Mexico in an increasingly complex global landscape

3Q25 Quarterly

July 17, 2025

3Q25 Outlook
Mexico in an increasingly complex global landscape

The global environment remains extraordinarily complex, with economic and financial market dynamics shaped by four main forces: trade, geopolitics, fiscal policy, and monetary policy. This combination keeps supporting our longstanding thesis of stagflation –a scenario of subdued growth with persistent inflationary pressures. In fact, several countries are already showing clear signs of edging closer to recession.

Much of this backdrop stems from abrupt shifts in public policy, particularly in the United States under Trump's administration. The geopolitical landscape has been dominated by higher uncertainty about protectionist measures, particularly on tariffs. This has cast doubts on investment decisions, triggered contingency plans, and fragmented supply chains. We believe this narrative will remain relevant during the rest of the year, shaping the trajectory of trade, consumption, investment, and overall business sentiment.

In tandem, monetary policy divergence among major central banks has been widening. The Federal Reserve remains cautious, holding off on rate cuts –likely until later this year– while others, such as the ECB, have normalized monetary conditions further in response to weaker economic outlooks and more subdued inflation. Fiscal policy remains as another global challenge, with many countries grappling with high debt that limit their room to maneuver. For instance, the recently approved fiscal package in the US –projected to add slightly more than US$4 trillion in debt over the next decade– has weighed on the dollar and pushed long-term interest rates higher. On the geopolitical front, persistent conflicts from the Middle East to Ukraine continue to fuel uncertainty and introduce additional risks to an already fragile global environment.

For Mexico, the external environment will stay challenging, especially on the relationship with the United States. The renegotiation of USMCA is expected to begin between the end of this year and early 2026. We foresee a period of intermittent tariff pressures, but ultimately a constructive path towards what could be seen as USMCA 2.0 that sustains momentum for Mexico's export sector. At the same time, it will be essential for Mexican authorities to engage with Washington on key bilateral issues such as security and migration. Domestically, the Mexican economy continues to show some signs of stagnation. Banxico is moving forward with its rate-cutting cycle and the federal government is betting for prudency in fiscal consolidation. Attention this quarter will be focused on progress in the legislative agenda and *Plan México*. Also, on the release of the *2026 Budget Proposal*. These elements will play a crucial role in defining the country's macroeconomic trajectory for the coming months and in shaping its response to an increasingly volatile global context.

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Mexico's main macroeconomic and financial forecasts
End of period

	1Q25	2Q25	3Q25	4Q25	2023	2024	2025	2026
GDP (% y/y)	0.8	-0.3	0.0	1.3	3.4	1.4	0.5	1.8
Inflation (% y/y)	3.8	4.3	3.9	4.0	4.7	4.2	4.0	3.9
USD/MXN	20.47	18.75	19.00	19.50	16.97	20.83	19.50	19.20
Banxico's reference rate (%)	9.00	8.00	7.50	7.00	11.25	10.00	7.00	7.00
Funding TIIE (%)[1,4]	9.44	8.45	7.51	7.02	11.45	10.20	7.02	7.05
28-day Funding TIIE (%)[2,3,4]	9.53	8.57	7.63	7.14	11.31	10.27	7.14	7.17
Mexbol (points)	52,484	57,451	-	58,500	57,386	49,513	58,500	65,000

* Underlined figures represent our forecasts. Source: Banorte
1. The TIIE for one-day funding, as determined by the Bank of Mexico, is based on wholesale transactions carried out by banks and brokerage firms for one-business-day term repo operations collateralized with debt securities issued by the Federal Government, IPAB, and the Bank of Mexico, and which have been settled at INDEVAL's delivery-versus-payment system. 2. The 28-day Funding TIIE is compounded in advance. 3. As of January 1, 2025, the use of the 28-day TIIE for new contracts is prohibited. Financial institutions must reference the Funding TIIE instead. 4. Calculated daily by Banxico since 2020.

Mexico

Stronger-than-expected economic activity in 1H25. Information to date suggests that activity so far this year has shown some dynamism. This is very positive considering the strong headwinds that the country has faced and has been driven by several factors, including: (1) An acceleration in manufacturing prior to the entry into force of tariffs, resulting in an accumulation of inventories; and (2) some stability in areas more closely related to domestic demand, highlighting the state of consumption fundamentals. In this context, we anticipate GDP growth of 0.4% q/q (-0.3% y/y) in 2Q25 after the +0.2% of the previous quarter (see table below, left). Looking ahead, we believe the economy will keep moving forward, although probably at a more modest pace than we previously anticipated. This is due to: (1) The lack of progress on trade issues with the US, with the start of the USMCA review taking longer and negotiations likely to be protracted; and (2) the moderation of the labor market, which will translate into a slight slowdown in private consumption. However, we maintain our view that investment –especially construction– could gain momentum, with public and private projects in the pipeline. Thus, we maintain our GDP growth estimate of 0.5% for FY2025. On the other hand, given a more modest path in 2H25, the inertial push for 2026 would be lower. Therefore, we are revising our forecast for next year to 1.8% (previously: 2.0%).

Banxico will continue cutting rates, albeit at a slower pace given additional challenges for inflation. We recently [revised our year-end inflation estimate](#) upwards to 4.0% (previous: 3.8%) due to greater pressures at the core –with goods climbing and stickiness to the upside in services–, which we now see at 4.2% (previous: 3.8%). Non-core inflation would be better, with positive factors for energy –mainly due to the imbalance between global production and supply– and agriculture –pending the results of the rainy season. The accumulated easing in this cycle, prevailing risks for inflation, and other challenges such as the delay in the Fed's accommodative cycle and trade uncertainty, have resulted in a shift in [Banxico's communication](#), with a less dovish tone at the margin. As such, we expect smaller cuts in 2H25. We reiterate our call of -25bps at August's meeting and that the reference rate will close the year at 7.00%. Moreover, we believe the latter level will prevail throughout 2026.

3Q25 agenda. The most relevant events will occur towards the end of the period, with the end of Congress' summer break on September 1st and the presentation of the *2026 Budget Proposal* no later than the 8th of the same month. Also on September 1st, the new ministers of the Supreme Court will take office. Finally, we continue monitoring any news on trade negotiations between Mexico and the United States, whether on current issues or ahead of the USMCA review.

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GDP: Aggregate Demand
% y/y nsa, % q/q sa

%	1Q25	2Q25	3Q25	4Q25	2025	2026
GDP (% y/y)	**0.8**	**-0.3**	**0.0**	**1.3**	**0.5**	**1.8**
Private consumption	-0.6	-1.4	-1.0	0.9	-0.5	2.1
Investment	-5.2	-8.1	-5.9	-2.9	-5.5	1.7
Government spending	1.5	-0.8	-0.9	-1.5	-0.4	-0.5
Exports	12.8	9.6	4.6	2.1	7.0	1.2
Imports	-2.3	-2.7	-1.4	-1.6	-2.0	2.1
GDP (% q/q)	**0.2**	**0.4**	**0.2**	**0.4**	--	--

* Note: Underlined figures represent our forecasts.
Source: Banorte

Inflation and reference rate
% y/y; %
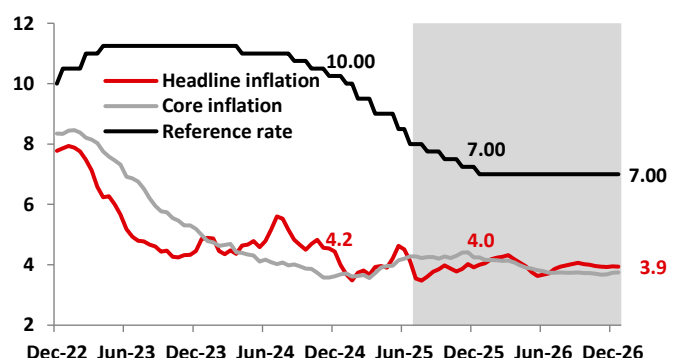
Source: INEGI, Banxico, Banorte

United States

Signs of slower growth, but resilience remains. During the first half of 2025, economic activity was distorted by Trump's trade policy. Businesses responded to the eventual implementation of tariffs by front-loading their imports, causing them to grow at a very high rate. Consequently, net exports exhibited a strong negative contribution to GDP in the first quarter of 2025. At the same time, a significant build up of inventories was reported. For the second quarter, available data suggests the opposite effect. For consumption, the largest component of activity, we estimate a 1.6% q/q annualized growth. Investment would be weak, falling 0.5%. Given the latter, we anticipate a rebound of 2Q25 GDP to +1.2% (see table below). For the second semester, the impact from the policies of the new administration would be more evident, so we expect a renewed slowdown. Specifically, consumption is increasingly affected by the deterioration in confidence levels, high interest rates, and higher delinquencies. Companies are also slowing their investment decisions, with declines in the residential sector, non-residential structures, and machinery and equipment.

Inflation has been relatively stable so far, but pressures are expected in 3Q25. No significant tariff effects on inflation have been seen yet. However, it should be noted that a significant portion of them have been paused. We agree with Chair Powell that we will see higher figures during the summer, estimating average annual inflation at 3.0% in 3Q25 (2Q25: 2.4%). If our forecasts materialize, the Fed is likely to remain cautious. We see two 25bps rate cuts in the remainder of the year, in October and December, primarily due to growth and employment dynamics.

Trade policy remains shrouded in uncertainty. The end of the pause in reciprocal tariffs on July 9th was postponed again by Trump, this time to August 1st. Despite his aggressive rhetoric, economic agents have been gradually adapting. So far, trade policy has not had a major impact on hard activity figures. Despite this, there is still considerable uncertainty about the effects of tariffs on inflation, growth, and unemployment.

