

Ahead of the Curve

September 8, 2017

Market focus this week will be on July's industrial production report

- Industrial Production (July).** On Monday at 9:00am (EDT), *INEGI* will release its monthly industrial production report. We anticipate a 0.1% yoy increase in total output during July, after the 0.3% contraction in the previous month. Taking a look at the breakdown, manufacturing production could post a moderate 2.5% yoy expansion, explained by the lower vehicle production (0.7% yoy according to *AMIA*'s figures). In addition, industrial output during July will be also explained by: (1) The scant 1.2% yoy increase in construction output, as a result of the lower growth in private construction investment projects derived from the uncertainty surrounding Mexico's economic outlook, coupled with the contraction in public investment projects, given the Federal Government's austerity program; and (2) the poor performance of mining activity, where we estimate a 6.8% yoy contraction

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Mexico weekly calendar

DATE	HOUR (EDT)	EVENT	PERIOD	UNIT	BANORTE-IXE	CONSENSUS	PREVIOUS
Mon 11-Sep	9:00am	Industrial production	July	% yoy	<u>0.1</u>	-0.2	-0.3
		(sa)		% m/m	<u>0.3</u>	0.0	0.1
		Mining		% yoy	<u>-6.8</u>	--	-7.5
		Utilities		% yoy	<u>-1.5</u>	--	-0.8
		Construction		% yoy	<u>1.2</u>	--	0.1
		Manufactures		% yoy	<u>2.5</u>	2.2	2.3
Tue 12-Sep	10:00am	International reserves	1-Sep	US\$ bn	--	--	173.2
Tue 12-Sep	12:30pm	Government weekly auction: 1-, 3-, 6-, 12-month CETES; 30y Mbono (Nov'47); 30y Udibono (Nov'46); 5y Bondes D					

Source: Banorte-IXE; Bloomberg

Proceeding in chronological order...

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Industrial production estimate: July 2017

% yoy nsa; % m/m sa

% yoy	Jul-17	Jul-16	Jan-Jul, '17	Jan-Jul, '16
Total	0.1	-1.4	-0.2	0.1
Mining	-6.8	-6.6	-9.7	-4.3
Utilities	-1.5	6.1	-1.2	3.7
Construction	1.2	-1.0	0.1	1.7
Manufacturing	2.5	-0.6	3.4	0.9

%m/m	Jul-17	Jun-17	Difference
Total	0.3	0.1	0.2
Mining	0.1	0.1	0.0
Utilities	0.5	1.0	-0.5
Construction	0.1	0.3	-0.2
Manufacturing	0.3	-0.2	0.5

Source: Banorte-ixe

Weekly international reserves report. On Tuesday, at 10:00am (EDT), Banco de Mexico will release its weekly balance report. Last week, net international reserves increased by US\$216 million amounting to US\$173 billion. According to Banxico's report, this figure comes mainly as a result of: (1) US\$29 million dollar sales from Banxico to the Federal Government; and (2) a positive revalorization in central bank assets amounting to US\$245 million. In this context, the Central Bank's international reserves have diminished by US\$3.3 billion this year (please refer to the table below).

Banxico's foreign reserve accumulation detail

US\$, million

	2016	Sep 1, 2017	Sep 1, 2017	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	176,542	173,247	216	-3,294
(B) Gross international reserve	178,025	174,883	436	-3,142
Pemex	--	--	218	-510
Federal government	--	--	55	-3,791
Market operations	--	--	0	-2,000
Other	--	--	163	3,160
(C) Short-term government's liabilities	1,483	1,635	220	152

Source: Banco de México

Weekly government bond auction. On Tuesday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent-, will offer 30-year fixed-rate Mbonos (Nov'47), 30-year inflation-linked Udibonos (Nov'46), 5-year Bondes D, in addition to the “more traditional” 1-, 3-, 6-, and 12-month zero-coupon Cetes (please refer to the table below). As usual, the results will be released at 12:30pm (EDT).

Auction specifics (Tuesday, September 12, 2017)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	12-Oct-17	--	7,000	6.98
3m	14-Dec-17	--	11,000	7.11
6m	15-Mar-18	--	11,500	7.16
12m	16-Aug-18	--	12,500	7.22
Bondes D				
5y	08-Sep-22	--	3,750	0.17
M Bono				
30y	07-Nov-47	8.00	3,500	7.25
Udibonos				
30y	08-Nov-46	4.00	UDIS 400	3.58

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

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