Ahead of the Curve

Banxico to hike by 25bps for a third time in a row, in a split decision

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- **Banxico's monetary policy decision (September 30th).** We expect another 25bps hike in a split decision, taking the reference rate to 4.75%. Considering the challenging outlook, especially for inflation (with the headline and core at 5.87% and 4.92% y/y in the 1st half of September, respectively), as well as the Fed's latest signal of an upcoming tapering later this year, we believe a majority will maintain a cautious approach. Moreover, we see some upward adjustments in the central bank's inflation forecasts. After the decision, we expect Banxico to remain on a hiking path, taking the rate to 5.25% by year-end with two additional 25bps increases. For 2022 we expect further increases, taking the rate by the end of the period to 6.00%

- **Monthly GDP-proxy (July).** We expect the *Global Economic Activity Indicator* (IGAE) at 1.0% m/m (7.9% y/y, with original figures), with some resiliency despite an additional deterioration in epidemiological conditions. By sectors, industry –still in a tight spot– grew 1.1% m/m after two months in contraction, driven by a rebound in both construction and manufacturing, but with mining weakening further. For services, we expect +1.3% m/m (9.0% y/y). We believe tourism helped meaningfully due to the summer holiday, both from domestic and foreign travelers. Lastly, we see a growth moderation in August on cases climbing to all-time highs, as well as for the rest of 2H21

Mexico weekly calendar

DATE	TIME (ET)	EVENT	PERIOD	UNIT	BANORTE	CONSENSUS	PREVIOUS
Mon 27-Sep	7:00am	Economic activity indicator	July	% y/y	7.9	8.7	13.3
		sa		% m/m	1.0	--	-0.9
		Primary activities		% y/y	2.4	--	7.4
		Industrial production		% y/y	7.3	--	13.5
		Services		% y/y	9.0	--	13.6
Mon 27-Sep	7:00am	Trade balance	August	US$ mn	-1,084.7	-2,600.0	-4,062.9
		Exports		% y/y	15.0	--	15.2
		Imports		% y/y	41.4	--	50.6
Tue 28-Sep	7:00am	Unemployment rate	August	%	4.49	--	4.38
		sa		%	4.17	--	4.09
Tue 28-Sep	10:00am	International reserves	Sep-24	US$ bn	--	--	198.4
Thu 30-Sep	10:00am	Commercial banking credit	August	% y/y in real terms	-7.1	--	-9.7
		Consumption		% y/y in real terms	-5.0	--	-5.8
		Mortgages		% y/y in real terms	3.8	--	3.1
		Corporates		% y/y in real terms	-10.8	--	-14.7
Thu 30-Sep	2:00pm	Monetary policy decision (Banxico)	Sep-30	%	4.75	4.75	4.50
Thu 30-Sep		Budget balance (measured with PSBR)	August	MX$ bn	--	--	-434.4
Fri 1-Oct	10:00am	Family remittances	August	US$ mn	4,476.8	--	4,540.3
Fri 1-Oct	10:00am	Banxico's survey of economic expectations	September				
Fri 1-Oct	1:00pm	PMI's survey (IMEF)	September				
		Manufacturing		index	52.0	--	51.3
		Non-manufacturing		index	51.8	--	50.1

