

Fixed-Income and FX Weekly

- **Gains in local assets.** The Mbonos' curve averaged gains of 17bps, with the 10-year benchmark closing at 9.05% (-25bps w/w). In the FX, the USD/MXN appreciated 0.8% w/w to 17.21 per dollar, halting two consecutive weeks of losses
- **Markets will incorporate more monetary policy decisions and economic data, although we expect lower trading volume due to the holiday season.** During the week, investors digested November inflation in the US with a more moderate pace of price gains and the Federal Reserve's monetary policy decision. Although the statement and Powell's comments were relatively hawkish, the market interpreted as dovish signals the adjustment in expectations embodied in the median dot plot and the members' talk of possible future cuts. As a result, investors became more optimistic, influencing the dynamics of financial assets. In this sense, the market recalibrated its wagers by incorporating cumulative implied cuts of 140bps as of December 2024 (vs. 115bps prior to the decision). Other central banks also held their last meeting of the year, including the ECB. Christine Lagarde with a hawkish tone in the press conference tried to dilute market expected rate cuts. In line with expectations, [Banxico](#) kept its benchmark rate unchanged at 11.25% with a unanimous vote. However, the Board of Governors revised upwards its inflation forecasts for 2024, making it marginally hawkish. On the weekly balance, the Treasuries yield curve closed with gains of 30bps, on average. The dollar weakened with the DXY and BBDXY indices retreating 1.2% and 1.4% w/w, in the same order. Locally, Mbonos posted -17bps adjustments, on average and the 10-year benchmark closed at 9.05% (-25bps). The Mexican peso appreciated 0.8% w/w to 17.21 per dollar. Next week, markets will be attentive to central bank decisions in Chile, Colombia, Czech Republic, Hungary, Japan, Indonesia, and Turkey. In addition, the US economic agenda includes the PCE deflator (Nov), 3Q23 GDP, consumer confidence, housing market figures, and personal income and spending, among others. In Mexico, inflation (Banorte: 0.48% 2w/2w), IOAE and IGAE figures, retail sales and trade balance will be published. Additionally, we will know the expectations of the banking sector

Fixed-Income

- **Supply** – The MoF published the [1Q24 Government Securities Auction Calendar](#), with higher debt issuances at both floating and fixed rates. The new 10-year Mbono benchmark will be Nov'34
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.341 trillion (US\$ 76.8 billion), a market share equal to 31.3%, as of December 4th. Short positions in Mbono May'33 ended at MXN 3.2 billion from MXN 3.4 billion last week
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 513bps from 507bps in the previous week, with the 12-month mean at 518bps

Foreign Exchange

- **Market positioning and flows** – The USD IMM position recorded a higher net short for of US\$ 5.58 billion from US\$ 3.2 billion the previous week due to bets on interest rate cuts next year. Mutual funds' flows to EM increased with sales of US\$ 3.1 billion from US\$ 3.0 billion a week ago due to bigger equity sales concentrated in Asia
- **Technicals** – The spot will close the year as the second strongest EM currency, with an appreciation of 13.3%. Year to date, the USD/MXN reached its weakest level of 19.59 at the beginning of January and recorded its best level in 8 years of 16.63 in July driven by the expectations of a 'soft landing' of the economy in the US



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandropadilla@banorte.com



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com



Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com



Isaías Rodríguez Sobrino
Strategist, Fixed Income, FX, and Commodities
isaias.rodriguez.sobrino@banorte.com

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

- In 2024, fixed-income securities will be influenced by the onset of interest rate cuts by major central banks and general liquidity conditions. Also, by the evolution of economic data and even geopolitical risks and events. In our view, local rates will remain highly sensitive to US financial and monetary conditions, maintaining a high degree of correlation

FX

- In the short term, dollar weakness could persist as the market keeps pricing-in accelerated rate cuts
- The FX market's main catalysts in 2024 will be: (1) global economic growth and inflation; (2) relative monetary stance; and (3) geopolitical risks

**This is the last edition of the year. We will resume publications on January 12th.
Happy Holidays!**

Document for distribution among the general public

Fixed-Income Dynamics

Mbonos performance

Maturity date	YTM Dec/15/2023	Weekly change (bps)	YTD (bps)
Sep'24	10.83	-5	+74
Dec'24	10.72	-4	+85
Mar'25	10.00	-21	+7
Mar'26	9.82	-16	+59
Sep'26	9.62	-17	+22
Mar'27	9.41	-17	+22
Jun'27	9.37	-18	+29
Mar'29	9.16	-15	-21
May'29	9.06	-18	-2
May'31	9.06	-20	+4
May'33	9.05	-25	+3
Nov'34	9.05	-19	0
Nov'36	9.03	-20	-2
Nov'38	9.07	-20	-2
Nov'42	9.08	-20	-3
Nov'47	9.07	-22	0
Jul'53	9.10	-20	+4

Source: PIP, Banorte

IRS (28-day TIIE) performance

Maturity date	YTM Dec/15/2023	Weekly change (bps)	YTD (bps)
3-month (3x1)	11.46	-4	+56
6-month (6x1)	11.34	-2	+30
9-month (9x1)	11.16	-3	+8
1-year (13x1)	10.87	-4	-5
2-year (26x1)	9.86	-5	-1
3-year (39x1)	9.17	-15	-1
4-year (52x1)	8.79	-21	-12
5-year (65x1)	8.60	-24	-22
7-year (91x1)	8.48	-27	-27
10-year (130x1)	8.49	-28	-24
20-year (260x1)	8.54	-33	-32

Source: PIP, Banorte

CPI-Linked bonds (Udibonos) performance

Maturity date	YTM Dec/15/2023	Weekly change (bps)	YTD (bps)
Dec'25	5.92	-20	+116
Dic'26	5.44	-21	+78
Nov'28	4.45	-19	+14
Nov'31	4.47	-18	+30
Nov'35	4.33	-9	+12
Nov'40	4.34	-7	+15
Nov'43	4.33	-4	-18
Nov'46	4.23	-7	+5
Nov'50	4.27	-4	+4

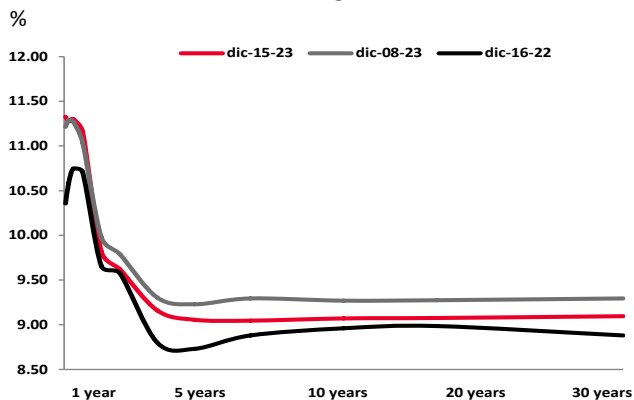
Source: PIP, Banorte

Cetes performance

Maturity date	YTM Dec/15/2023	Weekly change (bps)	YTD (bps)
Cetes 28	11.33	+11	+124
Cetes 91	11.28	-1	+61
Cetes 182	11.30	+3	+43
Cetes 364	11.16	+12	+19
Cetes 728	10.92	+4	+10

Source: PIP, Banorte

Mbonos curve at different closing dates



Source: PIP, Banorte

10-year Mbono benchmark



Source: PIP, Banorte

Fixed-Income Dynamics (continued)

USD UMS and US Treasuries performance

USD UMS and US Treasuries performance											
UMS					UST				Spreads		CDS
Term	Maturity date	YTM Dec/14/2023	Weekly change (bps)	YTD (bps)	YTM Dec/14/2023	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
2Y	Jan'26	4.37	-44	-11	4.39	-21	-4	-2	-23	16	28
3Y	Mar'27	4.43	-43	-37	4.09	-25	-13	33	-19	33	45
5Y	Feb'28	4.70	-28	-9	3.90	-23	-10	79	-5	100	90
7Y	Apr'30	4.98	-27	-35	3.93	-24	-3	105	-3	130	129
10Y	May'33	5.39	-25	-17	3.92	-23	+5	147	-2	167	162
20Y	Mar'44	5.99	-25	-39	4.20	-23	+6	179	-2	198	--
30Y	May'53	6.24	-24	-15	4.04	-22	+7	220	-2	231	--

