Economic Research

Mexico

Ahead of the Curve

We expect Banxico to cut the reference rate by 50bps to 5.00% and a historical 20.6% y/y decline in April's IGAE

June 19, 2020

www.banorte.com
@analisis_fundam

Juan Carlos Alderete, CFA
Director of Economic Research
juan.alderete.macal@banorte.com

Francisco Flores
Senior Economist, Mexico
francisco.flores.serrano@banorte.com

Winners of the award for best economic forecasters for Mexico in 2019, granted by *Refinitiv*

STARMINE AWARDS FOR REUTERS POLLS FROM REFINITIV

Document for distribution among the general public

- **Banxico's monetary policy decision (June 25).** We expect a reference rate cut of 50bps, to 5.00%. We also anticipate another unanimous vote, although we cannot rule out at least one dissenter, as: (1) In the latest minutes, we identified two members in favor of more aggressive cuts; and (2) we believe that, at the margin, economic and financial conditions have evolved in a way that could convince some in this regard. Despite of the latter, most Board members will keep following a prudent and cautious approach, seeing the trade-off between cutting at a more accelerated pace to boost activity and the risks that this could entail to financial stability as still favoring the current strategy. Going forward, we maintain our expectation of an additional 50bps decrease in the meeting to be held on August 13th, with the reference rate reaching 4.50%, where we expect it to finish this year
- **Global economic activity indicator (April).** We forecast a 20.6% y/y contraction, a new minimum since the series is available. The economy was highly impacted by the COVID-19 pandemic and efforts to fight it, such as social distancing measures. In the monthly comparison we estimate a 17.1% decline, also a historical low. As already known, industrial production plunged 29.3% y/y (-25.1% m/m), dragged by construction (-38.0% y/y) and manufacturing (-35.3%) on the suspension of non-essential activities. Meanwhile, signals for services are also quite stark, leading us to expect an 18.9% decline (-15.7% m/m). Broad indicators such as IMEF's non-manufacturing PMI and formal job losses, as well as more detailed data from sectors such as lodging, transportation and retail sales, among others, also suggest historical downfalls almost everywhere

Mexico weekly calendar

DATE	HOUR (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Mon 22-Jun	3:30pm	Citibanamex survey of economic expectations					
Tue 23-Jun	10:00am	International reserves	Jun-19	US$ bn	--	--	188.1
Wed 24-Jun	7:00am	CPI inflation	1Q Jun	% 2w/2w	0.20	0.24	-0.01
				% y/y	3.05	3.08	2.85
		Core		% 2w/2w	0.14	0.14	-0.06
				% y/y	3.50	--	3.52
Thu 25-Jun	7:00am	Retail sales	April	% y/y	-22.6	--	-1.3
		sa		% m/m	-18.7	--	-0.8
Thu 25-Jun	2:00pm	Banxico's monetary policy decision	Jun-25	%	5.00	5.00	5.50
Fri 26-Jun	7:00am	Economic activity indicator (IGAE)	April	% y/y	-20.6	--	-2.3
		sa		% m/m	-17.1	--	-1.3
		Primary activities		% y/y	2.2	--	9.3
		Industrial production		% y/y	-29.3	--	-5.0
		Services		% y/y	-18.9	--	-1.4
Fri 26-Jun	7:00am	Trade balance	May	US$ mn	-3,786.6	--	-3,087.4
		Total exports		% y/y	-47.7	--	-40.9
		Oil exports		% y/y	-47.9	--	-66.4
		Non-oil exports		% y/y	-47.7	--	-39.4
		Total imports		% y/y	-37.2	--	-30.5

Source: Banorte; Bloomberg

Proceeding in chronological order…

Weekly international reserves report. Last week, net international reserves increased by US$858 million, closing at US$188.1 billion. According to Banxico's report, this was explained by: (1) Sales of US$600 million from the Federal Government to the central bank; and (2) a positive valuation effect in institutional assets of US$258 million. In this context, the central bank's international reserves have increased by US$7.2 billion during 2020 (please refer to the following table).