Trump's fiscal plan will have significant consequences. According to the CRFB, the plan will add US$4.1 trillion to the national debt by 2034. If temporary provisions become permanent, the total would rise to US$5.5 trillion. This will increase total debt from 100% of GDP today to 127%-130% in 2034, with annual deficits above 7%. We think the magnitude of these changes is significant and could have several effects at the sectoral level and on financial variables, although it is very difficult to estimate them. For Mexico, the 1% remittance tax, which will go into effect in January 2026, stands out. We believe its implementation will be very complex and its effect quite moderate. However, higher funding for border security makes it clear that Trump's efforts to achieve mass deportations will continue. Finally, 'Section 899', which imposed new taxes on foreign investments in the US, was eliminated from the final version after a series of negotiations within the G7, which we believe is a very positive development.
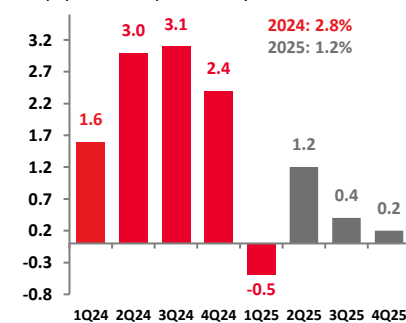
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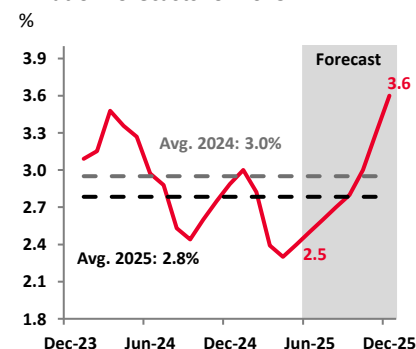Economist, Global
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GDP*
% q/q saar except for full-year data

2024: 2.8%
2025: 1.2%

* Note: Grey bars correspond to Banorte's estimates
Source: Banorte with data from BEA

Inflation forecasts for 2025*
%

Forecast
Avg. 2024: 3.0%
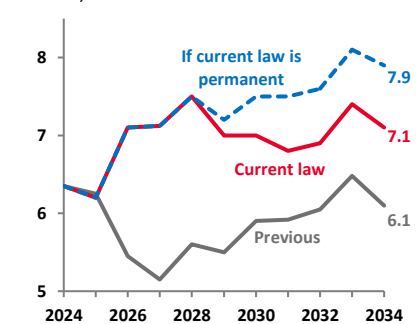Avg. 2025: 2.8%

* Note: Grey area corresponds to Banorte's estimates
Source: Banorte

Deficit projection under OBBBA
Annual, % of GDP

If current law is permanent — 7.9
Current law — 7.1
Previous — 6.1

Source: Banorte with projections of the *Committee For a Responsible Federal Budget* (CRFB) as of July 2

US: Banorte Estimates*

	2024	1Q25	2Q25	3Q25	4Q25	2025*
GDP (% q/q annualized rate)*	2.8	-0.5	1.2	0.4	0.2	1.2
Private Consumption	2.8	0.5	1.6	0.6	0.3	1.9
Fixed Investment	3.7	7.6	-0.5	-1.6	-2.0	1.6
Exports	3.3	0.4	1.0	0.8	0.5	1.6
Imports	5.3	37.9	-7.8	-2.7	-3.6	7.6
CPI (% y/y, average)	3.0	2.7	2.4	3.0	3.6	2.9
Unemployment rate (%, eop)	4.1	4.1	4.1	4.3	4.4	4.4
Non-farm payrolls (thousands)	2,012	333	449	340	280	1,402

* All GDP estimates are % q/q saar, except for full-year 2024 and 2025, which are % y/y. eop: end of period.
Source: Banorte

Global

Four key factors for the path ahead, with trade remaining in the spotlight… Currently, we believe the first of these is Trump's trade policy. The scenario has been defined by tariff threats and multiple changes to their starting dates, along with the actual implementation of some of them. Reciprocal tariffs stand out, with the pause extended from July 9th to August 1st to allow additional time for negotiations. For now, the base tariff for all trading partners remains at 10%. The US has only finalized agreements with the UK and Vietnam –with many details still unresolved– and has achieved a temporary truce with China. Country responses have varied widely. Despite many countries threatening with a possible retaliation, most seek to avoid a trade war. Talks with Japan and the Eurozone are curently at an *impasse* due to some specific issues. On the other hand: (1) The US has implemented tariffs on aluminum, steel, and autos; and (2) a 50% tax that could be applied to copper starting in August 1st, while Trump threatened to impose a rate of up to 200% on pharmaceutical products soon. It is very challenging to assess the possible impact on inflation and growth as there is so much uncertainty, but we expect less dynamism and more price pressures in 2H25.

…followed by fiscal policy. In the US, a trend towards greater stimulus prevails after the plan approved on July 4th. While it could boost economic growth in this difficult global trade environment, it also means a widening of fiscal deficits that could exceed 7% of GDP annually. In the Eurozone, Germany's fiscal policy has so far been rather contractionary, although significant easing is expected in 2026 and 2027 on the back of higher defense spending, the implementation of the new infrastructure fund, and some fiscal reforms. In emerging markets, China keeps deploying tools to boost growth, although they look insufficient to achieve the government's 5.0% target. In Brazil, fiscal measures have been taken to mitigate the impact of high interest rates, albeit with an increasingly tense political environment and growing concerns about public finances ahead of the 2026 Presidential election. The truth is that no concrete actions are on sight to address fiscal trends that already look unsustainable in several regions.

The third point is monetary policy. Trump's trade measures have had implications for central bank decisions. The potential impacts on inflation and growth have directly resulted in a prudent and cautious stance by the Fed. Elsewhere, the ECB has been able to continue its rate-cutting cycle and has accumulated 200bps in cuts since June 2024, partly due to EUR strength induced by the global decline of the US dollar. China will likely postpone further monetary stimulus measures until the end of 3Q25 and will remain very cautious due to the risks for financial instability. On the contrary, Brazil implemented a very aggressive tightening cycle, but we no longer see additional movements in the *Selic* for an extended period.

Finally, the geopolitical environment. For several years, the situation in this front has been very delicate, with consequences of varying degrees in terms of its persistence on economic activity and markets. First, the war between Russia and Ukraine, with a strong impact on supply chains; then, growing tensions between Israel and Palestine, and recently between Israel and Iran with the intervention of the US. Risks are high and their most immediate effects could be reflected in the energy sector. However, market conditions in the latter, particularly in oil, have limited their impact so far (for more details, see the Commodities section). Looking ahead we highlight events such as the Japanese Upper House elections on July 20th, where politicians have made aggressive proposals for additional fiscal stimulus. On the other hand, potential changes in the composition of the US Congress in the midterm elections that will be held on November 2026 are likely behind Trump's strategy to take advantage of the current 'Red Wave' to move forward with all his proposals sooner rather than later.

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Tariff rates if no agreement is reached by August 1st*

%	Countries
25	Japan, Korea, Kazakhstan, Malaysia, Tunisia
30	South Africa, Bosnia and Herzegovina, Mexico**, European Union**
32	Indonesia
35	Bangladesh, Serbia, Canada**
36	Cambodia, Thailand
40	Laos, Myanmar
50	Brazil**

* Note: As of July 14, 2025. ** President Trump's public comments
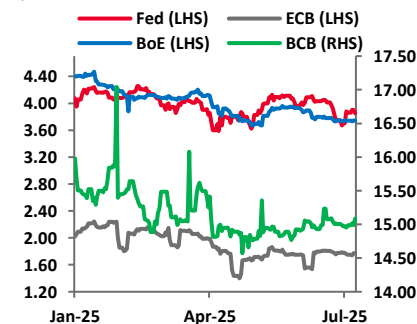Source: Banorte with data from White House

Fiscal deficit *
% of GDP
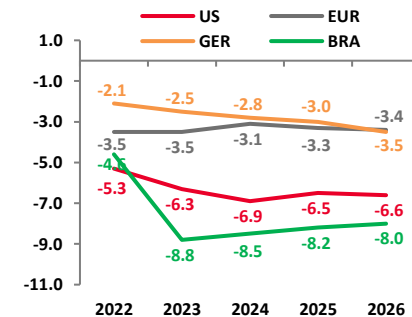
* Note: 2025 and 2026 correspond to Bloomberg's consensus forecasts
Source: Banorte with data from Bloomberg

Reference rate implied in 6 months*
%

* Current rates: Fed 4.50% (upper bound); BoE 4.25%; ECB 2.00%; BCB 15.00%
Source: Banorte with data from Bloomberg

Fixed Income (Sovereign Debt)

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Steeper nominal curves in the US and Mexico in 2Q25. The quarter kicked off with surging volatility in US Treasuries –with the MOVE index reaching its highest in nearly two years at the beginning of April– due to tariff uncertainty, although it eased after the implementation pause. Key themes included: (1) Speculation about the potential erosion of the US dollar's reserve currency status and the perception of USTs as the global risk-free asset; (2) delays in the Fed's easing cycle; and (3) higher concerns from a wider US fiscal deficit and the Treasury's debt issuance strategy. In this environment, the front-end of the curve extended gains while the long-end reflected diminished appetite for duration. As a result, the 2s30s spread widened to 105bps from 68bps at the end of March, in line with our view of steeper curves. Mbonos outperformed Treasuries, resulting in tighter spreads. Specifically, the 10-year Mexico-US spread narrowed to 500bps from 538bps on average, closely aligned with our forecast of 507bps.