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.** The MoF will hold two auctions before the end of the year. On Tuesday, December 19th, it will auction 1-, 3-, 6-, and 24-month Cetes, the 5-year Mbono (Mar'29), the 30-year CPI-linked bond (Nov'50) –known as Udibono–, as well as 1-, 3-, and 7-year Bondes F. The next week, on December 26th, 1-, 3-, 6-, and 12-month Cetes, 20-year Mbono (Nov'42), 3-year Udibono (Dec'26), as well as 2-, 5-, and 10-year Bondes F will be auctioned. We expect good demand for Cetes due to their attractive real rates very close to record levels around 7.00%. Investors will seek to take advantage of these levels ahead of the start of interest rate cuts by Banxico in the first quarter of next year. Appetite for Mbonos could be modest following the rally during November and December, with a relatively fair valuation according to our duration-adjusted yield analysis. The 5- and 20-year references accumulate gains of 108bps and 107bps, respectively, in said period, with yields at almost 6-month lows. Regarding real rates, short-term Udibonos show a better valuation compared to longer-term ones. In particular, the 3-year breakeven is at 3.96%, while the 30-year breakeven is at 4.63%
- 1Q24 Government Securities Auction Calendar.** [Issuances of debt at both floating and fixed rates will increase considerably.](#) The MoF reiterated that internal debt will continue as the main source of financing. Regarding the former, the amount of Bondes F will be MXN 147.9 billion, equivalent to an increase of 40.3% q/q, with the largest adjustment in the 1-year tenor (+20 billion). On the latter, the placement of the Mbonos and CPI-linked bonds (Udibonos) will be MXN 168.5 billion (+24.4% q/q) and UDIS 13 billion (+18.8% q/q), respectively

Auction specifics (December 19, 2023)

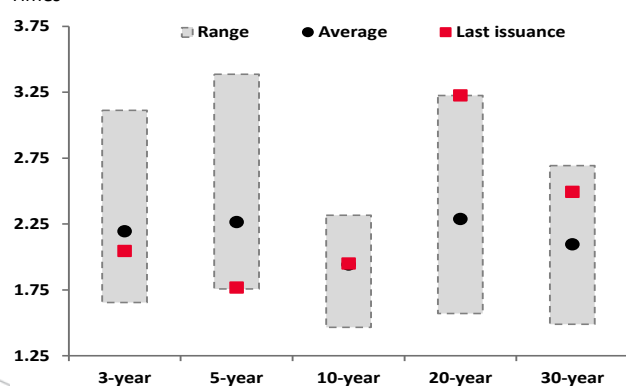
Security	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	Jan-18-24	--	6,000	11.25
3m	Mar-21-24	--	6,000	11.30
6m	Jun-13-24	--	8,200	11.33
24m	Oct-30-25	--	6,300	10.92
Bondes F				
1Y	Nov-07-24	--	6,000	0.11
3Y	Jun-04-26	--	2,200	0.20
7Y	Oct-04-29	--	850	0.24
Bono M				
5Y	Mar-01-29	8.50	12,000	9.48
Udibono				
30Y	Nov-03-50	4.00	900	4.72

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



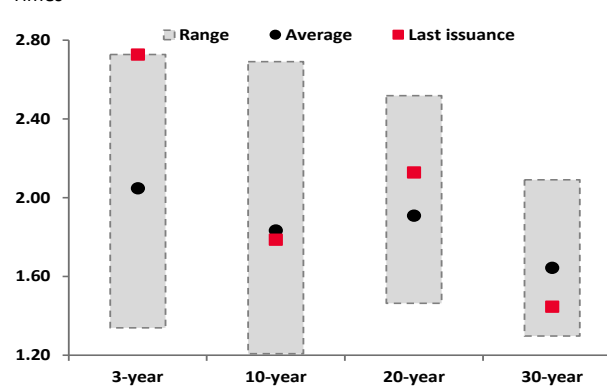
Source: Bloomberg, Banorte

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

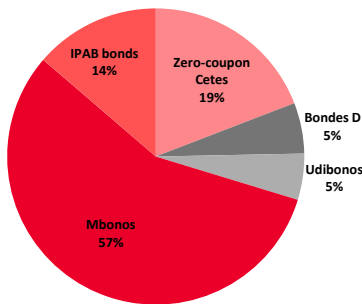
MXN billion, %



Source: Banxico, Banorte

Government issuance by type of instrument

Total amount of US\$ 434 billion, % of total



Source: Banxico, Banorte

Government bond holdings by type of investor

US\$ billion and %, data as of Dec/04/2023

	Cetes	Bondes D	Udibonos*	Mbonos
Total amount outstanding	83	24	174	246
Foreign investors	14%	6%	5%	31%
Pension funds	12%	6%	55%	24%
Mutual funds	16%	40%	4%	3%
Insurance companies	4%	1%	19%	3%
Banks	13%	16%	2%	17%
Others	40%	31%	15%	22%

Source: Banxico, Banorte

Foreign investors holdings of government bonds

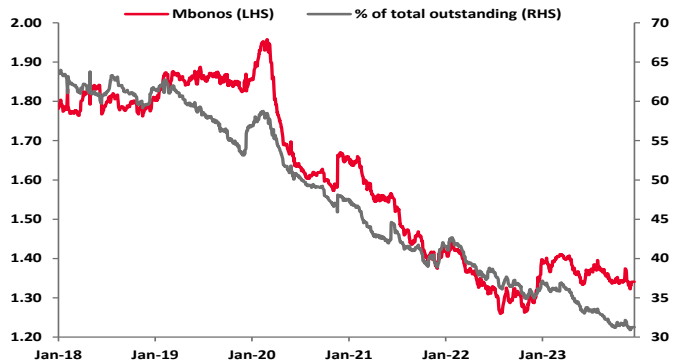
US\$ billion, data as of Dec/04/2023

	Cetes	Bondes D	Udibonos*	Mbonos
Actual	11.8	1.4	7.9	76.8
Previous Week	11.8	1.0	1.0	76.1
Difference	-0.1	0.5	6.9	0.7
Dec/30/2023	8.0	2.0	1.0	80.1
Difference	3.7	-0.5	6.9	-3.3

Source: Banxico, Banorte

Mbonos held by foreigners

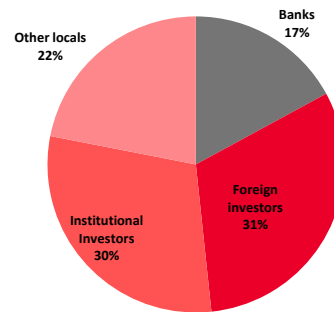
MXN trillion, %



Source: Banxico, Banorte

Mbonos holdings by type of investor

Total amount of US\$ 246 billion, % of total



Source: Banxico, Banorte

Mbonos holdings by typ of investor

US\$ billions and %, data as Nov/30/2023

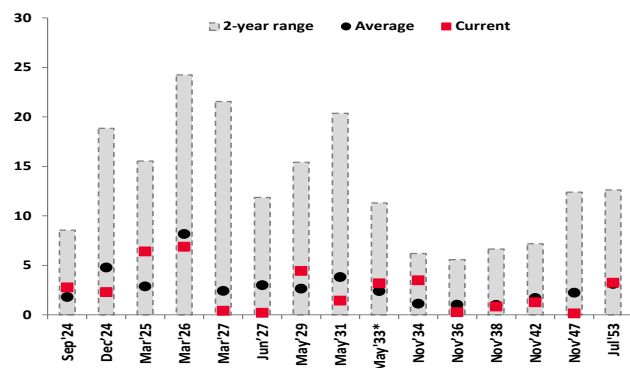
Maturity	Amount Outstanding	Local Banks	Foreign investors	Pensión and Mutual	Others
Dec'23	9.6	38%	6%	15%	41%
Sep'24	15.6	23%	13%	11%	53%
Dec'24	12.9	26%	24%	9%	41%
Mar'25	7.9	36%	17%	19%	28%
Mar'26	25.7	35%	24%	14%	26%
Sep'26	6.8	41%	20%	12%	27%
Mar'27	20.7	46%	17%	14%	24%
Jun'27	20.2	9%	33%	31%	27%
Mar'29	3.6	25%	26%	20%	29%
May'29	15.8	3%	52%	22%	23%
May'31	24.5	6%	45%	34%	16%
May'33	14.7	6%	38%	30%	26%
Nov'34	5.6	2%	50%	34%	13%
Nov'36	4.2	1%	27%	42%	30%
Nov'38	12.3	1%	42%	41%	16%
Nov'42	18.2	1%	41%	45%	14%
Nov'47	15.0	1%	37%	44%	18%
Jul'53	11.4	2%	35%	44%	19%
Total	233.5	17%	31%	26%	25%