Banxico's foreign reserve accumulation details
US$, million

	2019	Jun 12, 2020	Jun 12, 2020	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	180,877	188,105	858	7,228
(B) Gross international reserve	183,028	197,119	205	14,091
Pemex	--	--	0	2,624
Federal government	--	--	-46	7,122
Market operations	--	--	0	0
Other	--	--	251	4,345
(C) Short-term government's liabilities	2,151	9,014	-653	6,863

Source: Banco de México

Inflation to continue experiencing distortions from the pandemic as well as tax adjustments. We estimate headline inflation at 0.20% 2w/2w. Core prices would pick up 0.14% (contribution: 11bps) and the non-core index would climb 0.41% (adding 10bps). In this context, we highlight that volatility in inflation data seems to have increased and will probably remain high. We attribute this to direct and indirect effects due to the pandemic. In this sense, INEGI stated that in May, 11.9% of the index was impacted by this factor.

At the core level, we expect some pressures to come back after the surprising fall in the previous fortnight. The rise in processed foods would persist, estimated at 0.26% 2w/2w (contribution of 6bps), while other goods would be more moderate (0.1%) due to weakness in demand, although positive once again after the decrease in the last fortnight. We believe the latter was explained by the distortions in data mentioned above on top of discounts from the *Hot Sale* promotional campaign. Moreover, we could see some upward adjustments in services (+0.1%, 4bps contribution) excluding housing and tourism. We should remember that several digital services –such as *Netflix*, *Mercado Libre* (an *Ebay* branch), and some videogame platforms, among others– increased prices due to modifications in the country's tax code that came into effect on June 1st. We would also see higher airfares (6.4%), reversing part of the 14.4% decline of the previous fortnight.

Inside the non-core component, data points to additional increases in energy, which we estimate at 1.8% (adding 15bps to the headline). In particular, low-grade gasoline would add 12bps, with higher international reference prices outweighing for the appreciation of the Mexican peso, while excise tax subsidies remain at zero. We also forecast an increase in LP gas. Meanwhile, agricultural goods would be mixed. Fruits and vegetables would fall 1.3%, extending its relative normalization after the strong pick-up observed in the first half of May.In this sense, our monitoring showed moderate but generalized declines. On the contrary, meat and egg would rise 0.3%, with pressures concentrated in poultry.

With these results, annual inflation would stand at 3.05% from 2.84% in May, supporting our belief that inflation is past its minimum, seen in April. The core would improve to 3.50% from 3.64%, which would be positive considering the difficulty it has experienced to breach said level since late 2016. Nevertheless, this will probably remain the case for the remainder of the year. Non-core inflation would climb to 1.66% from 0.35%, with an increasingly challenging base effect –although still low in absolute terms relative to its mid-term average– and impacted gradually by higher gasoline prices. As such, inflation would have returned to the central bank's target even with distortions in some components due to the pandemic as well as significant economic weakness, with this backdrop in our view still supporting additional cuts in the reference rate by Banxico in the short term.

Retail sales in April to be impacted due to social distancing measures. We anticipate a 22.6% y/y contraction, a new historical low. In monthly terms, the decline would come in at -18.7% (also lowest ever). In a similar fashion to what we saw in March, we expect to see shifting consumption patterns in the month, largely explained by the continuation of social distancing measures. We must remember that the 'Emergency declaration' happened on March 30th, setting the stage for stronger distortions in April. In this sense, all of the data shows a deterioration relative to March, both in yearly and monthly comparisons. By sectors, we expect some resiliency in supermarkets, food & beverages and healthcare products, while non-essential items, such as departmental stores, glass & hardware, office & leisure, and clothing, along motor vehicles could show steep declines. Meanwhile, internet sales will probably post a very strong performance, as some purchases were substituted through this mean.