Value in the short-end and belly of the nominal curve. The market has fully priced-in cumulative Fed cuts of 50bps in 2025, consistent with our call. In our view, the Fed's cautious stance has kept Treasury yields elevated, leaving room for a downward correction if the economy weakens. We now see the 10-year UST at 4.10% by the end of the year (current: 4.45%), revised higher from our previous estimate of 3.80%. We see a more modest downside in yields due to the US growing fiscal deficit and the Treasury's financing needs. Term premia at this tenor rose sharply in 2Q25 and reached its highest since mid-2014 in May. Domestically, the market has discounted a year-end Banxico rate of 7.60% and a terminal interest rate of 7.40% in 2026, both above our estimate of 7.00%. Additionally, we anticipate that policy rate differentials between Mexico and the US will stand at 300bps and 350bps at the end of 2025 and 2026, respectively, below the 360bps and 410bps currently implied by market pricing. Accordingly: (1) We reiterate our directional preference for the short-end and belly of the nominal curve (up to 3-5 years), which could also benefit from the reduction in total Mbono issuance (-2% q/q); and (2) we maintain our recommendation to receive TIIE-F 26x1 swaps (entry: 7.52%, target: 7.25%, stop-loss: 7.65%, current: 7.59%) despite its range-bound consolidation since early May. At the long end, we do not see enough relative value *vis-à-vis* Treasuries despite the current backdrop as spreads are very compressed. Finally, we continue favoring nominal over real rates. It is our take that Udibonos currently offer limited appeal, particularly in the 3- to 30-year segment given the expected increase in supply during the 3Q25.
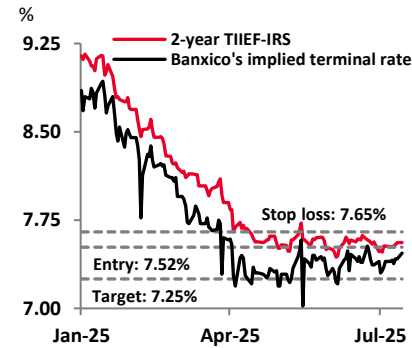
Mbono-UST yield spreads
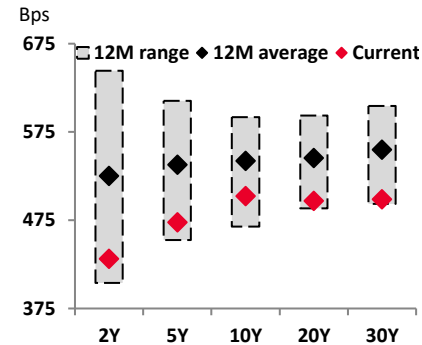
Source: Bloomberg, PiP, Banorte

2-year TIIEF-IRS & Banxico´s terminal rate

Source: Banorte, Bloomberg

Banorte: Interest rate forecasts
%

Security	2021	2022	2023	2024	2024				2025			
					1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banxico's reference rate												
End of period	5.50	10.50	11.25	10.00	11.00	11.00	10.50	10.00	9.00	8.00	7.50	7.00
Average	4.38	7.65	11.14	10.85	11.22	11.00	10.84	10.34	9.67	8.73	7.75	7.25
28-day Cetes												
End of period	5.51	10.09	11.24	10.01	11.00	10.92	10.33	10.01	9.02	8.04	7.52	7.05
Average	4.44	7.72	11.13	10.76	11.18	11.00	10.75	10.13	9.53	8.48	7.77	7.30
28-day TIIE-F												
End of period	5.22	10.32	11.31	10.27	11.26	11.05	10.76	10.27	9.47	8.46	7.63	7.14
Average	4.37	7.47	11.15	10.96	10.30	10.08	10.96	10.51	9.85	8.92	7.88	7.39
10-year Mexican bond (Mbono)												
End of period	7.57	9.08	8.94	10.42	9.27	9.86	9.34	10.42	9.34	9.30	9.15	9.00
Average	6.81	8.80	9.13	9.66	9.21	9.83	9.61	9.98	9.83	9.36	9.23	9.08
10-year US Treasury												
End of period	1.51	3.87	3.88	4.57	4.20	4.40	3.78	4.57	4.21	4.23	4.00	4.10
Average	1.44	2.95	3.95	4.21	4.15	4.44	4.04	4.28	4.45	4.36	4.12	4.05
10-year Spread Mex-US												
End of period	606	521	506	585	507	546	556	585	513	507	515	490
Average	538	585	518	545	506	539	557	570	538	500	511	503

Source: Bloomberg and PiP for observed data, Banorte for rate forecasts. Underlined numbers indicate forecasts.

Foreign Exchange

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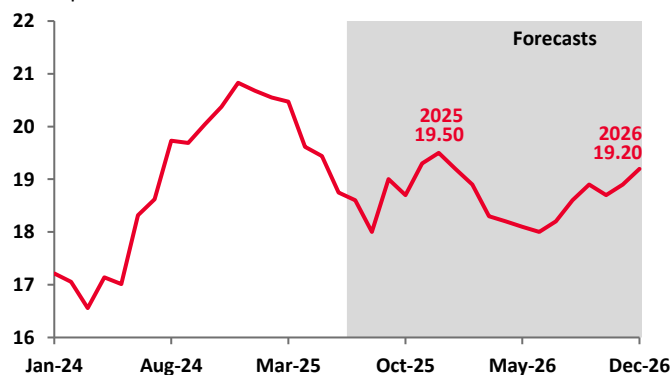**USD: Erratic policy mix and hedging activity to prolong weakness.** The dollar has now posted six consecutive months of losses, marking its worst first-half performance in a calendar year since 1973. This adjustment reflects rising uncertainty and broad pessimism about the impact of various policy measures, particularly those related to trade. We expect this weakness to persist and reiterate our forecast for the DXY index to decline towards 94pts in the coming months, down from its current level of 97pts. A substantial portion of this move would be explained by our projection of an EUR/USD appreciation towards 1.20 from 1.17 today, and 1.04 at the start of the year. Despite the deterioration in business and consumer confidence, the US economy remains relatively resilient, including the labor market. Coupled with intermittent pauses and ongoing trade negotiations, this has supported risk appetite, as evidenced by record highs in equity markets. Typically, the relationship between the USD and equities is negative, providing foreign investors with a natural hedge to dampen the volatility in their offshore asset positions (see chart below). However, the correlation has remained positive, prompting an increase in FX hedging activity that leads to USD selling, particularly among European investors who remain overweight in US assets. These dynamics have reinforced further our view that the dollar's recent slide is largely driven by cyclical and technical factors. In particular, the currency's weaker valuation does not signal a meaningful shift in its key role within the global financial system. Moreover, cumulative losses in 2025 remain modest when compared to the scale of real appreciation seen in recent years. Outside of the US, the recent strength of European currencies has also been driven by transitory factors, including the Eurozone's fiscal expansion to finance new infrastructure and defense spending needs.

USD/MXN forecasts revised lower, with the peso supported by further compression in risk premia. We now forecast USD/MXN at 19.50 by year-end 2025 (previously: 20.10), with a floor of 18.00 over the coming months. For 2026, we project the peso at 19.20. USD weakness has coincided with a broad-based decline in global risk premia and sharp downward corrections in implied volatilities after recent shocks. For example: (1) The spread of the EMBI Global Index, which measures excess yields of EM USD-denominated sovereign bonds *vis-à-vis* US Treasuries, is near its lowest level since April of last year; and (2) Mexico's 5-year CDS is trading at a 12-month low. While the upcoming USMCA review could trigger bouts of volatility in the months ahead, we believe Mexico's relatively stronger external position will stay as a key anchor for renewed momentum in local assets. We also highlight that: (1) The compression in MXN carry due to Banxico's rate cuts has had a limited impact on the spot market, with the peso maintaining an attractive profile on a volatility-adjusted basis; and (2) we do not see a stretched speculative positioning, with MXN net longs on the CFTC at just 34% of last year's peak. That said, the peso begins to exhibit some degree of overvaluation according to our fair value models and measures of idiosyncratic risk premia.