Source: Banxico, Banorte

Fixed-Income Demand – Primary dealers

Market makers' short positions on Mbonos

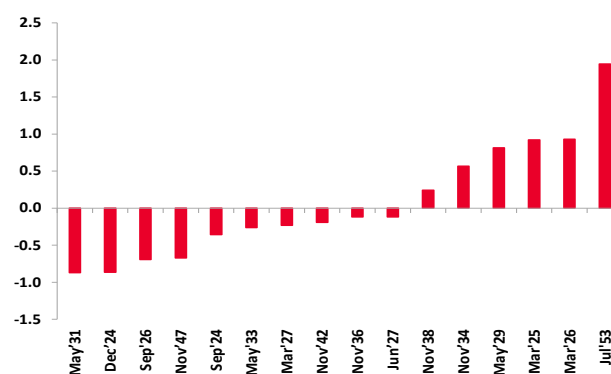
MXN billion



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

Weekly change in market makers' short positions on Mbonos

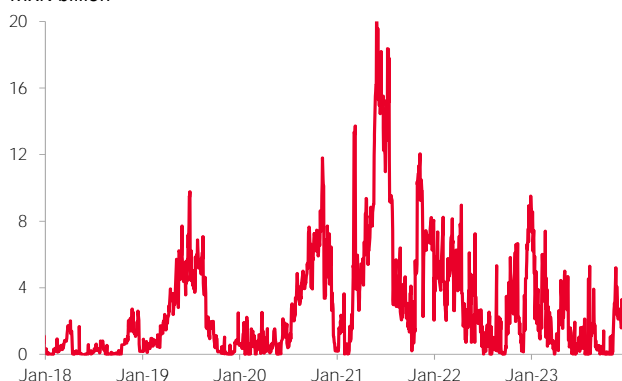
MXN billion



Source: Banxico, Banorte

Market makers' short positions on Mbono May'31

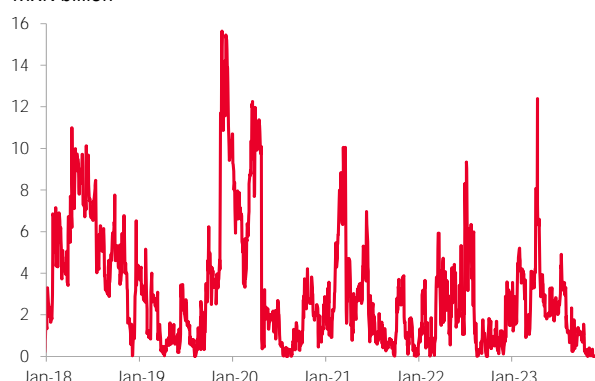
MXN billion



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/14/2023	Dec/14/2023	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Sep'24	15,841	161	182	112	84	246	0
Dec'24	13,271	133	184	79	264	346	1
Mar'25	8,880	372	319	338	252	904	62
Mar'26	26,106	400	346	443	424	1,393	105
Sep'26	7,719	113	154	416	0	1,255	0
Mar'27	21,132	23	37	112	45	1,254	0
Jun'27	20,479	12	19	0	426	633	0
Mar'29	3,734	63	33	79	0	419	0
May'29	16,727	258	211	439	140	896	63
May'31	24,725	84	134	243	439	309	0
May'33	16,156	185	200	7	0	657	1
Nov'34	5,723	203	170	95	80	358	0
Nov'36	4,273	15	22	20	192	324	0
Nov'38	12,456	49	35	1	51	139	0
Nov'42	18,418	74	85	119	17	336	0
Nov'47	15,124	8	47	1	171	286	0
Jul'53	11,615	188	75	192	94	623	0
Total	242,379	2,154	2,176	2,503	2,584		

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 +116bps from +67bps, 3-month at +25bps from +34bps, 6-month at +9bps from +5bps, and 1-year at +8bps from -18bps
- **Optimism in the market after the last Fed decision in 2023.** Investors consolidated their expectations that the US will be able to avoid a recession after the Fed published a more dovish dot plot compared to the one presented in September, showing cuts of 75bps for 2024 based on the median of the estimates vs 50bps. Consequently, the market accelerated its bets on further cuts for next year to 140bps vs 115bps before the decision. In greater detail, the curve now incorporates a high probability for the first adjustment of -25bps in March; that is, a meeting earlier than previously expected. In parallel, investors also recalibrated their expectations for the rate trajectory in Mexico. Banxico's statement showed a marginally more hawkish tone compared to the previous one, so the market moderated its bets on a first rate cut of 25bps in February, aligning with our estimate that it will happen until March. In addition, the curve prices-in an accumulated adjustment, of -197bps, very similar to our -200bps (at 9.25%) at the end of next year

Spread between Cetes and Implied Forward Rates

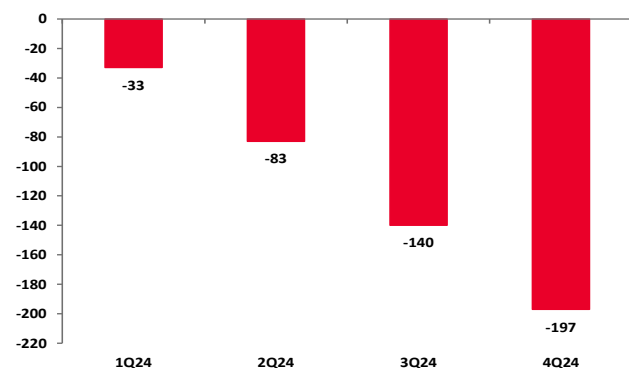
Basis points

Tenor	Actual Dec/15/2023	Previous Week	Previous month	Average 6m	Max 6m	Min 6m
1 month	116	67	48	46	489	-63
3 months	25	34	19	-19	58	-95
6 months	9	5	1	-36	27	-103
12 months	8	-18	-10	-44	25	-96

Source: PIP, Bloomberg, Banorte

Cumulative implied moves in Banxico's repo rate

Basis points



Source: Bloomberg, Banorte

- **Sovereign bond rally resulted in a higher local risk premium.** Investors reacted positively to the introduction of a more dovish dot plot vs. the version published in September. However, the rally in local bonds was softer. In this context, the 10-year spread between Mbonos and Treasuries closed on Friday at 513bps vs 507bps 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 +71% from +67% the previous week

10-year Mbono and 10-year UST spread

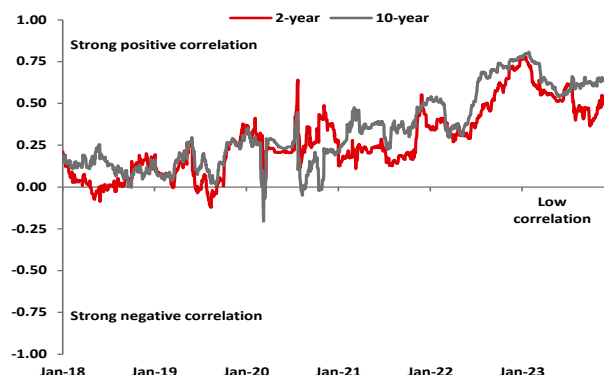
Basis points



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

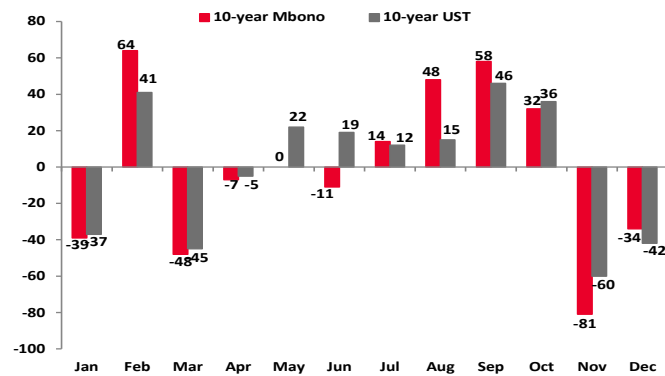
Basis points

Tenor	Dec/15/2023	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-78	-69 (-9bps)	-40 (-38bps)	-102 (+24bps)	-40	-199	-138
Mbono 10s30s	5	0 (+5bps)	15 (-10bps)	0 (+5bps)	35	-15	10
TIIE-Mbono 2-year	4	-7 (+11bps)	10 (-6bps)	-11 (+15bps)	25	-57	-23
TIIE-Mbono 10-year	-56	-53 (-3bps)	-57 (+1bp)	-61 (+5bps)	-17	-68	-46

Source: Bloomberg, PiP, Banorte

Mexican and US rates performance, last 12 months

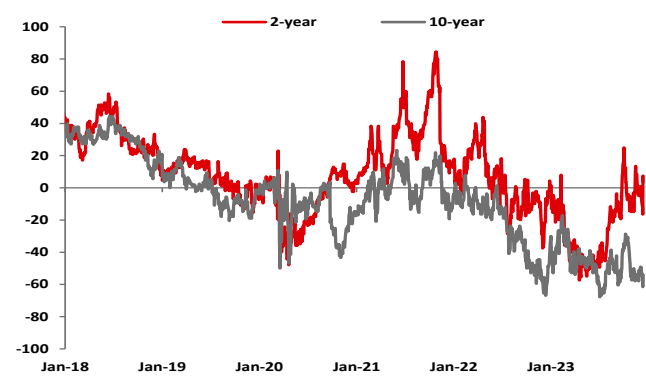
Basis points



Source: PiP, Bloomberg, Banorte

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

Basis points



Source: PiP, Bloomberg, Banorte

Breakeven inflation using Mbonos & Udibonos

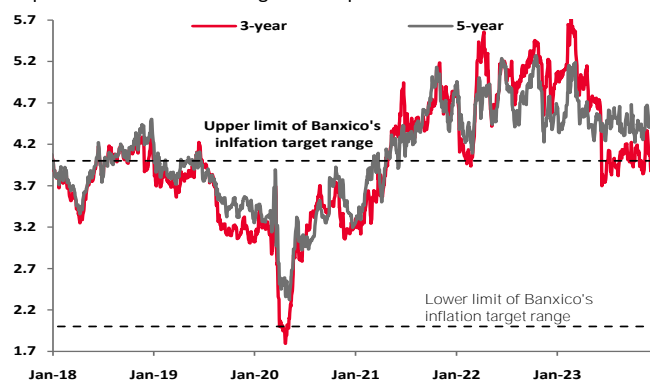
Implicit market inflation using Fisher Equation (%)