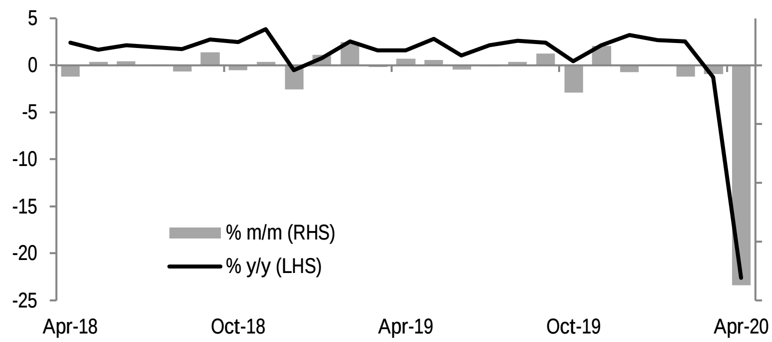
In this sense, *ANTAD's* same-store sales plunged 24.5% y/y in real terms. Nevertheless, there was still a mixed performance inside, with supermarket sales up 6.4%, while specialized (-19.2%) and departmental stores (-73.3%) were in deep contraction. Regarding the latter, despite online stores offering deep discounts and payment plans, as well as other stores refusing to close (*e.g. Coppel* and *Elektra*), we believe that the main factor that hindered performance is uncertainty. On top of the fact that disposable income is lower, in the case there are still resources available after essential purchases, consumers are being much more cautious, deferring acquisitions of durable-goods and expensive items and favoring savings. This in turn suggests that weakness will persist in coming months. Reinforcing this hypothesis, vehicle sales declined 64.5%, lowest in history (according to the series published by *INEGI* since 2005). In addition, gasoline sales by *Pemex* (through wholesales) fell 40.1% y/y in volume and 70.8% in cash terms. This is consistent with data from *Apple* and *Google* which signals that mobility was sharply down in the month. In other data, non-oil consumption goods imports plunged 37.9%, lowest since December 1995.

In addition, more fundamental data also shows a deterioration, with 555.2 thousand formal jobs lost in addition to very negative figures within the latest employment report from INEGI. In this sense, despite gains in average wages, both in nominal and real terms, the loss in employment has resulted in a decline in total payrolls. Meanwhile, remittances backtracked to negative territory in dollar terms at -2.6%, although still highly positive at +24.5% in local currency.

Going forward, most recent data suggests that April was the hardest hit month, showing some sequential, albeit slight, improvements both in *ANTAD* (-21.2% y/y) and vehicle sales (-59.0%) in May. Mobility data supports this trend, even signaling some further recovery in June. However, we consider that given the nature of the shock, consumption will remain weak, as previously mentioned, highly impacted by increased levels of uncertainty.

Retail sales

% y/y nsa, % m/m sa



Source: INEGI, Banorte

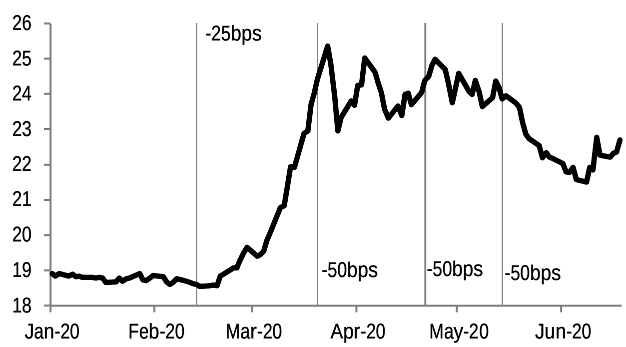
Banxico to keep a steady pace of rate cuts. On Thursday, the central bank will carry out its fifth monetary policy meeting of the year. We expect Banxico to cut again the reference rate by 50bps to 5.00%, fourth consecutive of this magnitude in 2020. We expect another unanimous vote, as the previous decision seemed poised for a possible dissent –in favor of a more aggressive decline– but did not materialize, in our view signaling comfort about this pace. Moreover and in our view, the 1Q20 *Quarterly Report* was a tad less dovish, as it stressed concerns over the financial shock experienced by the Mexican economy along higher inflation forecasts. Nevertheless, we cannot rule out at least one dissenter, as: (1) In the latest minutes, we identified two members in favor of more aggressive cuts; and (2) we believe that, at the margin, economic and financial conditions have evolved in a way that could convince some in this regard. Despite of the latter, we maintain our view unchanged, as we see most Board members still favoring a prudent and cautious approach. It is our take that this is also reinforced by recent comments by Governor Alejandro Diaz de León and Deputy Governor Javier Guzmán, among others. Specifically, and regarding the second point, we stress out:

(1) *Downward surprises in domestic growth*. Since the last decision, we highlight the historical decline in April's industrial production and the deep fall in both exports and imports within the trade balance. It should be noted that Banxico already anticipated steep contractions, although they came in below market expectations. For May, other data includes IMEF indicators, particularly the additional fall in the manufacturing sector, along formal job losses. Regarding the latter, Deputy Governor Jonathan Heath wrote an op-ed (available only in Spanish) in which he argues that April's unemployment rate, which officially stood at 4.7%, does not convey the actual magnitude of the impact on employment conditions. According to his calculations based on data from INEGI's survey, the rate would have surged between 25.4% and 27.8%, an unprecedented figure and much worse than in the US.