1H25 performance
% against the USD

| Currency	%
SEK	16.5
PLN	13.7
NOK	13.0
EUR	13.0
DKK	13.0
MXN	12.0
BRL	11.7
COP	9.8
GBP	8.5
NZD	7.9
JPY	7.5
KRW	7.2
SGD	6.7
AUD	6.5
ZAR	6.2
PEN	5.5
CAD	5.3
MYR	5.2
CLP	4.7
CNY	1.7
INR	0.0
HKD	-1.0
TRY	-12.0
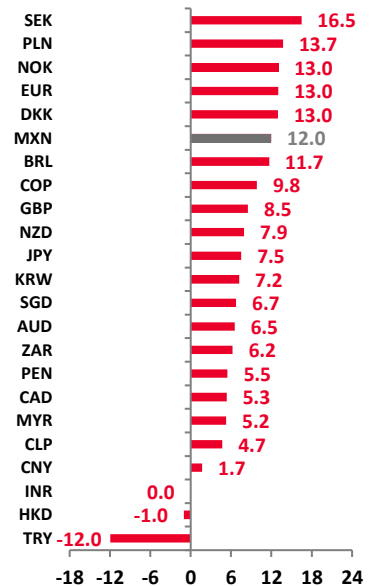
Source: Banorte, Bloomberg

Correlation between DXY and S&P 500
90-day correlation, daily changes

Source: Banorte, Bloomberg

USD/MXN Forecasts
Pesos per dollar

2025 19.50
2026 19.20

Source: Bloomberg, Banorte

USD/MXN forecasts
Pesos per dollar

Period	End of period	Forecast end of period	Forecast average
1Q25	20.47		20.42
2Q25	18.75		19.49
3Q25		19.00	18.53
4Q25		19.50	19.17
1Q26		18.30	18.80
2Q26		18.00	18.10
3Q26		18.90	18.57
4Q26		19.20	18.93

Source: Bloomberg, Banorte *Underlined numbers indicate forecasts
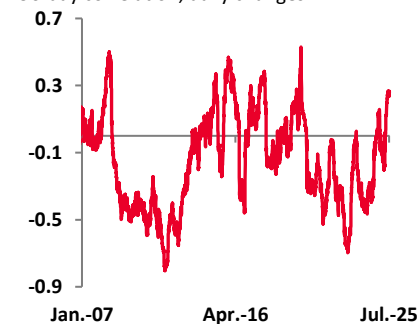
Stock Market indices

We have revised our reference levels for the S&P500 and Mexbol upwards due to a lower-than-expected impact from tariffs. The sample of the 30 indices that we track accumulated an average gain of 18.4% in USD during 1H25. In the US, the increase has been more modest, albeit enough for both the Nasdaq and S&P500 to reach new all-time highs. In our view, this was driven by: (1) The possibility of more optimistic outcomes in trade negotiations; (2) a reduced likelihood of the US falling into recession; and (3) monetary easing, combined with relatively more attractive valuations outside the US. On the latter, investors have rebalanced their portfolios, reducing overweight positions in said country. However, we do not rule out that earnings resilience, boosted by a weaker dollar –which particularly benefits large multinationals– and a relatively looser fiscal policy that will help economic growth at the margin, will keep supporting US indices. Bloomberg's consensus anticipates a moderation in S&P500 companies' 2Q25 earnings growth to 2.8% from 12.7% y/y in the first quarter. However, this is largely explained by a challenging base effect. In fact, growth would accelerate thereafter, strengthening expectations of returning to double-digit rates in 2026. In this backdrop, we believe that the performance of US indices will depend on: (1) The sustainability of corporate earnings and profitability as some tariffs are implemented; (2) progress on trade agreements, particularly with China; (3) the evolution of US monetary policy in a backdrop of possible inflationary pressures; (4) the dynamics of long-term interest rates after the approval of the latest US fiscal package; and (5) geopolitical conflicts.

We estimate the S&P500 at 6,400pts by year-end (previous: 6,100pts) and set a level of 6,800pts for 2026. The change reflects an upward revision to our EPS estimate on the back of a less negative impact from tariffs and a weaker dollar. We now anticipate +7.0% y/y in 2025 (vs 5.0% previously) and +12.5% y/y in 2026 (vs 10.0% before). Meanwhile, we maintain our target multiples for the 'Magnificent Seven' at the 5-year average, which would add 0.4pts to the full valuation of the S&P500 index (P/E). With this, we reiterate a target P/E *fwd* multiple of 21.4x. For 3Q25, we identify the most attractive opportunities at the sector level in Communication Services, Healthcare, and Technology. Furthermore, we set a 6,800pts target by year-end 2026. This forecast considers a modest recovery in US GDP growth and looser monetary policy from the Fed.

We also raise our year-end forecast for the Mexbol from 54,000 to 58,500pts and set a 2026 target of 65,000pts. 1H25 exceeded our expectations by far: +28.7% in USD and +16.0% in MXN. In our view, the inflection point was Mexico's exclusion from reciprocal tariffs, which translated into a significant reduction in the local risk premium. This reflects more modest headwinds for earnings growth because of trade negotiations and sustained growth through 2026. In response: (1) We reviewed our EBITDA estimate for 2025 for the companies in the index from +2.5% to +5.3% y/y; and (2) we set a target FV/EBITDA multiple of 5.4x, above its current level of 5.1x, on the back of lower interest rates. Thus, we raise our year-end Mexbol target to 58,500pts. For year-end 2026 we forecast 65,000pts, implying an annual return of 11.1% excluding dividends. We see an economic recovery that would translate into 6.6% y/y growth in EBITDA. In addition, we assume a modest expansion of the FV/EBITDA multiple to 5.5x. We do not rule out the possibility of persistent volatility (with close attention to the USMCA revision) and we are relatively cautious after the most recent and sharp rally. In this backdrop, we continue to believe that adequate stock picking is the best way to participate in the market. Our top-picks have shown an outstanding performance, with returns well above the Mexbol (+40.6pp). Among them, we reaffirm Femsa, Fmty, Gap, and Lacomer. Finally, we include Alfa/Sigma as we like its defensive profile, positive outlook, and its extremely attractive valuation.

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S&P500 forecast for 2025
Pts

P/E *Fwd*	S&P500	Potential Return (%)
22.0x	6,571	4.9
21.4x	**6,392**	**2.2**
20.8x	6,213	-0.8

Source: Bloomberg, Banorte

S&P500 forecast for 2026
Pts

P/E *Fwd*	S&P500	Potential Return (%)
23.6x	7,033	12.3
23.0x	**6,854**	**9.4**
22.4x	6,675	6.6

Source: Bloomberg, Banorte

Mexbol forecast for 2025
Pts

FV/EBITDA	Mexbol	Potential Return (%)
5.6x	61,555	9.0
5.4x	**58,518**	**3.6**
5.2x	55,481	-17

Source: Bloomberg, Banorte

Mexbol forecast for 2026
Pts

FV/EBITDA	Mexbol	Potential Return (%)
5.7x	68,301	21.0
5.5x	**65,063**	**15.2**
5.3x	61,825	9.5

Source: Bloomberg, Banorte
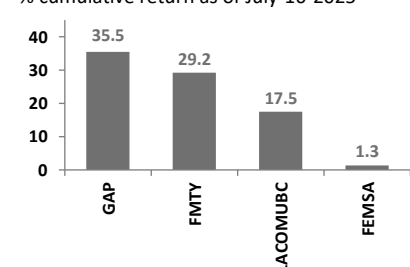
Top-picks vs Mexbol since 2023*
% cumulative return as of July-16-2025
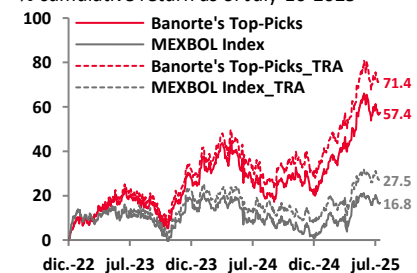
* Note: Assuming an equally weighted portfolio.
TRA: Total return, including capital gains and dividends.
Source: Bloomberg, Banorte

Top-picks performance*
% cumulative return as of July-16-2025

* Note: Relative performance vs Mexbol_TRA since inclusion as top-picks: Gap +20.8pp; Fmty +17.4pp; Lacomer +14.7pp, and Femsa -13.0pp.
Source: Bloomberg, Banorte

Commodities

Oil limited by oversupply. The interplay between rising collective output from OPEC+ and geopolitical risk premia has resulted in high oil price volatility throughout the year. For instance, Brent reached up to 79 $/bbl at the peak of the latest tensions in the Middle East but has already retreated back to 70 $/bbl, accumulating a year-to-date loss of about 8%. In this context, persistently higher than expected production volumes have been the dominant force. The net result is that the market remains oversupplied. On top of that, downside risks should be added from lower consumption on expectations of a global slowdown. The *International Energy Agency* (EIA) projects global oil production to grow by 2.1 Mbbl/d in 2025, bringing total supply to 105.1 Mbbl/d. On demand, their forecast for global consumption growth was revised lower to +0.7 Mbbl/d. Excluding the pandemic, this would be its weakest expansion since 2009, largely attributed to subdued momentum in emerging markets. Hence, global demand is estimated to reach 103.7 Mbbl/d, implying an inventory build-up absent new supply disruptions. In refined products, the balance also points to a surplus in the coming months despite the typical seasonal boost in the summer as softer consumption in Asia and US tariffs cap the recovery. Regarding OPEC+ plans to ramp up production, an additional increase of 550 Kbbl/d could potentially be formalized at the August 3rd meeting. However, at least 1.65 Mbbl/d remain sidelined from the market, with the current framework of collective output cuts likely keeping those barrels offline through December 2026. All in all, we maintain our view of low prices and reiterate our Brent price forecast for a trading range bounded by 55 to 75 $/bbl for the remainder of the year.

Gold towards 3,600 $/oz t. Gold delivered a strong performance in the first half of the year and has posted a +27% gain year-to-date. We hold our constructive outlook and raise the price target to 3,600 $/oz t from 3,350 currently, supported by: (1) Heightened uncertainty weighing on the USD, which erodes its relative carry advantage; (2) structural support from increased central bank purchases; and (3) upcoming interest rate cuts. Similarly, we remain positive on silver despite its +31% gain so far in 2025. Its dual role as both a precious metal and an industrial input adds to its appeal. We see continued support from safe-haven flows and precious metals demand. In parallel, industrial applications spanning from technology, electronics, and defense face persistent supply deficits that suggest the rally still has room to run. For copper, the recent US announcement of 50% tariffs starting on August 1st triggered a sharp upward move. That said, we believe the bias is now tilted to the downside, at least in the short-term. If said tariff is implemented global consumption would be impacted, while its removal would unwind the current risk premia embedded in market prices.

