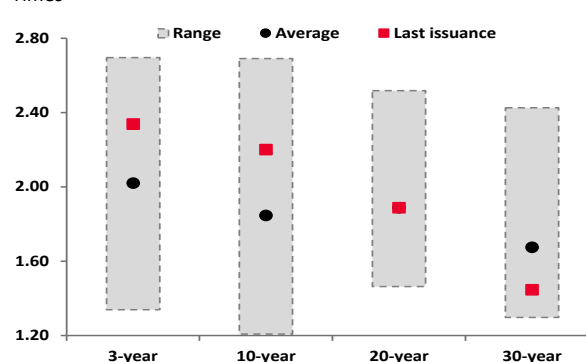
Source: Bloomberg, Banorte

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

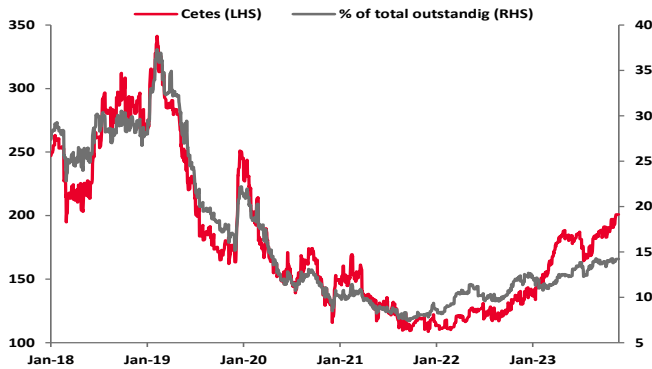


Source: Bloomberg, Banorte

Fixed-Income Demand

Cetes held by foreigners

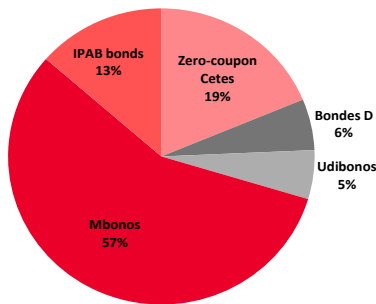
MXN billion, %



Source: Banxico, Banorte

Government issuance by type of instrument

Total amount of US\$ 428 billion, % of total



Source: Banxico, Banorte

Government bond holdings by type of investor

US\$ billion and %, data as of Nov/13/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Total amount outstanding	80	24	181	243
Foreign investors	14%	4%	5%	32%
Pension funds	11%	5%	53%	23%
Mutual funds	15%	40%	5%	2%
Insurance companies	5%	1%	18%	3%
Banks	13%	16%	2%	16%
Others	42%	33%	17%	23%

Source: Banxico, Banorte

Foreign investors holdings of government bonds

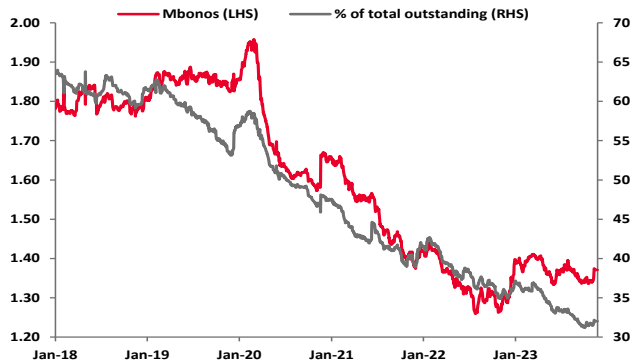
US\$ billion, data as of Nov/13/2023

	Cetes	Bondes D	Udibonos*	Bonos M
Actual	11.4	1.1	8.6	77.9
Previous Week	11.0	0.4	1.0	76.3
Difference	0.4	0.6	7.6	1.5
Dec/30/2023	8.0	1.9	1.0	79.4
Difference	3.4	-0.9	7.6	-1.6

Source: Banxico, Banorte

Mbonos held by foreigners

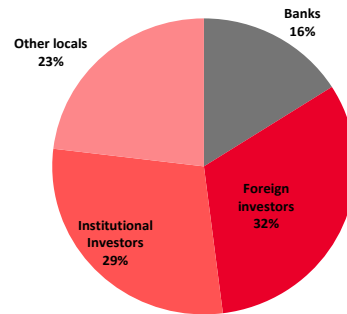
MXN trillion, %



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 243 billion, % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor

US\$ billions and %, data as Nov/09/2023

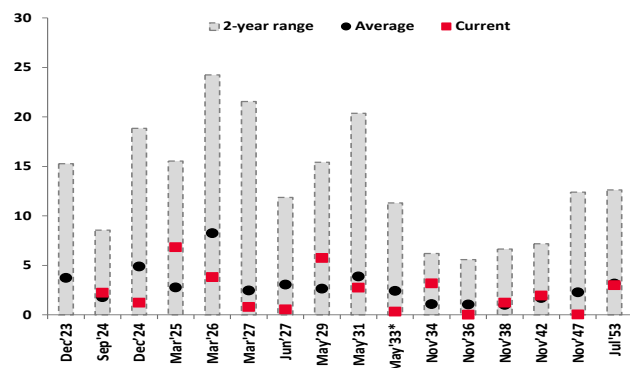
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	9.9	33%	7%	16%	45%
Sep'24	15.8	25%	15%	10%	50%
Dec'24	13.0	35%	25%	8%	32%
Mar'25	8.0	35%	18%	19%	28%
Mar'26	26.3	31%	28%	13%	28%
Sep'26	7.2	41%	23%	12%	23%
Mar'27	21.0	33%	17%	14%	36%
Jun'27	20.5	7%	34%	29%	30%
Mar'29	3.0	31%	20%	22%	27%
May'29	15.9	3%	54%	22%	22%
May'31	24.8	5%	45%	33%	17%
May'33	14.8	7%	39%	31%	24%
Nov'34	5.6	1%	52%	35%	13%
Nov'36	4.3	0%	29%	41%	30%
Nov'38	12.4	1%	40%	42%	17%
Nov'42	18.1	1%	41%	44%	14%
Nov'47	15.1	0%	37%	44%	19%
Jul'53	10.8	1%	35%	45%	19%
Total	235.7	15%	32%	26%	26%