Overall, we will pay close attention for a possible bias towards one of their GDP growth scenarios –in our view closer to the 'Deep V-shaped', at least so far–, which would be more dovish at the margin.

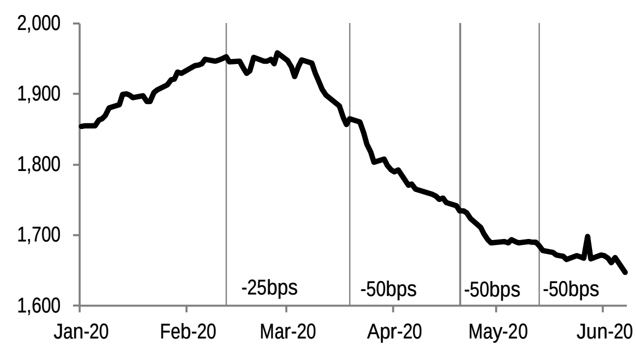
(2) *Better financial market dynamics*. In our view, one of the most relevant inclusions in the last statement and minutes was the guidance that decisions going forward will be made "*...considering the large impact on productive capacity as well as the evolution of the financial shock that we are currently facing...*". In this context, several financial market indicators have improved since the last decision on May 14th, both globally and domestically, despite renewed turmoil in recent days on concerns about the pandemic. Just to name a few, the VIX and USD (according to the BBDXY) have fallen and the MSCI Global index (ACWI) has appreciated. Locally, the main stock market gauge (Mexbol) has gained and the Mexican peso is stronger against the dollar (see chart below, left). Moreover, Mexico's 5-year CDS declined from 256bps at the last decision, to 154bps today. These dynamics, coupled with additional monetary easing around the world –such as this week's 75bps rate cut in Brazil or the important announcement of quantitative easing in Chile–, suggest financial market conditions are primed for additional easing. Nonetheless, we expect most members to still favor a cautious and prudent stance. In this sense, we highlight that foreigners' Mbono holdings have fallen further at the margin (see chart below, right), a situation stressed in the latest minutes and also by Governor Diaz de Leon. Short-term FX volatility remains elevated, with anecdotal evidence that liquidity and depth in currency, rates, and derivatives markets is still worse than pre-pandemic levels. As such, Banxico's Governor stated recently that measures to support liquidity in the foreign exchange will not be relaxed and the Mexican peso is in 'fragile territory', while risks for the banking system could intensify ahead. All in all, we believe most members see the trade-off between cutting at a more accelerated pace to boost economic activity and the risks that this could entail to financial stability, as still favoring a more modest approach to easing.

Mexican peso
USD/MXN



Source: Bloomberg

Foreigners' Mbonos holdings
Billion pesos

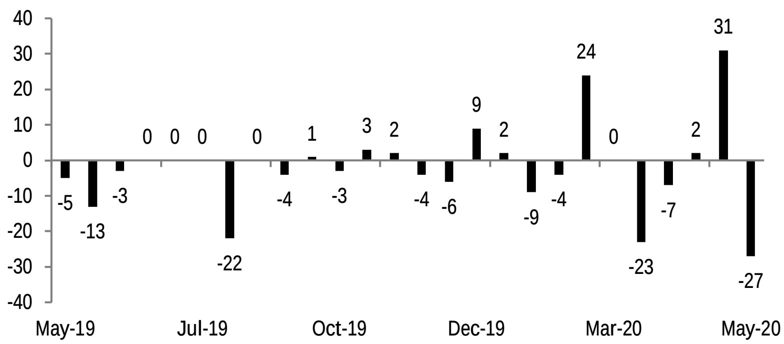


Source: Banxico

On inflation, it is our take that recent data clearly shows additional challenges for assessing the outlook. This is consistent with the bank's repeated characterization of the balance of risks as uncertain. In this sense, we think the Board will increase its focus on recent deviations in bi-weekly inflation prints, especially after data for May, in which both the first and second fortnights surprised market consensus by a wide margin, as shown in the chart below.