Date	Dec/15/2023	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	3.96	3.92 (+4bps)	4.34 (-38bps)	4.65 (-69bps)	5.74	3.70	4.49
5Y	4.51	4.45 (+6bps)	4.65 (-14bps)	4.39 (+12bps)	5.19	4.22	4.52
10Y	4.38	4.44 (-6bps)	4.52 (-14bps)	4.61 (-23bps)	4.85	4.04	4.37
20Y	4.55	4.7 (-15bps)	4.65 (-10bps)	4.66 (-11bps)	5.08	4.15	4.56
30Y	4.63	4.78 (-15bps)	4.65 (-2bps)	4.55 (+8bps)	5.01	4.15	4.55

Source: PiP, Banorte

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

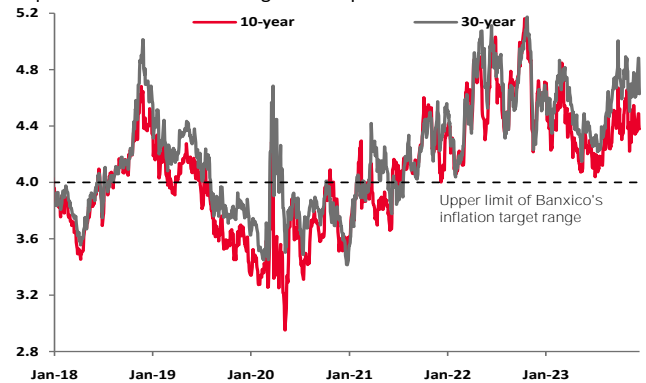
Implicit market inflation using Fisher Equation



Source: PiP, Banorte

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

Implicit market inflation using Fisher Equation

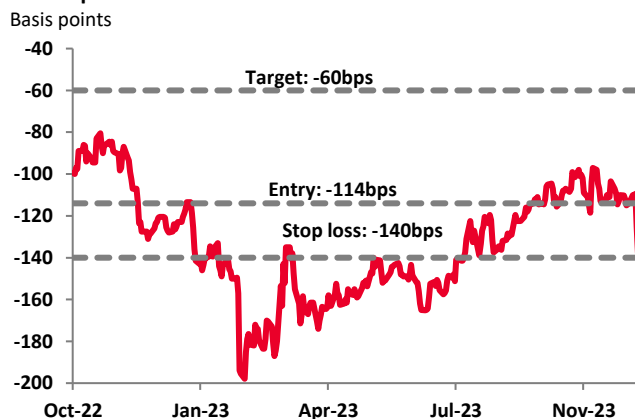


Source: PiP, Banorte

Fixed – Income trade recommendations

- **Global bons rally due to greater bets on rate cuts in 2024 by the main central banks.** With two weeks left in the year, investors became more optimistic about interest rate cuts next year after the Fed published a dovish dot plot compared to the one presented in September, even though monetary policymakers have maintained a cautious stance. The Treasuries curve closed the week with gains of 30bps, on average. The 2-year rate declined to 6-month lows at 4.39% on Thursday, closing at 4.44% (-28bps). Meanwhile, the 10-year rate breached the 4.00% resistance for the first time since August, ending at 3.91% (-31bps). This dynamic spread to other regions including Mexico despite the fact that [Banxico's](#) statement showed a marginally more hawkish tone compared to the previous one, so the market moderated its bets on a first rate cut of 25bps in February, aligning with our estimate of which will happen until March. The Mbono curve averaged gains of 14bps at the short- and mid-end, while the long-end gained 20bps. The yield of the 10-year Mbono, May'33, sought to pierce the 9.00% resistance, closing at 9.05% (-25bps). According to our duration-adjusted yield analysis, most Mbonos show a relatively fair valuation, with little room for additional gains, and even some nodes are starting to look expensive, for example: Mar'25, May'29, Nov'34 and Nov'36. Meanwhile, the TIIE-IRS curve flattened because of a faster decrease in long-term rates (-30bp) vs. short-term rates (-4bps). Thus, our recommendation on 2/10 steepener in TIIE-IRS accumulated losses of 35bps when operating at -137bps. We started the strategy on October 13th with an entry level at -114bps, target at -60bps, stop loss at -140bps, despite the negative carry and roll-down of -5.6bps per month. The recommendation marked a net gain of 12bps after the Banxico meeting in early November as the short-end corrected downwards as we expected; however, the momentum was diluted by the rally in long-term securities spread by Treasuries due to optimism that the US will achieve a 'soft landing' of the economy, avoiding a recession. It is worth noting that we still prefer relative value strategies. We continue to prefer relative value strategies and maintain our recommendation in the face of a possible correction, especially on the long side. For the next week, we expect that the 10-year Mbono, May'33, trade between 8.90% and 9.25%
- In 2024, fixed-income securities will be influenced by the onset of interest rate cuts by major central banks and general liquidity conditions. Also, by the evolution of economic data and even geopolitical risks and events. In our view, local rates will remain highly sensitive to US financial and monetary conditions, maintaining a high degree of correlation

2s10s spread in TIIE-IRS



Source: Bloomberg, Banorte

FX dynamics

- **Currencies reflected a strong appetite for risky assets.** Although the Fed statement remained relatively hawkish, investors priced in more aggressive cuts for Fed funds in 2024 and maintain the scenario of a soft landing. With this, we observe a migration of flows towards riskier assets to the detriment of the dollar. Meanwhile, the Argentinean government devalued its currency as part of the measures implemented by the new administration. The Mexican peso digested the tone of Banxico's statement and closed Friday at 17.21 per dollar (+0.8% w/w)
- **The dollar could extend losses if optimism prevails.** The DXY and BBDXY indices retreated 1.2% and 1.4% w/w, in the same order. In the G10 currencies, NOK (+4.3%) was the strongest. In EM, trading was capped by ZAR (+3.5%) and ARS (-54.5%)

Foreign Exchange market levels and historical return

		Close at Dec/15/2023	Daily Change (%) ¹	Weekly change (%) ¹	Monthly change (%) ¹	YTD ¹ (%)
Emerging Markets						
Brazil	USD/BRL	4.94	-0.6	-0.3	-1.6	6.8
Chile	USD/CLP	875.30	-1.1	0.0	1.4	-2.8
Colombia	USD/COP	3,938.00	0.7	1.4	2.1	23.2
Peru	USD/PEN	3.76	0.1	-0.1	0.4	1.3
Hungary	USD/HUF	351.15	-1.7	0.8	-1.1	6.3
Malaysia	USD/MYR	4.67	0.1	-0.1	0.1	-5.7
Mexico	USD/MXN	17.21	-0.1	0.8	0.5	13.3
Poland	USD/PLN	3.98	-1.5	1.3	1.8	10.0
Russia	USD/RUB	90.31	-0.9	1.7	-0.9	-17.8
South Africa	USD/ZAR	18.31	0.1	3.5	-0.7	-7.0
Developed Markets						
Canada	USD/CAD	1.34	0.2	1.5	2.3	1.3
Great Britain	GBP/USD	1.27	-0.7	1.1	2.1	4.9
Japan	USD/JPY	142.15	-0.2	2.0	6.5	-7.8
Eurozone	EUR/USD	1.0895	-0.9	1.2	0.4	1.8
Norway	USD/NOK	10.46	0.5	4.3	3.5	-6.3
Denmark	USD/DKK	6.84	-0.9	1.2	0.5	1.5
Switzerland	USD/CHF	0.87	-0.3	1.1	2.0	6.2
New Zealand	NZD/USD	0.62	0.0	1.4	3.1	-2.2
Sweden	USD/SEK	10.27	-0.3	1.9	2.8	1.5
Australia	AUD/USD	0.67	0.0	1.8	2.9	-1.7

