2Q21 Outlook – More favorable view on global growth, but at an uneven pace

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We are one year away from the beginning of the Coronavirus pandemic and the world is in better shape after experiencing the worst health and economic crisis of the last century in 2020. Now, there is a much more promising outlook in terms of economic recovery, as reflected in the most recent upward revisions in growth projections from the OECD and the IMF. This is mainly based on three factors: (1) The continuity of the economic policy response, especially in countries like the United States, where a new fiscal stimulus plan was announced; (2) the initial phase of vaccination programs around the world that allows a transition towards a new normal; and (3) the possible readjustments in consumption patterns in countries with more accelerated inoculations (*e.g.* US), as observed during the "*Roaring Twenties*" in the West in the 1920s.

Despite this optimism, great challenges remain on the horizon. One of the most important is that the expected recovery this year will probably be uneven between countries and sectors. Additionally, we must acknowledge risks arising from new waves of contagion in various regions that might force governments to carry out new containment measures. Likewise, there is a lingering danger that growth dynamics are accompanied by inflationary pressures, which might limit the room for manoeuver for both, monetary and fiscal policy. This has already been seen in some emerging economies.

Taking into account this backdrop, global financial markets continue to validate the "*reflation trade*" thesis. This has resulted in strong stock market gains, upward pressures in long-term interest rates, and a significant revaluation in commodity prices. Given the current outlook, markets have shown higher volatility, with investors fearing that, at some point, central banks –such as the Fed– will have to normalize their accommodative strategies ahead of schedule, causing a strong rearrangement of capital flows, similar to the *Taper Tantrum* back in 2013.

In Mexico, the growth outlook this year is more favorable, mainly due to the positive effect of the US recovery, our main trading partner. However, the current situation still currently undergoes a high degree of complexity for the Mexican economy, especially with a more modest policy response since Banxico signaled the end of its easing cycle and, on the fiscal side, the room for manoeuver is limited. Additionally, investors will focus their attention on the midterm elections to take place on June 6th.

Mexico's main macroeconomic and financial forecasts
End of period

	1Q21	2Q21	3Q21	4Q21	2020	2021
GDP (% y/y)	-5.0	18.1	6.5	3.9	-8.2	5.3
Inflation (% y/y)	4.7	4.5	4.1	4.7	3.2	4.7
USD/MXN	21.43	20.90	20.50	20.20	19.91	20.20
Banxico's reference rate (%)	4.00	4.00	4.00	4.25	4.25	4.25
28-day TIIE (%)	4.29	4.35	4.35	4.60	4.48	4.60
Mexbol (points)	--	--	--	52,800	44,066	52,800

Source: Banorte

Mexico

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We recently revised our GDP estimate for this year to 5.3% y/y from 4.1%. As mentioned then, most of the boost would come from stronger dynamism in external demand, with the recently approved fiscal stimulus in the US as the main driver. Nevertheless, we also identified some pockets of opportunity in domestic sectors, which might be key once the vaccination process gains steam towards 2H21.

Moreover, we also modified our year-end inflation forecast to 4.7% y/y from 3.7% (see chart below on the left). The estimate for the core climbed to 3.7% from 3.1%. We highlight four main factors behind this change: (1) Upward surprises in realized inflation relative to our previous expectations during 1Q21; (2) lower than expected slack in the economy at the margin, along recent supply chain disruptions that are pressuring input prices; (3) expectations of additional increases in energy prices; and (4) some passthrough effect from the latter to other components, mainly to non-tourism services. In this backdrop, we expect Banxico to start tightening its policy stance in its December 16th meeting with a 25bps hike, to 4.25%. This increase would materialize before consensus expectations. Along inflation, the hike would be supported by a possible extension in pressures to financial assets, a likely tightening of the relative monetary stance, and concerns about some idiosyncratic risks.