Although we believe these are mostly a result of the direct impact of the pandemic on both non-core (*e.g.* energy) and core (*e.g.* tourism-related services and processed foods) components, they have also been indirect, such as problems with data collection and modifications to the sampling method. Despite these caveats, we argue that the tone of the statement about the outlook for prices will not change much, with the balance of risks still characterized as uncertain.

Bi-weekly inflation surprises
Bps, actual less consensus



Source: INEGI and Bloomberg

Going forward, we maintain our expectation of an additional 50bps decrease in the meeting to be held on August 13th, with the reference rate reaching 4.50%, where we expect it to finish this year. In our view, volatility will likely increase again, not only because of the non-negligible probability of a second wave of contagion of COVID-19, but also as we approach the US electoral process, with the general election to be held on November 3rd. In this backdrop, higher risk premia would prevent Banxico from easing beyond that level, taking also into account that it would already imply an accommodative monetary policy relative to the central bank's estimate of the neutral reference rate.

April's IGAE to a new historical low. We expect the *Global Economic Activity Indicator* (IGAE) at -20.6% y/y, a new minimum since the series is available. The economy was highly impacted by the COVID-19 pandemic and efforts against it, such as social distancing measures. In the monthly comparison, we estimate the contraction at -17.1%, also a new historical low.

As already known, industrial production plunged 29.3% y/y (-25.1% m/m), dragged by significant weakness in construction (-38.0% y/y) and manufacturing (-35.3%) on the suspension of non-essential activities. Although mining was better (-3.6%), the non-oil component fell considerably (-30.2%), as it was also deemed non-essential. Finally, public services were affected by broad weakness in activity (-3.5%).

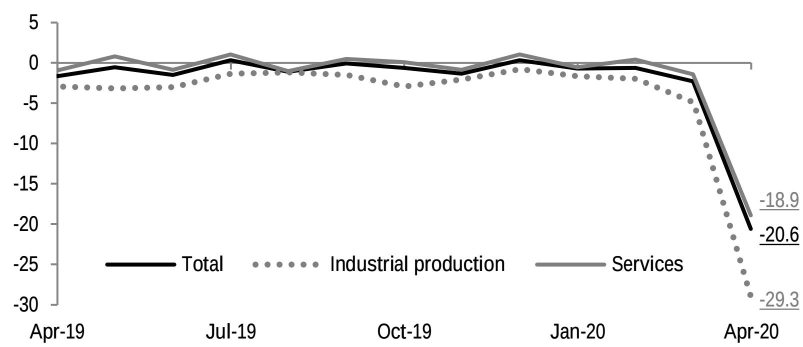
Considering the pandemic's unprecedented shock, we anticipate a contraction of 18.9% (-15.7% m/m) in services. In this respect, IMEF's non-manufacturing PMI fell to a new historical low at 35.6pts (although it should be remembered that this indicator includes construction), while formal employment declined 238 thousand positions, equivalent to 42% of total formal jobs lost in the month. In addition, and as mentioned in the previous section, mobility indicators suggest this was the weakest month.

Inside, we expect significant declines almost everywhere, with transportation, lodging and recreational services, impacted by the deep recession in tourism and entertainment. In this sense: (1) Air passenger traffic in all the country's airports declined 93.0% y/y; (2) hotel occupancy rates barely stood at 2.8%; and (3) attendance to museums and archeological sites declined 100%. Others such as cinemas, theatres and concerts were also suspended. Transportation would also be impacted by lower industrial output and commerce, although possibly finding some support with online sales that use home delivery services.

We expect commerce to fall, both wholesale and retail. On the latter and as detailed above, despite strength in essential goods' sales, the rest would suffer on the back of high uncertainty and the deterioration in employment. Education could show a more modest contraction, supported by the continuation of activities remotely. On health, we do not rule out a contraction. Even though demand for emergency services has increased due to the pandemic, we believe others moderated, as suggested by anecdotal evidence. Finally, financial services, as well as corporates, could show some resiliency, with the former supported by its essential status and the latter because of home-office schemes.