Source: Banorte; Bloomberg

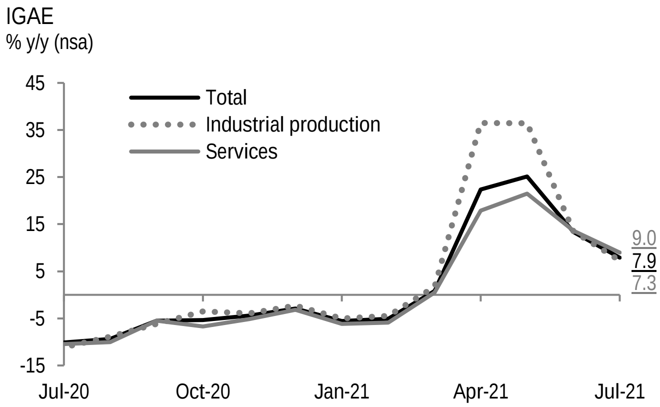
Proceeding in chronological order…

July's GDP-proxy to post a modest rebound, boosted by tourism services. We expect the *Global Economic Activity Indicator* (IGAE) at 7.9% y/y, lower than the 13.3% of the previous month as the positive base effect continues to unwind. This trend should continue for annual figures for the remainder of the year and into early 2022, as the recovery kept gathering strength most of 2020. There is a negative calendar effect because of one less working day vs. a year ago and the summer holiday. Using seasonally adjusted figures, our forecast would result in 8.5%, an inch lower than the 8.7% estimated by INEGI. Sequentially, the economy would rebound 1.0% m/m, barely recouping the -0.9% of the previous month. We expect to have seen some resiliency despite an additional deterioration in epidemiological conditions –with the number of cases and the 'traffic light' indicator gradually worsening–, albeit not yet to its worst levels in the 'third wave', which happened until August.

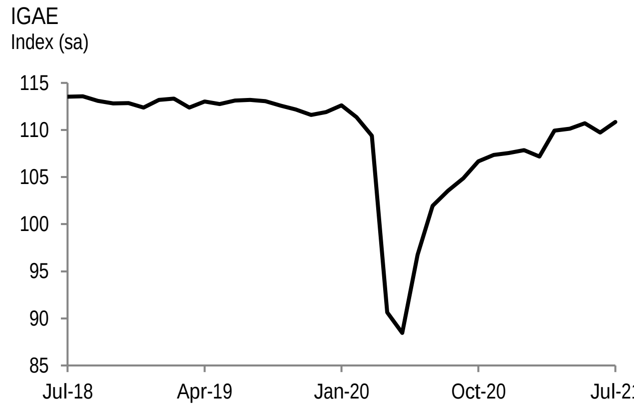
By sectors, industry –still in a tight spot– grew 1.1% m/m after two months in contraction, driven by a rebound in both construction and manufacturing, but with mining weakening further. While at face value this is positive, details within the report keep pointing to several issues impacting the sector.

For services, we expect +1.3% m/m (9.0% y/y). Signals were mixed, consistent with the pandemic's evolution. Mobility was quite resilient though, hovering close, but still below, pre-pandemic levels. In this respect IMEF's non-manufacturing indicator fell 1.5pts to 52.3pts, with sizeable declines in 'production' and 'new orders'. Aggregate trend indicators were mixed, with commerce inching higher while non-financial services (ex. commerce) fell slightly. On the bright side, we believe tourism helped meaningfully, both from domestic and foreign travelers. Specifically, we believe people's fatigue, the progress in vaccinations and increasing adaptation to the pandemic likely boosted this sector during the summer. In this context, hotel occupancy rates climbed to 50.1% from 45.5% in the previous month. Although there is a seasonal effect in air passenger data during the summer, total travelers support our view as they reached 6.4 million (+209.4% y/y). Considering the latter, as well as strength in manufacturing, transportation could show some dynamism. Nevertheless, retail surprised negatively, contracting 0.4% m/m. Essential categories will likely remain stable, not ruling out an acceleration in healthcare and education, with the former rising as cases went up and the latter possibly boosted by schools starting to gear-up for the return to in-person classes.

We see a growth moderation in August on cases climbing to all-time highs, as well as for the rest of 2H21. However, given progress on vaccinations along looser restrictions, the impact of the virus is likely to be more modest. In this backdrop, we continue seeing positive sequential growth in the third and fourth quarters, extending the recovery trend also into 2022.



