

December 8, 2023

Fixed-Income and FX Weekly

- **Mixed balance in local assets.** The Mbonos' curve printed gains at the extremes of 6bps on average, with the 10-year reference closing at 9.30% (+3bps w/w). In the FX, the USD/MXN depreciated 0.9% w/w to 17.35 per dollar, scoring two negative weeks
- **Decisions from central banks, including the Fed, BoE, ECB, and Banxico, as well as US inflation will be crucial to calibrate market expectations.** During the week, investors digested US labor market data, Eurozone growth figures and comments from BoJ and ECB members. Investors reacted cautiously to a better-than-expected nonfarm payroll report and wage pressures. Crude-oil recorded high volatility and negative bias due to increased US exports, demand uncertainty and low confidence that OPEC+ cuts will materialize. Market participants continue to debate what kind of landing the US economy will have, with some betting on a hard landing. In this sense, the market adjusted its expectations by incorporating cumulative implied cuts of 110bps to December 2024 (vs 134bps the previous week). In the weekly balance, Treasuries closed with adjustments of +15bps on the short-end and -8bps on the long-end, while Mbonos' curve registered gains at the extremes of 6bps on average. In the FX market, the dollar strengthened against most G10 and EM currencies. For its part, the MXN concluded with a depreciation of 0.9% w/w at 17.35 per dollar. Next week, market dynamics will be defined by US November inflation and the Fed's monetary policy decision along with the tone of Powell's comments during the press conference. Investors are waiting for additional clues on the path of the Fed funds rate. However, Powell may reiterate his view that it is early to think about cuts. Also, the central banks of the Eurozone, Mexico, Brazil, Norway, Peru, the Philippines, Taiwan, the United Kingdom, and Russia will announce their decisions. In addition, markets will be following economic activity figures in several regions. The agenda in the US includes PMIs, retail sales, Empire manufacturing survey, as well as industrial and manufacturing production. In Mexico, ANTAD figures, wage negotiations, industrial and manufacturing production, as well as Banxico's expectations survey will be released

Fixed-Income

- **Supply** – On Monday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (May'33), the 10-year Udibono (Nov'31), as well as 2- and 5-year Bondes F
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.322 trillion (US\$ 77.1 billion), a market share equal to 30.9%, as of November 28th. Short positions in Mbono May'33 ended at MXN 3.4 billion from MXN 1.4 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries remained unchanged at 507bps respect to the previous week, with the 12-month mean at 518bps

Foreign Exchange

- **Market positioning and flows** – The USD IMM position went net short for the first time in three months at US\$ 3.2 billion because of bets on interest rate cuts next year. Mutual funds' flows to EM increased with sales of US\$ 3.0 billion from US\$ 2.3 billion a week ago due to bigger bond sales concentrated in Latam
- **Technicals** – The spot closed slightly below the 100-day MA, with a weekly trading range of 38 cents between 17.18 and 17.57 per dollar. The next short-term key levels are: 17.25, 17.15, and 17.06 (resistances), as well as 17.56, 17.70, and 17.78 (supports)



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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

- Focus on the tone of the latest decisions from Fed, ECB, BoE, and Banxico in 2023, because changes in benchmark rates are not expected. It is very likely that Powell will maintain a hawkish tone, especially after the strong employment report and if inflation continues to decelerate at a slower pace. Consequently, sovereign bonds would extend this week's sell-off, mainly short-term ones
- We expect, the 10-year Mbono to trade between 9.15% and 9.50% next week

FX

- Central bank decisions and US inflation will define the dynamics of the FX market. The dollar will react to the dot plot update, the tone of the statement and Powell's comments. The MXN will assimilate Banxico's decision
- We estimate a weekly trading range between USD/MXN 17.15 and 17.70

Fixed-Income Dynamics

Mbonos performance

Maturity date	YTM Dec/08/2023	Weekly change (bps)	YTD (bps)
Sep'24	10.88	-10	+79
Dec'24	10.76	-9	+89
Mar'25	10.21	+12	+28
Mar'26	9.98	+11	+75
Sep'26	9.79	+10	+39
Mar'27	9.58	+9	+39
Jun'27	9.55	+9	+47
Mar'29	9.31	+6	-6
May'29	9.23	+4	+16
May'31	9.26	0	+24
May'33	9.30	+3	+28
Nov'34	9.24	-1	+19
Nov'36	9.23	-3	+18
Nov'38	9.27	-7	+18
Nov'42	9.28	-7	+17
Nov'47	9.29	-5	+22
Jul'53	9.30	-4	+24

Source: PIP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Dec/08/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.51	0	+60
6-month (6x1)	11.36	+1	+32
9-month (9x1)	11.19	+1	+12
1-year (13x1)	10.91	+2	0
2-year (26x1)	9.91	+6	+4
3-year (39x1)	9.32	+4	+14
4-year (52x1)	9.00	+5	+10
5-year (65x1)	8.84	+6	+3
7-year (91x1)	8.74	+4	0
10-year (130x1)	8.77	+2	+4
20-year (260x1)	8.87	+3	+1

Source: PIP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Dec/08/2023	Weekly change (bps)	YTD (bps)
Dec'25	6.12	+17	+136
Dic'26	5.65	+25	+99
Nov'28	4.65	+1	+34
Nov'31	4.65	-7	+48
Nov'35	4.42	-16	+21
Nov'40	4.40	-19	+21
Nov'43	4.37	-21	-13
Nov'46	4.30	-18	+12
Nov'50	4.31	-21	+7

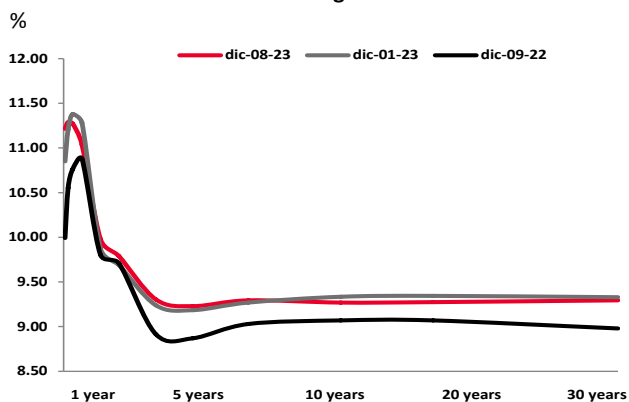
Source: PIP, Banorte

Cetes performance

Maturity date	YTM Dec/08/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.21	+36	+112
Cetes 91	11.29	+8	+62
Cetes 182	11.27	-11	+40
Cetes 364	11.04	-24	+7
Cetes 728	10.87	-1	+6

Source: PIP, Banorte

Mbonos curve at different closing dates



Source: PIP, Banorte

10-year Mbono benchmark



Source: PIP, Banorte

Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

USD DMS and US Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM Dec/07/2023	Weekly change (bps)	YTD (bps)	YTM Dec/07/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	4.80	-14	+33	4.59	-9	+16	21	-5	15	33
3Y	Mar'27	4.85	-24	+6	4.34	-11	+11	52	-13	33	51
5Y	Feb'28	4.97	-18	+19	4.13	-14	+12	84	-4	100	98
7Y	Apr'30	5.25	-26	-9	4.17	-17	+20	108	-8	130	138
10Y	May'33	5.64	-20	+8	4.14	-18	+27	149	-2	167	172
20Y	Mar'44	6.24	-23	-14	4.43	-25	+28	181	+2	198	--
30Y	May'53	6.47	-21	+8	4.25	-24	+29	222	+4	232	--