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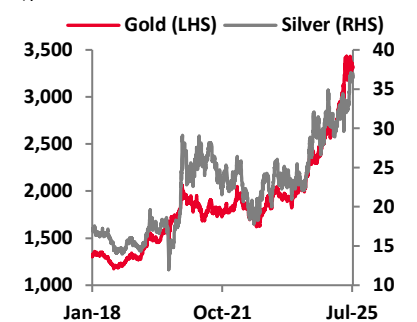**Brent: Price and 30-day volatility**
$/bbl and st. dev. of 30 daily % returns
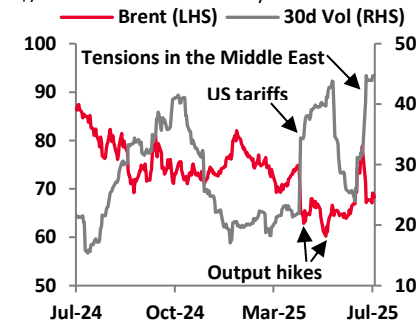
Source: Bloomberg, Banorte

Precious metal prices
$/t oz

Source: Bloomberg, Banorte

Commodities price performance and market consensus forecasts

Commodity	Unit	Spot*	Performance (%)						Market consensus forecasts				
			2023	2024	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26	2025	2026
WTI	$/bbl	66.38	-10.73	0.10	-16.40	5.21	-0.33	-8.91	64.00	61.67	60.00	65.00	61.00
Brent	$/bbl	68.74	-10.32	-3.12	-16.94	4.00	0.13	-9.54	67.00	65.00	64.67	68.00	65.00
Natural Gas (H. Hub)	$/MMBtu	3.55	-43.82	44.51	12.38	24.29	13.38	-16.10	3.56	4.00	4.20	3.73	3.95
Gasoline (RBOB)	$/gal	2.14	-14.51	-4.81	-22.42	2.01	14.07	-8.90	2.10	1.92	1.97	2.08	1.96
Gold	$/t oz	3,347	13.10	27.22	13.23	-0.38	19.02	5.75	3,250	3,270	3,335	3,150	3,229
Silver	$/t oz	37.91	-0.66	21.46	6.92	-7.24	17.94	5.94	34.85	35.25	36.20	33.86	36.00
Copper	$/mt	9,635	2.23	2.44	2.40	-10.79	10.74	1.64	9,471	9,502	9,500	9,479	9,708
Corn	¢/bu	405	-30.55	-2.71	6.92	7.95	-0.27	-8.04	458	460	450	458	456
Wheat	¢/bu	541	-20.71	-12.18	5.51	-5.57	-2.63	-1.54	545	553	580	560	575

Source: Bloomberg *Last closing price; RBOB (Reformulated gasoline blendstock for oxygenate blending)

Corporate Debt

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Global spreads normalizing amid uncertainty about trade policy outcomes. In the opening weeks of 2Q25, the corporate bond market reflected heightened uncertainty stemming from shifting dynamics on global trade issues. Credit spreads –both relative to sovereign bonds and between investment grade and high-yield– spiked to 12-month highs. Following the pause in tariff implementation and progress in trade negotiations, spreads have gradually retraced toward their 12-month averages, and in some cases, they are tighter than the levels seen in 2022 and 2023. Specifically, the *Bloomberg High Yield OAS Index* peaked at 440bps and currently trades at 297bps. Looking ahead to 3Q25, we expect risk premia to edge higher at the margin on the back of renewed trade tensions. We also anticipate a reduced pace of primary issuances after the surge in deal flow seen in the second quarter, with a better outlook towards the end of the year. Fundamentals across issuers remain broadly resilient, which is also reflected in low global default rates.

The local market will remain driven by refinancings, with limited primary supply expected in 3Q25. In the first half of the year, the domestic bond market saw a 25.5% y/y increase in issuance. It is worth noting that issuance volumes dipped last year amid the electoral cycle, a common pattern during such periods, which created a favorable base effect. The bulk of 2025 placements have been oriented towards refinancings, with minimal proceeds allocated to CAPEX. We attribute this to the uncertainty surrounding the current macroeconomic environment. For 3Q25, we expect weak primary market activity given an almost empty pipeline, followed by a modest pickup toward the end of the year, in line with seasonal maturity profiles and historical issuance patterns in the local debt market. Factoring in these dynamics and the likely participation of recurring issuers, we estimate 2025 issuance will reach approximately MXN 185 billion, a 6.6% decline relative to 2024.

BBG Global Corporate OAS vs. High Yield
Basis points

Source: Bloomberg.

Annual Issued Amount
MXN million, %

Source: Banorte with information from PiP and BMV. *Estimates
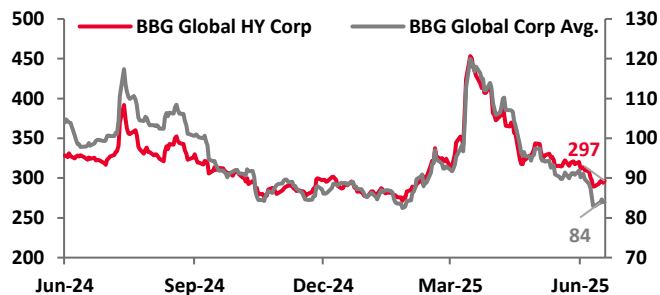
Spreads – Floating rate notes
Basis points

Source: Banorte with information from PiP

Spreads – Fixed rate notes
Basis points
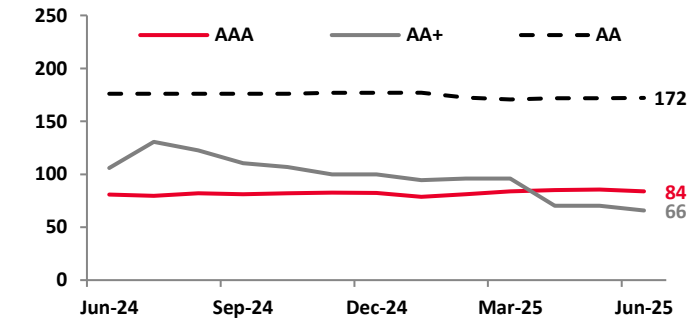
Source: Bloomberg

PEMEX

Market focus on PEMEX's new business plan. Investor attention remains firmly on the anticipated release of PEMEX's new business plan, which has been referenced in multiple official forums, including President Claudia Sheinbaum's morning press briefing and the most recent earnings call of the state-owned oil company. We expect a vertical restructuring of the firm, entailing a reduction in the number of subsidiaries, as well as the reaffirmation of the crude production target of 1,800 Kbbl/d. The latter goal has also been reiterated by PEMEX CEO Víctor Rodríguez Padilla in his early public statements. The focus will be on the details about mechanisms for debt support and the company's broader funding strategy, especially considering that PEMEX faces its heaviest maturity burden in 2026, totalling US$14.2 billion (MXN 264.3 billion). In this context, we highlight the recent filing for a note listing of up to US$3.7 billion, its first in nearly two years, which would cover 2025 maturities.

Challenges persist for hydrocarbon production. During the first five months of the year (latest available data), PEMEX's average crude output stood at 1,621 Kbbl/d, below both the 1,759 Kbbl/d in 2024 and the company's stated target of 1,800 Kbbl/d. Refining activity has been uneven but is in a stronger footing after the sharp decline seen at the end of last year. The most recent figure stands at 925 Kbbl/d in May (+9.9% y/y), largely driven by a rebound in output at the Dos Bocas refinery.

Supplier debt remains in focus as well. Accounts payable to suppliers, which totalled MXN 404.4 billion (US$19.9 billion) as of 1Q25, remain on investors' watch. The federal government has indicated that financial support has been granted to address these liabilities, and we will be monitoring 2Q25 results closely for signs of progress on this front. On profitability, revenues may come under pressure from softer crude prices and lower production. However, Mexican peso appreciation year-to-date may provide a tailwind to net income via FX gains due to the company's substantial debt exposure in foreign currency.

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Upcoming Maturities – PEMEX*
MXN billion with an FX rate of USD/MXN 18.74
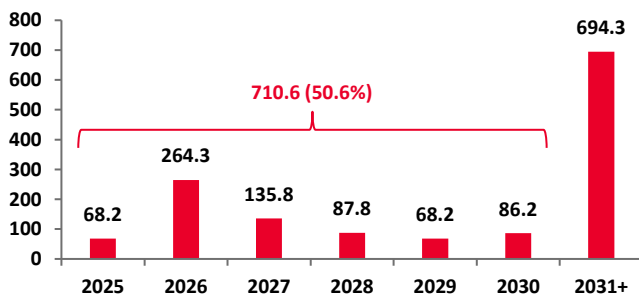
* Note: Revolving credit lines with banks not included. Source: Bloomberg

National Refining System: Crude processing
Thousand barrels per day (Kbbl/d)
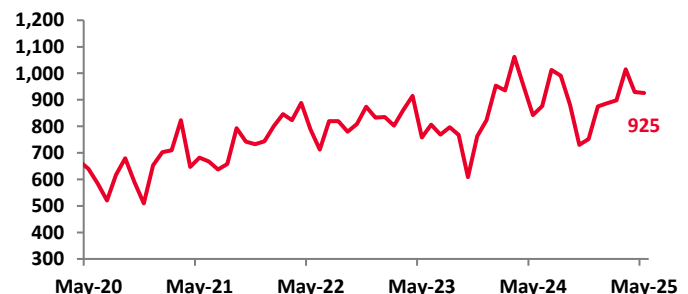
*Deer Park refinery not included. Source: PEMEX as of May 2025

Monthly liquid hydrocarbons output
Thousand barrels per day (Kbbl/d)