Going forward, we expect a modest recovery in May, as pointed out by timely figures such as ANTAD and vehicle sales (see retail sales section), along the 2.3pts increase in the non-manufacturing PMI, among others. Nevertheless, weakness will persist, particularly in the most disrupted industries. In this respect, the magnitude of the downfall in air passenger traffic handled by private airport groups (-93.0% y/y) remained extraordinarily high. Overall, we believe the rebound will be very gradual, anticipating sequential recoveries in monthly terms but still very negative prints in the annual comparison.

IGAE
% y/y (nsa)



Source: INEGI, Banorte

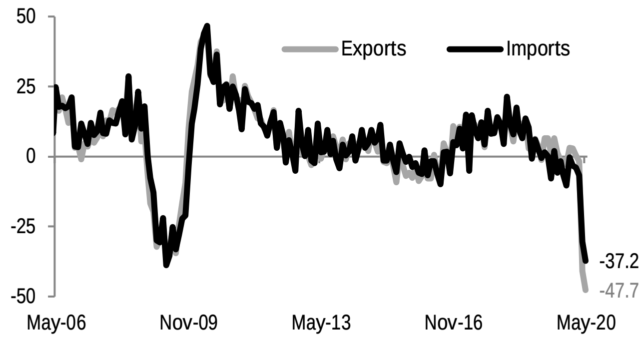
Trade to deepen its decline in May. We estimate a US$3,786.6 million deficit, surpassing last month's figure by US$699.2 million and adding two consecutive negative months. Total trade (exports plus imports) would come at US$47,477.1 million, a 42.5% y/y decline and below the -35.8% seen in April. Total exports would fall 47.7% y/y, while imports would contract 37.2%. Inside, dynamics in the oil balance would improve on higher prices for exports and imports remaining stagnant, while the non-oil balance would expand the deficit, with both registering heavy losses albeit with less dynamic exports relative to imports.

In oil, we anticipate a US$171.1 million deficit, narrowing to its lowest in five years, highly skewed by changes in dynamics due to the pandemic. Regarding exports, although crude oil prices recovered relative to April –with the Mexican oil mix averaging 24.85 US$/bbl vs. 12.23 US$/bbl in the previous month– the annual comparison still plunged 60.1%. Regarding volumes, we should remember that OPEC+ cuts came into force this month, representing a 100kbpd decline to a target of around 1,618kbpd. In this context, Pemex's CEO, Octavio Romero, stated that compliance had been 100%. In addition, personnel were withdrawn from rigs on health concerns from the pandemic, adding pressures to output. Despite of this, import data from the US suggests volumes were higher, leading us to expect total oil exports at -47.9%, with crude at -51.7%. In imports, we expect strong weakness, much more so than in exports, anticipating a 66.9% fall. In this sense, PMI, Pemex's international branch, declared *force majeure* clauses in fuel shipments contracts, postponing them to 2H20. This would impact consumption goods imports the most, even on some early signs of increased mobility that would have helped gasoline demand at the margin. This fall is likely to happen also despite higher prices, with gasoline futures in the US coming in at -51.7% y/y (vs. -67.2% in April). In this context, we believe that a lag between shipments and demand in previous months drove a steep accumulation of inventories, triggering these cancelations in late April and May. Going forward, and even with the additional recovery in prices, output cuts and sluggish demand should limit the sector's upward potential.

The non-oil balance would surge to a US$3,615.5 million deficit, widening relative to the previous month. We estimate exports at -47.7%, with imports slightly better at -33.4%. Unlike April, we expect additional weakness in shipments abroad, driven partly by data that suggests businesses tapped their inventories in April to continue sending their goods. The latter, coupled with an extension of restrictions to activity that resulted in very low production (and with modest or even null inventories), exports were likely hit more strongly. This is evident in auto exports, falling 95.1% y/y, worse than April's -90.2%. Therefore, we anticipate a contraction of 84.6% in auto exports. Meanwhile, other manufacturing would show similar performance, although more resilient, at -31.3%. It should be noted that this would happen despite the better performance in US industrial production, which climbed to -15.4% from -17.1% in the previous month. Additional support for this hypothesis comes from several reports affirming that various US business chambers called for Mexican manufacturers to reopen, as inputs were needed to keep up with production. Non-oil mining would also be lower, impacted by an unfavorable base effect, while agricultural goods could outperform, driven by higher demand of some goods after shutdowns in processing plants in the US.