Source: Bloomberg, Banorte

5Y USD UMS



Source: Bloomberg, Banorte

10Y USD UMS



Source: Bloomberg, Banorte

5Y UMS-UST Spread

Basis points



Source: Bloomberg, Banorte

10Y UMS-UST Spread

Basis points



Source: Bloomberg, Banorte

Fixed-Income Supply

- **Mexico's weekly auction.** On Monday, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 10-year Mbono (May'33), the 10-year CPI-linked bond (Nov'31) –known as Udibono–, as well as 2- and 5-year Bondes F
- **Better demand for Cetes vs 10-year bonds.** The market's attention will be on the tone of the decisions from the Fed (December 13th) and Banxico (December 14th) for clues about the right moment to start interest rate cuts next year given that no changes are expected in the reference rates at 5.25%-5.50% and 11.25%, respectively. In Mexico, the market continues to debate whether the first 25bps rate cut will be in February or March. In our opinion, Banxico will make the first move in March to 11.00% (-25bps), with a level of 9.25% (-200bps) by the end of 2024. In this context, investors will seek to increase their exposure to the Cetes given its attractive rates. In the [last primary auction](#), the 28-day Cetes was placed at 11.25%, registering an unprecedented real rate of 6.97%. On the nominal yield curve, we expect moderate demand for the Mbono May'33 below 2.0x given its high correlation with its US pair amid fears that aggressive bets that the Fed will cut rates in 2024 are still optimistic. Regarding real rates, we anticipate a moderate appetite for the 10-year reference (Nov'31) around 2.0x given a modest improvement in its relative valuation. The breakeven for this term decreased to 4.44%, approaching its 12-month average, from 4.55% two weeks ago

Auction specifics (December 11, 2023)

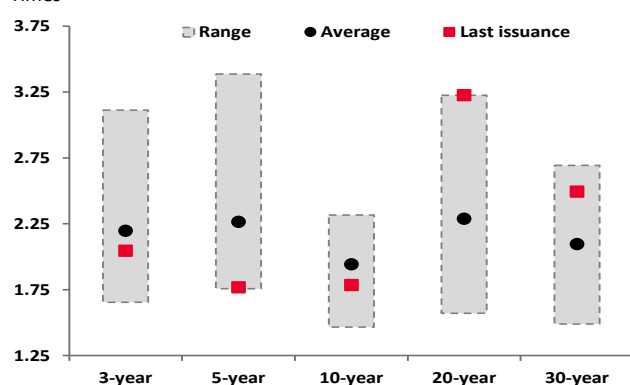
Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Jan-11-24	--	8,500	11.25
3m	Mar-14-24	--	7,500	11.33
6m	Jun-13-24	--	12,700	11.31
12m	Dec-11-24	--	9,200	11.32
Bondes F				
2Y	Oct-09-25	--	5,800	0.16
5Y	Jan-27-28	--	1,400	0.22
Bono M				
10Y	May-26-33	7.50	15,000	10.23
Udibono				
10Y	Nov-27-31	2.75	1,200	4.98

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



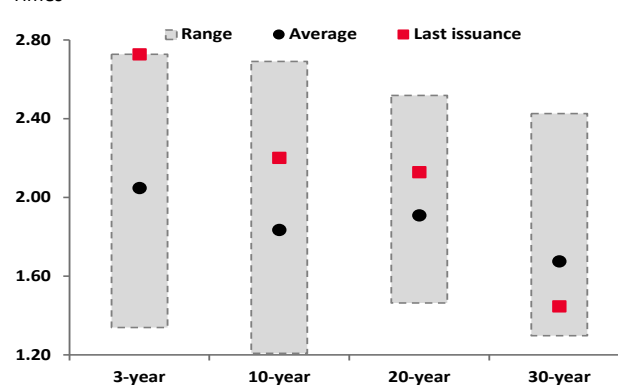
Source: Bloomberg, Banorte

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

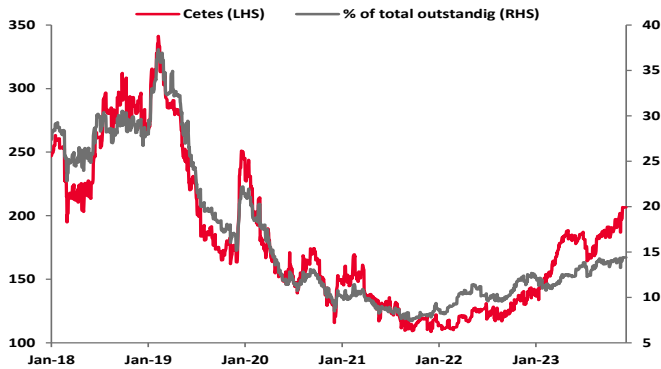


Source: Bloomberg, Banorte

Fixed-Income Demand

Cetes held by foreigners

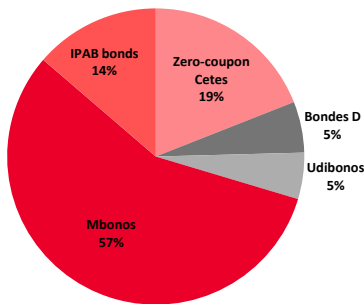
MXN billion, %



Source: Banxico, Banorte

Government issuance by type of instrument

Total amount of US\$ 440 billion, % of total



Source: Banxico, Banorte

Government bond holdings by type of investor

US\$ billion and %, data as of Nov/28/2023

	Cetes	Bondes D	Udibonos*	Mbonos
Total amount outstanding	84	25	177	250
Foreign investors	14%	4%	5%	31%
Pension funds	11%	4%	55%	24%
Mutual funds	15%	43%	4%	3%
Insurance companies	4%	1%	19%	3%
Banks	11%	15%	2%	15%
Others	44%	33%	16%	24%

Source: Banxico, Banorte

Foreign investors holdings of government bonds

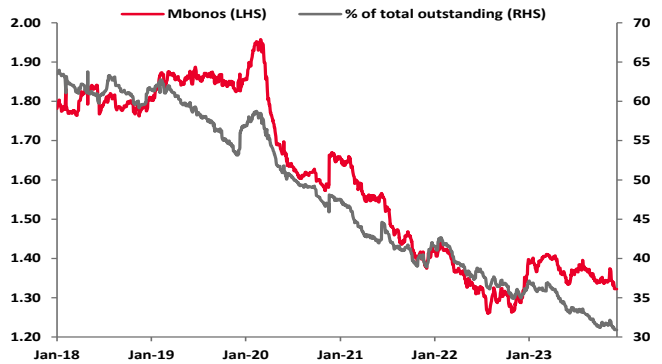
US\$ billion, data as of Nov/28/2023

	Cetes	Bondes D	Udibonos*	Mbonos
Actual	12.1	1.0	8.1	77.1
Previous Week	11.5	1.2	1.1	78.0
Difference	0.5	-0.2	7.1	-0.9
Dec/30/2023	8.2	2.0	1.0	81.6
Difference	3.9	-1.0	7.1	-4.4

Source: Banxico, Banorte

Mbonos held by foreigners

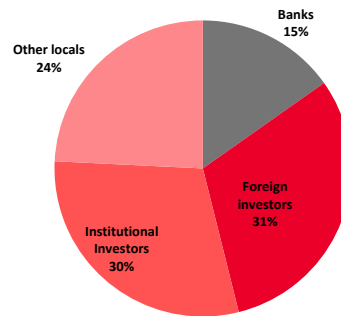
MXN trillion, %



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 250 billion, % of total



Source: Banxico, Banorte

Mbonos holdings by type of investor

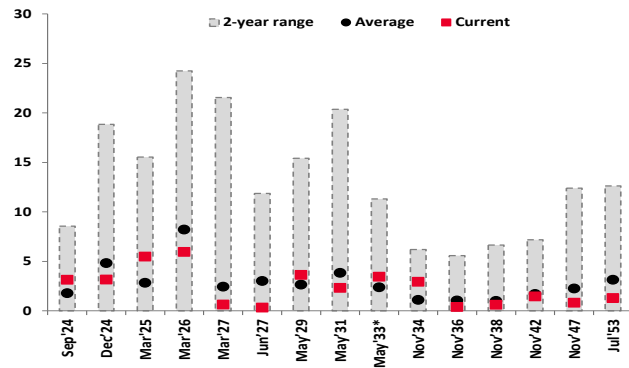
US\$ billions and %, data as Nov/23/2023

Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	9.7	32%	7%	13%	48%
Sep'24	15.8	18%	13%	14%	55%
Dec'24	13.0	29%	24%	9%	37%
Mar'25	8.0	30%	18%	19%	34%
Mar'26	25.9	26%	25%	13%	35%
Sep'26	6.9	35%	20%	10%	34%
Mar'27	21.0	33%	17%	13%	38%
Jun'27	20.5	9%	33%	31%	27%
Mar'29	3.8	34%	21%	19%	27%
May'29	16.0	4%	52%	22%	22%
May'31	24.8	6%	45%	33%	16%
May'33	14.8	6%	39%	32%	23%
Nov'34	5.7	1%	52%	34%	13%
Nov'36	4.3	0%	28%	42%	30%
Nov'38	12.5	1%	41%	41%	16%
Nov'42	18.5	1%	40%	45%	14%
Nov'47	15.1	1%	37%	44%	18%
Jul'53	10.8	1%	34%	45%	20%
Total	236.4	14%	31%	26%	28%

Source: Banxico, Banorte

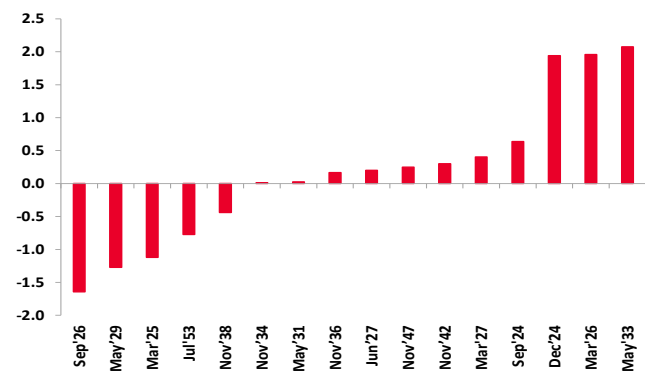
Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos
MXN billion



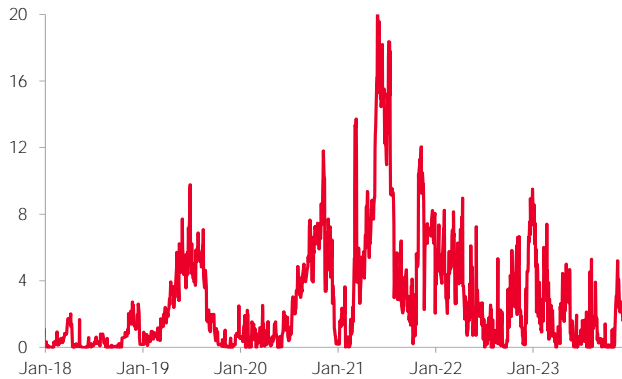
Source: Banxico, Banorte *May'33 issued in December 2022

Weekly change in market makers' short positions on Mbonos
MXN billion



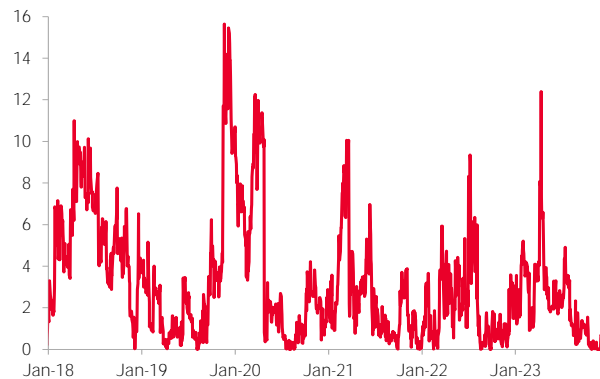
Source: Banxico, Banorte

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 Dec/07/2023	Dec/07/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Sep'24	15,654	143	129	200	53	243	0
Dec'24	13,066	70	70	198	46	342	1
Mar'25	8,796	380	393	395	107	895	33
Mar'26	25,658	230	219	628	367	1,395	104
Sep'26	6,836	247	273	408	0	1,242	0
Mar'27	20,894	13	45	30	73	1,240	0
Jun'27	20,253	7	31	105	273	626	0
Mar'29	3,643	12	130	0	0	415	0
May'29	16,573	281	330	292	96	887	63
May'31	24,507	131	157	66	203	305	0
May'33	14,703	79	18	60	0	650	1
Nov'34	5,628	167	182	28	53	355	0
Nov'36	4,224	12	1	30	37	320	0
Nov'38	12,333	60	70	3	32	158	0
Nov'42	18,213	66	112	130	15	332	0
Nov'47	14,985	32	2	24	58	283	0
Jul'53	11,422	119	172	42	685	616	0
Total	247,003	1,931	2,163	2,740	1,412		

Source: Banxico, Banorte

Fixed-Income Technicals

- **The carry at the short-end registered a mixed balance.** Spreads between Cetes and implied forward rates stood at: 1-month at +67bps from +73bps, 3-month at +34bps from +20bps, 6-month at +5bps from +11bps, and 1-year at -18bps from +4bps
- **Focus on the tone of the latest monetary policy decisions from Fed, ECB, BoE, and Banxico in 2023, because changes in benchmark rates are not expected.** Next week, investors will be attentive to the clues that central banks may give about the beginning of rate cuts next year. The expectations embedded in financial securities reflect accumulated cuts for 2024 of 110bps by the Federal Reserve, 118bps by the ECB, 66bps by the BoE, and 190bps by Banxico. In greater detail, the curve fully prices-in Banxico making the first 25bps cut as early as March, the ECB in April, the Fed in May, and the BoE in June. Locally, the members of Banxico's Board opened the door for the first cut to happen in 1Q24; however, there is debate about whether it will be in the first meeting of the year (February) or the second (March). We expect the first adjustment in March with a rate at the end of 2024 of 9.25%

Spread between Cetes and Implied Forward Rates

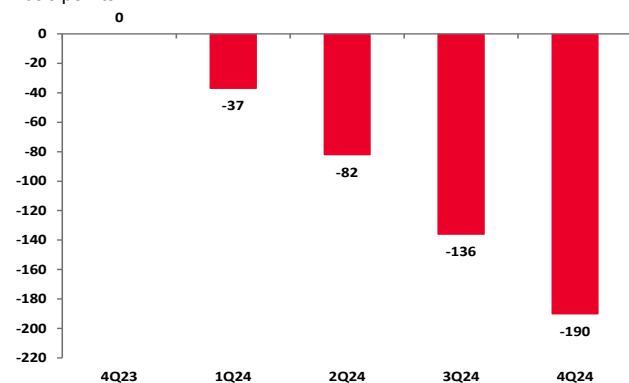
Basis points

Tenor	Actual Dec/08/2023	Previous Week	Previous month	Average 6m	Max 6m	Min 6m
1 month	67	73	48	43	489	-63
3 months	34	20	18	-23	58	-96
6 months	5	11	-2	-40	27	-103
12 months	-18	4	-13	-47	11	-96

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

Basis points



Source: Bloomberg, Banorte

- **The local risk premium remained virtually unchanged.** US sovereign bonds posted a weak performance amid signs of a still resilient US labor market and wage pressures. In this context, the 10-year spread between Mbonos and Treasuries closed on Friday at 507bps, unchanged respect to the previous week. Meanwhile, the 12-month average stood at 518bps
- **The 3-month correlation between Mexican and US 10-year bonds remains elevated.** The reading increased on Friday to +67% from +66% the previous week