Source: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

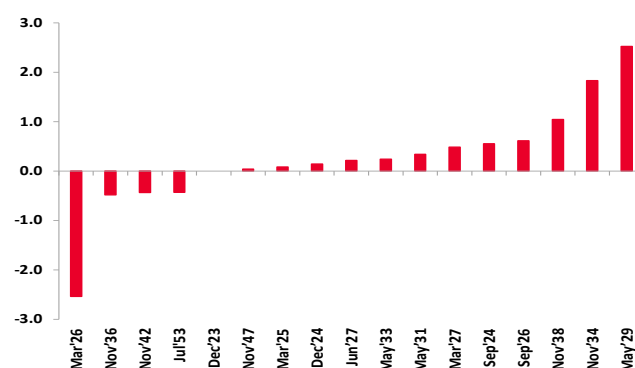
MXN billion



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

Weekly change in market makers' short positions on Mbonos

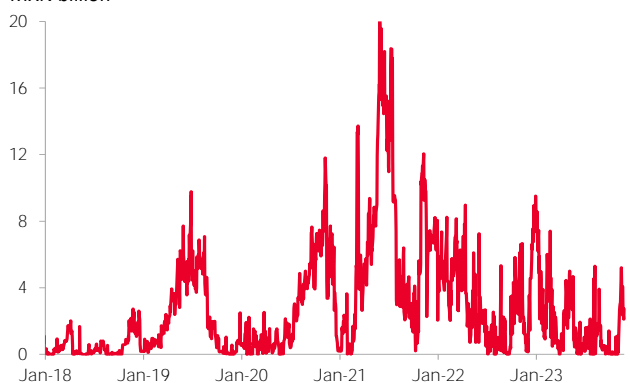
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

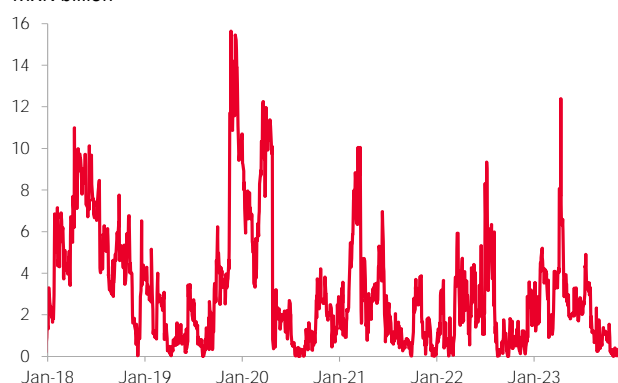
MXN billion



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/23/2023	Nov/23/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Dec'23	9,724	0	0	313	0	379	0
Sep'24	15,814	130	98	32	65	246	0
Dec'24	13,212	71	63	187	132	346	1
Mar'25	8,907	397	392	370	30	905	34
Mar'26	25,934	222	369	523	417	1,410	105
Sep'26	6,938	276	240	314	0	1,256	0
Mar'27	21,159	46	18	62	158	1,254	0
Jun'27	20,503	32	19	26	217	633	0
Mar'29	3,803	131	118	374	0	419	0
May'29	16,807	334	187	540	35	897	63
May'31	24,806	159	139	62	20	309	0
May'33	14,806	19	5	21	0	657	1
Nov'34	5,706	185	78	6	70	358	0
Nov'36	4,260	1	29	31	4	324	0
Nov'38	12,481	71	10	0	26	160	0
Nov'42	18,462	113	138	102	2	336	0
Nov'47	15,122	2	0	2	11	286	0
Jul'53	10,812	174	199	357	573	623	0
Total	249,256	2,187	1,904	2,964	1,188		

Source: Banxico, Banorte

Fixed-Income Technicals

- **The carry at the short-end slightly increased.** Spreads between Cetes and implied forward rates stood at: 1-month at +26bps from +48bps, 3-month at +10bps from +19bps, 6-month at -4bps from +1bp, and 1-year at -15bps from -10bps
- **Banxico's minutes with a less restrictive tone, like the statement.** Most members of the Governing Board indicated that it is very likely that the start of rate cuts will be in the first quarter of next year in a gradual and discontinuous path. Local assets showed no reaction to the minutes amid a low trading volume session as the US market was closed for Thanksgiving. With this, the expectations embedded in market securities continue to price-in the first 25bps cut in February with a probability of 50% and a full cut in March, with a rate of 9.50% at the end of 2024, equivalent to a cumulative cut of 175bps vs 204bps last week. On the other hand, the Fed's minutes showed a hawkish tone, reiterating that they will maintain a monetary policy stance restrictive enough for inflation to return to the 2.00% target. The market delayed its bets for the first 25bps cut from May to June

Spread between Cetes and Implied Forward Rates

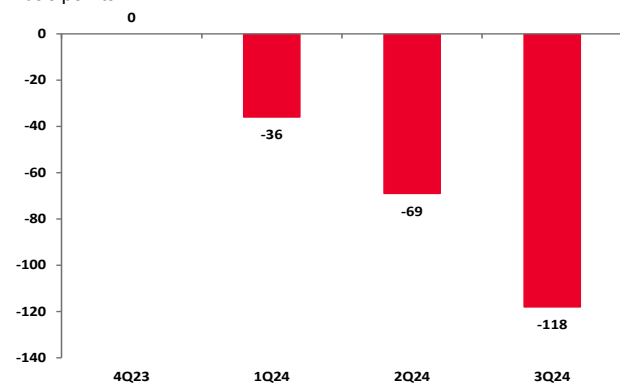
Basis points

Tenor	Actual Nov/24/2023	Previous Week	Previous month	Average 6m	Max 6m	Min 6m
1 month	26	48	68	35	489	-70
3 months	10	19	7	-31	32	-96
6 months	-4	1	-5	-49	10	-103
12 months	-15	-10	-8	-54	5	-96

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

Basis points



Source: Bloomberg, Banorte

- **Weakness in Mbonos led to a widening of the local risk premium.** Investors assimilated the content of the Fed and Banxico's minutes. In addition, markets continue to debate how long interest rates will remain elevated. In this context, Mbonos lost 21bps on average. The 10-year spread between Mbonos and Treasuries closed Friday at 517bps vs 501bps in the previous week, remaining below the 12-month average at 520bps for the third consecutive week
- **The 3-month correlation between Mexican and US 10-year bonds remained stable.** The reading closed Friday at +64%, unchanged vs. the previous week