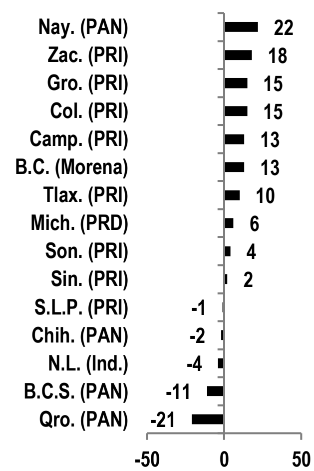
Attention in the quarter will be on the mid-term elections, with most campaigns starting on April 5th. At the federal level, the totality of the Lower House –500 seats– will be renewed, remembering that the coalition led by Morena (President Andres Manuel López-Obrador's party) currently has 334 posts (67%). According to the model from survey aggregator *Oraculus*, the new coalition from this party (which includes PT and PVEM) would win 326 positions (65%, chart below on the right). It is important to mention that this would not be enough to obtain a 'qualified majority' of 334 (two thirds), needed for constitutional changes. However, the variability range stands between 304 and 346 seats. At the state and municipal levels, there will be close to 20 thousand races (table on the right, above). According to the latest poll from *El Financiero* newspaper, out of the 15 governorships up for grabs, Morena and/or its coalition leads in 10 states (table on the right, below). It should be mentioned that said party currently governs in only one of these entities (Baja California). In our view, results will be very important given that they will influence policy dynamics in the second half of the Presidential term. Campaigns will end on June 2nd and Election Day will be on June 6th.

Election posts in 2021

Total	20,443
Federal representatives	*500*
Local positions	*19,943*
Governorships	15
Local Congresses	1,063
Municipalities	1,923
Trustees (Síndicos)	2,057
Counselors (Regidores)	14,219
Municipal boards	635
Extraordinary	31

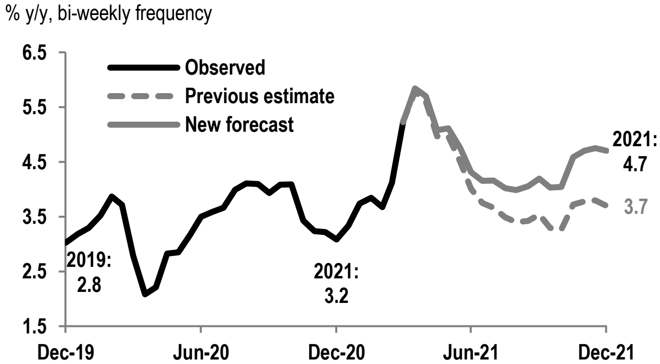
Source: INE

Morena's advantage in governorship races
% against the closest competitor



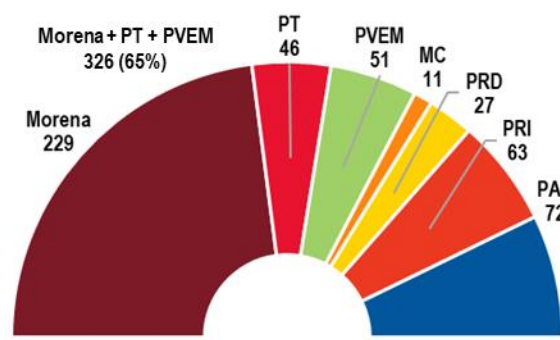
Note: Based on effective preferences; Morena is either in first or second place in all races; Text in parenthesis indicates incumbent party.
Source: Banorte with data from *El Financiero*

Inflation forecasts
% y/y, bi-weekly frequency



Source: INEGI, Banorte

Projected results for the Lower House
Seats



Note: Representatives do not add up exactly to 500 due to rounding differences
Source: Oraculus (March 26th)

United States

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Economic indicators sent mixed signals during the first three months of this year after 4.3% saar GDP growth in 4Q20. On the positive side, the labor market recovered strongly –with the unemployment rate declining from 6.7% to 6.0%–, while consumption was mixed. This recovery, together with the limited stimulus plan approved at the end of 2020 and the reduction of containment measures in several places, benefited families' spending. However, extreme cold weather in several states in mid-February was a relevant headwind. On the supply side, manufacturing had a mixed performance, supported by expectations of a strong recovery and fiscal and monetary stimulus, albeit affected by energy shutdowns, supply chains issues (*e.g.* scarcity of semiconductors) and obstructions in some ports, among others. Given this scenario, we expect GDP to have grown 5.3% in 1Q21. For the second quarter, we anticipate a very strong recovery in consumption (9.5%) on the back of a fast vaccination process and the latest fiscal stimulus package of US$1.9 trillion (8.4% of GDP). Along with the extension of unemployment benefits, consumption will be the main driver of GDP in 2Q21, which we project at 8.7%.

