

# Fixed-Income and FX Weekly

November 14, 2022

## Market outlook

- **Positive balance in local assets.** Last week, the Mbonos' curve registered gains of 55bps, on average. The 10-year benchmark closed at 9.18% (-62bps w/w). The USD/MXN ended at 19.50, printing an appreciation of 0.1% w/w
- **Markets attentive to the speeches of the Fed members and the G-20 Summit.** Last week, markets reacted to the positive surprise in the October inflation reading in the US. In addition, investors digested the results of the midterm elections, corporate reports and the crash of the FTX cryptocurrency exchange. The softening of inflation triggered a migration of flows into riskier assets, a slump in USD and a downward adjustment in market's pricing for the next Fed funds rate moves to a range of 4.75% - 5.00%, 25bps lower than the previous week. In Mexico, the central bank, in line with expectations, [increased the benchmark rate by 75bps to 10.00%](#) while [inflation](#) came in below consensus. In this context, sovereign bonds rallied. This week, the focus will be on the Fed members' speeches, which will be key for the market to consolidate its expectations of a moderation in the pace of hikes in December to 50bps, as well as on Indonesia's monetary policy decision, the ECB's Christine Lagarde's comments and the Australian central bank's minutes. Also, the release of 3Q22 GDP in the Eurozone and Japan will be of interest in view of the uncertainty about economic activity and recession risks. Additionally, the economic agenda includes a plethora of economic data in the US, inflation in the UK, ZEW survey in Germany and economic activity in Brazil. In Mexico, only the *Timely Indicator of Economic Activity* will be published. Today, Presidents Joe Biden and Xi Jinping met, within the framework of the G-20 summit, to ease tensions between both nations and pledged to resume talks on different fronts

## Fixed-Income

- **Supply** – Tomorrow, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 3-year Mbono (Mar'25), the 3-year Udibono (Dec'26), and Bondes F. Moreover, extraordinary Cetes and Bondes F auction
- **Demand** – Foreigners' holdings in Mbonos totaled MXN 1.265 trillion (US\$ 64.0 billion), a market share equal to 34.9%, as of November 1<sup>st</sup>. Short positions in Mbono May'31 ended at MXN 2.4 billion from previous MXN 6.6 billion
- **Technicals** – The spread between 10-year Mbonos and Treasuries moved to 537bps from 564bps the previous week, with the 12M mean standing at 592bps

## Foreign exchange

- **Market positioning and flows** – MXN position (as of November 1<sup>st</sup>) printed a net long of US\$ 1.1 billion from +US\$ 326 million the previous week. Mutual funds' flows to EM marked a smaller outflow of US\$ 2.6 billion from US\$ 3.1 billion
- **Technicals** – The MXN ATM implied volatility curve flattened because of an increase in the short-end. The spot reached its best level in 32 months of 19.27 per dollar after a positive surprise in US CPI report

www.banorte.com

Alejandro Padilla  
Chief Economist and Head of Research  
alejandro.padilla@banorte.com

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

Leslie Orozco  
Senior Strategist, Fixed Income and FX  
leslie.orocho.velez@banorte.com

Isaías Rodríguez  
Strategist, Fixed Income and FX  
isaia.s.rodriguez.sobrinho@banorte.com

## Fixed-Income

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## Foreign exchange

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## Recommendations

### Fixed-Income

- Going forward, we expect volatility to continue in the fixed-income market amid uncertainty about the level of terminal rates from Banxico and the Fed, as well as the eventual start of the easing cycle
- We therefore continue to favor relative value strategies rather than directional positions
- Finally, we expect the 10-year Mbono, **May'31, to trade this week between 9.10% and 9.40%**

### FX

- The FX market will be watching for comments from Fed members to further refine their expectations. We do not rule out a slight rebound in the USD after last week's sharp correction
- MXN continues as one of the most resilient currencies so far this year as it **remains supported by Banxico's** high rates and its spread with other central banks. However, we see little room for further appreciation in the currency
- We suggest USD purchases for tactical positions only. We estimate a weekly trading range between: USD/MXN 19.25-19.75.

# Fixed-Income dynamics

Mbonos performance

Maturity date	YTM 11/11/2022	Weekly change (bps)	YTD (bps)
<b>Mar'23</b>	10.20	-34	+363
Dec'23	10.36	-31	+317
<b>Sep'24</b>	9.78	-56	+253
Dec'24	9.67	-57	+240
<b>Mar'25</b>	9.70	-53	+232
<b>Mar'26</b>	9.28	-65	+194
<b>Mar'27</b>	9.16	-66	+176
Jun'27	9.11	-66	+169
May'29	9.14	-65	+168
May'31	9.18	-62	+161
<b>Nov'34</b>	9.23	-60	+160
Nov'36	9.31	-57	+159
Nov'38	9.43	-52	+150
Nov'42	9.43	-52	+140
Nov'47	9.40	-50	+134
<b>Jul'53</b>	9.40	-50	+31

Source: PiP

Udibonos performance

Maturity date	YTM 11/11/2022	Weekly change (bps)	YTD (bps)
Nov'23	5.12	+29	+269
Dec'25	4.88	+5	+250
Dec'26	4.90	+9	+490
Nov'28	4.60	-14	+167
Nov'31	4.60	-12	+150
Nov'35	4.59	-14	+138
Nov'40	4.60	-11	+120
Nov'46	4.63	-5	+127
Nov'50	4.59	-14	+118

Source: PiP

IRS (28-day TIE) performance

Maturity date	YTM 11/11/2022	Weekly change (bps)	YTD (bps)
3-month (3x1)	10.46	+17	+457
6-month (6x1)	10.69	+1	+439
9-month (9x1)	10.74	-14	+409
1-year (13x1)	10.63	-25	+367
2-year (26x1)	9.60	-57	+225
3-year (39x1)	8.96	-65	+153
4-year (52x1)	8.68	-69	+125
5-year (65x1)	8.58	-70	+116
7-year (91x1)	8.60	-64	+114
10-year (130x1)	8.73	-55	+121
20-year (260x1)	8.90	-52	+99

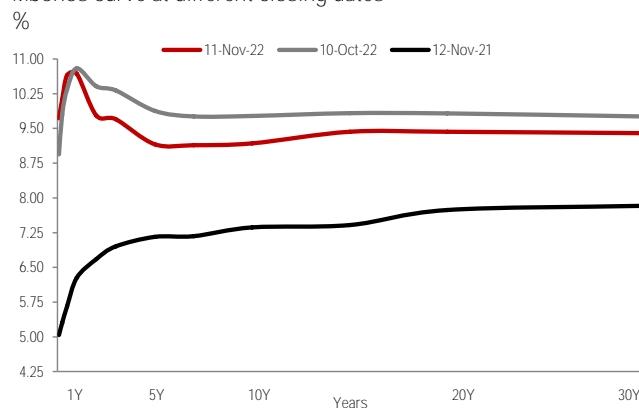
Source: Bloomberg

Cetes performance

Maturity date	YTM 11/11/2022	Weekly change (bps)	YTD (bps)
Cetes 28	9.72	+36	+421
Cetes 91	10.13	-13	+425
Cetes 182	10.65	-7	+434
Cetes 364	10.68	-24	+377
Cetes 728	10.68	-37	-23

Source: PiP

Mbonos curve at different closing dates



Source: PiP, Banorte

10-year Mbono benchmark



Source: PiP

# Fixed-Income dynamics (continued)

USD UMS and US Treasuries performance

Term	Maturity date	UMS			UST			Spreads			CDS
		YTM 11/11/2022	Weekly change (bps)	YTD (bps)	YTM 11/11/2022	Weekly change (bps)	YTD (bps)	Actual (bps)	Weekly change (bps)	12m Average (bps)	bps
5Y	Mar'27	4.83	-39	+283	3.94	-39	+267	89	+0	87	135
7Y	Apr'29	5.30	-44	+258	3.88	-37	+244	143	-6	149	178
10Y	May'31	5.52	-53	+257	3.81	-35	+230	171	-18	180	210
20Y	Aug'41	6.45	-43	+246	4.23	-27	+230	222	-17	240	--
30Y	Feb'52	6.51	-41	+239	4.02	-23	+211	249	-18	268	--

Source: Bloomberg

5Y USD UMS  
%



Source: Bloomberg

10Y USD UMS  
%



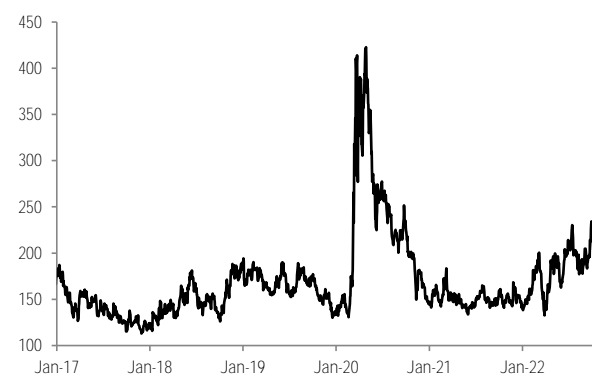
Source: Bloomberg

5Y UMS-UST Spread  
Basis points



Source: Bloomberg

10Y UMS-UST Spread  
Basis points



Source: Bloomberg

# Fixed-Income supply

- Mexico's weekly auction.** Tomorrow, the MoF will auction 1-, 3-, 6-, and 12-month Cetes, the 3-year Mbono (Mar'25), the 3-year Udibono (Dec'26), as well as 2-, and 5-year Bondes F. Additionally, an extraordinary Cetes and Bondes F auction will take place on Wednesday, considering Cetes of 182-, 231-, 364- and 686-days, and Bondes F between maturities of 287 and 1,778 days for a total amount of up to MXN 25 billion
- Strong appetite for Cetes vs Mbono and Udibono.** We expect a good demand for Cetes, although it could be lower than in the previous auction given a greater effect supply due to an Extraordinary Cetes and Bondes F auction on Wednesday. Now, the market expects a moderation in the pace of Banxico rate hikes. For the 3-year Mbono, we anticipate a demand like the average of the last two auctions of 1.8x, below the 2-year average of 2.3x. This security recorded a 53bps rally last week, closing at 9.70% after reaching of up to 10.48% by the end of October. Given a high volatility in financial markets, we reaffirm our preference for relative value strategies, rather than directional positions. Finally, the appetite for 3-year Udibono could increase vs the last three auctions (1.8x) because of a better relative valuation. In this sense, the 3-year breakeven fell 59bps to 4.58% last week, standing below its 12-month average of 4.86% for the first time in three months

Auction specifics (November 15, 2022)

	Maturity	Coupon rate, %	To be auctioned <sup>1</sup>	Previous yield <sup>2</sup>
Cetes				
1m	15-Dec-22	--	7,500	9.19
3m	16-Feb-23	--	5,000	10.20
6m	18-May-23	--	5,000	10.70
12m	16-Nov-23	--	8,500	10.87
Bondes F				
2y	24-Oct-24	--	800	0.18
5y	14-Oct-27	--	500	0.27
Mbono				
3y	6-Mar-25	5.00	12,000	10.33
Udibono				
3y	3-Dec-26	3.00	UDIS 1,050	4.72

Source: Banorte with data from Banco de Mexico

1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. The amount of Cetes is announced a week prior to the day of the auction.

