

Ahead of the Curve

July 10, 2015

No relevant economic reports next week

- 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 \$195mn amounting to US \$192.2bn on July 3. According to Banxico’s report, this figure comes mainly as a result of: (1) Dollar sales by Pemex to the Central Bank for US \$250mn; (2) dollar sales by Banxico to the Federal Government for US \$94mn; (3) US \$260mn decrease explained by the introduction of Banxico’s USD daily auction; along with a (4) US \$91mn decrease due to changes in the valuation of the Central Bank’s assets
- Weekly government bond auction.** On Tuesday, the Ministry of Finance (MoF) –via Banco de Mexico as its financial agent-, will offer 5-year fixed-rate Mbonos (Jun’21) as well as 10-year inflation-linked Udibonos (Dec’25), 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 14-Jul	10:00am	International reserves	10-Jul	US\$ bn	--	--	192.2
Tue 14-Jul	12:30pm	Government weekly auction: 1-, 3-, and 6-month Cetes; 5y Mbono (Jun'21); 10y Udibono (Dec'25)					

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 decreased by US \$195mn amounting to US \$192.2bn on July 3. According to Banxico's report, this figure comes mainly as a result of: (1) Dollar sales by Pemex to the Central Bank for US \$250mn; (2) dollar sales by Banxico to the Federal Government for US \$94mn; (3) US \$260mn decrease explained by the introduction of Banxico's USD daily auction; along with a (4) US \$91mn decrease 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, given that on November 2011, the FEC (Federal Exchange Commission) decided to shut down the options scheme that Banxico also used to accumulate reserves. In this context, the central bank has an accumulated reduction of US \$1,031mn international reserves this year (please refer to the table below).

Banxico's foreign reserve accumulation details

US\$, million

	2014	03/Jul/2015	03/Jul/2015	Year-to-date
	Balance		Flows	
International reserves (B)-(C)	193,239	192,207	-195	-1,031
(B) Gross international reserve	195,682	193,654	-115	-2,027
Pemex	--	--	345	3,186
Federal govt	--	--	-62	-65
Market operations	--	--	-208	-4,152
Other	--	--	-189	-996
(C) Short-term government's liabilities	2,443	1,447	87	-996

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 5-year fixed-rate Mbonos (Jun'21) as well as 10-year inflation-linked Udibonos (Dec'25), 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, July 14, 2015)

	Maturity	Coupon rate, %	To be auctioned ¹	Previous yield ²
Cetes				
1m	13-Aug-15	--	5,500	2.96
3m	15-Oct-15	--	9,500	3.12
6m	07-Jan-16	--	11,000	3.27
Mbono				
5y	10-Jun-21	6.50	8,500	5.33
Udibono				
10y	04-Dec-25	4.50	750	2.99

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

Disclaimer

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