The quarter will be characterized by a rebound in annual inflation, mainly on challenging base effects amid low prices in these same months last year due to the start of the pandemic. In addition, nervousness remains about the rise in energy and commodity prices, the acceleration of demand, and other supply restrictions. The important thing is, in our view, whether this increase will be temporary or not. Although markets are concerned and incorporate a strong rise which they perceive as permanent, the Fed has shown a clear *dovish* tone in this front, highlighting that it will be transitory. Given the view of most Fed members that there is still a long way to go to reach their inflation and employment goals, we do not expect a reference rate hike at least until the end of 2022. We anticipate the tapering announcement late this year (December), with the process starting in 2022 at a very gradual fashion. Pressures to moderate the rise in long-term yields are likely to continue, but we do not see measures to be put in place as financial conditions remain very accommodative.

We do not expect additional fiscal stimulus, but there will be many important issues in terms of expenses, revenues and debt. On one hand, the complete presentation of the 2022 Budget after the first guidelines of the administration was published a few days ago, with attention on possible tax increases for individuals and corporations. On the other, discussions and positioning of both parties after president Biden unveiled his infrastructure, green energy and education plan.

Banorte's US forecasts

	2020	1Q21	2Q21	3Q21	4Q21	2021*
GDP (% q/q annualized rate)*	-3.5	5.3	8.7	7.0	4.5	6.1
Private Consumption	-3.9	6.1	9.5	7.8	4.5	6.9
Fixed Investment	-1.8	7.3	8.5	7.0	6.6	9.3
Exports	-12.9	11.2	9.1	8.2	7.4	8.8
Imports	-9.3	12.6	9.5	7.8	7.4	14.9
CPI (% y/y, average)	1.2	1.5	1.9	2.0	2.0	1.9
Unemployment rate (%, eop)	6.7	6.0	5.6	5.3	5.1	5.1
Non-farm payrolls (thousands)	-9,374	1,617	3,200	4,800	4,000	13,617

* All GDP estimates are % q/q saar, except for 2021, which is % y/y. eop: end of period.
Source: Banorte

Global

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The recovery process from the crisis induced by the pandemic will be characterized by a deep contrast between developed countries and emerging markets. According to the IMF, the recovery will be divergent, with 5.1% growth in the first group and 6.7% in the second. However, the latter would be heavily distorted by China (8.4%) and India (12.5%), with much greater challenges for the rest of these countries.

First, since progress on the vaccination process will be the main driver of the recovery, differences on this front are most notable. As an example, 33.5% of the population in the US has already received at least one dose; in Brazil only 9.1% and in Mexico 7.0%. The IMF estimates that advanced countries and only a few emerging markets will have wide access to vaccines in the summer of 2021. Most countries will have to wait until 2H22. This means that reopening processes are contrasting very clearly between these two groups, with employment and the services sector accelerating mainly in advanced countries. This trend is likely to continue, although we think it is important to stress risks of a very fast opening. Specifically, the challenge seems to be to have a higher vaccination rate than the contagion rate, especially in the face of risks stemming from virus mutations.

The next key issue is financial stability and the possibility of additional stimulus. Advanced economies have been aggressive in providing relief and do not seem ready to start withdrawing it (both fiscal and monetary). Given this, the recovery has come hand in hand with sharp rises in commodity prices, inflation expectations and long-term interest rates. In turn, this has led to higher financing costs and important adjustments of emerging currencies in the face of capital outflows, similar to the *Taper Tantrum* in the US back in 2013. For emerging countries, this complicates the inflation outlook –turning central banks more cautious–, while exacerbating vulnerabilities of external and fiscal accounts, limiting the available room to provide stimulus to their economies. In this sense, policy makers must walk a very fine line between aggressive stimulus and the financial imbalances they could generate, which could affect (and even reverse) the recovery. The clearest examples of this dilemma include some central banks that already had to raise rates (*e.g.* Brazil, Turkey, Russia and Ukraine) or pause the easing cycle, like Banxico recently. Although emerging market countries are very heterogeneous and the best measures to implement vary significantly according to idiosyncratic factors, the fact is that the outlook for them is much more complex.

