

Ahead of the Curve

September 11, 2015

Market focus this week will on the aggregate demand report

- Aggregate demand report (2Q15).** On Friday, *INEGI* will publish its aggregate supply and demand report for 2Q15, where we believe aggregate demand increased 2.4% yoy, vs. the 3.5% yoy expansion observed in 1Q15. Taking a look at the breakdown, we expect a 3.3% yoy increase in private consumption, while we estimate a significant 5.5% yoy expansion for gross fixed investment. However, we believe that government spending will likely show a moderate 2.2% yoy growth
- Weekly government bond auction.** On Monday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent-, will offer 20-year fixed-rate Mbonos (Nov’34), 30-year inflation-linked Udibonos (Nov’46), as well as 5-year BondesD, in addition to the “more traditional” 1-, 3-, 6- and 12- month zero-coupon Cetes. As usual, the results will be released at 12:30pm (EDT)

www.banorte.com
www.ixe.com.mx
@analisis_fundam

Gabriel Casillas
Chief Economist and Head of Research
gabriel.casillas@banorte.com

Delia Paredes
Executive Director of Economic Analysis
delia.paredes@banorte.com

Alejandro Cervantes
Senior Economist, Mexico
alejandro.cervantes@banorte.com

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Mexico weekly calendar

DATE	HOUR (EDT)	EVENT	PERIOD	UNIT	BANORTE-IXE	CONSENSUS	PREVIOUS
Mon 14-Sep	12:30pm	Government weekly auction: 1-, 3-, 6-, 12- month CETES; 30y Mbono (Nov'34); 30y Udibono (Nov'46); 5y BondesD					
Tue 15-Sep	10:00am	International reserves	11-Sep	US\$ bn	--	--	184.5
Wed 16-Sep		Banking holiday: Mexico's Independence Day					
Fri 18-Sep	9:00am	Aggregate Demand	2Q15	% yoy	<u>2.4</u>	--	3.5
		Private consumption		% yoy	<u>3.3</u>	--	3.2
		Government consumption		% yoy	<u>2.2</u>	--	3.2
		Gross-fixed investment		% yoy	<u>5.5</u>	--	5.4

Source: Banorte-IXE; Bloomberg

Proceeding in chronological order...

On Wednesday, financial markets will remain closed in Mexico. On the logistics side, and before we start with next week's description, it is worth noting that next week Mexico will have a short week with a banking holiday on Wednesday (September 16), as the country observes the Anniversary of the Mexican Independence.

Weekly government bond auction. On Monday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent-, will offer 20-year fixed-rate Mbonos (Nov'34), 30-year inflation-linked Udibonos (Nov'46), as well as 5-year BondesD, 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 (Monday, September 14, 2015)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	15-Oct-15	--	5,500	3.11
3m	17-Dec-15	--	9,500	3.40
6m	17-Mar-16	--	11,000	3.54
12m	18-Aug-16	--	11,000	3.70
Mbono				
20y	23-Nov-34	7.75	3,000	6.56
Udibono				
30y	08-Nov-46	4.00	500	3.57
Bondes D				
5y	30-Jul-20	--	4,000	0.25

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

Weekly international reserves report. On Tuesday, at 10:00am (EDT), Banco de Mexico will release its weekly balance report. Last week, net international reserves decreased by US\$1,289mn amounting to US \$184.5bn on September 4. According to Banxico's report, this figure comes mainly as a result of: (1) Dollar sales by the Central Bank to the Federal Government for US\$22mn; (2) US\$1,000mn decrease explained by the introduction of Banxico's USD daily auction without minimum price and US\$200mn with minimum price; along with a (3) US\$67mn reduction due to changes in the valuation of the Central Bank's assets. It is worth noting that Pemex is currently the only significant source of reserve accumulation. In this context, the central bank has an accumulated reduction of US\$8,742mn international reserves this year.

Banxico's foreign reserve accumulation details

US\$, million

	2014	04/Sep/2015	04/Sep/2015	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	193,239	184,496	-1,289	-8,742
(B) Gross international reserve	195,682	185,773	-1,361	-9,909
Pemex	--	--	-83	2,869
Federal govt	--	--	18	-788
Market operations	--	--	-1,200	-11,405
Other	--	--	-96	-585
(C) Short-term government's liabilities	2,443	1,277	-72	-1,166

Source: Banco de México

We estimate a 2.4% yoy expansion in aggregate demand (AD) during 2Q15.