Source: INEGI, Banorte



Source: INEGI, Banorte

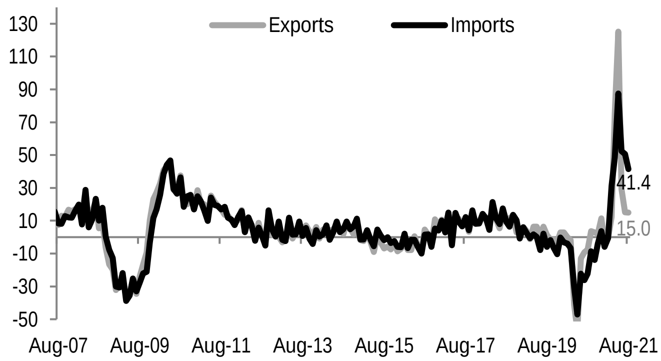
Trade balance deficit in August despite a moderation in imports. We estimate a US$1,084.7 million deficit, more modest –but still negative– than July's -US$4,062.9 million. We expect exports and imports to grow 15.0% and 41.4% y/y, respectively, with base effects still playing a significant role. Despite of this, we see a more relevant sequential moderation in the latter after strength in the previous month, signals of a slowdown in domestic demand, and other factors.

By sectors, we expect a US$2,178.2 million oil balance deficit. The main highlight would be a downtick in both shipments and purchases abroad on lower volumes and prices. On the former, the Mexican oil mix traded at 64.29 US$/bbl on average vs. 68.30 in July, which in either case was still high in annual terms (64.4%). Volumes also show a reduction, recalling that the fire at the Ku Alfa oilfield in Campeche, affecting production from August 22nd to the 30th. Pemex estimated that 125 wells and 1.6 million barrels of oil were affected. Moreover, hurricanes *Grace* and *Ida* in the Atlantic likely also impacted operations. Turning to imports, reference prices for gasoline declined, while figures on gasoline purchases also suggests lower volumes. In a similar fashion, the price remains high in annual terms at 75.5%. Overall, we expect oil exports and imports up by +51.5% and 98.8% y/y, in the same order.

The non-oil balance would come in at a US$1,093.5 million surplus. Exports are estimated at 13.2% y/y and imports up 36.6%. In the former, we expect relatively strong agricultural goods (15.7%) despite the hurricanes mentioned above as these were near the end of the month, not affecting production as much as inducing higher prices, as showed in inflation. Non-oil mining should remain high as prices kept climbing on a sequential basis, albeit more modestly than in recent months. Manufacturing would climb 13.0%. The auto sector likely stayed in a difficult spot despite improving at the margin. According to AMIA, vehicles sent abroad reached 212.7 thousand (-19.6% y/y) from 202.0 thousand in July. The sector was more positive in the US according to industrial production, in our view also helping domestically. Automakers CEOs and trade representatives have said this is still a problem but has moderated recently, with the US administration working in this regard. We expect an improvement in other manufacturing, with the US's ISM 'imports' component accelerating to 54.3pts from 53.7pts and sectors such as food, aerospace, home appliances and non-energy all higher.

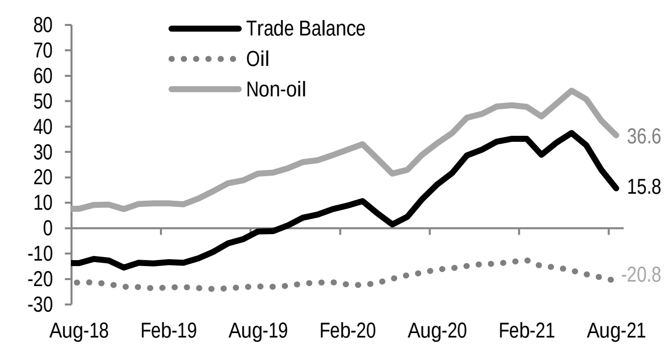
Turning to imports, we point out again Chinese port congestions building up due to COVID-19 restrictions as cases flared up since late May. Therefore, we do not rule out a hit in exports to our country, albeit with limited evidence about this. Specifically, China exports to Mexico increased +68.6% y/y in July –still timely considering delivery times of maritime freight–, although with base effects distorting the data. Broadly speaking, we see some weakness due to other figures pointing to a slowdown in domestic demand, lower confidence levels, and some payback after a sequential acceleration in most categories in July. We estimate consumption goods at 98.7% and intermediate goods at 98.9%, both lower in absolute terms when compared to the previous month. On the latter, the US's ISM 'exports' component decelerated to 60.6pts, lower but still expanding. Lastly, we anticipate capital goods at 30.5%, in our view more modest as the exchange rate was weaker and more volatile on higher uncertainty, while business confidence edged down, which in our view may have reduced appetite.