On a more positive note, the IIF estimates that risks for these economies (including the possibility of contagion due to problems in other countries) are more modest than in 2018 or the *Taper Tantrum*. They argue that, as a group, they have better initial conditions than on this last episode. Among the reasons, the IIF argues that: (1) They did not accumulate financial inflows from abroad as high as before –stimulated by several rounds of QE in advanced economies–, so they are less vulnerable to disruptions; (2) real exchange rate appreciation has not been as severe, improving local asset valuations; and (3) current account positions are more favorable due to the adjustments already observed after the initial shock from COVID-19 (towards surpluses), requiring less financing from abroad. On the contrary, it is important to note that, if the return to normality is delayed further, risks and the negative medium- and long-term effects for these countries are likely to increase.

Fixed income (sovereign debt)

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The first quarter of this year resulted in a sharp adjustment in interest rates of sovereign bonds throughout the world. This situation took place amid a stronger economic recovery, greater stimulus actions, and the potential impact of this combination in debt and CPI dynamics, mainly in developed regions. US Treasuries led the pressures, with the 10-year benchmark moving from 0.91% to 1.74%. According to our econometric model, the fair value for this note locates at 2.15% by 2021-end. It is important to take into account that market participants could continue adjusting the valuation of long-term rates as we expect the Federal Reserve to announce the tapering of its QE program in December, aiming for a first adjustment in the beginning of 2022.

This complex situation has also affected the Mexican yield curve, registering losses of 95bps, on average, for Mbonos, with the mid-end being the most affected. It is worth mentioning that we have observed a deterioration in local trading and liquidity conditions –in line with other emerging markets–. This has sharpened intraday volatility, under a context in which EM flows have reverted the positive momentum experienced at the beginning of the year, expressed in the contraction of foreign holdings of Mexican debt. Meanwhile, when considering the adjustments in the CDS relative to other comparable economies and spreads against US Treasuries, the market has assigned a slightly higher risk premium for local securities, consistent, in our view, with the uneven recovery performance among regions and heterogenous vaccination processes, as well as a hedging strategy ahead of the mid-term local elections on June 6th.

Direction of local rates is consistent with a global and widespread recovery path, although it has possibly exceeded short-term equilibrium levels. This is the reason why we are waiting for attractive entry points for long positions in mid- and long-term Mbonos. We continue expecting a steeper nominal yield curve. However, despite acknowledging a more hawkish stance from Banxico, current pricing in the yield curve is still elevated with respect with potential adjustments in the reference rate where the central bank could deliver a 25bps rate hike in its December policy meeting. Moreover, correction in yield curves has also affected real-rate securities.

Banorte's interest rate forecasts
%

Security	2017	2018	2019	2020	2020				2021 forecasts			
					1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Banxico's reference rate												
Average	6.75	7.64	8.00	5.44	7.05	5.79	4.72	4.25	4.08	4.00	4.00	4.08
End of period	7.25	8.25	7.25	4.25	6.50	5.00	4.25	4.25	4.00	4.00	4.00	4.25
28-day Cetes												
Average	6.70	7.64	7.87	5.33	7.00	5.53	4.68	4.25	4.13	4.00	4.00	4.13
End of period	7.26	8.06	7.13	4.25	6.39	4.81	4.27	4.25	4.09	4.00	4.00	4.25
28-day TIIE												
Average	7.05	8.00	8.31	5.69	7.33	6.05	4.97	4.50	4.36	4.35	4.35	4.43
End of period	7.62	8.59	7.69	4.48	6.71	5.29	4.55	4.48	4.29	4.35	4.35	4.60
10-year Mexican bond (Mbono)												
Average	7.15	7.93	7.61	6.25	6.88	6.39	5.81	5.92	5.98	6.50	6.80	6.88
End of period	7.64	8.63	6.85	5.54	7.09	5.81	5.83	5.54	6.81	6.75	6.85	6.90
10-year US Treasury												
Average	2.33	2.91	2.14	0.88	1.38	0.68	0.65	0.85	1.31	1.80	1.92	2.08
End of period	2.41	2.71	1.92	0.91	0.67	0.66	0.68	0.91	1.74	1.85	2.00	2.15
10-year Spread Mex-US												
Average	482	502	547	534	550	571	509	507	467	498	487	480
End of period	523	592	493	463	642	515	515	463	507	490	485	475