10-year Mbono and 10-year UST spread

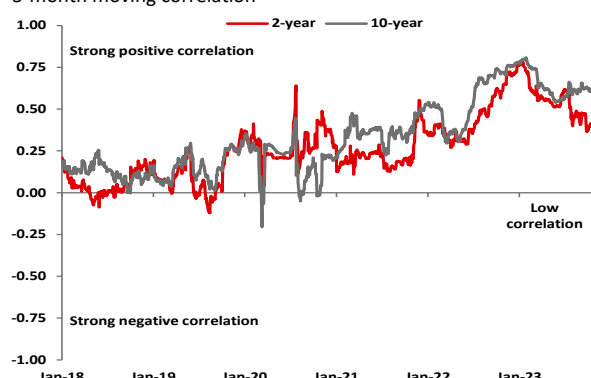
Basis points



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

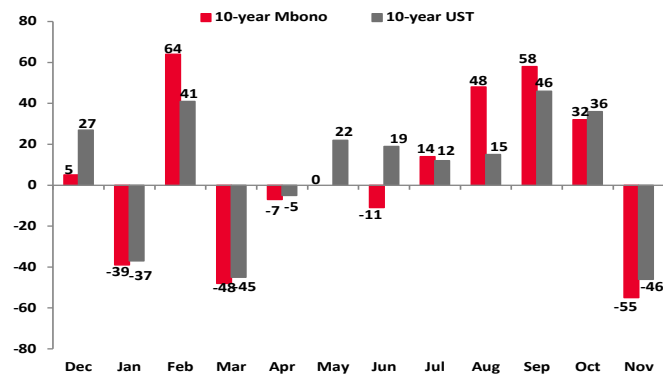
Basis points

Tenor	Nov/24/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-54	-48 (-6bps)	-68 (+14bps)	-105 (+51bps)	-40	-199	-140
Mbono 10s30s	14	7 (+7bps)	-6 (+20bps)	-1 (+15bps)	35	-15	9
TIIE-Mbono 2-year	-4	9 (-13bps)	-15 (+11bps)	-18 (+14bps)	25	-57	-24
TIIE-Mbono 10-year	-54	-55 (+1bp)	-46 (-8bps)	-52 (-2bps)	-17	-68	-47

Source: Bloomberg, PiP, Banorte

Mexican and US rates performance, last 12 months

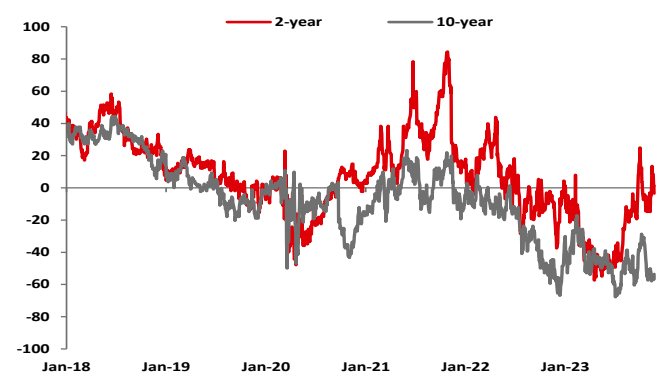
Basis points



Source: PiP, Bloomberg, Banorte

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

Basis points



Source: PiP, Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos

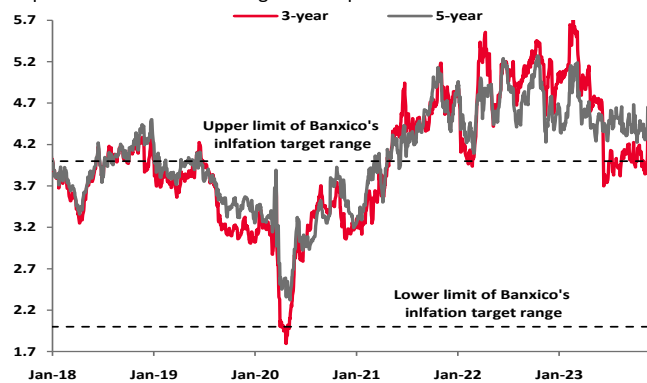
Implicit market inflation using Fisher Equation (%)

Date	Nov/24/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.34	4.34 (0bps)	3.93 (+41bps)	5.05 (-71bps)	5.74	3.70	4.55
5Y	4.66	4.65 (+1bp)	4.37 (+29bps)	4.53 (+13bps)	5.19	4.22	4.53
10Y	4.55	4.52 (+3bps)	4.56 (-1bp)	4.38 (+17bps)	4.85	4.04	4.38
20Y	4.73	4.65 (+8bps)	4.86 (-13bps)	4.42 (+31bps)	5.08	4.15	4.56
30Y	4.78	4.65 (+13bps)	4.83 (-5bps)	4.31 (+47bps)	5.01	4.15	4.54

Source: PiP, Banorte

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

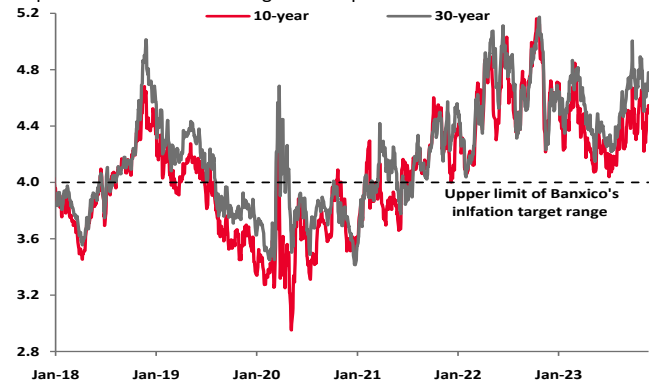
Implicit market inflation using Fisher Equation