Exports and Imports
% y/y nsa



Source: INEGI, Banorte

Trade balance
US$ billion, 12-month rolling sum



Source: INEGI, Banorte

Unemployment to tick higher again in August. We estimate the unemployment rate at 4.49% (original figures), up 11bps relative to July. The seasonal skew is similar to the one in the previous month, likely related to summer vacations –especially for younger kids at elementary and middle school. With seasonally adjusted figures, the rate would climb to 4.17% from 4.09%. Despite the increase, we believe overall labor market conditions are positive, especially considering an even more challenging backdrop in terms of the virus. We believe two important factors have kept the economy relatively more resilient: (1) The government's decision to set new regulations which allow for more activities to stay open despite worsening conditions; and (2) people and businesses pandemic fatigue, maintaining a more 'normal' pace of life. Nevertheless, indicators suggest that there is still room to recover for the labor market despite July showing that the employment gap has already closed. This includes 'people available for work', which should continue coming back into the labor force. We expect this to partly explain the uptick in the unemployment rate, with some people looking for a job not able to find one yet.

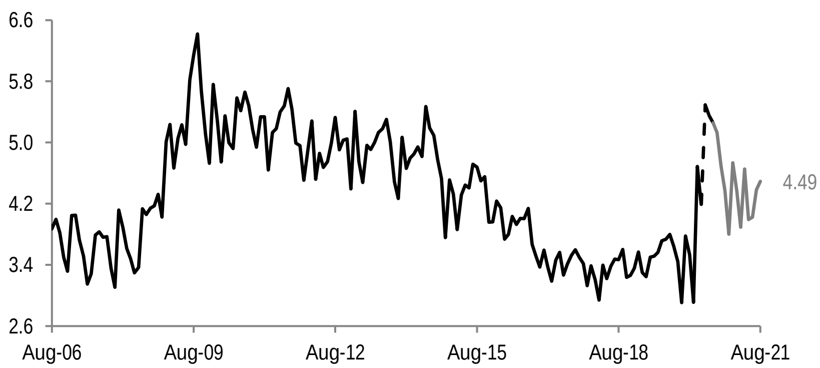
Sector related indicators were mixed. Employment affiliated to IMSS rose by 128.9 thousand positions, the largest expansion for a comparable month in the historical series (1997). Nevertheless, with seasonally adjusted figures the uptick was only at +60.3 thousand, lowest since February.

We still are cautious about these figures as we think they are highly skewed due to recent changes in the *Federal Labor Law* on outsourcing, with companies rushing to adjust before the September 1st deadline came into effect. We also don't rule out other sharp effects or distortions on overall employment figures, at least temporarily. Meanwhile, related indices within aggregate trend indicators were mostly favorable, with gains in three out of the four-major sectors: construction, commerce, and private non-financial services. Only manufacturing was lower. In contrast, employment components within IMEF indicators were negative, falling in both manufacturing (-1.0pts) and non-manufacturing (-0.4pts). Lastly, signals for economic activity were tilted to the downside given the deterioration in virus conditions.

On complementary indicators, the participation rate seems to have reestablished a positive trend. Part-time levels could keep improving, albeit likely at a modest pace as limitations on demand remain for some services because of the pandemic. Informality dynamics remain very uncertain after declining in the past couple of months. Wages will likely remain to the upside, benefiting all year long from the 'lighthouse effect' resulting from minimum wage hikes, as well as being pushed higher by elevated inflation.

Performance will be key for the preliminary analysis of the effect from the 'third wave'. In our view, it could shed light on how people and businesses have faced this phase of the pandemic. Going forward, the unemployment rate is poised to remain volatile, with some important one-off effects still in the cards in the very short-term, including the (optional) return to live classes and the start of new restrictions on outsourcing, both from September 1st onwards.