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

Foreign exchange

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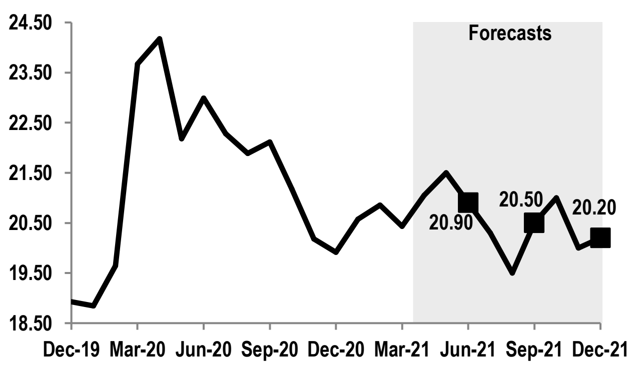
The Mexican peso reverted a solid performance at the beginning of the year which pushed the currency as strong as 19.95 per dollar, later affected by the pressures in global bonds that supported a new strengthening in the USD dollar, suggesting a greater attractiveness from rate differentials. The MXN weakened as far as 21.64 in March, a depreciation that diluted as the month advanced for a quarterly closing level of 20.43, a 2.4% sell-off q/q and pairing three consecutive positive quarters.

The recent strengthening of the US dollar has captured the uneven recovery dynamics among regions, as well as the expectation and later materialization of the strong stimulus programs in the US, in the midst of new confinements mainly affecting European countries, widening the decoupling growth pace. Having said that, the effect from the stimulus efforts has already being priced in and we expect the vaccination process to develop a more constructive context for EUR, consequently partially limiting the USD support.

For the Mexican peso, the relative resilience to pressures in other currencies and the adjustments in local interest rates are a reflection of the positive impact of the relative monetary position in which Mexico stands against other flow competitors, with a carry that will remain attractive. Moreover, even in the most stressed phase at the beginning of March with the MXN advancing to our estimate of 21.60, the underlying structure of the currency kept a stable performance in which the implied volatility curve adjusted in an orderly fashion holding pressures in the shortest-term maturities, while demand remained low for hedging needs as those offered through the swap line mechanism with the Federal Reserve. It is our take that the market will reflect a hedging process as we approach the mid-term elections, with MXN retaking direction towards its highest levels this year. From here, we later expect a breather as event-related premiums reduce. Our fair value model for the currency depicts readings for the USD/MXN at 20.60, reinforcing our view of a space of appreciation with valuations becoming richer when trading close to 19.60. However, we revised higher our MXN forecasts considering the effect of a market holding as its main course track the calibration of expectations about monetary policy normalization in the world, with EM potentially impacted by the third quarter as a tapering process could be unveiled in the US and considering adjustments of as much as 3σ for the MXN in the 2013 experience. Moreover, market participants will closely watch the likely end of Alejandro Diaz de Léon´s mandate as head of Banxico at the end of the year. Hence, we now expect USD/MXN closing 2021 at 20.20 from 19.80.

USD/MXN
Pesos per dollar



Source: Bloomberg, Banorte

USD/MXN forecasts
Pesos per dollar

Period	End of period	Previous Forecast	New Forecast	Period average
1Q20	23.67			
2Q20	22.99			
3Q20	22.11			
4Q20	19.91			
1Q21	20.43			
2Q21		20.90	20.90	21.15
3Q21		19.00	20.50	20.10
4Q21		19.80	20.20	20.40

Source: Bloomberg, Banorte *Underlined numbers indicate forecasts

Stock market indices

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During 1Q21, risk appetite continued driving the performance of the main equity indices, while US stock markets reached new record highs. The latter happened within a context of economic recovery and high liquidity, given continuous stimulus coming from economic policies, highlighting the new US fiscal program, and a vaccination process that is progressing at a promising pace, although with some economies facing more challenges than others. In the following months, the recovery would continue motivating appetite for risky assets, with companies more clearly resuming earnings growth, supported by relatively easy comps, while confirming effective strategies' adaptation towards a post-pandemic new normality. Yet, we believe said environment remains favorable for risky assets, sector rotation towards cyclical and value companies should continue, as valuations on growth companies are starting to look stretched. Nonetheless, risks related to the vaccination process and sustained economic recovery, coupled with potential inflationary pressures that could trigger an earlier-than-expected interest rate hike, and expectations of higher corporate taxes in the US (from 21% to 28%), could lead cautiousness among investors and stock market volatility.

