

Banxico announces changes to its monetary policy meeting schedule for 2H15

- **Banxico just updated its monetary policy meeting schedule for 2H15**
- **The aim of these changes is to synchronize monetary policy decisions in Mexico with those of the U.S. Fed, given the importance of the relative monetary policy stance between the two countries**
- **In our view, the change in the timing of monetary policy decisions is positive because it eliminates a factor of additional uncertainty to the volatility that might be generated after the Fed decides to start monetary policy normalization**
- **Fixed income and FX strategy: Calendar changes reinforce the signal that Banxico will hike immediately after the Fed**

Changes to Banxico’s monetary policy meeting schedule for 2H15. Banxico just updated its monetary policy meeting schedule for 2H15. The aim of these changes is to synchronize monetary policy decisions in Mexico with those of the U.S. Fed, given the importance of the relative monetary policy stance between the two countries. The new dates will allow the monetary authority to have the latest information on U.S. Fed monetary policy decisions at the time of each meeting.

Modified monetary policy decisions schedule 2H15

Month	FOMC announcement	Banxico New Schedule	Banxico Previous
July	28-29	30	23
September	16-17	21*	3
October	27-28	29	15
December	15-16	17	3

Source: Federal Reserve

*This meeting will take place on Monday, instead of Thursday as it has been the case as of 2015

We maintain our view that the central bank's next move will be a hike, immediately after the Fed. While Banxico’s central scenario seems to be of economic activity weakness and inflation below target until year-end, the prospects of higher rates in the United States pose a significant risk to exchange rate and inflation levels in Mexico. Given this, we believe that Banxico’s next move will be a rate hike, immediately after the Fed starts its normalization of monetary policy in September 16-17. This implies that the Mexican central bank could be raising rates at its meeting on September 21. In our view, the change in the timing of monetary policy decisions is positive because it eliminates a factor of additional uncertainty to the volatility that might be generated after the Fed decides to start monetary policy normalization.

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From our fixed income and FX strategy team

Calendar changes reinforce the signal that Banxico will hike immediately after the Fed. Short-term TIE swaps reacted to the announcement with a 2bp average increase. In particular, the six-month tenor TIE-IRS (6x1) crept up from 3.43% to 3.45%, one-year (13x1) went from 3.74% to 3.78%, and the two-year maturity (26x1) from 4.24% to 4.27%. We did not observe a strong reaction in Mbonos. As we have mentioned previously, we believe that Banxico will act immediately after the Fed announces its first rate hike, which we still believe expect in September. We have already positioned for this scenario in recent days through a new trade recommendation. In this context, the announcement helps us reinforce our view, so we maintain our recommendation awaiting for an additional flattening of the curve: Long positions in 10-year TIE-IRS (130x1) and short positions in 2-year TIE-IRS (26x1), currently at 220pb (entry: 230bps; target: 200bps; stop-loss: 250bps). For further details, please refer to our note: “*Mexico Trade Idea: TIE-IRS 2y10y flattener*” published on June 25, 2015, [[PDF](#)].

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