Unemployment rate
%, nsa



Source: INEGI, Banorte

Weekly international reserves report. Last week, net international reserves decreased by US$136 million, closing at US$198.5 billion (please refer to the following table). According to Banxico's report, this was explained by a negative valuation effect in institutional assets. So far this year, the central bank's international reserves have increased by US$2.7 billion.

Banxico's foreign reserve accumulation details
US$, million

	2020	Sep 17, 2021	Sep 17, 2021	Year-to-date
	Balance		Lows	
International reserves (B)-(C)	195,667	198,402	-136	2,734
(B) Gross international reserve	199,056	211,608	14	12,551
Pemex	--	--	0	449
Federal government	--	--	-21	114
Market operations	--	--	0	0
Other	--	--	35	11,988
(C) Short-term government's liabilities	3,389	13,206	150	9,817

Source: Banco de México

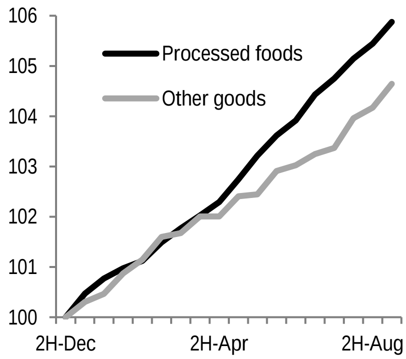
Banking credit to extend its recovery in August. As in the past two months, figures should keep benefiting from a less challenging base effect. We recall that credit decelerated sharply in the second half of last year, especially corporates, but also consumer loans. Another relevant driver would be related to economic performance and overall sentiment. In this sense, we think both businesses and consumers have stayed cautious, most recently because of the deterioration in epidemiological conditions. As a result, we forecast a mild improvement, with total credit at -7.1% (previous: -9.7%). By sectors, consumer loans would stand at -5.0%, with corporates still weak at -10.5%. Mortgages would remain as the most stable –relatively isolated from base effects– at 3.8%. We should mention that the effect of inflation is quite positive, as it improved by 21bps to 5.59%.

Banxico to hike for the third time this year, still concerned about core inflation. On Thursday, Banco de México will carry out its sixth decision of 2021, in which we expect a 25bps hike, taking the reference rate to 4.75%. We believe the decision will be split again, with Deputy Governors Galia Borja and Gerardo Esquivel dissenting. We remain focused especially on the vote of Deputy Governor Jonathan Heath, as in our view he remains as the 'swing voter' given his highly "data dependent" approach. Considering the challenging outlook, especially for inflation (including data released since the last decision), as well as the Fed's latest signal of an upcoming tapering later this year, we believe that he will continue voting for a hike –along Governor Alejandro Díaz de León and Deputy Governor Irene Espinosa–. This is in line with consensus, both from analysts, according to recent surveys, and market participants (with rates futures already discounting this adjustment).

Since the last decision, headline inflation was broadly unchanged, from 5.86% in 2H-July to 5.87% in 1H-September. This was observed even with a favorable base effect, as inflation in the same period last year climbed 44bps. Moreover, this happened after the sizable downward move of LP gas due to the introduction of a price ceiling. Stripping this one-off adjustment, inflation would have been even higher on other pressures, both at the core and non-core. In turn, it is our take that those affecting the first component remain the most concerning. Within the same timeframe, it rose from 4.68% to 4.92% y/y, stringing nine months in a row higher. Inside, the most affected categories have been goods (chart below, left) and other services (chart below, middle). The most relevant drivers include: (1) Additional cost pressures on raw materials, both for production and packaging; (2) persistent supply chain issues and higher shipping costs; and (3) higher energy prices globally, with second round effects in other categories.

