

Ahead of the Curve

Market focus this week will be on November's family remittances and December's PMIs

- **Family remittances (November).** On Tuesday, at 10:00am (ET), Banxico will make its family remittances monthly data available. We expect Mexican workers living abroad -mainly in the US-, to have sent US\$2,190.8 million to their families in Mexico during November. This would imply a 7.6% yoy contraction. We highlight that the reduction in remittances inflows during November will be explained by two factors: (1) The appreciation of the Mexican peso right after October's strong depreciation; and (2) a base effect, since family remittances registered a strong annual increase of 25.1% in November 2016, right after the electoral result in the United States.
- **IMEF PMI surveys (December).** Additionally on Tuesday, *IMEF* (Mexican Institute of Financial Executives) will publish its PMI business confidence indicators for December. We expect the manufacturing PMI at 52.4 points (seasonally adjusted figures). Regarding the non-manufacturing PMI, we believe that it will stand at 52 points from 52.5 points (seasonally adjusted figures).

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Document for distribution among the general public

Mexico weekly calendar

DATE	HOUR (ET)	EVENT	PERIOD	UNIT	BANORTE-IXE	CONSENSUS	PREVIOUS
Tue 2-Jan	11:00am	Family remittances	November	US\$ mn	<u>2,190.8</u>	2,507.8	2,642.7
Tue 2-Jan	1:30pm	Government weekly auction: 1-, 3-, 6-, 12-month CETES; 20y Mbono (Nov'38); 30y Udibonos (Nov'46); 5y Bondes D					
Tue 2-Jan	2:00pm	PMI's survey (IMEF)	December				
		Manufacturing		index	<u>52.4</u>	52.4	52.6
		Non-manufacturing		index	<u>52.0</u>	52.0	52.5
Wed 3-Jan	11:00am	International reserves	29-Dec	US\$ bn	--	--	172.5

Source: Banorte-IXE; Bloomberg

Proceeding in chronological order...

Family remittances will post a 7.6% yoy contraction in November. On Tuesday, at 10:00am (ET), Banxico will make its family remittances monthly data available. We expect Mexican workers living abroad -mainly in the US-, to have sent US\$2,190.8 million to their families in Mexico during November. This would imply a 7.6% yoy contraction.

We highlight that the reduction in remittances inflows during November will be explained by two factors: (1) The appreciation of the Mexican peso right after October’s strong depreciation; and (2) a base effect, since family remittances registered a strong annual increase of 25.1% in November 2016, right after the electoral result in the United States.

Looking ahead, we believe that the flow of remittances will be mainly explained by the Trump’s anti-migration policy, which has fostered a greater flow of remittances to Mexico, despite the fact that labor opportunities for Mexican migrants without citizenship have become scarce.

Weekly government bond auction. Also on Tuesday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent–, will offer 20-year fixed rate Mbonos (Nov’38), 30-year inflation-linked Udibonos (Nov’46) and 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 (ET).

Auction specifics (Tuesday, January 2, 2017)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	01-Feb-18	--	11,000	7.22
3m	05-Apr-18	--	14,000	7.36
6m	05-Jul-18	--	11,500	7.53
12	06-Dec-18	--	12,500	7.33
Bondes D				
5y	10-Nov-22	--	4,500	0.18
M Bono				
20y	18-Nov-38	8.50	2,500	7.52
Udibonos				
30y	08-Nov-46	4.00	UDIS 400	3.73

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

December’s PMI surveys. Additionally on Tuesday, *IMEF* (Mexican Institute of Financial Executives) will publish its PMI business confidence indicators for December. We expect the manufacturing PMI at 52.4 points (seasonally adjusted figures). We believe that the reduction in the manufacturing PMI during the month will be explained by a marginal slowdown in the production and new orders components. Moreover, it is likely that the uncertainty regarding the prospects of the Mexican manufacturing industry under Trump’s economic policies will continue to weigh in a lesser manner on the index.

Regarding the non-manufacturing PMI, we believe that it will stand at 52 points from 52.5 points (seasonally adjusted figures). We consider that the slight slowdown will reflect the lower dynamism of private consumption in the recent months given the high inflation levels.

Weekly international reserves report. On Wednesday, at 10:00am (ET), Banco de Mexico will release its weekly balance report. Last week, net international reserves decreased by US\$74 million amounting to US\$172.5 billion. According to Banxico's report, this figure comes mainly as a result of a negative valuation effect in central bank assets. In this context, the Central Bank's international reserves have diminished by US\$4.1 billion this year (please refer to the table below).

Banxico's foreign reserve accumulation detail

US\$, million

	2016	Dec 22, 2017	Dec 22, 2017	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	176,542	172,465	-74	-4,077
(B) Gross international reserve	178,025	175,221	913	-2,804
Pemex	--	--	738	216
Federal government	--	--	254	-4,016
Market operations	--	--	0	-2,000
Other	--	--	-79	2,996
(C) Short-term government's liabilities	1,483	2,756	987	1,273

Source: Banco de México

Disclaimer

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