Source: Bloomberg, Banorte

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

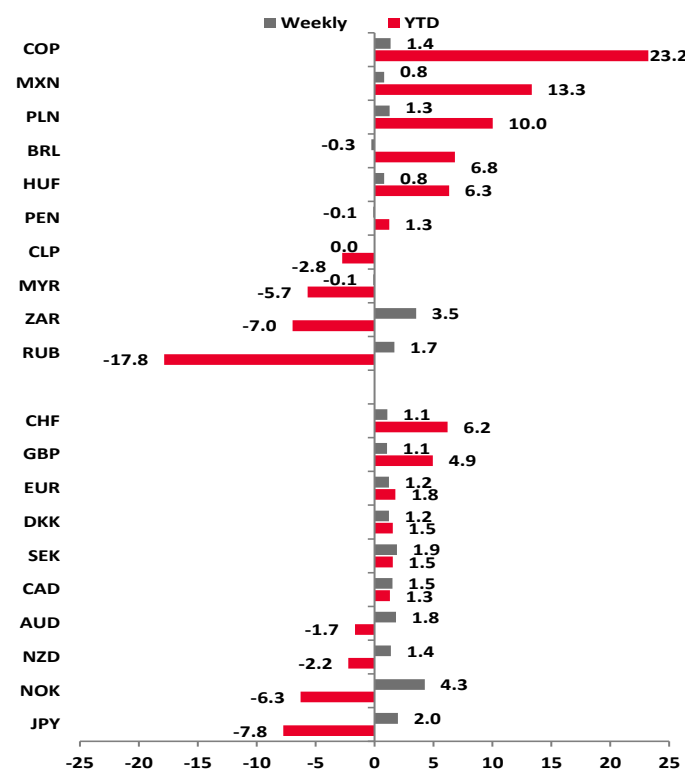
USD/MXN

Last 12 months



FX performance

Against USD, %



Source: Bloomberg, Banorte

DXY

Points

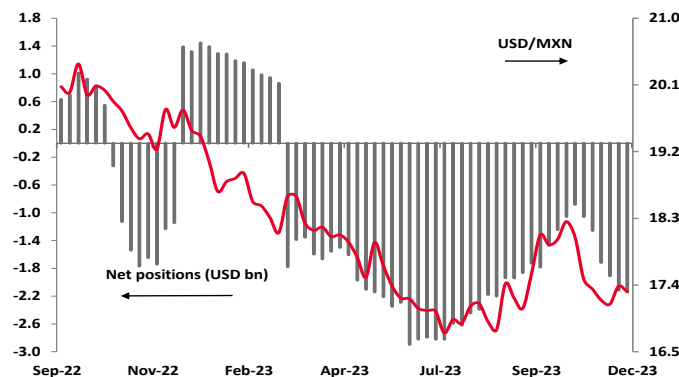


FX positioning and flows

- **Net long positions in MXN remained virtually unchanged.** As of December 12th, the MXN position recorded a net long of US\$ 2.14 billion from US\$ 2.11 billion the previous week, in view of a lower operating volume at the end of the year. For most of 2023, speculators bet in favor of the Mexican peso given its attractive carry and solid macroeconomic fundamentals compared to its emerging peers. Net long positions hit a near three-year high of US\$ 2.89 billion in June and moderated to US\$ 880 million in October on US terminal rate uncertainty and geopolitical risks in the Middle East
- **Net short positions in USD increase 72% w/w.** The IMM USD position marked a higher net short of US\$ 5.58 billion from US\$ 3.23 million last week amid expectations that the Federal Reserve will begin its monetary easing cycle soon that have weakened the dollar to accumulate losses of 4.0% from its highest level in the year reached in early October. The weekly adjustment was the result of purchases in most currencies, except EUR (-685 million). The most purchased currency was JPY (+1,495 million) due to bets on a change in monetary policy
- **Sales slightly increased in EM, while Mexico recorded 4 consecutive months with outflows.** Our EPFR aggregate recorded bigger negative flows of US\$ 3.1 billion from US\$ 3.0 billion the previous week. In one hand, bond market sales decreased 11% to US\$ 1.4 billion. On the other hand, equities outflows rose 17% to US\$ 1.7 billion, with the greater adjustments in Asia. In Mexico, a negative flow of US\$ 123 million was recorded because of sales in both bonds and equities of US\$ 100 million and US\$ 23 million, respectively

IMM positioning in USD/MXN futures

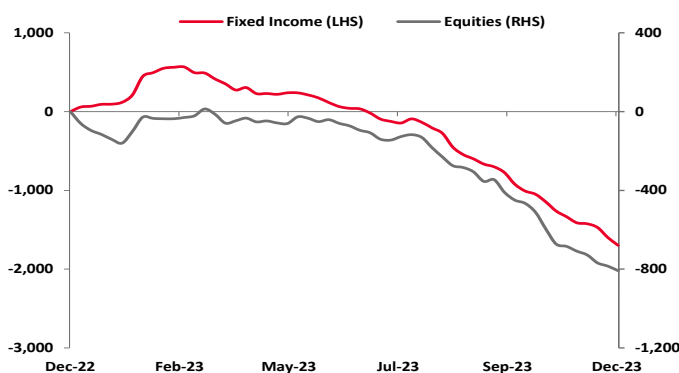
Billion dollars, Negative = net long in MXN



Source: CME, Banorte

Foreign portfolio flows into Mexico

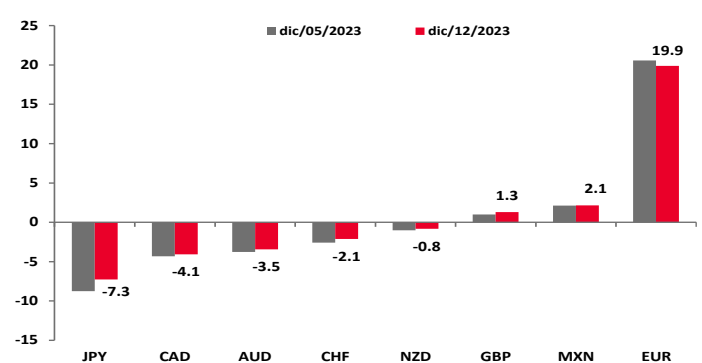
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

IMM positioning by currency*

Billion dollars

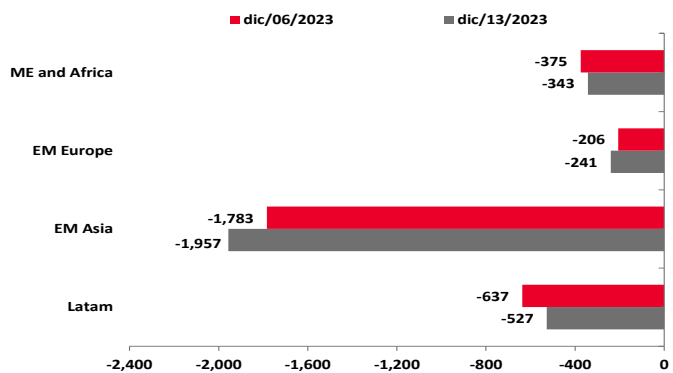


* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region*

Weekly, million dollars



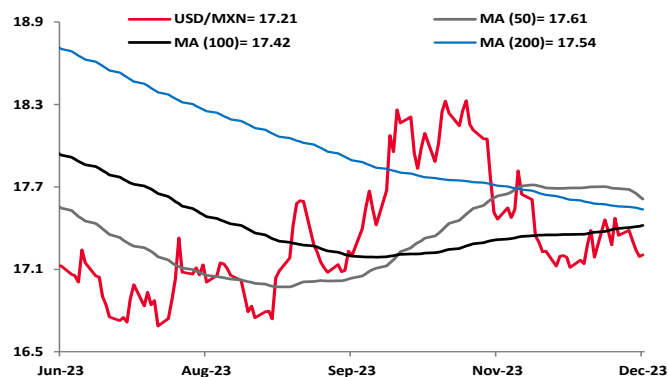
Source: EPFR Global, Banorte * Including only mutual funds' investments

FX technicals

- The peso remains within the short-term appreciation channel.** Monetary policy has been the main catalyst for risk appetite and hence, dollar weakness. Volatility in the Mexican peso has decreased, and it keeps trading within the short-term appreciation channel. On the one hand, the MA of 200 (17.54) acts as a key support while on the other, the most relevant technical resistance is located at 17.00 per dollar. The weekly trading range decreased to 32 cents vs. 38 cents in the previous week. The main short-term resistances are located at 17.15, 17.07 and 17.00 with supports at 17.35, 17.40 and 17.54 per dollar. Regarding correlations with other assets, the 1-month MXN correlation with BRL, HUF, ZAR, CAD and EUR weakened

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	25	48	1	65	40
CAD	27	44	12	63	35
ZAR	25	43	16	87	58
BRL	63	74	27	82	64
HUF	46	64	4	70	53
RUB	-5	1	-23	53	13

* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

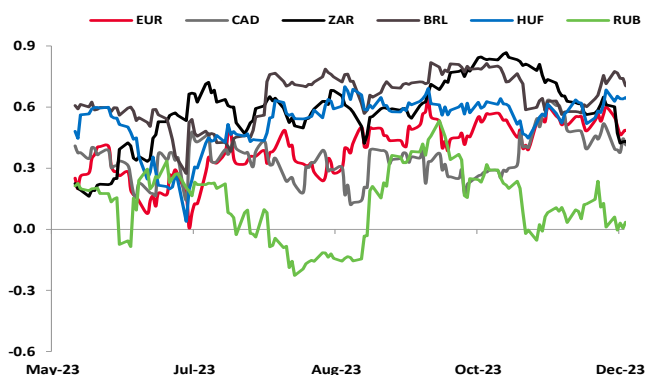
	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	62	63	14	74	41
SPX	60	65	5	68	38
GSCI	-2	2	-27	44	9
Oro	30	30	-28	51	18