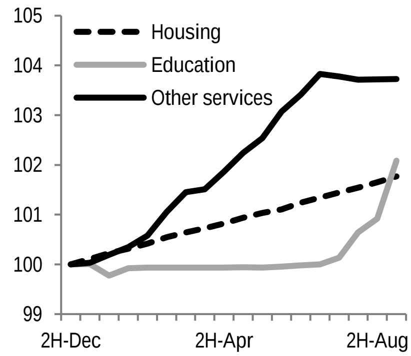
Although these factors are not new, uncertainty surrounding when they could start to fade away remains very high. Currently, expectations have been shifting towards a longer waiting period for a resolution, in our view increasing risks to prices. This also require caution given the long-term effects these could have on the price formation process and expectations. More positively though, we have had early signs of a slight moderation in the pace of some key categories, such as corn tortillas, restaurants and dining away from home. We do not rule out that they were benefited by the one-off effect in LP gas. Nevertheless, global price pressures for this good continue, with the trend likely remaining to the upside, albeit more gradually –and possibly for longer– than before. In this context, financial instruments continue embedding a relatively high inflationary premium, consistent with prevailing concerns over the length of the impact. For example, the 3-year breakeven inflation rate has hovered around 4.4% since the last meeting (chart below, right).

Goods (core) inflation up to 1H-September
% from 2H-Dec of the preceding year



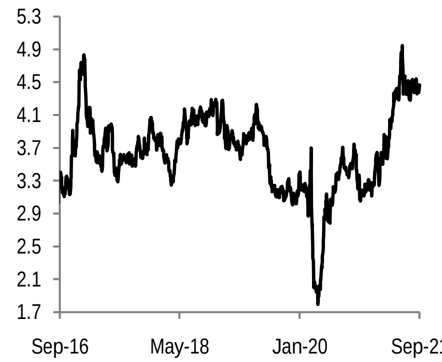
Source: INEGI

Services inflation up to 1H-September
% from 2H-Dec of the preceding year



Source: Banorte with data from INEGI

3-year breakeven inflation
%



Source: PiP

We recall that the central bank will update again its inflation forecasts in the statement. For 3Q21. so far inflation has averaged 5.7%, slightly higher than the 5.6% forecast. For the estimate to materialize, inflation in 2H-September would have to come in at least at -0.64% 2w/2w. The latter is much lower than its five year-average at 0.04% (minimum: -0.17%). A similar situation happens for the core, averaging 4.8% vs. Banxico's 4.7%. Our forecasts point to an additional increase in both metrics not only in the last print for the quarter, but also for the remainder of the year. As such, while an upward adjustment in the 3Q21 forecast is almost certain, not ruling out further tweaks for upcoming quarters.

CPI forecasts
% y/y, quarterly average

	2Q21	3Q21	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23
Headline	6.0*	5.6	5.7	5.2	3.9	3.2	3.4	3.1	3.1
Core	4.4*	4.7	5.0	5.1	4.4	3.6	3.3	3.1	3.0

Source: Banco de México. *Observed data

On activity, we will watch any comment about the potential impact of the 'third wave' of COVID-19 cases. So far, data suggests a mild shock, especially vs. previous outbreaks. However, we do not have hard data yet for August, in which conditions were at its worst. While a rapid improvement seems to be happening in September, we are still weary of another wave as winter approaches. Considering this, the Board will likely maintain a cautious approach, bolstering their data dependent approach.

On financial conditions, the market reaction after the last FOMC meeting was broadly positive despite sounding more hawkish at the margin as the Fed hinted the start of tapering later this year. Some Board members are likely to maintain a keen eye on portfolio flows as other EM competitors remain in their own hiking cycles, such as Brazil, Chile, Peru, and Russia, among others. Moreover, nervousness about financial stability in China have risen. If the situation worsens, emerging markets are likely going to be hit further. This leaves less room to maneuver in terms of the relative monetary stance. The MXN remained well behaved, with lower short-term implied volatility since the decision, a high of 20.46 in late August and a low of 19.85. Most local rates sold off, with heavier losses at the belly and in Mbonos relative to Udibonos, while the stock market inched higher.

Since the *Quarterly Report* on August 31st, comments from Board members have been sparse. Governor Díaz de León participated in a forum organized by *Expansión*, in which he mentioned that lower inflationary pressures will be more evident in coming months when looking at quarterly figures. While this points to a more dovish tilt, he also acknowledged that current interest rate levels are still providing stimulus to the economy. Meanwhile, in a forum held by INEGI, Deputy Governor Heath stated that monetary policy is in a tight position, trying to balance a loose stance to foster the recovery while simultaneously fighting high inflation. However, he added that the current policy stance is adequate given these factors. This is consistent with the comments that we believe he made in the latest minutes, taking an even more "data dependent" approach.