Source: PEMEX as of May 2025

5Y CDS: PEMEX vs Sovereign
Bps, data as of July 14th, 2025
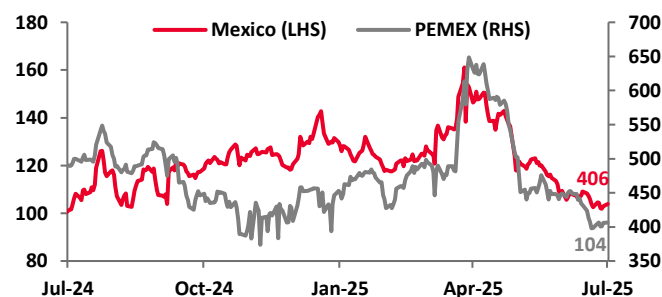
Source: Banorte with data from Bloomberg

CFE

2025–2030 Expansion plan aimed at meeting current and future electricity demand. Amid the presentation of its 1Q25 earnings release, CFE introduced its 2025–2030 Expansion Plan. The plan outlined an expected MXN 65 billion in self-funded investments. The program includes four combined-cycle power plants, one internal combustion facility, and two photovoltaic centres. These initiatives collectively aim to inject 3,150 MW into the national power grid. Additionally, the plan earmarks: (1) MXN 47 billion in mixed project investments, adding a further 2,402 MW; and (2) 158 infrastructure upgrades targeting the National Transmission Grid. We believe the execution of these initiatives would help accommodate medium- and long-term demand growth.

Profitability remains weak, while debt keeps rising. As of 1Q25, total debt increased 55.6% y/y, standing at MXN 1,479 billion. In this context, the company maintains its dominant position in the domestic debt market, ranking first by outstanding issuance amount across both short- and long-term securities. On debt composition, the share of foreign-currency-denominated securities has risen, now accounting for 57% of total documented debt (vs. 48% in 1Q24). Meanwhile, profitability continues to decline: EBITDA contracted 38.2% y/y, with margins narrowing to 15.9% from 28.7% in the same period last year. Net income has remained negative every quarter since 2Q24 despite consistent revenue growth. Given lower energy input costs –particularly natural gas– relative to early 2025, the company could face some relief on profitability.

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CFE: Upcoming maturities
MXN billion

Source: Banorte with data from Bloomberg

CFE: Debt Classification by maturity
MXN billion
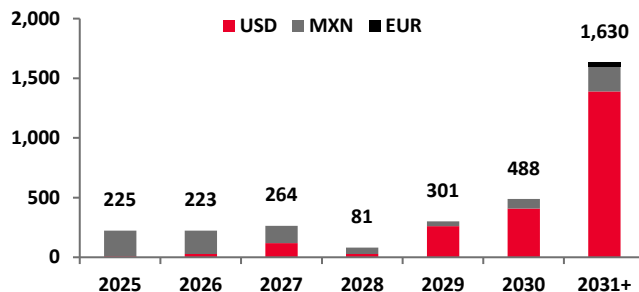
Source: Banorte with data from Capital IQ

Total Revenue and EBITDA margin
MXN billion and %
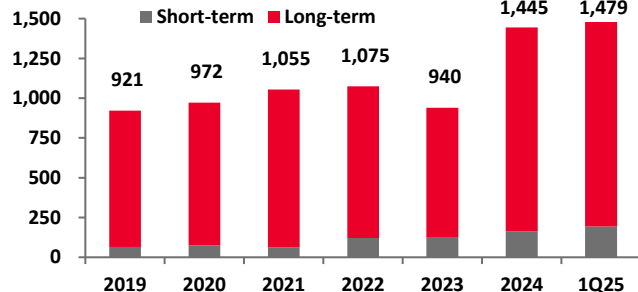
Source: Banorte with data from Capital IQ

CFE: Installed capacity and net generation
MW, TWh
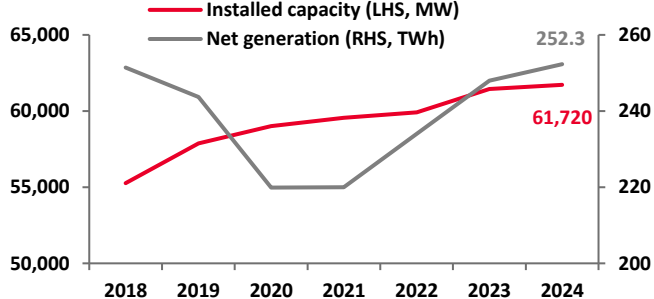
Source: CFE

Quantitative Analysis

Banorte's National Home Price Index

In January 2025, we presented Banorte's National Home Price Index (INBAPREVI), which is a tool designed to overcome the limitations of traditional indicators in the analysis of the real estate market in Mexico. Using web scraping techniques, INBAPREVI collects monthly data from more than 180,000 homes, generating a national and state housing price index. This approach offers an updated and detailed perspective, improving the representation of real estate market trends. Among the main innovations, the indicator combines repeat sales methodologies and age adjustments, providing a more precise and less biased analysis.

During June 2025, INBAPREVI shows that house prices nationwide recorded a 3.5% y/y increase, which reflects the general upward trend in the Mexican real estate market, driven by the gradual recovery of household's incomes.

In June, the average price in Mexico was $30,694 pesos per square meter (US$1,649), marking a 0.4% m/m increase. This monthly gain, although moderate, remains aligned with the annual trend shown by the indicator.

Our index also includes sub-indexes for 15 states within the country. In June, the average price per square meter of home sales in Mexico City reached $56,811 pesos (US$3,052.4), consolidating it as the entity with the highest prices in the country. In contrast, Tamaulipas recorded the lowest price, at $17,624 pesos per square meter (US$946.9; refer to the chart below). These figures reflect the notable disparity in the cost of housing between different regions of the country, influenced by factors such as location, demand, and characteristics of the properties.

In terms of monthly growth, Nuevo Leon stood out as the state with the largest increase in prices during June, with an 1.1% m/m gain. In contrast, Hidalgo experienced the steepest decline, with a 0.6% reduction in prices per square meter. These variations reflect specific dynamics of each region.

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Banorte's National Home Price Index
MXN by square meter

Mexico City	Nuevo Leon	Jalisco	Sinaloa	Baja California	State of Mexico	National Average	Yucatan	San Luis Potosi	Puebla	Queretaro	Guanajuato	Sonora	Morelos	Hidalgo	Tamaulipas
56,811	53,472	45,196	42,038	38,792	37,919	30,694	28,281	26,069	24,981	24,366	21,247	21,170	20,642	20,291	17,624

Source: Banorte

Quantitative Analysis

Nowcasting Mexico's Economic Activity

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Previously, we presented a Nowcast model of IGAE's growth using high-frequency financial and transactional data, as well as incorporating a wide range of macroeconomic information as it becomes available.

One of the most relevant economic indicators in Mexico is the IGAE (Global Economic Activity Indicator), given that it allows to monitor Mexico's growth dynamics. However, despite that the IGAE is a good monthly GDP-proxy –since it covers around 95% of Mexico's GDP in one month– it has a 56-day lag.

Our nowcast model has a high accuracy forecasting IGAE's growth just 10 days after the end of the month. Our model also gives us a fair estimate of IGAE's economic growth just one day after the end of each month. With this approach, we aim to read the real-time flow of information and evaluate its effects on current economic conditions.

Our model estimated a sharp slowdown in 2Q25. The recent economic data available for our model's estimation points to a significant deceleration of the Mexican economy in the second quarter of 2025. This slowdown would be explained by a contraction in industrial activity, particularly marked by reduced dynamism in both the construction and mining sectors.

In addition, the uncertainty generated by the impact of the protectionist trade policy implemented in the US, along with other domestic factors, has resulted in a contraction in private investment levels in our country. This has also affected the growth dynamics of the labor market, particularly in job creation within both the construction and manufacturing sectors.

In contrast, economic indicators related to domestic spending present a more optimistic outlook for the Mexican economy. Non-traditional data sources –such as keyword searches on Google Trends– suggest that private consumption was the main driver of economic growth in our country. Similarly, transactional data showed increased household spending activity, particularly in June.

As a result, our model forecasts:

- A **0.2% y/y nsa contraction** in **May's** economic activity; and
- A **0.1.6% y/y nsa growth** in **June's** output

IGAE vs Nowcast Banorte
% y/y
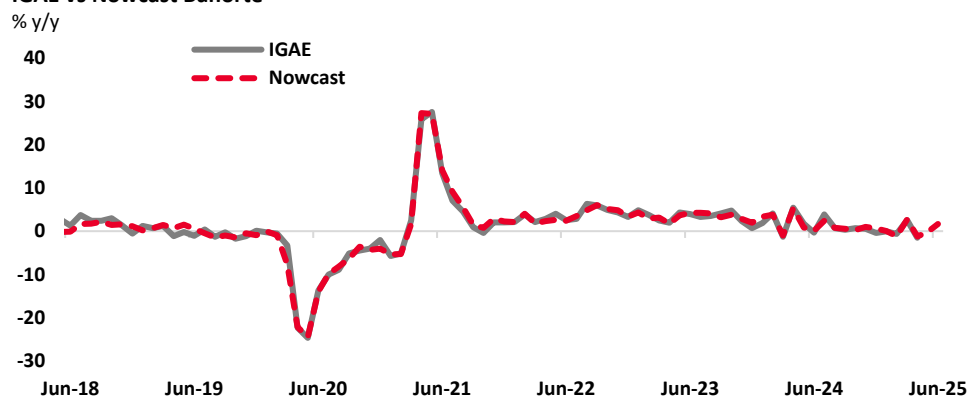
Source: Banorte

Quantitative Analysis

Fed's topics classification using NLP and ML techniques

We previously developed a model using natural language processing (NLP) techniques that classifies and interprets the FOMC statements. In addition, the model allows us to confirm whether the communication made by the central bank is coherent with the monetary policy implemented (refer to: Welcome to the Machine (Learning): An NLP framework for analyzing the Fed's monetary policy statements).