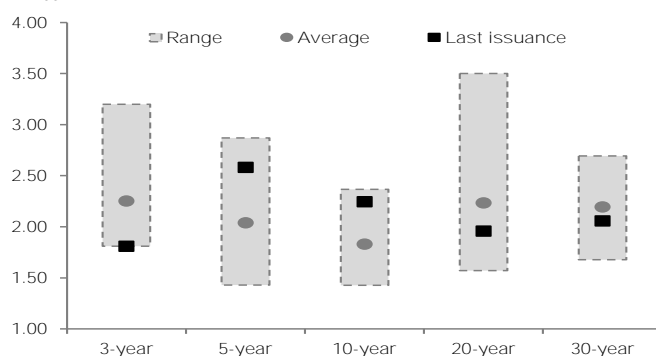
2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

4Q22 Auction Calendar\*

Date	Cetes	Mbonos	Udibonos	Bondes F
04-Oct	1, 3, 6, and 12M	10-year (May'31)	20-year (Nov'35)	2-, 5-, and 10-year
11-Oct	1, 3, 6, and 24M	3-year (Mar'25)	30-year (Nov'50)	1-, and 3-year
18-Oct	1, 3, 6, and 12M	20-year (Nov'42)	3-year (Dec'26)	2-, and 5-year
25-Oct	1, 3, 6, and 24M	5-year (Mar'27)	20-year (Nov'35)	1-, 3-, and 7-year
31-Oct	1, 3, 6, and 12M	30-year (Jul'53)	10-year (Nov'31)	2-, 5-, and 10-year
08-Nov	1, 3, 6, and 24M	10-year (May'31)	30-year (Nov'50)	1-, and 3-year
15-Nov	1, 3, 6, and 12M	3-year (Mar'25)	3-year (Dec'26)	2-, and 5-year
22-Nov	1, 3, 6, and 24M	20-year (Nov'42)	20-year (Nov'35)	1-, 3-, and 7-year
29-Nov	1, 3, 6, and 12M	5-year (Mar'27)	10-year (Nov'31)	2-, 5-, and 10-year
06-Dec	1, 3, 6, and 24M	30-year (Jul'53)	30-year (Nov'50)	1-, and 3-year
13-Dec	1, 3, 6, and 12M	10-year (May'31)	3-year (Dec'26)	2-, and 5-year
20-Dec	1, 3, 6, and 24M	3-year (Mar'25)	20-year (Nov'35)	1-, 3-, and 7-year
27-Dec	1, 3, 6, and 12M	20-year (Nov'42)	10-year (Nov'31)	2-, 5-, and 10-year

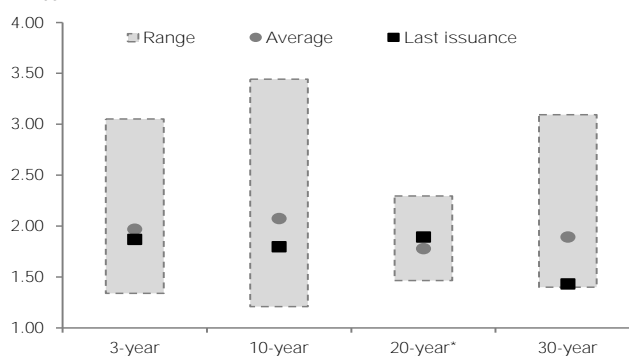
Source: Ministry of Finance \*In case an instrument is auctioned by the syndicated method, the current instrument will be replaced by the new issuance

Mbonos' bid-to-cover ratios for primary auction in last 2 years



Source: Banxico, Banorte

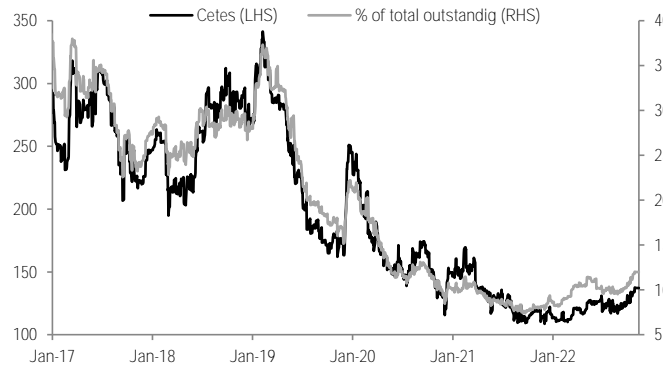
Udibonos' bid-to-cover ratios for primary auction in last 2 years



Source: Banxico, Banorte \*The 20-year maturity was reopened in April 2021

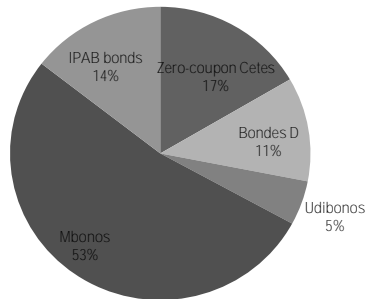
# Fixed-Income demand

Cetes held by foreigners  
MXN billion, %



Source: Banxico

Government issuance by type of instrument  
Total amount of US\$ 345 billion, % of total



Source: Banxico

Government bond holdings by type of investor  
US\$ billion and %, data as of 11/01/2022

	Total amount outstanding	% of total amount outstanding					
		Foreign investors	Pension funds	Mutual funds	Insurance companies	Banks	Other
Zero-coupon Cetes	58	12%	15%	13%	4%	12%	43%
Floating-rate Bondes D	40	1%	6%	35%	2%	17%	39%
Real-rate Udibonos	129	5%	52%	3%	20%	1%	19%
Fixed-rate Mbonos	183	35%	23%	3%	3%	15%	21%

Source: Banorte with data from Banxico

Foreign investors holdings of government bonds  
US\$ billion

	11/01/2022	Previous Week	Difference	12/31/2021	Difference
Zero-coupon Cetes	6.9	6.8	0.1	5.8	1.2
Floating-rate Bondes D	0.3	0.1	0.1	2.1	-1.8
Real-rate Udibonos	6.2	0.8	5.4	0.4	5.7
Fixed-rate Mbonos	64.0	64.1	-0.1	71.7	-7.7

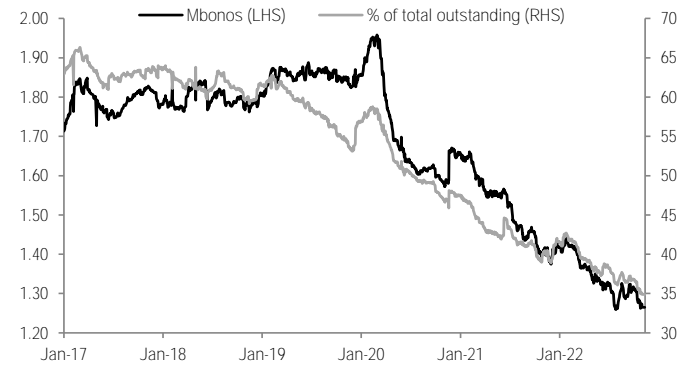
Source: Banorte with data from Banxico

Foreign investors holdings of government bonds  
Percentage of total amount outstanding

	11/01/2022	Previous Week	Difference	12/31/2021	Difference
Zero-coupon Cetes	12.0%	11.8%	0.2%	8.6%	3.3%
Floating-rate Bondes D	0.7%	0.3%	0.3%	2.6%	-1.9%
Real-rate Udibonos	4.8%	4.7%	0.1%	2.7%	2.0%
Fixed-rate Mbonos	34.9%	35.1%	-0.2%	41.5%	-6.6%

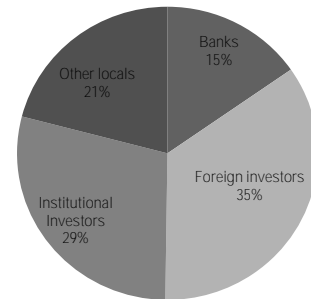
Source: Banorte with data from Banxico

Mbonos held by foreigners  
MXN trillion, %



Source: Banxico

Mbonos holdings by type of investor  
Total amount of US\$ 180 billion, % of total