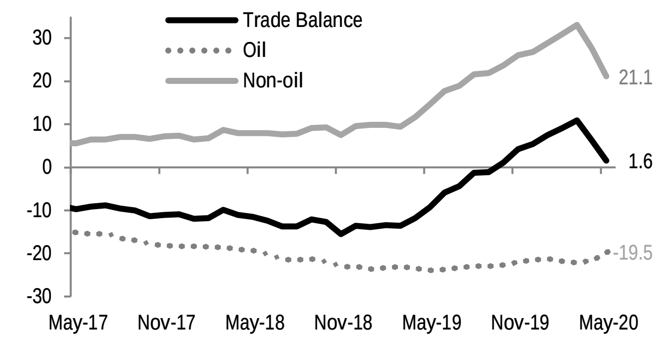
On imports, available data suggests a stronger performance relative to exports, with China regaining momentum –both in terms of output and exports–, while in the US, the ISM exports index climbed to 41.5pts from 36.3pts, contrary to the decline in the 'imports' component. Nevertheless, absolute levels would remain very depressed. In this context, we expect intermediate goods at -30.5%, while consumption goods would come in at -38.5%. Finally, we expect capital goods to plummet 51.4%, catching up after previous month upside surprise and with a more challenging base effect.

Exports and Imports
% y/y nsa



Source: INEGI, Banorte

Trade balance
US$ billion, 12-month rolling sum



Source: INEGI, Banorte

Analyst Certification

We, Gabriel Casillas Olvera, Alejandro Padilla Santana, Delia María Paredes Mier, Juan Carlos Alderete Macal, Manuel Jiménez Zaldívar, Marissa Garza Ostos, Tania Abdul Massih Jacobo, 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.

Relevant statements.

In accordance with current laws and internal procedures manuals, analysts are allowed to hold long or short positions in shares or securities issued by companies that are listed on the Mexican Stock Exchange and may be the subject of this report; nonetheless, equity analysts have to adhere to certain rules that regulate their participation in the market in order to prevent, among other things, the use of private information for their benefit and to avoid conflicts of interest. Analysts shall refrain from investing and holding transactions with securities or derivative instruments directly or through an intermediary person, with Securities subject to research reports, from 30 calendar days prior to the issuance date of the report in question, and up to 10 calendar days after its distribution date.

Compensation of Analysts.

Analysts' compensation is based on activities and services that are aimed at benefiting the investment clients of Casa de Bolsa Banorte and its subsidiaries. Such compensation is determined based on the general profitability of the Brokerage House and the Financial Group and on the individual performance of each analyst. However, investors should note that analysts do not receive direct payment or compensation for any specific transaction in investment banking or in other business areas.

Last-twelve-month activities of the business areas.

Grupo Financiero Banorte S.A.B. de C.V., *through its business areas, provides services that include, among others, those corresponding to investment banking and corporate banking, to a large number of companies in Mexico and abroad. It may have provided, is providing or, in the future, will provide a service such as those mentioned to the companies or firms that are the subject of this report. Casa de Bolsa Banorte or its affiliates receive compensation from such corporations in consideration of the aforementioned services.*

Over the course of the last twelve months, Grupo Financiero Banorte S.A.B. C.V., has not obtained compensation for services rendered by the investment bank or by any of its other business areas of the following companies or their subsidiaries, some of which could be analyzed within this report.

Activities of the business areas during the next three months.

Casa de Bolsa Banorte, Grupo Financiero Banorte or its subsidiaries expect to receive or intend to obtain revenue from the services provided by investment banking or any other of its business areas, by issuers or their subsidiaries, some of which could be analyzed in this report.

Securities holdings and other disclosures.

As of the end of last quarter, Grupo Financiero Banorte S.A.B. of C.V. has not held investments, directly or indirectly, in securities or derivative financial instruments, whose underlying securities are the subject of recommendations, representing 1% or more of its investment portfolio of outstanding securities or 1 % of the issuance or underlying of the securities issued.