S&P500 forecast. In our view, appetite for US equities could continue, on the back of "reflation trade" strategies, especially if solid growth in corporate earnings, as anticipated by the street in this quarterly earnings season, actually materializes. We believe that prevailing high liquidity, an accelerated vaccination process, and further economic stimulus could drive the S&P500 towards a 4,450pts level.

Mexbol forecast. In Mexico, as we did anticipate, recovery expectations and a compelling valuation, particularly in view of a cost of risk that remains attractive, drove Mexbol during 1Q21, which we still expect to continue onwards. Meanwhile, after incorporating a faster-than-expected recovery, particularly in profitability, given strategies implemented by the companies, and considering a target FV/EBITDA multiple of 8.1x (in line with LTM average), we raise our target for Mexbol in 2021 to 52,800pts from 51,200pts previously. We assumed an EBITDA growth of 8.5% y/y (vs. prior 6.8%), and a 2.5% y/y decline in net debt (vs. -4.5% previously). In our view, a re-rating will depend on recovery effectively continuing, with a vaccination process that still faces important challenges, ahead of the 2021 electoral process. In that sense, we reiterate Amx, Cemex, Femsa, Gmxt, and Nemak as our top picks 2021, while cyclical names such as Alpek, Gcc, Gmexico, and Orbia, should benefit from said recovery, and a promising infrastructure plan in the US.

S&P 500 forecast for 2021
Pts

P/E fwd	S&P 500 (pts)	Potential Return (%)
25.0x	4,843	18.2
24.0x	4,649	13.5
23.0x	**4,455**	**8.7**
22.0x	4,261	4.0
21.0x	4,068	-0.7

Source: Bloomberg, Banorte

Mexbol forecast for 2021
Pts

FV/EBITDA	Mexbol (pts)	Potential Return (%)
8.5x	56,208	16.6
8.3x	54,510	13.1
8.1x	**52,811**	**9.6**
7.9x	51,112	6.1
7.7x	49,414	2.5

Source: Bloomberg, Banorte

Commodities

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Commodities closed the 1Q21 with positive dynamics driven by the strong recovery in the energy sector that offset the negative performance in precious metals. In this sense, the Goldman Sachs Commodity Index (GSCI) and the Bloomberg Commodity Index (BCOM) increased by 14.2% q/q and 6.9% q/q, respectively.

Commodity prices have increased significantly since the end of last year, starting a supercycle driven by stronger economic expectations and successively by structural themes associated with technological developments, climate change, and new demographic trends. In this sense, the upward revision by the IMF to its global economy forecasts for 2021 to 6.0% from 5.5% reflects the vaccination progress in some countries like the US, fiscal policy response in key economies, and the return to more accelerated consumption patterns that collapsed in 2020. In specific, crude-oil prices have recovered to pre-pandemic levels printing sustained gains during 1Q21. Brent closed at 63.54 $/bbl (+22.7% q/q) and WTI at 59.16 $/bbl (+21.9% q/q). This performance also resulted from OPEC+ efforts to maintain stability in the energy market through adjustments in global supply. At present, the organization anticipates higher demand during the summer, so in its last Ministerial Meeting it agreed to gradually increase production starting in May, providing an optimistic signal regarding demand recovery. However, deficit conditions persist in the market with EIA forecasting an excess in demand of 0.8 and 1.3 Mbbl/d by the end of 2021 and 2022, respectively. In this context, we hold our expectation of Brent trading between 70 and 75 $/bbl in the year. Regarding gasoline, the EIA estimates prices of 2.14 $/gal in December for PADD 3 (+13.4% vs Dec 2020) and for natural gas it anticipates an 8.0% increase to 3.10 $/MMBtu, referring to a sustained recovery in crude-oil prices.

In terms of metals, the industrials segment outperformed precious. In the latter, gold limited the rally experienced in the previous year, printing losses of 10% q/q on the back of the renewed risk on mode. We expect more contained dynamics for this metal trading between 1,650 and 1,800 $/t oz throughout the year due to still accommodative policies and possible inflationary pressures. In industrials, copper reached its highest level since 2011 boosted by the reactivation of the industry. We maintain a positive outlook for this metal driven by the economic recovery. As a result, the gold/copper ratio as a leading indicator of economic growth will hold a positive trend. Finally, grains extended the gains of the second half of the previous year with corn trading at 7-year highs. We maintain a positive view for this asset class considering the high likelihood of "*La Niña*" weather event.