Fed remained cautious during the second quarter of 2025. In the last monetary policy decision, the Fed decided to keep the federal funds rate unchanged at 4.50% (upper bound). This pause in rate cuts during the first half of the year reflects the Committee's reserved stance on making adjustments, indicating they will remain data-dependent to determine an appropriate policy stance.

Our NLP model identified that Powell maintains a hawkish bias. The model classified Powell's most recent speeches as significantly more hawkish throughout 2025. Nevertheless, the model continues to rank the semantics of the statement with the central topic alluding to the tightening monetary cycle of 2023 (Topic 8 in the chart below). We highlight that this topic has remained the prevalent one since the Fed began implementing its restrictive policy in 2022.

In this regard, the same topic provides an estimate of the terminal rate for the Fed's easing cycle. Taking the 1st quartile for the monetary policy rates included within this topic, we forecast that the upper bound for the terminal rate in the easing cycle will stand at 2% (refer to the following chart). This does not imply that we will reach this level in 2025, as the model estimate can be achieved in the next 2 to 3 years.

We expect two 25bps cuts in the last quarter of the year. During the most recent press conference, Powell emphasized that the FOMC will remain cautious due to uncertainty generated from tariffs, immigration, and regulatory policies. He also highlighted that key economic indicators reflect a strong economy and a solid labor market. However, inflation remains slightly above target, and private consumption continues to moderate. In this regard, considering recent economic data and Powell's more hawkish rhetoric, we anticipate only two 25bps rate cuts (October and December).

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Range of fed funds rate by Topic
%
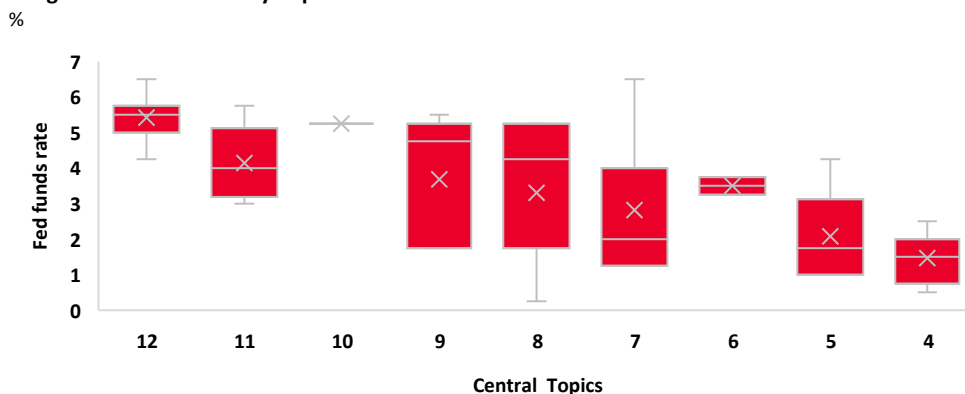
Source: Banorte

Quantitative Analysis

Hawk-o-meter – Interpreting the hawkish/dovish bias of FOMC members

In order to classify and have an objective interpretation of the speeches made by voting and alternate members of the Federal Open Market Committee (FOMC), an analytical tool was built based on natural language processing (NLP) and machine learning (ML) techniques (refer to: Hawk-o-meter: An AI approach to FOMC speeches). The classification of the speeches helps identify the hawkish or dovish bias of each member.

FOMC voters have a more hawkish rhetoric. The Committee maintained a neutral rhetoric when rate cuts paused in January 2025. Nevertheless, our classification model identified a significant shift in the monetary stance of several voting members after March decision: (1) Cook and Waller changed significantly their tone from dovish to hawkish; (2) Powell, Williams, Goolsbee, Barr, Jefferson, Kugler, and Musalem intensified their hawkish tone; and (3) Bowman and Collins did not have participation in the second quarterly.

The increase in the restrictive tone of the FOMC members is probably due to the performance of the key economic indicators, uncertainty about the tariffs and the Fed's upward revision on the expected inflation path. In this context, despite the score generated by our hawk-o-meter reveals a significant shift in the overall tone of the Committee, **75% of the Committee members increased their hawkish rhetoric in the second quarter of 2025** (refer to the charts below).

We expect two 25bps cuts in October and December. Our forecast is based on:

1) The increase in hawkish rhetoric among FOMC voting members;
2) The upward revision of core inflation, from 2.8% to 3.1%, in the official projections for this year; and
3) The latest leading economic indicators in the US, including signs of strength in the labor market, a significant increase in job creation during the month of June and the inflation data for June 2025, where core inflation has remained at 2.8%

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Hawk-o-meter – Jan'-Mar'25 Speeches
Speeches' tone

Member	Score
C. Powell	0.57
Jefferson	0.22
Schmid	0.14
Williams	0.11
Musalem	0.10
Goolsbee	0.09
Bowman	0.07
Barr	0.06
Avg.	0.04
Cook	(0.10)
Waller	(0.14)
Kugler	(0.14)
Collins	(0.50)
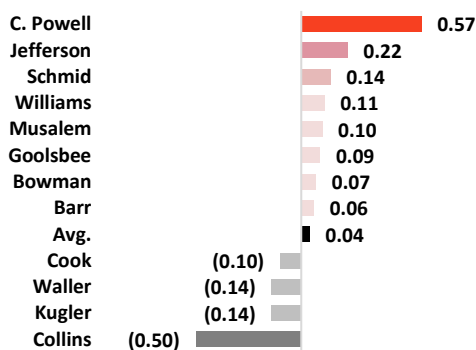
Source: Banorte

Hawk-o-meter – Apr-Jun´25 Speeches
Speeches´ tone
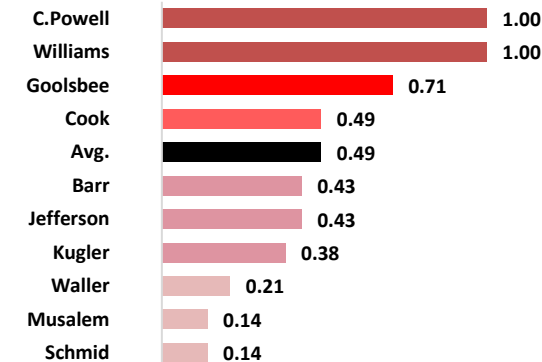
Member	Score
C.Powell	1.00
Williams	1.00
Goolsbee	0.71
Cook	0.49
Avg.	0.49
Barr	0.43
Jefferson	0.43
Kugler	0.38
Waller	0.21
Musalem	0.14
Schmid	0.14

Source: Banorte

75%
of the Committee's members increase his **hawkish** rethoric in the second quarter of 2025

Quantitative Analysis

Hawk-o-meter – Interpreting the hawkish/dovish bias of Banxico's members

To classify and interpret the rhetoric of Banco de Mexico's Board, a Hawk-o-meter was built using natural language processing (NLP) techniques and machine learning (ML) models. The classification of Banxico's Board helps identify those members who have a hawkish or dovish bias. In our model, a value between 0 to 1 refers to a hawkish tone, while a value between -1 to 0 refers to a dovish tendency.

The estimated model was trained using the comments from the minutes of the monetary policy meetings since May 2018. For the training process, the transcripts of the minutes were used since they segment the comments of each of the 5 voting members. However, the transcripts have a limitation, since they are available until June 2022. To assign the comments made by each member after this date, we used an expert judgment analysis. It is important to note that, although this does not affect the model training process, there is certain subjectivity in classifying the comments using expert judgment.

The model reaffirms an accommodative stance from Banxico's Board. Our NLP classification model identified that most members ended the first half of 2025 with a dovish tone. Governor Victoria Rodríguez, Deputy Governor Omar Mejía, and Deputy Governor Galia Borja maintained an expansive narrative, while Deputy Governor Jonathan Heath maintained a hawkish tone. Meanwhile, Deputy Governor Gabriel Cuadra showed a more dovish stance in the most recent decision (see the chart below). It is worth noting that our natural language model identified a significant shift in Deputy Governor Gabriel Cuadra's narrative, adopting a more dovish tone and different semantics compared to the neutral tone he had at the beginning of the year when he joined Banxico's Board.

We anticipate the policy rate will end 2025 at 7.00%. In June 2025, Banxico cut the reference rate by 50bps in a majority decision. In this context, and given the expansive stance adopted by most board members –who point to the need for a less restrictive policy– we estimate that the central bank could reduce the target rate by an additional 100bps over the remainder of the year, bringing it to 7.00% by year-end.