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GRUPO FINANCIERO BANORTE S.A.B. de C.V.
Research and Strategy

Gabriel Casillas Olvera	Chief Economist and Head of Research	gabriel.casillas@banorte.com	(55) 4433 - 4695
Raquel Vázquez Godínez	Assistant	raquel.vazquez@banorte.com	(55) 1670 - 2967

Economic Analysis

Delia María Paredes Mier	Executive Director of Economic Analysis	delia.paredes@banorte.com	(55) 5268 - 1694
Alejandro Cervantes Llamas	Senior Economist, Mexico	alejandro.cervantes@banorte.com	(55) 1670 - 2972
Katia Celina Goya Ostos	Senior Global Economist	katia.goya@banorte.com	(55) 1670 - 1821
Miguel Alejandro Calvo Domínguez	Economist, Regional & Sectorial	miguel.calvo@banorte.com	(55) 1670 - 2220
Juan Carlos García Viejo	Economist, International	juan.garcia.viejo@banorte.com	(55) 1670 - 2252
Rey Saúl Torres Olivares	Analyst	saul.torres@banorte.com	(55) 1670 - 2957
Lourdes Calvo Fernández	Analyst (Edition)	lourdes.calvo@banorte.com	(55) 1103 - 4000 x 2611

Fixed income and FX Strategy

Alejandro Padilla Santana	Head Strategist – Fixed income and FX	alejandro.padilla@banorte.com	(55) 1103 - 4043
Juan Carlos Alderete Macal, CFA	FX Strategist	juan.alderete.macal@banorte.com	(55) 1103 - 4046
Santiago Leal Singer	Analyst Fixed income and FX	santiago.leal@banorte.com	(55) 1670 - 2144

Equity Strategy

Manuel Jiménez Zaldivar	Director Equity Research — Telecommunications / Media	manuel.jimenez@banorte.com	(55) 5268 - 1671
Victor Hugo Cortes Castro	Equity Research Analyst	victorh.cortes@banorte.com	(55) 1670 - 1800
Marissa Garza Ostos	Senior Equity Research Analyst – Conglomerates/Financials/ Mining/ Chemistry	marissa.garza@banorte.com	(55) 1670 - 1719
Marisol Huerta Mondragón	Equity Research Analyst – Food/Beverages	marisol.huerta.mondragon@banorte.com	(55) 1670 - 1746
José Itzamna Espitia Hernández	Equity Research Analyst – Airports / Cement / Infraestructure / Fibras	jose.espitia@banorte.com	(55) 1670 - 2249
Valentín III Mendoza Balderas	Equity Research Analyst – Auto parts	valentin.mendoza@banorte.com	(55) 1670 - 2250
María de la Paz Orozco García	Analyst	maripaz.orozco@banorte.com	(55) 1670 - 2251

Corporate Debt

Tania Abdul Massih Jacobo	Director Corporate Debt	tania.abdul@banorte.com	(55) 5268 - 1672
Hugo Armando Gómez Solís	Analyst, Corporate Debt	hugo.gomez@banorte.com	(55) 1670 - 2247
Idalia Yanira Céspedes Jaén	Analyst, Corporate Debt	idalia.cespedes@banorte.com	(55) 1670 - 2248

Wholesale Banking

Armando Rodal Espinosa	Head of Wholesale Banking	armando.rodal@banorte.com	(55) 1670 - 1889
Alejandro Eric Faesi Puente	Head of Global Markets and Institutional Sales	alejandro.faesi@banorte.com	(55) 5268 - 1640
Alejandro Aguilar Ceballos	Head of Asset Management	alejandro.aguilar.cebillos@banorte.com	(55) 5268 - 9996
Arturo Monroy Ballesteros	Head of Investment Banking and Structured Finance	arturo.monroy.ballesteros@banorte.com	(55) 5004 - 1002
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
René Gerardo Pimentel Ibarrola	Head of Asset Management	pimentelr@banorte.com	(55) 5268 - 9004
Ricardo Velázquez Rodríguez	Head of International Banking	ricardo.velazquez@banorte.com	(55) 5268 - 9879
Victor Antonio Roldan Ferrer	Head of Corporate Banking	victor.rolan.ferrer@banorte.com	(55) 5004 - 1454