10-year Mbono and 10-year UST spread

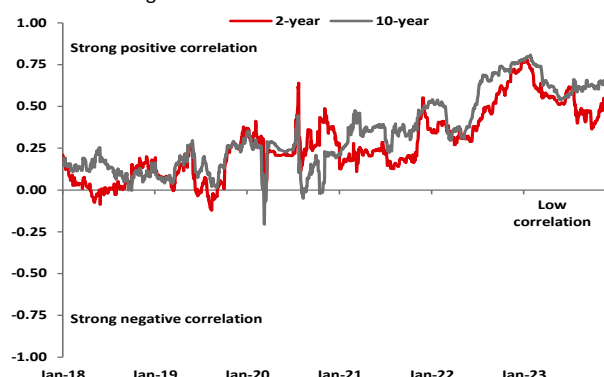
Basis points



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

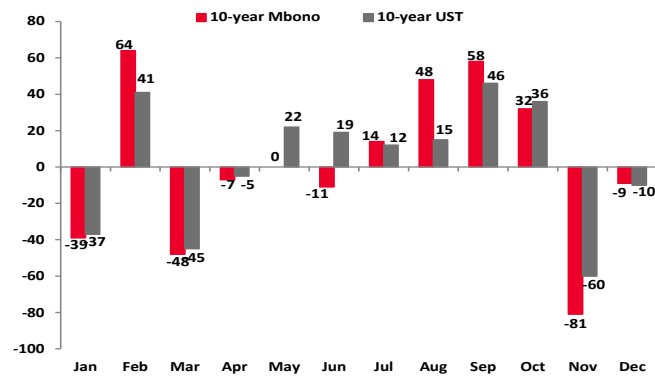
Basis points

Tenor	Dec/08/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-69	-61 (-8bps)	-71 (+2bps)	-101 (+32bps)	-40	-199	-138
Mbono 10s30s	0	6 (-6bps)	1 (-1bp)	3 (-3bps)	35	-15	10
TIIE-Mbono 2-year	-7	-3 (-4bps)	-3 (-4bps)	-22 (+15bps)	25	-57	-23
TIIE-Mbono 10-year	-53	-52 (-1bp)	-51 (-2bps)	-57 (+4bps)	-17	-68	-46

Source: Bloomberg, PiP, Banorte

Mexican and US rates performance, last 12 months

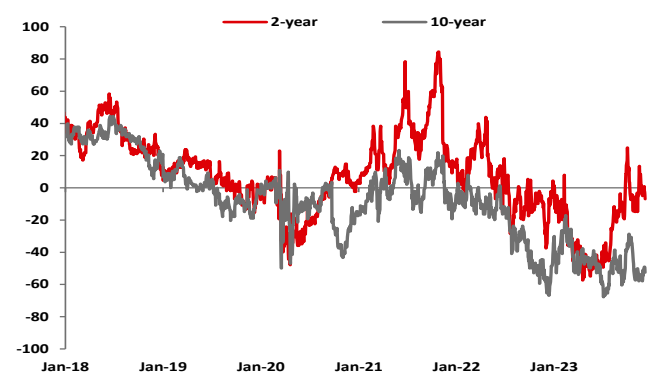
Basis points



Source: PiP, Bloomberg, Banorte

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

Basis points



Source: PiP, Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos

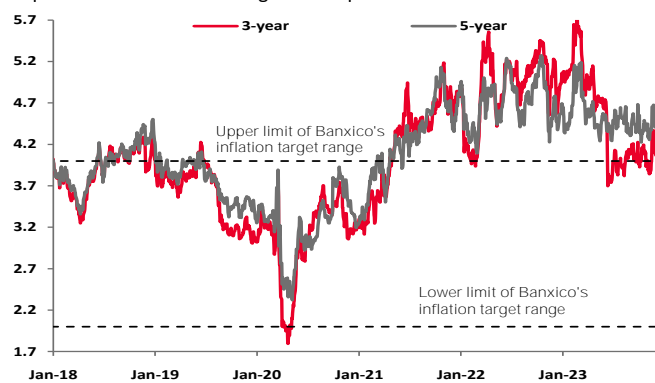
Implicit market inflation using Fisher Equation (%)

Date	Dec/08/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.92	4.07 (-15bps)	3.85 (+7bps)	4.83 (-91bps)	5.74	3.70	4.51
5Y	4.45	4.41 (+4bps)	4.33 (+12bps)	4.51 (-6bps)	5.19	4.22	4.52
10Y	4.44	4.34 (+10bps)	4.33 (+11bps)	4.61 (-17bps)	4.85	4.04	4.38
20Y	4.70	4.56 (+14bps)	4.68 (+2bps)	4.68 (+2bps)	5.08	4.15	4.56
30Y	4.78	4.61 (+17bps)	4.65 (+13bps)	4.6 (+18bps)	5.01	4.15	4.55

Source: PiP, Banorte

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

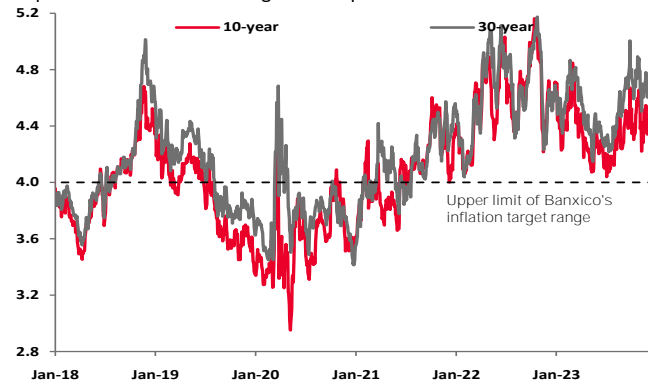
Implicit market inflation using Fisher Equation



Source: PiP, Banorte

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

Implicit market inflation using Fisher Equation



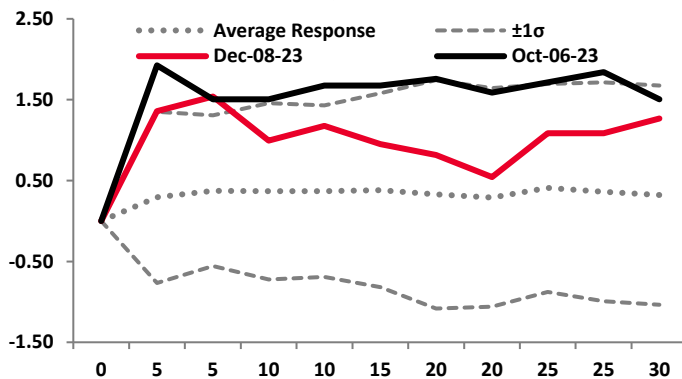
Source: PiP, Banorte

Fixed – Income trade recommendations

- **Treasuries halt November's rally after strong US employment report.** Treasuries' yields rose after November Nonfarm payrolls (199K job creation vs 185Ke) reinforced speculation that aggressive bets on the Federal Reserve unwinding tightening were over-optimistic. The initial reaction of the 2-year rate was an increase of more than 1σ to 4.72% (+11bps); however, the movement was smaller and moderated during the session compared to the reaction to the positive surprise in the September employment report (creation of 336K jobs vs 170Ke) published on October 6th (see chart below). The Treasuries' curve closed the week with a flattening bias resulting from a 15bps sell-off at the short-end and modest gains at the long-end of 8bps. With this, the 2s10s spread went to -49bps from -34bps the previous week

2-year UST reaction to Nonfarm Payrolls

Change %, minutes from Nonfarm Payrolls release



Source: Bloomberg, Banorte

- In terms of strategy, Mbonos began the month by extending the November rally, concentrated in long-duration securities of up to 19bps. After these adjustments, the Mbonos that we had identified as attractive now show a fair valuation according to the duration-adjusted yield analysis, with increasingly narrow spreads vs. Treasuries. In particular, the yields of the nodes Sep'24, Dec'24 and May'33 have decreased 13bps, 15bps, and 9bps, in the same order, so far in December. As for our recommendation on 2/10 steepener in TIIE-IRS, started on October 13th, with an entry level at -114bps, target at -60bps, and stop loss at -140bps, it reached its best intraday level of -91bps, on November 9th, after Banxico opened the door to cuts in the first quarter of the following year. However, the strong rally in long-term securities diluted the gains until it returned to the entry level. Although the market continues to discount a rate at the end of 2024 (9.35%) higher than our estimate of 9.25%, we recognize that the catalysts that triggered the massive sales in long-term assets in 3Q23 have lost stem
- Market widely expects Fed to keep rates unchanged next week; however, it is very likely that Powell will maintain a hawkish tone, signaling that it is early to think about rate cuts, especially after the strong employment report and if inflation continues to decelerate at a slower pace. Consequently, global sovereign bonds would extend this week's sell-off, mainly short-term ones. Finally, we expect the 10-year Mbono, May'33, to trade between 9.15% and 9.50%