After the decision, we expect Banxico to remain on a hiking path, taking the rate to 5.25% by year-end with two additional 25bps increases. For 2022 we continue penciling in +25bps in each of the first two meetings of the year and a third one in December, with the latter in response to the Fed's preparation for the start of rate hikes. As a result, the benchmark rate would end said period at 6.00%.

MoF's public finance report (Jan-Aug). Attention will center on the Public Balance and Public Sector Borrowing Requirements (PSBR). With this being a monthly report, We do not expect updates on the macro framework and other fiscal variables as this is a monthly report, but especially because the MoF did this as part of the *2022 Budget* on September 8th. As such, the comparisons will be made relative to this last release. Until July, the PSBR deficit amounted to $434.4 billion, with the traditional public deficit at $242.7 billion. We will also pay attention to revenue and spending dynamics in the annual comparison, looking for clues about activity and possible expenditure adjustments. Lastly, we will analyze public debt, which on July stood at MXN$12.5tn (as measured by the Historical Balance of the PSBR).

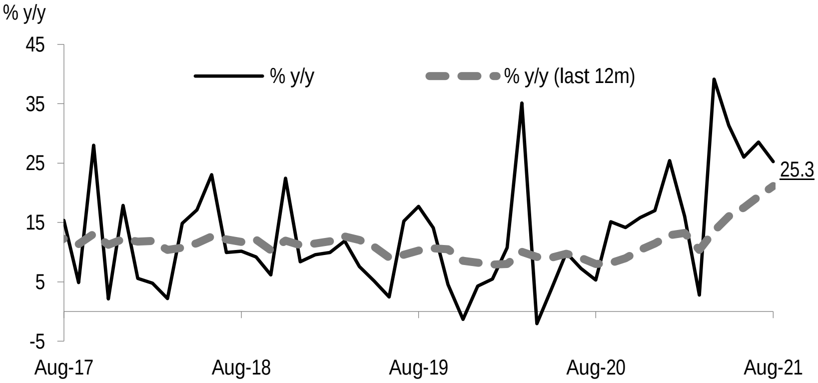
Remittances to maintain a brisk pace in August. We expect remittances at US$4,476.8 million (+25.3% y/y), while slowing down relative to July (US$4,540.3 million), but still be the third highest in history. We think figures will continue to be supported by US labor market strength, with relevant increases in both employment levels and wages. This would happen despite an additional reduction in unemployment benefits in several states.

Specifically, the unemployment rate among Hispanics and Latinos in the US fell from 6.6% in July to 6.4% in August, lowest since the pandemic started. In addition, working-age Mexican migrants rose for the first time since February, up 119.3 thousand people. Positively, 106.9 thousand jobs were created in this group –including ‘natives’, ‘non-native citizens’, and ‘non-citizens’ (legal or illegal)–. In addition, those classified as unemployed fell by 101.1 thousand. We believe the latter might be related to the expiration of additional unemployment benefits in some states. In July, 4 more states canceled the extra US$300 a week for unemployed, added up to other 21 states that had done so in June. We note that these benefits expired until September 4th in California, the state with most Mexican migrants, so this likely stayed as an additional support for flows.

On migration, the US Supreme Court ordered the suspension of the “Remain in Mexico” policy, which was implemented in late July as a judicial order in Texas was reinstated. This implied that people had to wait in Mexico until a solution to their migration is reached. At the margin this could continue supporting a favorable sentiment among migrants, albeit with a limited impact on flows. On the other hand, the exchange rate was stable, averaging USD/MXN 20.08 vs. 19.97 in July, likely not an important driver in the period.

Remittances have persistently surprised to the upside, boosted by the US recovery and stimulus measures, as well as extraordinary efforts by migrants to support their families back in our country. We maintain our call of inflows between US$48-48.5 billion this year –matching the government’s latest estimate– despite risks still skewed to the upside, not ruling out even higher inflows.