Source: PiP, Banorte

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

Implicit market inflation using Fisher Equation



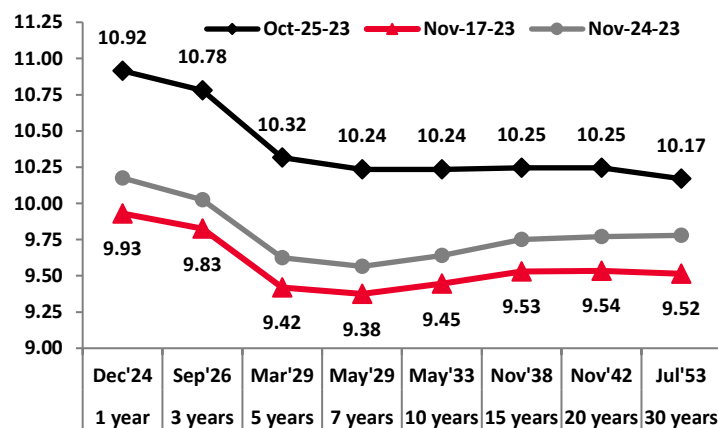
Source: PiP, Banorte

Fixed – Income trade recommendations

- Sovereign bonds' rally stopped, while the Fed sees the balance of risks for inflation biased upward.** This week was characterized by more information on the monetary front and lower trading volume due to holidays in Mexico and the US. The monetary policy positions of [Banxico](#) and the Fed continue to diverge, with the former seeking to join central banks of others emerging countries by evaluating the possibility of interest rate cuts as early as 1Q24, and the second maintaining the option of reacting to a possible acceleration of inflation. Among the factors that could hinder the disinflation process, the possibility of an escalation in the armed conflict in the Middle East stands out due to its potential impact on crude-oil prices and economic activity. Although Israel and Hamas reached a humanitarian agreement, an early outcome of the war remains very nebulous. The agreement with a total ceasefire will last four days, starting on Thursday, November 23rd, for the release of at least 50 of the 240 hostages, while Israel will release 150 Palestinians. If the above goes as agreed, the truce could be extended to a maximum of 10 days so that Hamas can release another 100 hostages in exchange for the release of 300 Palestinians. After this period, the probability that armed combat will be reestablished is very high. Another factor in investors' sights are the actions of the Organization of the Petroleum Exporting Countries and allies (OPEC+) due to their impact on the energy market. The group will maintain a voluntary output cut of around 5 million barrels per day (Mbbbl/d) until the end of the year, of which 3.66 Mbbbl/d will be in effect until the end of 2024. However, speculators expect an additional cut for the following year. However, the Ministerial Meeting was delayed four days to Thursday, November 30th due to Saudi dissatisfaction with the production levels of other members for 2024. This triggered volatility in crude-oil prices, as well as greater uncertainty about the impact it could have on the inflation. Under this situation, sovereign bonds stopped the rally that began at the end of October with gains of up to 48bps in Treasuries and up to 75bps in Mbonos. This week, Treasuries lost 3bps, while Mbonos averaged losses of 21bps. In a similar fashion, inflation-linked bonds (Udibonos) fell 15bps, on average

Mbonos performance

Basis points



Source: PiP, Banorte

- Next week, rates will be highly sensitive to the Federal Reserve's favorite inflation data (PCE Deflator), as well as the outcome of OPEC+. We could see mixed effects if inflation delivers a positive surprise and OPEC+ deepens production cuts to provide support for crude-oil prices that have fallen around 20% since September. Finally, we expect the Mbono May'33 to trade between 9.50% and 9.85%

FX dynamics

- **Currencies digested that the Fed ended the tightening cycle.** The FX market reflected risk appetite by pricing-in that the Fed has reached the terminal rate and it will start the easing cycle in 2024. Even though Banxico left the door open to start cutting rates in 1Q24, the Mexican peso strengthened. In addition, economic dynamism also worked in its favor. In a week with low volume, the MXN reached its strongest level at 17.07 and closed Friday at 17.11 per dollar (+0.7% w/w). Year-to-date, the peso accumulated a 13.9% return, the second strongest among its peers
- **The dollar extended the previous week's losses.** The DXY and BBDXY indices fell 0.5% w/w, scoring two negative weeks in a row. In G10 currencies, NZD (+1.4%) was the strongest. In EM, trading was mixed, with CLP (+1.8%) and ZAR (-2.2%) at the ends of the spectrum

Foreign Exchange market levels and historical return

		Close at Nov/24/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.90	0.0	0.2	1.9	7.7
Chile	USD/CLP	869.05	0.8	1.8	6.5	-2.1
Colombia	USD/COP	4,039.62	0.7	1.3	3.9	20.1
Peru	USD/PEN	3.73	0.1	0.8	3.9	2.0
Hungary	USD/HUF	347.80	0.1	-0.1	4.7	7.3
Malaysia	USD/MYR	4.69	-0.2	-0.1	2.0	-6.1
Mexico	USD/MXN	17.11	0.4	0.7	7.1	13.9
Poland	USD/PLN	4.00	0.2	0.5	5.9	9.4
Russia	USD/RUB	89.12	-0.7	0.4	4.8	-16.8
South Africa	USD/ZAR	18.78	0.2	-2.2	1.8	-9.3
Developed Markets						
Canada	USD/CAD	1.36	0.4	0.6	1.2	-0.6
Great Britain	GBP/USD	1.26	0.6	1.1	4.1	4.3
Japan	USD/JPY	149.44	0.1	0.1	0.5	-12.3
Eurozone	EUR/USD	1.0939	0.3	0.2	3.5	2.2
Norway	USD/NOK	10.73	0.4	0.7	4.3	-8.7
Denmark	USD/DKK	6.82	0.3	0.3	3.6	1.9
Switzerland	USD/CHF	0.88	0.1	0.3	1.6	4.7
New Zealand	NZD/USD	0.61	0.4	1.4	4.7	-4.3
Sweden	USD/SEK	10.46	0.3	0.6	6.6	-0.3
Australia	AUD/USD	0.66	0.4	1.1	4.4	-3.3