* 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

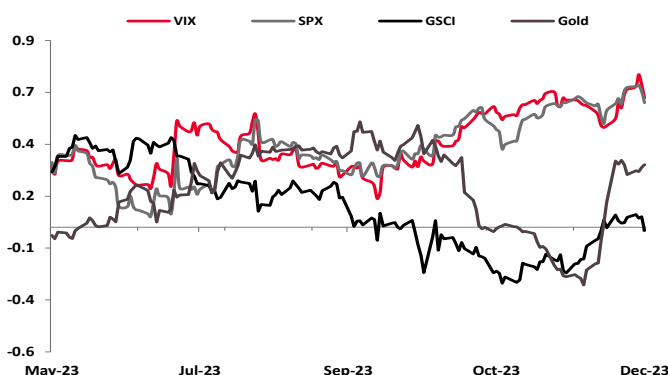


* Positive: appreciation of MXN and corresponding currency

Source: Bloomberg, Banorte

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

Based on daily percentage changes



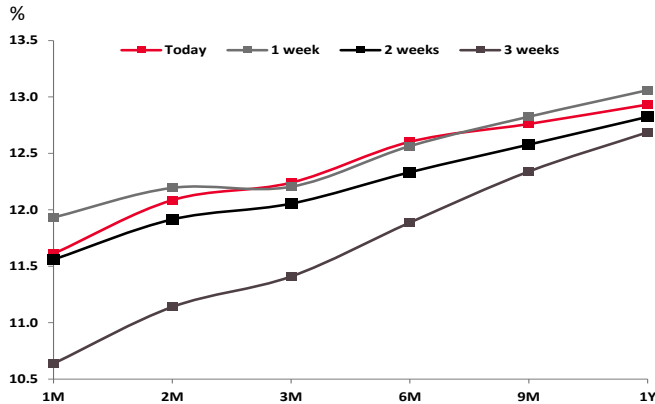
* Positive: appreciation of MXN and corresponding asset except VIX

Source: Bloomberg, Banorte

FX technicals (continued)

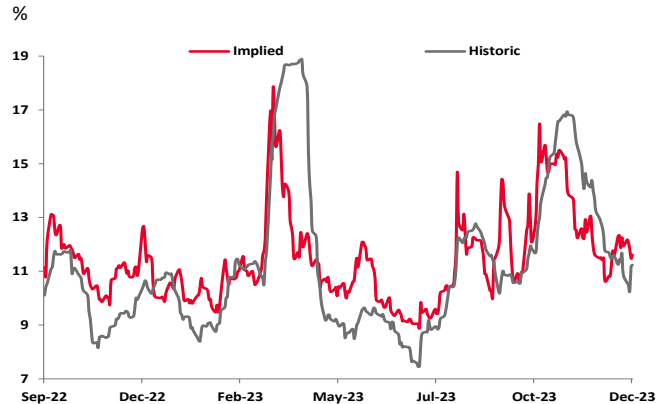
- The MXN ATM implied volatility curve remained virtually unchanged.** The 1-month volatility fell 0.3 vegas to 11.61%, although it stood above the 12-month average of 11.50%. Meanwhile, the 3-month and 1-year readings remained virtually unchanged at 12.23% and 12.93%, respectively. With a couple of weeks left until the holidays, volatility in financial markets decreased with the VIX index trading at a 4-year low of 12 points. Likewise, the JPM Global FX Volatility Index is at low levels, close to the year's lows. The 1-month and 3-month risk reversals decreased marginally to 2.49 vols and 2.95 vols, respectively, from 2.58 vols and 3.00 vols, in the same order, the previous week

USD/MXN – ATM options volatility curve



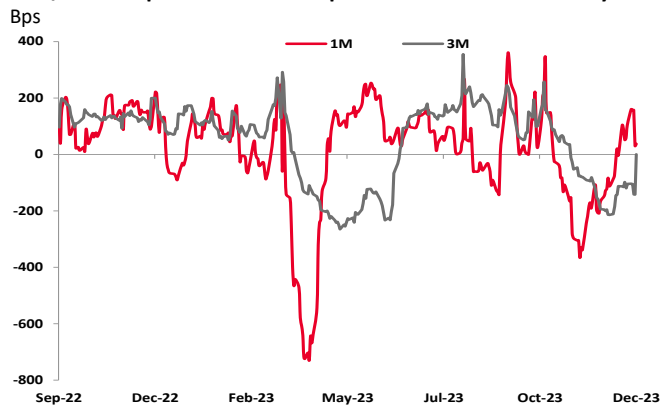
Source: Bloomberg, Banorte

USD/MXN – 1M implied and historical volatility



Source: Bloomberg, Banorte

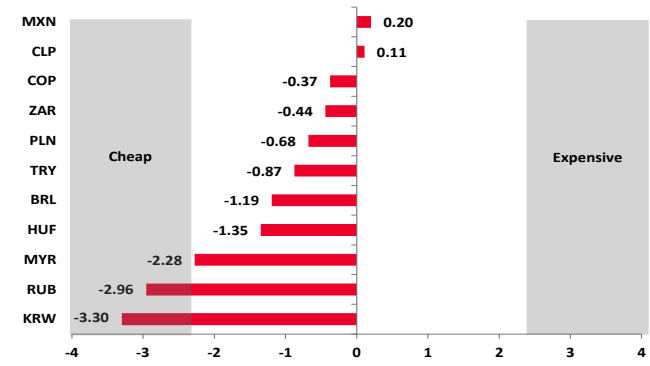
USD/MXN – Spread between implicit and historical volatility



Source: Bloomberg, Banorte

Emerging markets one-month ATM options volatility

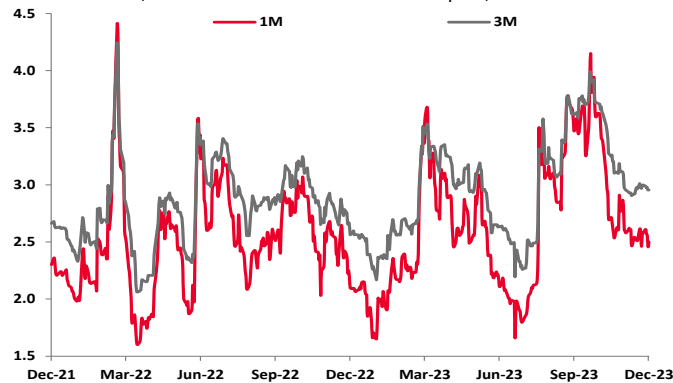
Against USD, in standard deviations relative to last year's average



Source: Bloomberg, Banorte

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

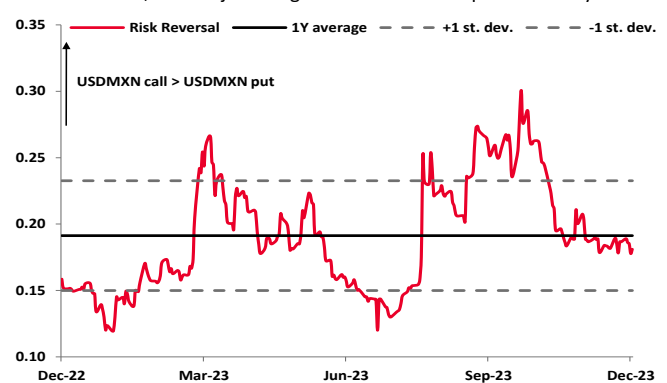
Last 24 months, difference between USD calls and puts, in vols



Source: Bloomberg, Banorte

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

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



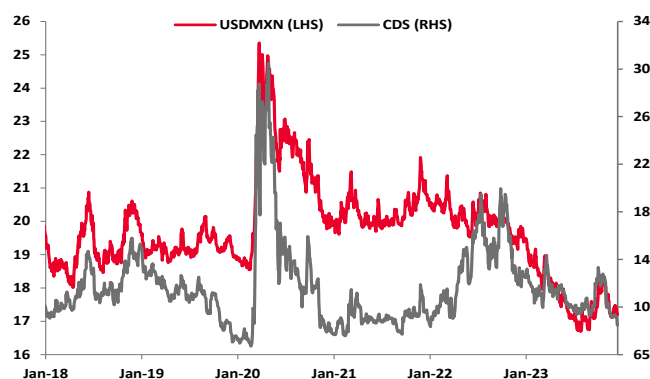
Source: Bloomberg, Banorte

FX trade recommendations

- The dollar weakened as it absorbed the Fed's signals.** The FX market assimilated information from central banks during the week, mainly the Fed's decision. Investors showed risk appetite as the median of the dot plot for 2024 signaled a steeper pace of Fed funds rate cuts (-75bps) vs. the -50bps projection in September. Although Powell maintained a relatively hawkish tone, the market remains adamant that the tightening cycle is over, even increasing its bets for more aggressive cuts during 2024. Against this backdrop, the dollar weakened with the DXY index and BBDXY retreating 1.2% and 1.4% w/w, in the same order. The BBDXY index easily breached the level we identified last week (1,230pts) within the downtrend. If this dynamic prevails, the next technical supports we place at 1,217pts (Fibonacci level) and 1,198pts (July intraday low), the latter would imply a potential adjustment of up to -2.3%. Locally, the marginally hawkish tone in Banxico's statement influenced the dynamics of Mexican assets, including the peso. The MXN closed Friday at 17.21 per dollar with an appreciation of 0.8% w/w, a trading range of 32 cents and 1-month implied volatility at 11.6% (vs. 11.9% on the previous Friday). Throughout the year, the MXN was an attractive alternative for investors due to high interest rates. The MXN was the second strongest currency with a return of 13.3% vs 2022, only behind COP (+23.2%). For the next week, we expect a trading range between USD/MXN 17.00 and 17.40
- The FX market dynamics in 2024 will be mainly defined by: (1) The slowdown in economic activity and inflation behavior in both advanced and emerging economies; (2) the relative monetary stance among central banks; and (3) geopolitical risks. Given the lagged monetary policy transmission, markets will continue to debate the type of landing economies will experience and the pace at which inflation will decline. Our baseline scenario includes a soft landing in the US, while in Europe the risk of recession remains which should be a differentiator in favor of the dollar vs. the euro. In addition, markets will continue to calibrate their bets on when central banks will start the easing cycle. Given the divergence of monetary stances, we anticipate that investors will maintain their preference for carry trade strategies, although spreads should be narrower, which could imply more volatility. It is worth remembering that our estimated trajectory for USD/MXN includes a 100bps contraction in the spread between Banxico (9.25%) and Fed funds (range 4.25%-4.50%) at the end of the year. Nonetheless, we believe MXN carry will be attractive vs. its emerging market peers given solid macroeconomic fundamentals and lower risks