None of the members of the Board of Grupo Financiero Banorte and Casa de Bolsa Banorte, along general managers and executives of an immediately below level, have any charges in the issuers that may be analyzed in this document.

The Analysts of Grupo Financiero Banorte S.A.B. of C.V. do not maintain direct investments or through an intermediary person, in the securities or derivative instruments object of this analysis report.

Guide for investment recommendations.

	Reference
BUY	When the share expected performance is greater than the MEXBOL estimated performance.
HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

Even though this document offers a general criterion of investment, we urge readers to seek advice from their own Consultants or Financial Advisors, in order to consider whether any of the values mentioned in this report are in line with their investment goals, risk and financial position.

Determination of Target Prices

For the calculation of estimated target prices for securities, analysts use a combination of methodologies generally accepted among financial analysts, including, but not limited to, multiples analysis, discounted cash flows, sum-of-the-parts or any other method that could be applicable in each specific case according to the current regulation. No guarantee can be given that the target prices calculated for the securities will be achieved by the analysts of Grupo Financiero Banorte S.A.B. C.V, since this depends on a large number of various endogenous and exogenous factors that affect the performance of the issuing company, the environment in which it performs, along with the influence of trends of the stock market, in which it is listed. Moreover, the investor must consider that the price of the securities or instruments can fluctuate against their interest and cause the partial and even total loss of the invested capital.

GRUPO FINANCIERO BANORTE S.A.B. de C.V.

Research and Strategy			
Gabriel Casillas Olvera	IRO and Chief Economist	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godinez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Economic Research and Financial Market Strategy			
Alejandro Padilla Santana	Executive Director of Economic Research and Financial Markets Strategy	alejandro.padilla@banorte.com	(55) 1103 - 4043
Itzel Martínez Rojas	Analyst	itzel.martinez.rojas@banorte.com	(55) 1670 - 2251

Economic Research			
Juan Carlos Alderete Macal, CFA	Director of Economic Research	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Francisco José Flores Serrano	Senior Economist, Mexico	francisco.flores.serrano@banorte.com	(55) 1670 - 2957
Katia Celina Goya Ostos	Senior Economist, Global	katia.goya@banorte.com	(55) 1670 - 1821
Luis Leopoldo López Salinas	Economist, Global	luis.lopez.salinas@banorte.com	(55) 1103 - 4000 x 2707

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

Fixed income and FX Strategy			
Santiago Leal Singer	Senior Strategist, Fixed Income and FX	santiago.leal@banorte.com	(55) 1670 - 2144
Leslie Thalía Orozco Vélez	Strategist, Fixed Income and FX	leslie.orozco.velez@banorte.com	(55) 5268 - 1698

Equity Strategy			
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
Valentín III Mendoza Balderas	Senior Strategist, Equity	valentin.mendoza@banorte.com	(55) 1670 - 2250
Víctor Hugo Cortes Castro	Senior Strategist, Technical	victorh.cortes@banorte.com	(55) 1670 - 1800
Eridani Ruibal Ortega	Analyst	eridani.ruibal.ortega@banorte.com	(55) 1103 - 4000 x 2755
Juan Barbier Arizmendi	Analyst	juan.barbier@banorte.com	(55) 1670 - 1746

Corporate Debt			
Tania Abdul Massih Jacobo	Director of Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Senior Analyst, Corporate Debt	hugoa.gomez@banorte.com	(55) 1670 - 2247
Gerardo Daniel Valle Trujillo	Analyst, Corporate Debt	gerardo.valle.trujillo@banorte.com	(55) 1670 - 2248

Economic Studies			
Delia María Paredes Mier	Executive Director of Economic Studies	delia.paredes@banorte.com	(55) 5268 - 1694
Miguel Alejandro Calvo Domínguez	Senior Analyst, Economic Studies	miguel.calvo@banorte.com	(55) 1670 - 2220

Wholesale Banking			
Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(81) 8319 - 6895
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.ceballos@banorte.com	(55) 5268 - 9996
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 - 1002
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) 8318 - 5071
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) 5004 - 1453
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) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	rvelazquez@banorte.com	(55) 5004 - 5279
Víctor Antonio Roldan Ferrer	Head of Commercial Banking	victor.roldan.ferrer@banorte.com	(55) 5004 - 1454