Source: Bloomberg, Banorte

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

USD/MXN

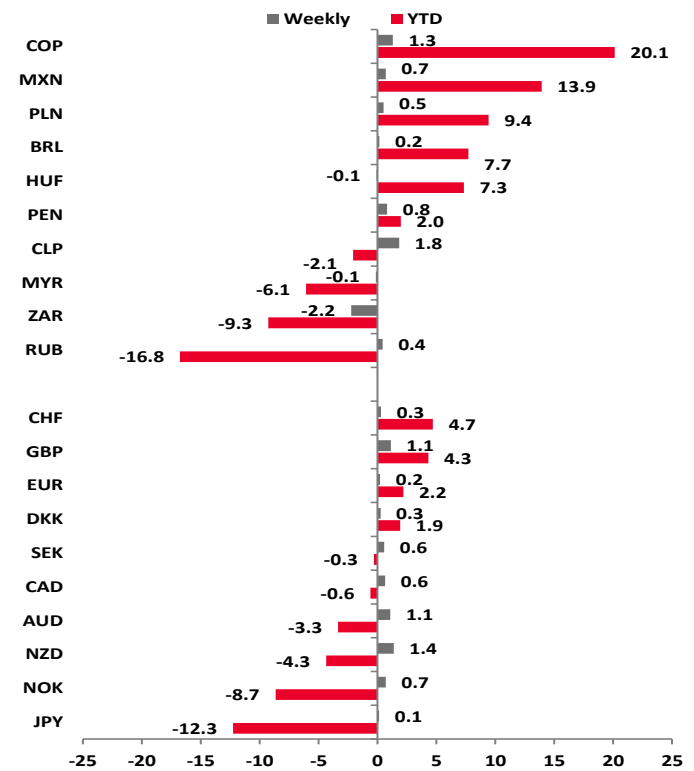
Last 12 months



Source: Bloomberg, Banorte

FX performance

Against USD, %



Source: Bloomberg, Banorte

DXY

Points



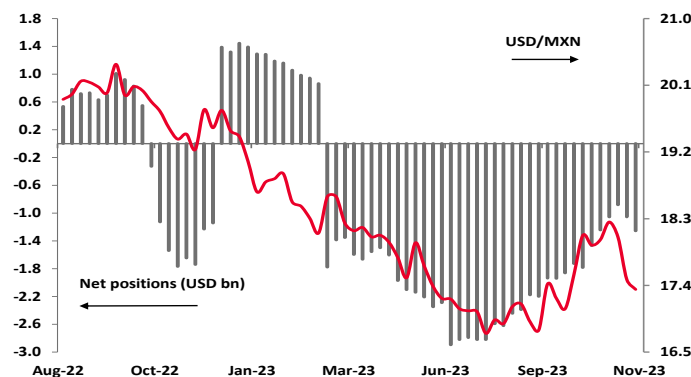
Source: Bloomberg, Banorte

FX positioning and flows

- **Net long positions in MXN increased in the last two weeks.** As of November 14th, the MXN position registered a higher net long of US\$ 1.3 billion, rising 43% from its lowest level during the year at the end of October. Hence, MXN sales triggered by the war in the Middle East during October were almost offset. *The data for November 21st, which would usually be known today, will be published next Monday, November 27th, due to a US Federal holiday: Thanksgiving Day*
- **Fears of a shutdown in the US triggered higher USD demand.** The IMM USD net long position increased to fresh highs since the end of 2022 of US\$ 10.8 billion from US\$ 9.8 billion a week ago. The adjustment was the result of strong sales in most of the currencies, excluding the Mexican peso and Euro. Again, the Japanese yen printed the highest sales (-2.1 billion), recording its largest net short position since April 2022 of US\$ 10.8 billion. Similarly, bets in favor of a further weakening of the GBP (-787 million) increased to levels not seen since the beginning of the year of US\$ 2.3 billion
- **Sales increased slightly in EM, while Mexico recorded 17 consecutive weeks with outflows.** Our EPFR aggregate recorded bigger negative flows of US\$ 2.3 billion from US\$ 2.1 billion the previous week. Bond market sales decreased 56% to US\$ 435 million. Meanwhile, equities outflows increased 73% to US\$ 1.8 billion, because of greater sales in Asia. In Mexico, a negative flow of US\$ 31 million was recorded because of sales in both bonds and equities of US\$ 12 million and US\$ 19 million, respectively

IMM positioning in USD/MXN futures

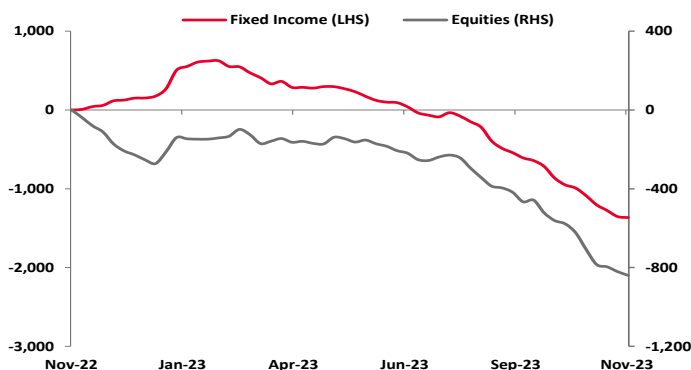
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

Foreign portfolio flows into Mexico

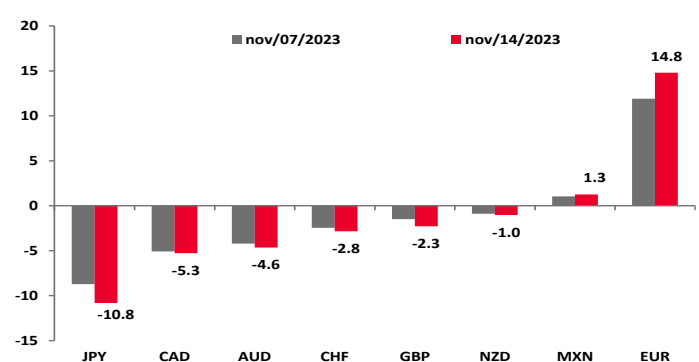
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

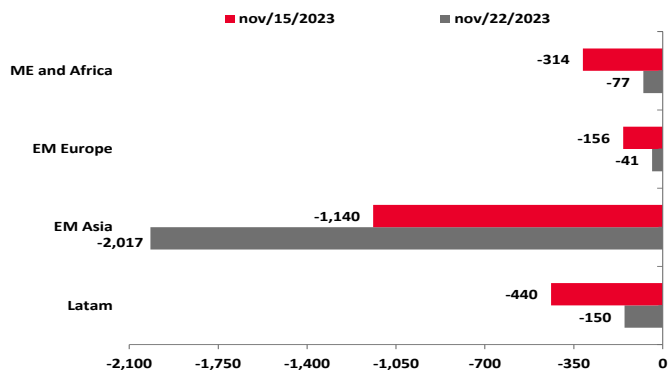


* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*

Weekly, million dollars



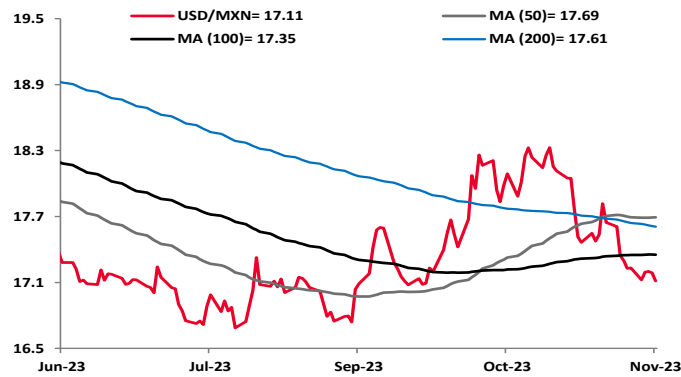
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- The Mexican peso traded within the primary appreciation channel.** The weakness of the dollar allowed for a migration of flows into the universe of currencies; however, investors favored those with better fundamentals. In this sense, the Mexican peso extended gains within the primary appreciation channel and pressured short-term technical resistances. If the MXN maintains its momentum, we see it likely to head towards the psychological level of 17.00 per dollar, where it could start a consolidation process. The weekly trading range was 20 cents, below the 4-week average of 59 cents. The main short-term resistances are located at 17.00, 16.88, and 16.75 with supports at 17.25, 17.35, and 17.45 per dollar. In light of divergent price changes, the MXN correlation with the ZAR weakened to 61% from 66% 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	51	53	1	65	37
CAD	45	56	12	63	36
ZAR	61	66	4	87	55
BRL	62	58	27	82	63
HUF	59	57	4	70	51
RUB	14	8	-23	53	15