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 January 5, 2024

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 18	04:00	GER	IFO Survey (business climate)*	Dec	index	--	87.7	87.3
	07:00	MX	Aggregate supply and demand	3Q23	% y/y	4.0	3.8	4.8
		JN	Monetary policy decision (BoJ)	Dec 19	%	--	-0.10	-0.10
Tue 19	05:00	EZ	Consumer prices	Nov (F)	% y/y	--	2.4	2.4
	05:00	EZ	Core	Nov (F)	% y/y	--	3.6	3.6
	06:30	BZ	COPOM minutes					
	06:00	MX	Timely Indicator of Economic Activity*	Nov	% y/y	--	--	2.9
	08:30	US	Housing starts**	Nov	thousands	--	1,360	1,372
	08:30	US	Building permits**	Nov	thousands	--	1,460	1,498
	10:00	MX	International reserves	Dec 15	US\$bn	--	--	209.3
	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					
	12:30	US	Fed's Bostic Speaks on US economy, business outlook					
	13:00	COL	Monetary policy decision (BanRep)	Dec 19	%	--	13.00	13.25
	16:00	CHL	Monetary policy decision (BCCh)	Dec 19	%	--	8.25	9.00
	20:15	CHI	Rate decision 1-year Loan Prime Rate	Dec 20	%	--	3.45	3.45
	20:15	CHI	Rate decision 5-year Loan Prime Rate	Dec 20	%	--	4.20	4.20
	15:30	MX	Banamex Survey of Economists					
Wed 20	02:00	UK	Consumer prices	Nov	% y/y	--	4.3	4.6
	02:00	UK	Core	Nov	% y/y	--	5.6	5.7
	04:00	EZ	Current account*	Oct		--	--	31.2
	07:00	MX	Retail sales	Oct	% y/y	1.6	2.1	2.3
	07:00	MX	Retail sales*	Oct	% m/m	-0.2	-0.3	-0.2
	10:00	US	Existing home sales**	Nov	millions	--	3.77	3.79
	10:00	US	Consumer confidence*	Dec	index	104.5	104.0	102.0
	10:00	EZ	Consumer confidence*	Dec (P)	index	--	-16.3	-16.9
	06:00	TUR	Monetary policy decision (Central Bank of Turkey)	Dec 21	%	--	42.50	40.00
	06:00	BZ	Central Bank Quarterly Inflation Report					
Thu 21	07:00	MX	Consumer prices	Dec 15	% 2w/2w	0.48	0.42	-0.10
	07:00	MX	Core	Dec 15	% 2w/2w	0.52	0.49	-0.04
	07:00	MX	Consumer prices	Dec 15	% y/y	4.42	4.36	4.33
	07:00	MX	Core	Dec 15	% y/y	5.25	5.22	5.30
	08:30	US	Initial jobless claims*	Dec 16	thousands	210	215	202
	08:30	US	Gross domestic product**	3Q23	% q/q	5.2	5.2	5.2
	08:30	US	Personal consumption**	3Q23	% q/q	3.6	3.6	3.6
	08:30	US	Philadelphia Fed*	Dec	index	-7.0	-3.0	-5.9
	18:50	JN	BOJ minutes					
	02:00	UK	Gross domestic product	3Q23 (F)	% y/y	--	0.6	0.6
Fri 22	02:00	UK	Gross domestic product*	3Q23 (F)	% q/q	--	0.0	0.0
	07:00	MX	Trade balance	Nov	US\$m	306.7	155.0	-252.5
	07:00	MX	Economic activity indicator (IGAE)	Oct	% y/y	4.5	3.9	3.3
	07:00	MX	Economic activity indicator (IGAE)*	Oct	% m/m	0.1	0.0	0.6
	08:30	US	Personal income*	Nov	% m/m	--	0.4	0.2
	08:30	US	Personal spending*	Nov	% m/m	--	0.3	0.2
	08:30	US	Real personal spending*	Nov	% m/m	0.2	0.3	0.2
	08:30	US	PCE Deflator*	Nov	% y/y	0.1	0.0	0.0
	08:30	US	Core*	Nov	% y/y	0.3	0.2	0.2
	08:30	US	PCE Deflator	Nov	% m/m	2.9	2.8	3.0
	08:30	US	Core	Nov	% m/m	3.4	3.3	3.5
	08:30	US	Durable goods orders*	Nov (P)	% m/m	--	2.2	-5.4
	08:30	US	Ex transportation*	Nov (P)	% m/m	--	0.1	0.0
	10:00	US	New home sales**	Nov	thousands	--	688	679
	10:00	US	U. of Michigan Confidence*	Dec (F)	index	69.4	69.4	69.4

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

	Time		Event	Period	Unit	Banorte	Survey	Previous
Mon 25			Markets closed on Christmas Day					
Tue 26	09:00	US	S&P/CoreLogic housing prices	Oct	index	--	--	3.9
	12:30	MX	Government weekly auction: 1-, 3-, 6-, and 12-month Cetes, 20-year Mbono (Nov'42), 3-year Udibono (Dec'26) and 2-, 5-, and 10-year Bondes F					
Wed 27	10:00	MX	International reserves	Dec 22	US\$bn	--	--	--
	07:00	BZ	Consumer prices 2w/2w	Dec	% m/m	--	0.32	0.33
	07:00	BZ	Consumer prices 2w/2w	Dec	% y/y	--	4.63	4.84
	07:00	MX	Unemployment rate	Nov	%	2.61	--	2.75
	08:30	US	Initial jobless claims*	Dec 23	thousands	--	--	--
	08:30	US	Trade balance*	Nov	US\$bn	--	-89.7	-89.6
	08:00	BZ	Unemployment rate	Nov	%	--	7.6	7.6
	10:00	MX	Banking credit	Nov	% y/y	6.0	--	6.2
	15:30	MX	Public finances (PSBR, year-to-date)	Nov	MXNbn	--	--	-813.6
	20:30	CHI	Manufacturing PMI*	Dec	index	--	--	49.4
	20:30	CHI	Non-manufacturing PMI*	Dec	index	--	--	50.2
	20:30	CHI	Composite PMI*	Dec	index	--	--	50.4
Mon 1			Markets closed on New Year's Day					
	20:45	CHI	Manufacturing PMI (Caixin)*	Dec	index	--	--	50.7
	03:55	GER	Manufacturing PMI*	Dec (F)	index	--	--	43.1
	04:00	EZ	Manufacturing PMI*	Dec (F)	index	--	--	44.2
	04:00	EZ	Monetary aggregates (M3)*	Nov	% y/y	--	--	-1.0
	04:30	UK	Manufacturing PMI*	Dec (F)	index	--	--	46.4
	08:00	BZ	Manufacturing PMI*	Dec	index	--	--	49.4
	09:45	US	Manufacturing PMI*	Dec (F)	index	--	--	48.2
	10:00	MX	Family remittances	Nov	US\$bn	5,278.3	--	5,811.5
	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-, 3-, and 7-year Bondes F					
	13:00	MX	PMI manufacturing (IMEF)*	Dec	index	50.5	--	50.2
	13:00	MX	PMI non-manufacturing (IMEF)*	Dec	index	52.9	--	52.7
	10:00	US	ISM manufacturing*	Dec	index	47.0	47.2	46.7
	10:00	MX	International reserves	Dec 29	US\$bn	--	--	--
	14:00	US	FOMC Meeting Minutes					
	20:45	CHI	Services PMI (Caixin)*	Dec	index	--	--	51.5
	20:45	CHI	Composite PMI (Caixin)*	Dec	index	--	--	51.6
		US	Total vehicle sales**	Dec	millions	--	15.4	15.3
	03:55	GER	Services PMI*	Dec (F)	index	--	--	48.4
	03:55	GER	Composite PMI*	Dec (F)	index	--	--	46.7
	04:00	EZ	Services PMI*	Dec (F)	index	--	--	48.1
	04:00	EZ	Composite PMI*	Dec (F)	index	--	--	47.0
	04:30	UK	Services PMI*	Dec (F)	index	--	--	52.7
	08:00	GER	Consumer prices	Dec (P)	% y/y	--	--	3.2
	08:15	US	ADP employment*	Dec	thousands	115	100	103
	08:30	US	Initial jobless claims*	Dec 30	thousands	--	--	--
	09:45	US	Services PMI*	Dec (F)	index	--	--	51.3
	09:45	US	Composite PMI*	Dec (F)	index	--	--	51.0
	10:00	MX	Banxico's minutes					
	05:00	EZ	Consumer prices	Dec (P)	% y/y	--	--	2.4
	05:00	EZ	Core	Dec (P)	% y/y	--	--	--
	08:00	BZ	Industrial production	Nov	% y/y	--	--	1.2
	08:00	BZ	Industrial production*	Nov	% m/m	--	--	0.1
	08:30	US	Nonfarm payrolls*	Dec	thousands	140	165	199
	08:30	US	Unemployment rate*	Dec	%	3.9	3.8	3.7
	10:00	US	Factory orders*	Nov	% m/m	--	--	-3.6
	10:00	US	Ex transportation*	Nov	% m/m	--	--	-1.2
	10:00	US	Durable goods orders*	Nov (F)	% m/m	--	--	--
	10:00	US	Ex transportation*	Nov (F)	% m/m	--	--	--
	10:00	US	ISM Services	Dec	Index	--	52.4	52.7