Family remittances
% y/y



Source: Banxico

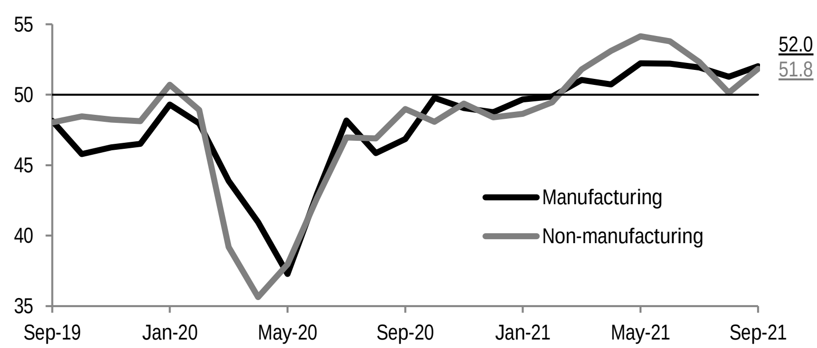
Banxico’s survey of economic expectations. As usual, market participants will focus on inflation, growth, reference rate, and exchange rate forecasts. In the first, analysts expect 2021 year-end inflation at 6.05% y/y, practically in line with our 6.1%. Considering that the previous survey many estimates already considered the price ceiling for LP gas, we do not expect relevant changes. Moreover, we do not expect significant moves in medium and long-term expectations, albeit still above target. On GDP, this year’s estimate stands at 6.2%, matching our and the central bank’s forecast. The current view on the reference rate by YE21 is that it will reach 5.00%, suggesting two additional 25bps hikes this year (vs. our call of three increases, to 5.25%). Finally, the year-end exchange rate stands at USD/MXN 20.36 (Banorte: 20.20), possibly with marginal changes.

IMEF indicators with a slight rebound in September. We expect an uptick in both indicators after their recent string of losses, although relatively limited. They would also remain above the 50pts threshold, signaling that the recovery continued despite its slower pace.

We expect manufacturing at 52.0pts from 51.3pts in August. Specifically, this would be driven by the sector's dynamism in the US. In this respect, *Markit*'s PMI manufacturing for that country moderated to 60.5pts from 61.1pts in the previous month. This signals lower growth, although still very strong. Furthermore, the details were more positive, with new business picking up on strong demand and new export orders advancing at their highest pace in the last four months. Reports continue showing limits due to material shortages, transportation issues and supply constraints. This is also relevant as selling price inflation accelerated to a record since the start of the series (May 2007). In our view, growth will continue but remains constrained by these problems. Locally, president López Obrador said that railway and highway blockades in the state of Michoacán should end as they have a meaningful effect on economic activity. Other likely headwinds include uncertainty about recent USMCA disputes as well as a potential impact from the start of the hurricane season, especially in oil mining and construction. Overall, we see favorable external demand as allowing the sector to keep growing, albeit not as fast as possible due to these lingering issues.

We expect non-manufacturing at 51.8pts from 50.1pts. The main driver would be the relative improvement in COVID-19 conditions, helping reduce uncertainty and consumers' cautiousness at the margin. Daily cases reached a peak in late August and started to come down since then, while vaccinations accelerated modestly in the first half of the month. We expect the highest rebound in both 'production' and 'new orders' as these components saw the most sizable setbacks since the evolution of the pandemic worsened again. Despite of this, other issues remain as relevant concerns, with the main one being signs of a broader increase in prices in the 1H-September. This will likely dampen the effect of recent gains in employment and remittances growth, with purchasing power hit more severely when basic goods are among those with more sizable price adjustments, as has been observed recently.

IMEF indicators
Diffusion indicators, sa



Source: IMEF, Banorte

Analyst Certification

We, 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, Alik Daniel García Alvarez, Víctor Hugo Cortes Castro, Hugo Armando Gómez Solís, Miguel Alejandro Calvo Domínguez, Luis Leopoldo López Salinas, Leslie Thalía Orozco Vélez, Gerardo Daniel Valle Trujillo 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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Last-twelve-month activities of the business areas.

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Activities of the business areas during the next three months.

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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.

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