Commodities price performance and market consensus' forecasts

Commodity	Unit	Spot*	Performance (%)		Market consensus' forecasts					
			2019	2020	2Q21	3Q21	4Q21	1Q22	2021	2022
WTI	$/bbl	59.60	34.46	-20.54	61.00	60.00	60.00	58.00	58.97	56.05
Brent	$/bbl	63.32	22.68	-21.52	64.00	63.00	63.00	60.00	61.91	59.48
Natural Gas (H. Hub)	$/MMBtu	2.52	-25.54	15.99	2.67	2.65	2.90	3.00	2.74	2.62
Gasoline (RBOB)	$/gal	1.96	28.26	-17.05	1.72	1.70	1.64	1.76	1.67	1.78
Gold	$/t oz	1,756	18.31	25.12	1,788	1,800	1,750	1,750	1,788	1,706
Silver	$/t oz	25.45	15.21	47.89	25.70	25.02	24.11	23.30	25.52	23.70
Copper	$/mt	9,008	3.50	25.79	8,750	8,500	8,250	8,200	8,299	8,157
Corn	¢/bu	580	-1.01	16.31	535	515	495	465	518	463
Wheat	¢/bu	629	0.09	9.18	630	610	590	541	620	535

Source: Bloomberg *as of 8/April/21, RBOB (Reformulated gasoline blendstock for oxygenate blending)

Recent research notes

Mexico

- *Banxico Minutes – Concerned about inflation, but not necessarily stopping the easing cycle,* April 8, 2021, <pdf>
- *March inflation – We revise up our year-end forecast to 4.7% y/y from 3.7%,* April 8, 2021, <pdf>
- *2022 Preliminary Budget Criteria – Higher expected growth to improve the fiscal stance,* March 31, 2021, <pdf>
- *Banxico ends easing cycle on concerns over inflation and market volatility*, March 25, 2021, <pdf>
- *New fiscal stimulus package in the US will boost the Mexican economy*, March 11, 2021, <pdf>
- *Banxico QR – Higher forecasts suggest less room for rate cuts,* March 3, 2021, <pdf>
- *Financial authorities present inclusion program to deal with remittances*, February 8, 2021, <pdf>
- *The ten issues to watch in 2021*, December 21, 2020, <pdf>
- *Minimum wage set to increase 15% in 2021*, December 17, 2020, <pdf>
- *S&P joins Fitch in ratifying Mexico's credit rating*, December 3, 2020, <pdf>
- *The government presents a new investment plan with the private sector for $228.6 billion,* November 30, 2020, <pdf>
- *The IMF ratifies Mexico's Flexible Credit Line in its mid-term review*, November 20, 2020, <pdf>

Fixed-Income, FX, and Commodities

- *MoF issues new 20-year benchmark on the UMS curve*, April 8, 2021, <pdf>
- *OPEC+: gradual increase in production between May and July*, April 5, 2021, <pdf>
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- *Top Picks 2021: Favoring recovery and valuation*, January 22, 2021, <pdf>