Source: Banxico

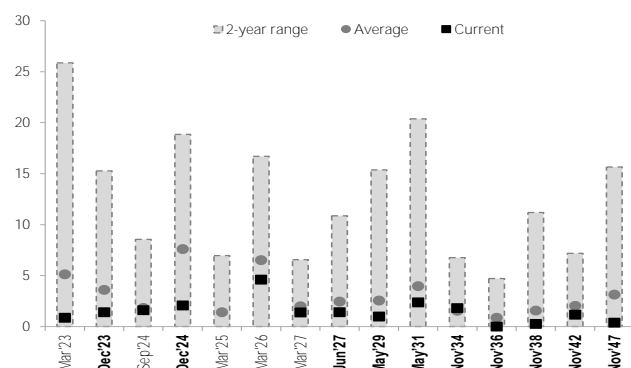
Mbonos holdings by type of investor  
US\$ billion and %, data as of 27/Oct/2022

DTM	Total amount	Local Banks	Foreign investors	Pension and Mutual	Other
Mar'23	6.2	12%	6%	20%	62%
Dec'23	11.7	23%	19%	15%	43%
Sep'24	16.0	35%	23%	9%	34%
Dec'24	12.6	36%	32%	9%	24%
Mar'25	5.3	38%	17%	10%	35%
Mar'26	21.9	22%	30%	18%	30%
Mar'27	7.6	14%	32%	15%	39%
Jun'27	16.8	14%	40%	27%	19%
May'29	14.5	5%	46%	29%	19%
May'31	21.0	5%	48%	32%	15%
Nov'34	4.3	1%	50%	37%	13%
Nov'36	3.8	1%	31%	39%	30%
Nov'38	11.2	1%	43%	41%	14%
Nov'42	12.5	0%	48%	38%	14%
Nov'47	12.7	1%	35%	45%	18%
Jul'53	3.1	2%	35%	49%	14%
Total	178.1	14%	35%	25%	25%

Source: Banxico

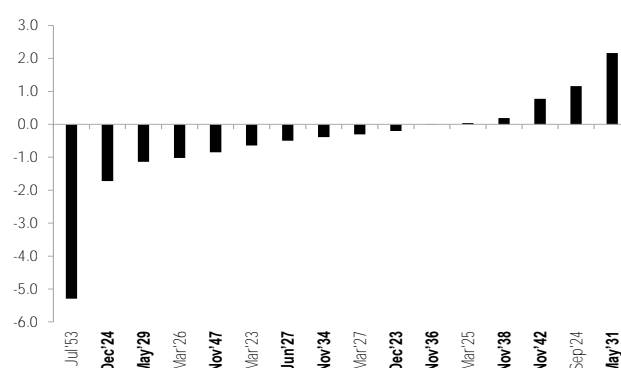
# Fixed-Income demand – Primary dealers

Market makers' short positions on Mbonos  
MXN billion



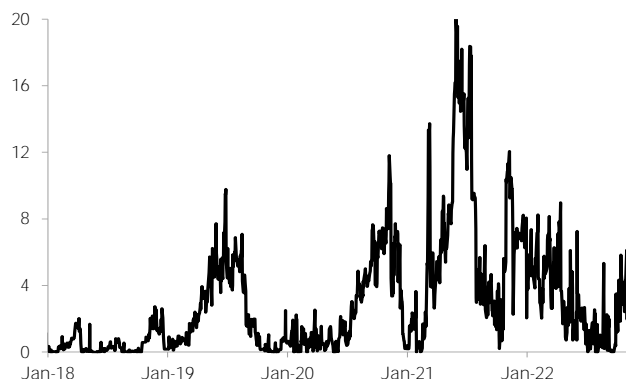
Source: Banxico \*Mar'25 issued in Dec'21

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



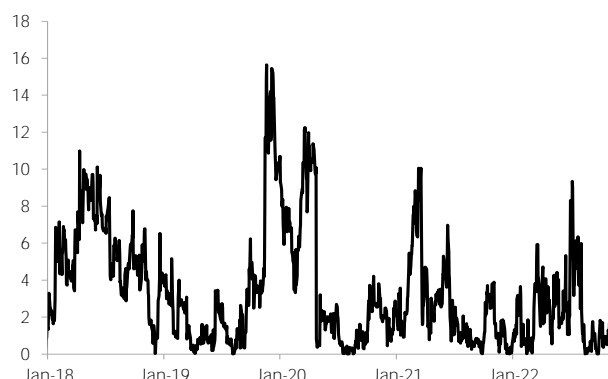
Source: Banxico

Market makers' short positions on Mbono May'31  
MXN billion



Source: Banxico

Market makers' short positions on Mbono Nov'47  
MXN billion



Source: Banxico

Market makers' short position on Mbonos  
US\$ million

Maturity Date	Total amount outstanding as of 11/11/2022	11/11/2022	Previous Week	Previous Month	Previous Year	6-month MAX	6-month MIN
Mar'23	6,294	45	42	123	906	476	42
<b>Dec'23</b>	11,938	73	119	69	73	380	0
Sep'24	16,384	83	160	146	6	199	0
<b>Dec'24</b>	12,966	107	225	276	737	462	0
Mar'25	5,377	0	14	70	0	348	0
Mar'26	22,379	236	249	294	157	521	128
Mar'27	7,765	71	34	37	17	277	0
<b>Jun'27</b>	17,239	72	84	189	109	370	12
<b>May'29</b>	14,944	51	0	190	178	277	0
<b>May'31</b>	22,096	122	340	198	503	372	0
<b>Nov'34</b>	4,474	93	46	44	166	207	0
<b>Nov'36</b>	3,915	0	0	5	92	242	0
<b>Nov'38</b>	11,492	14	25	19	75	125	0
<b>Nov'42</b>	12,891	60	40	92	81	368	0
<b>Nov'47</b>	12,945	20	24	40	59	480	0
Jul'53	3,465	378	126	127	0	429	0
<b>Total</b>	<b>186,565</b>	<b>1,047</b>	<b>1,401</b>	<b>1,793</b>	<b>3,158</b>		

Source: Banxico

## Fixed-Income technicals

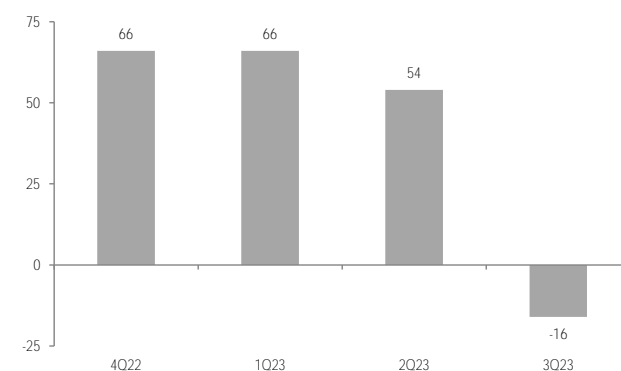
- **The carry at the shortest-end registered a mixed balance.** Spreads between Cetes and imp. forward rates stood at: 1-month at +25bps from -1bp, 3-month at -78bps from -71bps, 6-month at -89bps from -102bps, and 1-year at -118bps from -141bps
- **Market expects a moderation in the pace of Banxico rate hikes.** The latest lower-than-expected US inflation print driven a rally in the market. With this, the local yield curve reduced its implicit hikes to conclude the tightening cycle to 66bps from 92bps the previous week. Moreover, it incorporates a high probability to a 50bps hike in December. The foregoing represents a moderation in the pace of Banxico rate hikes after adjustments of +75bps in the last four monetary policy decisions

Spread between Cetes and Implied Forward Rates  
Basis Points

Tenor	Actual 11/11/2022	Previous Week	Previous Month	6-month Avg	6-month Max	6-month Min
1-month	25	-1	19	-12	80	-134
3 months	-78	-71	-42	-70	-16	-119
6 months	-89	-102	-101	-87	-47	-137
12 months	-118	-141	-122	-109	-64	-155

Source: Banorte with data from PiP and Bloomberg

Cumulative implied moves in Banxico's repo rate  
Basis points



Source: Banorte with data from Bloomberg

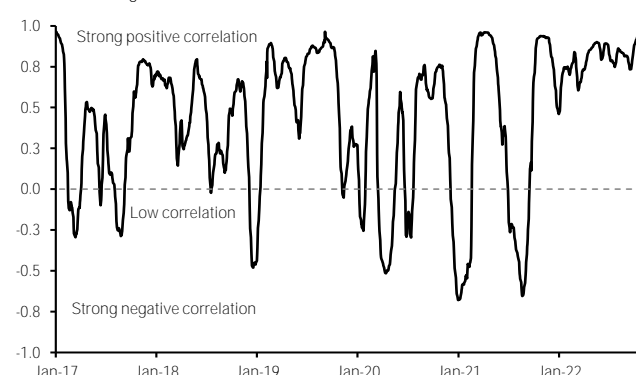
- **Local risk premium declined to levels not seen since June 2021.** Mbonos posted a strong rally driven by the positive surprise in US inflation. In this context, the 10-year spread between Mbonos and Treasuries closed on Friday at 537bps from 564bps the previous week, while the average of the last twelve months remains at 592bps
- **The 3-month correlation between benchmark Mexican and American bonds declined.** The reading closed Friday at +96% from +98% vs. the previous week; this was the sixth consecutive week with a correlation above 90%

10-year Mbono and 10-year UST spread  
Basis points



Source: PiP and Bloomberg

Mexico and U.S. 10-year bonds correlation  
3-month moving correlation



Source: Banorte with data from Bloomberg

# Fixed-Income technical (continued)

## Selected Spreads

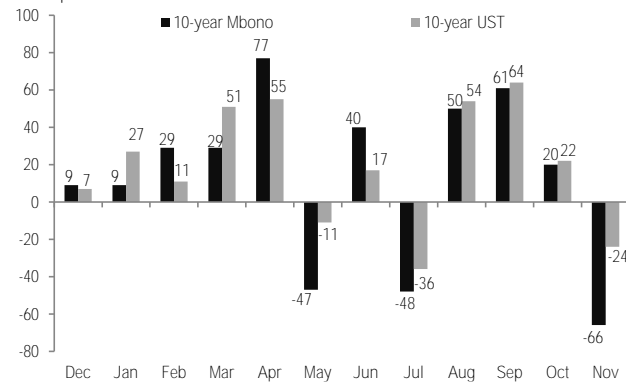
Basis points

Tenor	11/11/2022	Previous Week	Previous Month	Previous Year	12m Max	12m Min	12m Average
Mbono 2s10s	-60	-54 (-6bps)	-60 (0bps)	111 (-171bps)	135	-89	-4
Mbono 10s30s	22	10 (+12bps)	3 (+19bps)	47 (-25bps)	58	-14	20
TIIE-Mbono 2-year	-18	-17 (-1bp)	-20 (+2bps)	28 (-46bps)	44	-32	5
TIIE-Mbono 10-year	-45	-53 (+8bps)	-47 (+2bps)	15 (-60bps)	20	-59	-18