FX dynamics

- **The currencies' price action was defined by economic data and comments from members of the central bank in Japan.** The FX market reacted to the US November employment figures, the adjustment to Fed funds rate expectations and hawkish comments from Governor Ueda (BoJ). The Mexican peso was sensitive to the strengthening of the dollar, as other emerging market peers. Throughout the week, the MXN traded with a negative bias, its weakest intraday level was 17.56 per dollar and closed Friday at 17.35, representing a 0.9% w/w depreciation
- **The dollar reversed the previous week's losses.** The DXY and BBDXY indices advanced 0.7% and 0.6% w/w, in the same order. In the G10 currencies, JPY (+1.3%) was the strongest and NOK (-2.1%) the weakest. In EM, trading was capped by TWD (+0.3%) and HUF (-2.2%)

Foreign Exchange market levels and historical return

		Close at Dec/08/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.93	-0.5	-1.0	-0.4	7.1
Chile	USD/CLP	875.03	-0.5	-2.2	3.3	-2.7
Colombia	USD/COP	3,991.38	0.0	-0.6	2.2	21.6
Peru	USD/PEN	3.76	0.0	-0.6	1.1	1.4
Hungary	USD/HUF	354.04	-0.1	-1.7	-0.1	5.5
Malaysia	USD/MYR	4.66	0.2	0.2	0.4	-5.6
Mexico	USD/MXN	17.35	0.7	-0.9	1.1	12.4
Poland	USD/PLN	4.03	-0.3	-1.3	3.0	8.6
Russia	USD/RUB	91.82	0.6	-0.9	0.0	-19.2
South Africa	USD/ZAR	18.96	-1.0	-1.6	-2.5	-10.1
Developed Markets						
Canada	USD/CAD	1.36	0.1	-0.6	1.5	-0.2
Great Britain	GBP/USD	1.25	-0.4	-1.3	2.1	3.9
Japan	USD/JPY	144.95	-0.6	1.3	4.2	-9.5
Eurozone	EUR/USD	1.0763	-0.3	-1.1	0.5	0.5
Norway	USD/NOK	10.91	-0.3	-2.1	2.5	-10.1
Denmark	USD/DKK	6.93	-0.3	-1.1	0.6	0.3
Switzerland	USD/CHF	0.88	-0.5	-1.2	2.2	5.1
New Zealand	NZD/USD	0.61	-0.7	-1.4	3.6	-3.6
Sweden	USD/SEK	10.47	-0.7	-0.9	4.1	-0.4
Australia	AUD/USD	0.66	-0.3	-1.4	2.8	-3.4

Source: Bloomberg, Banorte

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

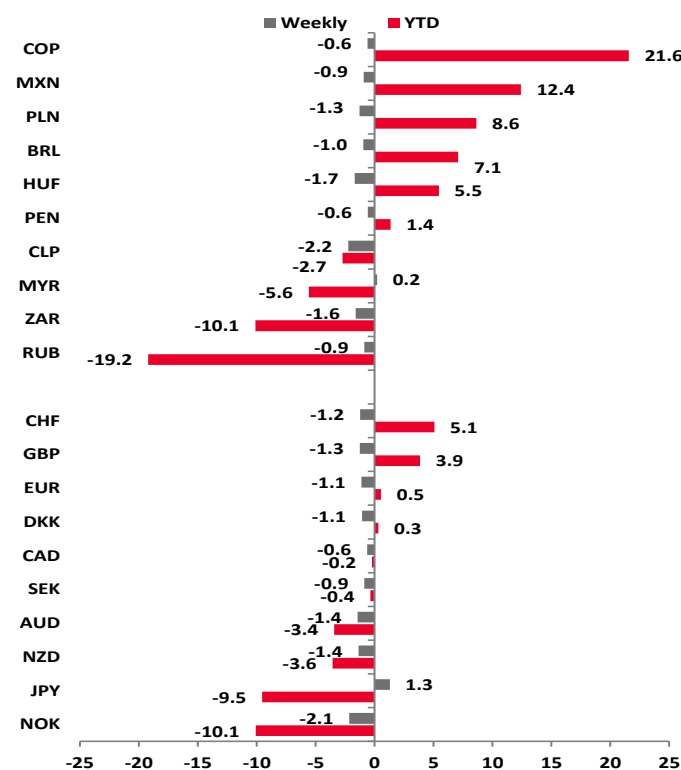
USD/MXN

Last 12 months



FX performance

Against USD, %



Source: Bloomberg, Banorte

DXY

Points

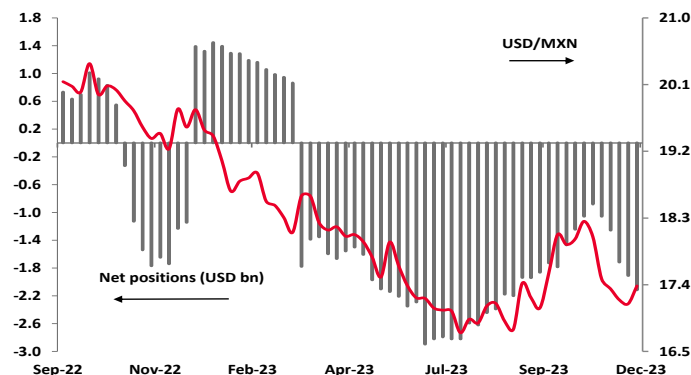


FX positioning and flows

- **Net long positions in MXN increased for the fifth consecutive week.** As of December 5th, the MXN position recorded a higher net long of US\$ 2.1 billion from US\$ 1.9 billion the previous week, increasing 140% from its lowest point in the year at the end of October. The MXN remains supported by its attractive carry and solid macroeconomic fundamentals vs its emerging peers
- **Net short positions in USD for the first time in three months.** The IMM USD position turned net short to US\$ 3.2 billion from a net long of US\$ 1.4 billion last week amid expectations that the Federal Reserve will cut interest rates next year. In this sense, speculators anticipate that the dollar will weaken in the following months. The weekly adjustment was the result of purchases in all currencies led by GBP (+1.43 billion), AUD (+897 million) and EUR (+890 million). In particular, GBP positions became net long by US\$ 993 million for the first time since September
- **Sales increased in EM, while Mexico recorded 19 consecutive weeks with outflows.** Our EPFR aggregate recorded bigger negative flows of US\$ 3.0 billion from US\$ 2.2 billion the previous week. In one hand, bond market sales rose to US\$ 1.6 billion from US\$ 829 million, with the greater adjustments in Latam. On the other hand, equities outflows remained practically unchanged at US\$ 1.4 billion. In Mexico, a negative flow of US\$ 144 million was recorded because of sales in both bonds and equities of US\$ 127 million and US\$ 17 million, respectively

IMM positioning in USD/MXN futures

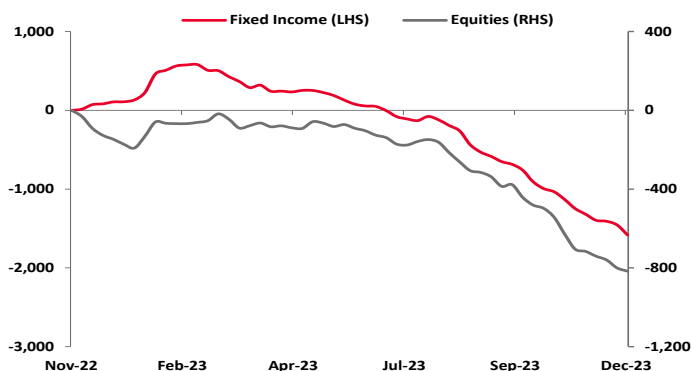
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