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Tone of Banxico's Board comments
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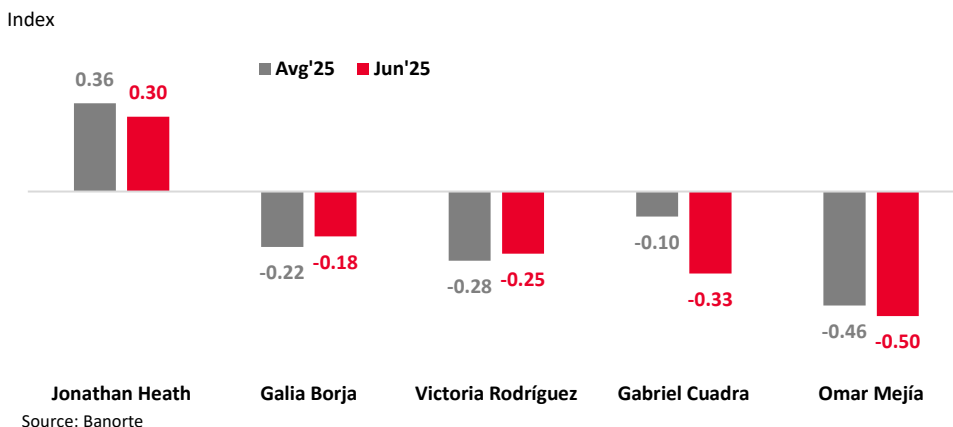
Source: Banorte

80%
Of Banxico's Board had a dovish tone closing the second quarter of 2025

Quantitative Analysis

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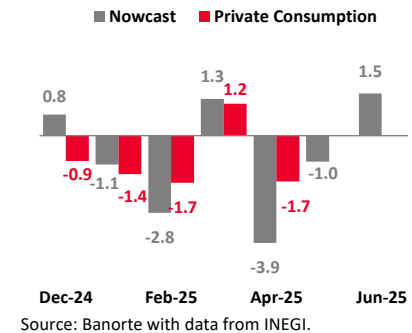alejandro.padilla@banorte.com

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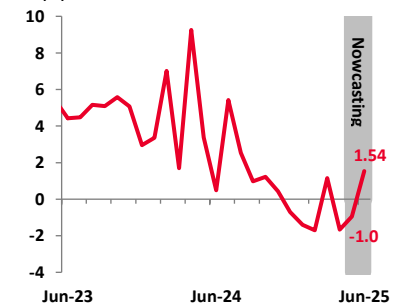jose.ramirez.martinez@banorte.com

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Nowcasting Model for Mexico's Private Consumption

Private consumption resilience in 2Q25. In a challenging external context, accentuated by a weak labor market, our estimates point to fragile national consumption during the recently concluded quarter. However, the MXN appreciation in June significantly boosted imported goods consumption, generating a more favorable outlook. Therefore, although our short-term forecast (nowcasting) estimates that private consumption will post a -1.1% annual decline we also expect a 0.7% q/q growth (sa).

Our econometric and machine learning models incorporate labor market, monetary, energy, tourism and external sector variables that best explain the dynamics of national and imported consumption.

Labor market accentuates its weakness. The labor market continues to decelerate. During 2Q25, 139.4 thousand jobs were lost nationwide compared to the previous quarter, with the construction sector presenting losses of 21,210 jobs. This sectoral weakness is also reflected in wage dynamics. Real wages in construction recorded a moderate 0.5% annual growth, significantly lower than the performance of other sectors such as manufacturing (3.7%) and commerce (2.9%). These increases suggest a gradual deterioration of general labor conditions, particularly in labor-intensive sectors such as construction.

Positive exchange rate impact toward the end of the quarter. Initial imported consumption data reflected a 0.8% monthly contraction during May 2025 (sa). However, the peso recovery in late May and especially in June reversed this trend. In 2Q25, the MXN value increased 4.5% compared to the previous quarter, increasing purchasing power for imported goods. This exchange rate increase suggests that demand for external products rebounded in June, partially offsetting the weakness shown at the beginning of the period.

Vehicle exports recover with new tariff rules. In late May, the reduction of the U.S. tariff from 25% to 15% for imported automobiles with minimum regional content manufactured in Mexico was implemented, a measure that had a significant impact on the national automotive sector toward the end of the quarter. While vehicle exports in April-May 2025 registered a 6.7% annual decline, they rebounded in June with 14% annual growth, evidencing an immediate positive effect of the new tariff measure on national economic activity. Given the better growth prospects in economic activity stemming from the recovery in manufacturing production due to this effect, it is likely that private consumption in June will post higher gains in June.

Nowcast model vs. official statistics
% y/y

Source: Banorte with data from INEGI.

Mexico´s Private Consumption
% y/y

Source: Banorte, with data from INEGI.

Recent research notes

Zoom Nearshoring

- *Volume I: Nearshoring could unleash Mexico's potential,* March 6, 2023, <pdf>
- *Volume II: Shifting Gears: Exploring Mexico's Regional Advantages for Nearshoring,* July 17, 2023, <pdf>
- *Volume lll: Nearshoring and the Mexican Stock Market,* January 11, 2024, <pdf>

Mexico

- View from the Top – Maritime trade and port investments, July 11, 2025, <pdf>
- *Banxico minutes – The cutting cycle will continue, albeit with adjustments of a lower magnitude,* July 10, 2025, <pdf>
- June inflation – *We review our year-end estimate upwards due to higher pressures at the core*, July 9, 2025, <pdf>
- *México – Banxico will turn over $18 billion in Operating Surplus to the MoF,* April 29, 2025, <pdf>
- *México – Fitch affirms Mexico's 'BBB-' sovereign rating, maintaining a stable outlook,* April 16, 2025, <pdf>
- *Sizable increase in tariffs for the rest of the world, but Mexico ends up well positioned,* April 3, 2025, <pdf>
- *Analysis of the 2026 Preliminary Budget Criteria,* April 2, 2025, <pdf>
- *US – Mexico: 25% tariffs on foreign auto imports are announced,* March 27, 2025, <pdf>
- *US – Mexico: 25% tariffs on steel and aluminum come into force,* March 12, 2025, <pdf>
- *US – Mexico: Tariff suspension, but for how long?,* March 6, 2025, <pdf>

Quantitative Research

- *Fed's monetary policy: We expect two 25 bps cuts in the last quarter of 2025,* June 18, 2025, <pdf>

Fixed-Income, FX, and Commodities

- *Fixed-Income and FX Weekly,* July 11, 2025, <pdf>
- *OPEC+: Greater production ramp-up for August,* July 7, 2025, <pdf>
- *3Q25 Auction Calendar: Increased supply of fixed-rate debt denominated in UDIS,* June 27, 2025, <pdf>
- *Government securities exchange auction results,* June 13, 2025, <pdf>
- *Syndicated auction results of new 10-year Mbono (Feb'36),* June 12, 2025, <pdf>
- *USD/MXN: A stronger peso amid dollar weakening and an improvement in Mexican risk premia,* May 27, 2025, <pdf>
- *MoF's Annual Financing Plan 2025,* December 20, 2024, <pdf>

Equities

- *Flash ALFA|SIGMA: Spain seeks to recover its productive capacity, June 25, 2025, <pdf>*
- *Flash GAP: Investment Development Programs and maximum rates for 2026-2030 are approved in Jamaica,* June 9, 2025, <pdf>
- *Flash: AC announces agreement to acquire Imperial,* June 9, 2025, <pdf>
- *Flash: Femsa starts with the 2025 buyback fund*, May 19, 2025, <pdf>
- *Flash: Alsea signs development agreement with Chipotle to open restaurants in Mexico*, April 21, 2025, <pdf>

Corporate Debt

- *Corporate Bond Market Review:* June 2025*,* July 10, 2025, <pdf>
- *ESG Corporate Bonds – 1Q25,* April 28, 2025, <pdf>

Note: All our publications are available in the following link

Recent trade ideas

Trade idea	P/L	Initial date	End date
Receive 2-year TIIE-F swaps (26x1)		May-30-25	
Pay TIIE-IRS (130x1), receive 10-year SOFR	L	Feb-28-25	Apr-11-25
2y10y TIIE-F steepener	P	Jan-17-25	Apr-10-25
3y10y TIIE-IRS steepener	L	Sep-27-24	Oct-7-24
Tactical longs in Udibono Dec'26	L	Sep-27-24	Oct-24-24
2y10y TIIE-IRS steepener	P	Jul-11-24	Sep-17-24
Tactical longs in Udibono Nov'35	P	Jul-5-24	Aug-02-24
Tactical longs in Udibono Dec'26	P	Feb-16-24	Mar-08-24
Pay 1-year TIIE-IRS (13x1)	P	Jan-12-24	Jan-19-24
2y10y TIIE-IRS steepener	L	Oct-13-23	Feb-23-24
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
USD/MXN call spread (European options: long call with K=20.65 & short call with K=21.00)	L	20.55	20.25	Feb-28-25	Mar-7-25
USD/MXN call spread (American options: long call with K=20.65 & short call with K=21.00)	P	20.55	21.00	Feb-28-25	Mar-4-25
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 TIIE-IRS steepener	28bps	43bps	18bps	31bps	P[2]	Feb-15-17	Mar-15-17
5y10y TIIE-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 TIIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87%[1]	P	Nov-12-15	Feb-8-16
Long spread 10-year TIIE-IRS *vs* US Libor	436bps	410bps	456bps	410bps	P	Sep-30-15	Oct-23-15
Receive 9-month TIIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	Sep-3-15	Sep-18-15
Spread TIIE 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 TIIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	Jan-29-15	Jan-29-15
Pay 9-month TIIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	Jan-29-15	Jan-29-15
Pay 5-year TIIE-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 TIIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	Jul-11-14	Sep-10-14
Receive 1-year TIIE-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 TIIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	Oct-10-13	Oct-25-13
Receive 1-year TIIE-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 TIIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	Jun-21-13	Jul-12-13
Spread TIIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	Jun-7-13	Jun-11-13
Receive 1-year TIIE-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 TIIE-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 TIIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	Jan-11-13	Jan-24-13
Receive TIIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	Oct-19-12	Mar-8-13
Spread TIIE-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

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