Source: Bloomberg and PIP

## Mexican and US rates performance, last 12 months

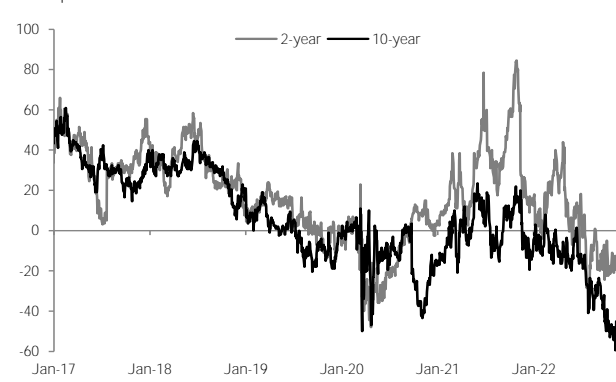
Basis points



Source: PIP and Bloomberg

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

Basis points



Source: Bloomberg

## Breakeven inflation using Mbonos & Udibonos

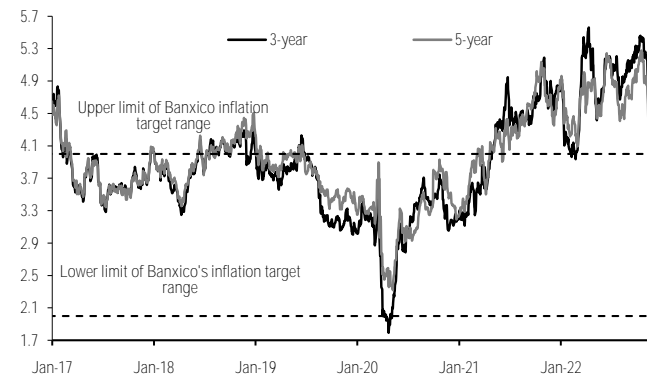
Implicit market inflation using Fisher Equation (%)

Date	11/11/2022	Previous week	Previous month	Previous year	12m Max	12m Min	12m Average
3Y	4.58	5.17 (-59bps)	5.45 (-87bps)	4.69 (-11bps)	5.56	3.93	4.86
5Y	4.36	4.85 (-49bps)	5.26 (-90bps)	4.64 (-28bps)	5.28	4.09	4.72
10Y	4.38	4.85 (-47bps)	5.16 (-78bps)	4.25 (+13bps)	5.16	4.00	4.55
20y	4.63	4.98 (-35bps)	5.10 (-47bps)	4.46 (+17bps)	5.15	4.20	4.69
30Y	4.60	4.94 (-34bps)	5.02 (-42bps)	4.27 (+33bps)	5.18	4.04	4.62

Source: PIP

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

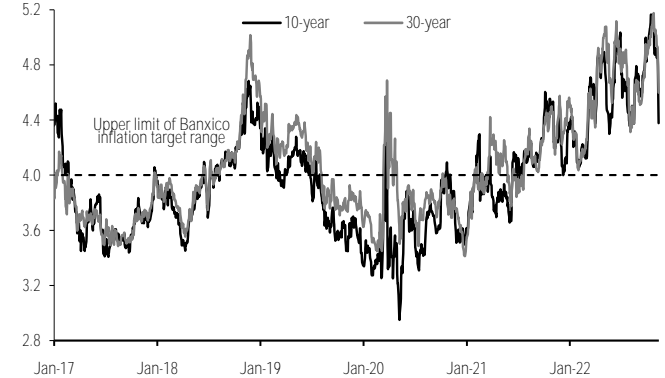
Implicit market inflation using Fisher Equation



Source: Banorte with data from PIP

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

Implicit market inflation using Fisher Equation



Source: Banorte with data from PIP



## Fixed-Income trade recommendations

- **Market expects a moderation in the pace of Fed and Banxico rate hikes.** Global sovereign bonds ended last week with a rally, led by Treasuries. The sharp breather in the fixed-income market was triggered by a positive surprise in US inflation. This cleared the way for the Fed to start moderating the pace of hikes. Now, the market assigns a high probability to a 50bps hike in December and expects the tightening cycle to conclude with a Fed funds rate range of 4.75%-5.00%, in line with our estimates. In the short week due to the US bond market closing last Friday, the Treasuries yield curve rallied by 31bps, on average. The 2-year Treasuries were the most sensitive to the inflation report, advancing 25bps in the session. The security's reaction exceeded the  $-1\sigma$  lower bound and closed at 4.33% (-33bps) after reaching multi-year highs of 4.72% in early November. Meanwhile, the 10-year note ended at 3.81% (-35bps) and the spread between the 3-month T-Bill and this security turned more negative reaching lows not seen since 2007 of -37bps from +4bps the previous week. This has alerted to an increased risk of recession in the US, as this signal has preceded several recessionary periods according to NBER (National Bureau of Economic Research) criteria. Locally, the market assimilated [Banxico's decision](#) without surprise as the curve had discounted the 75bps hike well in advance. However, the tone of the communiqué was less hawkish, so the market recalibrated its expectations towards a lower terminal rate of 10.66% and is betting on a moderation in the pace of hikes in December of 50bps, in tandem with the Federal Reserve. This scenario is lower than our expectation of a closing of the tightening cycle at 11.00% at the end of 1Q23. Meanwhile, Mbonos followed the dynamics of their international peers, accumulating gains of 55bps. The 10-year benchmark closed at 9.18% (-62bps) after reaching multi-year highs at the end of October of 9.94%. Meanwhile, the Nov'38 and Nov'42 Mbonos –which we have highlighted in previous publications as they reflect a much more attractive relative valuation– ended at the same level of 9.43% (-50bps), after both ended October at 10.00%. Moreover, the TIIE-28 derivatives curve flattened as a result of modest gains at the short-end and a 65bps rally from the 2-year term. With this, the spread 1s2s moved to record lows of -103bps
- Going forward, we expect volatility to continue in the fixed-income market amid uncertainty about the level of terminal rates from Banxico and the Fed, as well as the eventual start of the easing cycle. Currently, the market sees a decoupling in the cuts between Mexico and the US, accumulating an adjustment in the second half of 2023 of -185bps and -45bps, respectively. This is consistent with our view that the debate on this front could sharpen. We therefore continue to favor relative value strategies rather than directional positions. Finally, we expect the 10-year Mbono, May'31, to trade this week between 9.10% and 9.40%

# FX dynamics

- **The Mexican peso posted its fourth consecutive week of gains.** Appetite for riskier assets continued to drive the Mexican currency to its strongest level of the year (19.27). The MXN closed Friday at 19.50 per dollar, appreciating 0.1 w/w, with a trading range of 37 cents vs 31 cents of the 4-week average
- **Sharp slump in the dollar on the inflation surprise.** BBDXY and DXY retreated 3.5% and 4.0%, respectively. Meanwhile, the G-10 and EM currencies posted positive changes. In the first group, JPY (+5.6%) was the strongest and in the second, KRW (+7.6%) and BRL (-5.0%) were at the ends of the spectrum

Foreign Exchange market levels and historical return

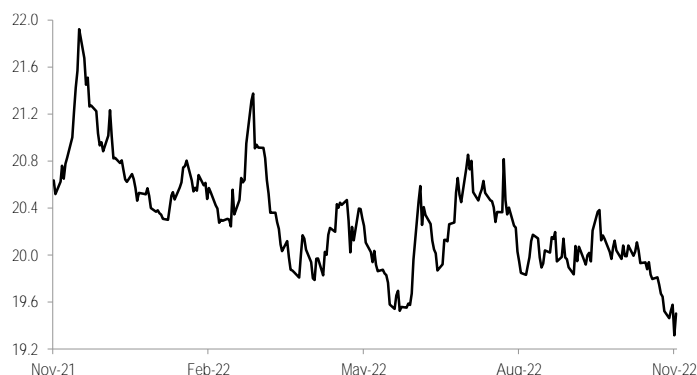
		Close at 11/11/2022	Daily Change (%) <sup>1</sup>	Weekly change (%) <sup>1</sup>	Monthly change (%) <sup>1</sup>	YTD <sup>1</sup> (%)
Emerging Markets						
Brazil	USD/BRL	5.33	1.0	-5.0	-0.5	4.68
Chile	USD/CLP	891.95	0.2	3.9	5.8	-4.48
Colombia	USD/COP	4,808.95	-0.1	6.5	-4.2	-15.15
Peru	USD/PEN	3.86	0.4	2.6	3.2	3.80
Hungary	USD/HUF	391.49	0.2	3.2	13.7	-17.12
Malaysia	USD/MYR	4.62	1.6	2.7	1.3	-9.87
Mexico	USD/MXN	19.50	-1.0	0.1	2.5	5.26
Poland	USD/PLN	4.53	1.3	3.8	10.2	-10.98
Russia	USD/RUB	60.72	0.0	2.0	5.9	23.80
South Africa	USD/ZAR	17.24	0.7	3.9	6.1	-7.56
Developed Markets						
Canada	USD/CAD	1.33	0.4	1.5	4.1	-4.8
Great Britain	GBP/USD	1.18	1.0	4.0	6.6	-12.6
Japan	USD/JPY	138.81	1.6	5.6	5.8	-17.1
Eurozone	EUR/USD	1.0347	1.4	3.9	6.6	-9.0
Norway	USD/NOK	9.93	1.5	3.2	8.5	-11.2
Denmark	USD/DKK	7.19	1.4	4.0	6.7	-9.0
Switzerland	USD/CHF	0.94	2.4	5.7	6.0	-3.1
New Zealand	NZD/USD	0.61	1.3	2.9	8.8	-10.6
Sweden	USD/SEK	10.37	2.0	5.1	9.3	-12.7
Australia	AUD/USD	0.67	1.3	3.6	6.8	-7.7