Foreign portfolio flows into Mexico

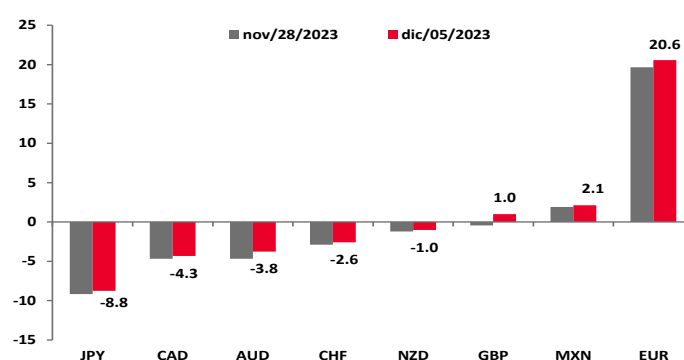
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

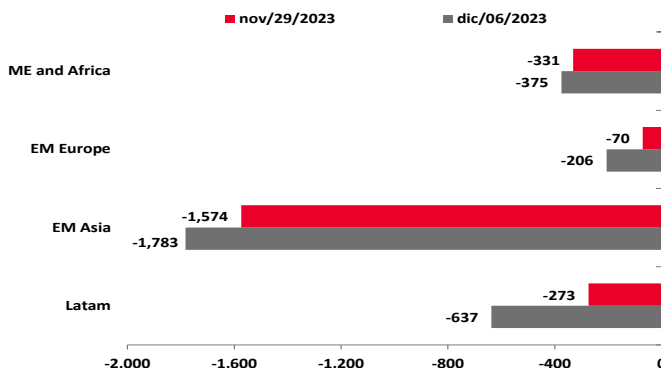


* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*

Weekly, million dollars



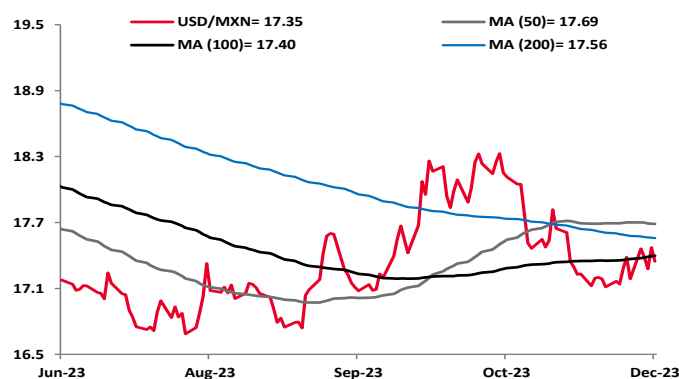
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- Despite the negative bias, the Mexican peso respected relevant technical support. Currencies reflected caution as the debate on the type of landing the US economy will have continued and after digesting the higher-than-expected nonfarm payroll report. Throughout the week, the Mexican peso followed the trend of its peers, reaching its weakest level at 17.56 per dollar. The 200-day MA and a Fibonacci level are located at this level, which acted as support to halt the depreciation. In addition, the weekly trading range decreased to 38 cents vs. 46 cents of the previous week. The main short-term resistances are located at 17.25, 17.15 and 17.06 with supports at 17.56, 17.70 and 17.78 per dollar. Regarding correlations with other assets, the 1-month MXN correlation with BRL, HUF, VIX, Gold and S&P500 strengthened

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	57	1	65	39
CAD	44	52	12	63	35
ZAR	51	65	9	87	57
BRL	81	76	27	82	64
HUF	66	61	4	70	53
RUB	0	13	-23	53	13

* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

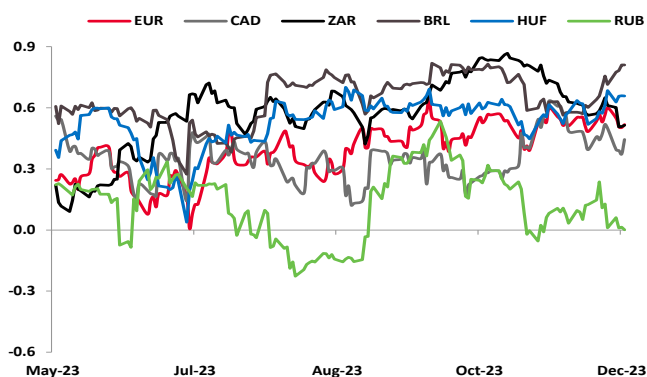
	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	63	48	14	65	40
SPX	66	50	5	66	37
GSCI	2	3	-27	44	10
Oro	30	2	-28	51	17

* 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

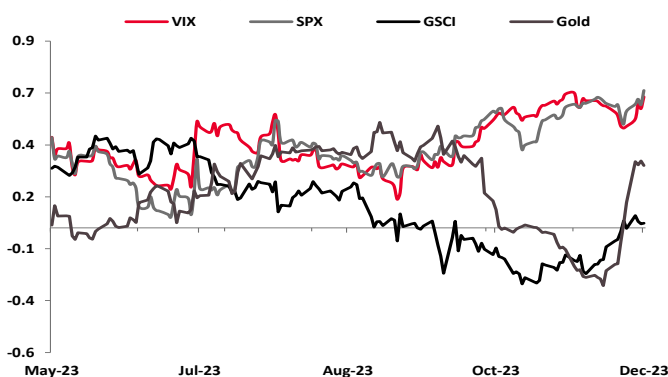


* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

Based on daily percentage changes



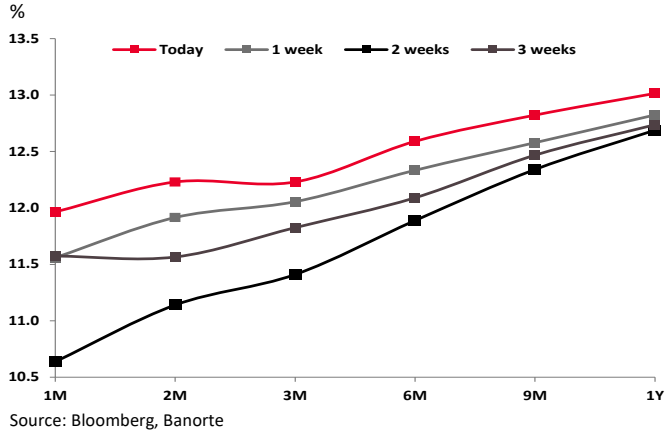
* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

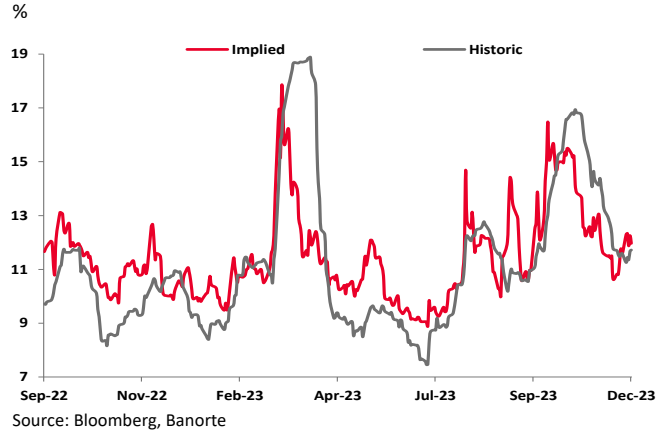
FX technicals (continued)

- The entire MXN ATM implied volatility curve is at more stressed levels.** The 1-month volatility recorded the largest increase of 0.4 vegas to 11.97% from 11.56% last Friday. The 3-month and 1-year readings increased 0.2 vegas to 12.23% and 13.02%, respectively. Meanwhile, the 1- and 3-month risk reversals increased marginally to 2.58 vols and 3.00 vols, respectively, from 2.51 vols and 2.97 vols, in the same order, last week

