

Ahead of the Curve

October 14, 2016

Market focus this week will on *Banamex* survey

- Banamex survey.** On Friday at 4:30pm (EDT) Banamex will release its bi-weekly survey of economic expectations, where market participants will focus on analysts’ monetary policy assessments given the 50bps hike in Banxico’s reference rate, and the hawkish tone from minutes of the last monetary policy meeting. In addition, analysts will also focus on the inflation forecasts for the first half of October (to be published on Monday, October 24), as well as on CPI estimations for 2016 and 2017. Moreover, Banamex will also publish consensus’ growth and FX forecasts for 2016-17. In the first case, we do not expect strong revisions to the median GDP forecast. In the second case, we expect moderate upward revisions to the FX estimates for 2016.
- Weekly government bond auction.** Also on Tuesday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent-, will offer 3-year fixed-rate Mbonos (Dec’19), as well as 3-year inflation-linked Udibonos (Jun’19), in addition to the “more traditional” 1-, 3-, and 6- month zero-coupon Cetes. As usual, the results will be released at 12:30pm (EDT)

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Mexico weekly calendar

DATE	HOUR (EDT)	EVENT	PERIOD	UNIT	BANORTE-IXE	CONSENSUS	PREVIOUS
Tue 18-Oct	10:00am	International reserves	7-Oct	US\$ bn	--	--	175.4
Tue 18-Oct	12:30pm	Government weekly auction: 1-, 3-, and 6-month Cetes; 3y MBoNo (Dec’19); 3y Udibono (Jun’19)					
Fri 21-Oct	4:30pm	Banamex bi-weekly survey of economic expectations					

Source: Banorte-IXE; Bloomberg

Proceeding in chronological order...

Weekly international reserves report. On Tuesday, at 10:00am (EDT), Banco de Mexico will release its weekly balance report. Last week, net international reserves fell by US\$478 million amounting to US \$175.4 billion on October 7. According to Banxico's report, this figure comes mainly as a result of: (1) Dollar sales by Banxico to the Federal Government for US\$138 million; along with a (2) US\$340 million reduction due to changes in the valuation of the Central Bank's assets. In this context, the Central Bank's international reserves have diminished by US\$1,382 million this year (please refer to the table below).

Banxico's foreign reserve accumulation details

US\$, million

	2015	7/Oct/2016	7/Oct/2016	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	176,735	175,354	-478	-1,382
(B) Gross international reserve	177,597	178,364	-2,134	769
Pemex	--	--	-1,783	3,770
Federal government	--	--	-143	-198
Market operations	--	--	0	-5,562
Other	--	--	-208	2,758
(C) Short-term government's liabilities	861	3,011	-1,657	2,149

Source: Banco de México

Weekly government bond auction. Also on Tuesday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent-, will offer 3-year fixed-rate Mbonos (Dec'19), as well as 3-year inflation-linked Udibonos (Jun'19), in addition to the “more traditional” 1-, 3-, and 6- month zero-coupon Cetes (please refer to the table below). As usual, the results will be released at 12:30pm (EDT).

Auction specifics (Tuesday, October 18, 2016)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	17-Nov-16	--	5,500	4.70
3m	19-Jan-17	--	9,500	4.87
6m	12-Apr-17	--	11,000	5.08
Mbono				
3y	11-Dec-19	5.00	7,500	5.63
Udibono				
3y	13-Jun-19	4.00	750	2.24

Source: Banorte-ixe with data from Banco de México

1. Except for Udibonos, which are expressed in UDI million, everything else is expressed in MXN million. 2. Yield-to-maturity reported for Cetes, Mbonos and Udibonos

***Banamex* Survey: Market participants will focus on inflation and monetary policy forecasts.** Finally, on Friday at 4:30pm (EDT) *Banamex* will release its bi-weekly survey of economic expectations, where market participants will focus on analysts' monetary policy assessments given the 50bps hike in Banxico's reference rate, and the hawkish tone depicted in the minutes of the last monetary policy meeting.

Furthermore, analysts will also focus on the inflation forecasts for the first half of October (to be published on Monday, October 24), as well as on CPI estimations for 2016 and 2017. Moreover, *Banamex* will also publish consensus' growth and FX forecasts for 2016-17. In the first case, we do not expect strong revisions to the median GDP forecast. In the second case, we expect moderate upward revisions to the FX estimates for 2016.

Disclaimer

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