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

Source: Bloomberg

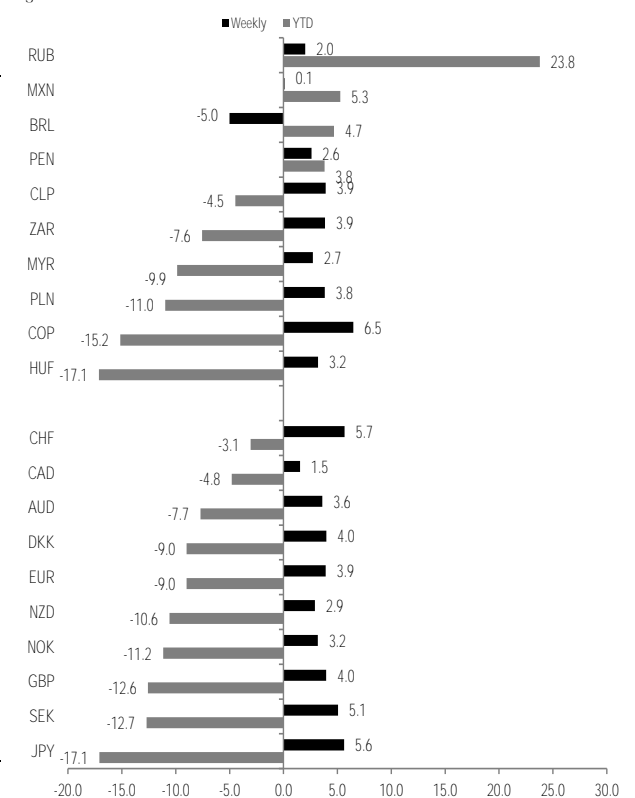
USD/MXN

Last 12 months



Source: Bloomberg

FX performance  
Against USD, %



Source: Bloomberg

DXY

Points

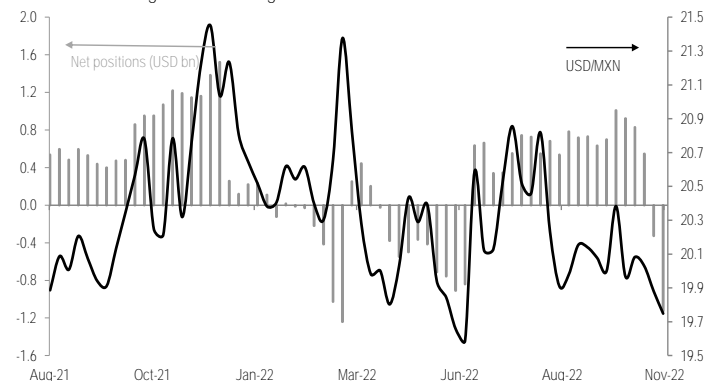


Source: Bloomberg, Banorte

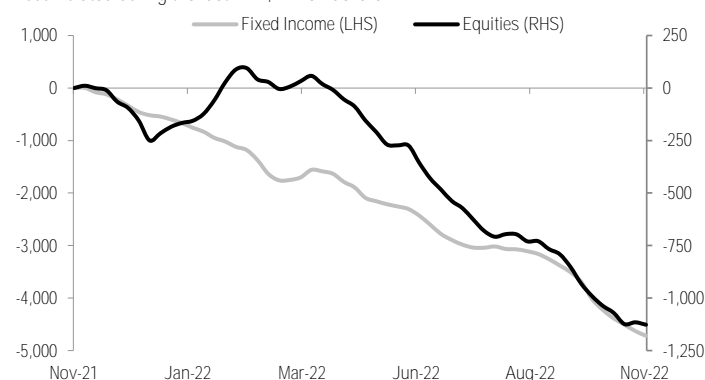
# FX positioning and flows

- **MXN positioning was net long for the second consecutive week.** MXN position as of November 1<sup>st</sup> marked a net long of US\$ 1.13 billion from a US\$ 326 million last week. The currency returned to trade near the psychological 19.50 per dollar supported by Banxico's high rates and wide spread vs. other central banks. Although it is worth remembering that the MXN marked five months of net short positions of up to US\$ 1.01 billion
- **Net long USD positions decreased to 14-month lows.** The USD IMM position was net long at US\$ 2.5 billion, equivalent to a 73.6% slump vs. last week. This decline was mainly the result of purchases of virtually all currencies, excluding CHF. In this sense, EUR and JPY were the most bought: the former registered the highest net long since June last year of US\$ 13.0 billion, equivalent to an increase of 40% vs. the previous week, and the latter decreased net short positions 23% to US\$ 6.7 billion
- **EM outflows decrease, and Mexico registered thirty-one weeks with negative flows in a row.** Our EPFR aggregate recorded negative flows of US\$ 2.6 billion from US\$ 3.1 billion the previous week. Bonds sales decrease 34% to US\$ 1.5 billion. While equities outflows increase 35% to US\$ 1.1 billion. In Mexico, negative flows of US\$ 104 million were recorded because of exits in bonds of US\$ 92 million and purchases in equities of US\$ 12 million

IMM positioning in USD/MXN futures  
Billion dollars, Negative = net long in MXN

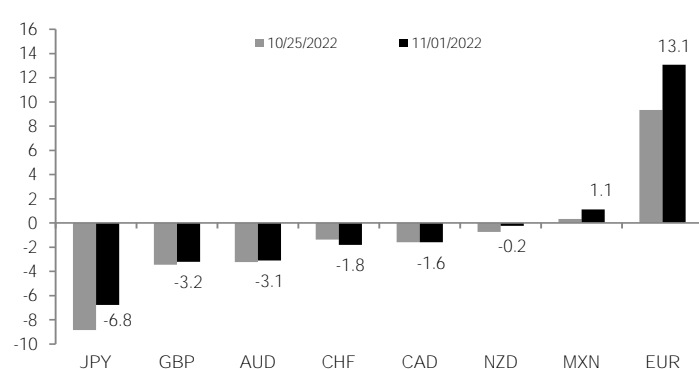


Source: CME, Banorte  
Foreign portfolio flows into Mexico  
Accumulated during the last 12M, million dollars



Source: EPFR Global, Banorte

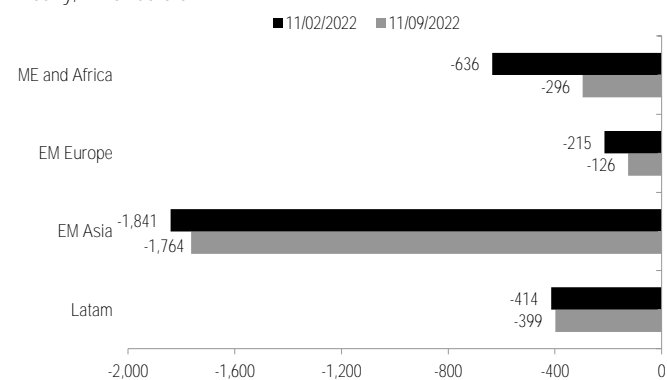
IMM positioning by currency\*  
Billion dollars



\* Positive: Net long in the corresponding currency

Source: CME, Banorte

Net foreign portfolio flows by region\*  
Weekly, million dollars



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

## FX technicals

- The Mexican peso marked its strongest level since the pandemic began.** The MXN strongly breached the resistances we identified last week, however, on Friday it erased most of the gains. The local currency ended the week with an appreciation of 0.1% w/w to close at 19.50 per dollar. We see main short-term resistances at 19.43, 19.26 and 19.12, with supports at 19.63, 19.80 and 19.90. Last week's trading range marked 37 cents vs. 31 of the four-week average. So far in 2022, the maximum range marked 77 cents in mid-June, while the minimum range stood at 22 cents at the beginning of October

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
EUR	29	24	21	75	51
CAD	51	44	33	80	62
ZAR	48	43	41	83	67
BRL	-17	46	-17	80	58
HUF	26	9	6	64	41
RUB	17	16	-72	46	-4

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

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

	Actual (%)	Previous week	6m Min	6m Max	6m Average
VIX	37	53	35	84	61
SPX	44	39	27	81	53
GSCI	27	50	8	65	37
Gold	40	57	27	81	50

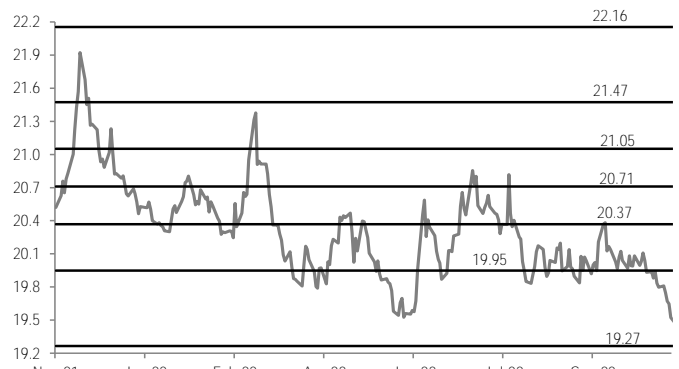
\* Positive: appreciation of MXN and corresponding asset except VIX  
Source: Bloomberg, Banorte