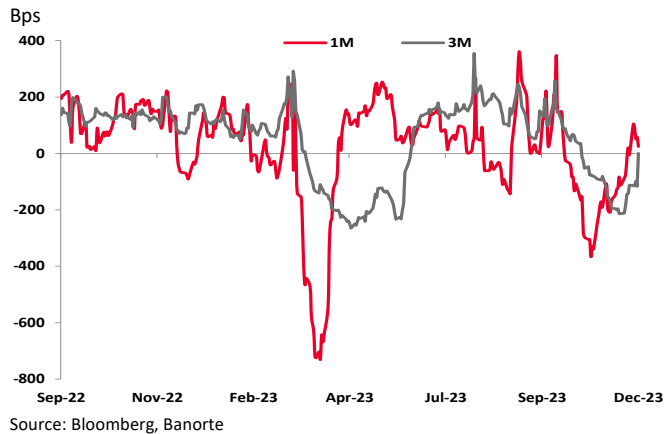
USD/MXN – ATM options volatility curve



USD/MXN – 1M implied and historical volatility

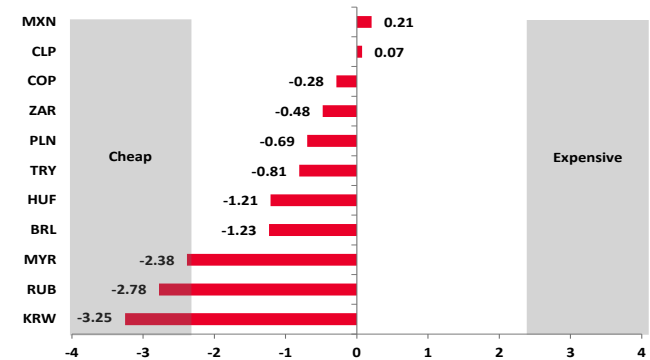


USD/MXN – Spread between implicit and historical volatility



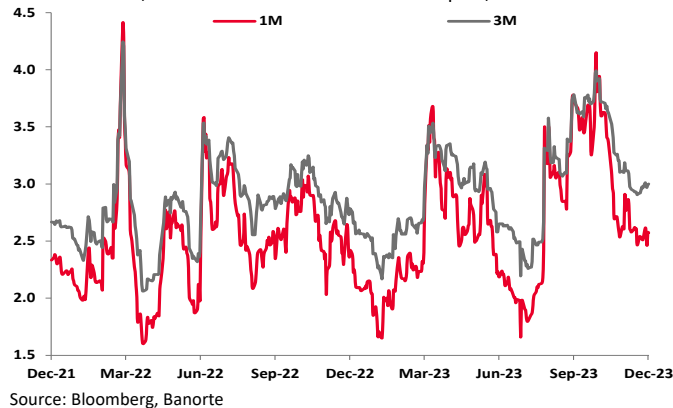
Emerging markets one-month ATM options volatility

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



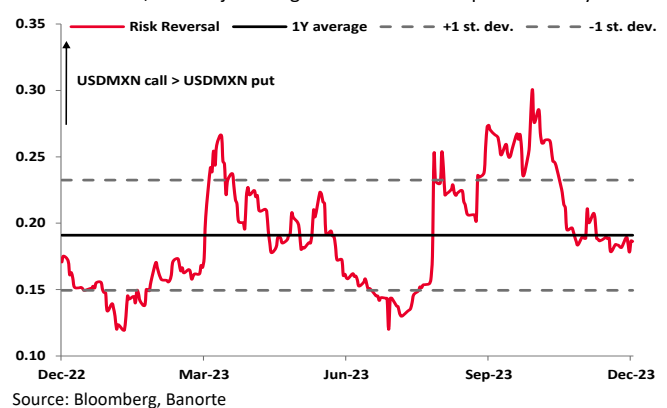
USD/MXN – 1-month and 3-month 25D risk reversals

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



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

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

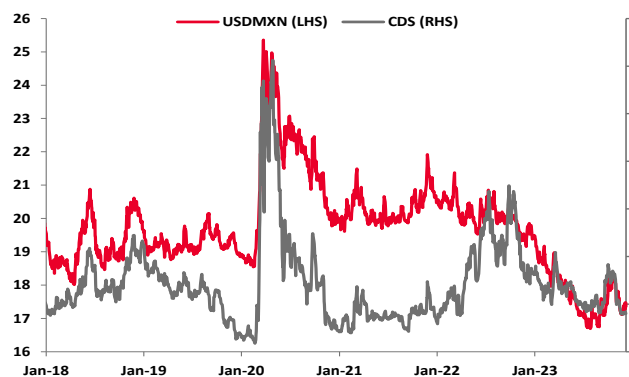


FX trade recommendations

- **The FX market performance will be driven by the Federal Reserve's decision.** Although the market is incorporating an easing cycle in major central banks, short-term Treasuries reversed gains following the employment data. In this regard, the dollar strengthened with the DXY and BBDXY indices advancing 0.7% and 0.6% w/w, in the same order. We view the price action in the BBDXY as a short-term relief after the aggressive decline since the October high (1,280pts) and incorporated the dynamics of the labor market. This index remains within the downtrend and could again seek levels of 1,230pts which would imply a decline of 0.9% vs current levels. The tone of the statement, the dot plot and macroeconomic framework update, as well as Powell's comments will set the tone for financial assets, including currencies. Even if Powell leaves the door open for one more hike, the market remains convinced that the terminal rate has already been touched and that the first cut could be relatively soon
- Negative bias predominated in advanced economy currencies, with NOK (-2.1%) as the weakest. The Japanese yen was the exception as it appreciated 1.3% w/w. This dynamic was the result of stronger speculation about the end of negative rates in Japan, following comments by Governor Kazuo Ueda and another BoJ member before parliament. A strengthening of the Japanese currency could have negative implications for the rest of global assets as it has been the main funding currency for carry trade positions. Losses were also observed in emerging markets, with TWD (+0.2%) and CLP (-2.2%). The Chilean peso was sensitive to the strength of the dollar; however, it managed to reverse part of the depreciation after an inflation figure that was above expectations, which is expected to lead to a hawkish reaction from the central bank
- The Mexican peso weakened following the dynamics of the rest of the currencies. Despite this, the MXN remains immersed in a short-term appreciation channel which is delimited on the upside by the 200-day MA (17.56) and the 50-day MA (17.69 per dollar). On the downside, resistance would be at the psychological level of 17.00 per dollar. On Friday, the local currency closed at 17.35 per dollar, equivalent to a depreciation of 0.9% w/w and a trading range of 38 cents (vs. 43 cents of the 4-week average). In addition, 1-month implied volatility rose to 11.97% from 11.56% the previous week. Next week, monetary policy decisions could influence the peso's performance. A dovish tone from Banxico and hawkish from the Fed would tend to weaken it, and it could even leave the appreciation channel and approach our estimate for the 2023 close at 17.90 per USD. We estimate a trading range between USD/MXN 17.15 and 17.70