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

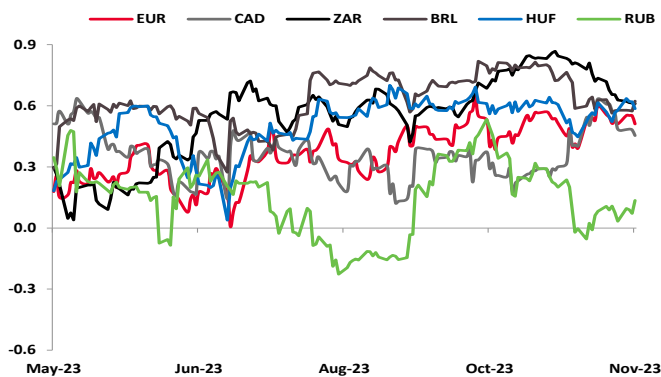
USD/MXN – 1-month correlation with other assets *

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	59	62	14	65	40
SPX	61	60	5	63	36
GSCI	-15	-21	-27	44	12
Oro	-28	-23	-28	51	15

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

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

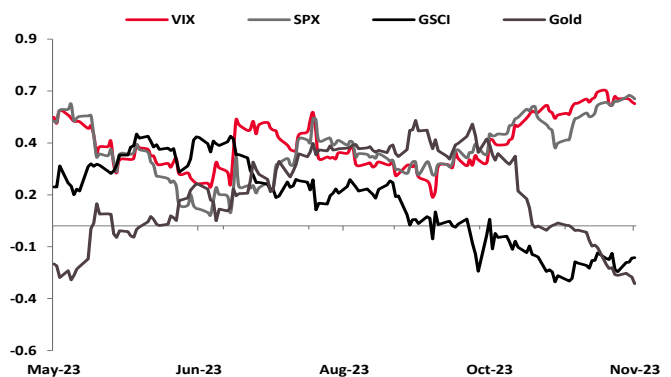
Based on daily percentage changes



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

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

Based on daily percentage changes

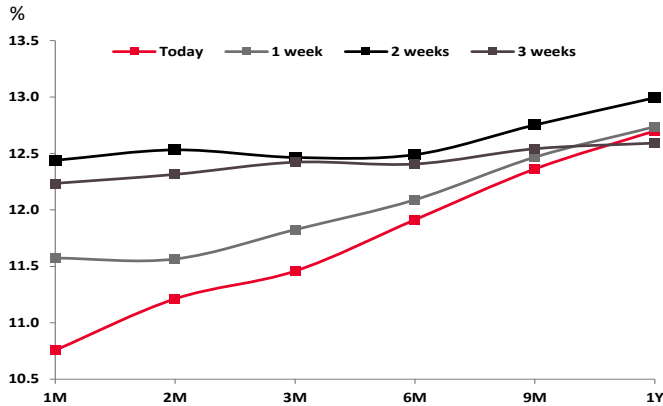


* Positive: appreciation of MXN and corresponding asset except VIX
Source: Bloomberg, Banorte

FX technicals (continued)

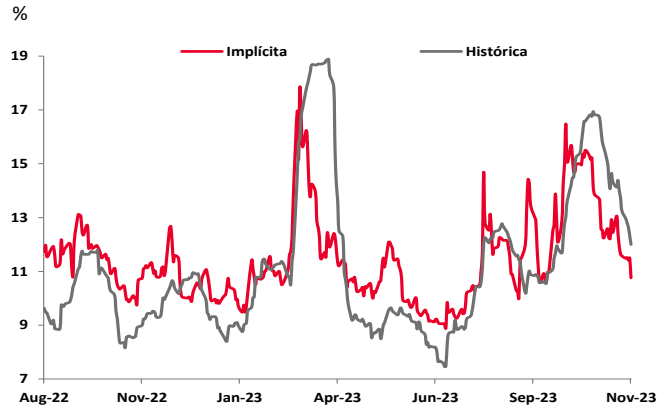
- The MXN ATM implied volatility curve steepened, although it is at less stressed levels.** The 1-month volatility decreased 0.8 vegas to 10.76%, hitting fresh 2-month lows. Similarly, the 3-month reading fell 0.4 vegas to 11.46% and the 1-year reading registered few changes at 12.70%. With this, the spread between the extremes of the curve widened to its highest point of 1.88 vegas since the end of August. This implies less uncertainty in the short term regarding the near future, completely diluting the impact of the war in the Middle East. The 1-month and 3-month risk reversals fell to 4-month lows of 2.49 and 2.90 vols, respectively from 2.58 and 2.95 vols, in the same order, last week

USD/MXN – ATM options volatility curve



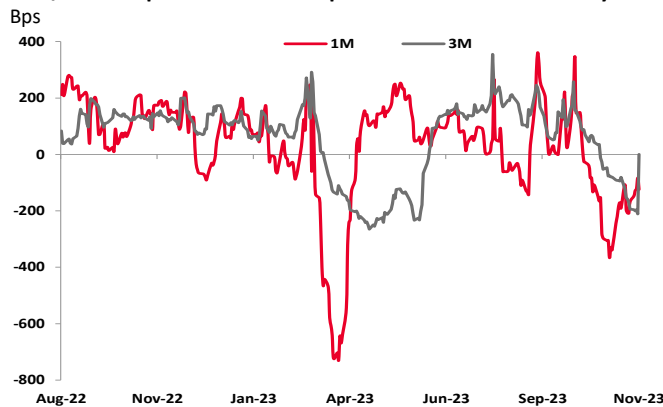
Source: Bloomberg, Banorte

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

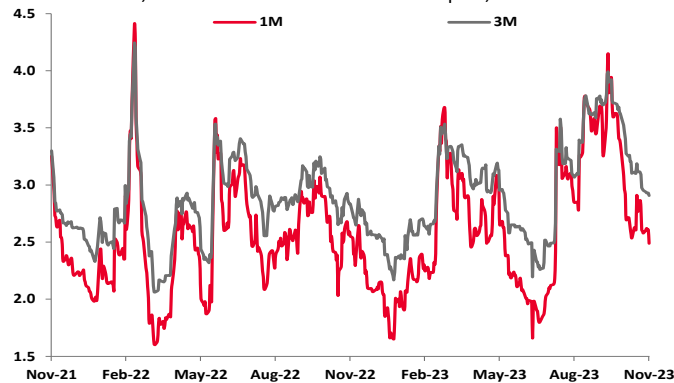
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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