For the week ending December 15, 2023

	Time	Event	Period	Unit	Banorte	Actual	Previous
Mon 11		MX ANTAD same-store sales	Nov	% y/y	--	5.3	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	--	12.8	9.8
	07:00	BZ Consumer prices	Nov	% m/m	--	0.28	0.24
	07:00	BZ Consumer prices	Nov	% y/y	--	4.68	4.82
	07:00	MX Industrial production	Oct	% y/y	4.1	5.5	4.0 (R)
	07:00	MX Industrial production*	Oct	% m/m	0.0	0.6	0.2
	07:00	MX Manufacturing output	Oct	% y/y	0.3	1.1	0.9 (R)
	08:30	US Consumer prices*	Nov	% m/m	0.0	0.1	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
	08:30	US Ex. food & energy	Nov	% y/y	4.0	4.0	4.0
Wed 13	02:00	UK Industrial production*	Oct	% m/m	--	-0.8	0.0
	05:00	EZ Industrial Production*	Oct	% m/m	--	-0.7	-1.0 (R)
	08:30	US Producer prices*	Nov	% m/m	--	0.0	-0.4 (R)
	08:30	US Ex. food & energy*	Nov	% m/m	--	0.0	0.0
	10:00	MX International reserves	Dec 8	US\$bn	--	209.3	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					
	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	--	0.2	3.2
	07:00	BZ Retail sales*	Oct	% m/m	--	-0.3	0.5 (R)
Thu 14	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	202	221 (R)
	08:30	US Advance retail sales*	Nov	% m/m	-0.1	0.3	-0.2 (R)
	08:30	US Ex autos & gas*	Nov	% m/m	--	0.6	0.1
	08:30	US Control group*	Nov	% m/m	0.2	0.4	0.0 (R)
	08:45	EZ ECB President Christine Lagarde Holds Press Conference					
	14:00	MX Monetary policy decision (Banxico)	Dec 14	%	11.25	11.25	11.25
	18:00	PER Monetary policy decision (BCRP)	Dec 14	%	--	6.75	7.00
	21:00	CHI Industrial production	Nov	% y/y	--	6.6	4.6
	21:00	CHI Retail sales	Nov	% y/y	--	10.1	7.6
	21:00	CHI Gross fixed investment (YTD)	Nov	% y/y	--	2.9	2.9
Fri 15		MX Congress' Winter break begins					
	03:30	GER Manufacturing PMI*	Dec (P)	index	--	43.1	42.6
	03:30	GER Services PMI*	Dec (P)	index	--	48.4	49.6
	03:30	GER Composite PMI*	Dec (P)	index	--	46.7	47.8
	04:00	EZ Manufacturing PMI*	Dec (P)	index	--	44.2	44.2
	04:00	EZ Services PMI*	Dec (P)	index	--	48.1	48.7
	04:00	EZ Composite PMI*	Dec (P)	index	--	47.0	47.6
	04:30	UK Manufacturing PMI*	Dec (P)	index	--	46.4	47.2
	04:30	UK Services PMI*	Dec (P)	index	--	52.7	50.9
	05:00	EZ Trade balance*	Oct	EURbn	--	10.9	8.7
	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	-14.5	9.1
	09:15	US Industrial production*	Nov	% m/m	0.2	0.2	-0.9
	09:15	US Manufacturing production*	Nov	% m/m	0.4	0.3	-0.8 (R)
	09:45	US Manufacturing PMI*	Dec	index	49.1	48.2	49.4
	09:45	US Services PMI*	Dec	index	--	51.3	50.8
	09:45	US Composite PMI*	Dec	index	--	51.0	50.7
	10:00	MX Survey of expectations (Banxico)					

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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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
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Raquel Vázquez Godínez
Assistant
raquel.vazquez@banorte.com
(55) 1670 - 2967



María Fernanda Vargas Santoyo
Analyst
maria.vargas.santoyo@banorte.com
(55) 1103 - 4000 x 2586

Economic Research



Juan Carlos Alderete Macal, CFA
Executive Director of Economic Research and Market Strategy
juan.alderete.macal@banorte.com
(55) 1103 - 4046



Yazmín Selene Pérez Enríquez
Senior Economist, Mexico
yazmin.perez.enriquez@banorte.com
(55) 5268 - 1694

Market Strategy



Manuel Jiménez Zaldívar
Director of Market Strategy
manuel.jimenez@banorte.com
(55) 5268 - 1671



José Itzamna Espitia Hernández
Senior Strategist, Equity
jose.espitia@banorte.com
(55) 1670 - 2249



Leslie Thalía Orozco Vélez
Senior Strategist, Fixed Income and FX
leslie.orozco.velez@banorte.com
(55) 5268 - 1698



Juan Carlos Mercado Garduño
Strategist, Equity
juan.mercado.garduno@banorte.com
(55) 1103 - 4000 x 1746

Quantitative Analysis



Alejandro Cervantes Llamas
Executive Director of Quantitative Analysis
alejandro.cervantes@banorte.com
(55) 1670 - 2972



José De Jesús Ramírez Martínez
Senior Analyst, Quantitative Analysis
jose.ramirez.martinez@banorte.com
(55) 1103 - 4000



Andrea Muñoz Sánchez
Analyst, Quantitative Analysis
andrea.muñoz.sanchez@banorte.com
(55) 1103 - 4000



Alejandro Padilla Santana
Chief Economist and Head of Research
alejandro.padilla@banorte.com
(55) 1103 - 4043



Itzel Martínez Rojas
Analyst
itzel.martinez.rojas@banorte.com
(55) 1670 - 2251



Francisco José Flores Serrano
Director of Economic Research, Mexico
francisco.flores.serrano@banorte.com
(55) 1670 - 2957



Cintia Gisela Nava Roa
Senior Economist, Mexico
cintia.nava.roa@banorte.com
(55) 1103 - 4000



Marissa Garza Ostos
Director of Equity Strategy
marissa.garza@banorte.com
(55) 1670 - 1719



Carlos Hernández García
Senior Strategist, Equity
carlos.hernandez.garcia@banorte.com (55) 1670 - 2250



Isaías Rodríguez Sobrino
Analyst, Fixed Income, FX and Commodities
isaias.rodriguez.sobrino@banorte.com
(55) 1670 - 2144



Paula Lozoya Valadez
Analyst, Equity
paula.lozoya.valadez@banorte.com
(55) 1103 - 4000



José Luis García Casales
Director of Quantitative Analysis
jose.garcia.casales@banorte.com
(55) 8510 - 4608



Daniel Sebastián Sosa Aguilar
Senior Analyst, Quantitative Analysis
daniel.sosa@banorte.com
(55) 1103 - 4000 x 2124



Lourdes Calvo Fernández
Analyst (Edition)
lourdes.calvo@banorte.com
(55) 1103 - 4000 x 2611



Katia Celina Goya Ostos
Director of Economic Research, Global
katia.goya@banorte.com
(55) 1670 - 1821



Luis Leopoldo López Salinas
Economist, Global Internacional
luis.lopez.salinas@banorte.com
(55) 1103 - 4000 x 2707



Víctor Hugo Cortes Castro
Senior Strategist, Technical
victorh.cortes@banorte.com
(55) 1670 - 1800



Hugo Armando Gómez Solís
Senior Analyst, Corporate Debt
hugoa.gomez@banorte.com
(55) 1670 - 2247



Gerardo Daniel Valle Trujillo
Analyst, Corporate Debt
gerardo.valle.trujillo@banorte.com
(55) 1670 - 2248



Miguel Alejandro Calvo Domínguez
Senior Analyst, Quantitative Analysis
miguel.calvo@banorte.com
(55) 1670 - 2220



Jazmin Daniela Cuautencos Mora
Strategist, Quantitative Analysis
jazmin.cuautencos.mora@banorte.com
(55) 1103 - 4000