USD/MXN and Mexico 5Y CDS

Pesos per dollar and bps, respectively



USD/MXN Forecast for 2023 and 2024

Pesos per dollar



Weekly economic calendar

For the week ending December 15, 2023

	Time	Event	Period	Unit	Banorte	Survey	Previous
Mon 11		MX ANTAD same-store sales	Nov	% y/y	--	--	2.9
	12:30	MX Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 10-year Mbono (May'33), 10-year Udibono (Nov'31) and 2-, and 5-year Bondes F					
Tue 12		MX Markets closed for Bank Employee Day					
	05:00	GER ZEW Survey (Expectations)	Dec	index	--	8.0	9.8
	07:00	BZ Consumer prices	Nov	% m/m	--	--	0.24
	07:00	BZ Consumer prices	Nov	% y/y	--	4.70	4.82
	07:00	MX Industrial production	Oct	% y/y	4.1	--	3.9
	07:00	MX Industrial production*	Oct	% m/m	0.0	--	0.2
	07:00	MX Manufacturing output	Oct	% y/y	0.3	--	0.8
	08:30	US Consumer prices*	Nov	% m/m	0.0	0.0	0.0
	08:30	US Ex. food & energy*	Nov	% m/m	0.3	0.3	0.2
	08:30	US Consumer prices	Nov	% y/y	3.1	3.1	3.2
Wed 13	08:30	US Ex. food & energy	Nov	% y/y	4.0	4.0	4.0
	02:00	UK Industrial production*	Oct	% m/m	--	-0.1	0.0
	05:00	EZ Industrial Production*	Oct	% m/m	--	-0.3	-1.1
	08:30	US Producer prices*	Nov	% m/m	--	0.1	-0.5
	08:30	US Ex. food & energy*	Nov	% m/m	--	0.2	0.0
	10:00	MX International reserves	Dec 8	US\$bn	--	--	207.1
	14:00	US FOMC Rate Decision (Upper Bound)	Dec 13	%	5.50	5.50	5.50
	14:00	US FOMC Rate Decision (Lower Bound)	Dec 13	%	5.25	5.25	5.25
	14:00	US Interest Rate on Excess Reserves (IOER)	Dec 14	%	5.40	5.40	5.40
	14:30	US US Fed Chair Holds Press Conference Following FOMC Meeting					
Thu 14	16:30	BZ Monetary policy decision (Central bank of Brazil)	Dec 13	%	11.75	11.75	12.25
	07:00	BZ Retail sales	Oct	% y/y	--	--	3.3
	07:00	BZ Retail sales*	Oct	% m/m	--	--	0.6
	08:15	EZ Monetary policy decision (ECB)	Dec 14	%	--	5.25	5.25
	07:00	UK Monetary policy decision (BoE)	Dec 14	%	4.00	4.00	4.00
	08:30	US Initial jobless claims*	Dec 9	thousands	222	221	220
	08:30	US Advance retail sales*	Nov	% m/m	-0.1	-0.1	-0.1
	08:30	US Ex autos & gas*	Nov	% m/m	--	0.2	0.1
	08:30	US Control group*	Nov	% m/m	0.2	0.2	0.2
	08:45	EZ ECB President Christine Lagarde Holds Press Conference					
Fri 15	14:00	MX Monetary policy decision (Banxico)	Dec 14	%	11.25	11.25	11.25
	18:00	PER Monetary policy decision (BCRP)	Dec 14	%	--	--	7.00
	21:00	CHI Industrial production	Nov	% y/y	--	5.7	4.6
	21:00	CHI Retail sales	Nov	% y/y	--	12.5	7.6
	21:00	CHI Gross fixed investment (YTD)	Nov	% y/y	--	3.0	2.9
		MX Congress' Winter break begins					
	03:30	GER Manufacturing PMI*	Dec (P)	index	--	43.2	42.6
	03:30	GER Services PMI*	Dec (P)	index	--	49.9	49.6
	03:30	GER Composite PMI*	Dec (P)	index	--	48.2	47.8
	04:00	EZ Manufacturing PMI*	Dec (P)	index	--	44.5	44.2
	04:00	EZ Services PMI*	Dec (P)	index	--	49.0	48.7
	04:00	EZ Composite PMI*	Dec (P)	index	--	48.0	47.6
	04:30	UK Manufacturing PMI*	Dec (P)	index	--	47.5	47.2
	04:30	UK Services PMI*	Dec (P)	index	--	51.0	50.9
	05:00	EZ Trade balance*	Oct	EURbn	--	--	9.2
	07:00	BZ Economic activity	Oct	% y/y	--	--	0.3
	07:00	BZ Economic activity*	Oct	% m/m	--	--	-0.1
	08:30	US Empire manufacturing*	Dec	index	6.0	2.0	9.1
	09:15	US Industrial production*	Nov	% m/m	0.2	0.3	-0.6
	09:15	US Manufacturing production*	Nov	% m/m	0.4	0.5	-0.7
	09:45	US Manufacturing PMI*	Dec	index	49.1	49.3	49.4
	09:45	US Services PMI*	Dec	index	--	50.7	50.8
	09:45	US Composite PMI*	Dec	index	--	50.4	50.7
	10:00	MX Survey of expectations (Banxico)					

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

For the week ending December 8, 2023

	Time		Event	Period	Unit	Banorte	Actual	Previous
Mon 4	02:00	GER	Trade balance	Oct	EURbn	--	17.8	16.7
	07:00	MX	Gross fixed investment	Sep	% y/y	22.1	21.9	29.2 (R)
	07:00	MX	Gross fixed investment*	Sep	% m/m	-2.2	-1.5	2.2 (R)
	07:00	MX	Private consumption	Sep	% y/y	4.0	4.5	4.5 (R)
	07:00	MX	Private consumption*	Sep	% m/m	0.7	0.8	0.5
	10:00	US	Factory orders*	Oct	% m/m	--	-3.6	2.3 (R)
	10:00	US	Ex transportation*	Oct	% m/m	--	-1.2	0.4 (R)
	10:00	US	Durable goods orders*	Oct (F)	% m/m	--	-5.4	-5.4
	10:00	US	Ex transportation*	Oct (F)	% m/m	--	0.0	0.0
	20:45	CHI	Services PMI (Caixin)*	Nov	index	--	51.5	50.4
Tue 5	20:45	CHI	Composite PMI (Caixin)*	Nov	index	--	51.6	50.0
	03:55	GER	Services PMI*	Nov (F)	index	--	49.6	48.7
	03:55	GER	Composite PMI*	Nov (F)	index	--	47.8	47.1
	04:00	EZ	Services PMI*	Nov (F)	index	--	48.7	48.2
	04:00	EZ	Composite PMI*	Nov (F)	index	--	47.6	47.1
	04:30	UK	Services PMI*	Nov (F)	index	--	50.9	50.5
	07:00	BZ	Gross domestic product	3Q23	% y/y	--	2.0	3.5 (R)
	07:00	BZ	Gross domestic product*	3Q23	% q/q	--	0.1	1.0 (R)
	09:45	US	Services PMI*	Nov (F)	index	50.8	50.8	50.8
	09:45	US	Composite PMI*	Nov (F)	index	50.7	50.7	50.7
Wed 6	10:00	US	ISM services*	Nov	index	52.0	52.7	51.8
	10:00	MX	International reserves	Dec 1	US\$bn	--	207.1	206.3
	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					
	15:30	MX	Survey of expectations (Citibanamex)					
	05:00	EZ	Retail sales*	Oct	% m/m	--	0.1	-0.1 (R)
	07:00	MX	Consumer confidence*	Nov	index	46.4	47.3	46.2
	08:15	US	ADP employment*	Nov	thousands	120	120	106 (R)
	08:30	US	Trade balance*	Oct	US\$bn	--	-64.3	-61.2 (R)
	22:00	CHI	Trade balance	Nov	USDbn	--	68.4	56.5
	22:00	CHI	Exports	Nov	% y/y	--	0.6	-6.4
Thu 7	22:00	CHI	Imports	Nov	% y/y	--	-0.6	3.0
	02:00	GER	Industrial production*	Oct	% m/m	--	-0.4	-1.3 (R)
	05:00	EZ	Gross domestic product	3Q23 (F)	% y/y	--	0.0	0.1
	05:00	EZ	Gross domestic product*	3Q23 (F)	% q/q	--	-0.1	-0.1
	07:00	MX	Consumer prices	Nov	% m/m	0.66	0.64	0.38
	07:00	MX	Core	Nov	% m/m	0.30	0.26	0.39
	07:00	MX	Consumer prices	Nov	% y/y	4.34	4.32	4.26
	07:00	MX	Core	Nov	% y/y	5.34	5.30	5.50
	08:30	US	Initial jobless claims*	Dec 2	thousands	220	220	219 (R)
	15:00	US	Consumer credit*	Oct	US\$bn	--	5.1	12.2 (R)
Fri 8	18:50	JN	Gross domestic product*	3Q23 (F)	% q/q	--	-0.7	-0.5
	02:00	GER	Consumer prices	Nov (F)	% y/y	--	3.2	3.2
	08:30	US	Nonfarm payrolls*	Nov	thousands	180	199	150
	08:30	US	Unemployment rate*	Nov	%	3.9	3.7	3.9
	10:00	US	U. of Michigan confidence*	Dec (P)	index	62.5	69.4	61.3
	20:30	CHI	Consumer Prices	Nov	% y/y	--	--	-0.2

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 Cautencos Mora and Andrea Muñoz Sánchez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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