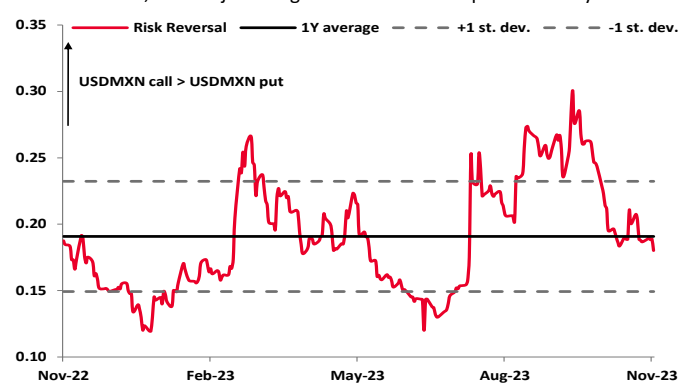
Last 24 months, difference between USD calls and puts, in vols



Source: Bloomberg, Banorte

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

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



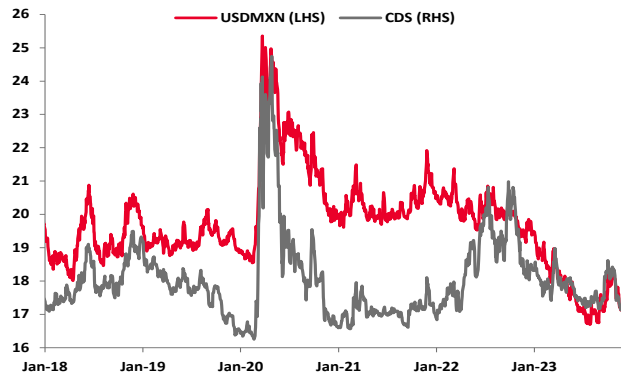
Source: Bloomberg, Banorte

FX trade recommendations

- **The dollar weakened following signs that the terminal rate has been reached.** The FX market assimilated monetary policy information during the week, albeit with lower trading volume due to the US holiday. Despite the hawkish tone in the Fed's minutes and mixed economic data, the market remains convinced that the central bank has already ended the restrictive cycle. Investors also continue to debate how long interest rates will remain elevated and when the easing cycle will begin. With decisions dependent on economic data, markets will be watching closely to continue to calibrate their expectations. In our view, the Fed will start cutting rates as of July and the Fed funds rate range will close next year at 4.25%-4.50%. Against this backdrop, the dollar weakened with the DXY and BBDXY indices retreating 0.5% w/w. Trading in both indices was capped by the 100-day MA and 200-day MA. Next week, USD performance could be driven by a plethora of economic data, most notably the PCE deflator, and the tone of Fed members' speeches
- All currencies of advanced economies strengthened, including the EUR (+0.2%) despite the weakness observed in the region's economic activity indicators, which point to a possible recession. In addition, the ECB's minutes noted that under current conditions, members expect to bring inflation to their 2% target. In this sense, an additional 25bps hike is not the baseline scenario. Meanwhile, SEK (+0.6%) digested the central bank's surprise decision to leave the benchmark rate unchanged at 4.00% (vs +25bps of consensus). In EM currencies, the balance was mixed, trading was capped by CLP (+1.8%) and ZAR (-2.2%). The South African rand weakened following the central bank's downward revision to the inflation trajectory
- The Mexican peso extended the previous week's appreciation trend and marked its strongest intraday level at 17.07 per dollar during Tuesday's session, a level not seen since late September. The appreciation was halted when it reached a short-term technical resistance. In addition, the Mexican peso's reaction to Banxico's minutes and inflation report was muted. The MXN closed Friday at 17.11 per dollar, representing an appreciation of 0.7% w/w and a trading range of 20 cents, lower than the 4-week average by 59 cents. If risk appetite is sustained and the market continues to assimilate that the Fed has concluded its tightening cycle, we see the peso likely to approach the psychological level of 17.00 per dollar in the short term. We estimate a trading range between USD/MXN 16.90 and 17.40

USD/MXN and Mexico 5Y CDS

Pesos per dollar and bps, respectively



Source: Bloomberg, Banorte

USD/MXN Forecast for 2023 and 2024

Pesos per dollar



Source: Banorte

Weekly economic calendar

For the week ending December 1, 2023

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 27	07:00	MX	Trade balance	Oct	US\$mn	-1,699.3	-1,505.5	-1,481.4
	09:00	EZ	ECB's Lagarde Speaks in EU Parliament					
	10:00	US	New home sales**	Oct	thousands	--	723	759
Tue 28	04:00	EZ	Monetary aggregates (M3)*	Oct	EURbn	--	-0.9	-1.2
	07:00	BZ	Consumer prices 2w/2w	Nov	% m/m	--	0.31	0.21
	07:00	BZ	Consumer prices 2w/2w	Nov	% y/y	--	4.82	5.05
	09:00	US	S&P/CoreLogic housing prices	Sep	% y/y	--	4.2	2.2
	10:00	US	Consumer confidence*	Nov	index	103.0	101.0	102.6
	10:00	US	Fed's Goolsbee Delivers Opening Remarks					
	10:00	US	Fed's Waller Speaks on the Economic Outlook					
	10:00	MX	International reserves	Nov 23	US\$bn	--	--	205.6
	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 30-year Mbono (Jul'53), 3-year Udibono (Dec'26) and 2-, 5-, and 10-year Bondes F					
	05:00	EZ	OECD Publishes biannual Economic Outlook					
Wed 29	05:00	EZ	Consumer confidence*	Nov (F)	index	--	--	-16.9
	05:00	EZ	Economic confidence*	Nov	index	--	93.5	93.3
	08:00	GER	Consumer prices	Nov (P)	% y/y	--	3.5	3.8
	08:30	US	Trade balance*	Oct	US\$bn	--	-86.5	-86.8
	08:30	US	Gross domestic product**	3Q23 (F)	% q/q	5.0	5.0	4.9
	08:30	US	Personal consumption**	3Q23 (F)	% q/q	4.0	4.0	4.0
	13:30	MX	Banxico's Quarterly Report					
	13:45	US	Fed's Mester Speaks on Financial Stability					
	14:00	US	Beige Book					
	20:30	CHI	Manufacturing PMI*	Nov	index	--	49.6	49.5
	20:30	CHI	Non-manufacturing PMI*	Nov	index	--	51.1	50.6
	20:30	CHI	Composite PMI*	Nov	index	--	--	50.7
			OPEC+ Ministerial Meeting and Joint Ministerial Monitoring Committee					
Thu 30	05:00	EZ	Consumer prices	Nov (P)	% y/y	--	2.7	2.9
	05:00	EZ	Core	Nov (P)	% y/y	--	3.9	4.2
	05:00	EZ	Unemployment rate*	Oct	%	--	6.5	6.5
	07:00	MX	Unemployment rate	Oct	%	2.86	2.85	2.88
	07:00	BZ	Unemployment rate	Oct	%	--	7.6	7.7
	08:30	US	Personal income*	Oct	% m/m	--	0.2	0.3
	08:30	US	Personal spending*	Oct	% m/m	--	0.2	0.7
	08:30	US	Real personal spending*	Oct	% m/m	0.2	0.1	0.4
	08:30	US	PCE Deflator*	Oct	% m/m	0.1	0.1	0.4
	08:30	US	Core*	Oct	% m/m	0.2	0.2	0.3
	08:30	US	PCE Deflator	Oct	% y/y	3.1	3.1	3.4
	08:30	US	Core	Oct	% y/y	3.5	3.5	3.7
	08:30	US	Initial jobless claims*	Nov 25	thousands	213	218	209
	10:00	MX	Banking credit	Oct	% y/y	6.0	--	5.8
	15:30	MX	Public finances (PSBR, year-to-date)	Oct	MXNbn	--	--	-813.6
	20:45	CHI	Manufacturing PMI (Caixin)*	Nov	index	--	49.3	49.5
	03:55	GER	Manufacturing PMI*	Nov (F)	index	--	42.3	42.3
	04:00	EZ	Manufacturing PMI*	Nov (F)	index	--	43.8	43.8
Fri 1	04:30	UK	Manufacturing PMI*	Nov (F)	index	--	46.7	46.7
	07:00	BZ	Industrial production	Oct	% y/y	--	1.4	0.6
	07:00	BZ	Industrial production*	Oct	% m/m	--	0.2	0.1
	08:00	BZ	Manufacturing PMI*	Nov	index	--	--	48.6
	09:45	US	Manufacturing PMI*	Nov (F)	index	49.4	--	50.5
	10:00	MX	Family remittances	Oct	US\$bn	5,781.2	5,746.0	5,612.6
	10:00	MX	Survey of expectations (Banxico)					
	10:00	US	ISM manufacturing*	Nov	index	47.2	47.7	46.7
	10:00	US	Fed's Goolsbee Participates in Moderated Discussion					
	11:00	US	Fed's Powell Speaks in Fireside Chat					
	13:00	MX	PMI manufacturing (IMEF)*	Nov	index	50.9	--	50.5
	13:00	MX	PMI non-manufacturing (IMEF)*	Nov	index	52.6	--	52.2
	14:00	US	Fed's Powell, Cook Take Part in Discussion on Tech Innovation					
		US	Total vehicle sales**	Nov	thousands	--	15.5	15.5