USD/MXN – Moving averages  
Last 120 trading days



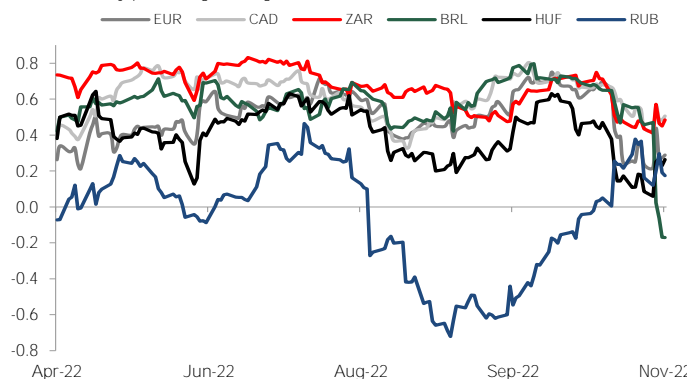
Source: Bloomberg

USD/MXN – Fibonacci retracement  
Last 12 months



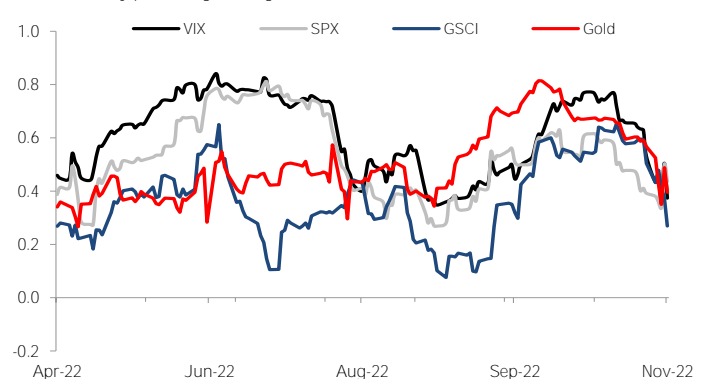
Source: Bloomberg

USD/MXN – 1-month correlation with other currencies\*  
Based on daily percentage changes



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

USD/MXN – 1-month correlation with other assets\*  
Based on daily percentage changes

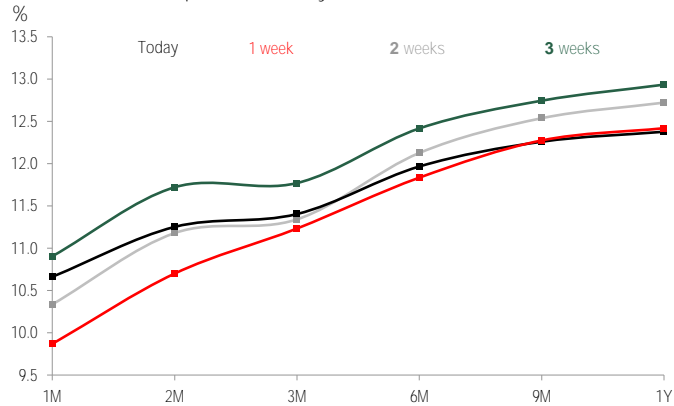


\* Positive: appreciation of MXN and corresponding asset except VIX  
Source: Bloomberg, Banorte

## FX technicals (continued)

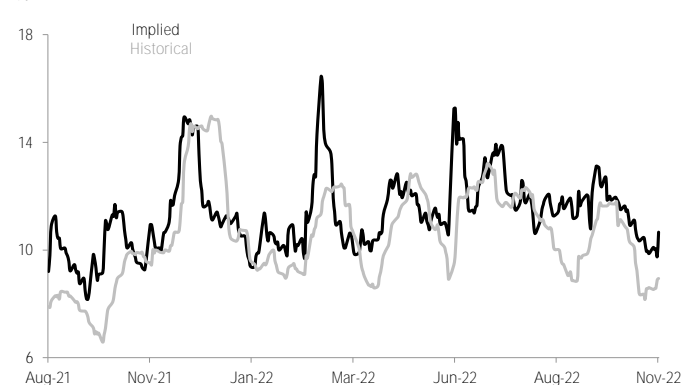
- The MXN implied volatility curve increased with more emphasis on the short-end, resulting in a flatter slope.** The 1-month implied volatility increased to 10.7% from a 7-month low of 9.9% the previous week. Meanwhile, the 3-month figure increased 0.2 vegas, while the long-end remained virtually unchanged. Furthermore, the 1-month risk reversal decreased to 2.2% from 2.4% the previous week and the 3-month reading declined to 2.7% from 2.8%

USD/MXN – ATM options volatility curve



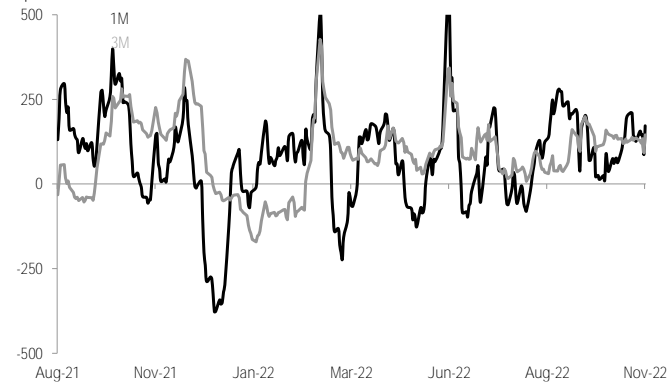
Source: Bloomberg

USD/MXN – 1M implied and historical volatility



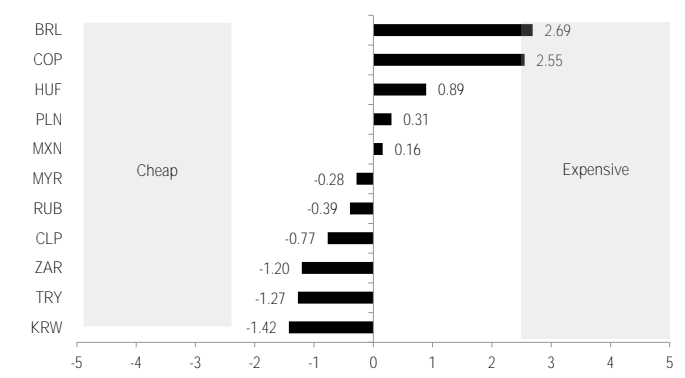
Source: Bloomberg

USD/MXN – Spread between implicit and historical volatility



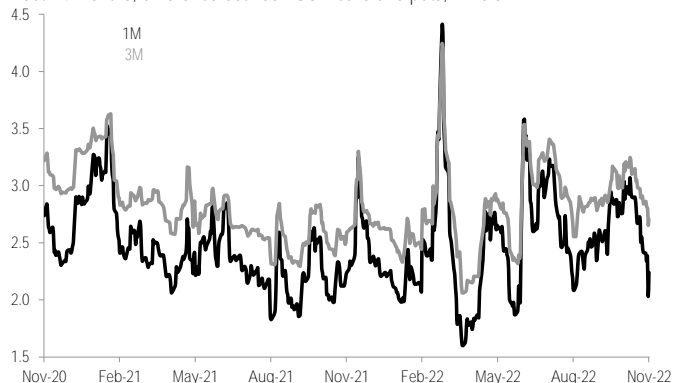
Source: Bloomberg

Emerging markets one-month ATM options volatility  
Against USD, in standard deviations relative to last year's average



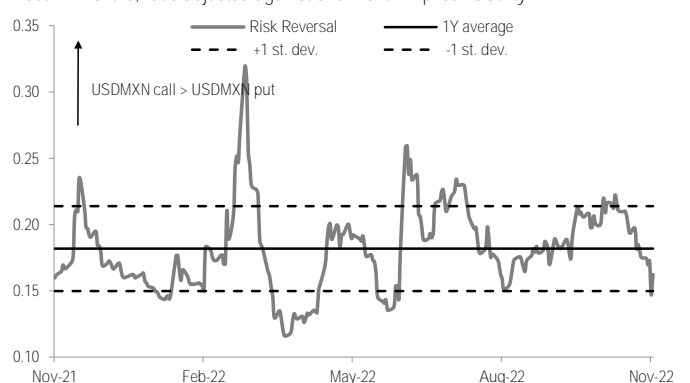
Source: Bloomberg, Banorte

USD/MXN – 1-month and 3-month 25D risk reversals  
Last 24 months, difference between USD calls and puts, in vols



Source: Bloomberg

USD/MXN – 1-month 25D volatility-adjusted risk reversal  
Last 12 months, ratio adjusted against one-month implied volatility