Note: All our publications are available in the following link

Recent trade ideas

Trade idea	P/L	Initial date	End date
Receive 6-month TIIE-IRS (6x1)	P	17-Dec-20	3-Mar-21
Long positions in Udibono Nov'23	L	11-Feb-21	26-Feb-21
Long positions in Mbono May'29 & Nov'38	P	7-Sep-20	18-Sep-20
Long positions in Udibono Dec'25	P	23-Jul-20	10-Aug-20
Long positions in Udibono Nov'35	P	22-May-20	12-Jun-20
Long positions in Mbono May'29	P	5-May-20	22-May-20
Tactical longs in 1- & 2-year TIIE-28 IRS	P	20-Mar-20	24-Apr-20
Long positions in Udibono Nov'28	P	31-Jan-20	12-Feb-20
Long positions in Udibono Jun'22	P	9-Jan-20	22-Jan-20
Long positions in Mbono Nov'47	L	25-Oct-19	20-Nov-19
Long positions in Mbonos Nov'36 & Nov'42	P	16-Aug-19	24-Sep-19
Long positions in the short-end of Mbonos curve	P	19-Jul-19	2-Aug-19
Long positions in Mbonos Nov'42	L	5-Jul-19	12-Jul-19
Long positions in Mbonos Nov'36 & Nov'38	P	10-Jun-19	14-Jun-19
Long positions in Mbonos Jun'22 & Dec'23	P	9-Jan-19	12-Feb-19
Long floating-rate Bondes D	P	31-Oct-18	3-Jan-19
Long CPI-linkded Udibono Jun'22	L	7-Aug-18	31-Oct-18
Long floating-rate Bondes D	P	30-Apr-18	3-Aug-18
Long 20- to 30-year Mbonos	P	25-Jun-18	9-Jul-18
Short Mbonos	P	11-Jun-18	25-Jun-18
Long CPI-linkded Udibono Jun'19	P	7-May-18	14-May-18
Long 7- to 10-year Mbonos	L	26-Mar-18	23-Apr-18
Long CPI-linkded Udibono Jun'19	P	20-Mar-18	26-Mar-18
Long 5- to 10-year Mbonos	P	5-Mar-18	20-Mar-18
Long floating-rate Bondes D	P	15-Jan-18	12-Mar-18
Long 10-year UMS Nov'28 (USD)	L	15-Jan-18	2-Feb-18

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

Short-term tactical trades

Trade Idea	P/L*	Entry	Exit	Initial Date	End date
Long USD/MXN	P	19.30	19.50	11-Oct-19	20-Nov-19
Long USD/MXN	P	18.89	19.35	20-Mar-19	27-Mar-19
Long USD/MXN	P	18.99	19.28	15-Jan-19	11-Feb-19
Long USD/MXN	P	18.70	19.63	16-Oct-18	3-Jan-19
Short USD/MXN	P	20.00	18.85	2-Jul-18	24-Jul-18
Long USD/MXN	P	19.55	19.95	28-May-18	4-Jun-18
Long USD/MXN	P	18.70	19.40	23-Apr-18	14-May-18
Long USD/MXN	P	18.56	19.20	27-Nov-17	13-Dec-17
Long USD/MXN	L	19.20	18.91	6-Nov-17	17-Nov-17
Long USD/MXN	P	18.58	19.00	9-Oct-17	23-Oct-17
Short USD/MXN	L	17.80	18.24	4-Sep-17	25-Sep-17
Long USD/MXN	P	14.40	14.85	15-Dec-14	5-Jan-15
Long USD/MXN	P	13.62	14.11	21-Nov-14	3-Dec-14
Short EUR/MXN	P	17.20	17.03	27-Aug-14	4-Sep-14
Short USD/MXN	L	12.70	13.00	26-Jul-13	21-Aug-13

Source: Banorte

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	19-Jan-18	2-Apr-18
Long USD/MXN	14.98	15.50	14.60	15.43	P	20-Mar-15	20-Apr-15
Short EUR/MXN	17.70	n.a.	n.a.	16.90	P	5-Jan-15	15-Jan-15
Short USD/MXN	13.21	n.a.	n.a.	13.64	L	10-Sep-14	26-Sep-14
USD/MXN call spread**	12.99	13.30	n.a.	13.02	L	6-May-14	13-Jun-14
Directional short USD/MXN	13.00	12.70	13.25	13.28	L	31-Oct-13	8-Nov-13
Limit short USD/MXN	13.25	12.90	13.46	--	--	11-Oct-13	17-Oct-13
Short EUR/MXN	16.05	15.70	16.40	15.69	P	29-Apr-13	9-May-13
Long USD/MXN	12.60	12.90	12.40	12.40	L	11-Mar-13	13-Mar-13
Long USD/MXN	12.60	12.90	12.40	12.85	P	11-Jan-13	27-Feb-13
Tactical limit short USD/MXN	12.90	12.75	13.05	--	--	10-Dec-12	17-Dec-12
Short EUR/MXN	16.64	16.10	16.90	16.94	L	03-Oct-12	30-Oct-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*

Certification of Analysts.

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Francisco José Flores Serrano, Katia Celina Goya Ostos, Santiago Leal Singer, José Itzamna Espitia Hernández, Valentín III Mendoza Balderas, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo, Eridani Ruibal Ortega and Juan Barbier Arizmendi, 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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