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

For the week ending November 24, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Sun 19	20:15	CHI	Rate decision 1-year Loan Prime Rate	Nov 20	%	--	3.45	3.45
	20:15	CHI	Rate decision 5-year Loan Prime Rate	Nov 20	%	--	4.20	4.20
Mon 20		MX	Market closed for Revolution Day					
Tue 21	07:00	MX	Timely Indicator of Economic Activity*	Oct	% y/y	--	2.9	3.0
	10:00	US	Existing Home Sales**	Oct	thousands	--	3.8	4.0
	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 24-month Cetes, 5-year Mbono (Mar'29), 30-year Udibono (Nov'50) and 1-, 3-, and 7-year Bondes F					
	14:00	US	FOMC Meeting Minutes					
	15:30	MX	Banamex Survey of Economists					
Wed 22	07:00	MX	Retail sales	Sep	% y/y	3.6	2.3	3.2
	07:00	MX	Retail sales*	Sep	% m/m	0.5	-0.2	-0.5 (R)
	08:30	US	Durable goods orders*	Oct (P)	% m/m	--	-5.4	4.0 (R)
	08:30	US	Ex transportation*	Oct (P)	% m/m	--	0.0	0.2 (R)
	08:30	US	Initial jobless claims*	Nov 18	thousands	225	209	233 (R)
	10:00	MX	International reserves	Nov 17	US\$bn	--	205.6	205.3
	10:00	US	U. of Michigan Confidence*	Nov (F)	index	60.4	61.3	60.4
	10:00	EZ	Consumer Confidence*	Nov (P)	index	--	-16.9	-17.8
Thu 23		US	Markets closed due to the Thanksgiving holiday					
	03:30	GER	Manufacturing PMI*	Nov (P)	index	--	42.3	40.8
	03:30	GER	Services PMI*	Nov (P)	index	--	48.7	48.2
	03:30	GER	Composite PMI*	Nov (P)	index	--	47.1	45.9
	04:00	EZ	Manufacturing PMI*	Nov (P)	index	--	43.8	43.1
	04:00	EZ	Services PMI*	Nov (P)	index	--	48.2	47.8
	04:00	EZ	Composite PMI*	Nov (P)	index	--	47.1	46.5
	04:30	UK	Manufacturing PMI*	Nov (P)	index	--	46.7	44.8
	04:30	UK	Services PMI*	Nov (P)	index	--	50.5	49.5
	06:00	TUR	Monetary policy decision (Central Bank of Turkey)	Nov 23	%	--	40.00	35.00
	07:00	MX	Consumer prices	Nov 15	% 2w/2w	0.62	0.63	0.13
	07:00	MX	Core	Nov 15	% 2w/2w	0.23	0.20	0.18
	07:00	MX	Consumer prices	Nov 15	% y/y	4.32	4.32	4.25
	07:00	MX	Core	Nov 15	% y/y	5.34	5.31	5.46
	07:30	EZ	ECB's minutes					
	10:00	MX	Banxico's minutes					
		SA	Monetary policy decision (South African Reserve Bank)	Nov 23	%	--	8.25	8.25
Fri 24	02:00	GER	Gross domestic product*	3Q23 (F)	% q/q	--	-0.1	-0.1
	04:00	GER	IFO Survey (business climate)*	Nov	index	--	87.3	86.9
	07:00	MX	Economic activity indicator (IGAE)	Sep	% y/y	3.1	3.3	3.7
	07:00	MX	Economic activity indicator (IGAE)*	Sep	% m/m	0.5	0.6	0.5 (R)
	07:00	MX	Gross domestic product	3Q23 (F)	% y/y	3.2	3.3	3.3
	07:00	MX	Gross domestic product*	3Q23 (F)	% q/q	0.9	1.1	0.9
	09:45	US	Manufacturing PMI*	Nov (P)	index	49.8	49.4	50.0
	09:45	US	Services PMI*	Nov (P)	index	--	50.8	50.6
	09:45	US	Composite PMI*	Nov (P)	index	--	50.7	50.7
	10:00	MX	Current account	3Q23	US\$bn	3.4	2.6	3.5 (R)

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 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 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 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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