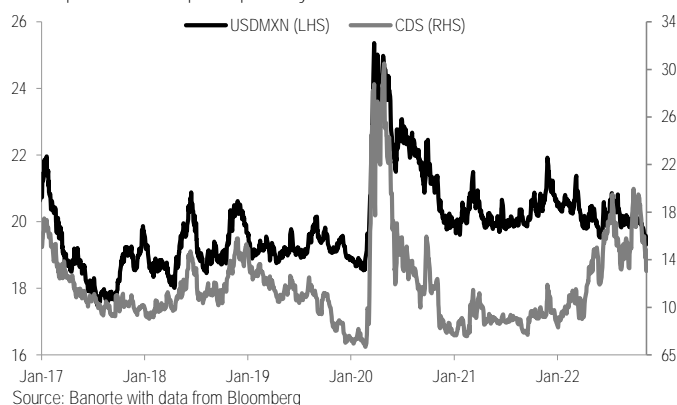


Source: Bloomberg, Banorte

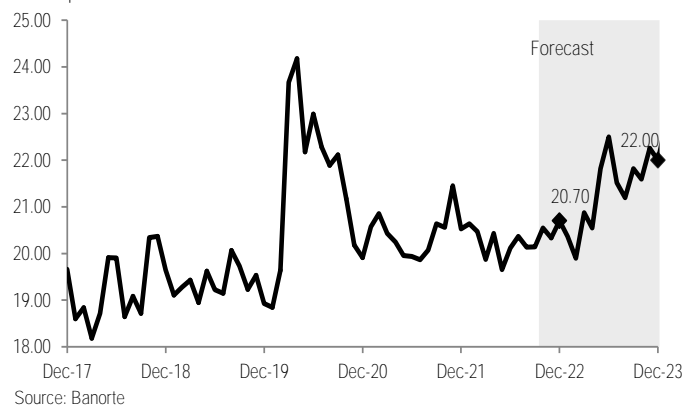
## FX trade recommendations

- The MXN showed difficulty to overcome the highs since March 2020.** In the FX market, the dollar weakened significantly, returning to 3-month lows, following the US inflation report. Specifically, the BBDXY and DXY indices accumulated the largest weekly losses since the beginning of the pandemic of 3.5% and 4.0%, respectively. In fact, both indices recorded November 10<sup>th</sup> as their worst session since 2009 with a slump of 2.0% and 2.1%, in the same order. In this context, all developed currencies advanced. JPY (+5.6%) led the group, registering its best weekly performance since 2008 on expectations of a moderation in the pace of Fed hikes. This movement partially relieved pressure from the Japanese government regarding future interventions, although the currency accumulates a 17% depreciation for the year. In the EM universe, the positive bias predominated, with KRW (+7.6%) as the strongest, while the only ones in negative territory were BRL (-5.0%) and ARS (-1.5%). Meanwhile, the Mexican peso benefited from a greater appetite for riskier assets in Thursday's session, reaching its strongest level since March 2020 at 19.27 per dollar. However, the currency diverged broadly from its emerging market peers on Friday, diluting most of the gains. As a result, 1-month MXN implied volatility rebounded to 10.7% from last week's 7-month low of 9.9%. After posting a weekly trading range of 37 cents, the Mexican peso closed at 19.50 per dollar (+0.1%), snapping a four-week winning streak
- This week, the Fed members' speeches will be key for the market to consolidate its expectations of a moderation in the pace of hikes in December to 50bps. In our view, the Mexican peso will continue to be supported by Banxico's high rate and its ample spread vs. other central banks. However, we consider that the room for further appreciation is limited amid an overvaluation that exceeds 12.00% according to our models. In this regard, we favor buying USD at current levels only for tactical positions. Finally, we expect a trading range between: USD/MXN 19.25 and 19.70

USD/MXN and Mexico 5Y CDS  
Pesos per dollar and bps, respectively



USD/MXN Forecast for 2022 and 2023  
Pesos per dollar



# Weekly economic calendar

For the week ending November 18, 2022

	Time	Event	Period	Unit	Banorte	Survey	Previous
Mon 14	05:00	EZ Industrial production*	Sep	% m/m	--	0.5	1.5
	07:00	BZ Economic activity	Sep	% y/y	--	3.9	4.9
	07:00	BZ Economic activity*	Sep	% m/m	--	-0.3	-1.1
	11:30	US Fed's Brainard discusses the economic outlook					
	18:30	US <b>Fed's Williams Moderates Panel at the Economic Club of New York</b>					
	18:50	JN Gross domestic product*	3Q22 (P)	% q/q	--	0.3	0.9
	21:00	CHI Industrial production	Oct	% y/y	--	5.2	6.3
	21:00	CHI Retail sales	Oct	% y/y	--	0.7	2.5
Tue 15	21:00	CHI Gross fixed investment (YTD)	Oct	% y/y	--	5.9	5.9
	02:00	UK Unemployment rate*	Sep	%	--	3.5	3.5
	05:00	GER ZEW Survey (Expectations)	Nov	index	--	-52.0	-59.2
	05:00	EZ Trade balance*	Sep	EURbn	--	-45.0	-47.3
	05:00	EZ Gross domestic product	3Q22 (P)	% y/y	--	2.1	2.1
	05:00	EZ Gross domestic product*	3Q22 (P)	% q/q	--	0.2	0.2
	08:30	US Producer prices*	Oct	% m/m	--	0.5	0.4
	08:30	US Ex. food & energy*	Oct	% m/m	--	0.3	0.3
	08:30	US Empire manufacturing*	Nov	index	-8.0	-5.8	-9.1
	09:00	US <b>Fed's Harker Discusses the Economic Outlook</b>					
	09:00	US Fed's Cook discusses post-covid challenges					
	10:00	US Fed Vice Chair for Supervision Barr Speaks Before Senate Panel					
	10:00	MX International reserves	Nov 11	US\$bn	--	--	196.7
	12:30	MX Government weekly auction: 1-, 3-, 6-, and 12- month CETES; 3-year Mbono (Mar'25); 3-year Udibono (Dec'26) and 2-, and 5-year Bondes F					
		MX Deadline for the approval of the Spending Budget by the Lower House					
Wed 16	02:00	UK Consumer prices	Oct	% y/y	--	10.7	10.1
	02:00	UK Core	Oct	% y/y	--	6.4	6.5
	08:30	US Advance retail sales*	Oct	% m/m	1.5	1.0	0.0
	08:30	US Ex autos & gas*	Oct	% m/m	--	0.2	0.3
	08:30	US Control group*	Oct	% m/m	0.3	0.3	0.4
	09:15	US Industrial production*	Oct	% m/m	0.2	0.1	0.4
	09:15	US Manufacturing production*	Oct	% m/m	0.3	0.2	0.4
	09:50	US <b>Fed's Williams Speaks at 2022 Treasury Market Conference</b>					
	10:00	US Fed's Barr testifies before House panel					
	14:35	US Fed's Waller discusses the economic outlook					
Thu 17	05:00	EZ Consumer prices	Oct (F)	% y/y	--	10.7	9.9
	05:00	EZ Core	Oct (F)	% y/y	--	5.0	5.0
	08:00	US <b>Fed's Bullard discusses the Economy and Monetary Policy</b>					
	08:30	US Housing starts**	Oct	thousands	--	1,412	1,439
	08:30	US Building permits**	Oct	thousands	--	1,515	1,564
	08:30	US Philadelphia Fed*	Nov	index	-9.0	-6.0	-8.7
	08:30	US Initial jobless claims*	Nov 12	thousands	223	222	225
	09:15	US Fed's Bowman discusses financial literacy and inclusion					
	09:40	US <b>Fed's Mester Speaks at Financial Stability Conference</b>					
	10:40	US <b>Fed's Jefferson and Kashkari Take Part in Panel Discussion</b>					
	13:45	US <b>Fed's Kashkari Takes Part in Moderated Q&amp;A</b>					
Fri 18	07:00	MX Timely Indicator of Economic Activity*	Oct	% y/y	--	--	3.3
	10:00	US Existing home sales**	Oct	millions	--	4.4	4.7

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

For the week ending November 11, 2022

	Time	Event	Period	Unit	Banorte	Actual	Previous
Sun 6	22:00	CHI Trade balance	Oct	USDbn	--	85.1	84.7
	22:00	CHI Exports	Oct	% y/y	--	-0.3	5.7
	22:00	CHI Imports	Oct	% y/y	--	-0.7	0.3
Mon 7	02:00	GER Industrial production*	Sep	% m/m	--	0.6	-1.2
	07:00	MX Gross fixed investment	Aug	% y/y	3.7	6.5	2.1
	07:00	MX Gross fixed investment*	Aug	% m/m	0.2	1.9	-1.4
	07:00	MX Private consumption	Aug	% y/y	--	7.1	5.0
	07:00	MX Private consumption*	Aug	% m/m	--	0.7	0.1
	07:00	MX Consumer confidence*	Oct	index	41.2	41.0	41.0
	15:00	US Consumer Credit*	Sep	USDbn	--	24.9	30.2 (R)
	15:30	MX Survey of expectations (Citibanamex)					
	15:40	US <b>Fed's Collins and Mester Speak at Women in Economics</b>					
	18:00	US <b>Fed's Barkin Speaks at Event on Inflation</b>					
Tue 8		US Midterm elections					
	05:00	EZ Retail sales*	Sep	% m/m	--	0.4	0.0 (R)
	10:00	MX International reserves	Nov 4	US\$bn	--	196.7	196.9
	12:30	MX Government weekly auction: 1-, 3-, 6-, and -24- month CETES;10-year Mbono (May'31); 30-year Udibono (Nov'50) and 1-, and 3-year Bondes F					
	21:30	CHI Consumer Prices	Oct	% y/y	--	2.1	2.8
Wed 9	02:00	US Fed's Waller discusses central bank digital currencies					
	07:00	BZ Retail sales	Sep	% y/y	--	3.2	1.6
	07:00	BZ Retail sales*	Sep	% m/m	--	1.1	0.1
	07:00	MX Consumer prices	Oct	% m/m	0.60	0.57	0.62
	07:00	MX Core	Oct	% m/m	0.66	0.63	0.67
	07:00	MX Consumer prices	Oct	% y/y	8.45	8.41	8.70
	07:00	MX Core	Oct	% y/y	8.46	8.42	8.28
	11:00	US <b>Fed's Barkin Discusses the Economic Outlook</b>					
Thu 10	07:00	BZ Consumer prices	Oct	% m/m	--	0.59	-0.29
	07:00	BZ Consumer prices	Oct	% y/y	--	6.47	7.17
	08:30	US Consumer prices*	Oct	% m/m	0.6	0.4	0.4
	08:30	US Ex. food & energy*	Oct	% m/m	0.4	0.3	0.6
	08:30	US Consumer prices	Oct	% y/y	7.8	7.7	8.2
	08:30	US Ex. food & energy	Oct	% y/y	6.4	6.3	6.6
	08:30	US Initial jobless claims*	Nov 5	thousands	220	225	218 (R)
	09:35	US <b>Fed's Logan Speaks at Energy and the Economy Conference</b>					
	12:30	US <b>Fed's Mester Discusses the Economic Outlook</b>					
	13:30	US <b>Fed's George Speaks at Energy and the Economy Conference</b>					
	14:00	MX Monetary policy decision (Banxico)	Nov 10	%	10.00	10.00	9.25
	18:00	PER Monetary policy decision (BCRP)	Nov 10	%	--	7.25	7.00
		MX ANTAD same-store sales	Oct	% y/y	--	10.0	8.2
		MX Wage negotiations	Oct	% y/y	--	4.4	8.2
Fri 11	02:00	UK Gross domestic product	3Q22 (P)	% q/q	--	2.4	4.4
	02:00	UK Gross domestic product*	3Q22 (P)	% y/y	--	-0.2	0.2
	02:00	UK Industrial production*	Sep	% m/m	--	0.2	-1.4 (R)
	02:00	GER Consumer prices	Oct (F)	% y/y	--	10.4	10.4
	07:00	MX Industrial production	Sep	% y/y	4.9	3.9	3.9
	07:00	MX Industrial production*	Sep	% m/m	0.4	-0.2	0.0
	07:00	MX Manufacturing output	Sep	% y/y	9.2	8.4	8.1
	10:00	US U. of Michigan Confidence*	Nov (P)	index	59.0	54.7	59.9

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



#### Recent trade ideas

Trade idea	P/L	Initial date	End date
Pay TIE-IRS (26x1), receive 2-year SOFR	L	18-Aug-22	28-Oct-22
Pay 2-year TIE-IRS (26x1)	P	4-Feb-22	4-Mar-22
Tactical longs in Mbono Mar'26	P	14-May-21	7-Jun-21
Receive 6-month TIE-IRS (6x1)	P	17-Dec-20	3-Mar-21
Long positions in Udbono 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 Udbono Dec'25	P	23-Jul-20	10-Aug-20
Long positions in Udbono 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 TIE-28 IRS	P	20-Mar-20	24-Apr-20
Long positions in Udbono Nov'28	P	31-Jan-20	12-Feb-20
Long positions in Udbono 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-linked Udbono 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-linked Udbono Jun'19	P	7-May-18	14-May-18
Long 7- to 10-year Mbonos	L	26-Mar-18	23-Apr-18
Long CPI-linked Udbono 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 Udbono Dec'20	3.05%	2.90%	3.15%	3.15%	L	9-Aug-17	6-Oct-17
5y10y TIE-IRS steepener	28bps	43bps	18bps	31bps	P <sup>2</sup>	15-Feb-17	15-Mar-17
5y10y TIE-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 Udbono Jun'19	1.95%	1.65%	2.10%	2.10%	L	13-Jul-16	16-Aug-16
Receive 1-year TIE-IRS (13x1)	3.92%	3.67%	4.10%	3.87% <sup>1</sup>	P	12-Nov-15	8-Feb-16
Long spread 10-year TIE-IRS vs US Libor	436bps	410bps	456bps	410bps	P	30-Sep-15	23-Oct-15
Receive 9-month TIE-IRS (9x1)	3.85%	3.65%	4.00%	3.65%	P	3-Sep-15	18-Sep-15
Spread TIE 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 TIE-IRS (3x1)	3.24%	3.32%	3.20%	3.30%	P	29-Jan-15	29-Jan-15
Pay 9-month TIE-IRS (9x1)	3.28%	3.38%	3.20%	3.38%	P	29-Jan-15	29-Jan-15
Pay 5-year TIE-IRS (65x1)	5.25%	5.39%	5.14%	5.14%	L	4-Nov-14	14-Nov-14
Long Udbono 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 TIE-IRS (26x1)	3.75%	3.55%	3.90%	3.90%	L	11-Jul-14	10-Sep-14
Receive 1-year TIE-IRS (13x1)	4.04%	3.85%	4.20%	3.85%	P	6-Feb-14	10-Apr-14
Long Udbono 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 TIE-IRS (6x1)	3.83%	3.65%	4.00%	3.81%	P	10-Oct-13	25-Oct-13
Receive 1-year TIE-IRS (13x1)	3.85%	3.55%	4.00%	3.85%	--	10-Oct-13	25-Oct-13
Long Udbono Dec'17	1.13%	0.95%	1.28%	1.35%	L	9-Aug-13	10-Sep-13
Receive 9-month TIE-IRS (9x1)	4.50%	4.32%	4.65%	4.31%	P	21-Jun-13	12-Jul-13
Spread TIE-Libor (10-year)	390bps	365bps	410bps	412bps	L	7-Jun-13	11-Jun-13
Receive 1-year TIE-IRS (13x1)	4.22%	4.00%	4.30%	4.30%	L	19-Apr-13	31-May-13
Long Udbono Jun'22	1.40%	1.20%	1.55%	0.97%	P	15-Mar-13	3-May-13
Receive 1-year TIE-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 Udbono Dec'13	1.21%	0.80%	1.40%	1.40%	L	1-Feb-13	15-Apr-13
Receive 1-year TIE-IRS (13x1)	4.87%	4.70%	5.00%	4.69%	P	11-Jan-13	24-Jan-13
Receive TIE Pay Mbono (10-year)	46bps	35bps	54bps	54bps	L	19-Oct-12	8-Mar-13
Spread TIE-Libor (10-year)	410bps	385bps	430bps	342bps	P	21-Sep-13	8-Mar-13
Long Udbono Dec'12	+0.97%	-1.50%	+1.20%	-6.50%	P	1-May-12	27-Nov-12
Long Udbono Dec'13	+1.06%	0.90%	+1.35%	0.90%	P	1-May-12	14-Dec-12

<sup>1</sup> Carry + roll-down gains of 17bps

<sup>2</sup> 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, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmin Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia 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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**GRUPO FINANCIERO BANORTE S.A.B. de C.V.**

<b>Research and Strategy</b>			
Alejandro Padilla Santana	Chief Economist and Head of Research	alejandro.padilla@banorte.com	(55) 1103 - 4043
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611
María Fernanda Vargas Santoyo	Analyst	maria.vargas.santoyo@banorte.com	(55) 1103 - 4000
<b>Economic Research</b>			
Juan Carlos Alderete Macal, CFA	Executive Director of Economic Research and Financial Markets Strategy	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Director of Economic Research, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katía Celina Goya Ostos	Director of Economic Research, Global	katia.goya@banorte.com	(55) 1670 - 1821
Yazmín Selene Pérez Enríquez	Senior Economist, Mexico	yazmin.perez.enriquez@banorte.com	(55) 5268 - 1694
Cintia Gisela Nava Roa	Senior Economist, Mexico	cintia.nava.roa@banorte.com	(55) 1103 - 4000
Luis Leopoldo López Salinas	Manager Global Economist	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707
<b>Market Strategy</b>			
Manuel Jiménez Zaldívar	Director of Market Strategy	manuel.jimenez@banorte.com	(55) 5268 - 1671
<b>Fixed income and FX Strategy</b>			
Leslie Thalia Orozco Vélez	Senior Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698
Isaías Rodríguez Sobrino	Strategist, Fixed Income, FX and Commodities	isaias.rodriguez.sobrino@banorte.com	(55) 1670 - 2144
<b>Equity Strategy</b>			
Marissa Garza Ostos	Director of Equity Strategy	marissa.garza@banorte.com	(55) 1670 - 1719
José Itzamna Espitia Hernández	Senior Strategist, Equity	jose.espitia@banorte.com	(55) 1670 - 2249
Carlos Hernández García	Senior Strategist, Equity	carlos.hernandez.garcia@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Paola Soto Leal	Analyst	paola.soto.leal@banorte.com	(55) 1103 - 4000 x 1746
<b>Corporate Debt</b>			
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugo.a.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248
<b>Quantitative Analysis</b>			
Alejandro Cervantes Llamas	Executive Director of Quantitative Analysis	alejandro.cervantes@banorte.com	(55) 1670 - 2972
José Luis García Casales	Director of Quantitative Analysis	jose.garcia.casales@banorte.com	(55) 8510 - 4608
Daniela Olea Suárez	Senior Analyst, Quantitative Analysis	daniela.olea.suarez@banorte.com	55) 1103 - 4000
Miguel Alejandro Calvo Domínguez	Senior Analyst, Quantitative Analysis	miguel.calvo@banorte.com	(55) 1670 - 2220
José De Jesús Ramírez Martínez	Senior Analyst, Quantitative Analysis	jose.ramirez.martinez@banorte.com	(55) 1103 - 4000
Daniel Sebastián Sosa Aguilar	Analyst, Quantitative Analysis	daniel.sosa@banorte.com	(55) 1103 - 4000
Salvador Austria Valencia	Analyst, Quantitative Analysis	salvador.austria.valencia@banorte.com	(55) 1103 - 4000
<b>Wholesale Banking</b>			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5004 - 1282
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Frigolet Vázquez Vela	Head of Sólida Banorte	alejandro.frigolet.vazquezvela@banorte.com	(55) 5268 - 1656
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 5140
Carlos Alberto Arciniega Navarro	Head of Treasury Services	carlos.arciniega@banorte.com	(81) 1103 - 4091
Gerardo Zamora Nanez	Head of Transactional Banking, Leasing and Factoring	gerardo.zamora@banorte.com	(81) 8173 - 9127
Jorge de la Vega Grajales	Head of Government Banking	jorge.delavega@banorte.com	(55) 5004 - 5121
Luis Pietrini Sheridan	Head of Private Banking	luis.pietrini@banorte.com	(55) 5249 - 6423
Lizza Velarde Torres	Executive Director of Wholesale Banking	lizza.velarde@banorte.com	(55) 4433 - 4676
Osvaldo Brondo Menchaca	Head of Specialized Banking Services	osvaldo.brondo@banorte.com	(55) 5004 - 1423
Raúl Alejandro Arauzo Romero	Head of Transactional Banking	alejandro.arauzo@banorte.com	(55) 5261 - 4910
René Gerardo Pimentel Ibarrola	Head of Corporate Banking	pimentelr@banorte.com	(55) 5004 - 1051
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.rolan.ferrer@banorte.com	(55) 1670 - 1899